



*Arne Frank*  
*CEO*

*Fredrik Nilsson*  
*CFO*

*Anders Byström*  
*Director IR*

Interim report  
Second quarter 2014

# Agenda



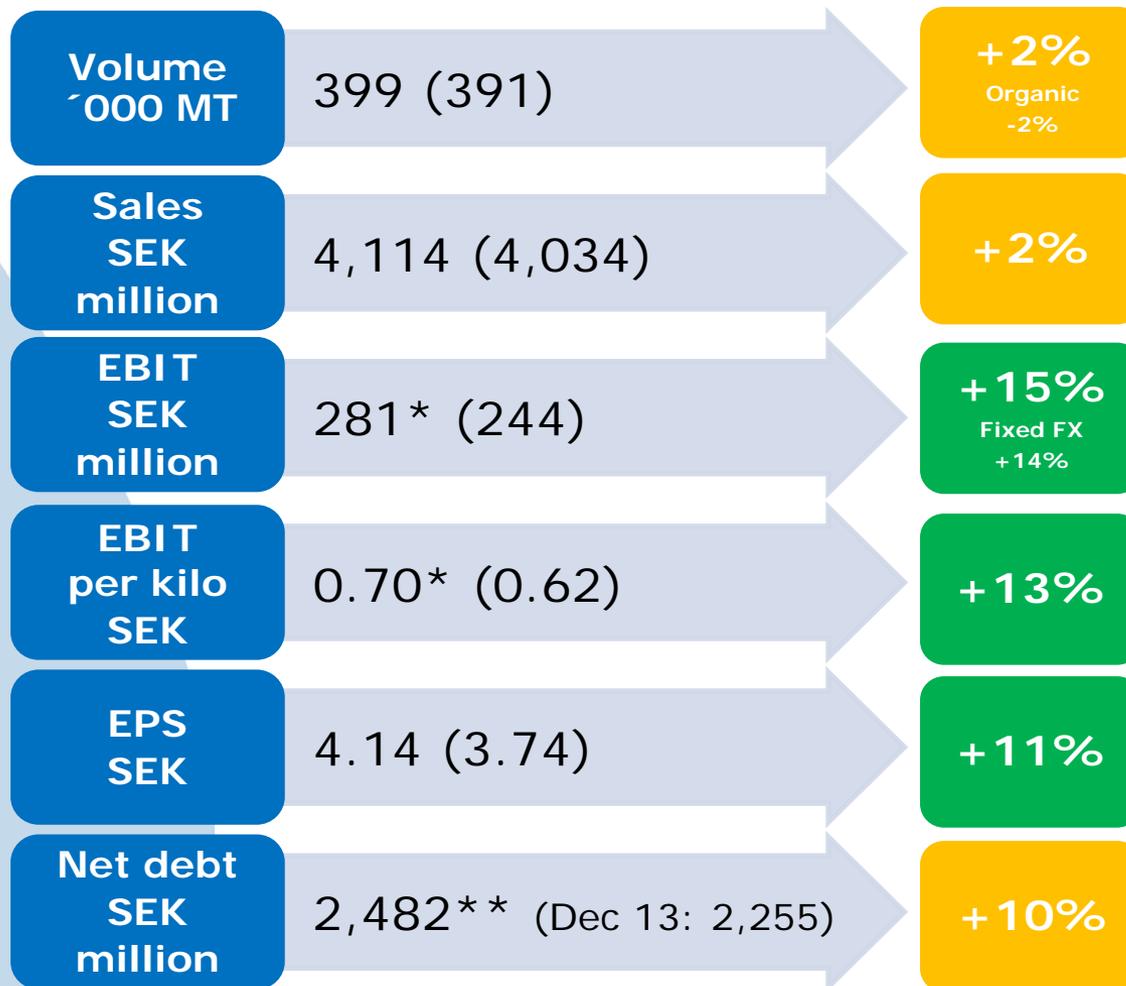
Second quarter 2014

Business area information

AAKtion

Q & A

# Second quarter 2014



\* Excluding acquisition costs

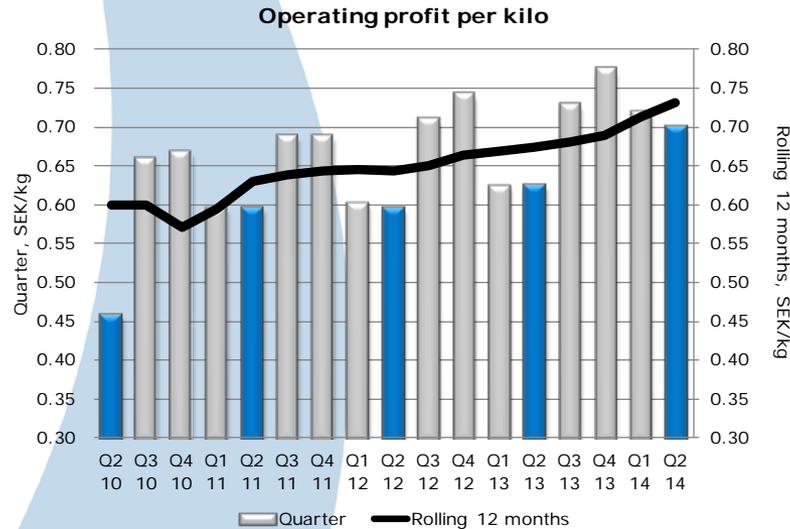
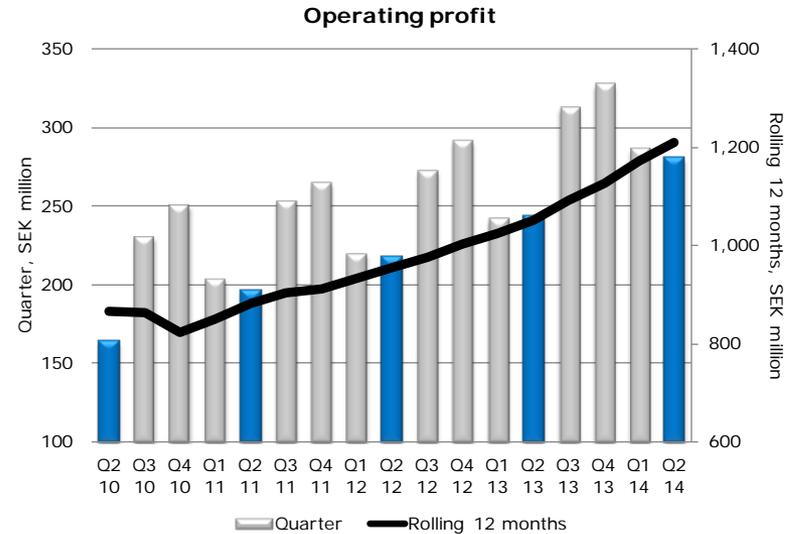
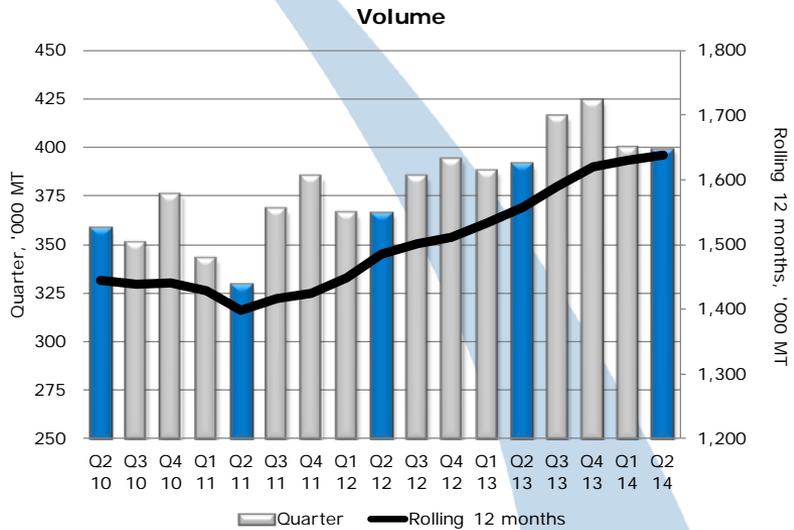
\*\* During the second quarter the company paid a dividend of SEK 250 million

# Second quarter 2014



- ◆ Operating profit, AAK Group
  - Operating profit, excluding acquisition related costs, reached SEK 281 million (244), an improvement of 15 percent
  - Operating profit per kilo, excluding acquisition related costs, continued to improve to SEK 0.70 (0.62), an increase of 13 percent
- ◆ Operating profit, business areas
  - Food Ingredients improved by 8 percent at SEK 198 million (184)
  - As expected, Chocolate & Confectionery Fats improved significantly, by 40 percent, and reached SEK 91 million (65)
  - Technical Products & Feed improved by 4 percent, reaching SEK 24 million (23)

# Financial summary – AAK Group



# Cash flow



| SEK million   | Q2<br>2014 | YTD<br>2014 | Q2<br>2013 | YTD<br>2013 | Full<br>year<br>2013 |
|---|------------|-------------|------------|-------------|----------------------|
| EBITDA  | 364        | 742         | 329        | 659         | 1,460                |
| Paid interest   | -31        | -60         | -27        | -53         | -96                  |
| Paid tax  | -63        | -138        | -57        | -154        | -261                 |
| Non-cash items  | -3         | -20         | -12        | -10         | -20                  |
| Change in working capital (WC)                                | -99        | -275        | 343        | 347         | 217                  |
| <b>Cash flow from operating activities incl. change in WC</b> | <b>168</b> | <b>249</b>  | <b>576</b> | <b>789</b>  | <b>1,300</b>         |
| Cash flow from investments                                    | -142       | -309        | -164       | -259        | -732                 |
| <b>Free cash flow</b>   | <b>26</b>  | <b>-60</b>  | <b>412</b> | <b>530</b>  | <b>568</b>           |

- Operating cash flow in the second quarter came out stronger than expected and amounted to positive SEK 168 million (576)
  - As earlier predicted and communicated working capital increased
- Working capital is expected to continue to increase due to the forecasted growth in Chocolate & Confectionery Fats

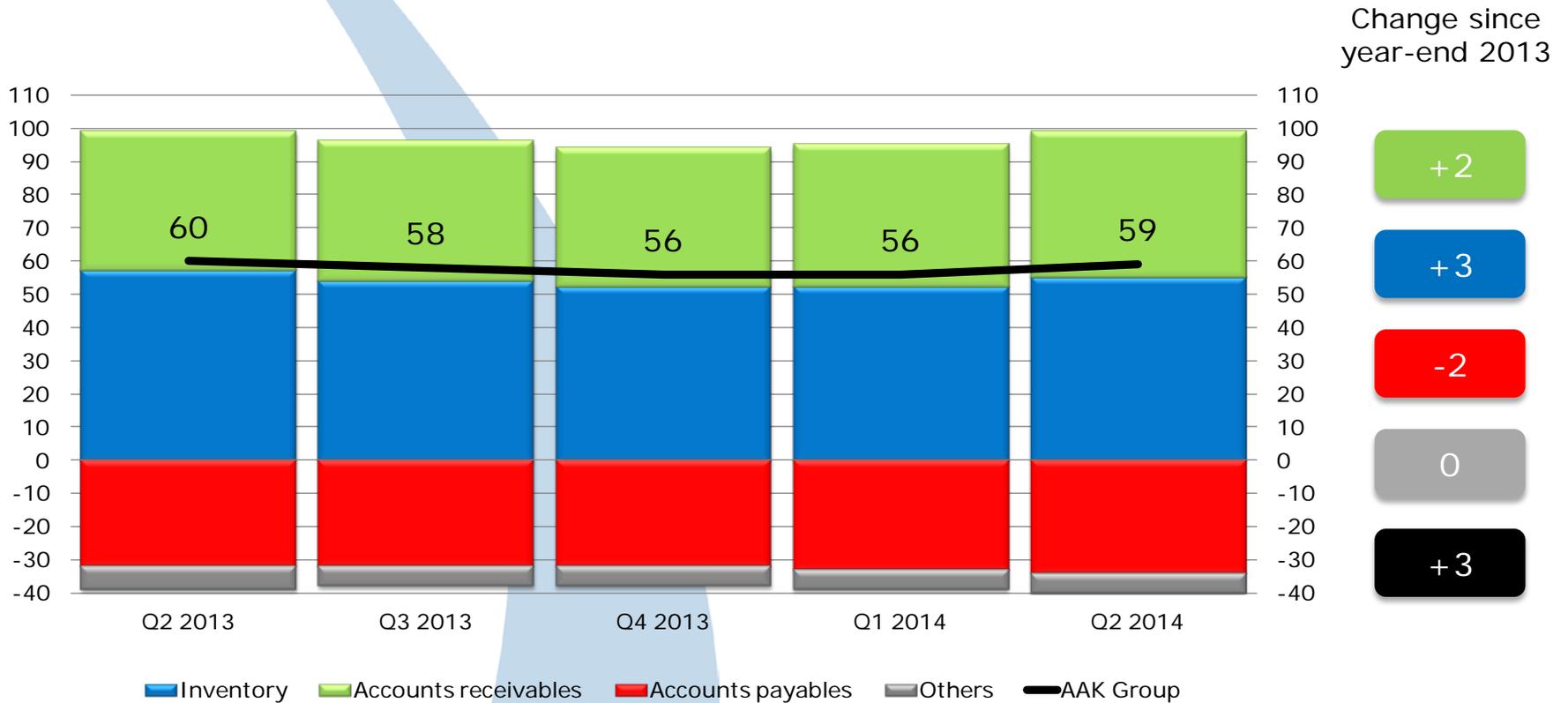
# Refinancing



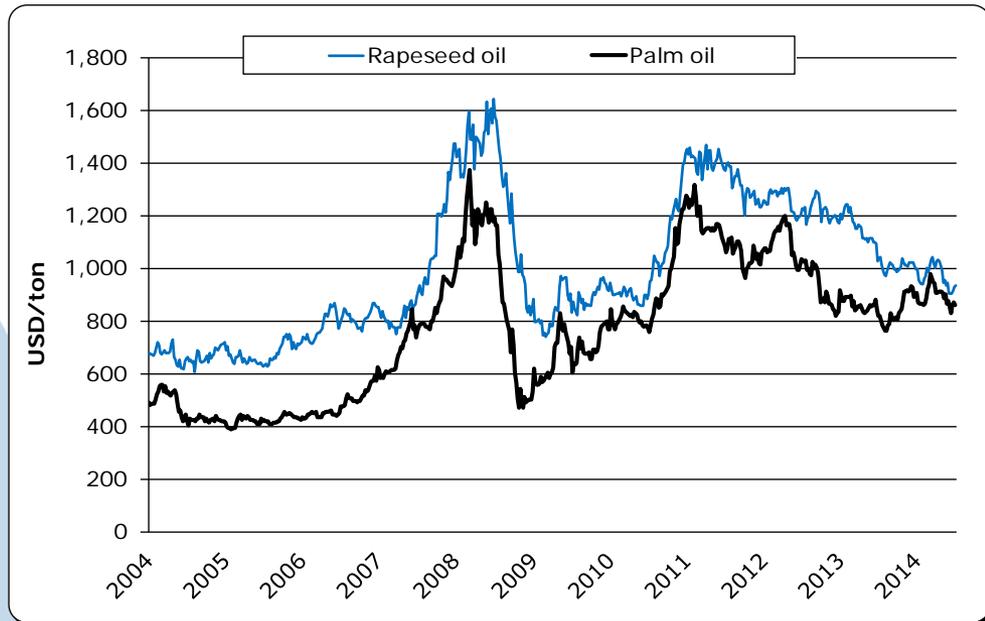
- ◆ AAK has signed new committed credit facilities
- ◆ The new credit facilities are
  - A five-year club deal of EUR 400 million (approximately SEK 3,600 million)
  - Two committed three-year bilateral facilities, totalling SEK 1,500 million
- ◆ All facilities include an extension option of one plus one year
- ◆ The transaction implied some one-off costs in the second quarter
- ◆ The new committed credit facilities have been obtained at more favourable conditions than the previous facilities

# Working capital days

## Rolling 12 months



# Raw material prices

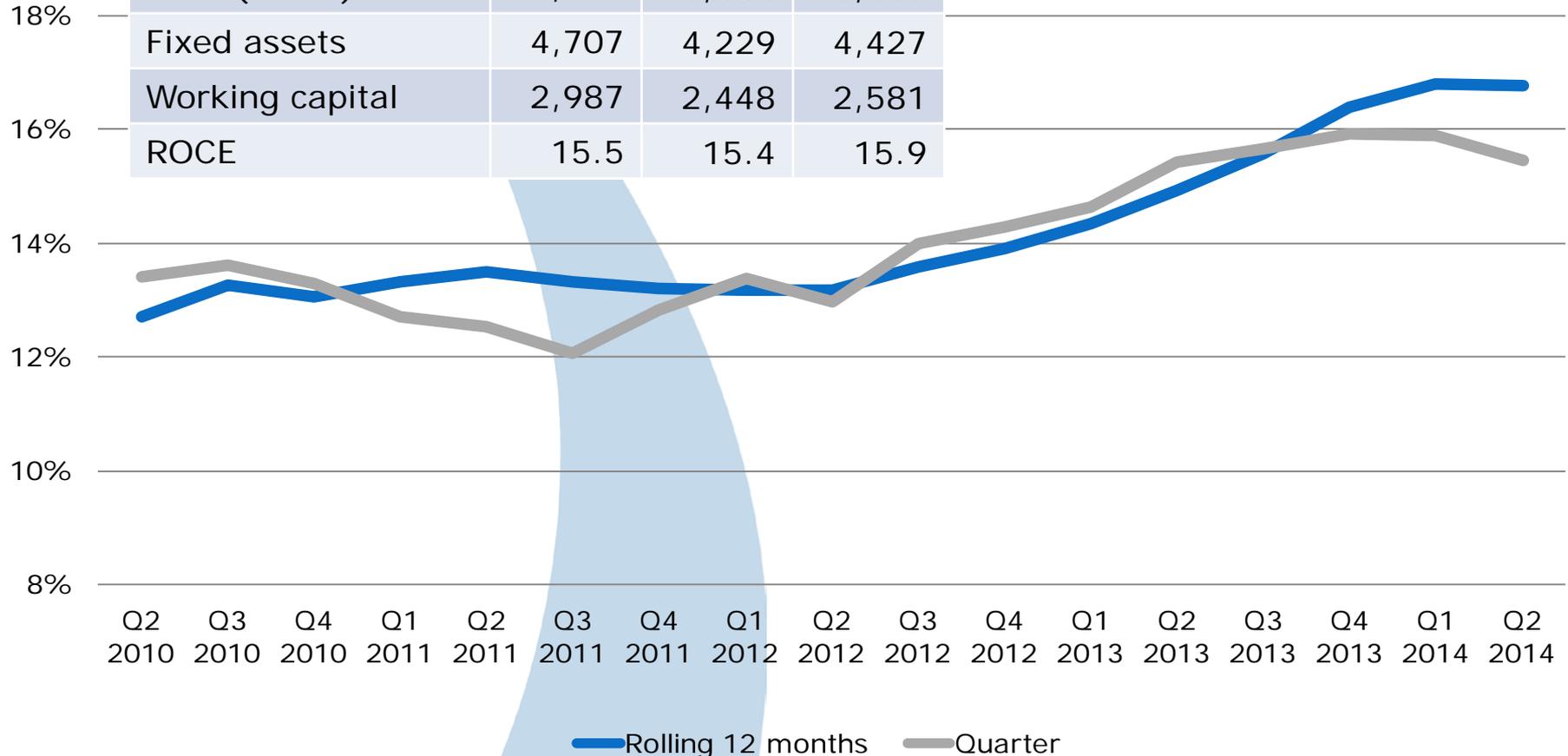


- 10 percent change in all raw material prices will effect working capital by +/- SEK 250 million
- Time lag of six to nine months

# ROCE – second quarter 2014



| Quarter         | Q2 2014 | Q2 2013 | FY 2013 |
|-----------------|---------|---------|---------|
| EBIT (R12M)     | 1,190   | 1,030   | 1,117   |
| Fixed assets    | 4,707   | 4,229   | 4,427   |
| Working capital | 2,987   | 2,448   | 2,581   |
| ROCE            | 15.5    | 15.4    | 15.9    |



# Business trends - second quarter 2014

|                                | Share of volume | Nord | WE | UK | USA | CEE | CIS | Asia | LA |
|--------------------------------|-----------------|------|----|----|-----|-----|-----|------|----|
| Food Ingredients               | 64%             | →    | →  | →  | →   | →   | →   | →    | →  |
| Chocolate & Confectionery Fats | 19%             | →    | →  |    | →   | →   | →   | →    | →  |
| Technical Products & Feed      | 17%             | →    |    |    |     |     |     |      |    |
| AAK Group                      | 100%            | →    | →  | →  | →   | →   | →   | →    | →  |

+8%

## Second quarter 2014

- ◆ Operating profit improved by 8 percent at SEK 198 million (184)
- ◆ Operating profit per kilo at SEK 0.77 (0.72)
  - Favourable product mix with low commodity volumes
- ◆ Food Ingredients reported stable volume development
  - Speciality and semi-speciality volumes continued to develop well including double-digit growth in the Dairy Fat Alternatives segment
  - Infant Nutrition volumes showed some growth but materially less than expected, mainly due to market disruption in relation to new Chinese regulations for Infant formula producers. This market is expected to continue to grow more strongly from the fourth quarter, 2014
  - For comparable units, volumes decreased by 3 percent due to low commodity volumes



# Food Ingredients – organic volume growth

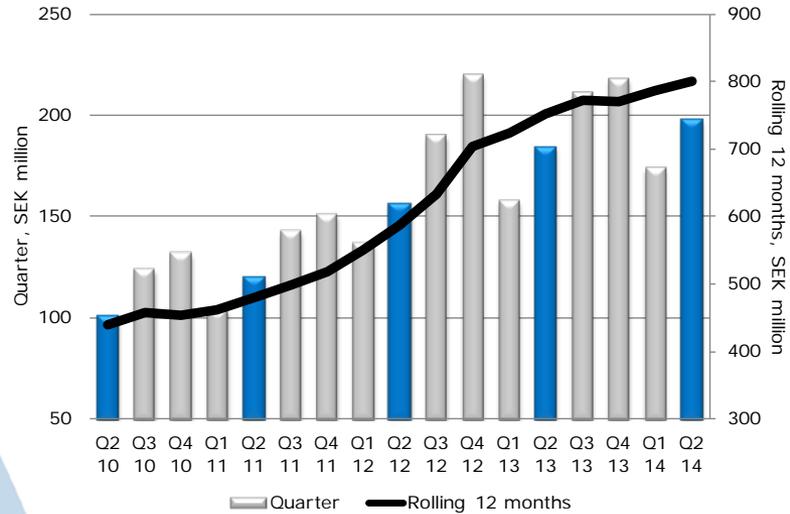


|                              | 2014<br>YTD | 2014<br>Q2 | 2014<br>Q1 | 2013<br>FY |
|------------------------------|-------------|------------|------------|------------|
| Speciality & semi-speciality | +1%         | +1%        | +1%        | +7%        |
| Commodity                    | -9%         | -10%       | -7%        | -1%        |
| Total                        | -3%         | -3%        | -2%        | +4%        |

# Food Ingredients

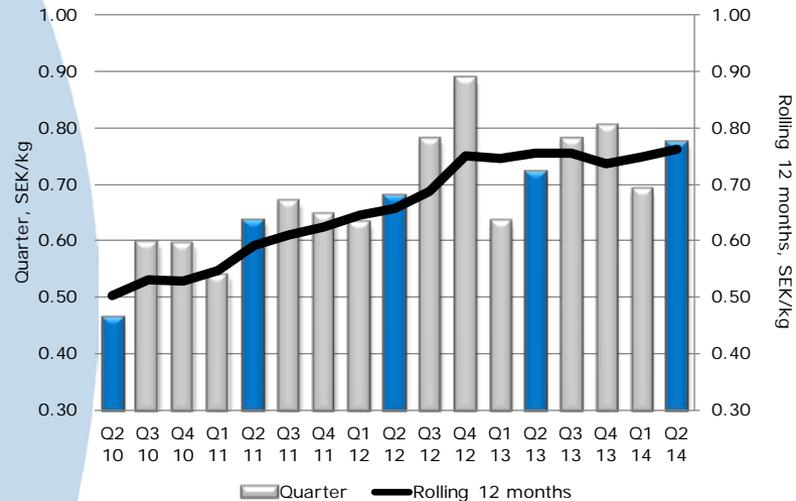


Operating profit



+8%

Operating profit per kilo



+7%

# Chocolate & Confectionery Fats



+40%

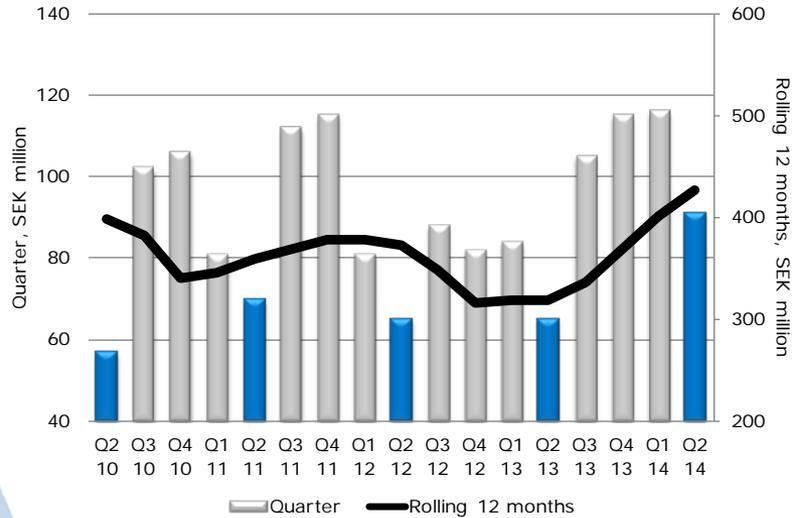
## Second quarter 2014

- ◆ As expected, operating profit improved significantly, by 40 percent, and reached SEK 91 million (65)
  - Margins have been positively impacted by the dramatic increase in cocoa butter prices since 2013
- ◆ Operating profit per kilo improved by 32 percent to SEK 1.23 (0.93)
- ◆ Volumes increased by 6 percent
  - The product mix improved strongly with high double-digit growth in speciality products
    - Despite a very difficult general situation in Ukraine, materially influencing our activities
  - For comparable units, volumes decreased by 2 percent due to reduced low-end products

# Chocolate & Confectionery Fats

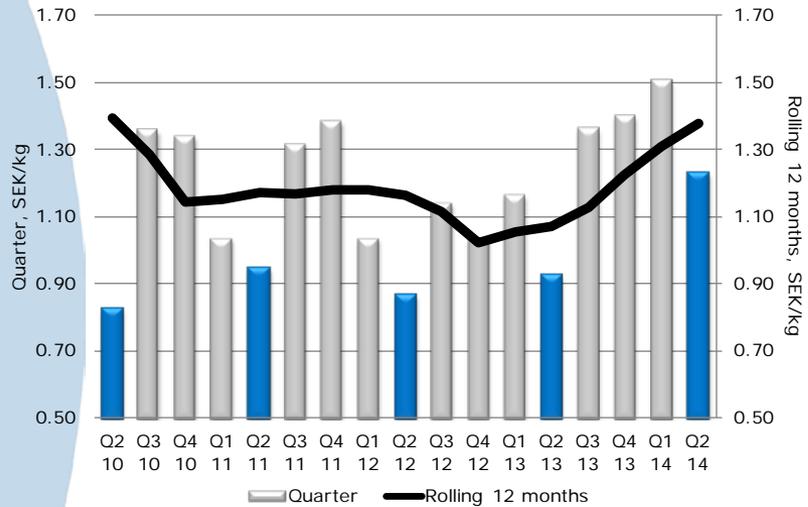


Operating profit



+ 40%

Operating profit per kilo



+ 32%

# Cocoa butter price

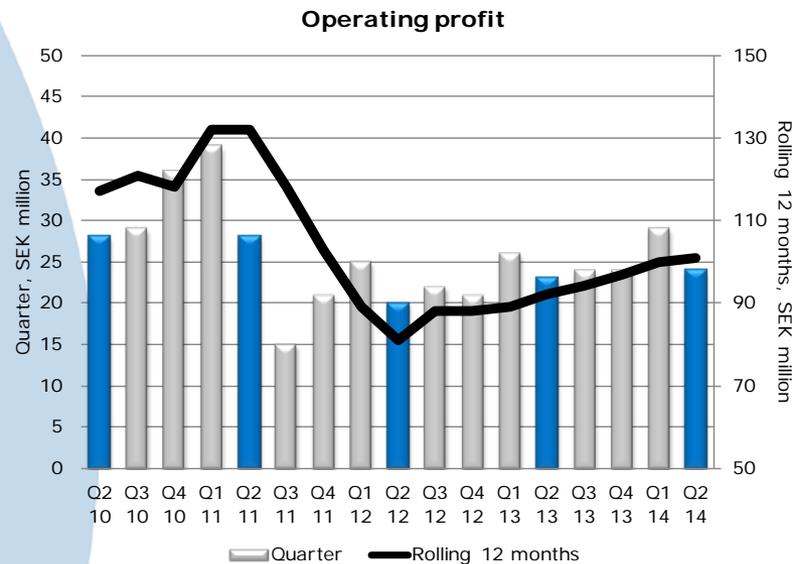


For information regarding cocoa and cocoa butter please refer to information at [www.icco.org](http://www.icco.org)

+4%

## Second quarter 2014

- Operating profit improved to SEK 24 million (23)
- Volumes increased by 5 percent
- Improved operating profit is mainly explained by the volume improvement



+4%

# Business area guidance



- ◆ Food Ingredients
  - Operating profit growth for the full year 2014 is still expected to be, with certain quarterly variations, approximately at the 2013 growth rate or slightly below
  
- ◆ Chocolate & Confectionery Fats
  - The performance of this business area is expected to continue to improve compared to the same quarters last year but not at all at the same pace as in the first and second quarter 2014
  
- ◆ Technical Products & Feed
  - For 2014, operating profit is expected to be stable or to improve slightly compared to the prior year

## The first choice for value-added vegetable oil solutions



### SALES

### INNOVATION

### EXECUTION

Sales 😊

Innovation 😊

Service 😊

Customer co-development 😊

Quality 😊

Productivity 😊

## PEOPLE

- 😊 Ahead of plan
- 😊 On plan
- 😞 Behind plan

# AAK acquires bakery fats specialist in Belgium



- The acquisition of the oils and fats business of CSM Benelux NV in Merksem was completed on July 1, 2014
- For more information on the acquisition please see press release and presentation material published at [aak.com](http://aak.com) on April 9, 2014



# Fabrica Nacional de Grasas S.A. (FANAGRA)



- ◆ Located in Colombia
  - Factory in Villavicencio
  - Headquartered in Bogotá
- ◆ Specializes on vegetable oils and fats for the bakery segment
- ◆ Revenues of approximately SEK 270 million in 2013
- ◆ Annual volume of 30,000 tonnes
- ◆ Employs 155 people
- ◆ Limited impact on 2014 operating profit
- ◆ Will fully contribute starting January 2015
- ◆ Slightly dilutive impact on EBIT per kilo

# Strategic rationale



- ◆ Creates a strong foothold in Colombia
  - Colombia has the third largest GDP in Latin America
- ◆ Strengthens our presence in another fast-growing economy in the strategically important bakery market
  - Also a platform for increased speciality and semi-speciality sales in Colombia and Northern Latin America for mainly Dairy and CCF
- ◆ Significant potential to grow and emerge as an important player in the Colombian industrial market
  - AAK will launch our innovative co-developed products that address global and local trends
- ◆ Creates cross-selling opportunities to existing and future customers

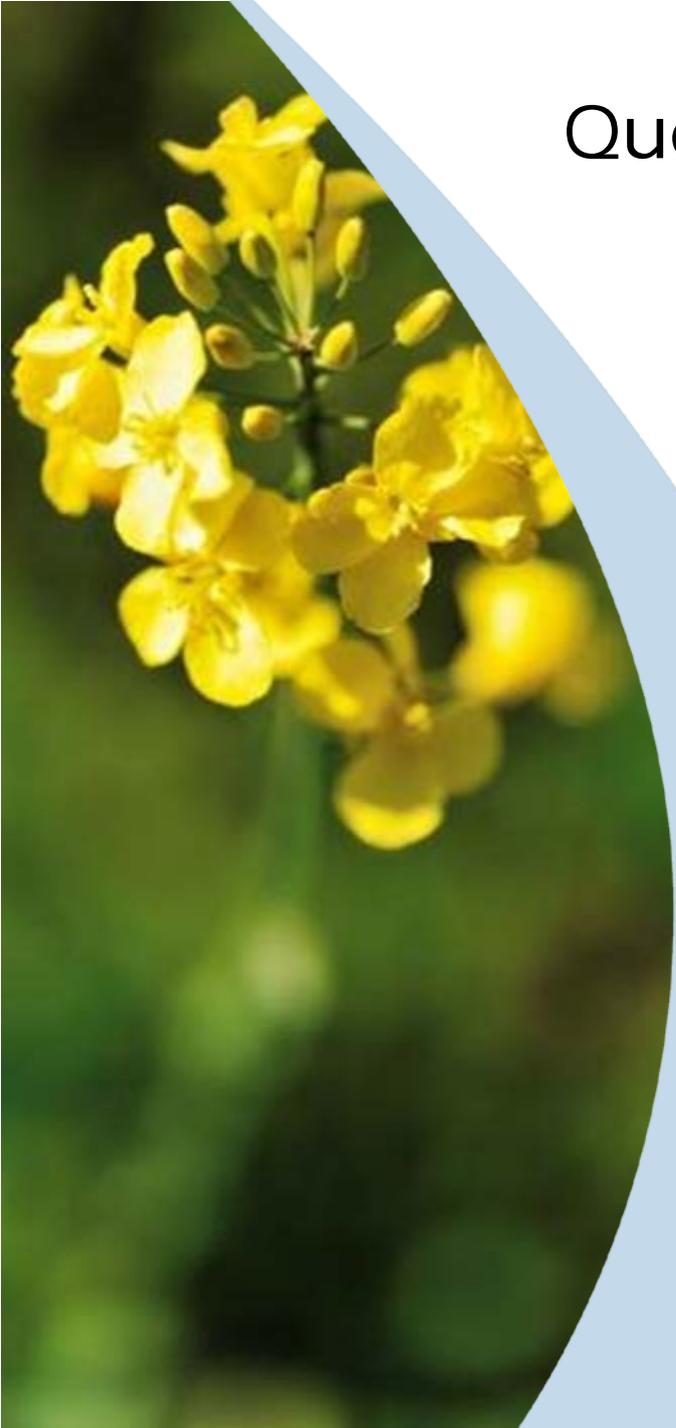
# Concluding remarks from CEO



- Based on AAK's customer value propositions for
  - Health and reduced costs
  - Customer product co-development and solutions approach
- We continue to remain prudently optimistic about the future
- The main drivers are
  - Continued positive underlying improvement in Food Ingredients
  - Continued improvement in Chocolate & Confectionery Fats



# Questions & answers



# Financial calendar



## Financial calendar 2014

|                   |   |
|-------------------|---|
| October 29, 2014  | Third quarter report 2014                   |
| November 12, 2014 | Capital market day –<br>Karlshamn, Sweden   |
| February 3, 2015  | Fourth quarter and year-<br>end report 2014 |

# Investor Relations contacts

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vegetable oil  
solutions