



*Arne Frank*  
*CEO*

*Anders Byström*  
*CFO*

*Fredrik Nilsson*  
*Head of IR*

# Interim Report Second quarter 2011

# Today's agenda



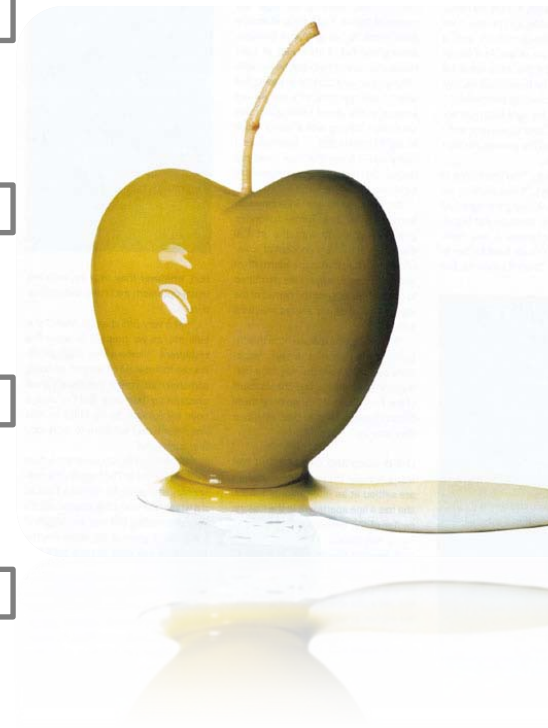
Second quarter 2011

Business Area information

AAK Acceleration – Acquisition of Golden Foods/Golden Brands

Other major events

Q & A



# Record high second quarter 2011

- ◆ Net sales increased to SEK 3,907 million (3,594)
  - Increased raw material prices and better product mix
  - Negative currency translation impact of SEK 361 million
  - Volume decreased by 8 percent due to lower commodity volumes mainly in the UK. Speciality volumes continued to increase
- ◆ Operating profit at SEK 196 million (164), an improvement by 20 percent
  - Record high second quarter operating profit
- ◆ Operating profit at fixed exchange rates improved by 32 percent
- ◆ Earnings per share amounted to SEK 3.04 (2.65), an improvement by 15 percent



# Second quarter– Business Areas



## ◆ Food Ingredients

- Operating result amounted to SEK 120 million (101)
  - The result includes negative translation effects of SEK 11 million
  - Strong improvement in operating profit per kilo
  - Higher portion of speciality products
  - Volumes decreased by 13 percent compared to last year mainly in the UK

+19%

+30%

## ◆ Chocolate & Confectionery Fats

- Operating result amounted to SEK 70 million (57)
  - The result includes negative translation effects of SEK 10 million
  - Underlying margins in Chocolate & Confectionery Fats continued stable and the general market conditions have remained stable
  - Volumes increased by 7 percent compared to last year

+23%

+40%

## ◆ Technical Products & Feed

- Operating profit amounted to SEK 28 million (28)
  - Volumes decreased by 7 percent compared to last year

0%



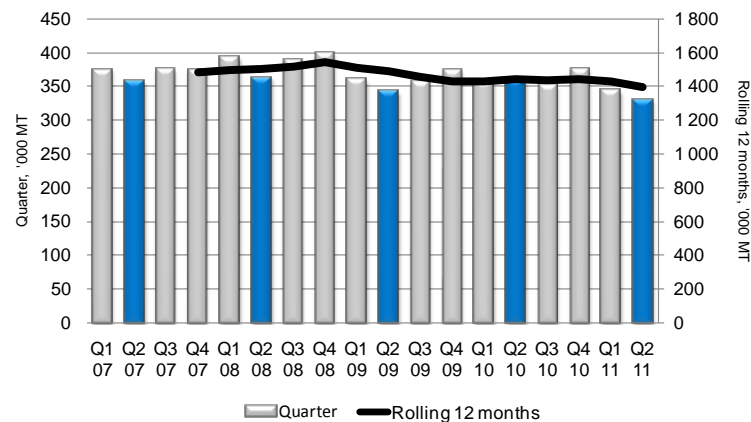
# Financial summary



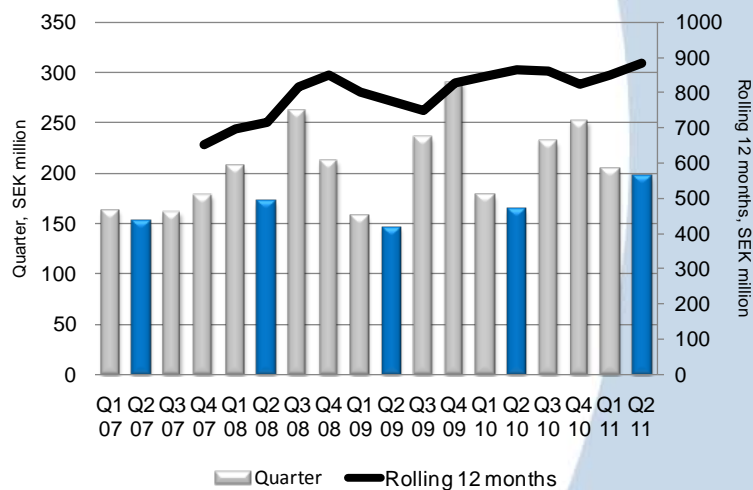
◆ Focus the analysis on:

- Volume
- Operating profit
- Operating profit per kilo
- Return on Net Operating Assets
- Net Debt / EBITDA

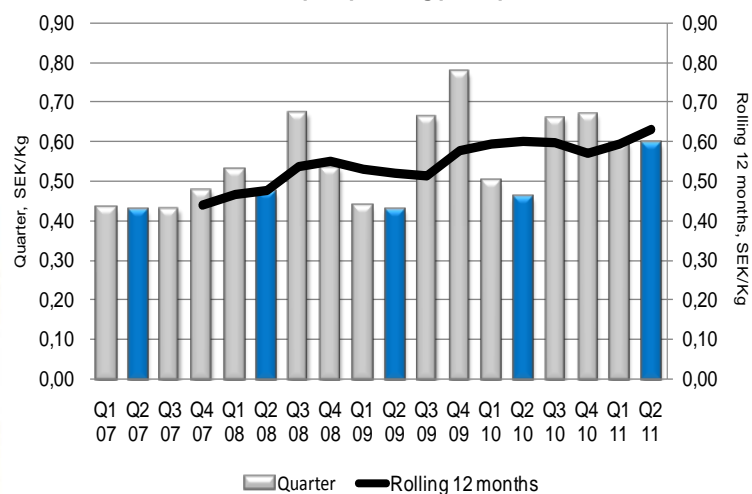
AAK Group - Volume



AAK Group - Operating profit



AAK Group - Operating profit per kilo

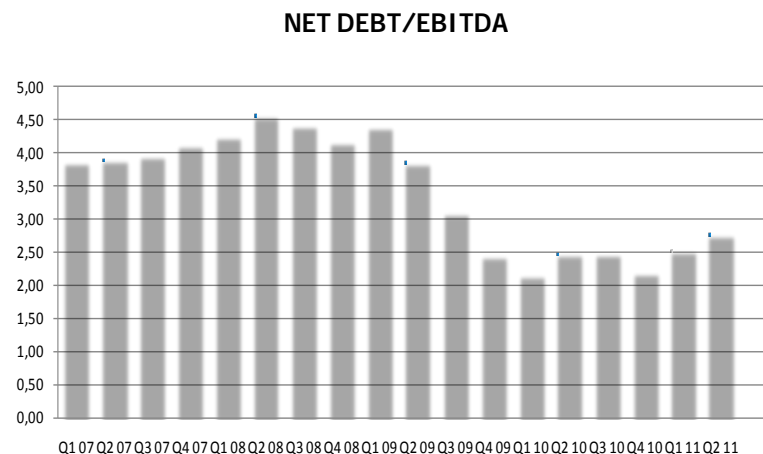
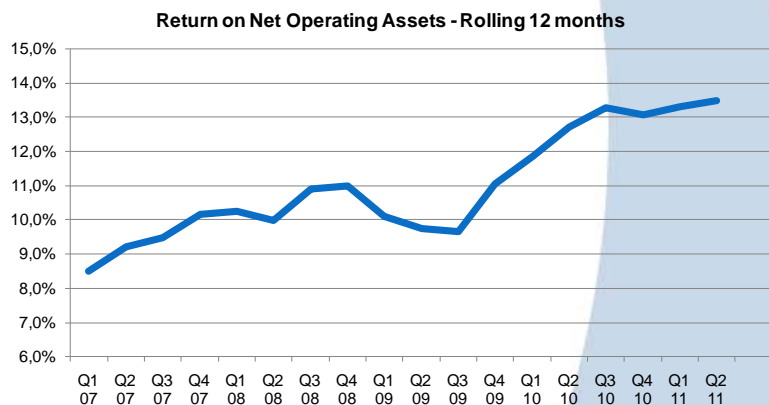


# Financial summary

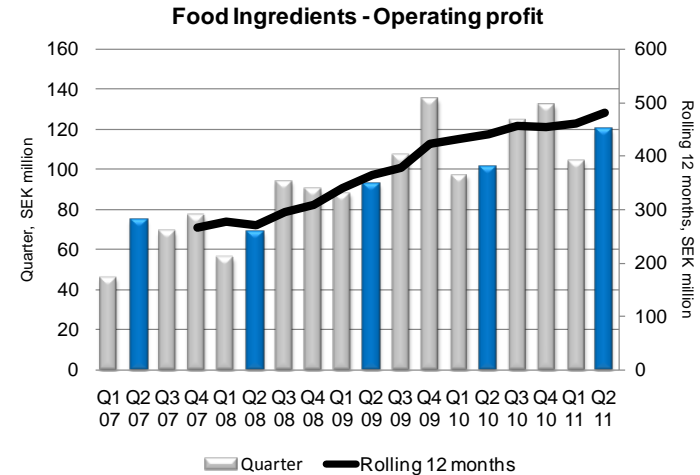


## ◆ Focus the analysis on:

- Volume
- Operating profit
- Operating profit per kilo
- **Return on Net Operating Assets**
- **Net Debt / EBITDA**



# Food Ingredients

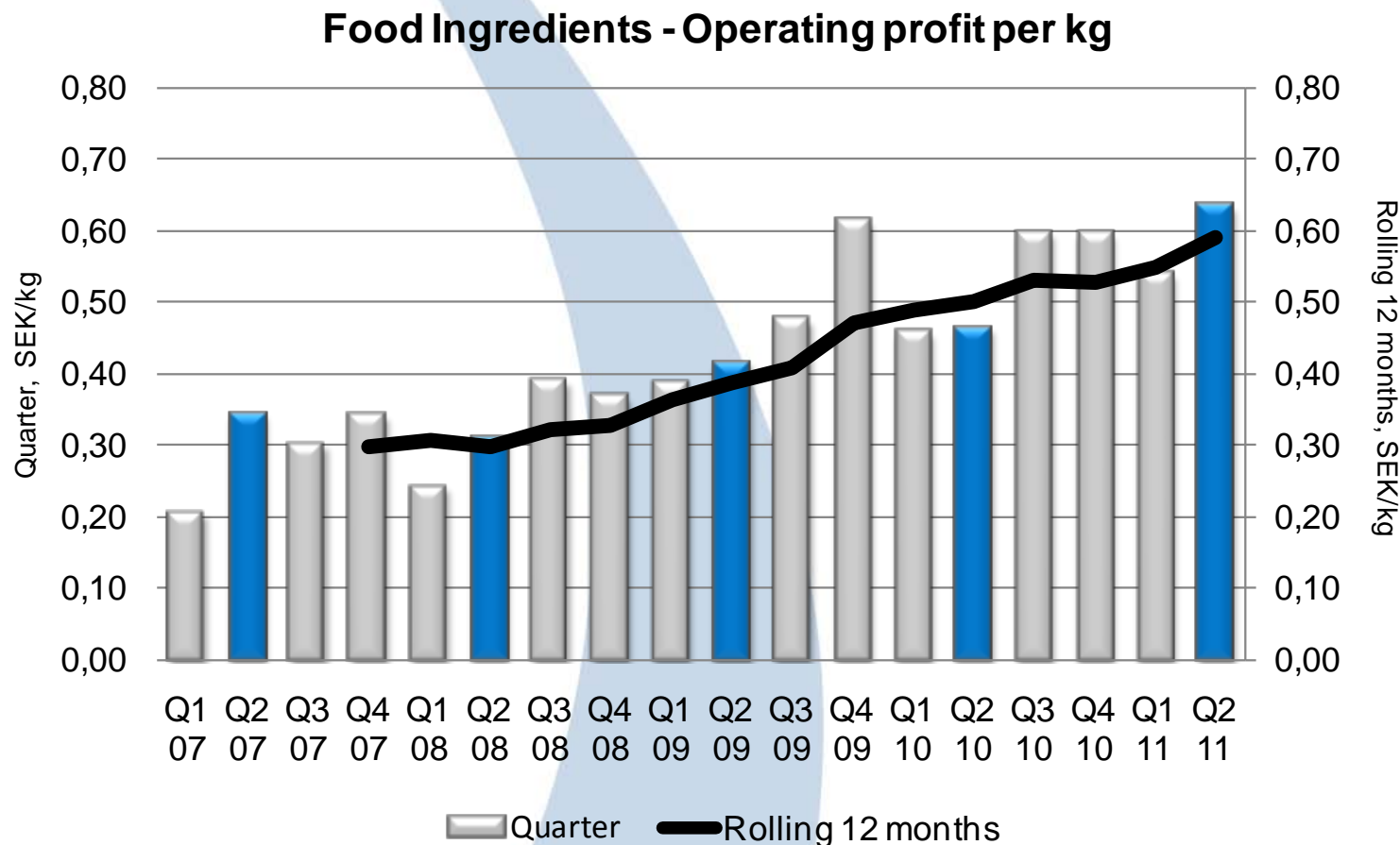


## Second quarter 2011

- ◆ Operating profit amounted to SEK 120 million (101) an increase by 19 percent
  - Record high second quarter
  - The result includes negative translation effects of SEK 11 million
  - At fixed exchange rates, operating profit was up 30 percent versus last year
  - Speciality volumes continue to increase
  - UK - Large potential identified for a more focused specialization strategy. The rationalization work has already commenced. As a consequence volumes were down 13 percent
- ◆ Already good results from the AAK Acceleration program
  - Especially Infant Nutrition (Baby Food) and Dairy Industry developed very well during the quarter

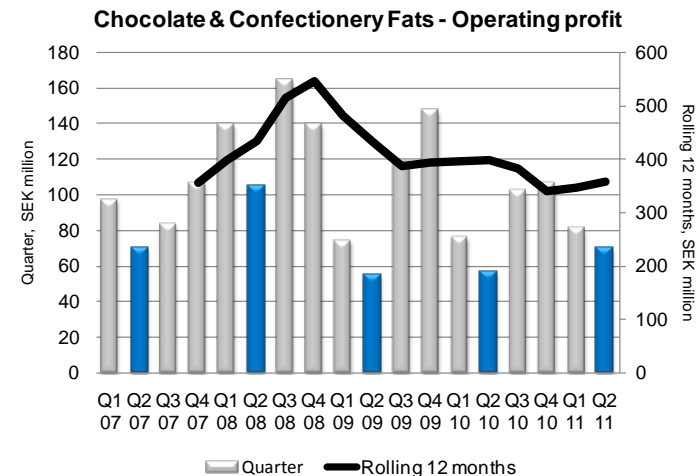
# Food Ingredients

## EBIT per kg, SEK, rolling 12 months





# Chocolate & Confectionery Fats

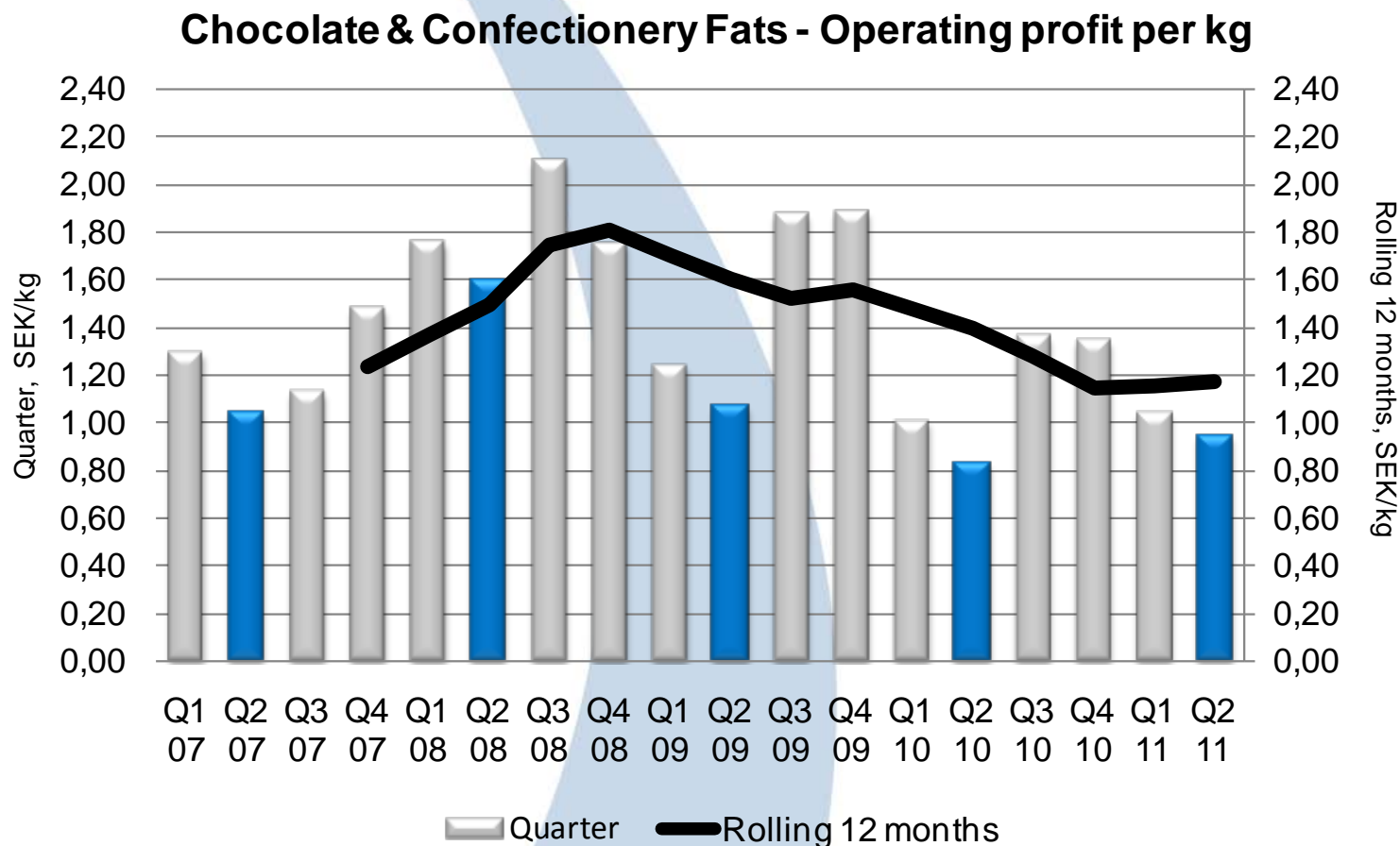


## Second quarter 2011

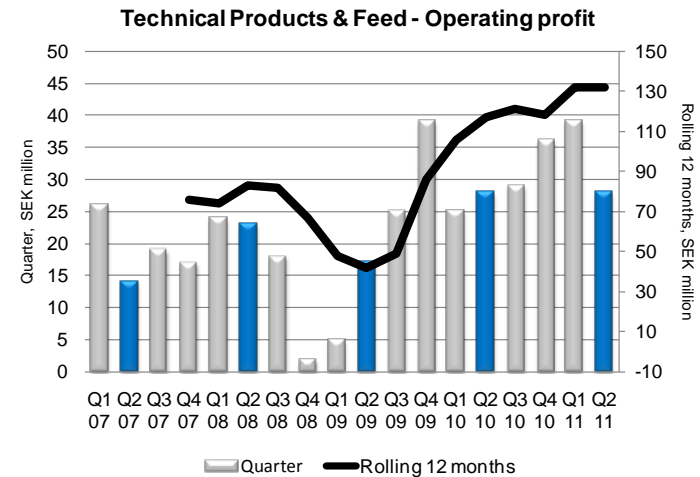
- ◆ The operating result amounted to SEK 70 million (57)
  - Includes a negative translation impact of SEK 10 million
  - At fixed exchange rates, operating profit was up 40 percent versus last year
  - Volume growth of 7 percent
  - Stable CBE prices
- ◆ The general market conditions were stable
- ◆ Continued strong demand in the Americas (North and South) and moderate demand in Europe

# Chocolate & Confectionery Fats

- EBIT per kg, SEK, rolling 12 months



# Technical Products & Feed



## Second quarter 2011

- Operating profit amounted to SEK 28 million (28), unchanged compared to last year
  - During the second quarter – planned and slightly longer than normal maintenance stop
  - Decreased volumes of 7 percent – mainly low margin commodity volumes affecting the feed product segment
- The biolubricant business continued to enjoy signs of market recovery
- Crushing margin seems to be under pressure in Europe

# Cash flow



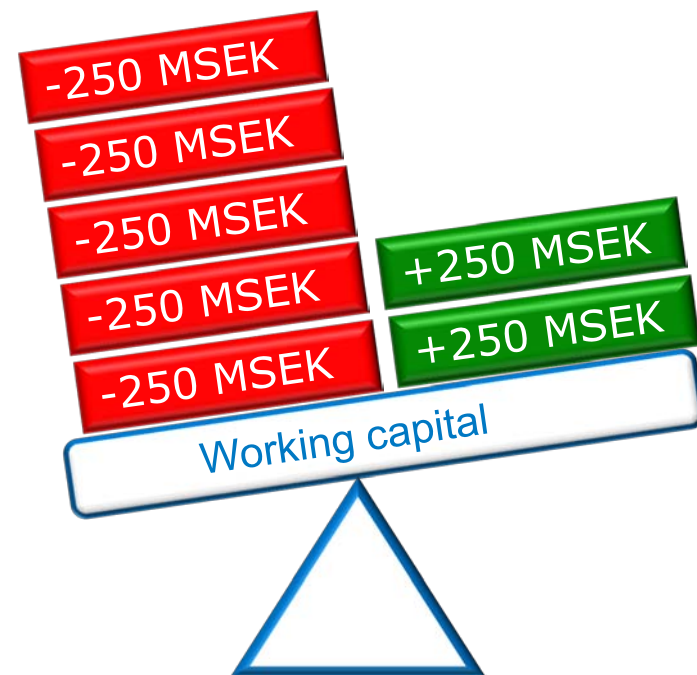
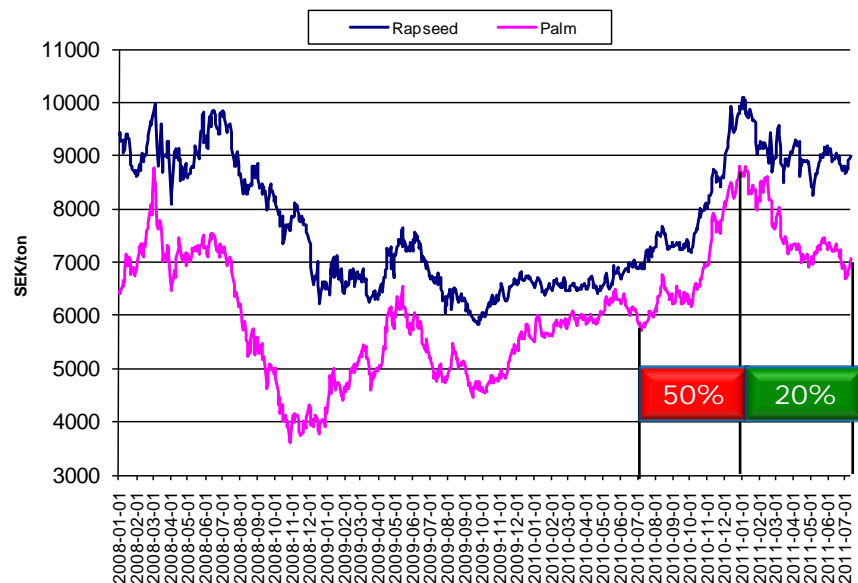
SEK million	Q2 2011	Q2 2010	YTD 2011	YTD 2010
Cash flow from operating activities	231	109	435	330
Change in working capital	-272	-114	-834	-20
<b>Cash flow from operating activities incl change in working capital</b>	<b>-41</b>	<b>-5</b>	<b>-399</b>	<b>310</b>
Cash flow from investments	-95	-100	-163	-179
<b>Free cash flow</b>	<b>-136</b>	<b>-105</b>	<b>-562</b>	<b>131</b>

- As earlier predicted and communicated cash flow turned negative during the second quarter as consequence of significantly increased raw material price increases during the last nine months
- Most likely we have now seen the major effect of the negative cash flow impact of these raw material price increases

# Raw material prices

- Significant raw material price increases during the last six to nine months
  - Negative cash flow impact
  - 10 percent change in all raw material prices will effect working capital by +/-SEK 250 million

Raw material prices Rapeseed and Palm





# AAK Acceleration – 3 Priority Areas



## Growth

- ◆ Bakery
- ◆ Dairy
- ◆ Chocolate & Confectionery Fats
- ◆ Infant Nutrition
- ◆ Food Service
- ◆ Merger & Acquisitions
- ◆ Fast-growing Economies



## Efficiency

- ◆ Purchasing
- ◆ Productivity



## People

- ◆ Sales Management & Sales Processes
- ◆ Mobilize Ourselves
- ◆ Internal Communication



# Acquisition of Golden Foods/Golden Brands – Effective July 1, 2011

## ◆ Golden Foods/Golden Brands

- The leading North American supplier of flaked shortenings
- Revenue of USD 120 million and 160 employees
- Located in Louisville, Kentucky

## ◆ Bakery

- American biscuits
- Pizza dough
- Cookies
- Pastries and pies

## ◆ Food Service

- Quick service restaurants and casual dining
- Schools and institutions



# Flaked shortenings

- ◆ Shortening

- An edible fat used to make baked goods tender or flaky

- ◆ Pros with flaked shortenings

- Properties – taste and texture
- Ability to add colour, flavour, aroma and mix ingredients with the fat
- Handling – does not require special liquid oil handling equipment



# The flaked shortening specialist



- ◆ Flakes are primarily used in the industrial baking industry
  - American biscuits/cookies
  - Breads
  - Pizza
- ◆ Offer flakes in various sizes, flavors, and colors
- ◆ Committed to custom product development to meet customers' functional needs





# Strategic rationale



- ◆ Expand and complement our existing product portfolio
- ◆ Expand and complement our existing channel and customer footprint
- ◆ Cross selling
- ◆ Adds a new geographic dimension in North America
  - Two production sites in US – one located on the East Coast and now one in the Midwest.





# Financial impact



- ◆ July to December 2011
  - Limited impact on AAK Group operating profit
- ◆ Operating profit per kilo in line with current group average from January 2012
- ◆ Full year volume (2012) in the range of 70 000 - 80 000 MT
- ◆ Integration on track
- ◆ The acquisition will be included in the Food Ingredients business area



# Rationalization programs

- ◆ During the second quarter 2011
  - As announced earlier an additional rationalization program in the UK operations in order to fully focus on our speciality strategy
  - The rationalization implies a further move away from larger volume low margin commodity products to more complex, lower volume speciality products at higher margins
  - One off cost offset by one off income
- ◆ Ongoing rationalization programs in Scandinavia
  - Progressing in line with plan



# Financial calendar



Year	Date	Event
<b>2011</b>	<b>November 7*</b>	<b>Q3 2011 Interim report</b>
2011	November 15	Capital Market Day Stockholm
2011	November 17	Capital Market Day Copenhagen

\* Changed from November 4.

# Concluding remarks from CEO



- ◆ We continue to see positive effects of the AAK Acceleration program, both in terms of organic growth in speciality products, acquisitive growth and productivity.
- ◆ Speciality volumes increased organically, especially in Infant Nutrition, Dairy Industry and Chocolate & Confectionery Fats.
- ◆ The acquisition of Golden Foods/Golden Brands significantly strengthens our ability to supply combined existing and new customers with a broader portfolio of speciality oils and fats solutions in the US.
- ◆ We are now going into the third quarter and we remain prudently optimistic for the quarter and for the execution of AAK Acceleration.



# Questions & Answers





# The first choice for value-added vegetable oil solutions

The AAK logo is displayed in a large, bold, white sans-serif font. The letters 'A', 'A', and 'K' are connected, with the second 'A' being slightly smaller and positioned between the first 'A' and the 'K'. The logo is centered horizontally and positioned in the upper middle of the frame, superimposed over a background of a vast yellow rapeseed field under a blue sky with light clouds. A few green trees are visible on the horizon line.

**AAK**

# Investor Relations Contacts



## **Arne Frank**

Chief Executive Officer and President

Phone: +46 40 627 83 00

## **Anders Byström**

Chief Financial Officer

Phone: +46 40 627 83 32

## **Fredrik Nilsson**

Head of Investor Relations and  
Group Financial Manager

Phone: +46 40 627 83 34

Mobile: +46 708 95 22 21

E-mail: [fredrik.nilsson@aak.com](mailto:fredrik.nilsson@aak.com)

Further Investor Relations information is  
available from the company's webpage at

<http://www.aak.com/en/Investor/>

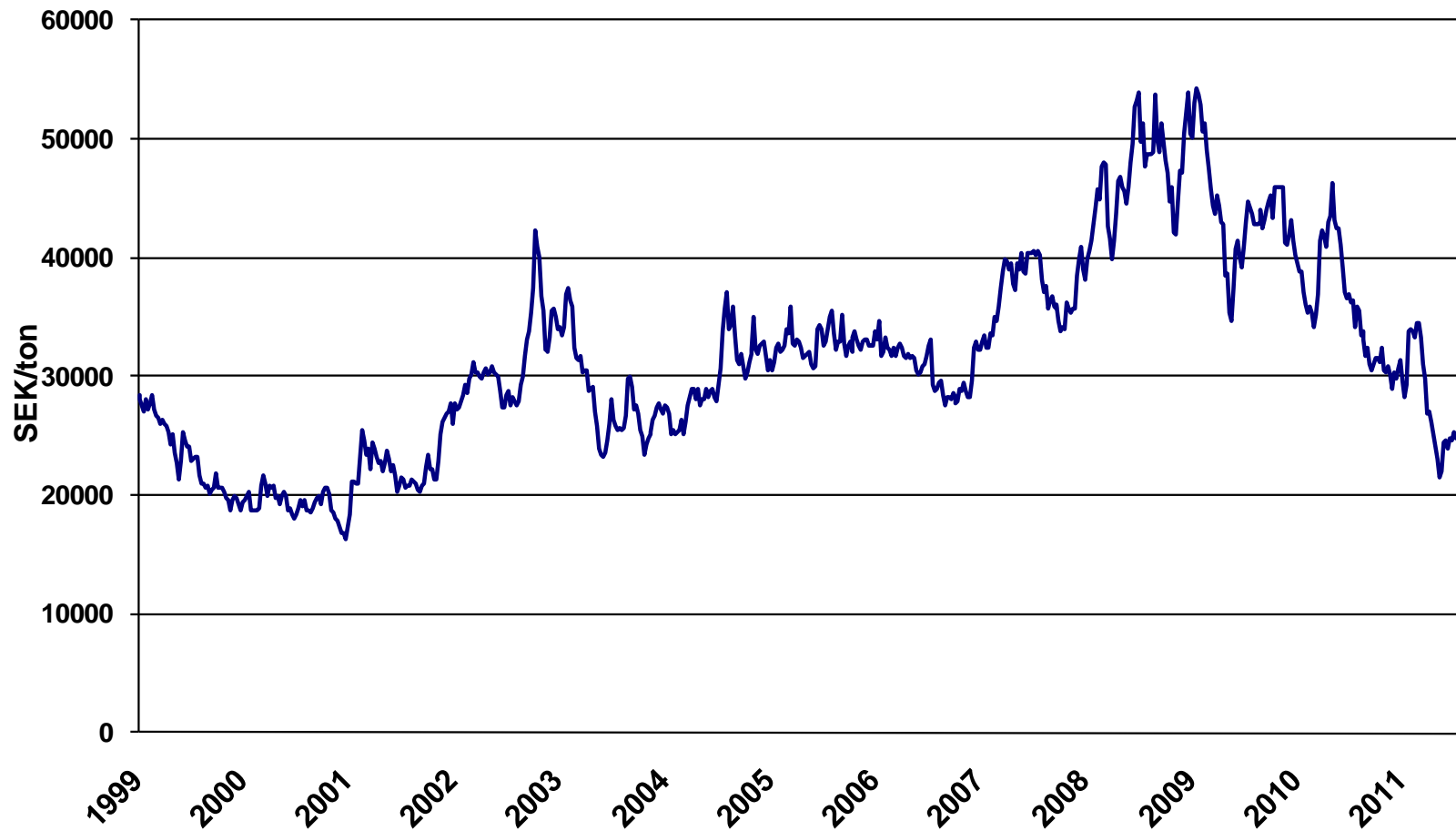




## Appendix

# Cocoa Butter

## Cocoa Butter price development



# Raw material price development

## Raw material prices Rapeseed and Palm

