

## AarhusKarlshamn AB (publ)

### Pro forma, full year 2005

- Net sales grew by 9%, from SEK 9,720 million in 2004 to SEK10,573 million in 2005.
- The Group's operating profit excluding items affecting comparability totalled SEK 530 million (414), an increase of 28%.
- Earnings are impacted by items affecting comparability to the amount of SEK 201 million; principally restructuring expenses related to the merger.
- Profit before tax and exclusive of non-recurring items amounted to SEK 461 million (360).
- Earnings after tax amounted to SEK 340 million (274) exclusive of non-recurring items.

- The integration process has proceeded on schedule, and synergies in the neighbourhood of SEK 150 million are expected to yield full effects from 2008 onwards.
- A decision was made on a substantial increase in the production capacity for CBE (Cocoa Butter Equivalents).

### Summarised Financial Statements for the period October – December 2005; the first financial year of the new AarhusKarlshamn Group

- The integration process has proceeded on schedule, and synergies in the neighbourhood of SEK 150 million are expected to yield full effects from 2008 onwards.
- Net sales reached SEK 2,990 million.
- The operating income exclusive of non-recurring items, and IAS39, amounted to SEK 153 million.
- Non-recurring items had a SEK 201 million impact on earnings; the majority of which were restructuring costs related to the merger, and the implementation of IAS39 had a negative effect of SEK 8 million, attributable to raw material and currency derivatives, totalling 209 MSEK.
- Operating result including these items amounted to -56 MSEK.
- Earnings before tax and inclusive of items affecting comparability, totalled SEK -64 million.
- Income after tax amounted to -46 MSEK.
- Earnings per share was -1,12 SEK.

- The Board of Directors of AarhusKarlshamn proposes an ordinary dividend of 4 SEK per share for the year 2005. In addition the board proposes an extra dividend of 25 SEK per share aiming to bring the company's capital structure in line with its needs. Technically the ordinary and the extra dividend cannot be decided until the extra ordinary shareholders meeting.



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## Financial information

This financial information comprises the financial statements for the new, consolidated Group for the period October – December 2005, which is the AarhusKarlshamn Group's first financial year. These statements have been prepared in accordance with IFRS. Furthermore the proforma financial statement for the full year 2005 with comparable numbers for 2004 in appendix 1 on pages 11-17.

This financial information has not been audited.

## The President's comments

### Focus on growth and productivity in the new Group

The new Group, AarhusKarlshamn (AAK), was established on 29 September 2005 following a merger between Aarhus United and Karlshamns. The rationale has been to create a world-class company in the vegetable speciality fats market – a company with a greater critical mass that allows for accelerated growth, for the creation of a more competitive cost structure and a more efficient capital utilisation.

### The merger

In the Group's first financial year (October – December), the strategic focus has been framed, a new organisational structure has been determined, and synergies identified. The integration process is progressing at high pace, and thus also on schedule.

The Group's business areas are: **Chocolate & Confectionery Fats (CCF), Food Ingredients (FI), Technical Products & Feed (TPF)** and **Other Business**, such as **Lipids for Care (LfC)**.

In the new Group, development will be generated by a combination of organic growth and acquisitions.

Chocolate & Confectionery Fats and Lipids for Care both have leading positions on the global market; positions that are now to be further consolidated and globalised. The business area Food Ingredients has strong, regional positions in Europe and Nafta in particular. Here as well, our ambitions are for long-term, global growth. The business area Technical Products & Feed enjoys a strong position in northern Europe, and will focus on regional growth based on its strong links to the production unit in Karlshamn, Sweden, what brings about the considerable synergies this entails.

### Synergies

We expect to realise synergies in the neighbourhood of SEK 150 million no later than 2008. Synergies have been identified all along the value chain; from raw material sourcing, throughout the production processes, to marketing and sales. The majority of synergies have been recognised in the European units: Sweden, Denmark, the Netherlands and United Kingdom. One example is the restructuring of the UK operations, whereby two smaller production sites will cease production and be integrated with the main unit in Hull.

## 2005

The lower-value-added segment of the vegetable oil industry remains under pressure from excess capacity and cutthroat competition.

In combination with the global consolidation trend within retailing, this boosts demand for cost-efficient solutions. Our industry is thus going through a period of intense restructuring.

For AAK, the year 2005 was characterised by a healthy volume growth and stable margins, after several years' downtrend. Soaring energy prices have impacted on our cost development, however.

The cost-saving programme launched by Karlshamns in the autumn of 2004, designed to cut annual operating costs by SEK 100 million, is planned to yield full effects in 2006. These effects, however, might be partly offset by the rising energy prices mentioned above.

This cost-saving programme targeting operations within the former Karlshamns AB is in no way linked to the synergies worth SEK 150 million that have been identified within AAK.

### The future

The years 2006/07 will be characterised by a far-reaching streamlining process that will comprise our entire value chain, from raw material sourcing, the upgrading of production units to an optimised supply structure and efficiency improvements within our sales channels. This will entail higher operating costs as well as certain one-off expenses. As is common in the processing industry, synergies will materialise gradually, to be fully realised in a few years' time. By means of organic growth in combination with investments and acquisitions, we will strive for a growing proportion of high value-added speciality products and attractive contribution margins. A vital step in this direction is thus a decision on a comprehensive extension of our CBE capacity for this rapidly growing product segment (Cocoa Butter Equivalents). The demand growth has surpassed our expectations, and as a result of our raw material purchases have failed to satisfy our own needs. At the same time the global capacity utilisation is very high, which will limit the potential growth in 2006.

The goal is thus an efficient and streamlined AAK by 2008, with strong market positions, a healthy growth and fully realised synergies worth around SEK 150 million.

Our financial leverage will allow us to pursue our global ambitions, while also developing more-value-added speciality products. We will take an active part in the consolidation process that currently characterises our industry.

**Financial goal**

AAK's financial goal is to achieve a growth rate above the industry average and to generate a strong cash flow. The goal is also to gradually increase the return on the Group's total capital.

**Planned dividend policy**

The Board of Directors has agreed upon a dividend policy. According to this new policy, it is the Board's aim to propose annual dividend payments corresponding to at least 30 – 50 percent of the Group's earnings after tax – with due consideration taken to the Group's profit development, financial position and future growth potential.

**Ordinary dividend and adjustment of capital structure**

The Board of Directors of AarhusKarlshamn proposed a dividend of SEK 4 SEK per share for the year 2005. In addition the board proposes an extra dividend of 25 SEK per share aiming to bring the company's capital structure in line with its needs. This proposal presupposes a decision first by the A.G.M. in May to convert restricted equity to unrestricted equity, and subsequently by an extraordinary general meeting in October to execute the dividend payments as proposed above, once the conversion decision taken by the A.G.M. has been duly registered.

The Board's proposal is based partly on technical, partly on financial reasons. As a result of the merger structure, all equity-related balance sheet items were classified as restricted, which thus prevents dividend payments. This problem is resolved by the proposed conversion. As a vast majority of the former Karlshamns/Aarhus United shareholders opted for shares in the new company instead of a cash redemption, the new AAK Group ended up with very low debt/equity ratio. This situation will be remedied by the proposed extra dividend payment.

**Nominating committee**

The nominating committee of AarhusKarlshamn will propose, to the A.G.M. to be held on 23 May 2006, that Ebbe Simonsen and Märit Beckeman be elected independent Board members. Ebbe Simonsen was a member of the Board of Aarhus United A/S in the years 1992 – 2005. Märit Beckeman was a member of the Karlshamns AB Board of Directors in the years 2004 – 2005.

The nominating committee of AarhusKarlshamn has the following members:

Melker Schörling (Chairman)

Erik Højsholt

Carl Bek-Nielsen

Henrik Didner, Didner&Gerge Mutual Fond

Jan-Erik Erenius, AMF Pension

Between them, the members of the nominating committee represent three of the Group's five major shareholders, thus holding 46.7 percent of the votes as at 30 December 2005.

**Listing on the Stockholm Stock Exchange**

Listing on the Stockholm Stock Exchange  
AarhusKarlshamn will apply for a listing on the O-list of the Stockholm Stock Exchange, which is expected to occur in September 2006. As implementation of a new Nordic list is planned by OMX for 2 October 2006, AarhusKarlshamn is following this process with great interest. Pursuant to these plans, the Nordic list will replace the current A-list and O-list in Stockholm, the Main List, I-list and NM List in Helsinki and the list in Copenhagen. Should these plans be realised, a secondary listing on the list of the Copenhagen Stock Exchange will prove unnecessary. Transfers from the O-list to the OMX-list will be made automatically upon implementation and does not involve any additional listing requirements.

**Annual General Meeting 2006**

The Annual General Shareholders' meeting will be held on Tuesday 23 May 2006, at 2.00 p.m., at "Uppfinnarcentrum", Kreativum in Karlshamn. Record day will be 17 May 2006.

**Group structure**

As from the first quarter of 2006, the Group is divided into four different reportable segments: Chocolate & Confectionery Fats, Food Ingredients, Technical Products & Feed, and Other Business.

Headquarters will be established in Malmö in the spring of 2006, to serve as a base for the Group's CEO, CFO and their staff. This headquarters will also serve as a meeting centre for the entire organisation.

## Accounts, October - December 2005 – the new Group's first financial year

### Profit after net financial items

The Group's earnings before tax totalled SEK -64 million. This figure comprises change in fair value in raw material and currency derivatives, which had a SEK 8 million negative impact on earnings. Net financial items amounted to SEK -8 million.

### Capital expenditure

The Group's direct investments in fixed assets amounted to SEK 159 million in 2005.

### Financial position

The Group's shareholders' equity as of 31 December 2005 was SEK 3,504 million. Total assets amounted to SEK 6,837 million, the equity/assets ratio to 52 percent.

On 31 December 2005, the Group's net borrowings amounted to SEK 1,629 million.

### Personnel

The Group's average number of employees in the period 31 December 2005 was 2.570.

### Accounting and valuation principles, October - December 2005

The AarhusKarlshamn Group prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) such as they were adopted by the EU and the Annual Accounts Act. The parent company reports in accordance with the Annual Accounts Act and recommendation no. RR 32:05 issued by the Swedish Financial Accounting Standards Council. As this is the Group's first financial year, comparative figures are not available. The IFRS have been applied with one single exception. When convening on 28 February 2006, the Board of Directors of AAK established the division of the Group's operations into primary and secondary segments. The intention is to report by segment according to IAS 14 from the first interim report 2006 onwards.

### Acquisitions

On 30 September 2005, the parent company acquired 100% of the capital of Karlshamns AB and Aarhus United A/S. Karlshamns AB and Aarhus United A/S are both leading players on the vegetable fats market. On closing day, the Group had subsidiaries in a large number of countries in addition to its domestic operations in Sweden and Denmark. Other than in Sweden and Denmark, production is carried out in the United Kingdom, the US and Mexico.

According to IFRS 3, the parent company did not qualify as acquirer. Among the acquired companies, Karlshamns AB was instead identified as the acquirer. Karlshamns AB and its subsidiaries are thus reported at the book values applicable on acquisition date. Fair values have been identified for Aarhus United, which has resulted in the preliminary acquisition estimate below.

The acquired operations contributed earnings of SEK 1,955 million and a net profit of SEK 12 million to the Group in its first financial year, i.e. the period from 1 October to 31 December 2005.

The consideration comprised the following elements:

Cash payment	SEK 157 million
Direct acquisition expenses	SEK 25 million
Fair value of issued shares	<u>SEK 2,540 million</u>
Total consideration	SEK 2,722 million
Fair value, acquired net assets	<u>SEK 2,154 million</u>
Goodwill	SEK 568 million

Goodwill is attributable to the high profitability of the acquired operations and the important synergies anticipated after the Group's acquisition of Aarhus United A/S.

**The following assets and liabilities were part of the acquisition of Aarhus United A/S:**

<b>MSEK</b>	<b>Book value, acquired assets/liabilities</b>	<b>Fair value, acquired assets/liabilities</b>
Cash and cash equivalents	611	611
Tangible fixed assets	1,547	1,840
Items included in intangible fixed assets	52	90
Deferred tax asset	70	54
Available-for-sale financial assets	26	26
Inventories	942	987
Receivables	1,137	1,145
Liabilities	-588	-596
Borrowings	-1,865	-1,865
Deferred tax liabilities	0	-104
Net assets	1,932	2,188
Minority shareholding	-48	-34
Acquired net assets	1,884	2,154
Cash consideration		-182
Liquid funds held by acquired subsidiaries		611
Change in consolidated liquid funds on acquisition date		429

**Compulsory redemption**

AarhusKarlshamn currently owns 98.2 percent of the share capital of its subsidiary AarhusKarlshamn Sweden AB (former Karlshamns AB). The remaining outstanding shares in this company, 387,275 of a total of 21,864,928 shares, are now the subject of compulsory redemption. This procedure was initiated in October 2005. The district court has appointed LLB Lars Milberg, as legal representative of all minority shareholders, to attend to their interests in connection with the compulsory redemption procedure and to see to the appointment of a joint arbitrator. The procedure is expected to be concluded no earlier than October 2006.

**Parent company**

Operations in the parent company started on 29 September 2005. The company is the holding company for the AarhusKarlshamn Group, and conducts operations mainly in the form of group-wide tasks linked to the Group's development and management. The company will, for example, provide resources in the areas of finance, accounting, IT and Human Resources. The company will also handle the Group's strategic issues and risk management and provide legal and fiscal services to Group companies. The Group's CEO, CFO and CIO will be employed by the parent company, which is also the intended owner of the Group's trademarks.

Profit before financial items amounted to SEK -12.0 million. This entire loss is attributable to non-recurring items in the form of consultancy fees for restructuring measures.

The parent company's net financial items amounted to SEK -1.9 million; profit/loss after net financial items to SEK -13.9 million and profit/loss after tax to SEK -9.9 million.

The parent company's balance sheet total amounted to SEK 5.8 billion; its shareholders' equity to SEK 5.6 billion.

**The company's shareholders' equity consists of:**

Shareholders' equity	SEK 414 million
Share restricted equity (paid in capital),	SEK 5,170 million
Net loss	SEK -10 million
<b>Total shareholders' equity on 31 December 2005</b>	<b>SEK 5,574 million</b>



### **Reporting Schedule**

The Annual Report will be distributed in late April 2006.

The Annual General Meeting will be held on Tuesday, 23 May 2006.

The Interim Report for the period to 31 March 2006 will be released on 23 May 2006.

The Interim Report for the period to 30 June 2006 will be released on 17 August 2006.

The Interim Report for the period to 30 September 2006 will be released on 10 November 2006.

Karlshamn, 28 February 2006

A handwritten signature in black ink, appearing to read 'Jerker Hartwall', written in a cursive style.

Jerker Hartwall

President and C.E.O.

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*These interim figures have not been audited.*

## Summary Income Statement for the Group

	3 months Oct-Dec 2005
(SEK million)	
Net sales	2,990
Other operating income	11
Total operating income	3,001
Raw materials, consumables and goods for resale	-2,343
Other external sales	-298
Costs for employee benefits	-264
Depreciation and impairment losses	-141
Other operating costs	-11
Total operating costs	-3,057
Operating profit/loss	-56
Interest income	12
Interest expenses	-22
Other financial items	2
Pre-tax profit/loss	-64
Tax	18
Net profit/loss	-46
of which minority share	1
of which Parent company's shareholders	-47

### Share data

Number of shares (000)	41,384
Earnings per share, SEK	-1,12
Equity per share, SEK	85,88

### Items affecting comparability

SEK (million)	3 months Oct – Dec 2005
Restructuring costs	201
of which impacted on	
Raw materials and consumables	50
Other external costs	29
Personnel	70
Depreciation and write-downs	52

In the accounts, "Items affecting comparability", or non-recurring items, have been evaluated as follows: a company as large as AAK has a certain amount of current restructuring costs at all times. When evaluating non-recurring items in the new Group, only such items have been reported as non-recurring as were deemed to be merger-related. Redundancy costs, write-downs of tangible fixed assets etc, which could reasonably be considered part of normal, continuous rationalisations in a Group of AAK's magnitude, were reported as operating costs and were thus not treated as non-recurring in the accounts.

**Note.** The first financial year for the new company



## Summary balance sheet for the Group

(SEK million)	31.12.2005
<b>ASSETS</b>	
Goodwill	593
Other intangible fixed assets	92
Tangible fixed assets	2,670
Financial fixed assets	136
<b>Total fixed assets</b>	<b>3,491</b>
Inventories	1,429
Current receivables	1,706
Cash and cash equivalents	211
<b>Total current assets</b>	<b>3,346</b>
<b>TOTAL ASSETS</b>	<b>6,837</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	
Shareholders' equity	3,504
Minority shareholding	50
<b>Total shareholders' equity incl. minority share</b>	<b>3,554</b>
<b>Long-term liabilities</b>	<b>1,429</b>
Accounts payable - trade	547
Other current liabilities	1,307
<b>Total current liabilities</b>	<b>1,854</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>6,837</b>

### CHANGE IN SHAREHOLDERS' EQUITY

(SEK million)	Total equity	Minority	Total share-holders equity incl. minority
Shareholders' equity, opening balance	0	0	0
Non-cash issue Karlshamns AB	987	19	1,006
Non-cash issue Aarhus United A/S	2,541	156	2,697
Issue expenses	-25		-25
Acquisition of shares in Karlshamns AB	-4		-4
Acquisition of shares in Aarhus United A/S		-121	-121
Translation differences	52	-5	47
Net profit/loss	-47	1	-46
<b>Shareholders' equity, closing balance</b>	<b>3,504</b>	<b>50</b>	<b>3,554</b>

Shares subscribed for by Aarhus United in the non-cash issue have reduced the remaining capital contribution by SEK 77 million, in relation to how the contribution in kind was accounted for in the Parent company's shareholders' equity.

**Note.** The first financial year for the new company

**Summary cash-flow statement for the Group**

	<b>Oct-Dec 2005</b>
(SEK million)	
<b>Operating activities</b>	
Cash flow from operating activities before	
changes in net operating assets	85
Changes in net operating assets	258
<b>Cash flow from operating activities</b>	<b>343</b>
<b>Investing activities</b>	
Acquisition of Aarhus United A/S	429
Cash flow from investing activities	-165
<b>Cash flow from investing activities</b>	<b>264</b>
<b>Financing activities</b>	
Cash flow from financing activities	-460
Cash flow for the year	147
Liquid funds, opening balance	0
Cash and cash equivalents held by	
Karlshamns AB at the time of acquisition	61
Translation differences	3
<b>Liquid funds, closing balance</b>	<b>211</b>

**Key figures**

	<b>Oct - Dec 2005</b>
(SEK million unless otherwise stated)	
<b>Income statement</b>	
Net sales	2,990
Operating profit/loss	-56
Profit/loss after net financial items	-64
Net profit/loss	-46
<b>Balance sheet</b>	
Fixed assets	3,491
Current assets	3,346
Shareholders' equity	3,504
Minority share	50
Long-term liabilities	1,429
Current liabilities	1,854
Net borrowings	1,629
<b>Key ratios</b>	
Equity/assets ratio, %	52
Debt/equity ratio, multiple	0.46
Proportion of risk-bearing capital, %	55
Direct investments in fixed assets	159
Average number of employees	2,570
of whom in Sweden	686

**Note.** The first financial year for the new company

# Appendix 1 – Proforma 2005

## AarhusKarlshamn AB (publ)

### Key ratios and earnings – a summary; Pro forma January December 2005

	2005	2004	Change %
Net sales	10,573	9,720	8.8
Gross contribution	2,901	2,644	9.7
Gross contribution, %	27.4	27.2	
Operating profit incl. non-recurring items	329	414	-20.5
Operating margin, %	3.1	4.3	
Operating profit excl. non-recurring items	530	414	28.0
Operating margin excl. non-recurring items	5.0	4.3	
Net profit excl. non-recurring items	340	274	24.1
Operating profit before depreciation (EBITDA) excl. non-recurring items	837	695	20.3
Operating cash flow	3	418	
Capital expenditure	485	261	
Shareholders' equity	3,504	3,265	
Minority shareholding	50	46	
Net borrowings	1,629	1,208	
Equity/assets ratio, %	52	52	
Debt/equity ratio, net	0.46	0.34	
Net operating assets	5,581	4,907	
Return on net operating assets excl. non-recurring items, %	10.1	8.4	
Return on shareholders' equity, excl. non-recurring items, %	9.9	8.3	
Earnings per share excl. non-recurring items, kr	8.22	6.62	
Total number of shares, closing balance	41,384	41,384	

- Net sales grew by 9%, from SEK 9,720 million in 2004 to SEK 10,573 million in 2005.
  - The Group's operating profit excluding items affecting comparability totalled SEK 530 million (414), an increase of 28%.
  - Earnings are impacted by items affecting comparability to the amount of SEK 201 million; principally acquisition costs and restructuring expenses.
  - Profit before tax and exclusive of non-recurring items amounted to SEK 461 million (360).
  - Earnings after tax amounted to SEK 340 million (274).

## Pro forma accounts

### January – December 2005

The following consolidated pro forma accounts have been prepared to illustrate the anticipated effects of the merger between Karlshamns and Aarhus United, had the merger taken place at an earlier point of time.

The pro forma accounts have been prepared for purely illustrative purpose, and do not purport to present what financial position or profitability level the operations could actually have achieved had the merger been completed at the pro forma reporting dates; nor do they purport to indicate the financial position or operating profit for any future point of time or period.

The pro forma financial reports for 2004 are based on the audited accounts prepared by Karlshamns AB and Aarhus United in accordance with Swedish and Danish GAAP. The pro forma accounts for January – September 2005 are based on unaudited accounts; by Karlshamns AB prepared in accordance with IFRS and by Aarhus United in accordance with Danish GAAP. Reports for 2004 are thus not fully comparable with accounts for the period January – September 2005. For the period October – December, the new Group, Karlshamns and Aarhus United all reported in accordance with IFRS.

### Principles and assumptions

The pro forma income statements for 2004 and 2005 have been prepared as if two entities had merged on 1 January 2004, whereas the corresponding pro forma balance sheet for 2004 has been prepared as if the merger had been completed on 31 December 2004. The balance sheet as of 31 December 2005 has been prepared in accordance with IFRS, and is the new Group's first consolidated balance sheet.

### Consolidation

The pro forma accounts for the merged entity have been prepared for 2004 on the basis of a the remaining parts of the acquisition analysis as of 31 December 2005. The acquisition analysis was made in accordance with IFRS 3, the assumption being that Karlshamns is the identified acquirer.

Further information on page 5.

The pro forma accounts are stated in the Swedish currency, SEK. Income statements and balance sheets for Aarhus United have been translated at the average exchange rate for the periods 1 January – 31 December 2004 and 1 January – 31 December 2005, and at the closing day rate on 31 December 2004 and 31 December 2005 respectively.

### Translation rates

SEK/DKK	2004	2005
Average exchange rate	1.225	1.245
Closing-day rate	1.211	1.264

No adjustments have been made in the pro forma accounts to illuminate potential synergies that may arise from the merger between the business operations of Karlshamns and Aarhus United.

All issued shares in Aarhus United were acquired on 31 December 2005. The remaining, i.e. not acquired shares in Karlshamns are reported separately as minority share under the heading "Minority shareholding". These remaining shares are subject to compulsory redemption.

The interest cost on the acquisition loan has been calculated for the respective reporting periods in accordance with current terms of lending.

As the acquisition analysis was prepared in accordance with IFRS 3, goodwill is not amortised but will be subjected to an annual appraisal.

Aarhus United's holding (23.4 percent of all issued shares) in United Plantation Bernhard was divested as of 30 September 2005, the sales value amounting to DKK 465 million (appr. SEK 580 million). The pro forma accounts are based on the assumption that the settlement will be allocated to the redemption of debts. A corresponding reduction of interest costs has been taken into account.

**Pro forma accounts**

January – December 2005

**Income Statement, pro forma**

(SEK million)	Full year 2005	Full year 2004
Net sales	10,573	9,720
Other income	13	43
<b>Total operating income</b>	<b>10,586</b>	<b>9,763</b>
Raw materials, consumables and goods for resale	-7,640	-7,076
Fair value movements in raw material and currency derivatives (IAS 39)	-32	-
Other external costs	-1,074	-978
Personnel	-992	-1,014
Depreciation and write-downs	-307	-281
Other costs	-11	-
<b>Total operating costs</b>	<b>-10,056</b>	<b>-9,349</b>
<b>Operating profit</b>	<b>530</b>	<b>414</b>
Net financial items	-69	-54
<b>Pre-tax profit</b>	<b>461</b>	<b>360</b>
Tax	-121	-86
<b>Net profit</b>	<b>340</b>	<b>274</b>
of which minority share	16	8
of which Parent company's shareholders	324	266

**Income Statement, pro forma – “Bridge”**

(SEK million)	Jan-Sep 2005	Oct-Dec 2005	Adjustm. non-rec.	Adj Oct-Dec 2005	Full year Jan-Dec 2005
Net sales	7,583	2,990		2,990	10,573
Other operating income	2	11		11	13
<b>Total operating income</b>	<b>7,585</b>	<b>3,001</b>		<b>3,001</b>	<b>10,586</b>
Raw materials, consumables and goods for resale	-5,347	-2,343	50	-2,293	-7,640
Fair value movements in raw material and currency derivatives (IAS 39)	-40	8		8	-32
Other external costs	-805	-298	29	-269	-1,074
Personnel	-798	-264	70	-194	-992
Depreciation and write-downs	-218	-141	52	-89	-307
Other costs	-	-11		-11	-11
<b>Total operating costs</b>	<b>-7,208</b>	<b>-3,049</b>	<b>201</b>	<b>-2,848</b>	<b>-10,056</b>
<b>Operating profit/loss</b>	<b>377</b>	<b>-48</b>	<b>201</b>	<b>153</b>	<b>530</b>
Net financial items	-61	-8		-8	-69
<b>Pre-tax profit/loss</b>	<b>316</b>	<b>-56</b>	<b>201</b>	<b>145</b>	<b>461</b>
Tax	-81	16	-56	-40	-121
<b>Net profit/loss</b>	<b>235</b>	<b>-40</b>	<b>145</b>	<b>105</b>	<b>340</b>
of which minority share	15	1	-	1	16
of which Parent company's shareholders	220	-41	145	104	324

**Pro forma accounts**

January – December 2005

**Balance sheet, pro forma**

(SEK million)

	<b>IFRS 31.12.2005</b>	<b>Pro forma 31.12.2004</b>
<b>ASSETS</b>		
Goodwill	593	593
Other intangible fixed assets	92	70
Tangible fixed assets	2,670	2,380
Financial fixed assets	136	126
<b>Total fixed assets</b>	<b>3,491</b>	<b>3,169</b>
Inventories	1,429	1,281
Current receivables	1,706	1,516
Cash and cash equivalents	211	365
<b>Total current assets</b>	<b>3,346</b>	<b>3,162</b>
<b>TOTAL ASSETS</b>	<b>6,837</b>	<b>6,331</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity	3,504	3,265
Minority share of equity	50	46
<b>Total shareholders' equity incl. minority share</b>	<b>3,554</b>	<b>3,311</b>
<b>Long-term liabilities</b>	<b>1,429</b>	<b>905</b>
Accounts payable - trade	547	523
Other current liabilities	1,307	1,592
<b>Total current liabilities</b>	<b>1,854</b>	<b>2,115</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>6,837</b>	<b>6,331</b>
<b>Operating cash flow, pro forma</b>		
Operating profit	530	414
Depreciation and write-downs	307	281
Changes in working capital	-349	-16
Operative investments	-485	-261
<b>Operating cash flow</b>	<b>3</b>	<b>418</b>

**Definitions****Net operating assets**

Total assets less liquid funds, interest-bearing receivables and non-interest-bearing operating liabilities, but excluding deferred tax.

**Earnings per share (EPS)**

Profit/loss for the year divided by the average number of shares on closing date.

**Equity/assets ratio**

Shareholders' equity including minority shares as a percentage of the balance-sheet total.

**Gross contribution**

Operating income less cost of raw materials.

**Net borrowings**

Total interest-bearing liabilities less interest-bearing assets.

**Net debt/equity ratio**

Net borrowings divided by shareholders' equity including minority interest.

**Return on net operating assets**

Operating profit/loss divided by average net operating assets.

**Return on shareholders' equity**

Profit/loss as a percentage of average shareholders' equity.

**Shareholders' equity per share**

Shareholders' equity divided by the average number of shares on closing date.

## Operations The Group

(SEK million)	12 months Jan-Dec 2005	12 months Jan-Dec 2004
Net sales	10,573	9,720
Gross contribution	2,901	2,644
Operating profit	530	414
Volumes (000 tonnes)	1,554	1,460

The Group's total sales increased by SEK 853 million, or almost 9 percent. Volumes grew by 94,000 tonnes, or 6 percent. The operating profit exclusive of non-recurring items improved by SEK 114 million, or 28 percent.

### Oct – Dec 2005 compared to the same period in 2004

In the fourth quarter of 2005, total sales amounted to SEK 2,990 million, which is an increase of SEK 333 million or 13 percent compared to the same period in 2004.

Operating profit excluding non-recurring items (pro forma) amounted to SEK 153 million, an improvement of SEK 82 million compared to the fourth quarter of 2004.

Non-recurring items had a negative effect on fourth-quarter earnings of SEK 201 million.

## Chocolate & Confectionery Fats

(SEK million)	12 months Jan-Dec 2005	12 months Jan-Dec 2004
Net sales	3,081	2,907
Gross contribution	1,039	912
Operating profit	222	166
Volumes (000 tonnes)	311	280

In 2005, Chocolate & Confectionery Fats realised a growth in volumes as well as in profit. Volumes rose by 11 percent, led by growth in CBA products (Cocoa Butter Alternatives) and filling fats. A two-digit growth in demand for CBE (Cocoa Butter Equivalents) in the chocolate industry was a particular growth driver, the main geographical areas being Europe, Asia and South America. This positive trend is expected to continue.

Within CBE, the higher-than-expected growth in 2005 reduced the purchased stock of strategic shea raw materials available for 2006. Furthermore, the scarce availability of critical CBE production capacity has materialised in the global market.

These factors have contributed to a stabilisation of CBE margins, and in some areas increases have materialised. However, due to the above factors, the significant growth achieved in 2005 is expected to flatten out in most of 2006, to resume in 2007 onwards.

Based on the previous years' very good results in CBE and the very promising long-term outlook, AAK will continue to explore strategic investments to support our leading position within the CBE and CBA segments.

In addition to the positive developments in 2005 within sales of processed chocolate and confectionery fats, the business unit experienced very good results from the crushing activities in various special raw materials. This was due to the general uptrend in crushing activities all over the world, the result of the demand for fats exceeding that for meal, which thus boosted the general processing profitability.

## Food Ingredients 2005 – a year of growth

(SEK million)	12 months Jan-Dec 2005	12 months Jan-Dec 2004
Net sales	6,191	5,420
Gross contribution	1,559	1,382
Operating profit	294	232
Volumes (000 tonnes)	943	855

### Food Ingredients Continental Europe

Throughout 2005, sales volumes grew in the business area Food Ingredients Continental Europe – up by 11 percent on the year 2004. This growth was mainly generated in the segments speciality products, infant food and DFA (Dairy Fat Alternatives). The strongest progress was made in the Nordic countries and Eastern Europe.

In 2004, the Group acquired a UK operation specialised in flaked fats for convenience foods. The contribution made by this business is now materialising in the 2005 sales figures.

Following a competitor's closedown of its operations in Norway, AAK established a strong foothold on the Norwegian market in 2005.

### Food Ingredients UK

Throughout 2005, the markets on which Food Ingredients UK operates remained under the pressure of keen competition. The past year was also characterised by continued concentration to fewer but larger market players – among customers as well as retailers.

Sales of branded products continued to make headway, and a large number of new products were launched. The one that attracted most attention was the launch of Prep ZT, a non-trans frying oil. In April, a similar product was very successfully introduced in the US under the brand FryChef. Sales are thus expected to keep on growing in 2006.

The company has obtained three awards during 2005:

Grocery Exporter of the Year, Private Label Exporter of the Year and Overall Category Food and Drink Exporter of the Year.



### Food Ingredients Nafta

#### Food Ingredients USA and Canada

Sales of the new trans-free products doubled. This increase is the result of growing demand - the bakery industry in particular was a growth driver. To meet this demand, Food Ingredients USA launched more new products for this segment than any other supplier. In general, 2005 was characterised by a number of new product launches, with focus on products designed to replace trans fats.

Based on new product developments, Food Ingredients USA has applied for patents for four different types of products, which is unique for the vegetable oil industry.

During the year, production capacity was increased by means of investments made in previous years, which began to have an impact on throughput. In addition, new processing units enabled increased production of trans-free products.

#### Food Ingredients Mexico

In 2005 the growth increased by 3% in all segments, which contributed to higher sales volumes and turnover. Particular progress was made in the DFA and bakery fats segments.

The Bimbo Group, which is the largest Mexican manufacturer of snacks and bakery products, was awarded AAK Mexico "Supplier of the Year".

A major achievement in 2005 was the construction and commissioning of a new packaging plant, which has removed a bottleneck problem and increased capacity.

### Technical Products and Feed - 2005 was yet another tough year

(SEK million)	12 months Jan-Dec 2005	12 months Jan-Dec 2004
Net sales	902	1,002
Gross contribution	196	205
Operating profit	54	63
Volumes (000 tonnes)	293	319

#### Business Sector Tefac – Oleochemicals

In terms of sales, 2005 was yet another tough year. Volumes were forced downwards; a reduction of 6 percent. The market for fatty acids is to a very high extent affected by escalating raw material prices.

This development is mainly caused by the fact that the raw materials used for producing fatty acids are also in high demand among the energy industries in Europe, who use these raw materials as bio-fuels.

Because of rising fuel oil prices and EU-subsidised bio-fuel production, the effect on Tefac is reduced contribution margins.

Tefac meets this tough business environment with investments in new processing equipment, to allow for a broad range of raw materials. These investments will provide full impact by 2006. The effect will be a range of higher-value-added fatty acid products, and a strong cost position in relation to competitors.

Due to the EU-subsidised bio-diesel production, there is also a substantial oversupply of glycerine, which is a by-product to bio-diesel. Consequently, prices – and thus also the contribution margin on glycerine – are forced downward.

#### Business Sector Binol – Biolubricants

Under the brand names Binol and BioSafe, AarhusKarlshamn develops, manufactures and markets environmentally friendly lubricants.

In 2005, sales figures continued to increase, and this development is expected to continue in 2006.

#### Business Sector Feed Materials

The business sector Feed Materials is a leading supplier of feed materials in the Nordic market. Feed materials include vegetable protein and fat raw materials for the animal feed industry. The products are mainly used for dairy cows, pigs and poultry.

2005 was a reasonably good year, with profits increasing slightly.

#### Other business

(SEK million)	12 months Jan-Dec 2005	12 months Jan-Dec 2004
Operating profit/loss	-40	-47

"Other business" includes Lipids for Care, Ceylon trading Company, Frank Fontannas Holdings, BSP Pharma A/S and headquarter functions.

#### Lipids for Care

2005 was yet another year characterised by growth in the Lipids for Care business area. Particularly strong growth was seen in Europe and in China, which is an increasingly interesting market. The market trends that we have witnessed in the past years remain strong.

The number of consumers is rising, as younger and older customers enter the market for skin- and hair-care products. Similarly, more and more men demand these types of products. The increased disposable income among consumers in developing economies leads to the emergence of new geographical markets, and the total number of potential end-users is thus growing.

**Ceylon Trading Company Ltd.**

Ceylon Trading Company Ltd., which is 100 percent owned by the AAK Group, is the holding company for a number of subsidiaries engaged in the production and export of rubber goods, the production and distribution of food products as well as freighting and shipping operations in Sri Lanka.

**Frank Fontannas Holdings Ltd.**

The Fontannaz Group, with offices in London, Rotterdam and Kuala Lumpur, operates an international vegetable oils broking business. Like the activities in Sri Lanka, the Fontannaz Group has been part of the Aarhus United Group for many years, and is now 100 percent owned by the AAK Group.

**BSP Pharma A/S**

BSP Pharma is a joint venture between AarhusKarlshamn Denmark A/S and Astion A/S. The mission of the company is to develop and market proprietary anti-inflammatory products of the highest standards in terms of documentation, safety and efficacy.

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