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Press release

AAK is seeing clear synergies following the merger, strengthening the balance sheet and opening up for acquisitions

At a Capital Market Day in Stockholm today, AAK summarised the development and gave an insight into the company's prospects.

The proposal to merge Aarhus United A/S and Karlshamns AB was announced in August 2005. Following the completion of the merger and the delisting of the respective companies on the stock exchanges in Copenhagen and Stockholm, AarhusKarlshamn AB, AAK, was listed on the OEM Stockholm Stock Exchange's Mid Cap list during the autumn in 2006.

- We underlined the rationality of a merger in four points in presentations in Copenhagen and Stockholm on August 15, 2005. The combined company would allow us to accelerate growth, strengthen competitiveness, optimise investments and improve cash flow, says Jerker Hartwall, CEO of AAK.
- After four years of operation, we are pleased to note a growth in EBIT by approx. 90 percent.
- We have strengthened our competitive position through the combined resources of the two companies. This is verified by the nomination of our product DELIAIR NH to the industry's highest honour, the Food Ingredients Excellence Award, which will be awarded during the Food Ingredients Europe (FIE) trade fair in Frankfurt.
- We have been able to specialise the production between our production units, especially Aarhus and Karlshamn, which has involved the optimisation of our production resources without major investments.
- Through an aggressive strategy to cut costs we have turned cash flow and achieved a much stronger balance sheet, and we thus open up for acquisitions in the future.

Half a billion lower cost base

So far, the merger has enabled annual savings in costs of SEK 200 million.

Further savings of SEK 100 million will come in late 2010, and another SEK 200 million – as announced during the second quarter of 2009 – will come in the second half of 2011.

As from 2012, AAK will thus be operated with a cost base that is half a billion lower per year than the two companies' total cost base the year before the merger.



Change in turnover is not the best measure of progress within AAK. Fluctuations in world market prices affect the turnover. A safer measurement is how the company has succeeded in developing the value of the raw materials purchased, measured in gross margin per kilogram. During the third quarter of 2009, the gross margin improved by 15 percent in the business area Chocolate & Confectionery Fats, by 14 percent in Food Ingredients, and by 5 percent in Technical Products & Feed.

- The positive development of cash flow during the third quarter was at a record high and strengthened the balance sheet, says Jerker Hartwall. Food Ingredients continued to improve its operating profit by 19 percent. Chocolate & Confectionery Fats was still negatively affected by lower chocolate consumption as a result of the recession. The results for the third quarter showed a seasonal improvement in chocolate sales, compared to the second quarter.

Technical Products & Feed are reporting an improved operating result.

AAK product nominated for the Food Ingredients Excellence Award

AAK's filling fat for confectionery has been nominated for the industry's highest honour, the Food Ingredients Excellence Award, which will be awarded in connection with the Food Ingredients Europe (FIE) trade fair in Frankfurt in mid-November.

- Our strategy to develop products further up the value chain is now being rewarded, says Jerker Hartwall. - It shows that we can meet the highest standards that industry players set. Since the merger between Karlshamns AB and Aarhus United A/S in 2005, we have been determined to pool our resources in order to develop products that are the first choice for our customers. The customer's valuation of our quality level is materialised in the nomination.

The product bears the protected trade name DELIAIR NH. Its distinguishing features, apart from the taste, are its whipping capabilities and its stability, both of which are important to AAK's customers in the confectionery segment. Opportunity for a rational production and the filling's ability to "carry" new flavours in chocolate pralines are the most distinctive customer requirements, which this filling fat meets.

In just a few years, AAK has forcefully concentrated its resources on developing products for the confectionery and cosmetic industries as well as the bakery industry with high quality and high value content. Further, the company has had great success with vegetable oils for baby food.

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