AAK Report 2012

The first choice for
value-added vegetable oil solutions

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The first choice for value-added vegetable oil solutions

AarhusKarlshamn AB (AAK) is one of the world's leading producers of high value-added speciality vegetable fats. Development and production of these fats require significant technological know-how and they are used in various applications within bakery, infant nutrition, dairy, cosmetics, chocolate and confectionery. AAK has production facilities in Denmark, Great Britain, Mexico, the Netherlands, Sweden, Uruguay and the US. The company is organised in three Business Areas; Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. Further information 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, environmentally-friendly lubricants, and healthy skin care products.
- AAK's raw materials are derived from renewable sources primarily sourced in Northern Europe (rapeseed), Europe and Mexico (sunflower), USA (soya beans), West Africa (shea kernels) and Southeast Asia and Latin America (palm).
- AAK's 12 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 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 promotion of sustainable palm oil.
- The parent company, AarhusKarlshamn AB (publ.), is a Swedish-registered joint-stock company. The company's shares are listed on NASDAQ OMX, Stockholm, in the Mid Cap segment, Consumer Goods sector.

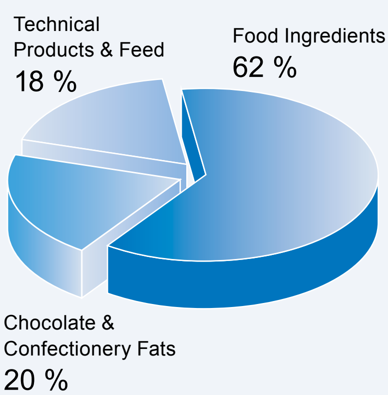
AAK is organised in three business areas

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

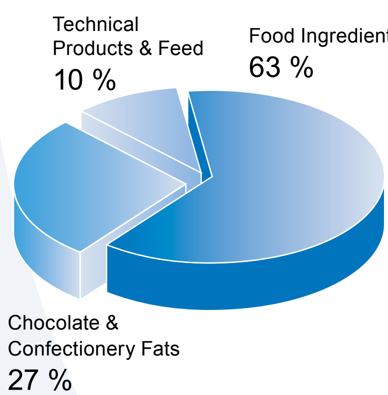
Our second largest business area offers functional cocoa butter alternatives for chocolate, compounds for coating and moulding, and speciality fats for confectionery fillings.

Our Technical Products & Feed business area provides Biolubricants for metalworking, forestry and construction, fatty acids and glycerine for various applications and proteins and fats for animal feed.

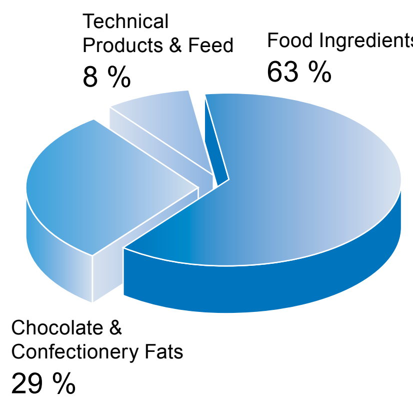
Volumes



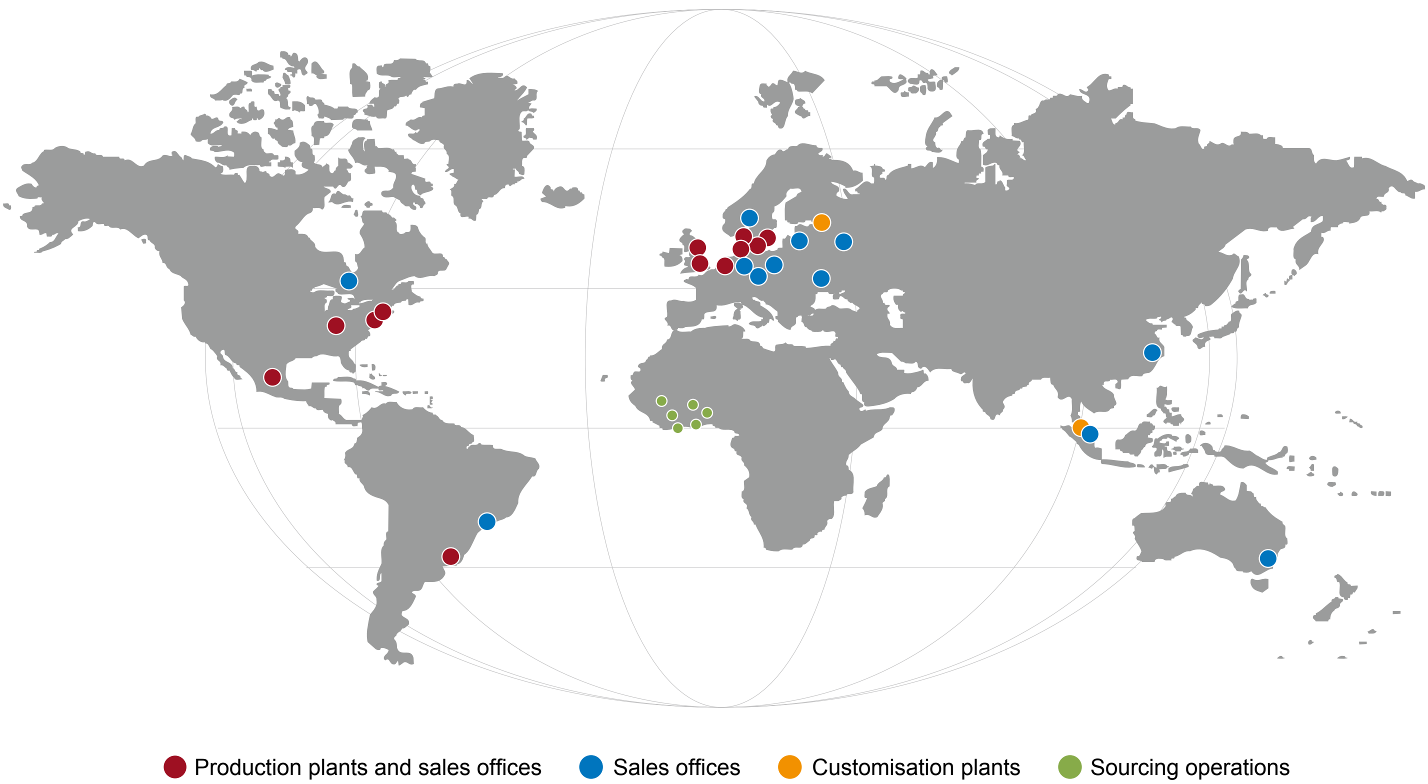
Net sales



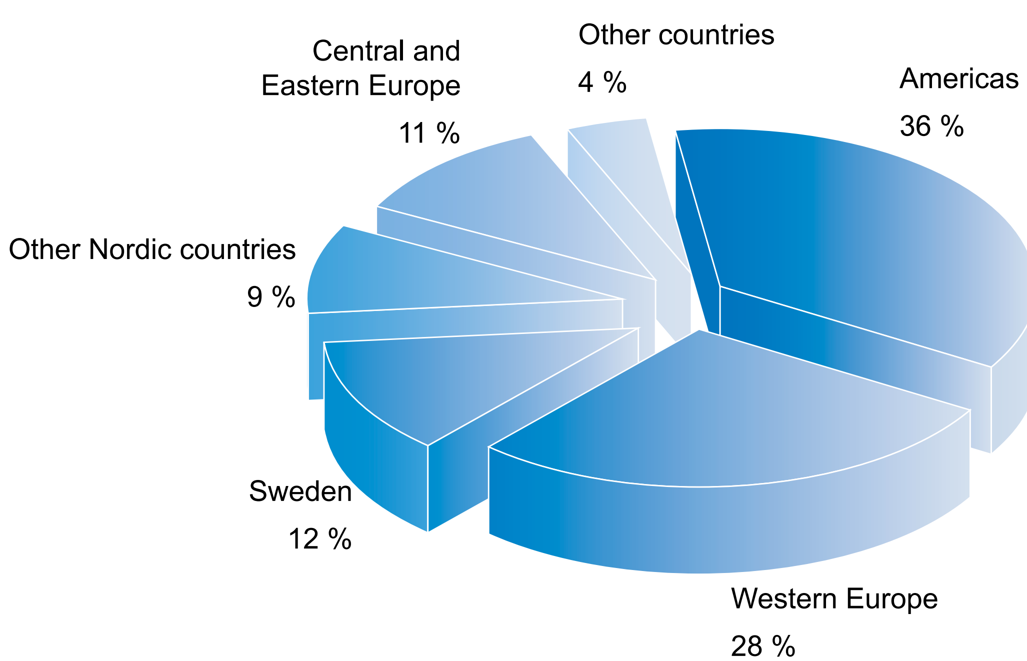
Operating profit



AAK in the world



AAK Sales by Market



2012 in brief

- Net sales increased to SEK 16,911 million (16,695) an increase by SEK 216 million due to acquisitions and a better product mix.
- Volumes increased by 6 percent compared to 2011 mainly due to acquisitions and increases in semi-speciality and speciality products.
- Operating profit adjusted for the impact off hurricane Sandy and before acquisition related costs reached a record high of SEK 1,003 million (918), an improvement of 9 percent.
- Operating profit after the impact off hurricane Sandy and acquisition related costs reached SEK 975 million (911), an improvement of 7 percent.
- The largest business area, Food Ingredients, reported record high operating profit at SEK 703 million (518) an improvement by 36 percent. Operating profit per kilo increased from SEK 0.62 to SEK 0.75, an improvement by 21 percent.
- The business area Chocolate & Confectionery Fats showed volume decline by 3 percent and continued margins under pressure due to the very low price on cocoa butter. Operating result declined from SEK 378 million to SEK 316 million.
- The smallest business area, Technical Products & Feed, operating profit reached SEK 88 million (103) due to challenging markets conditions.
- Cash flow from operating activities amounted to SEK 1,539 million (289), which included a substantial improvement in working capital of 589 million (negative 613).
- Earnings per share amounted to SEK 15.66 (14.72), an increase of 6 percent.

- We continue to see positive effects of the AAK Acceleration programme (Growth-Efficiency-People).
- Strategic acquisitions were made of the Oasis Foods Company in the US and the Crown-Foods A/S, Denmark. Two important acquisitions that further strengthens our Food Service business. The integrations have proceeded according to plan.
- Successful product launches, new customers and entry into new markets resulted in continued profit growth driven mainly by Bakery and Infant Nutrition within our Food Ingredients business area.
- We expanded the capacity for the production of InFat™ which is sold through Advanced Lipids, the joint venture between AAK and Enzymotec. The Karlshamn factory expansion enables an increase of production to meet growth expectations.
- Our strong and continued commitment to responsible growth was documented in a new Sustainability Report with nearly all our 2011 CSR objectives achieved. Our enhanced resource efficiency was reflected in our environmental performance where our relative consumption of CO_2 emissions, water discharge and landfill waste all went down.
- The AAK site in Karlshamn, Sweden, was awarded the Swedish Energy Prize (E-Prize). It´s the industry´s most prestigious energy prize for companies in Sweden, which work in an innovative and efficient way to save energy while creating better business.
- We will over the next two years, triple our activities with women groups in rural Burkina Faso in West Africa. AAK does this to ensure improved supply and quality of the strategically important shea kernels and to improve living conditions locally in the villages.
- Melker Schörling AB (MSAB), the largest shareholder, increased its holdings in AAK to 35 percent.

Operational key figures (SEK million unless otherwise stated)	2008	2009	2010	2011	2012
Net sales	17,207	15,884	14,808	16,695	**16,911**
Operating profit	851	827	824	918*	**1,003****
Operating profit per kilo, SEK	0.55	0.58	0.57	0.64	**0.66**
Earnings per share, SEK	10.80	10.14	14.15	14.72	**15.66**
Return on net operating assets, % (RONA)	11.00	12.60	13.10	13.30	**13.90**

* Adjusted for acquisition costs
** Adjusted for acquisition costs and the effects of Hurricane Sandy costs
Definitions, see page 55 of this Annual Report. Annual General Meeting, see page 62 of this Annual Report.


AAK ACADE
AAK

Comments by Melker Schörling, Chairman of the Board

Strong 2012 performance
AAK has a global presence and a diversified product portfolio of speciality and semi-speciality solutions. This combination has proven to be strong despite a difficult economic environment. Additionally AAK has been able to show a very strong development in the Food Ingredients business area and an overall good improvement of the Group´s profitability during 2012.

AAK has in 2012 also pursued growth through two selective acquisitions that have further strengthened AAK's position within the Food Service sector and reinforced its global presence.

Opportunities for the future
The global industrial food industry continues to grow overall, specifically within the emerging markets and AAK continues to focus on strengthening its position in order to take advantage of this growth going forward.

Another growth opportunity comes from the increasing consumer concern due to the use of saturated fats and trans fats causing health issues. The need to bring healthier alternatives without compromising on performance gives AAK an opportunity to outgrow its market. AAK has for a number of years focused on product development in order to provide customers with healthier alternatives containing less amount of saturated fats and no trans fats. AAK has therefore today a strong product portfolio within this area to address this need.

AAK Acceleration drives future growth
AAK Acceleration continues to align AAK´s focus within Growth, Efficiency and People and thereby strengthening AAK´s long term competitive advantage.

We are pleased to see that AAK Acceleration continues to improve the company´s market positions within Bakery, Dairy, CCF, Food Service and Infant Nutrition. AAK continues to differentiate itself from its competitors through investing in market driven product development and customer co-development and thereby bring new specialised products to the market. AAK will continue to maintain and develop this strategy to increase its position as one of the market leaders within the speciality oils and fats market.

In addition, I am very pleased to see that AAK has during the past two years impressively decreased its production costs through a very strong focus on productivity improvements. I am however aware that these production improvements have been challenging to achieve.

Long term engagement
AAK is one of Melker Schörling AB's core holdings and in 2012, we increased our share holding in AAK to 35 percent – a move which reflects our commitment and belief in the long-term prospects of the company. I personally have great confidence in AAK, its management and its highly competent employees around the world and on behalf of the Board and all shareholders, I would like to thank everyone in AAK for their dedicated contributions to AAK during 2012. I look forward to 2013 which I expect to be another year of good progress at AAK.

Melker Schörling

Comments by Arne Frank, CEO and President

Despite a challenging global economy characterised by unpredictable and increasingly competitive market conditions, we can be relatively pleased with our 2012 performance.

Our interaction with key customers, improved profit and strong cash flow confirm that our business strategy is taking us in the right direction – and that we are on track to fulfilling our vision: to be our customers' first choice for value-added vegetable oil solutions.

Specialities driving success

During the year, we have further consolidated our position, as a supplier of speciality oils and fats solutions. We have also strengthened our position as a supplier of customer co-developed solutions. All this has come together as a win-win for all our stakeholders. As a result we have achieved particularly strong results within Food Ingredients, our largest business area, where our customised oils and fats solutions for Infant Nutrition represent one very fast-growing segment. Food Ingredients has also been particularly successful within the Bakery segment.

Although general market conditions and raw material prices, particularly for cocoa butter, during large parts of 2011/12 have put our Chocolate & Confectionery Fats business area to a tough test, we are encouraged by the results achieved given this challenging situation. In addition to our efforts within the business areas, our continued strong focus and execution of efficiency improvements has also been a valuable contributor to the 2012 result.

Speciality solutions that enable our food customers to improve the functionality, or nutritional profile of their products and often, at the same time, reduce their costs are the key drivers of our success. Our focus on speciality and semi-speciality solutions has, along with our engaged and professional teams, our strong and dedicated commitment to customer co-development and customer innovation, strengthened our position as a global market leader within our field. We believe this provide a strong foundation for continued customer satisfaction, competitiveness, organic growth in speciality and semi-speciality volumes and improved profit.

Food Service acquisitions

At the beginning of 2011, we launched our AAK Acceleration programme to support our speciality strategy. AAK Acceleration has three priority areas: Growth, Efficiency and People – all crucial aspects for our future development. We believe that AAK Acceleration is the foundation and provides the backbone for our way forward. For our business and for our organisation, it enables us to make the most of our opportunities, accumulated know-how and expertise.

Our 2012 acquisitions – Oasis Foods Company in the US and Danish Crown-Foods A/S – are a direct outcome of the programme's focus on one of the identified key business segments and selective acquisitive growth. Operating within the Food Service sector, these companies have broadened our semi-speciality portfolio and brought welcome expertise to our Food Ingredients business. Located in New Jersey, Oasis Foods also provides an excellent platform for business growth in the Food Service sector in the North American market.

Responsible growth
Whether growth is organic or acquisitive, we make great efforts to ensure it is always done in a sustainable way. Our responsibility towards the local communities where we operate, our customers, employees and the environment is an important part of our strategy and integral to our efforts to achieve our business targets. As an example, during 2012 we signed an agreement with the leading global beauty and personal care company L'Oréal to develop the local trade in shea kernels in remote villages in Burkina Faso, West Africa. We are aiming to increase the volumes and improve the quality of the raw material (shea) sourced there and at the same time secure improved living conditions of the local women in Burkina Faso working in this area. The agreement is linked to an initiative which will triple our local activities to include more than 30,000 women in Burkina Faso.

Simultaneously, our continuing efforts to enhance our resource efficiency are reflected in our improved environmental performance. This has, amongst other things, resulted in receiving the E-prize in Sweden.

Hurricane Sandy
On 29 October 2012, Hurricane Sandy, the worst storm in Northeast US for more than 100 years hit the shores of New Jersey and also hit our factory at Port Newark. The factory was severely flooded for several hours and had to be shut down for several weeks to be refurbished. After two months the factory was back to almost normal conditions and customers could be fully serviced again. We thank all our customers who were impacted by this for their patience with us and for their understanding of this force majeure like situation. We also thank our very dedicated and professional teams for their heroic efforts to so quickly getting us back on track again after such a severe event, in some cases despite also very difficult personal circumstances.

Developing our dedicated teams
It is the people who are the very key to the successful execution of a strategy in nearly every company. This is very much the case also for AAK. Our business is built upon the skills, the know-how, the experience, the motivation and the solution and development capabilities of our employees. The results achieved in 2012 demonstrate our people's dedication and hard work.

Having a committed, engaged and competent team is very essential as we look ahead, where still many opportunities and challenges remain on the horizon. Over the past year, we have continued to invest in additional customer innovation resources to further strengthen our customer co-development, as well as investments to strengthen our foothold in fast growing economies such as China and Brazil.

To promote the future and to further develop our organisation, we launched in 2012 our new AAK Commercial Graduate Trainee Program. The aim is to develop new talents for our business. These efforts will continue in 2013.

We also want to take the opportunity to sincerely thank all our stakeholders; customers, shareholders, board, our teams and our employees for the strong support you have shown during the year.

2013
The impact on our industry from the more difficult general economy in Europe is, as we all know, really difficult to predict. However, based on AAK's customer value propositions for health and reduced costs, our customer product co-development and solutions approach, and the AAK Acceleration program, we continue to remain prudently optimistic for the future. The main drivers are expected to be our strong Food Ingredients business and the expected recovery in our Chocolate & Confectionary Fats business.

Arne Frank

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

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.

We are now two years into our AAK Acceleration programme, following a thorough analysis of current and future markets, customer insights and our product portfolio. Based on our speciality strategy, the programme has three priority areas: Growth, Efficiency and People. Twelve priority projects are underway to address key opportunities within these areas.

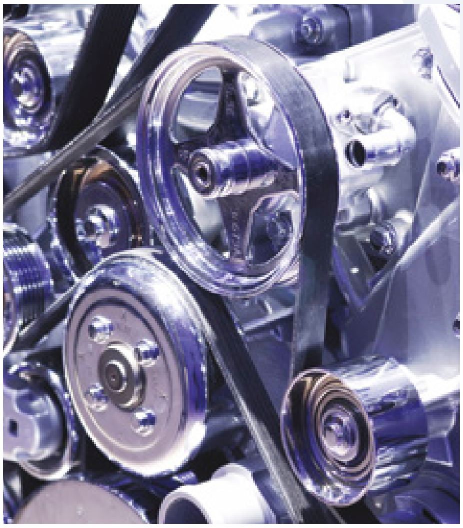
Seven of the projects are within Growth, underlining the importance we place on this area at AAK. With our innovative, speciality products, know-how, service and people, the necessary resources are in place to meet our growth objectives. We continue to expand our portfolio through investments in new product development and technical customer service for Bakery, Dairy, Chocolate & Confectionery Fats, Infant Nutrition and Food Service. While maintaining our focus on existing markets, we are investing in today's rapidly developing economies, such as Brazil and China. We believe strongly in organic growth, achieved by working in close partnership with our customers. We also pursue growth through acquisitions when we identify the right opportunities.

Our two Efficiency projects – Purchasing and Productivity – are 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 address the People area: Sales Management & Sales Processes, Mobilize Ourselves and Internal Communication. The full engagement and commitment of all our global employees are fundamental to implementing AAK Acceleration and achieving our business objectives.

Growth

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



Efficiency

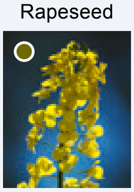
8. Purchasing
9. Productivity

People

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

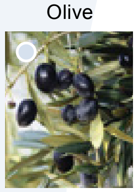
The business model – speciality vegetable oils and fats

Rapeseed

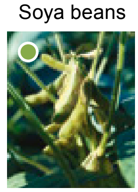


Palm

Olive

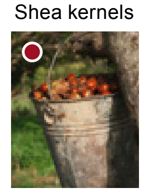


Soya beans

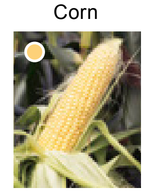


Sunflower

Shea kernels



Corn



Coconut

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 12 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 strong fit with market and customer demands and to take advantage of the latest technologies.

Supporting our strong focus on customisation, we operate a highly flexible production process. This enables us to respond to specific customer needs for functionality, 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.

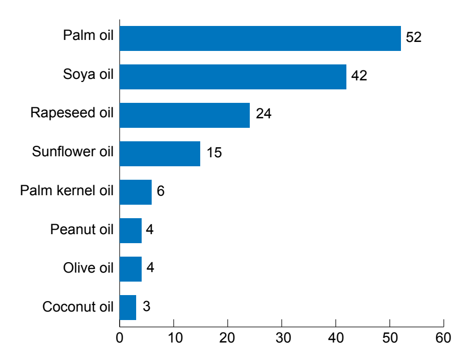
Natural raw materials

Our raw materials are obtained from rapeseed, palm kernel, 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 our 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 2012*



* Preliminary figures.

Source: OIL WORLD Statistics Update Dec. 14, 2012

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 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, 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 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.

Health trends
Developing fats with special properties involves continuous work to bring to market products with characteristic functionalities 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 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 fat, and are either low or very low in saturated fats. In many countries, health authorities actively encourage consumers to reduce their consumption of saturated and trans fat.

Corporate 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 the delivery of final products at our customers' plants. Our proactive 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 GreenPalm 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 promote sustainability and responsibility right through the vegetable oil supply chain. Our initiatives to improve the quality of life for the West African women who gather the wild-growing shea kernels – one of our key raw materials – have also been widely recognized.

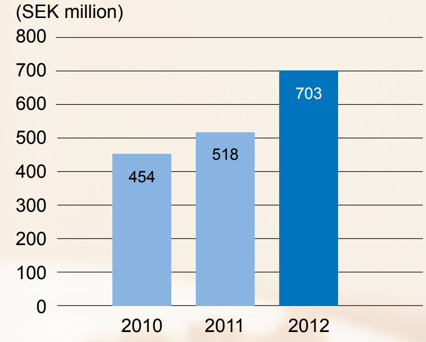
Business Area – Food Ingredients

Food Ingredients

(SEK million)	2010	2011	2012
Net sales	8,667	10,076	10,729
Operating profit	454	518	703
Operating profit per kilo, SEK	0.53	0.62	0.75
Volumes, thousand tonnes	861	831	937

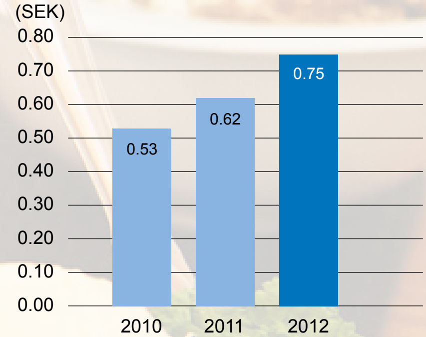
Operating profit

(SEK million)



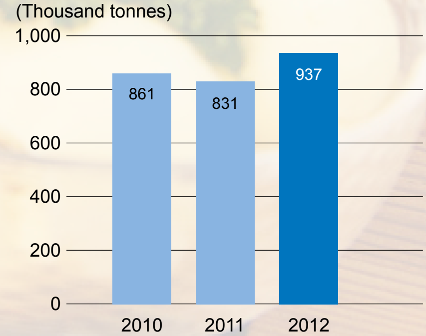
Operating profit per kilo

(SEK)



Volumes

(Thousand tonnes)



The largest AAK business area, Food Ingredients recorded another successful year in 2012 with strong growth in all major segments and record high operating profit. Through our market-responsive and health-oriented solutions, we continue to demonstrate our ability to meet customer needs.

Innovative solutions, continued customer co-development, consistent quality and high service levels have consolidated our position as the first choice for vegetable oil solutions across a wide global customer base. Particularly our fast responsiveness to the changing requirements of the food industry has enhanced our customer relationships and our competitive edge. Market change is the driver for creating renewed value-added solutions for our customers. Continued use of such change is an important means for us to generate future growth.

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, which is both high in omega-3 and has the lowest saturated fatty acid content of any oil, are excellent for creating healthier, functional oil soulutions. 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 continues to drive the development of products with more added value. Growing recognition of high oleic rapeseed oil as a source of unsaturated vegetable oil brings wider opportunities to develop customised 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

Infant nutrition remains our fastest-growing market segment within Food Ingredients. High demand for customised blends of speciality oils and fats for premature and first-stage formulas has enabled us to extend our share of this fast growing market dramatically. In particular, sales of InFat™ have grown rapidly in Europe and the Far East. This structured lipid component for infant formulas is sold through Advanced Lipids, the joint venture between AAK and Enzymotec. Our proven record of being a trustworthy reliable supplier in the Infant Nutrition segment will enable us to grow further in a strong way.

A competitive market

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

In segments that require specialised capabilities and knowledge, however, we benefit greatly from our cutting-edge position within 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 a clearer focus on our sales and market development activities, enabling us to exploit our strengths and increase our competitiveness.

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 speciality product sales.

New products

The extension of our Dairy, Bakery and Food Service product ranges has strenghtened our unmatched performance in all these food segments. Providing solutions with minimum saturated fats at no expense to physical characteristics, we have gained an excellent platform for improving the health profile of many customer products.

New additions as non-hydrogenated, non-trans and increased levels of low saturated fats have supported our business in a significant way. These are all clear examples of how new product development in close collaboration with customers can create clear value-added solutions.

Regional markets

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

The Central and Eastern European markets are still dominated by intense competition and the effects of the global financial crisis. Despite these tough market conditions, we have maintained our strong position.

In the UK, we have adapted our local strategy to the global AAK strategy. Our principal operation is at our plant in Hull, while AAK Food Service operates out of Runcorn. AAK strengthened its position in Food Service by acquiring the Danish company Crown-Foods A/S. Crown-Foods is a Scandinavian market leader producing sauces and dressings for Scandinavian Food Service customers, which strengthens our ability to supply a broader portfolio of Food Service products.

Mexico
AAK Mexico has gained a strong and solid momentum in most of its business areas during the year. Our non-stop evolution towards high-value solutions that meet today's health trends has progressively enhanced our position as a reliable, high quality supplier.

In responding to the continuous, fast changes in Mexican food industry demands, we have become a company that thinks ahead. Consequently, our forward-looking investments have supported our leading position in product innovation and as a value-added solutions provider.

Today, AAK Mexico not only works to meet customer expectations fast and efficiently. We also aim to stay one step ahead of them, just as we have done in the past by pioneering solutions with zero trans fatty acids and low saturated fat solutions.

In a frame of high level quality and service, AAK Mexico will continue to look upon the future from a perspective of innovation supported by a wide range of solutions in our portfolio.

USA
2012 marked a milestone year for AAK US. At the Port Newark site in New Jersey the volume and sales continued to develop very nicely. Our site in Louisville, Kentucky also received numerous supplier awards and, for the first time, British Retail Consortium (BRC) certification. BRC is one of the food safety auditing schemes certified by the Global Food Safety Initiative.

The acquisition of Oasis Foods Company, based in Hillside, New Jersey, broadened our portfolio within the Food Service category, adding to our geographic strength for the second year in a row.

AAK US continues to offer value-added, speciality solutions, outstanding customer service and excellence in innovation and production. Our R&D team continues to meet the demands for outstanding high performing products, while our production team continues to achieve excellence delivering the solution to the customer.

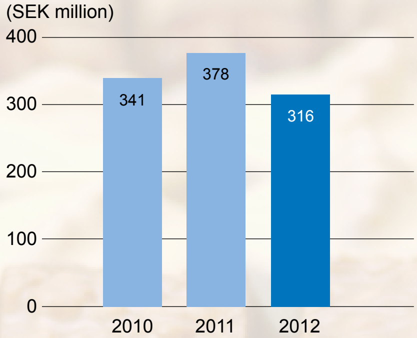
Business Area – Chocolate & Confectionery Fats

Chocolate & Confectionery Fats

(SEK million)	2010	2011	2012
Net sales	4,474	4,954	4,583
Operating profit	341	378	316
Operating profit per kilo, SEK	1.14	1.18	1.02
Volumes, thousand tonnes	298	320	309

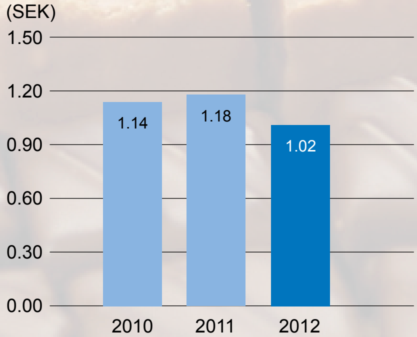
Operating profit

(SEK million)



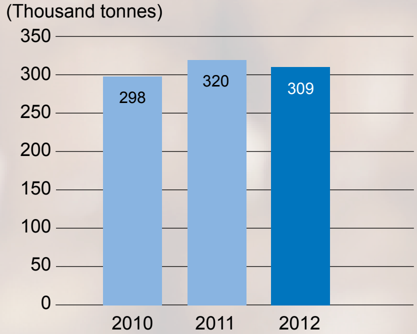
Operating profit per kilo

(SEK)



Volumes

(Thousand tonnes)



Speciality products for chocolate and confectionery

Chocolate & Confectionery Fats continues to follow the AAK Acceleration strategy where one of the priority projects is to achieve organic growth within the business area. 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. In 2012 market conditions were challenging with strong pressure on both volume and prices.

Solutions for the chocolate industry
Based on the market and customer needs, we offer a wide product portfolio. Many of our new product launches are developed and customised 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.

Recognising the regional variations in the functionalities our customers seek, we strive to adapt our solutions to create the greatest possible benefit for our customers' business and to the end users' chocolate experience. 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 laboratories, where we work with customers and suppliers. AAK offers technical service to our customers to optimise their use of our solutions in their factories. We often organise academies for our 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 are free of trans fats and low in saturated fats. Today, most of our products are completely without trans fats.

Global growth
We are focusing on maintaining and developing our good and strong relations with our 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 accounts and regional leaders within the confectionery industry. As we continue to expand our worldwide organisation, 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 urbanisation and a higher level of health awareness. Here, new innovations characterise 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 for every customer´s taste and need
Our products and value-creating solutions offer our customers the opportunity to differentiate their confectionery products to make them preferred by consumers. We offer a customised 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 crystallisation
- CHOCOFILL™/ DELIAIR™ – Filling Fats for customised 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.

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

Shea – a highly important raw material from West Africa
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. This amongst others means we now also obtain direct supplies from thousands of rural women in Burkina Faso and Ghana.

The fluctuating cocoa market
We have witnessed a high volatility within the cocoa butter and cocoa powder market during 2012. Cocoa butter has now more than doubled in price since the lows in the first half of 2012 and is now back to historically seen more normal levels. For further information regarding cocoa and cocoa butter, please refer to information at www.icco.org.

Functional ingredients for beauty and personal care

AAK develops and sells functional lipids for use in skin care, hair care, colour cosmetics and various personal care products. Our Lipex® range is appreciated for its moisturising and softening ability and positive effect on skin health.

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

Our global market

The beauty and personal care industry is international. 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 Lipex® all over the world.

Changing market trends

A growing number of consumers make daily use of beauty and personal care products. Main drivers of this trend are economic development in Asia and South America, and the rising interest in 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 from natural raw materials

The Lipex® product line is 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 recognised for its skin softening and moisture-retaining properties while its anti-inflammatory function contributes valuable skin healing and protecting effects.

Other Lipex® 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 brings true customer value

Our product range is under constant development in close consultation with our customers. Drawing on the technical and commercial insights our customers provide, we are able to shape a well-considered response to market trends.

Much of our product development focuses 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.

At AAK, we enhance the power of nature, with the objective of creating new, attractive ingredients that open new opportunities for our customers.

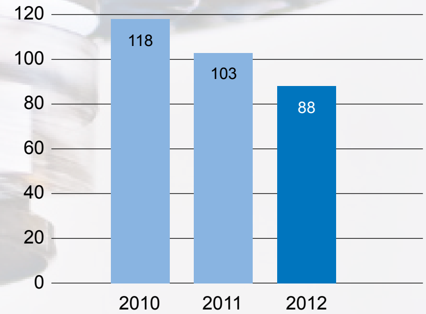
Business Area – Technical Products & Feed

Technical Products & Feed

(SEK million)	2010	2011	2012
Net sales	1,667	1,665	1,599
Operating profit	118	103	88
Operating profit per kilo, SEK	0.42	0.37	0.33
Volumes, thousand tonnes	282	275	265

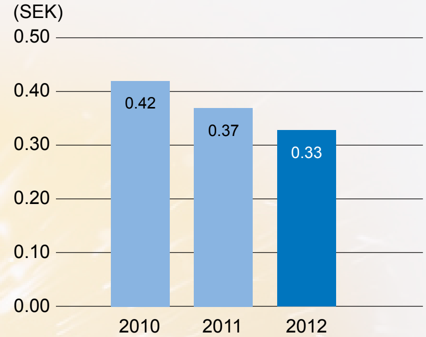
Operating profit

(SEK million)



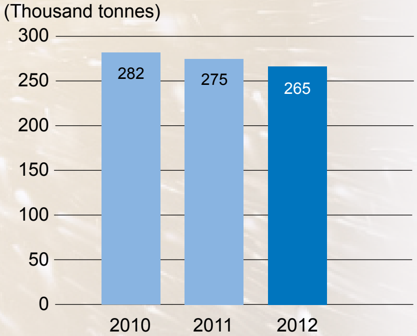
Operating profit per kilo

(SEK)



Volumes

(Thousand tonnes)



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, for example, our biodegradable lubricating products for logging machinery minimise the discharge of pollutants. Candles are another 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 and is guaranteed salmonella-free. With the exception of our Binol range, technical and feed products are made from the residual fractions that remain after food oil production. 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 in the form of fatty esters and amines go into a broad range of industrial oleochemical applications. Other important application areas include paper chemicals, soap, surfactants, rubber and plastics. Consumers also gain direct benefit when they buy stearine candles which, based entirely on fatty acid, are a sustainable alternative to paraffin wax.

Glycerol is used in a diversity of products, for instance cosmetics, explosives, paint, concrete and anti-freeze applications.

At present, the market for fatty acids and glycerol is undergoing a major consolidation process, which will inevitably lead to fewer, 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.

Technical oils – biolubricants

Our 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.

Within the metal-working industry the replacement of mineral oil with renewable Binol products generates a significantly better working environment, in addition to improved lubrication performance and reduced overall cost. Increasing environmental awareness has a positive impact on sales.

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. 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.

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 exposure.

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 a considerable distance from our production plants and markets, transport costs are an important factor. Particularly the potential impact on margins of the growing demand for environmentally-acceptable transport methods. Competition in commodities is fierce.

The processing industry

AAK is part of the processing industry. However, the company is not only driven by volumes. Improvements in results are also achieved through 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 analyse potential growth in good time. In the meantime, it is possible to balance production among our 12 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. AAK has insurance cover for loss of margins and other consequences of 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, 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 and Asia, 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 situation

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 greater added value. These include confectionery products and cosmetics, as well as value-added ingredients for the bakery, dairy and infant nutrition industries.

The health debate

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, with 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 commercialising new products.

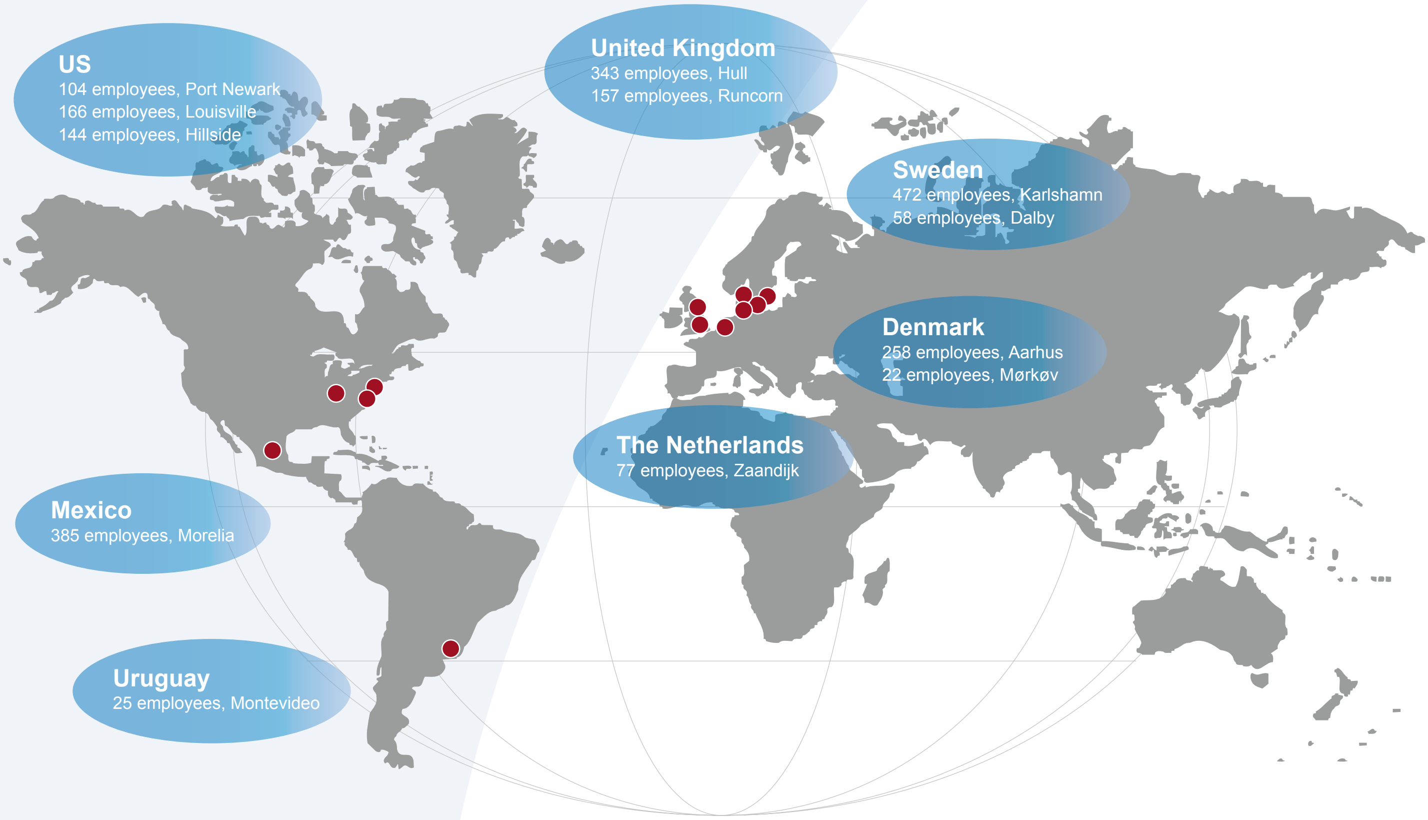
Regulatory measures also pose a risk. Active involvement in CSR-related issues is, therefore, becoming increasingly important to forestall legislation on issues that are a natural development of human requirements.

High level of competence

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.


AAK

Employees



Our people are key to our success

With employees in more than 25 countries on five continents, AAK is a truly global operation. Today we have 12 production sites in seven countries and a global procurement and sales organisation. Organic growth and acquisitions are expanding that global presence. In 2012, we were pleased to welcome 160 new colleagues from Oasis Foods Company (US) and 20 from Crown-Foods (Denmark) to the AAK family.

AAK had an average 2,211 employees in 2012, the majority (75 percent) were employed on permanent contracts. The remaining were temporary employees, apprentices, agency staff and at-will employees. During the year, the number of employees increased slightly, mainly due to acquisitions. With the closure of our site in Oldham (UK) and continuous restructuring of other European sites, we also had to say farewell to a number of employees. We thank each and every one of them for their dedicated efforts for AAK and wish them the best of luck in their future endeavours.

Safety comes first

To ensure a safe workplace and a strong safety culture throughout AAK, the safety organisations have been further strengthened with a stronger focus on eliminating potential risks. We conduct continuous safety checks, including 'near incident' investigations, and have working environment and safety management systems at all our production sites. These include extensive safety awareness training, target adoption, risk identification and continuous result follow-up. 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 health and safety efforts follow national legislation, international regulations, comparisons with industry standards and our own AAK requirements.

Performance reviews and training

Aligning all our efforts is key to reaching the AAK growth objectives. To ensure objectives are aligned throughout the organisation, a new global Performance and Development Plan (PDP) has been introduced. As part of the PDP, all employees discuss last year's performance and objectives with their manager. New performance objectives are then 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 programme.

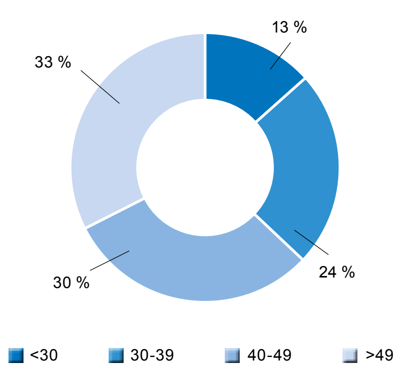
In 2012, special attention was given to training our commercial organisation. This included running a global sales training programme along with a number of technical training courses – all aimed at helping our team improve their ability to identify customer opportunities and create more value for our customers.

The first trainees were also enrolled on our new 12-month Commercial Graduate Trainee Programme. During the programme, they will gain a deep insight into both the operational and commercial value chain as well as receive formal training.

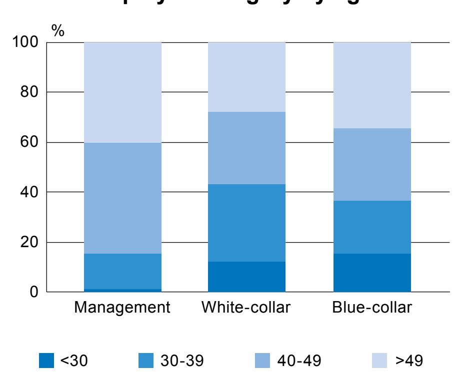
Communication drives execution

Strong dedication to internal communication is vital to ensure engaged and committed employees who understand both the company objectives and the link with their 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.

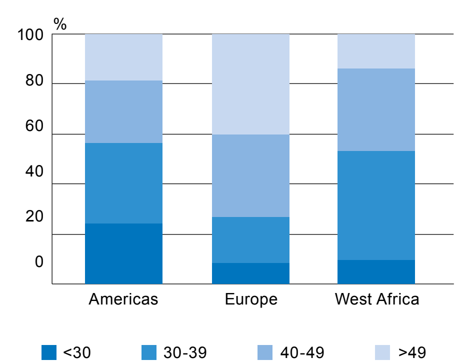
Employee distribution by age



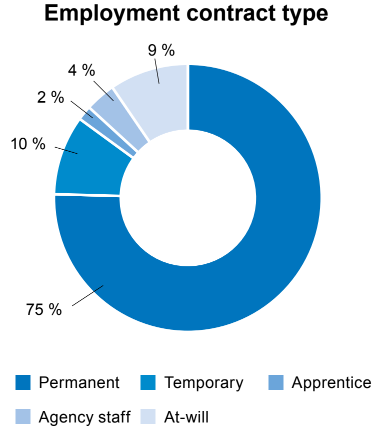
Employee category by age



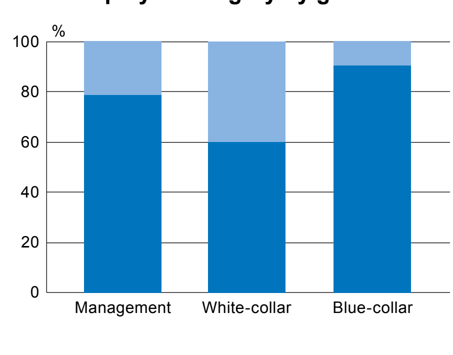
Employees by age



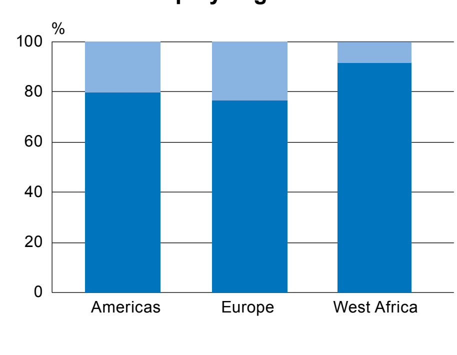
Employment contract type



Employee category by gender



Employee gender



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.

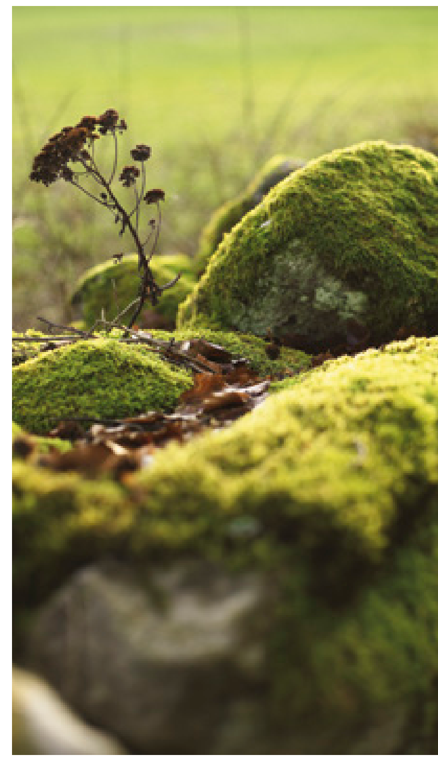
Since the global CSR organisation was established in early 2007, the principal objective has been to ensure diversity in the local teams that are central to our CSR work. The teams cover competences within human resources, health, safety & environment, finance, sourcing, operations and sales.

At our 12 production sites, the teams consist of five to ten people led by a CSR team leader. The teams at our 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, eight of our production sites are now members of Sedex (Supplier Ethical Data Exchange). All of them have completed ethical audits, the audit reports being obtainable via the Sedex platform. This allows our customers to look over our shoulder and assess our ethical performance.



CSR organisation

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. Now fully implemented among our employees, 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 make a real difference is through 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 – have enabled us to create opportunities to enhance their living and working conditions. A two-year project has been initiated that will increase the number of women with whom we trade directly from the present 10,000 to 30,000.

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.

Two years ago we started rolling out the AAK Supplier Code of Conduct to all our direct raw material suppliers. More than 95 percent of suppliers have implemented the code.

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

"We execute our AAK Acceleration program with a strong focus on sustainable raw materials, resource efficiency and employee safety, to the benefit of all our stakeholders."

Fredrik Nilsson
Director Group Controlling & Investor Relations.

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. Despite our strategy to produce more refined products, we have successfully reduced energy and water consumption and CO_2 emissions per unit produced.

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. Particularly we have focused on transferring waste from landfill to more environmentally friendly reuse, recycle or recovery. Our objective for 2015 is that 98.5 percent of waste should go to reuse, recycle or recovery. We have already exceeded 98 percent.

Workplace

While our Code of Conduct guides our everyday activities, Performance and Development Plans are fundamental to our working life. 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 build our activities on local decision-making based on needs assessment.

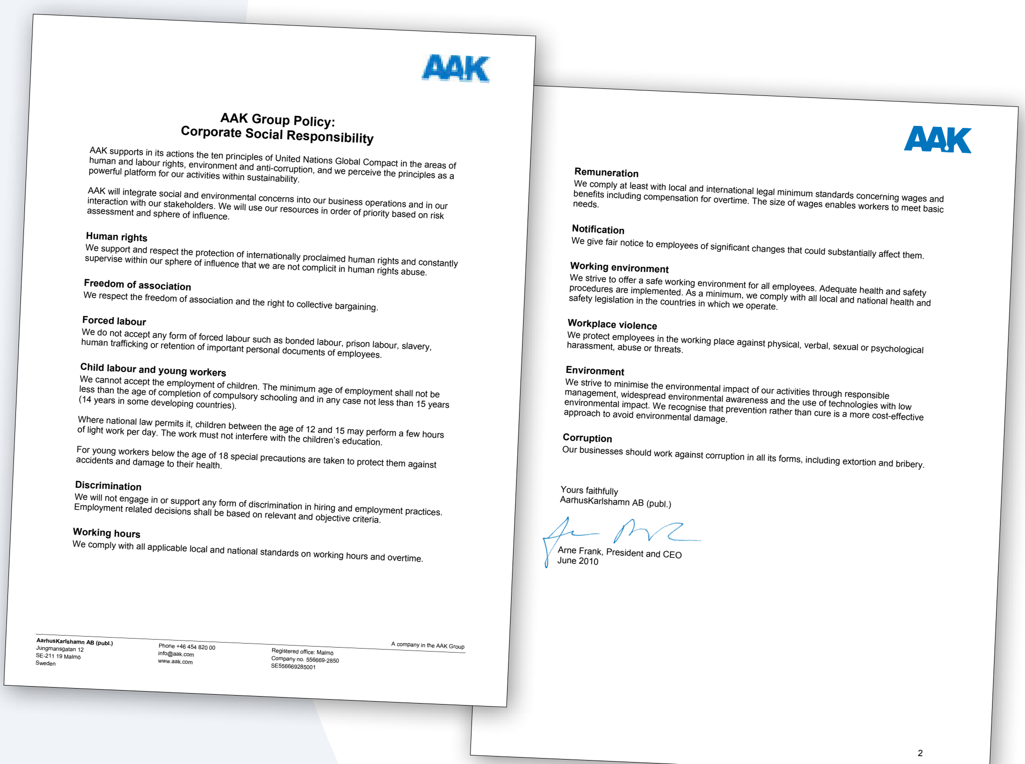
Community

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 ongoing input from and dialogue with our stakeholders in respect of our CSR approach, including their assessment 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 "social licence to operate" that is essential to us as a company and as a player in local business life.



AAK

AAK Group Policy:
Corporate Social Responsibility

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

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

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

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

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

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

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

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

Discrimination
We will not engage in or support any form of discrimination in hiring and employment practices. Employment related decisions shall be based on relevant and objective criteria.

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

AarhusKarlshamn AB (publ.)
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info@aak.com
www.aak.com

Registered office: Malmö
Company no. 556669-2850
SE556669285001

A company in the AAK Group

AAK

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

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

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

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

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

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

Yours faithfully
AarhusKarlshamn AB (publ.)

Arne Frank, President and CEO
June 2010

2

Board of Directors

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 Business and Economics.
Professional background: CEO of a number of companies, including Securitas AB 1987-1992 and Skanska 1993-1997.
Other directorships: Hexagon AB, Securitas AB and HEXPOL AB and member of the Board of Directors of Hennes & Mauritz AB.
Number of shares: MSAB holds 14,318,350 shares (35.0 percent) in AAK.

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 SA, Chairman and CEO of 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: 264,550.
Stock options: 80,000.

Carl Bek-Nielsen
Vice Chairman.
Elected in: 2005.
Born: 1973.
Nationality: Danish.
Main occupation: Chief Executive Director and Vice Chairman at 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. Member of the Board of Directors of MSAB.
Number of shares: United International Enterprises Ltd holds 1,363,406 shares (3.3 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: United International Enterprises Ltd holds 1,363,406 shares (3.3 percent) in AAK.

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.
Number of shares: 8,000.

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.

Ulrik Svensson
Elected in: 2007.
Born: 1961.
Nationality: Swedish.
Main occupation: CEO Melker Schörling AB.
Qualifications: BSc 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.

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.

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.

Auditor

PricewaterhouseCoopers AB

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

Group Management

Arne Frank
Employed: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation: President and CEO AarhusKarlshamn AB.
Qualifications: MSc. Industrial Engineering and Management.
Directorships: Chairman of the Board of Contex Holding A/S and member of the Board of Directors of Alfa Laval AB (publ.).
Number of shares: 2,000.
Share options: 264,550.
Stock options: 80,000.

Peter Korsholm
Employed: 2012.
Born: 1971.
Nationality: Danish.
Main occupation: CFO (Chief Financial Officer). Vice President AarhusKarlshamn AB.
Qualifications: MBA, MSc. Econometrics and Mathematical Economics, BA Economics.
Directorship: Member of the Board of Maj Invest A/S.
Number of shares: 0.
Stock options: 130.000.

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.

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.

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.

Hal Grant
Employed: 2012.
Born: 1960.
Nationality: American.
Main occupation: Interim President AAK USA.
Qualifications: Phd., MSc. Industrial Management and BSc. Mechanical Engineering.
Number of shares: 0.
Stock options: 0.

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

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

AAK's Glossary

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

Amino acids – Acids containing ammonia, protein building blocks.

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

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

CBE (**C**ocoa **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.

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 palmkernel oil.

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

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

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

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

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

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

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

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

InFat™ – A speciality fat for infant formulas.

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

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

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

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

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

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

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

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

Saturated fats – Popular name for saturated fatty acids.

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

Snacking – Snacking is a habit of eating between regular meals and covers everything from beverages, fruit, cookies and chocolates.

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

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

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

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

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This document is a translation of the Swedish language version. In the event of any discrepancies between the translation and the original Swedish AAK report 2012, the latter shall prevail.

Notes

AAK

The first choice for value-added vegetable oil solutions

Published by AarhusKarlshamn AB, Sweden. Produced by AAK Corporate Communication.
Graphics and original: www.johnjohns.se. Photography: www.benfoto.se, AAK, Futureimagebank, Matton, Fotosearch. Print: Kaigan AB.

AAK Annual Report 2012

Contents

All amounts are denominated in SEK million unless otherwise stated.

Directors' Report

For the financial year 1 January to 31 December 2012

The Board of Directors and the Chief Executive Officer of AarhusKarlshamn AB (publ), corporate identity number 556669-2850, with its registered office in Malmö, herewith present the Financial Statements for the financial year January - December 2012 and Consolidated Financial Statements for the financial year 1 January - 31 December 2012.

Performance and financial position

- Net sales increased by SEK 216 million to SEK 16,911 million (16,695), largely as a result of acquisitions carried out, an improved product mix and a positive currency translation effect of SEK 97 million. Volumes increased by 6 percent compared with 2011, primarily as a result of acquisitions, increased focus on speciality and semi-speciality products, as well as a reduction in commodity volumes, particularly in the UK, but also in Scandinavia.
- Operating profit amounted to SEK 975 million (911), an improvement of 7 percent.
- Operating profit, adjusted for the effect of Hurricane Sandy and before acquisition-related expenses, reached a record high of SEK 1,003 million (918), an improvement of 9 percent. The currency translation effect was negligible.
- Cash flow from operating activities amounted to SEK 1,539 million (289), which included a substantial improvement in working capital of 589 million (negative 613).
- Earnings per share were SEK 15.66 (14.72), an increase of 6 percent.
- The proposed dividend amounted to SEK 5.25 (4.75), an increase of SEK 0.50 or 11 percent.

The Company's largest business area, Food Ingredients, reported a record operating profit, adjusted for the effects of Hurricane Sandy, of SEK 703 million (518), improvement of 36 percent. Operating profit per kilo increased from SEK 0.62 to SEK 0.75, an improvement of 21 percent. The business area Chocolate & Confectionery Fats reported a decrease in volume of 3 percent and continued pressure on margins as a result of the low price of cocoa butter. Operating profit adjusted for the effect of Hurricane Sandy decreased from SEK 378 million to SEK 316 million. Operating profit for the company's smallest business area, Technical Products & Feed, was SEK 88 million (103) as a result of challenging market conditions and high raw material prices.

The Group's profit after financial items amounted to SEK 866 million (816). Net financial items amounted to negative SEK 109 million (negative SEK 98 million). This increase was primarily due to increased interest expense. Income tax (deferred tax) during the year was affected by a positive one-off effect of SEK 20 million as a result of the reduction in Swedish corporation tax from 26.3 to 22 percent. The Swedish tax reduction is not expected to have any significant impact on AAK's average tax rate in the future.

The equity/assets ratio was 40 percent as of 31 December 2012 (36 percent as of 31 December 2011). Consolidated net debt as of 31 December 2012 was SEK 2,521 million (SEK 3,141 million as of 31 December 2011). On 31 December 2012, the Group had total credit facilities of around SEK 5,600 million.

Cash flow from operating activities before changes in working capital amounted to SEK 950 million (902). Working capital decreased by SEK 589 million (in the preceding year, working capital increased by SEK 613 million) primarily as a consequence of a successful capital rationalisation programme, along with lower raw material prices. Cash flow from operating activities, including changes in working capital, amounted to SEK 1.539 million (289). After investments, including the acquisitions of Oasis Foods Company (Oasis) in the USA and Crown-Foods A/S (Crown) in Denmark, cash flow amounted to SEK 745 million (negative 381).

The Group's net investments in non-current assets and business combinations totalled SEK 794 million (670), mainly comprising ongoing maintenance investments and the acquisitions of Oasis and Crown.

Hurricane Sandy

AAK's two plants in New Jersey, US, were shut down temporarily on 29 October as a result of Hurricane Sandy. No personnel were injured at either of the facilities. The production at the Oasis Foods plant restarted on 5 November 2012. The factory in Port Newark restarted at reduced capacity on 26 November 2012, and had returned to almost full capacity by the end of the year. AAK has insurance policies which cover damage to property and business interruptions. The negative impact on operating profit of Sandy was estimated to amount to SEK 21 million, representing among other things estimated self deductible amounts and qualifying periods. The effect on Food Ingredients' operating profit has been estimated at SEK 6 million, and on Chocolate and Confectionery Fats at SEK 5 million. The estimated additional effect on the Group functions was SEK 10 million. The reported volumes have been adjusted to take account of the lost deliveries covered by insurance compensations, to reflect normalised operation. Additional insurance claims will be submitted during 2013. AAK has insurance which covers business interruptions for 24 months, and it is, therefore, not likely that the final claims adjustment will be made until after the end of financial year 2013.

Operations and significant events

Business Areas

Our 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 in both Europe and North America, but will gradually strengthen its positions in other regions. Two acquisitions were made during the year, Oasis Foods Company and Crown-Foods A/S.

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

Technical Products & Feed has a strong local position in Northern Europe and will continue to focus its growth efforts in these geographical segments through its given location at the Karlshamn factory in Sweden.

AAK's focus on growth and productivity

The AAK Acceleration programme which was launched in the autumn of 2010 is based on our specialisation strategy, but with great focus on practical implementation, as well as growth and earnings improvement in the medium and long term.

AAK Acceleration has continued to generate very positive effects in 2012, in terms of organic growth in speciality products, acquisition-based growth and increased productivity.

AAK has increased its production capacity in Infant Nutrition

During the year, AAK expanded its production capacity for InFat™ at the company's factory in Karlshamn. The product has been successfully introduced to the Infant Nutrition industry by Advanced Lipids, a joint venture between AAK and Enzymotec. InFat™ is produced using an unique enzymatic interesterification process, and has proved to be a highly effective and welcome ingredient in infant formulas.

AAK and L'Oréal signed agreement to develop sustainable trade in shea kernels

AAK and L'Oréal, one of the world's leading companies in cosmetics and personal care, signed an agreement during the year to develop the trade in shea kernels. AAK's aim is that the agreement will increase volumes and improve the quality of the raw materials, and will also lead to better living standards for women in Burkina Faso, in West Africa. The agreement is linked to an initiative which AAK announced during 2012, which will triple the company´s activities in the area and will involve more than 30,000 women in Burkina Faso.

Acquisition of Oasis Foods Company and Crown-Foods A/S

During the second quarter of 2012 AAK strengthened its position in the North American Food Service market by acquiring Oasis Foods Company (Oasis).

Oasis provides an expansive variety of quality products such as edible oils, margarine, spreads, shortenings, mayonnaise, sauces and vinegars.

Founded in 1975 Oasis employed approximately 160 people at Hillside, New Jersey, US and had revenues of approximately SEK 925 million in 2011.

Oasis is a well-run company and it represents an excellent platform for our North American ambitions. The company´s wide variety of established Food Service products and brands significantly broadens AAK's product offerings in one of the largest food service markets in the world. The New Jersey location close to our Port Newark plant provides easy access to some of the largest population centres in the country.

During the second quarter of 2012 AAK also strengthened its position in the Scandinavian Food Service market by acquiring Crown-Foods A/S in Denmark (Crown). The acquisition will strengthen AAK's ability to supply a broad portfolio of Food Service products to Scandinavian customers.

Crown is a local market leader producing sauces and dressings. Founded in 1988 and located in Mørkøv, Denmark, Crown employed approximately 20 people and had a turnover of approximately SEK 60 million in 2011.

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 net assets.

Planned dividend policy

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

Significant events after the end of the reporting period

No significant events occurred subsequent to year-end.

Concluding comments by the President

The impact on our industry from the more difficult general economy in Europe is, as we all know, really difficult to predict. However, based on AAK's customer value propositions for health and reduced costs, our customer product co-development and solutions approach, and the AAK Acceleration program, we continue to remain prudently optimistic for the future. The main drivers are expected to be our strong Food Ingredients business and the expected recovery in our Chocolate & Confectionary Fats business. The performance of the Chocolate & Confectionary Fats business is expected to stabilize in the first part of 2013 and, provided the cocoa butter price remains at the current more normal level, it is expected to start improving significantly during the second half of 2013.

Nomination Committee

In preparation for the Annual General Meeting for 2013, the Nomination Committee has proposed the re-election of Melker Schörling, Märit Beckeman, Ulrik Svensson and Arne Frank, and the election of Märta Schörling and Lillie Li Valeur. Carl Bek-Nielsen, Martin Bek-Nielsen, Mikael Ekdahl and Harald Sauthoff have declined re-election. The Nomination Committee proposes, in addition, that Melker Schörling be re-elected Chairman of the Board. In total, the Nomination Committee represents 56 percent of the shares and votes in AAK as at 31 December 2012.

AAK's Nomination Committee for the Annual General Meeting 2013 consists of:

- Mikael Ekdahl (Chairman), BNS Holding AB
- Carl Bek-Nielsen, United International Enterprises Ltd. (represented BNS Holding AB until July 2012)
- Henrik Didner, Didner & Gerge Fonder
- Åsa Nisell, Swedbank Robur Fonder
- Lars-Åke Bokenberger, AMF Fonder

Share capital and ownership structure

The total number of shares in AAK as of 31 December 2012 was 40,898,189. There is one class of shares in AAK, and each share entitles the holder to one vote. There are no limits as regards to how many votes each shareholder may cast at an Annual General Meeting. Nor are there any limitations regarding the transfer of the shares resulting from provisions in law or in the Articles of Association.

Of the Company's shareholders, only BNS Holding AB has a shareholding which represents at least one-tenth of the number of votes of all shares in AAK. The largest shareholder in BNS Holding AB is Melker Schörling AB (publ) which, on the date of the 2012 Annual General Meeting, held

58.5 percent of the shares and votes in BNS Holding AB. On 20 July 2012, Melker Schörling AB (publ) acquired the remaining shares and votes in BNS Holding AB. As part of the transaction, BNS Holding AB transferred shares equivalent to approximately 5 percent of the shares and votes in AAK. BNS Holding AB's shareholding as at 31 December 2012 amounted to 35 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.

Ownership circumstances are described further in the section on the AAK Share, page 56-57.

Articles of Association

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

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

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

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

Guidelines for remuneration of senior executives

Guidelines for the remuneration of the CEO and other senior executives were established by the 2012 Annual General Meeting. No deviations from these guidelines have been made. The Board of Directors of AAK proposes that the 2013 Annual General Meeting adopt the same guidelines for 2013 as 2012 for the remuneration of senior management, but with an adjustment so that the variable portion of salary shall comprise no more than 70 percent of the fixed salary instead of 60 percent, which was set as a cap in the guidelines adopted by the 2012 AGM. The present guidelines are contained in Note 8 Remuneration of the Board of Directors and Senior Executives.

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

Product development

Please refer to page 11 and 17 in AAK Report for 2012 for further information concerning the Group's product development by business areas.

Environment

The environmental impact from our plants includes emissions of odorous substances, solvents, smoke and gases into the atmosphere, as well as discharging fats, oxygen-consuming material, and nutrients into 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 continual process which is conducted within the framework of operational management and forms a natural part of the day-to-day monitoring of operations.

For more detailed information, please refer to the section on Risks on pages 18-19, in AAK's Report 2012 and Note 3 Financial Risk Management.

External risks

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

Operational risk

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

Financial risk

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

Corporate Governance Report

For information on the composition and work, etc., of the Board of Directors, see the Corporate Governance Report on page 47-52.

Parent

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 Parent's invoicing in 2012 amounted to SEK 50 million (47).

Profit after financial items amounted to SEK 120 million (111). Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets were SEK 626 million (SEK 101 million at 31 December 2011). Investments in intangible assets and property, plant and equipment amounted to SEK 0 million (0).

The Parent had a total of 17 (13) employees at 31 December 2012.

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

Background to and explanation of the proposed dividend

The Board of Directors has proposed that the 2013 Annual General Meeting approve an appropriation of profits under which the shareholders will receive a dividend of SEK 5.25 per share. The proposed dividend therefore totals SEK 215 million. The objective for the dividend in the long term is to correspond to 30 - 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 §14a of the Swedish Annual Accounts Act (1995:1554). The Board of Directors hereby makes the following statement regarding the proposed dividend, in accordance with Chap. 18 § 4 of the Swedish Companies Act (2005:551).

Retained profits from the previous year total SEK 3,490 million and the profit for the 2012 financial year totals SEK 116 million (SEK 647 million for the Group). Provided that the 2013 Annual General Meeting approves the Board's proposed appropriation of profits, a total of SEK 3,392 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 economic situation.

In the view of the Board, the Company and the Group are in a position and have the capacity, in both the short and long term, to meet all their obligations. The proposed dividend represents a total of 5.3 percent of the Company's equity and 5.5 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 53 percent and 38 percent, respectively. These ratios are good in relation to other businesses in our industry. The Board of Director's judges that the Company is in a good position to meet future business risk as well as withstand possible losses. Distribution of the dividend will not negatively affect the ability of the Company to make further 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 8 May 2013, and it is estimated that the dividend will be received by the shareholders on 14 May 2013.

Proposed appropriation of earnings

The Board of Directors and Chief Executive Officer propose that

The disposable profit brought forward	SEK	3,490,381,079
profit/loss for the year	SEK	115,893,943
Total	SEK	3,606,275,022

be appropriated as follows:

To be distributed to shareholders, a dividend of SEK 5.25 per share	SEK	214,715,492
To be carried forward	SEK	3,391,559,530
Total	SEK	3,606,275,022

The consolidated and Parent's financial statements will be presented for adoption by the Annual General Meeting of the Shareholders on 3 May 2013.

Consolidated Income Statement

SEK million	Note	Jan-Dec 2012	Jan-Dec 2011
Net sales	28	16,911	16,695
Other operating income	10	108	106
Total operating income		**17,019**	**16,801**
Raw materials and consumables and changes in inventories of finished goods and work in progress		-12,807	-12,866
Goods for resale		-581	-484
Other external expenses	5, 29	-1,173	-1,077
Employee benefits expense	6, 7, 8, 9	-1,119	-1,099
Depreciation, amortisation and impairment loss	15, 16	-347	-350
Other operating expenses		-17	-11
Total operating expenses		**-16,044**	**-15,887**
Operating profit		**975**	**914**
Result from financial items	11		
Financial income		16	12
Financial expenses		-125	-110
Net financial items		**-109**	**-98**
Profit before tax		**866**	**816**
Income tax	12	-219	-212
Profit for the year		**647**	**604**
Attributable to:			
Non-controlling interests		7	2
Parent company shareholders		640	602
		647	**604**
Earnings per share from profits attributable to the Parent's shareholders (SEK per share) – before and after dilution	13	15.66	14.72

Consolidated Statement of Comprehensive Income

SEK million	Note	Jan-Dec 2012	Jan-Dec 2011
Profit for the period		647	604
Translation differences		-98	-35
Fair-value changes for the year in cash flow hedges.		-13	-19
Tax attributable to fair-value changes in cash flow hedges.		3	5
Total comprehensive income for the period		**539**	**555**
Attributable to:			
Non-controlling interests		6	-1
Parent company shareholders		533	556

Consolidated Cash Flow Statement

SEK million	Note	Jan-Dec 2012	Jan-Dec 2011
OPERATING ACTIVITIES	30		
Profit after financial items		865	816
Recoveries on amortisation and impairment losses		347	350
Adjustment for items not included in cash flow	30	5	4
Income tax paid		-267	-268
Cash flow from operations before changes to working capital		**950**	**902**
Changes in working capital			
Net change in inventories		295	-536
Net change in other current receivables		298	-31
Net change in other current operating liabilities		-4	-46
Cash flow from operating activities		**1,539**	**289**
INVESTING ACTIVITIES			
Acquisition of intangible assets		-7	-7
Acquisition of property, plant and equipment		-367	-343
Acquisition of operations and shares, net of cash acquired	27	-424	-321
Proceeds from sale of property, plant and equipment		4	1
Cash flow from investing activities		**-794**	**-670**
FINANCING ACTIVITIES			
Loans raised		-	356
Amortisation of loans		-549	-
Issue of stock options		13	11
Dividends paid		-194	-184
Cash flow from financing activities		**-730**	**183**
Cash flow for the year		**15**	**-198**
Cash and cash equivalents at beginning of year		331	540
Exchange rate difference for cash equivalents		-16	-11
Cash and cash equivalents at year-end	19	**330**	**331**

Consolidated Balance Sheet

SEK million	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Fixed assets			
Intangible assets	16		
Goodwill		1,045	733
Patents and other intangible assets		87	94
		1,132	**827**
Property, plant and equipment	15		
Land and buildings		569	557
Plant and machinery		1,951	1,827
Equipment, tools, fixtures and fittings		92	75
Fixed assets under construction		188	342
		2,800	**2,801**
Financial assets			
Shares in associates		9	12
Financial investments		1	1
Deferred tax assets	12	115	119
Other non-current receivables		10	12
		135	**144**
Total non-current assets		**4,067**	**3,772**
Current assets			
Inventories	18	2,583	2,884
Accounts receivables	3	1,906	2,037
Current tax assets	12	173	102
Other receivables		151	212
Derivative instruments	3	402	575
Prepaid expenses and accrued income		148	61
Cash and cash equivalents	19	330	331
Total current assets		**5,693**	**6,202**
TOTAL ASSETS		**9,760**	**9,974**

Consolidated Balance Sheet (cont.)

SEK million	Note	31 Dec 2012	31 Dec 2011
EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		409	409
Reserves		-521	-414
Retained profit		4,011	3,552
Equity attributable to Parent's shareholders		**3.899**	**3,547**
Non-controlling interests		24	18
Total equity		**3,923**	**3,565**
Non-current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	2,774	3,400
Pension provisions	9	14	10
		2,788	**3,410**
Non-interest-bearing liabilities			
Deferred tax liabilities	12	310	328
Other provisions	22	53	57
Other non-current liabilities		19	4
		382	**389**
Total non-current liabilities		**3,170**	**3,799**
Current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	68	72
Other current liabilities		1	2
		69	**74**
Non-interest-bearing liabilities			
Accounts payables	3	1,480	1,331
Current tax liabilities	12	146	103
Other current liabilities		101	76
Other current provisions	22	23	38
Derivative instruments	3	322	503
Accrued expenses and prepaid income	23	526	485
		2,598	**2,536**
Total current liabilities		**2,667**	**2,610**
TOTAL EQUITY AND LIABILITIES		**9,760**	**9,974**
Pledged assets	24	532	611
Contingent liabilities	25	1	12

Consolidated Changes in Shareholders' Equity [1)]

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

SEK million	Share capital	Reserves	Retained earnings	Non-controlling interests	Total equity
	Attributable to the Parent Company's shareholders				
Opening balance at 1 January 2012	**409**	**-414**	**3,552**	**18**	**3,565**
Profit for the year	-	-	640	7	647
Other comprehensive income	-	-107	-	-1	-108
Comprehensive income	**-**	**-107**	**640**	**6**	**539**
Transactions with shareholders					
Issue of stock options	-	-	13	-	13
Dividend	-	-	-194	-	-194
Total transactions with shareholders	**-**	**-**	**-181**	**-**	**-181**
Closing balance at 31 December 2012	**409**	**-521**	**4,011**	**24**	**3,923**

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

Income Statement – Parent Company

SEK million	Note	Jan-Dec 2012	Jan-Dec 2011
Net sales	26	50	47
Other operating income	10	5	4
Total operating income		**55**	**51**
Other external expenses	5	-72	-55
Personnel costs	6, 7, 8, 9	-47	-36
Depreciation, amortisation and impairment loss		-1	-2
Other operating expenses		0	0
Total operating expenses		**-120**	**-93**
Operating profit		**-65**	**-42**
Result from financial items	11		
Result from interests in Group companies		185	149
Interest income and similar items		156	164
Interest expense and similar items		-156	-160
Net financial items		**185**	**153**
Profit before tax		**120**	**111**
Income tax	12	-4	-3
Profit for the year		**116**	**108**

Statement of Comprehensive Income – Parent Company

SEK million	Note	Jan-Dec 2012	Jan-Dec 2011
Profit for the period		116	108
Other comprehensive income		-	-
Total comprehensive income for the period		**116**	**108**

Balance Sheet – Parent Company

SEK million	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Fixed assets			
Intangible non-current assets		1	1
		1	**1**
Property, plant and equipment		2	3
		2	**3**
Financial non-current assets	17		
Shares in Group companies		4,005	3,995
Receivables from Group companies		3,055	3,060
		7,060	**7,055**
Total fixed assets		**7,063**	**7,059**
Current assets			
Receivables from Group companies		131	27
Other receivables		2	3
Prepaid expenses and accrued income		1	5
Cash and cash equivalents		-	0
Total current assets		**134**	**35**
TOTAL ASSETS		**7,197**	**7,094**

Balance Sheet – Parent (cont.)

SEK million	Note	31 Dec 2012	31 Dec 2011
EQUITY	20		
Restricted equity			
Share capital		409	409
Statutory reserve		5	5
		414	**414**
Non-restricted equity			
Retained earnings		3,490	3,576
Profit/loss for the year		116	108
		3,606	**3,684**
Total equity		**4,020**	**4,098**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities			
Liabilities to Group companies		2,500	2,900
		2,500	**2,900**
Current liabilities			
Non-interest-bearing liabilities			
Accounts payables		3	14
Income tax liabilities	12	4	1
Liabilities to Group companies		636	54
Other current liabilities		5	4
Accrued expenses and prepaid income	23	29	23
		677	**96**
Total liabilities		**3,177**	**2,996**
TOTAL EQUITY AND LIABILITIES		**7,197**	**7,094**
Pledged assets	24	-	-
Contingent liabilities	25	-	-

Changes in Shareholders' Equity – Parent Company

SEK million	Share capital	Statutory reserve	Retained profit	Total equity
Opening balance at 1 January 2011	**409**	**5**	**3,760**	**4,174**
Profit for the year	-	-	108	108
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**108**	**108**
Dividend	-	-	-184	-184
Closing balance at 31 December 2011	**409**	**5**	**3,684**	**4,098**
Opening balance at1 January 2012	**409**	**5**	**3,684**	**4,098**
Profit for the year	-	-	116	116
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**116**	**116**
Dividend	-	-	-194	-194
Closing balance at 31 December 2012	**409**	**5**	**3,606**	**4,020**

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

Cash Flow Statement – Parent Company

SEK million	Note	Jan-Dec 2012	Jan-Dec 2011
OPERATING ACTIVITIES	30		
Profit after financial items		120	111
Recovering of amortisation and impairment losses		1	1
Adjustment for items not included in cash flow	30	0	-11
Income tax paid		-4	1
Cash flow from operations before changes to working capital		**117**	**102**
Changes in working capital			
Net change in other current receivables		-99	30
Net change in other current operating liabilities		-1	-56
Cash flow from operating activities		**17**	**76**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		0	0
Establishment of subsidiaries		-10	-
Divestment of shares in subsidiaries		-	-
Cash flow from investing activities		**-10**	**0**
FINANCING ACTIVITIES			
Amortisation of loans		-396	-902
Loans raised from Group companies		583	1,010
Issue of stock options		-	0
Dividend		-194	-184
Cash flow from financing activities		**-7**	**-76**
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

NOTE 1 – GENERAL INFORMATION

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

These consolidated financial statements for 2012 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 25 March 2013.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

Basis of presentation of the annual report and consolidated financial statements

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

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

New and changed standards applied by the Group

The following new standards, which is not expected to have any material impact on the consolidated financial statements, and changes in and interpretations of existing standards have been published and are compulsory for the financial statements for financial goals starting on 1 January 2012 or later:

IAS 1 Presentation of Financial Statements

The most significant change is the requirement for items recognised in "Other comprehensive income" to be presented with a breakdown into two groups. The breakdown is based on whether or not the items may be reclassified to profit or loss (reclassification adjustments). This change does not affect the choice of items to be included in "other comprehensive income". Effective from 1 July 2012.

IAS 19 Employee benefits (revised)

This amendment eliminates the corridor method approach and calculates financial expense based on the net surplus or the net deficit in the the defined benefit plan. The effect of this has not yet been assessed. Effective from 1 January 2013.

New standards and changes in and interpretations of existing standards that have not yet come into force and that have not been applied in advance by the Group

The following new standards, changes in and interpretations of existing standards have been published and are obligatory for the consolidated financial statements for financial years starting 1 January 2013 or later:

IFRS 9 Financial instruments

This standard is the first stage in the process of replacing IAS 39 Financial Instruments: Valuation and Classification. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories: amortised cost and fair value. This classification is made based on the company's business model and characteristics of contractual cash flows. This standard is not effective until 2015.

IFRS 10 Consolidated Financial Statements

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

IFRS 12 Disclosures of interests in other entities

This standard includes the disclosure requirements for subsidiaries, joint arrangements, associates and non-consolidated structured entities. Effective from 1 January 2013.

IFRS 13 Fair value measurement
The aim of this standard is for fair-value measurement to be more consistent and less complicated by providing an exact definition and a common source under IFRS for fair-value measurement and related disclosure requirements. The standard provides guidance on fair-value measurement for all types of assets and liabilities, both financial and non-financial. Effective from 1 January 2013.

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

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

IAS 32 Financial instruments: Presentation (amended):
The amendments affect the guidance for the application of IAS 32 Financial Instruments: Presentation, and clarify some of the rules for offsetting financial assets and liabilities in the balance sheet. Effective from 1 January 2014 or later.

Interpretation of and changes to existing standards that have entered into force or will enter into force and that are not relevant for the Group's operations
The following interpretations of and changes to existing standards have been published and are obligatory for the Group for financial years starting 1 January 2012 or later, but are not relevant to the Group:

IAS 12 (revised) Income taxes (effective from 1 January 2012).
IFRS 1 (revised) The first time IFRS is applied (effective from 1 January 2013)
IFRS 7 Financial instruments: disclosures (applicable as from 1 January 2013).
IFRS 11 Joint arrangements (effective from 1 January 2013)

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

Purchase method
The acquisition of subsidiaries is 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 contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. For each acquisition, the Group determines whether all non-controlling interests in the acquired companies are to be 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 reported directly in the statement of comprehensive income.

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

Transactions with holders of non-controlling interests
The Group handles transactions with holders of non-controlling interests in the same ways as transactions with the Group's shareholders. In the event of acquisitions from holders of non-controlling interests, the company 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 revalued 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 in 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 associated companies 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 reports

Functional and presentation currency

Items included in the financial statement of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which they operate (functional currency). The consolidated financial statements are presented in Swedish krona, which is the Parent company´s functional and presentation currency. Exchange rate differences that arise in translation of Group companies are 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies 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 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 rate differences are recognised in the income statement as part of the gain or loss on the sale.

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

Exchange rates

The following rates were used to translate currency:

Currency	Average rate	Closing rate
EUR	8.62	8.63
DKK	1.15	1.16
GBP	10.30	10.07
LKR	0.05	0.05
MXN	0.50	0.50
USD	6.43	6.35

Segment reporting

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

The Group's operations are organically divided into business segments based on product. The marketing organisation also reflects this structure. The business areas therefore make up the Group's primary segments and the geographical markets are the secondary segments. Segment reporting is submitted in accordance with IFRS 8 for the Group only. For each segment, the results, assets and liabilities directly attributable to or items that can reliably be attributed to the segment are included in that segment. Items not attributable in this way include interest and dividend revenues, gains and losses from the sale of financial investments, interest expenses, and tax expenses. Assets and liabilities not attributed to a segment include income taxes recoverable and income tax liabilities, financial investments and financial liabilities.

Revenue recognition

Revenue comprises the fair value of goods sold excluding VAT and discounts after eliminating intra-group sales. Sales are recognised on delivery of the goods, after customer acceptance and the receivable can reasonably be deemed as 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

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

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

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

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

b) Termination benefits

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

c) Variable remuneration

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

Share-related remuneration

The Group has introduced an incentive programme for senior managers and key personnel within the Group. The company assesses that the incentive programme should be treated under IAS 32 as it is not covered by the regulations in IFRS 2. In making this assessment, the company has taken account of the fact that options have not been issued as market-based remuneration and that the programme lacks conditions for repurchase by the company upon termination of employment or that the options may only be used if the holder is still employed by the company.

Leasing

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

Product development

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

Impairment of non-financial assets

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

Intangible assets

Goodwill

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

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

Other intangible assets
Other intangible assets include such assets as capitalised expenditure on IT, patents and trademarks. These assets have a defined useful life and are carried at cost less accumulated amortisation and impairment losses. The cost associated with maintaining an intangible asset is recognised as part of the carrying value or as a separate asset only when it is probable that the future economic benefit associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Other expenditures are 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 values 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.

Inventories
Inventories are stated at cost or net selling price, whichever is lowest. Cost is calculated using the first-in-first-out principle (FIFO) or weighted average prices. The nature and area of use of the product determines the method used. The cost of finished goods and products in progress includes direct material costs, direct labour and other direct manufacturing costs and a reasonable allocation of indirect manufacturing expenses based on normal production capacity, excluding borrowing costs. Net selling price is the estimated sale price in the ordinary course of business, less costs of completion and applicable variable selling expenses. For valuation of inventory hedged by financial derivatives, see Note 3, page 29 and Note 18, page 40.

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 investments are recognised when the risks and benefits associated with ownership of the instruments have been transferred to the buyer and the Group no longer has control of the instrument. Financial expenses consist of interest expenses on loans, the effect of the resolution of present value calculations for provisions, impairment of financial assets and those losses on hedging instruments 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 considerables time to complete for their intended use or sale, in which case they are included in the cost of those assets. Exchange rate gains and losses are reported as net amounts.

Financial instruments
The Group classifies its financial assets in the following categories: financial assets and liabilities measured at fair value in profit or loss, loan receivables and accounts receivables, and financial assets available for sale. 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 in this category if it is acquired principally for the purpose of selling in the short term. 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 receivables
Loan receivables and accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, with the exception of items with a maturity of more than 12 months after the end of the reporting period, 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.

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

A financial asset or financial liability is 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 receivable" 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.

Hedging of fair value or a change in fair value of the hedging instrument is recognised on the same line of the income statement as the change in fair value of the hedged risk. Gain or loss attributable to the ineffective portion is recognised with immediate effect in profit or loss for the year "Raw materials and consumables and changes in inventory".

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

Derivatives

Derivative instruments are initially recognised at fair value on the date a derivate contract is entered into and are subsequently re-measured at their fair value. 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),

The Group documents at the inceptionof the transaction the relationship between hedging instrument and hedged items, as well as the hedge's role in the Group's risk management objectives and strategy for undertaking various hedging transactions. 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 offsetting changes in fair values or cash flows that the hedged item.

The Company's derivative instruments consist of OTC or "over-the-counter" derivatives concluded with financial counterparties, listed standardised derivatives and sales and purchase contracts that do not meet the exemption criteria for being 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

Fair value hedge of inventories

The hedging instruments used to hedge inventory are partly forward contracts, partly sales contracts and purchase contracts, which do not qualify for the exemption from derivative accounting (i.e., the so called own use exemption). As the quality of the commodity used as a hedging instrument may vary from the quality of the hedged inventory, some hedge ineffectiveness is likely. AAK aim at reducing this ineffectiveness by minimizing the basic risks between the hedged inventory and the commodity used as a hedge instrument. Due to the basic risks involved, AAK uses the "dollar offset" method for the hedge efficiency test of the fair value hedge of inventories. The hedge efficiency test prepared on 2012 confirmed that the fair value hedge of inventories qualify for hedge accounting. For the full year 2012 there was a hedge efficiency of 107 percent (113 percent).

Fair value hedge of currency risk on sales contracts qualifying for "own use exemption"

The hedging instruments used are currency forward contracts and purchase contracts. As the currency risk of the hedge instruments are 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 qualifying for "own use exemption". The hedge efficiency test prepared on 2012 confirmed a perfect critical match.

Cash flow hedge of floating rate based 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 the retrospective test of hedge efficiency of the cash flow hedge of floating rate loans. The hedge efficiency test prepared on 2012 confirmed that the cash flow hedge of floating rate based loans qualify for hedge accounting. At year-end 2012 there was an unrealized loss of SEK 13 million (19) on the hedge instruments. This loss will be released to the income statement within finance cost until the repayment of the bank loans.

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".

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.

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 Company 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 profit or loss 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 rates and laws that have been enacted or announced by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Tax expenses stated include both current tax due and deferred income tax.

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

Deferred income tax assets relating to temporary differences and loss carry-forwards are recognised only to the extent it is likely that it will be possible to utilise these items. The value of deferred income tax assets is derecognised when it is no longer deemed likely that they can be utilised.

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

Cash and cash equivalents

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

Statement of cash flows 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 Group profit for the year attributable to the Parent company shareholders and the weighted average number of shares outstanding during the year.

When determining earnings per share after dilution, a company must base its calculations on the company's shares and stock options, which could result in dilution, being exercised. Compensation from these instruments shall be deemed to have been received from the issuing of ordinary shares at the average market price for ordinary shares during the period. The difference between the number of issued ordinary shares and the number of ordinary shares that should have been issued at the average market price for ordinary shares during the period shall be treated as an issue of ordinary shares without remuneration. According to IAS 33 paragraph 47, options and stock options shall only have a dilutive effect when the average market price for ordinary shares during the period exceeds the exercise price for options or stock options. As the exercise price for options did not exceed the average market price during the period, they will not affect the calculation of earnings per share.

Transfer pricing

Pricing between Group companies is carried out on market terms.

Dividend

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

Accounting policies – Parent

The Parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act (Årsredovisningslagen) and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for legal entities." No differences with the Group's accounting 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 organisation, which continually monitors and controls raw material market exposure for the Group. However, to maintain an effective organisation, the Group's procurement organisation is permitted to take limited price risks within the framework of our trading policy established by the Board of Directors. Since these raw material positions are managed appropriately, AAK's profitability is affected only marginally by price changes. The effect on total sales and requirements for working capital is, however, significantly larger.

Hedge contracts are used to hedge raw material price risk. Inventory and sales contracts are hedged 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 unhedged volumes of exotic raw materials in the months following the harvest season.

Exposure to raw material price risk 31 December 2012

(Thousand tons)	Inventory	Sales contracts	Purchase contracts	Net exposure
Oils and fats	191	-937	749	3

Exposure to raw material price risk 31 December 2011

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

Sensitivity analysis – raw materials (excluding exotic raw materials)

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

Gross contribution for rapeseed

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

Exposure to foreign currency

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

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

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

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

Exposure to transaction risk, 31 December 2012

					Currency contracts		
SEK million	**Assets**	**Liabilities**	**Sales contracts**	**Purchase contracts**	**Sold**	**Bought**	**Net exposure**
USD	2,250	-2,007	1,756	-2,667	-598	1,216	-50
EUR	898	-502	2,524	-1,592	-1,643	322	7
Other	367	-243	614	-139	-2,047	1,503	55
Total	**3,515**	**-2,752**	**4,894**	**-4,398**	**-4,288**	**3,041**	**12**

Exposure to transaction risk, 31 December 2011

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

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 70 million (65) 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 900 million (1,000) and Group net working capital by SEK 200 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. This is accomplished when the Group's net interest-bearing debt is floating rate. However, during abnormal market conditions – e.g. a financial crisis – short-term interest rates can rise to extreme levels. In order to protect the Group's interest costs against such abnormal scenarios, the interest rate on part of the Group's net interest-bearing debt can be fixed or capped.

At year-end 2012, the Group's interest-bearing net debt amounted to SEK 2,521 million (3,141). Of which SEK 1,800 million (1800) has been swapped into fixed-rate loans with an average maturity of 3 (4) years.

AAK has applied cash flow hedging with interest rate swaps since 1 October 2011.

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

	SEK	**DKK**	**GBP**	**MXN**	**USD**
2012	2.44	1.36	1.64	6.00	1.36
2011	3.78	2.04	2.12	6.04	1.68

Sensitivity analysis – Interest rates

At the closing date, the Group had a floating rate-based net debt of SEK 721 million (1,341). A 1 percent change in interest rates would therefore have a full-year effect of SEK 7 million (13) 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 investment grade profile.

AAK's target key ratios are as follows:	Target	Results for 2012	Results for 2011
1. Net interest-bearing debt/EBITDA	< 3.00	1.84	2.39
2. EBITDA/interest cost	> 5.00	14.59	14.90
3. Net interest-bearing debt/equity	< 1.25	0.65	0.88

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

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

SEK million	2012	2011
SEK	714	1,025
DKK	615	1,114
GBP	171	290
MXN	121	213
USD	1,221	830
Total	**2,842**	**3,472**

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 amount 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 2012

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	2,774	-	61	2,375	338
Other non-current liabilities	19	-	-	-	19
Total non-current liabilities	**2,793**	**-**	**61**	**2,375**	**357**
Interest on liabilities to banks and credit institutions	488	83	97	249	59
Total non-current liabilities and interest	**3,281**	**83**	**158**	**2,624**	**416**
Current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	68	68	-	-	-
Accounts payables	1,480	1,480	-	-	-
Derivative financial instruments	322	322	-	-	-
Accrued expenses	526	526	-	-	-
Other current liabilities	101	101	-	-	-
Total current liabilities	**2,497**	**2,497**	**-**	**-**	**-**
Interest on liabilities to banks and credit institutions	2	2	-	-	-
Total current liabilities and interest	**2,499**	**2,499**	**-**	**-**	**-**

Future payments for derivative instruments amount to SEK 8,206 million and future receipts amount to SEK 11,120 million.

Unused credit facilities available to the Group at year-end 2012

	Total amount	Less than 1 year	Between 1-2 years	Between 2 and 5 years	More than 5 years
Unused credit facilities	2,748	-	-	2,748	-

Disclosure of financial liabilities by maturity date, 31 December 2011

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

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

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

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

The Group's cash and cash equivalents of SEK 330 million, available credit facilities of SEK 2,748 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 receivables and customer contracts. Risk in the latter case is represented by customers' failure to meet their commitments due to changes in market prices.

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

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

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

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

Provisions for doubtful accounts receivable

	2012		2011	
SEK million	**Gross amount underlying rec.**	**Provisions**	**Gross amount underlying rec.**	**Provisions**
Provisions at 1 January	21	18	28	16
Provisions for potential losses	8	8	10	10
Unused amount reversed	0	1	-14	-5
Actual credit losses	-7	-7	-3	-3
Exchange differences	0	0	0	0
Provisions at 31 December	**22**	**20**	**21**	**18**

Provisions for impairments are entirely related to accounts receivable. Total accounts receivable excluding provisions were SEK 1,926 million (2,055).

Past due assets not considered impaired

SEK million	2012	2011
1-30 days	314	346
31-120 days	24	42
121-360 days	3	14
Over 360 days	0	0
	341	**402**

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 2012 the Group had only derivative financial instruments that were measured at fair value. The fair value of the derivative financial instruments is measured using valuation methods and observable market data (methodology: level 2). The valuation methods applied are described in the accounting policy.

Financial instruments reported in the balance sheet

SEK million	2012		2011	
Financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Raw material Sales/Purchase contracts	324	1	130	112
Currency hedge contracts	74	62	362	337
Interest rate hedge swaps	-	68	-	54
	398	**131**	**492**	**503**
Fair value of changes in inventories	4	191	83	0
Total	**402**	**322**	**575**	**503**

Hedge accounting

Inventory hedging at fair value

Futures contracts, purchase and sales contracts not deemed to be assets for own use are used for hedging, which means that they cannot be exempted from derivative accounting. Since the quality of the underlying raw materials used for hedging differs from the quality of the hedged raw materials, some inefficiency is likely (basis risk). 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 2012 confirmed that the fair-value hedge of raw materials qualifies for hedge accounting. Hedge efficiency for the full-year 2012 was 107 percent (113).

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

The hedging instruments used are futures contracts and purchase contracts. As the currency risk of the hedge instruments is identical to the currency risk of the hedged contracts, no material basic risk exists. AAK therefore only uses the “critical match” method to test the hedge efficiency of currency risk on sales contracts that qualify for own use exemption and that may consequently be exempted from derivative accounting. The hedge efficiency testing in 2012 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 2012 confirmed that the cash flow hedge of floating-rate loans qualifies for hedge accounting. At year-end 2012 there was an unrealized loss of SEK 13 million (19) 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.

Impairment test of other non-current assets

AAK's tangible and intangible 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.

The carrying amount is also tested if a fixed asset is classified as being held for sale; in such event, it is recognised at the lower of carrying amount or fair value after deduction for costs to sell.

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

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

Application of IAS 39

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

The majority of purchase and sales contracts for physical delivery are deemed to be derivative instruments and are valued at fair value in the income statement. The introduction of hedge accounting of inventory in accordance with the rules on fair-value hedging means that what was previously known as the “IAS 39 effect” will no longer occur.

NOTE 5 – AUDITORS' REMUNERATION (SEK THOUSAND)

	Group		Parent	
	2012	2011	2012	2011
Audit				
PwC	5,504	4,822	981	1,044
Other	159	68	-	-
Subtotal, audit	5,563	4,890	981	1,044
Other audit assignments				
PwC	783	1.207	254	645
Other	7	-	-	-
Subtotal, other audit assignments	790	1.207	254	645
Tax consulting				
PwC	580	726	-	-
Other	42	-	-	-
Subtotal, tax consulting	622	726	-	-
Other assignments				
PwC	2,629	3,717	1,959	3,367
Other	-	71	-	-
Subtotal, other assignments	2,629	3,788	1,959	3,367
Total	**9,704**	**10,611**	**3,194**	**5,056**

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	
	2012	2011	2012	2011
Wages and salaries	883,326	831,271	31,404	25,034
Social security contributions	238,520	215,349	18,182	10,600
(of which pension costs)	(74,303)	(79,062)	(6868)	(4136)

SEK 3 million (2) 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:

	2012		2012	2011		2011
	Board of Directors, CEO and other senior managers		Other employees	Board of Directors, CEO and other senior managers		Other employees
	Wages and salaries	Of which variable salaries	Wages and salaries	Wages and salaries	Of which variable salaries	Wages and salaries
Parent, Sweden	14,490	2,627	16,914	13,384	2,721	11,650
Subsidiaries, Sweden	3,839	409	243,043	3,306	352	245,242
	18,329	**3,036**	**259,957**	**16,690**	**3,073**	**256,892**
Foreign subsidiaries:	23,648	5,313	581,392	18,288	2,136	539,401
Group total	**41,977**	**8,349**	**841,349**	**34,978**	**5,209**	**796,293**

NOTE 7 – AVERAGE NUMBER OF EMPLOYEES, ETC.

Average number of employees	2012 Number of employees	2012 Of which men	2012 Of which women	2011 Number of employees	2011 Of which men	2011 Of which women
Parent Company, Sweden	17	11	6	13	8	5
Subsidiaries in Sweden	517	394	123	535	402	133
	534	405	129	548	410	138
Foreign subsidiaries:						
Brazil	6	4	2	6	4	2
Denmark	277	203	74	285	219	66
Finland	2	2	-	2	2	-
Ghana	2	2	-	2	2	-
China	13	7	6	6	4	2
Lithuania	4	3	1	4	3	1
Malaysia	19	8	11	18	7	11
Mexico	355	292	63	362	302	60
The Netherlands	70	60	10	62	52	10
Norway	1	1	-	1	1	-
Poland	4	2	2	4	2	2
Russia	17	5	12	16	5	11
United Kingdom	514	415	99	501	405	96
Czech Republic	2	1	1	2	1	1
Germany	1	-	1	1	-	1
Uruguay	12	5	7	12	5	7
USA	378	289	89	233	182	51
	1,677	1,299	378	1,517	1,196	321
Group total	**2,211**	**1,704**	**507**	**2,065**	**1,606**	**459**

Board members and senior managers	2012 Total at reporting date	2012 Of which men (%)	2011 Total at reporting date	2011 Of which men (%)
Group (incl. subsidiaries)				
Board members	148	92	147	94
Chief Executive Officer and other senior managers	77	88	68	93
Parent				
Board members [1)]	8	88	9	89
Chief Executive Officer and other senior managers	3	67	3	67

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

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

Principles

The principles for the remuneration of senior executives (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 share warrants 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 60 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 share warrants entitling holders to subscribe for the corresponding number of new shares in AarhusKarlshamn AB, whereby the share capital may be increased by up to SEK 15,000,000.

Each stock option entitles the holder to subscribe for one (1) new share in AarhusKarlshamn AB with a quota value of SEK 10. The subscription for shares in AarhusKarlshamn AB through the use of share warrants must take place during the period 1 December 2013 up to and including 1 December 2015.

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 share warrants 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 the resolution of the Shareholder's Annual General Meeting.

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 on the Board do not receive any compensation other than reimbursement of their expenses 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 2,775,000, including compensation for committee work. Of this amount, the Chairman receives SEK 500,000, the Vice-Chairman SEK 375,000 and external members SEK 250,000. Compensation for committee work is distributed, in accordance with a decision of the AGM, as SEK 200,000 to the Chairman of the Audit Committee, SEK 100,000 to other members of the Audit Committee, SEK 100,000 to the Chairman of the Remuneration Committee, and SEK 50,000 to other members of the Remuneration Committee.

Remuneration and other benefits for the year[1)]

SEK	Salary/Board of Directors' fees	Annual variable salary	Other benefits [2)]	Pension cost	Change in reserve	Total
Board of Directors						
Melker Schörling, Chairman	500,000	-	-	-	-	500,000
Carl Bek-Nielsen, Vice-Chairman	375,000	-	-	-	-	375,000
Martin Bek-Nielsen	400,000	-	-	-	-	400,000
Mikael Ekdahl	450,000	-	-	-	-	450,000
Ulrik Svensson	450,000	-	-	-	-	450,000
Harald Sauthoff	350,000	-	-	-	-	350,000
Märit Beckeman	250,000	-	-	-	-	250,000
Subtotal for Board	**2,775,000**	**-**	**-**	**-**	**-**	**2,775,000**
Senior Managers						
Arne Frank, Chief Executive Officer [3)]	7,103,962	1,341,600 [4)]	129,500	1,950,000	-	10,525,062
Jerker Hartwall, former Chief Executive Officer [3)]	4,314,899	-	-	-	-4,314,899 [5)]	0
Other senior managers	20,083,779	4,531,573 [4)]	1,175,302	3,235,345		29,025,999
Subtotal, Senior managers	**31,502,640**	**5,873,173**	**1,304,802**	**5,185,345**	**-4,314,899**	**39,551,061** [6)]
Total	**34,277,640**	**5,873,173**	**1,304,802**	**5,185,345**	**-4,314,899**	**42,326,061** [7)]

1) Refers to items carried as an expense in 2012.
2) Other benefits refer primarily to company cars.
3) Arne Frank started as Chief Executive Officer on 6 April 2010. Jerker Hartwall was Chief Executive Officer up to and including 5 April 2010.
4) Charged in the income statement in 2012 and estimated to be paid in 2013. During the year, variable remuneration expensed in 2011 of SEK 8,372,112 was paid.
5) A cost provision was made for the 2009 financial year in AarhusKarlshamn AB, corresponding to severance pay and other benefits relating to Jerker Hartwall, which are expected to be paid during the period 2010-2012.
6) Refers to the following for 2012: Anders Byström (until 31 May 2012), Peter Korsholm (1 June 2012), Renald Mackintosh, Bo Svensson, David Smith, Torben Friis Lange, Anne Mette Olesen, Karsten Nielsen, Edmond Borit, Octavio Diaz de Léon and Jean-Marc Rotseart (until 23 May 2012).
7) Of the amount of SEK 42,326,061, SEK 21,006,454 relates to the Parent Company, AarhusKarlshamn AB.

Arne Frank, President and Chief Executive Officer, is currently paid an annual fixed salary of SEK 6,987,504 plus the value of a company car. In addition, variable remuneration may be paid up to a maximum of 60 percent of the fixed salary. In 2012, SEK 1,341,600 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 either 62 years or 65 years.

NOTE 9 – PENSION PROVISIONS

Defined benefit plans

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

The obligations for retirement and survivors' pension for professional employees in Sweden are insured through policies with Alecta or correspondingly in KP Pensionskassa. According to a statement by the Swedish Financial Reporting Board (Emerging Issues Task Force), UFR 3, this is a defined benefit plan that involves several different employers. For the period from 1 January to 31 December 2012, AarhusKarlshamn AB (publ) and AarhusKarlshamn Sweden AB have not had access to sufficient information to enable the Company to recognise this plan as such. The ITP occupational pension plan secured through KP Pensionskassa is, therefore, recognised as a defined contribution plan. Alecta's excess can be allocated to the insured individual or their beneficiaries. Corresponding provisions also apply to insurance policies with KP Pensionskassa. Charges for pensions insured through KP Pensionskassa during the current year are SEK 14 million (14). At year-end 2012, Alecta's and KP Pensionkassa's surplus in the form of their collective consolidation levels was 100 percent and 116 percent, respectively (113 percent and 100 percent, respectively).

	Defined benefit plans	
	2012	2011
The amounts recognised in the consolidated balance sheet are determined as follows:		
Present value of funded obligations	560	457
Fair value of plan assets	-448	-425
	112	**32**
Present value of unfunded obligations	-	-
Unrecognised actuarial gains (-) and losses (+)	-98	-22
Net liability in the balance sheet	**14**	**10**
Net amount is recognised in the following items in the consolidated balance sheet:		
Pension obligations	14	10
Net liability in the balance sheet	**14**	**10**

	Defined benefit plans	
	2012	2011
The amounts recognised in the consolidated income statement are as follows:		
Costs pertaining to service during the current year	11	10
Interest expenses	21	19
Expected return on plan assets	-18	-16
Actuarial gains (+) and losses (-)	2	1
Past service cost	-	-
Employees' contributions paid	-1	-1
Total, included in employee costs (Note 6)	**15**	**13**

	Defined benefit plans	
	2012	2011
Total pension costs recognised in the consolidated income statement are as follows:		
Total costs for defined benefit plans including employer’s contribution	14	13
Total costs for defined contribution plans including employers' contribution	60	66
Total	**74**	**79**

	Defined benefit plans	
	2012	2011
Movement in the net pension provision recognised in the consolidated balance sheet:		
Net provision at start of year	10	4
Net cost recognised in the income statement	14	13
Benefits paid	-10	-7
Contributions by employer to funded obligations	-	-
Exchange difference on foreign plans	-	-
Net provision at year-end	**14**	**10**

	Defined benefit plans	
	2012	2012
	The Netherlands	Sweden
The principal actuarial assumptions used at reporting date (%):		
Discount rate	3.40	3.50
Expected return on plan assets	3.40	3.50
Future annual salary increases	2.50	3.00
Future annual pension increases	2.00	3.00
Staff turnover	5.00	5.00

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

NOTE 10 – OTHER OPERATING INCOME

	Group		Parent	
	2012	**2011**	**2012**	**2011**
Insurance compensation	39	65	-	-
Other operating income	69	41	5	4
Total	**108**	**106**	**5**	**4**

NOTE 11 – FINANCIAL ITEMS

	Group		Parent	
	2012	**2011**	**2012**	**2011**
Interest income	8	6	0	0
Interest income, Group companies	-	-	155	164
Other financial income	8	6	1	0
Divided, Group companies	-	-	115	103
Group contributions	-	-	70	46
Financial income	**16**	**12**	**341**	**313**
Interest expense	-102	-94	-156	-160
Changes in exchange rates	-17	-4	-	-
Changes in fair value – derivative instruments	0	1	-	-
Other financial expense	-6	-13	0	0
Financial expense	**-125**	**-110**	**-156**	**-160**
Net financial items	**-109**	**-98**	**185**	**153**

NOTE 12 – INCOME TAX EXPENSES

Income tax expenses for the year

	Group		Parent	
	2012	**2011**	**2012**	**2011**
Current tax	-230	-196	0	0
Deferred tax	11	-16	-4	-3
Total	**-219**	**-212**	**-4**	**-3**

Determination of the current tax expense

The Group's weighted average underlying tax rate is approximately 27 percent. The Group's weighted average tax rate for 2012, based on the tax rates in each of the various countries involved, was 25 percent. The tax rate in Sweden is 26.3 percent (26.3). The Parent's current tax rate for 2012 is lower than the nominal tax rate, which is primarily an effect of tax-free dividends.

	Group		Parent	
	2012	**2011**	**2012**	**2011**
Profit before taxes	866	816	120	111
Weighted average tax rate based on the tax rates in each country	-232	-222	-32	-29
Tax effect of various tax rates in other countries	0	0	-	-
Tax effect of non-deductible expenses	-8	-4	-1	-1
Tax effect of tax-exempt income	1	7	29	27
Net effect of loss carry-forwards	0	0	-	-
Effect of tax rate changes	20	6	-	-
Adjustment for current tax for previous years	0	1	-	-
Tax expense	**-219**	**-212**	**-4**	**-3**

Deferred tax asset/provisions for deferred tax

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

	Group		Parent	
Deferred tax assets	**2012**	**2011**	**2012**	**2011**
Tax loss carry-forwards	0	0	-	-
Property, plant and equipment	63	56	-	-
Inventory	1	10	-	-
Current assets	4	-8	-	-
Provisions	15	17	-	-
Non-current liabilities	6	8	-	-
Current liabilities	26	36	-	-
Other temporary differences	-	-	-	-
At year-end	**115**	**119**	**-**	**-**

	Group		Parent	
Deferred tax liabilities	**2012**	**2011**	**2012**	**2011**
Intangible assets	24	15	-	-
Property, plant and equipment	236	231	-	-
Inventory	5	20	-	-
Current assets	24	24	-	-
Provisions	10	9	-	-
Untaxed reserves	7	8	-	-
Current liabilities	4	21	-	-
At year-end	**310**	**328**	**-**	**-**

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, AarhusKarlshamn has the following current tax liabilities and tax recoverable:

	Group		Parent	
	2012	**2011**	**2012**	**2011**
Current tax liabilities	-146	-103	-4	-1
Current tax receivables	173	102	-	-
Income tax liabilities/tax assets	**27**	**-1**	**-4**	**-1**

NOTE 13 – EARNINGS PER SHARE

	Group	
	2012	**2011**
Earnings attributable to equity holders of in the Parent (SEK million)	640	602
Weighted average number of ordinary shares outstanding	40,898,189	40,898,189
Earnings per share, SEK	15.66	14.72
Earnings per share after dilution, (SEK)	15.56	-
Earnings per share after full dilution, (SEK)	15,18	-

Earnings per share are calculated for 2012 based on net profit for the year attributable to equity holders in the Parent Company – SEK 640 million (602) – and on a weighted average number of ordinary shares in issue of 40,898,189 (40,898,189).

Outstanding stock options (see Note 8), if fully exercised, may generate a total dilution effect of a maximum of 3.54 percent.

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

Earnings per share after full dilution have been calculated by dividing the net 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 2012 financial year, the Board of Directors and Chief Executive Officer propose the distribution of a dividend of SEK 5.25 per share. A decision will be made at the Annual General Meeting on 3 May 2013. It is proposed that the record date for the dividend will be 8 May and the dividend is expected to be distributed to shareholders by 14 May.

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Fixed assets under con-struction	Total
Group					
Cost at 1 January 2011	1,389	4,972	342	219	6,922
Investments	7	132	14	190	343
Acquired through business combinations	13	59	-	-	72
Disposals	-4	-4	-10	-	-18
Reclassifications	31	21	18	-70	0
Exchange differences	-5	11	1	3	10
Accumulated cost at 31 December 2011	**1,431**	**5,191**	**365**	**342**	**7,329**
Cost at 1 January 2012	1,431	5,191	365	342	7,329
Investments	28	251	24	64	367
Acquired through business combinations	4	34	20	2	60
Disposals	-29	-52	-4	-	-85
Reclassifications	29	154	14	-197	0
Exchange differences	-33	-112	-10	-23	-178
Accumulated cost at 31 December 2012	**1,430**	**5,466**	**409**	**188**	**7,493**
Depreciation at 1 January 2011	819	3,082	271	-	4,172
Disposals	-3	-4	-6	-	-13
Depreciation for the year	46	250	25	-	321
Exchange differences	-2	8	0	-	6
Accumulated depreciation at 31 December 2011	**860**	**3,336**	**290**	**-**	**4,486**
Depreciation at 1 January 2012	860	3,336	290	-	4,486
Acquired through business combinations	15	-	13	-	28
Disposals	-16	-39	-3	-	- 58
Depreciation for the year	26	275	25	-	326
Exchange differences	-35	-77	-8	-	-120
Accumulated depreciation at 31 December 2012	**850**	**3,495**	**317**	**-**	**4,662**
Impairment loss at 1 January 2011	7	25	-	-	32
Impairment for the year	7	3	-	-	10
Reclassification	-	-	-	-	-
Exchange differences	-	-	-	-	-
Accumulated impairment loss at 31 December 2011	**14**	**28**	**-**	**-**	**42**
Impairment loss at 1 January 2012	14	28	-	-	42
Impairment for the year	-	-	-	-	-
Reversed impairment	-3	-8	-	-	-11
Reclassification	-	-	-	-	-
Exchange differences	-	-	-	-	-
Accumulated impairment loss at 31 December 2012	**11**	**20**	**-**	**-**	**31**
Residual value according to plan at 31 December 2010	**557**	**1,827**	**75**	**342**	**2,801**
of which land	75				
Residual value according to plan at 31 December 2012	**569**	**1,951**	**92**	**188**	**2,800**
of which land	68				

NOTE 16 – INTANGIBLE ASSETS

Group	Goodwill	Patents and other intangible assets	Total
Cost at 1 January 2011	580	216	796
Investments	-	7	7
Acquired through business combinations	143	3	146
Exchange differences	10	1	11
Accumulated cost at 31 December 2011	**733**	**227**	**960**
Cost at 1 January 2012	733	227	960
Investments	-	7	7
Acquired through business combinations	376	-	376
Exchange differences	-64	4	-60
Accumulated cost at 31 December 2012	**1,045**	**238**	**1,283**
Amortisation and impairment loss at 1 January 2011	0	-	114
Impairment losses for the year	-	19	19
Exchange differences	0	0	0
Accumulated amortisation and impairment loss at 31 December 2011	**0**	**133**	**133**
Amortisation and impairment loss at 1 January 2012	0	133	133
Impairment losses for the year	-	21	21
Disposals	-	2	2
Exchange differences	0	-5	-5
Accumulated amortisation and impairment loss at 31 December 2012	**0**	**151**	**151**
Residual value at 31 December 2011	**733**	**94**	**827**
Residual value at 31 December 2012	**1,045**	**87**	**1,132**

Reviewing impairment of goodwill

In preparing the financial statements for 2012, 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, where the three production units were considered a single cash flow generating unit. Other goodwill testing considered cash-generating units at country level. Approximately 60 percent of goodwill is attributable to the business area Chocolate & Confectionery Fats and the remaining approximately 40 percent to Food Ingredients.

Testing has not demonstrated any need for impairment. The sensitivity in these calculations indicates that recognised goodwill 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

	2012	2011
Scandinavia including The Netherlands	481	486
United Kingdom	62	63
United States	502	184
Total	**1,045**	**733**

NOTE 17 – INVESTMENTS IN GROUP COMPANIES

	Parent	
	2012	**2011**
Start of year	3,995	3,995
Formation of subsidiaries	10	-
Accumulated cost	**4,005**	**3,995**

List of shareholdings and book value as of 31 December 2012

		2012			2011		
	Domicile	**No. of shares**	**Capital %**	**Book value**	**No. of shares**	**Capital %**	**Book value**
AarhusKarlshamn Invest AB, Sweden	Malmö	1,000	100	0	1,000	100	0
AarhusKarlshamn Holding Malta Ltd, Malta	Gzira	25,274,999	100	2,527	25,274,999	100	2,527
AarhusKarlshamn Finance AB, Sweden	Malmö	100,000	100	10	-	-	-
AarhusKarshamn Holding AB, Sweden	Malmö	1,000	100	0	1,000	100	0
AarhusKarlshamn Sweden AB, Sweden	**Karlshamn**	**21,864,928**	**100**		**21,864,928**	**100**	
AarhusKarlshamn Netherlands BV, Netherlands	**Zaandijk**	**500**	**100**		**500**	**100**	
AarhusKarlshamn Group Treasury A/S, Denmark	Aarhus	400,000,000	100	1,468	400,000,000	100	1,468
AarhusKarlshamn Denmark A/S, Denmark	**Aarhus**	**100,000,000**	**100**		**100,000,000**	**100**	
AarhusKarlshamn Latin America S.A., Uruguay	**Cousa**	**150,000,000**	**100**		**150,000,000**	**100**	
AarhusKarlshamn UK Ltd, UK	**Hull**	**23,600,000**	**100**		**23,600,000**	**100**	
AarhusKarlshamn USA Inc., USA	**New Jersey**	**20,300,000**	**100**		**20,300,000**	**100**	
AarhusKarlshamn Mexico, S.A. de C.V., Mexico	**Morelia**	**201,006,799**	**95,49**		**201,006,799**	**95,49**	
Total				**4,005**			**3,995**

The list includes certain shares and ownership interests owned by the Parent, either directly or indirectly, as of 31 December 2012. 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 with the Swedish Companies Registration Office Investor can be requested from AarhusKarlshamn AB, Corporate Communication, Jungmansgatan 12, 211 19 Malmö, Sweden.

NOTE 18 – INVENTORIES

	Group	
	2012	**2011**
Raw materials and consumables	1,524	1,490
Goods in transit	289	543
Products in progress	384	414
Finished products and goods for resale	386	437
Total according to balance sheet	**2,583**	**2,884**
Change in fair value	-187	83
Inventory at fair value	**2,396**	**2,967**

“Raw materials and consumables and changes in inventories of finished products and products in progress” for the Group includes impairment loss on inventories of SEK 17 million (15).

NOTE 19 – CASH AND CASH EQUIVALENTS

	Group	
	2012	**2011**
Cash equivalents	316	315
Current investments	14	16
Total	**330**	**331**

NOTE 20 – SHAREHOLDERS' EQUITY

Group

Share capital

As of 31 December 2012 the Group's registered share capital was 40.898.189 shares (SEK 408.981.890).

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 company, subsidiaries, investments in associates, the purchase price paid for stock options issued and profit for the year.

Treasury shares

The Group owned a total of 0 (0) treasury shares as of 31 December 2012.

Specification of equity item "Reserves"

	Statutory reserve	Hedging reserve	Translation reserve	Total
2011 opening balance	5	-	-373	-368
Translation differences	-	-	-32	-32
Cash flow hedges recognised in "Other comprehensive income"	-	-19	-	-19
Tax on cash flow hedges recognised in "Other comprehensive income"	-	5	-	5
2011 closing balance	**5**	**-14**	**-405**	**-414**
2012 opening balance	**5**	**-14**	**-405**	**-414**
Translation differences	-	-	-97	-97
Cash flow hedges recognised in "Other comprehensive income"	-	-13	-	-13
Tax on cash flow hedges recognised in "Other comprehensive income"	-	3	-	3
2012 closing balance	**5**	**-24**	**-502**	**-521**

Parent company

Share capital

In accordance with the articles of association for AarhusKarlshamn 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 40,898,189 shares (40,898,189) at a quota value of SEK 10 per share, and shareholder equity of SEK 408,981,890 (408,981,890).

Statutory reserve

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

Retained profit

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

Dividend

In accordance with the Swedish Companies Act, the Board of Directors proposes payment of a dividend for the consideration and approval of the Annual General Meeting of the Shareholders. The proposed dividend for payment in 2012 is SEK 215 million (SEK 5.25 per share), which has not yet been considered by the Annual General Meeting. This amount is not recognised as a liability.

NOTE 21 – BORROWINGS

Non-current	Group 2012	Group 2011	Parent 2012	Parent 2011
Liabilities to banks and credit institutions	2,774	3,400	-	-
Total	**2,774**	**3,400**	**-**	**-**

Current	Group 2012	Group 2011	Parent 2012	Parent 2011
Liabilities to banks and credit institutions	68	72	-	-
Total	**68**	**72**	**-**	**-**

Maturity for non-current borrowing is as follows:

	Group 2012	Group 2011	Parent 2012	Parent 2011
Between 1 and 5 years	2,436	3,136	-	-
More than 5 years	338	264	-	-
Total	**2,774**	**3,400**	**-**	**-**

NOTE 22 – OTHER PROVISIONS

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

Group	Restruc-turing	Environ-mental restoration	Other	Total
Opening balance at 1 January 2012	32	33	30	95
Provisions for the year	-	6	2	8
Provisions claimed for the year	-21	-1	-5	-27
Exchange differences	0	0	0	0
Closing balance at 31 December 2012	**11**	**38**	**27**	**76**

Provisions include	2012	2011
Non-current	53	57
Current	23	38
Total	**76**	**95**

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 2012	Group 2011	Parent 2012	Parent 2011
Employee-related expenses	208	206	13	13
Other:	318	279	16	10
Total	**526**	**485**	**29**	**23**

NOTE 24 – ASSETS PLEDGED

	Group		Parent	
	2012	2011	2012	2011
Collateral for provisions and liabilities				
Property mortgages	532	611	-	-
Total	**532**	**611**	**-**	**-**

NOTE 25 – CONTINGENT LIABILITIES

	Group		Parent	
	2012	2011	2012	2011
Other contingent liabilities	1	12	-	-
Total	**1**	**12**	**-**	**-**

Contingent liabilities refer primarily to counter-guarantees issued for Group companies' commitments to financial institutions to cover local borrowings.

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

NOTE 26 – RELATED-PARTY TRANSACTIONS

For the Parent company, SEK 50 million (47), i.e. 100 percent (100) of sales were to Group companies. The Parent company purchasing from Group companies is related to administrative services of limited scope. All transactions were carried out at market value.

Transactions with key management personnel

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

Outstanding accounts receivable amounted to SEK 38 million (9). Outstanding accounts payable amounted to SEK 142 million (112). Purchasing during the year amounted to SEK 1,092 million (1,052) and sales amounted to SEK 106 million (179).

All transactions were carried out at market value.

NOTE 27 – BUSINESS COMBINATIONS

Oasis Foods Company

AAK acquired Oasis Foods Company on 25 May 2012. This strengthened Food Service's position on the North American market. The company was founded in 1975 and is located in Hillside, New Jersey. Oasis Foods Company employs 160 people and has a turnover of around SEK 925 million.

The acquisition significantly strengthens AAK's ability to deliver a more extensive product portfolio of speciality oils and fats to existing and new customers in the US. As the US is one of the world's largest markets for specialty oils, expanding there is particularly exciting. The location of the factory in New Jersey, close to our facility in Port Newark, gives the company easy access to one of the most densely-populated areas in the country.

The goodwill from the transaction is tax deductible.

Crown Foods A/S

AAK acquired Crown Foods A/S on 31 May 2012. The acquisition strengthened the position of AAK's Food Service division in the Scandinavian market. The company was founded in 1988 and is located in Mörköv in Denmark. It employs 20 people and has a turnover of approximately SEK 60 million.

The acquisition will enable AAK to provide a wider range of Food Service products to its customers.

The goodwill from the transaction is tax deductible.

Total fair value of assets and liabilities in the acquired business

Amount in SEK million	Carrying amount in the Group
Intangible assets	-
Property, plant and equipment	43
Inventories	38
Accounts receivables	52
Other receivables	22
Accounts payable	-78
Other liabilities	-14
Identifiable assets	63
Goodwill	367
Total identifiable assets and goodwill	**430**

NOTE 28 – SEGMENT REPORTING

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

Reporting per primary segments/business areas

2012	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group 2012
Net sales						
External sales	10,729	4,583	1,599	-	-	16,911
Internal sales	909	832	67	-	-1,808	-
Group total	**11,638**	**5,415**	**1,666**	**-**	**-1,808**	**16,911**

Operating profit/loss per business segment

2012	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group 2012
Operating profit	697	311	88	-121	-	975
Adjustment for Hurricane Sandy*	6	5	-	10	-	21
Total	**703**	**316**	**88**	**-111**	**-**	**996**
Other						
Assets	4,835	3,586	647	58	-	9,126
Unallocated assets	-	-	-	-	-	634
Group total	**4,835**	**3,586**	**647**	**58**	**-**	**9,760**
Liabilities	1,280	761	322	175	-	2,538
Unallocated liabilities	-	-	-	-	-	3,299
Group total	**1,280**	**761**	**322**	**175**	**-**	**5,837**
Investments	218	94	61	1	-	374
Depreciation, amortisation and impairment loss	134	165	40	8	-	347

*Adjustment for the negative effect of Hurricane Sandy

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

Reporting per market

	Sweden	Denmark	Other Nordic countries	Central and Eastern Europe	Western Europe	North America	Other countries	Total
External sales	2,111	287	1,142	1,872	4,714	6,095	690	16,911
Intangible assets and property, plant and equipment	832	1,357	0	0	477	1,226	40	3,932
Other assets	1,652	728	10	55	1,120	1,965	298	5,828
Total assets	**2,484**	**2,085**	**10**	**55**	**1,597**	**3,191**	**338**	**9,760**
Investments	104	56	-	-	66	145	3	374

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 per primary segments/business areas

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

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

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

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

Reporting per market

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

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."

NOTE 29 – OPERATING LEASES

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

	Group	
	2012	**2011**
Within 1 year	49	37
1 to 5 years	102	71
More than 5 years	126	129
Total	**277**	**237**

Operating lease expenses of SEK 62 million (30) are recognised in profit or loss for the period.

NOTE 30 – SUPPLEMENTAL CASH FLOW STATEMENT

	Group		Parent	
	2012	**2011**	**2012**	**2011**
Adjustment for items not included in cash flow				
Provisions	1	1	-0	-11
Sales of non-current assets	4	3	-	-
IAS 39 effects	-	-	-	-
Other	-	-	-	-
Total	**5**	**4**	**-**	**-11**

The financial statements will be submitted for resolution to the Annual General Meeting on 3 May 2013 for adoption.

Corporate Governance Report

Corporate Governance Report 2012

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

Effective and clear corporate governance contributes to the safeguarding of trust among AAK's stakeholder groups and also increases the focus on business benefit and shareholder value in the company. AAK's Board of Directors and management team endeavour, through a high level of transparency, to make it easy for individual shareholders to understand the company's decision-making process and to clarify where in the organisation responsibilities and authorities reside. AAK's corporate governance is based on applicable legislation, the Code, NASDAQ OMX Stockholm's regulatory framework for issuers, generally accepted practice in the stock market and various internal guidelines. Where AAK has chosen to diverge from the rules in the Code, the reason is provided under each heading in this Corporate Governance Report.

General

AAK is a Swedish public limited company, whose shares are traded on NASDAQ OMX Stockholm within the Mid Cap segment, Consumer Commodities sector. AAK has around 7,000 shareholders. Its business operations are global, with a presence in almost 100 countries. As of 31 December 2012, the number of employees was 2,211. 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 Chief Executive Officer (CEO) in accordance with the Swedish Companies Act, other legislation and ordinances, applicable rules for companies traded on a regulated market, the Articles of Association and the Board's internal control instruments. AAK's goal is to be the obvious first choice for its customers, and to create the best possible value for the company's various stakeholder groups – in particular customers, suppliers, shareholders and employees. At the same time, AAK aims to be a good corporate citizen and take long-term responsibility. The aim of corporate governance is to define a clear allocation of responsibility and roles between the owners, the Board, the executive management team and various control bodies. In line with this, corporate governance covers the Group's management and control systems.

Ownership structure

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

Articles of Association

AAK's current Articles of Association were adopted at the Annual General Meeting on 19 May 2009. The Articles of Association state that the company is to operate manufacturing and trading business, primarily within the food industry, to own and manage shares and securities and other associated business. The Articles of Association also state the shareholders' rights, the number of Board members and auditors, that the Annual General Meeting shall be held yearly within six months of the end of the financial year, how notification of the 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 2012

The Annual General Meeting (AGM) held on 15 May 2012 was attended by shareholders representing around 60 percent of the share capital and votes in the company. The Chairman of the Board, Melker Schörling, was elected Chairman of the Annual General Meeting. The 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 2011 financial year of SEK 4.75 per share. Melker Schörling, Carl Bek-Nielsen, Martin Bek-Nielsen, Mikael Ekdahl, Märit Beckeman, Ulrik Svensson, Harald Sauthoff and Arne Frank were re-elected as ordinary members of the Board of Directors. Member of the Board John Goodwin did not stand for re-election. Melker Schörling was elected Chairman of the Board and Carl Bek-Nielsen was elected Vice Chairman of the Board. The employee organisations had appointed Annika Westerlund (PTK-L) and Leif Håkansson (IF Metall) as employee representative members of the Board, and Rune Andersson (IF Metall) and Ted Jörgensen (PTK-L) as deputy members of the Board. The Annual General Meeting did not authorise the Board to resolve on the issue of new shares by the Company or the acquisition of the Company's own shares in a share buy-back programe.

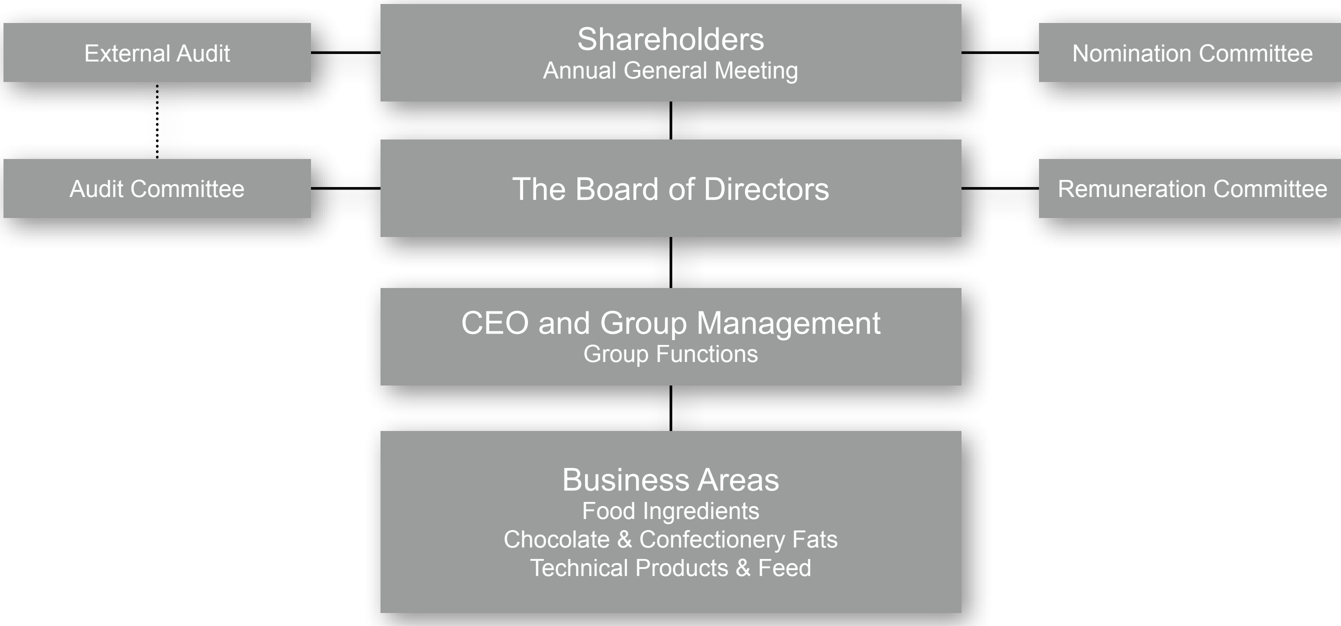
Nomination Committee

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 2013

The Annual General Meeting in 2012 decided that the Nomination Committee should have five members, whereby Mikael Ekdahl (BNS

Corporate Governance



Holding AB), Carl Bek-Nielsen (BNS Holding AB), Henrik Didner (Didner & Gerge Fonder) and Åsa Nisell (Swedbank Robur Fonder) were re-elected, and Lars-Åke Bokenberger (AMF Fonder) was elected as a new member, to the Nomination Committee for the Annual General Meeting in 2013. Mikael Ekdahl was also appointed Chairman of the Nomination Committee. The members of the Nomination Committee represent around 60 percent of the votes in AAK. The decision also included the opportunity to change the composition of the Nomination Committee in the event of a change in ownership. As AAK's main shareholder, Melker Schörling AB, considers that it is natural that one representative from each major shareholder is represented on the Nomination Committee. The shareholders in question also consider it natural that a representative of the largest shareholder in voting terms is the Chairman of the Nomination Committee. This is the reason why a Board member is the Chairman of the Nomination Committee. During the year, the Nomination Committee held one minuted meeting. At this meeting, the Chairman reported on the evaluation work, whereupon the Nomination Committee discussed any changes and new recruitment. The Nomination Committee has been contactable by letter with proposals from shareholders. The members of the Nomination Committee have not received any remuneration from AAK for their work. Shareholders who wish to contact the Nomination Committee can send letters addressed to AarhusKarlshamn AB (publ), Valberedningen, Jungmansgatan 12, SE-211 19 Malmö, Sweden.

The Board of Director and its activities

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

Composition of the Board

Under the Articles of Association, AAK's Board shall consist of at least three and at most ten members. The current Board consists of eight members elected by the Annual General Meeting. Under Swedish law, employee organisations have a right to be represented on the Board, and have appointed two ordinary members and two deputies. In accordance with the proposal of the Nomination Committee, eight members were re-elected at the Annual General Meeting in 2012. Melker Schörling was appointed Chairman of the Board. At the statutory Board meeting following the Annual General Meeting, the Board chose to appoint an Audit Committee and a Remuneration Committee. Ulrik Svensson was appointed Chairman of the Audit Committee and Mikael Ekdahl, Martin Bek-Nielsen and Harald Sauthoff were appointed members. Mikael Ekdahl was appointed Chairman of the Remuneration Committee and Martin Bek-Nielsen was appointed member. Melker Schörling is also Chairman of the Board of BNS Holding AB, which holds around 40 percent of the votes in AAK, and Mikael Ekdahl is a member of the Board of BNS Holding AB. Melker Schörling and Mikael Ekdahl cannot, therefore, be considered as independent in relation to major shareholders in the company in accordance with the Code. The largest shareholder in BNS Holding AB is Melker Schörling AB, which, on the date of the 2012 Annual General Meeting held 58.5 percent of the shares and votes in BNS Holding AB. On 20 July 2012, Melker Schörling AB acquired the remaining shares and votes in BNS Holding AB. As part of the transaction, BNS Holding AB transferred shares corresponding to approximately 5 percent of the shares and votes in AAK, and now holds around 35 percent of the shares and votes in AAK. Carl Bek-Nielsen and Martin Bek-Nielsen were formerly on the Board of BNS Holding AB, and could not, therefore, be considered as independent in relation to AAK's major shareholders. In connection with BNS Holding AB becoming a wholly-owned subsidiary of Melker Schörling AB, both Carl Bek-Nielsen and Martin Bek-Nielsen stepped down from the Board of BNS Holding AB. Following this, they were both independent in relation to AAK's major shareholders for a period of time. Martin Bek-Nielsen is still independent in relation to AAK's major shareholders. At the Extraordinary General Meeting of Melker Schörling AB held on 13 December 2012, Carl Bek-Nielsen was elected as member of the Board of Melker Schörling AB. Since that date, Carl Bek-Nielsen is, accordingly, no longer independent in relation to the major shareholders in the company. 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 CEO Arne Frank is, in his capacity as CEO and an employee of the company, not independent in relation to the company management. The other two members elected by the AGM, Märit Beckeman and Harald Sauthoff, are independent in relation to AAK, the company management and the company's major shareholders in accordance with the Code.

Attendance at Board and Committee meetings during 2012

Member	Board of Directors	Audit Committee	Remuneration Committee
Number of meetings	12	4	2
Märit Beckeman	11		
Carl Bek-Nielsen	10		
Martin Bek-Nielsen	11	3	2
Mikael Ekdahl	11	4	2
Arne Frank	12		
Leif Håkansson	12		
Harald Sauthoff	11	3	
Melker Schörling	12		
Ulrik Svensson	12	4	
Annika Westerlund	11		

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

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. Peter Korsholm acts as secretary to the Board.

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 15 May 2012, at which meeting all members were in attendance.

Chairman of the Board

At the Annual General Meeting held on 15 May 2012, 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 2012

The Board held 12 meetings during the year. All business area managers reported on the goals and business strategies of the business areas. The Board has handled issues relating to staffing and organisation, and has also followed up on the progress of the specialisation projects within operations in Denmark, Sweden, the Netherlands and the UK. Decisions have been made relating to acquisitions and investments. Other areas handled are the Group's work on raw materials supply, risk management and the company's strategy for capital structure and borrowing.

Fees to Board members

According to the decision of the Annual General Meeting, the total fees to the Board amount to SEK 2.775.000, to be allocated between the members as follows: SEK 500,000 to the Chairman, SEK 375,000 to the Vice Chairman and SEK 250,000 to each of the other members elected at the Annual General Meeting who are not employed by the company. The Chairman of the Audit Committee received SEK 200,000 and the members SEK 100,000 each. The Chairman of the Remuneration Committee received SEK 100,000 and the member SEK 50,000. The CEO, the secretary to the Board and employee representatives to the Board do not receive any compensation other than for costs in connection with their participation in Board activities. For further information about remuneration to members of the Board, please see page 33-34.

Evaluation of the CEO

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

Guidelines for remuneration of senior executives

The Annual General Meeting 2012 approved the principles for the remuneration of senior executives. The principles for the remuneration of AAK's senior executives are designed to ensure, from an international perspective, that AAK can offer compensation that is competitive and at the prevailing market level to attract and retain qualified people. The total remuneration package paid to senior executives shall consist of fixed basic salary, annual variable salary, pension, company car and severance payment. The fixed salary shall be individually differentiated on the basis of responsibility and performance, and shall be set on market principles and revised annually. In addition to annual salary, senior executives shall also receive a variable salary, which shall have a pre-set ceiling and be based on the outcome in relation to goals set annually. The goals shall be related to the company's performance and shall also be able to be linked to individual areas of responsibility. The annual variable portion shall amount to a maximum of 60 percent of the fixed salary. In addition to the variable salary mentioned, share or share-price related incentive programmes may be added as determined from time to time. The right to a pension for senior executives shall apply from the age of 60 at the earliest. Pension plans for senior executives shall be either defined benefit or defined contribution plans, or a combination of the two. In the event of termination of employment by the company, the notice period for the President and other senior executives shall be twelve months, and they shall be entitled to receive severance pay with a pre-determined ceiling corresponding to twelve months' salary. For termination of employment by the employee, a notice period of six months shall normally apply and no severance pay shall be payable. These guidelines shall cover those persons who are in senior management positions during the period of time to which the guidelines apply. The guidelines apply to agreements entered into after the resolution of the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time. The Board shall be entitled to diverge from the guidelines if there are particular reasons to do so in an individual case.

Incentive programme 2010/2015

An incentive programme has been introduced for senior executives and key personnel in the Group, in accordance with the resolution of the Extraordinary General Meeting of 8 November 2010. Within the framework of this programme, 1,500,000 stock options, carrying an entitlement to subscribe for an equivalent number of shares in AAK, have been issued to the wholly-owned subsidiary, AarhusKarlshamn Invest AB, and offered for sale to participants in the programme. Around 100 senior executives and key personnel within the Group have so far acquired 1,300,000 stock options. The remaining stock options, which have not been assigned, are reserved for the future recruitment of senior executives and key personnel to the Group. The incentive programme, which gives senior executives and key personnel the opportunity to participate in the growth in value of the company, is 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. The market-based valuation at the time has set the subscription price for subscribing to shares through the exercise of the stock options at SEK 188. The stock options are assigned to participants in the programme at market price. The stock options will be eligible for the purchase of shares during the period 1 December 2013 –1 December 2015.

Board committees

Audit and remuneration issues within the Board are handled in committees, 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 CEO and senior executives shall be prepared by the Remuneration Committee. The Remuneration Committee prepares and presents proposals to the Board relating to remuneration to the CEO and other senior executives. The final task of the Remuneration Committee is to monitor and evaluate the ongoing programmes for variable remuneration of the company management team, and programmes terminated during the year, as well the application of the guidelines for the remuneration of senior executives and the current remuneration structure and remuneration levels in the company. During 2012, the members of the Remuneration Committee were Mikael Ekdahl (Chairman) and Martin Bek-Nielsen. 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 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 page 33-34. During 2012, the Remuneration Committee met on two occasions, at which both members attended. The Board's proposal for guidelines for remuneration to senior executives can be found in Note 8 on page 33-34, and will be put to the Annual General Meeting in 2013 for a decision.

Audit Committee

During 2012, members of the Audit Committee were Ulrik Svensson (Chairman), Martin Bek-Nielsen, Mikael Ekdahl and Harald Sauthoff. The Committee held four ordinary meetings during the year, which the company's external auditors and representatives of the management team have attended. Areas dealt with by the Audit Committee have primarily related to planning, scope and follow-up of the audit for the year. Other issues dealt with include risk management, integration and systematics of Group procedures, coordination of insurance issues, corporate governance, internal control, accounting rules, development of the global finance function, financing operations and other issues that the Board has requested the Committee to prepare. Under the provisions of Chap. 8 § 49 a of the Companies Act (2005:551), at least one member of the Audit Committee must be independent in relation to major shareholders in the company, and have expertise in accounting or auditing, and the company fulfils this requirement of the Code.

External auditors

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

Operational management

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

AAK's Group management team consists of eleven persons from seven countries: the CEO, CFO, HR/CIO, CTO and President European Supply Chain, as well as six persons in charge of business areas/countries. The Group management team meets on a monthly basis and deals with the Group's financial development, investments, synergy and productivity projects, acquisitions, Group-wide development projects, leadership and competence supply and other strategic issues. The meetings are chaired by the CEO, who reaches decisions in consultation with the other members of the Group management team. The Group has a small number of Group employees, who are responsible for Group-wide activities, such as financial performance, tax, IT, internal audit, strategy, investor relations, information and legal issues. The CEO and Group management team are presented on pages 60-61. For remuneration principles and salaries and other fees paid to the CEO and Group management team, please see Note 8 on page 33-34.

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

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

The Board is responsible for AAK's internal control, the overall purpose of which is to protect the owners' investments and the company's assets. The Board shall provide a description of how internal control and risk management relating to financial reporting is organised in a separate section of this Corporate Governance Report. Internal control relating to financial reporting is a process involving the Board, the company management team and personnel.

The process has been designed to ensure the reliability of external reporting. According to the commonly accepted framework (COSO) established for this purpose, internal control is usually described from five different aspects, which are described below. The control environment forms the basis for internal management and control. Risk assessment and risk management mean that the management is aware of and has itself assessed and analysed risks and threats to the operation.

Control activities are the measures and procedures designed by the management to prevent errors from arising and for discovering and correcting errors that do arise. In order for individual tasks to be carried out in a satisfactory manner, the personnel in an organisation need to have access to current and relevant information. The final module of the frame work relates to follow-up of internal management and the design and effectiveness of controls.

Control environment

AAK's organisation is designed to facilitate quick decision-making. Operational decisions are therefore made at business area or subsidiary level, while decisions about strategies, acquisitions and overriding financial issues are taken by the company's Board and Group management team. The organisation is characterised by clear division of responsibilities and effective and established management and control systems, covering all units within AAK.

The basis for the internal control relating to financial reporting consists of an overall control environment in which the organisation, decision-making routes, authorities and responsibilities have been documented and communicated in management documents, such as AAK's financial policy, raw material purchasing policy, the manual on financial reporting and the authorisation rules set by the CEO. AAK's finance functions are integrated through a joint consolidation system and a joint accounting instruction. The Group's finance unit works closely and effectively with the controllers of subsidiaries in relation to year-end financial statements and reporting.

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 performed in accordance with fixed policies and procedures, which are reviewed annually by AAK's Board. Risks relating to commodities are managed using the Group's raw material purchasing policy. Risks relating to currency, interest and liquidity are mainly governed by AAK's finance policy. The Group's credit policy directs the management of credit and contract risks. Effective risk management unites operational business development with the requirements of owners and other stakeholders for improvements in control and long-term value. Risk management aims to minimise risks, but also to ensure that opportunities are utilised in the best possible way. Risk management covers the following areas of risk: strategic risks relating to the market and sector, commercial, operational and financial risks, compliance with external and internal regulatory frameworks and financial reporting. The main components of risk assessment and management are identification, evaluation, management, reporting, follow-up and control. For further information about AAK's risk management, please see Note 3 on pages 25-29.

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 an instruction adopted by the Board, which provides a framework for how the Group's operation shall be financed, and for how, for example, currency and interest risks are to be handled.

Information policy

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

Environmental policy

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

The consolidated income statement and balance sheet will be presented at the Annual General Meeting 3 May, 2013 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 Company's financial position and results.

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

Malmö, 25 March 2013

Melker Schörling Chairman of the Board	Carl Bek-Nielsen Vice Chairman	Arne Frank Chief Executive Officer and President	Ulrik Svensson Member
Martin Bek-Nielsen Member	Mikael Ekdahl Member	Märit Beckeman Member	Harald Sauthoff Member
	Annika Westerlund Employee representative	Leif Håkansson Employee representative	

Audited and submitted on 25 March 2013 by
PricewaterhouseCoopers AB

Anders Lundin
Authorised Public Accountant
Lead Auditor

Auditor's report

To the annual meeting of the shareholders of Aarhus Karlshamn 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 Aarhus Karlshamn AB (publ) for the year 2012 except for the corporate governance statement on pages 47-52. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 1-53.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 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 2012 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 47-52. 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 Aarhus Karlshamn AB (publ) for the year 2012. We have also conducted a statutory examination of the corporate governance report.

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 report on pages 47-52, 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, 25 March 2013.
PricewaterhouseCoopers AB

Anders Lundin
Authorised Public Accountant
Lead Auditor

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.

The AAK share

AAK's shares have been traded since 2 October 2006 on the NASDAQ OMX, Stockholm, the Nordic List, within the Mid Cap segment, Consumer Commodities sector. The abbreviation is AAK and the ISIN code is SE0001493776.

Turnover and price trend

During 2012, 12.3 million (10.8) shares were traded at a total value of SEK 2,875 million (1,917), which corresponds to a turnover rate of 30 percent (26). The average trade per trading day was 49,516 (42,573) shares, or SEK 11,498,000 (7,577,000). At year end, the price was SEK 276.00 (199.50) and AAK's market value was SEK 11,288 million (8,159). The highest price during the year was SEK 276.00 (28 December 2012) and the lowest price was SEK 189.00 (10 January 2012).

Share capital

At 31 December 2012, the share capital of AAK amounted to SEK 408,981,890 (408,981,890). The number of shares was 40,898,189 (40,898,189). The quota value per share was SEK 10. Each share entitles the holder to one vote. All shares have equal rights to participate in the profits and assets of the Company.

Ownership

The number of shareholders at 31 December 2012 was 6,934 (7,313).

Planned dividend policy

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

Ordinary dividend

The Board of AAK proposes a dividend for the 2012 financial year of SEK 5.25 (4.75) per share, a total of SEK 215 million (194).

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.

In 2012, the company held two capital market days (in Stockholm and Copenhagen) and a large number of meetings with analysts and other professionals in Stockholm, Copenhagen, London, Frankfurt, Paris, New York and Zürich.

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

Analysts

Berenberg Bank – James Targett
CA Cheuvreux – Richard Koch
Carnegie Investment Bank AB – Fredrik Villard
Danske Bank – Bile Daar
Handelsbanken – Casper Blom
Nordea Bank A/S – Patrik Setterberg
SEB Enskilda – Christopher Lyrhem
Swedbank – Christian Anderson

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

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

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

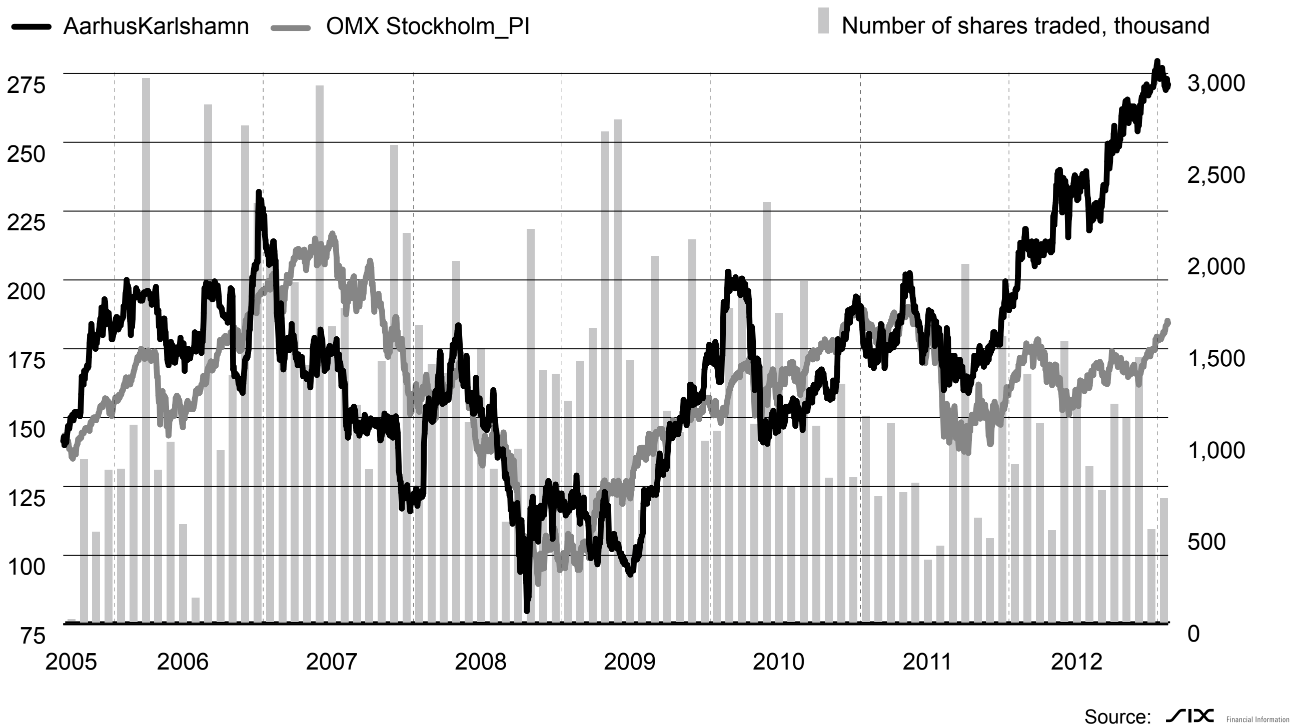
Peter Korsholm
Chief Financial Officer (CFO)
Telephone: +46 40 627 83 00

Fredrik Nilsson
Director Group Controlling and Head of Investor Relations
Telephone: +46 40 627 83 00
E-mail: fredrik.nilsson@aak.com

Major shareholders, 31 December 2012

	No. of shares	Proportion of share capital and votes, %
BNS Holding AB	14,318,350	35.0
AMF - Försäkring och Fonder	3,317,000	8.1
Swedbank Robur fonder	2,781,230	6.8
Didner & Gerge Fonder Aktiebolag	2,270,000	5.6
Svenska Handelsbanken Copenhagen	1,391,185	3.4
SEB Investment Management	1,058,491	2.6
Alecta Pensionsförsäkring	800,000	2.0
JPM Chase NA	752,938	1.8
Enter fonder	646,833	1.6
Other shareholders	13,562,162	33.1
Total	40,898,189	100.0

The AAK share 29 September 2005 to 31 January 2013



Distribution of shareholdings, as of 31 December 2012

No. of shares	No. of shareholders	Proportion of all shareholders, %	Proportion of share capital and votes, %
1 - 500	5,195	74.9	2.29
501 - 1,000	824	11.9	1.68
1,001 - 5,000	629	9.1	3.40
5,001 - 10,000	103	1.5	1.74
10,001 - 15,000	36	0.5	1.08
15,001 - 20,000	14	0.2	0.77
20 001 -	133	1.9	89.04
Total	6,934	100.0	100.00

Information per share

	2012	2011
Share price, reporting date, SEK	276,00	199.50
Dividend, SEK	5.25	4.75
Direct yield, %	1.90	2.38
Earnings per share, SEK	15.66	14.72
Equity per share, SEK	95.32	86.72
Share price/ Equity	2.90	2.30

For definitions, see page 55

Board of Directors

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 Business and Economics.
Professional background: CEO of a number of companies, including Securitas AB 1987-1992 and Skanska 1993-1997.
Other directorships: Hexagon AB, Securitas AB and HEXPOL AB and member of the Board of Directors of Hennes & Mauritz AB.
Number of shares: MSAB holds 14,318,350 shares (35.0 percent) in AAK.

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 of 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: 264,550.
Stock options: 80,000.

Carl Bek-Nielsen
Vice Chairman.
Elected in: 2005.
Born: 1973.
Nationality: Danish.
Main occupation: Chief Executive Director and Vice Chairman at 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. Member of the Board of Directors of MSAB.
Number of shares: United International Enterprises Ltd holds 1,363,406 shares (3.3 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: United International Enterprises Ltd holds 1,363,406 shares (3.3 percent) in AAK.

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.
Number of shares: 8,000.

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.

Ulrik Svensson
Elected in: 2007.
Born: 1961.
Nationality: Swedish.
Main occupation: CEO Melker Schörling AB.
Qualifications: BSc 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.

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.

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.

Auditor

PricewaterhouseCoopers AB

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

Group Management

Arne Frank
Employed: 2010.
Born: 1958.
Nationality: Swedish.
Main occupation: President and CEO AarhusKarlshamn AB.
Qualifications: MSc. Industrial Engineering and Management.
Directorships: Chairman of the Board of Contex Holding A/S and member of the Board of Directors of Alfa Laval AB (publ.).
Number of shares: 2,000.
Share options: 264,550.
Stock options: 80,000.

Peter Korsholm
Employed: 2012.
Born: 1971.
Nationality: Danish.
Main occupation: CFO (Chief Financial Officer). Vice President AarhusKarlshamn AB.
Qualifications: MBA, MSc. Econometrics and Mathematical Economics, BA Economics.
Directorship: Member of the Board of Maj Invest A/S.
Number of shares: 0.
Stock options: 130.000.

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.

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.

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.

Hal Grant
Employed: 2012.
Born: 1960.
Nationality: American.
Main occupation: Interim President AAK USA.
Qualifications: Phd., MSc. Industrial Management and BSc. Mechanical Engineering.
Number of shares: 0.
Stock options: 0.

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

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

Financial Calendar, Annual General Meeting

Reporting schedule

AarhusKarlshamn AB (publ) will provide financial information for the 2013 financial year on the following occasions:

- The interim report for the first quarter will be published on 25 April.
- The half-year report will be published on 22 July.
- The interim report for the third quarter will be published on 30 October.
- The year-end report for 2013 will be published on 4 February 2014.

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

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

More information about AarhusKarlshamn AB (publ) is available on the company's website: www.aak.com

Annual General Meeting

AarhusKarlshamn AB (publ)'s Annual General Meeting will take place on Friday 3 May 2013 at 2 pm at Europaporten in Malmö. Doors to the Annual General Meeting open at 1 pm and registration must be completed before 2 pm, at which time the voting list will be 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 Friday 26 April 2013, and if they have given notice that they will attend the Annual General Meeting by 4 pm on Friday 26 April 2013.

Registration in the shareholders' register

The company's 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 share register held by Euroclear Sweden AB as per Friday 26 April 2013. Anyone who has had shares registered through a nominee must temporarily register the shares in their own name to be able to attend the Annual General Meeting. This should be done in good time before this date.

Notification

Shareholders who wish to attend the Annual General Meeting must notify the company by one of the following alternatives.

by post to:
AarhusKarlshamn AB (publ)
Helena Raihle
Jungmansgatan 12
211 19 Malmö, Sweden
by telephone on: +46 733 99 83 15
by e-mail: helena.raihle@aak.com
or through the website: www.aak.com
as soon as possible, and no later than 4 pm on Friday 26 April 2013.

In the notification, the shareholder must specify his or her name, address, phone number, personal or corporate identity number and shareholding.

Notice of Annual General Meeting

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

Address

AarhusKarlshamn AB (publ)
Jungmansgatan 12
211 19 Malmö, Sweden
Telephone: +46 40 627 83 00
Fax: +46 40 627 83 11
E-mail: info@aak.com
www.aak.com
Corporate identity no. 556669-2850

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

This document is a translation of the Swedish language version. In the event of any discrepancies between the translation and the original Swedish AAK report 2012, the latter shall prevail.

The first choice for value-added vegetable oil solutions

Published by AarhusKarlshamn AB, Sweden. Produced by AAK Corporate Communication.
Graphics and original: www.johnjohns.se. Photography: www.benfoto.se, AAK, Futureimagebank. Print: Kaigan AB.