AAK Annual Report 2014

The first choice for
value-added vegetable oil solutions

Contents

The first choice for value-added vegetable oil solutions

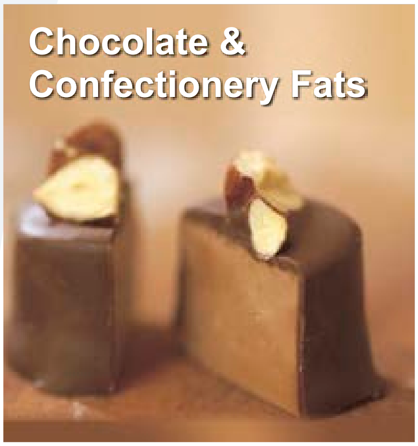
AAK is one of the world's leading producers of high value-added speciality vegetable oils and fats solutions. These oils and fats solutions are characterized by a high level of technological content and innovation. AAK's solutions are used as substitutes for butter-fat and cocoa butter, trans-free and low saturated solutions but also addressing other needs of our customers. AAK has production facilities in Belgium, Colombia, Denmark, Mexico, the Netherlands, Sweden, Great Britain, Uruguay and the US. Further, AAK has customisation plants in Russia and Malaysia. The company is organized in three Business Areas; Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. AAK's shares are traded on the NASDAQ OMX Stockholm, within the Large Cap segment. Further information on AAK can be found on the company's website, www.aak.com.

AAK in 60 seconds

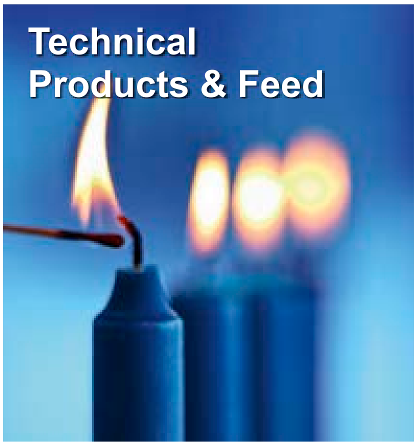
- AAK's vision is to be the first choice in value-added vegetable oil solutions.
- AAK has more than a century of unrivalled experience with vegetable oils for a broad spectrum of applications. Our customers are primarily from the food, confectionery and cosmetics industries. We also supply the animal 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, and healthy skin care products.
- AAK's raw materials are derived from renewable sources, primarily sourced in Northern Europe (rapeseed), Europe and Mexico (sunflower), US (soya beans), West Africa (shea kernels) and Southeast Asia and Latin America (palm).
- AAK's 14 production plants are located in Belgium, Colombia, Denmark, the Netherlands, Mexico, Sweden, the UK, Uruguay and the US. We also have sourcing operations, customisation plants 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, customer applications and knowledge of market trends. Close relations enable AAK to create lasting solutions that meet customer needs, expectations and high standards.
- In early 2014, AAK launched a new company program, AAKtion, that will guide AAK through 2014–2016. The program is intended to further strengthen the focus on sales, innovation and execution.
- 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 our Sustainable Palm Oil Policy and Actions, AAK continuously contributes to the promotion of sustainable palm oil.
- The parent company, AAK AB (publ.), is a Swedish-registered joint-stock company based in Malmö. The company's shares are listed on NASDAQ OMX Stockholm, in the Large Cap segment, Food & Beverage sector.

Three business areas

Our largest business area primarily offers solutions to the Bakery, Dairy, Infant Nutrition and Food Service industries.

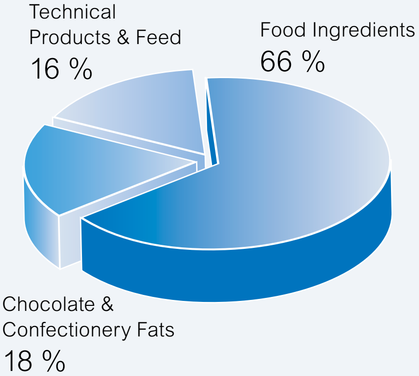


Our second largest business area offers functional cocoa butter alternatives for chocolate, compounds for coating and moulding, and speciality fats for confectionery fillings.

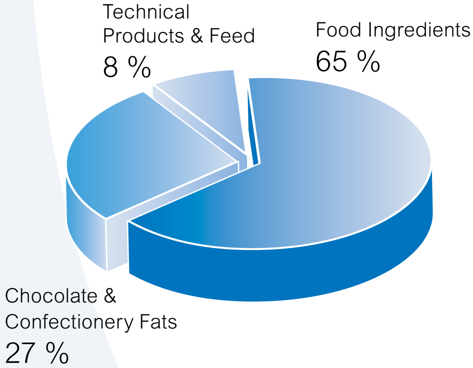


Our Technical Products & Feed business area offers fatty acids and glycerine for various applications and proteins and fats for animal feed.

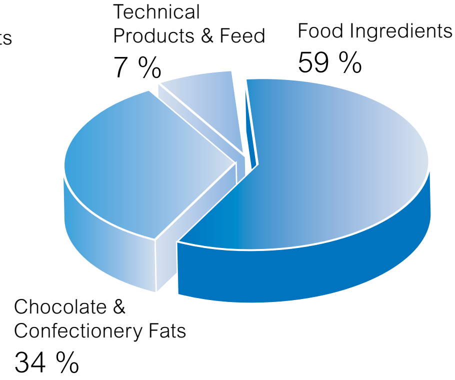
Volumes



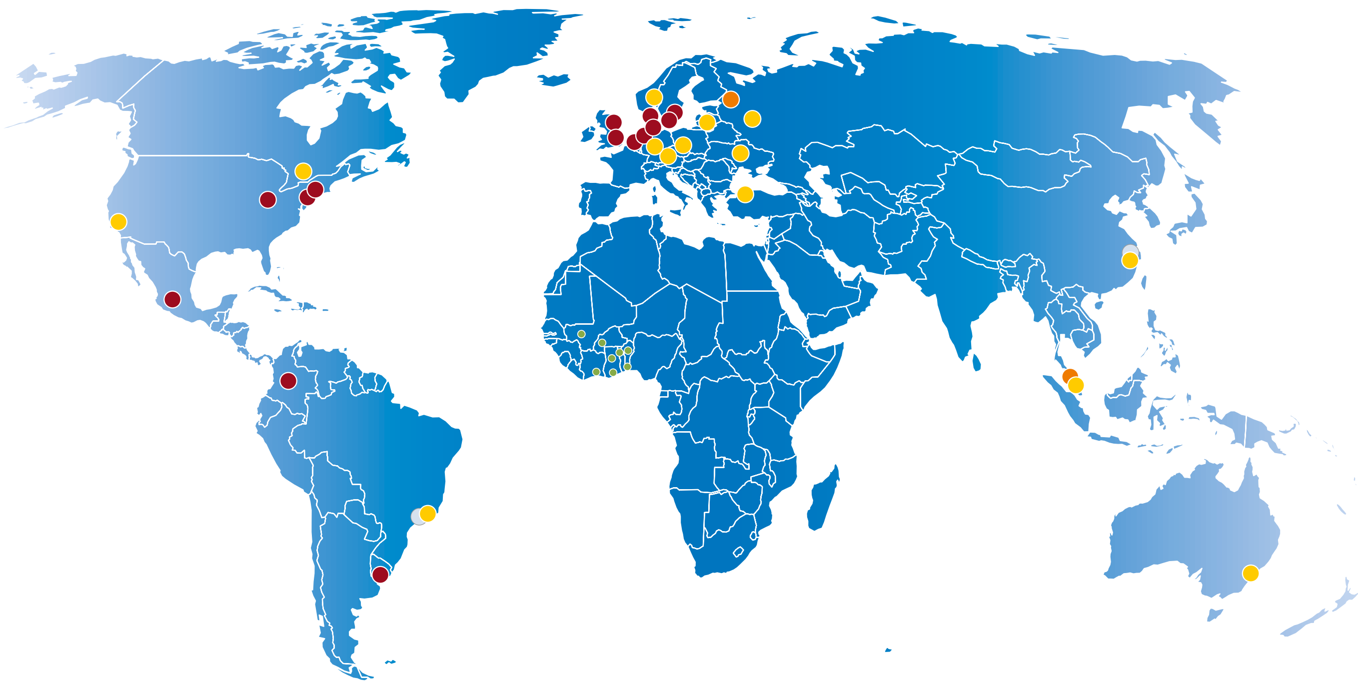
Net sales



Operating profit

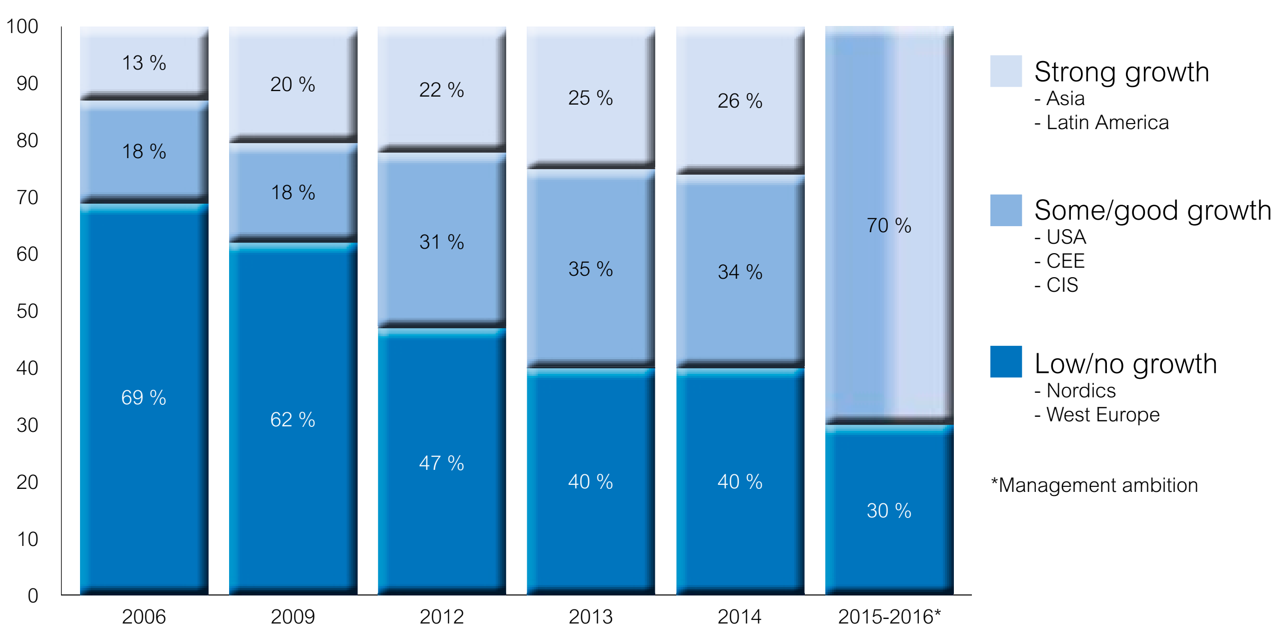


In the world



Production plants and sales offices | Production plants under construction | Sales offices | Customisation plants | Sourcing operations

Growth market ambition



2014 in brief

- Volume increased by 5 percent during 2014 mainly due to acquisitions. Organic growth was negative 1 percent due to declining commodity volumes, lower volumes of semi-speciality products in Mexico and InFat® issues.
- Net sales increased by SEK 1,277 million to SEK 17,814 million (16,537) mainly as a result of the acquisitions and a positive currency translation impact of SEK 593 million.
- Operating profit excluding non-recurring items was a record high, reaching SEK 1,242 million (1,127), an improvement of 10 percent.
- Operating profit including non-recurring items was SEK 1,262 million (1,117), an improvement of 13 percent.
- The largest business area, Food Ingredients, reported an operating profit at SEK 803 million (771), an improvement of 4 percent. Operating profit per kilo decreased by 2 percent, from SEK 0.73 to SEK 0.72, as a result of the dilutive impact of the recent acquisitions.
- The business area Chocolate & Confectionery Fats reported an increased operating profit at SEK 460 million (369), an improvement by 25 percent. The operating profit per kilo improved by 19 percent to SEK 1.46 (1.23).
- The smallest business area, Technical Products & Feed, reached an operating profit at SEK 102 million (97), an improvement by 5 percent.
- Cash flow after changes in working capital for the full year of 2014 amounted to SEK 692 million (1,300), including increased working capital of SEK 560 million (decrease 217).
- Earnings per share increased by 18 percent, to SEK 21.15 (17.87).
- Return on Capital Employed (ROCE), calculated on a rolling 12 months basis, was 16.0 percent compared to 16.4 percent at year-end last year.

- Our new company program AAKtion, intended to further strengthen the focus on Sales, Innovation and Execution, was launched in January 2014.
- In February, we announced that we will construct a new speciality and semi-speciality edible oils factory in Jundiaí, São Paulo, Brazil, which will add presence in a growth market identified as strategically important. The start-up of the factory is planned for late in the fourth quarter 2015 and will increase AAK's total capacity by approximately 100,000 MT.
- The oils and fats business of CSM Benelux NV in Merksem, Belgium was acquired in April. The company, with approximately 100 people, is a leading bakery fats supplier to the bakery markets in Belgium, the Netherlands and France.
- Fábrica Nacional de Grasas S.A. (FANAGRA), a Colombian company that specializes in vegetable oils and fats for the bakery segment, was acquired in July. The acquisition is an integral part of AAKtion and will serve as a platform for increased sales of speciality and semi-speciality products within Dairy and Chocolate & Confectionery Fats in Colombia and Northern Latin America.
- In July, an agreement to acquire the Turkish frying oil brand Frita from Unilever was signed. Frita is a market leader in the frying oil segment in Turkey. The agreement should be seen as an add-on to the Unipro acquisition during the third quarter of 2013.
- In September, we announced that we will construct a speciality and semi-speciality edible oils factory in China. The factory, which will be located in Zhangjiagang, just northwest of Shanghai, will fully utilized increase AAK's total capacity by approximately 100,000 MT. The start-up of the factory is planned for the beginning of 2016.
- Gerardo Garza was, as of October 1, 2014, appointed President for AAK South Latin America. Gerardo will also be a member of the AAK Executive Committee and he will be based in Jundiaí, São Paulo, Brazil.
- In October, our strong and continued commitment to responsible growth was lined out in our annual Sustainability report documenting our achievements and future objectives.
- In November, AAK sold its biolubricants business Binol to American company Quaker Chemical, a leading global provider of process fluids and chemical specialties. As part of business area Technical Products & Feed, Binol had for many years been run as an autonomous entity within AAK.

Operational key figures (SEK million unless otherwise stated)	2010	2011	2012	2013	2014
Net sales	14,808	16,695	16,911	16,537	**17,814**
Adjusted operating profit (EBIT)	824	918*	1,003**	1,127*	**1,242*****
Operating profit	824	914	975	1,117	**1,262**
Operating profit per kilo	0.57	0.64	0.66	0.69	**0.73**
Earnings per share	14.15	14.72	15.66	17.87	**21.15**
Return on Capital Employed	13.10	13.30	14.20	16.50	**16.00**

* Adjusted for acquistion costs
** Adjusted for acquisition costs and the effects of Hurricane Sandy costs
*** Adjusted for acquistions costs, a net positive impact related to the acquisition in Belgium, net profit from the divestment of Binol and non-recurring cost for production optimization in Europe.
For definitions, please see page 84.


Jul-10
Oct-10
Jan-11
Apr-11
Jul-11
Oct-11
Jan-12
Apr-12
Jul-12

Chairman of the Board:

Continued growth and development

Looking back on another eventful year as Chairman of the Board of AAK, it is a great pleasure for me to announce that the company continues to develop and experience growth. 2014 has seen some good achievements and the company keeps demonstrating its strengths and customer benefits within the world of vegetable oils.

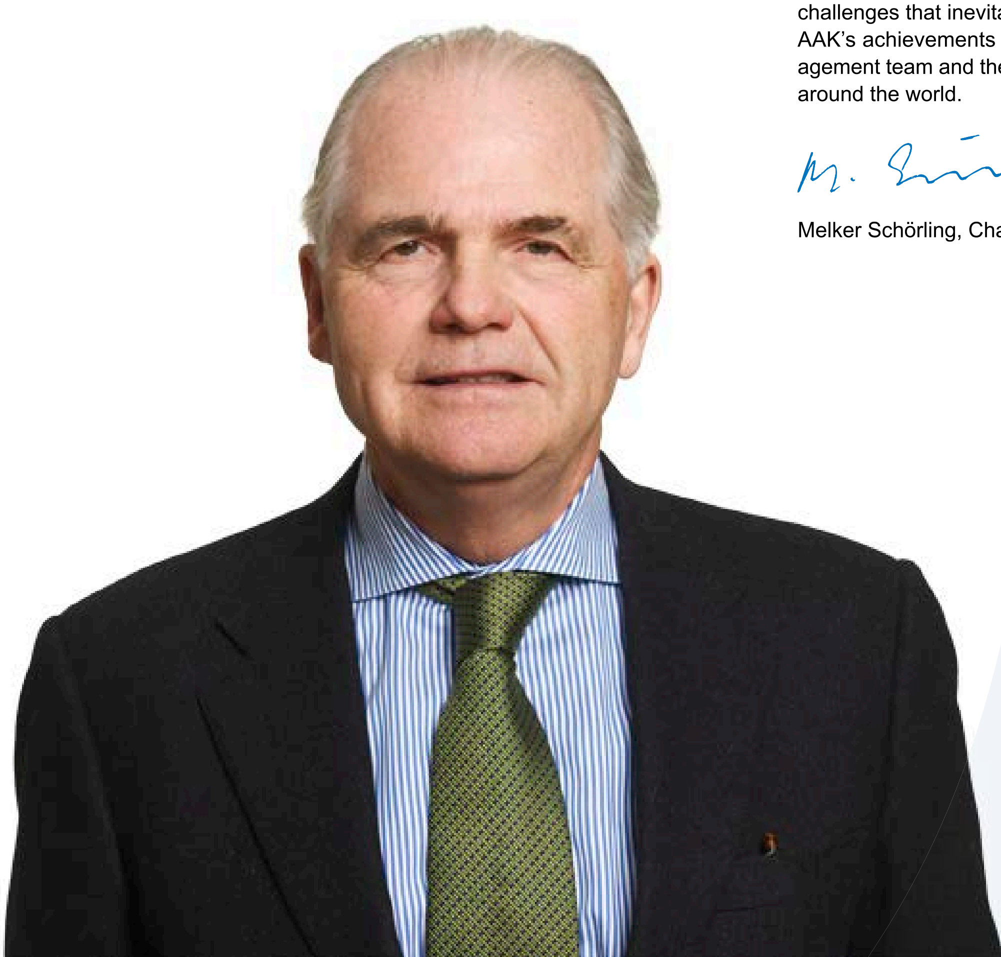
During the year AAK has continued to give even more attention to what it is really good at – the development of innovative vegetable oil solutions that meet specific customer needs. Such speciality and semi-speciality products, with significantly higher margins, offer the sum of AAK's extensive knowledge and expertise, built up during the company's 140-year history.

The prospects continue to look good and the progress made over the past twelve months confirms that the strategic direction AAK has chosen truly is the right one to follow.

INCREASING PRESENCE IN FAST-GROWING MARKETS

One of AAK's most important growth strategies is to invest in fast-growing markets. During the year AAK has not only announced the construction of two speciality and semi-speciality factories in the fast-growing markets of Brazil and China – it has also increased its presence in Latin America through a strategic acquisition in Colombia.

By adding these new platforms for production and increased sales, AAK will reinforce its position as a global market leader within speciality vegetable oil solutions. This is, of course, interesting news for the company's shareholders who, I am certain, will follow the continued development of AAK closely.



NEW COMPANY PROGRAM – AAKTION

To guide AAK in its efforts to become the first choice for value-added vegetable oil solutions, a new company program, AAKtion, was launched in January 2014. Building on the strong foundation that the former program, AAK Acceleration, created, AAKtion will lead the company up through 2016.

AAKtion focuses on three priority areas – Sales, Innovation and Execution – and I'm very pleased to see that the company program runs through the whole Group, across business areas, operations and geographies. The program has gotten off to a very positive start and I'm sure it will guide AAK in the best possible way going forward.

LONG-TERM ENGAGEMENT

AAK is one of the core holdings of Melker Schörling AB and the fact that we hold nearly 34 percent of the shares reflects our commitment and our belief in the long-term perspective of the company.

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. Operating in a highly competitive market, AAK is ready to handle the challenges that inevitably will arise. I would like to give full credit for AAK's achievements so far to the skilful, guiding hand of our management team and the hard work of its highly competent employees around the world.

Melker Schörling, Chairman of the Board

CEO and President:

An exciting and eventful year

2014 has no doubt been one of the most exciting and eventful years in the history of our company. When we summarized 2013 a year ago, we could see that all of our business areas ended that year on a positive note. That is a trend that has continued during 2014 in which our operating profit, once again, reached an all-time-high, despite some important headwinds.

The growth in operating profit is a result of progress across all of our business areas, with specifically Chocolate & Confectionery Fats showing a significant increase. This is mainly due to our customer co-development and in the promotion of CBE, important work that has started to yield results and that will continue to do so. Despite headwinds, Food Ingredients, our biggest business area, has also seen an increase in operating profit, and our smallest business area, Technical Products & Feed, also demonstrated good growth.

Despite this development there is always room for improvements and we have no intention of slowing down. We will continue to work hard in order to create even better conditions and opportunities for all of our stakeholders – customers, shareholders, employees and suppliers. A top priority is to improve our organic growth in speciality and semi-speciality products through our dedicated work with customer co-development. During 2014 we have also continued to add more resources in Sales as well as in Customer Innovation.

AAKTION

Following our successful company program AAK Acceleration, we launched our new program, AAKtion, in January 2014. AAKtion has three well defined priority areas – Sales, Innovation and Execution – that will guide us until the end of 2016. The overall implementation of the program has progressed well during the year and we are convinced that AAKtion will support us in our efforts to achieve our vision – to be the first choice for value-added vegetable oil solutions and deliver upon our ambitious business objectives.

STRATEGIC ACQUISITIONS

Following the purchase of Turkish company Unipro in 2013 and in line with our new company program, we have seen some additional strategic acquisitions during the year. In April, we acquired Belgian oils and fats business CSM Benelux NV in Merksem. The company has integrated well into AAK and besides adding important capabilities in Sales and Customer Innovation, our site in Belgium will serve as a platform for increased sales within Bakery and Chocolate & Confectionery Fats.

In July, we announced that we had acquired Fábrica Nacional de Grasas S.A. (FANAGRA), a Colombian company that specializes in vegetable oils and fats for the bakery segment. The acquisition offers a strong foothold in Colombia, the third largest GDP in Latin America. The company has a significant potential to grow and emerge as an important player in the Colombian industrial market, in which AAK will launch its innovative co-developed products that address global and local trends.

During the summer we also announced the acquisition of Turkish frying oil brand Frita from Unilever. Frita, a market leader in the frying oil segment in Turkey, covers a significant part of the local Food Service market. The acquisition should be seen as a natural addition to AAK Turkey's existing product portfolio.

GLOBAL GROWTH STRATEGY

In addition to our acquisitions, we have taken some important and strategic initiatives in regard to our global growth strategy. At the beginning of the year we announced that we will construct a speciality and semi-speciality factory in Jundiaí, São Paulo, Brazil. The total investment is SEK 400 million and the start-up of the factory is planned for the latter part of the fourth quarter 2015.

In September, we announced that we will construct a speciality and semi-speciality edible oils factory in China. The factory will be located in Zhangjiagang along the Yangtze River delta. The total investment will be SEK 400 million.

The start-up is planned for the latter part of the first quarter 2016. The construction is part of a long-term investment plan in China that started with the establishment of an AAK sales subsidiary in 2011 and which was followed by the opening of our innovation center in Shanghai last year. China is, as we all know, a fast-growing market and the demand for speciality and semi-speciality edible oils in the country is expected to grow strongly.

CONTINUED PROGRESS WITHIN SUSTAINABILITY

In October, we released our annual Sustainability report in which we highlight some important achievements within our sustainability activities. Despite shifting our product portfolio to more advanced products that, in general, require more resources per produced unit, we have managed to achieve very significant improvements for many key resource efficiency parameters. Energy and water consumption, water discharge and CO_2 emissions have been reduced between 10 and 18 percent per produced unit.

In addition, we reported on some very important developments within our palm oil commitments, both in regard to our progress on traceability and in further developing our palm oil policy.

AAK is, of course, very proud of the significant progress across all of our key areas. Responsible growth is one of the cornerstones of our strategy, and it is essential to our aspiration to be our customers' first choice.

THE YEARS AHEAD

We have a strong belief in our business strategies, in our organization and in our market capabilities and we are certain that our customer value propositions for health and reduced costs and our customer product co-development and solutions approach is the right way to go in this highly competitive market.

With our expanding geographical footprint and with new markets to break into, we continue to remain prudently optimistic about the future. During 2014, we have seen some very good achievements. Our clear intention is to bring our good momentum into 2015 and the years ahead.

Arne Frank, CEO and President

AAK's vision

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

Our 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, to 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 customization, 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.

AAKtion

AAKtion was launched in January 2014 and will guide AAK through 2014–2016. AAKtion is a continuation of our former program, AAK Acceleration, and several of the strategic cornerstones remain the same:

- Focus on semi-speciality and speciality products
- Expansion in growth markets
- Customer co-development
- Growth based on food safety and responsibility

The key focus for AAKtion is to enable AAK to continue to deliver strong organic growth. This is achieved by focusing on three priority areas – Sales, Innovation and Execution.

SALES
Within this area the key is to create more customer value through an improved go-to-market-approach and a better utilization of our strong customer innovation resources. This is achieved by:

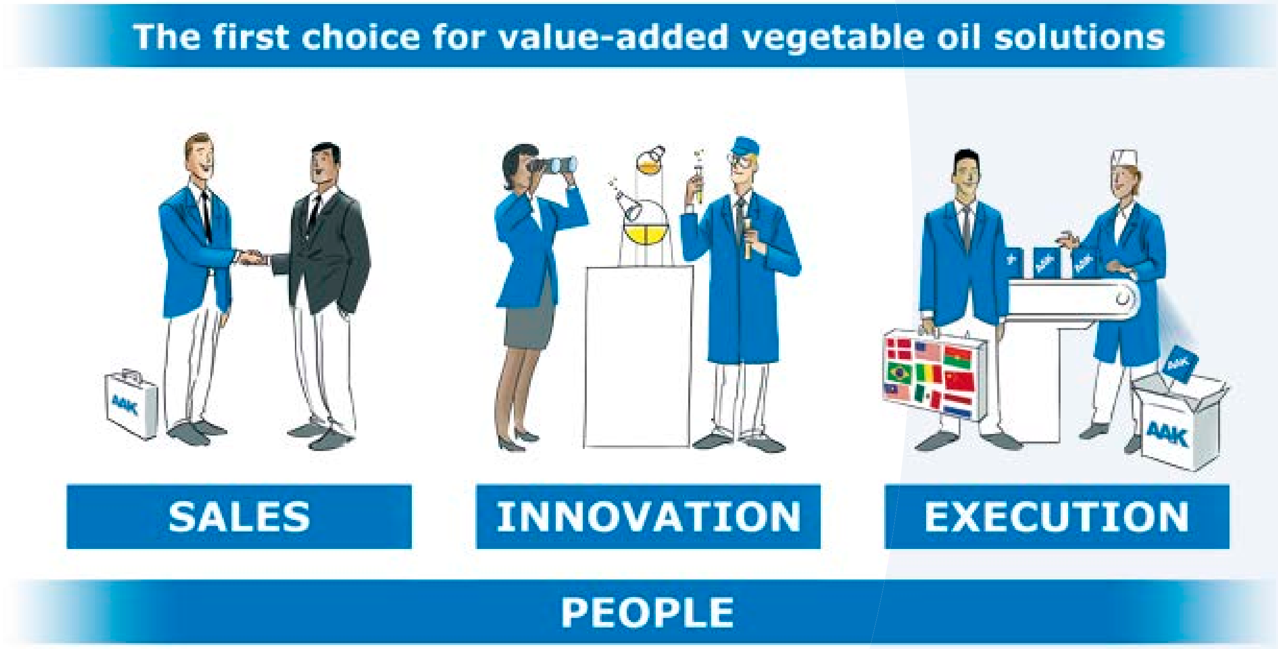
- Stronger support and better cooperation with our global customers.
- Growth with our customers where our unique customer co-development proposition matches the customer needs.

INNOVATION
Within the innovation area the main focus is to enhance our offering by using our multi-oil knowledge; by utilizing the advantages that can be achieved by adding other ingredients to our oils and fats products; and by developing attractive service solutions. Aside from that, a part of this priority area covers AAK's strong focus on our long term R&D portfolio.

EXECUTION
Within the execution area the key focus is to stay competitive. This includes a continuous strong focus on food safety, quality, service, productivity and responsible sourcing of raw materials.

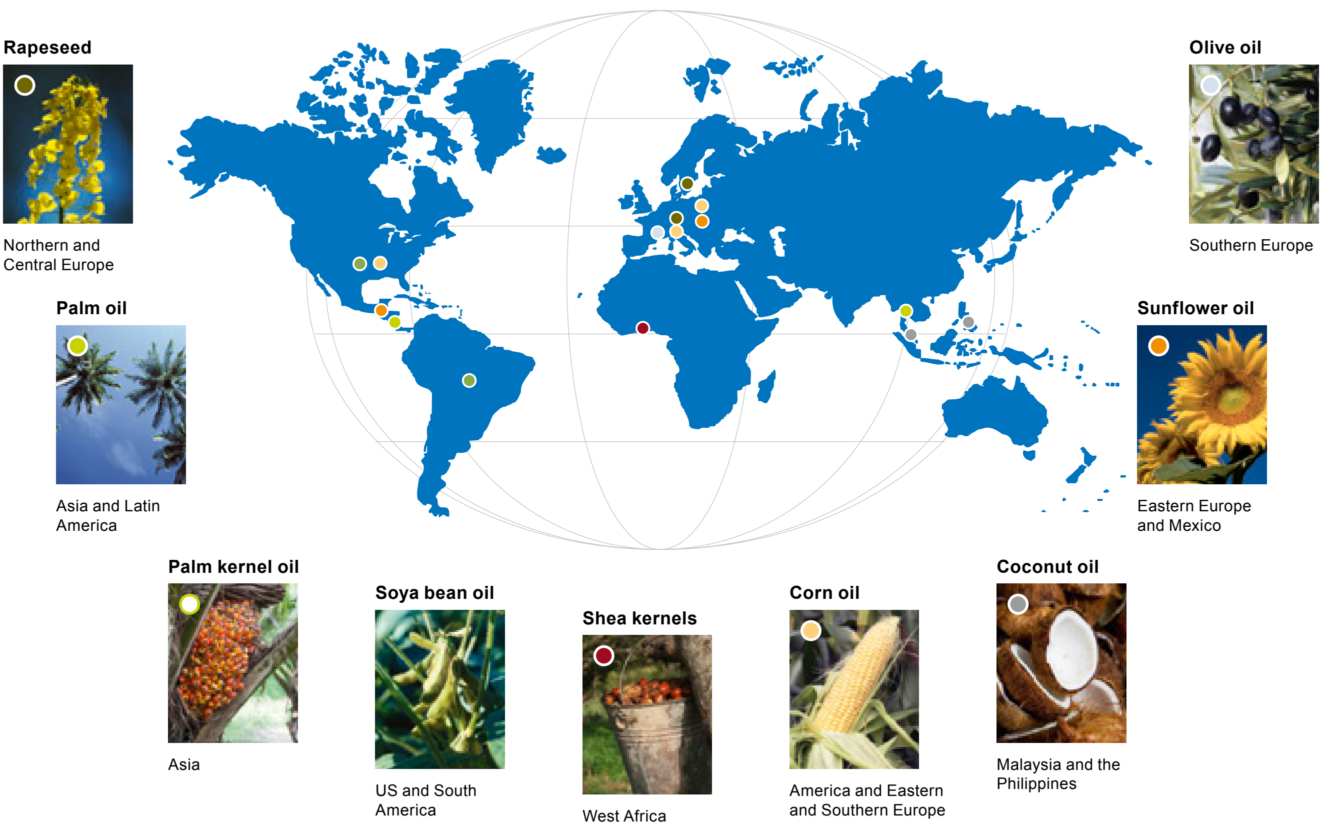
AAKtion also fulfills several other important purposes. First of all to live up to our vision, to be the first choice for value-added vegetable oil solutions. Secondly, to reach our management ambition to double our EBIT, and thirdly to build a stronger AAK for the short-, mid- and long-term.

AAKtion is being executed according to plan, and we are looking forward to the continuous execution of the program in order to create more value for our customers.



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 14 production plants in Europe and the Americas.



Our products are of both nutritional and functional value, outstanding in their structure, melting and crystallization behaviour, rheological properties, flavour release and skin penetration. Product development is often carried out in close cooperation with customers, suppliers, research organizations or other external partners. This ensures a strong fit with market and customer needs and takes advantage of the latest technologies.

Supporting our strong focus on customization, we operate a highly flexible production process. This enables us to respond to specific customer needs for many different functionalities, such as health profile, taste, processing, logistics, labelling and legal requirements. In each case, our technical and commercial experts identify the optimum solution to a specific need.

NATURAL RAW MATERIALS

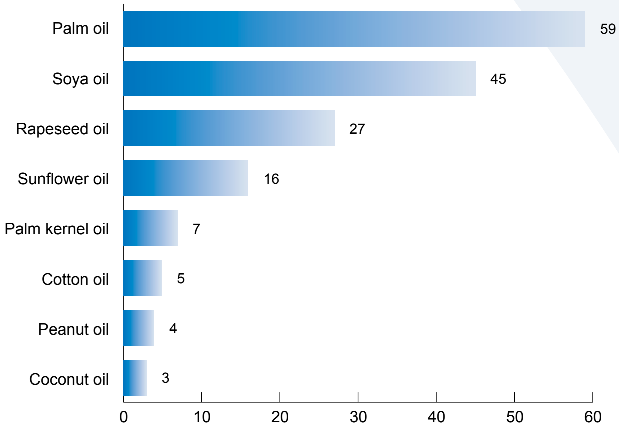
We obtain our raw materials from rapeseed, palm kernels, soya beans, shea kernels, sunflower seed, olives and many other sources.

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 raw materials from all over the world:

- Rapeseed from Northern and Central Europe
- Palm kernels from Asia
- 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 2014*



* Preliminary figures.

Source: OIL WORLD No. 47, Vol. 57, November 21, 2014

What is fat and why do we need it?

Fat is essential to life. The many types are divided into four main 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 characterized 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, being more heat stable 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 fat to produce hormones and other important substances.

- Vitamins A, D, E and K are fat-soluble. That means that 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 grams, each gram containing nine calories. Carbohydrates and proteins contain four calories per gram.
- Saturated fats and trans fats are believed to increase the level of LDL cholesterol ("bad" cholesterol) in the blood, while unsaturated fats have a positive effect on blood cholesterol.

HEALTH AND COST EFFICIENCY

Developing fats with special properties involves continuous work to bring products with characteristic functionalities such as healthier composition or other specific functionalities to the market. 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 customized, highly functional products.

Many customer demands are inspired by 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 are now processed without a hydrogenation step, which has become widely associated with trans fats, and are either low or very low in saturated fats. In many countries, health authorities actively encourage consumers to reduce their consumption of saturated fats and trans fats.

Another important trend in our customer demands is the request for cost efficiency, either through reduced cost of raw materials or of processing. This is driven by a highly competitive market and retailers continuing to challenge the food manufacturers.

RESPONSIBLE GROWTH

Responsible growth is a key objective of our AAKtion program and essential to our vision of being the first choice for value-added vegetable oil solutions. For us, responsible growth is about our responsibility towards all of our key stakeholders – the local communities where we operate, our global customers, employees, investors and suppliers. The foundation of our model for responsible growth is the ten principles of the UN Global Compact and our policies and codes. Driving progress, we work with five focus areas: Marketplace, Supply Chain, Environment, Workplace and Community, where we continuously set and deliver on ambitious objectives and benchmarks for our performance, internally and externally.

The interaction with customers is based on sound business ethics and a deep understanding of our responsibility for safeguarding customer brands. As a supplier of ingredients for some of the world's best-known brands, we recognize our role and our customers' expectations and see these as key elements in the execution of our AAKtion program.

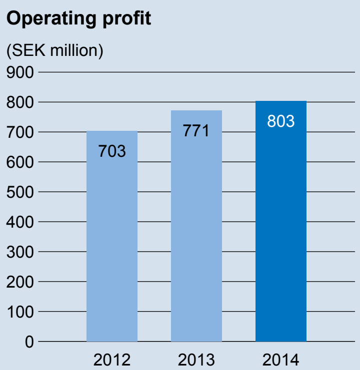
Business Area Food Ingredients

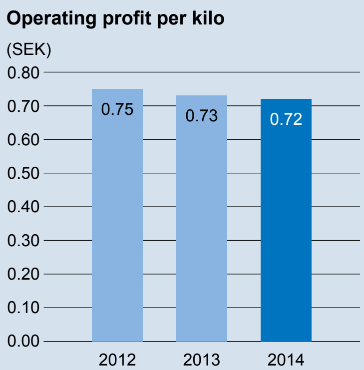
In the area of Food Ingredients, 2014 was a successful year for AAK with strong growth and a record-high operating profit. Through our market-responsive and health-oriented solutions, we continue to demonstrate our ability to meet customer needs.

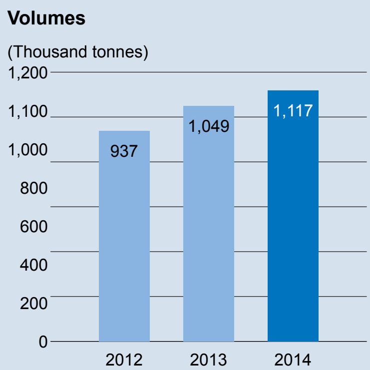
FOOD INGREDIENTS

(SEK million)	2012	2013	2014
Net sales	10,729	10,798	11,509
Operating profit	703	771	803
Operating profit per kilo, SEK	0.75	0.73	0.72
Volumes, thousand tonnes	937	1,049	1,117

Innovative solutions, continued customer co-development and consistency in quality have further strengthened our position as the first choice for vegetable oil solutions across a wide global customer base. Particularly our fast responsiveness to the changes in the food industry has enhanced our customer relationships and competitive edge. Market changes, new legislations and an increased knowledge on health characteristics of oils and fats, are the drivers for creating renewed value-added solutions for our customers. Our continued







implementation of such changes in co-development with our customers is an important means for us to generate continuous growth.

HEALTH TRENDS IN THE FOOD INDUSTRY

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

The physical characteristics of liquid oils and the composition of certain soft oils like rapeseed oil, which is both high in omega-3 and has the lowest saturated fatty acid content of any oil, are excellent for creating healthier oil solutions with great functionalities.

The demand for creating a better balance between saturated and unsaturated fats continues to drive the development of products with more added value. An increased demand for customized solutions in a number of growing segments also result in further demand for AAK's know-how within the field of new vegetable oil solutions.

Consumers demand high and consistent quality products and healthier food products. Together with our customers we drive the development of healthier alternatives for the consumer market. Our ability to select the right components from a vast range of vegetable oils and fats, means that we are able to create efficient solutions that satisfy most new demands through customer co-development.

INFANT NUTRITION

Infant Nutrition remains the fastest-growing market segment within our Food Ingredients area. High demand for customized blends of speciality oils and fats for premature and first-stage formulas has again enabled us to extend our share of this growing market segment dramatically. Sales of both Akonino®, base and special blends, and InFat®, a structured lipid component for infant formulas which is sold through Advanced Lipids, a joint venture between AAK and Enzymotec, have increased in importance. The demand for Akonino® blends have continued to grow. Our proven track record of being a trustworthy, reliable supplier and partner in the field of Infant Nutrition, has enabled us to grow further in a strong and competitive way. The InFat® business have, however, struggled since the second quarter 2014 in the important Chinese market.

A COMPETITIVE MARKET

We operate in a fiercely competitive market alongside several major competitors, some of which are more active in bulk commodity oil supply, while others also operate in the speciality segments. In Europe, more than 120 local refineries also make a real impact.

In segments that require specialized capabilities and knowledge, however, we benefit greatly from our cutting-edge position within product development and technical know-how. This is particularly true regarding dairy fat alternatives, oils and fats for the bakery industry, in the area of food service and for high quality, speciality oils and fats for infant nutrition. Our new AAKtion program is further strengthening our focus on customer innovation, sales leadership and new market development activities.

Regional markets

EUROPE

With an increased focus on delivering solutions built on speciality and semi-speciality products, Europe continues to deliver and support improvements to our customers' businesses. The European Customer Innovation team facilitates an impressive "best practise" sharing to our customers.

The acquisition of the Belgian oils and fats business CSM Benelux NV has not only given AAK an additional production capacity and product range, but also impressive knowledge and customer relations throughout Europe. We have with this acquisition tripled the AAK "footprint" of technology and customer co-development, mainly in the Bakery segment, but also in Confectionery and Dairy.

NORTH LATIN AMERICA

AAK Mexico, as a major supplier of value-added vegetable oils, is focused on the continuous innovation of solutions and services along and in anticipation of market trends. This year, Mexico's food industry saw a challenging scenario due to new government nutrition regulations. Although this generated a demanding situation for food manufacturers, AAK saw in it an opportunity to capitalize by speeding up innovation developments and help its customers meet the new requirements.

CUSTOMIZED SOLUTIONS

We offer customized solutions in nearly all categories. Working in co-development with our customers has led us to even go beyond the traditional and the speciality supply of oils and fats, creating additional added value in the production processes in which oils and fats play a major role.

NEW PRODUCTS

The extension of our product portfolios for the Bakery, Dairy and Food Service industries, and in the field of Infant Nutrition, has strengthened our unmatched performance in all of these segments. By providing solutions with specific healthy oils and fats blends, and not compromising on the physical characteristics, we have gained an excellent platform for improving the health profile of nearly all customer products.

New additions, such as non-hydrogenated, non-trans and better balanced oils and fats on their saturated and non-saturated levels, have supported our business and customers significantly. These are all clear examples of how new product development and innovation in close collaboration with customers can create clear value-added solutions.

Whilst a difficult year for the food industry in general, this situation has allowed AAK to reinforce its position as a preferred value-added solutions supplier, proving again that the focus we have put in innovation and specialization in the preceding years has been a prescient approach.

On the other hand, Latin America experienced in 2014 a slowdown in its economic growth, mainly due to lower commodity prices, a decrease of external investments, high inflation and high financing costs in some countries.

The recent acquisition in Colombia will start to benefit during 2015 and the synergies with AAK and our innovative products will allow a strong organic growth, a full production consolidation and the development of our value-added industrial market.

We are confident that the North Latin America region will continue to be a growth and innovation driver for AAK and that our value-added solutions will be preferred by our sophisticated customer base.

USA

2014 has been an exciting year for AAK USA as we solidified our position in the markets we serve as the first choice for value-added vegetable oil solutions. Our site in Port Newark, New Jersey has now fully recovered from Hurricane Sandy.

Efficiency investments continued at our Louisville, Kentucky facility where the Bakery segment was the main driver for growth.

Oasis Foods has shown resilience by delivering strong growth in the competitive northeast food service market. Investments in capacity and upgrades to support BRC certification are underway at our Oasis Foods facility in Hillside, New Jersey to support future growth.

Business Area Chocolate & Confectionery Fats

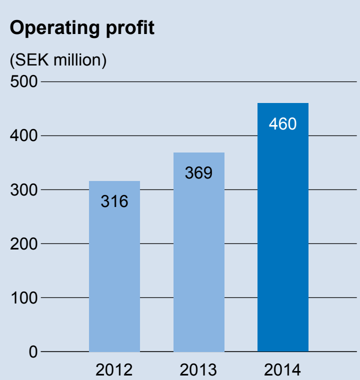
2014 was the first year with the new company program AAKtion, a program with three well defined priority areas – Sales, Innovation and Execution, which very well support our main priority, to improve organic growth within Chocolate & Confectionery Fats. Our vision is to be the world-leading supplier of value-creating speciality fat solutions to the leaders in the confectionery industry, and we focus on increasing our global presence as well as bringing breakthrough innovations to market.

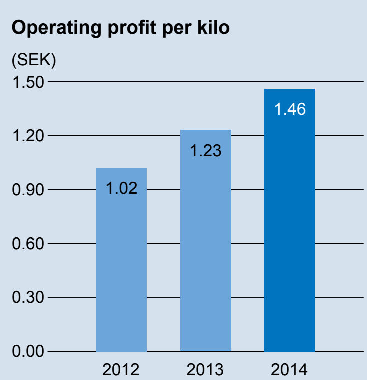
CHOCOLATE & CONFECTIONERY FATS

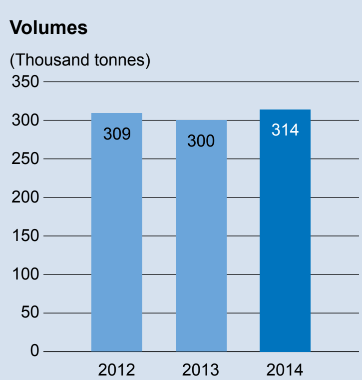
(SEK million)	2012	2013	2014
Net sales	4,583	4,200	4,891
Operating profit	316	369	460
Operating profit per kilo, SEK	1.02	1.23	1.46
Volumes, thousand tonnes	309	300	314

SOLUTIONS FOR OUR CHOCOLATE CUSTOMERS

Chocolate & Confectionery Fats supplies speciality vegetable fats used as cocoa butter replacement and improvement in chocolate products and fillings. Based on the market and customer needs, we offer a wide product portfolio. Many of our new product launches are developed and customized in close cooperation with our customers. Our solutions for the confectionery industry cover a wide range of product applications, including chocolate fats and compound fats for coating and moulding, filling fats, barrier fats and spreads.







Recognizing the regional variations in the functionalities our customers seek, we strive to adapt our solutions to create the greatest possible benefit for the customers' businesses and to the end-users' chocolate experiences. The typical functionalities we offer influence the taste, appearance and texture of the final confectionery product.

As AAK has a strong market focus, we deliver innovative solutions that reflect market trends and anticipate customer requirements. Our wide product range is the result of targeted development work carried out in our Customer Innovation centers, where we work with customers and suppliers. AAK offers technical service to our customers to optimize their use of our solutions in their factories. We often organize academies for customers to inspire them about newly developed applications and concept proposals for use in their products.

Our innovative projects to develop healthier versions of our products have proven to be successful, so we are able to offer products that both comply with high food safety standards and that are free of trans fats and low in saturated fats. Today, most of our products are completely without trans fats.

DRIVING GROWTH GLOBALLY

We focus on maintaining and developing good and strong relations with existing customers, and on developing new contacts in emerging markets. This dual focus creates a well-balanced growth.

AAK is a strong, long-term business partner, working in close partnership with global and regional leaders within the confectionery industry. As we continue to expand our worldwide organization, we

supply our customers from our production plants all over the world.

We also focus on major emerging chocolate markets where growth is driven by the rising income of a growing middle class, increasing urbanization and a higher level of health awareness. Here, new innovations characterize changes in the food industry, such as the increasing convergence of the chocolate confectionery and bakery segments and the snacking trend. This adds changes and complexity within product innovation and production, which fits very well with the AAK business model for customer co-development.

A PRODUCT ADDRESSING EVERY CUSTOMER'S NEED

Our products and value-creating solutions offer the customers an opportunity to differentiate their confectionery products to make them preferred by consumers. We offer a customized product range under the following brands:

- Illexao™ – Cocoa Butter Equivalents or Improvers (CBE/CBI) for chocolate cost reductions or chocolate with added or improved functionality.
- Akopol™ – Cocoa Butter Replacers (CBR) for compounds with cocoa tolerance.
- Cebes™/Silko™ – Cocoa Butter Substitutes (CBS) for compounds with fast meltdown and fast crystallization.
- Chocofill™/Deliair™ – Filling Fats for customized fillings in line with customer needs.

A typical chocolate filling contains 30 percent filling fat, which plays a key role in securing a good chocolate experience in terms of stability, melting properties, texture, flavour release and health profile. Additional benefits of our product range include improved mouthfeel and prolonged bloom stability for a longer shelf life. Efficient barrier fats allow the inclusion of, for example, nuts in a filling.

RIGHT MATERIALS

Every stage of our value chain requires specialist expertise – from purchasing of raw materials to marketing and sales. When purchasing raw materials, we maintain a high level of quality control to ensure food safety, but also a high focus on initiatives to ensure corporate social responsibility.

SHORTENING THE SHEA SUPPLY CHAIN

For decades, the shea kernel has been an important source of nutrition and income in the rural parts of West Africa. We have been involved ever since the first kernels were exported in the 1950's and are today the biggest consumer of shea kernels outside Africa. Over the past few years, we have successfully shortened the supply chain to include only those participants that actually add value. One consequence of this is that we now also obtain direct supplies from thousands of rural women in Burkina Faso and Ghana.

Functional ingredients for personal care

AAK develops and sells functional lipids for use in baby care, sun care, skin care, hair care and color cosmetics. Our range is appreciated for its moisturizing and softening ability and positive effect on skin health.

Having worked with lipids for the cosmetic industry for the past 30 years, we rank among the world's leading specialists in the area today. All of our ingredients are based on vegetable oils, distinct from alternative, synthetic, animal or mineral oil-based raw materials.

GLOBAL REACH

The personal care industry is global. The ten largest companies hold 50 percent of the global market, and typically increase their market share each year, often through acquisitions of regional brands. Consequently, we sell our products all over the world.

DYNAMIC MARKET TRENDS

A growing number of consumers make daily use of personal care products. Main drivers of this trend are economic development in Asia and South America, and the rising interest in baby care, skin care and grooming products for men.

Today, the industry has coupled its traditional focus on innovation and novelties with an increased emphasis on safety, naturalness and sustainability – a trend that supports the use of safe, sustainable and functional ingredients based on natural raw materials. At AAK, we expect to see sustainable vegetable oil solutions increasingly replace synthetic and mineral-based solutions.

SUSTAINABLE INGREDIENTS

The AAK Personal Care product lines are made from natural, renewable raw materials. Shea butter, with its beneficial properties, is the most sought-after vegetable-based raw material in the cosmetic industry. Shea is widely recognized for its skin softening and moisture-retaining properties while its anti-inflammatory function contributes valuable skin healing and protecting effects.

Other products are produced from mango, illipe, cocoa, rapeseed and more. Rapeseed grown in Sweden contains high levels of valuable bioactive lipids – excellent for sensitive skin products, sun care and baby care.

PRODUCT DEVELOPMENT DELIVERING CUSTOMER VALUE

Reflecting market trends, our product range is under constant development. In close consultation with our customers, we are able to shape a well-considered response to meet the ever-changing needs of the industry.

Our product development focuses on developing products combining specific basic functions, such as moisturizing or softening properties, with more advanced functions, such as protection against UV rays and environmental contaminants.

At AAK, we enhance the power of nature, with the objective of creating responsible, safe, and attractive ingredients that satisfy the needs and wants of our customers and the end-user – the consumer.

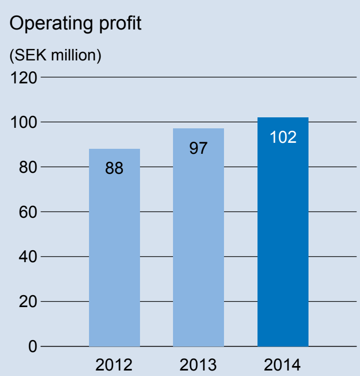
Business Area Technical Products & Feed

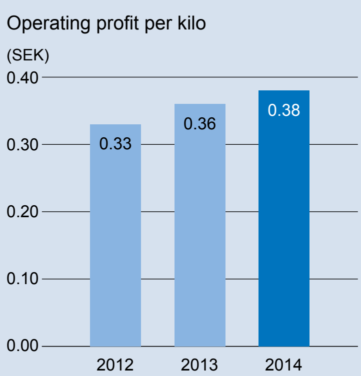
Technical Products & Feed saw another year of decreasing net sales – and at the same time improving operating profits. The explanation is lower prices on raw materials and an improving feed and technical fatty acids business.

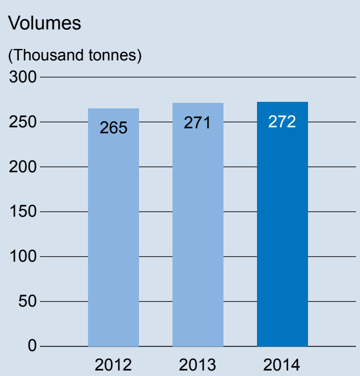
TECHNICAL PRODUCTS & FEED

(SEK million)	2012	2013	2014
Net sales	1,599	1,539	1,414
Operating profit	88	97	102
Operating profit per kilo, SEK	0.33	0.36	0.38
Volumes, thousand tonnes	265	271	272

Our business area Technical Products & Feed is an excellent example of the role that vegetable oils play with respect to the environment and health. Candles are one example. Made from renewable fatty acids rather than paraffin, their carbon dioxide emissions are significantly lower. Within farming, dairy cattle can benefit from vegetable-based feed that has excellent nutritional properties. Technical products and feed products are made from the residual fractions that remain after food oil production. The market is primarily in Northern Europe.







INDUSTRIAL APPLICATIONS

Fatty acids and glycerine are produced by splitting the fat molecule and refining the outcome into high-purity products. By using by-products from our speciality oils manufacturing, we are adding extra value to these fractions.

Fatty acids are basic oleochemicals which are used as raw materials for production of a wide range of natural chemicals, i.e. detergent surfactants, paper chemicals, lubricants, plastic- and rubber additives. They are also used directly in tyre manufacturing and candle production. In candle making our fatty acids provide a natural, sustainable alternative to paraffin and our products may be found in eco-labelled candles made from 100 percent stearin.

The market for fatty acids is still undergoing a major consolidation process, which will inevitably lead to fewer and larger players. AAK is the leading supplier to the Nordic market, where most of the products are sold. Other important markets are Germany, Poland and Russia.

Glycerine is used in a diversity of products, for instance cosmetics, explosives, paint, concrete and anti-freeze applications. Over the last years the glycerine market has undergone a radical change due to the emerge of the biodiesel industry, which also generates glycerine as a by-product. Vastly increased supply has caused prices to erode. However, low prices have resulted in new applications for glycerine and we now see a better balance between supply and demand.

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. Our solid bypass fats and liquid feed fats are also used as ingredients in feed for cattle and, to some extent, pigs and poultry.

As the name suggests, bypass protein and bypass fats 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 fats. 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.

TECHNICAL OILS – BIOLUBRICANTS

In November 2014 we sold our biolubricants business Binol to American company Quaker Chemical. Although a part of business area Technical Products & Feed, Binol has for many years been run as an autonomous entity within AAK with its own sales force, product development, logistics set-up and administration. Although Binol has shown great development over the years we believe that if the business is to expand and if it is to be brought to the next level, it needs to grow in a more suitable environment.

Risks

AAK's operations are constantly exposed to risks, threats and external factors with an impact on the company. Through a proactive approach to business intelligence, the company aims to anticipate changes in factors affecting operations. Plans and policies are adjusted continuously to counteract potential negative effects. Active risk management, such as hedging raw material prices and currencies, reduces the risks the company faces.

RAW MATERIALS

Harvests are weather-dependent. While a year of poor harvests drives up prices, a year of successful harvests reduces them. Most of our raw materials are traded on the international world market, where they are purchased in foreign currencies. This exposes us to significant currency and raw material price risks.

Our strategy of active risk management means that, as soon as a sales contract is signed, we hedge the equivalent currency and raw material price exposure. This safeguards margins against price risks on agreed sales contracts.

Since many raw materials are produced at a considerable distance from our production plants and markets, transport costs are an important factor. Particularly the potential impact on margins from the growing demand for environmentally-acceptable transport methods has to be taken into consideration. Competition in commodities is fierce.

THE PROCESSING INDUSTRY

AAK is part of the processing industry. Improvements in results are achieved through organic volume growth and by increasing sales of speciality products with higher margins relative to lower-margin bulk products.

Capacity expansion aimed at increasing total volumes in order to meet growing demand has a relatively long planning horizon. AAK must analyze potential growth in good time. In the meantime, it is possible to balance production among our 14 plants to enable processing of specific products closer to their markets and accommodate swings in supply and demand. Key speciality products are produced at dedicated plants, where problems with machinery can have a major impact. During 2014 we have announced that we are building greenfield plants both in Brazil and China. It typically takes approximately two years to build such plants.

POLITICAL INSTABILITY

Operating globally always carries risks, but it can also be a stabilizing factor. Although AAK largely operates in mature markets in the US and Europe, much of company growth is generated in developing markets, which are vulnerable to political instability that can impact currencies and exchange rates. We also operate in Eastern Europe, the Middle East, Asia, Africa and South America, where instability may arise. As a well-established operator in these areas, we have extensive experience of handling such issues. In addition, we operate with a deliberate risk management strategy.

Global operations 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 ENVIRONMENT

The sector in which AAK operates is undergoing structural change. As a sector that has existed for just over a century and has a fundamental dependence on natural products, there is great pressure for more intensive development. This includes demands for sustainable, ethical production, where producers accept responsibility for social issues and the environmental impact of their operations. AAK operates on the basis of an organic growth and selective acquisition strategy. A strong balance sheet has laid the financial foundations for future acquisitions.

There is tough competition in the industry. Several global competitors deliver large volumes of bulk products with limited margins. Our response is to focus more on products with better margins and higher added value. These include confectionery products and cosmetics, as well as value-added ingredients for the bakery, dairy and infant nutrition industries.

THE HEALTH TREND

There is an ongoing debate on healthy alternative foods. The trans fat debate, for example, has been quite heated on occasion, resulting in a greater use of raw materials such as palm oil. Palm oil is a significant raw material for us at AAK and has a broad application area – from chocolate to foods and cosmetics. A great alternative to hardened fat, it is semi-solid at room temperature, making it an attractive choice in the production of many foods. By using palm oil, trans fats can be eliminated from many food products.

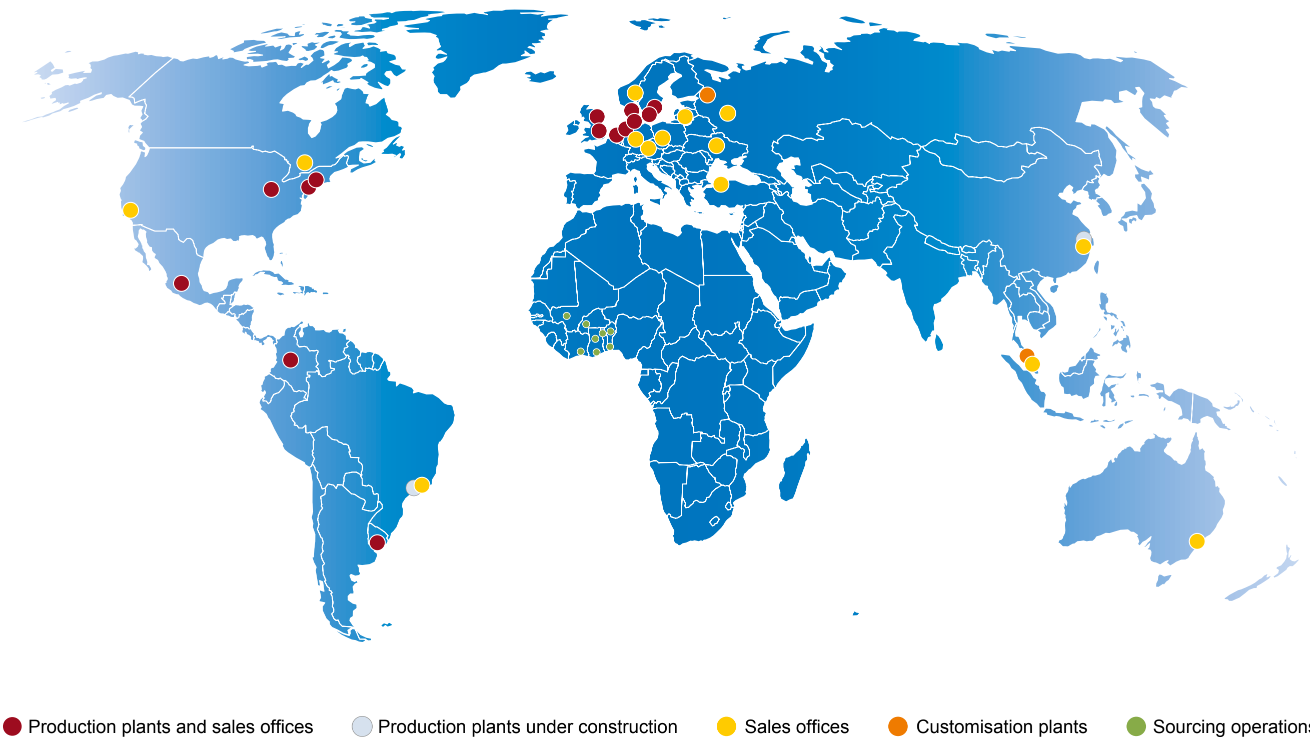
We have the ability to adapt our product range quickly to the latest trends in the health debate. This is largely due to the fact that we work with all types of vegetable oils and can reformulate our products fairly easily to meet customer needs. We focus strongly on product co-development with our customers. This limits the risks involved in commercializing new products.

Regulatory measures also pose a risk. Active involvement in Corporate Social Responsibility related issues is, therefore, becoming increasingly important to forestall legislation on issues that are a natural development of human requirements.

HIGHLY SKILLED EMPLOYEES

Business operations are affected by raw material prices, transport costs, energy prices, interest rates and exchange rates. Our managers and their staff are experienced in reacting quickly to changes in external factors and adapting operations, products and services to customer needs.

Employees



OUR PEOPLE ARE KEY TO OUR SUCCESS

With employees in more than 25 countries on five continents, AAK is truly a global operation. Today we have 14 production sites in nine countries and a global procurement and sales organization. Organic growth, investments in production facilities and acquisitions are expanding that global presence.

In 2014, we were pleased to welcome 155 new colleagues from Colombian company Fábrica Nacional de Grasas S.A. (FANAGRA) and 107 new colleagues from the oils and fats business CSM Benelux NV (Belgium) to the AAK family.

We were also very happy to announce the investments in production facilities in China and Brazil, to be completed in 2015 and 2016, which have already and which will continue to increase our number of colleagues during the upcoming years.

AAK had an average of 2,439 employees in 2014. During the year, the number of employees increased due to the continued organic growth and our acquisitions.

AAKTION FOR THE FUTURE

Building on the AAK Acceleration program for 2011–2013, the AAKtion program was launched in January 2014 aiming to continue the journey of taking AAK to the next level and to ensure AAK's leading status for the years to come. With the AAKtion program AAK has defined a number of tactical projects to be completed within the next 18–36 months.

The positive impact of the Acceleration program is to be continued and even accelerated further with the AAKtion program. We want to achieve full leverage from our competitive advantages and strongly grow the business by driving productivity further and work more efficiently. To achieve all this, AAK is focusing on mobilizing and motivating all of its people through a focused and dedicated organization.

REVIEW AND DEVELOP

Aligning all of our efforts is key in order to reach the AAK growth objectives. To ensure that objectives are aligned throughout the organization, all employees completed their Performance and Development Plan (PDP) during the first half of the year. As part of the PDP, all employees discuss last year's performance and objectives with their managers, and new performance objectives are set along with a plan for personal development.

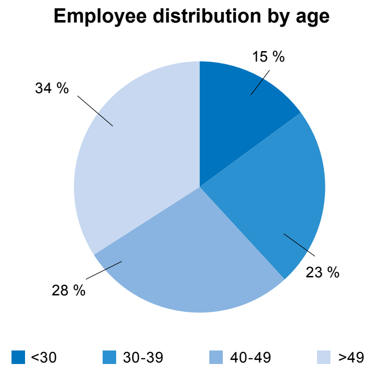
To ensure that all employees are properly qualified for their job, extensive training takes place, either locally or as part of our global training programs.

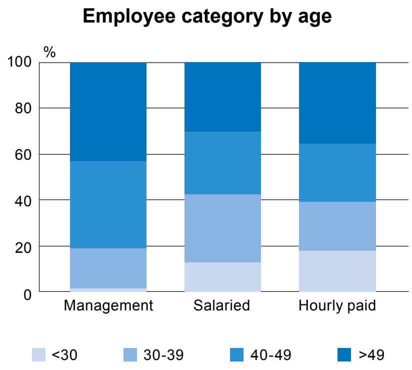
In 2014, we continued to focus our attention on training our commercial organization. We continued our global sales training program for new commercial employees, and further, we strengthened our product training. All this is aimed at helping our teams improve their ability to identify customer opportunities and create more value for our customers.

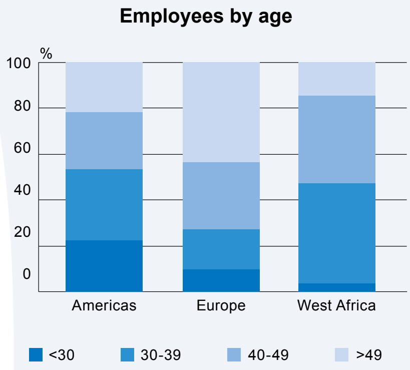
The AAK Graduate Trainee Program continues to be successful. The second batch of trainees completed their program and all of them continued in positions of increased responsibility. Also, a new group of trainees were welcomed on the graduate trainee program in commercial positions, where they will gain a deep insight into both the operational and commercial value chain as well as receive formal training.

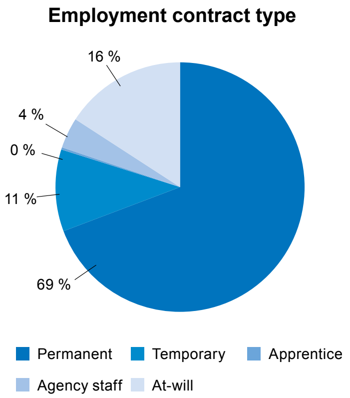
COMMUNICATION IS KEY

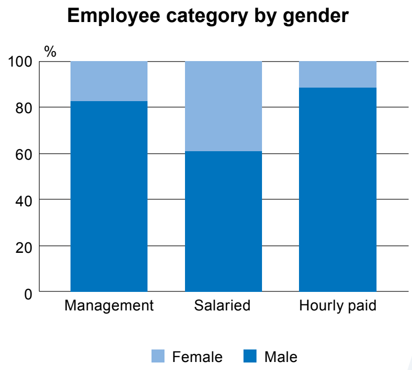
A strong dedication to internal communication is vital to ensure engaged and committed employees who understand the company objectives as well as their link to the employees' own personal objectives. Town hall meetings, articles on our global intranet, monthly management conference calls and communication packages are used to ensure that all AAK employees are well informed and understand how they can make the best contribution.

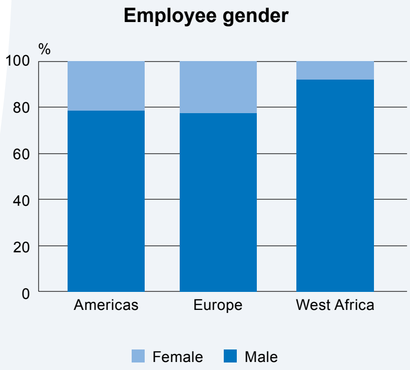












Responsible growth

Responsible growth is the key objective of our AAKtion strategy and essential to our vision of being the first choice for value-added vegetable oil solutions. For us, responsible growth is about our responsibility towards all of our key stakeholders – the local communities where we operate, our customers, our employees, our investors and our suppliers. Based on our strategy, input from our stakeholders and market trends, we have developed a model for responsible growth to guide our global Corporate Social Responsibility work.

The UN Global Compact (UNGC) is a solid platform and a broad concept based on ten universal principles within Human and Labour Rights, Environment and Anti-corruption. It enjoys participation by all of the major players in global business and CSR, including the GRI (Global Reporting Initiative), ETI (Ethical Trading Initiative), ICC (International Chamber of Commerce) and OECD (Organisation for Economic Cooperation and Development). AAK has been a member of the UNGC since 2002.

AAK's CSR policies and codes are based on the UNGC, and apply globally to all AAK business activities. So are the policies and codes of many of our customers, which enhances our strategic alignment.

We have defined five CSR focus areas – the 'pillars' – that are important to our business. These provide an overview and help us focus our resources.

To maintain momentum and drive improvement, we define objectives within each of the five focus areas. Further, we monitor many other indicators internally, based on the GRI guidelines. The engine behind all of this is our global CSR organisation, established in 2007.

To be transparent and share information with stakeholders is also part of our approach. Sedex facilitates the sharing of information with customers. Our Sustainability report shares information globally, primarily with investors in AAK, and via the web with all stakeholders. Partnering with other businesses, NGOs, and governmental agencies is a key element of the Global Compact concept, and we are proud to participate in several partnerships. The RSPO, the Global Shea Alliance, the UNDP and the Burkina Faso project are a few examples of these.

Our CSR system is not static, adjusting instead to input from such stakeholders as customers, investors, and employees. We monitor new and upcoming legislation. We follow trends in our communities, and benchmark our CSR practices against those of retailers, customers and competitors.

Our overall objective is to let AAK grow responsibly and achieve sustainability as a whole.

ANNUAL SUSTAINABILITY REPORT

AAK's model for responsible growth covers five focus areas: Marketplace, Supply chain, Environment, Workplace and Community. In our annual Sustainability report we present the key achievements within each of these areas. Some examples of this year's progress are:

- More than **50,000** women collecting shea kernels are now included in the AAK Kolo Nafaso program
- **10** percent decrease in energy used per processed unit
- **13** percent decrease in water consumption per processed unit
- **18** percent reduction of netto direct CO_2 emission per processed unit
- **20** percent decrease in Lost Time Injury Rate due to focused global safety work

To obtain a printed copy, please contact AAK Corporate Communications at comm@aak.com

MARKETPLACE
Sharing ethical data with customers
Food safety certifications
AAK Code of Conduct implementation

COMMUNITY
Preparing future generations
Supporting school in Benin
Sports center for local community

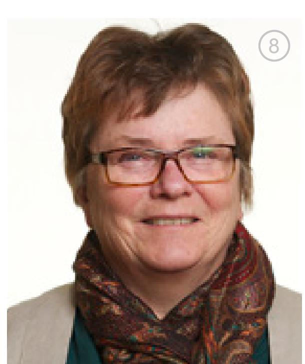
SUPPLY CHAIN
Supplier Code of Conduct implementation
Sustainable Palm Oil commitments
RSPO supply chain certifications

WORKPLACE
Anti-corruption e-leaerning programs
Health intiatives and offers
Global safety management team

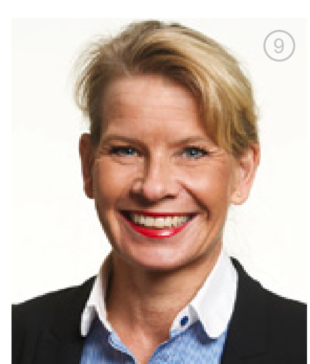
ENVIRONMENT
Resource efficiency improvements
Reduced emissions
Changing to renewable energy resources

Board of Directors

MEMBERS OF THE BOARD OF DIRECTORS APPOINTED BY THE EMPLOYEES



AUDITOR



①

Melker Schörling

Chairman of the Board of Directors

Elected in: 2005 (Karlshamns AB 2001)

Born: 1947

Nationality: Swedish

Main occupation: Chairman of the Board of Directors of Melker Schörling AB

Qualifications: BSc. in Economics and Business Administration

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 Hexagon AB, Securitas AB and HEXPOL AB, Member of the Board of Directors of Hennes & Mauritz AB

Holdings in AAK: Melker Schörling AB holds 14,053,800 shares in AAK AB (34 percent)

②

Arne Frank

Elected in: 2010

Born: 1958

Nationality: Swedish

Main occupation: President and CEO, AAK 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 SA, Chairman and CEO of Carl Zeiss Vision Holding GmbH

Other directorships: Member of the Board of Directors of Alfa Laval AB (publ.), Chairman of the Board of Directors of Inwido AB (publ.)

Holdings in AAK: 346,550 shares (together with family through own company)

③

Ulrik Svensson

Elected in: 2007

Born: 1961

Nationality: Swedish

Main occupation: CEO Melker Schörling AB

Qualifications: BSc. in Economics and Business Administration

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

Holdings in AAK: None

④

Märit Beckeman

Elected in: 2006 (Karlshamns AB 2004)

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

Holdings in AAK: None

⑤

Märta Schörling

Elected in: 2013

Born: 1984

Nationality: Swedish

Qualifications: MSc. in Business and Economics

Professional background: Strategy consultant Pond Innovation & Design

Other directorships: Board member of Melker Schörling AB and HEXPOL AB

Holdings in AAK: None

⑥

Lillie Li Valeur

Elected in: 2013

Born: 1970

Nationality: Danish

Main occupation: Vice President in Arla Foods amba, responsible for South East Asia

Qualifications: MBA and BSc. in Medicine

Professional background: Strategy and business development; global and Asia market expertise; Food, ingredients, pharmaceutical and consultancy industry experience; B2C B2B commercial background with Novartis, Arla Foods and Bain & Co.

Holdings in AAK: 500 shares

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⑦

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

Holdings in AAK: None

⑧

Annika Westerlund

AarhusKarlshamn Sweden AB

Appointed by PTK-L

Elected in: 2005

Born: 1956

Nationality: Swedish

Main occupation: Laboratory Assistant

Qualifications: Technical College

Holdings in AAK: None

⑨

Sofia Götmar-Blomstedt

PricewaterhouseCoopers AB

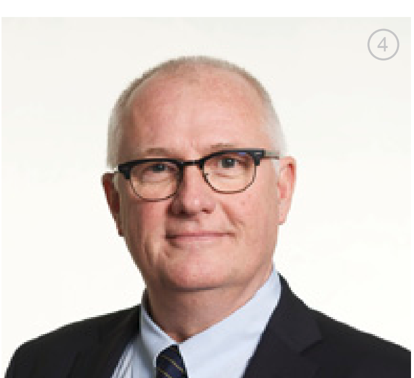
Born: 1969

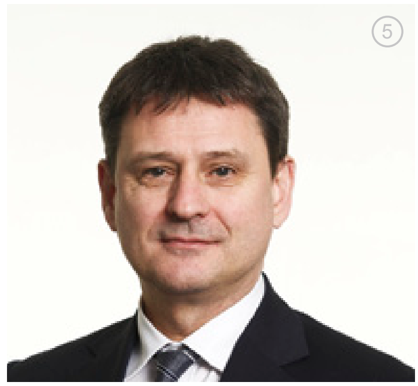
Authorized public accountant

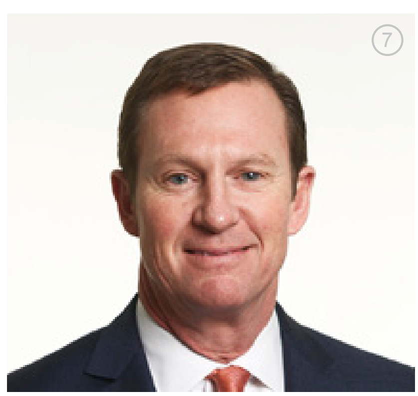
Lead auditor

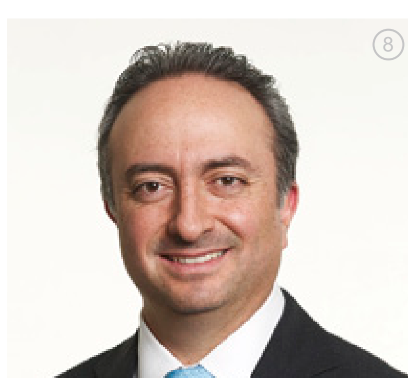
The company's auditor since 2013

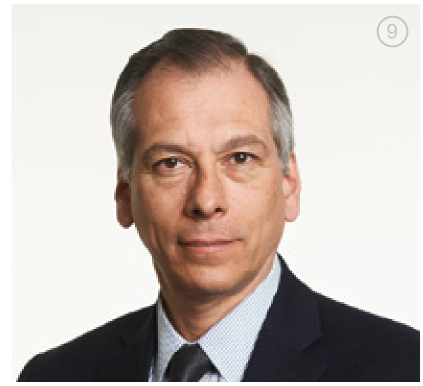
Executive Committee











1

Arne Frank
President and CEO AAK AB

Born: 1958

Elected in: 2010

Nationality: Swedish

Qualifications: MSc. Industrial Engineering and Management

Directorships: Member of the Board of Directors of AAK AB (publ.) and Alva Laval AB (publ.), Chairman of the Board of Directors of Inwido AB (publ.)

Holdings in AAK: 346,550 shares (together with family through own company)

2

Fredrik Nilsson
Chief Financial Officer (CFO)

Vice President AAK AB

Born: 1977

Employed: 2007

Nationality: Swedish

Qualifications: MSc. Business Administration

Holdings in AAK: 15,000 shares

3

Jan Lenferink
President AAK Europe

Vice President AAK AB

Born: 1963

Employed: 2015

Nationality: Dutch

Qualifications: Food Technology

Holdings in AAK: None

4

Jens Wikstedt
President SB&N

Vice President AAK AB

Born: 1958

Employed: 2014

Nationality: Swedish

Qualifications: BSc. Economics and Business Administration

Holdings in AAK: 550 shares

5

David Smith
President European Supply Chain

Vice President AAK AB

Born: 1960

Employed: 2001

Nationality: British

Qualifications: MBA, Graduate Diploma in Business Management

Holdings in AAK: 40,000 stock options

6

Torben Friis Lange
President AAK Asia, CIS, Middle East

Vice President AAK AB

Born: 1963

Employed: 2010

Nationality: Danish

Qualifications: BSc. Dairy Technology, Graduate Diploma in Business Administration

Holdings in AAK: 100,000 shares

7

Terrence W. Thomas
President AAK USA and Canada

Vice President AAK AB

Born: 1962

Employed: 2013

Nationality: American

Qualifications: MBA, BSc. Chemical Engineering

Holdings in AAK: 40,000 stock options

8

Octavio Díaz de León
President AAK North Latin America

Vice President AAK AB

Born: 1967

Employed: 2007

Nationality: Mexican

Qualifications: MBA, BSc. Mechanical & Electrical Engineering

Holdings in AAK: 40,000 stock options

9

Gerardo Garza López de Hereida
President AAK South Latin America

Vice President AAK AB

Born: 1961

Employed: 2014

Nationality: Mexican

Qualifications: Graduate Diploma in Business Administration, Food Engineering

Holdings in AAK: None

10

Renald Mackintosh
President Infant Nutrition, Food Service and Personal Care

Vice President AAK AB

Born: 1951

Employed: 2002

Nationality: Dutch

Qualifications: MSc. Food Technology

Holdings in AAK: 300 shares and 40,000 stock options

11

Karsten Nielsen
Chief Technology Officer (CTO)

Vice President AAK AB

Born: 1963

Employed: 1988

Nationality: Danish

Qualifications: Graduate Diploma in Food Technology

Holdings in AAK: 264 shares and 15,000 stock options

12

Anne Mette Olesen
Chief Marketing Officer (CMO) including CSR

Vice President AAK AB

Born: 1964

Employed: 2010

Nationality: Danish

Qualifications: MBA, BSc. Chemical Engineering

Holdings in AAK: 60,000 stock options

AAK's Glossary

Akonino® – AAK brand name for vegetable oil blends optimized to meet the nutritional requirements of infants and thus used as an ingredient in infant nutrition and follow-on formulations.

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 **B**utter **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.

CBI (**C**ocoa **B**utter **I**mprover) – A vegetable fat which by partly replacing cocoa butter in a chocolate, improves the properties of the cocoa butter in the chocolate – in most cases by improving the heat stability of the final chocolate.

CBR (**C**ocoa **B**utter **R**eplacer) – 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 **S**ubstitutes) – CBA with physical properties and application areas similar to those of CBR. Made from palm-kernel oil.

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

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

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

Glycerine – A highly viscous, flavorless trivalent alcohol (chemical component with three alcohol groups) forming the backbone of a triglyceride when esterified with three fatty acids.

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 with 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.

Oleochemicals – A common name for chemicals derived from vegetable oils and fats. Oleochemicals have numerous applications in the chemical and pharmaceutical industries, where they often substitute petrochemicals and similar components based on mineral oils.

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. Describe the force it takes to make a material (semi-liquid or solid) to change its form.

Saturated fats – Popular name for saturated fatty acids.

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

Soft oils – A common name for oils which are liquid at ambient temperature, or approximately 20 °C.

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 normally 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 for mono- and polyunsaturated fatty acids.

Financial information

Contents

All amounts are denominated in SEK million unless otherwise stated.

Directors' Report

For the financial year 1 January–31 December 2014

The Board of Directors and the Chief Executive Officer of AAK AB (publ.), corporate identity number 556669-2850, with its registered office in Malmö, herewith present the Financial Statements and Consolidated Financial Statements for the financial year 1 January–31 December 2014.

PERFORMANCE AND FINANCIAL POSITION

- Net sales increased by SEK 1,277 million to SEK 17,814 million (16,537 million), largely as a result of acquisitions and a positive currency translation effect of SEK 593 million. Volumes increased by 5 percent, primarily due to the acquisitions made. Organic growth amounted to -1 percent due to lower volumes for commodity products, lower volumes for semi-speciality products in Mexico and challenges with sales of InFat® in China. Most of the remaining activities have developed well or very well.
- Operating profit, excluding non-recurring items, was at a record high of SEK 1,242 million (1,127 million), an improvement of 10 percent. The currency translation effect was positive and amounted to SEK 48 million. All business areas reported a better operating profit in 2014 than in previous years.
- Operating profit, including non-recurring items, amounted to SEK 1,262 million (1,117 million), an improvement of 13 percent. Non-recurring items for the full year amounted to SEK 20 million (-10 million). The non-recurring items during the year were: the net profit from the disposal of Binol (SEK 81 million), a non-recurring expense of SEK 65 million for additional production optimisation in Europe, acquisition-related expenses of SEK 16 million (10 million) and a positive net effect of SEK 20 million from the acquisition of CSM Benelux NV in Merksem, Belgium.
- The operating profit per kilo, excluding the above non-recurring items, amounted to SEK 0.73 (0.69), despite the dilutive effect of the acquisitions recently made in Belgium and Colombia.
- Return on Capital Employed (ROCE) was affected negatively by acquisitions and initial new investments in Brazil and China and higher working capital during the year. Return on Capital Employed, calculated on a rolling twelve-months basis, amounted to 16.0 percent (16.4 percent on 31 December 2013).
- Earnings per share were SEK 21.15 (17.87), an increase of 18 percent.
- The proposed dividend amounts to SEK 6.75 (6.00), an increase of SEK 0.75 or 13 percent.

The Company's largest business area, Food Ingredients, reported a record operating profit of SEK 803 million (771 million), an improvement of 4 percent. Operating profit per kilo decreased from SEK 0.73 to SEK 0.72. This is explained by the dilutive effect of acquisitions in Belgium and Colombia. Excluding acquisitions, the operating profit per kilo continued to improve.

Chocolate & Confectionery Fats reported a strong improvement in operating profit of 25 percent to SEK 460 million (369 million), primarily as a consequence of continued improvement in the product mix. Speciality products (primarily cocoa butter equivalents, CBE) reported double-digit growth, while the volumes for lower value-added products fell. The Russian ban introduced on food imports does not include AAK's ingredient products. However, market conditions in Ukraine and Russia deteriorated during the fourth quarter.

Operating profit for the Company's smallest business area, Technical Products & Feed, was SEK 102 million (97 million), an improvement of 5 percent.

The Group's profit after financial items amounted to SEK 1,154 million (1,017 million). Net financial items were SEK -108 million (-100 million). The equity/assets ratio was 46 percent as at 31 December 2014 (43 percent as at 31 December 2013). Consolidated net debt as at 31 December 2014 was SEK 2,508 million (SEK 2,255 million as at 31 December 2013). On 31 December 2014, the Group had total credit facilities of around SEK 5,818 million.

Cash flow from operating activities, before changes in working capital, amounted to SEK 1,252 million (1,083 million). Working capital increased by SEK 560 million (reduction of SEK 217 million), primarily as a consequence of higher inventories and acquired units. Cash flow from operating activities, including changes in working capital, amounted to SEK 692 million (1,300 million). After investments, including acquisitions, cash flow amounted to SEK -16 million (568 million).

The Group's net investments in non-current assets and acquisitions totalled SEK 708 million (732 million), comprising maintenance investments, and acquisitions in Belgium, Colombia and Turkey (brand), plus strategic investments in Brazil and China. The sale of Binol is included in the net investments for the year.

OPERATIONS AND SIGNIFICANT EVENTS

Change of name

The Annual General Meeting on 8 May 2014 decided that the name of the Company should be changed from AarhusKarlshamn AB (publ.) to AAK AB (publ.).

Business areas

The Company's business areas are Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. Group-wide functions are included in the Group Functions segment.

Food Ingredients maintains its strong regional positions, primarily in Europe, USA and North Latin America, but will gradually strengthen its positions in other regions. During the year, acquisitions were made in Belgium, Colombia and Turkey (brand).

Chocolate & Confectionery Fats and Personal 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 factory in Sweden, bringing significant synergy gains.

AAK's focus on growth and productivity

In January 2014, the Company published the new corporate programme 'AAKtion' for 2014–2016.

AAKtion is intended to further enhance the focus on 'Sales – Innovation – Execution, and the programme is running to plan.

Acquisitions, strategic investments and disposals

During the year, AAK decided to make strategic investments in the emerging markets of Brazil and China. AAK also made acquisitions in Belgium, Colombia and Turkey (brand).

Strategic investment in Brazil
In the first quarter of 2014, AAK decided to build a new production plant for speciality and semi-speciality oils in Jundiaí, São Paulo, Brazil. Over the next two-year period, the investment is expected to amount to approximately SEK 400 million. The start of production is planned for late 2015 and, when used to full capacity, the plant will increase AAK's total capacity by 100,000 tonnes to 120,000 tonnes.

The new production plant will enlarge the Company's product portfolio in Food Ingredients and Chocolate & Confectionery Fats in Brazil. In particular, the plant will enhance the Company's ability to deliver bakery and dairy solutions, and also develop the Company's activities in Chocolate & Confectionery Fats. Further, the plant will contain an innovation center at which customers can work closely with AAK's customer innovation team.

Acquisitions in Belgium
During the second quarter, AAK acquired the oils and fats operations of CSM Benelux NV in Merksem, Belgium. The company is a leading supplier of bakery fats, primarily to the bakery markets in Belgium, the Netherlands and France, and employs around 100 people. During 2013, the company had sales of approximately SEK 970 million. The acquisition had very limited impact on AAK's operating profit for 2014, and this acquisition consequently had a dilutive effect on the operating profit per kilo for 2014. The acquisition was completed on 1 July 2014, and the unit was consolidated during the third quarter.

The acquisition will only begin to contribute to AAK's operating profit during the second half of 2015. A comprehensive turnaround of the operations is planned. As a consequence of this acquisition, negative goodwill of SEK 95 million was reported during the third quarter. The Group has made a provision of SEK 75 million for necessary restructuring costs for planned integration and rationalisation measures designed to lead to increases in profit in autumn 2015.

Strategic investment in China
During the third quarter, AAK announced that the Company would build a production plant for speciality and semi-speciality oils in China. This development work is part of the Group's global growth strategy and aims to further increase its presence on this strategically very important market. The plant will be located in Zhangjiagang along the Yangtze river delta. The region, just northwest of Shanghai, is the Chinese center for inbound and outbound logistics for efficient national coverage.

Over the next two-year period, the investment is expected to amount to approximately SEK 400 million. The start of production is planned for early 2016 and, when used to full capacity, the plant will increase AAK's total capacity by approximately 100,000 tonnes, with room for further expansion at a later stage.

The construction of the plant is part of a long-term plan for China that began with the establishment of an AAK sales subsidiary in 2011, followed by the opening of an innovation center in Shanghai in 2013.

Strategic acquisition in Colombia
During the third quarter, the Company acquired Fábrica Nacional de Grasas S.A. (FANAGRA), a Colombian company specializing in vegetable oils and fats in the bakery segment. The company has 155 employees and had sales of approximately SEK 270 million in 2013, with an annual volume of 30,000 tonnes. As expected, the acquisition had very limited impact on AAK's operating profit for 2014, and this acquisition consequently had a dilutive effect on the operating profit per kilo.

Acquisition of brand in Turkey
During the third quarter, AAK announced that it had signed a contract to acquire Frita, a market-leading Turkish frying oil brand, from Unilever. Frita already has a significant part of the local Food Service market. In 2013, the brand had sales of approximately SEK 75 million. The acquisition should be seen as a natural addition to AAK Turkey's existing product portfolio and is an add-on to the acquisition of Unipro in the third quarter of 2013. The acquisition had very limited impact on AAK's operating profit.

Disposal of Binol
During the fourth quarter, AAK sold its biolubricants business, Binol, to Quaker Chemical. Binol has reported strong growth for many years. However, to be able to take operations to the next level and further boost growth, expansion should take place in a more suitable environment. Binol has had annual sales of approximately SEK 100 million, with an operating margin of 15 percent. The net profit from the disposal of Binol was SEK 81 million.

Hurricane Sandy and insurance compensation
At the end of the second quarter of 2014, the Company reached a final settlement for the insurance compensation for Hurricane Sandy.

Refinancing
AAK has signed new binding loan agreements. The new loan agreements comprise a five-year club deal for EUR 400 million (approximately SEK 3,600 million) and two binding three-year bilateral loan agreements for a total of SEK 1,500 million.

Financial goals
AAK's financial goals 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 dividends equivalent to at least 30 to 50 percent of the profit for the year, after tax, for the Group.

Concluding comments by the President
"AAK offers healthy products at low costs and product development in close cooperation with its customers. This means that we continue to be cautiously optimistic about the future. The main drivers are the positive growth for our Food Ingredients business and the continued improvement in our Chocolate & Confectionery Fats business."

NOMINATION COMMITTEE
In preparation for the Annual General Meeting for 2015, the Nomination Committee has proposed the re-election of Melker Schörling, Ulrik Svensson, Lillie Li Valeur, Märta Schörling and Arne Frank and the election of Marianne Kirkegaard. The Nomination Committee proposes, in addition, that Melker Schörling be re-elected Chairman of the Board. In total, the Nomination Committee represents approximately 52.9 percent of the shares and votes in AAK as at 31 December 2014.

AAK's Nomination Committee for the 2015 Annual General Meeting consists of:
- Mikael Ekdahl (Chairman), Melker Schörling AB via BNS Holding AB
- Lars-Åke Bokenberger, AMF Fonder
- Henrik Didner, Didner & Gerge Fonder
- Åsa Nisell, Swedbank Robur Fonder

Share capital and shareholder structure

The total number of shares in AAK as at 31 December 2014 was 41,719,089. 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 Melker Schörling AB via 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 is a wholly owned subsidiary of Melker Schörling AB (publ.). BNS Holding AB's shareholding as at 31 December 2014 amounted to 33.7 percent of the shares and votes.

AAK is not aware of any agreement between direct shareholders of AAK that would involve limitations in the right to transfer shares. The shareholder structure is described further in the section on the AAK Share, page 82.

ARTICLES OF ASSOCIATION

The Articles of Association stipulate that Board members shall be appointed 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 executives were adopted by the 2014 Annual General Meeting. No deviations from these guidelines have been made. The Board of Directors of AAK proposes that the 2015 Annual General Meeting resolve that the same guidelines for remuneration of senior executives be applied in 2015 as in 2014. The present guidelines are contained in Note 8, Remuneration of the Board of Directors and Senior Executives.

These guidelines will cover those persons who are in Group management positions during the period of time in which the guidelines apply. The guidelines apply to agreements entered into after a resolution by the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time. The Board will be entitled to diverge from the guidelines if there are particular reasons to do so in an individual case.

PRODUCT DEVELOPMENT

Please refer to pages 10-19 for further information concerning the Group's product development activities.

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 nutrient salts into the water, and also creating organic waste and noise. We continually review our impact on all levels to further improve environmental performance at AAK. We operate all our plants with appropriate official permits in all countries in which we operate. In Sweden, the operations in Karlshamn are licensable under 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 continuous 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 on page 20 and Note 3, Financial Risk Management.

External risks

The AAK Group is exposed to the fierce competition which characterises the industry related to 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.

AAK and ebola

AAK is sourcing shea kernels throughout West Africa and has offices, yards and warehouses in Burkina Faso, Mali, Ivory Coast, Ghana, Togo and Benin. Some of these countries are bordering countries in which ebola is present.

AAK is constantly monitoring the situation in West Africa and following the advice and guidance from authorities and competent international organizations. Thanks to our extensive, robust supply chain and our stocks of shea kernels, we do not currently expect any disruption to our operations with shea kernels. This also applies to supplying our customers with products containing shea (primarily CBE). Currently, our shea kernel sourcing activities are not influenced – apart from our precautionary initiatives.

Arbitration proceedings against Enzymotec

As previously announced in a press release on 16 May 2014, AAK AB has initiated an arbitration at the International Court of Arbitration (ICC) against the company Enzymotec Ltd with respect to certain disputed matters under the Shareholders' Agreement entered into on 14 June 2007 regarding the joint venture company Advanced Lipids AB.

AAK very rarely takes legal action and the Company would not normally have commented on this contentious issue if Enzymotec had not released information regarding the dispute.

CORPORATE GOVERNANCE REPORT

For information on the composition and work, etc., of the Board of Directors, see the Corporate Governance Report on page 75.

PARENT COMPANY

The Company is the holding company of the AAK Group, and its activities consist mainly of joint Group functions connected to the development and management of the Group. The Parent employs personnel with skills and competencies to execute group-wide financing, accounting, information, human resources and IT. The Parent is also responsible for Group strategy and risk management, and provides legal and tax-related services to Group companies. The costs of Group Functions have increased, primarily on account of research and development initiatives. This innovation initiative is an important part of AAKtion.

The Parent's invoicing in 2014 amounted to SEK 74 million (72 million). The profit after financial items amounted to SEK 79 million (1,061 million). Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets were SEK -803 million (-661 million). Investments in intangible non-current assets and property, plant and equipment amounted to SEK 1 million (0). The Parent had a total of 26 (21) employees as at 31 December 2014.

No significant events have occurred after the end of the reporting period.

BACKGROUND TO AND EXPLANATION OF THE PROPOSED DIVIDEND

The Board of Directors has proposed that the 2015 Annual General Meeting approve an appropriation of profits under which the shareholders will receive a dividend of SEK 6.75 per share. The proposed dividend therefore totals SEK 282 million. The objective is for the dividend in the long term to correspond to 30 to 50 percent of consolidated profits after tax, while always considering AAK's long-term financing requirements. The Parent has no financial instruments valued under Chap. 4, Section 14 a, of the Swedish Annual Accounts Act (1995:1554). The Board of Directors hereby makes the following statement regarding the proposed dividend, in accordance with Chap. 18, Section 4, of the Swedish Companies Act (2005:551).

Retained profits from the previous year total SEK 4,243 million and the profit for the 2014 financial year is SEK -4 million (SEK 887 million for the Group). Provided that the 2015 Annual General Meeting approves the Board's proposed appropriation of profits, a total of SEK 4,063 million will be carried forward. The Company's restricted equity will be fully covered after distribution of the dividend.

In the Board's judgement, 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 the 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 terms, to meet all their obligations. The proposed dividend represents a total of 6 percent of the Company's equity and 5 percent of the Group's equity attributable to the Parent's shareholders.

After payment of the dividend, the equity/assets ratio of the Company and the Group will be 84 percent and 45 percent, respectively. These ratios are good in relation to other businesses in our industry. The Board of Director's judges that the Company and the Group are in a good position to meet future business risk as well as withstand possible losses. Distribution of the dividend will not negatively affect the ability of the Company and the Group 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 likely changes to liquidity, as well as unforeseen events. In addition, the Board of Directors has considered other known circumstances that may materially affect the financial position of the Company and the Group. No circumstance has arisen that makes the proposed dividend distribution appear unjustifiable.

It is proposed that the record date for the dividend shall be 7 May 2015, and it is estimated that the dividend will be received by the shareholders on 12 May 2015.

PROPOSED APPROPRIATION OF PROFITS

The Board of Directors and Chief Executive Officer propose that

The disposable profit brought forward	SEK	4,242,865,369
new share issue	SEK	106,310,500
and profit/loss for the year	SEK	-4,501,241
Total	SEK	4,344,674,628

be appropriated as follows:

To be distributed to shareholders,		
a dividend of SEK 6.75 per share	SEK	281,603,851 [1)]
To be carried forward	SEK	4,063,070,777
Total	SEK	4,344,674,628

[1)] Calculated on the number of outstanding shares as at the balance sheet date.

The consolidated and Parent financial statements will be presented to the Annual General Meeting on 5 May 2015 for adoption.

Consolidated Income Statement

SEK million	Note	Jan–Dec 2014	Jan–Dec 2013
Net sales	28	17,814	16,537
Other operating income	10	216	172
Total operating income		**18,030**	**16,709**
Raw materials and consumables and changes in inventories of finished goods and work in progress		-13,030	-11,916
Goods for resale		-422	-876
Other external expenses	5, 29	-1,630	-1,265
Employee benefits expenses	6, 7, 8, 9	-1,297	-1,189
Depreciation, amortisation and impairment loss	15, 16	-381	-343
Other operating expenses		-8	-3
Total operating expenses		**-16,768**	**-15,592**
Operating profit (EBIT)		**1,262**	**1,117**
Result from financial items	11		
Financial income		16	23
Financial expenses		-124	-123
Net financial items		**-108**	**-100**
Profit before tax		**1,154**	**1,017**
Income tax	12	-267	-276
Profit for the year		**887**	**741**
Attributable to:			
Non-controlling interests		8	9
Parent company shareholders		879	732
		887	**741**
Earnings per share attributable to Parent shareholders during the year			
(SEK per share) – before dilution	13	21.15	17.87
(SEK per share) – after dilution	13	20.97	17.62

Consolidated Statement of Comprehensive Income

SEK million	Note	Jan–Dec 2014	Jan–Dec 2013
Profit for the period		887	741
Items that will not be reclassified to profit or loss:			
Remeasurements of post employment benefit obligations	9	-62	-7
		-62	**-7**
Items that may subsequently be reclassified to profit or loss:			
Translation differences		755	-54
Fair-value changes in cash flow hedges		-5	21
Tax attributable to fair-value changes in cash flow hedges		1	-5
		751	**-38**
Total comprehensive income for the period		**1,576**	**696**
Attributable to:			
Non-controlling interests		11	10
Parent company shareholders		1,565	686

Consolidated Balance Sheet

SEK million	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	15		
Goodwill		1,327	1,115
Patents and other intangible assets		127	123
		1,454	**1,238**
Property, plant and equipment	16		
Land and buildings		761	549
Plant and machinery		2,302	1,969
Equipment, tools and fixtures and fittings		134	106
Assets under construction		615	403
		3,812	**3,027**
Financial assets			
Shares in associates		19	15
Deferred tax assets	12	131	147
Other non-current receivables		12	0
		162	**162**
Total non-current assets		**5,428**	**4,427**
Current assets			
Inventories	18	3,209	2,501
Accounts receivable	3	2,520	1,998
Current tax assets	12	184	153
Other receivables		212	252
Derivative instruments	3	503	322
Prepaid expenses and accrued income		192	161
Cash and cash equivalents	19	264	231
Total current assets		**7,084**	**5,618**
TOTAL ASSETS		**12,512**	**10,045**

Consolidated Balance Sheet (cont.)

SEK million	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		417	411
Reserves		188	-560
Retained profit		5,150	4,479
Equity attributable to Parent's shareholders		**5,755**	**4,330**
Non-controlling interests		45	34
Total equity		**5,800**	**4,364**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	2,538	2,289
Pension provisions	9	149	121
		2,687	**2,410**
Non-interest-bearing liabilities			
Deferred tax liabilities	12	330	315
Other non-current provisions	22	68	56
Other non-current liabilities		24	16
		422	**387**
Total non-current liabilities		**3,109**	**2,797**
Current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	89	77
Other current liabilities		1	10
		90	**87**
Non-interest-bearing liabilities			
Accounts payable	3	2,244	1,727
Current tax liabilities	12	143	142
Other current liabilities		95	131
Other current provisions	22	163	13
Derivative instruments	3	281	260
Accrued expenses and prepaid income	23	587	524
		3,513	**2,797**
Total current liabilities		**3.603**	**2,884**
TOTAL EQUITY AND LIABILITIES		**12,512**	**10,045**
Pledged assets	24	512	505
Contingent liabilities	25	57	48

Consolidated Changes in Shareholders' Equity[1)]

SEK million	Attributable to the Parent's shareholders: Share capital	Reserves	Retained profit	Non-controlling interests	Total equity
Opening balance as at 1 January 2013	**409**	**-521**	**3,924**	**24**	**3,836**
Profit for the year	-	-	732	9	741
Other comprehensive income	-	-39	-7	1	-45
Comprehensive income	**-**	**-39**	**725**	**10**	**696**
Transactions with shareholders					
New share issue	2	-	40	-	42
Issue of stock options	-	-	5	-	5
Dividend	-	-	-215	-	-215
Total transactions with shareholders	**2**	**-**	**-170**	**-**	**-168**
Closing balance as at 31 December 2013	**411**	**-560**	**4,479**	**34**	**4,364**

SEK million	Attributable to the Parent's shareholders: Share capital	Reserves	Retained profit	Non-controlling interests	Total equity
Opening balance as at 1 January 2014	**411**	**-560**	**4,479**	**34**	**4,364**
Profit for the year	-	-	879	8	887
Other comprehensive income	-	748	-62	3	689
Comprehensive income	**-**	**748**	**817**	**11**	**1,576**
Transactions with shareholders					
New share issue	6	-	106	-	112
Dividend	-	-	-250	-	-250
Divestment of subsidiary	-	-	-2	-	-2
Total transactions with shareholders	**6**	**-**	**-146**	**-**	**-140**
Closing balance as at 31 December 2014	**417**	**188**	**5,150**	**45**	**5,800**

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

Consolidated Cash Flow Statement

SEK million	Note	Jan–Dec 2014	Jan–Dec 2013
OPERATING ACTIVITIES	30		
Profit after financial items		1,154	1,017
Recoveries on amortisation and impairment losses		381	343
Adjustment for items not included in cash flow	30	36	-16
Income tax paid		-319	-261
Cash flow from operations before changes to working capital		**1,252**	**1,083**
Changes in working capital			
Net change in inventories		-427	143
Net change in other current receivables		-443	-64
Net change in other current operating liabilities		310	138
Cash flow from operating activities		**692**	**1,300**
INVESTING ACTIVITIES			
Acquisition of intangible assets		-28	-6
Acquisition of property, plant and equipment		-571	-549
Acquisition of operations and shares, net of cash acquired	27	-252	-196
Proceeds from sale of property, plant and equipment		2	19
Divestment of operations and shares		141	-
Cash flow from investing activities		**-708**	**-732**
FINANCING ACTIVITIES			
New share issue		112	42
Loans raised		527	-
Amortisation of loans		-363	-498
Issue of stock options		-	5
Dividends paid		-250	-215
Cash flow from financing activities		**26**	**-666**
Cash flow for the year		**10**	**-98**
Cash and cash equivalents at beginning of year		231	330
Exchange rate difference for cash equivalents		23	-1
Cash and cash equivalents at year-end	19	**264**	**231**

Income Statement – Parent Company

SEK million	Note	Jan–Dec 2014	Jan–Dec 2013
Net sales	26	74	72
Other operating income	10	0	0
Total operating income		**74**	**72**
Other external expenses	5	-95	-78
Personnel costs	6, 7, 8, 9	-61	-57
Depreciation, amortisation and impairment loss		-1	-1
Other operating expenses		-	0
Total operating expenses		**-157**	**-136**
Operating profit (EBIT)		**-83**	**-64**
Profit from financial items	11		
Profit from interests in Group companies		93	1,146
Interest expenses and similar items		-14	-21
Net financial items		**79**	**1,125**
Profit before tax		**-4**	**1,061**
Income tax	12	0	0
Profit for the year		**-4**	**1,061**

Statement of Comprehensive Income – Parent Company

SEK million	Note	Jan–Dec 2014	Jan–Dec 2013
Profit for the period		-4	1,061
Other comprehensive income		-	-
Total comprehensive income for the period		**-4**	**1,061**

Balance Sheet – Parent Company

SEK million	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible non-current assets		0	0
		0	**0**
Property, plant and equipment		1	1
		1	**1**
Financial non-current assets			
Shares in Group companies	17	2,421	2,421
Receivables from Group companies		3,055	3,055
		5,476	**5,476**
Total non-current assets		**5,477**	**5,477**
Current assets			
Receivables from Group companies		148	141
Tax assets	12	5	2
Other receivables		0	0
Prepaid expenses and accrued income		3	3
Total current assets		**156**	**146**
TOTAL ASSETS		**5,633**	**5,623**
EQUITY AND LIABILITIES			
EQUITY	20		
Restricted equity			
Share capital		417	411
Statutory reserve		5	5
		422	**416**
Non-restricted equity			
Retained profit		4,349	3,432
Profit/loss for the year		-4	1,061
		4,345	**4,493**
Total equity		**4,767**	**4,909**
LIABILITIES			
Current liabilities			
Non-interest-bearing liabilities			
Accounts payable		7	6
Income tax liabilities	12	0	3
Liabilities to Group companies		826	673
Other current liabilities		2	4
Accrued expenses and prepaid income	23	31	28
		866	**714**
Total liabilities		**866**	**714**
TOTAL EQUITY AND LIABILITIES		**5,633**	**5,623**
Pledged assets	24	-	-
Contingent liabilites	25	57	48

Changes in Shareholders' Equity – Parent Company

SEK million	Share capital	Statutory reserve	Retained profit	Total equity
Opening balance as at 1 January 2013	**409**	**5**	**3,606**	**4.020**
Profit for the year	-	-	1,061	1,061
Other comprehensive income	-	-	-	-
New share issue	2	-	40	42
Total comprehensive income	**2**	**-**	**1,101**	**1,103**
Dividend	-	-	-214	-214
Closing balance as at 31 December 2013	**411**	**5**	**4,493**	**4,909**
Opening balance as at 1 January 2014	**411**	**5**	**4,493**	**4,909**
Profit for the year	-	-	-4	-4
Other comprehensive income	-	-	-	-
New share issue	6	-	106	112
Total comprehensive income	**6**	**-**	**102**	**108**
Dividend	-	-	-250	-250
Closing balance as at 31 December 2014	**417**	**5**	**4,345**	**4,767**

Total shares outstanding were 41,719,089 at quota value of SEK 10 per share.

Cash flow statement – Parent Company

SEK million	Note	Jan–Dec 2014	Jan–Dec 2013
OPERATING ACTIVITIES	30		
Profit after financial items		-4	1,061
Reversal of amortisation and impairment losses		1	1
Adjustment for items not included in cash flow	30	-	-916
Income tax paid		-3	-1
Cash flow from operations before changes to working capital		**-6**	**145**
Changes in working capital			
Net change in other current receivables		-10	-12
Net change in other current operating liabilities		13	3
Cash flow from operating activities		**-3**	**136**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-1	-
Cash flow from investing activities		**-1**	**-**
FINANCING ACTIVITIES			
New share issue		112	42
Amortisation of loans		0	0
Loans raised from Group companies		142	37
Dividend		-250	-215
Cash flow from financing activities		**4**	**-136**
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**

Notes

Amounts stated in SEK million unless specified otherwise

NOTE 1 – GENERAL INFORMATION

AAK AB (publ.), corporate identity number 556669-2850, is a Swedish registered limited liability company domiciled in Malmö, Sweden. The company name was AarhusKarlshamn AB (publ.) up to the Annual General Meeting on 8 May 2014, at which it was decided to change the name to AAK AB (publ.). The shares of the Parent are listed on NASDAQ OMX Stockholm, in the Large Cap list and under Consumer Commodities. The head office is located at Jungmansgatan 12, 211 19 Malmö, Sweden.

These consolidated financial statements for 2014 are for the Group consisting of the Parent and all subsidiaries. The Group also has ownership interests in associates and joint ventures. The Board of Directors approved these consolidated financial statements for publication on 20 March 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation of the annual report and consolidated financial statements
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 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 or 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 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 2014 or later.

IFRS 10 Consolidated financial statements is based on existing principles as it identifies control as the decisive factor in determining whether a company should be included in consolidated financial statements. The standard provides further guidance to help determine control when it is difficult to assess. The standard has no significant impact on the Group's financial reports.

IFRS 11 Joint Arrangements focuses on the rights and obligations of parties in a joint operation or joint venture rather than on the legal form of the arrangement. There are two types of joint arrangement: joint operations and joint ventures. Joint operations are when one party has a direct right to the assets and obligations for liabilities in a joint arrangement. In such an arrangement, assets, liabilities, income and expenses must be recognised on the basis of the owner's share of them. A joint venture is a joint arrangement via which the parties that have a joint controlling interest in the arrangement are entitled to the net assets in the arrangement. Joint ventures are recognised using the equity method; the proportional method is no longer permitted. The standard has no significant impact on the Group's financial reports.

IFRS 12 Disclosure of interests in other entities includes the disclosure requirements for subsidiaries, joint arrangements, associates and non-consolidated structured entities. The standard has no significant impact on the Group's financial reports.

IFRIC 21 Levies explains the recognition of an obligation to pay a tax or duty that is not income tax. The interpretation explains what the obligating event that triggers the obligation to pay tax or duty is and when a liability must therefore be recognised. The Group is not currently subject to any significant taxes or duties that are not income tax and therefore this interpretation has no significant impact on the Group.

New standards and interpretations that have not yet been applied by the Group
A number of new standards and interpretations enter into force for financial years that start after 1 January 2014 and were not applied when preparing these financial statements. None of these are expected to have any significant effect on the Group's financial statements, except those shown below:

IFRS 9 Financial instruments
IFRS 9 'Financial instruments' concerns the classification, valuation and reporting of financial assets and liabilities. The full version of IFRS 9 was published in July 2014. It replaces the parts of IAS 39 that concern the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation approach, but simplifies this approach in certain respects. There will be three valuation categories for financial assets, amortised cost, fair value through other comprehensive income and fair

value through the income statement. How an instrument should be classified depends on the company's business model and the characteristics of the instrument. Investments in own capital instruments must be recognised at fair value through the income statement, but it is also possible, when the instrument is first recognised, for it to be recognised at fair value through other comprehensive income. No reclassification to the income statement will then take place in connection with disposal of the instrument. IFRS 9 also introduces a new model for calculating credit loss reserves based on expected credit losses. For financial liabilities, the classification and valuation are not changed except where a liability is recognised at fair value through the income statement based on the fair value alternative. Changes in value attributable to changes in own credit risk must then be recognised in other comprehensive income. IFRS 9 reduces the requirements for application of hedge accounting by replacing the 80-125 criterion with requirements for an economic relationship between hedging instruments and hedged items and for the hedging quota to be the same as that used in risk management. Hedging documentation is also changed slightly compared with that prepared under IAS 39. The standard must be applied for the financial year beginning 1 January 2018. Earlier application is permitted. The Group has not yet evaluated the full effect of the introduction of the standard.

No other of the IFRS or IFRIC interpretations that have not yet entered into force are expected to have any significant impact on the Group.

Consolidated financial statements

Subsidiaries

The consolidated financial statements cover AAK AB and all its subsidiaries. Subsidiaries are all companies (including structured entities) over which the Group has a controlling influence. The Group controls a company when it is exposed to or is entitled to variable return from its holding in the company and is able to affect the return by exerting influence in the company. Subsidiaries are included in the consolidated financial statements as from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as from the date on which the controlling influence ceases.

Purchase method

The acquisition of subsidiaries is recognised using the purchase method of accounting. The cost of acquisition is measured as the fair value of the assets provided as consideration, 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 obligations assumed in an acquisition 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 recognised 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 recognised as goodwill. If this amount is less than the fair value for the acquired subsidiary's assets, the difference is recognised 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 recognises the difference between the purchase price paid and the actual acquired portion of the carrying amount of the subsidiary's net assets in equity. Gains and losses on disposals to holders of non-controlling interests are also recognised in equity.

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

Associated companies

Associates are those companies where the Group has significant influence, but not a controlling influence over operational and financial management, usually through an 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 recognised in the consolidated financial statements using the equity method. The equity method means that the value of the shares in the associated companies recognised for the Group corresponds to the Group's interest in the equity of the associates plus Group-related goodwill and any residual 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 carrying amount of the investment.

The equity method is used until significant influence ceases.

Foreign currency translation of foreign subsidiaries' financial statements

Functional and presentation currency

Items included in the financial statements 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's functional and presentation currency. Exchange rate differences that arise in translation of Group companies are recognised 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 on 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 at the closing rate 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 Group's 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 recognised as a separate item. When a foreign subsidiary is sold, any exchange differences are recognised in the income statement as part of the gain or loss on the sale.

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

Exchange rates
The following rates were used to translate currency:

Currency	Average rate	Closing rate
EUR	9.11	9.47
DKK	1.22	1.27
GBP	11.33	12.19
LKR	0.05	0.06
MXN	0.52	0.53
USD	6.89	7.83

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 discrete financial information is available. The operating results of an operating segment are followed up by the group's chief operating decision-maker in order to evaluate its performance and 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 highest executive 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/loss 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 organization also reflects this structure. 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 tax assets and 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 recognised on delivery of the goods, after customer acceptance and after the receivable can reasonably be deemed safe. Interest income is recognised allocated over the maturity of the security using the effective interest method. Insurance compensation is recognised as revenue when the amount can be measured in a reliable way and it is probable that the revenue will flow to the Group.

Employee benefits
a) Pension liabilities
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 employee benefits relating to employee service in the current or prior periods. A defined benefit pension plan is a pension plan that is not a defined contribution plan.

The characteristic feature of a defined benefit plan is that it 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 remuneration.

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 end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality mortgage 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 commitment.

Past-service costs are recognised immediately in the income statement.

The net interest rate is calculated by the discount rate being applied to defined benefit plans and to the fair value of plan assets. This expense is included in the personnel costs in the income statement.

Actuarial gains and losses as a result of experience-based adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

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 meeting 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 improve the efficiency of the production process of the finished product.

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 on 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 recognised 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 the income statement.

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 expensed 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 expensed in the financial period in which they arise.

Land is not depreciated. Depreciation of other property, plant and equipment is allocated on a straight-line basis over the estimated useful lives of the assets to reduce their cost to residual values. 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, the asset is immediately impaired to its recoverable amount.

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

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

Impairment of non-financial assets

Assets with indefinite useful lives are tested for impairment annually rather than being amortised. All assets are assessed in terms of impairment whenever events or changes in circumstances indicate that an asset's carrying amount exceeds its recoverable amount. Impairment reflects the excess of an asset's carrying amount 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 the end of every reporting period to ascertain whether any reversal should be made.

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 work 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 costs to sell.

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 recognised in profit or loss. Dividend income is recognised when the right to receive payment has been established. Results from the sale of financial instruments 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 recognised in profit or loss. Borrowing expenses are recognised in profit or 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. No borrowing expenses have been capitalised during the past two years. Exchange gains and losses are recognised net.

Financial instruments
The Group classifies its financial assets in the following categories: financial assets measured at fair value in profit or loss and loan receivables and accounts receivable. The classification is dependent on the purpose for which the financial asset was acquired. Management establishes the classification of financial assets at initial recognition.

(a) Financial assets recognised at fair value through profit or loss
Financial assets recognised at fair value through profit or loss are financial assets held for trading. A financial asset is classified under this category if it is acquired for the primary purpose of being sold shortly thereafter. Derivatives are classified as being 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. These 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, which are classified as non-current assets. The Group's loan receivables and accounts receivables consist of accounts receivables and other receivables, as well as cash and cash equivalents in the balance sheet.

A financial asset or financial liability is recognised 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 receivables" and "Other receivables" in the balance sheet.

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

Derivatives
Derivative instruments are recognised in the balance sheet on the date of contract and at fair value, both initially and upon subsequent revaluation. The method of recognising gain or loss arising from revaluation depends on whether the derivative is identified as a hedging instrument, and, in such event, the nature of the item being hedged. The Group identifies certain derivatives as either:

(a) hedging of fair value regarding a recognised asset or liability or a firm commitment (fair-value hedging),
(b) hedging of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedging).

When the transaction is undertaken, the Group documents the relationship between the hedging instrument and the hedged item, as well as the hedge's role in the Group's risk management objectives and strategy. The Group also documents its assessment, both when it enters into hedging contracts and on an ongoing basis, as to whether the derivative instruments used in hedging transactions are effective in terms of counteracting changes in fair value or cash flow that are attributable to the hedged items.

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 recognised 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 recognised at fair value in the income statement.

Hedge accounting

Hedging of fair value

Changes in fair value of a derivative that has been formally identified for hedging of fair value and meets the conditions for hedge accounting are recognised on the same line in the income statement as any change in fair value attributable to the hedged risk for the hedged asset or liability. The Group applies hedging of fair value for raw materials and foreign currency in sales and purchase contracts. The gain or loss attributable to the ineffective portion is recognised with immediate effect in profit or loss in "Raw materials and consumables and changes in inventory".

Cash flow hedges

The effective portion of changes in fair value in a derivative instrument, identified as a cash flow hedge and that fulfils the conditions for hedge accounting, is recognised in other comprehensive income. The gain or loss attributable to the ineffective part is recognised with immediate effect in the income statement, item "Other financial items".

Amounts in equity are reversed to the income statement. for those periods during which 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 an interest rate swap that hedges variable-rate borrowing is recognised in the income statement, item "Financial expenses". The gain or loss attributable to the ineffective portion is recognised in the income statement item "Other financial items". If a hedge of a forecast transaction subsequently leads to the recognition of a non-financial asset (e.g. inventory or property, plant and equipment), the gains and losses previously recognised in equity are transferred from equity and included in the initial cost of the asset. Such transferred amounts will later be recognised in "Cost of goods sold" where they relate to inventory or in "Depreciation" where they relate to non-current 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 the income statement. When a forecast transaction is no longer expected to take place, the accumulated profit or loss recognised in equity is immediately transferred to the "Other operating income" item in the income statement.

Determining fair value

The fair value of instruments that do not have listed prices is determined using valuation techniques such as discounted cash flow models, in which all assessed and determined cash flows are discounted using 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. The Group's credit risk is taken into consideration in the valuation at fair value.

Accounts receivables

Accounts receivables are recognised initially at fair value and thereafter at amortised cost using the effective interest method, less provisions for impairment. Provision for impairment of accounts receivables is recognised when there is objective evidence that the Group will not receive all the cash flow due according to the original amounts of the receivables. Provisions are measured as the difference between the assets' carrying amount and the present value of future cash flows discounted at the financial asset's original effective interest rate. Such provisions are recognised 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 recognised, net of tax, in equity as a deduction from the proceeds.

Liabilities to banks and credit institutions

Borrowings are initially recognised 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 payables

Accounts payables 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 estimated reliably. 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 the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the debt.

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

Income tax

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

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

Deferred income tax assets for tax-deductible 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 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.

Cash flow statement

Payments in and out have been divided up into three categories: operating activities, investing activities and financing activities. The indirect method is used for flows from operating 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 recognised 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 recognised under investing and financing activities.

Earnings per share

The calculation of earnings per share is based on the consolidated profit attributable to the Parent's 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 which could result in dilution being exercised. Compensation from these instruments will 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 consideration. According to paragraph 47 of IAS 33, options and stock options 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.

Transfer pricing

Pricing between Group companies is carried out on market terms.

Dividend

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

Accounting policies – Parent

The Parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities'. No differences with the Group's accounting policies 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 organization, which continually monitors and controls raw material market exposure for the Group. However, to maintain an effective organization, the Group's procurement organization 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 volume 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 2014

(Thousand tons)	Inventory	Sales contracts	Purchase contracts	Net exposure
Oils and fats	188	-870	688	6

Exposure to raw material price risk 31 December 2013

(Thousand tons)	Inventory	Sales contracts	Purchase contracts	Net exposure
Oils and fats	206	-812	609	3

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 1,370 million (1,250) and ± SEK 300 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 cannot 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 buying 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:

- Sales contracts and raw material contracts in foreign currency give rise to transaction risk.
- Profits for our foreign subsidiaries are affected by changes in currency rates, when they are translated to SEK.
- The Group's equity is affected when equity in our foreign subsidiaries is translated to SEK.

AAK hedges all its currency transaction risks. Gross contribution on all sales contracts is therefore 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 2014

					Currency contracts		
SEK million	Assets	Liabilities	Sales contracts	Purchase contracts	Sold	Bought	Net exposure
USD	1,735	-2,538	1,317	-948	-1,299	1,747	14
EUR	916	-882	1,179	-384	-1,131	274	-27
Other	376	-125	520	-9	-4,150	3,442	54
Total	**3,027**	**-3,544**	**3,016**	**-1,341**	**-6,580**	**5,464**	**41**

Exposure to transaction risk, 31 December 2013

					Currency contracts		
SEK million	Assets	Liabilities	Sales contracts	Purchase contracts	Sold	Bought	Net exposure
USD	1,967	-3,146	2,322	-1,909	-919	1,690	5
EUR	1,434	-1,462	1,867	-936	-1,023	120	0
Other	352	-328	696	-168	-3,159	2,651	44
Total	**3,753**	**-4,936**	**4,885**	**-3,013**	**5,101**	**4,461**	**49**

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 100 million (80) 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 1,200 million (1,100) and Group net working capital by SEK 290 million (200).

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. 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 the 2014 year-end, the Group's net interest-bearing debt amounted to SEK 2,359 million (2,255). This included debt of SEK 1,500 million (1,800) which has been swapped into fixed-rate loans with an average maturity of two 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	USD	CNY	TRY
2014	0.98	1.12	1.60	0.10	5.88	12.50
2013	1.85	1.14	1.48	1.17	5.88	9.75

Sensitivity analysis – Interest rates
At the closing date, the Group had a floating-rate-based net debt of SEK 862 million (455). A 1 percent change in interest rates would therefore have a full-year effect of SEK 9 million (5) 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	2014	2013
Net interest-bearing debt/EBITDA	< 3.0	1.5	1.5

This target level is considered to be relatively conservative and contributes to ensuring that AAK will be able to retain 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 free cash flow. This minimises the currency risk in relation to the Group's ability to pay interest on and amortise its borrowings, which in turn strengthens the Group's debt capacity.

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

SEK million	2014	2013
SEK	935	1,054
DKK	647	572
EUR	67	41
GBP	-	93
NOK	15	-
USD	734	453
CNY	54	36
TRY	176	117
Total	**2,628**	**2,366**

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

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 2014

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	2,538	-	32	2,099	407
Other non-current liabilities	24	-	-	-	24
Total non-current liabilities	**2,562**	**-**	**32**	**2,099**	**431**
Interest on liabilities to banks and credit institutions	439	76	76	226	61
Total non-current liabilities and interest	**3,001**	**76**	**108**	**2,325**	**492**
Current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	89	89	-	-	-
Accounts payables	2,244	2,244	-	-	-
Derivative financial instruments	281	281	-	-	-
Accrued expenses	587	587	-	-	-
Other current liabilities	161	161	-	-	-
Total current liabilities	**3,362**	**3,362**	**-**	**-**	**-**
Interest on liabilities to banks and credit institutions	1	1	-	-	-
Total current liabilities and interest	**3,363**	**3,363**	**-**	**-**	**-**

Unused credit facilities available to the Group at the 2014 year-end

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Unused credit facilities	3,428	-	-	3,428	-

Disclosure of financial liabilities by maturity date, 31 December 2013

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	2,289	-	27	1,856	406
Other non-current liabilities	16	-	-	-	16
Total non-current liabilities	**2,305**	**-**	**27**	**1,856**	**422**
Interest on liabilities to banks and credit institutions	403	69	69	204	61
Total non-current liabilities and interest	**2,708**	**69**	**96**	**2,060**	**483**
Current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	77	77	-	-	-
Accounts payables	1,727	1,727	-	-	-
Derivative financial instruments	260	260	-	-	-
Accrued expenses	524	524	-	-	-
Other current liabilities	135	135	-	-	-
Total current liabilities	**2,723**	**2,723**	**-**	**-**	**-**
Interest on liabilities to banks and credit institutions	2	2	-	-	-
Total current liabilities and interest	**2,725**	**2,725**	**-**	**-**	**-**

Unused credit facilities available to the Group at the 2013 year-end

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Unused credit facilities	2,349	6	-	2,343	-

The Group's cash and cash equivalents of SEK 264 million, available credit facilities of SEK 3,428 million and future cash 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 multinational 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 counterparty risk in relation to raw material procurement.

Provisions for doubtful accounts receivable

	2014	2013
Provisions at 1 January	23	20
Provisions for potential losses	3	8
Unused amount reversed	-3	-1
Actual credit losses	0	-4
Exchange differences	0	0
Provisions at 31 December	**23**	**23**

Provisions for impairments are entirely related to accounts receivables. Total accounts receivables excluding provisions were SEK 2,497 million (1,975).

Past due assets not considered impaired

SEK million	2014	2013
1-30 days	335	298
31-120 days	115	26
121-360 days	2	5
Over 360 days	0	0
	452	**329**

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 2014 the Group only had 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.

The Group's financial assets and liabilities measured at fair value

As at 31 December 2014	Assets and liabilities measured at fair value through the income statement		Derivatives held for hedging purposes		Derivatives measured at fair value through equity		
SEK million	**Carrying amount**	**Valuation level**	**Carrying amount**	**Valuation level**	**Carrying amount**	**Valuation level**	**Total**
Sales and purchase contracts			329	2			329
Currency hedge contracts			152	2			152
Interest rate hedge swaps					2	2	2
Fair value of changes in inventories			20	2			20
Total assets	**-**		**501**		**2**		**503**
Sales and purchase contracts			144	2			144
Currency hedge contracts			111	2			111
Interest rate hedge swaps					50	2	50
Fair value of changes in inventories			-25	2			-25
Total liabilities	**-**		**230**		**50**		**280**

The Group's financial assets and liabilities measured at fair value

As at 31 December 2013	Assets and liabilities measured at fair value through the income statement		Derivatives held for hedging purposes		Derivatives measured at fair value through equity		
SEK million	**Carrying amount**	**Valuation level**	**Carrying amount**	**Valuation level**	**Carrying amount**	**Valuation level**	**Total**
Sales and purchase contracts			129	2			129
Currency hedge contracts			66	2			66
Interest rate hedge swaps			-				-
Fair value of changes in inventories			127	2			127
Total assets	**-**		**322**		**-**		**322**
Sales and purchase contracts			122	2			122
Currency hedge contracts			85	2			85
Interest rate hedge swaps			-		44	2	44
Fair value of changes in inventories			9	2			9
Total liabilities	**-**		**216**		**44**		**260**

Foreign currency contracts and the foreign currency components in sales and purchase contracts are valued at actual market foreign currency forward rates. The raw material price components in sales and purchase contracts are valued at actual market forward prices for identical or similar raw materials. Inventory is valued at actual market spot prices for identical or similar raw materials. Interest rate swap contracts are valued at actual market interest rates.

Hedge accounting

Inventory hedging at fair value

Future contracts, and 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 2014 confirmed that the fair-value hedge of raw materials qualifies for hedge accounting. Hedge efficiency for the 2014 full year was 97 percent (95).

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

The hedging instruments used are future 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 2014 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 2014 confirmed that the cash flow hedge of floating-rate loans qualifies for hedge accounting. At the 2014 year-end there was an unrealised loss of SEK 5 million (26) 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 recognised 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 goodwill for any impairment 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 (see also Note 15).

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 recognises no intangible assets with unlimited useful life. Depreciation/amortisation is applied 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 amount of the Group's non-current assets is tested whenever events or changes in circumstances indicate that the carrying amount cannot be recovered. The carrying amount of intangible assets not yet finished for use is tested each year. If such an analysis indicates that the carrying amount 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.

Income tax
The Group is liable to pay taxes in many countries. Extensive reviews and testing are necessary to establish world-wide provisions for income tax liabilities. There are many transactions and calculations for which the final tax is uncertain. The Group recognises 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 recognised, these differences will impact current and deferred tax assets and tax liabilities in the period when these determinations are made.

Disputes
As the Company announced in a press release in 2014, AAK AB has initiated an arbitration at the International Court of Arbitration (ICC) against the company Enzymotec Ltd with respect to certain disputed matters under the Shareholders' Agreement entered into on 14 June 2007 regarding the joint venture company Advanced Lipids AB. AAK is generally very cautious about taking legal action and the Company would not normally have commented on this contentious issue if Enzymotec had not released information regarding the dispute. Senior management normally consults legal experts 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, apart from the dispute with Enzymotec, neither the Parent nor any subsidiary is currently involved in any legal proceedings or arbitration proceedings that are deemed to have any significant negative impact on the business, its financial position or its performance.

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

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. See also note 2.

Pension obligations
The present value of pension obligations depends on multiple factors determined on an actuarial basis using a number of assumptions. The assumptions used to determine net cost (income) for pensions include the discount rate. Each change in these assumptions will affect the carrying amount of pension obligations.

The Group determines a suitable discount rate at the end of each year. This is the rate used to determine the present value of assessed future payments that are expected to be demanded to settle the pension obligations. When determining a suitable discount rate, the Group considers the interest rates of high-quality mortgage bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity equivalent to the assessments for the pension obligation in question.

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

NOTE 5 – AUDITORS' REMUNERATION (SEK THOUSAND)

	Group		Parent	
	2014	2013	2014	2013
Audit				
PwC	5,736	5,092	1,079	1,037
Other	282	201	-	-
Subtotal, audit	6,018	5,293	1,079	1,037
Other audit assignments				
PwC	592	595	110	322
Other	-	-	-	-
Subtotal, other audit assignments	592	595	110	322
Tax consulting				
PwC	580	658	-	-
Other	-	125	-	-
Subtotal, tax consulting	580	783	-	-
Other assignments				
PwC	8,166	5,946	7,138	5,475
Other	46	-	-	-
Subtotal, other assignments	8,212	5,946	7,138	5,475
Total	**15,402**	**12,617**	**8,327**	**6,834**

The audit assignment refers to fees for the statutory audit, i.e. work that has been necessary in order to issue 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	
	2014	2013	2014	2013
Wages and salaries	1,011,716	946,558	46,263	40,069
Social security contributions	274,580	235,817	24,738	21,432
(of which pension costs)	(89,786)	(67,422)	(8,211)	(6,937)

SEK 4 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:

	2014		2014	2013		2013
	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 remuneration	Wages and salaries	Wages and salaries	Of which variable remuneration	Wages and salaries
Parent, Sweden	21,647	5,894	24,616	18,396	5,116	21,673
Subsidiaries, Sweden	2,350	291	262,501	3,708	306	257,113
	23,997	**6,185**	**287,117**	**22,104**	**5,422**	**278,786**
Foreign subsidiaries:	28,480	3,179	672,122	25,070	4,333	620,598
Group total	**52,477**	**9,364**	**959,239**	**47,174**	**9,755**	**899,384**

NOTE 7 – AVERAGE NUMBER OF EMPLOYEES, ETC.

Average number of employees	2014 Number of employees	2014 Of which men	2014 Of which women	2013 Number of employees	2013 Of which men	2013 Of which women
Parent, Sweden	26	18	8	21	14	7
Subsidiaries in Sweden	533	407	126	550	420	130
	559	425	134	571	434	137
Foreign subsidiaries:						
United Kingdom	447	359	88	466	375	91
USA	385	295	90	370	288	82
Mexico	373	308	65	363	300	63
Denmark	208	157	51	234	176	58
Colombia	145	88	57	-	-	-
Belgium	89	69	20	-	-	-
Netherlands	80	63	17	73	63	10
Turkey	49	37	12	38	32	6
China	27	15	12	22	12	10
Malaysia	23	6	17	22	6	16
Brazil	15	9	6	8	4	4
Russia	13	5	8	13	5	8
Uruguay	12	4	8	12	5	7
Poland	4	2	2	4	2	2
Lithuania	3	2	1	3	2	1
Czech Republic	2	1	1	2	1	1
Germany	2	1	1	1	-	1
Ghana	2	2	-	2	2	-
Norway	1	1	-	1	1	-
Finland	-	-	-	2	2	-
	1,880	1,424	456	1,636	1,276	360
Group total	**2,439**	**1,849**	**590**	**2,207**	**1,710**	**497**

Board members and senior managers	2014 Total on reporting date	2014 Of which men (%)	2013 Total on reporting date	2013 Of which men (%)
Group (incl. subsidiaries)				
Board members	173	87	166	90
Chief Executive Officer and other senior managers	65	95	77	90
Parent company				
Board members [1)]	6	50	6	50
Chief Executive Officer and other senior managers	4	75	3	67

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

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

Principles
The principles for the remuneration of senior managers (Group management) 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 remuneration, pension, car allowance, and termination benefit. Senior managers have had the opportunity of investing in stock options at market price.

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

Variable remuneration

Annual variable remuneration is based on meeting set targets determined on an annual basis. These targets are related to the performance of the Company. Senior management are entitled to up to 110 percent of their annual fixed salary in variable remuneration.

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 AAK 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 AAK AB with a quota value of SEK 10. The subscription for shares in AAK AB through the use of stock options must take place during the period 1 December 2013 up to and including 1 December 2015. 597,250 new shares were registered in 2014 via a new share issue.

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

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.

The period of notice of termination 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 a resolution of the Shareholder's Annual General Meeting. This is distributed between the members as decided by the Board of Directors.

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.

Under a resolution of the Annual General Meeting, total compensation of elected external members of the Board is set at SEK 2,325,000, including compensation for committee work. Of this amount, the Chairman receives SEK 600,000 and each other external member receives SEK 300,000. Compensation for committee work is distributed, in accordance with a decision of the AGM, as SEK 250,000 to the Chairman of the Audit Committee, SEK 125,000 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.

Remuneration and other benefits for the year[1)]

SEK	Salary/Board of Directors' fees	Annual variable salary	Other benefits[2)]	Pension cost	Total
Board of Directors					
Melker Schörling, Chairman	700,000	-	-	-	700,000
Ulrik Svensson	550,000	-	-	-	550,000
Lillie Li Valeur	425,000	-	-	-	425,000
Märit Beckeman	350,000	-	-	-	350,000
Märta Schörling	300,000	-	-	-	300,000
Subtotal for Board	**2,325,000**	**-**	**-**	**-**	**2,325,000**
Senior Managers					
Arne Frank, Chief Executive Officer	8,477,023	3,096,309 [3)]	124,800	2,509,242	14,207,374
Other senior managers	28,121,940	8,448,365 [3)]	2,853,103	3,395,172	42,818,580
Subtotal, senior managers	**36,598,963**	**11,544,674**	**2,977,903**	**5,904,414**	**57,025,954** [4)]
Total	**38,923,963**	**11,544,674**	**2,977,903**	**5,904,414**	**59,350,954** [5)]

1) Refers to items carried as an expense in 2014.
2) Other benefits refer primarily to company cars.
3) Charged in the income statement in 2014 and estimated to be paid in 2015. During the year, variable remuneration expensed in 2013 of SEK 8,925,805 was paid.
4) Refers to the following for 2014: Fredrik Nilsson, Renald Mackintosh, Jens Wikstedt, David Smith, Torben Friis Lange, Anne Mette Olesen, Karsten Nielsen, Edmond Borit (to December 2014), Gerardo Garza López de Hereida (as from October 2014), Octavio Díaz de Léon and Terry Thomas.
5) Of the amount of SEK 59,350,954, SEK 26,393,476 relates to the Parent company, AAK AB.

Arne Frank, President and Chief Executive Officer, is currently paid an annual fixed salary of SEK 8,477,023 plus the value of a company car. In addition, variable remuneration may be paid up to a maximum of 110 percent of the fixed salary. In 2014, SEK 3,096,309 was carried as an expense for variable remuneration. 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. The retirement age for other senior managers is 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 insured through Folksam (Folksam Kooperativa tjänstepensioner).

The obligations for retirement and survivors' pension for professional employees in Sweden are insured through policies with Alecta or correspondingly in Folksam (Folksam Kooperativa tjänstepensioner). According to a statement by the Swedish Financial Reporting Board, UFR 3, classification of ITP plans financed via insurance with Alecta, this is a defined benefit plan that involves several different employers. For the period from 1 January to 31 December 2014, AAK AB (publ.) and AarhusKarlshamn Sweden AB have not had access to sufficient information to recognise their proportional shares of the plan's obligations, plan assets and costs, which has meant that it has not been possible to recognise the plan as a defined benefit plan. The ITP 2 pension plan that is insured through Folksam is therefore recognised as a defined contribution plan. The premium for the defined benefit retirement and survivors' pension is calculated individually and depends on factors including salary, pension earned previously and expected remaining period of service. Charges for ITP 2 pensions insured through Folksam (Folksam Kooperativa tjänstepensioner) are SEK 14 million (18).

The collective consolidation level consists of the market value of Alecta's assets as a percentage of the estimated insurance commitments, computed using Alecta's actuarial methods and assumptions, which are not in accordance with IAS 19. The collective consolidation level should normally be permitted to vary between 125 and 155 percent. If Alecta's collective consolidation level is below 125 percent or above 155 percent, measures must be taken to create the conditions for the consolidation level to return to the normal range. If the consolidation is low, one measure may be to increase the agreed price for new policies and increasing existing benefits. If the consolidation is high, one measure may be to introduce premium reductions. At year-end 2014, Alecta's and Folksam's surplus in the form of their collective consolidation levels was 100 percent and 126 percent, respectively (100 percent and 118 percent, respectively).

The Group has defined benefit pension plans in Sweden and the Netherlands which come under largely similar regulations. All plans are pension plans based on final salary and give employees covered by the plans benefits in the form of a guaranteed level of pension payments during their lives. The level of the benefits depends on the employees' period of service and salary on retirement. The pension payments in the Swedish and Dutch plans are normally indexed according to the consumer price index. The plans are subject to largely similar risks. Benefits are paid from plans that are secured with foundations. The activities of the foundations are regulated by national regulations and practice which also apply to the relationship between the Group and the administrator (or equivalent) of the foundation's plan assets. Responsibility for monitoring the plans, including investment decisions and contributions, is held jointly by the company and the foundation's board.

	Defined benefit plans	
	2014	**2013**
The amounts recognised in the consolidated balance sheet are determined as follows:		
Present value of funded obligations	683	549
Fair value of plan assets	-533	-428
	149	**121**

	Defined benefit plans	
	2014	**2013**
The amounts recognised in consolidated income statement are as follows:		
Costs pertaining to service during the current year	-32	14
Interest expenses	19	12
Interest income	-9	-8
Total, included in employee costs (Note 6)	**-22**	**18**

	Pension costs	
	2014	2013
Total pension costs recognised in the consolidated income statement are as follows:		
Total costs for defined contribution plans including employer's contribution	74	50
Total	**74**	**50**

	Defined benefit plans	
	2014	2013
Movement in the net liability recognised in the consolidated balance sheet:		
Net liability at start of year	121	112
Net cost recognised in the income statement	-22	18
Benefits paid	-8	-8
Contributions by employer to funded obligations	-23	-2
Divestment of subsidiary	-2	-
Revaluation of defined benefit pension plans	75	10
Exchange rate differences on foreign plans	8	-9
Net liability at year-end	**149**	**121**

	Defined benefit plans	
	2014	2013
Asset distribution in foundation on reporting date (%):		
Fixed income	25	11
Shares	14	5
Properties	3	2
Alternative investments	58	82

The entire pension obligation in the Netherlands concerns alternative investments.

	Defined benefit plans	
	2014	2014
	The Netherlands	Sweden
The principal actuarial assumptions used on reporting date (%):		
Discount rate	2.20	2.50
Future annual salary increases	2.50	2.50
Future annual pension increases	1.15	2.50
Employee turnover	4.00	5.00

	Defined benefit plans	
	2013	2013
	The Netherlands	Sweden
The principal actuarial assumptions used on reporting date (%):		
Discount rate	3.50	4.00
Future annual salary increases	2.50	3.00
Future annual pension increases	2.00	3.00
Employee turnover	5.00	5.00

Charges for plans for retirement benefits are expected to amount to SEK 20 million in the 2015 financial year.

The weighted average maturity for the pension obligation is 16–19 years.

NOTE 10 – OTHER OPERATING INCOME

	Group		Parent	
	2014	**2013**	**2014**	**2013**
Insurance compensation – Sandy (see Note 31)	38	64	-	-
Divestment of subsidiary	81	-	-	-
Net non-recurring income, acquisition of CSM Benelux	20	-	-	-
Other operating income	77	108	0	0
Total	**216**	**172**	**0**	**0**

NOTE 11 – FINANCIAL ITEMS

	Group		Parent	
	2014	**2013**	**2014**	**2013**
Interest income	6	6	-	-
Share of profit in associated companies	9	6	-	-
Other financial income	1	11	-	-
Dividend, Group companies	-	-	-	1,061
Group contributions	-	-	93	85
Financial income	**16**	**23**	**93**	**1,146**
Interest expenses	-97	-81	-13	-20
Changes in exchange rates	-4	-15	-	-
Changes in fair value – derivative instruments	-2	0	-	-
Other financial expenses	-21	-27	-1	-1
Financial expenses	**-124**	**-123**	**-14**	**-21**
Net financial items	**-108**	**-100**	**79**	**1,125**

NOTE 12 – TAX EXPENSES

Tax expenses for the year

	Group		Parent	
	2014	**2013**	**2014**	**2013**
Current tax	-250	-273	0	0
Deferred tax	-17	-3	-	-
Total	**-267**	**-276**	**0**	**0**

Determination of the current tax expense

The Group's weighted average underlying tax rate is approximately 26 percent. The Group's weighted average tax rate for 2014, based on the tax rates in each of the various countries involved, was 23 percent. The tax rate in Sweden is 22 percent (22).

	Group		Parent	
	2014	**2013**	**2014**	**2013**
Profit before taxes	1,154	1,017	-4	1,061
Weighted average tax rate				
based on the tax rates in each country	-280	-279	1	-233
Tax effect of various tax rates in other countries	-	-6	-	-
Tax effect of non-deductible expenses	-23	-12	-1	-1
Tax effect of tax-exempt income	25	0	-	234
Net effect of loss carry-forwards	0	26	-	-
Effect of tax rate changes	2	-1	-	-
Adjustment for current tax for previous years	9	-4	-	-
Tax expense	**-267**	**-276**	**0**	**0**

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 2014	Group 2013	Parent 2014	Parent 2013
Tax loss carry-forwards	12	4	-	-
Property, plant and equipment	39	59	-	-
Inventory	1	13	-	-
Current assets	-13	6	-	-
Provisions	75	35	-	-
Non-current liabilities	0	7	-	-
Current liabilities	17	23	-	-
At year-end	**131**	**147**	**-**	**-**

Deferred tax liabilities	Group 2014	Group 2013	Parent 2014	Parent 2013
Intangible assets	14	27	-	-
Property, plant and equipment	291	254	-	-
Inventory	4	28	-	-
Current assets	11	1	-	-
Provisions	-13	-4	-	-
Untaxed reserves	6	6	-	-
Non-current liabilities	9	-	-	-
Current liabilities	8	3	-	-
At year-end	**330**	**315**	**-**	**-**

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

Income tax liabilities and tax assets
In addition to deferred tax assets and liabilities, AAK has the following current tax liabilities and tax receivables:

	Group 2014	Group 2013	Parent 2014	Parent 2013
Current tax liabilities	-143	-142	0	-3
Current tax receivables	184	153	5	2
Income tax liabilities/tax assets	**41**	**11**	**5**	**-1**

NOTE 13 – EARNINGS PER SHARE

	Group 2014	Group 2013
Earnings attributable to shareholders of the Parent (SEK million)	879	732
Weighted average number of ordinary shares in issue	41,548,245	40,907,508
Earnings per share, SEK	21.15	17.87
Earnings per share after dilution, SEK	20.97	17.62
Earnings per share after full dilution, SEK	20.86	17.38

Earnings per share are calculated for 2014 based on net profit for the year attributable to shareholders in the Parent – SEK 879 million (732) – and on a weighted average number of ordinary shares in issue of 41,548,245 (40,907,508).

If exercised 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. See also Note 8.

The number of shares in the Company increased by 597,250 in 2014 with the exercise of stock options to subscribe for new shares in the Company.

The calculation of earnings per share is based on a weighted average number of outstanding shares after dilution resulting from outstanding stock options in accordance with IAS 33.

Earnings per share after full dilution have been calculated by dividing the profit for the period by the total number of shares in issue during the period, and by converting all outstanding share options to ordinary shares.

NOTE 14 – EVENTS AFTER THE BALANCE SHEET DATE

For the 2014 financial year, the Board of Directors and Chief Executive Officer propose the distribution of a dividend in the amount of SEK 6.75 per share. A decision will be made at the Annual General Meeting on 5 May 2015. It is proposed that the record date for the dividend will be 7 May and the dividend is expected to be distributed to shareholders by 12 May.

NOTE 15 – INTANGIBLE ASSETS

Group	**Goodwill**	**Patents and other intangible assets**	**Total**
Cost at 1 January 2013	1,045	238	1,283
Investments	-	6	6
Acquired through business combination	67	52	119
Exchange differences	3	2	5
Accumulated cost at 31 December 2013	**1,115**	**298**	**1,413**
Cost at 1 January 2014	1,115	298	1,413
Investments	5	23	28
Acquired through business combination	58	-	58
Disposals	-8	-14	-22
Exchange differences	157	13	170
Accumulated cost at 31 December 2014	**1,327**	**320**	**1,647**
Amortisation and impairment loss at 1 January 2013	0	151	151
Impairment losses for the year	-	22	22
Exchange differences	-	2	2
Accumulated amortisation and impairment loss at 31 December 2013	**0**	**175**	**175**
Amortisation and impairment loss at 1 January 2014	0	175	175
Disposals	-	-14	-14
Impairment losses for the year	-	23	23
Exchange differences	-	9	9
Accumulated amortisation and impairment loss at 31 December 2014	**0**	**193**	**193**
Residual value at 31 December 2013	**1,115**	**123**	**1,238**
Residual value at 31 December 2014	**1,327**	**127**	**1,454**

Reviewing impairment of goodwill

In preparing the financial statements for 2014, 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 30 percent of goodwill is attributable to the business area Chocolate & Confectionery Fats and the remaining approximately 70 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

	2014	**2013**
Scandinavia, including the Netherlands	528	501
United Kingdom	72	63
Turkey	68	56
USA	603	495
Colombia	56	-
Total	**1,327**	**1,115**

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Non-current assets under con-struction	Total
Group					
Cost at 1 January 2013	1,430	5,466	409	188	7,493
Investments	21	189	27	312	549
Acquired through business combinations	-	-	1	-	1
Disposals	-44	-6	-3	-	-53
Reclassifications	11	70	16	-97	0
Exchange differences	14	64	2	0	80
Accumulated cost at 31 December 2013	**1,432**	**5,783**	**452**	**403**	**8,070**
Cost at 1 January 2014	1,432	5,783	452	403	8,070
Investments	18	214	40	299	571
Acquired through business combinations	188	179	4	4	375
Disposals	-2	-37	-24	-	-63
Reclassifications	11	277	-9	-119	160
Exchange differences	116	475	43	28	662
Accumulated cost at 31 December 2014	**1,763**	**6,891**	**506**	**615**	**9,775**
Depreciation at 1 January 2013	850	3,495	317	-	4,662
Disposals	-25	-3	-2	-	-30
Depreciations for the year	37	257	27	-	321
Exchange differences	10	45	4	-	59
Accumulated depreciation at 31 December 2013	**872**	**3,794**	**346**	**-**	**5,012**
Depreciation at 1 January 2014	872	3,794	346	-	5,012
Acquired through business combinations	21	40	3	-	64
Disposals	-1	-37	-24	-	-62
Reclassifications	-	177	-17	-	160
Depreciations for the year	38	289	31	-	358
Exchange differences	60	304	33	-	397
Accumulated depreciation at 31 December 2014	**990**	**4,567**	**372**	**-**	**5,929**
Impairment loss at 1 January 2013	11	20	-	-	31
Impairment for the year	-	-	-	-	-
Reversed impairment	-	-	-	-	-
Reclassification	-	-	-	-	-
Exchange differences	0	0	-	-	0
Accumulated impairment loss at 31 December 2013	**11**	**20**	**-**	**-**	**31**
Impairment loss at 1 January 2014	11	20	-	-	31
Impairment for the year	-	-	-	-	-
Reversed impairment	-	-	-	-	-
Reclassification	-	-	-	-	-
Exchange differences	1	2	-	-	3
Accumulated impairment loss at 31 December 2014	**12**	**22**	**-**	**-**	**34**
Residual value according to plan at 31 December 2013	**549**	**1,969**	**106**	**403**	**3,027**
of which land	65				
Residual value according to plan at 31 December 2014	**761**	**2,302**	**134**	**615**	**3,812**
of which land	100				

NOTE 17 – INVESTMENTS IN GROUP COMPANIES

	Parent	
	2014	2013
Start of year	2,421	4,005
Intra-Group sales of subsidiaries	-	943
Liquidation of subsidiaries	-	-2,527
Accumulated cost	**2,421**	**2,421**

List of shareholdings and book value as of 31 December 2014

		2014			2013		
	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
AAK Colombia, Colombia	**Bogotá**	**2,079,740**	**100**		**-**	**-**	
AAK Belgium N.V., Belgium	**Brussels**	**6,150**	**100**		**-**	**-**	
AarhusKarlshamn Finance AB, Sweden	Malmö	100,000	100	472	100,000	100	472
AarhusKarshamn Holding AB, Sweden	Malmö	1,000	100	481	1,000	100	481
AarhusKarlshamn Sweden AB, Sweden	**Karlshamn**	**21,864,928**	**100**		**21,864,928**	**100**	
AarhusKarlshamn Netherlands BV, Netherlands	**Zaandijk**	**500**	**100**		**500**	**100**	
AAK Denmark Holding A/S, Denmark	Aarhus	400,000,000	100	1,468	400,000,000	100	1,468
AAK 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**	
AAK (UK) Ltd, UK	**Hull**	**23,600,000**	**100**		**23,600,000**	**100**	
AAK 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**	**95.49**	
Total				**2,421**			**2,421**

The list includes certain shares and ownership interests owned by the Parent, either directly or indirectly, as of 31 December 2014. 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 reports filed with the Swedish Companies Registration Office can be requested from AAK AB, Corporate Communications, Jungmansgatan 12, 211 19 Malmö, Sweden.

NOTE 18 – INVENTORIES

	Group	
	2014	2013
Raw materials and consumables	1,858	1,432
Goods in transit	267	343
Work in progress	566	333
Finished products and goods for resale	518	393
Total according to balance sheet	**3,209**	**2,501**
Change in fair value	45	117
Inventory at fair value	**3,254**	**2,618**

”Raw materials and consumables and changes in inventories of finished products and work in progress” for the Group includes impairment loss on inventories of SEK 17 million (12).

NOTE 19 – CASH AND CASH EQUIVALENTS

	Group	
	2014	2013
Cash equivalents	229	230
Current investments	35	1
Total	**264**	**231**

NOTE 20 – SHAREHOLDERS' EQUITY

Group
Share capital
597,250 new shares were registered in 2014 via a new share issue, resulting in an increase in share capital of SEK 5,972,500. As of 31 December 2014 the Group's registered share capital was 41,719,089 shares (SEK 417,190,890).

Reserves
Translation reserve
Translation reserves include all exchange differences that arise when translating financial statements from foreign operations whose financial statements are stated in currencies other than the Group's presentation currency. 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 and subsidiaries, investments in associates, revaluation of the net pension commitment, new share issue, net effect of the sale of subsidiaries and profit for the year. The new share issue has increased retained profits by SEK 106,310,500.

Treasury shares
The Group owned a total of 0 (0) treasury shares as of 31 December 2014.

Specification of equity item "Reserves"

	Statutory reserve	Hedging reserve	Translation reserve	Total
2013 opening balance	5	-24	-502	-521
Exchange differences	-	-	-55	-55
Cash flow hedges recognised in "Other comprehensive income"	-	21	-	21
Tax on cash flow hedges recognised in "Other comprehensive income"	-	-5	-	-5
2013 closing balance	**5**	**-8**	**-557**	**-560**
2014 opening balance	5	-8	-557	-560
Exchange differences	-	-	752	752
Cash flow hedges recognised in "Other comprehensive income"	-	-5	-	-5
Tax on cash flow hedges recognised in "Other comprehensive income"	-	1	-	1
2014 closing balance	**5**	**-12**	**195**	**188**

Parent company
Share capital
In accordance with the articles of association for AAK AB (publ.), share capital shall be a minimum of SEK 300 million and a maximum of SEK 1.2 billion. All shares are fully paid and entitle the holder to equal voting rights and shares in Company assets. Share capital consists of 41,719,089 shares (41,121,839) at a quota value of SEK 10 per share, and shareholder equity of SEK 417,190,890 (411,218,390). The new share issue increased the share capital by SEK 5,972,500.

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

Retained profit
Retained profit includes non-restricted equity from the previous year after any dividend distribution. This comprises profit for the year and new share issue, total non-restricted equity, i.e. the amount available for dividends to shareholders. The new share issue has increased retained profits by SEK 106,310,500.

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 2014 is SEK 282 million (SEK 6.75 per share), which has not yet been considered by the Annual General Meeting. This amount is not recognised as a liability.

NOTE 21 – BORROWINGS

	Group		Parent	
Non-current	**2014**	**2013**	**2014**	**2013**
Liabilities to banks and credit institutions	2,538	2,289	-	-
Total	**2,538**	**2,289**	**-**	**-**

	Group		Parent	
Current	**2013**	**2012**	**2013**	**2012**
Liabilities to banks and credit institutions	89	77	-	-
Total	**89**	**77**	**-**	**-**

Maturity for non-current borrowing is as follows:

	Group		Parent	
	2014	**2013**	**2014**	**2013**
Between 1 and 5 years	2,131	1,879	-	-
More than 5 years	407	410	-	-
Total	**2,538**	**2,289**	**-**	**-**

NOTE 22 – OTHER PROVISIONS

Group	**Restruc-turing**	**Environ-mental restoration**	**Other**	**Total**
Opening balance at 1 January 2013	11	38	27	76
Provisions for the year	6	-	5	11
Provisions claimed for the year	-3	-10	-5	-18
Exchange differences	0	0	0	0
Closing balance as at 31 December 2013	**14**	**28**	**27**	**69**

Group	**Restruc-turing**	**Environ-mental restoration**	**Other**	**Total**
Opening balance at 1 January 2014	14	28	27	69
Provisions for the year	66	-	102	168
Provisions claimed for the year	-6	-4	-2	-12
Exchange differences	1	2	3	6
Closing balance as at 31 December 2014	**75**	**26**	**130**	**231**

Provisions include	**2014**	**2013**
Non-current	68	56
Current	163	13
Total	**231**	**69**

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	
	2014	**2013**	**2014**	**2013**
Employee-related expenses	212	204	27	23
Other	375	320	4	5
Total	**587**	**524**	**31**	**28**

NOTE 24 – ASSETS PLEDGED

	Group		Parent	
	2014	2013	2014	2013
Collateral for provisions and liabilities				
Property mortgages	512	505	-	-
Total	**512**	**505**	**-**	**-**

NOTE 25 – CONTINGENT LIABILITIES

	Group		Parent	
	2014	2013	2014	2013
Other contingent liabilities	57	48	57	48
Total	**57**	**48**	**57**	**48**

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, SEK 74 million (72), i.e. 100 percent (100) of sales were to Group companies. The Parent's purchasing from Group companies is related to administrative services of limited scope. All transactions were carried out on commercial terms.

Transactions with key management personnel
Besides those transactions stated in Note 8 Remuneration of the Board of Directors and Senior Executives and in the description of the Board of Directors on page 27, no transactions with related physical persons have taken place.

NOTE 27 – ACQUISITIONS

During the year, the Company made three acquisitions, none of which individually was of a significant nature. The total purchase price for the three acquisitions was SEK 252 million.

CSM Benelux NV
On 9 April, AAK acquired the bakery fats operations of CSM Benelux NV in Merksem. The company is a leading supplier of oils and fats to the bakery markets in Belgium, the Netherlands and France. The company employs around 100 people and had sales of approximately SEK 970 million in 2013.

The acquisition had very limited impact on AAK's operating profit for 2014, and this acquisition consequently has a dilutive impact on the operating profit per kilo.

The company supplies bakery fat solutions, margarine and pumpable solutions. The acquisition comprises the plant in Merksem, an experienced sales team, application specialists who offer customised solutions and an innovation center.

A comprehensive turnaround of the operations is planned. As a consequence of this acquisition, negative goodwill of SEK 95 million was reported during the third quarter. The Group has made a provision of SEK 75 million for necessary restructuring costs for planned integration and rationalisation measures designed to lead to increases in profit in autumn 2015. Consequently, non-recurring items with a positive net effect of SEK 20 million have been recognised on the 'Other operating income' line in the income statement.

Fábrica Nacional da Grasas S.A (FANAGRA)
On 10 June, AAK acquired FANAGRA, a company in Colombia specialising in vegetable oils and fats in the bakery segment. The company has 155 employees and had sales of approximately SEK 270 million in 2013. Volumes amounted to 30,000 tonnes. FANAGRA has its plant in Villavicencio and its head office in Bogotá. The acquisition had a limited impact on AAK's operating profit for 2014, but will make a full contribution to the Group's profit starting in January 2015. As a consequence of this acquisition, goodwill of SEK 56 million was reported.

Frita
On 18 July, AAK acquired Frita, a market-leading Turkish frying oil brand, from Unilever. Frita is already used by a significant proportion of AAK's Food Service customers in Turkey. In 2013, the brand had sales of approximately SEK 75 million. The acquisition should be seen as a natural addition to AAK Turkey's existing product portfolio. The acquisition is expected to have very limited impact on AAK's operating profit.

NOTE 28 – SEGMENT REPORTING

The Group's operations are organizationally divided into business segments based on product. The marketing organization also reflects this structure.

All transactions between business segments are recognised at market value. Assets and liabilities not attributed to a segment include tax assets and tax liabilities, financial investments and financial liabilities, as well as cash and cash equivalents and interest-bearing receivables.

The external sales are based on where our customers are located. The carrying amounts 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 in accordance with the accounting policies described in Note 2 "Accounting Policies".

Reporting by primary segments/business areas

2014	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group 2014
Net sales						
External sales	11,509	4,891	1,414	-	-	17,814
Internal sales	1,158	2,103	46	-	-3,307	-
Group total	**12,667**	**6,994**	**1,460**	**-**	**-3,307**	**17,814**

Operating profit/loss by business segment

2014	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group 2014
Operating profit/loss	803	460	102	-123	-	1,242
Total	**803**	**460**	**102**	**-123**	**-**	**1,242**
Other						
Assets	6,750	4,297	758	92	-	11,897
Unallocated assets	-	-	-	-		615
Group total	**6,750**	**4,297**	**758**	**92**	**-**	**12,512**
Liabilities	1,889	856	448	231	-	3,424
Unallocated liabilities	-	-	-	-	-	3,288
Group total	**1,889**	**856**	**448**	**231**	**-**	**6,712**
Investments	374	207	17	1	-	599
Depreciation, amortisation and impairment loss	177	160	38	6	-	381

Reporting by market

2014	Sweden	Denmark	Other Nordic countries	Central and Eastern Europe	Western Europe	North-america	Other countries	Total
External sales	1,978	320	875	1,707	4,932	6,317	1,685	17,814
Intangible assets and property, plant and equipment	1,077	1,326	-	9	884	1,776	193	5,265
Other assets	1,703	952	4	124	1,525	2,106	833	7,247
Total assets	**2,780**	**2,278**	**4**	**133**	**2,409**	**3,882**	**1,026**	**12,512**
Investments	184	55	-	-	92	215	53	599

Reporting by primary segments/business areas

2013	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group 2013
Net sales						
External sales	10,798	4,200	1,539	-	-	16,537
Internal sales	1,220	1,282	63	-	-2,565	-
Group total	**12,018**	**5,482**	**1,602**	**-**	**-2,565**	**16,537**

Operating profit/loss by business segment

2013	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group 2013
Operating profit/loss	771	369	97	-120	-	1,117
Total	**771**	**369**	**97**	**-120**	**-**	**1,117**
Other						
Assets	5,437	3,397	582	74	-	9,490
Unallocated assets	-	-	-	-	-	555
Group total	**5,437**	**3,397**	**582**	**74**	**-**	**10,045**
Liabilities	1,479	711	360	299	-	2,849
Unallocated liabilities	-	-	-	-	-	2,832
Group total	**1,479**	**711**	**360**	**299**	**-**	**5,681**
Investments	350	181	23	1	-	555
Depreciation, amortisation and impairment loss	154	140	43	6	-	343

Reporting by market

2013	Sweden	Denmark	Other Nordic countries	Central and Eastern Europe	Western Europe	North America	Other countries	Total
External sales	1,900	344	999	1,786	4,400	6,055	1,053	16,537
Intangible assets and property, plant and equipment	1,019	1,330	0	0	536	1,271	109	4,265
Other assets	1,464	706	2	53	1,157	1,764	634	5,780
Total assets	**2,483**	**2,036**	**2**	**53**	**1,693**	**3,035**	**743**	**10,045**
Investments	256	51	-	-	101	134	13	555

NOTE 29 – OPERATING LEASES

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

	Group	
	2014	**2013**
Within 1 year	66	57
Between 1 and 5 years	133	117
More than 5 years	257	233
Total	**456**	**407**

Operating lease expenses of SEK 79 million (73) are recognised in profit or loss for the period.

NOTE 30 – SUPPLEMENTAL CASH FLOW STATEMENT

	Group		Parent	
	2014	**2013**	**2014**	**2013**
Received interest	6	6	-	-
Paid interest	-97	-81	-2	-5
Total	**-91**	**-75**	**-2**	**-5**
Adjustment for items not included in cash flow				
Net profit from divestment of subsidiary	-81	-	-	-
Sales of non-current assets	6	-7	-	-
Changes in pensions and provisions	111	-9	-	-
Dividend	-	-	-	-916
Total	**36**	**-16**	**-**	**-916**

NOTE 31 – HURRICANE SANDY AND INSURANCE COMPENSATION

At the end of the second quarter of 2014, the Company reached a final settlement for the insurance compensation for Hurricane Sandy.

Corporate Governance Report

CORPORATE GOVERNANCE REPORT 2014

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 subject to the statutory review by the company’s auditor.

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 organization 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 liability company whose shares are traded on NASDAQ OMX Stockholm within the Large Cap segment, Consumer Commodities sector. AAK has around 8,400 shareholders. Its business operations are global, with a presence in almost 100 countries. As at 31 December 2014, the number of employees was 2,439. 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 82–83.

ARTICLES OF ASSOCIATION

AAK’s current Articles of Association were adopted at the Annual General Meeting on 8 May 2014. 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 AGM 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 2014

The Annual General Meeting held on 8 May 2014 was attended by shareholders representing around 50 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 AGM 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 2013 financial year of SEK 6.00 per share. Melker Schörling, Märit Beckeman, Ulrik Svensson, Märta Schörling, Lillie Li Valeur and Arne Frank were re-elected as ordinary members of the Board of Directors. Melker Schörling was re-elected as Chairman of the Board. The employee organizations had appointed Annika Westerlund (PTK-L) and Leif Håkansson (IF Metall) as ordinary employee representative members of the Board, and Jan-Åke Berg (IF Metall) and Ted Jörgensen (PTK-L) as deputy members of the Board. The Annual General Meeting approved the Board’s proposal concerning amendment of the Articles of Association to change the name of the Company from AarhusKarlshamn to AAK. 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 ANNUAL GENERAL MEETING IN 2015

At the Annual General Meeting in 2014, Mikael Ekdahl (Melker Schörling AB), Lars-Åke Bokenberger (AMF Fonder), Henrik Didner (Didner & Gerge fonder) and Åsa Nisell (Swedbank Robur fonder) were appointed members of the Nomination Committee for the Annual General Meeting in 2015. Mikael Ekdahl was 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. 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 AAK AB (publ.), Valberedningen, Jungmansgatan 12, SE-211 19 Malmö, Sweden.

THE BOARD OF DIRECTORS AND ITS ACTIVITIES

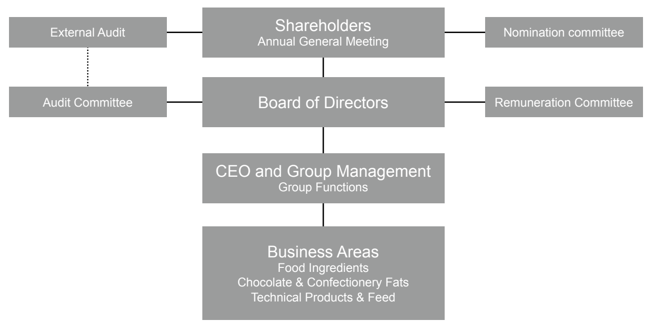
The tasks of the Board are regulated in the Swedish Companies Act and the Articles of Association. In addition to this, the work of the Board is regulated by the working practices adopted by the Board each year. The procedural rules of the Board also regulate the distribution of work and responsibilities 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 decisions related to 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 organization 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 that 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 that 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 that 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 that there is sufficient control of the company's compliance with legislation and other rules applicable to the operation of the company, to ensure that 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 six members elected by the Annual General Meeting. Under Swedish law, employee organizations have a right to be represented on the Board, and have appointed two ordinary members and two deputies. In accordance with the proposal by the Nomination Committee, all six members were re-elected. 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 Lillie Li Valeur was appointed member. Melker Schörling was appointed Chairman of the Remuneration Committee and Märit Beckeman was appointed member. Melker Schörling is also Chairman of the Board of BNS Holding AB, which holds around 33.7 percent of the votes in AAK. In turn, BNS Holding AB is a wholly owned subsidiary of Melker Schörling AB, of which company Melker Schörling is Chairman of the Board of Directors. Melker Schörling cannot, therefore, be considered to be independent in relation to major shareholders in the Company in accordance with the Code. Märta Schörling is also a member of the Board of Directors of Melker Schörling AB and cannot, therefore, be considered to be independent in relation to AAK's major shareholders. Nor can Ulrik Svensson, who is CEO of BNS Holding AB and Melker Schörling AB, be regarded as independent in relation to the major shareholders in the Company. 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 Lillie Li Valeur, 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. Fredrik Nilsson acts as secretary to the Board.

CORPORATE GOVERNANCE



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 8 May 2014, at which meeting all members were in attendance.

CHAIRMAN OF THE BOARD

At the Annual General Meeting held on 8 May 2014, 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 2014

The Board held ten 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 organization. Decisions have been made relating to investments, acquisitions and disposals. Other areas handled are the Group's work on raw materials supply, risk management and the Company's strategy for capital structure and borrowing.

Attendance at Board and committee meetings in 2014

Member	Board of Directors	Audit Committee	Remuneration Committee
Number of meetings	10	4	2
Märit Beckeman	9		2
Lillie Li Valeur	9	4	
Märta Schörling	10		
Arne Frank	10		
Leif Håkansson	10		
Melker Schörling	10		2
Ulrik Svensson	9	4	
Annika Westerlund	9		

For information about the members of the Board, see pages 26-27.

FEES TO BOARD MEMBERS

According to the decision of the Annual General Meeting, the total fees to the Board amounted to SEK 2,325,000, to be allocated between the members as follows: SEK 600,000 to the Chairman and SEK 300,000 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 250,000 and the members SEK 125,000 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 pages 60–61.

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 in 2014 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 must not exceed 110 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 by the Annual General Meeting. 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 will cover those persons who are in Group management positions during the period of time in which the guidelines apply. The guidelines apply to agreements entered into after the resolution of the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time. The Board will 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. The 2011 Annual General Meeting decided that the programme would also include other employees within the Group. Within the framework of this programme, 1,500,000 share warrants, 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 100 senior executives and key personnel within the Group, as well as other employees, have so far acquired 1,300,000 share warrants. The remaining share warrants, 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 increase 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 subscribing to shares through the exercise of the share warrants at SEK 188. The share warrants are assigned to participants in the programme at market price. The share warrants will be eligible for the purchase of shares during the period 1 December 2013 – 1 December 2015. In December 2013, the Company received a number of applications from participants who wanted to exercise the share warrants issued in the 2010–2015 incentive programme. 597,250 new shares in the Company were issued during 2014. They were subscribed for using share warrants.

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 shall be 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 2014, the members of the Remuneration Committee were Melker Schörling (Chairman) and Märit Beckeman. 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 to the CEO of the Group has been decided by the Board on the basis of the recommendations of the Remuneration Committee. Remuneration to other senior executives has been decided by the Chief Executive Officer in consultation with the Remuneration Committee. For further information, see pages 60–61. During 2014, the Remuneration Committee met on two occasions, on which both members attended. The Board's proposal for guidelines for remuneration to senior executives can be found in Note 8, and will be put to the Annual General Meeting in 2015 for a decision.

AUDIT COMMITTEE

During 2014, the members of the Audit Committee were Ulrik Svensson (Chairman) and Lillie Li Valeur. The Committee held four ordinary meetings during the year, which the company's external auditors and representatives of the management team attended. Areas dealt with by the Audit Committee was primarily related to planning, scope and follow-up of the audit for the year. Other issues dealt with include risk management, integration and structures 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 Chap. 8, Section 49 a, of the Swedish 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 2014, the audit company PricewaterhouseCoopers AB was re-elected as auditors up to and including the Annual General Meeting in 2015. Sofia Götmar-Blomstedt, Authorised Public Accountant, was appointed auditor in charge. Sofia Götmar-Blomstedt also has auditing tasks in other companies, including Beijer Electronics AB, Genovis AB, Pågengruppen AB and Polykemi AB. All services requested in addition to the statutory audit are tested separately to ensure that there is no conflict arising involving independence or disqualification. No agreements with related parties exist.

OPERATIONAL MANAGEMENT

It is the task of the CEO to lead operations in accordance with the guidelines and instructions of the Board. In conjunction with this, the CEO shall use the required control systems to ensure that 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 twelve persons from six countries: the CEO, CFO, CMO, CTO and President European Supply Chain, as well as seven 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 the Group management team are presented on pages 28–29. For remuneration principles and salaries and other fees paid to the CEO and the Group management team, please see Note 8.

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 are co-opted as necessary. In all countries where AAK has subsidiaries, a Country Manager has legal charge of operations. The Country Manager's task is to represent AAK vis-à-vis public authorities in the country, to coordinate operations on the ground, organization 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 operations. 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 are 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 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 operations.

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 organization 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 organization 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 organization 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 organization, 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 joint accounting instructions. The Group's finance unit works closely and effectively with the controllers of subsidiaries in relation to year-end financial statements and reporting.

As a supplement to the internal control, under a specific plan, an annual audit of some units in the Group is carried out on a rotating basis by the Group's central Finance Department, in collaboration with an independent international accounting firm. AAK has decided not to set up a separate review function (internal audit), 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.

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 detailed level on a monthly basis.

At Audit Committee meetings, the Committee follows up the financial reporting and receives reports from the auditors about their observations.

POLICY DOCUMENTS

AAK has a number of policies for the 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 instructions adopted by the Board, which provide a framework for how the Group's operations 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 environmental policy provides guidelines for environmental work within the Group.

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on 5 May 2015 for approval.

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's financial position and results.

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

Malmö, 20 March 2015

Melker Schörling Chairman of the Board	Arne Frank Chief Executive Officer and President	Ulrik Svensson Member	Märit Beckeman Member
Lillie Li Valeur Member	Märta Schörling Member	Leif Håkansson Employee representative	Annika Westerlund Employee representative

Audited and submitted on 20 March 2015
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorised Public Accountant
Lead Auditor

Auditor’s report

To the annual meeting of the shareholders of AAK 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 AAK AB (publ.) for the year 2014, except for the corporate governance statement on pages 75–79. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 1–80.

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 in accordance with the Annual Accounts Act and of the 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 opinions.

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 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. 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 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 75–79. The statutory administration report is 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 also audited the proposed appropriations of the company’s profit or loss and the administration of the Board of Directors and the Managing Director of AAK AB (publ.) for the year 2014. We have also conducted a statutory examination of the corporate governance statement.

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 or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor’s responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company’s profit or loss 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 or loss, 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 Annual 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 opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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. A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Malmö 20 March 2015.
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Lead Auditor

The AAK share

AAK's shares have been traded since 2 October 2006 on the NASDAQ OMX, Stockholm, the Nordic List. As from 2 January 2014, AAK shares have been traded in the Large Cap (previously Mid Cap) segment in the Consumer Commodities sector. The abbreviation is AAK and the ISIN code is SE0001493776.

TURNOVER AND PRICE TREND

During 2014, 11.7 (9.4) million shares were traded at a total value of SEK 4,748 million (3,275 million), which corresponds to a turnover rate of 28 percent (23 percent). The average trade per trading day was 46,863 (37,625) shares or SEK 19 million (13 million). At the year-end, the price was SEK 417.50 (412.00) and AAK's market value was SEK 17,417 million (16,942 million). The highest price during the year was SEK 449.80 (23 June 2014) and the lowest price was SEK 346.40 (16 October 2014).

SHARE CAPITAL

As at 31 December 2014, the share capital of AAK was SEK 417,190,890 (411,218,390). The number of shares was 41,719,089 (41,121,839). 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

There were 8,425 (7,621) shareholders as at 31 December 2014.

PLANNED DIVIDEND POLICY

The Board of Directors has adopted a dividend policy. According to the new 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 dividends equivalent to at least 30 to 50 percent of the profit for the year, after tax, for the Group.

ORDINARY DIVIDEND

The Board of AAK proposes a dividend for the 2014 financial year of SEK 6.75 (6.00) per share, a total of SEK 282 million (247 million).

AAK'S INVESTOR RELATIONS 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.

During 2014, a capital market day was held in Karlshamn, including a factory visit, and a large number of meetings were held with analysts and other professional operators on site in Amsterdam, Brussels, Chicago, Frankfurt, Helsinki, Copenhagen, London, New York, Paris and Stockholm.

Those interested can obtain presentation material and listen to audio recordings from quarterly presentations at www.aak.com.

ANALYSTS

ABG Sundal Collier – Casper Blom
Berenberg Bank – James Targett
Carnegie Investment Bank – Fredrik Villard
Danske Bank – Bile Daar
Erik Penser – Oscar Karlsson
Exane BNP Paribas – Heidi Vesterinen
Handelsbanken – Karri Rinta
Kepler Cheuvreux – Richard Koch
Nordea Bank – Patrik Setterberg
SEB Enskilda – Stefan Cederberg

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:
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SHAREHOLDER CONTACTS

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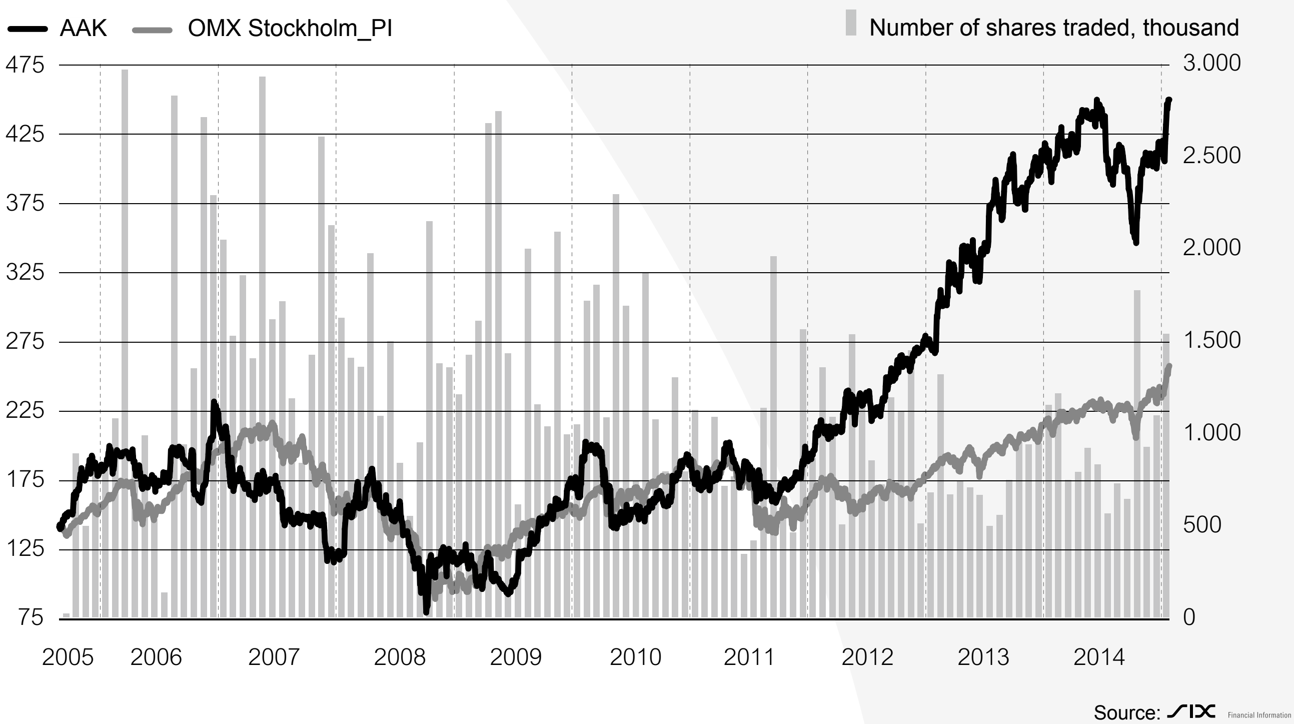
Major shareholders, 30 December 2014

	No. of shares	Proportion of share capital and votes, %
BNS Holding AB (Melker Schörling AB)	14,053,800	33.7
AMF – Försäkring och Fonder	3,710,154	8.9
Didner & Gerge Fonder Aktiebolag	2,340,000	5.6
Swedbank Robur fonder	1,956,164	4.7
Alecta Pensionsförsäkring	1,800,000	4.3
Handelsbanken Fonder AB	1,728,363	4.1
SEB Investment Management	1,599,429	3.8
Citibank New York	590,004	1.4
Enter fonder	548,247	1.3
Nordea Investment Funds	496,267	1.2
Svenska Handelsbanken Köpenhamn	492,127	1.2
Other shareholders	12,404,534	29.8
Total	41,719,089	100.0

AAK

The AAK share 29 September 2005 to 31 January 2015



Distribution of shareholdings, 30 December 2014

No. of shares	No. of shareholders	Proportion of all shareholders, %	Proportion of share capital and votes, %
1–500	6,599	78.3	78.3
501–1,000	845	10.0	10.0
1,001–5,000	699	8.3	8.3
5,001–10,000	99	1.2	1.2
10,001–15,000	46	0.6	0.6
15,001–20,000	15	0.2	0.2
20,001–	122	1.4	1.4
Total	8,425	100.0	100.0

Information per share

	2014	2013
Share price, reporting date, SEK	417.50	412.00
Dividend, SEK	6.75	6.00
Direct yield, %	1.61	1.46
Earnings per share, SEK	21.15	17.87
Equity per share, SEK	138.51	105.76
Share price/Equity	3.01	3.90

Definitions, see page 84.

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.

Financial Calendar, Annual General Meeting

Reporting schedule

AAK AB (publ.) will provide financial information for the 2015 financial year on the following occasions:

- The interim report for the first quarter will be published on 22 April.
- The half-year report will be published on 17 July.
- The interim report for the third quarter will be published on 29 October.
- The year-end report for 2015 will be published on 3 February 2016.

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

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More information on AAK AB (publ.) is available on the Company's website: www.aak.com

NOTIFICATION
Shareholders who wish to attend the Annual General Meeting must notify the Company by one of the following alternatives:

- by post to:
  AAK AB
  Annual General Meeting
  C/o Euroclear Sweden AB
  Box 191
  101 23 Stockholm, Sweden
- by telephone: +46 (0)8-4029045
- or via the website www.aak.com as soon as possible and no later than 4 p.m. on Tuesday, 28 April 2015.

In the notification, the shareholder must specify his or her name, address, phone number, personal or corporate identity number and shareholding. For shareholders who are represented by proxies, the original proxy form must be sent with the notification. Anyone representing a legal entity must show a copy of the certificate of incorporation or equivalent authorisation documents showing they are an authorised signatory.

NOTICE OF ANNUAL GENERAL MEETING
Notice of the Annual General Meeting is published in Post- och Inrikes Tidningar and on the Company's website, including a full agenda. An advertisement regarding the Annual General Meeting being convened will be published in Svenska Dagbladet.

Annual General Meeting

AAK AB (publ.)'s Annual General Meeting will take place on Tuesday, 5 May 2015 at 2 p.m. at Europaporten in Malmö. Doors to the Annual General Meeting open at 1 p.m. and registration must be completed before 2 p.m., at which time the voting list will be established.

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 Tuesday, 28 April 2015, and if they have given notice that they will attend the Annual General Meeting by 4 p.m. on Tuesday, 28 April 2015.

REGISTRATION IN THE SHAREHOLDERS' REGISTER
The company is a reconciliation company and its shares are affiliated with Euroclear Sweden AB, the Swedish central securities depository. This means that, in order to be entitled to attend the Annual General Meeting, shareholders must be entered in the shareholders' register held by Euroclear Sweden AB as per Tuesday, 28 April 2015. 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.

Address

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Corporate identity no. 556669-2850

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

AAK is one of the world's leading producers of high value-added speciality vegetable oils and fats solutions. These oils and fats solutions are characterized by a high level of technological content and innovation. AAK's solutions are used as substitutes for butter-fat and cocoa butter, trans-free and low saturated solutions but also addressing other needs of our customers. AAK has production facilities in Belgium, Colombia, Denmark, Mexico, the Netherlands, Sweden, Great Britain, Uruguay and the US. Further, AAK has customisation plants in Russia and Malaysia. The company is organized in three Business Areas; Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. AAK's shares are traded on the NASDAQ OMX Stockholm, within the Large Cap segment. Further information on AAK can be found on the company's website, www.aak.com.

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