



Arne Frank, CEO  
Fredrik Nilsson, CFO

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**Interim report  
Third quarter  
2016**

# Agenda

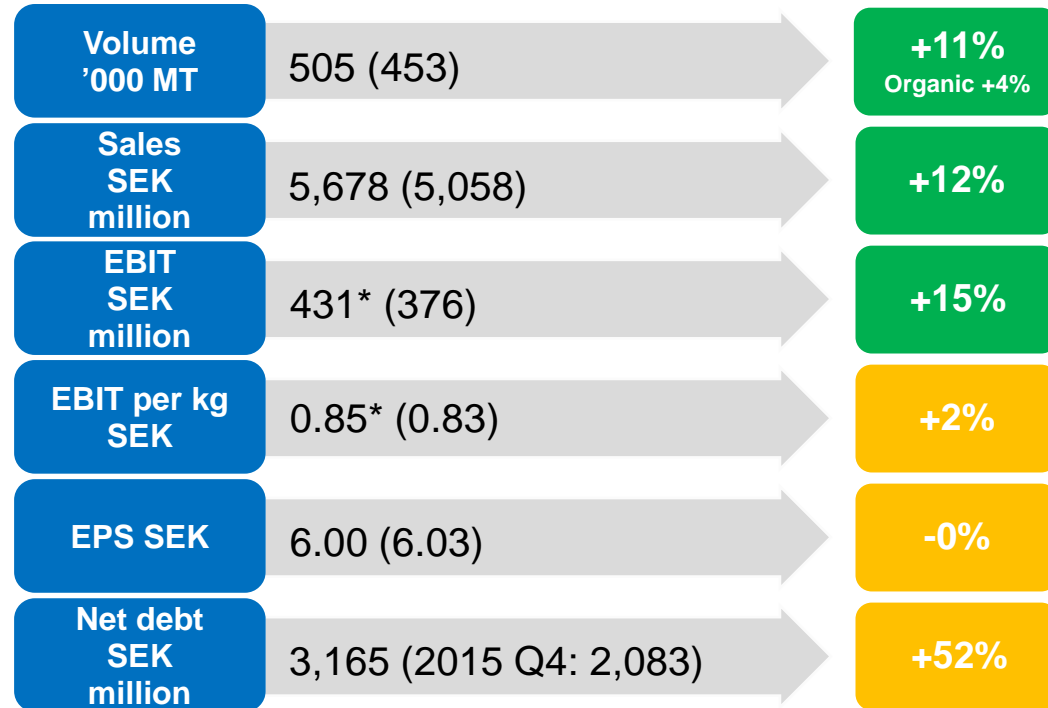
Third quarter 2016

Business area information

AAKtion

Q & A

## Third quarter 2016



\* Adjusted for non-recurring items

# Third quarter 2016 – all-time high operating profit

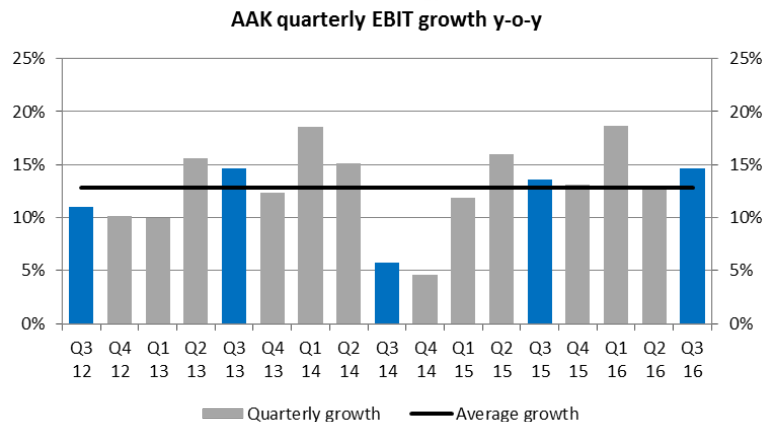
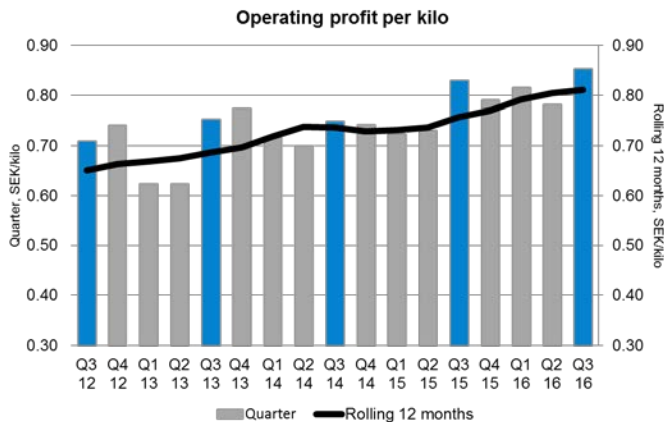
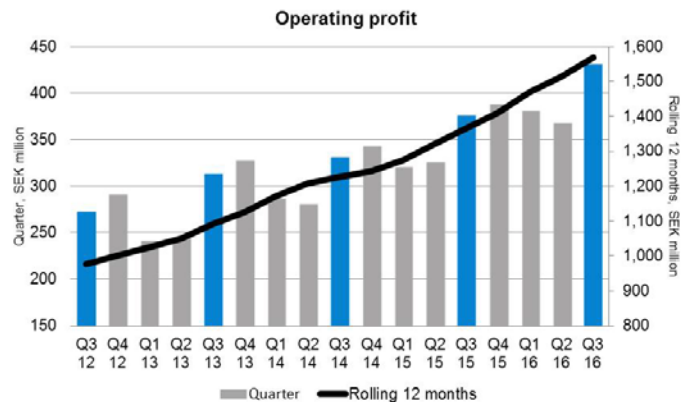
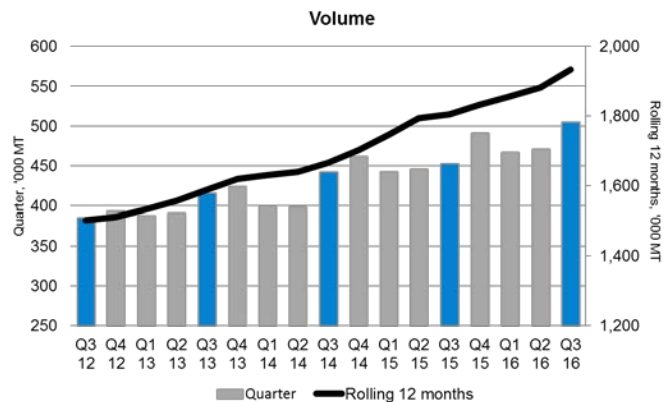
## ◆ AAK Group – Operating profit

- ◆ Operating profit, excluding non-recurring items, reached SEK 431 million (376), an improvement of 15 percent
- ◆ Negative currency translation impact of SEK 10 million (positive 27)
- ◆ Operating profit per kilo, excluding non-recurring items, reached SEK 0.85 (0.83), with the currency translation being negative by SEK 0.02 per kilo (positive 0.06)

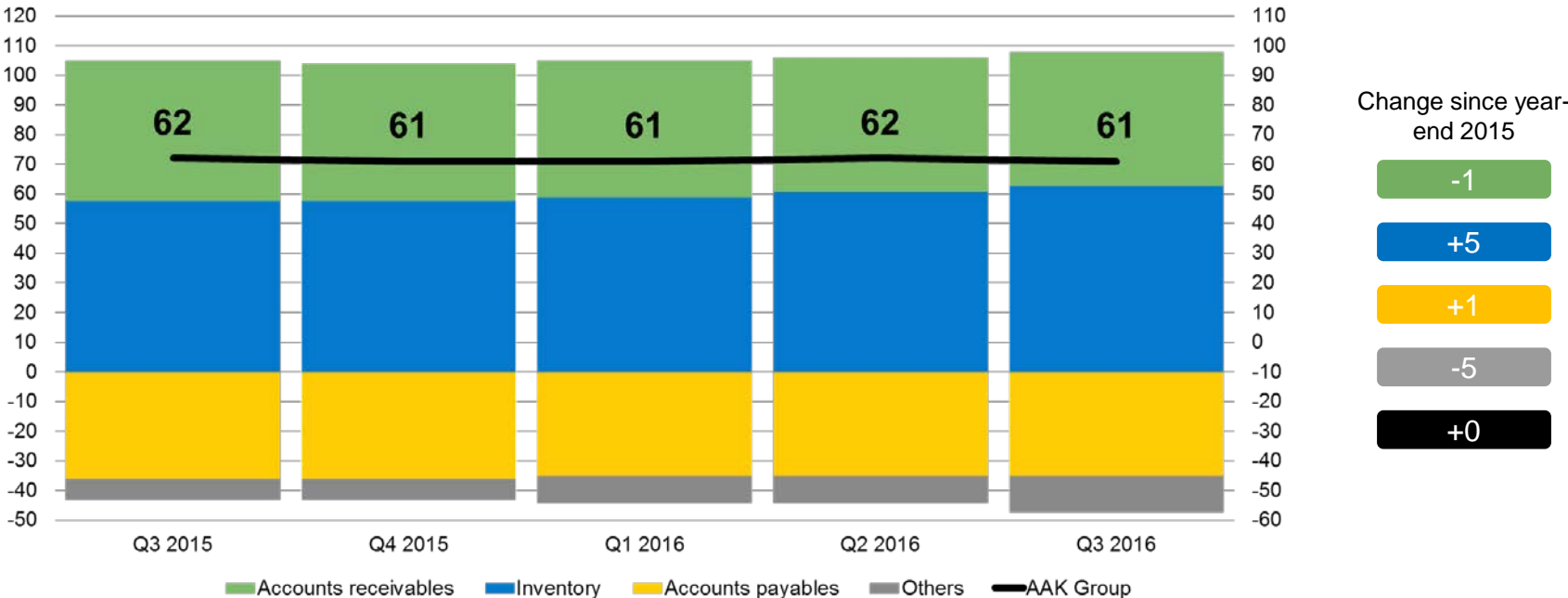
## ◆ Business areas – Operating profit

- ◆ Food Ingredients improved by 9 percent, reaching SEK 251 million (230)
- ◆ Chocolate & Confectionery Fats reported a result of SEK 190 million (166), an improvement of 14 percent
- ◆ Technical Products & Feed improved by 118 percent, reaching SEK 24 million (11)

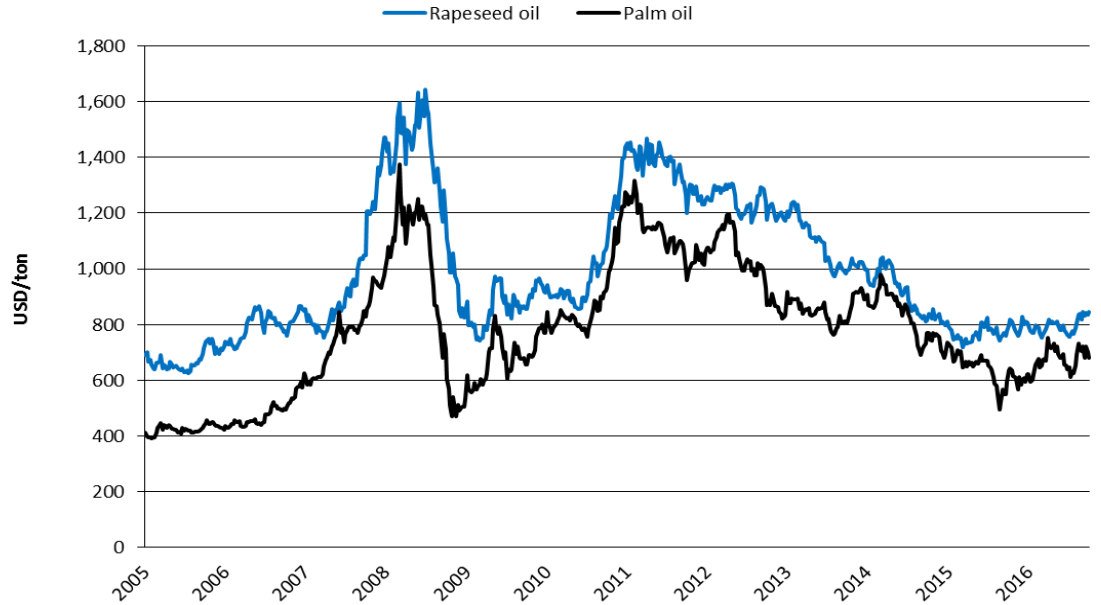
# Financial summary – AAK Group



# Working capital days – rolling 12 months

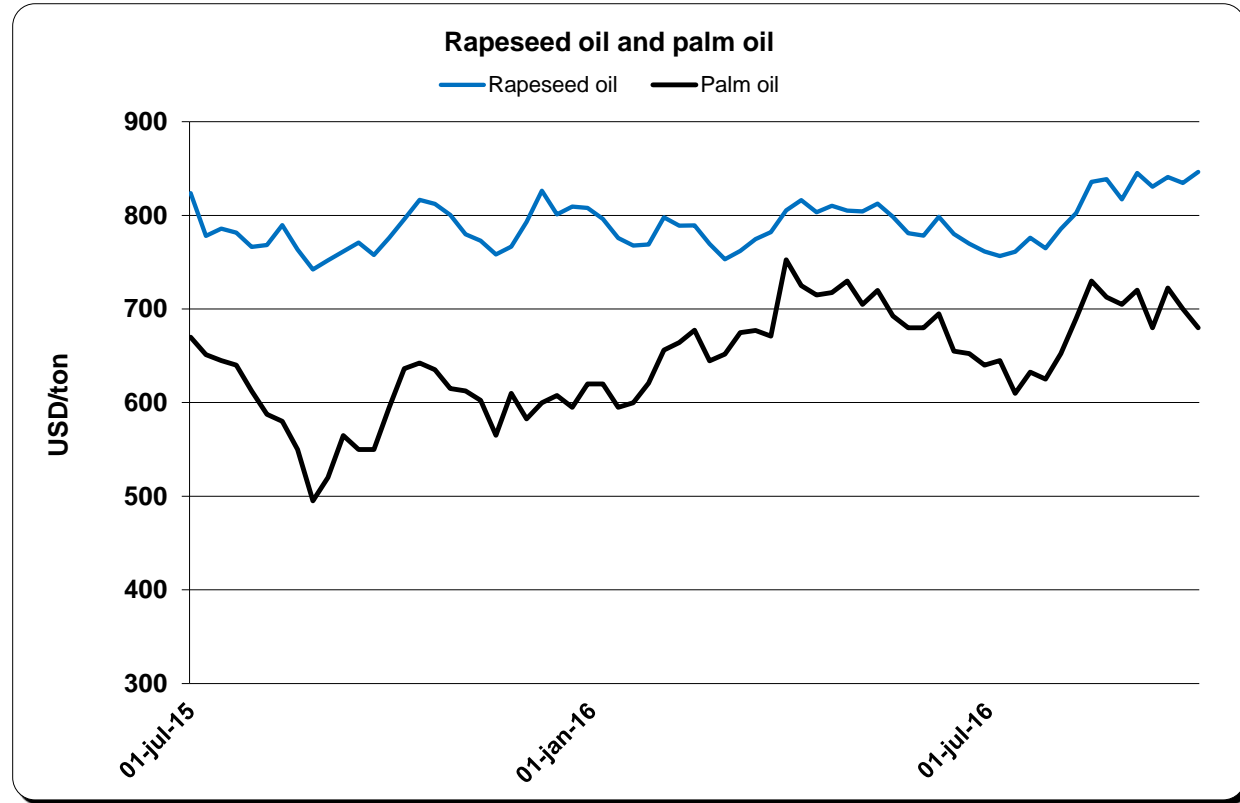


## Raw material prices



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

# Raw material prices



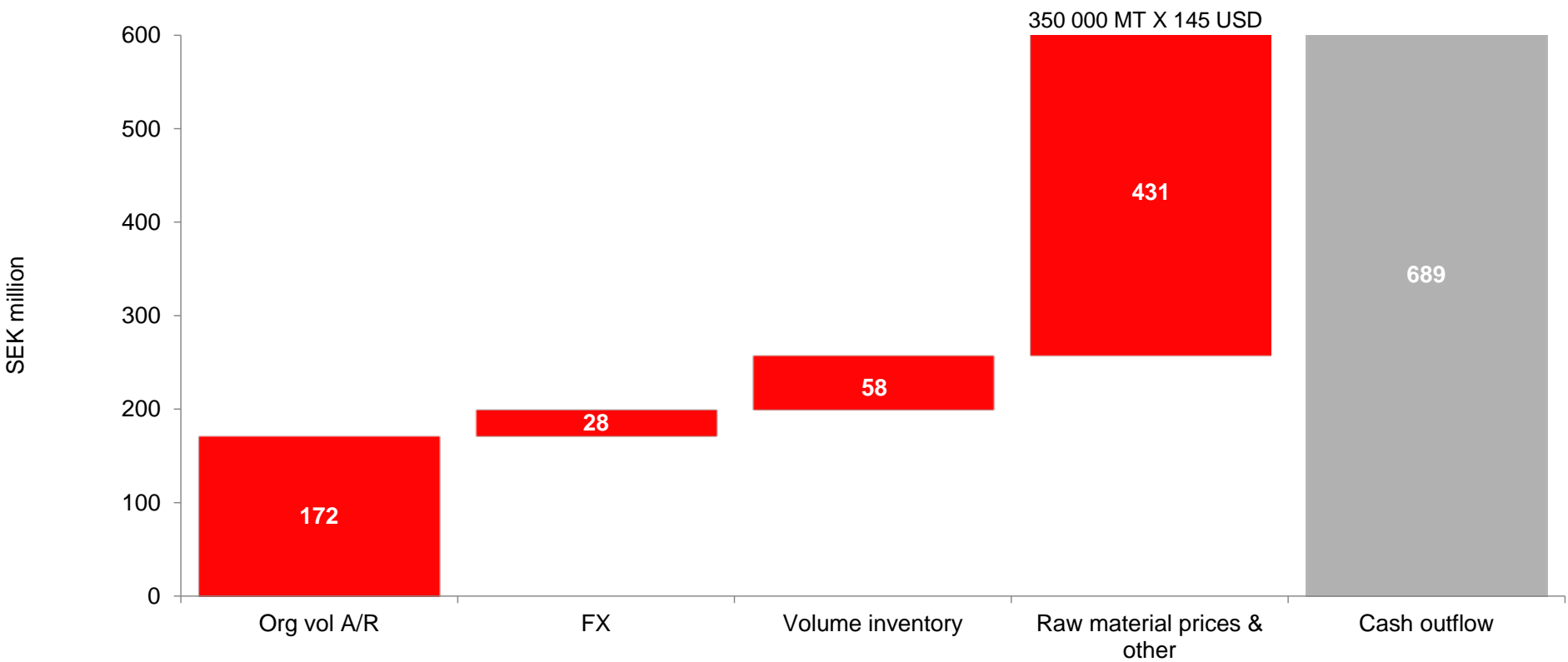


# Cash flow

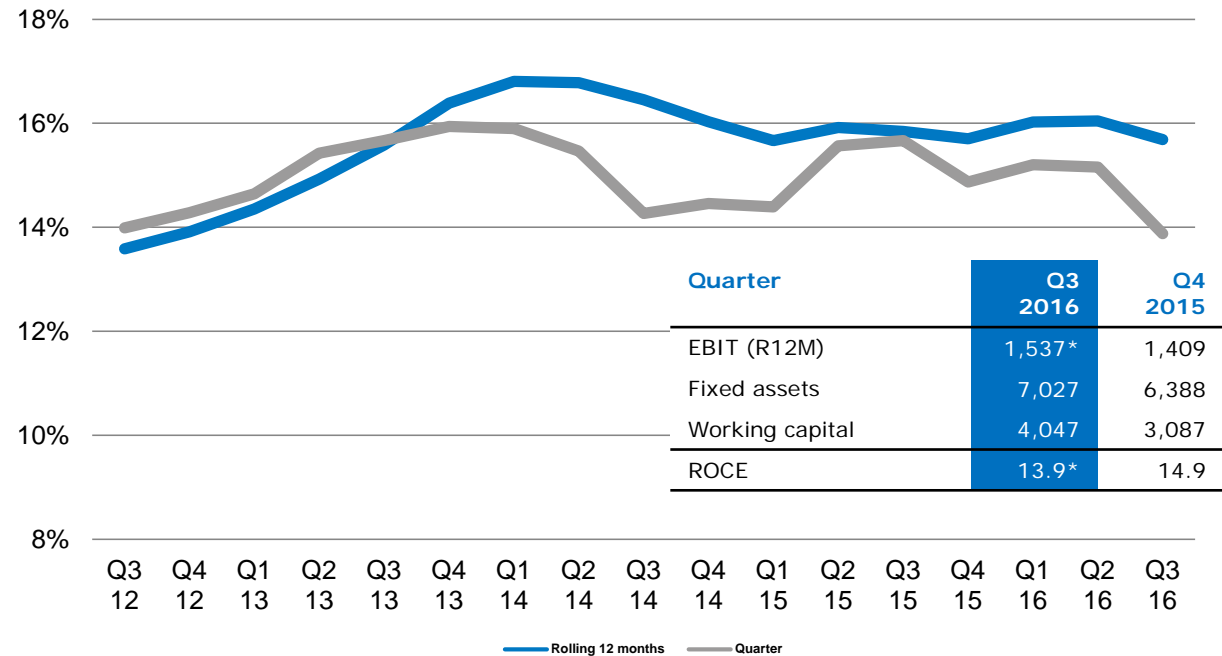
SEK million	Q3 2016	YTD 2016	Q3 2015	YTD 2015	FY 2015
EBITDA	530	1,505	479	1,351	1,840
Paid interest	-49	-121	-28	-85	-114
Paid tax	-134	-325	-84	-199	-270
Non-cash items	-15	-1	-28	-80	-100
Change in working capital (WC)	-467	-689	-81	88	380
<b>Cash flow from operating activities incl. changes in WC</b>	<b>-135</b>	<b>369</b>	<b>258</b>	<b>1,075</b>	<b>1,736</b>
Cash flow from investments	-708	-1,094	-234	-467	-1,016
<b>Free cash flow</b>	<b>-843</b>	<b>-725</b>	<b>24</b>	<b>608</b>	<b>720</b>

- ◆ Cash flow from working capital was negative, amounting to SEK 467 million (negative 81)
  - ◆ The increase in working capital was mainly related to the substantially increased raw material prices during the last quarters, combined with working capital tied up for the two greenfield investments
  - ◆ The higher raw material prices and the greenfield investments will continue to have a negative impact on working capital during 2016
- ◆ Cash outflow from investing activities amounted to SEK 708 million (234). The increased outflow is mainly related to the acquisition of CalOils and the on-going greenfield projects in Brazil and China

# Working capital cash flow YTD 2016



# ROCE – third quarter 2016



\* Excl non-recurring costs and acquisition costs, EBIT SEK 1,568 million and ROCE 14.2 percent

# Business trends – third quarter 2016

	Share of volume	Nordics	WE	UK	USA	CEE	CIS	Asia	LA
Food Ingredients	67%	→	↘	→	↗	→	→	↗	→
Chocolate & Confectionery Fats	20%	→	↗		↗	↗	↗	↗	↘
Technical Products & Feed	13%	↗							
AAK Group	100%	→	→	→	↗	↗	→	↗	→

# Food Ingredients Q3 2016

Organic volume growth

**0%**

Operating profit

**+9% (+13%\*)**

Operating profit per kilo

**+1% (+4%\*)**

◆ **Operating profit increased to SEK 251 million (230)**

- ◆ Speciality and semi-speciality reported organic volume growth of 2 percent
- ◆ The Bakery segment had another challenging quarter globally. Volumes continued to decline, although at a slower pace than during the first two quarters 2016
- ◆ The Dairy segment continued the strong trend from the previous quarters
- ◆ Infant Nutrition reported strong double-digit volume growth, driven by an extraordinary volume growth for our product range Akonino®, but also by InFAT®, sold through Advanced Lipids AB, a joint venture of AAK and Enzymotec
- ◆ Foodservice reported organic volume growth with good development particularly in the UK, the US and the Nordics
- ◆ Commodity products showed negative volume development after an exceptional volume growth in 2015
- ◆ The currency translation impact was negative SEK 9 million

◆ **Operating profit per kilo increased from SEK 0.74 to SEK 0.75**

- ◆ At fixed foreign exchange rates operating profit per kilo improved by 4 percent

\* At fixed FX

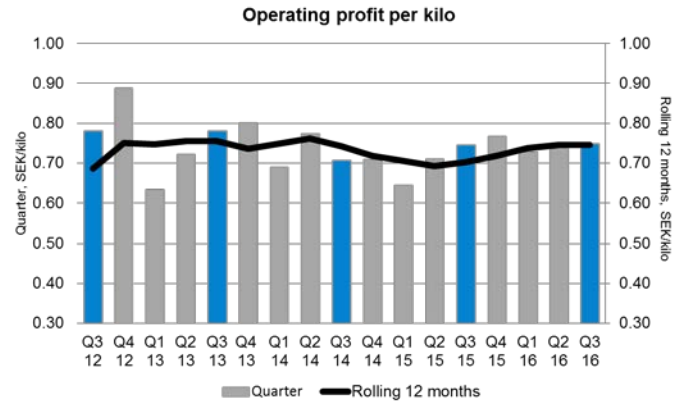
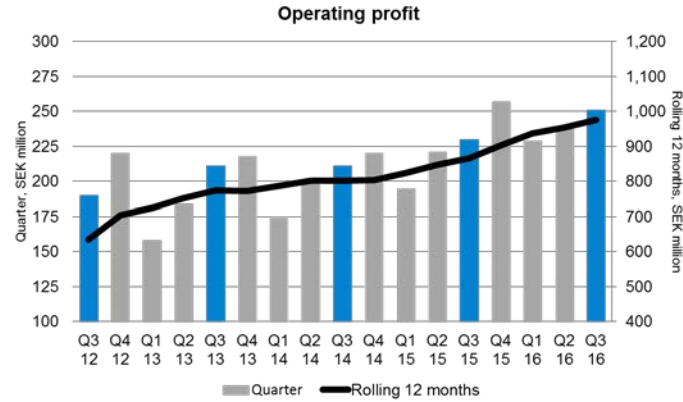


## Food Ingredients – organic volume growth



	2016 YTD	2016 Q3	2016 Q2	2016 Q1	2015 FY
FI - speciality & semi-speciality	+2%	+2%	+3%	0%	+2%
FI - commodity	-14%	-9%	-21%	-9%	+19%
FI - total	-2%	0%	-3%	-3%	+5%

# Food Ingredients





# Chocolate & Confectionery Fats Q3 2016

Organic volume growth

**+15%**

Operating profit

**+14%**

Operating profit per kilo

**-7%**

- **Operating profit increased to SEK 190 million (166)**

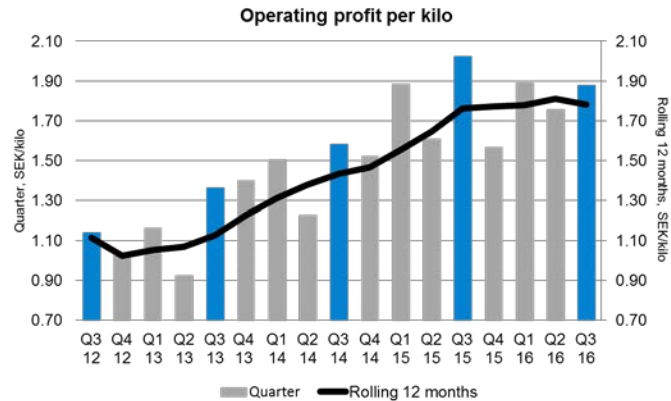
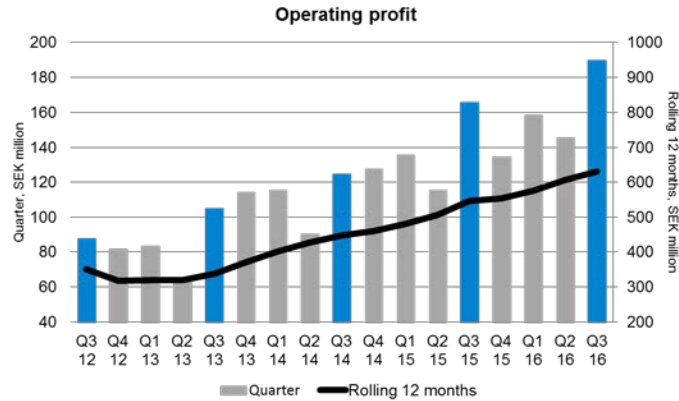
- Continued organic growth for both high-end and low-end products with the latter being particularly strong
- After two years of severely deteriorating market conditions in Russia and Ukraine, the strong growth during the first two quarters continued, but still from low levels
- The currency translation impact was negative SEK 1 million

- **Operating profit per kilo decreased from SEK 2.02 to SEK 1.88**

- At fixed foreign exchange rates operating profit per kilo decreased by 6 percent
- Ramp-up costs related to greenfield investments have had a negative impact on operating profit per kilo
- Recent years' strong customer co-development, new innovative solutions, and further expansion of our geographical footprint are continuing to yield positive results



# Chocolate & Confectionery Fats





## Cocoa butter price



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

# Technical Products & Feed Q3 2016

Organic volume growth

**+10%**

Operating profit

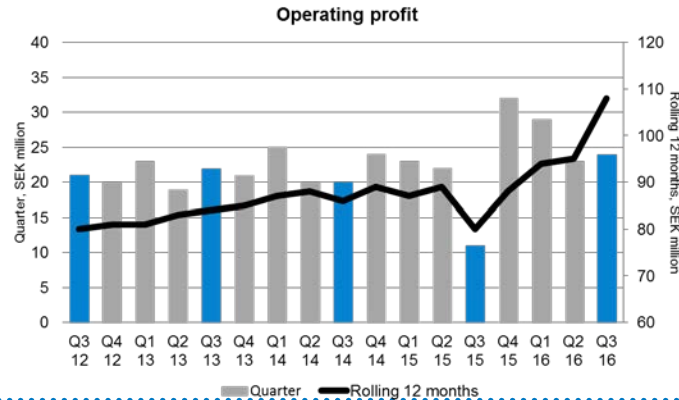
**+118%**

Operating profit per kilo

**+94%**

- ◆ **Operating profit increased to SEK 24 million (11)**

- ◆ Volumes increased by 10 percent compared to the corresponding quarter in 2015. Both the feed business and the technical fatty acids business reported volume growth. Last year's maintenance stop also impacted last year's volumes
- ◆ Operating profit improved by SEK 13 million, reaching SEK 24 million (11). Last year's low result was due to a planned and extended maintenance stop



# California Oils Corporation



- ◆ Annual volume of 110,000 MT
- ◆ Revenues of approximately SEK 1,350 million in 2015
- ◆ Factory in Richmond, California, located in the San Francisco Bay area
- ◆ Production facility offers capabilities across AAK's core product spectrum
- ◆ ~65 employees
- ◆ Was owned by Mitsubishi Corporation



◆ Bakery



◆ Dairy



◆ Infant Nutrition



◆ Frying



◆ Confectionery

## The plant

- ◆ Only significant speciality and semi-speciality oils plant on the West Coast
- ◆ Capabilities: Refining, deodorization, oil blending, hydrogenation and interesterification
- ◆ Port berth, storage tanks, rail access, truck yard
- ◆ San Francisco Bay offers an efficient supply chain and close proximity to target customers



- Production plants
- Sales offices
- Customer innovation centres

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



### SALES

Sales



Customer co-development



### INNOVATION

Innovation



### EXECUTION

Service



Quality



Productivity



## PEOPLE

 Ahead of plan    On plan    Behind plan

# Financial calendar

## Financial calendar 2016/2017

November 16, 2016	Capital Market Day, Stockholm
February 3, 2017	Fourth quarter and year-end report 2016
May 17, 2017	Annual General Meeting, Malmö

# Capital Market Day – November 16, 2016

## AAK AB: Invitation to Capital Market Day

AAK AB hereby invites analysts, investors and media to its Capital Market Day on November 16, 2016 at Fotografiska in Stockholm.

This year's event will include updates on our current financial developments as well as presentations on our markets in Asia and in the US, with a special focus on China, India and our recent acquisition of CalOils. AAK's business segments Dairy and Infant Nutrition will also be presented.

The Capital Market Day will be hosted by Arne Frank, President and CEO, and Fredrik Nilsson, CFO, along with other members of the Executive Committee. All presentations will be held in English.

### **Program for the day:**

11:45–12:30 Registration and a light lunch  
12:30–13:45 Presentations from the CEO and the CFO  
14:00–15:25 Asia and US presentations  
15:40–16:30 Dairy and Infant Nutrition presentations  
16:30–17:00 Q & A

Please confirm your participation no later than October 31, 2016 by following the instructions on [www.aak.com/capitalmarketday](http://www.aak.com/capitalmarketday)

## Concluding remarks from the 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;
  - ◆ We are expecting a continued positive underlying development for Food Ingredients
  - ◆ We are expecting continued improvement in Chocolate & Confectionery Fats



## Questions & answers



# Investor Relations contact

## **Fredrik Nilsson**

Chief Financial Officer

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)



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