




*Arne Frank*  
CEO

Capital Market Day  
November 19 and 21, 2012

# Today's agenda

- 
- A large, circular inset image on the left side of the slide shows a close-up of yellow rapeseed flowers in a field. The flowers are in various stages of bloom, with some fully open and others as buds. The background is a soft-focus field of similar flowers under a clear blue sky.
- 09:30-10:00 **Overview – AAK Acceleration**  
Arne Frank, CEO
  - 10:00-10:20 **Financial update**  
Peter Korsholm, CFO
  - 10:20-10:45 **Chocolate & Confectionery Fats**  
Torben Friis Lange, President CCF
  - 10:45-11:00 **Break**
  - 11:00-11:40 **Innovation**  
Karsten Nielsen, CTO
  - 11:40-12:05 **Bakery Solutions**  
Lena Ingvarsson, Marketing Director
  - 12:05-12:35 **Q&A Session**
  - 12:35-13:35 **Lunch**

# AAK participants



**Arne Frank**  
President and Chief  
Executive Officer



**Peter Korsholm**  
Chief Financial  
Officer



**Karsten Nielsen**  
Chief Technology  
Officer



**Torben Friis Lange**  
President  
BA Chocolate &  
Confectionery Fats



**Lena Ingvarsson**  
Marketing Director

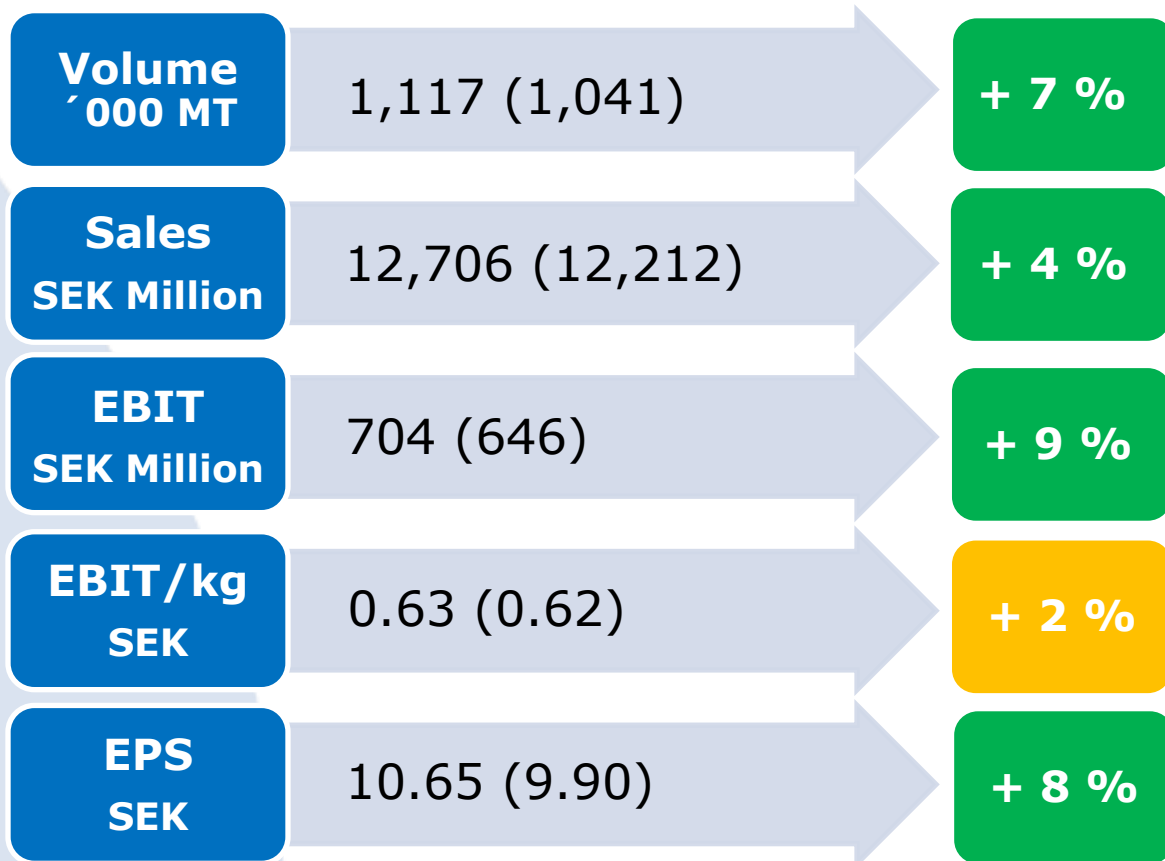


**Fredrik Nilsson**  
Director Investor  
Relations



**Anne Mette Olesen**  
VP Human Resources,  
Communication and CSR

## Year to date



# Key events 2012

- ◆ AAK Acceleration
  - Execution
- ◆ Acquisition of
  - Oasis Foods Company
  - Crown-Foods A/S
- ◆ Hurricane Sandy
- ◆ Other external factors
  - Danish fat tax
  - EU Biofuel proposal
- ◆ CSR Achievements
  - Burkina Faso
  - Winner of the E-Prize
- ◆ Product development





# AAK Acceleration - Growth

## AAK Acceleration projects

**KPI  
Q3**

**KPI  
Q2**

Bakery



Dairy



CCF



Infant Nutrition



Food Service



Merger & Acquisition

N.A

N.A

Fast-growing economies

- China



- Brazil



Ahead of plan



Slightly ahead of plan



On plan



Behind plan

# AAK Acceleration - Efficiency

## AAK Acceleration projects

Purchasing  
Productivity

**KPI  
Q3**



**KPI  
Q2**



Ahead of plan



Slightly ahead of plan



On plan



Behind plan

# AAK Acceleration - People

## AAK Acceleration projects

Sales

Mobilize Ourselves

Internal communication

**KPI  
Q3**

**KPI  
Q2**



Ahead of plan



Slightly ahead of plan



On plan



Behind plan



# Acquisition of Oasis Foods Company – May 25, 2012

## ◆ Oasis Foods

- Strong position in Food Service
- Revenues of SEK 925 million and 160 employees
- Located in Hillside, New Jersey

## ◆ Food Service

- Edible oils
- Margarine
- Spreads
- Shortenings
- Mayonnaise
- Sauces and dressings

## ◆ Strategic rationale

- Excellent platform for our Food Service strategy
- Significantly broadens our product offerings in the United States



# Acquisition of Crown-Foods A/S in Denmark – May 31, 2012



## ◆ **Crown-Foods A/S**

- Scandinavian market leader producing sauces and dressings for Food Service customers
- Revenues of SEK 60 million and 20 employees
- Located in Mørkøv, Denmark
- The acquisition is reported in the Food Ingredients business area

## ◆ **Strategic rationale**

- Strengthen our ability to supply a broader portfolio of Food Service products in Scandinavia

# Hurricane Sandy



- ◆ AAK's plant in Port Newark effected by the flooding
  - Major cleaning, electrical and automation refurbishments required, no other main damage indentified
  - Limited deliveries re-started Nov 9
  - Production will re-start appr. Nov 19
  - Full ramp up a s a p there after
  - Very strong focus to minimize customer interruption, utilizing Louisville, Mexico, etc
- ◆ The production at the Oasis Foods plant was interrupted between October 29 and November 5
- ◆ AAK has insurance cover for property damage and business interruption

# Other external factors

- Danish fat tax cancelled
- Focus on saturated fat remains
- European Commission, Biofuel Proposal
- We believe this will lead to significant decreases in “food based” biodiesel volumes, potentially leading to several large changes for the European vegetable Oils & Fats industries





# CSR - Achievements



- ◆ We triple our activities with women groups in Burkina Faso, to
  - Secure improved supply and quality of the shea kernels
  - Improve living conditions in the villages
- ◆ With L'Oréal we signed an agreement to develop the sustainable trade of shea kernels
- ◆ Awarded the E-Prize by Veckans Affärer and the energy provider E.ON

# Product development – FI



## ◆ **Akocream LS 45**

- Creamier taste experience in bakery fillings

## ◆ **Akofluid K2**

- Pumpable solution that brings important structure to breads, rolls and buns
- Improved pumpability and functionality in cold temperatures;
  - Softness
  - Volume
  - Extended shelf life

## ◆ **Akobake MFR (Milk Fat Replacer)**

- Offers equal quality, taste and functionality as butter
- To be used in premium bakery products

A circular inset image on the left side of the slide shows a close-up of a light-colored ice cream scoop on a stick, garnished with fresh raspberries and blueberries. The background is a soft-focus light blue.

## ◆ **Akomix LS 30**

- Developed for ice cream products
- Excellent structure and creaminess
- Reduces the amount of saturated fats with more than 60 % compared to standard alternative

## ◆ **Akotop NH 100**

- For whippable toppings
  - Non-hydro
  - Non-trans solution
  - Excellent over-run
  - Good freeze stability
- A healthier alternative to commonly used hydrogenated products

# Product development – CCF



- ◆ **CEBEST™ LS 75**
  - Lower content of saturated fats
- ◆ **ILLEXAO™ ER 05**
  - Smoothness in dark chocolate
- ◆ **ILLEXAO™ BR 62**
  - Improved bloom retarding
- ◆ **CHOCOFILL LT 05**
  - Low in trans fat
- ◆ **AKOSPREAD™ HS 99**
  - Stabilization to prevent oil separation



# Business trends year to date

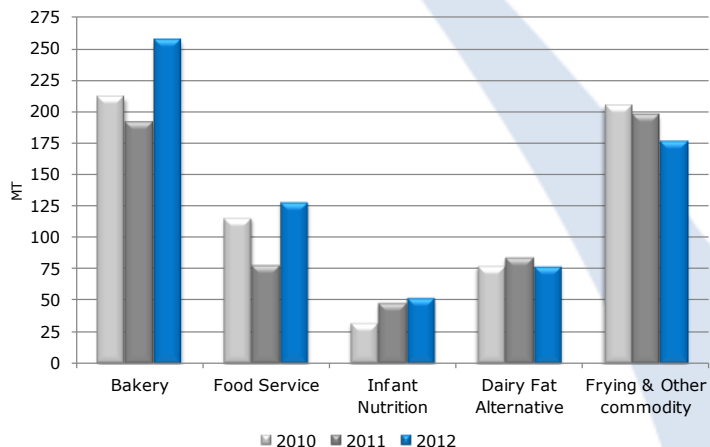


|                                | Share of volume | Nord | WE | UK | USA | CEE | CIS | Asia | LA |
|--------------------------------|-----------------|------|----|----|-----|-----|-----|------|----|
| Food Ingredients               | 61 %            |      |    |    |     |     |     |      |    |
| Chocolate & Confectionery Fats | 21 %            |      |    |    |     |     |     |      |    |
| Technical Products & Feed      | 18 %            |      |    |    |     |     |     |      |    |
| AAK Group                      | 100 %           |      |    |    |     |     |     |      |    |

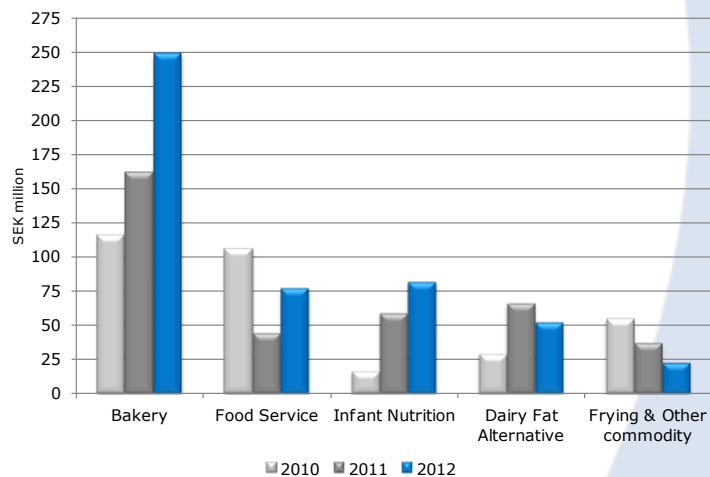
# Food Ingredients



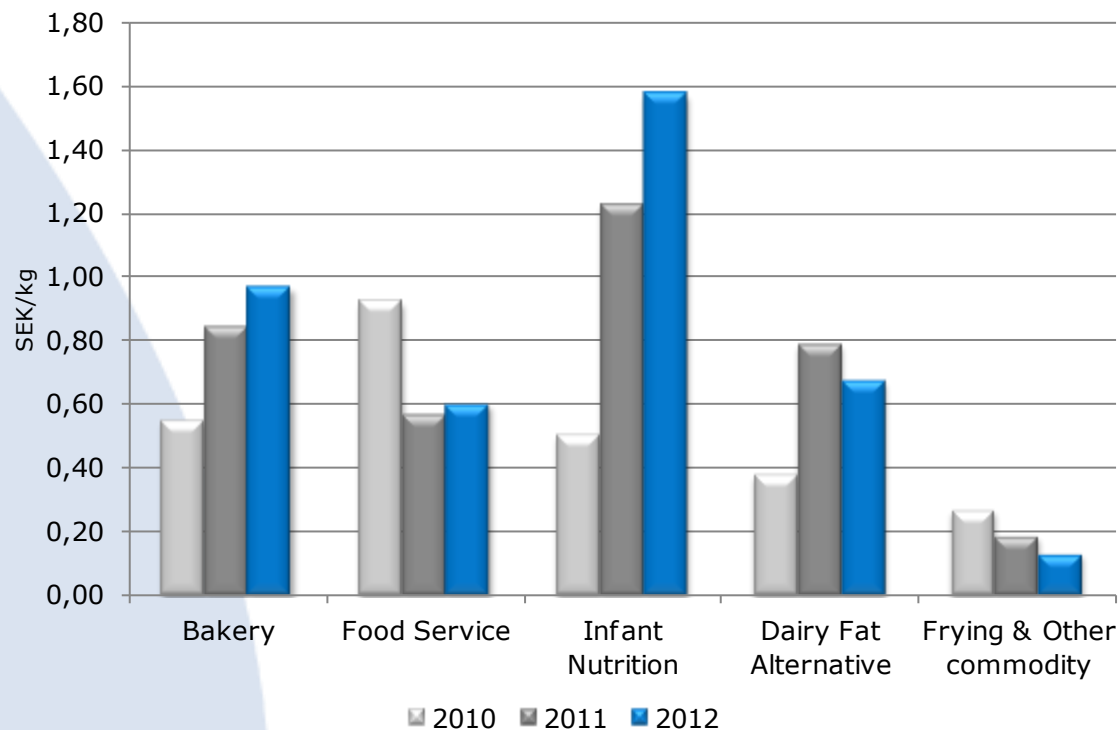
## Volume



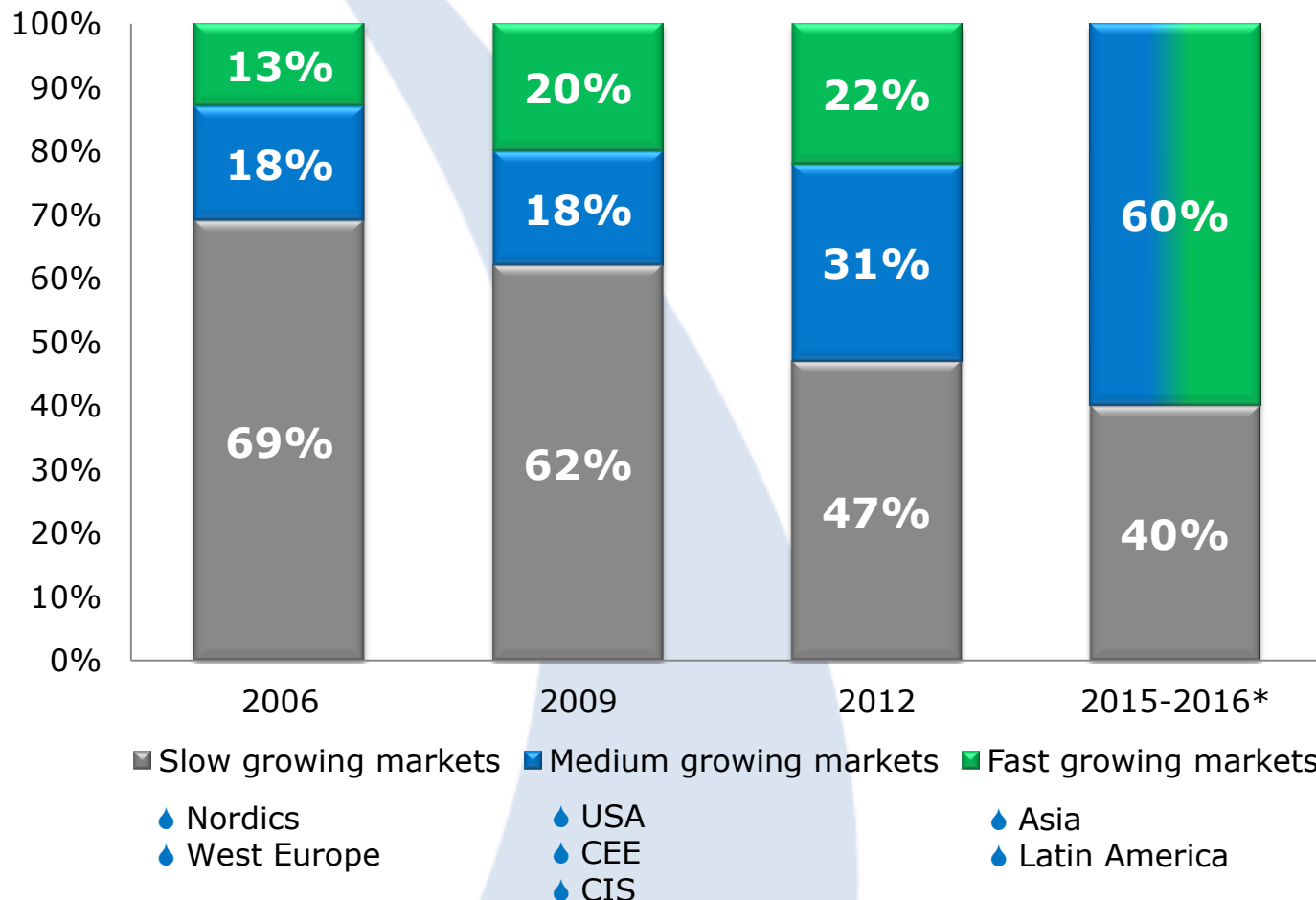
## Operating profit



## Operating profit per kilo



# Focus on the medium and fast growing markets – edible oils volume



\* Management ambition

# Price development – cocoa butter

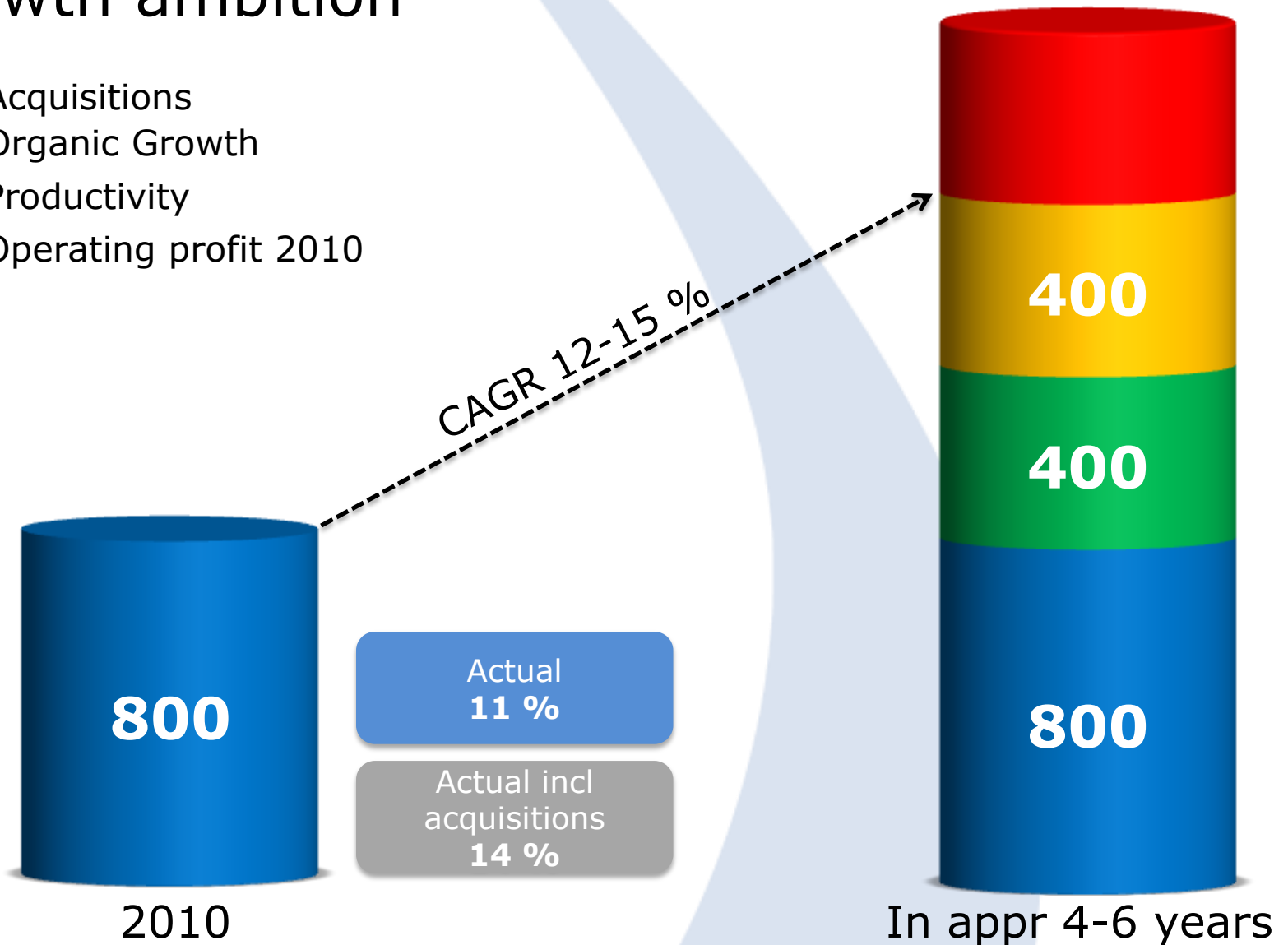




# AAK Acceleration - Management Growth ambition\*



- Acquisitions
- Organic Growth
- Productivity
- Operating profit 2010



\* As expressed at the Capital Market Day November 10, 2010 and at fixed exchange rates.

# Concluding remarks from CEO




- ◆ The impact on our industry from the more difficult general economy in Europe is difficult to predict
- ◆ However, based on AAK's customer value propositions for:
  - Health
  - Reduced costs
  - Customer product co development and solutions approach
  - and the AAK Acceleration program
- ◆ We continue to remain prudently optimistic for the future mainly driven by a very strong Food Ingredients business



*Peter Korsholm*  
CFO

## Capital Market Day Financial update

## Q3 2012

A large, stylized hourglass is positioned on the left side of the slide. It is filled with Swedish Krona (SEK) coins. The top of the hourglass is wider and contains several coins, while the bottom is narrower and also contains coins. The hourglass is made of a dark material, possibly metal or wood, and has a gold-colored stopper in the middle. The background of the slide is a light blue gradient.

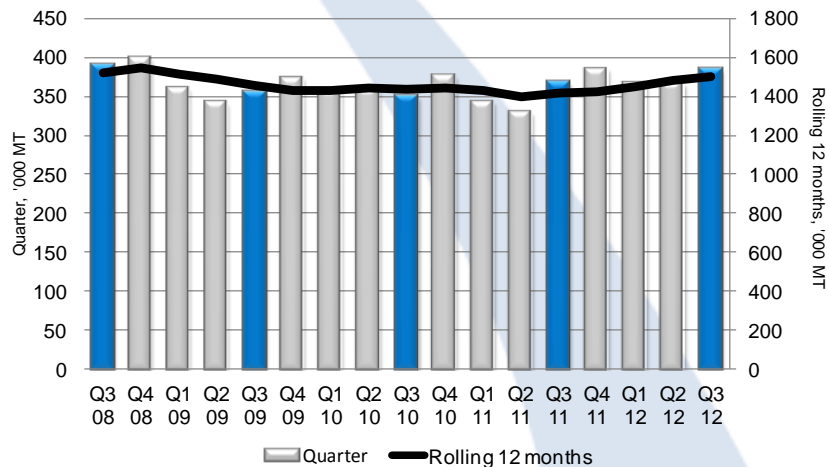
|                                |               |        |
|--------------------------------|---------------|--------|
| <b>Volume</b><br>'000 MT       | 385 (368)     | + 5 %  |
| <b>Sales</b><br>SEK Million    | 4,277 (4,462) | - 4 %  |
| <b>EBIT</b><br>SEK Million     | 273 (246)     | + 11 % |
| <b>EBIT/kg</b><br>SEK          | 0.71 (0.67)   | + 6 %  |
| <b>EPS</b><br>SEK              | 4.08 (3.48)   | +17 %  |
| <b>Net debt</b><br>SEK Million | 2,859 (3,141) | - 9 %  |



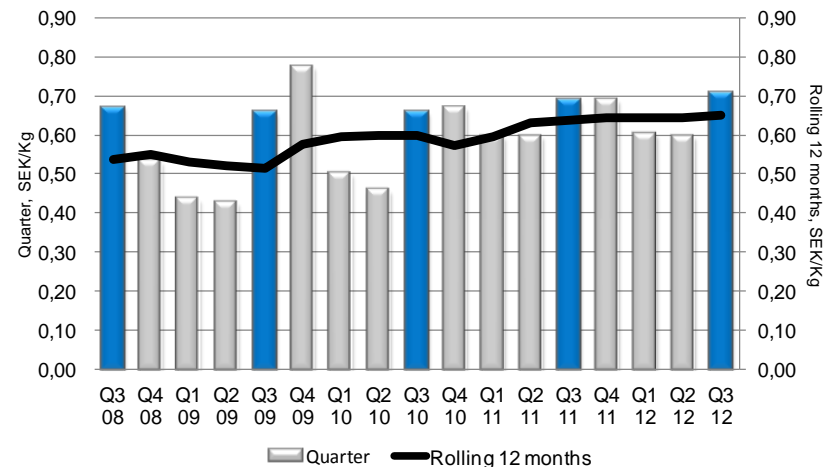
# Financial summary



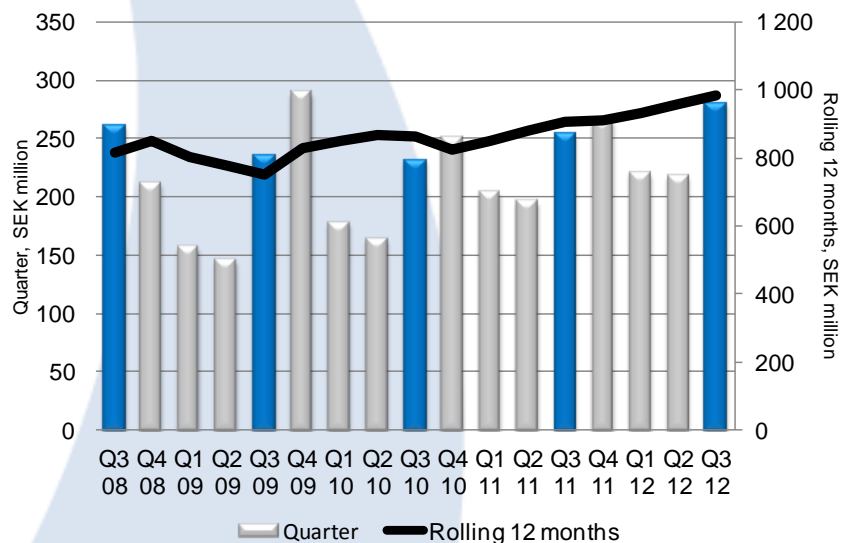
AAK Group - Volume



AAK Group - Operating profit per kilo\*



AAK Group - Operating profit\*

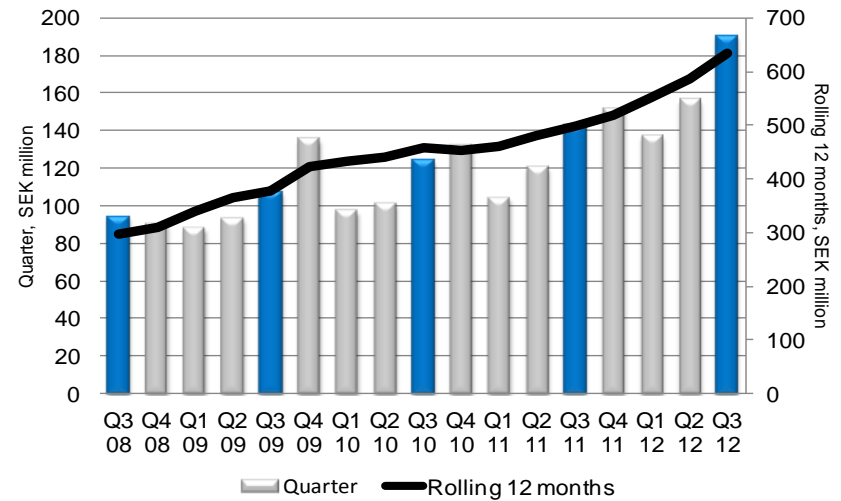


\* Excluding acquisition related costs

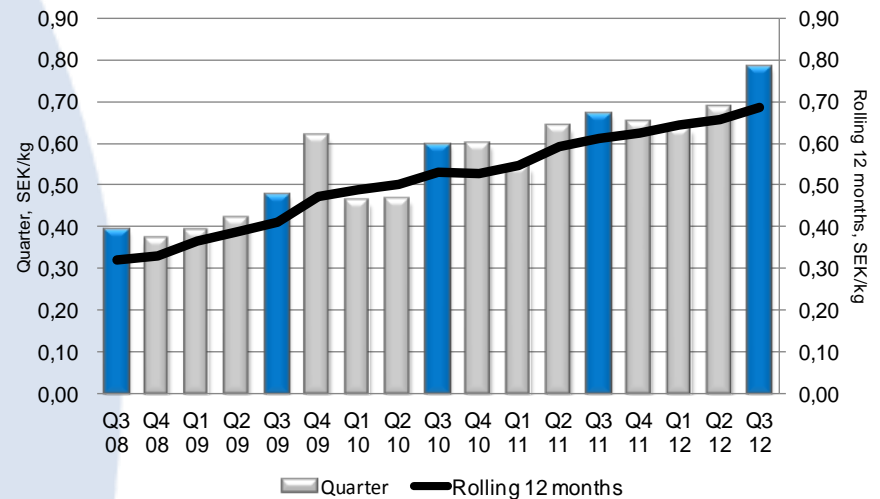
# Food Ingredients



**Food Ingredients - Operating profit**



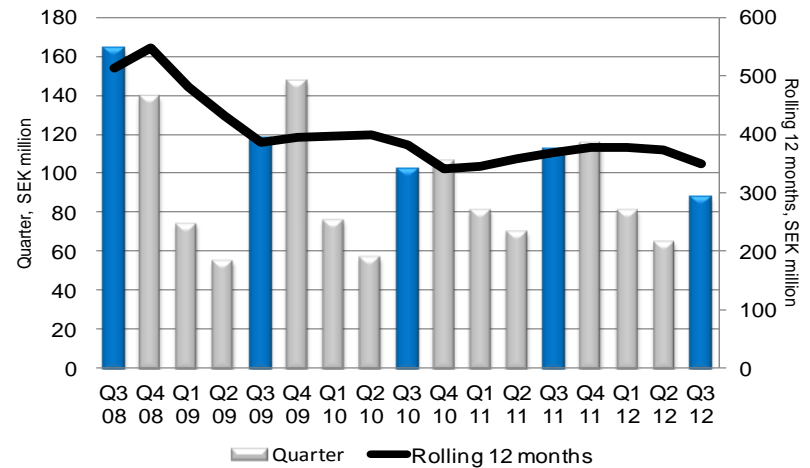
**Food Ingredients - Operating profit per kg**



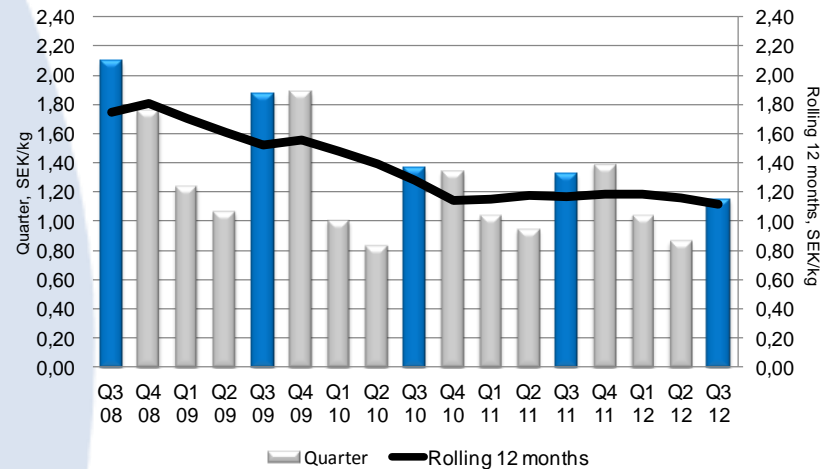
# Chocolate & Confectionery Fats



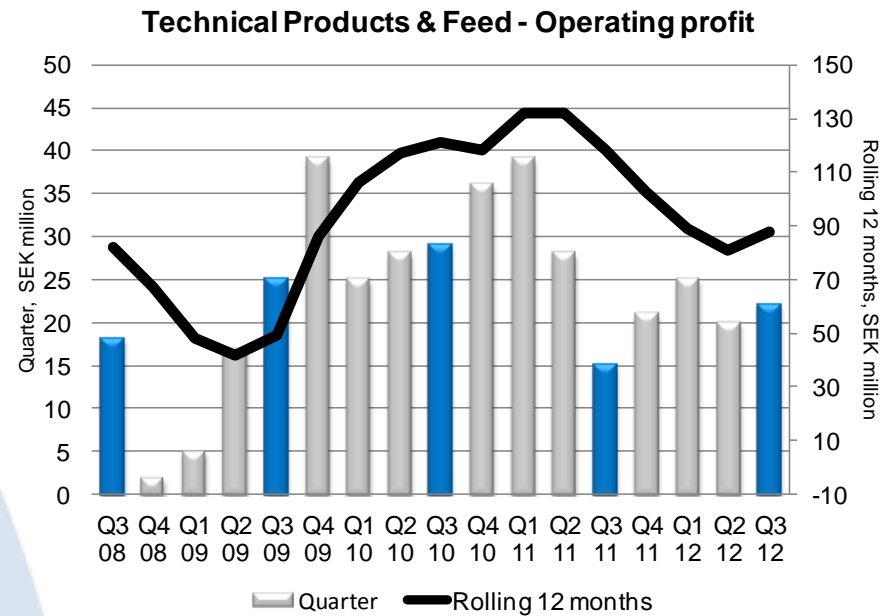
**Chocolate & Confectionery Fats - Operating profit**



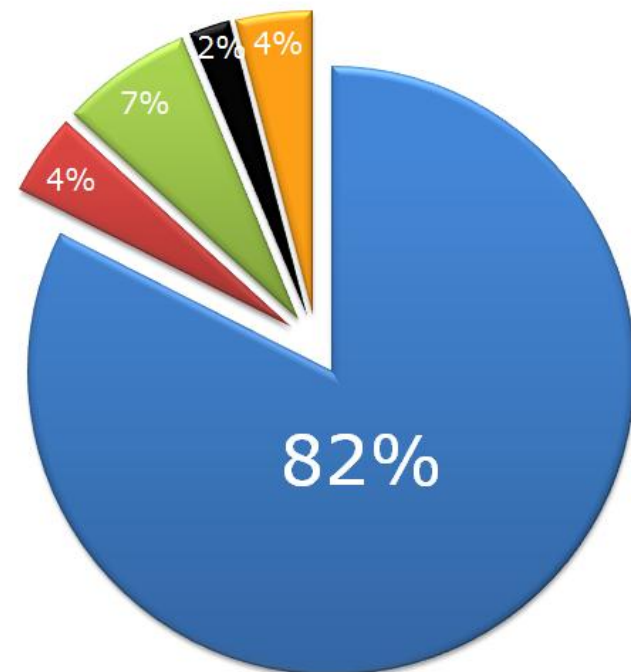
**Chocolate & Confectionery Fats - Operating profit per kg**



# Technical Products & Feed



# Group cost structure



- Cost of goods sold
- Utilities and processing aids
- Remuneration to employees
- Depreciations
- Other costs

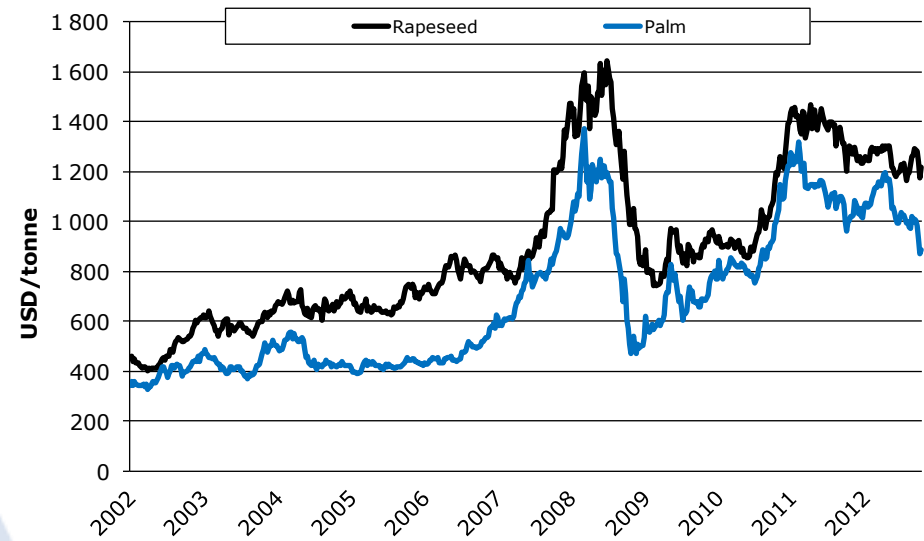


# Raw material prices

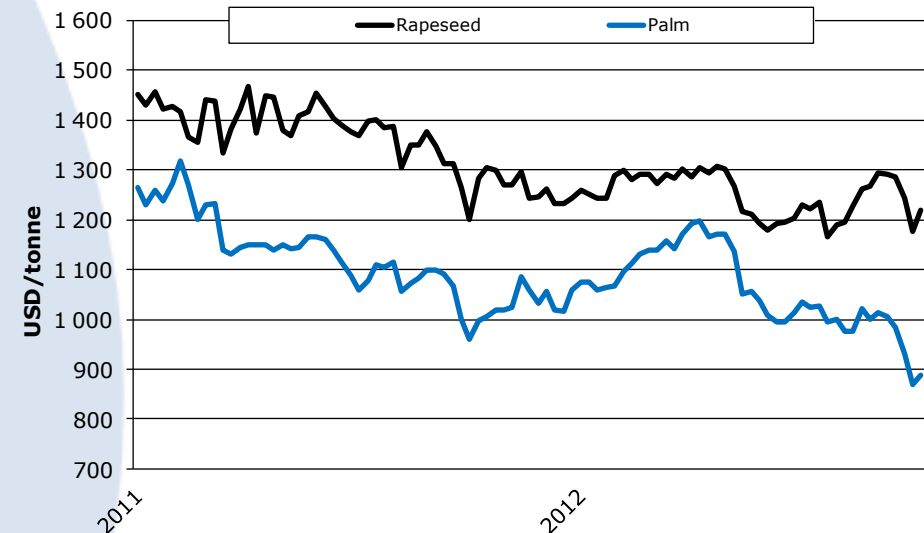


- 10 % change in all raw material prices will effect working capital by +/-SEK 250 million
- Time lag of six to nine months

Raw material price - Palm and rapeseed USD/MT

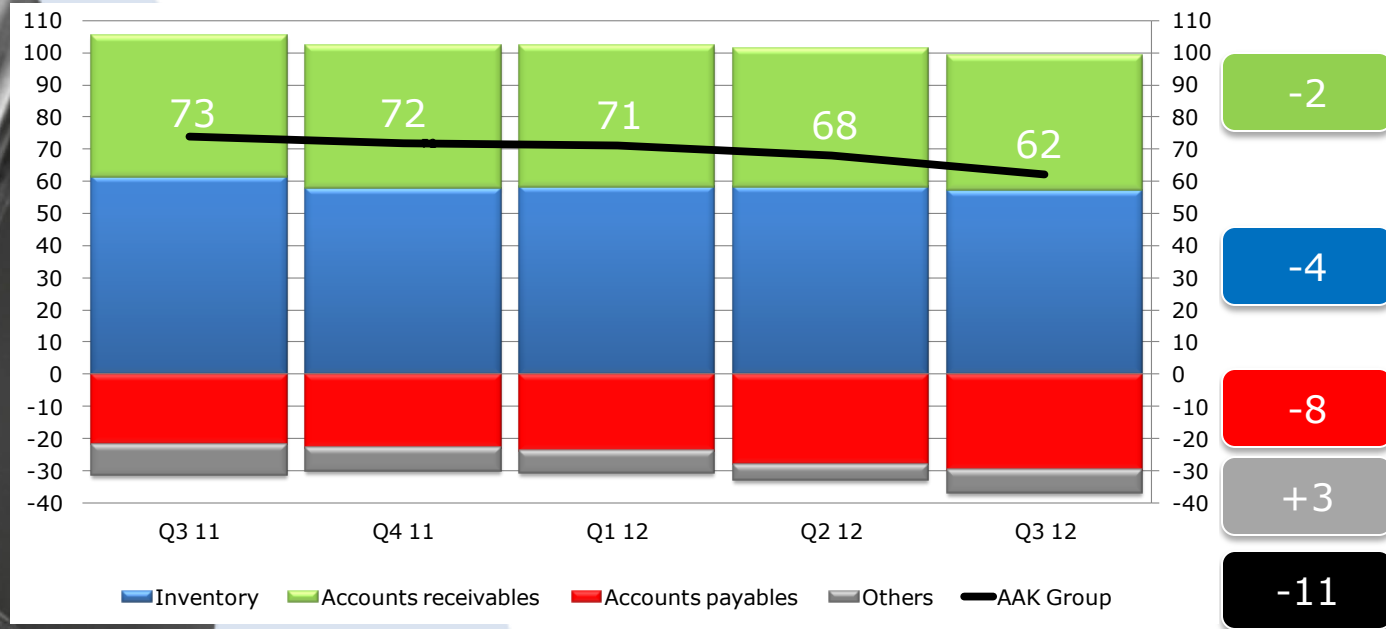


Raw material price - Palm and rapeseed USD/MT

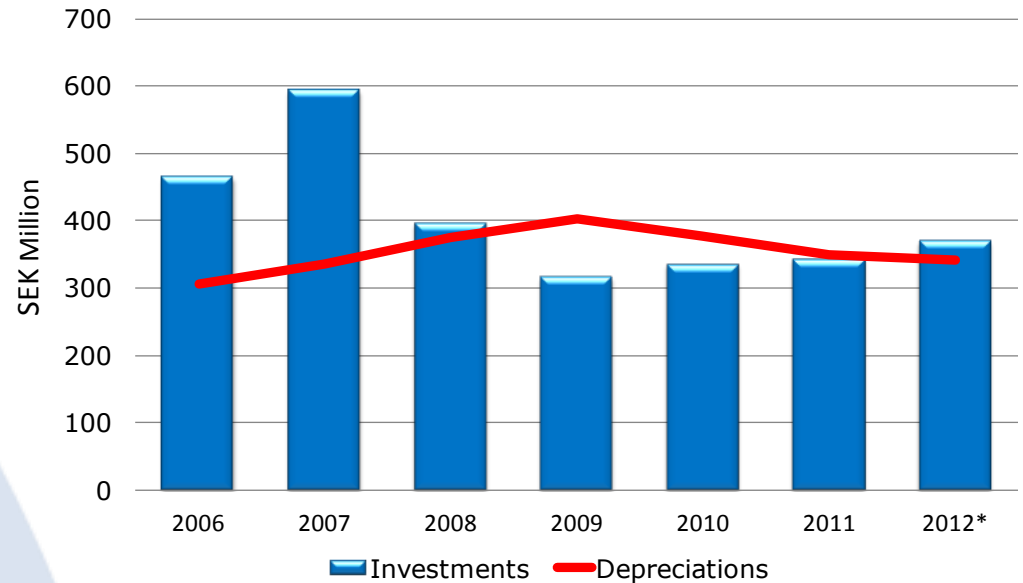


# Working capital days

## Rolling 6 months



# Capital expenditures



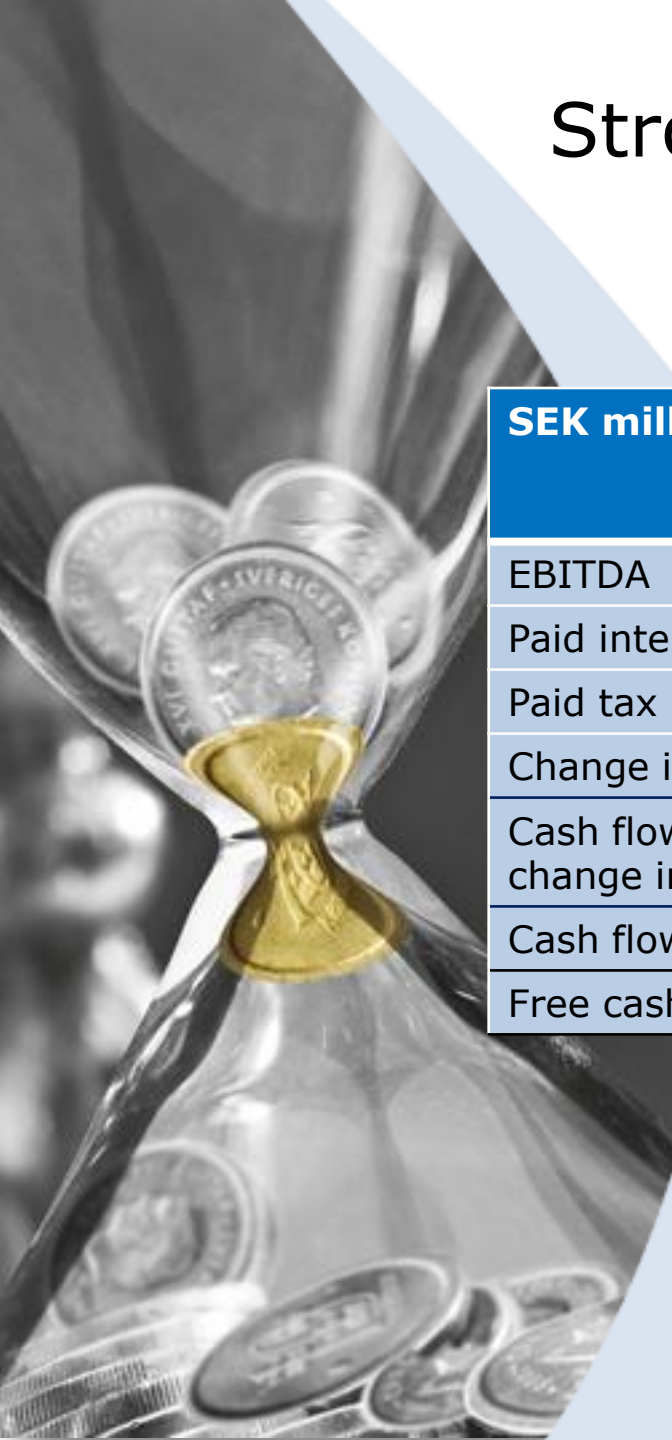
- Capital expenditures (excluding acquisitions and strategic investments) will be in line with annual depreciations

\* Rolling 12 months

# Reduced Swedish corporate tax rate

- The Swedish Government has in the budget for 2013 proposed a reduction of the corporate tax rate from 26.3 % to 22 %
- AAK will if the Swedish Parliament decides to reduce the corporate tax rate record SEK 20 million as a tax cost reduction in the fourth quarter 2012

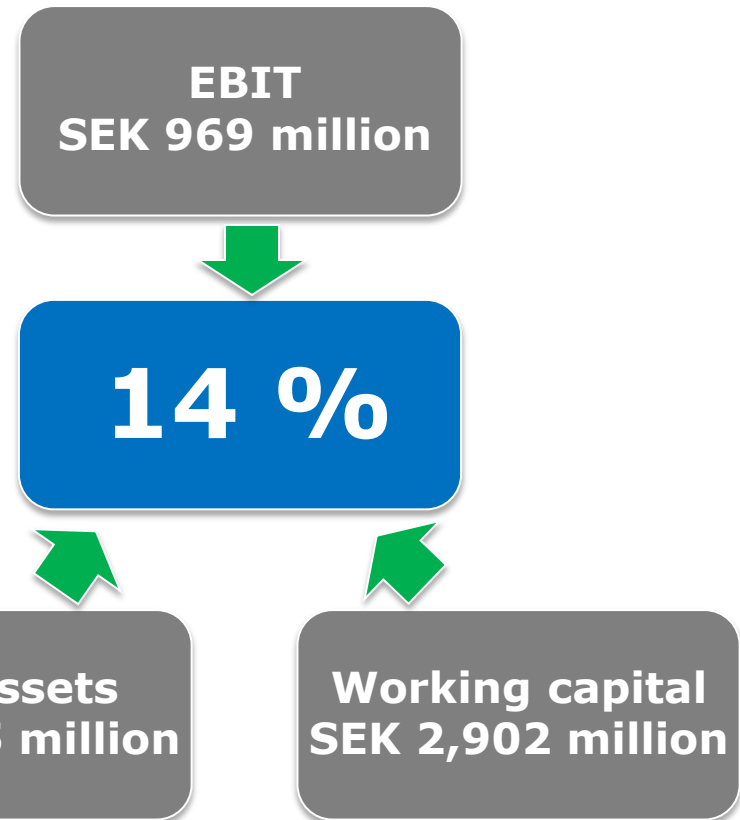
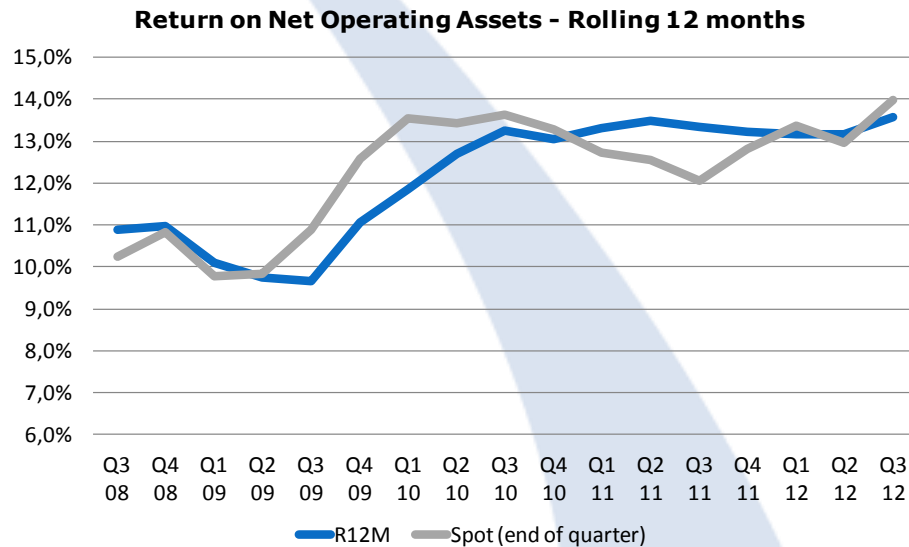
# Strong cash flow

A black and white photograph of an hourglass with a gold-colored frame. The top bulb is filled with Swedish Krona coins, and several coins are shown falling through the narrow neck into the bottom bulb. The background is blurred, showing more coins.

| SEK million   | Q3<br>2012 | Q3<br>2011  | Q1-3<br>2012 | Q1-3<br>2011 |
|---|------------|-------------|--------------|--------------|
| EBITDA  | 361        | 335         | 965          | 915          |
| Paid interest   | -27        | -33         | -83          | -79          |
| Paid tax  | -111       | -45         | -259         | -144         |
| Change in working capital   | 141        | -68         | 476          | -902         |
| Cash flow from operating activities incl<br>change in working capital | <b>364</b> | <b>189</b>  | <b>1 099</b> | <b>-210</b>  |
| Cash flow from investments  | -71        | -410        | -695         | -573         |
| Free cash flow  | <b>293</b> | <b>-221</b> | <b>404</b>   | <b>-783</b>  |

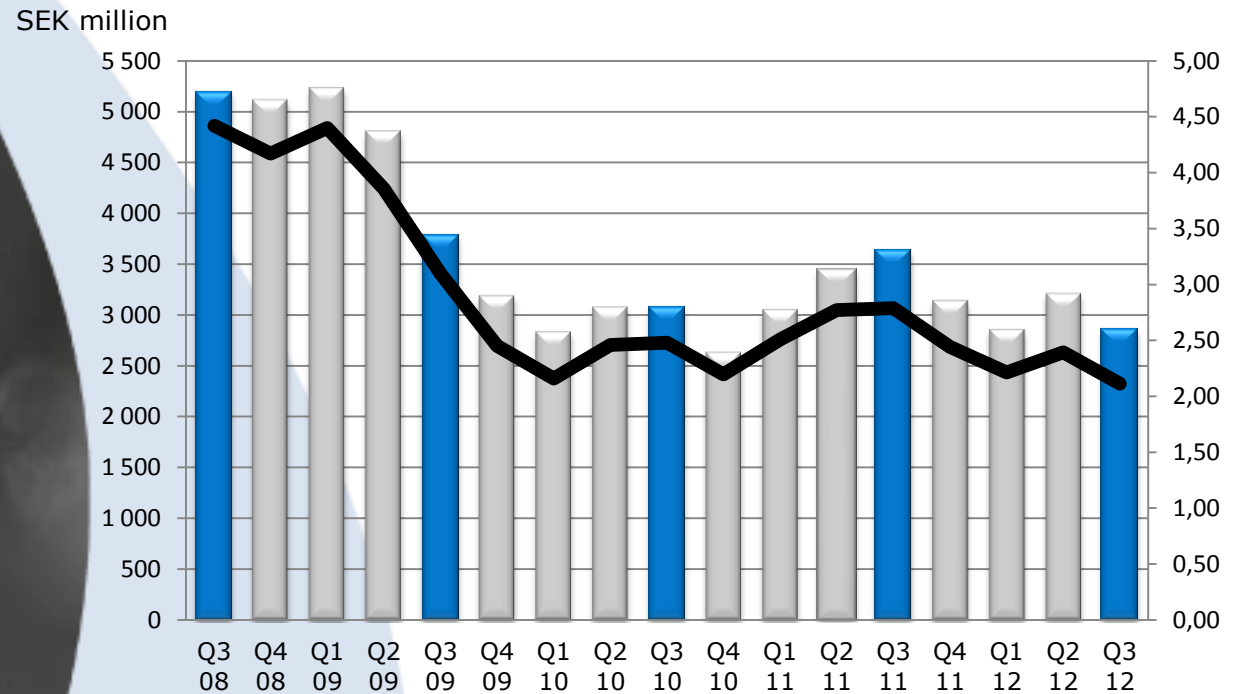


# RONA – 30 september 2012

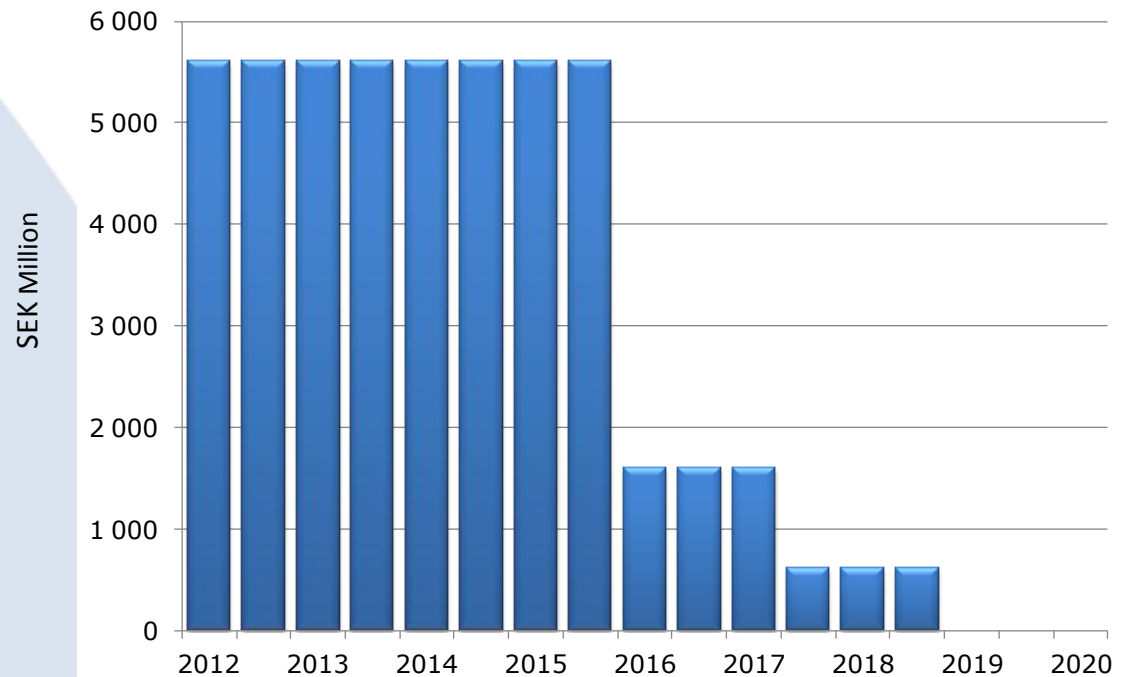


- ◆ Unchanged EBIT but a decrease in working capital by 10 % will imply a RONA improvement of 0.4 %


# Net debt and net debt/EBITDA **AAK**



# Credit facilities



# Value creation priorities

- 
- A large, stylized hourglass is positioned on the left side of the slide. The top and bottom bulbs of the hourglass are filled with numerous Swedish Krona coins. The narrow neck of the hourglass is highlighted with a golden glow, symbolizing the flow of value or capital. The background of the slide is a light blue gradient, and the overall theme is financial and strategic.
- Strengthen growth
    - Customer co-development
    - Emerging markets
    - Selective acquisitions
  - Continue improving EBIT/Kg
    - Speciality and semi-speciality vs. commodity products
    - Efficiency
  - Increase capital efficiency
    - Working capital management
    - Limited CAPEX



*Torben Friis Lange*  
*President CCF*

A world map is depicted on a light-colored tiled floor, where the landmasses are formed by puddles of brown chocolate. A single chocolate candy, embossed with the AAK logo, sits in the middle of the African continent. A large, light blue curved shape, resembling a stylized 'A' or a protective shield, is positioned on the right side of the image, partially overlapping the map and the text area.

# Capital Market Day Chocolate & Confectionery Fats

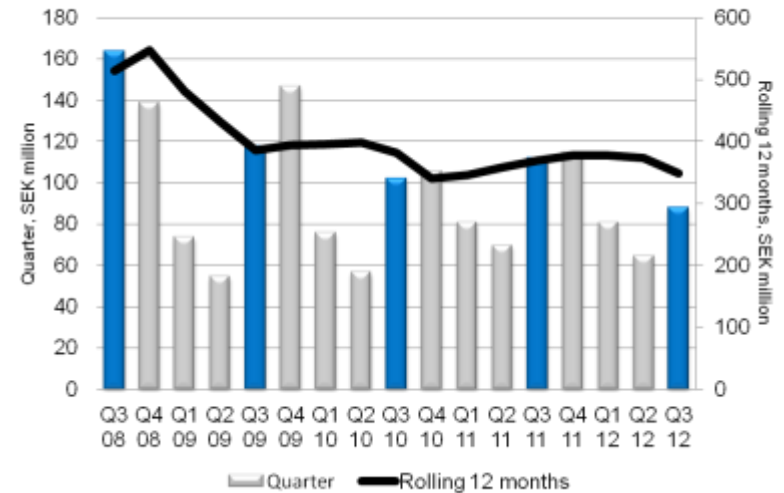




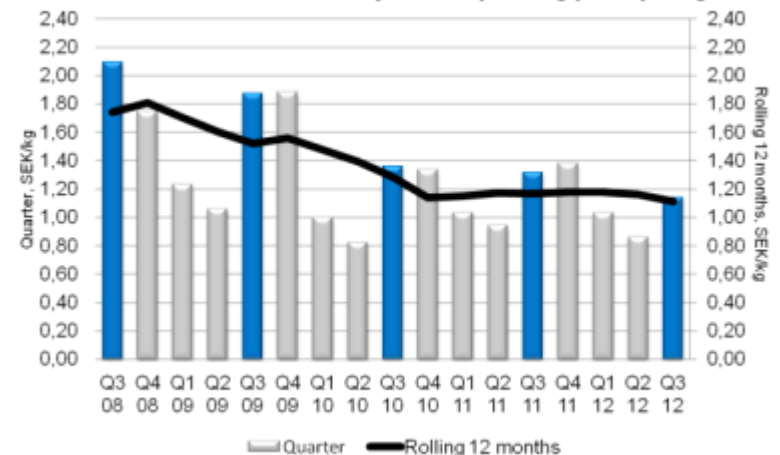
# Chocolate & Confectionery Fats



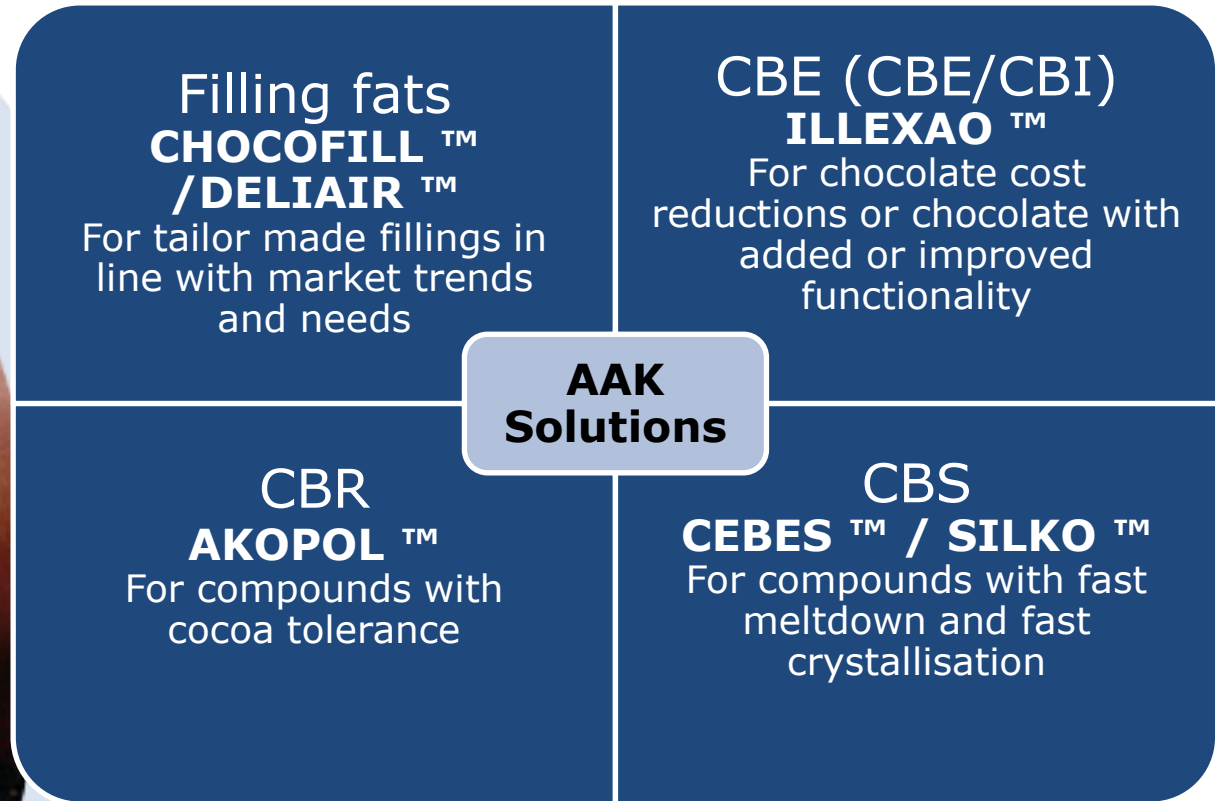
Chocolate & Confectionery Fats - Operating profit



Chocolate & Confectionery Fats - Operating profit per kg



# AAK Solutions






# Filling fats



- Each filling contains ~ 30 % filling fat
- AAK customises solutions to meet very different needs
- Provides key influences on:
  - Stability
  - Melting properties
  - Texture
  - Flavour release
  - Health

# Filling Fats

- 
- ◆ DELIAIR™ NH
    - An answer to the trend of aeration
  - ◆ CHOCOFILL™ TC
    - Cool, refreshing and indulgence fillings
  - ◆ CHOCOFILL™ BR
    - A longer shelf life no matter what
  - ◆ CHOCOFILL™ NH
    - Multi-purpose clean label filling fats
  - ◆ CHOCOFILL™ LS
    - The healthier choice



# When extra functionality in chocolate is needed (CBI)



## 💧 ILLEXAO™ ER

- Creamy and smooth meltdown in cocoa-rich chocolate

## 💧 ILLEXAO™ BR

- Long-lasting quality of chocolates with soft fillings

## 💧 ILLEXAO™ HS


- Less softening and extra shelf-life in warm climates

## 💧 ILLEXAO™ MT

- Increase production capacity and improve texture and mouth feel







# When appeal is flexibility and trans reduction



## 💧 AKOPOL™ LT

- Low in trans fatty acids
- Still compatible with cocoa butter

## 💧 AKOPOL™ NH

- Non-hydrogenated
- Free from trans fatty acids
- Clean label

# Combining high capacity and health



- 💧 CEBES™ MC / SILKO™ CO
  - Trans-free solutions with a premium quality
- 💧 CEBES™ NH
  - Non-hydrogenated
  - Non-trans
  - Clean label
- 💧 CEBES™ LS
  - Low in saturated fatty acids
  - Healthier profile
- 💧 All with a great sensory profile





# New Way of sourcing Shea in Burkina Faso



- 💧 AAK triples its activities with women groups
  - Improve supply and quality of the shea kernels
  - Improve living conditions locally in the villages
- 💧 AAK and L'Oréal sign agreement
  - Develop the shea trade
  - Integrate sustainability in all activities
  - Improve the situation for women in West Africa

# Cocoa Butter





# Future chocolate markets



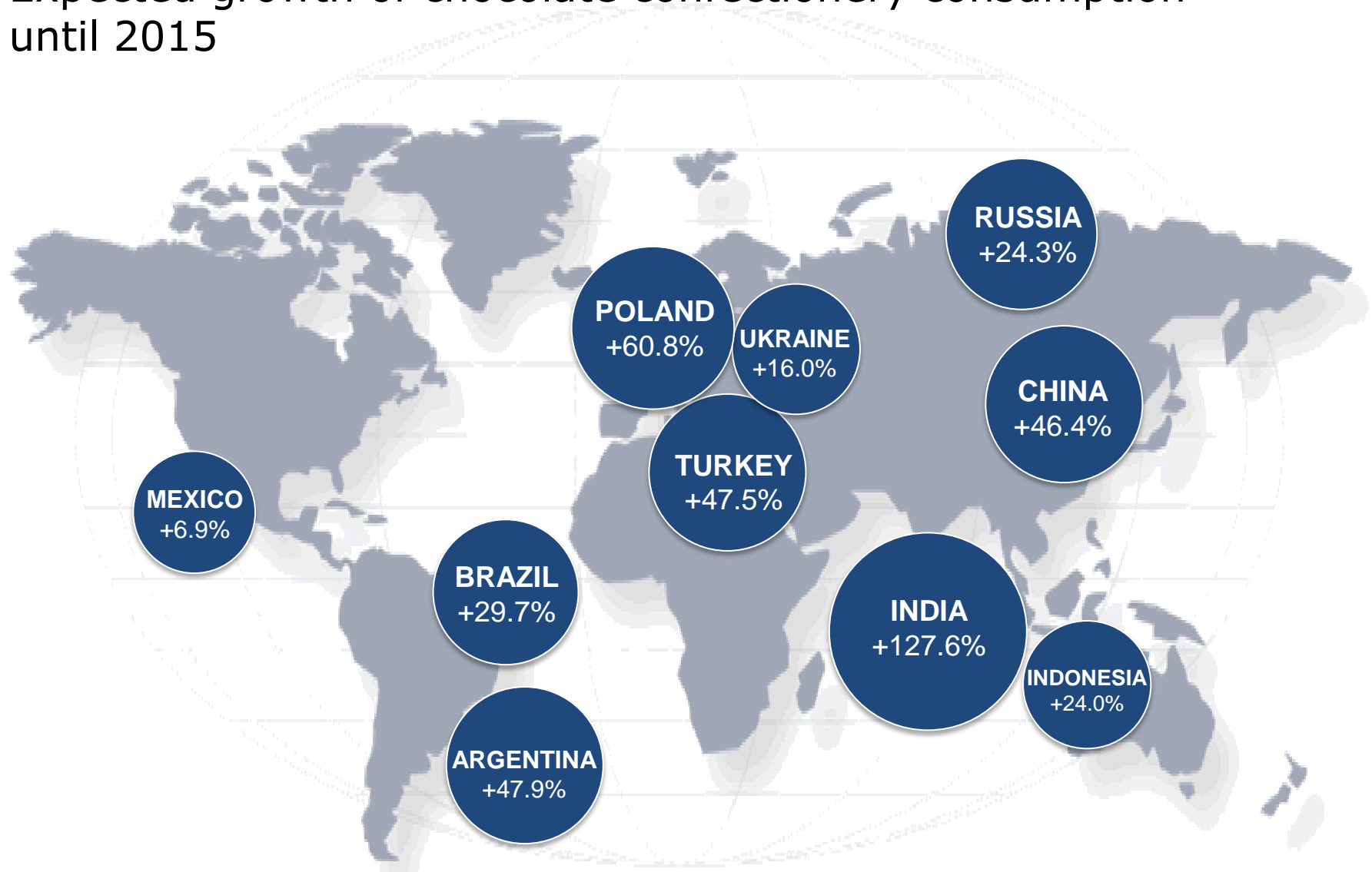
- ◆ Rapid growth in BRIC
- ◆ “High potential” countries becoming the world’s fastest growing major economies in the 21st century
- ◆ AAK focus on major emerging chocolate markets:
  - Brazil
  - China
  - Mexico
  - Russia
  - Turkey
  - Ukraine



# Chocolate markets of the future



Expected growth of chocolate confectionery consumption until 2015





# Why are these markets of interest for AAK



- ◆ Growth driven by
  - Rising income
  - Growing middle class
  - Urbanisation
  - Health
- ◆ Leads to new innovations
- ◆ The result is increased convergence - snacking
- ◆ Adds complexity
- ◆ Innovation fits very well with AAK business model for co-customer development


*Karsten Nielsen*  
*Chief Technology Officer*

Capital Market Day  
Innovation

# Meeting our customers' needs **AAK** two-five years from now

- ◆ The highlights
- ◆ Our achievements and results
- ◆ Our strengths
- ◆ Our eight insights

# The highlights of our industry **AAK**

- 
- ◆ Biofuel
  - ◆ Sustainable raw materials
  - ◆ Bio-catalysts
  - ◆ Health and life style diseases



# Our achievements and results

2010

BEST  
PRACTICE  
AWARDEuropean Confectionery Ingredients  
Growth Leadership Award

NOMINATED

FOOD INGREDIENTS  
EXCELLENCE  
AWARDS 20

- Removed trans fatty acids in all applications
- Solutions with un-hydrogenated oils for all applications
- Decreased the content of saturated fatty acids with 20–50 % in most applications
- Launched products with specific, nutritional functionality, e.g. for infants

# Our strengths



- ◆ A strong concept for local development and customisation in which we have invested heavily
- ◆ A preferred partner for customised solutions (customer co-development)
- ◆ Local development and customer service in all the regions where we operate

# The Eight Insights



- Based on in-depth customer interviews across regions and segments
- Confirmed by general trend analysis
- Supported by our internal analyses and experience
- The eight insights are the cornerstones within innovation at AAK

# #1: Less is more

- 💧 First priority is the “don’t wants”
- 💧 Trans fatty acids is a no go!
  - All product categories are available as non-trans versions
- 💧 The content of saturated fatty acids has to decrease
- 💧 Lower content of fat is still a wish – if product quality is OK

- No trans fatty acids
- No hydrogenation
- Less saturated fatty acids
- Less fat
- No E-numbers
- Less calories

## #2: The one who pays the bill decides the music



### Mexico to ban junk food from schools to fight fat

AP foreign, Thursday May 27 2010

MARK STEVENSON

Associated Press Writer= MEXICO CITY (AP) — Mexico is looking to battle the bulging waistlines of its children by banning the sale of junk food in its schools, including many of the traditional treats generations of kids have grown up with.

Getting the axe along with modern soft drinks and sweets will be salted tamarind candy, pork rinds and atole, the thick and sweet cornstarch-based beverage served piping hot in the morning.

The anti-obesity guidelines presented by health and education officials Wednesday make recommendations that at times seem more suited to a Manhattan salad bar than a Mexican school yard.

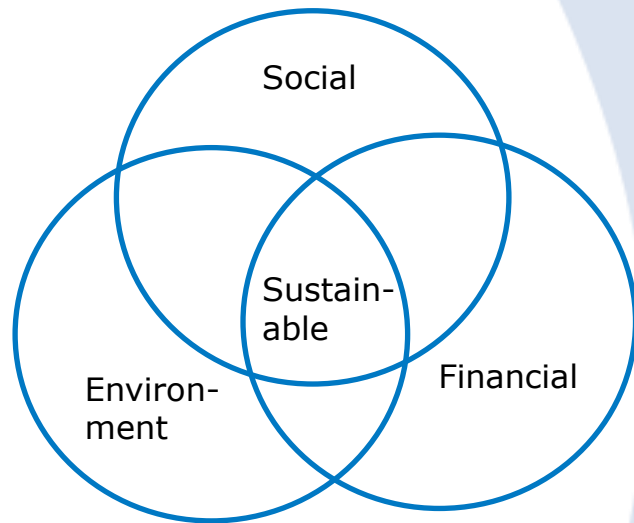
Tortas — the often overstuffed, greasy, meat-packed sandwiches popular in Mexico — are out, unless they are "light" versions.

Source: Guardian.co.uk

- 💧 Spending on life style related health problems in an aging population is increasing
- 💧 As the cost of disease control in many countries is partly a government issue, the government also want to influence the life style
  - Restrictions in school dining-halls in Mexico
  - Regional attempts to further taxation



# #3: Sustainable growth



- 💧 Sustainability is a major and growing issue – it is more than palm oil!
  - Global Reporting Initiative
  - UN Global Compact
- 💧 We need to feed a growing population without destroying the life of future generations
  - Agro technology
  - Transportation
  - Production
  - Distribution

## #4: Nothing has ever sold just because it is healthy

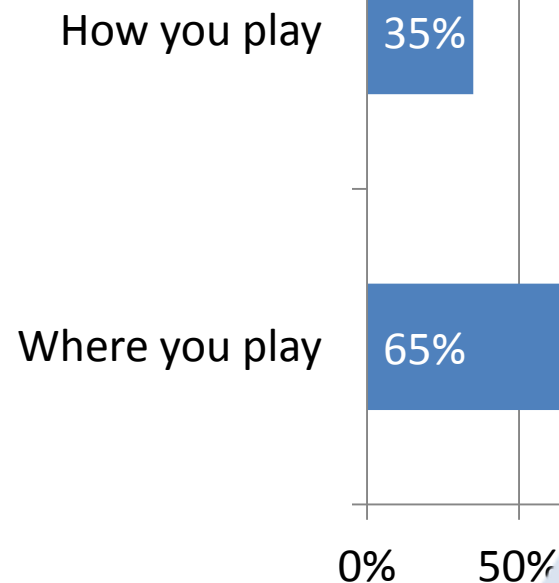
- If snack does not taste good – it is easier not to eat it
- Food that does not appeal to our senses is not perceived as being good



## #5: Innovation must target growth markets



### McKinsey: Organic growth in FMCG



• The growth in our industry is in areas with a basic growth in population and consumption of processed food

- Brazil
- Russia
- China

• The trends are strongly globalised but there are regional differences in prioritisation

# #6: Food has a function – but not any function



- Food is not medicine – but...
- Specific ingredients may support specific health combined with a healthy lifestyle
  - More unsaturated fatty acids
  - Omega-3 fatty acids

## #7: Nature is good for you



- ◆ Natural products, as vegetable oils and fats, are generally perceived healthy
- ◆ Products with ingredients from your kitchen cabinet are preferred





## #8: Cost must be matched by perceived value



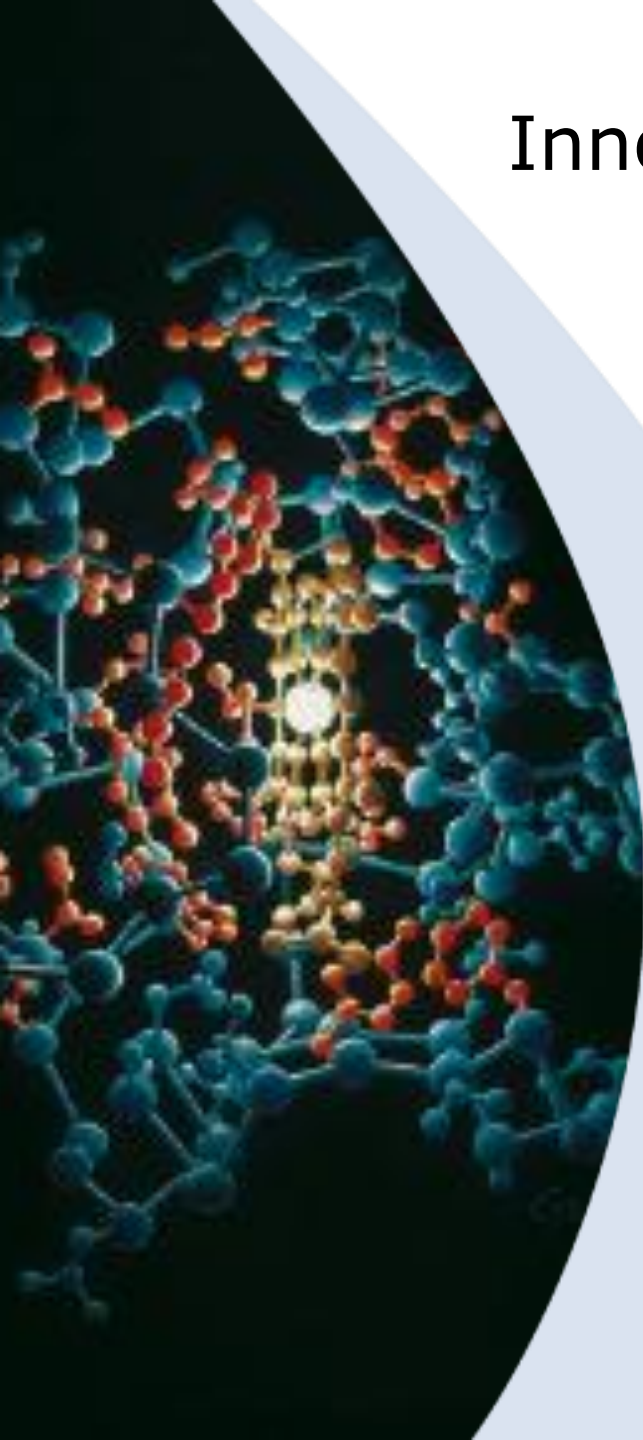
- ◆ In any market – cost of basic food supply is an issue
- ◆ Additional supply chain cost of new solutions must be avoided



Innovation is not an option



IT'S A  
MUST!





*Lena Ingvarsson*  
*Marketing Director*

# Capital Market Day Bakery Solutions

# Bakery - Main applications



Biscuit &  
Cookies

Akobake, Akobisc  
20 % fat content



Cakes &  
Pastries

Akobake, Akofluid  
5-30 % fat content



Yeast raised  
Bread

Akobake, Akofluid  
3-10 % fat content



Fillings

Akocream  
10-30 % fat content



Non baked

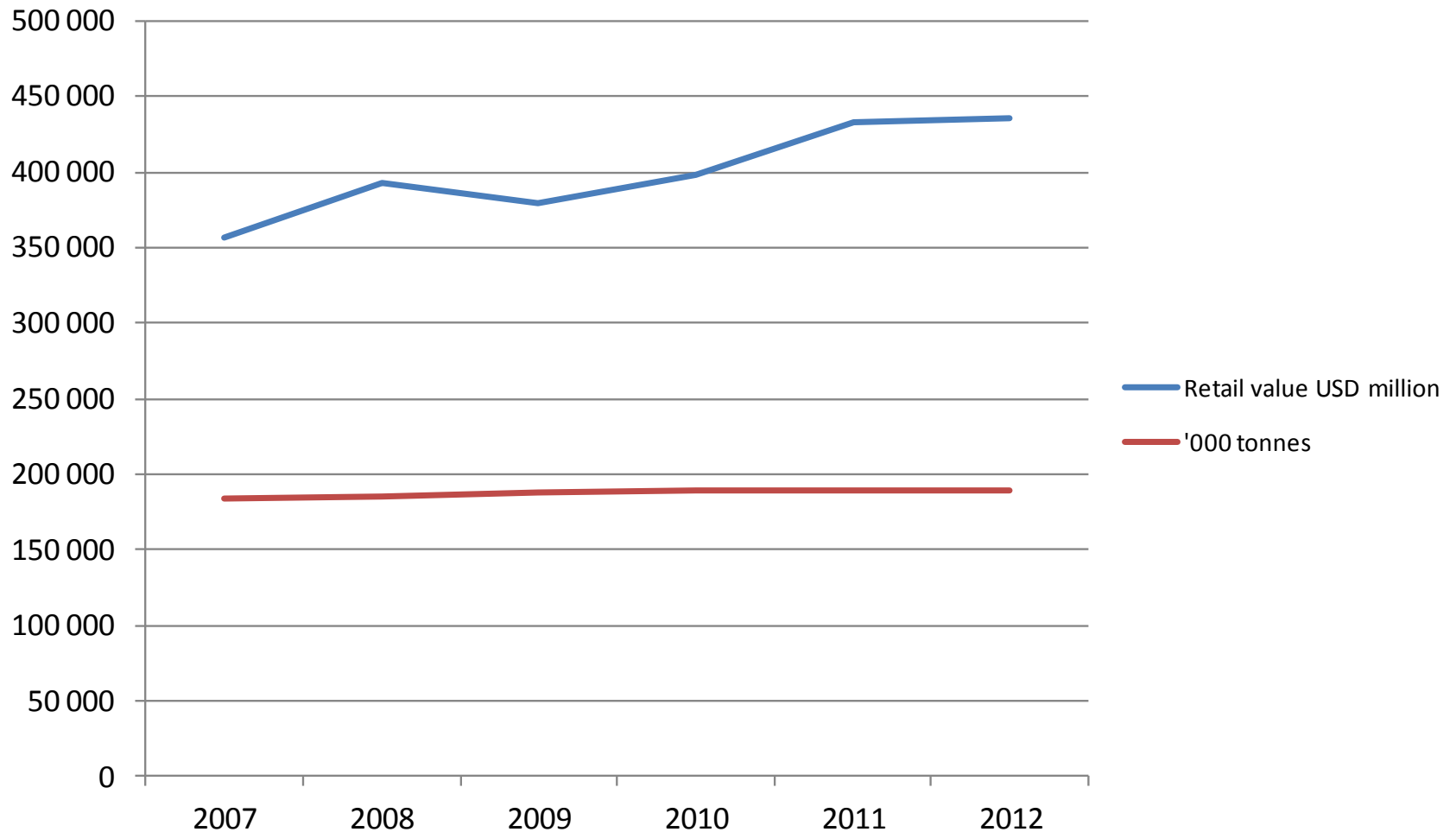
Marba  
20 % fat content



# Global Bakery market development



Category; Bread, Cakes, Pastries and Biscuits



Source - Euromonitor International

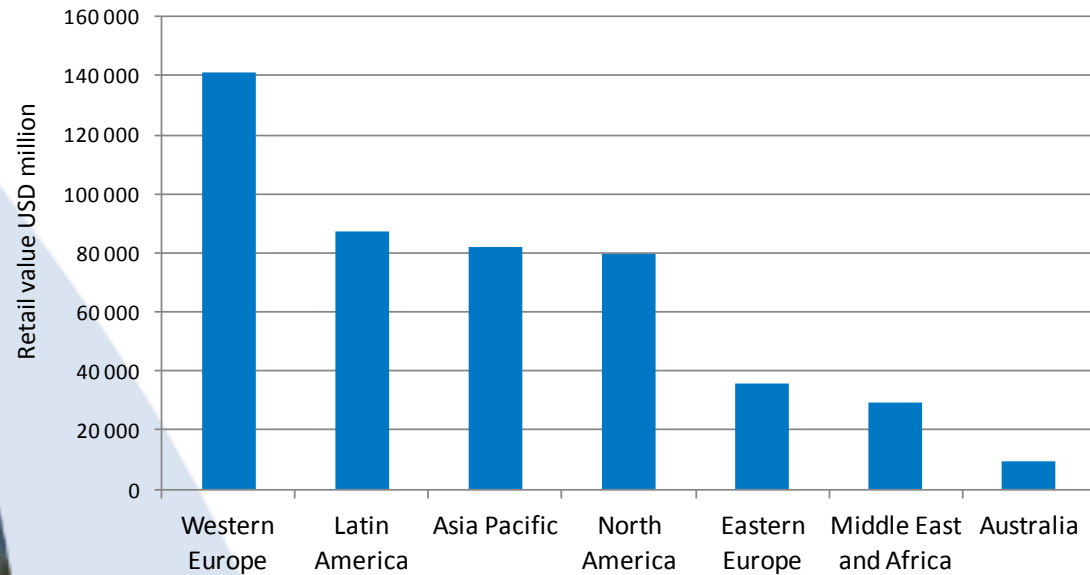
The first choice for value-added vegetable oil solutions 69



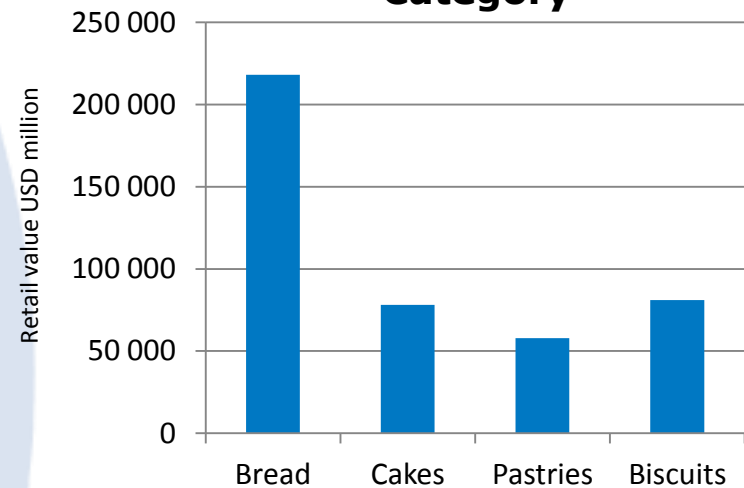
# Bakery size year 2012



## Geographical market



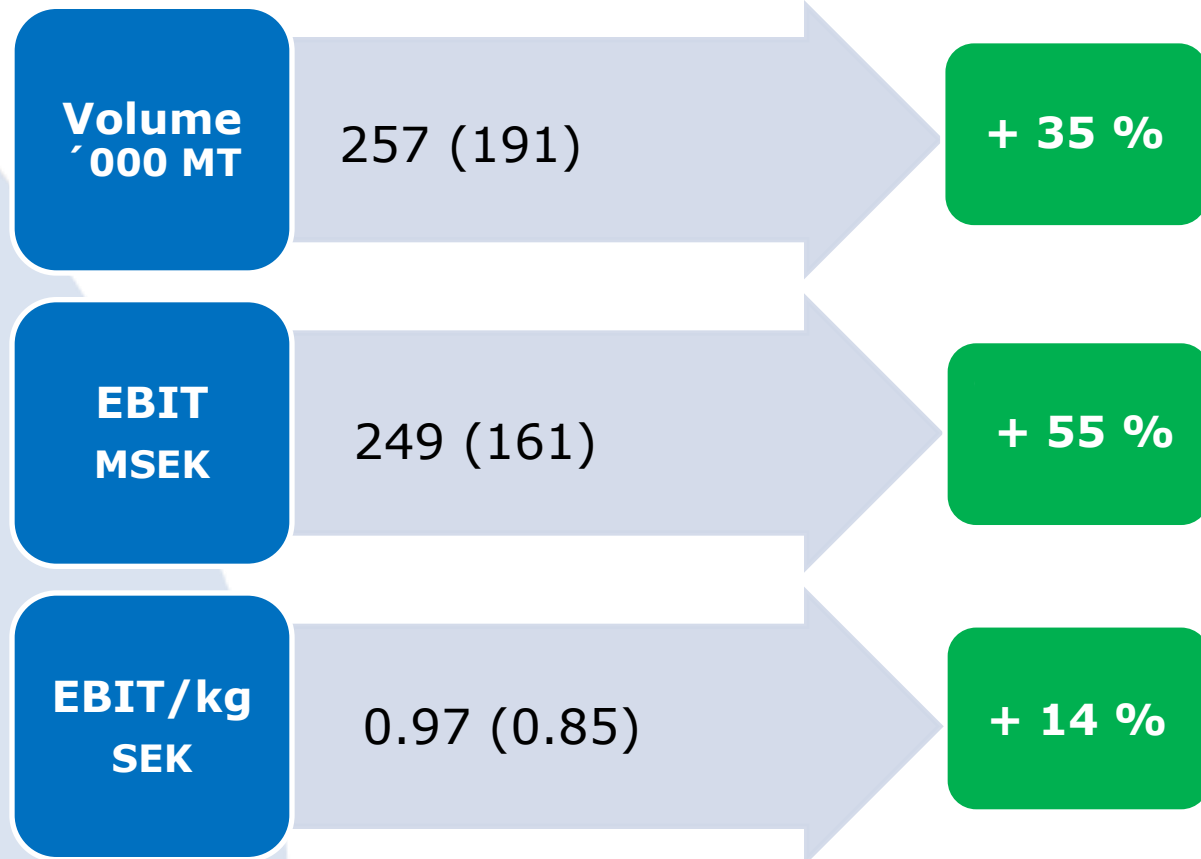
## Category



Source - Euromonitor International

The first choice for value-added vegetable oil solutions

# AAK Bakery



# Market development



- ◆ Stable consolidation
- ◆ Emerging markets boost sales
- ◆ China and India drive retail sales
- ◆ Growth of packed bread
- ◆ Focus on total cost
- ◆ Sustainability

# Trends

- 💧 Rising obesity
- 💧 Smaller less expensive treats
- 💧 Add value through innovation and NPD
- 💧 Clean label products
- 💧 Health and wellness
- 💧 Convenience and indulgence
- 💧 Oils & Fats
  - Non trans
  - Non hydro
  - SAFA reductions
  - Omega 3
  - Clean label
  - Cost optimization





# Possibilities with vegetable fat



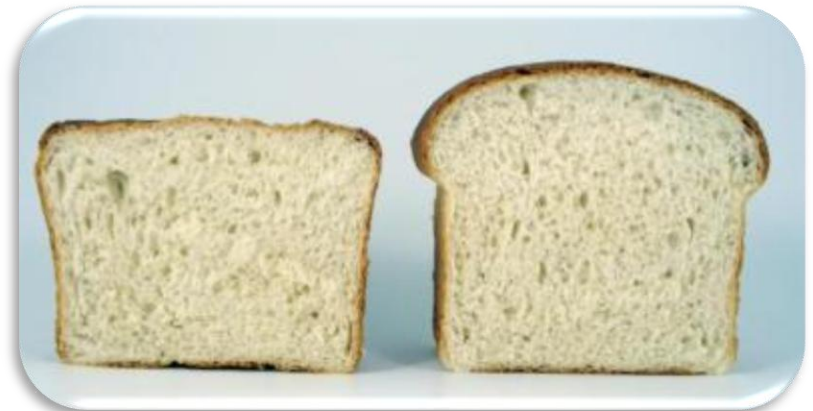
- ◆ SAFA reductions
- ◆ Add value such as Omega 3
- ◆ Non trans and hydro
- ◆ Clean label
- ◆ Lower raw material and internal handling costs
- ◆ Increased functionality





# Effect of solid fat on bread volume

- The main structure builder in the dough is the proteins
- Together with water it builds up the gluten network
- The interaction with added bakery fat is crucial for the dough making



Bread baked with liquid oil compared to Akofluid

# Shortening – the way to success

- ◆ 100 % fat – don't pay for water
- ◆ Reduced total raw material and internal handling costs
- ◆ Broad range with increased functionality
- ◆ Improved bloom stability
- ◆ Unbeatable whipping properties
- ◆ Clean label
- ◆ Shelf life up to 12 months

# Marketing possibilities

- ◆ Customized solutions
- ◆ Add olive oil
- ◆ Good marketing
- ◆ Excellent nutritional profile
- ◆ Low saturated fats
- ◆ High in Omega-3



# Flakes for pizza doughs

- ◆ Provides a crispy texture
- ◆ Better lift and volume
- ◆ Easy handling
- ◆ Excellent nutritional profile



Oil



Oil + Akoflake

## **Quality**

- 💧 Positive eating experience
- 💧 Good shelf life

## **Functionality**

- 💧 Desired function in process and end product

## **Handling of your choice**

- 💧 Shortening
- 💧 Solid, Liquid
- 💧 Powders & Flakes

## **Healthy options**

- 💧 Non trans
- 💧 Non hydrogenated
- 💧 Low saturated



# Questions & Answers



Moderator:  
Weje Sandén