



**AAK**



## **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](http://www.aak.com).



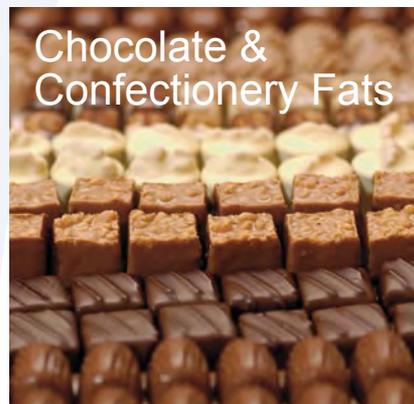
# AAK in 60 seconds

- 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.

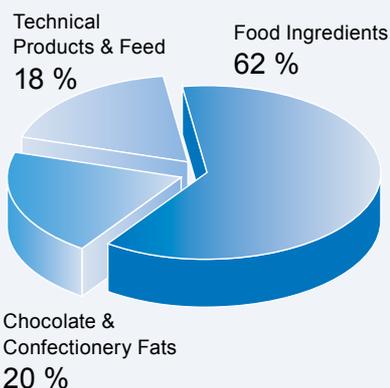


Our second largest business area offers functional cocoa butter alternatives for chocolate, compounds for coating and moulding, and speciality fats for confectionery fillings.

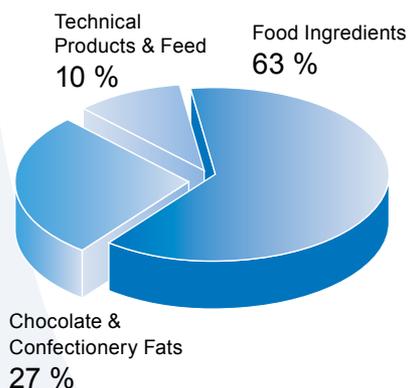


Our Technical Products & Feed business area provides Biolubricants for metalworking, forestry and construction, fatty acids and glycerine for various applications and proteins and fats for animal feed.

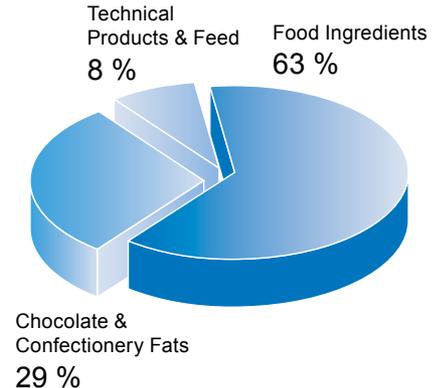
### Volumes



### Net sales



### Operating profit

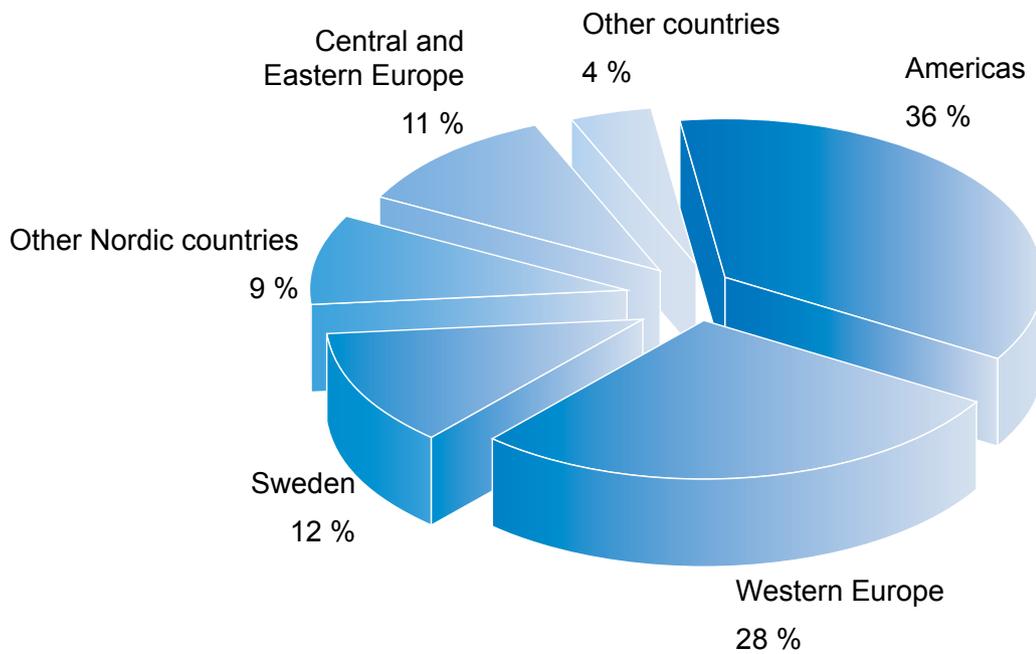


# AAK in the world



● Production plants and sales offices   ● Sales offices   ● Customisation plants   ● Sourcing operations

## 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<sub>2</sub> 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	<b>16,911</b>
Operating profit	851	827	824	918*	<b>1,003**</b>
Operating profit per kilo, SEK	0.55	0.58	0.57	0.64	<b>0.66</b>
Earnings per share, SEK	10.80	10.14	14.15	14.72	<b>15.66</b>
Return on net operating assets, % (RONA)	11.00	12.60	13.10	13.30	<b>13.90</b>

\* 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.



# 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.

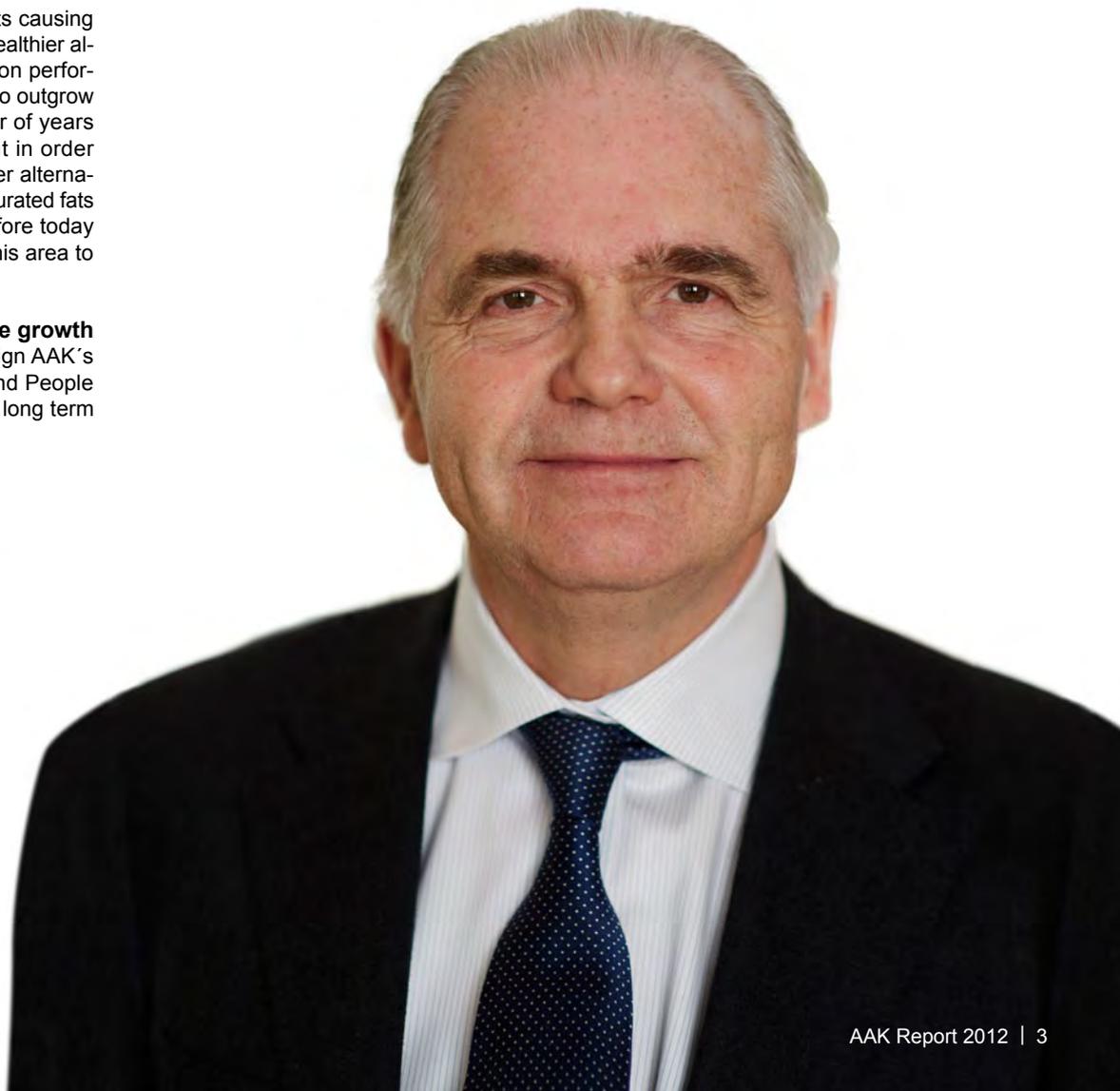
In addition, I am very pleased to see that AAK has during the past two years impressively decreased its production costs through a very strong focus on productivity improvements. I am however aware that these production improvements have been challenging to achieve.

## **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.

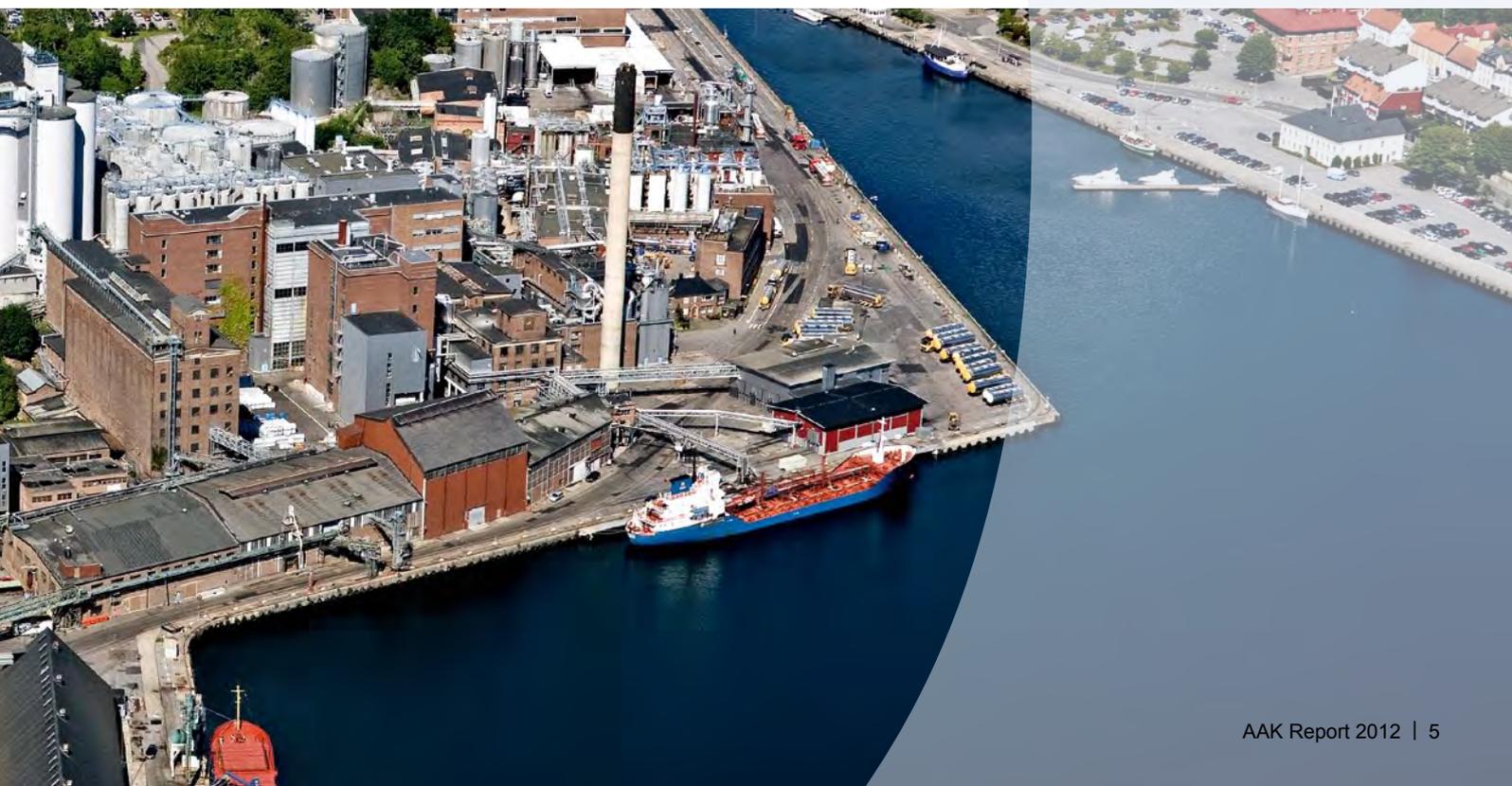
We also want to take the opportunity to sincerely thank all our stakeholders; customers, shareholders, board, our teams and our employees for the strong support you have shown during the year.

## 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

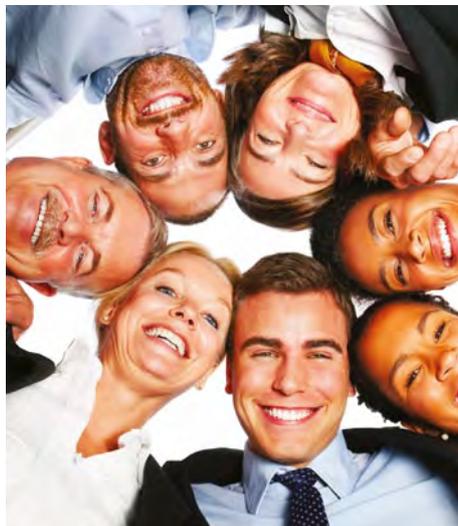
Our strategy is to reinforce our position as global market leader within speciality vegetable oils and through that deliver on our objectives. The strategy supports our vision: to be the first choice for value-added vegetable oil solutions.

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



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

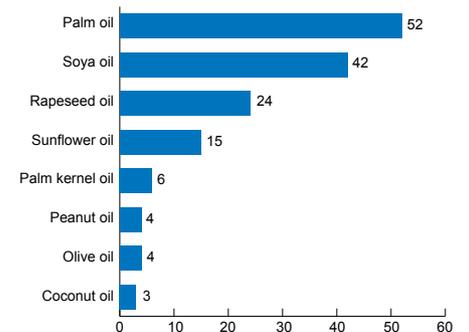
Our raw materials are obtained from rapeseed, palm kernel, soya beans, shea kernels, sunflower seed, olives and many other sources. Drawing on our extensive knowledge and more than a century of experience, we exploit the properties of vegetable oils to add value to customers within our target industries.

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.

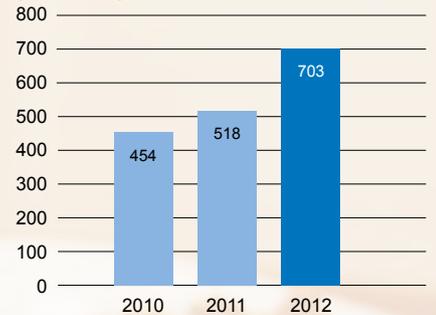
# Business Area – Food Ingredients

## 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

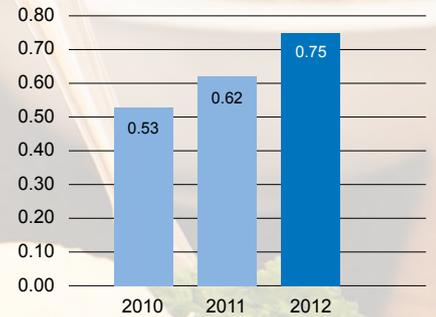
### Operating profit

(SEK million)



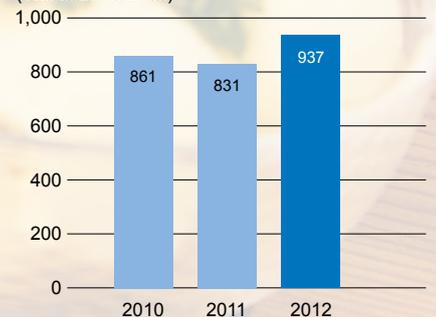
### Operating profit per kilo

(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.

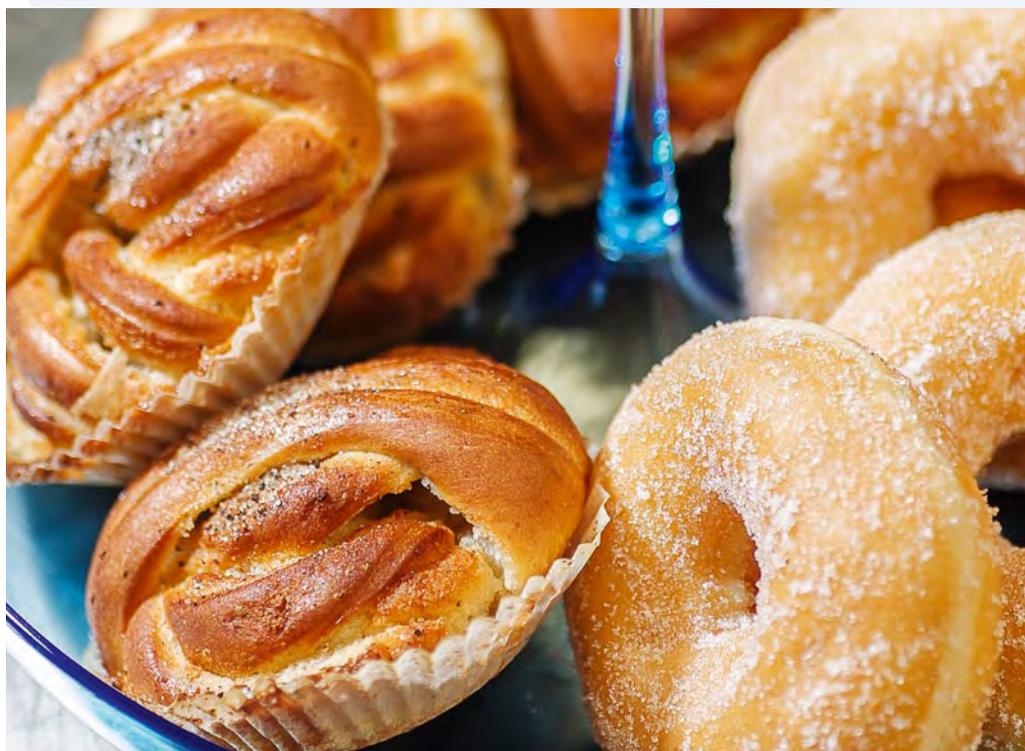
Innovative solutions, continued customer co-development, consistent quality and high service levels have consolidated our position as the first choice for vegetable oil solutions across a wide global customer base. Particularly our fast responsiveness to the changing requirements of the food industry 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 solutions. 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 strengthened 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)



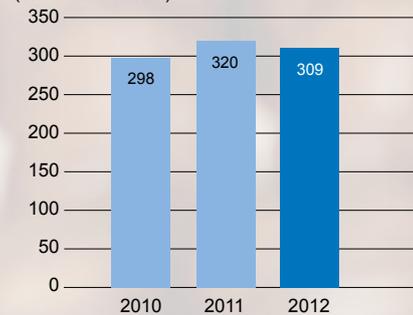
### Operating profit per kilo

(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](http://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.

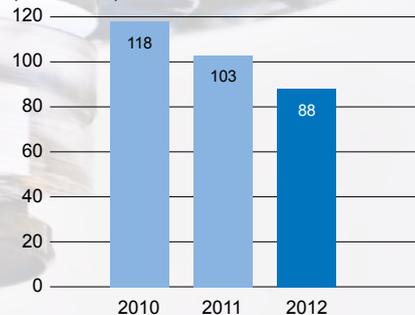
# Business Area – Technical Products & Feed

## 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

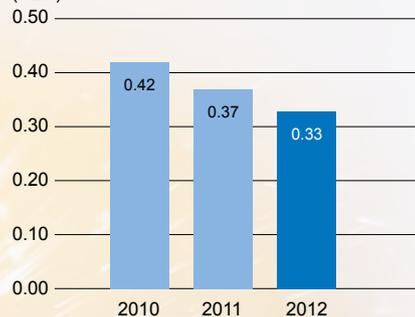
### Operating profit

(SEK million)



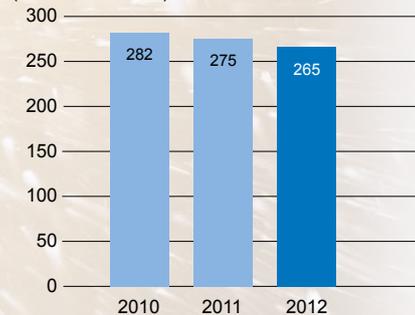
### Operating profit per kilo

(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 re-

maining 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.

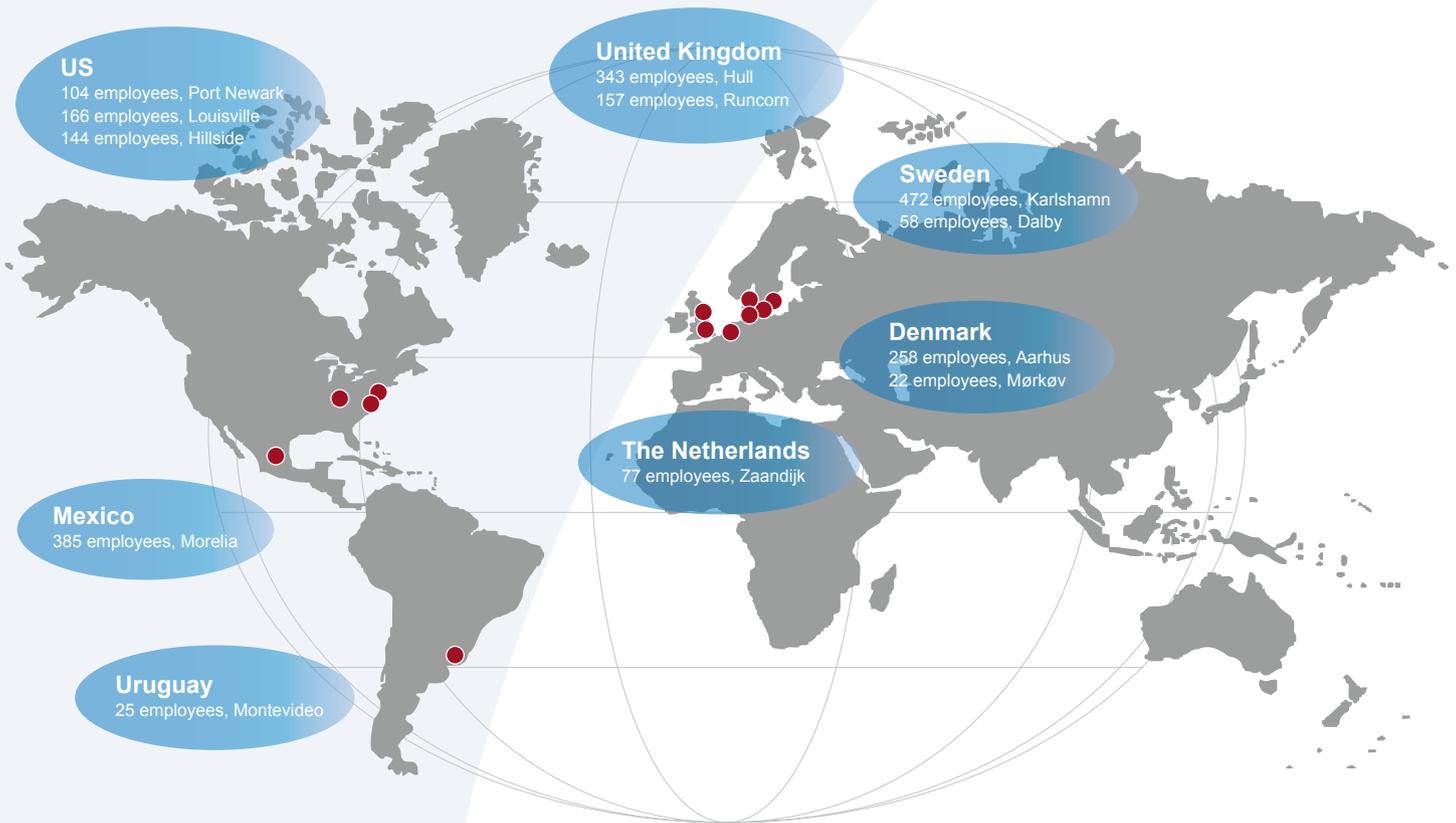
Regulatory measures also pose a risk. Active involvement in CSR-related issues is, therefore, becoming increasingly important to forestall legislation on issues that are a natural development of human requirements.

## 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.



# 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.

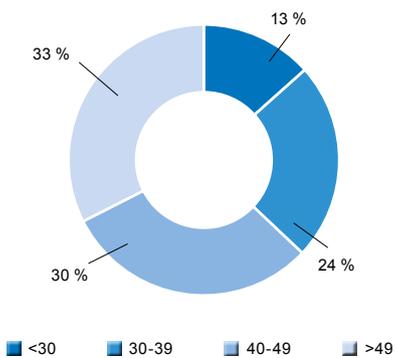
The first trainees were also enrolled on our new 12-month Commercial Graduate Trainee Programme. During the programme, they will gain a deep insight into both the operational and commercial value chain as well as receive formal training.

## Communication drives execution

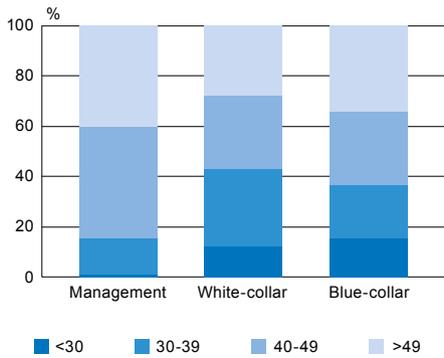
Strong dedication to internal communication is vital to ensure engaged and committed employees who understand both the company objectives and the link with their own personal objectives. Town hall meetings, articles on our global intranet, monthly management conference calls and communication packages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



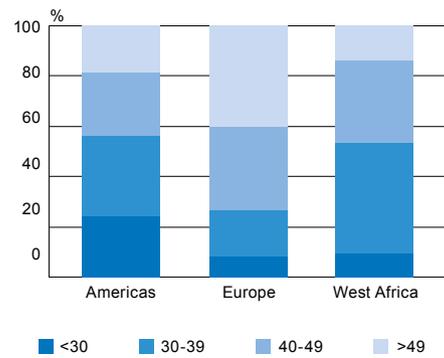
**Employee distribution by age**



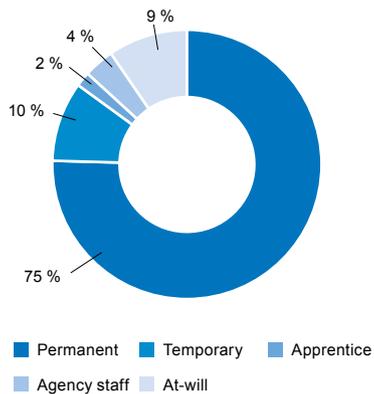
**Employee category by age**



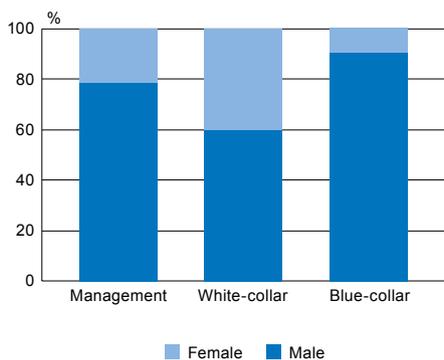
**Employees by age**



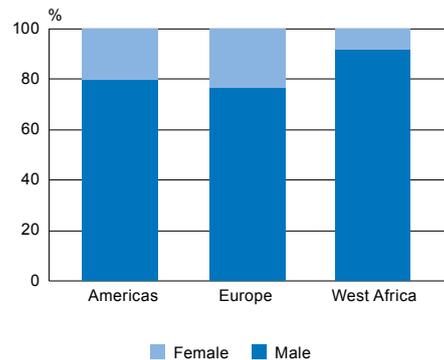
**Employment contract type**



**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.

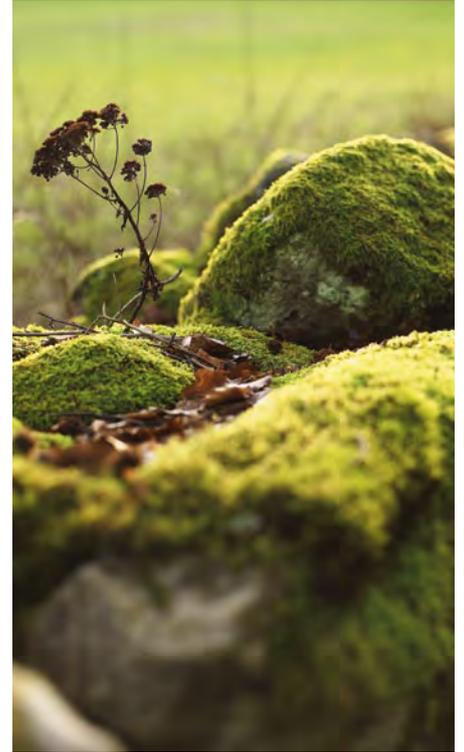
Since the global CSR organisation was established in early 2007, the principal objective has been to ensure diversity in the local teams that are central to our CSR work. The teams cover competences within human resources, health, safety & environment, finance, sourcing, operations and sales.

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

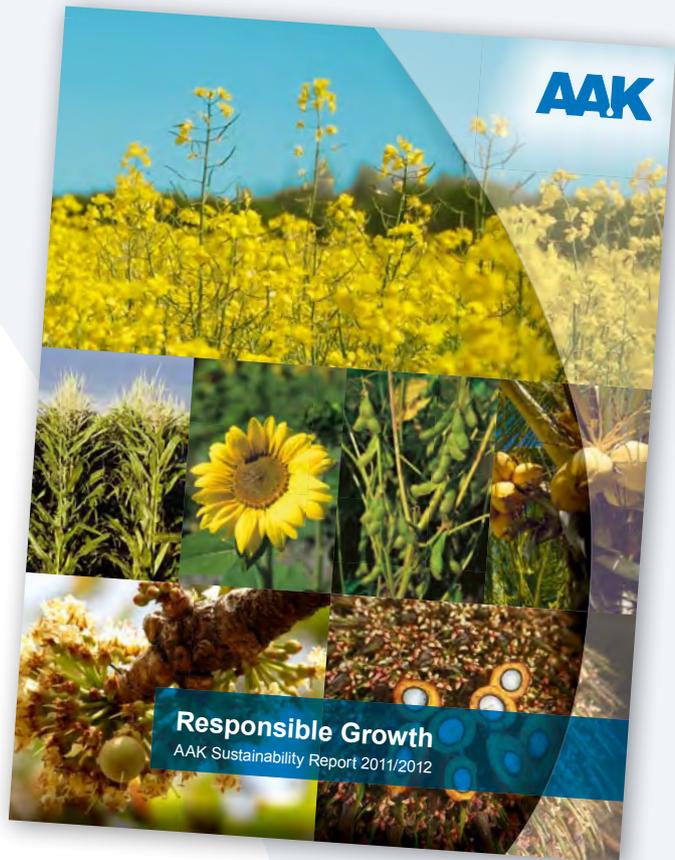
One of our most important challenges is to support our customers in achieving their CSR objectives. Safeguarding our customers' brands is a fundamental requirement, and, to remain their first choice, we must partner with customers to help them reach their objectives. Our long, close customer relationships 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 per cent 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<sub>2</sub> 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.

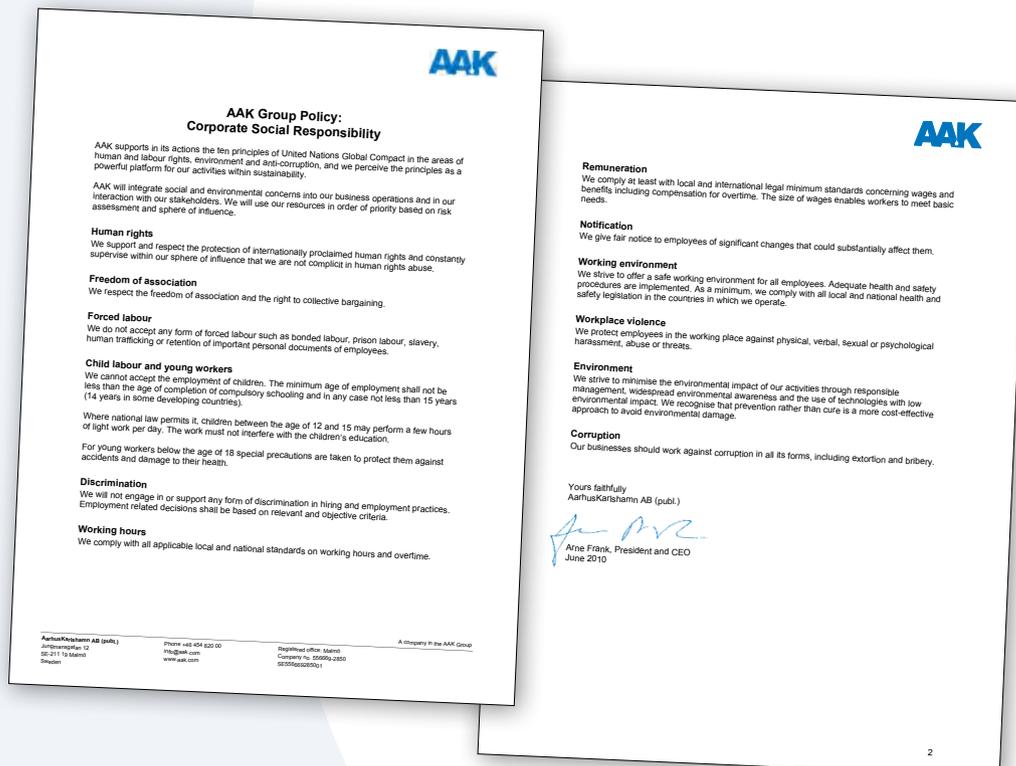
## Community

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.





# 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.

## Members of the Board of Directors appointed by the employees



### **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.



### **Leif Håkansson**

AarhusKarlshamn Sweden AB.

Appointed by IF-Metall.

*Elected in:* 2005.

*Born:* 1957.

*Nationality:* Swedish.

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

*Qualifications:* Electrical engineering.

*Number of shares:* 0.



### **Annika Westerlund**

AarhusKarlshamn Sweden AB.

Appointed by PTK-L.

*Elected in:* 2005.

*Born:* 1956.

*Nationality:* Swedish.

*Main occupation:* Laboratory Assistant.

*Qualifications:* Technical College.

*Number of shares:* 0.



### **Harald Sauthoff**

*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.



### **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:* 2007.

*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.

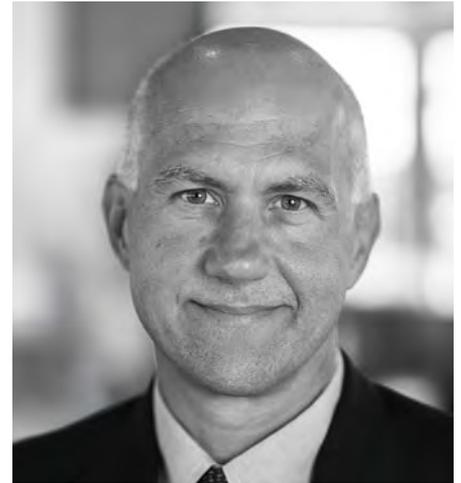
*Nationality:* Swedish.

*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 (Cocoa Butter Alternatives)** – Fats with physical properties similar to those of cocoa butter, i.e., solid at room temperature and with very rapid melt-off in the mouth.

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

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

**CBS (Cocoa Butter Substitutes)** – CBA with physical properties and application areas similar to those of CBR. Made from palm-kernel oil.

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

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

**Essential fatty acids** – The omega 3 fatty acids alfa-linolenic acid and the Omega-6 fatty acid 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 normally not mixable.

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

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

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

# Address

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For more information, please visit our  
website [www.aak.com](http://www.aak.com).

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**AAK**



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