

Auditor's report

To the general meeting of the shareholders of AAK AB (publ.), corporate identity number 556669-2850

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AAK AB (publ.) for the year 2016 except for the corporate governance statement on pages 79–83. The annual accounts and consolidated accounts of the company are included on pages 37–84, in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of December 31, 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 79–83.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the annual accounts and consolidated

accounts. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the annual accounts and consolidated accounts as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the annual accounts and consolidated accounts are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts and consolidated accounts.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the annual accounts and consolidated accounts as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the annual accounts and consolidated accounts as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition**– accounting of entered sales contracts**

The accounting of revenues comprises a significant risk based on their importance in the financial information and the complexity in the valuation of entered sales contracts.

As seen on page 22 and Note 3 of the annual report, AAK applies active risk management. The value of the sales contracts entered, are reported in accordance with IAS 39 which implies that all of these are valued and reported at market value as at balance sheet date.

The market value is determined, as appropriate, on the basis of liquid market prices in an open market and on stock exchange prices. Any possible error in the applied market price has a direct impact on the reported revenues and results.

Any possible omission in the reporting of entered contracts, or the risk of fictitious agreements being reported, would imply an impact on reported revenues and would limit AAK's possibility to achieve appropriate risk management measures.

In order to verify that revenues are complete, correctly reported and valued, and that they comprise of existing sales contracts, our audit has included, amongst other things, a combination of :

- a review and testing of AAK's internal controls
- tests of detail through, amongst other measures, random sampling
- analytical procedures, amongst other things, with the help of data analyses

The audit activities described above refer to the sales process in its entirety (registration of sales contracts, delivery to the customer, inventory transactions, invoicing, receipt of payments and valuation).

In order to ensure the completeness and correctness of the reporting regarding signed contracts, we have, amongst other things:

- created an understanding for, and tested, the controls intended to identify un-allowed activities linked to the signing and valuation of sales contracts,
- tested confirmations from counterparties regarding established sales contracts.

No deviations have been noted in the reporting of established sales contracts based on the executed audit, as described above.

Valuation of purchase contracts regarding raw materials and inventory on hand

AAK has a purchase process implying that as soon as a sales contract has been signed, the equivalent currency and raw material price is hedged.

The active risk management applied by AAK is described on page 22 and in Note 3 in the annual report. Entered purchase contracts (physical contracts and derivative instruments), including inventory on hand, are reported according to IAS 39, which implies that all of these items are valued and reported at market value as at balance sheet date.

The reporting of raw materials purchases is complex and fluctuations in raw materials prices can have a significant impact on the financial information, which is the reason an incorrect valuation of purchase contracts and inventories can have a direct impact on costs and results.

A possible omission in reporting entered contracts or the risk that a fictive contract is reported, would imply an impact on reported costs and would limit AAK's possibilities to achieve an appropriate risk management.

In order to verify that raw material costs are complete, correctly reported and valued, and that they are comprised of existing purchase contracts, our audit has included, amongst other things:

- a review and testing of AAK's internal controls regarding the updating and registration of market prices,
- data analyses, tests of detail through random sampling and other analytical procedures in order to ensure the registration of signed contracts, received deliveries, inventory transactions, received invoices, payments and registered market prices.

In order to ensure the completeness and correctness of the accounts regarding signed purchase contracts, we have, amongst other things:

- obtained an understanding of, and tested, the controls referring to the identification of un-allowed activities associated with the subscription and valuation of purchase contracts,
- tested the confirmations received from counter parties regarding established purchase contracts.

No deviations have been noted based on the audit activities described above.

Acquisition

As seen on page 38 and in Note 27, in the annual report, AAK acquired California Oils in the US during the year. After allocation of the purchase price, the acquisition resulted in negative goodwill of MSEK 135 which, in accordance with the regulations in effect, was reported in income. At the same time, AAK has provided for future integration costs, the net of which has positively impacted results in an amount of MSEK 15.

The work with identifying and ensuring the completeness and valuation of separately identifiable assets and liabilities is complex and includes judgments. An error either in identifying or valuing these items can lead to an incorrect classification in the balance sheet at point of acquisition and also, later, in the income statement.

We have received copies of and studied and understood the management's assessment of the value of the acquired assets and liabilities, and of their nature. We have evaluated the management's assumptions based on the group's accounting policy by, amongst other things:

- reading agreements, decision-making documentation, due diligence reports and audited financial reports,
- through, amongst other things, meetings with specialists and visits to the plant at California Oils, an independence evaluation, the objectivity and competence of the specialists contracted by management to assist them in the valuation process with the aim of ensuring that they are qualified and have adequate industry knowledge,
- through utilizing our internal valuation specialists to independently evaluate the models and assumptions applied by management in identifying and valuing assets and liabilities.
- assessed the economic useful lives of the assets and ensured that these agree with our understanding of the acquired assets and of the group's accounting principles.

Significant assumptions made by the management have been deemed to be supported and to be correct against the background of current and known circumstances.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 79–83. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of AAK AB (publ.) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 79–83 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö, March 31, 2017
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized public accountant
Auditor in charge