

AAK



AAK Report 2011

AAK in 60 seconds

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

- AAK's eleven production plants are located in Denmark, the Netherlands, Mexico, Sweden, the UK, Uruguay and the US. We also have sourcing operations, toll manufacturing and sales offices in several key locations around the world.



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

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2011 in brief

- The AAK Acceleration programme was embedded in the AAK culture. Based on AAK's existing speciality strategy, the programme strengthens AAK's focus on execution, concentrating on growth, efficiency and people for the medium and long term.
- Group Management was reinforced, becoming much more international equipping AAK to take better global advantage of its product portfolio and to improve the platform for global growth. The global organization was also partly retooled and becoming more flatter, faster and more responsive to customer inputs and needs.
- Successful product launches, new customers and entry into new markets resulted in continued volume growth, in Bakery, Dairy, Chocolate & Confectionery Fats and Infant Nutrition.
- New sales offices were opened in Shanghai, China and Düsseldorf, Germany in order to support AAK's global growth strategy. By strengthening local presence, the aim is to develop further the strong innovation platform, in close collaboration with customers.
- AAK acquired the Golden Foods/Golden Brands business of Louisville, Kentucky on 1 July 2011. This important addition to the Bakery and Food Service business is an important step in the AAK Acceleration growth strategy. This business is now successfully fully integrated in AAK US under the name AAK Louisville.
- AAK published a new sustainability report, demonstrating strong commitment to sustainable growth.
- AAK Acceleration initiatives focusing on efficiency made significant progress towards increasing production volume while reducing costs.

Key acknowledgements

- AAK was nominated in the "Confectionery Innovation of the Year" category of the Food Ingredients Excellence Awards at Food Ingredients Europe 2011.
- AAK South America won the Export Effort Award once again, presented by the Uruguay Exporters' Union and Banco de la República Oriental del Uruguay. AAK was honoured for being the major exporter in the Vegetable Oils and Fats category and for its export dynamics.
- AAK Mexico was awarded best 2011 supplier by one of our major customers in Latin America.

Operational key ratios

(SEK million unless otherwise stated)

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

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

AAK's vision

“The first choice for value-added vegetable oil solutions”

The vision consists of three important parts:

First choice

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

Value-added solutions

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

Vegetable oils

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



AAK Acceleration



Growth

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

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

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

The seven Growth projects underline the importance of this area to AAK. In terms of



Efficiency

8. Purchasing
9. Productivity

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



People

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

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

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

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

Summary by Melker Schörling, Chairman of the Board

AAK Acceleration powers growth

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

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

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

More focus on our true strengths

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

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

A strategic acquisition in every way

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

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

Remembering our responsibilities

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

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

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

Our professional management team

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

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

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



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

A handwritten signature in black ink, appearing to read 'M. Schörling'.

Melker Schörling

Comments by Arne Frank, CEO and President

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

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

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

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

Our product portfolio is unmatched for low

or no trans fat, low saturated fats with the additional benefit to our customers of cost efficiencies and other continuing advances.

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

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

Listening to our customers

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

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

AAK Acceleration

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

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

Acquisition of Golden Foods/Golden Brands

AAK Acceleration was the driver behind our decision to acquire the Golden Foods/

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

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

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

Stronger local presence

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

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

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

Developing sustainably

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

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



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

New, flatter and more international organisation

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

In designing the new organisation, we focused on strengthening our commercial drive and external focus on customers and

their needs. We have reinforced our global customer segments and enabled our sales offices to sell all AAK products. Activities have been centralised or decentralised depending on how and where they add the greatest value.

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

Looking ahead

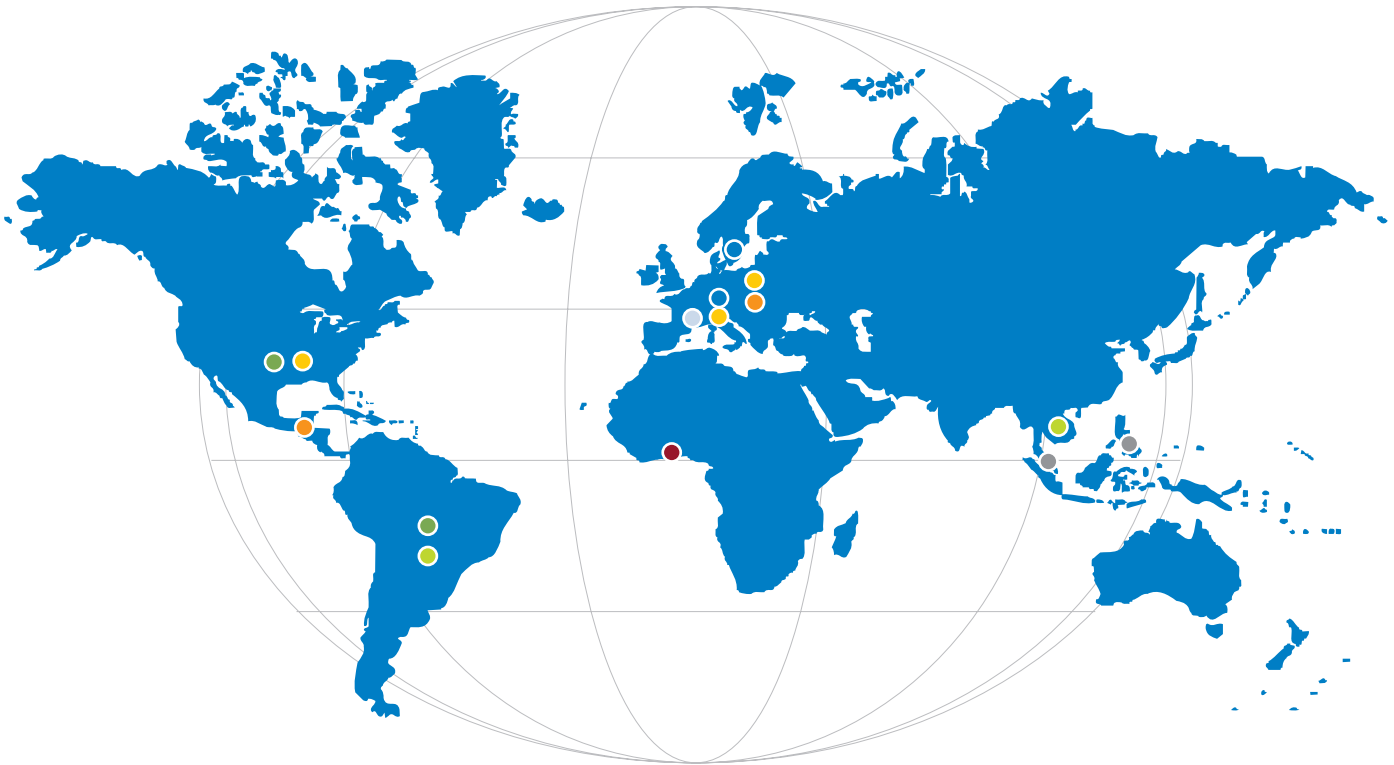
During 2012, work with AAK Acceleration will continue to ensure its full implementation and integration in our organisation. Maintaining the momentum is a high priority for us in order to achieve our objectives and keep our promises to stakeholders. Through our accelerated growth and development, we hope to write the next chapter in our his-

tory as a successful, innovative supplier of speciality and semi-speciality vegetable oils to the global market.

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

Arne Frank

The business model – speciality vegetable oils and fats



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

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

Due to our strong focus on customisation, some of our products respond to specific customer needs for functionality, health profile, taste, product properties, processing, logistics, labelling or legal requirements.

This is made possible by our highly flexible production process. In each case, our technical and commercial experts identify the optimum solution to a specific need.

Natural raw materials

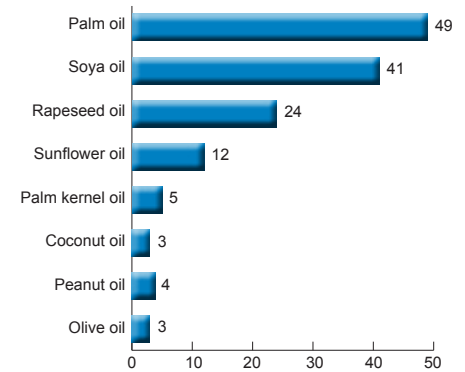
Our raw materials are coming from rapeseed, palm, soya, shea, sunflower seed, olives and many other. Drawing on our extensive knowledge and more than a century of experience, we exploit the properties of vegetable oils to add value to customers within our target industries.

We source our raw materials from all over the world:

- ◆ Rapeseed from Northern and Central Europe
- ◆ Palm oil from Asia and Latin America
- ◆ Olive oil from Southern Europe
- ◆ Soya beans from the US and South America
- ◆ Sunflower seed from Eastern Europe and Mexico

- ◆ Shea from West Africa
- ◆ Corn primarily from America and Eastern and Southern Europe
- ◆ Coconut from Malaysia and the Philippines

World-wide production 2011*



* Preliminary figures.

Tonnes (million)

Health trends

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

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



What is fat and why do we need it?

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

- **Saturated fat** is found in animal products such as butter, cream, milk, meat and vegetable oils from tropical plants, such as coconut oil and palm oil. Saturated fats are characterised by their ability to remain solid at room temperature.
- **Monounsaturated fat** is found in almonds, olive oil, rapeseed oil and other vegetable oils. Monounsaturated fat is suitable for cooking, since it copes better with heating than polyunsaturated fat.
- **Polyunsaturated fat** is found in shellfish, oily fish such as salmon, mackerel, herring and sardines and vegetable oils. Omega-3 and Omega-6 are examples of polyunsaturated fats.
- **Trans fats** are a particular form of unsaturated fats. They occur naturally in milk and fat from ruminants, but are also formed when vegetable fat is hardened (hydrogenated).

Fat is part of all the cells in the body. Our bodies need it to produce hormones and other important substances.

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



Social responsibility

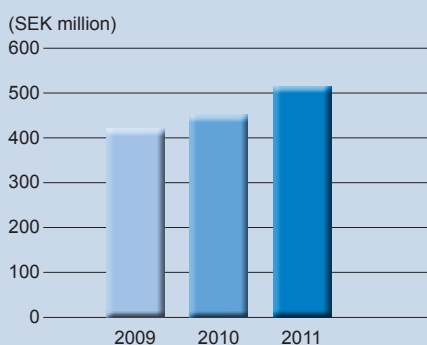
Over the years, we have endeavoured to integrate corporate social responsibility in all our activities, from the sourcing of raw materials through processing to delivery of the final product at our customers' plants. Our pro active approach is reflected in our commitment to the UN Global Compact and our founding membership of the Roundtable on Sustainable Palm Oil (RSPO). In 2007, we formed a subsidiary to enable trade in RSPO certificates, entering an exclusive

contract with the RSPO for the purpose. Through these efforts, we aim not only to maintain our own socially responsible profile, but also to industry wide promote sustainability and responsibility right through the vegetable oil supply chain. Also our initiatives to improve quality of life for the West African women who gather the wild-growing shea kernels, one of our key raw materials, have been widely recognized.

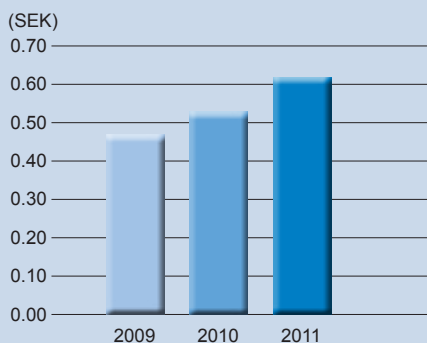
Food Ingredients

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

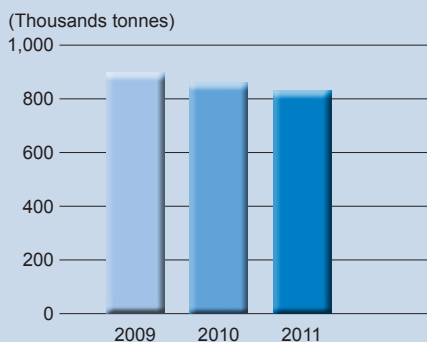
Operating profit



Operating profit per kilo



Volumes



Business Area – Food Ingredients

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

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

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

Health trends in the food industry

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

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

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



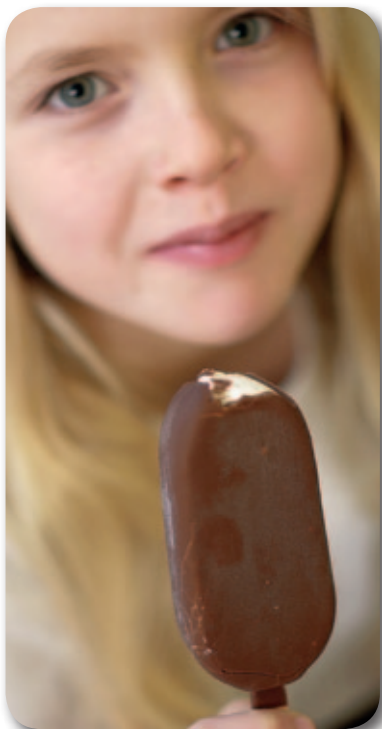
a new source of unsaturated vegetable oil is widening further the opportunities to develop specific tailor-made solutions. Due to their own competitive environments, our customers have to respond quickly to requests for healthier alternatives. Our ability to select the right components from a vast range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

Infant Nutrition

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

A competitive market

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



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

Customised solutions

We have customised products in nearly all categories. The majority, however, are to be found among our specialities for the Bakery,

Dairy, Infant Nutrition and Food Service industries. Our aim is to offer customers products with greater added value and, through that, increase the proportion of sales that are speciality products.

New products

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

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

Regional markets

Europe

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

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

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

Mexico

Customers increasingly express their preference for AAK in Mexico, where our clear vision, efficient operations and continuous improvement have led some to honour us with their Best Supplier award. Many of the multinational food manufacturers in the

country have chosen our solutions for their next-generation products. Thanks to our high level of quality and service and excellence in innovation, we are placed as one of the best partners for tackling market challenges, such as the trend towards healthier foods.

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

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

USA

In 2011, AAK US experienced increased demand for its products in terms of volume and complexity. The trend towards healthier food ingredients also played a role. To meet

these demands, the business expanded organically and by acquisition. At the Port Newark, New Jersey, plant we expanded our capacity significantly by investing in the largest, state-of-the-art production vessel in the plant's history. This became operational in December.

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

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



Business Area

– Chocolate & Confectionery Fats

Speciality products for chocolate and confectionery

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

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

In 2011 we successfully introduced new functional filling fats, CBR (Cocoa Butter Replacers) and CBS (Cocoa Butter Substitutes), all with unique functionalities offering opportunities for confectionery specialisation and differentiation. Our broad range of specialised and customised fillings and cocoa butter alternatives makes Chocolate &

Confectionery Fats a multifaceted business area. Every stage of the value chain requires specialist expertise – from the purchasing of raw materials to marketing and sales.

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

In-house development resources

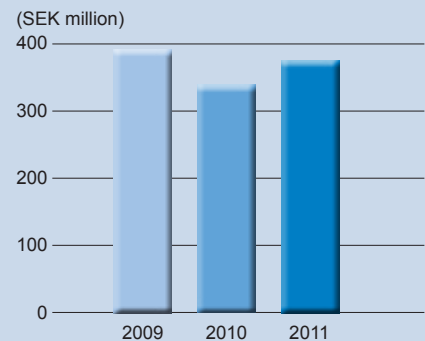
The wide product range is a result of targeted development work carried out in our own laboratories, where we work with customers, suppliers, universities and other external partners. AAK has a strong market focus. We deliver innovative solutions that reflect market trends and anticipate customer requirements.

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

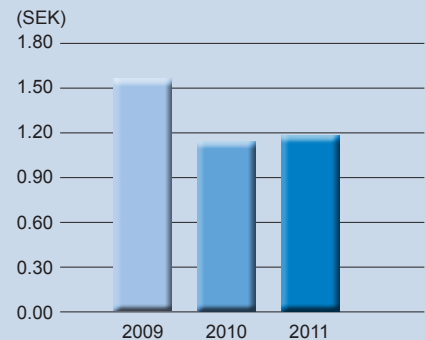
Chocolate & Confectionery Fats

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

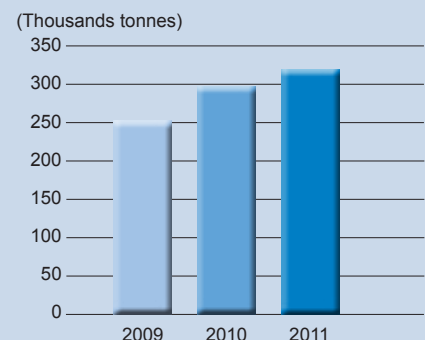
Operating profit



Operating profit per kilo



Volumes



Speciality products for chocolate and confectionery

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

Key product launches in 2011:

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

Closer to the customer

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

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

Shea – a principal raw material

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

Sustainable palm and palm kernel oils

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

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

The fluctuating cocoa market

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



Speciality products for beauty and personal care

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

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

Our global market

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

Changing market trends

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

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

Sustainable ingredients from natural raw materials

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

Other ingredient lines are based on mango, illipe, cocoa butter and rapeseed oil. Rapeseed grown in Sweden contains high levels of valuable bioactive lipids, which are



excellent for sensitive skin products and baby care.

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

Product development brings true customer value

Our product range is under constant development, in close consultation with our customers. The technical and commercial

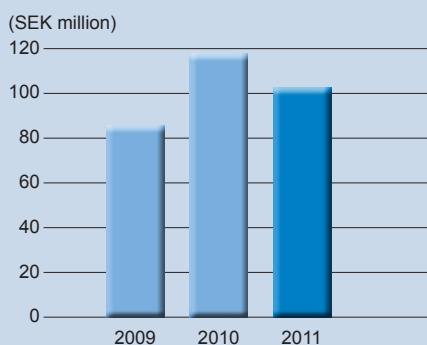
insights our customers provide give us a thorough understanding of market trends.

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

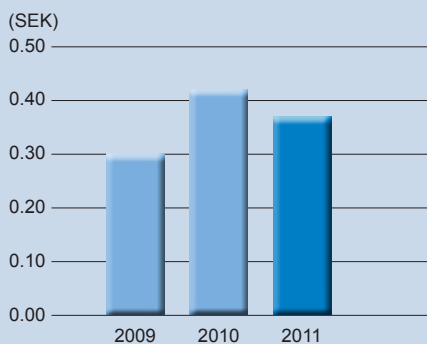
Technical Products & Feed

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

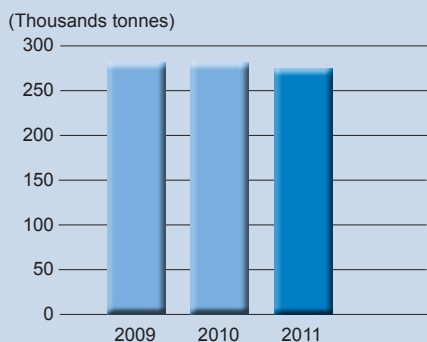
Operating profit



Operating profit per kilo



Volumes



Business Area – Technical Products & Feed

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

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

Industrial applications

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

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

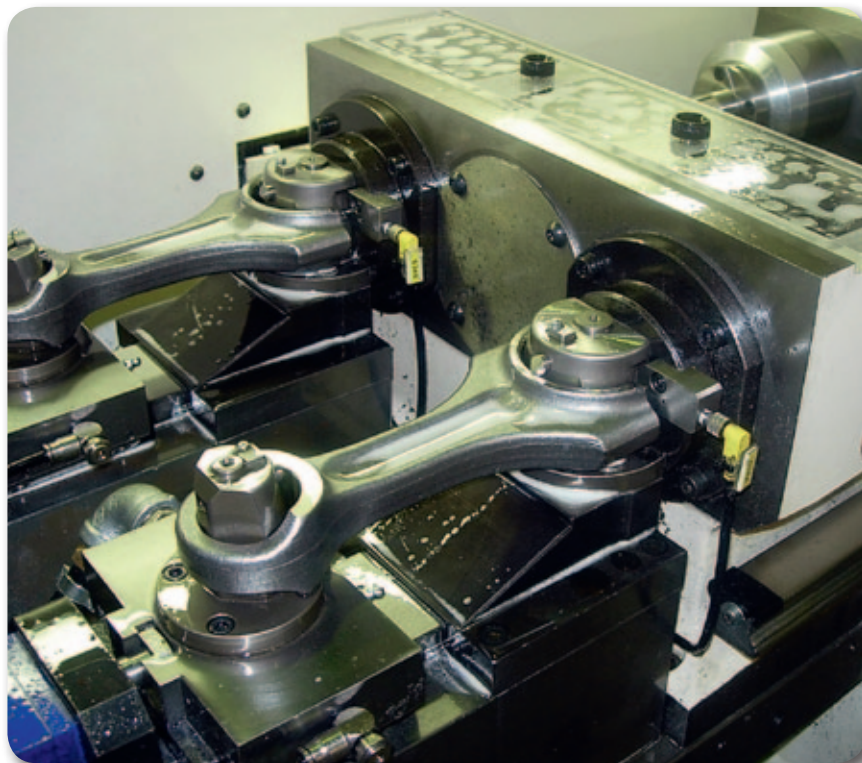
Glycerol is used in a diversity of products, for instance cosmetics, explosives, paint, concrete and anti-freeze applications. A major consolidation of the market for fatty acids and glycerol is currently underway, a process that will result in fewer, larger play-

ers. AAK is the leader in the Nordic market, where most of the products are sold. Other important markets are Germany, Poland and Russia.

Technical oils, biolubricants

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

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



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

Feed

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

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

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



Risks and threats

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

Raw materials

Harvests are weather-dependent. A year of poor harvests drives up prices, while a year of successful harvests reduces them. Most of the raw materials are traded on the international world market, and raw materials are purchased in foreign currencies. Essentially, this means that AAK has significant currency and raw materials price exposure. AAK has adopted a strategy of active risk management, which means that as soon as a sales contract has been signed, AAK will hedge the equivalent currency and raw material price exposure. This safeguards the company's margins and AAK's results are,

therefore, not dependent on currency and raw materials price risks on signed sales contracts.

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

The processing industry

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

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

out insurance to cover a loss in margins and business interruptions.

Political instability

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

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

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





Changes in the competitive situation

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

as products for the food processing sector, such as the bakery industry, which generate higher margins.

The health debate

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

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

ucts fairly easily to meet customer needs.

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

High level of competence among management and employees

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

Employees

People are key to our success

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

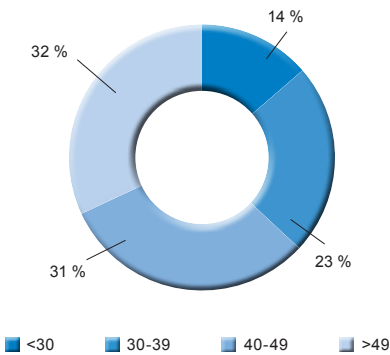
People is one of the priority areas in our AAK Acceleration. Here, we have initiated three projects: Sales Management & Sales Processes, Mobilize Ourselves and Internal Communication.

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

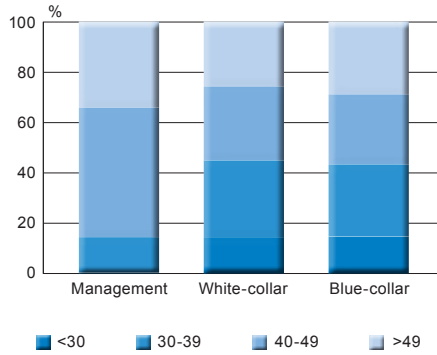
Internal communication is essential to the operation, since it is the key to ensuring that all AAK employees understand the objectives of the company. This is important for



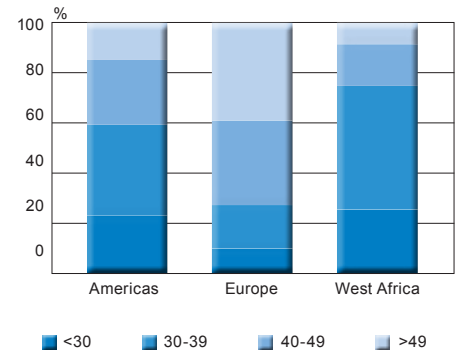
Employee distribution by age



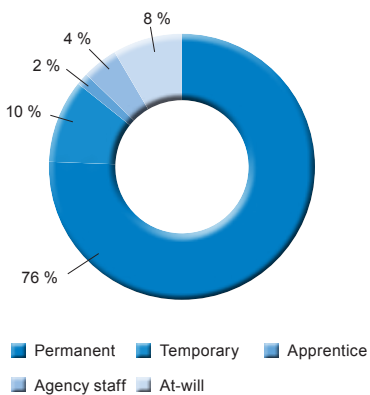
Employee category by age



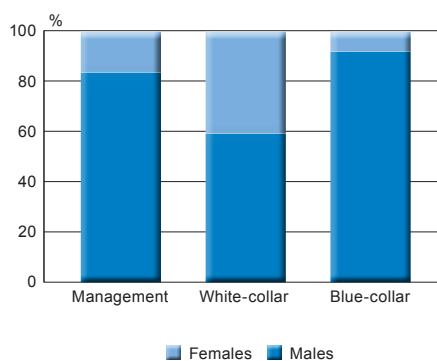
Employees by age



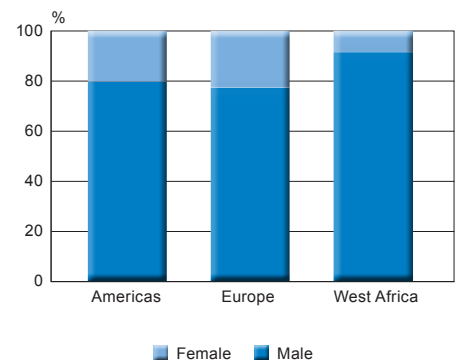
Employment contract type

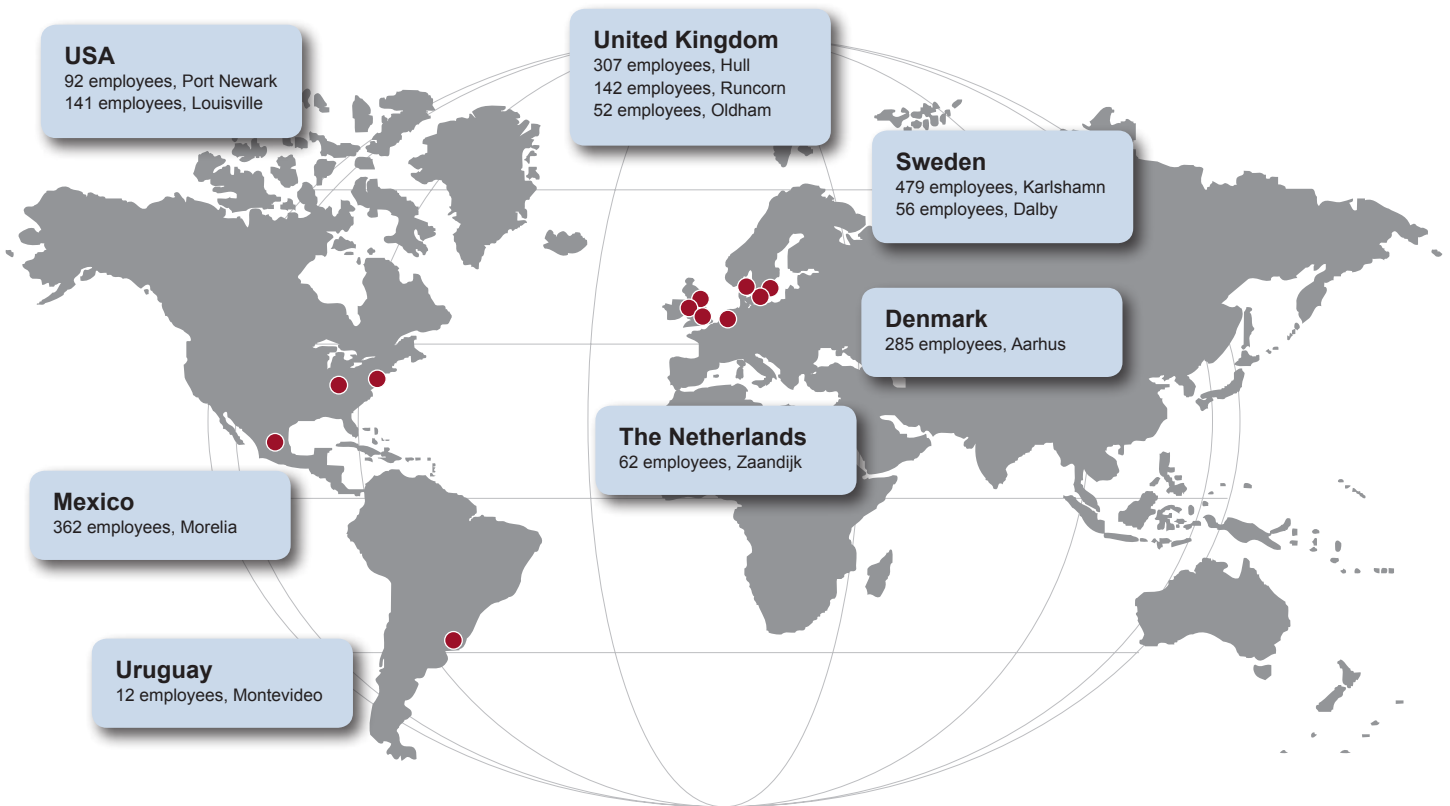


Employee category by gender



Employee gender





employee motivation and for their ability to contribute to the operation. There are many channels for internal communication, but the most important ones are managers, our global intranet, general employee meetings etc. Time and the message to be communicated determine the best channel. Internal communication is also a project within AAK Acceleration.

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

Ensuring a safe workplace is something we take very seriously. To this end, we conduct continuous safety checks at our plants across the world and focus strongly to eliminate potential risks. Our health and safety efforts follow national legislation, international regulations, comparisons with industry standards and our own AAK requirements. Today we have working environment and safety management systems at all our plants. These include extensive safety awareness training, target adoption, risk identification and continuous follow-up of results. The management systems provide a framework for the identification and

active elimination of health and safety risks, compliance with health and safety targets, and an optimised approach to safety issues. Our production plants work continuously to improve the Lost Time Injury rate, defined as the number of injuries where one or more

days/shifts were lost per 200,000 working hours. In 2011, the rate stayed at low 1.5 equal to 2010. The Lost Day rate, a measurement of injury severity, showed a significant improvement of nearly 50 percent to a rate of 19.5.



Corporate Social Responsibility

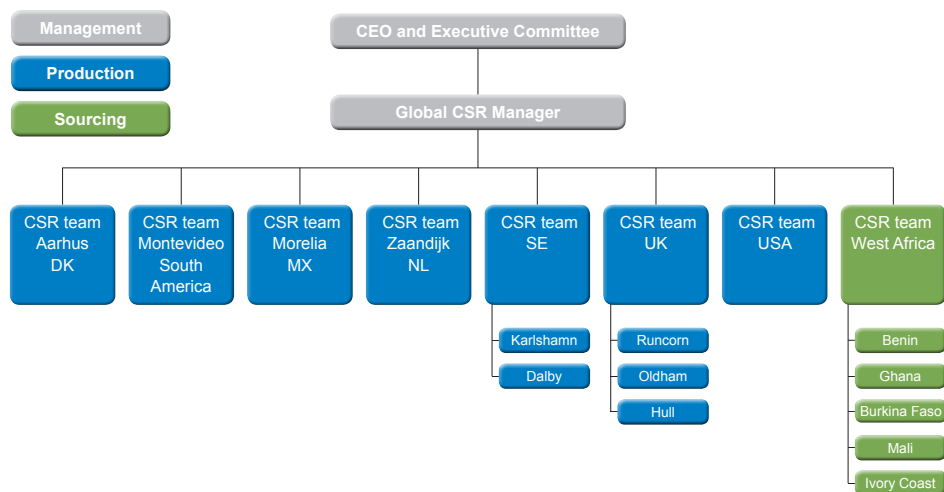
At AAK, we are keenly aware of our responsibility to source, handle, produce and deliver our products in the most efficient and sustainable manner as we strive to meet our strategic objectives.

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

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

Since the global CSR organisation was established in early 2007, the principal ob-

CSR organisation



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

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



Marketplace

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

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

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



Supply chain

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

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

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



Environment

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

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

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



Workplace

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

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

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

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



Community

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

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

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

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



Responsible Growth

AAK Sustainability Report 2010/2011

Presentations of the Board of Directors

Melker Schörling

Chairman of the Board of Directors.

Elected in: 2005 (Karlshamns AB 2001).

Born: 1947.

Nationality: Swedish.

Main occupation: Founder and majority owner of Melker Schörling AB (MSAB).

Qualifications: MBA.

Professional background: CEO of a number of companies, including Securitas AB 1987-1992 and Skanska 1993-1997.

Other directorships: Chairman of the Board of Directors of MSAB, Hexagon AB, Securitas AB and HEXPOL AB and member of the Board of Directors of Hennes & Mauritz AB.

Number of shares: Via MSAB, Melker Schörling holds 58.5 percent of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 percent) in AAK.

Carl Bek-Nielsen

Vice Chairman.

Elected in: 2005.

Born: 1973.

Nationality: Danish.

Main occupation: Executive Director (Corporate Affairs), United Plantations Berhad.

Qualifications: BSc in Agriculture.

Professional background: Executive Director, Director-in-charge.

Other directorships: Chairman of the Board of Directors of United International Enterprises Ltd. Vice Chairman of the Board of Directors of United Plantations Berhad. Member of the Board of Directors of Danfoss A/S (Bitten and Mads Clausens Fond).

Number of shares: Via UIE Ltd, Carl Bek-Nielsen holds 41.5 percent of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 percent) in AAK.

Martin Bek-Nielsen

Elected in: 2005.

Born: 1975.

Nationality: Danish.

Main occupation: Executive Director (Finance & Marketing) United Plantations Berhad.

Qualifications: Agricultural Economics.

Professional background: Executive Director (Finance & Marketing).

Other directorships: Member of the Board of Directors of United Plantations Berhad, Vice Chairman of the Board of Directors of United International Enterprises Ltd.

Number of shares: Via UIE Ltd, Martin Bek-Nielsen holds 41.5 percent of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,511,756 shares (40.4 percent) in AAK.

Märit Beckeman

Elected in: 2006.

Born: 1943.

Nationality: Swedish.

Main occupation: Project work at the Department of Design Sciences, Division of Packaging Logistics at LTH, Lund University.

Qualifications: PhD. Master of Science and Licentiate in Engineering.

Professional background: Project Manager, consultant, business development and product/packaging development.

Other directorships: Member of the Board of Directors of Beckeman Consulting AB.

Number of shares: 0.

Mikael Ekdahl

Elected in: 2005.

Born: 1951.

Nationality: Swedish.

Main occupation: Lawyer and partner in Mannheimer Swartling Advokatbyrå.

Qualifications: Swedish equivalents of MBA and LLB. Kand.

Professional background: Lawyer and partner.

Other directorships: Chairman of the Board of Directors of Bong AB, Marco AB, Absolent AB and EM Holding AB. Vice Chairman of the Board of Directors of Melker Schörling AB, Member of the Board of Directors of Konstruktions-Bakelit AB.

Number of shares: 8,000.

Arne Frank

Elected in: 2010.

Born: 1958.

Nationality: Swedish.

Main occupation: President and CEO, AarhusKarlshamn AB.

Qualifications: MSc. in Industrial Engineering and Management.

Professional background: Chairman, CEO and President of TAC, Executive VP of Building Automation Business Unit at Schneider Electric S.A., Chairman and CEO Carl Zeiss Vision Holding GmbH.

Other directorships: Chairman of the Board of Contex Holding A/S and Member of the Board of Directors of Alfa Laval AB (publ.).

Number of shares: 2,000.

Share options: 264,500.

Stock options: 80,000.



John Goodwin

Elected in: 2005.

Born: 1944.

Nationality: British.

Main occupation: Financial Consultant.

Qualifications: Chartered Accountant; Bachelor of Commerce.

Professional background: Chief Executive, Managing Director, Administrative Director and President.

Other directorships: Member of the Board of Directors of United International Enterprises Ltd.

Number of shares: 0.

Harald Sauthoff

Elected in: 2010.

Born: 1955.

Nationality: German.

Main occupation: Vice President, BASF Personal Care and Nutrition GmbH.

Qualifications: Industrial Business Management.

Professional background: Risk Management Agricultural Commodities, General Business Management in the Chemical Industry.

Number of shares: 0.



Ulrik Svensson

Elected in: 2007.

Born: 1961.

Nationality: Swedish.

Main occupation: CEO Melker Schörling AB.

Qualifications: MSc Economics and Business.

Professional background: CFO of several listed companies, including Swiss International Airlines and Esselte.

Other directorships: Member of the Board of Directors of Assa Abloy AB, HEXPOL AB, Loomis AB, Hexagon AB and Flughafen Zürich AG.

Number of shares: 0.

Members of the Board of Directors appointed by the employees

Leif Håkansson

AarhusKarlshamn Sweden AB.

Appointed by IF-Metall.

Elected in: 2005.

Born: 1957.

Nationality: Swedish.

Main occupation: Senior positions in trade unions and local and regional government and Board work.

Qualifications: Electrical engineering.

Number of shares: 0.

Annika Westerlund

AarhusKarlshamn Sweden AB.

Appointed by PTK-L.

Elected in: 2005.

Born: 1956.

Nationality: Swedish.

Main occupation: Laboratory Assistant.

Qualifications: Technical College.

Number of shares: 0.

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

Deputy members

Rune Andersson

AarhusKarlshamn Sweden AB.

Appointed by If Metall.

Elected in: 2011.

Born: 1949.

Nationality: Swedish.

Main occupation: Maintenance Engineer at AarhusKarlshamn AB. Chairman of If Metall.

Qualifications: A three-year education in automatic control technology.

Number of shares: 44.

Roland Mårtensson

AarhusKarlshamn Sweden AB.

Appointed by Akademikerna.

Elected in: 2011.

Born: 1966.

Nationality: Swedish.

Main occupation: Process engineer.

Qualifications: MSc in Chemical Engineering.

Number of shares: 315.

Auditors

PricewaterhouseCoopers AB

Anders Lundin

Born: 1956.

Authorised public accountant.

The company's auditor

since 2005.



Presentation of the Group Management Team



Arne Frank

Employed: 2010.

Born: 1958.

Nationality: Swedish.

Main occupation: President and CEO AarhusKarlshamn AB.

Qualifications: MSc. Industrial Engineering and Management.

Directorships: Chairman of the Board of Contex Holding A/S and member of the Board of Directors of Alfa Laval AB (publ.).

Number of shares: 2,000.

Share options: 264,500.

Stock options: 80,000.

Anders Byström

Employed: 2006.

Born: 1951.

Nationality: Swedish.

Main occupation: CFO (Chief Financial Officer) and Vice President AarhusKarlshamn AB.

Qualifications: MBA.

Number of shares: 0.

Stock options: 70,000.

Renald Mackintosh

Employed: 2002.

Born: 1951.

Nationality: Dutch.

Main occupation: Vice President AarhusKarlshamn AB. President Business Area Food Ingredients Continental Europe.

Qualifications: MSc Food Technology.

Number of shares: 300.

Stock options: 40,000.

Torben Friis Lange

Employed: 2010.

Born: 1963.

Nationality: Danish.

Main occupation: Vice President AarhusKarlshamn AB. President Business Area Chocolate & Confectionery Fats.

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

Number of shares: 0.

Stock options: 100,000.

Bo Svensson

Employed: 1974.

Born: 1951.

Nationality: Swedish.

Main occupation: Vice President AarhusKarlshamn AB. President Business Area Technical Products & Feed.

Qualifications: Graduate Diploma in Food Engineering.

Number of shares: 210.

Stock options: 10,000.

Jean-Marc Rotsaert

Employed: 2009.

Born: 1969.

Nationality: American.

Main occupation: Vice President AarhusKarlshamn AB. President AarhusKarlshamn USA.

Qualifications: MSc. Electrical Engineering.

Number of shares: 0.

Stock options: 65,000.



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

Octavio Díaz de León

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

Edmond Borit

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

David Smith

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

Karsten Nielsen

Employed: 1988.
Born: 1963.
Nationality: Danish.
Main occupation: CTO (Chief Technology Officer) and Vice President AarhusKarlshamn AB.
Qualifications: Graduate Diploma in Food Technology.
Number of shares: 264.
Stock options: 15,000.

Anne Mette Olesen

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

AAK's Glossary

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

Amino acids – Acids containing ammonia, protein building blocks.

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

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

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

CBS (Cocoa Butter Substitutes) – 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.

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

Essential fatty acids – The omega 3 fatty acids alfa-linolenic acid and the Omega-6 fatty acid linoleic acid. Cannot be sensitised by the human body, but must be acquired in food. Rapeseed oil is one vegetable oils that contain both types of essential fatty acids.

Esters – Chemical components of fatty acids and alcohols. Triglycerides, which are the main constituent of fat, consist of the alcohol glycerol and 3 fatty acids, and are thus a type of ester.

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

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

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

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

InFat™ – A speciality fat for infant formulas.

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

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

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

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

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

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

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

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

Saturated fats – Popular name for saturated fatty acids.

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

Surfactants – A substance which is soluble in different materials, for example water and oil, therefore they are active on the surface of particles and help mixing components which are 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.

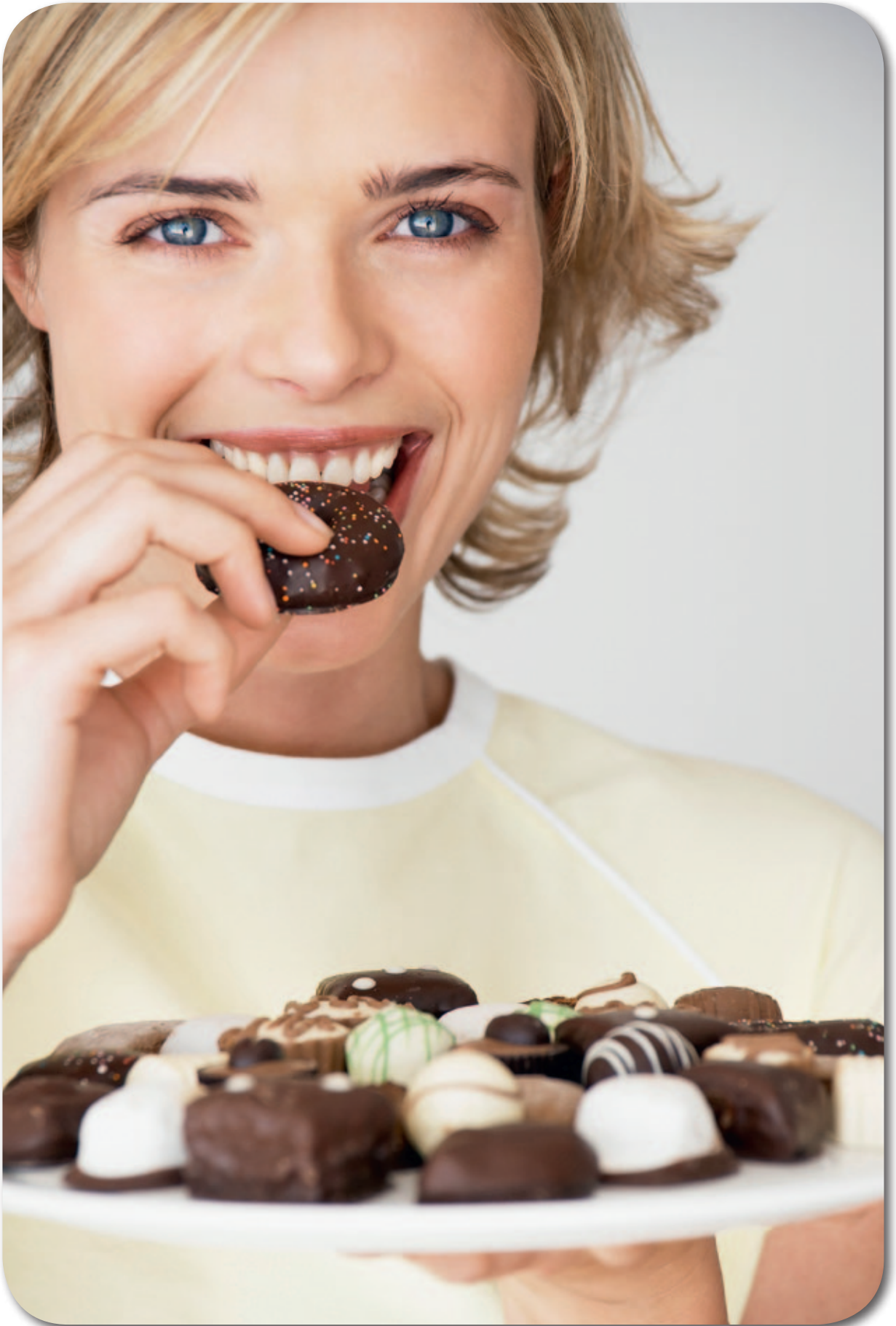
Unsaturated fats – Fats containing mono- and polyunsaturated fatty acids, a popular name for mono- and polyunsaturated fatty acids.

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