

The logo for AAK, consisting of the letters 'AAK' in a bold, blue, sans-serif font. The letter 'A' is stylized with a small circle at the bottom right of its stem. The background is a photograph of a green field with yellow flowers under a blue sky with white clouds.

# AAK

AarhusKarlshamn

## Financials

Anders Byström

CFO

# Content

- Comments on the first 6 months 2006
- Review of trends, seasonal patterns etc based on historic information.

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# Financial Highlights 1st six months 2006

- Sales totalled SEK 5 396 (5 252)
- Operating Profit excl IAS 39 and non recurring items of 107 amounted to 220 (236) MSEK
- During 2005 subcontracting in CCF of SEK 60 million full year and SEK 30 million first six months
- Operating Profit incl IAS 39 and non recurring items 124 MSEK
- IAS 39 impact 11 MSEK

## Specification of non recurring items 2006

	6 months 2006
	Total
Termination of distributors	72
Extra admin costs	12
Personnel reduction & integration costs	23
<b>Total 6 months non recurring</b>	<b>107</b>

	Q 2 2006
	Total
Termination of distributors	72
Extra admin costs	7
Personnel reduction & integration costs	23
<b>2nd quarter non recurring</b>	<b>102</b>

## "Underlying operating profitability "

### First six months

	2006	2005
<b>Operating profit per bullit point</b> (excl IAS 39 and non recur.)	220	236
<b>Adjust for 2005 subcontracting in CCF discontinued at end of 2005</b>		-30
<b>"Underlying operating profitability"</b>	<b>220</b>	<b>206</b>

### Second quarter

	2006	2005
<b>Operating profit per bullit point</b> (excl IAS 39 and non recur.)	101	117
<b>Adjust for 2005 subcontracting in CCF discontinued at end of 2005</b>		-20
<b>"Underlying operating profitability"</b>	<b>101</b>	<b>97</b>

# 2006 – Remember “Make the change”

- Lot's of hazzles
- Non recurring costs
- Restructuring of
  - *Plants*
  - *Distributor channels*
- Production optimization
- Lack of shea nuts

# Content

- Comments on the first 6 months 2006
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# Historic Financial Trends are based on "Pro forma" external financial statements

- Simply adding
  - *Karlshamn*
  - *Aarhus United*

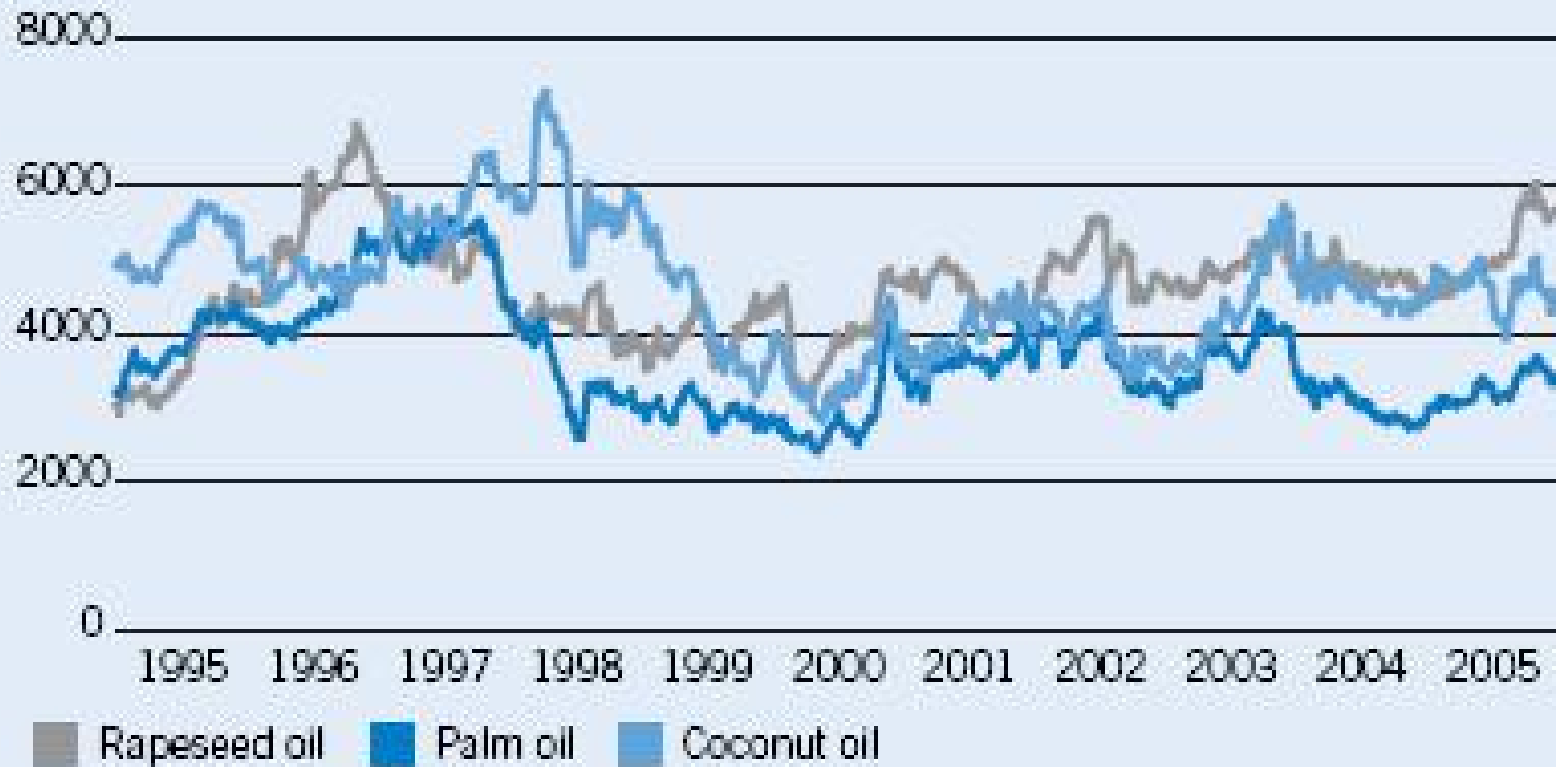
*Disregarding for example depreciation of Purchase Price  
Allocation ( 20 MSEK annually)*

# Content

- Gross contribution/ton
- Commodity/specialty
- Revenue/cost structure
- Seasonality
- CAPEX/ depreciation
- Dividend policy

## Raw material price trend 1995–2005

SEK/TONNE



Source Annual Report 2005

# Impact of changing raw material prices

- An illustration of the impact on
  - *Sales growth*
  - *EBIT %*

# Illustration of the impact of significant changes in rawmaterial prices - the base 2005 pro forma

	<b>Actual 2005</b>
MSEK	
<b>Sales</b>	<b>10 573</b>
<b>Raw material</b>	<b>7 672</b>
<b>Gross Contribution</b>	<b>2 901</b>
<b>EBIT</b>	<b>530</b>
<b>Sales Growth</b>	<b>9%</b>
<b>EBIT % sales</b>	<b>5%</b>

Source Financial reports

# Illustration of the impact of significant changes in rawmaterial prices - 2005 if raw material price increase by 19 %

MSEK	Actual 2005	Change in raw material cost 19%
<b>Sales</b>	<b>10 573</b>	<b>12 031</b>
<b>Raw material</b>	<b>7 672</b>	<b>9 130</b>
<b>Gross Contribution</b>	<b>2 901</b>	<b>2 901</b>
<b>EBIT</b>	<b>530</b>	<b>530</b>
<b>Sales Growth</b>	<b>9%</b>	<b>24%</b>
<b>EBIT % sales</b>	<b>5%</b>	<b>4%</b>

Source Financial reports

# Illustration of the impact of significant changes in rawmaterial prices - 2005 if raw material price decrease by 19 %

MSEK	Actual 2005	Change in raw material cost 19%	Change in raw material cost -19%
<b>Sales</b>	10 573	12 031	9 115
<b>Raw material</b>	7 672	9 130	6 214
<b>Gross Contribution</b>	2 901	2 901	2 901
<b>EBIT</b>	530	530	530
<b>Sales Growth</b>	9%	24%	-6%
<b>EBIT % sales</b>	5%	4%	6%

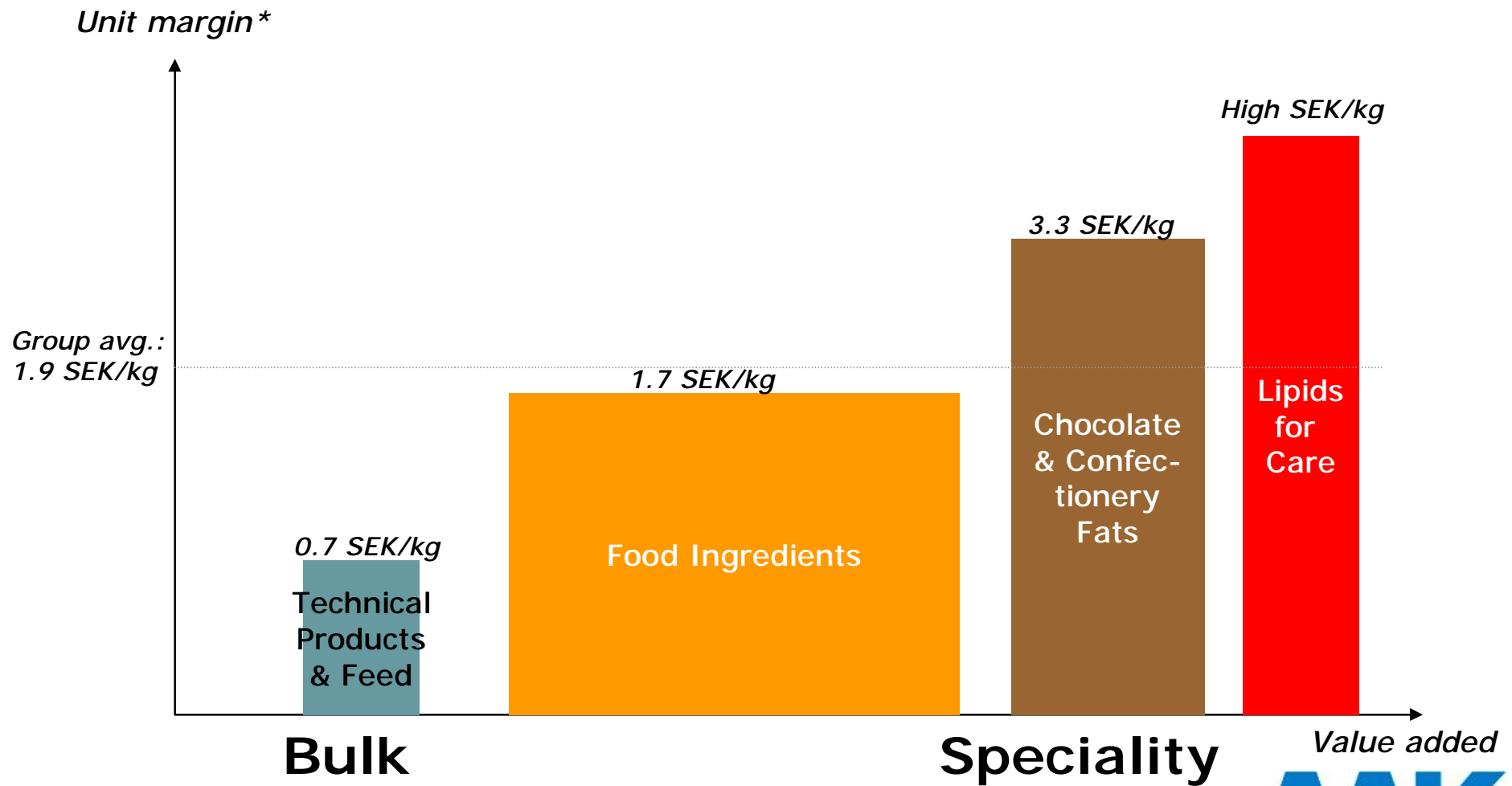
Source Financial reports

# Conclusion

- *For AAK focus analysis of*
  - Contribution margin per ton
  - Absolute improvement in EBIT

Since the trends for sales growth and EBIT % is "distorted" by significant changes in rawmaterial prices.

# Bulk and Speciality by business area



\* Unit margin = Gross contribution / volume.  
Source: Annual report 2005.

Capital Market Day, October 3, 2006



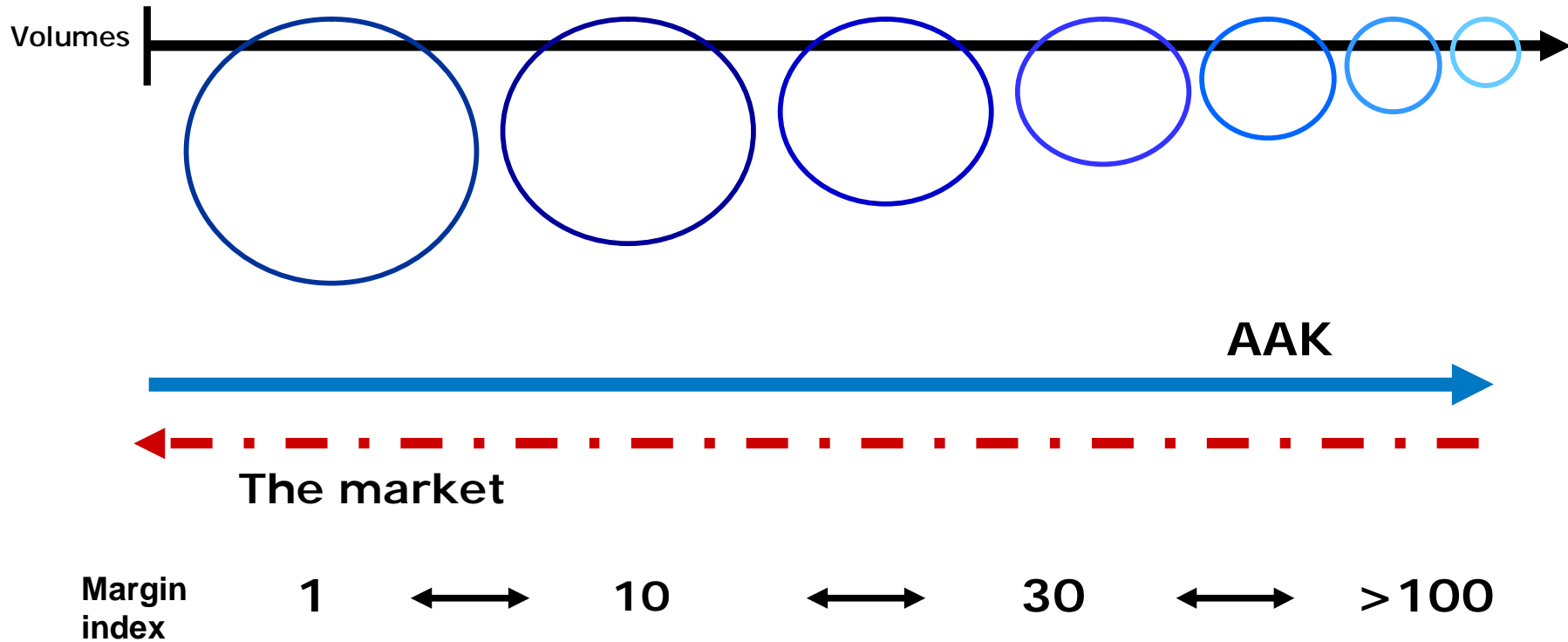
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- Gross contribution/ton
- Commodity/specialty
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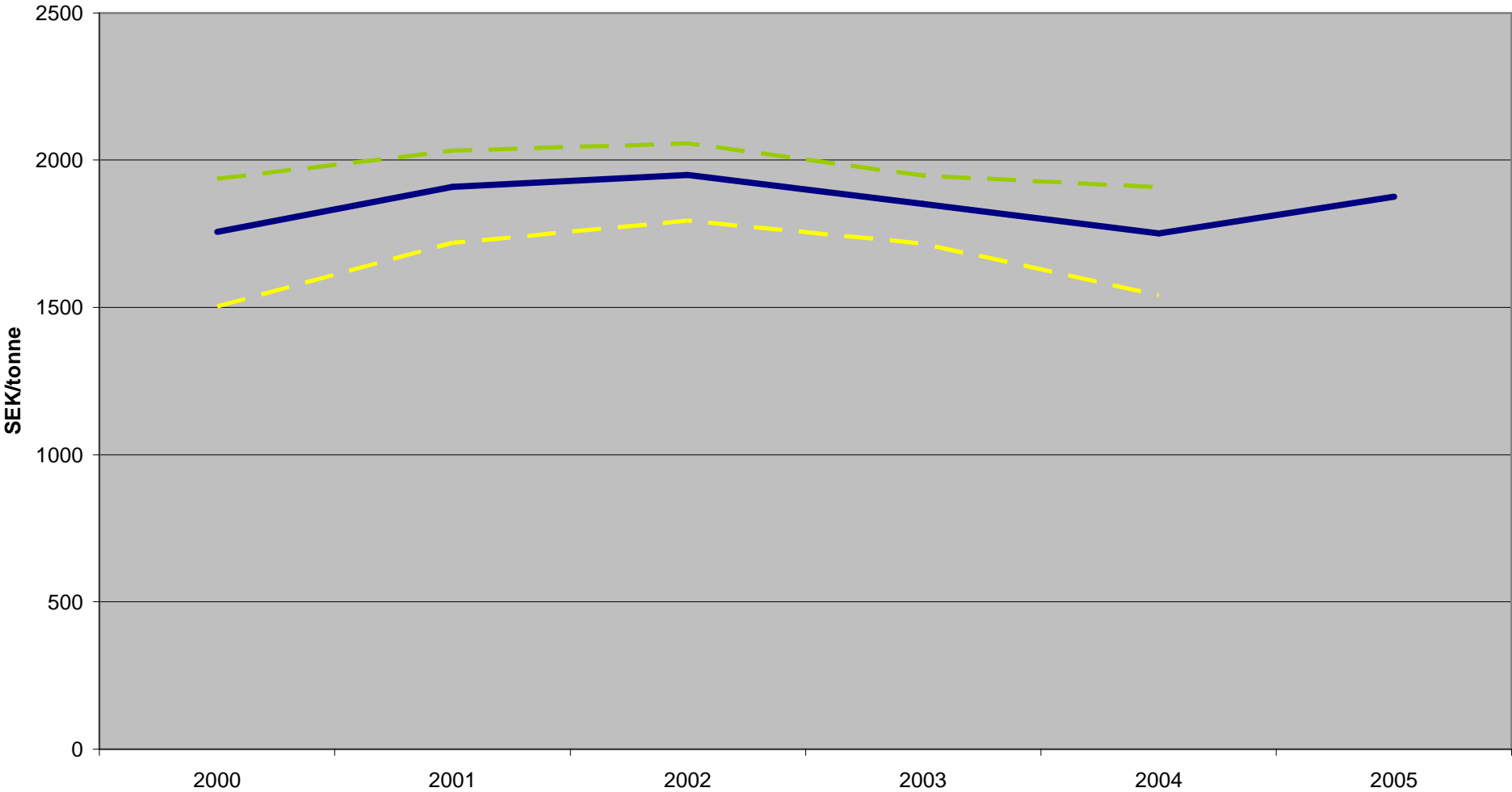
# Growth

Bulk oils

Speciality



# Actual gross contribution per ton AAK 2000 – 2005 Pro forma

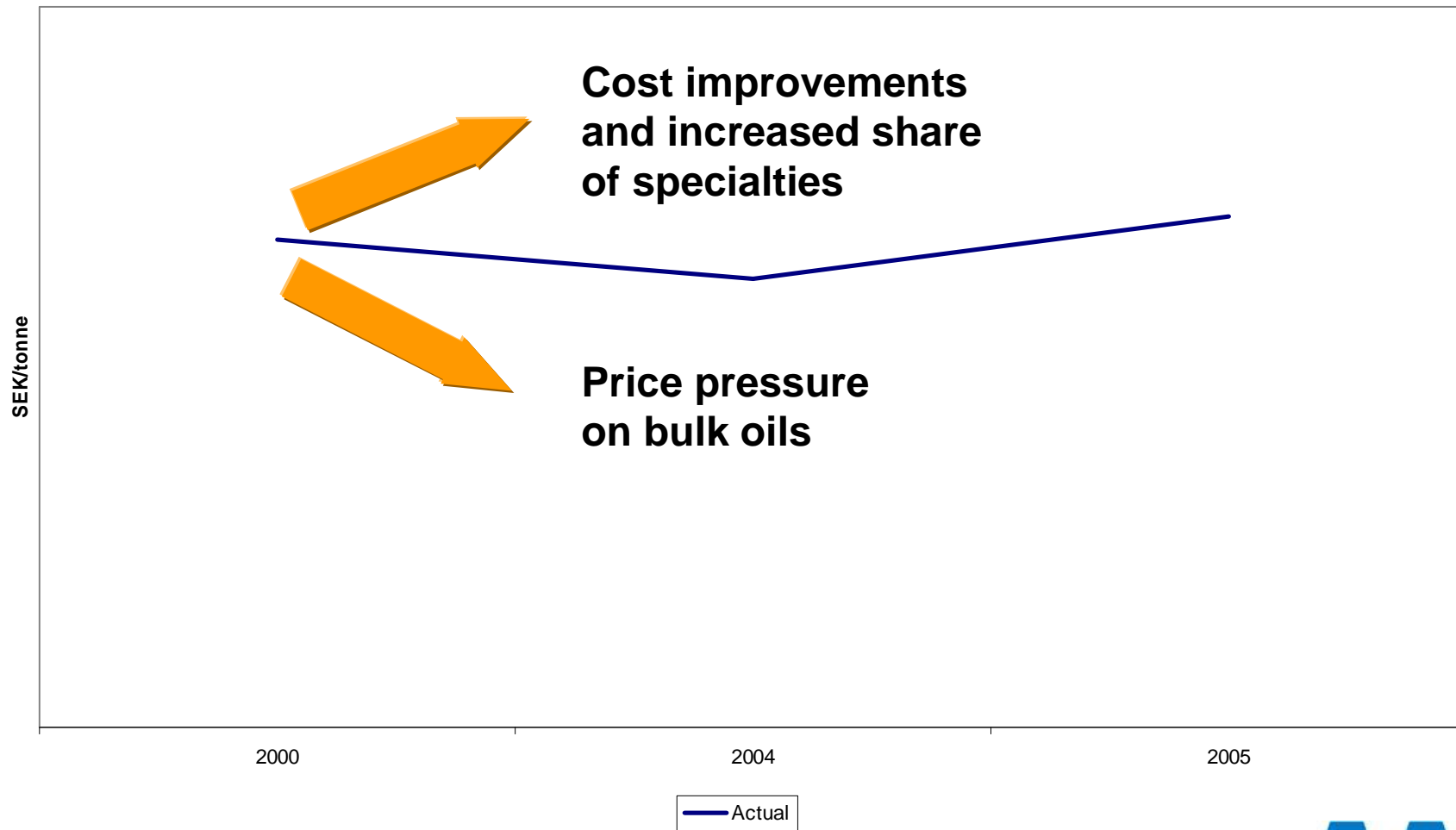


Source Financial reports

— Karlshamn — Aarhus — Total

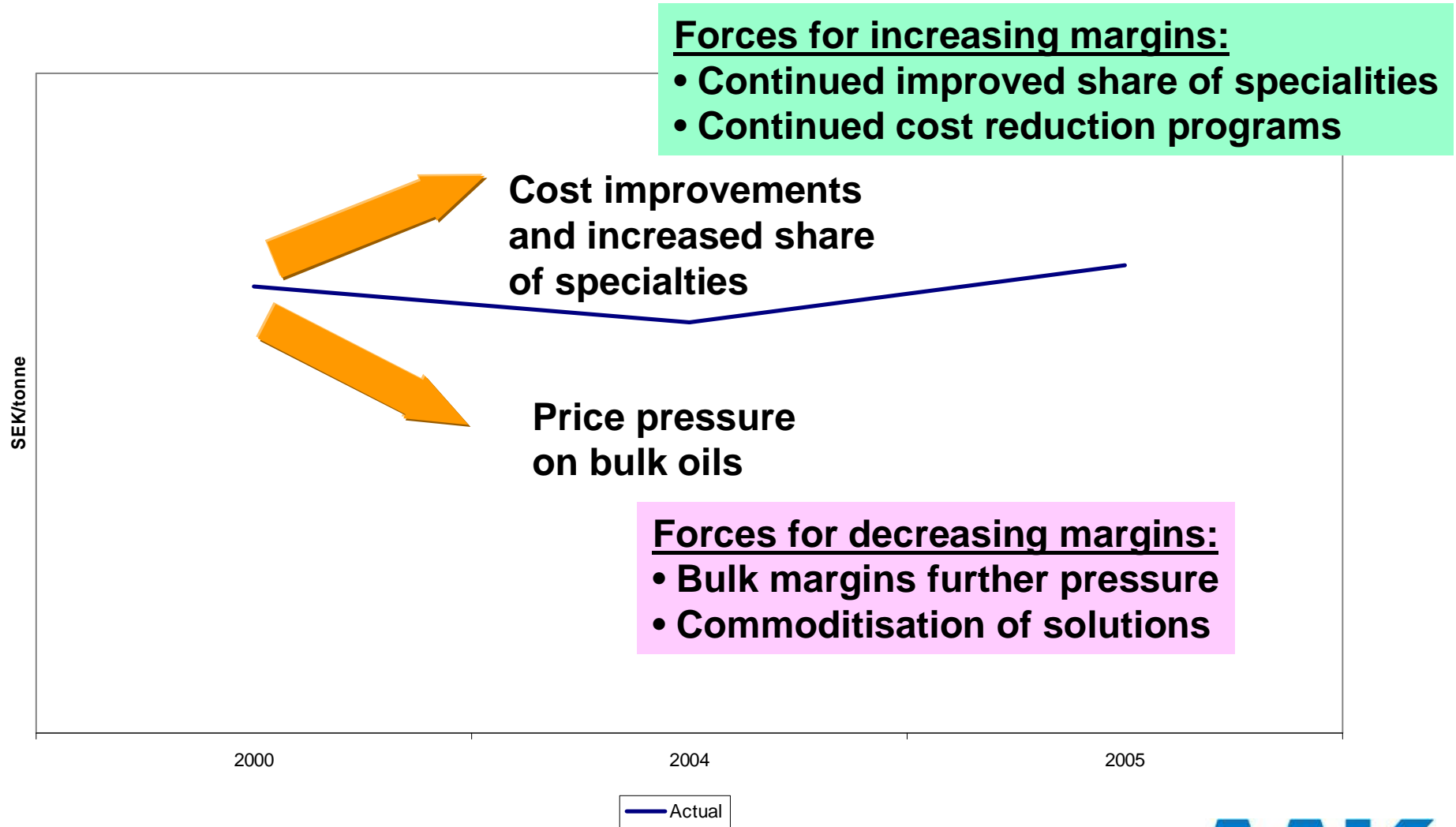


# Two major forces affecting gross contribution per ton



Source Financial reports

# Two major forces affecting gross contribution per ton

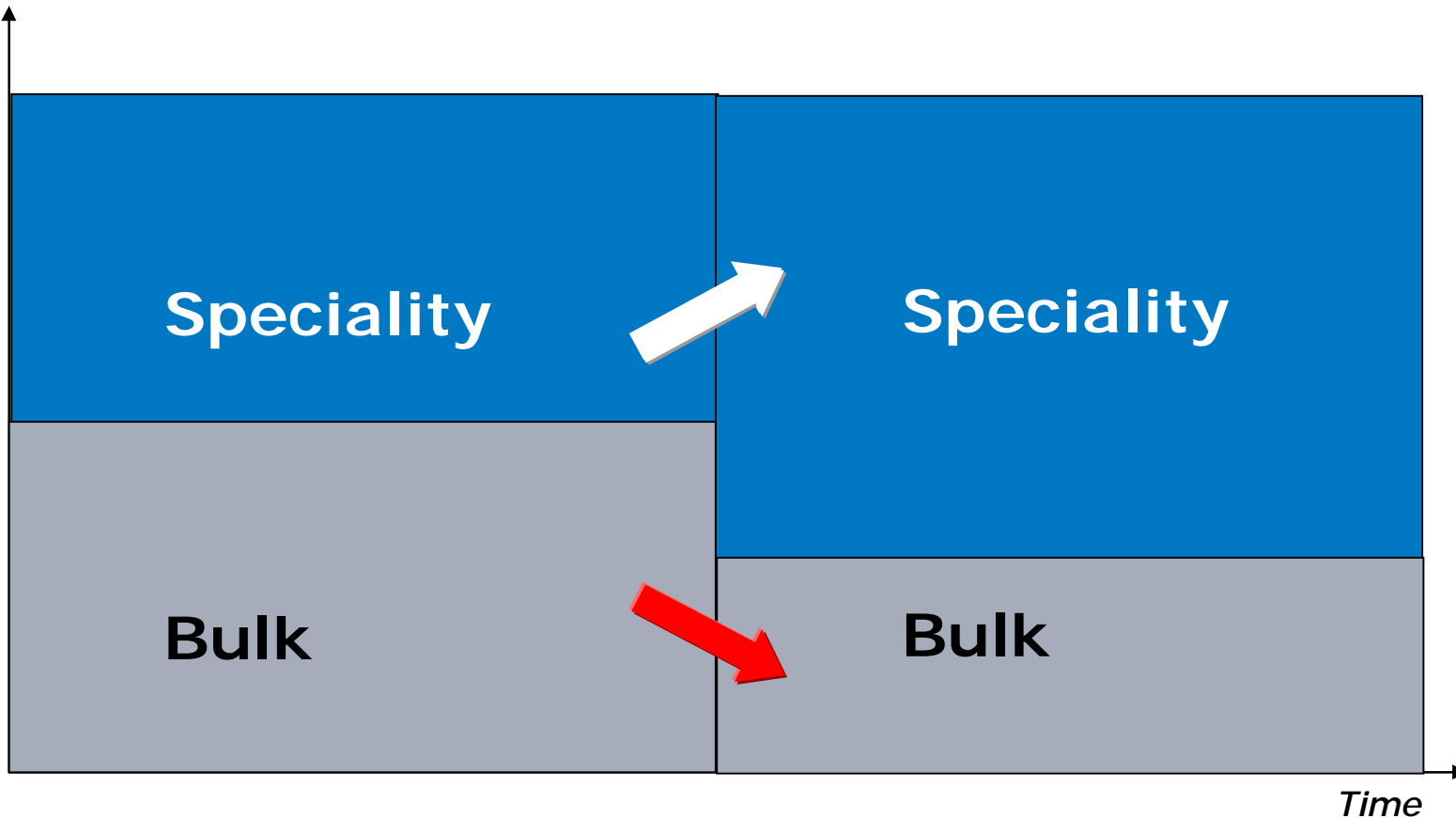


Source Financial reports

# Improving Margins by shifting product-mix

Improving the 50/50 split between bulk and speciality

*Gross contribution*

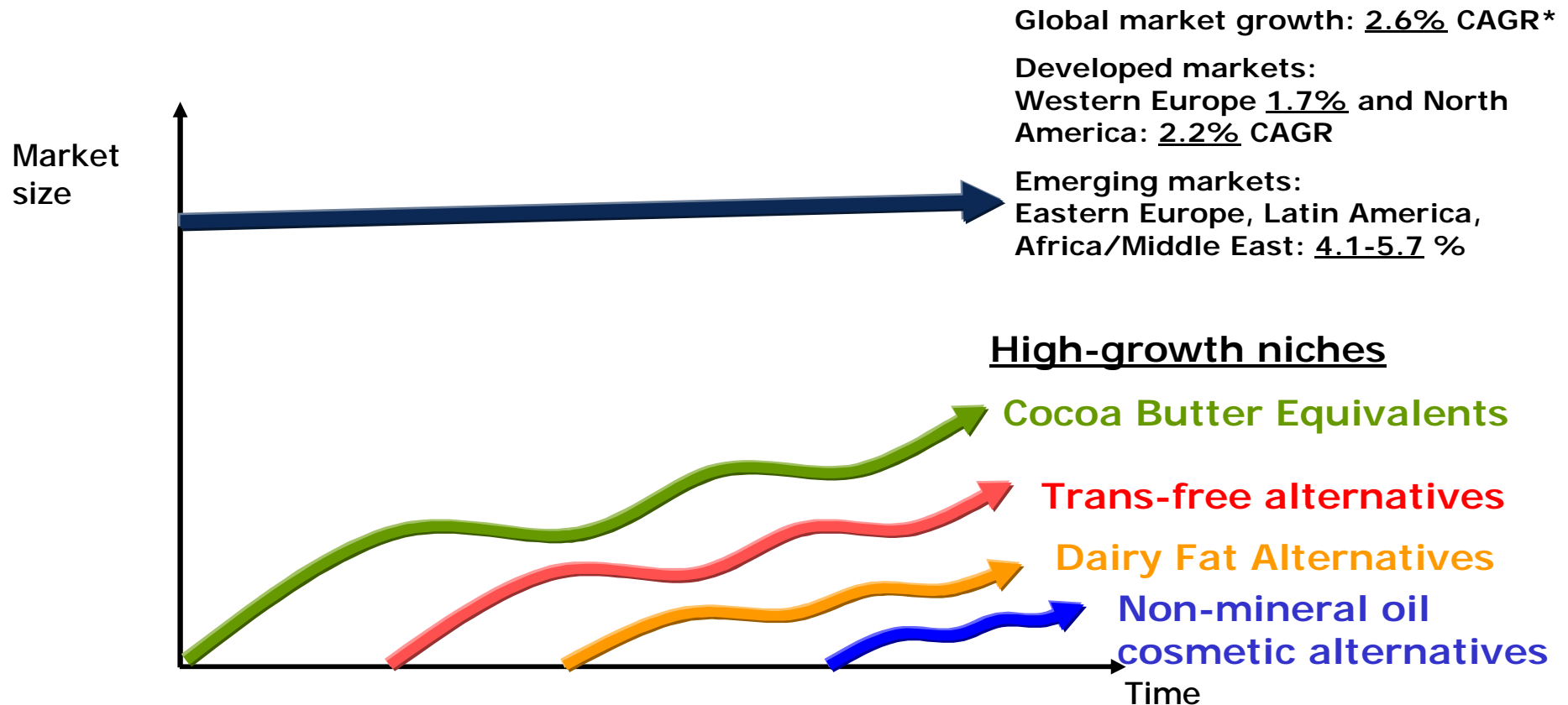


- This does not mean that we will be able to show improvements in gross contribution per ton every consecutive quarters

because specialties grow by steps and plateaus

# How to grow when markets don't?

New solutions replacing the old ones!

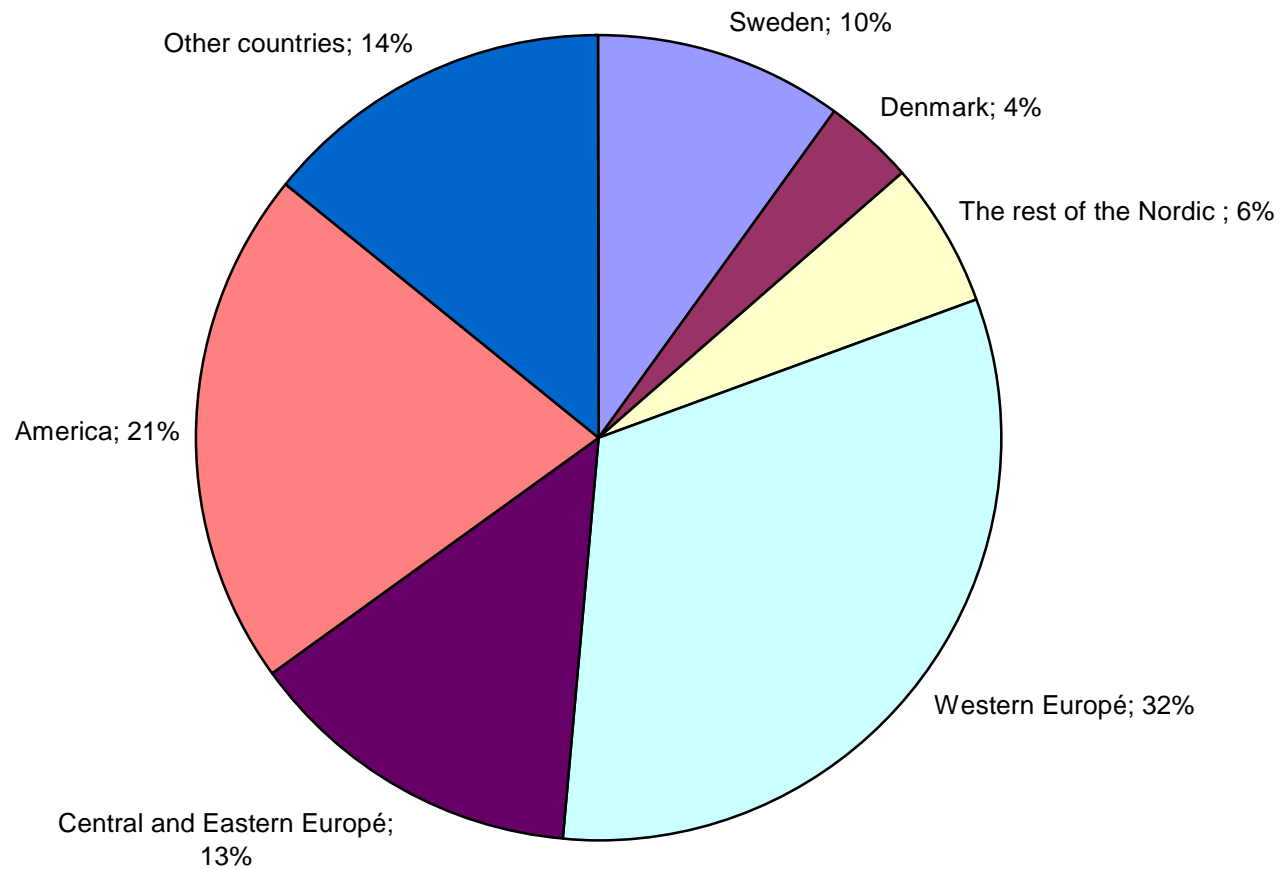


\*) Source: Euromonitor 2006, % constant value growth 2005-10.

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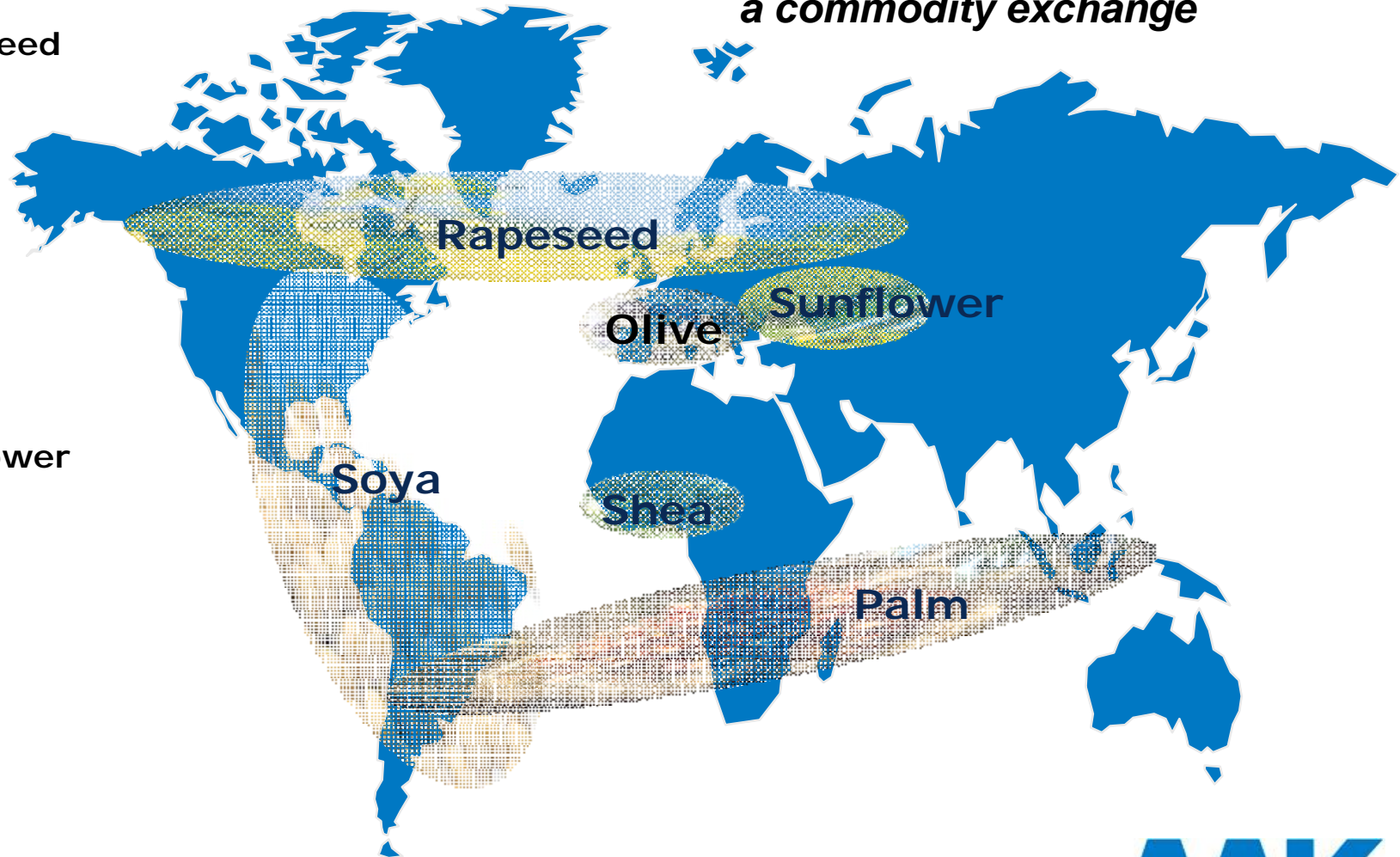
# Sales by region



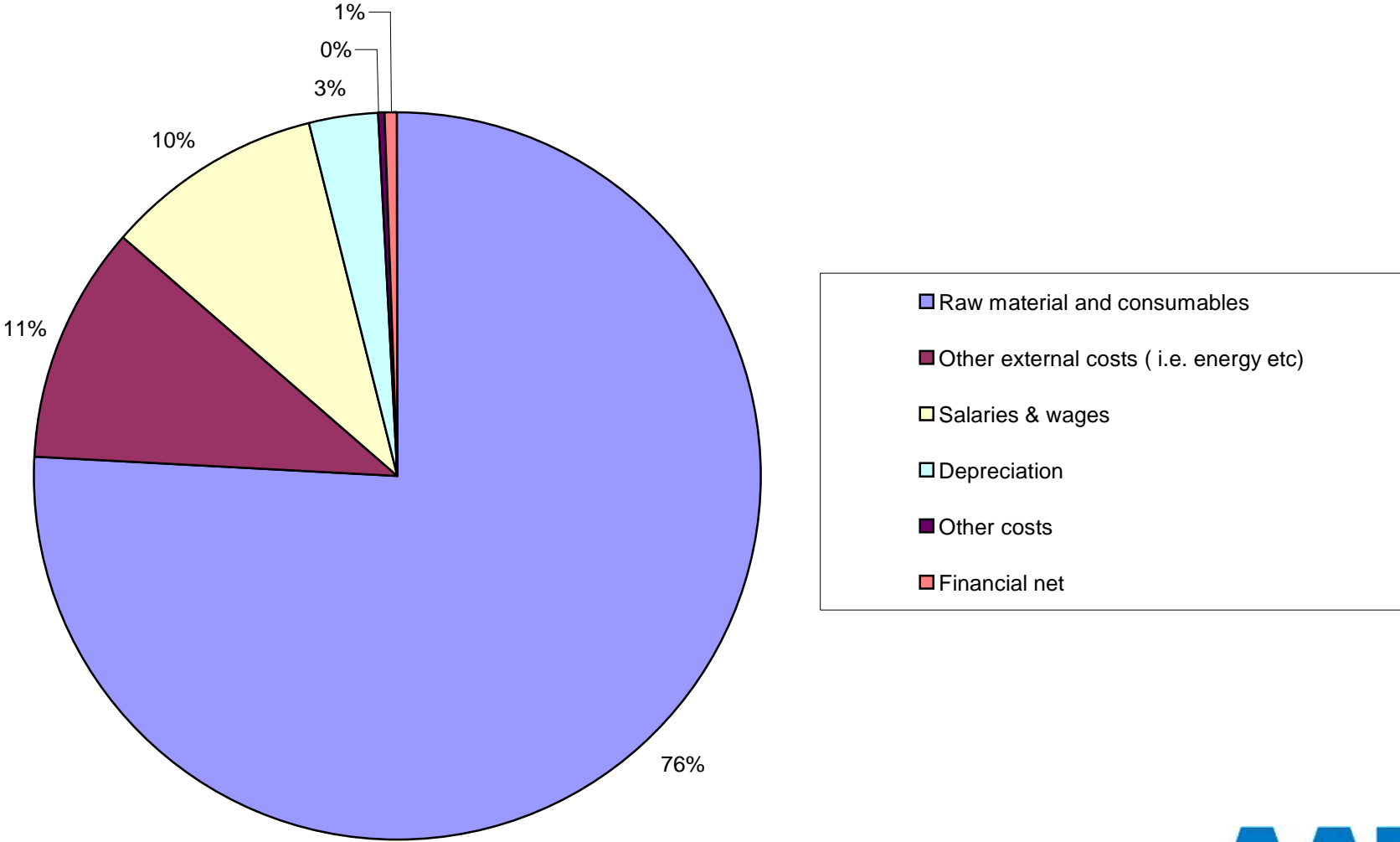
## Our vegetable raw-material base

*More than 90 % is traded over a commodity exchange*

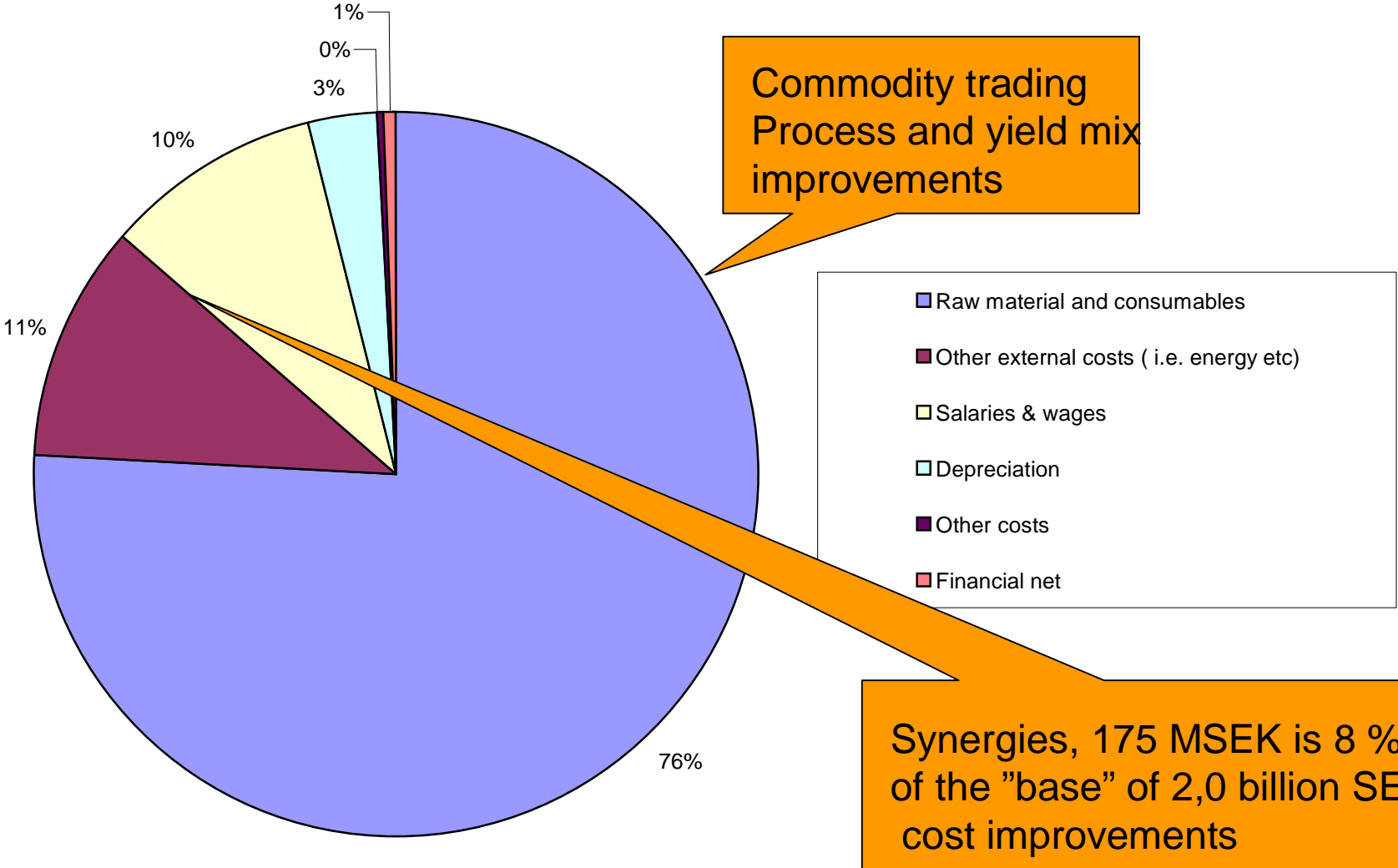
- Rapeseed
- Palm
- Soya
- Shea
- Maize
- Sunflower
- Olive



# AAK's cost structure



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# AAK hedges

- All sales contracts (currencies and rawmaterial)
- All Raw material prices that can be hedge on the commodity market (currency and raw material)

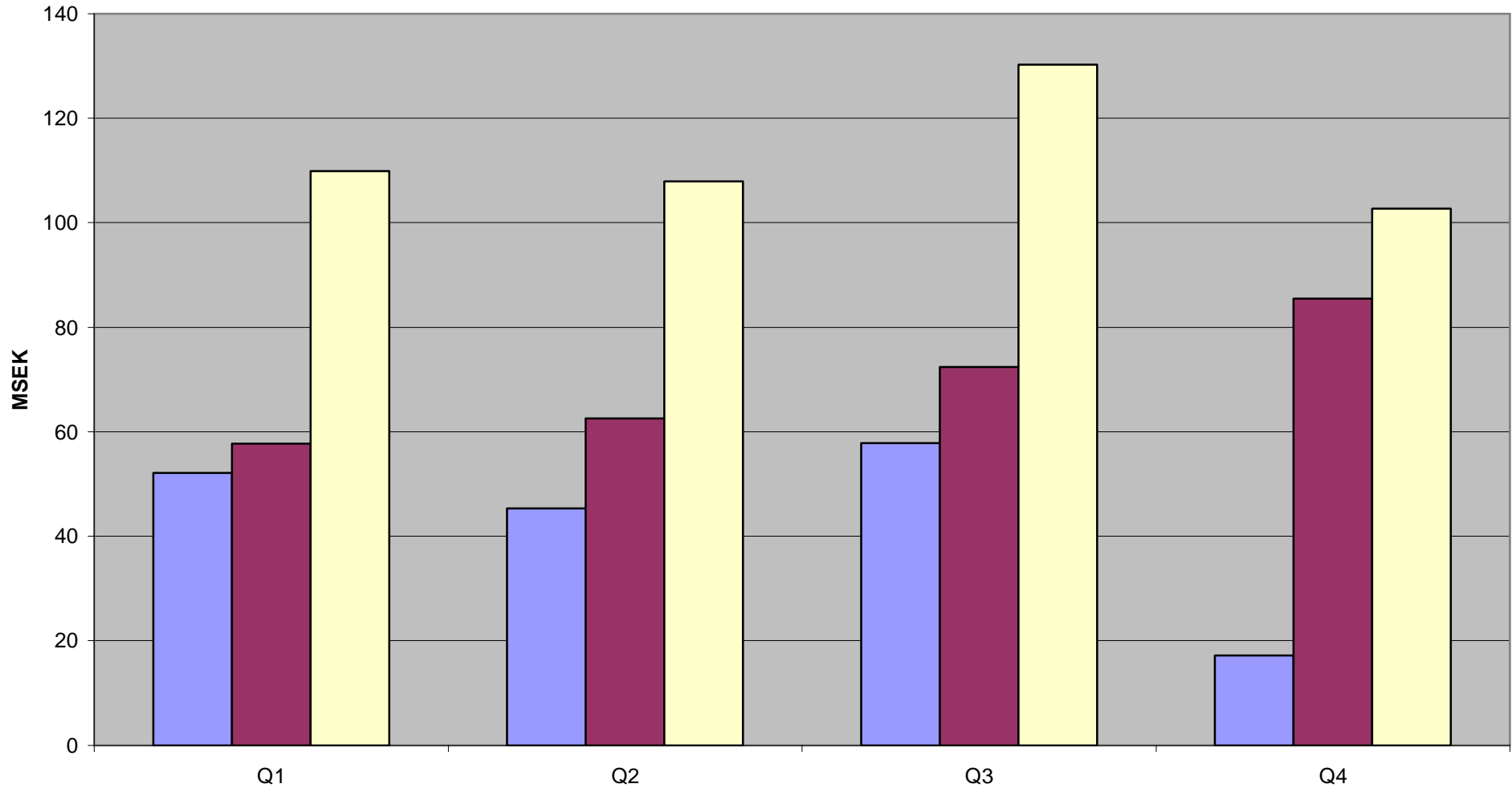
# Sensitivity Analysis

Risk factors	Change +/-	Impact on the Group (SEK m)		
		Profit	Sales	Working capital
Raw material prices (hedged)	10 %	+/- 0	+/- 700	+/- 150
Gross contribution rapeseed	SEK 50/tonne	+/-15	–	–
Energy costs	10 %	+/- 40	–	–
Interest expense (average rate)	1 %	+/- 20	–	–

# Content

- Gross contribution/ton
- Commodity/specialty
- Revenue/cost structure
- **Seasonality**
- CAPEX/ depreciation
- Dividend policy
- Financial goals

### EBIT average by quarter 2000-2005



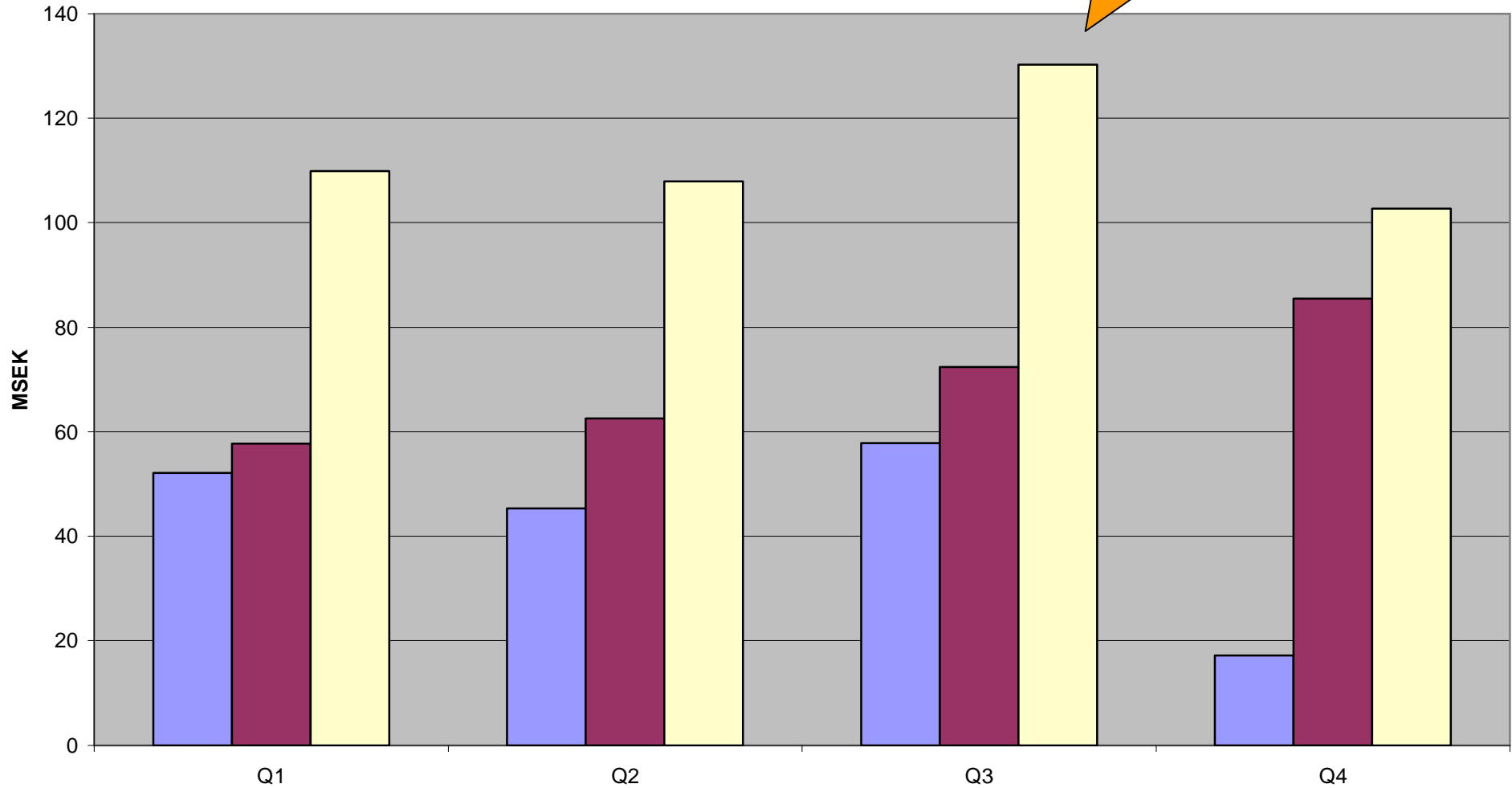
Source Financial reports

■ Karlshamns ■ Aarhus ■ Totalt



EBIT average by quarter 2000-2005

Normally a strong third quarter but remember lack of sheanuts

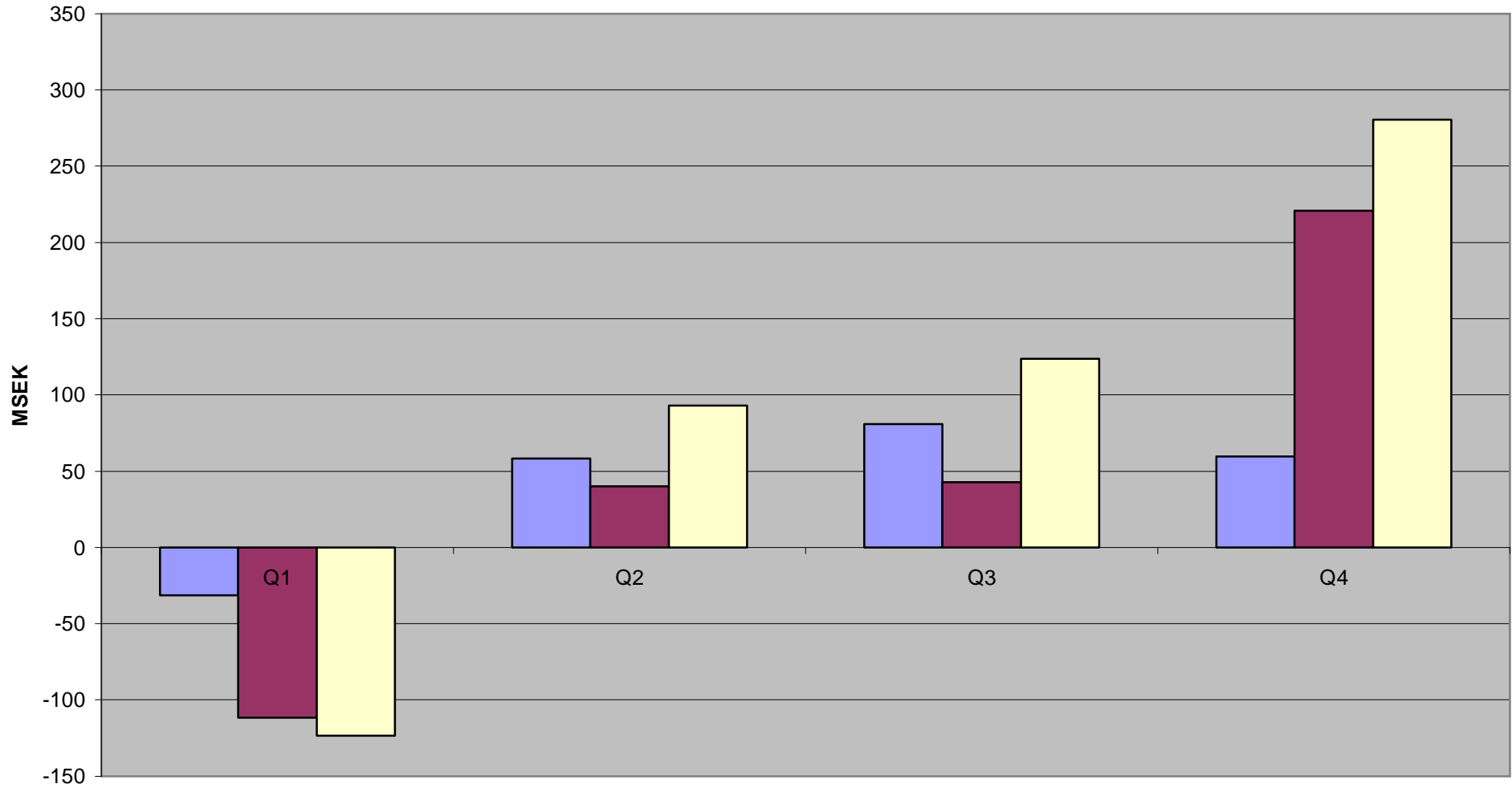


Source Financial reports

■ Karlshamns ■ Aarhus □ Totalt



### Average Cash Flow per quarter 2003-2005

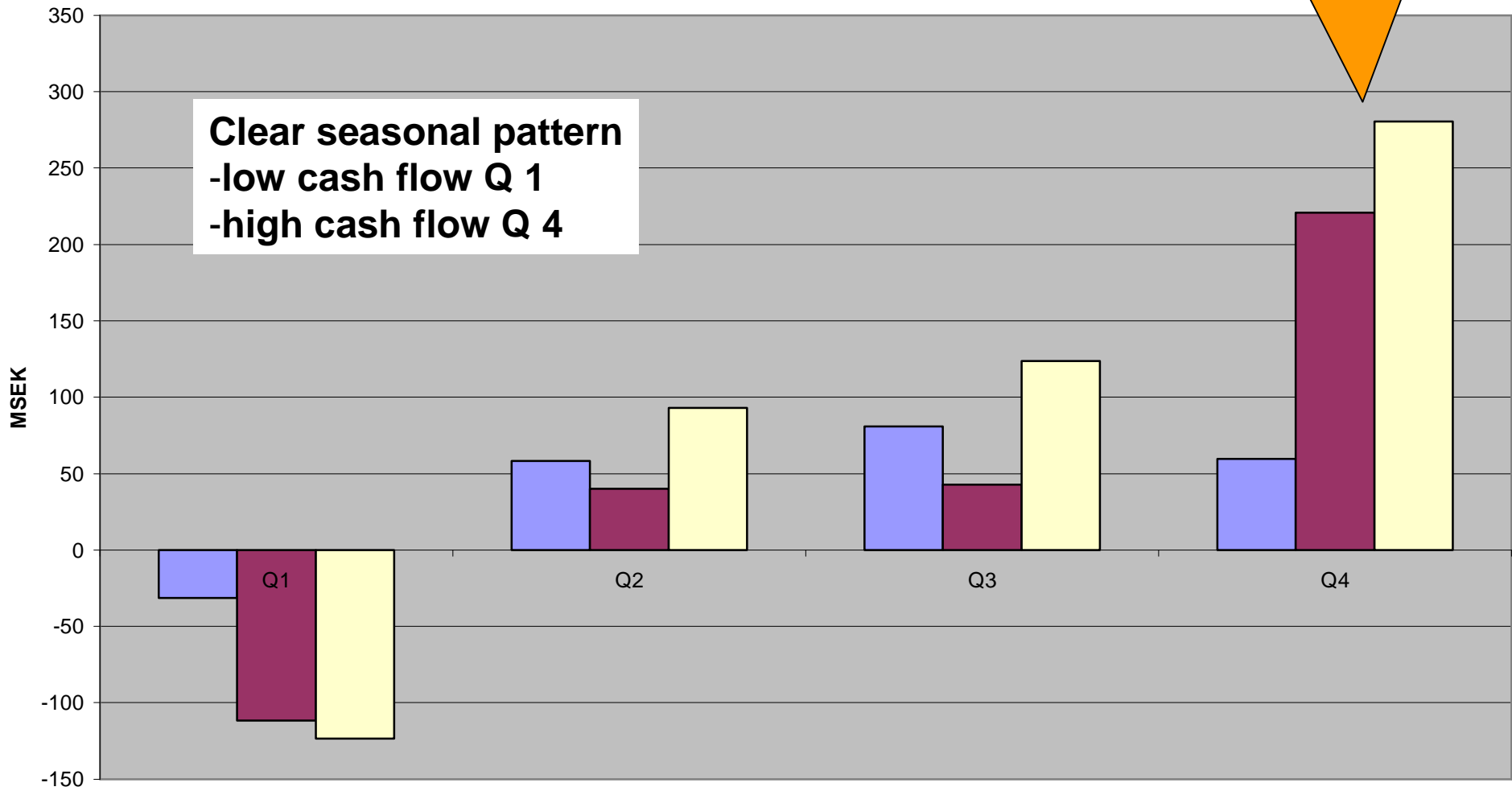


Source Financial reports

■ Cash flow Karlshamns 
 ■ Cash flow Århus 
 ■ Cashflow total

Average Cash Flow per quarter 2003-2005

Included some one offs in AU Q 4 2004



Source Financial reports

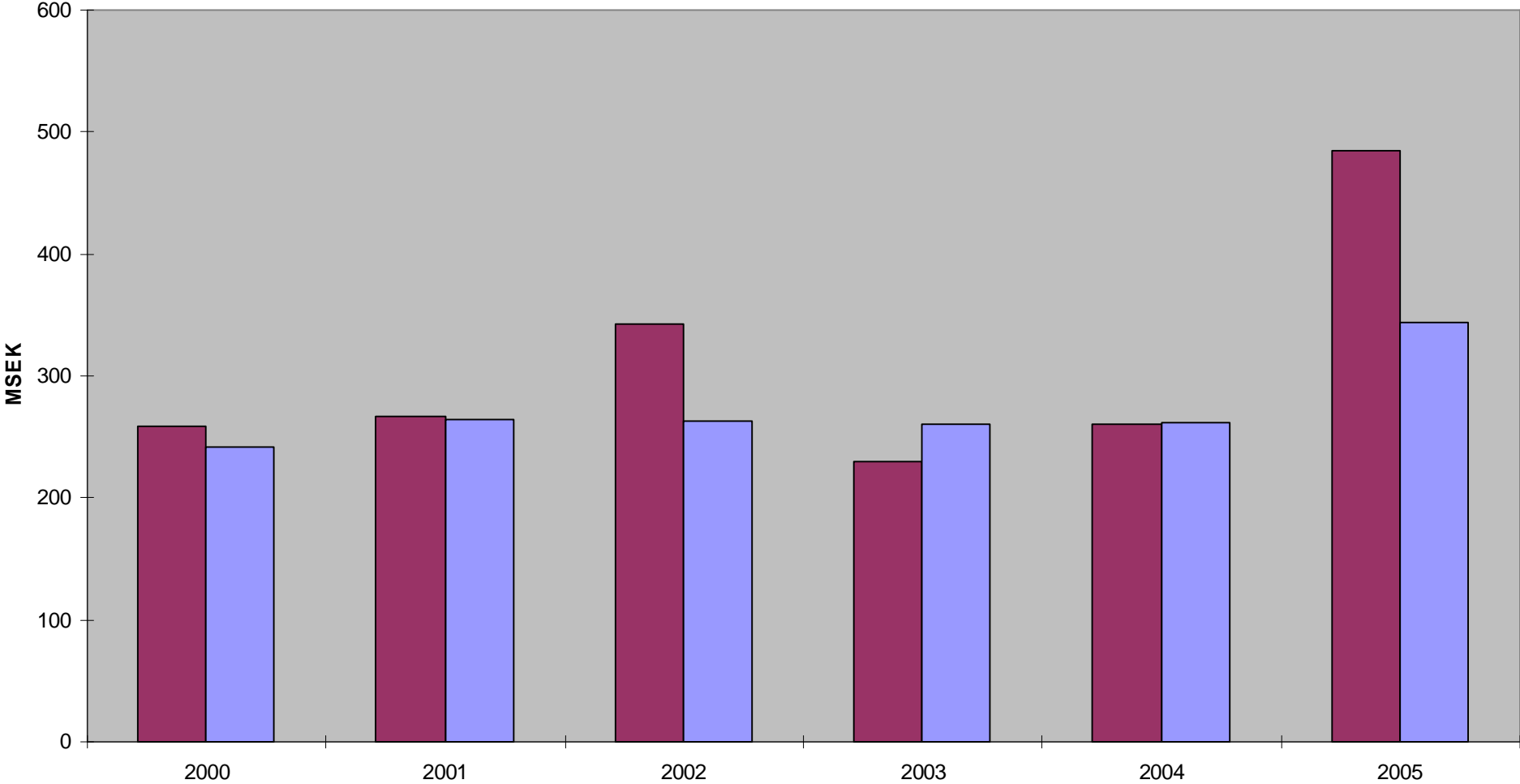
■ Cash flow Karlshamn ■ Cash flow Århus □ Cashflow total



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- Dividend policy

### Investments and depreciations

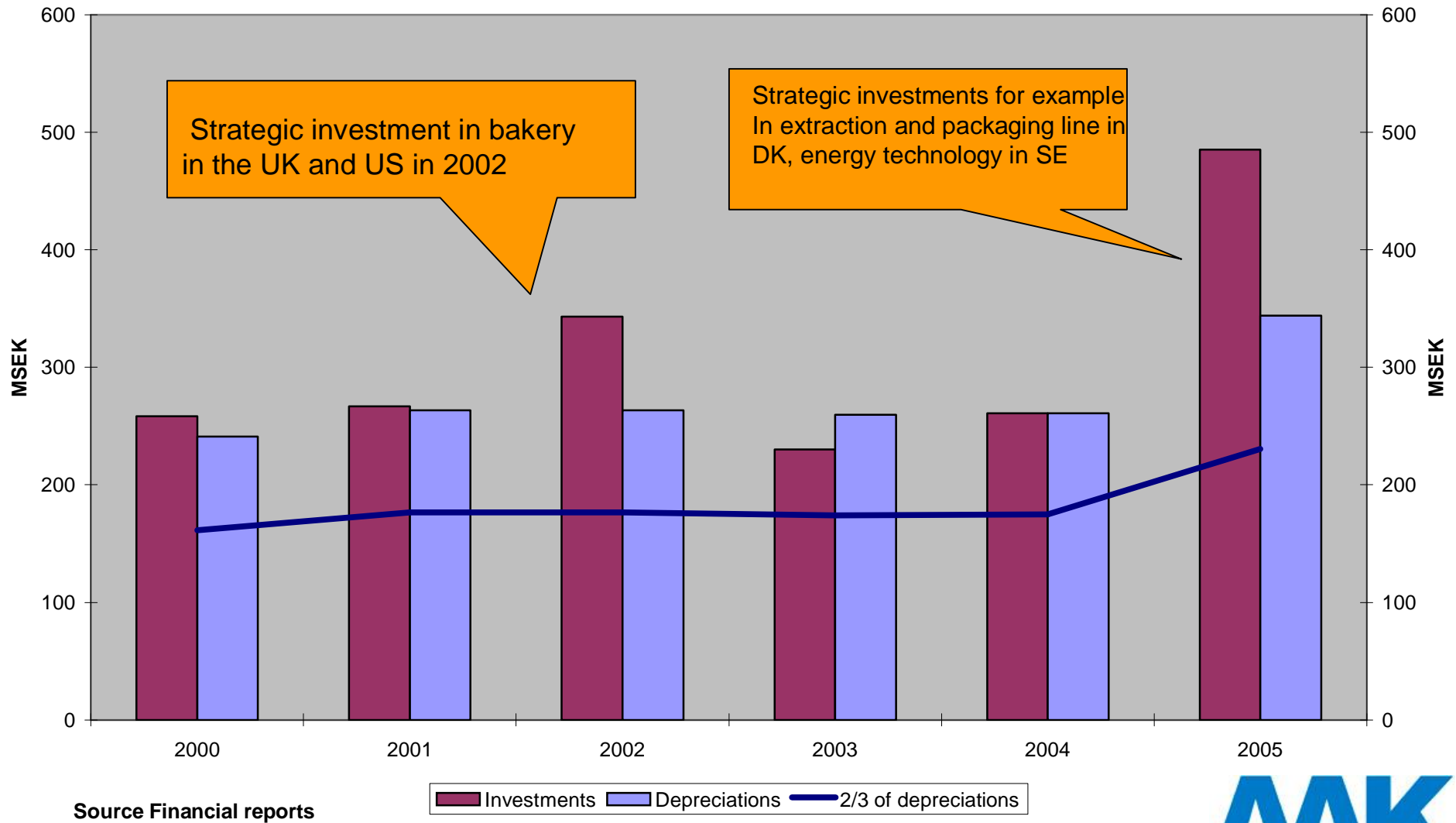


Source Financial reports

Investments Depreciations



## Investments and depreciations



# Content

- Gross contribution/ton
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- CAPEX/ depreciation
- Dividend policy

# Dividend Policy

- Payout ratio of 30 – 50 % of the consolidated profit for the year after tax.
- Considerations to earnings trend, financial position and future development

# Condensed Balance Sheet

	2006 June 30	2005 December 31		2006 June 30	2005 December 31
Non-current assets	3 487	3 463	<b>Equity</b>	<b>3 407</b>	<b>3 504</b>
Inventory	1 406	1 429	Minority	30	50
Receivables	1 708	1 732	Long-term debt	1 601	1 401
Cash	211	211	Current liabilities	1 774	1 880
<b>Total Assets</b>	<b>6 812</b>	<b>6 835</b>	<b>Total Liabilities &amp; Equity</b>	<b>6 812</b>	<b>6 835</b>
			<i>Equity/ Total Assets</i>	<b>50%</b>	<b>52%</b>

# Capital Structure as of June 30, 2006

- Shareholders equity 3 407 MSEK
- Net liability 1 842 MSEK
- Equity/ Assets ratio 50 %

# Dividend at the extraordinary shareholders meeting in November 10, 2006

- Ordinary dividend 4 SEK per share
- Extraordinary dividend 25 SEK per share
- Company "overcapitalized", totally 1,2 billion SEK paid back to the shareholders
- After the dividend Equity/total assets > 30 %.

# CFO Summary

- Strong balance sheet
- 2006 a year with non-recurring items and restructuring, lack of nuts and "hazzels"
- Contribution margin per ton should improve in the future
  - *Commodity price erosion has flattened out*
  - *Specialities started to grow a couple of years ago and will continue*
  - *Further productivity improvements and synergies*
- Organic growth and acquisitions will further expand the business.