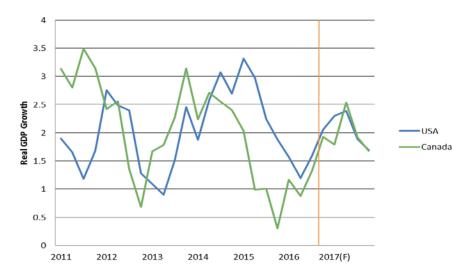
### Terrence W. Thomas

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# AAK USA

### Macroeconomic Landscape USA and Canada

### USA and Canada GDP annual growth (%)



Historical data and forecast by quarter

### Factors affecting US economic growth

- USA consumer spending has slowed but remains above the long term growth rate of 2.0%
- USA unemployment stands at 4.9% in October after 73 consecutive months of positive job growth, mix of manufacturing and service jobs is an issue, upward pressure on wages is anticipated
- Canada could be poised for modest growth in 2017 after experiencing downturn in 2014 due to drop in oil prices



The Co-Development Company

Source: Euromonitor

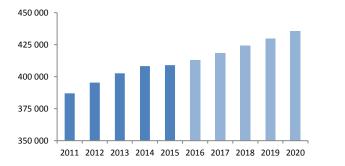
# Market Landscape Customers and Consumers

- USA Population: 321.6 million
- Canada Population: 35.9 million

#### Packaged Food

Source: Euromonitor

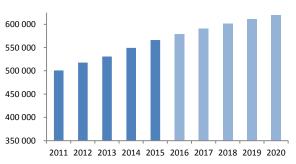
- 2016 USA and Canada: \$413B Sales
- CAGR 2011-2016: 1.3%
- CAGR 2016-2020: 1.3%



#### USA/Canada Packaged Food Category Market Size USD million

### Foodservice

- 2016 USA and Canada: \$579B Sales
- CAGR 2011-2016: 3.1%
- CAGR 2016-2020: 1.7%



#### USA/Canada Foodservice Sales USD million



# AAK

## AAK USA and Canada Business Performance



- Acquisition of Golden Foods Golden Brands (Louisville, KY), July 2011
- Acquisition of Oasis Foods (Hillside, NJ), May 2012
- Hurricane Sandy, November 2012
- 2014-16 Strategic plan developed, 2013
- Organization / Leadership changes, 2013 2014
- Acquisition of California Oils (Richmond, CA), September 2016
- Business re-engineering, ongoing



### AAK USA and Canada Business Footprint



 New Innovation Center for Bakery and Confectionary to open November 2016 in Edison, New Jersey

- Headquartered in Edison, New Jersey
- 476 employees in USA and Canada





## AAK USA and Canada Business Footprint

### Port Newark, New Jersey

 Focus on Chocolate and Confectionary, Infant Nutrition, Bakery, Dairy and Personal Care segments

### Richmond, California

• Focus on Chocolate and Confectionary, Dairy, Infant Nutrition and Frying segments

### Louisville, Kentucky

• Focus on Bakery, Dairy and Chocolate and Confectionary segments

### Hillside, New Jersey

 Focus on Foodservice Products: Frying Oils, Cubed Shortening, Margarines, Spreads, Butter Blends, Mayonnaise, Salad Dressings, Barbeque Sauces





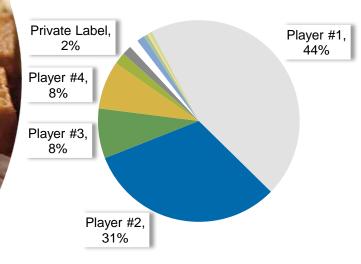






# Market Landscape Chocolate and Confectionary Segment

USA/Canada Chocolate Confectionery Market Share By Manufacturer\*



- Large (\$21B Sales, 2016), relatively concentrated segment growing at 2.7% CAGR (2011-2016)
- AAK has leading position with 6 of Top 7 CPGs
- Behind CPGs, there is a strong Converter / Compound segment with 5 Key Players, AAK has a leading position with 4 of the 5

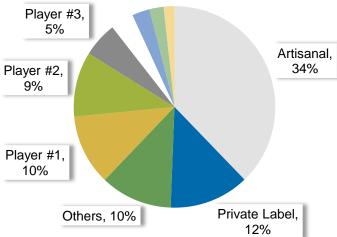


\*Source: Euromonitor

# Market Landscape Bakery Segment







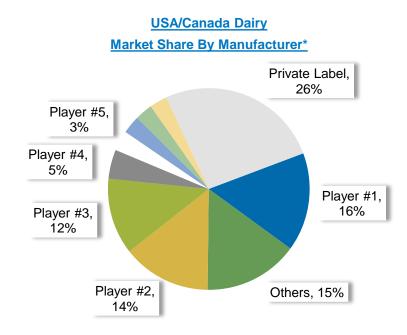
- Large (\$80B Sales, 2016), highly fragmented segment growing at 1.6% CAGR (2011-2016)
- AAK has strong and growing position with several top CPGs and Industrial Bakeries
- AAK is focused on value added sub-segments within Bakery where growth is 1.5x to 2.5x overall segment



\*Source: Euromonitor

# Market Landscape Dairy Segment

- Large (\$73B Sales, 2016), modestly fragmented segment growing at 0.7% CAGR (2011-2016)
- AAK is the leader in supplying non-dairy whipped toppings and non-dairy creamers
- AAK is focused on value added sub-segments within Dairy where growth is 2x to 4x overall segment



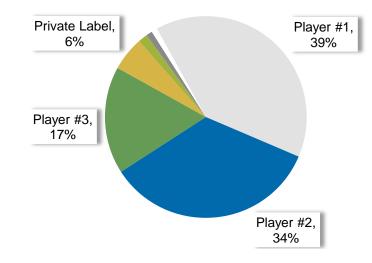
\*Source: Euromonitor

# AAK



## Market Landscape Infant Nutrition Segment



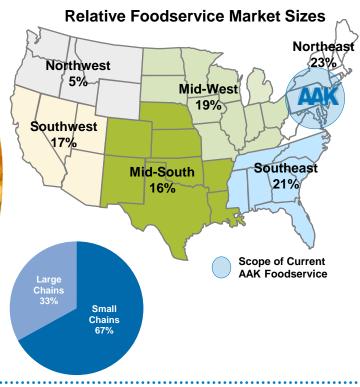


- Midsize (\$5.2B Sales, 2016), concentrated segment growing at 1.7% CAGR (2011-2016)
- AAK has a leading position with top CPGs, and with the acquisition of CalOils strengthens this position further
- AAK is expanding focus to other Nutrition segments in line with consumer trends



\*Source: Euromonitor

# Market Landscape Foodservice Segment



\*Source: Technomic and Oasis Foods Market Intelligence

- Very large (\$579B Sales, 2016, Restaurants, Bars and Taverns), very fragmented segment growing at 3.1% CAGR (2011-2016)
- AAK Foodservice currently well positioned in Northeast (23% of total market)
- AAK is focused on Small Chains (<250 units, fast casual) where trends / innovation drives 2x - 3x growth rates



# Oasis Foods Foodservice Product Lines

Shortenings



Mayonnaise and Salad Dressings







Margarines and Butter Blends





### Customer Co-Development CCF Success Story

Situation:

- Leading CPG in Chocolate and Confectionary segment
- AAK a minor supplier to this customer
- Majority supplier unable to resolve supply chain challenges
- Rapid turnaround of a highly complex blend of tropical oils required

### Response:

- AAK responded with solution that initially created a detectable difference
- Agreed a co-development approach would improve results and shorten time line
- Worked closely with customer to co-develop a solution that met functionality, texture and taste requirements

### Result:

 AAK not only won business for this application, we were selected to participate in additional projects and have since moved to majority (and partner) position with this customer





### Customer Co-Development Bakery Success Story

Situation:

- Leading CPG in Bakery segment
- Current supplier not meeting requirements for Sustainability / Traceability
- Response:
- AAK invited to participate in development project for retail product formulations
- Detailed project scope developed, critical to match visual appeal, texture and taste of current retail product
- Co-development approach applied, AAK CPG NPD Teams working hand in hand

Result:

- AAK developed a unique multi-oil blend solution with specific votation parameters to meet challenging processing parameters
- Small capex installed at AAK facility to support unique solution and enable rapid, flexible supply
- AAK awarded majority share for this application, and invited to participate in numerous new projects



# Impact of trans-fat regulations

M. Lbs.	2007/2008	2008/2009	2014/2015	2015/2016	CAGR '07-'16
Soybean	18,331	16,266	19,149	19.581	1%
Canola	2,709	2,780	5,062	4,903	7%
Palm	2,061	2,022	2,213	2,989	4%
Coconut	1,116	924	1,173	1,080	0%
РКО	496	725	586	772	5%
Total	24,714	22,716	28,184	29,326	2%

#### U.S. Domestic Disappearance of Key Fats & Oils: 2007-2016\*

- Tropical oils continue to substitute for partially hydrogenated soft oils (PHO)
- 4% CAGR for Palm and 5% CAGR for Palm Kernel (2007-2016)
- U.S. FDA decision on GRAS status of PHOs in place, usage of Palm and Palm Kernel for crop year 2015/2016 increased significantly over crop year 2014/2015



The Co-Development Company

\*Source: U.S. Department of Agriculture

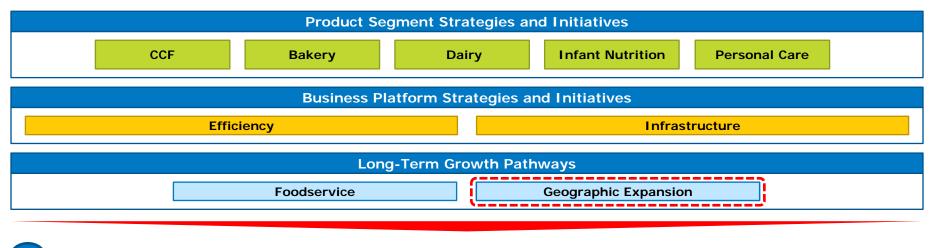
Acquisition of California Oils Corporation

# **AAK USA Strategic Intent**

#### AAK established itself in the Eastern United States through two key growth phases

• Acquisitions in 2011/2012 enabled AAK to expand and diversify its presence with new lines of business

2014-16 Strategic Plan focused on organic growth with initiatives identified across a range of segments



• Expanding geographic reach in USA identified as a strategic priority to drive long term growth



# West Coast Market Offers Attractive Opportunities

#### West Coast Represents An Attractive Market Opportunity For AAK

- <u>Market</u>: ~ 20% of US population
- <u>Competition</u>: Less competitive than East Coast / Midwest
  - Two West Coast vegetable oil processing facilities
  - Limited focus by logistically disadvantaged Midwest ABCs
  - One significant margarine / shortening player
- <u>Customers</u>: Strong interest in presence by AAK on West Coast

#### AAK's Ability To Serve West Coast Customers Limited By Logistics

- AAK has made efforts to develop a West Coast presence, focused on *specialty* products
  - Tolling relationship with local processor
  - West Coast Sales based in Southern California
  - West Coast Sales / CI for Personal Care
- West Coast represents < 5% of AAK USA volumes (pre CalOils)</li>

#### Strategic Investment Required To Actively Pursue West Coast Opportunity

- West Coast presence transforms AAK into a national specialty / semi-specialty player, improving ability to serve customers on a national scale and create new customer opportunities
- Establishing West Coast production required to achieve market penetration, either by building or acquiring established West Coast facility



# Strategic Rationale

### **AAK Strategic Direction**

#### West Coast expansion identified as an important component of long term growth strategy

- Improve ability to serve national accounts, creating opportunities across new locations of existing customers
- Insufficient opportunity to support a greenfield facility due to:
  - Entrenched position of CalOils
  - New competitor entrance in 2013
  - Volumes served by others via break-bulk facilities

Acquiring an established market player followed by strategic expansion of capabilities seen as the best West Coast entry option

### California Oils Opportunity

Cal Oils is the leading West Coast oils processer, with production assets and an established customer base to support AAK market entry



- Location enables efficient supply chain and proximity to target customers and markets
- Focus on tropical oil processing, production capabilities aligned with AAK's
- Opportunity to leverage assets to drive West Coast expansion of other AAK USA product lines and business areas (Foodservice)

Current CalOils performance is at break-even , however, synergies and improvement opportunities offer volume and EBIT potential







July 15, 2016

### **Press release**

# AAK increases its presence in the U.S. further as leading California based company is acquired

AAK has acquired the leading West Coast based vegetable oils company California Oils Corporation from Mitsubishi Corporation of Japan. California Oils Corporation, also known as CalOils, had last year revenues of approximately SEK 1,350 million and a volume of approximately 110,000 MT, with 65 employees.

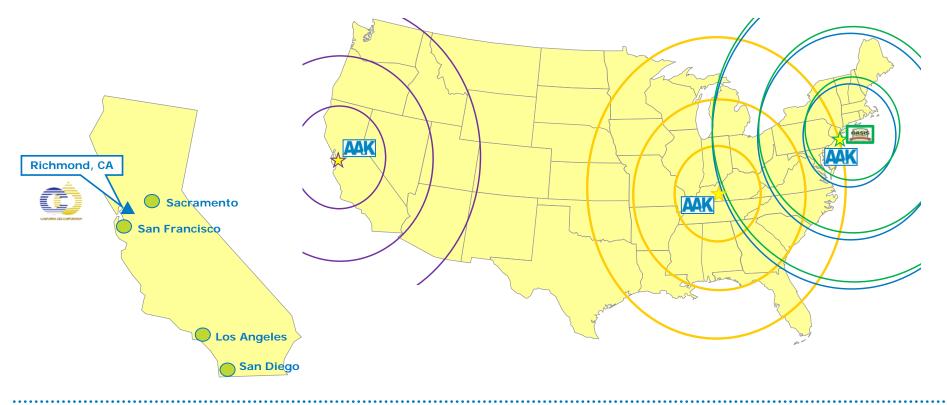
"A strong presence on the U.S. West Coast has been priority for AAK since several years. The West Coast encompasses 20 percent of the U.S. population and this expansion has been identified as an important component of AAK's long-term growth strategy. The acquisition of CalOils will transform AAK into a true national speciality and semi-speciality edible oils company, improving our ability to serve existing customers on a national scale while at the same time creating new customer opportunities", says Terrence W. Thomas, President AAK USA. "CalOils has important market positions up and down the West Coast. This acquisition establishes AAK as the leading supplier of speciality and semi-speciality oils to the bakery, dairy and chocolate and confectionery industries in California and across the west coast of the U.S. and Canada. In the medium term it also supports our U.S. foodservice platform, Oasis Foods, to develop into a national supplier."

CalOils' facility, which is AAK's fourth production site in the U.S., is based in Richmond, California.

"This acquisition is an integral part of our company program AAKtion", says Arne Frank, CEO, AAK Group. "Not only will it strengthen AAK's presence in a very important market, we will also bring our customer co-development concept to a national level in the United States and Canada. The acquisition will serve as a platform for increased sales of speciality and semi-speciality products within Food Ingredients and Chocolate & Confectionery Fats."



# West Coast Presence Makes AAK a National Player





# AAK USA in Summary

#### PEOPLE

- Business Leadership Team in place that is scalable to meet and deliver growth ambitions
- Improved depth of talent across all functions in the organization
- Engaged workforce culturally aligned with The AAK Way

#### CUSTOMERS

- Best in class Go-to-Market organization focused on customer intimacy and co-development approach
- AAK brand awareness as the First Choice for Value Adding Vegetable Oil Solutions across key segments
- Deliver exceptional flexibility and speed in our interactions with customers on all levels

#### BUSINESS

- Deliver sustained organic growth through market leadership lead by innovation
- Investment to support growth ambitions, customer intimacy and loyalty, and AAK's co-development approach
- Foodservice ambitions, aligned with AAK USA, to become a national provider
- Opportunistic adjacent product line expansion

