

May 21, 2010

Press release

Improved operating profit and cash flow for AAK

The positive development of operating profit as well as of cash flow which characterised the later months of 2009 continued during the first quarter of 2010.

“We can close the first quarter of 2010 with satisfaction” commented Arne Frank, the new CEO of AAK, in a comment to the first quarter result. “Food Ingredients developed very well and we had a healthy volume growth in Chocolate & Confectionery Fats. We have however a challenge with increased price pressure in Chocolate & Confectionery Fats.”

- Improved Group operating profit by 13 percent to SEK 178 million (157).
- Cash flow from operating activities continued positively reaching SEK 315 million (22).

All AAK business areas have developed positively:

- Food Ingredients successfully continued the specialisation strategy, with lower volumes but with higher margins increasing operating profit by 26 percent.
- Chocolate & Confectionery Fats reported operating profit just slightly above the first quarter last year, comprising volume growth but declining margins. Short term volume growth will not compensate for the reduction in margins arising from this excess capacity.
- Continued turnaround in Technical Products & Feed increased operating profit by 62 percent.

Focus on health oriented products in Food Ingredients

In the Group's largest business area, Food Ingredients, the successfully implemented specialisation strategy, with a higher proportion of high-value products with high margins, led to an improvement in operating profit of 26 percent, to SEK 101 million (80).

The focus on health oriented products as well as AAK's focus and leading position in sustainable raw materials has led to increased market shares in high value products.

During the first quarter of 2010 the business area Food Ingredients continued to benefit from the ongoing rationalisation programme. These cost savings have been offset by increased investments in organic growth outside Scandinavia.

Continued drive for cocoa butter alternatives

The operating result of SEK 76 million (74) for the business area Chocolate & Confectionery Fats was only marginally better than the first quarter of 2009.

As the world emerges from recession there are indications of slower recovery of chocolate consumption in Eastern Europe than in the rest of the world. Eastern Europe is an important market for the Chocolate & Confectionery Fats business area.

"The global recession has provided a strong incentive to reduce costs and to drive further the substitution of expensive cocoa butter", says Arne Frank. This increased demand for CBE has stimulated significant investments in additional manufacturing capacity in the industry. Uncertainty remains regarding the impact of the excess capacity. Short term volume growth will not compensate for the reduction in margins arising from this excess capacity.

Turn around for Technical Products & Feed

Operating profit improved by 62 percent, from SEK 13 million to SEK 21 million, for the business area Technical Products & Feed, compared to the first quarter of 2009.

A special turnaround plan was implemented during 2009 and has led to lower costs.

For the fatty acid and metal working fluids businesses within Technical Products & Feed there are some limited signs of recovery.

Ongoing rationalisation programmes

The rationalisation programmes are progressing in line with plan in all business areas. SEK 100 million in savings will be realised in late 2010, and an additional SEK 200 million will be realised in the latter part of 2011, as communicated during the second quarter of 2009.

Personal reflections from CEO Arne Frank

“During an extremely interesting introduction period, I have had the privilege of meeting many of the key members of AAK’s management team and of the various business area teams, as well as a large number of customers. Sharing their knowledge, experiences, insights and views has been very valuable” said Arne Frank, commenting on his first period with AAK.

“Our customers confirm that our strategies focusing on high value products are correct. The positive development within specific segments such as foodservice, bakery and bakery services, dairy fat alternatives and chocolate and confectionery fats is evidence that we have chosen the right path.

Our health profile, products like InFat (mother’s milk fat replacer) and our strong product development are relevant examples of the future for AAK. This, as well as a selective acquisition strategy based on a strong balance sheet, will move AAK forward and ensure a continued long-term improvement in profitability.”

Financial summary excluding IAS 39 effects*

SEK million	2010 Q1	2009 Q1
Net sales	3,510	4,223
Gross Contribution	840	877
Operating profit	178	157
Net result	114	65
Earnings per share	2.79	1.59

* For full financial information please refer to Interim report Q1 2010.

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Facts/AAK

AAK is the world’s leading manufacturer of high value-added speciality vegetable fats. These fats are used as substitutes for butterfat and cocoa butter substitutes, as transfree solutions for fillings for chocolate and confectionery products, in the cosmetic industry, and as mother’s milk replacers. AAK has production facilities in Denmark, the Netherlands, Mexico, Great Britain, Sweden, Uruguay and the U.S.A. Read more at www.aak.com.