



*Arne Frank*  
*CEO*

*Peter Korsholm*  
*CFO*

*Fredrik Nilsson*  
*Director IR*

# **Interim Report Third quarter 2012**

# Agenda

A circular inset image on the left side of the slide shows a close-up of a yellow flower, likely a rapeseed, with a green stem and leaves. The background of the circle is a blurred field of similar yellow flowers under a clear blue sky.

Third quarter 2012


Events after the reporting period -  
Hurricane Sandy

Business Area information


AAK Acceleration

Q & A

# Third quarter 2012

- 
- A black and white photograph of an hourglass. The top bulb is filled with several Swedish Krona coins. The bottom bulb is also filled with coins. The narrow neck of the hourglass is highlighted with a golden glow, symbolizing the passage of time and financial performance.
- Volumes increased by 5 percent compared to third quarter 2011
  - Net sales decreased by SEK 185 million
    - Significantly influenced by lower raw material prices
  - Operating profit for the third quarter reached a record high, SEK 273 million (246), an improvement of 11 percent
    - Food Ingredients reached a record high third quarter of SEK 190 million (143), an improvement by 33 percent
    - Chocolate & Confectionery Fats reached SEK 88 million (112)
    - Technical Products & Feed reached SEK 22 million (15)

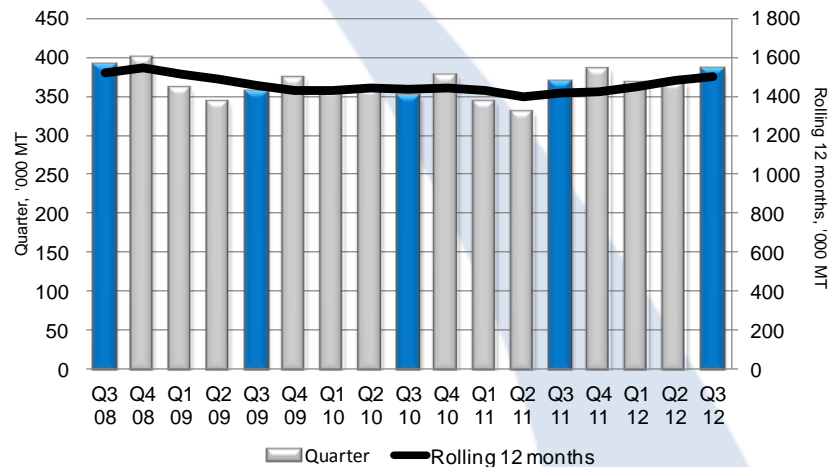
## Third quarter 2012

- 
- A black and white photograph of an hourglass. The top bulb is filled with several Swedish Krona coins. The bottom bulb is also filled with coins. The narrow neck of the hourglass is highlighted with a golden glow, symbolizing the flow of time and money.
- Operating profit per kilo improved significantly from SEK 0.67 to SEK 0.71 per kilo, an improvement by 6 percent
    - A continuing trend away from low margin commodity volumes
    - Exceptional favourable product mix in Food Ingredients
  - Cash flow from operating activities amounted to SEK 364 million (189)
  - Earnings per share increased by 17 percent, from SEK 3.48 to SEK 4.08

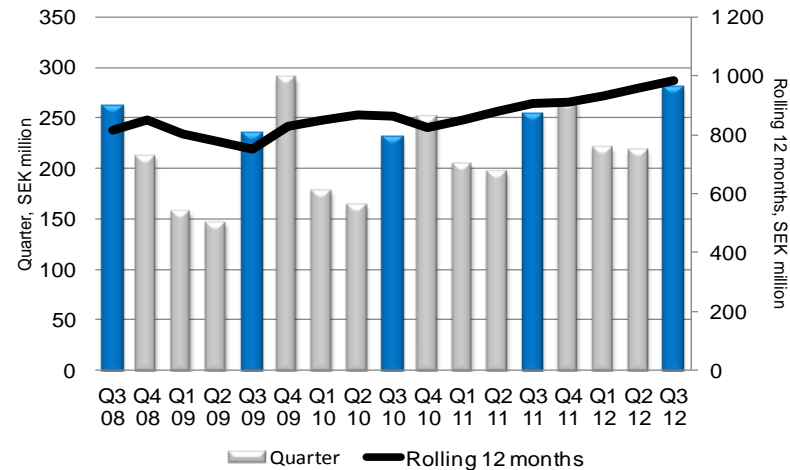
# Financial summary



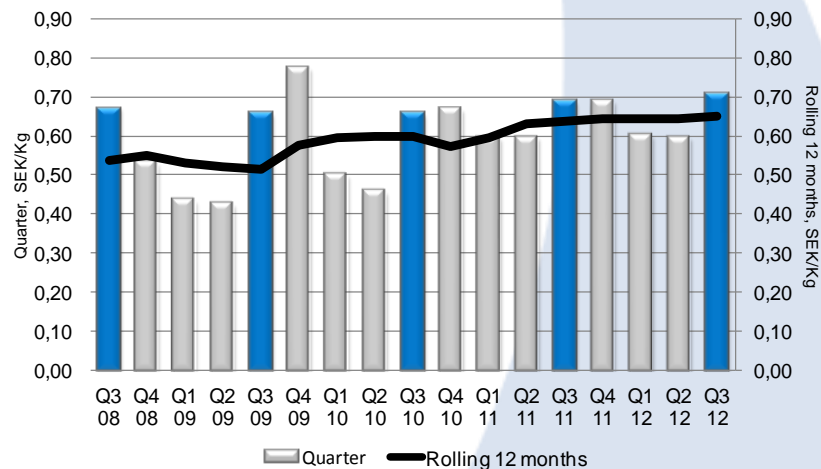
**AAK Group - Volume**



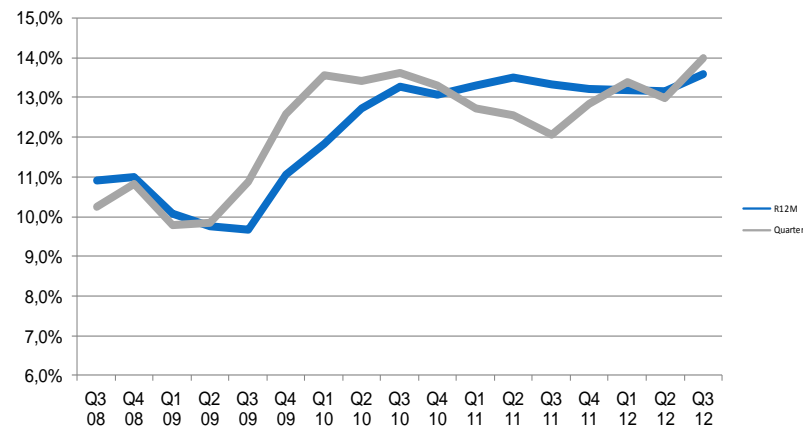
**AAK Group - Operating profit\***



**AAK Group - Operating profit per kilo\***



**Return on Net Operating Assets**



\* Excluding acquisition related costs

# Strong cash flow



SEK million	Q3 2012	Q3 2011	Q1-3 2012	Q1-3 2011
Cash flow from operating activities	223	257	623	692
Change in working capital	141	-68	476	-902
Cash flow from operating activities incl 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>

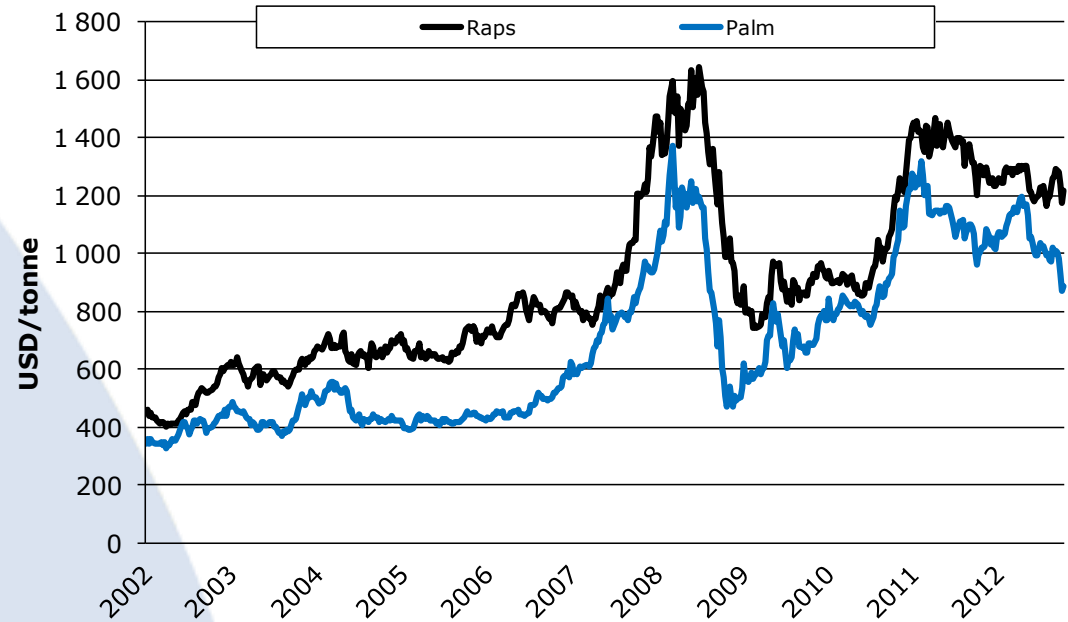
- Cash flow from operating activities including changes in working capital was positive SEK 364 million (189)
  - Positive cash flow from reduction in working capital was SEK 141 million (negative 68)
- Cash flow, after net investments (mainly routine maintenance investments) of SEK 71 million (410) was SEK 293 million (negative 221)
- Net debt at 30 September 2012 was SEK 2,859 million (SEK 3,141 million on 31 December 2011)



# Raw material prices



Raw material price - Palm and rapeseed USD/MT



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

# Hurricane Sandy



- AAK's plant in Port Newark is still temporarily shut down
  - After initial assessment there is no major damage
  - The company expects the plant to be operational in a couple of weeks
- The production at the Oasis Foods plant was temporarily interrupted between October 29 and November 5, 2012
- AAK has insurance cover for property damage and the business interruption
- The company estimates the financial impact (net of expected insurance coverage) to be in the range of SEK 20–25 million
- Both Food Ingredients and Chocolate & Confectionery Fats will be affected



## Third quarter 2012

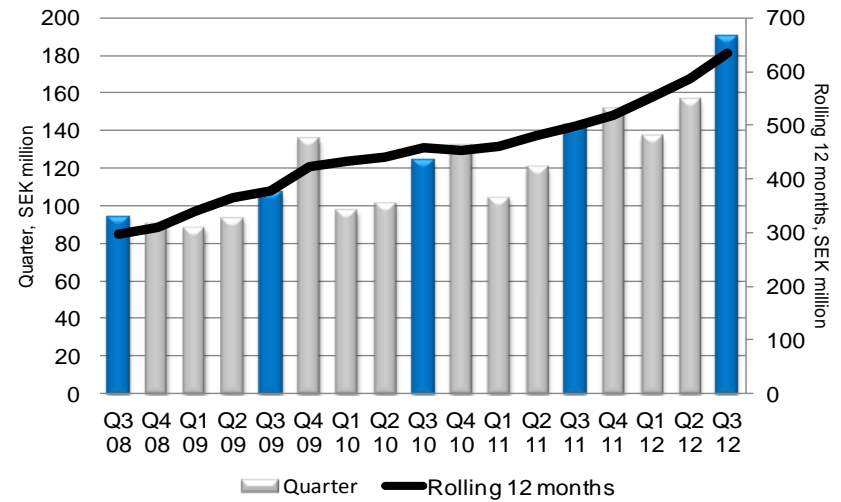
- A record high operating profit reached SEK 190 million (143), an increase of 33 percent +33%
- Operating profit per kilo improved substantially by 16 percent
  - From SEK 0.67 per kilo to SEK 0.78 per kilo
- Significant volume growth by 14 percent
  - For comparable units volume decreased by 6 percent entirely due to reduced low margin commodity volume in UK
  - Excluding the lower commodity volumes in UK the business area showed satisfactory organic growth
- Continued strong developments in many speciality product areas, in particular for Bakery and Infant Nutrition
- We continue to remain clearly optimistic for the future of this business area



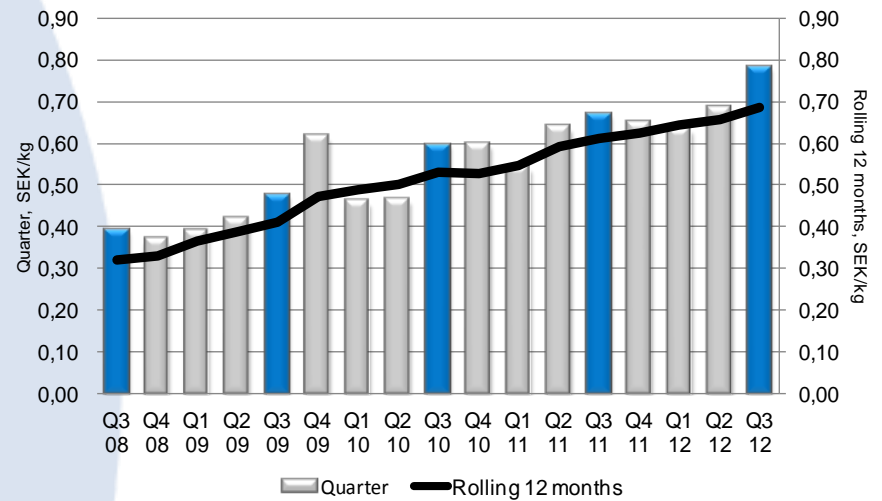
# Food Ingredients



**Food Ingredients - Operating profit**



**Food Ingredients - Operating profit per kg**





# Chocolate & Confectionery Fats



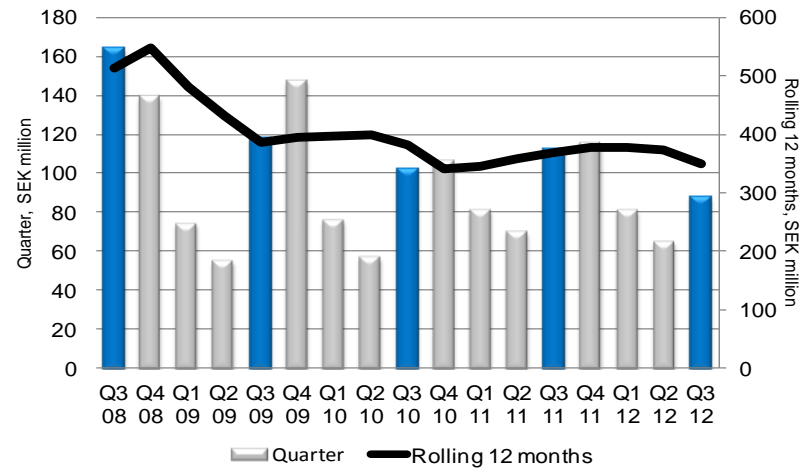
## Third quarter 2012

- ◆ The operating result reached SEK 88 million (112) **-21%**
- ◆ Operating profit per kilo at SEK 1.14 (1.32)
  - Down due to hard market conditions
- ◆ Total volumes declined by 9 percent
- ◆ The third quarter showed a seasonality improvement compared to the first and second quarters of 2012
- ◆ The business area remains challenged and is expected to be under continued strong pressure during the fourth quarter 2012 and the beginning of 2013
- ◆ The very low cocoa butter price during 2011 and the first six months of 2012 has started to recover
- ◆ If this improvement stabilizes i.e. the cocoa butter price remains at historically more normal levels, this is likely to have a positive impact on the second half of 2013

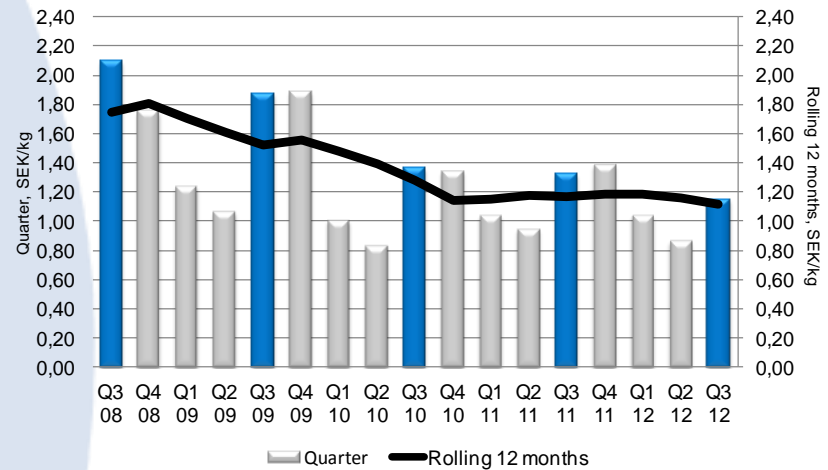


# Chocolate & Confectionery Fats

Chocolate & Confectionery Fats - Operating profit



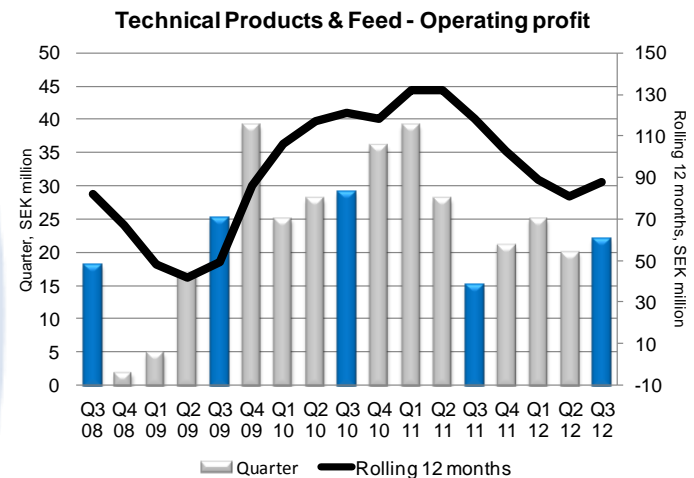
Chocolate & Confectionery Fats - Operating profit per kg





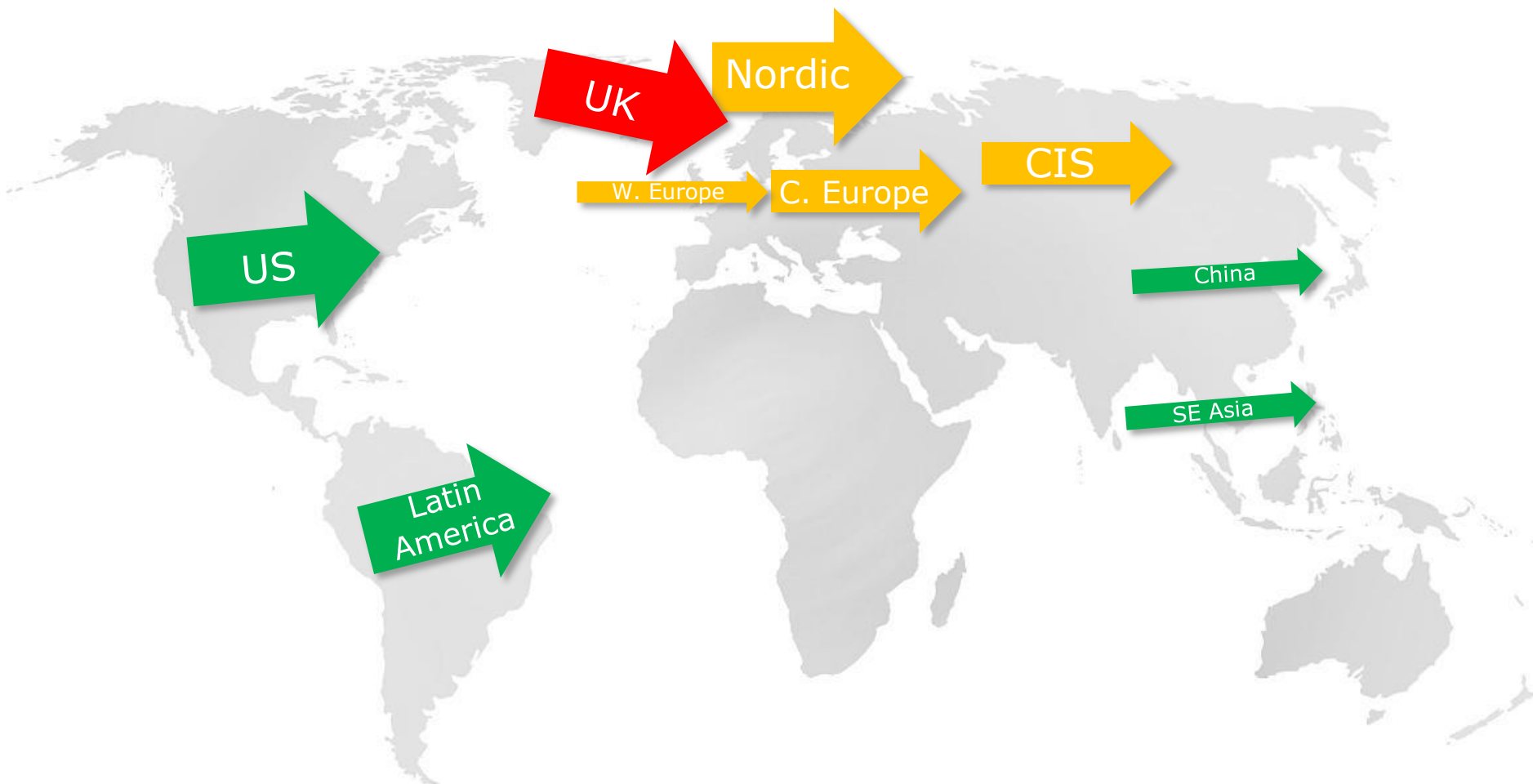
## Third quarter 2012

- Operating profit was SEK 22 million (15) +47%
  - Better profitability from the crushing
    - Last year there was an extended maintenance stop in the crusher affecting the third quarter 2011 negatively
- Volumes decreased by 6 percent, mainly due to
  - Lower commodity volumes
  - Timing of a few larger deliveries
- As previously communicated the next quarters will continue to be challenging, but profitability is expected to improve modestly





# Q3 volume trends by region



# 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



On plan



Slightly ahead of plan



Behind plan

# AAK Acceleration - Efficiency

## AAK Acceleration projects





Purchasing  
Productivity

**KPI  
Q3**



**KPI  
Q2**



 Ahead of plan     
  On plan  
 Slightly ahead of plan     
  Behind plan

# AAK Acceleration - People

## AAK Acceleration projects

Sales

Mobilize Ourselves

Internal communication

**KPI  
Q3**

**KPI  
Q2**



Ahead of plan



On plan



Slightly ahead of plan



Behind plan



# 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



# Questions & Answers



# 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

# Financial calendar



## Financial calendar 2012

19 November, 2012	Capital Market Day in Stockholm
21 November, 2012	Capital Market Day in Copenhagen
7 February, 2013	Fourth quarter and full-year report 2012

# Investor Relations Contacts

## **Arne Frank**

Chief Executive Officer and President

Phone: +46 40 627 83 00

## **Peter Korsholm**

Chief Financial Officer

Phone: +46 40 627 83 00

## **Fredrik Nilsson**

Director Group Controlling and  
Investor Relations

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 material  
can be found at [www.aak.com/en/Investor](http://www.aak.com/en/Investor)



The first choice  
for value-added  
vegetable oil  
solutions