AAK

Annual Report 2008

Contents

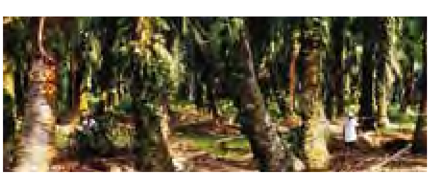
26 Our social and environmental responsibility

AAK produces vegetable oil-based products from plants occurring in nature. These are products with no impact on the environment. It is, therefore, obvious to AAK that it should develop financially-sustainable production, with responsibility for the world as a whole, all the way to the customer.

Social, financial and environmental responsibility must go hand in hand - otherwise the company will lose its credibility. This is an essential approach, which is deeply rooted in the Group's operations.

28 Environmental and social responsibility

There is a clear organic trend sweeping the world. Demand from AAK's customers for eco oil is growing strongly, and this is a major call on development resources within AAK. Over and above its own reading of trends, AAK works closely with its customers in intensive development efforts.



32 Vegetable oils the basis of AAK's operations

A broad spectrum of raw materials with different properties – this is an important ingredient in the company's strategy of developing products with greater value-added. On this basis, and by cooperating with our customers, we can meet consumer demands for attractive products in the food, confectionery and cosmetics sectors.

35 Development focused on health and the environment

Considering AAK's knowledge of a natural product like vegetable oil, it is obvious that the company's development efforts will, to a great extent, focus on health and ecology.

38 Production in nine plants

With nine production plants in seven countries – Sweden, Denmark, United Kingdom, Mexico, the Netherlands, the US and Uruguay – AAK is the world's leading producer of speciality vegetable fats.

40 Employee

Since the merger, collaboration between members of staff and the various units within AAK has increased gradually.

AAK in 60 seconds

- AAK refines vegetable oils for specialised products which meet our customers' high requirements. In partnership with its customers, AAK develops leading global positions with a high level of profitability.

- AAK should be the first choice for customers whose production relies on high value-added vegetable oils. This is what has made AAK the world's leading producer of speciality vegetable fats. The products are used as substitutes for dairy fat and cocoa butter, as transfree solutions for fillings for chocolate and confectionery products, as well as by the cosmetics industry.

- Raw materials are obtained from areas such as Asia and West Africa. AAK is committed to sustainable development and is one of the prime moves behind RSPO, Roundtable for Sustainable Palm Oil, and GreenPalm Ltd. Through these initiatives, AAK has contributed to the natural extraction of palm oil through natural agricultural development without ruthless exploitation.

- AAK's products originate in the plant kingdom and are renewable. This means that they have minimum impact on the environment. AAK's products are used, for example, as lubricants for forestry machinery. The waste products discharged by the machinery to the eco-system during the production process have no harmful impact on the environment.

- AAK is organised in three business areas: Chocolate & Confectionery Fats, Food Ingredients and Technical Products & Feed. The cosmetics unit, which is part of Chocolate & Confectionery Fats, is a rapidly-growing operation.

- Production facilities are located in Denmark, Mexico, the Netherlands, United Kingdom, Sweden, Uruguay and the US.

- AAK has purchasing and sales offices in several key locations around the world.

- AAK's head office is in Malmö, Sweden, and acts as a central meeting place for the entire Group. It communicates well with the principal operations in Denmark and Sweden, and is within easy striking distance of Copenhagen International Airport.

- The parent company, AarhusKarlshamn AB, is a Swedish-registered joint-stock company based in Malmö. The company's shares are listed on NASDAQ OMX, Stockholm, in the Mid Cap segment, Consumer Commodities sector.

2008 in brief

- Net sales were SEK 17,207 million (SEK 13,005 million).
- Operating profit excluding the effects of IAS 39 and non-recurring items amounted to SEK 851 million (SEK 653 million). Earnings per share were SEK 10.80 (SEK 8.53) excluding IAS 39 and non-recurring items.
- The proposed dividend is SEK 4.00 (SEK 4.00) per share.
- The new production unit in Karlshamn was formally opened. As part of the new joint-venture with Enzymotec, Advanced Lipids, it will produce replacement fats for infant formula.
- New production capacity was opened in Morelia, Mexico, for AAK Bakery Services to supply customers in the region with vegetable fats for the production of bakery products.
- AAK acquired the Stockholm-based company, Rapsona, in Sweden. The company supplies bakeries, restaurants and small producers of readymeals with the products they require.
- A number of new eco-products were developed and marketed by FoodService.
- AAK was the first company in the world to import palm oil from a certified sustainable production unit.
- The world's largest production facility for CBE (Cocoa Butter Equivalent) came on stream in Aarhus.
- Customers were offered training and skills transfer on vegetable oils under the auspices of AAK Academy™.
- AarhusKarlshamn as the company's name was replaced by AAK in everyday use.

Key ratios excluding IAS 39 and non-recurring items (SEK million unless otherwise stated)	**2008**	**2007**
Net sales	17,207	13,005
Gross contribution	3,644	3,134
Gross contribution, %	21	24
Operating profit	851	653
Operating profit margin, %	5	5
Earnings before depreciation/amortisation (EBITDA)	1,226	1,035
Operating cash flow after investment	-370	-1,083
Investment	396	712
Net debt	5,112	4,279
Equity/assets ratio, %	25	28
Net debt/equity ratio, multiple	2.15	1.75
Earnings per share, SEK	10.80	8.53
Equity per share, SEK	68.91	59.80
Return in working capital, %	11.00	10.90
Return on equity, %	15.30	15.30
Key ratios including IAS 39 and non-recurring items (SEK million unless otherwise stated)		
Operating profit	151	646
Operating profit margin, %	1	5
Net profit for the year	-4	319
Attributable to Parent Company's shareholders	1	314
Attributable to minority	-5	5
Earnings per share, SEK*	0.04	7.67
Number of shares at close of period, thousands	41,384	41,384
Of which own shares, thousands	486	516

* Earnings per share was calculated using a weighted average of the number of outstanding shares during 2008.
Definitions, see page 95. Annual General Meeting, see page 100.

"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 total 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 needed 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.

Comments by the CEO

In your view, what were the most important events in 2008?

- The most important event was the start-up of our new CBE plant and the re-start of the older plant in Aarhus, Denmark, that was damaged in the December 2007 incident. The new plant has performed very well since the start-up in the first quarter.
- The partly refurbished and now more efficient older plant came on stream in the fourth quarter.
- A new factory with a significant capacity increase for the fast-growing baby food specialities (infant formula) was commissioned in Karlshamn, Sweden, in September.
- A leading Swedish food service company, Rapsona, was acquired in the third quarter (products for restaurants, catering kitchens and bakeries). The integration process went according to plan, and the operating results are developing positively.
- Through our strong presence in West Africa, we now have a secured flow of incoming shea – the key raw material for our CBE products.

A merger between two companies often creates strong pressure on profits before the main benefits of the merger are realised. How has AAK been affected?

"To a limited extent. Operating profit excluding non-recurring items and IAS 39 rose from SEK 455 million for the full year 2006 to SEK 851 million for 2008. This shows that our strategy of moving towards higher value-added products and higher margins is the right way to achieve increased return on capital. At the same time, cost synergies in the region of SEK 200 million have been realised. Increased volumes and margins within Chocolate & Confectionery Fats and Food Ingredients, and a positive impact from the acquisitions of recent years within Food Ingredients, are the main factors contributing to the improvement in performance."

Are you concerned in any way by the current trends in the global economy?

"At the moment, it is difficult to predict the effects of the financial crisis and the deteriorating business climate on AAK. Historically, the food and chocolate sectors, which represent over 90 percent of the Group's sales, have been relatively stable over the economic cycle. But the severity of the present global downturn is such that uncertainty is significantly greater than it was during previous recessions. Political risks and credit risks are increasing and at this stage, it is not easy to see how consumers will react to the recession."

"Business area Technical Products & Feed, which supplies fatty acids and metalworking fluids will definitely be negatively affected by the falling customer potential in the paper and automotive industries."

How do you see things unfolding in 2009?

"Cash flow, which has been negatively affected by the strong increase in raw material prices during 2008, should improve in 2009. We have guaranteed supplies of a key raw material, shea, and this puts us in a stronger position than our competitors. Our strategy of specialising in higher-margin products has been very successful since the merger in 2005, and we will continue with this approach. Organic growth in combination with a selective acquisition strategy is the way forward. Strengthening the balance sheet remains a high priority. As I said before, it is very difficult to predict the effects of the severe global financial crisis on AAK and our industry."

What are our major challenges?

"We will be focusing strongly on CSR issues. Our willingness to take responsibility at all stages, towards a loyal staff and all we come in contact with is crucial. We have recently adopted a Group policy and this will be at the heart of all that we do wherever we operate. Respect for the people we buy our raw materials from in Asia and Africa is obviously vital. We have taken far-reaching initiatives to guarantee sustainable development, and we intend to continue with this. It is equally important for us that the people who harvest products on our behalf in Africa are themselves able to benefit from increasing prosperity. Through our presence on-site, we have a good understanding and excellent opportunities to influence the conditions for the people involved in our raw materials supply."

"Throughout the world, there is growing concern that pressure for products with less negative effects on our health. It is particularly interesting to see how this pressure is, in fact, global. Our vegetable products give us a unique position here. Products with fewer trans fats and more nutritious fats, essential for cell formation in the body, are under development."

Another year has now passed for AAK, the third full year since the merger in 2005. How would you summarise progress in 2008?

"We have achieved what we set out to do and we are now a company in a strong position. In line with our strategy, we developed an increasing number of products with a high value content."

"Organic growth is strong and we have carried out a number of strategic acquisitions. The profit trend has been good from the start, and this is something that all our co-workers in the Group throughout the world can be proud of."

Malmö, 2 April 2009

Food Ingredients

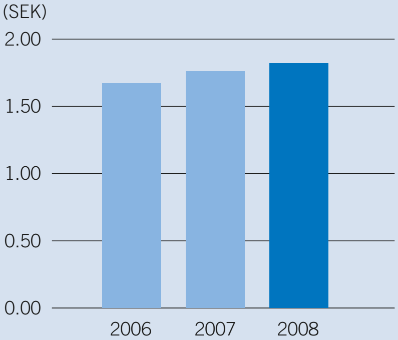
(SEK million)	2006	2007	2008
Net sales	6,177	7,500	10,413
Gross contribution	1,461	1,585	1,708
Gross contribution SEK per kilo	1.65	1.76	1.82
Operating profit excl. non-recurring items	268	279	319
Volumes, thousand tonnes	884	898	940

Sales increased by SEK 2,913 million, primarily as a result of a substantial rise in raw material prices and volumes.

During the year, the specialisation strategy proved successful in areas such as infant food, functional food and dairy fat replacements.

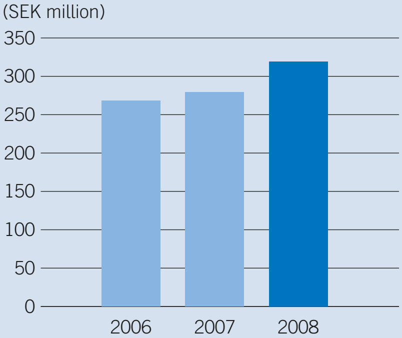
Gross contribution per kilo

(SEK)



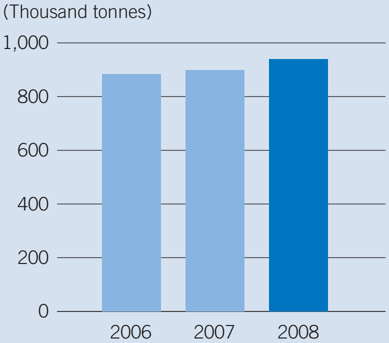
Operating profit excl. non-recurring items and IAS 39

(SEK million)



Volumes

(Thousand tonnes)



Food Ingredients

Food Ingredients is AAK's largest business area. In 2008, the business area enjoyed phenomenal success, despite the huge challenges facing standard products in particular, and the major upheavals affecting the global financial systems.

Food Ingredients has continued to defend its position as the natural choice for vegetable oils for a broad customer base in a market which remains volatile and exposed to extremely fierce competition. The cost of raw materials continued to increase during the first half of 2008, while world market prices dropped sharply during the second half-year. AAK was well prepared to weather this critical period, and continued to consult its customers closely on their expectations on price levels and the complicating factors which control the raw materials market.

One of the prime strengths of the business area is its ability to respond quickly and adapt to changes and new requirements within the food industry. The extensive know-how and development projects of the Group mean that trends are identified immediately and new products introduced without delay.

The aim of Food Ingredients is, consequently, to use the constant changes in the market to ensure continued growth.

Food industry trends

The health trend continues to dominate development in the food industry. Calls for reduced quantities of trans and saturated fats is driving development towards products with a higher value content, something which benefits AAK. Our customers are responding to consumer demands for trans fat-free alternatives, as well as products with a lower saturated fat content. A relatively recent trend is functional foods, where AAK has the great advantage of being able to offer healthier alternatives based wholly on vegetable raw materials. The fastest-growing market segment in the food industry is the fast food market, a product group which includes prepared meals, snacks and light meals, which require speciality oils in their preparation. More and more meals are consumed outside the home, and this is a trend which is expected to grow stronger the next few years.

Market trends towards increased prioritisation of traceability and production methods with long-term sustainability continue to strengthen, not only among European customers but also at an increase rate in North America. AAK actively supports sustainable production methods for palm oil, as is shown by the fact that the company, along with the World Wide Fund for Nature, is one of the initiators behind RoundTable for Sustainable Palm Oil (RSPO) and holds a Board position within the organisation. In 2007, AAK set up a subsidiary, GreenPalm Ltd, to organise trading in RSPO certificates. This new AAK company has an exclusive 2-year contract with RSPO to offer buyers and sellers of palm oil a unique opportunity to avoid ruthless exploitation by plantation operators.

In August 2008, the first plantation was certificated in accordance with the new standard, and in September, GreenPalm Ltd brokered its first RSPO-certificated contract. After many years of preparations, this important milestone was reached. Immediately after this, AAK became the first company in the world to import palm oil certified as being sustainably produced. This generated a great deal of media interest, and resulted in increased enquiries from customers in many parts of the world. It was also an opportunity for AAK to express its views on sustainable production, something which will become a key element of the company's profile in years to come.

A tough market

Food Ingredients has several major competitors, primarily ADM, Bunge and Cargill in the standard products area, and IOI Loders and Fuji Oil in the speciality and niche product segment. In Europe, there are, in addition, 120 local refineries which together have a real impact on the competition in the market. The market as a whole is the subject of fierce competition. In certain segments, AAK does, however, benefit from its cutting-edge position in product development, particularly with reference to dairy fat replacers, oils and fats for the bakery industry and speciality fats for infant formula.

Customised solutions

The products can be divided into three main categories. Bulk oils are the most basic, and this is where most of AAK's competitors can be found.

The next category consists of more customised solutions, which meet specific customer requirements in respect of function, adaptation to production methods, health and marketing issues.

The speciality product category is, in turn, divided into four different product groups: Dairy, Bakery, FoodService and Nutrition. AAK aims to progress up the value chain and increase its proportion of speciality products. At present, the distribution of standard and speciality products is relatively even. Since transports are responsible for a relatively large share of overall costs, Food Ingredients is increasingly becoming a regional operation, although specialty products with higher added value have a more global distribution than regular standard products.

The flexibility of the business area as a market player starts in the production plant. The complex infrastructure has been designed with careful regard for both efficiency and flexibility. This is something which permeates the whole value chain, including delivery of raw materials, warehousing, refining, packaging and distribution to customers.

A particular reason for customers' opting for Food Ingredients is the fact that the aim behind our product development is that our products should always add value to the customers' end product. Consistent and high quality is, of course, also important, as is a high level of product reliability. In both these areas, AAK is well ahead of the industry as a whole. As a result of a genuine understanding of applications, an ability to adapt the operation quickly to changes in the market and close collaboration with customers, AAK can continuously offer the market nutritious products with added functionality.

In recent years, AAK has developed numerous new products. For all markets, the focus has been on lowering saturated fat levels. One example of this is Essence™, which was introduced for the US bakery industry.

Akomix is a new ice cream fat. The product offers high levels of healthy polyunsaturated fats and the concept gives AAK's customers the opportunity, in turn, to offer their customers healthier products. This is yet another example of how AAK develops new products in close collaboration with its customers.

InFat™ is a new product for infant formula ingredients. 2008 saw a breakthrough in this market segment, which has proved to be one of the most important and fastest-growing segments for Food Ingredients.

Knowledge transfer within AAK

During the year, AAK took the opportunity to combine the expertise of its employees in different countries as part of development projects, and to relocate the necessary resources to wherever they are required. One example was the successful transfer of products and technology from United Kingdom to Mexico.

The acquisition of Croda Food Services in United Kingdom in 2007 gave AAK access to a new product range which allowed the company to provide the bakery industry with process aids based on vegetable oils. The acquisition complemented AAK's existing range of margarines, shortenings and filling fats. The company improved its competitiveness in the local market in Mexico by transferring this technology from the operation in United Kingdom.

Similar activities are planned and have been carried out during the year, with the aim of broadening the product portfolio in Mexico and the company's ability to reach new customers. It will help to strengthen the company's position as a leading player in the region, and make it a successful part of AAK worldwide.

The future

The forecasts for 2009 look bright. The strategy for the next year is to maintain market share in the standard product segment on the domestic market and, at the same time, increase growth in the higher value-added products area.

To achieve these targets, Food Ingredients will continue to expand its speciality range, partly by increasing the added value of existing products and partly by creating an attractive, constantly improving product portfolio and strong, long-term relationships with customers.

Regional markets

Europe

The plants in Denmark and Sweden make AAK a leader in the Nordic market. The company offers the food industry a comprehensive range of products. The acquisition of Rapsona in Sweden confirmed AAK's position as a supplier of vegetable oils within the FoodService segment (restaurants, catering kitchens and bakeries).

AAK's position as one of the leading suppliers of speciality oils to the infant foods industry was confirmed through the investment in a new production unit in 2008. In combination with the Dutch plant, the new plant in Sweden is the base for the company's efforts in the infant foods segment.

AAK enjoys a historically strong position as a supplier for the food industry in Central and Eastern Europe. The year was dominated by intensive competition and the effects of the global financial crisis.

In United Kingdom, the focus was on defending existing market shares and on integrating the new operations, and these aims were successfully achieved. The main company's operation continues to be based in the plant in Hull. The vegetable oils produced, for example, from palm, sunflower and rapeseed, are primarily used by the United Kingdom food industry. One of the most important customer segments is the bakery industry.

As a result of the establishment of AAK Bakery Services in Oldham in 2007, the company has gained access to a broader product range for the bakery industry. This has improved AAK's relationship with some of the major players in the market.

The Food Ingredients' Prep brand range is United Kingdom's market leader. The range consists of vegetable oils for deep-frying, and the brand gained further strength by the addition of new products. Prep Premium, a range of high-quality vegetable oils for use in various upmarket sauces, was launched on the market, and demand has exceeded expectations. A range of Lion own-brand sauces was also launched during the year. The brand was acquired by AAK from Lion Foods in 2006. The Runcorn-based operation has changed its name to AAK Foods.

Mexico

In Mexico, a country with many competitors, AAK is now the second-largest company on the vegetable oil market. AAK enjoys an excellent reputation for quality, service and development capacity.

Food Ingredients can look back at a successful year with significant growth. The country is not only improving through increased domestic consumption, but also as a growing production base for the US market. The production plant in Morelia has a central location, right in the middle of the major food producers. The health trend which characterises the US food industry continues to break ground in Mexico, and multinational producers are promoting the use of healthier oils and fats in their products.

Food Ingredients offers customers a broad range of products suitable for most food industry operations. The most important product range is fats for the bakery industry, snacks, deep-frying oils, margarines and other animal fat alternatives.

USA

In the US, AAK's products experienced high demand from the market for industrial raw materials. Growth was, however, hampered by full capacity utilisation, and so the US operation could not fully realise its growth potential in 2008.

Based in Port Newark, New Jersey, in the densely-populated north-eastern area of the country, AAK enjoys an excellent position in comparison with most of its Midwest-based competitors.

The North American market for vegetable oils is characterised by growing health awareness. Demand has continued to increase for vegetable oils free from trans and hydrogenated fats. A further challenge is posed by the fact that customers are demanding the lowest possible amounts of saturated fat. Food Ingredients is very well positioned to satisfy this trend. AAK's principal strength lies in its ability to stay one step ahead of modern product trends and customer expectations. Excellent customer relationships, skilled field-based technicians and flexible production methods have created a company which can deliver solutions adapted to meet customer demand. The development of new products and solutions is, consequently, given top priority by Food Ingredients.

Report

AAK Bakery Services

In the summer of 2007, AAK UK acquired Croda Food Services, specialists in oils and fats for the baking industry. The company changed its name to AAK Bakery Services and is based in Oldham, United Kingdom. The aim of the acquisition was to use the company to expand the range of products offered to the baking industry. In less than 18 months, Bakery Services has achieved major success.

Complementary products and services

The basis for every merger is that the products and services offered complement each other. In this respect, there were good prospects for a successful merger.

AAK's activities for the baking industry in United Kingdom have, for many years, consisted of supplying a wide range of products such as margarine and other fats for bakery and confectionery products. Refined from vegetable oils, with brands such as Kingcup, Suncup, Crisbak, Hedlex and Sweetex, they are some of the best known, most highly valued products in the baking industry. With constant high quality, these thoroughly tried and tested products have been continuously developed and adapted to meet demand from the baking industry.

The acquisition of Croda Food Services involved the amalgamation of more than 50 years of experience to create a new company with a range of new products and services for its customers. Additional know-how and capacity were also injected to allow for the development of new products.

The Warburtons brand

A good example of how AAK has the know-how to meet customer demand for bespoke solutions is its partnership the largest independent bread bakers in United Kingdom, Warburtons.

Warburtons is one of the best known consumer brands in United Kingdom. The company has 13 production plants. We have worked together on the development, supply and application of release agents, divider oils, speciality fats and emulsifiers. With these products and application equipment AAK Bakery Services has been able to help Warburtons grow over the years.

Development partnership

AAK now provides support both to Warburtons' product and production development and to its day-to-day operations. AAK will participate in the development planned by Warburtons with a new bakery in Bristol

in the south-west of United Kingdom, with oil application equipment and engineering support.

In the future, new products will be launched that AAK and Warburtons are developing in close cooperation.

International expansion

In addition to its national expansion in United Kingdom, AAK is planning ambitious growth in its export markets. The company already exports products and services to more than 20 markets and has plans to expand.

The plans are to be realised via projects in which technology is transferred to AAK's global organisation. Developments in Mexico are an excellent example. Bakery Services and AAK Mexico have together developed and commissioned a new production plant.

The operations in Bakery Services have developed well and there is a clear strategy for future development.

According to Ken Johnston, responsible for AAK Bakery Services, "2008 was a challenging year, particularly with regard to the high cost of rapeseed oil, which is one of our most important raw materials. We have therefore had to focus on prices with our customers, together with a range of other performance improvement initiatives.

These included cost reductions and maximising synergies with other AAK production plants. Looking ahead, we are working hard to ensure that we meet and exceed the expectations of our customers worldwide. I believe that 2009 will be an excellent year for AAK Bakery Services", says Ken Johnston.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Chocolate & Confectionery Fats

Business Area Chocolate & Confectionery Fats produces speciality vegetable fats used as cocoa butter alternatives in chocolate products. It also produces specialist products for the cosmetics industry. The market for chocolate fats has experienced strong growth, which was further accentuated in 2008.

AAK has a leading global position. The world market represents a total consumption of chocolate-based confectionery products of around 7 million tonnes. Global growth is in the region of 2.6 percent.

AAK develops and markets products based on vegetable fats (lipids) for use in the cosmetics industry. The trend towards natural raw materials in the cosmetics industry, as well as AAK's unique products, has generated strong growth in the cosmetics segment over the past few years.

Chocolate & Confectionery Fats

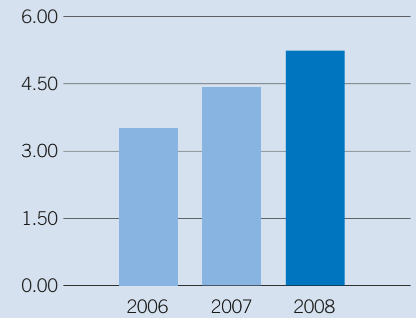
(SEK million)	2006	2007	2008
Net sales	3,351	3,914	4,878
Gross contribution	1,019	1,270	1,653
Gross contribution SEK per kilo*	3.51	4.42	5.47
Operating profit excl. non-recurring items	164	356	547
Volumes, thousand tonnes	290	288	302

*** Adjusted for volume lost equivalent to preliminary insurance compensation received.**

Sales for the business area increased as a result of greater CBE volumes and higher prices of raw materials.

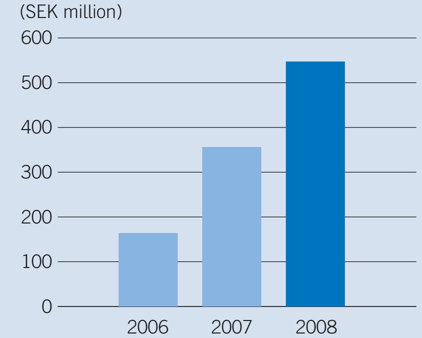
Gross contribution per kilo

(SEK)



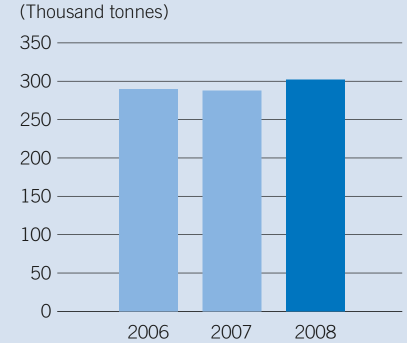
Operating profit excl. non-recurring items and IAS 39

(SEK million)



Volumes

(Thousand tonnes)



Speciality products for the chocolate and confectionery industry

CBE (Cocoa Butter Equivalents) is responsible for the most significant growth in business area Chocolate & Confectionery Fats, with growth moving into double figures. The opportunity to replace part of the cocoa butter with compatible alternatives made from other vegetable fats opened a market in which AAK has enjoyed success.

In addition to growth in the CBE (Cocoa Butter Equivalents) area, AAK has successfully introduced new CBR (Cocoa Butter Replacer) and CBS (Cocoa Butter Substitute) products. AAK has a broad product range of speciality and customised cocoa butter alternatives, which makes this a multifaceted business area. Every stage of the value chain requires specialist expertise – from the purchasing of raw materials to marketing and sales. AAK has unique expertise, and our ambition is to work in close partnership with our customers to expand our competence in this area.

The chocolate and confectionery market is largely dominated by global manufacturers. Six producers – Mars, Nestlé, Cadbury, Kraft, Ferrero and Hershey – have 60 percent of the market in total.

Most of the products supplied to the market by AAK come from plants in Aarhus (Denmark), Karlshamn (Sweden), Hull (United Kingdom), Morelia (Mexico), New Jersey (USA) and Montevideo (Uruguay), but some production also originates in Zaandijk (the Netherlands).

Cocoa butter is an ingredient used in all kinds of chocolate products. One of the strongest driving forces behind the substitution of cocoa butter with AAK cocoa butter alternatives is the price.

Shea the principle raw material

The production of a broad speciality range of cocoa butter replacement fats requires a large number of exotic raw materials. Shea is the most important of these. Most of AAK's products are based on or contain fat extracted from shea. Other significant raw materials are palm and palm kernel oils, most of which come from Malaysia.

Shea trees grow wild in West Africa. Shea is harvested by members of the local population, who pick the fallen fruits. These are purchased locally and are then traded on a market where the purchasers from the industry meet the local sellers.

The estimated total annual quantity of shea in West Africa is 1,800,000 tonnes. The local population harvests some of the fruits, while the rest is left to rot on the ground. Around 400,000 tonnes are consumed locally, and approximately 200,000 tonnes reach the export market.

Measures taken by AAK in West Africa have resulted in a stable situation which allows AAK to meet the rapidly increasing demand for CBE in a satisfactory way.

AAK's products can replace cocoa butter. They also add properties to the end-products. Many of AAK's products guarantee greater fat bloom and temperature stability, while others provide better consistency and optimised crystallisation properties.

AAK's customer offer includes filling fats, fats for chocolate coatings and moulded chocolate products, as well as speciality fats for spreadable products.

In-house development resources

The wide product range is a result of targeted development which, for many years, has been carried out in AAK's own laboratories in close collaboration with customers. The development operation is, therefore, highly focused on the market, with the aim of remaining one step ahead at all times. AAK's aim is to deliver innovative solutions which reflect market trends and anticipate customer requirements.

In its new form, AAK achieves the critical mass which provides scope for all aspects of development, from the creation of a new generation of speciality fats to optimum investment in new process technologies. In 2007, one of the most significant milestones was the building of the world's largest plant for CBE production in Aarhus (Denmark). This plant guarantees the fulfilment of AAK's strategy of achieving a leading position in Chocolate & Confectionery Fats.

In late 2007, a fire occurred which reduced production capacity for most of 2008.

AAK's position in the rapidly-growing Latin American market has improved further, since we are now able to supply the market with products from our local plant in Uruguay. In addition, we have been able to supply the growing market for cocoa butter replacement products in the US from our production plant in Port Newark (USA).

Overall, the global production strategy has allowed AAK to cope effectively with the considerable increase in demand.

Closer to our customers

During the year, AAK's world-wide sales and product organisation expanded further with greater representation in local markets, supported by a strong vision to confirm AAK's world-leading position in vegetable fats for the chocolate and confectionery industry.

In this process, the comprehensive global network plays an important role in AAK's contact with the market. It not only acts as a link to the different geographical markets, but also guarantees that the company can monitor global trends and changes.

One of the strongest trends is the increasingly important health aspect. Consumers are becoming increasingly aware and knowledgeable, and this is reflected in greater demand for healthy fats. AAK, with its flexible and, at the same time, targeted product development operation, is at the forefront of this trend, and is well placed to meet the new consumer demands.

The Chocolate & Confectionery Fats range is made up of ingredients for what can be described as luxury products. Across the world, this has been a rapidly-expanding market, particularly in developing countries with rapidly growing economies.

To keep pace with this trend, AAK is always aiming to become more global in its market activities while, at the same time improving the value added of its product portfolio.

AAK is the largest supplier on the chocolate and confectionery market. Competitors include Fuji Oil and IOI Loders.

Speciality products for the cosmetics industry

Under the Lipex® brand, AAK develops and sells vegetable fat-based products for use in skin care and hair care products, make-up and various types of hygiene products for washing, showering and bathing. The Lipex® family includes everything from softening products to products with biological effects, e.g. anti-ageing. In addition, there are products for parenteral nutrition.

AAK has worked with lipids for the cosmetics industry for many years, and possesses a level of experience which makes the company one of the world's foremost specialists in the area.

All AAK products are based exclusively on vegetable oils, unlike the synthetic, animal or mineral oil-based products commonly used in cosmetic and skincare products.

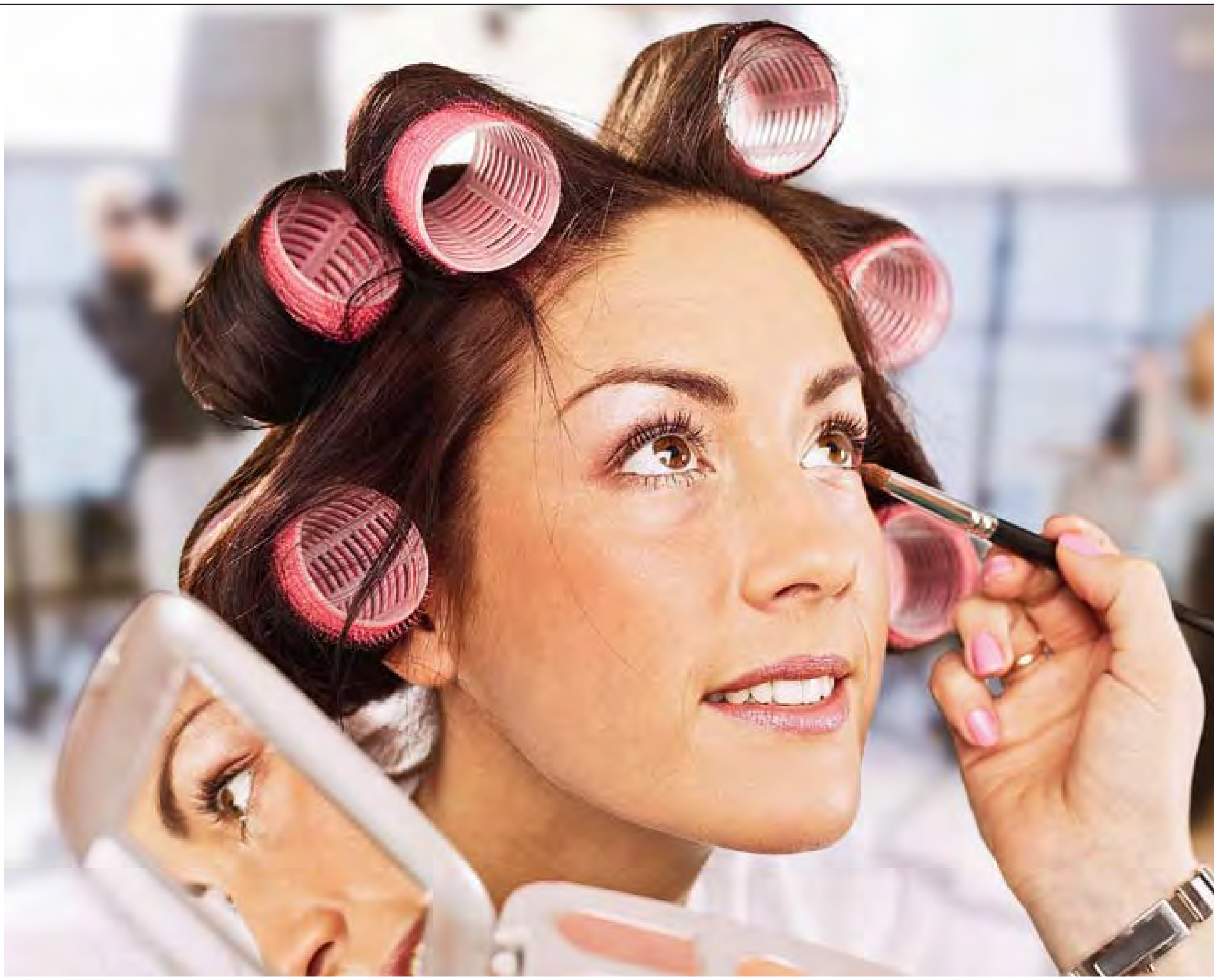
Global market

The products are global, and are sold all over the world. The main competitors are global companies such as Cognis and Croda.

Half of the cosmetic products market is covered by ten global players with brands such as L'Oreal, Proctor & Gamble, Unilever, Beiersdorf (Nivea) and Estée Lauder.

Market trends

The number of consumers is increasing at the same rate as the skincare and hair care products market broadens. At the same time, there is a growing interest among male customers. New geographical markets are gradually opening up, as consumers in emerging economies achieve a higher disposable income. This means that the potential customer base is also increasing over time.



In parallel with this, the health and environmental awareness trend is continuing to grow, with a larger number of customers increasingly demanding healthy and safe products. These customers are looking for new products free from synthetic, animal and mineral oil-based ingredients.

Natural raw materials

The range is based on various natural and renewable raw materials. The beneficial properties of shea butter have made it the most popular raw material in the cosmetics industry. The softening and moisture-retaining properties of shea butter do, for example, provide an attractive skin sensation, while its anti-inflammatory function adds a valuable bioactivity.

Other exotic raw materials include mango, illipe, almond, sesame, grape, apricot and coconut. Even the rapeseed oil grown in Sweden (Canola) contains high levels of valuable bioactive lipids which are excellent for sensitive skin and baby care.

Product development and the future

The product range is undergoing constant development. A significant proportion of the development work is carried out in close consultation with the company's customers. This consultation covers both technical and commercial aspects, and provides AAK with a thorough understanding of each customer's individual needs and wishes.

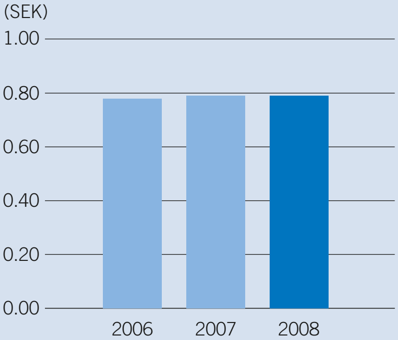
At present, much of the product development is focused on producing products with certain specific functions and active substances. The aim is to create new ingredients which combine basic functions, e.g. moisturising or cleansing properties, with more advanced functions, such as protection against UV-rays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

Technical Products & Feed

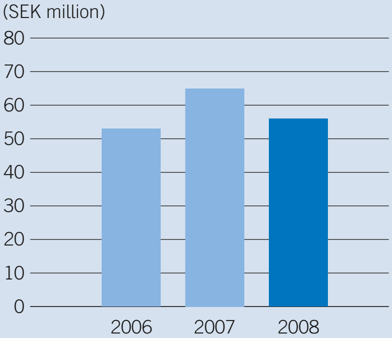
(SEK million)	2006	2007	2008
Net sales	1,057	1,307	1,578
Gross contribution	202	233	238
Gross contribution SEK per kilo	0.78	0.79	0.79
Operating profit excl. non-recurring items	53	65	56
Volumes, thousand tonnes	261	295	301

Sales increased to SEK 271 million in 2008. The gross contribution improved as a result of increased volumes of feed fats.

Gross contribution per kilo

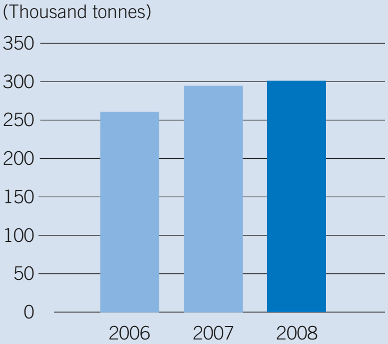


Operating profit excl. non-recurring items and IAS 39



The operating profit excl. non-recurring items of SEK 56 million was 14 percent down on the previous year.

Volumes



The volumes increased by 6,000 tonnes compared to last year.

Technical Products & Feed

Business area Technical Products & Feed is an excellent example of the role that vegetable oils play in society with respect to environment and health. The business area covers lubricating products for felling machinery, where vegetable oils minimise the problem of discharge to nature, to animal feed ingredients. The usefulness of vegetable oil is one example of how one of AAK's business ideas has resulted in a broadening of the product range. Candles made from fatty acids reduce carbon dioxide emissions, vegetable lubricating oil spilled from a chainsaw is biodegradable. Dairy cattle can be fed guaranteed salmonella-free vegetable-based feed.

Fatty acids – glycerol

AAK produces fatty acids sold under the Tefacid brand, as well as glycerol. Both types of products are extracted by splitting the fat molecule.

Fatty acids are primarily used by the chemical engineering industry, where they are turned into, for example, amines and esters. These are used as inputs in many application areas, e.g. paper chemicals, soap, detergents, rubber and plastic. One example of products which exclusively consists of fatty acids is stearine candles.

Glycerol is used in such diverse products as cosmetics, explosives, paint and food. The majority of AAK's customers operate in the chemical engineering industry.

Croda (Uniqema), Cognis and Oleon dominate the European market in fatty acids and glycerol. The structure of the market is continuing to change, a process which will result in fewer but larger players.

Environmentally-friendly technical oils

AAK develops, produces and markets environmentally-friendly oils, such as metal processing fluids and lubricating oils for the engineering industry, as well as hydraulic and chainsaw oils for the forestry and contracting industries, under the brands Binol and BioSafe.

Increased environmental awareness in society and in the market has had a positive impact on sales. The replacement of mineral oil with Binol products by the engineering industry has created many benefits, including improved performance in the form of lubricating properties, reduced overall cost and, not least, a significantly better working environment.

The fact that the products in the Binol range are also based on renewable raw materials further reduces their environmental impact. Even though the total market for lubricants is shrinking, the bio alternatives are gaining increasing market share.

Feed raw materials

The customer offer consists primarily of various product groups in the protein and feed fats areas. When rapeseeds are pressed, rapeseed oil and rapeseed flour are extracted. The rapeseed flour is processed in the Karlshamn plant, and is marketed under the ExPro™ brand, a product which improves the effectiveness of the feed protein and increases the milk yield from dairy cattle. This product is sold mainly to the Nordic feed industry, where the Feed business sector enjoys a leading position in the market for bypass proteins.

The Feeds range also includes both solid bypass fats and liquid feed fats. Most of the feed fats are used as ingredients in cattle feed and, to some extent, in pig and poultry feeds. The composition of feeds has a real impact on the yield from dairy cattle and the growth rate of pigs and poultry.

Traceability and feed safety is becoming increasingly important in the feed industry, and AAK is particularly pleased that it can provide guaranteed salmonella-free products – a guarantee which makes the company unique in the industry. AAK's prime rivals are ADM, Bunge, Cargill, Berg & Schmidt, as well as small, regional producers.

The market

The business area utilises some of the residual products from the productions of food oils carried on by AAK's other operations. These are products with low margins, which cannot cope with high transport costs. The market is, therefore, regional, primarily in northern Europe.

In the fatty acids and glycerol area, AAK is the leader in the Nordic market, where most of the products are sold. The company has continued to secure its strong logistics position in the Nordic region. Other important markets are Germany, Poland and Russia. Fatty acids make up around 85 percent of sales, with glycerol representing the remaining 15 percent.

A substantial proportion of the products are sold straight to end-users in the Nordic market under the Binol and BioSafe brands. In other markets, AAK collaborates with various partners and the products are sold under the partners' brands.

98 percent of feed raw material sales take place in the Nordic region, where AAK is the market leader.

Unlike other AAK business areas, this one is sensitive to swings in the economic cycle. This was a strong feature of the last quarter.

2008 has been characterised by high raw materials prices, which have been affected both by the general upswing in agricultural produce and the high oil prices. The business area is competing for raw materials with the energy sector, and this has resulted in a reduction in margins. Demand for fatty acids fell in the fourth quarter due to the recession.

The total market for metal processing fluids for the metal working industry fell in 2008, and the business area was particularly affected by the rapid slowdown in the fourth quarter.

The market for hydraulic oils also fell in 2008.

The market for feed raw material has remained static and has not experienced any growth. AAK can, however, note a steady increase in the markets for both ExPro™ and feed fats outside Sweden.

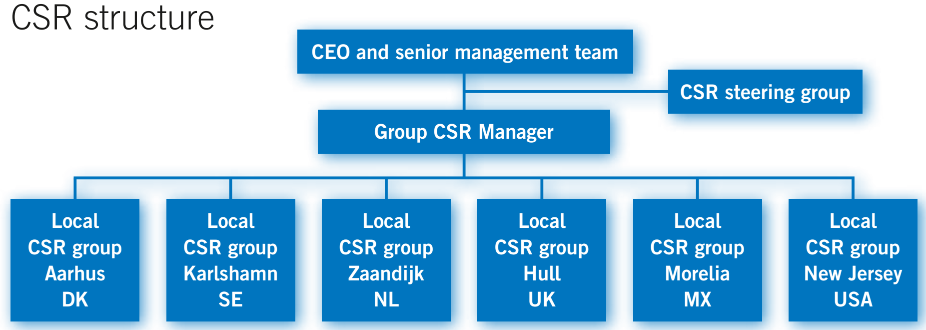
CSR – AAK and the world around

Contents Page

Our global responsibility

This section of the annual report explains the work carried out within the Group and in the Group's contacts with the world at large. It describes how we accept responsibility for sustainable development in our production process, including social responsibility, environmentally-sustainable transport methods, our attitude to customers and suppliers, and, not least, our own employees, and how to make the most of this resource while treating it responsibly and with respect.

CSR structure



Responsibility for management, control and implementation of the Group's CSR is divided between the CEO, the senior management team, the CSR steering group, the Group's CSR manager and local CSR groups operating in individual business locations in accordance with decisions taken by the senior management team.

AAK's aim is to generate the greatest possible CSR value for the company's various stakeholder groups, particularly for customers, suppliers, shareholders and employees.

Our responsibility for nature

AAK manufactures products based on vegetable oil and it is, therefore, very much in AAK's interest to develop financially sustainable production methods, with the company accepting responsibility for the environment throughout the chain, all the way to the customer.

- AAK was one of the first to accept responsibility for safeguarding sustainable production methods. The company was one of the founders of the Roundtable for Sustainable Palm Oil (RSPO), which was established in 2002 in response to an initiative by WWF – the World Wide Fund for Nature.
- Another important area is the work carried out at the various operational sites to protect the external environment. Local programmes aimed at managing and reducing the environmental impact of the production units have been drawn up for each plant.

Our social responsibility

Social responsibility must go hand-in-hand with environmental responsibility and economic progress, but must also take the company's competitiveness into consideration. If this is not the case, the company will lose credibility.

AAK actively encourages its customers to obtain certified oil or, alternatively, GreenPalm Certificates. It is, however, up to the customers to choose their own raw materials and end products. This is a necessary consideration, and it is deeply embedded in the Group's operations.

Another example is AAK's collaboration agreement with the UN development programme (UNDP). The objective is to install multi-functional platforms in Burkina Faso, partly with the aim of alleviating poverty, and partly to support AAK's strategy of sourcing more shea raw material.

Awareness of the positive effects on both the local population and AAK's raw materials supply has resulted in AAK and UNDP preparing the ground for expanded collaboration, with the aim of putting in place additional multi-functional platforms in the area around Bobo-Dioulasso in Burkina Faso.

Our financial responsibility

For a long time, AAK has taken a number of CSR-related initiatives. These CSR issues are the subject of a rolling target. Progress is being made and technologies with greater environmental sustainability are being developed continuously. AAK adopts policies which are used to determine the Group's attitude to sustainable, financially strong development. These policies are an important part of the Group management's agenda, and are embedded through regular meetings and communication with employees, supplies and customers.

AAK's Group policy: the company's social responsibility

Through its actions, AAK supports the 10 principles governing human rights and working conditions, the environment and the fight against corruption established by the UN as part of its Global Compact initiative, and uses the principles as an important starting point for its efforts in the area of sustainability.

In its operation and its collaboration with the company's stakeholders, AAK respects social and environmental issues. We apply our resources in strict order of priority based on risk assessment and sphere of influence.

Human rights: We support and respect the protection of international human rights, and constantly ensure that we do not contribute to the abuse of human rights within our sphere of influence.

Freedom of association: We uphold the right to freedom of association and the effective recognition of the right to collective bargaining.

Forced labour: We do not accept any form of forced labour, including serfdom, penal servitude, slavery and people trafficking, or the confiscation of important personal documents belonging to employees.

Child labour and young employees: We do not accept the employment of children. The minimum age of employees must correspond to the lowest age at which compulsory education ends, but not less than 15 years of age (14 in some countries). Where national legislation allows, children aged 12-15 may carry out a few hours' light work per day. The work may not compromise the children's education.

Special precautionary measures have been adopted for young employees under 18 years of age, to protect them against accidents and health hazards.

Discrimination: We do not apply on or support any form of discrimination when we recruit and employ employees. Decisions regarding employment must be based on relevant and objective criteria.

Working hours: We follow all applicable local and national standards for working hours and overtime.

Wages and benefits: Wages and benefits, including compensation for overtime, are payable at least in accordance with the minimum requirements of local and international legislation and regulations. Wage levels must be sufficiently high to guarantee employees an acceptable standard of living.

Information: We inform employees of any major changes in reasonable time where these may have a signification impact on them.

Working environment: We aim to offer all employees a safe working environment. Suitable procedures aimed at promoting health and safety are adopted. The minimum standard is all local and national health and safety laws in the countries where we operate.

Violence at work: We protect employees against physical, verbal, sexual and psychological harassment, abuse and threats in the workplace.

Environment: We aim to minimise the impact of our operations on the environment through responsible management, wide-ranging environmental awareness and the use of technologies with low environmental impact. We are aware that it is more cost-effective to prevent environmental damage than to try to undo the damage after the event.

Corruption: We oppose all forms of corruption, including blackmail and bribes.

Improved living standards with the shea harvest

AAK is one of the world's main producers of shea fats for the chocolate and cosmetics industries. This is largely due to the company's strong local presence in West Africa. But with this presence comes a significant social and ethical responsibility, and AAK has its own on-site employees to guarantee that people and the environment are respected at all stages of the process.

Shea fruit harvesting is an important source of income. The women in the villages take most responsibility for their families' finances.

AAK's own employees ensure that there is no child labour. Children accompanying their mothers to the harvest is not unusual, and where they become involved in the harvest, this is done on the children's own terms. In 2001, a specialist team of auditors travelled 15,000 km through the countries where AAK trades in shea, to ensure that the operations are carried on in an appropriate manner. The subsequent report was positive and showed that there is no child labour.

But the report highlighted the problem of low living standards. As a result, AAK entered into a partnership project with the UN's development programme, UNDP. The aim of the project is to improve the long-term living standard of the women involved in gathering the shea fruits.

One such initiative was to improve the everyday lives of the women. Access to basic machinery has made both the work with the shea and household chores easier.

The knock-on effect has been higher income, improved village economies and people being able to afford to educate their children. Today, the population is operating small businesses which are initially financed by micro loans.

Initiative to preserve biological diversity

Palm oil is an important raw material for AAK. Its excellent properties have helped to grow AAK's market. But the demand for palm oil is huge. It is one of the options for the production of alternative fuels for the motor industry. Production has doubled in less than a decade.

The EU has adopted a target which means that 10 percent of transport fuel must be renewable by 2020. Just over half of this

will be made up of biofuels, with the rest coming from other sources. Both India and China have introduced extensive development programmes for bioethanol and biodiesel. Agricultural crops grown specifically for biofuel include maize and soyabeans, wheat, linseed and rapeseed in Europe, sugar cane in Brazil and palm oil in South-east Asia. India is expanding its jatropha plantations. Jatropha is an oil-producing tree used in biodiesel production. But palm oil is an attractive alternative, and this means increased competition for one of AAK's most important raw materials.

At an early stage, AAK took responsibility for ensuring sustainable production. One example is the company's close collaboration with the Roundtable for Sustainable Palm Oil (RSPO).

RSPO was developed as a partnership between industrial and environmental organisations. At present, the membership includes more than 200 organisations worldwide. The purpose is to promote sustainable palm oil production. The big question for the future is how to combine the preservation of biological diversity in a diverse rainforest with economic sustainability and competitive production systems.

One idea developed by AAK is "book & claim", which is based on a trade in certificates. The great benefit of this system is that it can function in harmony with bulk trading.

AAK has adopted a long-term approach and is absolutely committed to promoting organic and sustainable development, to protect the environment, as well as the health and safety of those affected by AAK's operations. AAK has involved itself in the debate through lectures and contributions around the world.

Supplier assessments

For a long time, AAK has carried out assessments of its raw materials suppliers. Now that there are approved palm producers, we obviously want to be able to supply our customers with certified palm oil. The quantities will be limited in the early stages, and the price of the certified oil is expected to be higher than that of the standard product.

AAK has a specially-developed model for critical suppliers in the raw material acquisition chain. There are also procedures for other "critical" purchases, additives, process aids, packaging, transport etc.

Critical suppliers in the raw materials acquisition chain include not only oil/fat suppliers, but also those providing critical services associated with purchasing (tank installation operators in ports, surveyors, seagoing transport providers), since these, too, have a significant impact on the end result. Approval of suppliers is based on checklists or on-site assessments.

All suppliers must be approved before they can be used. Approval based on completed checklists is a minimum requirement, but when it comes to large and regular suppliers, an in-depth "on-site assessment" is carried out. An annual plan is drawn up of which suppliers are to be evaluated through visits.

All documentation, reports and points are included in a supplier database.

Environmentally-friendly technical oils

AAK produces, develops and markets environmentally low-impact technical oils, such as metal processing fluids and lubricating oils for the metal working industry, as well as hydraulic and chainsaw oils for the forestry and contracting sectors.

Increased environmental awareness in society and in the market has a strong positive effect on sales of environmentally-friendly technical oils. When companies in the engineering industry replace mineral oils with environmentally low-impact oils, many performance-enhancing benefits are achieved, such as lubricating properties, reduced total cost and, not least, a significantly better working environment.

The fact that the products are based on renewable vegetable oils further limits their environmental impact. Even though the total market for lubricants is shrinking, the bio alternatives are gaining an ever increasing market share.

AAK produces fatty acids and glycerol. Fatty acids and glycerol are produced from renewable vegetable raw materials, a property which will become increasingly desirable in the future. Both types of products are extracted by splitting the fat molecule, and both are used in a wide range of applications.

Fatty acids are primarily used as a raw material by the chemical engineering industry. These are then used as inputs in many application areas, e.g. paper chemicals, soap, detergents, rubber and plastic. One example of products which exclusively consists of fatty acids is stearine candles, an alternative to paraffin candles based on mineral oil.

Glycerol is used in such diverse products as cosmetics, explosives, paint and food.

Lifecycle analysis a complex issue

Almost ten years ago, AAK commissioned SIK (the Swedish Institute for Food and Biotechnology) to carry out a life-cycle analysis of rapeseed, palm and soyabean oil. The result indicated that palm oil had the lowest environmental impact in all respects. Rapeseed oil performed almost as well as palm oil in some areas, but less well in others. An updated study carried out in 2008 with new data and the latest methods has provided a much more complex picture. In the light of these studies, a natural question is whether the introduction of, for example, carbon dioxide labelling of products is really relevant. It is necessary to carry out in-depth studies and a thorough analysis when interpreting data to provide the most accurate picture possible.

The result of the life cycle analyses gives a complex picture, and no unambiguous conclusions can be drawn.

Environmental considerations

AAK aims to contribute to long-term ecological improvements by producing and selling products which, throughout their lifecycle, have minimum impact on the environment. Environmental considerations are the responsibility of the company as a whole, and every employee plays an important part in upholding this.

Based on the company's standpoint, we are totally dedicated to complying with national and international agreements aimed at ensuring long-term sustainable development. As a result of the strong link between environmental measures and national legislation, AAK is regularly involved with environmental issues at a local level.

The fundamental principles of AAK's environmental policy:

- *Resource efficiency:* AAK's industrial operations are to be outstanding in their efficient use of resources and their use of renewable energy sources.
- *Waste and emissions:* Waste and emissions from AAK's production plants must be minimised and the maximum possible amount of waste must be recycled.
- *Safety:* AAK must work proactively to prevent accidents and uncontrolled emissions through systematic risk analysis, preventive measures, crisis preparation and long-term technical planning.
- *Factories and equipment:* Whenever changes are carried out to production processes, factories or products, AAK must ascertain whether this is an opportunity to make changes which benefit the environment.
- *Research and development:* The aim of research and development projects must be to develop environmentally-compatible technologies, products and packaging.
- *Legislation and regulation:* AAK's industrial operations must comply with current environmental legislation and be subject to documented environmental management systems.
- *Partners*: When selecting suppliers and transport operators, environmental considerations must be assessed. AAK must inform customers and suppliers of the company's environmental efforts and work in partnership with them to achieve improvements in this area.
- *Information:* AAK must provide transparent and objective information on the company's environmental efforts to the public, the authorities, the media and other stakeholders.
- *Assessment and aspirations/ambitions:* AAK must assess its environmental efforts by monitoring emissions and carrying out controlled environmental audits. AAK's environmental activities must undergo continuous improvements by defining targets for individual production units.
- *Training:* AAK must improve employees' understanding and knowledge of environmental issues.

Examples of measures aimed at improving the environment in 2008

- *Sweden:* the long-term energy-related work of increasing the use of biofuels for steam production has resulted in reduced use of fossil fuels by 83 percent between 2003 and 2007, and a further 23 percent in 2007-2008. Measures to reduce the noise generated by production plants have been implemented.
- *The Netherlands:* An improved vacuum system has reduced the flow of waste water to drains to zero.
- *Denmark:* New fractionating plant and evaporation system has reduced energy costs by 5 percent.
  VOC emissions have been reduced by 40 MT.
  The noise generated by the production plant has been reduced.
- *Mexico:* 5 percent reduction in SO_x, NO_x, CO_2. 5 percent reduction in heating oil consumption. 3 percent reduction in water consumption.
- *United Kingdom:* Efficiency-enhancement measures at the production plant have resulted in an 8 percent drop in energy consumption per tonne of products. 20 percent reduction in water consumption per tonne of products. 4 percent reduction in CO_2 emissions.
- *USA:* 2 percent reduction in water consumption.

Vegetable oils are the basis of AAK's operations

As our knowledge of fats has grown, so has our business. The history of the company spans 100 years, and right from the start, it worked actively to supplement raw materials such as rapeseed, sunflower and corn with products from Asia and Africa.

Today, produce from palm plantations and from shea trees grown in the wild are important raw materials. These are collected for refinement in factories all over the world, and for fractionation and extraction of fats for various applications areas.

A broad range of raw materials with different properties is an important ingredient in the company's strategy to develop products with greater added-value. By focusing on this and working in partnership with our customers, we can meet consumer demand for attractive products in the food, confectionery and cosmetics industries.

AAK has a considerable in-depth knowledge of fats and their properties. This knowledge is the result of decades of working in an area essential to human life.

Important nutritional source

A fat-free diet does not result in a more rapid weight loss. It is our total calorific intake which determines whether we gain excess weight. It is less significant whether the calories come from fat, carbohydrates or protein. At least 20 percent of our energy intake should come from fat, and most of this should be fish, shellfish and vegetable fats. The link between cardiovascular disease and diet is due to the type of fat consumed, rather than the total fat intake. Saturated fatty acids and trans fatty acids have a negative impact on blood cholesterol levels, while unsaturated fats have a beneficial effect.

Vegetable oils contain essential fatty acids, i.e. fatty acids which the body cannot produce itself but which must be provided through our diet. There are two types of essential fatty acids – Omega 3 and Omega 6. In addition, vegetable fats are important sources of many vitamins, including vitamins E and K.

- Vegetable oils contain essential (vital for health) fatty acids. They form part of all the cells in the body, and we need them to generate hormones and other important substances in our bodies.
- A, D, E and K are fat soluble vitamins. This means that the body needs fat to absorb these vitamins.
- Fat provides us with energy. Every gram of fat contains 9 kCal. Carbohydrates and protein contain 4 kCal per gram.
- One-third of our daily energy intake should be in the form of calories from fat. This means between 60 and 90 grams of fat per day for an adult. It is also important to maintain the right balance between saturated and various types of unsaturated fats.

Fat is a vital substance. It is also a much-debated substance. In such debates, the negative properties of fat are often overemphasised. The healthy and, for the body, essential properties are often suppressed in the public debate

Four types of fat

There are different types of fats. These are primarily divided into four groups. Saturated fats and trans fats increase our blood cholesterol level, while unsaturated fats reduce it.

- *Saturated fat* – comes from animal products such as butter, cream, milk and meat, as well as from oils from tropical plants such as coconut and palm oil. Saturated fats can be identified by the fact that they remain solid at room temperature.
- *Monounsaturated fat* – found in almond, rapeseed and olive oils and other vegetable oils. Monounsaturated fat is suitable for cooking, since it tolerates heating better than polyunsaturated fat.
- *Polyunsaturated fat* – found in vegetable oils extracted from rapeseed, sunflower seeds, soyabeans and corn. Also found in shellfish and oily fish such as salmon, mackerel, herring and sardines. Omega 3 and Omega 6 are two different types of polyunsaturated fatty acids.
- *Trans fats* – a special form of unsaturated fats. Naturally present in milk and fats from ruminants, but also formed by hardening vegetable fats.

Trans fats and saturated fats increase the risk of cardiovascular disease. Authorities in most countries are working actively to reduce people's intake of both saturated and trans fats.

Many different raw materials

A large number of raw materials are used to create a broad range of special fats. The most common raw materials are rapeseed, palm and shea.

Palm oil eliminates trans fats

Palm oil is massively significant to AAK. It has widespread applications in the chocolate, food and cosmetics areas. It is a great alternative to hardened fat. It is semi-liquid at room temperature, which makes it an attractive option in the production of many different foods. By using palm oil, trans fats can be eliminated in many food products. As a result, demand for palm oil in Europe has increased as knowledge of the impact on health of trans fats has become more widespread.

The world production of palm oil has doubled in a decade. Malaysia has been overtaken by Indonesia as the world's leading palm oil producer. Together, the two countries are responsible for around 90 percent of the world's production. The rapid expansion in production has increased the pressure on sensitive natural areas in parts of the Tropics.

Shea from West Africa

Another raw material of increasing significance to AAK is shea. Shea has been used for cooking and skin care in West Africa since prehistoric times. It is only in recent times that the western world has discovered the wonderful properties of shea. AAK quickly took the lead and has now become one of the world's foremost producers of shea.

The shea tree grows wild on the savannah, and the best raw material come from the Sahle region in West Africa; Burkina Faso, Benin, Mali, the Ivory Coast and Ghana. These are the countries in which AAK has created an extensive supplier network, from offices in the towns to local pickers in the bush.

The fruits are sensitive and must be picked within 24 hours of falling to the ground. They must then quickly be processed and dried. The fruits are collected by women in the villages, and are then purchased by AAK's employees in the area. This local presence ensures both availability and quality. We also maintain local laboratories which check the quality one final time before the shea is shipped to AAK's factories for further processing.

Rapeseed

Rapeseed is grown in Europe, India, China, Australia and Canada. Europe is dominated by autumn rapeseed, while the harsh climate in Canada means that only spring rapeseed can be grown. The oil is high in healthy Omega-3 fatty acids, and has the lowest levels of saturated fatty acids of any oil.

Soyabean

Soyabean is one of the oldest plants in the world, and is used primarily as an ingredient in cooking fats, mayonnaise, deep-frying oils, salad oils and as a component of margarine.

Sunflower

Just like tobacco, corn and peanuts, sunflowers originated in the tropical areas of Central and South America. Argentina, Russia, Ukraine and the EU are the dominant producers today.

Cottonseed

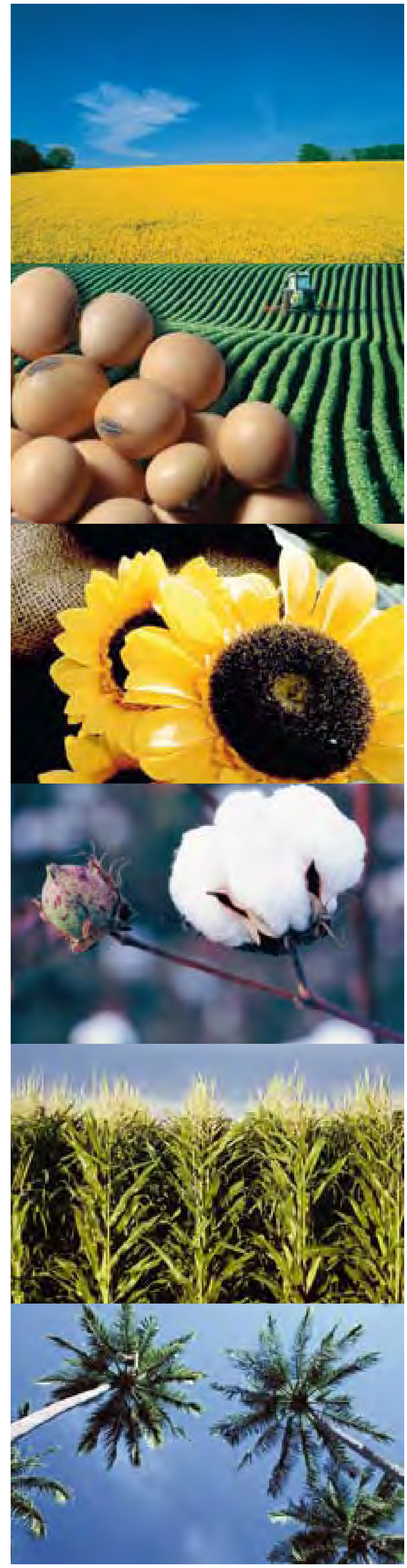
The cottonseed bush is grown throughout the world, but the most important regions are China, India, America and Pakistan. Oil from the cottonseed bush is used in many food processing areas.

Corn

Corn was originally grown by the indigenous peoples of Latin America. Today, the most important growing areas are, in addition to America, eastern and southern Europe. The oil is used primarily as a salad and cooking oil.

Coconut

The coconut palm is one of the most versatile of plants, with applications in areas as diverse as food processing and construction materials.



Development with health and the environment in focus

AAK has a wide expertise in fats. This is the result of decades of operation in an area which is vital to human life. With AAK's knowledge of a natural product such as vegetable oil, it is natural that the company's development efforts are largely focused on health and the organic products.

The trend for organic products is evident throughout the world. Demand from AAK's customers for organic oils is growing sharply, and this is making demands on AAK's development resources. In addition to its own readings of world trends, AAK carries on intensive development in close partnership with its customers.

Germany is leading the field. In 2008, 177 new food products based on organic oil were launched. In the Nordic region, Finland is ahead of the other countries with 53 new products, compared with 22 in Sweden and 13 in Norway.

AAK aims to be the leading supplier in the market. Last autumn alone, AAK launched three new products based on organically-grown vegetable oils.

- Akogreen Cisao Organic – a product used in the production of organic and vegetable margarine.
- Akogreen Bake Organic – a shortening for the bakery industry
- Akogreen ICE Organic – a vegetable and organic fat of ice cream.

These three newly-developed products supplement the rest of the organic product range which caters for all AAK customers.

Infant formulas

The development of InFat™, a special fat for infant formulas, took a huge step forward in 2007. In 2008, a special production plant was commissioned in Karlshamn. The products are sold via Advanced Lipids AB, a company jointly owned with Enzymotec.

Infant formula, based on traditional vegetable oils, can increase the risk of constipation in babies. With InFat™, where AAK and Enzymotec have changed the structure to more closely resemble breast milk, these problems are eliminated.

InFat™ is an excellent example of how AAK's knowledge of vegetable oils has resulted in a product which is now being rolled out across the world.

InFat™ has already entered then next development stage. Its balanced composition makes it ideal for use in foods for growing babies.

Breakthrough for non-hydrogenated chocolate coatings

AAK is carrying on intensive development to increase the scope for replacing cocoa butter with non-trans fat products. AAK's development has now reached the stage where a new non-hydrogenated trans-free alternative, Akopol NH 60, has been made available to customers who use chocolate-coated confectionery products based on CBR (Cocoa Butter Replacers). The product can, consequently, be included in the list of ingredients "vegetable fat" without the added term "hydrogenated".

Omega 3 in cosmetics as well

In recent years, AAK has developed many new products for the cosmetics sector. The Lipex® brand is the collective name of the products which form the basis for AAK's development operations.

By far the most important property of the products in the Lipex® family is that they offer great performance in products from a natural source. All AAK products are based solely on vegetable oils. This means that AAK's customers can find ingredients in the Lipex® family which they can use to replace synthetic, animal or mineral oil-based ingredients, all of which are common in cosmetics and skincare products.

During the year, development has resulted in several new products based on Omega-3 and Omega-6. By combining these with oils containing high levels of natural anti-oxidants, the oils used in the final product are given a longer shelf-life.

From margarine to shortening for the bakery trade

Margarine has been around for 150 years, and is continuing to improve. AAK uses its increasingly deep understanding of the properties of fat molecules to solve more and more problems.

Margarine can be given specific properties, and be adapted to specific areas of use.

But development is now moving in a different direction. Demand for non diary, soyabean-free products, as well as products containing few E-numbers, has given rise to a growing demand for shortening.

Margarine consists of 80 percent fat and 20 percent water. Emulsifiers are added to stop the water separating from the fat.

Shortening consists of 100 percent fat. By adding emulsifiers or aromas, we can develop the specific properties our customers need for their production. Different fat compositions provide further opportunities to customise shortening.

The development of shortening has resulted in a product with many excellent properties which makes it attractive to the bakery trade.

- It consists of 100 percent fat, which eliminates the 20 percent water in margarine, something which can cut transport costs.
- There are no E-numbered additives in the end-product, which removes consumers' doubts.
- It can be stored at room temperature, and has a shelflife of up to 12 months.

AAK's shortening is used in a range of applications in bread dough.

Akobake BC is a shortening which ensures that the chocolate coating in biscuits and cakes retain its shine right through to the final use-by date. Akobake does not contain any hardened fats, which also makes it free of trans fatty acids. Akocreme S100 is a new product for creames and fillings. For the first time ever, the market has access to a trans-free product without hydrogenated fat which makes it possible to whip creames for fillings for various bakery products.

The body needs Omega-3

The modern western diet usually contains far too little polyunsaturated fatty acids. These are essential, but since they cannot be produced by the body itself, it must be provided by external sources. Omega-3 fatty acids are found mainly in fish. Anyone who does not consume fish, needs to obtain omega-3 in some other way.

A clear health trend has emerged. Today, the average consumer has a good idea of what they should eat to feel well. Despite this, obesity and, consequently, cardiovascular disease are major problems. This can, to some extent, be explained by people not having the time or knowledge to prepare food from natural ingredients. More and more fast-food and semi-prepared foods are included in the diet.

It is, therefore, a natural step for AAK to continue to develop products which provide

the body with the healthy fatty acids we need to maintain good health.

Specidol is just such a product. By adding Specidol, AAK's customers can offer consumers healthier foods. Specidol can be used in dairy products, bread, dressings and prepared meals.

Time for dessert

Coconut oil has long been a common ingredient in the production of ice cream. But the drawback with coconut oil is that it contains high levels of saturated fatty acids. AAK has, therefore, developed Akomix LS30 which, among other advantages, provides ice cream with the same properties as coconut oil, including form stability.

Akomix allows us to enjoy ice cream with a better nutritional profile.

One step in AAK's development process is the use of AAK Academy™ to educate customers in the properties of vegetable oils and fats. Since the early 1990s, more than 1,000 individuals have benefited from AAK's knowledge of fat molecules and from meeting the experts who work with the development of products made from natural raw materials which can be turned into nutritious and healthy products sold all over the world.

Nine plants in seven countries

With nine production facilities in seven countries – Sweden, Denmark, United Kingdom, Mexico, the Netherlands, the US and Uruguay – AAK is the world's top producer of vegetable oils. In 2008, a new factory came on stream in Aarhus, Denmark, for the production of CBE. An older plant, which was damaged in a fire in December 2007, was recommissioned in the fourth quarter. A new factory for production of the rapidly expanding product range for infant formulas and baby foods was opened in Karlshamn, Sweden.

USA

92 employees

Port Newark, New Jersey:
Most important operations: Refining, bulk loading, box filling.
Products: Speciality fats for the bakery and other food industries, as well as special fats for the chocolate and confectionery industry.

Mexico

344 employees

Morelia
Most important operations: All major processes in Oils & Fats, including oil extraction, refining, bulk loading and box filling.
Products: Speciality fats for chocolate and confectionery, including a complete range of trans-free fats and most DFA (Dairy Fat Alternatives) products as well as speciality products for the bakery and food industries.

Uruguay

12 employees

Montevideo
Most important operations: All significant processes in the Oils & Fats segment.
Products: Speciality products for the chocolate and confectionery industry for the South American market.

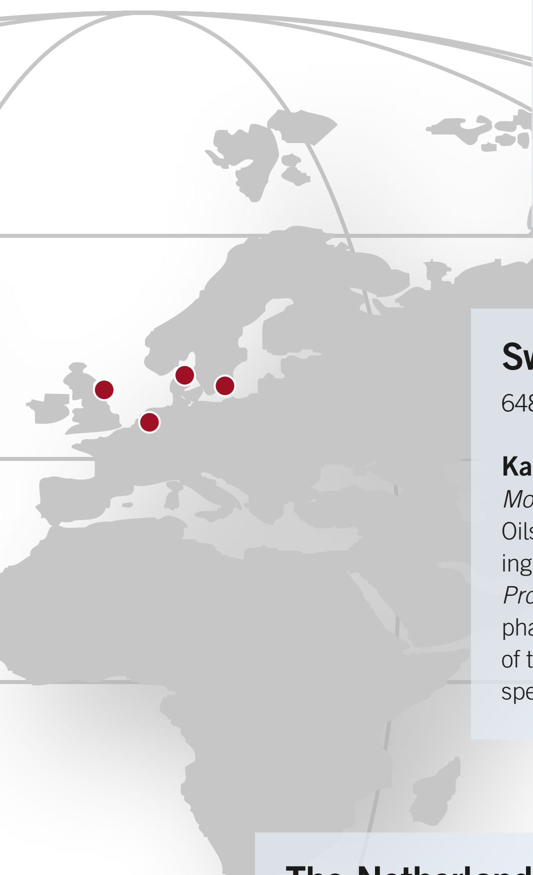
United Kingdom

459 employees

Hull: 318 employees
Most important operations: Refining, bulk loading, box filling.
Products: Speciality fats for foodservice, bulk oils, speciality products for the bakery, cosmetics and pharmaceutical industries.

Runcorn: 86 employees
Products: Speciality bakery products.

Oldham: 55 employees
Products: Foodservice.



Denmark

418 employees

Aarhus
Most important operations: All major processes in the Oils & Fats segment (based on vegetable oil), oil extraction, refining, fractionation, bulk loading and box filling. The largest production unit for CBE fats.
Products: Speciality fats for the chocolate and confectionery industry, bulk oils, speciality products for the cosmetics and pharmaceutical industry.

Sweden

648 employees

Karlshamn
Most important operations: All major processes in the Oils & Fats segment, oil extraction, fractionation, refining, bulk loading and box filling.
Products: From basic oils to speciality fats for chocolate and confectionery, cosmetics and pharmaceuticals, as well as for a number of food processing applications covering a full range of trans-free fats and a large number of DFA (Dairy Fat Alternatives) products. Production of speciality oils for baby food, animal feed ingredients, technical oils, fatty acids and glycerol.

The Netherlands

62 employees

Zaandijk
Most important operations: Refining, bulk loading, box filling.
Products: A number of speciality products, including trans-free powdered fats and ingredients for infant formulas and bakery products.

Employees

Global collaboration in HR

Since the merger, the level of collaboration between employees and all units at AAK has gradually increased. The Global Leadership Academy provided a natural platform for the initiation of further collaboration and exchanges between the participants. Other groups are now also involved in work aimed at expanding the exchange of knowledge and collaboration within the Group.

During the year, the natural and necessary partnership initially established between HR functions in Sweden, Denmark and the Netherlands has gone global.

The principal objective and aim of the HR group is to support the global approach, to support the change process and the implementation of AAK's values. The HR group will also run projects aimed at employees development, increasing employees movement between the Group's plants and encouraging more widespread job rotation.

Another priority task is to support the improvement of employees and organisation.

Extensive leadership development programme launched and implemented

During the year, an extensive leadership development programme was launched and implemented. 100 managers world-wide have taken part in the "Global Leadership Academy" programme.

Initially, the merger in 2005 concentrated on putting the customer in focus, internal efforts to create synergies and cost saving measures. In parallel, a new organisational structure was introduced, and the work of creating a long-term vision and strategy was intensified.

In the years following the merger, it became increasingly clear that one important cornerstone for the future would be the creation of a global AAK. This meant that a clear mutual identity had to be developed, which transcended national borders and the affiliations of individual companies.

The successful implementation of the strategy and the creation of a global company are totally dependent on the Group's ability to motivate and engage employees at all levels. Achieving this will require understanding and concord with respect to the Group's progress in the short and long term.

The senior management team decided to make the Global Leadership Academy the platform on which the future development of managers within the group is based.

The programme was implemented during the first six months of 2008, and the content focused on:

- Making AAK a Group which acts and thinks globally to ensure that it reaps the benefit of the merger.
- Providing key individuals with the expert knowledge required to manage the changes necessary to achieve targets.
- Ensuring that everyone understands the principles and strengths of the matrix organisation adopted.
- Discussing and producing the values and policies which are to permeate AAK over the next few years.

Average number of employees 2008

	Total	Men	Women
Sweden	648	500	148
Denmark	418	316	102
Mexico	344	284	60
The Netherlands	62	51	11
United Kingdom	459	361	98
Uruguay	12	7	5
USA	92	76	16
Ceylon	516	470	46
Other	72	35	37

Reduced travel and the use of video conferencing cuts the environmental impact of carbon dioxide by 40 tonnes

Travel is a natural, everyday and necessary part of the operation of all global companies. But modern technology is providing great opportunities to reduce travel. Changes are being forced through by improving awareness of the environmental impact of business travel. With the aim of reducing the number of journeys and, therefore, its environmental impact, AAK has provided video conferencing facilities for eight of its operation sites. A total of 1,500 video conferences were held during the year. 300 of these meetings would normally have involved travel, had the video conferencing facilities not been available. This means that in a single year, 20 percent of the meetings which would normally involve travel have been replaced by video conferences.

A calculation method accepted by the IT world shows a reduction in carbon dioxide emissions of 40 tonnes from AAK in the first year alone.

A costing of the investment in the video equipment has shown that, at an estimated cost of SEK 10,000 per person and journey, the equipment has generated direct saving of SEK 6 million for the company in the first year of use. As people become more used to the system, the number of video conferences will probably increase, with a further drop in the amount of travel undertaken.

Ernesto Zamudio:

This is my role at AAK

Earning money from global trading in raw materials in these turbulent times for the world economy is a real challenge for Ernesto Zamudio, Trading Manager at AAK UK.

Ernesto's work involves buying and selling vegetable oils, such as oils from palm and soya, on the world market, while generating the best possible results for AAK.

"We trade in palm oil on the Malaysian and Indonesian markets, so the phone usually starts ringing at 7 a.m. and keeps going until 11 a.m., when these markets finally close", says Ernesto. "At the same time, we are dealing with our agents in Europe, and preparing for the opening in the afternoon of the market in Chicago."

"It is a challenge to work with such a charged market, where prices can fluctuate wildly from one moment to the next", says Ernesto. "A bargain can be very profitable if you are in the right position when the market turns. We have a strict strategy for reducing risks, and keep careful tabs on the market trends for shares, currencies, crude oil, grain and metals."

Stressful in current conditions

"Sometimes the work can be stressful, since the right decision has to be made on the basis of the current world economy".

The market is extremely volatile, as a result of the extraordinary events we have witnessed in recent months. Governments around the world are presenting solutions to ease public hardship during the recession. Right now, banks around the world are announcing decisions to reduce interest and provide support packages for businesses in crisis. As if this was not enough, we must also consider the problem of pirates, who hijack ships transporting oil from Asia to Europe. "We experienced this problem when a ship carrying palm oil was hijacked last year off the coast of Somalia". The ships sail from Asia through the Gulf of Aden and the Suez Canal. The risk is, therefore, greatest around Somalia. This episode caused a 14-day delay. There are other alternatives, but they are more time consuming.

Grabbed the chance when it came up

Ernesto is used to travelling the world. He left his job in Mexico to work in Hull two and a half years ago. "I studied in Colchester, England, between 1999 and 2000.

When I was invited to make the move, I jumped at the chance", says Ernesto, as he explains why he accepted the offer to move to United Kingdom with his family. "I had got used to the difference in the weather in the past, so it didn't come as much of a surprise to me. And my son was born here. He is, of course, used to the weather, so he finds it too hot when we visit family in Mexico."

"I was attracted to AAK", he concludes. "It is a company which respects the environment and accepts its social responsibilities."

Contents

All amounts are dominated in SEK million unless otherwise stated.

Directors' Report

The Board of Directors and President of AarhusKarlshamn AB (publ), corporate identity number 556669-2850, with registered office in Malmö, herewith present the Financial Statement for the financial year January - December 2008 and Consolidated Financial Statements for the financial year January-December 2008.

Performance and financial position excluding non-recurring items and IAS 39

All financial information under this heading excludes non-recurring items and IAS 39.

- Net sales increased by 32 percent to SEK 17,207 million (13,005).
- Operating profit increased by 30 percent to SEK 851 million (653). Insurance compensation received in respect of the accident in Aarhus in December 2007 of SEK 304 million which is included in the summer and has been recognised income in 2008. In addition, during the first quarter, SEK 47 million relating to December 2007 was recognised as income. This is treated as a non-recurring item for 2008.
- Earnings per share excluding non-recurring items and IAS 39 were SEK 10.80 (8.53). Including IAS 39 and non-recurring items, earnings per share were SEK 0.04 (7.67).
- The proposed dividend amounts to SEK 4.00 (4.00) per share.

Nets sales were SEK 17,207 million (13,005), an increase of SEK 4,202 million or 32 percent, largely due to sharply increased raw material prices and increased volume within the CBE segment.

Gross contribution rose by SEK 510 million or 16 percent to SEK 3,644 million. 75 percent of the Group's improvement in gross contribution came from Chocolate & Confectionery Fats. Gross contribution per kilo rose by 11 percent from SEK 2.12 per kg to SEK 2.36 per kg, largely due to increased specialisation.

The operating profit for the full year 2008 totalled SEK 851 million (653) an increase of SEK 198 million or 30 percent. Changes in exchange rates since the beginning of the year had a negative impact on operating profit of SEK 1 million. The insurance compensation received in respect of the accident in Aarhus in December 2007 of SEK 304 million has been included in the above operating profit of SEK 851 million. In addition to the SEK 851 million, SEK 47 million was recognised as income in the first quarter in respect of December 2007. This is treated as a non-recurring item for 2008. The claims settlement process is continuing with the insurance companies involved, and has not yet been concluded. The finalisation of the insurance claims is reasonably expected to have additional significant positive effects on the profitability and cash flow for the company in respect of coverage of property related costs and loss of earnings respectively. However, until the claims handling process is finalised, AAK will not be in a position to provide accurate and definitive information as to whether the insurance compensation fully covers the company for any loss of earnings and any additional costs incurred resulted from the incident.

Cash flow from operating activities was SEK 17 million (-383). Operating capital increased by SEK 56 million primarily as a result of a strategic inventory build up of shea at the beginning of the year, as well as rapidly rising raw material prices. Towards the close of the second quarter, the price trend for vegetable oils began to fall. This trend accelerated during the third and fourth quarters, and the significantly lower raw materials prices will, over time, reduce the Group's operating capital and improve cash flow in 2009.

The Group's net investment totalled SEK 387 million (700). After investment, acquisitions and disposals, cash flow was SEK -370 million (-1,083).

Performance and financial position including non-recurring items and IAS 39

Operating profit including non-recurring items and IAS 39 amounted to SEK 151 million (646) for the full year. The profit includes an IAS 39 effect (market valuation of financial instruments) of SEK -747 million (143).

Over the longer term, the IAS 39 effect has been positive. This trend has now reversed due to the increasingly rapid fall in the price of raw materials during the third and fourth quarters. The IAS 39 effect may have a substantial impact on results, both positive and negative in individual quarters depending on contract mix, raw material prices and currency trends. The IAS 39 effect has no impact on cash flow as it is purely a theoretical accounting effect.

Operationally, raw material prices were hedged through forward contracts or through purchase contracts at fixed prices. Also, the Group hedges all transaction risks relating to currencies. This means that the gross contribution for each sales contract is hedged. Hedge accounting in accordance with IAS 39 was not applied.

In the internal follow up all sales contracts and purchases of raw material (including inventories) are market valued with respect to both raw material prices and exchange rates. In accordance with IAS 39, only contracts which are not intended for physical delivery are market valued, which means that a difference arises between the internal and external accounting. It is this effect that AAK reports as an IAS 39 effect.

Net financial income/expense amounted to SEK -288 million (-198) and the profit/loss after net financial income/expense amounted to SEK -137 million (448). The positive tax effect in the income statement is largely attributable to deferred tax on the IAS 39 effect, but it has also been affected by a reduction in tax rates in Sweden. The underlying tax rate excluding deferred tax on the IAS 39 effect is approximately 30 percent.

The net result for the full year amounted to SEK -4 million (319), of which SEK 1 million is attributable to the Parent Company's shareholders. Earnings per share were SEK 0.04 (7.67).

The equity/assets ratio was 22 percent (31 December 2007: 28 percent), and this has been affected by the negative IAS 39 effect. The equity/asset ratio excluding the IAS 39 effect was 25 percent (31 December 2007: 28 percent).

Consolidated equity as at 31 December 2008 totalled SEK 2,383 million (31 December 2007: 2,443) and the balance sheet total was SEK 11,078 million.

Non-recurring items

Non-recurring items in 2008 refers to insurance compensation of SEK 47 million, which was recognised in income in the first quarter of 2008 but referred to December 2007. Non-recurring items in 2007 related to restructuring costs of SEK 150 million recognised in the second quarter 2007.

Operations and significant events

Growth and productivity in focus for AarhusKarlshamn

The new Group, AarhusKarlshamn AB (AAK), was formed on 29 September 2005 through a merger between Aarhus United A/S and Karlshamns AB. Our goal was to create a global leader in production of specialty vegetable fats that could benefit from economies of scale to permit faster growth, create a highly competitive cost structure and use our capital resources more effectively.

Business areas

The Company has separate businesses in: Chocolate & Confectionery Fats, Food Ingredients and Technical Products & Feed. Group-wide functions are included in the Group Functions segments. Group growth is generated through a combination of organic growth and business combination.

Chocolate & Confectionery Fats has a world-leading position, and this will be expanded gradually to an increasingly global arena.

Food Ingredients maintains its strong regional positions in both Europe and North America.

Technical Products & Feed has a strong local position in northern Europe and will continue to focus its growth efforts in these geographical segments through its close links to the Karlshamn unit in Sweden, bringing significant merger benefits.

Business Combinations

Rapsona AB

To increase integration forwards in the value chain, AAK acquired Rapsona AB. The newly-acquired company, which is based in Järfälla just north of Stockholm, supplies restaurants, catering kitchens and smaller producers of ready-meals with a range of products based on vegetable oil. With estimated sales of SEK 70 million, Rapsona has a strong position in its core operation in the Swedish food industry.

Synergies

The rationalisation programme adopted in 2007 mainly affects the production units in Sweden and Denmark. In line with previous estimates, it will generate savings of SEK 100 million, with full impact in 2010, at a cost of SEK 150 million. The cost was recognised as an expense in the second quarter of 2007.

The accident in Aarhus, Denmark

On 4 December 2007, a fire caused by an explosion occurred in AAK's factory in Aarhus, Denmark. The accident occurred in that part of the factory where vegetable oils are produced for use as components in special fats for chocolate and confectionery products, especially CBE.

At the time of the accident, AAK's new factory for special fats – primarily CBE, but also high-quality filling fats and other special fats – was ready for test operation. The new factory started up in the first quarter of 2008. By November 2008, the company had repaired the damaged buildings and infrastructure in the older factory, and production has continued since that date.

Under an agreement between AAK and the insurance companies involved, procedures have been established for the provisional handling of the estimated shortfall and future additional costs resulting from the accident. For the purpose of quality-assuring these estimates, AAK has retained a specially-qualified independent auditor for the purpose. In consultation with the insurance companies involved, each month a provisional outcome for the shortfall and additional costs is determined, based on underlying material reviewed by the independent auditor mentioned. The insurance claim was based on AAK's own provisional assessment of the losses following from the accident.

To date, AAK has received insurance compensation of around SEK 351 million (including SEK 47 million attributable to December 2007) attributable to loss of income and compensation for losses in respect of the accident of 4 December 2007.

The finalisation of the insurance claims is reasonably expected to have additional significant positive effects on the profitability and cash flow for the company in respect of coverage of property related costs and loss of earnings respectively. However, until the claims handling process is finalised, AAK will not be in a position to provide accurate and definitive information as to whether the insurance compensation fully covers the company for any loss of earnings and any additional costs incurred resulted from the incident.

Treasury shares

At the time of the merger between Aarhus United A/S and Karlshamns AB in 2005, Aarhus held treasury shares. Since Aarhus accepted the public offer, Aarhus received shares in AAK in exchange for its own treasury shares. As a result of this, Aarhus currently owns 485,614 shares in AAK, which is equivalent to 1.17 percent of the capital and votes. The Board of Directors has now decided to annul the Aarhus shares, and has therefore resolved to propose to the annual general meeting 2009 that the share capital be reduced by the par value of the annulled shares.

If the Annual General Meeting approves the proposal by the Board to reduce share capital, and when this resolution has been registered by the Swedish Companies' Registration Office, each outstanding share in AAK will be equivalent to a greater proportion of the capital of the company.

Significant events after the end of the financial year

No significant events occurred after the end of the financial year.

The future

Prospects

The effects on AAK of the financial crisis and weakened business climate are difficult to assess. Historically, the food and chocolate businesses, which represent more than 90 percent of the Group's turnover, have shown relative stability in changing business climates.

However, due to the severity of the global downturn, the uncertainty is significantly larger than in previous periods of recession. Political and credit risks are increasing, and the extent of consumers' reaction to the downturn is at this stage difficult to predict.

The fatty acid business and the metalworking fluids both within Technical Products will be more severely affected because of the decline in the customer base in the paper and automotive industries.

Cash flow, which has been negatively affected by the strong increase in raw material prices during 2008, is expected to develop positively during 2009.

Strengthening of our balance sheet remains a high priority.

The specialisation strategy focusing upon products with higher margins has developed very well since the merger in 2005. Organic growth in combination with a selective acquisition strategy is our way forward.

Financial Goals

AAK aims to grow faster than the underlying market and to generate significant cash flows. We also intend to continually improve return on operating capital.

Dividend policy

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

Nomination Committee

AAK's Nomination Committee proposes for the Annual General Meeting on 19 May 2009, that the number of members of the Board shall be ten, and that all members of the current Board be re-elected. The Nomination Committee proposes in addition that Melker Schörling be re-elected Chairman of the Board, and Carl Bek-Nielsen Vice-Chairman.

AAK's Nomination Committee for the Annual General Meeting 2009 consists of:

- Mikael Ekdahl (Chairman)
- Carl Bek-Nielsen
- Henrik Didner (Didner & Gerge Mutual Fond)
- Jan-Erik Erenius (AMF Pension)

In total, the Nomination Committee represents 46.18 percent of the shares and votes in AAK as at 31 December 2008.

Share capital and ownership relationships

The total number of shares of AAK as at 31 December 2008 was 41,383,803. In AAK there is one class of share, and each share gives entitlement to one vote. There are no limits as regards how many votes each shareholder may cast at an Annual General Meeting. Nor are there any limitations regarding transfer of the shares as regards 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 of AAK. BNS Holding AB's shareholding as at 31 December 2007, amounted to 39.26 percent of the total number of votes.

AAK is not aware of any agreement between direct shareholders of AAK which would involve limitations in the right to transfer shares. On the other hand, there is a shareholder agreement between the owners of BNS Holding AB – Melker Schörling AB and United International Enterprises Ltd – which may involve a limitation of the right to transfer shares of AAK.

The shareholder relationships are described in more detail in the section on AAK shares on page 86.

Articles of Association

The Articles of Association stipulate that appointment of Board of Members shall be made by the Annual General Meeting of AAK. The Articles of Association do not contain any 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 which, in certain cases, give the lender the right to request advanced 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 Management

Guidelines for the remuneration of the CEO and the benefits of other senior management were established by the 2008 Annual General Meeting. No deviations from these guidelines have been made. The Board of Directors of AAK proposes that the 2009 Annual General Meeting adopt the same guidelines for 2009 as in 2008 for the remuneration of senior management. The guidelines are contained in Note 8 Remuneration of the Board of Directors and Senior Management.

These guidelines shall cover the persons who are in senior management positions during the period of time that the guidelines apply. The guidelines apply to agreements entered into after they where approved by the Annual General Meeting, and amendments are made to existing agreements after that. The Board of Directors shall have the right to deviate from the guidelines if, in individual cases, there are special reasons for doing so.

Product development

Refer to page 38 above, for further information concerning the Group's product development.

Environmental Impact

Our 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 minerals into the water, and also creating organic waste and noise. We continually review our impact on all levels to further improve performance at AAK. We operate all our plants with appropriate official permits in all countries. In Sweden, the operation in Karlshamn is licensable, by Swedish law.

Employees

The recruitment of skilled and competent personnel is an important component in maintaining competitiveness for the AAK Group. The Company therefore has continuous active programs for personnel development.

Risk Management and Sensitivity Analysis

All business operations involve risk – a controlled approach to risk taking is a prerequisite in maintaining good profitability. Risk may depend on events in the outside world and many affect a certain sector or market. A risk may also be purely company-specific or country-specific.

At AAK, effective risk management is a continuing process which is carried on within the framework of operational management and forms a natural part of the day-to-day monitoring of the operation.

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 the operation 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

For information on the composition and work etc of the Board of Directors, see the Corporate Governance Report on page 88.

Parent Company

The Company is the holding company of the AAK Group, and its activities consist mainly of joint Group functions connected to the development and management of the Group. The Parent Company employs personnel with skills and competence for the execution of group-wide financing, accounting, information and Human Resources. The Parent Company is also responsible for Group Strategy and Risk Management, and provides legal and tax-related services to the Group subsidiaries.

The Parent Company's invoicing amounted to SEK 41 million (23) and earnings after financial items amounted to SEK 188 million (-42). Interest-bearing liabilities and provisions minus cash and cash equivalents were SEK 160 million (221) as of 31.12.2008. The Parent Company's balance sheet total was SEK 6,473 million (5,908) and equity totalled SEK 4,403 million (4,348).

There was a total of 11 (11) employees as of 31 December 2008.

No significant events occurred during or after the end of the financial year.

Background and Explanation to the proposed dividend

The Board of Directors has proposed that the 2009 Annual General Meeting approved an appropriation of profits under which the shareholders will receive a dividend of SEK 4.00 per share. The proposed dividend therefore totals SEK 166 million for the

Company and 164 million for the Group. The objective is that the dividend in the long term shall be equivalent to 30-50 percent of the consolidated profit after tax, always bearing in mind AAK's long-term financing requirements.

The Parent Company owns no financial instruments valued in accordance with Chap. 4 §14 a Annual Accounts Act (1995:1554). The Board of Directors hereby make the following statement regarding the proposed dividend, in accordance with Chap. 18 §4 (2005:551) of the Swedish Companies Acts.

Retained profits from the previous year total SEK 3,791 million and the profit for the 2008 financial year total SEK 198 million (-4 for the Group). Provided that the 2009 Annual General Meeting approves the Board's proposed appropriation of profits, a total of SEK 3,824 million will be carried forward. The Company's restricted reserves will be fully covered after distribution of the dividend.

In our assessment, 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 operations. In making this assessment, the board has taken account of the historical development of the Company and the Group, the budgeted performance and the economic situation.

In our view, the Company is in a position and has the capacity, in both the short and long-term, to meet all its obligations. The proposed dividend that represents a total of 3.8 percent of the Company's equity and 7.0 percent of the Group's equity attributable to the Parent Company's shareholders. After the payment of the dividend, the equity/assets ratio of the Company and the Group will be 65.5 percent and 20.0 percent respectively.

Excluding the IAS 39 effect in 2008, the Group's equity assets ratio is 23.4 percent after the payment of the dividend.

These figures are good in relation to other businesses in our industry. The Board of Director's assess 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 ability to meet certain current liabilities. However, we consider that we have sufficient access to both short and long-term credit that can be obtained on short notice.

The Board of Directors therefore considers that the Company is prepared for likely changes to liquidity as well as unforeseen events. In addition to the above, the Board of Directors has considered other known circumstances that can materially affect the financial position of the Company and the Group. We consider there are no circumstances current to make the proposed dividend distribution seem indefensible.

It is proposed that the record date for the dividend shall be 25 May, and it is estimated that the dividend will be with the shareholders on 28 May 2009.

Proposed appropriation of earnings

The Board of Directors and President propose that

The disposable profit brought forward	SEK 3,791,431,685
net profit for the year	SEK 197,743,791
Total	SEK 3,989,175,476

Shall be appropriated as follows;

To be distributed to shareholders, a dividend of SEK 4.00 per share	SEK 165,535,212
To be carried forward	SEK 3,823,640,264
Total	SEK 3,989,175,476

The Consolidated and Parent Companies' financial statements will be presented for adoption to the Annual General Meeting of the shareholders 19.05.2009.

Consolidated Income Statement

SEK million	Note	Jan–Dec 2008	Jan–Dec 2007
Net sales	28	17,207	13,005
Other operating income	10	375	23
Total operating income		**17,582**	**13,028**
Raw materials and consumables and changes in inventory of finished products and products in progress		-14,008	-9,272
Goods for resale		-506	-357
Other external expenses	5, 29	-1,389	-1,177
Employees benefits expense	6, 7, 8, 9	-1,120	-1,164
Depreciation/amortisation and impairment loss expense	15, 16	-375	-385
Other operating expenses		-33	-27
Total operating expenses		**-17,431**	**-12,382**
Operating profit		**151**	**646**
Result from financial items	11		
Financial income		29	20
Financial expenses		-317	-218
Net financial items		**-288**	**-198**
Profit/loss before tax		**-137**	**448**
Income tax	12	133	-129
Profit/loss for the year		**-4**	**319**
Attributable to:			
Minority interest		-5	5
Parent company shareholders		1	314
		-4	**319**
Earnings per share attributable to Parent company shareholders during the year			
(SEK per share) – before and after dilution	13	0.04	7.67

Consolidated Cash Flow Statement

SEK million	Note	Jan–Dec 2008	Jan–Dec 2007
OPERATING ACTIVITIES	30		
Profit/loss after financial items		-137	448
Recoveries on amortisation and impairment losses		375	385
Adjustment for items not included in cash flow	30	-24	81
Income tax paid		-141	-133
Cash flow from operations before changes to working capital		**73**	**781**
Changes in working capital			
Net change in inventories		-456	-953
Net change in other current receivables		-1,053	-666
Net change in other current operating liabilities		1,453	455
Cash flow from operating activities		**17**	**-383**
INVESTING ACTIVITIES			
Acquisition of intangible assets		-23	-46
Acquisition of tangible fixed assets		-368	-549
Acquisition of operations and shares, net of cash acquired	27	-	-118
Proceeds from sale of tangible fixed assets		4	13
Cash flow from investing activities		**-387**	**-700**
FINANCING ACTIVITIES			
Loans raised		461	1,283
Sale of treasury shares		5	5
Dividends paid		-164	-163
Cash flow from financing activities		**302**	**1,125**
Cash flow for the year		**-68**	**42**
Cash and cash equivalents at beginning of year		167	129
Exchange rate difference for cash equivalents		6	-4
Cash and cash equivalents at year-end	19	**105**	**167**

Consolidated Balance Sheet

SEK million	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Fixed assets			
Intangible assets	16		
Goodwill		682	614
Patents and other intangible assets		134	115
		816	**729**
Property, Plant and Equipment	15		
Land and buildings		694	669
Plant and machinery		2,205	1,811
Equipment, tools and fixtures & fittings		89	76
Fixed assets under construction		201	408
		3,189	**2,964**
Financial assets			
Shares in associated companies		8	4
Financial investments		2	2
Deferred income tax assets	12	194	116
Derivative financial instruments	3	-	8
Other non-current receivables		26	11
		230	**141**
Total fixed assets		**4,235**	**3,834**
Current assets			
Inventories	18	3,098	2,451
Trade receivables	3	2,219	1,803
Current income tax	12	145	33
Other receivables		306	268
Derivative financial instruments	3	882	201
Prepaid expenses and accrued income		88	100
Cash and cash equivalents	19	105	167
Total current assets		**6,843**	**5,023**
TOTAL ASSETS		**11,078**	**8,857**

Consolidated Balance Sheet (cont.)

SEK million	Note	31 Dec 2008	31 Dec 2007
EQUITY AND LIABILITIES			
Shareholdings equity	20		
Share capital		414	414
Reserves		-66	-159
Retained earnings, including result for the year		1,995	2,154
Equity attributable to parent company's shareholders		**2,343**	**2,409**
Minority interest		40	34
Total equity		**2,383**	**2,443**
Non-current liabilities			
Financial liabilities			
Liabilities to banks and credit institutions	21	4,959	4,004
Pension provisions	9	5	13
		4,964	**4,017**
Non-financial liabilities			
Deferred tax liabilities	12	217	321
Other provisions	22	139	140
Other non-current liabilities		7	11
		363	**472**
Total non-current liabilities		**5,327**	**4,489**
Current liabilities			
Financial liabilities			
Liabilities to banks and credit institutions	21	249	427
Other current liabilities		7	13
		256	**440**
Non-financial liabilities			
Accounts payable – trade	3	1,019	723
Current tax liabilities	12	81	54
Other current liabilities		729	194
Derivative instruments	3	941	107
Accrued expenses and prepaid income	23	342	407
		3,112	**1,485**
Total current liabilities		**3,368**	**1,925**
TOTAL EQUITY AND LIABILITIES		**11,078**	**8,857**

Consolidated Changes in Shareholders' Equity

SEK million	Share capital	Reserves[1]	Retained earnings	Minority interests	Total equity
	Attributable to the Parent Company's shareholders				
Opening balance at 1 January 2007	**414**	**-125**	**1,998**	**32**	**2,319**
Currency translation difference	-	-34	-	-2	-36
Total transactions recognised in equity	**-**	**-34**	**-**	**-2**	**-36**
Profit for the year	-	-	314	5	319
Total reported income and expenses	**-**	**-**	**314**	**5**	**319**
Sale of treasury shares	-	-	5	-	5
Dividend	-	-	-163	-1	-164
Dividends	**-**	**-**	**-158**	**-1**	**-159**
Closing balance at 31 December 2007	**414**	**-159**	**2,154**	**34**	**2,443**
Opening balance at 1 January 2008	**414**	**-159**	**2,154**	**34**	**2,443**
Currency translation difference	-	93	-	11	104
Total transactions recognised in equity	**-**	**93**	**-**	**11**	**104**
Profit for the year	-	-	1	-5	-4
Total reported income and expenses	**-**	**-**	**1**	**-5**	**-4**
Sale of treasury shares	-	-	4	-	4
Dividend	-	-	-164	-	-164
Dividends	**-**	**-**	**-160**	**-**	**-160**
Closing balance at 31 December 2008	**414**	**-66**	**1,995**	**40**	**2,383**

[1] Reserves consists of currency translation differences of subsidiaries.

Income Statement – Parent Company

SEK million	Note	Jan–Dec 2008	Jan–Dec 2007
Net sales	26	41	23
Other operating income	10	15	1
Total operating income		**56**	**24**
Other external expenses	5	-43	-26
Personell costs	6, 7, 8, 9	-30	-29
Depreciation/Amortisation and impairment losses		-1	0
Other operating expenses		0	0
Total operating expenses		**-74**	**-55**
Operating result		**-18**	**-31**
Profit from financial items	11		
Interest income and similar items		252	0
Interest expenses and similar items		-46	-11
Net financial items		**206**	**-11**
Profit/loss before tax		**188**	**-42**
Income tax	12	10	12
Net result for the year		**198**	**-30**

Balance Sheet – Parent Company

SEK million	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Fixed assets			
Intangible assets		0	0
Tangible assets		4	2
Financial assets			
Shares in associated companies	17	5,671	5,838
Receivables from Group companies		727	-
Deffered income tax assets	12	0	-
		6,398	**5,838**
Total fixed assets		**6,402**	**5,840**
Current assets			
Receivables from Group companies		56	54
Other receivables		3	4
Prepaid expenses and accrued income		11	10
Cash and cash equivalents		1	-
Total current assets		**71**	**68**
TOTAL ASSETS		**6,473**	**5,908**

Balance Sheet – Parent Company (cont.)

SEK million	Note	31 Dec 2008	31 Dec 2007
EQUITY	20		
Restricted equity			
Share capital		414	414
		414	**414**
Non-restricted equity			
Retained earnings		3,791	3,964
Result for the year		198	-30
		3,989	**3,934**
Total equity		**4,403**	**4,348**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Liabilities to banks and credit institutions	21	887	221
Other non-current liabilities		0	0
		887	**221**
Current liabilities			
Non-financial liabilities			
Trade payables		8	5
Income tax liabilities	12	0	0
Liabilities to Group companies		1,156	1,319
Other current liabilities		5	2
Accrued expenses and prepaid income	23	14	13
		1,183	**1,339**
Total liabilities		**2,070**	**1,560**
TOTAL EQUITY AND LIABILITIES		**6,473**	**5,908**
Pledged assets	24	-	-
Contingent liabilities	25	-	-

Changes in Shareholders' Equity – Parent Company

SEK million	Restricted equity Share capital	Non-restricted equity Retained earnings	Total equity
Opening balance at 1 January 2007	414	4,098	4,512
Dividends	-	-165	-165
Group contributions	-	43	43
Tax effect on Group contribution	-	-12	-12
Net profit/loss for the year	-	-30	-30
Closing balance at 31 December 2007	**414**	**3,934**	**4,348**
Dividends	-	-166	-166
Group contributions	-	32	32
Tax effect on Group contribution	-	-9	-9
Net profit/loss for the year	-	198	198
Closing balance at 31 December 2008	**414**	**3,989**	**4,403**

Total shares outstanding were 41,383,803 at par value SEK 10 per share.

Cash Flow Statement – Parent Company

SEK million	Note	Jan-Dec 2008	Jan-Dec 2007
OPERATING ACTIVITIES	30		
Profit/loss after financial items		188	-42
Reversal of amortisation and impairment losses		0	0
Adjustment for items not included in cash flow	30	32	43
Income tax paid		0	0
Cash flow from operating activities before changes to working capital		**220**	**1**
Working capital			
Net change in other current receivables		-2	25
Net changes in other current operating liabilities		-155	1
Cash flow from operating activities		**63**	**27**
INVESTING ACTIVITIES			
Acquisition of tangible fixed assets		-2	0
Repayment of capital injection	17	167	0
Cash flow from investing activities		**165**	**0**
FINANCING ACTIVITIES			
Changes in borrowings		-61	138
Dividends		-166	-165
Cash flow from financing activities		**-227**	**-27**
Cash flow for the year		**1**	**0**
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at year-end		**1**	**0**

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 company are listed on the NASDAQ OMX Stockholm, Mid Cap list. The headquarter is located at Jungmansgatan 12, SE-211 19 Malmö, Sweden.

These consolidated financial statements for 2008 are for the Group consisting of the Parent Company and all subsidiaries. The Group includes shares of associated companies and joint ventures. The Board of Directors approved these consolidated financial statements for publication as of 2 April 2009.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation for consolidated financial statements

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standard Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union, the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1.1 'Supplementary accounting rules for groups of companies'. The Parent Company has prepared its financial reports according to the Swedish Annual Accounts Acts (Årsredovisningslagen) and the Swedish Financial Reporting Board's recommendation RFR 2.1 'Accounting for legal entities'.

The annual report and consolidated financial statements have been prepared in accordance with the historical cost convention method for valuation except for currency, interest, 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 and assumptions under different circumstances.

Standards and pronouncements not in effect

The following new standards and changes and interpretations of existing standards have been published and are compulsory for the Group's financial statements for financial years starting on 1 January 2009 or later, but have not been implemented in advance by the Group:

IAS 1 Presentation of financial statements (revised)

Presentation of financial statements, is effective as from 1 January 2009. The revised standard will prohibit the presentation of income and expenditure items in the report of changes to equity, but will require that "changes to equity excluding transactions with shareholders" are reported separately from changes to equity relating to transactions with shareholders. It will be required that all changes to equity that do not relate to shareholders are reported in the statement of comprehensive income or in the income statement and statements of comprehensive income. The changes also entail changes to the layout and names of the financial reports. Thus, the Group's future presentation of the financial reports will be affected by the introduction of this standard.

IAS 23 Borrowing costs

Borrowing costs apply as from 1 January 2009. The changes in the standard is still subject to the EU approval process. The change requires a company to capitalize borrowing costs directly attributable to purchase, construction or production of an qualifying assets. The alternative of immediately recognising borrowing costs will no longer be available. The Group will implement IAS 23 as from 1 January 2009.

IAS 36 Impairment of assets

The change applies as from 1 January 2009. When fair value loss cost to sales is calculated on the basis of discounted cash flows, calculations shall be provided. The Group will be implementing IAS 36 and where applicable provide the information required about impairment testing as from 1 January 2009.

IFRS 3 Business Combinations

This change of the standard is still subject to the EU approval process. The change applies prospectively for acquisitions after the effective date. The implementation will entail a change in how future acquisitions are accounted for, for instance the accounting for acquisition related costs, any contingent purchase consideration and step acquisitions. The Group will be implementing the standard as from the financial year starting 1 January 2010, provided the standard has been approved by the EU. The change of the standard will not entail any effect on previously completed acquisitions, but will affect the reporting of future transactions.

Interpretations and changes to existing standards which have not yet come into force and which are not relevant to the Group's operation.

The following interpretations and changes of existing standards have been published and are compulsory for the Group for financial years starting on 1 January 2009 or later, but are not relevant to the Group.

IAS 16 Property, plant and equipment to IAS 7, Statement of cash flow (effective as from 1 January 2009).
IAS 19 Employee Benefits (effective as from 1 January 2009.
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance (effective as from 1 January 2009). The smaller changes to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, IAS 29 Financial reporting in Hyperinflationary Economies, IAS 40 Investment Property and IAS 41 Agriculture are included in IASB's annual improvement projects published in May 2008 (not dealt with above)
IAS 27 Consolidated and Separate Financial Statements (effective as from 1 January 2009).
IAS 28 Investments in Associates (effective as from 1 January 2009).
IAS 29 Financial reporting in Hyperinflationary Economies (effective as from 1 January 2009).
IAS 31 Interests in Joint Ventures (and consequenthal amendments to IAS 32 and IFRS 7) (effective as from 1 January 2009).
IAS 32 Financial instruments. Presentation (effective as from 1 January 2009).
IAS 38 Intangible Assets (effective as from 1 January 2009).
IAS 39 Financial instruments. Recognition and Measurement (effective as from 1 July 2009).
IAS 40 Investment Property (and consequenthal amendments to IAS 16) (effective as from 1 January 2009).
IAS 41 Agriculture (effective as from 1 January 2009).
IFRS 2 Share-based Payment (effective as from 1 January 2009).
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective as from 1 January 2009).
IFRS 8 Operating Segments (effective as from 1 January 2009).
IFRIC 13 Customer Loyalty Programmes (effective as from 1 July 2009).
IFRIC 15 Agreements for the Construction of Real Estates (effective as from 1 January 2009).
IFRIC 16 Hedges of a net investment in a foreign operation (effective as from 1 January 2009).
IFRIC 17 Distributions of Non-cash Assets to Owners (effective for financial year starting 1 July 2009 or later).

Consolidated accounts

Subsidiaries

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

Purchase method

Acquisition of subsidiaries is accounted for using the purchase method of accounting. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially as the fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the Group's share of the subsidiary and the fair value of the identifiable net assets of the subsidiary as of the acquisition date is recorded as goodwill. Inter-company transactions, balances and unrealised gains on transactions between group companies 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.

Associated companies

Associated companies are all companies where the Group has significant influence, but not a decisive influence over the operational and financial management, usually through a participation shareholding of between 20 percent and 50 percent of the voting rights. As from the time the considerable influence is acquired, participations in associated companies are reported in the consolidated accounts using the equity method of accounting. The equity method entails that the value of the shares in the associated companies reported for the Group corresponds to the Group's participation in the equity of the associated companies plus Group-related goodwill and any remaining values of Group-related surplus or shortfall in value. The consolidated income statement reports participation in the profit of associated companies as the Group's share of the profit of associated companies, adjusted for any amortisation, impairment or dissolution of acquired surplus or shortfall values. Dividends received from associated companies reduce the reported value of the investment.

The equity method is used until significant influence ceases.

Minority interests

Transactions with minority interests are treated the same as transactions with external parties. Sale of participations to minority interests resulting in gain or loss are reported in the consolidated income statement. Acquisition of minority interests may result in goodwill if the consideration paid exceeds the carrying value of the acquired net assets.

Foreign currency translation

Functional currency 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 kronor, which is the Parent Company's functional and presentation currency. Exchange rate differences that arise in translation of Group companies are reported as a separate item in Equity.

Transactions and balances

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 are recognised as of the reporting date in the income statement. The Group does not use hedge accounting.

Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency other than the presentation currency are translated to 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 equity and are reported 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	9.66	10.84
DKK	1.30	1.45
GBP	12.15	11.38
LKR	0.06	0.07
MXN	0.59	0.57
USD	6.61	7.81

Segment reporting

The Group's operations are organically divided into business segments based on product. The marketing organisation also reflects this structure. The business segments therefore make up the Group's primary segments and the geographical markets are the secondary segments. 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 or losses from the sale of financial investments, interest expenses, and tax expenses. Assets and liabilities not attributed to a segment include 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. Revenue is recorded on delivery of the goods, after customer acceptance and the receivable can reasonably be expected to be received. Interest income is recorded allocated over the maturity of the security using the effective interest method. Insurance revenue is recognised as revenue when the amount can be measured reliably and it is probable that the revenue will flow to the Group.

Employee benefits

a) Pension liabilities

The Group companies have 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 compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate 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 and prior periods.

The liability recognised in the balance sheet in respect to 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/losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. This calculation is not done annually since the obligations are insignificant. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows 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 arising from experience adjustments and changes in actuarial assumptions exceeding the greater of 10 percent of the value of the plan assets and 10 percent of the defined benefit obligation are periodised over the employees' expected average remaining working lives.

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 allocated on a straight-line basis over the vesting period.

b) Termination benefits

Employees receive compensation upon termination before normal retirement age or whenever 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 detaled formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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 leases payments are recognised in the income statement on a straight-line basis over the period of the lease (after deduction for any incentives).

Product development

Product development work is an integrated part of production and relates to process-improving measures which is written off 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 special 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 circumstances indicate that its carrying cost exceeds its recoverable amount. Impairment reflects the excess of the asset's carrying cost over its recoverable amount. The recoverable amount is the higher of the assets fair value less any selling costs and value in use. For the purpose of assessing, assets are grouped on the basis of the lowest level on 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 for any reversal should be made every balance sheet date.

Borrowing costs

All borrowing costs are recognised in the period to which they can be attributed.

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 be benefited by the acquisition. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the 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 immediately 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. 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 recognised 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 tangible fixed assets are carried at cost less accumulated amortisation. The acquisition value includes expenditure that is directly attributable to the acquisition of the 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 charged to the income statement in the financial period they arise.

Land is not depreciated. Depreciation of other tangible assets is calculated using the straight-line method to allocate their cost down to their residual values over their estimated useful lives. 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, impairment loss is recognised immediately to its recoverable amount.

Assets' residual value and useful life are reviewed at each balance sheet date and is adjusted as required. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Inventory
Inventories are stated at the lower of cost or net selling price. Cost is calculated using the first-in-first-out principle (FIFO). Cost of finished goods and products in progress include direct material costs, direct labour and other direct manufacturing costs and a reasonable allocation of indirect manufacturing expenses based on normal operating capacity, excluding borrowing costs. Net selling price is the estimated sales price in the ordinary course of business less costs of completion and applicable variable selling expenses.

Financial instruments
A financial asset or financial liability is recognised in the balance sheet when the Company enters a contract for the instrument. Liability is recognised when the counterparty has performed and a contractual obligation to pay arises, even if no invoice is received.

A financial asset is derecognised when the rights in the contract are realised, matures or the Company loses control of them. 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.

The Group classifies its financial instruments in the following categories: Financial assets at fair value through profit or loss, and loans and receivables. The former category is primarily commodity and currency derivatives. All such hedges are measured at fair value through profit or loss. The Group does not use hedge accounting.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor (most often 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.

IAS 39 effects
Raw material prices are hedged operationally through forward contracts or through purchase contracts at fixed price. The Group also hedges all exchange rate transaction risks. This means that the handling cost of each sale contract is hedged. Hedge accounting according to IAS 39 is not used. In the internal follow-up, all sales contracts and raw material purchases (including inventory) are valued at market price in relation both to raw material prices and exchange rates.

According to IAS 39, only contracts not intended for physical delivery may be valued at market price, which means that a difference arises between internal and external reporting. It is this effect AAK reports as an IAS 39 effect. The reported IAS 39 effect is reported as the type of cost "Raw materials and consumables and changes to inventory of finished goods and work in progress".

Trade receivables
Trade receivable are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provisions for impairment. Provision for impairment of trade receivables is recognised when there is objective evidence that the Company will not receive the cash flow due according to the original terms of the receivable. 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 stated in the income statement as other external expenses.

Share capital
Ordinary shares are classified as share capital. Transaction costs that are directly attributable to new share issues or options are recorded, net of tax, in equity as a deduction from the proceeds.

Debts to banks and credit institutions
Borrowings are initially reported at actual value, net of transaction costs. Borrowings are subsequently stated at amortised cost and any difference between proceeds (net of transactions costs) and redemption value is recognised in the income statement allocated over the period of the borrowing, using the effective interest method.

Trade payables
Trade payable 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 reasonably estimated. No provisions are made for future operating losses. If the effect of when in time payment is made is significant, provision is calculated through discounting of 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 details of the plan has been published.

Income tax
Income tax stated in the income statement includes taxes due on net profit. Income tax is determined using the tax rates and laws that have been enacted or substantially enacted 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 income 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 are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets are reduced where it is no longer probable that future taxable profit will be available against which 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 reverse in the foreseeable future.

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

Cash flow analysis
Payments in and out have been divided up into three categories: operational activities, investing activities and financing activities. The indirect method is used for flows from operational 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 reported under investing activities. The assets and liabilities that the acquired and disposed of companies had at the time of change are not included in the analysis of the changes in operating capital, nor in changes to balance sheet items reported under the investing and financing activities.

Earnings per share
The calculation of Earnings per share is based on Group profit for the year attributable to the Parent Company shareholders and the weighted average number of shares outstanding during the year.

Transfer pricing
Pricing between Group companies is done using market terms.

Dividends
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 principles for the Parent Company
The Parent Company has prepared its financial reports according to the Swedish Annual Accounts Acts (Årsredovisningslagen) and the Swedish Financial Reporting Board RFR 2.1 'Accounting for legal entities'. No differences against the Groups accounting principles have been identified.

NOTE 3 – FINANCIAL RISK MANAGEMENT

The operations of the AAK Group involve exposure to significant financial risks, such as market risks (currency risks, interest rate and price risk), liquidity risk and credit risk. Since our products are sold throughout the world, its 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 materials is exposed to market fluctuations in both the price of the raw materials and the exchange rates of the currencies involved.

Exposure to these significant financial risks makes managing these risks a significant prerequisite to successful operations. We believe that our success in the area of risk management is due to a large extent to the policies and routines that have been established for the Group.

The Group's managing of price risks and other risks related to buying raw materials is regulated in the AAK policy for managing market risk for raw materials, while currency risks and other financial risks are regulated by AAK financial policies. The AAK Board of Directors monitors, evaluates and updates these policies annually.

Raw material price risks

The Group's annual costs for raw materials amount to three-quarters of the sales value of the finished products. AAK hedges both the raw material price risk and the underlying currency risk when the sales agreement with the customer is entered.

Prices of raw materials fluctuate, so the Group has given high priority to raw material procurement and to managing this exposure. Raw material procurement is managed by the Group procurement organisation, which continuously 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 the trading policy established by the Group's Board of Directors. Since these positions are managed appropriately, AAK results are affected only marginally by any price changes; the effect on total sales and requirements for working capital is, however, significantly larger.

Future contracts are used to hedge the raw material price risk. The price risks of raw material procurement and processed product sales are hedged using standard commodity future contracts traded on commodity exchanges or through brokers via future contracts on the OTC market. The price risks are hedged and administered using various portfolios of equivalent oil and seed products: liquids (rapeseed and soya), palm (palm oil), laurics (coconut and palm seed oil), feed (rapeseed) and exotic materials (shea and illipe).

The exotic raw materials (of which shea is by far the most significant) must be procured when they become available, directly after the harvesting season. There is no effective futures market for these exotic raw materials. The Group often has large amounts of unhedged exotic raw materials during the months immediately after the harvesting season. The Group tries to limit this exposure to exotic raw materials by entering appropriate sales contracts when the product is procured.

Hedge accounting according to IAS 39 is not used. Accordingly, consolidated operating profit includes an IAS 39-related charge of SEK -747 million (143), which is reported under 'Raw materials and consumables and changes to inventory of finished goods and work in process'.

In the consolidated operational accounts, both future contracts and the underlying commercial contracts and inventory are valued at the prevailing market price, which means that the market price valuation has a net effect of zero. According to IAS 39, however, only future contracts may be valued at market price and this difference between the operating accounts and the market price valuation according to IAS 39 constitutes the reported 'IAS 39 effect'. During some quarters, the IAS 39 effect can involve changes (both favourable and unfavourable) in the external accounting, owing to the contract mix, raw material price trend and exchange rate trend. The IAS 39 effect has no effect on cash flow, as it consists only of the difference between the market value of all contracts and inventory, on the one hand, and the market value of only future contracts, on the other.

Raw material futures to manage raw material risk, 31 December 2008

(thousand tonnes)	Raw material inventory	Raw material procurement contract	Raw material sales contract	Raw material futures contract Bought	Raw material futures contract Sold	Net exposure
Oils and fats	175	446	-846	729	-509	-5

Raw material futures to manage raw material risk, 31 December 2007

(thousand tonnes)	Raw material inventory	Raw material procurement contract	Raw material sales contract	Raw material futures contract Bought	Raw material futures contract Sold	Net exposure
Oils and fats	146	339	-554	513	-413	31

Sensitivity analysis – raw material (excluding exotic raw material)

Since inventories and the commercial contracts are hedged operationally, net exposure is very limited and changes in raw material prices have no significant effect on the consolidated profit margin excluding IAS 39. A change of 10 percent in all raw material prices would thus have a negligible effect on consolidated operating profit excluding IAS 39, even if the annual effect on net sales would be SEK ± 1,250 million, and on working capital, ± SEK 350 million.

The IAS 39 effect only shows how price changes affect future contracts. Based on the Group's futures position at year-end 2008 (+200,000 MT), a price change of 10 percent for all raw materials would imply an IAS 39 effect of SEK 150 million.

Gross contribution for rapeseed

As explained above, as a result of our risk management policies and routines, our gross contribution is generally not significantly affected by changes in raw material prices. However, with rapeseed oil and meal extraction, we cannot eliminate our exposure to market price fluctuations; therefore, we cannot manage the risk of effects from this processing on our margins. Therefore, gross margins for extracting rapeseed oil and meal that we hedge using sales of rapeseed oil and meal when we purchase rapeseed can vary significantly over time and can thereby directly affect profitability for our Food Ingredients business area.

Exposure to foreign currency

A significant portion of the Group's buying and selling of raw materials is denominated in foreign currency, namely, the functional currencies of our subsidiaries. Moreover, most of the Group's operating subsidiaries are located overseas. Changes in exchange rates therefore affect AAK in several ways:

1. Commercial flows of billings and receipts in foreign currencies give rise to transaction risk.
2. Profit/loss for our foreign subsidiaries is affected by changes to exchange rates when they are translated to SEK.
3. The Group's equity is affected when equity in these foreign subsidiaries is translated to SEK.

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

Exchange rate risks in connection to the translation of equity and profit/loss for our foreign subsidiaries to SEK are not hedged.

Hedge accounting according to IAS 39 is not used.

Exposure to transaction risk, 31 December 2008

					Exchange rate future contracts		
Million	**Assets**	**Liabilities**	**Sales contracts**	**Purchase contracts**	**Sold**	**Bought**	**Net exposure**
USD	1,307	-1,147	2,571	-2,332	-3,058	2,690	31
EUR	442	-89	1,679	-475	-2,208	629	-22
Other	87	-137	392	-99	-505	268	6
Total, SEK	**1,836**	**-1,373**	**4,642**	**-2,906**	**-5,771**	**3,587**	**15**

Sensitivity analysis – Currency

Since balance sheet items and commercial contracts in foreign currencies are hedged with currency futures, net exposure is very limited and exchange rate changes have no significant effect on the consolidated profit margin excluding IAS 39 denominated in the subsidiaries' functional currencies. Changes in exchange rates relative to SEK do, however, affect consolidated profit/loss when the profit/loss of the foreign subsidiaries is translated to SEK. Consequently, a change of 10 percent in the change rates of all foreign currencies vis-à-vis SEK would affect consolidated operating profit excluding IAS 39 and nonrecurring items by SEK 75 million. A change of 10 percent in the exchange rates of all foreign currencies vis-à-vis SEK would affect consolidated net sales by SEK 1,250 million, and consolidated net working capital, by SEK 250 million.

The IAS 39 effect shows only how price changes affect future contracts. Based on the future contracts position at year-end 2008, an exchange rate change of 10 percent for all currencies vis-à-vis the local currencies of all subsidiaries would result in an IAS 39 effect on SEK 100 million.

Exposure to transaction risk, 31 December 2007

					Exchange rate future contracts		
Million	**Assets**	**Liabilities**	**Sales contracts**	**Purchase contracts**	**Sold**	**Bought**	**Net exposure**
USD	832	-621	1,497	-1,363	-2,054	1,798	89
EUR	603	-160	1,715	-594	-2,262	603	-95
Other	134	-67	375	-95	-653	254	-52
Total, SEK	**1,569**	**-848**	**3,587**	**-2,052**	**-4,969**	**2,655**	**-58**

Interest rate risk

AAK's policy on interest rate risk management is to minimise the variation in cash flow and net profit that is caused by fluctuating interest rates. This is achieved in the following way :

1. Financing net capital requirements using variable interest rates.
2. Any borrowing in excess of net capital is based on fixed interest rates.

Loans with variable interest rates must have an average duration of 6 months, while fixed rate loans must have an average duration of 2.5 years.

At year-end 2008, the Group's interest-bearing net debt amounted to SEK 5,112 million. This total includes a DKK 200 million loan which has been hedged using interest swap contracts against fixed rate loans with 2–7 years maturity. The Group has established a hedging strategy designed to attain fixed 5-year interest rates of no greater than 4.00 percent for additional borrowings of up to DKK 1,000 million (SEK 1,500 million). At year-end 2008, the net working capital for the Group was SEK 3,370 million (2,931). Hedge accounting according to IAS 39 is not used.

Effective interest on debt to credit institutions on the reporting date:

	SEK	DKK	EUR	GBP	LKR	MXN	USD
2008	4.07	5.06	3.50	3.01	21.00	9.39	1.96
2007	5.42	5.14	5.40	6.60	20.00	8.22	5.67

Sensitivity analysis – Interest rates

On the balance sheet date, the Group had a net debt at a variable interest rate of SEK 4.912 million. A change to interest rates of 1 percent would therefore affect the Group's after-tax financial costs by SEK 35 million annually.

Capital structure

AAK's policy in relation to its capital structure is to maximise debt-financing, though not to the extent that would threaten the Company's high-grade credit rating (investment grade).

AAK's long-term goals are as follows:

1. Net interest bearing debt / profit/loss before impairment loss (EBITDA) < 3.50.
2. EBITDA / interest cost > 5.00.
3. Equity / Net assets > 25 percent.

The goals set for the key business ratios are deemed to be relatively conservative and help ensure that AAK will be able to maintain its high-grade credit rating.

Changes in world market prices for vegetable oil affect the Group's working capital with a lag of six months. The trend of prices for vegetable oil remained upward until July 2008. Consequently, the Group's working capital remained extremely strong at year-end 2008, so its net interest bearing debt / EBITDA was 4.02 and share of equity 24.8 percent excluding IAS 39 effects. The Group now places great emphasis on reducing its net working capital and the net interest bearing debt / EBITDA ratio is expected to revert to a level below 3.5 over the next 1–2 years.

Total Group borrowings are distributed among the subsidiaries based on expected cash flow. This minimises the currency risk as it pertains to the Group's ability to pay interest on and amortise its borrowings, which in turn strengthens the Group's capacity to assume debt.

Total borrowing reported in the balance sheets, by currency on balance sheet date (SEK million)

	2008	2007
SEK	1,211	862
DKK	2,377	2,334
EUR	15	20
GBP	404	379
LKR	45	40
MXN	411	383
USD	745	413
Total	**5,208**	**4,431**

Liquidity risk

Liquidity risk involves the Group's ability to meet its financial commitments within the stipulated time periods.

Disclosure of financial liabilities by maturity date, 31 December 2008

The following table presents all of the Group's financial commitments, listed according to the earliest maturity date according to the contracts on the balance sheet date. All liabilities to banks and credit institutions are based on variable interest rates, which means the value of these liabilities reported at year-end could very well reflect their fair value. All liabilities in foreign currencies have been translated to SEK at the closing rate.

	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	4,959	-	107	4,165	687
Other provisions	139	-	130	-	9
Other non-current liabilities	7	-	-	-	7
Total non-current liabilities	**5,105**	**0**	**237**	**4,165**	**703**
Interest on liabilities to banks and credit institutions	1,277	232	230	406	409
Total non-current liabilities and interest	**6,382**	**232**	**467**	**4,571**	**1,112**
Current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	249	249	-	-	-
Other current liabilities	7	7	-	-	-
Accounts payable – trade	1,019	1,019	-	-	-
Derivatives	941	941	-	-	-
Accrued expenses and deferred income	342	342	-	-	-
Other current liabilities	729	729	-	-	-
Total Current Financial Liabilities	**3,287**	**3,287**	**-**	**-**	**-**
Interest on liabilities to banks and credit institutions	12	12	-	-	-
Total Current Liabilities	**3,299**	**3,299**	**-**	**-**	**-**

Standby line of credit available to the Group at year-end 2008

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Standby line of credit	**1,017**	**82**	**-**	**935**	**-**

Together, the standby line of credit that was available to the Group at year-end 2008, and the cash and cash equivalents generated by the operations, are considered to be sufficient to enable the Group to meet its financial commitments.

Disclosure of financial liabilities by maturity date, 31 December 2007

	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	4,004	-	125	3,234	645
Other provisions	140	-	105	-	35
Other non-current liabilities	11	-	10	-	1
Total non-current liabilities	**4,155**	**-**	**240**	**3,234**	**681**
Interest on liabilities to banks and credit institutions	1,356	232	225	487	412
Total non-current liabilities and interest	**5,511**	**232**	**465**	**3,721**	**1,093**
Current liabilities					
Financial liabilities					
Liabilities to banks and credit institutions	427	427	-	-	-
Other current liabilities	13	13	-	-	-
Accounts payable – trade	723	723	-	-	-
Derivatives	107	107	-	-	-
Accrued expenses and deferred income	407	407	-	-	-
Other current liabilities	194	194	-	-	-
Total Current Financial Liabilities	**1,871**	**1,871**	**-**	**-**	**-**
Interest on liabilities to banks and credit institutions	25	25	-	-	-
Total Current Liabilities	**1,896**	**1,896**	**-**	**-**	**-**

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unutilised bank facilities	**1,111**	**196**	**-**	**915**	**-**

Credit risk

AAK is exposed to credit risk primarily in relation to accounts receivable and customer contracts. Risk in the customer contracts is represented by customers' failure to meet commitments entered previously due to changes in market prices.

Generally, AAK's credit risks are significantly limited due to its stable, long-term business relationships with its 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 one-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, even in these countries we experience limited impairments due to impaired receivables. This is largely due to the fact that a significant portion of our business in these countries is with large multinational companies that also do business world-wide. As well, we do business in these countries primarily with partners with whom we have stable, long-term relationships, and which have a strong ability to pay.

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

Provisions for impaired receivables

SEK million	Underlying amount, gross	2008	Underlying amount, gross	2007
Provisions at 1 January	20	16	21	15
Provisions for impaired receivables	49	45	14	8
Reversed unutilised amount	-1	-1	-1	-1
Actual customer losses	-20	-20	-6	-6
Provisions at 31 December	**48**	**40**	**28**	**16**

Provisions refer only to customer receivables, as for other receivables there is no need for provisions. Total customer receivables excluding provisions was SEK 2,259 million (1,819).

Past due assets not considered impaired

SEK million	2008	2007
1-30 days	524	332
31-120 days	121	91
121-360 days	26	5
Over 360 days	13	16
	684	**444**

Derivatives classified as financial instruments

The Group has three classes of financial instruments (hedging instruments): raw material futures, forward exchange rate contracts and interest rate swaps. Notional principal amounts of outstanding financial instruments reported in the balance sheets:

SEK million	2008		2007	
Financial instruments	**Asset**	**Liability**	**Asset**	**Liability**
Raw material futures	584	665	160	78
Forward foreign exchange contracts	276	252	27	28
Interest rate swaps	22	24	14	1
Total	**882**	**941**	**201**	**107**

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES, AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In preparing these financial statements, the Group management and Board of Directors must make estimates and assumptions that affect the reported 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 considering their degree of significance in judgments and uncertainty. Our estimates and assumptions in this regard change as the circumstances for AAK's operations change.

Estimating impairment of goodwill and other assets

The Group tests if any goodwill impairment is suffered on an annual basis or whenever events or objective circumstances indicate that the fair value of acquisition related goodwill can have declined – for example, because of changes in the business climate or decisions to dispose of or discontinue certain operations. Goodwill is allocated to cash-generating units for the purpose of impairment testing, and is determined when the event or circumstances have an impact on the estimated future 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.

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 involved leading to uncertainties at the time these transactions and calculations are made.

Application of IAS 39

Future contracts or fixed price contracts are used to hedge raw material price risk. Moreover, the Group employs currency hedging on all of its transaction risks. This means that the administrative compensation of every sales contract is hedged. As part of the internal follow-up, 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. According to IAS 39, only contracts not designed for physical delivery are subject to market valuation, which results in differences between the internal and the external accounting. It is this effect that AAK reports as an IAS 39 effect.

NOTE 5 – AUDITORS RENUMERATION (SEK THOUSAND)

	Group		Parent	
	2008	2007	2008	2007
Audit				
PricewaterhouseCoopers	4,646	4,535	772	1,253
Other	24	654	-	-
Subtotal, audit	4,670	5,189	772	1,253
Other assignments				
PricewaterhouseCoopers	2,333	1,480	82	1,030
Other	738	312	288	-
Total	**7,741**	**6,981**	**1,142**	**2,283**

The auditing assignment includes auditing the annual report and accounts as well as the administration of the Company by the Board of Directors and CEO, other duties the Company auditor must perform, as well as advice and other assistance arising from the audit or in carrying out these duties. All other assignments are listed as 'Other assignments'.

NOTE 6 – EMPLOYEE BENEFITS (SEK THOUSAND)

	Group		Parent	
	2008	2007	2008	2007
Wages and salaries	864,522	806,731	20,361	15,525
Social security costs	241,665	216,421	11,695	9,902
(of which pension costs)	(99,597)	(73,715)	(5,021)	(3,799)

SEK 3 million (3) of the Group pension costs relates to the Board of Directors, the CEO and other senior managers.

Wages and salaries by country and for members of the Board of Directors and others:

	2008 Board of Directors, CEO and other senior managers		2008 Other employees	2007 Board of Directors, CEO and other senior managers		2007 Other employees
	Wages and salaries	Of which variable salaries	Wages and salaries	Wages and salaries	Of which variable salaries	Wages and salaries
Parent Company, Sweden	12,617	3,139	7,744	9,717	1,494	5,808
Subsidiaries in Sweden	1,453	252	250,547	2,477	333	239,116
	14,070	**3,391**	**258,291**	**12,194**	**1,827**	**244,924**
Foreign subsidiaries:						
Benin	-	-	-	-	-	25
Brazil	-	-	-	-	-	1,760
Sri Lanka	-	-	11,664	772	-	10,074
Denmark	6,084	1,286	242,942	4,715	302	219,146
Finland	587	-	2,967	553	-	2,327
Ghana	-	-	260	-	-	189
Lithuania	-	-	649	-	-	597
Malaysia	1,284	-	2,640	1,059	-	1,772
Mexico	3,907	1,953	36,860	2,019	678	32,331
The Netherlands	1,927	189	30,298	1,486	72	28,128
Norway	-	-	597	-	-	675
Poland	-	-	2,994	-	-	2,513
Russia	728	-	4,384	-	-	3,850
United Kingdom	12,657	1,339	171,207	11,003	2,602	170,971
Czech Rep.	620	-	675	599	-	492
Uruguay	119	-	2,566	-	-	1,354
USA	1,343	66	52,203	4,635	950	46,568
	29,256	**4,833**	**562,906**	**26,841**	**4,604**	**522,772**
Group total	**43,326**	**8,224**	**821,197**	**39,035**	**6,431**	**767,696**

NOTE 7 – AVERAGE NUMBER OF EMPLOYEES

Average number of employees	2008 Number of employees	2008 Of which, male	2008 Of which, women	2007 Number of employees	2007 Of which, male	2007 Of which, women
Parent Company, Sweden	11	6	5	11	5	6
Subsidiaries in Sweden	637	494	143	626	486	140
	648	**500**	**148**	**637**	**491**	**146**
Foreign subsidiaries:						
Benin	-	-	-	2	2	-
Brazil	9	7	2	10	7	3
Sri Lanka	516	470	46	464	436	28
Denmark	418	316	102	424	321	103
Finland	7	3	4	7	3	4
Ghana	2	2	-	0	0	0
Lithuania	3	2	1	3	2	1
Malaysia	20	8	12	18	7	11
Mexico	344	284	60	328	270	58
Netherlands	62	51	11	63	52	11
Norway	1	1	-	1	1	-
Poland	10	5	5	10	5	5
Russia	16	5	11	10	3	7
United Kingdom	459	361	98	493	389	104
Czech Rep.	4	2	2	4	2	2
Uruguay	12	7	5	7	4	3
USA	92	76	16	88	75	13
	1,975	**1,600**	**375**	**1,932**	**1,579**	**353**
Group total	**2,623**	**2,100**	**523**	**2,569**	**2,070**	**499**

Board members and senior managers	2008 Total on reporting date	2008 Of which, male (%)	2007 Total on reporting date	2007 Of which, male (%)
Group (incl. subsidiaries)				
Board members	149	95	138	96
CEO and other senior managers	68	94	66	94
Parent Company				
Board members[1)]	10	90	10	90
CEO and other senior managers	2	100	2	100

[1)] and 2 employees representatives, of including 1 male.

NOTE 8 – RENUMERATION TO THE BOARD OF DIRECTORS AND SENIOR MANAGERS

Principles

The principles for renumeration of senior managers at AarhusKarlshamn are designed to ensure that AAK can offer internationally competitive compensation that can attract and keep qualified managers.

Consideration and determination

Compensation of the CEO and other senior managers is considered by the Compensation Committee of the Board of Directors and all decisions are made by the Board as a whole.

Components of renumeration

The total compensation includes salary, annual variable compensation, pension, car allowance, and termination benefit.

Salary

Fixed salary individually determined and differentiated according to responsibility and performance, is determined according to competitive principles and reviewed annually, as of 1 January.

Variable compensation

Annual variable compensation is based on the meeting of set targets determined on an annual basis. These targets are related to results obtained by the Company. Senior management personnel are entitled to maximum 50 percent of their annual fixed salary in terms of variable compensation.

Pension

Pensions for senior managers are according to the Swedish KTP plan (corresponding to ITP).

Termination benefits

The Company has separate agreements with the CEO 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 CEO nor any senior manager can independently assert the right to termination compensation.

Termination notice by the CEO and senior managers is agreed as six months. Termination notice by the Company is agreed as 12 months.

Renumeration to Board members

Fees are paid to the elected members of the Board in accordance with the determination of the Annual General Meeting of shareholders.

No other compensation or benefits have been paid to members of the Board, except travel expenses. The CEO, the secretary to the Board and employees representatives to the Board do not receive any compensation other than for costs in connection with their participation in Board activities.

The AGM has resolved that compensation of elected external members of the Board totals SEK 2,650,000, including compensation for committee work. Of this total amount, the Chairman receives SEK 400,000, the Vice Chairman SEK 300,000 and external members SEK 200,000. 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 Compensation Committee, and SEK 50,000 to other members of the Compensation Committee.

No separate compensation is paid for committee participation.

Renumeration for the year[1)]

SEK	Salary/ board of directors	Annual variable salary	Other benefits [2)]	Pension-cost	Total
Board of Directors					
Melker Schörling, Chairman	400,000	-	-	-	400,000
Carl Bek-Nielsen, Vice Chairman	300,000	-	-	-	300,000
Martin Bek-Nielsen	300,000	-	-	-	300,000
John Goodwin	250,000	-	-	-	250,000
Mikael Ekdahl	400,000	-	-	-	400,000
Anders Davidsson	200,000	-	-	-	200,000
Ulrik Svensson	400,000	-	-	-	400,000
Ebbe Simonsen	200,000	-	-	-	200,000
Märit Beckeman	200,000	-	-	-	200,000
Subtotal for Board	**2,650,000**	**-**	**-**	**-**	**2,650,000**
Senior Managers					
Jerker Hartwall, CEO	4,646,025 [3)]	2,241,750 [4)]	113,700	1,500,000	8,501,475
Other senior managers[5)]	9,433,807	4,223,729 [4)]	553,609	1,774,497	15,985,642
Subtotal, senior managers	**14,079,832**	**6,465,479**	**667,309**	**3,274,497**	**24,487,117**
Total	**16,729,832**	**6,465,479**	**667,309**	**3,274,497**	**27,137,117** [6)]

1) Refers to items carried as an expense in 2008.
2) Other benefits primarily involve company car.
3) In addition to salary, a total of SEK 236,025 was paid, primarily from holiday pay due or reduced working hours.
4) Charged in the income statement 2008 and estimated to be paid in 2009. The total of SEK 3,626,480 in variable salary, of which the CEO was paid SEK 1,067,500, charged in the income statement 2008, was paid.
5) Refers to the following persons in 2008: Anders Byström, Jörgen Balle, Magnus Jörsmo, Håkan Christensson (January to September), Ian McIntosh and Renald Mackintosh (from October).
6) Of the amount of SEK 27,137,117, SEK 14,544,092 relates to the Parent Company, AarhusKarlshamn AB.

Jerker Hartwall, the CEO, is currently paid an annual fixed salary of SEK 4,410,000 plus of a company car, as of 1 January 2008. In addition, a maximum of 50 percent of the fixed salary can be paid in variable salary. In 2008, SEK 2,241,750 was carried as an expense for variable salary. Jerker Hartwall's retirement age is 65. To fund the pension obligation, the Company pays an annual premium to the selected insurance company. This premium is set in the Company's agreement with Jerker Hartwall's at SEK 1,500,000. 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 ending salary and time of service. The defined benefit retirement plans exist primarity in Sweden and the Netherlands. There are further commitments for retirement and survivors' pensions for managers and officers in Sweden that are ensured through the 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 of Rådet för finansiell rapportering (The Financial Accounting Standards Council's Emerging Issues Task Force), URA 3, this is a defined benefit plan that involves several different employers.

For the period from 1 January to 31 December 2008, 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 pension plan according to KTP that is insured through KP Pensionskassa is therefore recognised as a defined contribution plan. Alecta's excess can be allocated to the insured individuals or their beneficiaries. Corresponding provisions also apply to insurance policies with KP Pensionskassa. Charges for pensions insured through KP Pensionskassa in the current year are SEK 18 million (17).

	Defined benefit plans	
	2008	**2007**
The amounts recognised in the consolidated balance sheet are determined as follows:		
Present value of funded obligations	481	387
Fair value of plan assets	-419	-397
	62	**-10**
Present value of non-funded obligations	-	-
Unrecognised actuarial gains (-) and losses (+)	-57	23
Net liability in the balance sheet	**5**	**13**
Net amount is recognised in the following items in the consolidated balance sheet:		
Pension provisions	5	13
Net liability in the balance sheet	**5**	**13**

	Defined benefit plans	
	2008	**2007**
The amounts recognised in the consolidated income statement are as follows:		
Costs pertaining to service during the current year	8	14
Interest expense	20	21
Expected return on plan assets	-20	-17
Past service cost	-	1
Employees' contributions paid	-	-
Total, included in employees costs (Note 6)	**8**	**19**

	Pension cost	
	2008	**2007**
Total pension costs recognised in the consolidated income statement are as follows:		
Total costs for defined benefit plans including employer's contribution	7	6
Total costs for defined contribution plans including employer's contribution	93	66
Total	**100**	**72**

	Defined benefit plans 2008	2007
Movement in the net liability recognised in the consolidated balance sheet:		
Net liability at year-end	13	5
Net cost recognised in the income statement	8	19
Benefits paid	-16	-12
Contributions by employer to funded obligations	-	0
Exchange rate differences on foreign plans	-	1
Net liability at year-end	**5**	**13**

	Defined benefit plans 2008 The Netherlands	2008 Sweden
The principal actuarial assumptions used on the reporting date (%):		
Discount rate	5.9	3.75
Expected return on plan assets	4.6	4.0
Future annual salary increases	2.0	3.0
Future annual pension increases	2.0	3.0
Employee turnover	5.0	5.0

	Defined benefit plans 2007 The Netherlands	2007 Sweden
The principal actuarial assumptions used on the reporting date (%):		
Discount rate	5.5	4.6
Expected return on plan assets	5.5	4.5
Future annual salary increases	2.0	3.3
Future annual pension increases	2.0	2.3
Employee turnover	5.0	5.0

NOTE 10 – OTHER OPERATING INCOME

	Group		Parent	
	2008	**2007**	**2008**	**2007**
Insurance revenue	351	-	15	-
Other operating income	24	23	-	1
Total	**375**	**23**	**15**	**1**

NOTE 11 – INCOME FROM FINANCIAL ITEMS

	Group		Parent	
	2008	**2007**	**2008**	**2007**
Interest income	8	7	0	0
Interest income, Group companies	-	-	30	-
Changes to fair value – derivative instruments	9	8	-	-
Other financial income	12	5	-	-
Intra-Group dividends	-	-	222	-
Income from financial items	**29**	**20**	**252**	**0**
Interest expense	-285	-204	-43	-9
Exchange rate fluctuation	-16	-8	0	-
Changes to fair value – derivative instruments	-16	-1	-	-
Other financial expenses	-	-5	-3	-2
Financial expenses	**-317**	**-218**	**-46**	**-11**
Net financial income/expense	**-288**	**-198**	**206**	**-11**

NOTE 12 – INCOME TAX EXPENSES

Income tax expenses for the year	Group		Parent	
	2008	**2007**	**2008**	**2007**
Current tax	-138	-135	10	12
Adjustment of tax attributable to previous years	4	-4	0	-
Deferred tax	267	10	0	-
Total	**133**	**-129**	**10**	**12**

The positive tax effect on the income statement is primarily attributable to deferred tax on the IAS 39 effect, but was also affected by a lowering of the tax rate in Sweden. The tax expense in the preceding year amounted to SEK 129 million, or 29 percent of profit after financial items.

Determination of the actual tax expense

The Group's weighted average underlying tax rate, excluding deferred tax on the IAS 39 effect, is approximately 30 percent. The Group's weighted average tax rate for 2007, based on the tax rates in each of the various countries involved, was 30 percent. The tax rate in Sweden is 28.0 percent (28.0). The Parent Company's actual tax rate for 2008 is lower than the nominal tax rate, which is primarily an effect of tax-free dividends.

	Group		Parent	
	2008	**2007**	**2008**	**2007**
Net profit/loss before taxes	-137	448	188	-42
Weighted average tax rate, based on the tax rates in each country	41	-135	-53	12
The tax effect of the various tax rates in other countries	37	-	-	-
The tax effect of non tax-deductible expenses	-5	-11	1	0
The tax effect of non tax-deductible income	18	1	62	0
Net effect of loss carry-forwards	6	9	-	-
Effect of tax rate changes	12	11	-	-
Adjustment for current tax for previous years	24	-4	-	-
Tax expense	**133**	**-129**	**10**	**12**

Tax items recognised in equity

	Group		Parent	
	2008	**2007**	**2008**	**2007**
Current tax in Group contribution received	-	-	9	12
Total	**-**	**-**	**9**	**12**

Deferred tax asset / provisions for deferred tax

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

	Group		Parent	
Deferred tax assets	**2008**	**2007**	**2008**	**2007**
Loss carry-forwards	0	1	-	-
Tangible assets	24	77	-	-
Inventory	-3	5	-	-
Current assets	3	-	-	-
Provisions	40	40	-	-
Non-current liabilities	-	-24	-	-
Current liabilities	130	15	-	-
Other temporary differences	-	2	0	-
At year end	**194**	**116**	**0**	**-**

Deferred tax liabilities	Group 2008	Group 2007	Parent 2008	Parent 2007
Intangible assets	10	14	-	-
Fixed assets	166	240	-	-
Inventory	29	-	-	-
Current assets	13	66	-	-
Untaxed reserves	11	16	-	-
Current liabilities	-12	-15	-	-
At year end	**217**	**321**	**-**	**-**

Deferred tax assets not recognised

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

Income tax liability and tax assets

In addition to deferred tax assets and liabilities, AarhusKarlshamn has the following current tax liabilities and income tax recoverable:

	Group 2008	Group 2007	Parent 2008	Parent 2007
Income tax liability	-81	-54	0	0
Tax assets	145	33	-	-
Net income tax liability/tax assets	**64**	**-21**	**0**	**0**

NOTE 13 – EARNINGS PER SHARE

	Group 2008	Group 2007
Earnings attributable to equity holders of the Parent Company, SEK million	1	314
Weighted average number of ordinary shares in issue	40,892,113	40,858,549
Earnings per share, SEK	0.04	7.67

Earnings per share are calculated for 2008 based on net profit for the year attributable to equity holders in the Parent Company – SEK 1 million (314) – and on a weighted average number of ordinary shares in issue of 40,892,113 (40,858,549). The change in the weighted average number of shares outstanding is entirely attributable to the number of treasury shares.

NOTE 14 – EVENTS AFTER THE BALANCE SHEET DATE

For 2008, the Board of Directors and CEO propose distribution of a dividend in the amount of SEK 4 per share. A decision will be made at the Annual General Meeting on 19 May 2009. It is proposed that the record day for the dividend be 25 May, and the dividend is expected to be distributed to shareholders' on 28 May.

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Fixed assets under construction	Total
Group					
Beginning of the year					
1 January 2007	911	2,865	276	196	4,248
Aquisitions	95	191	28	286	600
Disposals	-6	-36	-6	0	-48
Re-classifications	-10	76	2	-68	0
Exchange differences	6	-3	1	-6	-2
Accumulated cost at 31 December 2007	**996**	**3,093**	**301**	**408**	**4,798**
Beginning of the year					
1 January 2008	996	3,093	301	408	4,798
Aquisitions	15	216	24	110	365
Disposals	-1	-49	-16	-	-66
Re-classifications	4	347	4	-355	0
Exchange differences	103	188	23	38	352
Accumulated cost at 31 December 2008	**1,117**	**3,795**	**336**	**201**	**5,449**
Depreciation at 1 January 2007	291	999	207	-	1,497
Disposals	-3	-8	-6	-	-17
Depreciation charge	35	261	23	-	319
Exchange differences	4	-20	1	-	-15
Accumulated depreciation at 31 December 2007	**327**	**1,232**	**225**	**-**	**1,784**
Depreciation at 1 January 2008	327	1,232	225	-	1,784
Disposals	-1	-40	-12	-	-53
Depreciation charge	49	284	21	-	354
Exchange differences	48	64	13	-	125
Accumulated depreciation at 31 December 2008	**423**	**1,540**	**247**	**-**	**2,210**
Impairment losses at 1 January 2007	-	-	-	-	-
Impairment loss during the year	-	50	-	-	50
Exchange differences	-	-	-	-	-
Accumulated impairment loss at 31 December 2007	**-**	**50**	**-**	**-**	**50**
Impairment losses at 1 January 2008	-	50	-	-	50
Impairment loss during the year	-	-	-	-	-
Exchange differences	-	-	-	-	-
Accumulated impairment loss at 31 December 2008	**-**	**50**	**-**	**-**	**50**
Residual value according to plan at 31 December 2007	**669**	**1,811**	**76**	**408**	**2,964**
Residual value according to plan at 31 December 2008	**694**	**2,205**	**89**	**201**	**3,189**

	Land and buildings		Land and buildings
Residual value according to plan at 31 December 2008	**694**	**Residual value according to plan at 31 December 2007**	**669**
of which land	109	of which land	68
Tax assessment value Swedish companies		Tax assessment value Swedish companies	
Land and buildings	143	Land and buildings	145
Net residual value for corresponding assets	100	Net residual value for corresponding assets	103

NOTE 16 – INTANGIBLE ASSETS

Group	Goodwill	Patents and other intangible assets	Total
Cost at 1 January 2007	581	101	682
Aquisitions	28	57	85
Exchange differences	5	14	19
Accumulated cost at 31 December 2007	**614**	**172**	**786**
Cost at 1 January 2008	614	172	786
Aquisitions	-	31	31
Exchange differences	68	11	79
Accumulated cost at 31 December 2008	**682**	**214**	**896**
Amortisation and impairment loss at 1 January 2007	2	42	44
Sales and disposals	-2	-	-2
Impairment losses for the year	0	16	16
Exchange differences	0	-1	-1
Accumulated amortisation and impairment loss at 31 December 2007	**0**	**57**	**57**
Amortisation and impairment loss at 1 January 2008	0	57	57
Impairment losses for the year	-	21	21
Exchange differences	0	2	2
Accumulated amortisation and impairment loss at 31 December 2008	**0**	**80**	**80**
Residual value at 31 December 2007	**614**	**115**	**729**
Residual value at 31 December 2008	**682**	**134**	**816**

Reviewing impairment of goodwill

In preparing the Financial Statement for 2008, 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 but in no case in excess of 3 percent. Working capital beyond the five-year period is estimated at the same level as year five. Discount rates are assumed to be 9 percent after tax. Since production, sales and such in acquired operations are most often integrated into the existing operations of the AarhusKarlshamn Group to such an extent that it is no longer possible to separate cash flows for the originally acquired operation. Thus, goodwill testing is done to a greater degree at a higher level in the Company structure. Goodwill testing of the Swedish, Danish, and Dutch units was therefore done at an aggregate level, where the three production units were considered a single cash flow generating unit. Other goodwill testing considered cash flow generating units on the country level.

The sensitivity in these calculations indicates that the value of recognised goodwill is still intact even if the discount rate increase one percent or if long-term growth is one percent less.

NOTE 17 – INVESTMENTS IN GROUP COMPANIES

	Parent	
	2008	2007
Beginning of the year	5,838	5,838
Repayment of capital injection	-167	-
Acquisition of subsidiaries	0	0
Accumulated cost	**5,671**	**5,838**

List of shareholdings and book value as per 31 December 2008

			2008			2007		
	Corporate identity number	Domicile	No. of shares	Capital %	Book value	No. of shares	Capital %	Book value
AarhusKarlshamn SARL	B139655	Luxemburg	1,500	100	0	-	-	-
AarhusKarshamn Holding AB	556759-7918	Malmö	1,000	100	0	-	-	-
AarhusKarlshamn Invest AB	556747-6931	Malmö	1,000	100	0	-	-	-
Advanced Lipids AB	556728-5837	Karlshamn	100	50	0	100	50	0
AarhusKarlshamn Sweden AB, Sweden	556478-1796	Karlshamn	21,864,928	100	3,052	21,864,928	100	3,052
Tefac AB, Sweden	556283-5214	Karlshamn	1,000	100		1,000	100	
Binol AB, Sweden	556111-3472	Karlshamn	20,000	100		20,000	100	
BioSafe Oy, Finland	1877093-5	Raisio	100	100		100	100	
Belico Holding AB, Sweden	556537-0904	Karlshamn	9,000	100		9,000	100	
AarhusKarlshamn Baltic Holding AB, Sweden	556381-8664	Karlshamn	1,000	100		1,000	100	
AarhusKarlshamn Baltic Ltd, Lithuania	110478793	Vilnius	254	100		254	100	
AarhusKarlshamn Czech Republic Spol.s.r.o, Czech Rep.	15268853	Prague	-	100		-	100	
AarhusKarlshamn Poland Sp.z o.o., Poland	0000124135	Warsaw	100	100		100	100	
AarhusKarlshamn Netherlands BV, The Netherlands	35012547	Zaandijk	500	100		500	100	
AarhusKarlshamn Norway AS, Norway	988369403	Oslo	1,000	100		1,000	100	
Karlshamns UK Holdings Plc., United Kingdom	83553	Hull	4,848,499	100		4,848,499	100	
Karlshamns International Plc., United Kingdom	2366565	Hull	50,000	100		50,000	100	
Chamber & Fargus Ltd, United Kingdom	2352279	Hull	1,642,461	100		1,642,461	100	
AarhusKarlshamn Hull Ltd, United Kingdom	2193829	Hull	1,500,000	100		1,500,000	100	
AarhusKarlshamn (Malaysia) Sdn. Bhd., Malaysia	185577-P	Kuala Lumpur	1,500,000	100		1,500,000	100	
Rapsona AB, Sweden	556759-4600	Järfälla	1,000	100		-	-	
Aarhus United A/S, Denmark	45954919	Aarhus	400,000,000	100	2,619	400,000,000	100	2,786
AarhusKarlshamn Denmark A/S, Denmark	15672099	Aarhus	100,000,000	100		100,000,000	100	
AarhusKarlshamn Benin Sarl, Benin	2626-B	Cotonou	500	100		500	100	
AarhusKarlshamn Ghana Ltd, Ghana	80539/0671	Accra	500,000	100		500,000	100	
KNAR Benin Sarl	19 269B	Cotonou	200	100		200	100	
Kassardijan Industries, Ghana	C-933	Tamale	10,000,000	100		10,000,000	100	
AarhusKarlshamn Asia Pacific Sdn.Bhd, Malaysia	516423-P	Kuala Lumpur	500,000	100		500,000	100	
AarhusKarlshamn Australia Pty Ltd, Australia	094486361	South Wales	167,858	100		167,858	100	
AarhusKarlshamn Sp.zo.o, Poland	0000057626	Gdansk	100,000	100		100,000	100	
Aarhus United ZAO, Russia	1037789094265	Moscow	-	-		3,000,000	100	
AarhusKarlshamn RU OOO, Russia	7709734935	Moscow	1	100		1	100	
AarhusKarlshamn Havnen A/S, Denmark	13919232	Aarhus	1	100		1	100	
Aarhus 1 A/S, Denmark	10112265	Aarhus	5,000	100		5,000	100	
Aarhus 2 A/S, Denmark	13919275	Aarhus	-	-		5	100	
Aarhus 3 A/S, Denmark	16335770	Aarhus	5,000	100		5,000	100	
Hydrogen I/S, Denmark	21839639	Aarhus	-	65.5		-	65.5	
AarhusKarlshamn Latin America S.A., Uruguay	214947990014	Cousa	150,000,000	100		150,000,000	100	
AarhusKarlshamn do Brasil desenvolvimento de Negosios Ltda, Brazil	07.830.192/0001-02	Sao Paulo	24,000	100		24,000	100	
AarhusKarlshamn UK Ltd, United Kingdom	1585686	Hull	23,600,000	100		23,600,000	100	
GreenPalm Ltd, United Kingdom	5997462	Hull	100,000	100		100,000	100	
AarhusKarlshamn USA Inc., USA	13-3445572	New Jersey	20,300,000	100		20,300,000	100	
AarhusKarlshamn Canada Ltd, Canada	2040468	Toronto	100	100		100	100	
AarhusKarlshamn Mexico, S.A. de C.V.	AUM8302244G2	Morelia	201,006,799	94.34		201,006,799	94.34	
AarhusKarlshamn Byejendomme A/S, Denmark	14750576	Aarhus	1,000,000	100		1,000,000	100	
Aarhus Malaysia Sdn. Bhd., Malaysia	203033-P	Teluk Intan	1,072,860	100		1,072,860	100	
Ceylon Trading Co. Ltd., Sri Lanka	J 333	Colombo	955,000	100		955,000	100	
Total					**5,671**			**5,838**

The list includes certain shares and participations owned by the Parent Company, either directly or indirectly, as of 31 December 2008. A complete listing of all holdings of shares and participations prepared in accordance with the rules of the Swedish Annual Accounts Act and which is included in the annual accounts files with the Swedish Companies Registration Office can be requested from AarhusKarlshamn AB (publ), Corporate Communication, SE-374 82 Karlshamn, Sweden.

NOTE 18 – INVENTORIES

	Group	
	2008	2007
Raw materials and consumables	1,859	1,335
Goods in transit	481	445
Products in process	334	327
Finished products and goods for resale	424	344
Total	**3,098**	**2,451**

Raw materials and consumables for the Group include impairment loss on stock of SEK 14 million (17).

NOTE 19 – CASH AND CASH EQUIVALENTS

	Group	
	2008	2007
Cash equivalents	97	158
Current investments	8	9
Total	**105**	**167**

NOTE 20 – SHAREHOLDERS' EQUITY

Group

Share capital
As of 31 December 2008 the Group's registered share capital was 41,383,803 shares (SEK 413,838,030).

Other contributions
Reflects share capital contributed by shareholders in excess of share capital.

Reserves (Translation reserves)
These reserves are solely translation reserves. Translation reserves include all foreign exchange differences that arise when translating financial accounts and reports from foreign operations whose financial reports are stated in currencies other than that used in the consolidated financial statements. The Parent Company and consolidated financial reports are stated in Swedish kronor (SEK).

Retained profits and net profit for the year
Retained profits and net profits for the year includes profits earned and retained by the Parent Company, subsidiaries, and associated companies.

Treasury shares
The group owned a total of 485,614 (515,993) treasury shares as of 31 December 2008.

Parent

Share capital
In accordance with the articles off association for AarhusKarlshamn AB (publ) share capital shall be at least SEK 300 million and at most SEK 1.2 billion. All shares are fully paid and entitle the holder to equal voting rights and shares to Company assets. Share capital has not changed in the past two years. Share capital includes 41,383,803 shares at par value of SEK 10 per share, and shareholder equity of SEK 413,838,030.

Retained profits
Includes non-restricted equity from the previous year and after any dividend distribution. Is added to profit/loss for the year and any funded fair value non-restricted equity – that is, the total amount available for dividend distribution to shareholders.

Dividends
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 2008 is SEK 166 million (SEK 4.00 per share) and has not been considered by the Annual General Meeting. This amount is not reported as a liability.

NOTE 21 – BORROWINGS

Non-current	Group 2008	Group 2007	Parent 2008	Parent 2007
Debts to banks and credit institutions	4,959	4,004	887	221
Total	**4,959**	**4,004**	**887**	**221**

Current	Group 2008	Group 2007	Parent 2008	Parent 2007
Debts to banks and credit institutions	249	427	-	-
Total	**249**	**427**	**-**	**-**

Maturity for non-current borrowing is as follows:

	Group 2008	Group 2007	Parent 2008	Parent 2007
Between 1–5 years	4,272	3,359	887	221
More than 5 years	687	645	-	-
Total	**4,959**	**4,004**	**887**	**221**

NOTE 22 – OTHER PROVISIONS

Group	Restructuring	Environmental restoration	Other	Total
Balance at 1 January 2007	15	25	8	48
Provisions for the year	100	-	1	101
Provisions claimed for the year	-9	-	-	-9
At 31 December 2007	**106**	**25**	**9**	**140**

Group	Restructuring	Environmental restoration	Other	Total
Balance at 1 January 2008	106	25	9	140
Provisions for the year	2	5	7	14
Provisions claimed for the year	-12	-	-3	-15
At 31 December 2008	**96**	**30**	**13**	**139**

Provisions include

	2008	2007
Non-current	139	140
Current	-	-
Total	**139**	**140**

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 expense.

Environmental restoration

These provisions are primarily related to restoring contaminated land.

NOTE 23 – ACCRUED EXPENSES AND DEFERRED INCOME

	Group 2008	Group 2007	Parent 2008	Parent 2007
Employees related expenses	124	132	10	7
Other	218	275	4	6
Total	**342**	**407**	**14**	**13**

NOTE 24 – ASSETS PLEDGED

	Group		Parent	
	2008	**2007**	**2008**	**2007**
Collateral for provisions and liabilities				
Property mortgage	1,061	857	-	-
Floating charge*	70	50	-	-
Total	**1,131**	**907**	**-**	**-**

* The entire amount relates to a floating charge in Ceylon Trading.

NOTE 25 – CONTINGENT LIABILITIES

	Group		Parent	
	2008	**2007**	**2008**	**2007**
Other contingent liabilities	130	9	-	-
Total	**130**	**9**	**-**	**-**

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

NOTE 26 – RELATED PARTY TRANSACTIONS

The Group has no sales to and has not purchased from related parties. For the Parent Company, SEK 41 million (23) of total sales was to related parties, equalling 100 percent (100) of sales to Group companies. The Parent Company's 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

No transactions have taken place with key management personnel other than is stated in note 8 Remuneration of Board Members and senior managers and in the description of the Board of Directors on page 96.

NOTE 27 – BUSINESS COMBINATIONS

Acquisitions in 2008

Rapsona AB

To increase the forward integration of its value chain, AAK acquired, on 4 September 2008, Rapsona AB. The newly acquired company, which is based in the northern Stockholm suburb of Järfälla, supplies businesses such as restaurants, foodservice institutions, bakeries and small producers of ready-to-serve foods, with various products based on vegetable oil. With estimated net sales of SEK 70 million, Rapsona's primary operations command a strong position in the Swedish food industry.

Since the acquisition, the company has had a favourable effect on Group earnings. The differences between the fair value of assets and liabilities, and reported values in the acquired operations, are essentially attributable to intangible assets.

NOTE 28 – SEGMENT REPORTING

Reporting per primary segments – business areas.

2008	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2008
Net sales						
External sales	4,878	10,413	1,578	338	-	17,207
Internal sales	1,092	179	34	80	-1,385	-
Group total	**5,970**	**10,592**	**1,612**	**418**	**-1,385**	**17,207**
Operating profit/loss per business area						
Excl. non-recurring items and IAS 39	547	319	56	-71	-	851
Excl. IAS 39	594	319	56	-71	-	898
Incl. non-recurring items and IAS 39	594	319	56	-818	-	151
Other						
Assets	4,903	4,807	493	421	-	10,624
Un-allocated assets	-	-	-	-	-	454
Group total						**11,078**
Liabilities	1,181	1,894	62	51	-	3,188
Un-allocated liabilities	-	-	-	-	-	5,507
Group total						**8,695**
Investments	165	208	14	9	-	396
Depreciation/amortisation and impairment loss	177	167	21	10	-	375

All transactions between business areas are recorded at market value.
Assets and liabilities not attributed to a segment include income taxes recoverable and income tax liabilities, financial investments, and financial liabilities.

Reporting per market

	Sweden	Denmark	Other Nordic countries	Central and Eastern Europe	Western Europe	America	Other countries	Total
External sales	2,100	487	1,207	2,243	5,869	4,227	1,074	17,207
Total assets	2,803	3,858	48	83	1,904	2,110	272	11,078
Investments	134	163	-	-	41	49	9	396

The external sales are based on where our customers are located. The reported values of assets and the direct investment in plant for the period are determined by the location of the assets. The IAS 39 effect is not allocated to particular segments, because the IAS 39 adjustment is done on the Group level and is not followed up for individual segments. As part of the internal follow-up, 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. According to IAS 39, only contracts not designed for physical delivery are subject to market valuation, which results in differences between the internal and the external accounting.

2007	Chocolate & Confectionery Fats	Food Ingredients	Technical Products & Feed	Group Functions	Eliminations	Group 2007
Net sales						
External sales	3,914	7,499	1,306	286	-	13,005
Internal sales	579	158	29	44	-810	-
Group totalt	**4,493**	**7,657**	**1,335**	**330**	**-810**	**13,005**
Operating profit/loss per business area						
Excl. non-recurring items and IAS 39	356	279	65	-47	-	653
Excl. IAS 39	260	230	60	-47	-	503
Incl. non-recurring items and IAS 39	260	230	60	96	-	646
Other						
Assets	3,702	3,732	569	538	-	8,541
Un-allocated assets	-	-	-	-	-	316
Group total						**8,857**
Liabilities	755	714	61	79	-	1,609
Un-allocated liabilities	-	-	-	-	-	4,805
Group total						**6,414**
Investments	305	358	46	4	-	713
Depreciation/amortisation and impairment loss	-171	-186	-20	-9	-	-386

All transactions between business areas are recorded at market value.

Reporting per market

	Sweden	Denmark	Other Nordic countries	Central and Eastern Europe	Western Europe	America	Other countries	Total
External sales	1,663	405	883	1,695	4,550	3,003	806	13,005
Total assets	1,845	3,923	62	71	1,480	1,165	311	8,857
Investments	126	217	-	-	248	82	40	713

The external sales are based on where our customers are located. The reported values of assets and the direct investment in plant for the period are determined by the location of the assets.

NOTE 29 – OPERATING LEASES

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

	Group	
	2008	**2007**
Within 1 year	34	12
1 to 5 years	92	28
Greater than 5 years	9	4
Total	**135**	**44**

Operating leasing expenses of SEK 34 million (17) are reported in the profit/loss for the period.

NOTE 30 – SUPPLEMENTAL CASH FLOW STATEMENT

	Group		Parent	
	2008	2007	2008	2007
Interest paid and dividends received				
Interest received	21	11	30	0
Interest paid	-301	-212	-46	-12
Dividends received	1	4	-	-
Dividends received from Group companies	-	-	-	-
Total	**-279**	**-197**	**-16**	**-12**

	Group		Parent	
	2008	2007	2008	2007
Adjustment for items not included in cash flow				
Provisions	-18	94	-	-
Group contribution	-	-	32	43
Sales of fixed assets	0	-5	-	-
Other	-6	-8	0	-
Total	**-24**	**81**	**32**	**43**

The annual accounts, and consolidated accounts will be submitted for resolution to the Annual General Meeting of the shareholders to be held 19 May 2009.

The Board of Directors and the CEO declare that the consolidated accounts have been prepared in accordance with IFRS international accounting standards as adopted by the EU, and provide a full and fair view of the Group's position and earnings. The annual accounts have been prepared in accordance with generally accepted accounting practice and provide a full and fair view of the position and result of the Parent Company.

The Director's Report for the Group and the Parent Company provides a full and fair overview of the operation, position and performance of the Group and the Parent Company, and describes significant risks and uncertainty factors faced by the Company and the companies that are members of the Group.

Malmö, 2 April 2009

Melker Schörling
Chairman

Carl Bek-Nielsen
Vice Chairman

John Goodwin
Board member

Martin Bek-Nielsen
Board member

Mikael Ekdahl
Board member

Märit Beckeman
Board member

Ebbe Simonsen
Board member

Annika Westerlund
Employee representative

Anders Davidsson
Board member

Ulrik Svensson
Board member

Jerker Hartwall
President and CEO

Leif Håkansson
Employee representative

Audited and submitted on 2 April 2009 by PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Lead Auditor

Eric Salander
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of AarhusKarlshamn AB (publ)
Corporate Identity Number 556669-2850

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AarhusKarlshamn AB (publ.) for the financial year 2008. The Company's annual accounts and consolidated accounts are included in the printed version of this document on pages 43-84. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. The Board of Directors and the President are also responsible for the application of the Annual Accounts Act in preparing the annual accounts, and the application of the IFRS international accounting standards, as adopted by the EU, and the Annual Accounts Act in preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit with the intention of ensuring, with a high but not absolute degree of certainty, that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the Company of any Board Member or the President. We also examined whether any Board Member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and, therefore, give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

The consolidated accounts have been prepared in accordance with the IFRS international accounting standards, as adopted by the EU, and the Annual Accounts Act and, therefore, give a true and fair view of the Group's financial position and results of operations. The administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Malmö, 2 April 2009

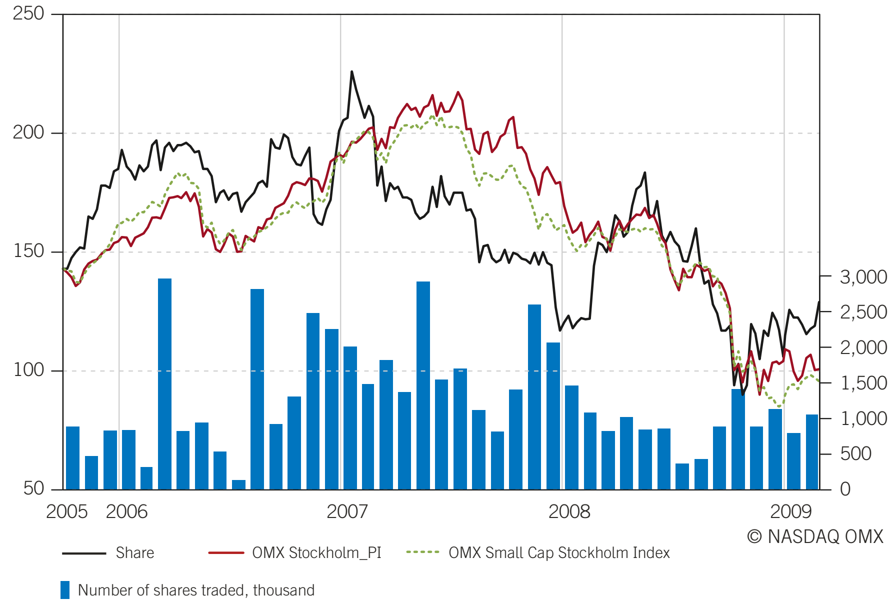
PricewaterhouseCoopers AB

Anders Lundin Authorized Public Accountant Lead Auditor	Eric Salander Authorized Public Accountant

The AAK share

The AAK share has been traded since 2 October 2006 on the NASDAQ OMX, Stockholm, in the Mid Cap segment, sector Consumer Commodities. A trading lot is 100 shares. The abbreviation is AAK and the ISIN code is SE0001493776.

AAK share 29 September 2005 to 28 February 2009



Turnover and price trend

During 2008, 16.0 million shares (21.2) were traded, for a total value of SEK 2,173 million (3,587) which is equivalent to a turnover rate of 38.7 percent (51.3). The average number of trades per trading day was 63,630 shares (84,909) or SEK 8,621,000 (14,347,000). At the year-end, the share price was SEK 106 (117), and AAK's market value was SEK 4,387 million (4,842). The highest share price during the year was SEK 184.50 (16 May 2008), and the lowest was SEK 77 (27 Oct 2008).

Share capital

On 31 December 2008, AAK's share capital amounted to SEK 413,838,030 (413,838,030). The number of shares was 41,383,803 (41,383,803). The quota value per share is SEK 10. Each share gives entitlement to one vote. All shares have equal rights to participate in the profits and assets of the Company.

Ownership situation

On 31 December 2008, the number of shareholders was 7,272 (6,857).

Planned dividend policy

The Board of Directors has made a decision on a dividend policy. Under the new policy, the objective of the Board, taking into account the earnings trend, financial position and future development possibilities of the Group, is to propose annual dividends equivalent to at least 30-50 percent of the year's earnings after tax for the Group.

Ordinary dividend and revision of capital structure

The Board of Directors of AAK proposes a dividend for the financial year 2008 of SEK 4.00 per share (4.00), a total of SEK 166 million (166).

The largest shareholders 31-12-2008

	Number of shares	Percentage of share capital and votes, %
BNS Holding	16,247,206	39.26
Arbejdsmarkedets Tillægspension	3,363,711	8.13
Didner & Gerge Aktiefond	2,442,990	5.90
BT Pension Scheme	696,041	1.68
Fjärde AP-Fonden	564,951	1.37
Handelsbankens Småbolagsfond	503,050	1.22
Nordea Bank Finland ABP	415,960	1.00
Andra AP-fonden	387,382	0.94
Other Shareholders	16,762,512	40.50
Total	41,383,803	100.00

Distribution of shareholdings as of 31-12-2008

Number of shares	Number of shareholders	Percentage of all shareholders	Percentage of share capital and votes, %
1 - 500	5,215	71.70	2.44
501 - 1,000	989	13.60	2.02
1,001 - 5,000	775	10.66	4.17
5,001 - 10,000	111	1.53	1.95
10,001 - 15,000	34	0.47	1.02
15,001 - 20,000	18	0.25	0.75
20,001 -	130	1.79	87.65
Total	7,272	100.00	100.00

AAK's IR work

AAK's management has an expressed goal of conducting a strong dialogue with the media and the capital market.

In connection with the publication of financial reports, AAK held Press and Analysts conferences, at which the Company Management has met analysts and other professional participants in Stockholm and London. Interested parties can also download presentation material and listen to sound recordings of the conferences via www.aak.com, which makes the conferences accessible for all shareholders.

Financial information concerning AAK is available on www.aak.com. This includes financial reports, press releases and presentations. The Company's press releases are distributed via Cision, and are posted on the company's website.

The company's management can be reached on: Telephone +46 40 627 83 00
Fax +46 40 627 83 11
E-mail info@aak.com

Data per share	2008	2007
Share price year-end, SEK	106	117
Dividend, SEK	4.00	4.00
Direct yield, %	3.80	3.40
Pay-out ratio after tax, %	-	52.20
Earnings per share, SEK	0.04	7.67
Equility per share, SEK	57.30	58.94
P/E ratio after tax, SEK	-	15
Share price/Equity	1.85	2.00

Definitions, see page 95.

The following analysts follow AAK on a continual basis:
Daniel Schmidt, SEB Enskilda
Patrik Setterberg, Nordea Bank A/S
Jan Ihrfelt, Swedbank
Oscar Tuwesson, Carnegie Investment Bank AB
Nick Fridberg, Danske Bank

Shareholder contact

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Two analysts follow AAK on a continual basis

Oscar Tuwesson, Carnegie Investment Bank AB

1. Which three parameters are the most important for you to look at when you analyse AAK?
EBIT per tonne in Chocolate & Confectionery and Food Ingredients. This measure reveals the company's strategy of increasing the volumes of special products to improve profitability. EBIT growth at Group level, and free cash flow.

2. How do you evaluate the company's progress against its published vision: "The first choice for value added vegetable oil solutions." ?
I am absolutely convinces that AAK is going in the right direction. The company has found its own special niche in a globally-competitive market, which makes it likely that the company will continue to raise its profitability in the shadow of larger competitors who produce and sell bulk products.

3. Do you take account of how AAK can meet the widespread demand for sustainable production when you analyse the company?
AAK's products have a very wide area of application, and, of these, by far the largest relates to the consumer sector as ice cream, margarine, chocolate pralines, face creams and so on. With products aimed at consumers, it is particularly important to have sustainable and environmentally low-impact production.

Patrik Setterberg, Nordea Bank A/S

1. Which three parameters are the most important for you to look at when you analyse AAK?
Volume growth and gross contribution per tonne, operating margin and cash flow trend. But is always important to pay attention to price trends for palm oil and cocoa butter.

2. How do you evaluate the company's progress against its published vision: "The first choice for value added vegetable oil solutions." ?
Over the past two years, AAK's specialisation strategy for Food Ingredients has begun to generate significantly higher gross contribution, which we regard as an excellent example of the vision paying off. With further steps in 2009 and 2010 – such the ingredient for infant formulas, InFat, we believe that AAK can achieve further progress towards fulfilling its vision.

3. Do you take account of how AAK can meet the widespread demand for sustainable production when you analyse the company?
Yes, I do, even though it's difficult to include this element in financial analysis models. It's essential to have an overview of the subject, since quite a number of investors do focus on sustainability in the companies they invest in.

Corporate Governance Report

Corporate Governance Report 2008

Efficient, clear corporate governance contributes to ensuring that AAK's stakeholders have confidence in the Company, and also intensifies focus on business utility and shareholder value in the Company. AAK's Board and management strive to make it easy for the individual shareholder to follow the decision routes of the Company, and clarify where responsibility and authority are in the organisation, through considerable openness.

Corporate governance within AAK is based on applicable legislation, the NASDAQ OMX Stockholm's rules for issuers, the Swedish Code for Corporate Governance (the Code) and various internal guidelines. Wherever AAK has decided to deviate from the provisions of the Code, justification is presented under the respective section of this corporate governance report.

General information

AAK is a Swedish joint stock company, whose shares are traded on the NASDAQ OMX Stockholm in the Mid Cap segment, Consumer Commodities sector. AAK has about 7,000 shareholders. Operations are global with a presence in almost 100 countries. The number of employees is about 2,600.

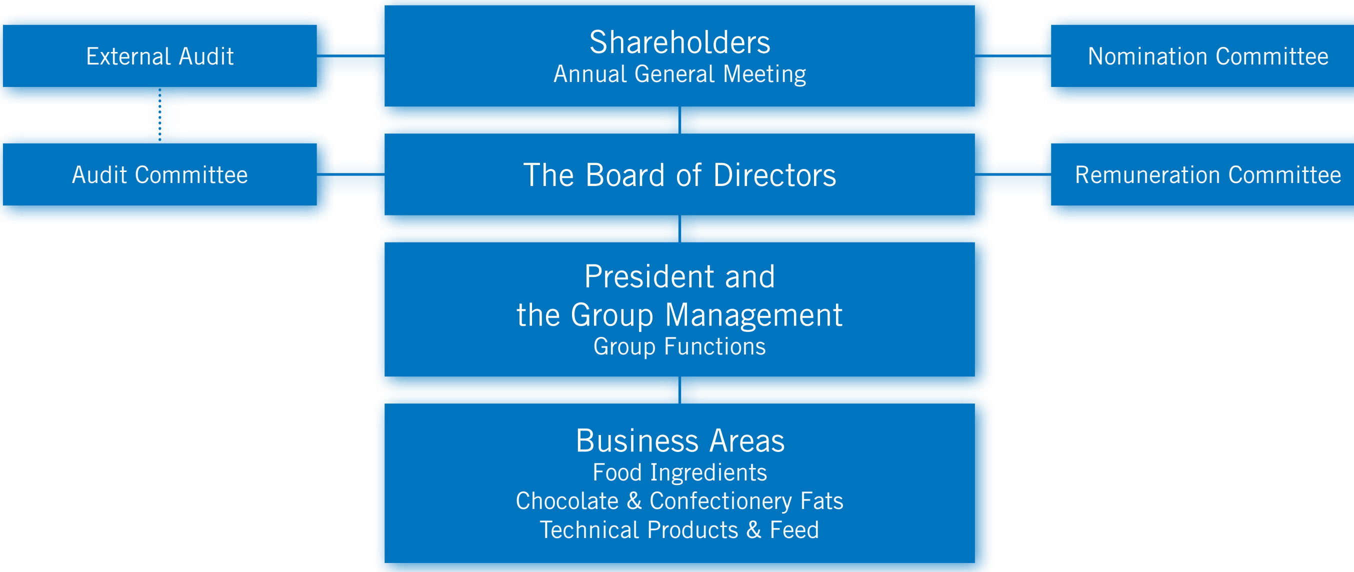
Responsibility for management and control of AAK is shared between the shareholders at the Annual General Meeting, the Board of Directors, its appointed committees and the President, in accordance with the Swedish Companies Act, other laws and regulations, current rules for stock exchange-listed companies, the Articles of Association and the Board of Directors' internal control instruments.

AAK's aim is to be the obvious first choice for customers and create the best possible value for the Company's various stakeholders – primarily customers, suppliers, shareholders and employees. At the same time, AAK shall be a good social citizen, which takes long-term responsibility. The aim of corporate governance is to define a clear division of the roles of responsibility between owners, Board of Directors, executive management and various supervisory bodies. In line with this, corporate governance also covers the Group's control and management system.

Ownership structure

Information on shareholders and shareholdings is given on page 86.

CORPORATE GOVERNANCE



Articles of Association

AAK's present Articles of Association were adopted by the Annual General Meeting of 23 May 2006. The Articles of Association state that the objects of the Company are to conduct manufacturing and trading, primarily within the food industry, to own and manage shares and securities, and other associated activities. In the Articles of Association, the rights of the shareholders are set out, and also the number of members of the Board and auditors, that the Annual General Meeting shall be held annually within six months from the end of the financial year, the way in which notification of the Annual General Meeting shall be made, and that the Board of Directors of the Company shall have their registered office in Malmö, Sweden. The Company's financial year is a calendar year. The Annual General Meeting shall be held in Karlshamn or Malmö. For the current Articles of Association, see www.aak.com.

Annual General Meeting

The Annual General Meeting of AAK is the highest decision-making organ, and the forum through which the shareholders exercise their influence over the Company. The tasks of the Annual General Meeting are regulated in the Swedish Companies Act and in the Articles of Association. The Annual General Meeting decides on a number of central issues, such as adoption of the Income Statement and Balance Sheet, discharge from liability of the Board of Directors and President, dividends to the shareholders, and on composition of the Board of Directors. Further information about the Annual General Meeting, together with full minutes of previous meetings is published on www.aak.com.

Annual General Meeting 2008

At the Annual General Meeting on 21 May 2008, shareholders participated, representing 59 percent of the share capital and votes in the Company. The Chairman of the Board, Melker Schörling, was elected Chairman of the Meeting.

At the Meeting, the Income Statement and Balance Sheet were adopted, together with the Consolidated Income Statement and Consolidated Balance Sheet.

In connection with this, the Meeting approved the Board of Directors' proposal for profit distribution for the 2007 financial year of a dividend of SEK 4.00 per share. Jerker Hartwall, President and Group CEO, commented in his statement on the 2007 financial year and developments in the first quarter of 2008. He also gave an account of developments within the growth area of substitute fats for the chocolate industry, and AAK's strategy and goals for future development.

The following Board members were re-elected, Melker Schörling, Carl Bek-Nielsen, Martin Bek-Nielsen, John Goodwin, Mikael Ekdahl, Ebbe Simonsen, Märit Beckeman, Jerker Hartwall, Ulrik Svensson and Anders Davidsson. Melker Schörling was elected Chairman of the Board and Carl Bek-Nielsen Vice Chairman of the Board.

The personnel organisations had appointed Annika Westerlund (PTK-L) and Leif Håkansson (IF Metall) as employee representatives, and Christer Svantesson (IF Metall), and Ulf Friberg (PTK-L) as deputies.

Nomination Committee

Decisions to be taken at the Annual General Meeting include election of the Board of Directors. The task of the Nomination Committee is to put forward proposals to the Annual General Meeting regarding election of Chairman and other members of the Board, and of Chairman of the Annual General Meeting, together with issues concerning fees and associated issues. (The Nomination Committee does not make proposals regarding election and fees of auditors as these matters are included in the Audit Committee's assignments).

Nomination Committee for the Annual General Meeting 2008

The 2008 Annual General Meeting resolved that the Nomination Committee shall have four members, and Mikael Ekdahl (BNS Holding AB), Carl Bek-Nielsen (BNS Holding AB), Henrik Didner (Didner & Gerge Mutual Fund) and Jan-Erik Erenius (AMF Pension) were re-elected to the Nomination Committee for the Annual General Meeting of 2009. Mikael Ekdahl was also appointed Chairman of the Nomination Committee. The members of the Nomination Committee represent 45.6 percent of the votes of AAK. The resolution also enables the composition of the Nomination Committee to be changed if there should be a change of ownership. The major shareholders currently represented on the Nomination Committee consider that it is important for the efficiency of the nomination work that the number of members of the Nomination Committee should be limited. At the same time, the principal owners must be represented, which is the reason for the number of non Board members not exceeding the number of principal owners/ Board members.

The named shareholders also consider it natural that a representative of the largest shareholder by number of votes shall be Chairman of the Nomination Committee. For that reason, one of the Board members is Chairman of the Nomination Committee. During the year, the Nomination Committee has held one minuted meeting. At this, the Chairman gave an account of the evaluation work with which the Nomination Committee discussed possible changes and new recruitments. It has been possible to contact the Nomination Committee by letter, with proposals from shareholders. The members of the Nomination Committee have not received any compensation from AarhusKarlshamn AB for their work. Shareholders who wish to contact the Nomination Committee can send a letter addressed to AarhusKarlshamn AB (publ), Nomination Committee, Jungmansgatan 12, 211 19 Malmö, Sweden.

The Board of Directors and its work

The tasks of the Board of Directors are regulated in the Companies Act and in the Articles of Association.

Board work is also controlled by the formal work plan that the Board must adopt each year. The Board of Directors' formal work plan also regulates the division of work and responsibility between the Board of Directors, its Chairman and the President, and contain routines for the President's financial reporting to the Board of Directors. Under the current formal work plan, the Board of Directors shall meet at least six times a year, including an inaugural Board meeting immediately after the Annual General Meeting. The tasks of the Board of Directors include establishing strategies, business plans, budgets, interim reports and year-end reports for AAK. Also, the Board of Directors shall monitor the President's work, appoint and replace the President, and decide on any substantial changes in the organisation and operations of AAK.

The Board of Directors most important tasks are to establish the general goals of the Company's operations and decide on the Company's strategy to achieve the goals, ensure that the Company has an effective executive management, with suitable compensation terms, ensure that the Company's external reporting is characterised by openness and objectivity, and gives a correct picture of the development, profitability and financial position of the Company and its risk exposure, monitor financial reporting with instructions for the President and establish requirements concerning the content of the financial reports which are provided to the Board on a continuous basis, ensure that the Company's insider policy and logbook procedures are conducted in accordance with law and the guidelines issued by the Swedish Financial Supervisory Authority, ensure that there are efficient systems for follow-up and control of the Company's operations and financial position in relation to set goals, follow up and evaluate the Company's development, supervise and support the President in taking any action required, ensure that there is satisfactory control of the Company's compliance with laws and other regulations that apply as regards the Company's operations, ensure that the required ethical guidelines are set for the behaviour of the Company, and, propose any dividend, repurchase of shares or redemption of shares to the Annual General Meeting.

The Composition of the Board of Directors

Under the Articles of Association, AAK's Board shall consist of a minimum of three and a maximum of ten members. The present Board of Directors consists of ten members elected by the Annual General Meeting.

The Union organisations have, in accordance with Swedish law, the right to representation on the Board of Directors, and have appointed two members and two deputies. In accordance with the proposal from the Nomination Committee, all ten members were re-elected at the Annual General Meeting of 2008. Melker Schörling was elected appointed Chairman of the Board. At its inaugural meeting, the Board resolved to appoint an Audit Committee and a Remuneration Committee. Ulrik Svensson was elected Chairman of the Audit Committee, and Mikael Ekdahl and Martin Bek-Nielsen were elected as members of the Committee. Mikael Ekdahl was elected Chairman of the Remuneration Committee, and John Goodwin was elected as a member of the Committee.

Melker Schörling is also Chairman of the Board of BNS Holding AB, which holds about 40 percent of the votes of AAK. Carl Bek-Nielsen, Martin Bek-Nielsen, John Goodwin and Mikael Ekdahl are also members of the Board of Directors of BNS Holding AB.

These members and the Chairman of the Board, therefore, cannot be considered to be independent in relation to the Company's major shareholders according to the Code. The largest shareholder of BNS Holding AB is Melker Schörling AB, which holds 58.5 percent of the shares and votes of BNS Holding AB. Ulrik Svensson, who is President of Melker Schörling AB, can thus not be considered independent in relation to the Company's major shareholders either, according to the Code.

Anders Davidsson is President of Bong Ljungdahl AB, in which Melker Schörling AB holds 29.9 percent of the shares and votes. He cannot, therefore, be considered to be independent of the company's major shareholders. The President and Group CEO, Jerker Hartwall, in his capacity as President and employee of the Company, is not independent under the provisions of the Code.

The other two members, elected by the Annual General Meeting, Märit Beckeman and Ebbe Simonsen are independent in relation to AAK, the Company management and the Company's major shareholders, in accordance with the NASDAQ OMX, Stockholm rules for issuers.

The Board of Directors therefore fulfils the requirement that at least two of the Board members that are independent of the Company and of the Company management shall also be independent of the Company's major shareholders.

AAK's Information Director and CIO (Chief Information Officer), Bo Svensson, also acts as secretary to the Board of Directors. AAK's Finance Director and CFO (Chief Financial Officer), Anders Byström, also functions as secretary to the Remuneration and Audit Committees.

Present at Board and Committee Meetings during 2008

Member	Member of the Board	Audit Committee	Remuneration Committee
Number of meetings	6	4	2
Märit Beckeman	6		
Carl Bek-Nielsen	6		
Martin Bek-Nielsen	6	4	
Anders Davidsson	6		
Mikael Ekdahl	6	4	2
Ulf Friberg	2		
John Goodwin	6		2
Jerker Hartwall	6		
Leif Håkansson	6		
Melker Schörling	5		
Ebbe Simonsen	5		
Christer Svantesson	-		
Ulrik Svensson	6	4	
Annika Westerlund	4*		

*Ulf Friberg has replaced Annika Westerlund due to illness.

Information on Board Members is presented on pages 96-97.

Formal Work Plan

The Board of Directors' formal work plan with instructions regarding allocation of work between the Board and President, and as regards financial reporting, are updated and set annually. At the Board of Directors' meetings, apart from financial reporting and follow-up of ongoing business operations and profitability developments, subjects also dealt with are goals, strategies of business operations, acquisitions, important investments, and matters concerning the capital structure. The heads of business areas and other senior management give regular reports on business plans and strategic matters.

Remuneration and audit matters are dealt with within the appropriate committee. The newly elected Board of Directors holds an inaugural meeting immediately after the Annual General Meeting.

At this meeting, the Board of Directors' formal work is adopted, together with instructions for the President, and any instructions for committees and other internal control instruments. The present Board of Directors met on 21 May 2008 after the Annual General Meeting, and all Board members were present.

Chairman of the Board

At the Annual General Meeting of 21 May 2008, 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 to ensure that the Board fulfils its tasks. The Chairman follows the progress of operations in consultation with the President, and is responsible for other members continuously receiving the information required for Board work to be carried out, with maintenance of quality and in accordance with the Companies Act and other applicable laws and regulations, the Articles of Association, and the Board of Directors' formal work plan. The Chairman is responsible for ensuring that the Board regularly updates and deepens its knowledge of the Company, that the work of the Board is evaluated, and that the Nomination Committee participates in this assessment. The Chairman also participates in the evaluation and development of the Group's senior management.

The Work of the Board of Directors 2008

During the year, the Board met six times. All business area managers have reported on the goals and business strategies of their business areas in a special budget and strategy meeting. The Board has also dealt with matters relating to personnel and organisation, such as investigation and decision regarding a joint operating location organisation as regards operations in Denmark, Sweden and the Netherlands.

The Board has also followed the developments in respect of the rebuilding and insurance claim in Aarhus, Denmark, after the accident on 4 December 2007, in which one member of employees died. Decisions were taken relating to acquisitions, disposals and investments. Other areas dealt with included the Group's approach to raw materials supply, risk management and the company's strategy on capital structure and borrowings.

Fees for the Members of the Board of Directors

In accordance with the resolution of the Annual General Meeting, total fees for the Board amounted to SEK 2,650,000 to be allocated between the members as follows: SEK 400,000 to the Chairman, SEK 300,000 to the Vice Chairman and SEK 200,000 to each of the other members elected by the Annual General Meeting who are not employed by the Company. The Chairman of the Audit Committee was paid SEK 200,000, and the members of the Committee were each paid SEK 100,000. The Chairman of the Remuneration Committee was paid SEK 100,000, and the member of the Committee SEK 50,000.

The Company's President, the Board's secretary and employee representatives do not receive any fee over and above compensation for expenses in connection with the Board's work.

For other information regarding remuneration to the Board's members, please see pages 70-72.

Evaluation of the President

The Board regularly evaluates the work and competence of the President and Company management. This is dealt with at least once a year, without representatives of the Company management being present.

Board Committees

Within the Board of Directors, audit and remuneration matters are dealt with in committee, where matters that have arisen are considered, and proposals submitted to the Board for decision. Assignments of the committees and their rules of procedure are set by the Board in the form of written instructions which constitute part of the Board's formal work plan.

The Remuneration Committee

In accordance with the Board of Directors' formal work plan, the Remuneration Committee shall deal with issues of remuneration for the President and senior management. The Remuneration Committee prepares and presents proposals to the Board of Directors regarding the remuneration of the Group CEO and other senior management. The members of the Remuneration Committee during 2008 were Mikael Ekdahl (Chairman) and John Goodwin. The Remuneration Committee's recommendations to the Board of Directors comprise principles for remuneration, relationship between fixed and flexible salary, pension and severance payment terms, and other benefits for the management. The remuneration of the Group's President was set by the Board of Directors, based on the Remuneration Committee's recommendations. The remuneration of other senior management was determined by the President after consultation with the Remuneration Committee. For further information, see page 70-72.

During 2008, the Remuneration Committee met twice, at which meetings both members were present.

The Board's proposals for guidelines for compensation to the senior management are given in note 8 on page 70, and will be put to the 2009 Annual General Meeting for approval.

The Audit Committee

Members of the Audit Committee during 2008 were Ulrik Svensson (Chairman), Martin Bek-Nielsen and Mikael Ekdahl. The Committee held four meetings during the year, at which the Company's external auditors and representatives of the Company Management participated. The areas that the Audit Committee has dealt with have primarily involved the planning, extent and follow-up of the year's audit. Other matters which have been dealt with have been risk management, integration and systemising the Group's processes, coordination of insurance matters, corporate governance, internal control, audit regulations, development of the global finance function, finance operations, and other matters that the Board of Directors has assigned the Committee to prepare.

According to the Code, at least one member of the Audit Committee shall be independent in relation to the Company's major owners. At present, none of the members are independent in this respect. The Board of Directors has, however, considered that the present composition of the Audit Committee is the best to take into account the experience and competence of the Board concerning the matters which it is intended will be dealt with by it.

External Auditors

AAK's auditors are appointed by the Annual General Meeting. AAK's auditors are the accounting firm, PricewaterhouseCoopers AB, with Anders Lundin as auditor in charge, and Eric Salander as co-signing auditor. Anders Lundin has been auditor in charge for AAK since 7 June 2005. Anders Lundin also has audit assignments in Husqvarna AB, AB Industrivärden, Melker Schörling AB, Loomis AB and Svenska Cellulosa AB SCA.

All services which are ordered over and above the audit required by law, are separately scrutinised in order to ensure that there is no conflict as regards independence or disqualification circumstances. There are no agreements with related parties.

Operational management

The task of the President is to manage operations in accordance with the guidelines and instructions of the Board of Directors. In connection with this, the President shall ensure, through necessary control systems, that the Company complies with applicable laws and regulations. The President reports at Board meetings and shall ensure that the Board receives factual, complete and relevant information which is required for the Board to be able to make decisions which are soundly based. Additionally, the President has a continual dialogue with the Chairman of the Board and keeps the Chairman of the Board informed about the performance and financial position of the Company and the Group.

AAK's Group Management consists of six persons from three countries; the Group CEO, the Finance Director, and four Business Area/Country Managers. The Group Management meets monthly, dealing with the Group's financial developments, investments, synergy and productivity projects, acquisitions, joint Group development projects, management and competence provision and other strategic matters. The meetings are chaired by the President, who makes decisions in consultation with the other members of the Group Management. The Group has a small number of employees in the Group staff, who are responsible for general Group activities, such as economy, finance, taxes, IT, internal control, strategy, investor relations, information and law. The President and the Group Management are presented on pages 98-99. For principles, remuneration, and other fees to the President and Group Management, see page 70, Note 8.

AAK's business areas are Chocolate & Confectionery Fats, Food Ingredients and Technical Products & Feed. The heads of the business areas are responsible for goals, strategies, product development, ongoing business matters and earnings, cash flow and balance sheet of their respective units. The business areas are in turn organised in various sectors responsible for ongoing business matters. Control is exercised through internal boards, which meet four times a year. AAK's President and Group CEO then functions as Chairman of the Board and also the Group's CFO participates. Other key management personnel, such as the Group's Controller and Strategy Manager are co-opted as required.

In all countries where AAK has subsidiaries, there is a legal Country Manager. The task of the Country Manager includes representing AAK in respect of the authorities in the country, coordination of the operational location and joint Group processes/projects, and ensuring that joint Group guidelines are complied with. For each such country, a member of the Group Management has been appointed with general responsibility for operations (Group Management Representative). These are principals country managers, and in most cases they function as board members of the local statutory Boards of Directors.

The Board's description of internal controls and risk management in respect of financial reporting

The Company's Board is responsible for AAK's internal control, the main objective of which is to protect the owners' investments and the Company's assets.

In accordance with the Code, the Board must include a special section in this Corporate Governance Report describing how the internal control and risk management of financial reporting is organised.

Internal controls concerning financial reporting are a process that involves the Board, the Company management and employees. The process has been formulated in order to constitute an insurance regarding reliability in the external reporting. According to generally accepted frameworks (COSO) established for this purpose, the internal control is normally described on the basis of five different aspects, which are described below.

The control environment is the basis of the internal guidance and control. Risk assessment and risk management involve the management being aware of, and having assessed and analysed, risks and threats in the business. Control activities are those measures and routines that the management has formulated in order to prevent the occurrence of faults and to discover faults and take remedial action. So that individual work assignments can be carried out in a satisfactory manner, it is necessary for the personnel in an organisation to have access to current, relevant information. The last module of the model refers to follow-up of the internal guidance and the formulation and efficiency of the controls.

Control Environment

AAK's organisation has been designed to make possible rapid decision-making. Operational decisions are therefore made at a business area level or subsidiary company level, while decisions regarding strategies, acquisitions and general financial matters are made by the Company's Board of Directors and Group Management. The organisation is characterised by clear division of responsibility, and guidance and control systems which function well and which have been well worked in, and this applies to all units of AAK.

The basis of the internal controls regarding financial reporting consists of a general control environment in which organisation, decision routes, authorisation and responsibility have been documented and communicated in steering documents, for example, AAK's finance policy, policy for purchasing raw materials, and manual for financial reporting in the authorisation system established by the President.

AAK's finance functions are integrated through a joint consolidation system and joint accounting instructions. The Group's finance unit has close, well-functioning cooperation with the subsidiary companies' controllers as regards annual accounts and reporting. AAK has no internal audit function, as the above-mentioned functions fulfil this task adequately.

All AAK's subsidiary companies report monthly. Reporting constitutes the basis of the Group's consolidated financial reporting. Within each legal unit there is a Controller who has the responsibility for each respective business area's financial control and for ensuring that financial reports are correct, complete and delivered in time for consolidated reports.

Risk assessment and risk management

Through its international presence, the AAK Group is subject to a number of risks. Risk management within the Group is controlled by established policies and routines, which are revised by AAK's Board of Directors annually. Risks related to raw materials are controlled by the Group's policy on purchasing of raw materials. Risks related to currencies, interest and liquidity are primarily controlled through AAK's finance policy. Management of credit and contract risks is established in the Group's credit policy.

Efficient risk management combines operational business development with requirements from the owners and other stakeholders in respect of control and long-term improvement in value. Risk management is aimed at minimising risks and also ensuring that opportunities are utilised to the maximum.

Risk management covers the following risk areas: strategic risks as regards market and sector, commercial, operational and financial risks, observance of external and internal rules and regulations, financial reporting.

The main components of risk work are identifying, valuing, managing, reporting, follow-up and control. For further information on AAK's risk management, see pages 63-68, Note 3.

Control activities

Those risks which are identified regarding financial reporting are handled via the Company's control activities. The control activities are aimed at preventing, discovering and correcting faults and deviations. Management involves manual controls such as checking and making inventories, automatic controls through the IT system, and general controls in the underlying IT environment. Detailed financial analyses of earnings and follow-up

against the budget and forecasts, supplement the operation-specific controls and give a general confirmation of the quality of the reporting.

Information and communication

To ensure the completeness and correctness of financial reporting, the Group has guidelines for information and communication, so that relevant and important information will be exchanged within the operation, both within each respective unit and to and from management and Board. Policies, handbooks and job descriptions relating to the financial process are communicated between management and personnel, and can be accessed electronically and/or in printed form. The Audit Committee regularly provides the Board of Directors with feedback on internal control.

In order to ensure that external provision of information is correct and complete, AAK has an information policy set by the Board of Directors, which stipulates what shall be communicated, by whom and in what way.

Follow-up

Efficiency in the process of risk assessment and implementation of the control activities are followed up continually. The follow-up covers both formal and informal routines, and is used by those responsible at each level. The routines include follow-up of results against budget and plans, analyses and key ratios. The Board of Directors receives monthly reports on the Group's financial position and performance. At each Board meeting, the Company's financial situation is reviewed, and the management analyses financial reporting at detailed level monthly. The meetings of the Audit Committee follows up the financial reporting, and receive reports from the auditors with their observations.

Policy documents

AAK has a number of policies for the Group's operations and its employees. These include the following:

Ethical policy

The Group's ethical guidelines have been designed to set out clearly the Group's basic position on ethical matters, both within the Group and externally in relation to customers and suppliers.

Finance policy

The Group's finance function works in accordance with instructions adopted by the Board of Directors, which give frameworks for how the Group's operations shall be financed, and how such things as currency risks and interest risks are to be managed.

Information policy

The Group's information policy is a document setting out the Group's general principles for the provision of information.

Environmental policy

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

Review

This Corporate Governance Report has not been reviewed by AAK's auditors.

Definitions

Key ratios

Proportion of risk-bearing capital
Shareholders' equity, minority share of shareholders' equity and deferred tax liability divided by balance sheet total.

Return on equity
The year's earnings as a percentage of average equity.

Return on operating capital
Operating profit/loss 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 the average number of shares on the balance sheet date.

Capital turnover rate
Net sales divided by average operating capital.

Cash and cash equivalents
Cash and bank plus short-term investments with a life of less than three months.

Earnings per share
The year's earnings 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 funds, 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.

AarhusKarlshamn AB (publ) – Board of Directors

Melker Schörling
Chairman of the Board of Directors.
Elected in: 2005.
Born in: 1947.
Nationality: Swedish.
Main occupation: Founder and owner of Melker Schörling AB (MSAB).
Education: Master of Business Administration.
Professional background: CEO of a number of companies, including Securitas AB 1987-1992 and Skanska 1993-1997.
Other directorships: Chairman of the Board of Directors of MSAB, Hexagon AB, Securitas AB and HEXPOL AB and member of the Board of Directors of Hennes & Mauritz AB.
Shareholdings: Via MSAB, Melker Schörling holds 58.5% of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,247,206 shares (39.26%) in AAK.

Carl Bek-Nielsen
Vice Chairman of the Board of Directors.
Elected in: 2005.
Born in: 1973.
Nationality: Danish.
Main occupation: Executive Director (Corporate Affairs), United Plantations Berhad.
Education: Bachelor of Science.
Professional background: Executive Director, Director-in-Charge.
Other directorships: Chairman of the Board of Directors of United International Enterprises Ltd. Vice Chairman of the Board of Directors of United Plantations Berhad.
Shareholdings: Via UIE Ltd, Carl Bek-Nielsen holds 41.5% of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,247,206 shares (39.26%) in AAK.
Email: cbn@plantations.biz

John Goodwin
Elected in: 2005.
Born in: 1944.
Nationality: British.
Main occupation: Managing director, United International Enterprises Ltd.
Education: Chartered Accountant; Bachelor of Commerce.
Professional background: Chief Executive, Managing Director, Administrative Director and President.
Other directorships: Chairman of the Board of Directors of United Plantations Africa Ltd., MD of United International Enterprises Ltd. and Neptune Resources.
Number of shares: 0.
Email: jag@psuk.net

Martin Bek-Nielsen
Elected in: 2005.
Born in: 1975.
Nationality: Danish.
Main occupation: Executive Director (Finance & Marketing), United Plantations Berhad.
Education: Agricultural Economics.
Professional background: Executive Director (Finance and 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.
Shareholdings: Via UIE Ltd, Martin Bek-Nielsen holds 41.5% of the shares in BNS Holding AB. In turn, BNS Holding AB holds 16,247,206 shares (39.26%) in AAK.
Email: mbn@plantations.biz

Mikael Ekdahl
Elected in: 2005.
Born in: 1951.
Nationality: Swedish.
Main occupation: Lawyer and partner in Mannheimer Swartling Advokatbyrå.
Education: Swedish equivalents of MBA and LLB.
Professional background: Lawyer and partner.
Other directorships: Chairman of the Board of Directors of Bong Ljungdahl AB and Marco AB. Vice Chairman of the Board of Directors of Melker Schörling AB, member of the Board of Directors of Absolent AB, Börje Jönsson Åkeri AB, Torkelson Möbel AB and Konstruktions-Bakelit AB.
Number of shares: 8,000.
Email: mek@msa.se

Märit Beckeman
Elected in: 2006.
Born in: 1943.
Nationality: Swedish.
Main occupation: PhD student.
Education: Master of Science and Licentiate in Engineering.
Professional background: Project Manager, Consultant and R&D.
Other directorships: Member of the Board of Directors of Beckeman Consulting AB.
Number of shares: 0.
Email: marit.beckeman@plog.lth.se

Ebbe Simonsen
Elected in: 2006.
Born in: 1940.
Nationality: Danish.
Main occupation: Director.
Education: Bachelor of Commerce.
Professional background: Director, Advisor and Administrative Director.
Other directorships: Member of the Board of Directors of Bjørn Wiinblads Værksteder A/S (BF), Chairman of the Board of Directors of Ole Haslunds Hus A/S, Vice Chairman of Glasmuseet Ebeltoft.
Number of shares: 0.
Email: ebbes@mail.tele.dk

Jerker Hartwall
Elected in: 2006.
Born in: 1952.
Nationality: Swedish.
Main occupation: MD and CEO.
Education: Master of Engineering.
Professional background: More than 25 years of experience of international management in the chemicals industry.
Other directorships: Member of the Board of Directors of Novozymes A/S.
Number of shares: 96,653.
Email: jerker.hartwall@aak.com

Ulrik Svensson
Elected in: 2007.
Born in: 1961.
Nationality: Swedish.
Main occupation: President of Melker Schörling AB.
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, Niscayah Group AB, Loomis AB and Flughafen Zürich AG.
Number of shares: 0.
Email: ulrik.svensson@melkerschorlingab.se

Anders Davidsson
Elected in: 2007.
Born in: 1970.
Nationality: Swedish.
Main occupation: CEO, Bong Ljungdahl AB.
Professional background: Previously a Management Consultant with McKinsey & Co.
Other directorships: Member of the Board of Directors of Bong Ljungdahl AB.
Number of shares: 1,200.
Email: anders.davidsson@bongljungdahl.se

Members of the Board of Directors appointed by the employees

Annika Westerlund
AarhusKarlshamn Sweden AB.
Appointed by PTK-L.
Elected in: 2005.
Born in: 1956.
Nationality: Swedish.
Main occupation: Laboratory Assistant.
Education: Technical College.
Number of shares: 0.
Email: annika.westerlund@aak.com

Leif Håkansson
AarhusKarlshamn Sweden AB.
Appointed by IF Metall.
Elected in: 2005.
Born in: 1957.
Nationality: Swedish.
Main occupation: Senior positions in trade unions and local and regional government and Board work.
Education: Electrical engineering.
Number of shares: 679.
Email: leif.hakansson@aak.com

Deputy members

Christer Svantesson
AarhusKarlshamn Sweden AB.
Appointed by IF Metall.
Elected in: 2006.
Born in: 1951.
Nationality: Swedish.
Main occupation: Repairer.
Education: Engineering.
Number of shares: 679.
Email: christer.svantesson@aak.com

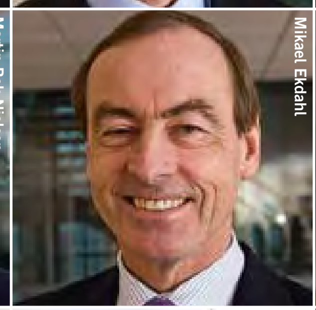
Ulf Friberg
AarhusKarlshamn Sweden AB.
Appointed by PTK-L.
Elected in: 2008.
Born in: 1954.
Nationality: Swedish.
Main occupation: Production Engineer. Responsible for maintenance in production.
Education: Automation engineer.
Number of shares: 0.
Email: ulf.friberg@aak.com

Auditors

PricewaterhouseCoopers AB

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

Eric Salander
Born in: 1967.
Authorized public accountant.
The company's auditor since 2007.




AarhusKarlshamn AB (publ) – Group Management

Renald Mackintosh
Employed: 2002.
Born in: 1951.
Nationality: Dutch.
Main occupation: Vice President, AarhusKarlshamn AB, President, Business Area Food Ingredients Continental Europe, and President, AarhusKarlshamn Netherlands B.V.
Education: M.Sc. Food technology.
Professional background: Research & development and sales & marketing in the food industry.
Number of shares: 300.
Email: renald.mackintosh@aak.com

Magnus Jörsmo
Employed: 1986.
Born in: 1965.
Nationality: Swedish.
Main occupation: Vice President, AarhusKarlshamn AB, President, Business Area Technical Products & Feed, President, Binol AB, and Global HR Manager (GMT).
Education: Chemical engineer.
Professional background: Engineer, salesperson and purchaser.
Number of shares: 15,070.
Email: magnus.jorsmo@aak.com

Ian McIntosh
Employed: 1998.
Born in: 1956.
Nationality: British.
Main occupation: Vice President, AarhusKarlshamn AB, and President, Aarhus-Karlshamn UK & Americas.
Education: MSc in Engineering; MBA in General Management.
Professional background: 25 years of experience of the food industry.
Number of shares: 0.
Email: ian.mcintosh@aak.com

Jerker Hartwall
Employed: 2000.
Born in: 1952.
Nationality: Swedish.
Main occupation: President and CEO.
Education: Master of Engineering.
Professional background: More than 25 years of experience of international management in the chemicals industry.
Number of shares: 96,653.
Email: jerker.hartwall@aak.com

Jörgen Balle
Employed: 1990.
Born in: 1964.
Nationality: Danish.
Main occupation: Vice President, AarhusKarlshamn AB, President, Business Area Chocolate & Confectionery Fats, OneSite Manager and President, AarhusKarlshamn Denmark A/S.
Education: MBA, diploma in banking.
Professional background: Fund manager, trader.
Number of shares: 2,608.
Email: jorgen.balle@aak.com

Anders Byström
Employed: 2006.
Born in: 1951.
Nationality: Swedish.
Main occupation: Vice President, AarhusKarlshamn AB, and CFO.
Education: Master in Business Administration, Executive seminar, Harvard Business School.
Professional background: CFO, Auditor, VP Controller, Certified Public Accountant.
Number of shares: 0.
Email: anders.bystrom@aak.com


AAK

Financial Calender, Annual General Meeting (AGM)

Financial Calender

AarhusKarlshamn AB (publ) will provide financial information for the 2009 financial year on the following occasions.

- The Interim Report for the first quarter will be presented at the Annual General Meeting on 19 May.
- The half-yearly report will be published on 11 August.
- An interim report for the third quarter will be published on 6 November.
- The Financial Statement for the 2009 financial year will be released in February 2010.

Reports and press releases are also available in English and can be ordered from AarhusKarlshamn AB (publ), Corporate Communication, SE-374 82 Karlshamn, Sweden.
Phone: +46 (0)454 820 00,
Fax: +46 (0)454 828 20,
Email: info@aak.com.

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

Annual General Meeting

AarhusKarlshamn AB (publ)'s ordinary AGM will take place on Tuesday, 19 May 2009 at 14.00 in Europaporten in Malmö, Sweden. Admission to the meeting premises will be from 13.00 and registration must have taken place before 14.00, at which time the voting list will be adopted.

Right to attend the AGM

Shareholders are entitled to attend the AGM if they are registered in the printout of the shareholders' register created on Wednesday, 13 May 2009, and if they have given notice that they will attend the AGM by 16.00 on Wednesday, 13 May.

Registration in the shareholders' register

The company is a so-called VPC-registred company. This means that shareholders must be registered in the shareholders' register kept by Euroclear Sweden AB (formerly VPC AB) at the latest on 13 May 2009 to be entitled to attend the AGM. Anyone who has had his shares registered by a nominee must temporarily register the shares in his own name to be able to attend the AGM. This should be done in good time before this date.

Notification

Shareholders who want to attend the AGM must notify the company by post to:
AarhusKarlshamn AB (publ)
Kerstin Wemby
SE-374 82 Karlshamn, Sweden,
or by phone: +46 (0)454 823 12
or by fax: +46 (0)454 828 20
or by email: kerstin.wemby@aak.com
or via the website: www.aak.com
as soon as possible and at the latest by 16.00 on Wednesday, 13 May 2009, when the notification period expires.

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

Notice of AGM

Notice of the AGM is published in Post- och Inrikes Tidningar and Svenska Dagbladet, where all AGM business will be shown.

AAK's Glossary

Amines – Products made of fatty acids with surface-active properties. Used as inputs in a wide range of industries.

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.

Bypass rapeseed meal – Rapeseed meal treated in a special process to make it bypass the rumen of ruminants. Nutritionally superior to standard rapeseed meal.

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

CBE (Cocoa Butter Equivalents) – A type of CBA which is identical to cocoa butter, and which can be used in chocolate to a level of 5 percent under EU legislation. Produced from exotic raw materials, including shea.

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 properties and application areas similar to those of CBR. Made from palm-kernel oil.

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

Cocoa butter – Another name for cocoa fat.

Dairy Fat Alternatives (DFA) – Fats intended for use in dairy products such as cheese, cream, cooking and table margarine, ice-cream, etc. Replace butter fat and add beneficial properties to the end product.

DHA – Omega 3 fats.

EPA – Omega 3 fats.

Essential fatty acids – Two different types of polyunsaturated fatty acids, Omega 3 and Omega 6, which are necessary for good health. Cannot be produced by the human body, but must be acquired in food. Rapeseed oil is one of the few 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 alcohol, glycerol and 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 there is a carboxyl group. The most common fatty acids in vegetable oils contain between 12 and 18 carbon atoms.

Fatty sterols – Sterols from the plant kingdom. Reduce blood cholesterol.

Flaked fats – Fats with a high melting point supplied in the form of little solid ”flakes”, which simplifies handling for certain customer groups.

Fractionation – Multiple-stage crystallisation process used in the manufacture of CBA.

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

IPPC – An EU Directive on environmental assessment of industrial plants. The Directive takes an integrated approach to the whole environmental impact of the plant, including emissions to air, discharges to water, waste generation, use of raw materials and energy-efficiency.

Lanolin – A fat which is extracted from sheep's wool, and used in skin-care products.

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

Mould releasers – Fat-based products which are applied to the inside of casting moulds. Make it easier to remove the mould when the concrete has set without damaging the surface.

Nutrition – Nutrition, food.

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

Omega 6 – Essential polyunsaturated fatty acids in which the first double bond is located three carbon atoms from the end of the carbon chain.

PCR – A method used to identify genetically modified seeds (GMO). The abbreviation stands for Polymerase Chain Reaction.

Polyunsaturated fatty acids – The carbon chain contains two or more double bonds, which are of considerable importance for the biological function of the fats in question.

Pumpable Fats – Products consisting of fat crystals disbursed in liquid oil delivered by tanker lorry. Mainly used by bakeries where they replace solid fats in 10-kg packages.

Saturated fats – Fats with no double bonds along the carbon chain.

Shortening – Fat for the bakery industry.

Trans content – The proportion of trans fatty acids in a fat.

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

Unsaturated fats – Fats with one or more double bonds along the carbon chain.

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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 annual report, the latter shall prevail.

The first choice for value-added vegetable oil solutions

– Our vision consists of three important elements which govern what we want to achieve:

- first choice
- value-added solutions
- vegetable oils

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