AAK Report 2011

AAK in 60 seconds

- AAK's vision is to be the first choice in value-added vegetable oil solutions.
- AAK is organised in three business areas: Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed.
- AAK has more than a century of unrivalled experience with vegetable oils for a broad spectrum of applications. Our customers are primarily from the food, confectionery and cosmetics industries. We also supply the animal feed and technical industries.
- AAK's products are ingredients, including alternatives to dairy fat and cocoa butter, trans-free solutions, low saturated fats solutions, nutritious fats for infant formula, environmentally-friendly lubricants, and healthy skin care products. A growing number of AAK's products are sold as brand products to consumers.
- AAK's raw materials are derived from renewable sources primarily sourced in Northern Europe (rapeseed), West Africa (shea) and Southeast Asia (palm).
- AAK's eleven production plants are located in Denmark, the Netherlands, Mexico, Sweden, the UK, Uruguay and the US. We also have sourcing operations, toll manufacturing and sales offices in several key locations around the world.

- New products are developed in close partnership with customers, drawing on oils and fats expertise and knowledge of market trends. Close relations enable AAK to create strong, lasting solutions that meet customer needs, expectations and high standards.
- AAK is one of the founders of the Roundtable on Sustainable Palm Oil (RSPO). AAK also founded and operates GreenPalm, which provides an exclusive web-based platform for the trade in certificates for sustainable palm oil. Through these and other initiatives, AAK continuously contributes to the production of sustainable palm oil.
- The parent company, AarhusKarlshamn AB, is a Swedish-registered joint-stock company. The company's shares are listed on NASDAQ OMX, Stockholm, in the Mid Cap segment, Consumer Commodities sector.
- AAK Report 2011 is part of the AAK Annual Report 2011.

Contents

2011 in brief

- The AAK Acceleration programme was embedded in the AAK culture. Based on AAK's existing speciality strategy, the programme strengthens AAK's focus on execution, concentrating on growth, efficiency and people for the medium and long term.

- Group Management was reinforced, becoming much more international equipping AAK to take better global advantage of its product portfolio and to improve the platform for global growth. The global organization was also partly retooled and becoming more flatter, faster and more responsive to customer inputs and needs.

- Successful product launches, new customers and entry into new markets resulted in continued volume growth, in Bakery, Dairy, Chocolate & Confectionery Fats and Infant Nutrition.

- New sales offices were opened in Shanghai, China and Düsseldorf, Germany in order to support AAK's global growth strategy. By strengthening local presence, the aim is to develop further the strong innovation platform, in close collaboration with customers.

- AAK acquired the Golden Foods/Golden Brands business of Louisville, Kentucky on 1 July 2011. This important addition to the Bakery and Food Service business is an important step in the AAK Acceleration growth strategy. This business is now successfully fully integrated in AAK US under the name AAK Louisville.

- AAK published a new sustainability report, demonstrating strong commitment to sustainable growth.

- AAK Acceleration initiatives focusing on efficiency made significant progress towards increasing production volume while reducing costs.

Key acknowledgements

- AAK was nominated in the "Confectionery Innovation of the Year" category of the Food Ingredients Excellence Awards at Food Ingredients Europe 2011.

- AAK South America won the Export Effort Award once again, presented by the Uruguay Exporters' Union and Banco de la República Oriental del Uruguay. AAK was honoured for being the major exporter in the Vegetable Oils and Fats category and for its export dynamics.

- AAK Mexico was awarded best 2011 supplier by one of our major customers in Latin America.

Operational key ratios (SEK million unless otherwise stated)	**2007**	**2008**	**2009**	**2010**	**2011**
Net sales	13,005	17,207	15,884	14,808	16,695
Operating profit	653	851	827	824	911
Operating profit per kilo, SEK	0.44	0.55	0.58	0.57	0.64
Earnings per share, SEK	8.53	10.80	10.14	14.15	14.72
Return on operating capital, %	10.90	11.00	12.60	13.10	13.30
Investments	712	396	316	335	670
Operating cash flow after investments	-1,083	-370	1,952	426	-381
Net debt	4,273	5,112	3,186	2,634	3,141
Equity/assets ratio, %	28	25	35	34	36
Net debt/equity ratio, multiple	1.75	2.15	1.08	0.83	0.88

Definitions, see page 55 of the Annual Report. Annual General Meeting, see page 62 of the Annual 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.

AAK Acceleration

Growth

1. Bakery
2. Dairy
3. Chocolate & Confectionery Fats
4. Infant Nutrition
5. Food Service
6. Merger & Acquisition
7. Fast-growing Economies
   - China
   - Brazil

Efficiency

8. Purchasing
9. Productivity

People

10. Sales Management & Sales Processes
11. Mobilize Ourselves
12. Internal Communication

Our strategy is to reinforce our position as global market leader within speciality vegetable oils and through that deliver on our objectives. The strategy supports our vision: to be the first choice for value-added vegetable oil solutions.

Following a thorough analysis of current and future markets, our product portfolio and customer insights, at the end of 2010 we developed our speciality strategy into the AAK Acceleration programme. The programme has three priority areas: Growth, Efficiency and People. Within each area, we have identified twelve priority projects that address key opportunities.

The seven Growth projects underline the importance of this area to AAK. In terms of products, know-how, service and people, we have the necessary resources to meet our growth objectives. We continue to expand our portfolio of innovative, speciality products through investments in new product development and technical customer service for Bakery, Dairy, Chocolate & Confectionery Fats, Infant Nutrition and Food Service. In addition to maintaining our focus on existing industries, we will continue to invest in fast-growing new markets, such as Brazil and China. We believe strongly in organic growth, and as part of the Merger & Acquisition project we will also pursue growth through acquisitions when we identify the right opportunities. The key to our growth is that we work in close partnership with our customers.

Our two Efficiency projects are Purchasing and Productivity, both crucial to ensuring our continued competitiveness. The Purchasing project focuses on upgrading our approach to purchasing globally. The aim of the Productivity project is to strengthen productivity through a lean manufacturing setup and best practice technologies.

Three projects cover the People project: Sales Management and Sales Processes, Mobilize Ourselves and Internal Communication. The full engagement and commitment of all our global employees are fundamental to the implementation of AAK Acceleration and achieving our business objectives.

AAK Acceleration was launched in January 2011. One year into the programme, implementation is going according to plan.

Summary by Melker Schörling, Chairman of the Board

AAK Acceleration powers growth

The prospects have probably never looked better as we launch into another year of continuous growth and development at AAK. Over the past 12 months, the progress made has confirmed that the strategic direction we have set is truly the right one to follow.

Since AAK was formed in 2005 by the merger of Aarhus United A/S and Karlshamns AB, we have continuously demonstrated our strengths and customer benefits within speciality oils and fats.

With AAK Acceleration the AAK management team now focus and drive our efforts to get the full leverage as deserved for our unique competitive advantages and benefits and based upon this develop AAK to the next levels.

More focus on our true strengths

With global competition becoming increasingly intense, we have, for some time, pursued a strategy that positions us as a supplier of speciality solutions. In other words, by steering the business away from the commodity markets, we are now giving even more attention to what we are really good at: the development of innovative vegetable oils that solve specific customer needs. Such speciality products, with their significantly higher margins, offer customers the sum of our extensive knowledge and expertise, built up during our 140-year history.

AAK Acceleration is powering our expansion within the speciality area. Although implementation started just a year ago, we can already see the first positive effects on our annual result. Our product mix has improved, and the volume of speciality products manufactured at our plants is on the rise.

A strategic acquisition in every way

One of the milestones of 2011 was our acquisition of US Golden Foods/Golden Brands. This was a strategic move in several ways. First of all, the portfolio of the Kentucky-based company is an excellent complement to our own range of specialities. Secondly, we have been able to realise the potential for cross-selling of AAK and Golden Foods/Golden Brands products to our now, even broader customer base. Last but not least, the Kentucky location is the perfect supplement to our existing AAK plant in New Jersey. We expect our US customers, in particular, will enjoy the advantages of having two highly efficient production plants relatively close at hand.

Selective strategic acquisitions of this kind are one of the cornerstones of our growth strategy, along with our emphasis on organic growth. Thanks to our robust financial situation, we are well equipped to selectively make further, similar acquisitions, and we plan to do so when the right opportunities arise.

Remembering our responsibilities

Our investments in additional capacity and new local sales offices are important to our ongoing efforts to meet growing customer demands and to build a long term strong company.

In today's world, however, we are aware that customers increasingly also expect more than reliable deliveries of products with the right functional and technical qualities. For many customers, their perception of quality now also includes ethical and sustainable considerations – a reflection of the mounting political awareness among consumers.

We believe it to be in everyone's interest that manufacturing companies such as ours take their share of the responsibility for protecting the environment and ensuring acceptable conditions for workers right through the supply chain. For that reason, corporate social responsibility (CSR) is something we strive to integrate in all our operations. For example, in addition to reducing the environmental burden of our processing plants, we are actively involved in promoting the cultivation of sustainable palm oil and in improving living standards for the West African women who gather shea kernels in the wild. At AAK, we will maintain this strong CSR focus as we continue along the path of business growth.

Our professional management team

Within our company, the introduction of a new organisation in January last year brought significant but smoothly implemented, internal change. This included the strengthening of our group management team through the appointment of four new members. By bringing extra expertise in at the company's top level, we have secured the optimal professional resources for steering our global growth – precisely in line with our AAK Acceleration objectives.

It is with a strong sense of optimism that I look upon the prospects for AAK's continuing growth and development in the years ahead. Faced with a turbulent, highly com-

petitive market, AAK is ready to tackle the challenges that will inevitably arise. Full credit for this achievement goes to the firm, guiding hand of our management team and the hard work of our highly competent, global employees. On behalf of the Board and

the share holders, I wish to thank you all for your tremendous efforts in 2011. You have helped to make AAK stronger than ever and very well positioned for the long term future.

Melker Schörling

Comments by Arne Frank, CEO and President

2011 – an exciting and eventful year for AAK and AAK Acceleration on track

- Net sales during 2011 increased to SEK 16,695 (14,808) million mainly due to increased raw material prices and a better product mix partly offset by a negative currency translation impact of SEK 983 million.
- Volume decreased by 1 percent due to lower commodity volumes, mainly in the UK. Specialty volumes continue to increase.
- Operating profit, amounted to SEK 911 (824) million, an improvement of 11 percent. At fixed exchange rates operating profit improved by 18 percent.
- The largest business area, Food Ingredients, reported record high operating profit at SEK 518 (454) million an improvement by 14 percent. At fixed exchange rates the improvement was 22 percent. Operating profit per kg increased from SEK 0.53 to SEK 0.62, an improvement by 17 percent.
- The business area Chocolate & Confectionery Fats showed volume increase by 7 percent and margins continued to be stable. Operating result improved from SEK 341 million to SEK 378 million or by 11 percent. At fixed exchange rates the improvement was 18 percent.
- The smallest business area, Technical Products & Feed operating profit reached SEK 103 (118) million and the main reason was challenging markets conditions and high raw material prices.
- The AAK Acceleration program has developed in accordance with plan.
- During the first quarter 2011 the company announced an additional rationalization program for the UK operations in order to fully focus on the speciality strategy.
- In the beginning of the third quarter, 2011 the company acquired Golden Foods/Golden Brands (renamed AAK Louisville) and the integration has continued according to plan.
- Earnings per share amounted to SEK 14.72 (14.15), an increase of 4 percent despite higher interest rates.

We have continued to work very hard to maintain and develop our status as a world leader in speciality vegetable oils.

Today our application expertise and our customer co development capabilities are second to none. We have also expanded our capacity for such activities.

Our product portfolio is unmatched for low or no trans fat, low saturated fats with the additional benefit to our customers of cost efficiencies and other continuing advances.

In 2011, we invested considerable resources in taking the development of AAK to the next level, assuring our leading status for the years to come.

The beginning of the year marked the cross-organisational rollout of our AAK Acceleration programme, focusing on "Growth-Efficiency-People". We can already see the positive impact, though, of course, there is still much work to be done.

Listening to our customers

The programme reflects our vision and what our customers want to see from us: to be the first choice for customers of value-added solutions based on vegetable oils. Key to that is our continuing, strong commitment to working in partnership with customers, identifying new solutions, providing additional benefits and generating new business opportunities and at the same time also being competitive also from a cost point of view.

Each of the initiatives introduced as part of AAK Acceleration has a direct bearing on the way we work with customers.

AAK Acceleration

AAK Acceleration has three priority areas: Growth, Efficiency and People – all crucial aspects for our future development. We want to achieve full leverage from our competitive advantages and hence strongly grow our business but also to drive productivity further and work more efficiently. To achieve all this, we need to mobilise all our people. Only through a focused, dedicated organisation can we reach our objectives.

We believe that AAK Acceleration is the way forward for our business and our organisation, enabling us to make the most of our expertise and exploit all the opportunities open to us to the full. With its implementation, we target organic growth in speciality and semi-speciality products, growth through selective, synergistic acquisitions, and improved productivity. Within semi-speciality fats for Bakery, Dairy, Chocolate & Confectionery Fats and Infant Nutrition we can already see a very encouraging improvement in production volumes.

Acquisition of Golden Foods/Golden Brands

AAK Acceleration was the driver behind our decision to acquire the Golden Foods/ Golden Brands business in Louisville, Kentucky, which we announced on 1 July 2011 and which is now known as AAK Louisville. This acquisition significantly strengthens our ability to supply existing and new customers with a broader portfolio of solutions in the US – one of the largest speciality oil markets in the world.

The product lines of AAK Louisville expand and complement our existing product portfolio and established speciality strategy. There are many opportunities for mutual cross-selling to the combined customer base. The Kentucky location brings an extra geographical dimension to our US business, supplementing our existing site in Port Newark, New Jersey. US customers can now enjoy being serviced from our two production sites.

The integration process has developed according to plan and has been very well received by customers. AAK Louisville is now a fully integrated part of our global AAK family.

Stronger local presence

To support our growth strategy further, we have opened two new sales offices, in China and in Germany.

A strong local presence is crucial to our long-term growth as a global partner, enabling us to provide our multi-international customers with the service they need in all markets, and bringing us closer to regional customers.

Through our cooperation with customers in specific markets, we can also strengthen our innovation platform. AAK South America and AAK China, in particular, have identified a series of local priorities aimed at making a significant contribution to AAK growth in line with AAK Acceleration.

Developing sustainably

Continuous development is critical to our business. Of equal importance is that we develop in a sustainable way. Our work with sustainability remains high on our agenda, both in terms of reducing the environmental burden of our own activities and in promoting a responsible, ethical approach in the vegetable oils industry as a whole.

One major initiative in which we continue to be very deeply engaged is the Roundtable on Sustainable Palm Oil, RSPO – the globally most recognized organization in this field. RSPO is a multinational, multi-stakeholder, including NGO's, organisation

dedicated to bringing full sustainability to oil palm plantations. In sourcing shea, another of our important raw materials, we have introduced means to enhance the living and working conditions of local women who gather the wild-growing shea kernels in rural West Africa.

New, flatter and more international organisation

Our new global, much flatter and significantly more international organisation, launched in January 2011, has shaped us up to achieve our objectives and meet the challenges that lie ahead. It has made us faster, brought us closer to customers and improved the balance of activities and communications between head office and local operations.

In designing the new organisation, we focused on strengthening our commercial drive and external focus on customers and their needs. We have reinforced our global customer segments and enabled our sales offices to sell all AAK products. Activities have been centralised or decentralised depending on how and where they add the greatest value.

To support these changes, we have expanded our Executive Committee, which now also has a much more international and commercial profile, reflecting and supporting our growth ambitions.

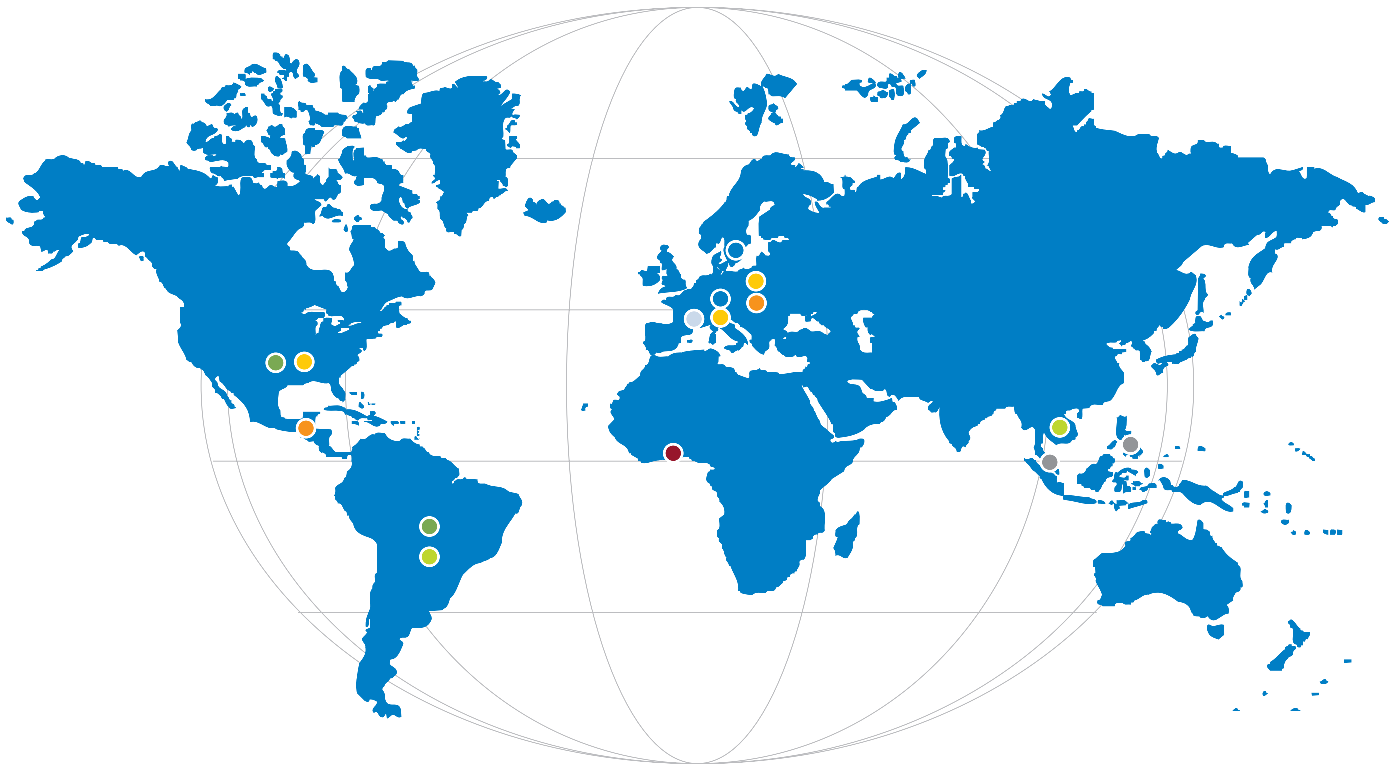
Looking ahead

During 2012, work with AAK Acceleration will continue to ensure its full implementation and integration in our organisation. Maintaining the momentum is a high priority for us in order to achieve our objectives and keep our promises to stakeholders. Through our accelerated growth and development, we hope to write the next chapter in our history as a successful, innovative supplier of speciality and semi-speciality vegetable oils to the global market.

The expected impact on our industry from the more difficult general economy in Europe is difficult to predict. However, with dramatic food price inflation in 2010 at least for now behind us, AAK's customer value propositions for health and reduced costs, the AAK Acceleration programme, the continued hard and very professional work and engagement from all the very good people in AAK and the support on our strategies from our share holders, we remain prudently optimistic for the future.

Arne Frank

The business model – speciality vegetable oils and fats










AAK's core business is speciality vegetable oils that meet the needs of the food, confectionery and cosmetics industries. Sourcing renewable raw materials from around the globe, we manufacture our broad product portfolio at eleven production plants in Europe and the Americas.

Our products are of both nutritional and functional value, outstanding for their structure, melting and crystallisation behaviour, rheological properties, flavour release and skin penetration. Product development is often carried out in close cooperation with customers, suppliers, research organisations or other external partners to ensure a perfect fit with market and customer demands and to take advantage of the latest technologies.

Due to our strong focus on customisation, some of our products respond to specific customer needs for functionality, health profile, taste, product properties, processing, logistics, labelling or legal requirements. This is made possible by our highly flexible production process. In each case, our technical and commercial experts identify the optimum solution to a specific need.

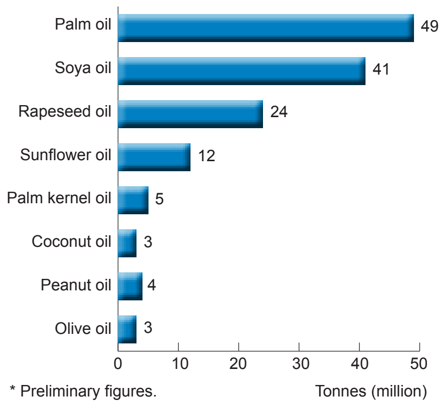
Natural raw materials

Our raw materials are coming from rapeseed, palm, soya, shea, sunflower seed, olives and many other. Drawing on our extensive knowledge and more than a century of experience, we exploit the properties of vegetable oils to add value to customers within our target industries.

We source our raw materials from all over the world:

- Rapeseed from Northern and Central Europe
- Palm oil from Asia and Latin America
- Olive oil from Southern Europe
- Soya beans from the US and South America
- Sunflower seed from Eastern Europe and Mexico
- Shea from West Africa
- Corn primarily from America and Eastern and Southern Europe
- Coconut from Malaysia and the Philippines

World-wide production 2011*



* Preliminary figures.

Health trends

Developing fats with special properties involves continuous work to bring to market products with specific functionality such as healthier composition or other specific functionalities. As our customers strive to respond to the fast-changing demands of their markets, it has become increasingly necessary for us to meet their needs by developing customised, highly functional products.

Many customer demands are inspired by the health trends. Over the years, our expertise has enabled us to maintain high fat functionality while eliminating trans fats, believed to increase the risk of cardiovascular disease. Similarly, many of the products in our range, today, are processed without a hydrogenation step, which has become widely associated with trans fat, and are low to very low in saturated fats. In many countries, health authorities actively encourage consumers to reduce their consumption of saturated and trans fat.

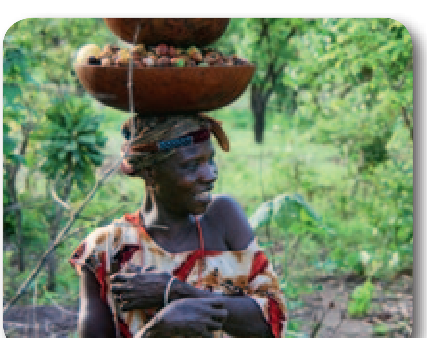
What is fat and why do we need it?

Fat is essential to life. The many types are primarily divided into four groups.

- *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 characterised by their ability to 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 and vegetable oils. Omega-3 and Omega-6 are examples of polyunsaturated fats.
- *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 (hydrogenated).

Fat 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. That means the body's ability to absorb these vitamins is dependent on the presence of fat.
- One-third of our daily energy requirements must be met by calories from fat. For adults, this means a daily fat intake of 60–90 grammes, each gramme containing nine calories. Carbohydrates and proteins contain four calories per gramme.
- Saturated fats and trans fats are believed to increase the level of "bad" LDL cholesterol in the blood, while unsaturated fats have a positive effect on blood cholesterol.

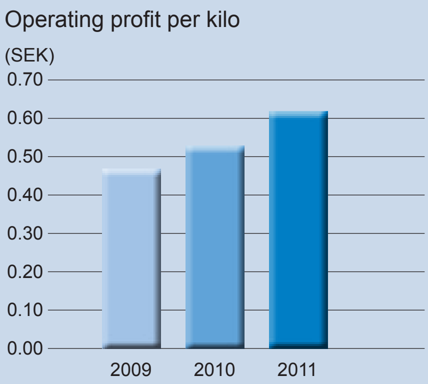


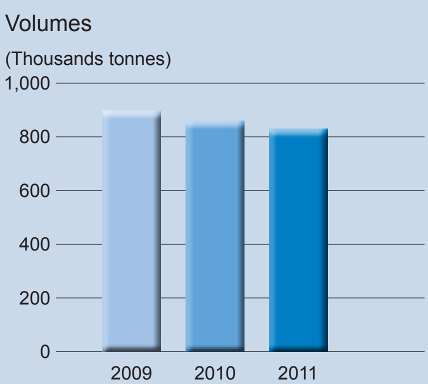
Social responsibility

Over the years, we have endeavoured to integrate corporate social responsibility in all our activities, from the sourcing of raw materials through processing to delivery of the final product at our customers' plants. Our pro active approach is reflected in our commitment to the UN Global Compact and our founding membership of the Roundtable on Sustainable Palm Oil (RSPO). In 2007, we formed a subsidiary to enable trade in RSPO certificates, entering an exclusive contract with the RSPO for the purpose. Through these efforts, we aim not only to maintain our own socially responsible profile, but also to industry wide promote sustainability and responsibility right through the vegetable oil supply chain. Also our initiatives to improve quality of life for the West African women who gather the wild-growing shea kernels, one of our key raw materials, have been widely recognized.

Food Ingredients

(SEK million)	2009	2010	2011
Net sales	9,702	8,667	10,076
Operating profit	423	454	518
Operating profit per kilo	0.47	0.53	0.62
Volumes, thousands tonnes	898	861	831





Business Area – Food Ingredients

The largest AAK business area, Food Ingredients, recorded another successful year in 2011. Strong growth was achieved, as new, market-responsive and health oriented solutions reinforced our ability to meet customer needs.

Food Ingredients has shown continued growth in almost all segments and geographical areas. New, innovative solutions, consistent quality and high service levels have strengthened our position as the first choice for vegetable oil solutions across a wide global customer base.

Our ability to respond quickly to the changing requirements of the food industry has brought us even closer to customers and put us clearly ahead of the competition. It is our ambition to continue utilising these constant market changes to generate future growth. Market change is the driver for creating value-added solutions for our customer base.

Health trends in the food industry

The trend towards healthy food continues to dominate developments in the food processing industry.

The physical characteristics and composition of rapeseed oil, having the lowest saturated fatty acid content of any oil and a high level of Omega-3, make it excellent for creating healthier, functional oil blends. With rapeseed being one of our most important raw materials, we remain the main buyer of the Swedish rapeseed harvest.

The demand for reduced saturated fat levels drives the development of products with ever more added value. The increasing availability of high oleic rapeseed oil as

a new source of unsaturated vegetable oil is widening further the opportunities to develop specific tailor-made solutions. Due to their own competitive environments, our customers have to respond quickly to requests for healthier alternatives. Our ability to select the right components from a vast range of vegetable oils and fats means we are able to create efficient solutions that satisfy most new demands.

Infant Nutrition
The fastest-growing market segment in 2011 was Infant Nutrition. The demand for tailor-made blends of speciality oils and fats for premature and first-stage formulas grew significantly, enabling us to extend our share of this fast growing market dramatically. In particular, sales of InFat™ underwent rapid growth both in Europe and the Far East. This structured lipid component for infant formulas is sold through Advanced Lipids, the AAK joint venture with Enzymotec.

A competitive market
Food Ingredients has several major competitors, some of which are more active in bulk simple commodity oil supply and others in the speciality product segments.

Furthermore, in Europe, there are more than 120 local refineries, which make a real impact. In segments requiring specialised capabilities and knowledge, however, we benefit greatly from our cutting-edge position in product development and technical know-how, particularly in respect of dairy fat alternatives, oils and fats for the bakery industry, and speciality fats for infant formulas. The AAK Acceleration programme has given us an even clearer focus on our sales and market development activities, enabling us to exploit our strengths and increase our competitiveness. Still, the market as a whole is subject to fierce competition.

Customised solutions
We have customised products in nearly all categories. The majority, however, are to be found among our specialities for the Bakery, Dairy, Infant Nutrition and Food Service industries. Our aim is to offer customers products with greater added value and, through that, increase the proportion of sales that are speciality products.

New products
Extension of our Akomix LS range has brought unmatched performance to the ice cream market, providing a minimum of saturated fats at no expense to the physical characteristics necessary to making good ice cream.

New additions were also added to the Akotop NH range, particularly non-hydrogenated, no trans low saturated fats for none dairy cream. These are all clear examples of new product development in close collaboration with customers.

Regional markets

Europe

With factories in Sweden, the UK, the Netherlands and Denmark, AAK is a leader in the Nordic region and the UK also being for speciality products one of the strongest players in Western Europe.

Central and Eastern European markets remain dominated by intensive competition and the effects of the global financial crisis. Despite these tough market conditions, we have maintained our strong positions here.

In the UK, we have adapted our local strategy to the global AAK. Our principal operation is at our plant in Hull, while AAK Bakery Service is based in Oldham and AAK Food Service is in Runcorn.

Mexico

Customers increasingly express their preference for AAK in Mexico, where our clear vision, efficient operations and continuous improvement have led some to honour us with their Best Supplier award. Many of the multinational food manufacturers in the country have chosen our solutions for their next-generation products. Thanks to our high level of quality and service and excellence in innovation, we are placed as one of the best partners for tackling market challenges, such as the trend towards healthier foods.

Ideally located in the centre of the country, our multiple oils refinery in Morelia is well accessible to customers. Along with our production portfolio, which covers all AAK core competences, this enables us to meet customer expectations fast and efficiently.

AAK Mexico produces speciality products for leading food companies and maintains an ample range of solutions for more traditional markets as well as a good market leading position.

USA

In 2011, AAK US experienced increased demand for its products in terms of volume and complexity. The trend towards healthier food ingredients also played a role. To meet these demands, the business expanded organically and by acquisition. At the Port Newark, New Jersey, plant we expanded our capacity significantly by investing in the largest, state-of-the-art production vessel in the plant's history. This became operational in December.

The acquisition of Golden Foods/Golden Brands, based in Louisville, Kentucky, broadened our product portfolio of speciality oils and fats and strengthened us geographically. With its Midwest location, the Kentucky plant complements our Eastern location in Port Newark, providing customers with two high quality production sites.

AAK US continues to offer value-added, speciality solutions and exceptional customer service. The additional capacity at Port Newark coupled with the broader product portfolio position us well for further expansion.

Business Area
– Chocolate & Confectionery Fats

Speciality products for chocolate and confectionery

AAK's value-added chocolate and confectionary products comprise functional cocoa butter alternatives for chocolate, compounds for coating and moulding, and speciality fats for confectionery fillings. They are now used by customers from a wide range of industries. Raw materials are derived from natural and nutritious oils such as rapeseed, palm kernel and exotic oils, including shea kernel, illipe, sal and mango.

Over the years, sales of CBE (Cocoa Butter Equivalents) have traditionally recorded double-digit annual growth, making them the primary growth area within our Chocolate & Confectionery Fats business area. However, 2011 proved to be a very challenging year. The cocoa butter market took a serious downturn, with historically low prices exerting price pressure on the CBE market. Faced with this difficult market, compounded by surplus global fractionation capacity, we still managed to improve the result for the business area. We managed to increase volumes as we strengthened our focus on functional speciality fats for confectionery fillings, compound moulding and coatings.

In 2011 we successfully introduced new functional filling fats, CBR (Cocoa Butter Replacers) and CBS (Cocoa Butter Substitutes), all with unique functionalities offering opportunities for confectionery specialisation and differentiation. Our broad range of specialised and customised fillings and cocoa butter alternatives makes Chocolate & Confectionery Fats a multifaceted business area. Every stage of the value chain requires specialist expertise – from the purchasing of raw materials to marketing and sales.

At AAK, we work in close partnership with customers. We supply our customers from our production plants all over the world.

In-house development resources

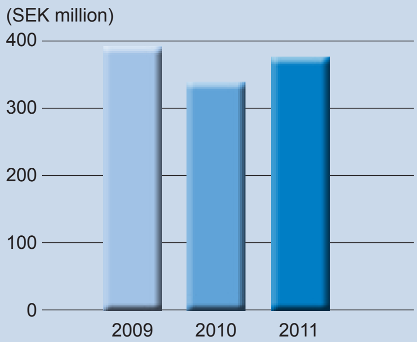
The wide product range is a result of targeted development work carried out in our own laboratories, where we work with customers, suppliers, universities and other external partners. AAK has a strong market focus. We deliver innovative solutions that reflect market trends and anticipate customer requirements.

Our unique knowledge and understanding of the fat molecule is the core of our business. Future growth and productivity will build on this expertise in refining raw materials and creating new products to match demand.

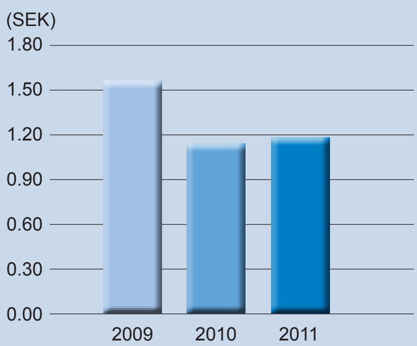
Chocolate & Confectionery Fats

(SEK million)	2009	2010	2011
Net sales	4,564	4,474	4,954
Operating profit	394	341	378
Operating profit per kilo	1.56	1.14	1.18
Volumes, thousands tonnes	253	298	320

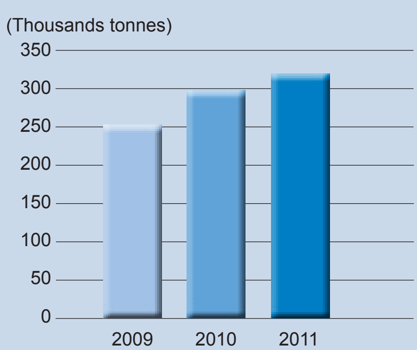
Operating profit



Operating profit per kilo



Volumes



Speciality products for chocolate and confectionery

Creating fats with an improved health profile is an important priority in our development work. In response to consumer demand, our development of products that are trans free and low in saturated fats has reinforced our market-leading status. Today, most of our products are completely without trans fats.

Key product launches in 2011:

- **CEBES LS 75:** is a non-hydrogenated CBS with a reduced content of saturated fat. The optimised fat profile meets the need for healthier confectionery fats with no compromise in processing and production functionality.
- **ILLEXAO ER 05:** responds to the growing popularity of chocolate with a high content of cocoa due to its healthier profile. However, the reality is that many people still prefer milk chocolate. Using ILLEXAO ER in rich dark chocolate gives a smooth and pleasant meltdown.
- **DELIAIR NH 30:** has been developed specifically for very soft products that require good melting properties. This non-hydrogenated product makes it possible to create innovative, light products with excellent melting properties when combined with ingredients such as fruit, cocoa mass, nuts and crunch.
- **CHOCOFILL LT 05:** this speciality fat is a low trans filling fat made to meet the demands for both a confectionery filling and compound coating at the same time and it is partially compatible with cocoa butter.
- **CISAO 29-43:** to meet the demands for clean labeling, we now have a non-hydrogenated replacement for fully hydrogenated coconut oil available in the North American market.

Closer to the customer

During the year, we further expanded our worldwide organisation. A new sales office in China will allow us to develop good contacts already established in the Chinese market. By broadening the geographic scope of our value proposition, AAK is a strong, long-term business partner for global customers as well as accessing more local markets.

Our comprehensive global network acts not only as a link to geographical markets, but also guarantees our ability to monitor global trends and developments, particularly within health awareness. Consumers are becoming increasingly health conscious, resulting in higher demand for healthy fats. Another trend is our customers' significantly increased focus on sustainable palm oil. Responding to this, we have introduced sustainable palm oil based products for the confectionery industry.

Shea – a principal raw material

Shea is one of our most important raw materials. Shea trees grow wild in West Africa, where the local women gather the shea kernels in June/July. The kernels are sold on the local shea kernel market. Through our widespread presence in the region, we work to shorten the supply chain from the West African women to AAK, at the same time enhancing supply chain transparency to avoid speculation and exploitation.

Sustainable palm and palm kernel oils

Other very important raw materials are palm and palm kernel oils, primarily from South-East Asia. As a founding member of the Roundtable on Sustainable Palm Oil (RSPO), we are committed to promoting the production and use of sustainable palm and palm kernel oils. For this reason we source most oils from members of RSPO. As of 1 January 2012, RSPO had certified an annual aggregated production of 5.6 million metric tonnes of palm oil and 1.3 million metric tonnes of palm kernel oil.

The vast majority of AAK production sites are certified to handle certified sustainable oil. We offer all supply options to our customers: identity preserved, segregated, mass balance, and book and claim. The book and claim is promoted via GreenPalm, managed by AAK on behalf of RSPO.

The fluctuating cocoa market

The international cocoa market has witnessed strong fluctuations over the past year. Cocoa bean prices were on an upward trend from 2004 to mid-2010, when prices went down due to the high yields of major cocoa-producing countries, such as Ivory Coast and Ghana. The stronger supply situation, coupled with growing concerns about EU debt issues, took hold, and cocoa bean prices have since been in decline. Experts believe that long term cocoa bean prices will go up again. For further information regarding cocoa and cocoa butter please refer to information at www.icco.org.

Speciality products for beauty and personal care

AAK develops and sells speciality vegetable fats for use in skin care, including sun screening, hair care, colour cosmetics and various personal hygiene products. Our Lipex range is appreciated for its moisturising and softening ability and positive effect on skin health.

AAK has worked with lipids for the cosmetics industry for the past 30 years and is, today, one of the world's leading specialists in the area. All our ingredients are based on vegetable oils, unlike the synthetic, animal or mineral oil-based products more commonly used in the beauty and personal care industry.

Our global market
The global beauty and personal care industry is international. The ten largest companies hold 50 percent of the market, and typically increase their market share each year, often through acquisitions of regional brands. Consequently, AAK sells Lipex all over the world.

Changing market trends
The number of consumers using beauty and personal care products is steadily increasing. While economic development in Asia and South America is the main growth driver, another is the rising interest in skin care and grooming products for men.

Innovation and novelties have traditionally led the beauty and personal care industry. However, over the next five years, naturalness and sustainability are expected to be the key trends. Many consumers are now looking for products based on safe, sustainable and functional ingredients. More focus will also be placed on safety due to the introduction of new legislation. AAK expects sustainable vegetable oil blend solutions to increasingly replace synthetic and mineral oil based solutions.

Sustainable ingredients from natural raw materials
Lipex products are made from natural, renewable raw materials. Shea butter, with its beneficial properties, is the most sought-after raw material in the cosmetics industry. Its softening and moisture-retaining properties feel pleasant on the skin, while its anti-inflammatory function contributes valuable skin healing and protecting effects.

Other ingredient lines are based on mango, illipe, cocoa butter and rapeseed oil. Rapeseed grown in Sweden contains high levels of valuable bioactive lipids, which are excellent for sensitive skin products and baby care.

We improve what nature gives us to open new opportunities for our customers.

Product development brings true customer value
Our product range is under constant development, in close consultation with our customers. The technical and commercial insights our customers provide give us a thorough understanding of market trends.

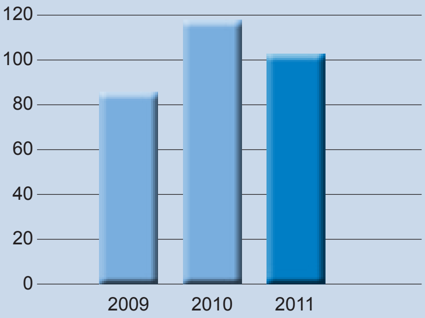
At present, much of the product development is focused on developing products with specific functions and active substances. The aim is to create new ingredients that combine basic functions, such as moisturising or softening properties, with more advanced functions, such as protection against UV rays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

Technical Products & Feed

(SEK million)	2009	2010	2011
Net sales	1,295	1,667	1,665
Operating profit	86	118	103
Operating profit per kilo	0.30	0.42	0.37
Volumes, thousands tonnes	282	282	275

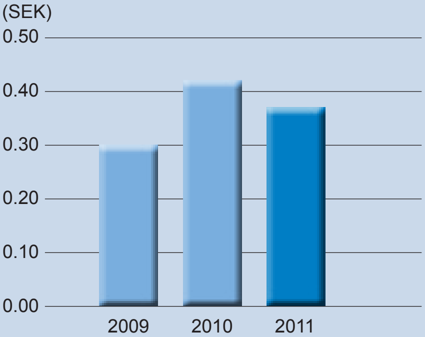
Operating profit

(SEK million)



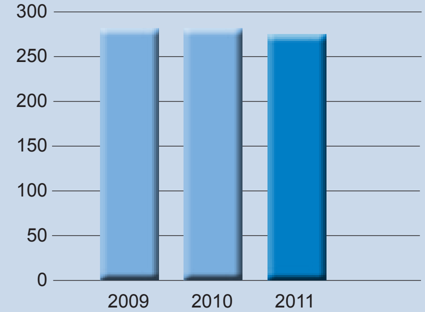
Operating profit per kilo

(SEK)



Volumes

(Thousands tonnes)



Business Area – Technical Products & Feed

Our Technical Products & Feed business area is an excellent example of the role that vegetable oils play with respect to the environment and health. Within forestry, our biodegradable lubricating products for logging machinery minimise the discharge of pollutants, while candles made from renewable fatty acids have lower carbon dioxide emissions than paraffin candles. Within farming, dairy cattle can be fed vegetable-based feed with excellent nutritional properties that is guaranteed salmonella-free.

With the exception of our Binol range, technical and feed products are made from residual fractions left over from the production of food oils. The market is primarily in Northern Europe.

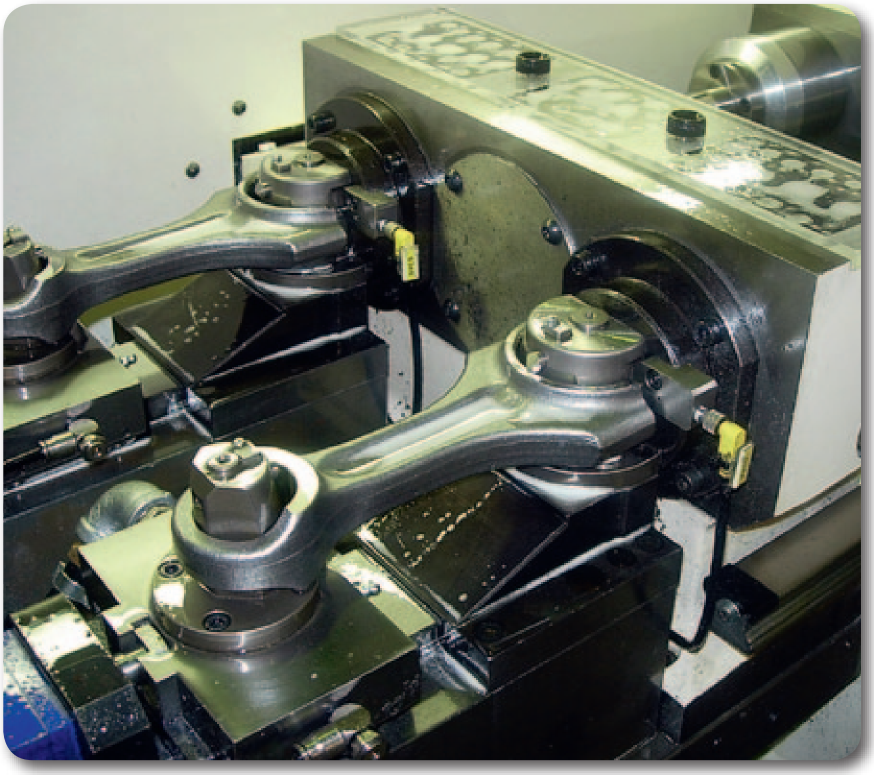
Industrial applications
We produce fatty acids and glycerol by splitting the fat molecule and refining the outcome into high purity products.

Our Tefac fatty acids are widely used for a broad range of oleochemicals industrial applications, such as fatty esters and fatty amines. Other important application areas include paper chemicals, soap, surfactants, rubber and plastics. One example of a consumer product based entirely on fatty acid is the stearine candle, a sustainable alternative to paraffin wax.

Glycerol is used in a diversity of products, for instance cosmetics, explosives, paint, concrete and anti-freeze applications. A major consolidation of the market for fatty acids and glycerol is currently underway, a process that will result in fewer, larger players. AAK is the leader in the Nordic market, where most of the products are sold. Other important markets are Germany, Poland and Russia.

Technical oils, biolubricants
Binol and BioSafe technical oils cover processing fluids and lubricating oils for the metalworking industry, along with hydraulic and chainsaw oils for the forestry and contracting industries.

Increased environmental awareness has made a positive impact on sales. Within the metal-working industry, for example, the replacement of mineral oil with renewable Binol products has generated many benefits, including improved lubrication performance, reduced overall cost and, not least, a significantly better working environment.



Although the total market for lubricants is shrinking, our bio-alternatives to mineral-based products are gaining market share. Most Binol and BioSafe products are sold to end-users in the Nordic market. In other markets, we collaborate with various partners, who sell the products under their own brand.

Feed

For animal feed, our primary products are bypass protein and fats. When rapeseeds are pressed and the oil extracted, the remaining rapeseed meal is processed in our Karlshamn plant. The result is our protein-rich ExPro brand, which improves the effectiveness of feed protein and increases milk yield from dairy cattle. In addition, our solid bypass fats and liquid feed fats are used as ingredients in feed for cattle and, to some extent, pigs and poultry.

As the name suggests, bypass protein and bypass fat are not digested in the rumen of dairy cattle. Instead they bypass the rumen and are absorbed as amino acids and fatty acids in the small intestine. High-yield dairy cattle require both in order to attain optimum milk production.

Some 98 percent of our feed products are sold in the Nordic region, where AAK is the market leader for bypass protein and bypass fat. Despite the continuing steady decline in the number of dairy farms in the region, the market for feed raw materials has changed very little in recent years, due to the consolidation of the dairy farming industry and increased yield per cow.

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 eleven 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 and business interruptions.

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 extensive experience of handling the relevant issues. In addition, AAK has adopted a strategy of deliberate risk management. Political instability can impact on currencies and 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 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.

Employees

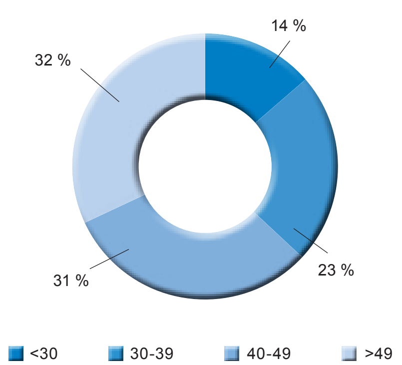
People are key to our success
AAK is a global operation. In addition to eleven plants in seven countries, our employees work in sales organisations covering multiple markets. We also have local employees involved in purchasing raw materials on several continents, including Africa.

People is one of the priority areas in our AAK Acceleration. Here, we have initiated three projects: Sales Management & Sales Processes, Mobilize Ourselves and Internal Communication.

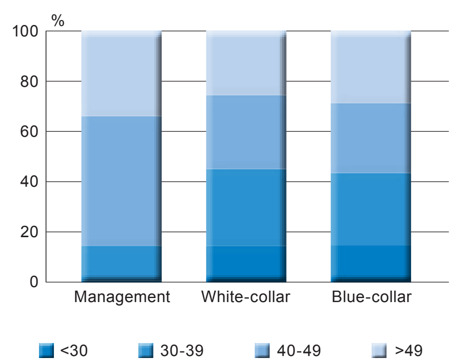
In 2011, AAK had an average of 2,065 employees. The majority, 76 percent, were employed on permanent contracts. The remainder were temporary employees, apprentices, agency staff and at-will employees. The latter is a doctrine of American law. During the year, the number of employees fell. While the number of employees at our European units went down, our non-European units gained employees, 141 new colleagues joining us in AAK Louisville.

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

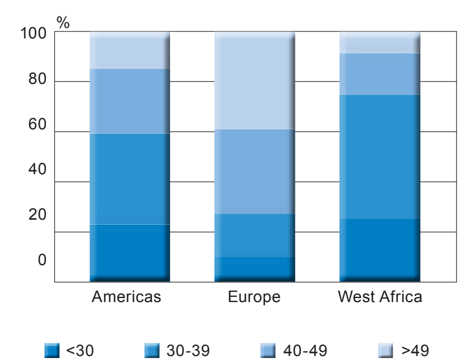
Employee distribution by age



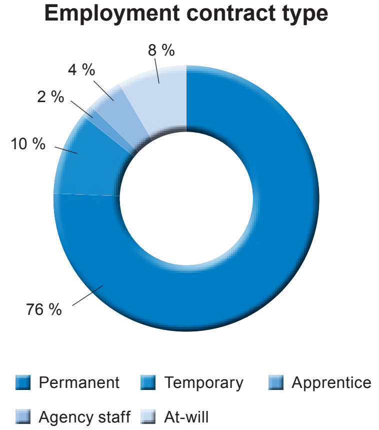
Employee category by age



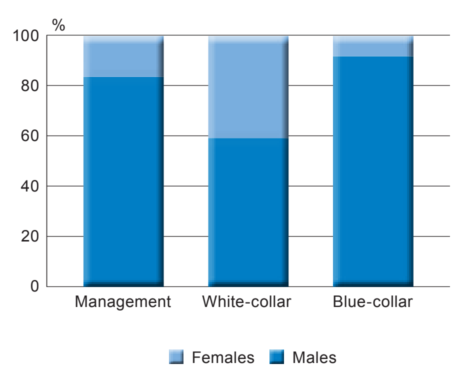
Employees by age



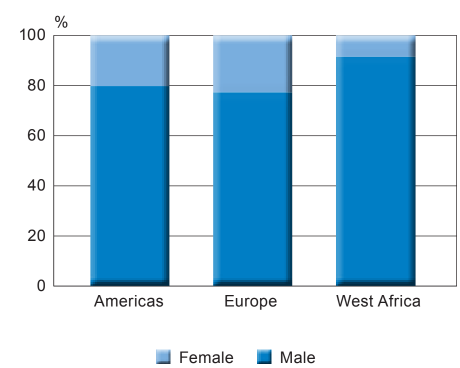
Employment contract type

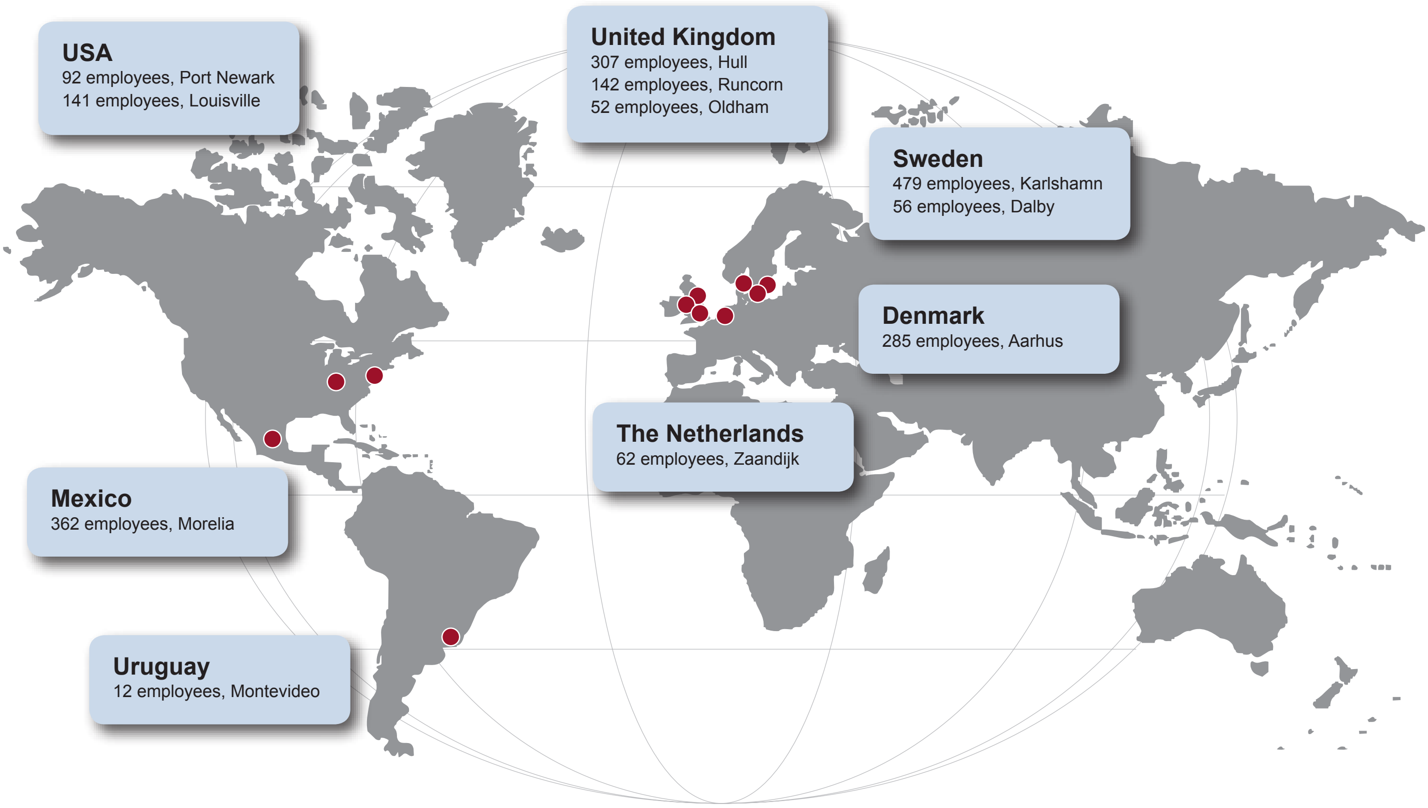


Employee category by gender



Employee gender





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 training is essential to our operations and supports the execution of AAK Acceleration. In 2011, there were 28,400 training hours, which represents, an average of 13 hours per employee.

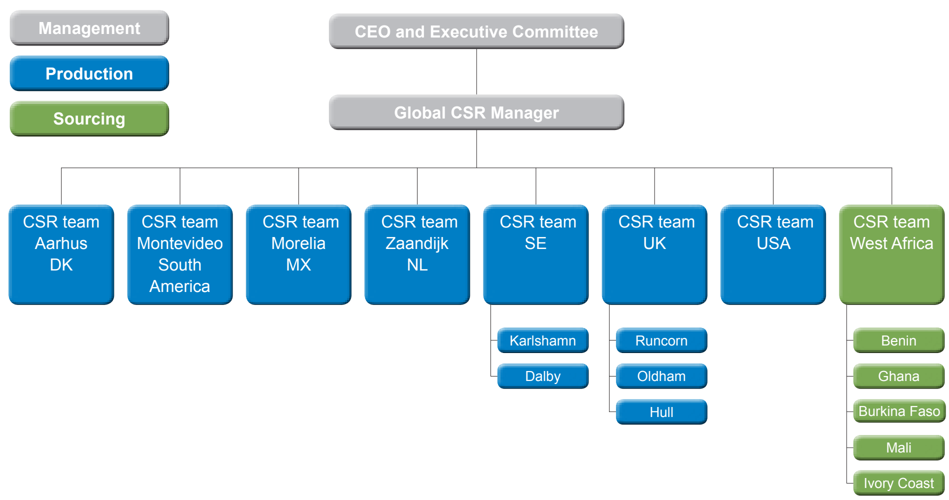
Ensuring a safe workplace is something we take very seriously. To this end, we conduct continuous safety checks at our plants across the world and focus strongly to eliminate potential risks. Our health and safety efforts follow national legislation, international regulations, comparisons with industry standards and our own AAK requirements. Today we have working environment and safety management systems at all our plants. These include extensive safety awareness training, target adoption, risk identification and continuous follow-up of results. The management systems provide a framework for the identification and active elimination of health and safety risks, compliance with health and safety targets, and an optimised approach to safety issues. Our production plants work continuously to improve the Lost Time Injury rate, defined as the number of injuries where one or more days/shifts were lost per 200,000 working hours. In 2011, the rate stayed at low 1.5 equal to 2010. The Lost Day rate, a measurement of injury severity, showed a significant improvement of nearly 50 percent to a rate of 19.5.

Corporate Social Responsibility

At AAK, we are keenly aware of our responsibility to source, handle, produce and deliver our products in the most efficient and sustainable manner as we strive to meet our strategic objectives.

Through our close relations with stakeholders, be they customers, investors, employees, suppliers or the local communities where we operate, we are committed to integrating sustainability in all our activities through a balanced and holistic approach. The ten principles of the UN Global Compact are the foundation of all our sustainability work.

CSR organisation



We believe in anchoring our CSR efforts in the organisation and applying a sustainability mindset in our everyday working life. To this end, we have set up a CSR organisation responsible for CSR-related initiatives, progress, communication and reporting.

Since the global CSR organisation was established in early 2007, the principal objective for the design of the organisation has been to ensure diversity in the local teams, which are central to our CSR work. The teams cover competences within human resources, health, safety & environment, finance, sourcing, operations and sales.

At our seven major production sites, the teams consist of five to ten people led by a CSR team leader. The teams at our smaller production plants and sourcing operations in West Africa have a different setup and may draw on competences from the major sites.

Marketplace

One of our most important challenges is to support our customers in achieving their CSR objectives. Safeguarding our customers' brands is a fundamental requirement, and, to remain their first choice, we must partner with customers to help them reach their objectives. Our long, close customer relationships help us deliver in this respect.

Our customers must be able to rely on AAK as a safe, ethically sound supplier. To ensure transparency in everything we do, we are a member of Sedex (Supplier Ethical Data Exchange). This allows our customers to look over our shoulder and assess our ethical performance.

Our Code of Conduct, which applies to all AAK staff, regulates our interactions with customers and suppliers. The Code is based on the same standards as the supplier codes that our customers expect us to follow, including ILO conventions, human rights, OECD guidelines and the UN Global Compact. The AAK Code of Conduct is our guarantee to customers that we act responsibly, right across our organisation.

Supply chain

Two of the sustainability issues high on our agenda relate to the sourcing of oils from tropical climates, in particular shea and palm oil. One example of where we can and do make a real difference is our strong local presence in rural West Africa, where we source shea. Here, our invaluable knowledge of and close links with suppliers – the women of the villages – has enabled us to create opportunities to enhance their living and working conditions. Another major initiative is the Roundtable on Sustainable Palm Oil, of which AAK is a founder member and Executive Board member. Our involvement in the leadership of this multi-national, multistakeholder organisation is helping to move the palm industry towards the production of sustainable palm oil.

The shift from conventional palm oil to certified sustainable palm oil is a challenge. We meet this with a deep understanding of the supply and demand chains. Our aim is to unite both by continuing to drive sustainability in the supply chain and encouraging the uptake of certified sustainable palm oil by customers.

Rapeseed is another important raw material. In view of the ongoing health trend, rapeseed oil holds potential as the vegetable oil with the lowest content of saturated fatty acids and a relatively high content of essential fatty acids, such as omega-3 and omega-6. Most of the rapeseed we process is sourced in Sweden, where it is processed at our Karlshamn plant. The shorter transportation means less impact on the environment.

Environment

At AAK, we are very much aware of the footprint our production plants leave on the environment. An important challenge is to prepare for and adapt to international and national climate change mitigation initiatives. This is why we constantly strive to reduce our consumption of energy and water and reduce waste and emissions. In addition, we implement environmental projects and identify best practices by benchmarking our production plants against each other and other players in the industry. Our ongoing aim is to become more environmentally friendly tomorrow than we are today.

Rising energy costs and the link between energy consumption and impact on the climate have sparked an increasing focus on energy issues. Due to our relatively high energy consumption, efforts to increase energy efficiency and, where possible, move towards renewable energy sources are important.

During the last decade, the solid waste handling industry has increased dramatically, specialising in the recovery of material value by reuse, recovery of recyclable materials and establishment of waste-to-energy facilities. This has created more possibilities to dispose of our waste material responsibly and more cheaply by implementing widespread waste sorting systems.

Workplace

While our Performance and Development plans are fundamental to our working life, our Code of Conduct guide our everyday activities. Each employee has at least one annual meeting with his or her manager to discuss performance and development. The objective is that both parties gain a clear picture of what to focus on and what to work towards. In addition, AAK offers relevant training to allow employees to develop in their job function.

One of the key internal communication channels is the AAK Intranet. Although this is available to every AAK employee, in practice, not everybody uses a computer on a daily basis. This is why we also share information via bulletin boards, electronic boards, information leaflets and regular “town hall meetings” for all staff. The most efficient means of communication varies according to local tradition and culture, which is why the local management teams are responsible for timely internal communication, shared in the right way.

Safety in the workplace is another top priority. We are committed to ensuring our employees stay safe and healthy when carrying out their daily tasks. Our production plants work continuously to improve lost time injuries, defined as the number of injuries involving the loss of one or more days/shifts.

Safety is also about maintaining health. We are present in many countries with very different cultures, varying levels of health awareness, and diverse health initiatives provided by local or national authorities. For these reasons, we do not have a common approach to maintaining health, but build our activities on local decision-making based on needs assessment.

Community

Our many community-related activities bring us into contact with neighbours, authorities, educational and cultural institutions, and sports clubs. We also work with and sponsor projects that support children, youth and minority groups. In line with our Code of Conduct, AAK sites are involved in community, environmental and health-related activities at local level.

AAK is naturally a member of national and international organisations that safeguard the interests of the vegetable oils and fats industry. Through these organisations, we aim to influence the legislation that governs our activities.

We value the ongoing input from and dialogue with our stakeholders in respect of our CSR approach, including their assessments of our efforts. Through this dialogue, we can ensure that AAK continues to be their first choice.

Overall, our community involvement helps give us the "licence to operate" that is essential to us as a company and as a player in local business life.

Presentations of the Board of Directors

Melker Schörling
Chairman of the Board of Directors.
Elected in: 2005 (Karlshamns AB 2001).
Born: 1947.
Nationality: Swedish.
Main occupation: Founder and majority 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 percent of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 percent) in AAK.

Carl Bek-Nielsen
Vice Chairman.
Elected in: 2005.
Born: 1973.
Nationality: Danish.
Main occupation: Executive Director (Corporate Affairs), United Plantations Berhad.
Qualifications: BSc in Agriculture.
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 percent of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 percent) 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 percent of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 percent) in AAK.

Märit Beckeman
Elected in: 2006.
Born: 1943.
Nationality: Swedish.
Main occupation: Project work at the Department of Design Sciences, Division of Packaging Logistics at LTH, Lund University.
Qualifications: PhD. 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.

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 Konstruktions-Bakelit AB.
Number of shares: 8,000.

Arne Frank
Elected in: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation: President and CEO, AarhusKarlshamn AB.
Qualifications: MSc. in Industrial Engineering and Management.
Professional background: Chairman, CEO and President of TAC, Executive VP of Building Automation Business Unit at Schneider Electric S.A., Chairman and CEO Carl Zeiss Vision Holding GmbH.
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.

Harald Sauthoff
Elected in: 2010.
Born: 1955.
Nationality: German.
Main occupation: Vice President, BASF Personal Care and Nutrition GmbH.
Qualifications: Industrial Business Management.
Professional background: Risk Management Agricultural Commodities, General Business Management in the Chemical Industry.
Number of shares: 0.

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

Ulrik Svensson
Elected in: 2007.
Born: 1961.
Nationality: Swedish.
Main occupation: CEO Melker Schörling AB.
Qualifications: MSc Economics and Business.
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, Loomis AB, Hexagon AB 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

Rune Andersson
AarhusKarlshamn Sweden AB.
Appointed by If Metall.
Elected in: 2011.
Born: 1949.
Nationality: Swedish.
Main occupation: Maintenance Engineer at AarhusKarlshamn AB. Chairman of If Metall.
Qualifications: A three-year education in automatic control technology.
Number of shares: 44.

Roland Mårtensson
AarhusKarlshamn Sweden AB.
Appointed by Akademikerna.
Elected in: 2011.
Born: 1966.
Nationality: Swedish.
Main occupation: Process engineer.
Qualifications: MSc in Chemical Enginnering.
Number of shares: 315.

Auditors

PricewaterhouseCoopers AB

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

Presentation of the Group Management Team

Arne Frank
Employed: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation: President and CEO AarhusKarlshamn 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 AarhusKarlshamn AB.
Qualifications: MBA.
Number of shares: 0.
Stock options: 70,000.

Renald Mackintosh
Employed: 2002.
Born: 1951.
Nationality: Dutch.
Main occupation: Vice President AarhusKarlshamn 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 AarhusKarlshamn AB. 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 AarhusKarlshamn 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 AarhusKarlshamn AB. President AarhusKarlshamn 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 AarhusKarlshamn AB. 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 AarhusKarlshamn AB. Managing Director AarhusKarlshamn South 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 AarhusKarlshamn AB. 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: CTO (Chief Technology Officer) and Vice President AarhusKarlshamn AB.
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, Communications and CSR AarhusKarlshamn AB.
Qualifications: MBA, BSc. Chemical Engineering.
Number of shares: 0.
Stock options: 60,000.

AAK's Glossary

Amines – Chemical components containing an ammonia. When made based on a fatty acid it becomes a surfactant (for example used for cleaning) because it has both fat- and water soluble properties.

Amino acids – Acids containing ammonia, protein building blocks.

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.

CBA (**C**ocoa **B**utter **A**lternatives) – Fats with physical properties similar to those of cocoa butter, i.e., solid at room temperature and with very rapid melt-off in the mouth.

CBE (**C**ocoa Butter **E**quivalents) – A type of CBA which is chemically 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 (**C**ocoa **B**utter Beplacer) – 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 (**C**ocoa **B**utter Bubstitutes) – CBA with physical properties and application areas similar to those of CBR. Made from palmkernel oil.

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

Crystallisation – The solidification process of an oil, the process going from the liquid (oil) phase to the crystalic (fat / solid) phase.

Essential fatty acids – The omega 3 fatty acids alfa-linolenic acid and the Omega-6 fatty acid lenoleic acid. Cannot be sensitised by the human body, but must be acquired in food. Rapeseed oil is one 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 the alcohol glycerol and 3 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.

Fractionation – Multiple-stage crystallisation process used in the manufacture of CBA and other specialty fats.

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

Hydrogenation – The process of adding hydrogen to the oil to saturate the double bonds in mono- or polyunsaturated fatty acids.

InFat™ – A speciality fat for infant formulas.

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

Monounsaturated fat – Popular name for monounsaturated fatty acids. Fat within only one double bond along the carbon chain.

Monounsaturated fatty acids – Fatty acids with one double bond in the carbon chain.

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

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

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

Polyunsaturated fatty acids – Fatty acids with two or more double bonds in the carbon chain.

Rheological properties – flow properties, viscosity. Describes the force it takes to make a material (semiliquid or solid) to change its form.

Saturated fats – Popular name for saturated fatty acids.

Saturated fatty acids – Fatty acids which does not contain double bonds in the carbon chain.

Surfactants – A substance which is soluble in different materials, for example water and oil, therefore they are active on the surface of particles and help mixing components which are normaly not mixable.

Trans fats – Popular name for fats containing trans fatty acids.

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

Unsaturated fats – Fats containing mono- and polyunsaturated fatty acids, a popular name formono- and polyunsaturated fatty acids.

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 AAK report 2011, the latter shall prevail.

The first choice for value-added vegetable oil solutions

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AAK

AAK Annual Report 2011

Contents

All amounts are denominated in SEK million unless otherwise stated.

Directors' Report

For the financial year 1 January to 31 December 2011

The Board of Directors and the Chief Executive Officer of AarhusKarlshamn AB (publ), corporate identity number 556669-2850, with its registered office in Malmö, herewith present the Financial Statements for the financial year January-December 2011 and Consolidated Financial Statements for the financial year 1 January - 31 December 2011.

Performance and financial position

- Net sales increased to SEK 16,695 million (14,808), primarily due to higher raw material prices and a better product mix. This effect was, however, offseted by a negative currency translation effect of SEK 983 million. Total volumes decreased by 1 percent, due to lower commodity volumes, particularly in the UK. Volumes of speciality products, continued to increase.
- Operating profit amounted to SEK 911* million (824), representing an 11 percent increase. Operating profit at fixed exchange rates improved by 18 percent.
- Earnings per share were SEK 14.72 (14.15), an increase of 4 percent despite higher interest rates.
- The proposed dividend amounted to SEK 4.75 (4.50), an increase of SEK 0.25 or 6 percent.

The company's largest business area, Food Ingredients, reported record-high operating profit of SEK 518 million* (454), representing a 14 percent improvement. Operating profit at fixed exchange rates improved by 22 percent. Operating profit per kilo rose from SEK 0.53 to SEK 0.62, an improvement of 17 percent. The Chocolate & Confectionery Fats business area reported a 7 percent increase in volumes and continued stable margins. Operating profit improved from SEK 341 million to SEK 378 million*, or by 11 percent. Operating profit at fixed exchange rates improved by 18 percent. Operating profit for the company's smallest business area, Technical Products & Feed, was SEK 103 million (118) as a result of challenging market conditions and high raw material prices.

The Group's profit after financial items amounted to SEK 816 million (828). Net financial items amounted to negative SEK 98 million (negative SEK 54 million). This increase was primarily due to higher interest rates.

Reported tax corresponds to an average tax rate of 26 percent (24). The Group's average underlying tax rate is approximately 27 percent (27). The lower tax cost was due to tax deductions for investments in certain countries.

The equity/assets ratio was 36 percent as of 31 December 2011 (34 percent as of 31 December 2010). Consolidated net debt as of 31 December 2011 was SEK 3,141 million (SEK 2,634 million as of 31 December 2010). The Group had total credit facilities of SEK 6,000 million as of 31 December 2011.

Cash flow from current operations before changes in working capital amounted to SEK 902 million (875). Working capital increased by SEK 613 million (118) as a result of high raw material prices in the second half of 2010 affecting 2011 with a lag of 6-9 months. Cash flow from current operations including changes in working capital amounted to SEK 289 million (757). After investments, including the acquisition of Golden Foods/Golden Brands, cash flow amounted to negative SEK 381 million (positive SEK 426 million in 2010).

The Group's net investments in fixed assets and business combinations totalled SEK 670 million (331), mainly comprising maintenance investments and the acquisition of Golden Foods/Golden Brands. Over a business cycle, investments, excluding acquisitions, should be in line with annual depreciation.

**Excl. non-recurring items*

Non-recurring income and non-recurring expenses

Insurance compensation

The Company received a net amount (compensation minus attributable expenses) of an additional SEK 48 million in insurance compensation. The background to this was an explosive fire that occurred in AAK's factory in Aarhus, Denmark on 4 December 2007. 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.

Between 2008 and 2010 AAK received compensation for business interruption of approximately SEK 430 million. This insurance case was concluded in the second quarter of 2011.

Rationalisation programme in the UK

In the first quarter of 2011, the Company announced an additional rationalisation programme in the UK, which will lead to greater focus on speciality products. The non-recurring cost related to this restructuring programme amounted to SEK 45 million.

Operations and significant events

Business Areas

Our business areas are: Food Ingredients, Chocolate & Confectionery Fats (including Lipids for Care) 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 have world-leading positions and these will gradually be expanded in an increasingly global arena.

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

AAK's focus on growth and productivity

A new company programme, AAK Acceleration, was launched in 2010. This programme is based on our specialisation strategy, but with greater focus on practical execution, as well as growth and earnings improvement in the medium and long term.

AAK Acceleration has continued to generate very positive effects in 2011, in terms of organic growth in speciality products, acquisition-based growth and increased productivity.

Acquisition of Golden Foods/ Golden Brands

On July 1 2011, the Company acquired the leading North American producer of flaked vegetable speciality fats for Baking and Food Service, Golden Foods/Golden Brands.

Golden Foods/Golden Brands was established in 1982 in Louisville, Kentucky. The company employed 160 people and had sales of approximately USD 120 million in 2010. The acquisition has had only a limited effect on the Group's operating profit for 2011, but will generate significant positive effects from the first quarter of 2012.

The acquisition of Golden Foods/Golden Brands is an integral part of AAK Acceleration, which, in addition to organic growth, also involves selective acquisitions that benefit our customers. This significantly strengthens our ability to deliver a more extensive product portfolio of speciality fats and oils. An expansion in the US, which is one of the world's largest markets for speciality oils, is of particular interest.

Establishment of sales company in China

Our establishment of a sales company in China in 2011 is an important part of AAK's "AAK Acceleration" growth strategy. AAK's aim is to be a global business partner with a strong local presence in order to serve our global and local customers. Local presence in this extremely important market is vital for our long-term growth and to strengthen our innovative platform in close cooperation with our customers.

A country-based organisation considerably strengthens our ability to deliver our speciality oils and fats to existing and new potential customers and to develop the good contacts that we have already established on the Chinese market.

Establishment of sales company in Germany

In 2011, AAK opened a sales office in Germany, which is a natural step in the introduction of AAK's "AAK Acceleration" growth strategy. AAK's aim is to be a global business partner with a strong local presence in order to serve our global and local customers in order to grow and strengthen our innovative platform in close cooperation with our customers.

Stronger and more international Group management

In order to create better opportunities for both organic growth and acquisitions, and so that we are better prepared to face future competition and strengthen the necessary internationalisation of the Group, AAK expanded its Group management in 2011.

This strengthening of Group management aims to lead to an efficient organisation that ensures global leverage of our product range's advantages and creates clearer opportunities for global growth.

Refinancing carried out

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

Both loan agreements have a maturity of five years and binding credit commitments. The first of these loan agreements is a multi-currency revolving facility club deal for EUR 330 million (SEK 3,000 million). The other loan agreement is a USD 180 million (SEK 1,200 million) multi-currency revolving facility, signed bilaterally. These new loans, together with the seven-year loan for SEK 1,000 million that was signed 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 four years or more. The new terms of these loans also provide significantly greater flexibility with regard to increased raw material prices.

Financial objectives

AAK's financial objectives are to grow faster than the underlying market and to generate strong cash flows. We also intend to continually improve the return on operating capital.

Planned dividend policy

The objective of the Board of Directors, taking into account the development of Group earnings, 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.

Significant events after the end of the financial year

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

Concluding comments by the President

The impact on our industry of the more difficult general economy in Europe is difficult to predict. However, with dramatic food price inflation in 2010, at least for now, behind us, AAK's customer value propositions for health and reduced costs and the AAK Acceleration program, we remain prudently optimistic for the future mainly driven by the Food Ingredients business.

Nomination Committee

AAK's Nomination Committee proposes for the Annual General Meeting of 2012 that the following members of the Board be re-elected: Melker Schörling, Carl Bek-Nielsen, Martin Bek-Nielsen, Mikael Ekdahl, Märit Beckeman, Ulrik Svensson, Harald Sauthoff and Arne Frank. John Goodwin has declined re-election. The Nomination Committee proposes, in addition, that Melker Schörling be re-elected Chairman of the Board, and Carl Bek-Nielsen be re-elected Vice-Chairman. In total, the Nomination Committee represents 52.8 percent of the shares and votes in AAK as at 31 December 2011.

AAK's Nomination Committee for the Annual General Meeting 2012 consists of:

- Mikael Ekdahl (Chairman), BNS Holding AB
- Carl Bek-Nielsen, BNS Holding AB
- Henrik Didner, Didner & Gerge Fonder
- Åsa Nisell, Swedbank Robur Fonder
- Claus Wiinblad, ATP

Share capital and ownership structure

The total number of shares in AAK as of 31 December 2011 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 resulting from 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 in AAK. BNS Holding AB's shareholding as of 31 December 2011 amounted to 40.4 percent of the total number of votes.

AAK is not aware of any agreement between direct shareholders of 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 might involve a limitation of the right to transfer shares of AAK.

Ownership circumstances are described further in the section on the AAK Share, page 56.

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 executives

Guidelines for the remuneration of the CEO and other senior management were established by the 2011 Annual General Meeting. No deviations from these guidelines have been made. The Board of Directors of AAK proposes that the 2012 Annual General Meeting adopt the same guidelines for 2012 as 2011 for the remuneration of senior management. The guidelines are contained in Note 8 Remuneration of the Board of Directors and Senior Management.

These guidelines shall cover those 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 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 to do so in an individual case.

Product development

Please refer to page 13 and 16 of the AAK Report 2011 for further information concerning the Group's product development.

Environment

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 nutrients into the water, and also creating organic waste and noise. We continually reviewing 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.

For more detailed information, please refer to the section on Risks and Threats on pages 20-21, in AAK's Annual Report 2011 and Note 3 Financial Risk Management.

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 working capital.

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.

Corporate Governance Report

For information on the composition and work, etc., of the Board of Directors, see the Corporate Governance Report on page 47.

Parent

The parent 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, human resources and IT. The Parent Company 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 2011 amounted to SEK 47 million (42).

Profit after financial items for the Parent Company amounted SEK 111 million (1). Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets were SEK 101 million (SEK 160 million at 31 December 2010). Investments in intangible non-current assets and property, plant and equipment amounted to SEK 0 million (0).

The Parent Company had a total of 13 (14) employees at 31 December 2011.

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

Background to and explanation of the proposed dividend

The Board of Directors has proposed that the 2012 Annual General Meeting approve an appropriation of profits under which the shareholders will receive a dividend of SEK 4.75 per share. The proposed dividend therefore totals SEK 194 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 Chapter 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 Chapter 18 §4 of the Swedish Companies Acts (2005:551).

Retained profits from the previous year total SEK 3,576 million and the profit for the 2011 financial year totals SEK 108 million (SEK 604 million for the Group). Provided that the 2012 Annual General Meeting approves the Board's proposed appropriation of profits, a total of SEK 3,490 million will be carried forward. The Company's restricted equity will be fully covered after distribution of the dividend.

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

In the view of the Board, the Company and the Group are in a position and have the capacity, in both the short and long term, to meet all their obligations. The proposed dividend represents a total of 4.7 percent of the Company's equity and 5.4 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 55 percent and 34 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 withstanding possible losses. Distribution of the dividend will not negatively affect the ability of the Company to make further investment as planned by the Board of Directors.

The proposed dividend distribution will have a temporary negative effect on the Company's and Group'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 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 21 May, and it is estimated that the dividend will be with the shareholders on 24 May.

Proposed appropriation of earnings

The Board of Directors and Chief Executive Officer propose that

The disposable profit brought forward	SEK	3,576,364,979
Profit for the year	SEK	108,282,498
Total	SEK	3,684,647,477

be appropriated as follows:

To be distributed to shareholders, a dividend of SEK 4.75 per share	SEK	194,266,398
To be carried forward	SEK	3,490,381,079
Total	SEK	3,684,647,477

The consolidated and Parent Company financial statements will be presented for adoption by the Annual General Meeting of the Shareholders on 15 May 2012.

Consolidated Income Statement

SEK million	Note	Jan-Dec 2011	Jan-Dec 2010
Net sales	28	16,695	14,808
Other operating income	10	106	46
Total operating income		**16,801**	**14,854**
Raw materials and consumables and changes in inventory of finished goods and products in progress		-12,866	-10,901
Goods for resale		-484	-370
Other external expenses	5, 29	-1,077	-1,169
Employee benefits expense	6, 7, 8, 9	-1,099	-1,146
Depreciation, amortisation and impairment loss	15, 16	-350	-376
Other operating expenses		-11	-10
Total operating expenses		**-15,887**	**-13,972**
Operating profit		**914**	**882**
Result from Financial items	11		
Financial income		12	29
Financial expenses		-110	-83
Net financial items		**-98**	**-54**
Profit before tax		**816**	**828**
Income tax	12	-212	-202
Profit for the year		**604**	**626**
Attributable to:			
Non-controlling interests		2	2
Parent Company shareholders		602	624
		604	**626**
Earnings per share attributable to Parent Company shareholders during the year (SEK per share) – before and after dilution	13	14.72	15.26

Consolidated Statement of Comprehensive Income

SEK million	Note	Jan-Dec 2011	Jan-Dec 2010
Profit for the period		604	626
Translation differences		-35	-229
Fair-value changes for the year in cash flow hedges		-19	-
Tax attributable to fair-value changes in cash flow hedges		5	-
Total comprehensive income for the period		**555**	**397**
Attributable to:			
Non-controlling interests		-1	2
Parent Company shareholders		556	395

Consolidated Cash Flow Statement

SEK million	Note	Jan-Dec 2011	Jan-Dec 2010
OPERATING ACTIVITIES	30		
Profit after financial items		816	828
Recoveries on amortisation and impairment losses		350	376
Adjustment for items not included in cash flow	30	4	-48
Income tax paid		-268	-281
Cash flow from operations before changes to working capital		**902**	**875**
Changes in working capital			
Net change in inventories		-536	-218
Net change in other current receivables		-31	-864
Net change in other current operating liabilities		-46	964
Cash flow from operating activities		**289**	**757**
INVESTING ACTIVITIES			
Acquisition of intangible assets		-7	-7
Acquisition of property, plant and equipment		-343	-328
Acquisition of operations and shares, net of cash acquired	27	-321	-
Proceeds from sale of property, plant and equipment		1	4
Cash flow from investing activities		**-670**	**-331**
FINANCING ACTIVITIES			
Loans raised		356	-
Amortisation of loans		-	-30
Issue of stock options		11	16
Dividend paid		-184	-174
Cash flow from financing activities		**183**	**-188**
Cash flow for the year		**-198**	**238**
Cash and cash equivalents at beginning of year		540	322
Exchange rate difference for cash equivalents		-11	-20
Cash and cash equivalents at year-end	19	**331**	**540**

Consolidated Balance Sheet

SEK million	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Fixed assets			
Intangible assets	16		
Goodwill		733	580
Patents and other intangible assets		94	102
		827	**682**
Property, plant and equipment	15		
Land and buildings		557	563
Plant and machinery		1,827	1,865
Equipment, tools and fixtures and fittings		75	71
Fixed assets under construction		342	219
		2,801	**2,718**
Financial assets			
Shares in associated companies		12	13
Financial investments		1	1
Deferred income tax assets	12	119	107
Other non-current receivables		12	12
		144	**133**
Total fixed assets		**3,772**	**3,533**
Current assets			
Inventories	18	2,884	2,299
Accounts receivables	3	2,037	1,751
Current income tax	12	102	88
Other receivables	3	212	188
Derivative financial instruments	3	575	747
Prepaid expenses and accrued income		61	106
Cash and cash equivalents	19	331	540
Total fixed assets		**6,202**	**5,719**
TOTAL ASSETS		**9,974**	**9,252**

Consolidated Balance Sheet (cont.)

SEK million	Note	31 Dec 2011	31 Dec 2010
EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		409	409
Reserves		-414	-368
Retained earnings, including result for the year		3,552	3,123
Equity attributable to Parent Company's shareholders		**3,547**	**3,164**
Non-controlling interests		18	24
Total equity		**3,565**	**3,188**
Non-current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	3,400	3,111
Pension provisions	9	10	4
		3,410	**3,115**
Non-interest-bearing liabilities			
Deferred tax liabilities	12	328	306
Other provisions	22	57	63
Other non-current liabilities		4	2
		389	**371**
Total non-current liabilities		**3,799**	**3,486**
Current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	72	66
Other current liabilities		2	1
		74	**67**
Non-interest-bearing liabilities			
Accounts payables	3	1,331	838
Current tax liabilities	12	103	119
Other current liabilities		76	291
Other current provisions	22	38	41
Derivative financial instruments	3	503	733
Accrued expenses and prepaid income	23	485	489
		2,536	**2,511**
Total current liabilities		**2,610**	**2,578**
TOTAL EQUITY AND LIABILITIES		**9,974**	**9,252**

Consolidated Changes in Shareholders' Equity [1)]

SEK million	Attributable to the Parent Company's shareholders Share capital	Reserves	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
Other 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**

	Attributable to the Parent Company's shareholders Share capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Opening balance at 1 January 2011	**409**	**-368**	**3,123**	**24**	**3,188**
Profit for the year	-	-	602	2	604
Other comprehensive income	-	-46	-	-3	-49
Total comprehensive income	**-**	**-46**	**602**	**-1**	**555**
Transactions with shareholders					
Redemption of non-controlling interests		-	-	-5	-5
Issue of stock options	-	-	11	-	11
Dividend	-	-	-184	-	-184
Total transactions with shareholders	**-**	**-**	**-173**	**-5**	**-178**
Closing balance at 31 December 2011	**409**	**-414**	**3,552**	**18**	**3,565**

[1)] For further information, see Note 20.

Income Statement – Parent Company

SEK million	Note	Jan-Dec 2011	Jan-Dec 2010
Net sales	26	47	42
Other operating income	10	4	2
Total operating income		**51**	**44**
Other external expenses	5	-55	-47
Personnel costs	6, 7, 8, 9	-36	-44
Depreciation, amortisation and impairment loss		-2	-1
Other operating expenses		0	0
Total operating expenses		**-93**	**-92**
Operating profit		**-42**	**-48**
Result from financial items	11		
Result from interests in Group companies		149	25
Interest income and similar items		164	164
Interest expenses and similar items		-160	-140
Net financial items		**153**	**49**
Profit before tax		**111**	**1**
Income tax	12	-3	1
Profit for the year		**108**	**2**

Statement of Comprehensive Income – Parent Company

SEK million	Note	Jan-Dec 2011	Jan-Dec 2010
Profit for the period		108	2
Other comprehensive income		-	-
Total comprehensive income for the period		**108**	**2**

Balance Sheet – Parent Company

SEK million	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Fixed assets			
Intangible non-current assets		1	1
		1	**1**
Property, plant and equipment		3	4
		3	**4**
Financial non-current assets			
Shares in Group companies	17	3,995	3,995
Receivables from Group companies		3,060	3,670
Deferred income tax assets	12	0	2
		7,055	**7,667**
Total fixed assets		**7,059**	**7,672**
Current assets			
Receivables from Group companies		27	48
Other receivables		3	4
Prepaid expenses and accrued income		5	2
Cash and cash equivalents		0	0
Total current assets		**35**	**54**
TOTAL ASSETS		**7,094**	**7,726**

Balance Sheet – Parent (cont.)

SEK million	Note	31 Dec 2011	31 Dec 2010
EQUITY	20		
Restricted equity			
Share capital		409	409
Statutory reserve		5	5
		414	**414**
Non-restricted equity			
Retained earnings		3,576	3,758
Profit for the year		108	2
		3,684	**3,760**
Total equity		**4,098**	**4,174**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	-	902
Liabilities to Group companies		2,900	2,500
		2,900	**3,402**
Current liabilities			
Non-interest-bearing liabilities			
Accounts payables		14	11
Income tax liabilities	12	1	0
Liabilities to Group companies		54	104
Other current liabilities		4	4
Accrued expenses and prepaid income	23	23	31
		96	**150**
Total liabilities		**2,996**	**3,552**
TOTAL EQUITY AND LIABILITIES		**7,094**	**7,726**
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 2010	**409**	**5**	**3,900**	**4,314**
Profit for the year	-	-	2	2
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**2**	**2**
Dividend	-	-	-174	-174
Issue of stock options	-	-	32	32
Closing balance 31 December 2010	**409**	**5**	**3,760**	**4,174**
Opening balance at 1 January 2011	**409**	**5**	**3,760**	**4,174**
Profit for the year	-	-	108	108
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**108**	**108**
Dividend	-	-	-184	-184
Closing balance 31 December 2011	**409**	**5**	**3,684**	**4,098**

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 2011	Jan-Dec 2010
OPERATING ACTIVITIES	30		
Profit after financial items		111	1
Recoveries on amortisation and impairment losses		1	1
Adjustment for items not included in cash flow	30	-11	-
Income tax paid		1	0
Cash flow from operations before changes to working capital		**102**	**2**
Changes in working capital			
Net change in other current receivables		30	-18
Net change in other current operating liabilities		-56	91
Cash flow from operating activities		**76**	**75**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		0	-1
Acquisition of shares in subsidiaries		-	-
Divestment of shares in subsidiaries		-	0
Cash flow from investing activities		**0**	**-1**
FINANCING ACTIVITIES			
Amortisation of loans		-902	-4
Loans raised from Group companies		1,010	72
Issue of stock options		0	32
Dividend		-184	-174
Cash flow from financing activities		**-76**	**-74**
Cash flow for the year		0	0
Cash and cash equivalents at beginning of year		0	0
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, 211 19 Malmö, Sweden.

These consolidated financial statements for 2011 are for the Group consisting of the Parent Company and all subsidiaries. The Group includes ownership interests in associates and joint ventures. The Board of Directors approved these consolidated financial statements for publication as of 15 March 2012.

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 statements in accordance with the Swedish Annual Accounts Act (Årsredovisningslagen) and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for legal entities."

The annual and consolidated financial statements have been prepared on a historical cost basis, with the exception of currency, fixed-income 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 2011 or later. None of them is deemed to have a significant impact on the consolidated accounts:

IAS 32 (amendment) Classification of rights issues

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) is effective for financial years starting 1 February 2010 or later.

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.

IFRS 3 Business combinations (revised)

The revised standard (effective from 1 July 2010) contains transitional rules on contingent consideration deriving from a business combination that occurred before the revised IFRS 3 applied. The revised standard also clarifies that provisions relating to the ability to choose between valuing non-controlling interests at fair value, or for the proportional share of the acquired company's identifiable net assets to only be governed by instruments that represent current participation rights and entitle holders to a proportional share of the net assets in the event of liquidation. Finally, guidance on IFRS 3 should be applied to all share-based remuneration that is part of a business combination, including uncompensated and voluntarily compensated share-based remuneration.

IAS 1 Presentation of Financial Statements

This clarifies that a company must present an analysis for each item in other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the annual report. Effective for financial years starting 1 January 2011, retrospectively applicable.

IAS 27 Consolidated and separate financial statements (revised).

The revised standard (effective as of 1 July 2010) clarifies that changes made in IAS 21, "Effects of changes in foreign exchange rates," IAS 28, "Investments in associates," and IAS 31, "Interests in joint ventures" as a result of changes to IAS 27, shall be effective for financial years starting 1 July 2010 or later.

IAS 34 Interim reporting
Provides guidance on how the principles for disclosure in IAS 34 should be applied and makes additional disclosure requirements regarding:

- Circumstances that are likely to affect the fair value and classification of financial instruments,
- Transfers of financial instruments between different levels of fair-value hierarchy,
- Changes in classification of financial assets, and
- Changes in contingent liabilities and contingent assets.

Effective for financial years starting 1 January 2011, applicable retrospectively.

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 2012 or later:

IAS 1 Presentation of Financial Statements
The most significant change is the requirement for items reported in "Other comprehensive income" to be presented with a breakdown according to two groups. The breakdown must be based on whether or not the items could be reclassified to profit or loss (reclassification adjustments). Effective from 1 July 2012.

IAS 19 Employee benefits (revised)
This amendment eliminated the corridor method approach and calculates finance costs based on the net surplus or the net deficit in the plan. Effective from 1 January 2013. The effect of this has not yet been assessed.

IAS 27 Consolidated and separate financial statements (revised 2011).
IAS 27 (revised 2011) contains the provisions on separate financial statements that are left after the control provisions have instead been included in IFRS 10. Effective from 1 January 2013.

IAS 28 Associates and joint ventures (revised 2011)
IAS 28 (revised 2011) includes the requirements for joint ventures and associates to be equity accounted in accordance with IFRS 11. Effective from 1 January 2013.

IFRS 9 Financial instruments
This standard is the first stage in the process of replacing IAS 39 Financial Instruments: Valuation and Classification. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories: amortised cost and fair value. This classification is made based on the company's business model and characteristics of contractual cash flows. This standard is not effective until 2013.

IFRS 10 Consolidated Financial Statements
The aim of IFRS 10 is to establish principles for the preparation and presentation of consolidated financial statements where one company controls one or more companies. The standard defines the concept of control and establishes control as the determining factor for consolidation. The standard also sets out how the consolidated financial statements should be prepared and is effective from 1 January 2013.

IFRS 12 Disclosures of interests in other entities
This standard includes the disclosure requirements for subsidiaries, joint arrangements, associates and non-consolidated structured entities. Effective from 1 January 2013.

IFRS 13 Fair value measurement
The aim of this standard is for fair-value measurement to be more consistent and less complicated by providing an exact definition and a common source under IFRS for fair-value measurement and related disclosure requirements. Effective from 1 January 2013.

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 and changes of existing standards have been published and are compulsory for the Group for financial years starting on 1 January 2011 or later, but are not relevant to the Group.

IAS 12	(revised) Income taxes (effective from 1 January 2012).
IFRS 1	(revised) The first time IFRS is applied (effective from 1 July 2011)
IFRS 7	Financial instruments: disclosures (effective from 1 July 2011)
IFRS 11	Joint arrangements (effective from 1 January 2013)
IFRIC 14	(revised) Prepayments of a minimum funding requirement (change applies for financial years starting 1 January 2011)
IFRIC 13	IFRIC 13 Customer loyalty programmes (applicable as from 1 January 2011)
IFRIC 19	Extinguishing financial liabilities with equity instruments (applicable 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 operational strategies to the extent usually associated with a shareholding of more the 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 interest 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.

All intra-group transactions, balances and unrealised gains on transactions 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. Gains 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 ownership interest 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 associate 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 ownership interest of between 20 percent and 50 percent of the voting rights. As of the date at which the significant influence is acquired, investments in associated companies are reported in the consolidated accounts 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 interest 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 the Group's share of profit of associated companies, adjusted for any amortisation, impairment or dissolution of acquired surplus or shortfall values, as other financial revenue. Dividends received from associated companies reduce the reported value of the investment.

The equity method is used until significant influence ceases.

Foreign currency translation of foreign subsidiaries' financial reports

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 balance sheet items

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.

Group companies

The results and financial position of foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency other than the presentation currency are translated into 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	8.99	8.92
DKK	1.21	1.20
GBP	10.35	10.68
LKR	0.06	0.06
MXN	0.52	0.49
USD	6.45	6.87

Segment reporting
An operating segment is the part of the Group that conducts business operations from which it may generate revenue and incur expenses for which separate financial information is available. The earnings of an operating segment are followed up by the Group's Chief operating decision maker in order to evaluate the earnings and to allocate resources to the operating segment. The Group's operations are divided up into operating segments based on which parts of the operations the Group's Chief operating decision maker monitors, that is, according to the management approach. AAK's business operations are organised in such a way that the Group's Chief operating decision maker, that is the CEO, monitors earnings, returns and cash flows generated by the Group's various products. Each operating segment has a manager who is responsible for day-to-day operations and who regularly reports to the CEO on the outcome of the operating segment's performance and its resource requirements. Where the CEO monitors profit and determines resource allocations based on the product that the Group produces and sells, these constitute the Group's operating segments.

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. Segment reporting is submitted in accordance with IFRS 8 for the Group only. 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 and 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
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 legal 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 the performance of 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. The company assesses that the incentive programme should be treated under IAS 32 as it is not covered by the regulations in IFRS 2. In making this assessment, the company has taken account of the fact that options have not been issued as market-based remuneration and that the programme lacks conditions for repurchase by the company upon termination of employment or that the options may only be used if the holder is still employed by the company.

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.

Product development
Product development work is an integral part of production relating to process improvement 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 changes in 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 assessment, 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.

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 property, plant and equipment is 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 property, plant and equipment 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 at its recoverable amount.

Assets’ residual values and useful life are reviewed every reporting date 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 the ordinary course of business, less costs of completion and applicable variable selling expenses.

Financial income and expenses

Financial income consists of interest income on funds invested (including, where applicable, financial assets available for sale), dividend income, gains on the sale of financial assets available for sale, and gains on hedging instruments reported in profit/loss for the year. Dividend income is recognised when the right to receive payment has been established. Results from the sale of financial investments are recognised when the risks and benefits associated with ownership of the instruments have been transferred to the buyer and the Group no longer has control of the instrument. Financial expenses consist of interest expenses on loans, the effect of the resolution of present value calculations for provisions, impairment of financial assets and those losses on hedging instruments reported in the profit/loss for the year. Borrowing expenses are recognised in profit/loss, except where they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for their intended use or sale, in which case they are included in the cost of those assets. Exchange rate gains and losses are reported as net amounts.

Financial instruments

The Group classifies its financial assets according to the following categories: financial assets and liabilities measured at fair value in profit/loss, loan receivables and accounts receivable, and financial assets available for sale. The classification is dependent on the purpose for which the financial assets were acquired. Management establishes the classification of financial assets at initial recognition.

(a) Financial assets recognised at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current assets.

(b) Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, with the exception of items with a maturity of more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loan receivables and accounts receivable consist of accounts receivable and other receivables, as well as cash and cash equivalents in the balance sheet.

(c) Financial assets available for sale

Financial assets available for sale are non-derivatives where the assets are identified as being able to be sold or have not been classified in one of the other categories. They are included in non-currents assets unless the investments matures or management intends to dispose of it within 12 months of the end of the reporting period.

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 financial 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.

Loan receivables and accounts receivable are reported after the acquisition date at amortised cost using the effective interest rate method. Financial instruments are initially reported at fair value plus transaction costs, which applies to all financial assets that are not reported at fair value through profit or loss, for which attributable transaction costs are instead recognised in the income statement.

Hedging of fair value or a change in 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. Gain or loss attributable to the ineffective portion is recognised with immediate effect in profit/loss for the year in "Raw materials and consumables and changes in inventory."

The gain or loss attributable to the ineffective portion is recognised with immediate effect in the income statement item "Net financial items."

Derivatives

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment.
(fair-value hedge),
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction
(cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents it assesment both at hedge inception and on an ongoing basis, of whether the derivative instruments used in hedging transactions are, highly effective in offsetting changes in fair values or cash flows of hedged item.

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. 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

Hedging of fair value

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. The gain or loss attributable to the ineffective portion is recognised with immediate effect in profit/loss for the year.

Cash flow hedges

The effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss attributable to the ineffective portion is recognised immediately in the income statement within “Net financial items”.

Amounts in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss (e.g. when the forecast sale that is hedged takes place). The gain or loss that is attributable to the effective portion of interest rate swaps that hedges floating-rate borrowings is recognised in the income statement within "Financial expenses." The gain or loss attributable to the ineffective portion is recognised in the income statement item "Net financial items." If a hedge of a forecast transaction subsequently leads to the reporting of a non-financial asset (e.g. inventory or fixed assets), the gains and losses previously recognised in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in "Cost of goods sold" where they relate to inventory or in "Depreciation" where they relate to fixed assets.

When a hedging instrument matures or is sold, or when the hedge no longer qualifies for hedge accounting and accumulated gains or losses relating to the hedge are booked in equity, these gains/losses remain in equity and are recognised in profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the accumulated gain or loss is transferred.

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 assets 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.

Liabilities 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 reported when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or 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 announced 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 the 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 temporary differences and loss carry-forwards are recognised only to the extent it is likely that it will be possible to utilise these items. The value of deferred income tax assets is derecognised when it is no longer deemed likely that they 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 current 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 shares and stock options being used, which could result in dilution. 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 principles – Parent Company
The Parent Company has prepared its financial statements in accordance with the Swedish Annual Accounts Act (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 price 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 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 policy and principles. Policies and principles are established by AAK's Board of Directors, which also monitors, evaluates and updates these policies and principles annually.

Raw material price risks

The Group's annual costs for raw materials are two-thirds 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 our trading policy established by the Board of Directors. Since these raw material 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. Therefore the Group is typically left with a significant unhedged volumes of exotic raw materials in the months following the harvest season. The Group endeavours to limit this exposure by entering into new exotic raw material-based sales contracts during the months in which the exotic raw materials are sourced.

AAK uses fair value hedge accounting on stocks of oils and fats.

Exposure to raw material price risk 31 December 2011

(Thousand tons)	Inventory	Sales contracts	Purchase contracts	Net exposure
Oils and fats	188	-859	676	5

Exposure to raw material price risk 31 December 2010

(Thousand tons)	Inventory	Sales contracts	Purchase contracts	Net exposure
Oils and fats	173	-827	656	2

Sensitivity analysis – raw materials (excluding exotic raw materials)

With the 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, even though the annual effect on net sales is ± SEK 1,250 million (1,250) 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 crushing margin (oil plus meal value less seed price) can therefore vary significantly over time and can thereby directly affect profitability within the Technical Products & Feed business area.

Exposure to foreign currency

A significant portion of the Group's buy and selling of raw materials is denominated in foreign currency. Moreover, most of the Group's operational 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 for our foreign subsidiaries is affected by changes in currency 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 sales 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 2011

SEK million	Assets	Liabilities	Sales contracts	Purchase contracts	Currency contracts Sold	Currency contracts Bought	Net exposure
USD	1,096	-1,288	1,756	-1,646	-746	811	-17
EUR	484	-275	1,223	-416	-1,406	318	-72
Other	324	-59	416	-157	-850	362	36
Total	**1,904**	**-1,622**	**3,395**	**-2,219**	**-3,002**	**1,491**	**-53**

Exposure to transaction risk, 31 December 2010

SEK million	Assets	Liabilities	Sales contracts	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	**1,461**	**-924**	**2,992**	**-1,691**	**-3,018**	**1,217**	**37**

Sensitivity analysis – Currency

With all foreign currency transaction 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 foreign currencies 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 65 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 (1,000) and Group net working capital by SEK 200 million (250).

Interest rate risk

AAK's policy on interest rate risk management is 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 2011, the Group's interest-bearing net debt amounted to SEK 3,141 million (2,634). This includes debt of SEK 1,800 million which has been swapped into fixed-rate loans with an average maturity of 4 years. AAK has applied cash flow hedging with interest rate swaps since 1 October 2011.

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

	SEK	DKK	GBP	MXN	USD
2011	3.78	2.04	2.12	6.04	1.68
2010	1.91	1.60	0.94	4.90	0.61

In January 2011 AAK replaced the existing SEK 4,200 million committed credit facilities due September 2011 with a new SEK 4,200 million five-year credit commitment.

Sensitivity analysis – Interest rates

At the closing date, the Group had a floating rate-based net debt of SEK 1,341 million (2,534). A 1 percent change in interest rates would therefore have a full-year effect of SEK 13 million (25) on the Group's interest costs before 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:	Target	Results for 2011	Results for 2010
1. Net interest-bearing debt/EBITDA	< 3.00	2.39	2.20
2. EBITDA/interest cost	> 5.00	14.90	23.50
3. Net interest-bearing debt/equity	< 1.25	0.88	0.83

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

The Group's policy is to allocate total net borrowings 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.

Changes in world vegetable oil prices affect the Group's working capital with a lag of 6-9 months. Vegetable oil prices rose by approximately 50 percent in 2010. In 2011, however, prices fell by around 20 percent. The increase in the Group's working capital due to the lagged effect of the 2010 oil price increase has partly been offset by initiatives taken to permanently reduce working capital. The Group will continue its strong focus on reducing its net working capital.

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

SEK million	2011	2010
SEK	1,025	1,018
DKK	1,114	1,192
GBP	290	347
MXN	213	204
USD	830	419
Total	**3,472**	**3,180**

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 2011

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 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 2011

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	3,400	-	42	3,094	264
Other non-current liabilities	4	-	-	-	4
Total non-current liabilities	**3,404**	**-**	**42**	**3,094**	**268**
Interest on liabilities to banks and credit institutions	488	83	93	276	36
Total non-current liabilities and interest	**3,892**	**83**	**135**	**3,370**	**304**
Current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	72	72	-	-	-
Accounts payables	1,331	1,331	-	-	-
Derivative financial instruments	503	503	-	-	-
Accrued expenses	485	485	-	-	-
Other current liabilities	76	76	-	-	-
Total current liabilities	**2,467**	**2,467**	**-**	**-**	**-**
Interest on liabilities to banks and credit institutions	12	12	-	-	-
Total current liabilities and interest	**2,479**	**2,479**	**-**	**-**	**-**

Future payments for derivative instruments amount to SEK 10,547 million and future receipts amount to SEK 13,094 million.

Unused credit facilities available to the Group at year-end 2011

	Total amount	Less than 1 year	Between 1-2 years	Between 2 and 5 years	More than 5 years
Unused credit facilities	2,362	-	-	1,362	1,000

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					
Liabilities 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-current liabilities and interest	**3,793**	**-**	**813**	**2,318**	**662**

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	66	66	-	-	-
Accounts payables	838	838	-	-	-
Derivative financial instruments	733	733	-	-	-
Accrued expenses	489	489	-	-	-
Other current liabilities	291	291	-	-	-
Total current liabilities	**2,417**	**2,417**	**-**	**-**	**-**
Interest on liabilities to banks and credit institutions	117	117	-	-	-
Total current liabilities and interest	**2,534**	**2,534**	**-**	**-**	**-**

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 1-2 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 331 million, available credit facilities of SEK 2,362 million and cash and cash equivalents generated by the business are together deemed sufficient for the Group to meet its financial commitments.

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 its total sales, and the average customer corresponds to less than 1 percent.

Nearly a quarter 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 even 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

	2011		2010	
SEK million	**Gross amount underlying rec.**	**Provisions**	**Gross amount underlying rec.**	**Provisions**
Provisions at 1 January	28	16	34	26
Provisions for potential losses	10	10	14	4
Unused amount reversed	-14	-5	-14	-9
Actual credit losses	-3	-3	-6	-6
Exchange differences	0	0	0	1
Provisions at 31 December	**21**	**18**	**28**	**16**

Provisions for impairments are entirely related to accounts receivable. Total accounts receivable excluding provisions were SEK 2,055 million (1,767).

Past due assets not considered impaired

SEK million	2011	2010
1-30 days	346	299
31-120 days	42	51
121-360 days	14	1
Over 360 days	0	0
	402	**351**

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 2011 the Group had only derivative financial instruments that were measured at fair value. The fair value of the derivative financial instruments is measured 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	2011		2010	
Financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Raw material hedge contracts	130	112	207	638
Currency hedge contracts	362	337	62	81
Interest rate hedge swaps	-	54	12	14
	492	**503**	**281**	**733**
Fair value of changes in inventories	83	0	466	0
Total	**575**	**503**	**747**	**733**

Hedge accounting

Inventory hedging at fair value

Futures contracts, purchase and sales contracts not deemed to be assets for own use are used for hedging, which means that they cannot 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. AAK minimises this inefficiency by reducing the basis risk between hedged raw material risks and the underlying raw materials used as hedging contracts. Due to the basis risk involved, AAK uses the "dollar offset" method for testing the hedge efficiency of the fair value of raw materials. Hedge efficiency testing in 2011 confirmed that the fair-value hedge of raw materials qualifies for hedge accounting. Hedge efficiency for the full-year 2011 was 113 percent (110).

Fair-value hedge of currency risk on sales contracts qualifying for exemption under assets for own use

The hedging instruments used are futures contracts and purchase contracts. As the currency risk of the hedge instruments is identical to the currency risk of the hedged contracts, no material basic risk exists. AAK therefore only uses the "critical match" method to test the hedge efficiency of currency risk on sales contracts that qualify for own use exemption and that may consequently be exempted from derivative accounting. The hedge efficiency testing in 2011 confirmed a perfect critical match.

Cash flow hedge of floating-rate loans

The hedging instruments used are interest rate swaps, with AAK paying a fixed rate and receiving a floating rate. Some minor hedge inefficiency exists, as the fixing dates on the floating rate received on the hedge do not perfectly match the fixing dates on the floating rate paid on our loans. Due to this minor hedge inefficiency, AAK uses the dollar offset method for retrospective measuring of hedge efficiency of the cash flow hedge of floating-rate loans. Hedge efficiency testing in 2011 confirmed that the cash flow hedge of floating-rate loans qualifies for hedge accounting. At year-end 2011 there was an unrealized loss of SEK 19 million on hedge instruments.

The risk management procedures and net exposures relating to raw material and foreign currency are described in more detail under "Raw material price risk" and "Exposure to foreign currency."

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING

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 objective 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 non-current assets

AAK's property, plant and equipment and intangible non-current 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 to 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 differences 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

Futures 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. AAK implemented full hedge accounting on 1 October 2010 based on hedging of fair value. This new accounting method does not imply any change in the current business model. Moreover, the implementation of this method has no effect on the underlying profitability or level of risk within the Group.

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 and 2011, however, were not due to exceptional events. AAK has therefore made the assessment that it is not possible to report under the rules on own use exemption under IAS 39.

The majority of purchase and sales contracts for physical delivery are deemed to be derivative instruments and are valued at fair value in the income statement. 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.

NOTE 5 – AUDITORS' REMUNERATION (SEK THOUSAND)

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Audit				
PwC	4,822	4,836	1,044	1,044
Other	68	42	-	-
Subtotal, audit	4,890	4,878	1,044	1,044
Other audit assignments				
PwC	1,207	248	645	-
Other	-	-	-	-
Subtotal, other audit assignments	1,207	248	645	-
Tax consulting				
PwC	726	789	-	50
Other	-	-	-	-
Subtotal, tax consulting	726	789	-	50
Other assignments				
PwC	3,717	336	3,367	-
Other	71	110	-	-
Subtotal, other assignments	3,788	446	3,367	-
Total	**10,611**	**6,361**	**5,056**	**1,094**

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	
	2011	2010	2011	2010
Wages and salaries	831,271	855,578	25,034	24,143
Social security costs	215,349	257,584	10,600	17,846
(of which pension costs)	(79,062)	(105,772)	(4,136)	(6,961)

SEK 2 million (3) of the Group pension costs relates to the Board of Directors, the CEO and other senior managers.

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

	2011		2011	2010		2010
	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	13,384	2,721	11,650	11,804	3,191	12,339
Subsidiaries, Sweden	3,306	352	245,242	2,415	472	254,496
	16,690	**3,073**	**256,892**	**14,219**	**3,663**	**266,835**
Foreign subsidiaries:	18,288	2,136	539,401	29,419	5,161	545,105
Group total	**34,978**	**5,209**	**796,293**	**43,638**	**8,824**	**811,940**

NOTE 7 – AVERAGE NUMBER OF EMPLOYEES, ETC.

	2011	2011	2011	2010	2010	2010
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	13	8	5	14	8	6
Subsidiaries in Sweden	535	402	133	623	470	153
	548	410	138	637	478	159
Foreign subsidiaries:						
Brazil	6	4	2	5	4	1
Denmark	285	219	66	363	273	90
Finland	2	2	-	2	2	-
Ghana	2	2	-	2	2	-
China	6	4	2	-	-	-
Lithuania	4	3	1	3	2	1
Malaysia	18	7	11	17	9	8
Mexico	362	302	60	374	312	62
The Netherlands	62	52	10	63	53	10
Norway	1	1	-	1	1	-
Poland	4	2	2	5	2	3
Russia	16	5	11	13	4	9
United Kingdom	501	405	96	512	406	106
Czech Republic	2	1	1	2	1	1
Germany	1	-	1	-	-	-
Uruguay	12	5	7	12	6	6
United States	233	182	51	90	75	15
	1,517	1,196	321	1,464	1,152	312
Group total	**2,065**	**1,606**	**459**	**2,101**	**1,630**	**471**

	2011	2011	2010	2010
Board members and senior managers	**Total at reporting date**	**Of which men (%)**	**Total at reporting date**	**Of which men (%)**
Group (incl. subsidiaries)				
Board members	147	94	134	95
Chief Executive Officer and other senior managers	68	93	70	96
Parent				
Board members [1)]	9	89	10	90
Chief Executive Officer and other senior managers	3	67	3	67

1) And 2 employee representatives, 1 of which is male.

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

Principles

The principles for the remuneration of senior managers at AAK, 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 Chief Executive Officer 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 performance of the Company. Senior management are entitled to up to 60 percent of their annual fixed salary in variable compensation.

Incentive programme

The Group introduced an incentive programme for senior managers and key personnel within the Group in 2010. 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 market-based consideration of SEK 21 per stock 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, valued by Black & Scholes, at market value.

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 Chief Executive Officer 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 Chief Executive Officer nor any senior manager can independently assert the right to termination compensation.

Termination notice by the Chief Executive Officer 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 compensation of elected external members of the Board totals SEK 3,025,000, including compensation for committee work. Of this amount, the Chairman receives SEK 500,000, the Vice-Chairman SEK 375,000 and external members SEK 250,000. Compensation for committee work is distributed, in accordance with a decision of the AGM, as SEK 200,000 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' fees	Annual variable salary	Other benefits [2)]	Pension cost	Change in reserve	Total
Board of Directors						
Melker Schörling, Chairman	500,000	-	-	-	-	500,000
Carl Bek-Nielsen, Vice-Chairman	375,000	-	-	-	-	375,000
Martin Bek-Nielsen	350,000	-	-	-	-	350,000
John Goodwin	300,000	-	-	-	-	300,000
Mikael Ekdahl	450,000	-	-	-	-	450,000
Ulrik Svensson	450,000	-	-	-	-	450,000
Harald Sauthoff	350,000	-	-	-	-	350,000
Märit Beckeman	250,000	-	-	-	-	250,000
Subtotal for Board	**3,025,000**	**-**	**-**	**-**	**-**	**3,025,000**
Senior Managers						
Arne Frank, Chief Executive Officer [3)]	6,641,812 [4)]	1,733,333 [6)]	129,500	1,913,556	-	10,418,201
Jerker Hartwall, former Chief Executive Officer [3)]	4,881,929 [5)]	-	-	1,250,000	-6,131,929 [7)]	0
Other senior managers[8)]	18,525,221	5,963,013 [6)]	2,288,314	2,550,975	-	29,327,523
Subtotal, Senior managers	**30,048,962**	**7,696,346** [6)]	**2,417,814**	**5,714,531**	**-6,131,929**	**39,745,724**
Total	**33,073,962**	**7,696,346**	**2,417,814**	**5,714,531**	**-6,131,929**	**42,770,724** [9)]

1) Refers to items carried as an expense in 2011.
2) Other benefits primarily company cars.
3) Arne Frank started as Chief Executive Officer on 6 April 2010. Jerker Hartwall was Chief Executive Officer up to and including 5 April 2010.
4) In addition to salary, a total of SEK 141,812 was paid, consisting primarily of retrospective pay relating to 2010.
5) In addition to salary, SEK 251,933 was paid, primarily for holiday pay or reduced working hours.
6) Charged in the income statement in 2011 and estimated to be paid in 2012. During the year, variable salary expensed in 2010 of SEK 7,164,009 was paid.
7) A cost provision 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.
8) Refers to the following persons in 2011: Anders Byström, Renald Mackintosh, Bo Svensson, David Smith, Torben Friis Lange, Anne Mette Olesen, Karsten Nielsen, Edmond Borit, Octavio Diaz de Léon and Jean-Marc Rotseart.
9) Of the amount of SEK 42,770,724, SEK 19,262,852 relates to the Parent Company, AarhusKarlshamn AB.

Arne Frank, President and Chief Executive Officer, is currently paid an annual fixed salary of SEK 6,500,000 plus the value of a company car. In addition, variable salary may be paid up to a maximum of 60 percent of the fixed salary. In 2011, SEK 1,733,333 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' pension for professional employees in Sweden are insured through policies with Alecta or correspondingly in KP Pensionskassa. According to a statement by the Swedish Financial Reporting Board (Emerging Issues Task Force), UFR 3, this is a defined benefit plan that involves several different employers. For the period from 1 January to 31 December 2011, 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 insured through KP Pensionskassa during the current year are SEK 14 million (20). At year-end 2011, Alecta's and KP Pensionkassa's surplus in the form of their collective consolidation levels was 113 percent and 100 percent, respectively (146 percent and 100 percent, respectively).

	Defined benefit plans	
	2011	2010
The amounts recognised in the consolidated balance sheet are determined as follows:		
Present value of funded obligations	457	512
Fair value of plan assets	-425	-420
	32	**92**
Present value of unfunded obligations	-	-
Unrecognised actuarial gains (-) and losses (+)	-22	-88
Net liability in the balance sheet	**10**	**4**
Net amount is recognised in the following items in the consolidated balance sheet:		
Pension obligations	10	4
Net liability in the balance sheet	**10**	**4**

	Defined benefit plans	
	2011	2010
The amounts recognised in the consolidated income statement are as follows:		
Costs pertaining to service during the current year	10	10
Interest expense	19	21
Expected return on plan assets	-16	-18
Actuarial gains (+) and losses (-)	1	1
Past service cost	-	-
Employees' contributions paid	-1	-1
Total, included in employee costs (Note 6)	**13**	**13**

	Defined benefit plans	
	2011	2010
Total pension costs recognised in the consolidated income statement are as follows:		
Total costs for defined benefit plans including employer’s contribution	13	13
Total costs for defined contribution plans including employers' contribution	66	93
Total	**79**	**106**

	Defined benefit plans	
	2011	2010
Movement in the pension provision recognised in the consolidated balance sheet:		
Net provision at start of year	4	0
Net cost recognised in the income statement	13	13
Benefits paid	-7	-9
Contributions by employer to funded obligations	-	-
Exchange rate difference on foreign plans	-	-
Net provision at year-end	**10**	**4**

	Defined benefit plans	
	2011	2011
	The Netherlands	Sweden
The principal actuarial assumptions used at reporting date (%):		
Discount rate	5.25	4.00
Expected return on plan assets	4.60	4.00
Future annual salary increases	2.50	3.00
Future annual pension increases	2.00	3.00
Employee turnover	5.00	5.00

	Defined benefit plans	
	2010	2010
	The Netherlands	Sweden
The principal actuarial assumptions used at reporting date (%):		
Discount rate	4.70	4.25
Expected return on plan assets	4.00	4.25
Future annual salary increases	2.00	3.00
Future annual pension increases	2.50	3.00
Employee turnover	5.00	5.00

NOTE 10 – OTHER OPERATING INCOME

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Insurance compensation	65	19	-	-
Other operating income	41	27	4	2
Total	**106**	**46**	**4**	**2**

NOTE 11 – FINANCIAL ITEMS

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Interest income	6	8	0	0
Interest income, Group companies	-	-	164	164
Other financial income	6	21	-	0
Dividend, Group companies	-	-	103	-
Group contributions	-	-	46	25
Financial income	**12**	**29**	**313**	**189**
Interest expense	-94	-59	-160	-136
Changes in exchange rates	-4	-2	-	-
Changes in fair value – derivative instruments	1	-10	-	-
Other financial expenses	-13	-12	0	-4
Financial expenses	**-110**	**-83**	**-160**	**-140**
Net financial items	**-98**	**-54**	**153**	**49**

NOTE 12 – INCOME TAX EXPENSES

Income tax expenses for the year

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Current tax	-196	-214	0	0
Deferred tax	-16	12	-3	1
Total	**-212**	**-202**	**-3**	**1**

Determination of the actual tax expense

The Group’s weighted average underlying tax rate is approximately 27 percent. The Group's weighted average tax rate for 2011, based on the tax rates in each of the various countries involved, was 26 percent. The tax rate in Sweden is 26.3 percent (26.3). The Parent Company’s actual tax rate for 2011 is lower than the nominal tax rate, which is primarily an effect of tax-free dividends.

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Profit/loss before taxes	816	828	111	1
Weighted average tax rate based on the tax rates in each country	-222	-218	-29	0
Tax effect of various tax rates in other countries	0	-1	-	-
Tax effect of non-deductible expenses	-4	-2	-1	-1
Tax effect of tax-exempt income	7	20	27	2
Net effect of loss carry-forwards	0	0	-	-
Effect of tax rate changes	6	-1	-	-
Adjustment for current tax for previous years	1	0	-	-
Tax expense	**-212**	**-202**	**-3**	**1**

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:

Deferred tax assets	Group 2011	Group 2010	Parent 2011	Parent 2010
Tax loss carry-forwards	0	0	-	-
Property, plant and equipment	56	42	-	-
Inventory	10	19	-	-
Current assets	-8	-2	-	-
Provisions	17	21	-	-
Non-current liabilities	8	8	-	-
Current liabilities	36	19	-	-
Other temporary differences	-	-	-	2
At year-end	**119**	**107**	**-**	**2**

Deferred tax liabilities	Group 2011	Group 2010	Parent 2011	Parent 2010
Intangible assets	15	4	-	-
Property, plant and equipment	231	253	-	-
Inventory	20	7	-	-
Current assets	24	27	-	-
Provisions	9	6	-	-
Untaxed reserves	8	10	-	-
Current liabilities	21	-1	1	-
At year-end	**328**	**306**	**1**	**-**

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 2011	Group 2010	Parent 2011	Parent 2010
Current tax liabilities	-103	-119	0	0
Current income tax receivables	102	88	-	-
Income tax liability/tax assets	**-1**	**-31**	**0**	**0**

NOTE 13 – EARNINGS PER SHARE

	Group 2011	Group 2010
Earnings attributable to equity holders of the Parent (SEK million)	602	624
Weighted average number of ordinary shares in issue	40,898,189	40,898,189
Earnings per share, SEK	14.72	15.26

Earnings per share are calculated for 2011 based on net profit for the year attributable to equity holders in the Parent Company – SEK 602 million (624) – 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 2011 (see also Note 8). If used in full, this programme could result in an overall dilution effect of up to approximately 3.54 percent.

NOTE 14 – EVENTS AFTER THE BALANCE SHEET DATE

For the 2011 financial year, the Board of Directors and Chief Executive Officer propose the distribution of a dividend in the amount of SEK 4.75 per share. A decision will be made at the Annual General Meeting on 15 May 2012. It is proposed that the record date for the dividend will be 21 May and the dividend is expected to be distributed to shareholders by 24 May.

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Fixed assets under construction	Total
Group					
Cost at 1 January 2010	1,471	5,146	401	181	7,199
Investments	14	115	14	185	328
Disposals	-2	-46	-51	-	-99
Reclassifications	16	110	7	-133	0
Exchange differences	-110	-353	-29	-14	-506
Accumulated cost at 31 December 2010	**1,389**	**4,972**	**342**	**219**	**6,922**
Cost at 1 January 2011	1,389	4,972	342	219	6,922
Investments	7	132	14	190	343
Acquired through business combinations	13	59	-	-	72
Disposals	-4	-4	-10	-	-18
Reclassifications	31	21	18	-70	0
Exchange differences	-5	11	1	3	10
Accumulated cost at 31 December 2011	**1,431**	**5,191**	**365**	**342**	**7,329**
Depreciation at 1 January 2010	845	3,026	318	-	4,189
Disposals	0	-4	-50	-	-54
Depreciation for the year	39	288	29	-	356
Exchange differences	-65	-228	-26	-	-319
Accumulated depreciation at 31 December 2010	**819**	**3,082**	**271**	**-**	**4,172**
Depreciation at 1 January 2011	819	3,082	271	-	4,172
Disposals	-3	-4	-6	-	-13
Depreciation for the year	46	250	25	-	321
Exchange differences	-2	8	0	-	6
Accumulated depreciation at 31 December 2011	**860**	**3,336**	**290**	**-**	**4,486**
Impairment loss at 1 January 2010	7	25	-	-	32
Impairment loss during the year		-	-	-	-
Reclassification	-	-	-	-	-
Exchange differences	-	-	-	-	-
Accumulated impairment loss at 31 December 2010	**7**	**25**	**-**	**-**	**32**
Impairment loss at 1 January 2011	7	25	-	-	32
Impairment loss during the year	7	3	-	-	10
Reclassification	-	-	-	-	-
Exchange differences	-	-	-	-	-
Accumulated impairment loss at 31 December 2011	**14**	**28**	**-**	**-**	**42**
Residual value according to plan at 31 December 2010	**563**	**1,865**	**71**	**219**	**2,718**
of which land	111				
Residual value according to plan at 31 December 2011	**557**	**1,827**	**75**	**342**	**2,801**
of which land	75				

NOTE 16 – INTANGIBLE ASSETS

Group	Goodwill	Patents and other intangible assets	Total
Cost at 1 January 2010	652	215	867
Investments	-	7	7
Exchange differences	-72	-6	-78
Accumulated cost at 31 December 2010	**580**	**216**	**796**
Cost at 1 January 2011	580	216	796
Investments	-	7	7
Acquired through business combinations	143	3	146
Exchange differences	10	1	11
Accumulated cost at 31 December 2011	**733**	**227**	**960**
Amortisation and impairment loss at 1 January 2010	0	103	103
Impairment losses for the year	-	20	20
Exchange differences	0	-9	-9
Accumulated amortisation and impairment loss at 31 December 2010	**0**	**114**	**114**
Amortisation and impairment loss at 1 January 2011	0	114	114
Impairment losses for the year	-	19	19
Exchange differences	0	0	0
Accumulated amortisation and impairment loss at 31 December 2011	**0**	**133**	**133**
Residual value at 31 December 2010	**580**	**102**	**682**
Residual value at 31 December 2011	**733**	**94**	**827**

Reviewing impairment of goodwill

In preparing the financial statements for 2011, 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. Goodwill testing of the Swedish, Danish, and Dutch units was 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. Approximately 60 percent of goodwill is attributable to the business area Chocolate & Confectionery Fats and the remaining approximately 40 percent to Food Ingredients.

Testing has not demonstrated any need for impairment. 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 1 percent less.

Goodwill by cash-generating unit

	2011	2010
Scandinavia incl The Netherlands	486	487
United Kingdom	63	62
United States	184	31
Total	**733**	**580**

NOTE 17 – INVESTMENTS IN GROUP COMPANIES

	Parent	
	2011	2010
Start of year	3,995	1,495
Repayment of capital contribution	-	-
Capital contributions provided	-	2,500
Formation of subsidiaries	-	-
Intra-Group sales of subsidiaries	-	-
Accumulated cost	**3,995**	**3,995**

List of shareholdings and book value as of 31 December 2011

		2011			2010		
	Domicile	No. of shares	Capital %	Book value	No. of shares	Capital %	Book value
AarhusKarlshamn Invest AB, Sweden	Malmö	1,000	100	0	1,000	100	0
AarhusKarlshamn Holding Malta Ltd, Malta	Gzira	25,274,999	100	2,527	25,274,999	100	2,527
AarhusKarlshamn Holding AB, Sweden	**Malmö**	**1,000**	**100**	**0**	**1,000**	**100**	**0**
AarhusKarlshamn Sweden AB, Sweden	Karlshamn	21,864,928	100		21,864,928	100	
AarhusKarlshamn Netherlands BV, Netherlands	Zaandijk	500	100		500	100	
AarhusKarlshamn Group Treasury A/S, Denmark	**Aarhus**	**400,000,000**	**100**	**1,468**	**400,000,000**	**100**	**1,468**
AarhusKarlshamn Denmark A/S, Denmark	Aarhus	100,000,000	100		100,000,000	100	
AarhusKarlshamn Latin America S.A., Uruguay	Cousa	150,000,000	100		150,000,000	100	
AarhusKarlshamn UK Ltd, UK	Hull	23,600,000	100		23,600,000	100	
AarhusKarlshamn USA Inc., USA	New Jersey	20,300,000	100		20,300,000	100	
AarhusKarlshamn Mexico S.A. de C.V., Mexico	Morelia	201,006,799	95.49		201,006,799	94.34	
Total				**3,995**			**3,995**

The above list includes certain shares and ownership interests owned by the Parent, either directly or indirectly, as of 31 December 2011. A complete listing of all holdings of shares and interests 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 from AarhusKarlshamn AB, Corporate Communication, Jungmansgatan 12, 211 19 Malmö, Sweden.

NOTE 18 – INVENTORIES

	Group	
	2011	2010
Raw materials and consumables	1,490	1,286
Goods in transit	543	371
Products in progress	414	290
Finished products and goods for resale	437	352
Total according to balance sheet	**2,884**	**2,299**
Change in fair value	83	466
Inventory at fair value	**2,967**	**2,765**

"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 15 million (23).

NOTE 19 – CASH AND CASH EQUIVALENTS

	Group	
	2011	2010
Cash equivalents	315	522
Current investments	16	18
Total	**331**	**540**

NOTE 20 – SHAREHOLDERS' EQUITY

Group

Share capital

As of 31 December 2011 the Group's registered share capital was 40,898,189 shares (SEK 408,981,890).

Reserves

Translation reserve

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 the Group present their financial statements in SEK.

Hedging reserve

The hedging reserve encompasses the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to hedging transactions yet to take place.

Statutory reserve

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

Retained profits and profit for the year

Retained profits and profit for the year include profits earned and retained by the Parent Company, subsidiaries, investments in associates, the purchase price paid for stock options issued and profit for the year.

Treasury shares

The Group owned a total of 0 (0) treasury shares as of 31 December 2011.

Specification of equity item "Reserves"

	Statutory reserve	Hedging reserve	Translation reserve	Total
2010 opening balance	5	-	-144	-139
Translation differences	-	-	-229	-229
2010 closing balance	**5**	**-**	**-373**	**-368**
2011 opening balance	**5**	**-**	**-373**	**-368**
Translation differences	-	-	-32	-32
Cash flow hedges reported in "Other comprehensive income"	-	-19	-	-19
Tax on cash flow hedges reported in "Other comprehensive income"	-	5	-	5
2011 closing balance	**5**	**-14**	**-405**	**-414**

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 shares (40,898,189) 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

Includes non-restricted equity from the previous year and after any dividend distribution. Comprises, 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 2011 is SEK 194 million (SEK 4.75 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	**2011**	**2010**	**2011**	**2010**
Liabilities to banks and credit institutions	3,400	3,111	-	902
Total	**3,400**	**3,111**	**-**	**902**

	Group		Parent	
Current	**2011**	**2010**	**2011**	**2010**
Liabilities to banks and credit institutions	72	66	-	-
Total	**72**	**66**	**-**	**-**

Maturity for non-current borrowing is as follows:

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Between 1 and 5 years	3,136	2,538	-	902
More than 5 years	264	573	-	-
Total	**3,400**	**3,111**	**-**	**902**

NOTE 22 – OTHER PROVISIONS

Group	**Restructur-ing**	**Environ-mental 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
Reclassification	-8	8	-	-
Exchange differences	-3	-3	0	-6
Closing balance at 31 December 2010	**39**	**33**	**32**	**104**

Group	**Restructur-ing**	**Environ-mental restoration**	**Other**	**Total**
Opening balance at 1 January 2011	39	33	32	104
Provisions for the year	24	-	4	28
Provisions claimed for the year	-31	-	-6	-37
Exchange differences	0	0	0	0
Closing balance at 31 December 2011	**32**	**33**	**30**	**95**

Provisions include	**2011**	**2010**
Non-current	57	63
Current	38	41
Total	**95**	**104**

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	
	2011	**2010**	**2011**	**2010**
Employee-related expenses	206	238	13	27
Other	279	251	10	4
Total	**485**	**489**	**23**	**31**

NOTE 24 – ASSETS PLEDGED

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Collateral for provisions and liabilities				
Property mortgage	611	750	-	-
Total	**611**	**750**	**-**	**-**

NOTE 25 – CONTINGENT LIABILITIES

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Other contingent liabilities	12	3	-	-
Total	**12**	**3**	**-**	**-**

Contingent liabilities refer 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 47 million (42), i.e. 100 percent (100) of sales were 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 Berhad in Malaysia, which through Carl Bek-Nielsen and Martin Bek-Nielsen may be considered to be a related party.

Outstanding accounts receivable amounted to SEK 9 million (10). Outstanding accounts payable amounted to SEK 112 million (54). Purchasing during the year amounted to SEK 1,052 million (964) and sales amounted to SEK 179 million (213).

All transactions were carried out at market value.

NOTE 27 – BUSINESS COMBINATIONS

On July 1 2011, AAK acquired the leading North American producer of flaked vegetable speciality fats for Baking and Food Service, Golden Foods/Golden Brands. The company was founded in 1982 and is located in Louisville, Kentucky. Golden Foods/Golden Brands employs 160 people and had sales of approximately USD 120 million in 2010.

The acquisition significantly strengthens AAK's ability to deliver a more extensive product portfolio of speciality oils and fats and oils to existing and new customers in the US. An expansion in the US, which is one of the world's largest markets for speciality oils, is of particular interest. Product lines are being expanded and provide a complement to our existing product portfolio and specialisation strategy. The company's location in Louisville, Kentucky also adds a new geographic dimension to our existing operations in New Jersey, with significant advantages for all our customers, but in particular our customers in the US Mid-West.

The acquisition has had only a limited effect on the Group's operating profit for 2011, but will generate significant positive effects from the first quarter of 2012.

The goodwill from the transaction is tax deductible.

Total fair value of assets and liabilities in the acquired business

Amount in SEK million	Carrying amount in acquired company	Adjustment to fair value	Carrying amount in the Group
Intangible assets	-	3	3
Property, plant and equipment	50	22	72
Inventories	61	-	61
Accounts receivable	56	-	56
Other receivables	18	-	18
Accounts payables	-17	-	-17
Other liabilities	-15	-	-15
Identifiable assets	153	25	178
Goodwill	-	-	143
Total identifiable assets and goodwill	**-**	**-**	**321**

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 by primary segments/business areas

2011	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2011
Net sales						
External sales	4,954	10,076	1,665	-	-	16,695
Internal sales	957	526	53	-	-1,536	-
Group total	**5,911**	**10,602**	**1,718**	**-**	**-1,536**	**16,695**

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

2011	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2011
Operating profit	378	518	103	-88	-	911
Insurance compensation	56	-	-	-8	-	48
Restructuring	-	-45	-	-	-	-45
Total	**434**	**473**	**103**	**-96**	**-**	**914**
Other						
Assets	3,825	4,834	650	90	-	9,399
Unallocated assets	-	-	-	-	-	575
Group total	**3,825**	**4,834**	**650**	**90**	**-**	**9,974**
Liabilities	634	1,562	195	116	-	2,507
Unallocated liabilities	-	-	-	-	-	3,902
Group total	**634**	**1,562**	**195**	**116**	**-**	**6,409**
Investments	128	172	49	1	-	350
Depreciation, amortisation and impairment loss	157	143	43	7	-	350

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, as well as cash and cash equivalents and interest-bearing receivables.

Reporting per market

	Sweden	Denmark	Other Nordic countries	Central and Eastern Europe	Western Europe	America	Other countries	Total
External sales	2,148	306	1,112	2,015	5,007	5,368	739	16,695
Intangible assets and property, plant and equipment	835	1,463	0	0	468	816	46	3,628
Other assets	1,692	450	41	65	1,492	2,441	165	6,346
Total assets	**2,527**	**1,913**	**41**	**65**	**1,960**	**3,257**	**211**	**9,974**
Investments	100	56	-	-	49	137	8	350

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 Group has applied hedge accounting based on fair-value hedging.

Segment-based reporting is prepared according to the accounting principles described in Note 2 "Accounting Principles."

2010	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2010
Net sales						
External sales	4,475	8,666	1,667	-	-	14,808
Internal sales	811	292	41	83	-1,227	-
Group total	**5,286**	**8,958**	**1,708**	**83**	**-1,227**	**14,808**

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

2010	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2010
Operating profit	341	454	118	-89	-	824
IAS 39	-	-	-	39	-	39
Insurance compensation	19	-	-	-	-	19
Total	**360**	**454**	**118**	**-50**	**-**	**882**
Other						
Assets	3,351	4,010	710	429	-	8,500
Unallocated assets	-	-	-	-	-	752
Group total	**3,351**	**4,010**	**710**	**429**	**-**	**9,252**
Liabilities	747	1,464	178	73	-	2,462
Unallocated liabilities	-	-	-	-	-	3,602
Group total	**747**	**1,464**	**178**	**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, as well as cash and cash equivalents and interest-bearing receivables.

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
Intangible assets and property, plant and equipment	841	1,542	0	1	474	500	42	3,400
Other assets	1,605	1,450	53	54	1,141	1,427	122	5,852
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. 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. 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.

NOTE 29 – OPERATING LEASES

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

	Group	
	2011	**2010**
Within 1 year	37	38
1 to 5 years	71	76
More than 5 years	129	158
Total	**237**	**272**

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

NOTE 30 – SUPPLEMENTAL CASH FLOW STATEMENT

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Interest paid and dividends received				
Interest received	6	7	0	-
Interest received from Group companies	-	-	163	160
Interest paid	-113	-59	-8	-20
Interest paid to Group companies	-	-	-142	-116
Dividends received from associated companies	6	7	-	-
Dividends received from Group companies	-	-	103	-
Total	**101**	**-45**	**116**	**24**

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Adjustment for items not included in cash flow				
Provisions	1	-6	-11	-
Sales of fixed assets	3	1	-	-
IAS 39 effects	-	-39	-	-
Other	-	-4	-	-
Total	**4**	**-48**	**-11**	**-**

The financial statements will be submitted for resolution to the Annual General Meeting of the Shareholders to be held on 15 May, 2012.

Corporate Governance Report

Corporate Governance Report 2011

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 endeavour, through a high level of transparency, 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 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 7,300 shareholders. Its business operations are global, with a presence in almost 100 countries. As of 31 December 2011, the number of employees was 2,065. 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 CEO 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 aims to be a good corporate citizen 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 by 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 the income statement and balance sheet, discharge from liability for the Board members and CEO, the 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 at www.aak.com.

Annual General Meeting 2011

The Annual General Meeting held on 17 May 2011 was attended by shareholders representing around 60 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 2010 financial year of SEK 4.50 per share. Melker Schörling, Carl Bek-Nielsen, Martin Bek-Nielsen, John Goodwin, Mikael Ekdahl, Märit Beckeman, Ulrik Svensson, Harald Sauthoff and Arne Frank were re-elected as ordinary members of the Board of Directors. Member of the Board Anders Davidsson did not stand for re-election. 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 Rune Andersson (IF Metall) and Roland Mårtensson (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.

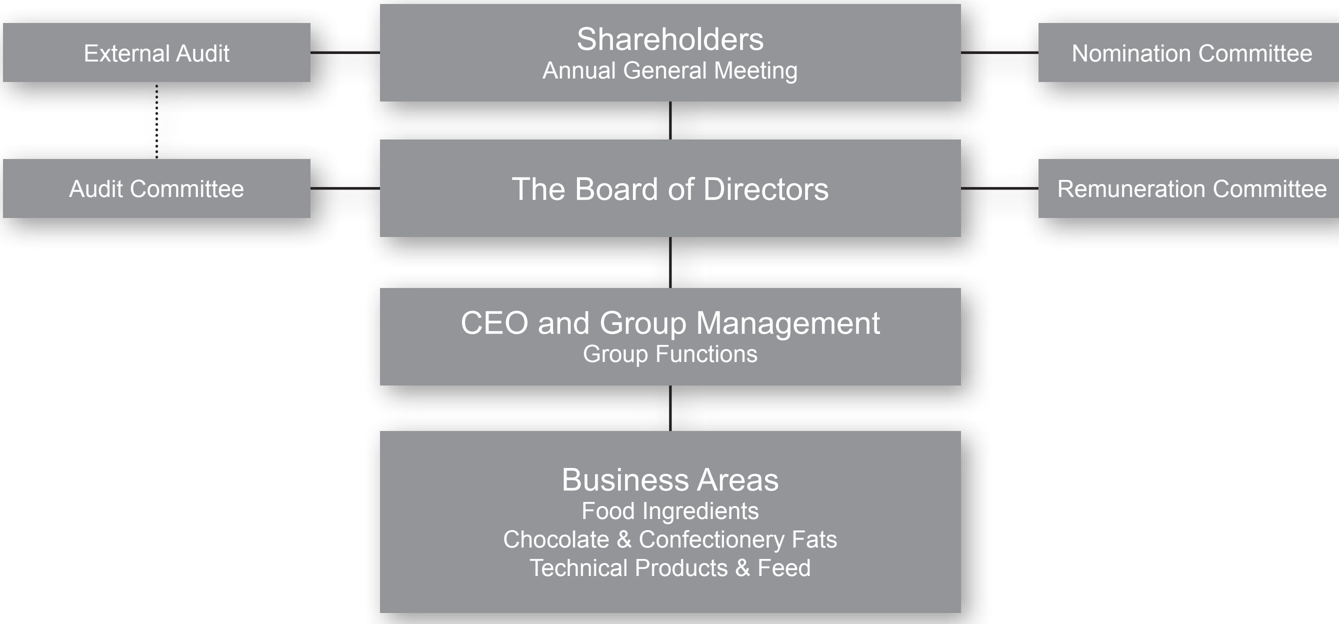
Nomination Committee

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, and regarding remuneration issues and related issues.

Nomination Committee for the 2012 Annual General Meeting

The Annual General Meeting in 2011 decided that the Nomination Committee should

Corporate Governance



have five members, whereby Mikael Ekdahl (BNS Holding AB), Carl Bek-Nielsen (BNS Holding AB), Henrik Didner (Didner & Gerge Fond) and Claus Wiinblad (ATP) were re-elected, and Åsa Nisell (Swedbank Robur Fonder) was elected as a new member, to the Nomination Committee for the Annual General Meeting in 2012. Mikael Ekdahl was also appointed Chairman of the Nomination Committee. The members of the Nomination Committee represent around 53 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 one minuted meeting. At this meeting, the Chairman reported on the evaluation work, whereupon 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 Director 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 procedural rules adopted by the Board each year. The procedural rules of the Board also regulate the distribution of work and responsibilities between the Board, the Chairman of the Board and the CEO and also include procedures for financial reporting by the CEO 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 CEO, appoint and dismiss the CEO 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 transparency and accuracy of the company's external reporting; and that 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 CEO and the 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 operational and financial position against set goals; to follow up and evaluate the company's development and to recognise and support the work of the CEO 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 operation of the company, 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 nine members elected by the Annual General Meeting. Under Swedish law, 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, nine members were re-elected at the Annual General Meeting in 2011. 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 a 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 CEO of Melker Schörling AB, cannot, therefore, be regarded as independent in relation to the company's major shareholders. The President and Chief Executive Officer Arne Frank is, in his capacity as Chief Executive Officer and an employee of the company, not independent in relation to the company management. The other two members elected by the AGM, 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 of 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.

Attendance at Board and Committee meetings during 2011

Member	Board of Directors	Audit Committee	Remuneration Committee
Number of meetings	10	4	2
Märit Beckeman	8		
Carl Bek-Nielsen	8		
Martin Bek-Nielsen	9	3	
Mikael Ekdahl	10	4	2
Arne Frank	10		
John Goodwin	8		2
Leif Håkansson	10		
Harald Sauthoff	8	3	
Melker Schörling	10		
Ulrik Svensson	10	4	
Annika Westerlund	10		

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

Working practices

The Board's working practices, containing instructions for the division of work between the Board and the CEO and for financial reporting, are updated and adopted annually. Board meetings consider the financial reporting and monitoring of day-to-day business operations and profitability trends, 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 report on business plans and strategic issues on a continual basis.

Remuneration and audit issues are prepared within the respective committees. 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 CEO and the Committees and other internal management instruments. The current Board held its statutory meeting on 17 May 2011, at which meeting all members were in attendance.

Chairman of the Board

At the Annual General Meeting held on 17 May 2011, 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 CEO, and is responsible for ensuring 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 constantly 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 2011

The Board held 10 meetings during the year. All business area managers reported on the goals and business strategies of the business areas. The Board has handled issues relating to staffing and organisation, and has also followed up on the progress of the specialisation projects within operations in Denmark, Sweden, the Netherlands and the UK. Decisions have been made relating to acquisitions and investments. Other areas handled are the Group's work on raw materials supply, risk management and the company's strategy 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 3,025,000, to be allocated between the members as follows: SEK 500,000 to the Chairman, SEK 375,000 to the Vice Chairman and SEK 250,000 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 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. For further information about remuneration to members of the Board, please see page 33-34.

Evaluation of the CEO

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

Guidelines for 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, from an international perspective, that AAK can offer compensation that is competitive and at the prevailing market level to attract and retain 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 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 performance and shall also be able to be linked to 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 of employment 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 of employment by the employee, a notice period of six months shall normally apply and no severance pay shall be payable. These guidelines shall cover those 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 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 to 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 this 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 highly skilled people. Our market-based valuation has set the subscription price for 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 can be exercised during the period 1 December 2013 – 1 December 2015.

Board committees

Audit and remuneration issues within the Board are handled in committees, whose task it is 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 Chief Executive Officer and senior executives are prepared by the Remuneration Committee. The Remuneration Committee prepares and presents proposals to the Board relating to remuneration to the President 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 2011, the members of the Remuneration Committee were Mikael Ekdahl (Chairman) and John Goodwin. The recommendations of the Remuneration Committee to the Board include principles for remuneration, the relationship between fixed and variable salary, conditions for pensions and severance pay and other benefits payable to the management. Remuneration of the CEO of the Group has been decided by the Board on the basis of the recommendations of the Remuneration Committee. Remuneration of other senior executives has been decided by the Chief Executive Officer in consultation with the Remuneration Committee. For further information, see page 33-34. During 2011, 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 33-34, and will be put to the Annual General Meeting in 2012 for a decision.

Audit Committee

During 2011, 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, 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 that 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, and the company fulfils this requirement of the Code.

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 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 CEO to lead the operation in accordance with the guidelines and instructions of the Board. In conjunction with this, the CEO shall use the required control systems to ensure the company complies with applicable laws and ordinances. The CEO reports to the Board meetings and shall ensure the Board receives as much factual, detailed and relevant information as is required for the Board to reach well-informed decisions. The CEO also maintains continual 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: the CEO, CFO, HR/CIO, 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 CEO, 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 CEO and Group management team are presented on pages 60-61. For remuneration principles and salaries and other fees paid to the CEO and Group management team, please see Note 8 on page 33-34.

AAK's business areas are Food Ingredients, Chocolate & Confectionery Fats 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 a 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 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 ensure the reliability of external reporting. According to the commonly accepted framework (COSO) established for this purpose, internal control is usually described from five different aspects, which are described below. The control environment forms 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 internal management and the design and effectiveness of controls.

Control environment

AAK's organisation is designed to facilitate quick 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 in which 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 on financial reporting and the authorisation rules set by the CEO. 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 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 governed 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 areas of risk: 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 26-30.

Control activities

The risks identified relating to financial reporting are handled via the company's control activities. These control activities aim to prevent, identify 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 exchange of information within business operations, both within each unit and to and from management and the 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 a 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.

Internal audit

AAK has chosen not to establish a special review function (internal audit). Internal audit work is carried out in accordance with a special plan through the Group's central finance function, in cooperation with the external auditors.

Policy documents

AAK has a number of policies for the operations 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 approach to ethical issues, both within the Group and externally with regard to 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, for example, 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 the publication of information.

Environmental policy

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

The Board of Directors and the Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with IFRS International Accounting Standards, as adopted by the EU, and provide a true and fair view of the Group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting practices and provide a true and fair view of the Parent Company's financial position and results.

The Directors' Report for the Group and Parent Company provides a true and fair view of the development of the business operations, financial position and results of the Group and Parent Company and describes the significant risks and uncertainty factors facing the Parent Company and the companies belonging to the Group.

Malmö, 15 March 2012

Melker Schörling
Chairman of the Board

Carl Bek-Nielsen
Vice Chairman

John Goodwin
Member

Martin Bek-Nielsen
Member

Mikael Ekdahl
Member

Märit Beckeman
Member

Harald Sauthoff
Member

Annika Westerlund
Employee representative

Ulrik Svensson
Member

Leif Håkansson
Employee representative

Arne Frank
Chief Executive Officer
and President

Audited and submitted on 15 March 2012 by
PricewaterhouseCoopers AB

Anders Lundin
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of AarhusKarlshamn AB (publ), corporate identity number 556669-2850

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of AarhusKarlshamn AB (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4-53.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit and the administration of the Board of Directors and the Managing Director of AarhusKarlshamn AB (publ)for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Anual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Malmö, 15 March 2012.
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 shareholders' equity
Profit/loss for the year as a percentage of average shareholders' 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 maturity of less than three months.

Earnings per share
Profit/loss 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/loss 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.

AAK shares

AAK's shares have 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 2011, 10.8 (16.3) million shares were traded at a total value of SEK 1,917 million (2,715), which corresponds to a turnover rate of 26 percent (40). The average trade per trading day was 42,573 (64,363) shares, or SEK 7,577,000 (10,732,000). At year-end, the price was SEK 199.50 (188.50) and AAK's market value was SEK 8,159 million (7,709). The highest price during the year was SEK 202.50 (16 May 2011) and the lowest price was SEK 159.00 (4 October 2011).

Share capital

At 31 December 2011, 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 entitles the holder to one vote. All shares have equal rights to participate in the profits and assets of the Company.

Ownership

The number of shareholders at 31 December 2011 was 7,313 (8,111).

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 the 2011 financial year of SEK 4.75 (4.50) per share, a total of SEK 194 million (184).

AAK's IR work

AAK's aim is for the shares to be valued on the basis of relevant, accurate and up-to-date information. This requires a clear strategy for financial communication, reliable information and regular contact with financial market stakeholders.

Contact with the financial markets takes place via presentations in conjunction with quarterly reports and meetings with analysts, investors and journalists at capital market days, seminars and visits to AAK's divisions.

In 2011, the company held two capital market days (in Stockholm and Copenhagen) and a large number of meetings with analysts and other professionals in Stockholm, Copenhagen, London, Frankfurt, Paris, New York and Zürich.

Those interested can obtain presentation material and listen to audio recordings from quarterly presentations at www.aak.com, which makes presentations available for all shareholders.

Analysts

Berenberg Bank – James Targett
Carnegie Investment Bank AB – Fredrik Villard
Danske Bank – Bile Daar
Handelsbanken – Peter Wallin
Nordea Bank A/S – Patrik Setterberg
SEB Enskilda – Daniel Schmidt
Swedbank – Christian Anderson

Financial information about AAK is available at www.aak.com, where financial reports, press releases and presentations can be obtained. The Company's press releases are distributed via Cision and are also available on the Company's website.

The Company management can be contacted as follows:
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

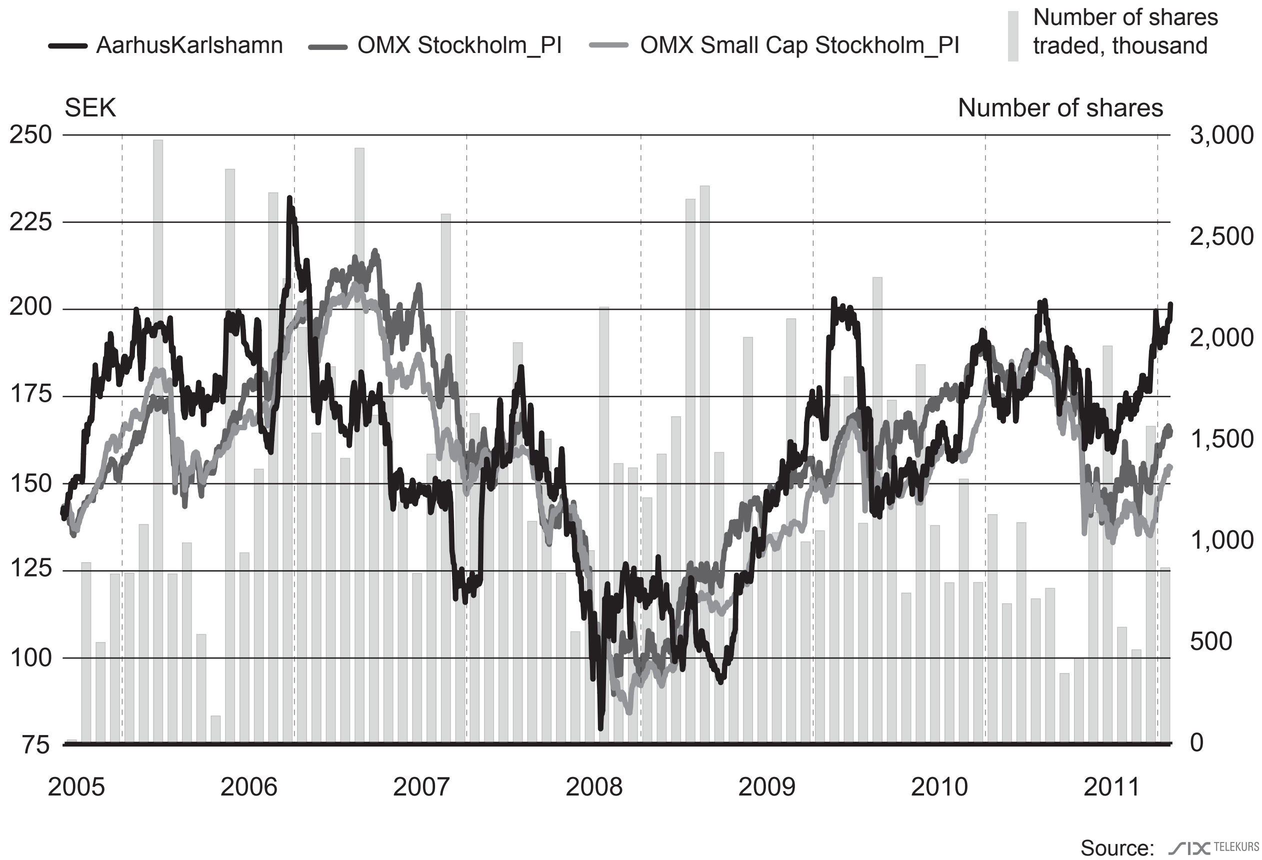
Anders Byström
Chief Financial Officer (CFO)
Telephone: +46 40 627 83 00

Fredrik Nilsson
Head of Investor Relations
Telephone: +46 40 627 83 00
E-post: fredrik.nilsson@aak.com

Major shareholders, 31 December 2011

	No. of shares	Proportion of share capital and votes, %
BNS Holding AB	16,511,756	40.37
Swedbank Robur fonder	2,167,278	5.29
Didner & Gerge Fonder Aktiebolag	2,068,000	5.05
Lannebo fonder	1,227,740	3.00
AMF – Försäkring och Fonder	1,183,000	2.89
Alecta Pensionsförsäkring	1,102,000	2.69
Handelsbanken fonder	1,018,798	2.49
Arbejdsmarkedets Tillaegspension	857,086	2.09
JPM Chase NA	750,097	1.83
Other shareholders	14,012,434	34.30
Total	40,898,189	100.00

The AAK share 29 September 2005 to 31 January 2011



Distribution of shareholdings, as of 31 December 2011

No. of shares	No. of shareholders	Proportion of all shareholders, %	Proportion of share capital and votes, %
1 - 500	5,388	73.70	2.43
501 - 1,000	954	13.00	1.95
1,001 - 5,000	722	9.80	3.90
5,001 - 10,000	95	1.40	1.73
10,001 - 15,000	27	0.40	0.83
15,001 - 20,000	10	0.10	0.45
20,001 -	117	1.60	88.71
Total	7,313	100.00	100.00

Information per share

	2011	2010
Share price, reporting date, SEK	199.50	188.50
Dividend, SEK	4.75	4.50
Direct yield, %	2.38	2.39
Earnings per share, SEK	14.72	15.26
Equity per share, SEK	86.72	77.38
Share price/ Equity	2.30	2.44

For definitions, see page 55

AarhusKarlshamn AB (publ) – Board of Directors

Melker Schörling
Chairman of the Board of Directors.
Elected in: 2005 (Karlshamns AB 2001).
Born: 1947.
Nationality: Swedish.
Main occupation: Founder and majority 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 percent of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 percent) in AAK.

Carl Bek-Nielsen
Vice Chairman.
Elected in: 2005.
Born: 1973.
Nationality: Danish.
Main occupation: Executive Director (Corporate Affairs), United Plantations Berhad.
Qualifications: BSc in Agriculture.
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 percent of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 percent) 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 percent of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 percent) in AAK.

Märit Beckeman
Elected in: 2006.
Born: 1943.
Nationality: Swedish.
Main occupation: Project work at the Department of Design Sciences, Division of Packaging Logistics at LTH, Lund University.
Qualifications: PhD. 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.

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 Konstruktions-Bakelit AB.
Number of shares: 8,000.

Arne Frank
Elected in: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation: President and CEO, AarhusKarlshamn AB.
Qualifications: MSc. in Industrial Engineering and Management.
Professional background: Chairman, CEO and President of TAC, Executive VP of Building Automation Business Unit at Schneider Electric S.A., Chairman and CEO Carl Zeiss Vision Holding GmbH.
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.

Harald Sauthoff
Elected in: 2010.
Born: 1955.
Nationality: German.
Main occupation: Vice President, BASF Personal Care and Nutrition GmbH.
Qualifications: Industrial Business Management.
Professional background: Risk Management Agricultural Commodities, General Business Management in the Chemical Industry.
Number of shares: 0.

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

Ulrik Svensson
Elected in: 2007.
Born: 1961.
Nationality: Swedish.
Main occupation: CEO Melker Schörling AB.
Qualifications: MSc Economics and Business.
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, Loomis AB, Hexagon AB 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

Rune Andersson
AarhusKarlshamn Sweden AB.
Appointed by If Metall.
Elected in: 2011.
Born: 1949.
Nationality: Swedish.
Main occupation: Maintenance Engineer at AarhusKarlshamn AB. Chairman of If Metall.
Qualifications: A three-year education in automatic control technology.
Number of shares: 44.

Roland Mårtensson
AarhusKarlshamn Sweden AB.
Appointed by Akademikerna.
Elected in: 2011.
Born: 1966.
Nationality: Swedish.
Main occupation: Process engineer.
Qualifications: MSc in Chemical Enginnering.
Number of shares: 315.

Auditors

PricewaterhouseCoopers AB

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

AarhusKarlshamn AB (publ) – Group Management

Arne Frank
Employed: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation: President and CEO AarhusKarlshamn 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 AarhusKarlshamn AB.
Qualifications: MBA.
Number of shares: 0.
Stock options: 70,000.

Renald Mackintosh
Employed: 2002.
Born: 1951.
Nationality: Dutch.
Main occupation: Vice President AarhusKarlshamn 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 AarhusKarlshamn AB. 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 AarhusKarlshamn 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 AarhusKarlshamn AB. President AarhusKarlshamn 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 AarhusKarlshamn AB. 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 AarhusKarlshamn AB. Managing Director AarhusKarlshamn South 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 AarhusKarlshamn AB. 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: CTO (Chief Technology Officer) and Vice President AarhusKarlshamn AB.
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, Communications and CSR AarhusKarlshamn AB.
Qualifications: MBA, BSc. Chemical Engineering.
Number of shares: 0.
Stock options: 60,000.

Financial Calendar, Annual General Meeting

Reporting schedule

AarhusKarlshamn AB (publ) will provide financial information for the 2012 financial year on the following occasions:

- The interim report for the first quarter will be published on 3 May.
- The half-year report will be published on 19 July.
- The interim report for the third quarter will be published on 7 November.
- The year-end report for 2012 will be published on 9 February 2013.

Reports and press releases are available in English and Swedish and can be ordered from

AarhusKarlshamn AB (publ)
Corporate Communication,
Jungmansgatan 12
211 19 Malmö, Sweden
Telephone: +46 40 627 83 00
Fax: +46 40 627 83 11
E-mail: info@aak.com

More information about AarhusKarlshamn AB (publl)
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, 15 May 2012 at 2 pm at Europaporten in Malmö. Doors to the Annual General Meeting open at 1 pm and registration must be completed before 2 pm, 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 created on Wednesday 9 May 2012, and if they have given notice that they will attend the Annual General Meeting by 4 pm on Wednesday 9 May 2012.

Registration in the shareholders' register
The company is a reconciliation company. This means that, in order to be entitled to attend the Annual General Meeting, shareholders must be entered in the share register held by Euroclear Sweden AB no later than 9 May 2012. Anyone who has had shares registered through a nominee must temporarily register the shares in their own name to be able to attend the Annual General Meeting. This should be done in good time before this date.

Notification
Shareholders who wish to attend the Annual General Meeting must notify the company by post at:

AarhusKarlshamn AB (publ)
Helena Raihle
Jungmansgatan 12
by telephone on +46 733 99 83 15
by e-mail: helena.raihle@aak.com
or through the website: www.aak.com
as soon as possible, and no later than 4 pm on Wednesday 9 May 2012, 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 the Svenska Dagbladet newspaper, including a full agenda.

Address

AarhusKarlshamn AB (publ)
Jungmansgatan 12
211 19 Malmö, Sweden
Telephone: +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 further information, please visit our website www.aak.com

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