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**Interim report
First quarter
2017**

Agenda




First quarter 2017

Business area information

The AAK Way – focus Dairy

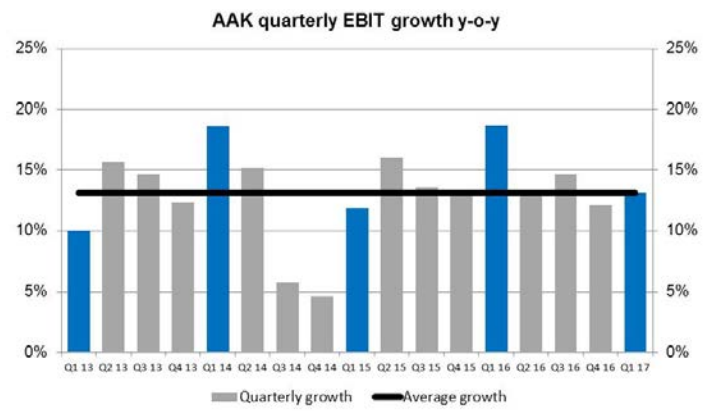
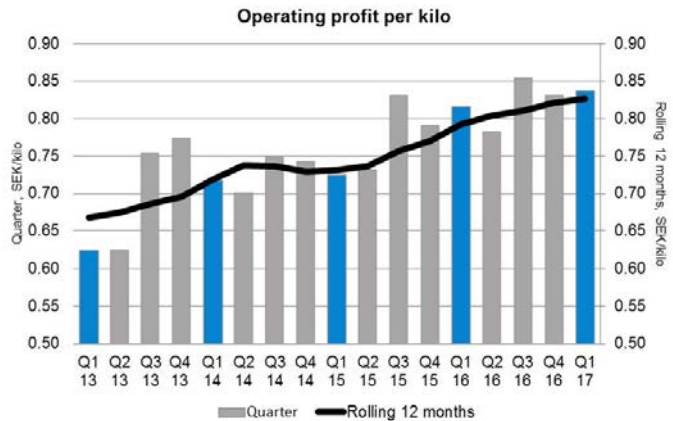
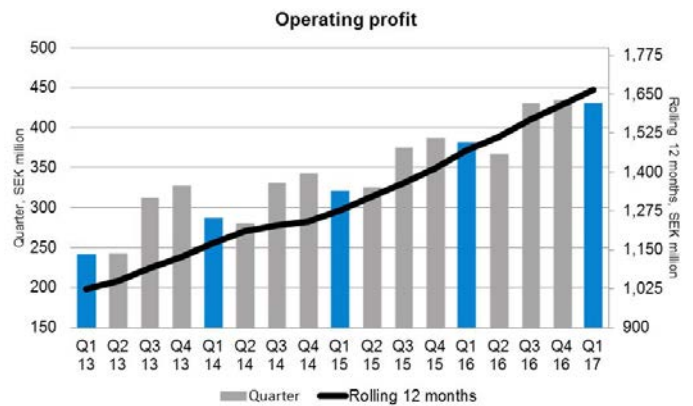
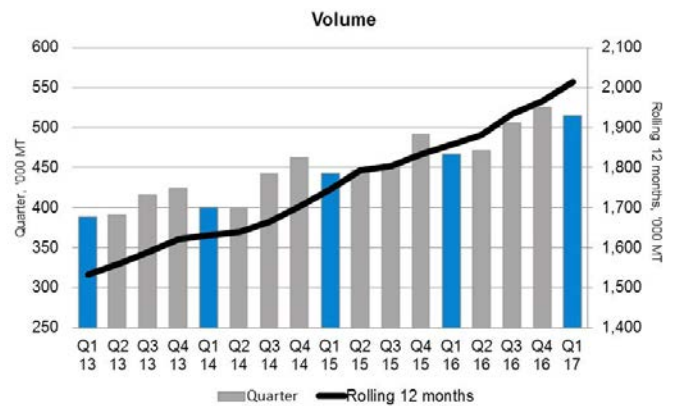
Q & A

First quarter 2017 – all-time high operating profit for a first quarter

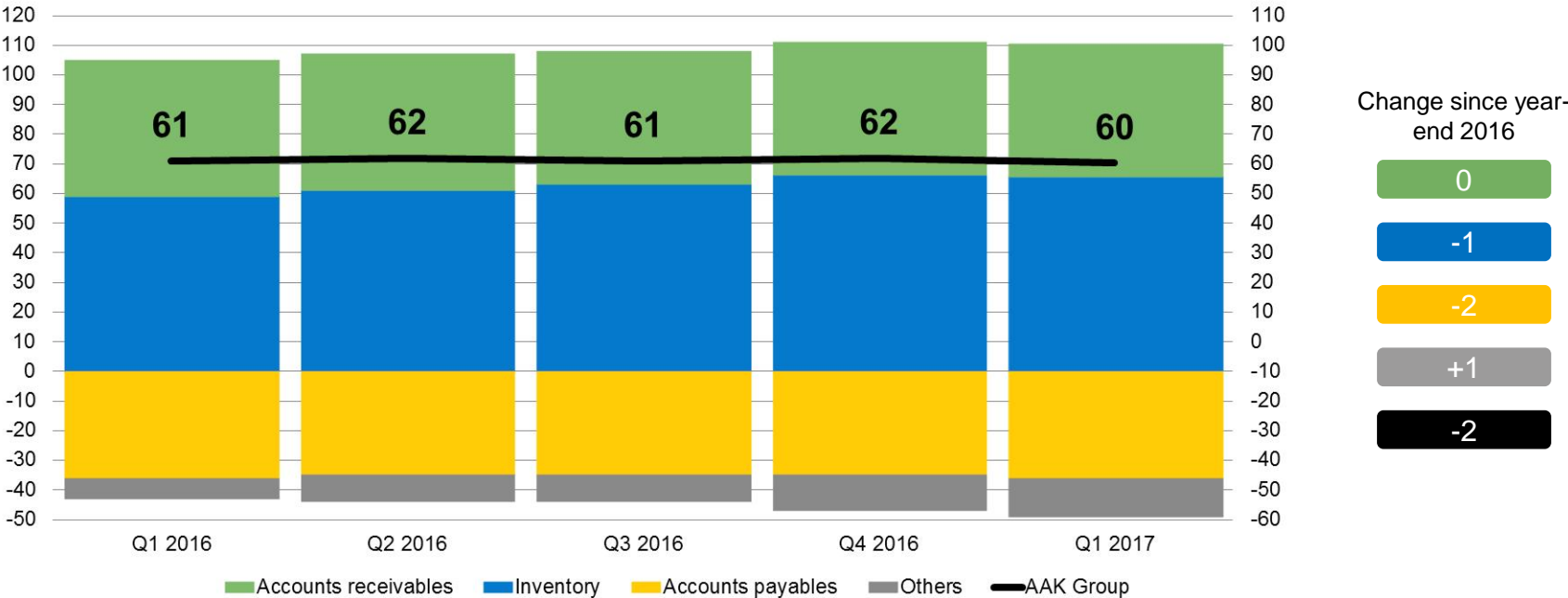


Volume '000 MT	515 (467)	+10% Organic +5%
Sales SEK million	6,677 (4,963)	+35%
EBIT SEK million	431 (381)	+13%
EBIT per kilo SEK	0.84 (0.82)	+2%
EPS SEK	6.47 (5.56)	+16%
Net debt SEK million	3,168 (Dec 2016: 2,620)	+21%

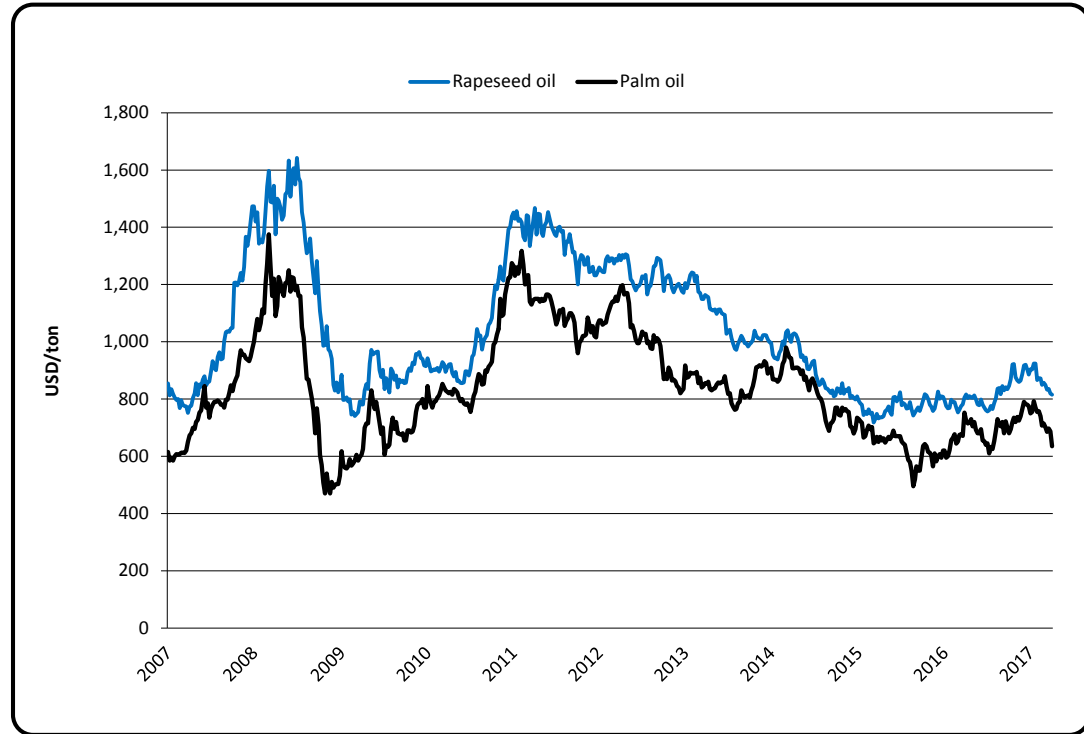
Financial summary – AAK Group



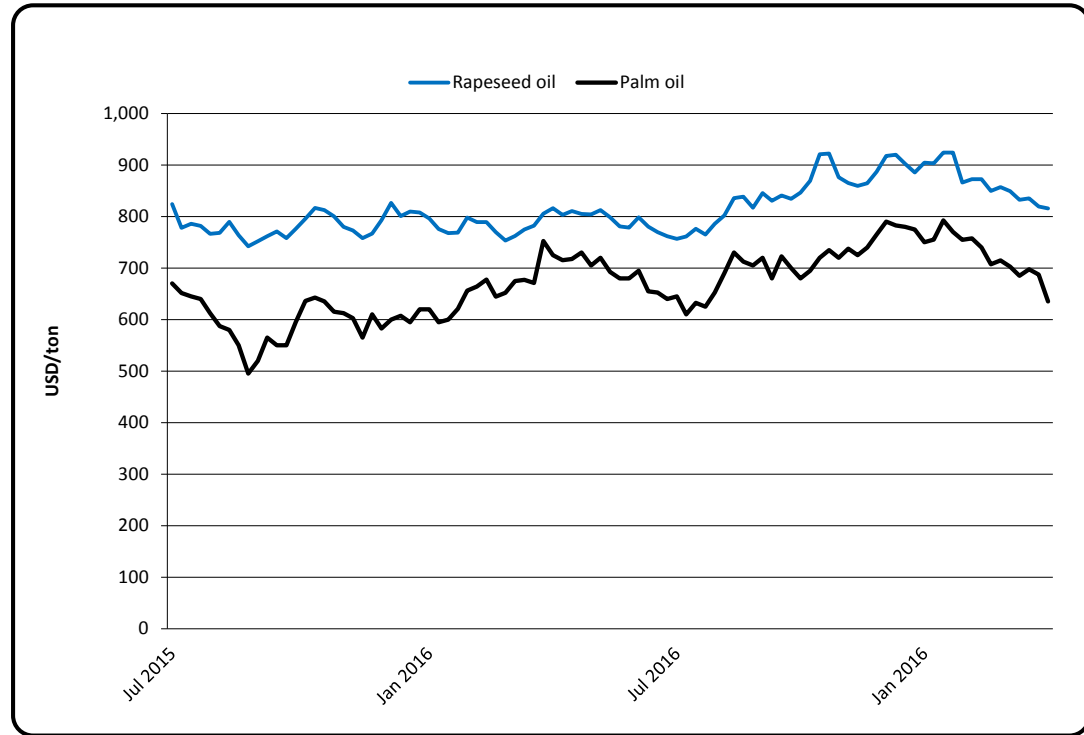
Working capital days – rolling 12 months



Raw material prices



Raw material prices

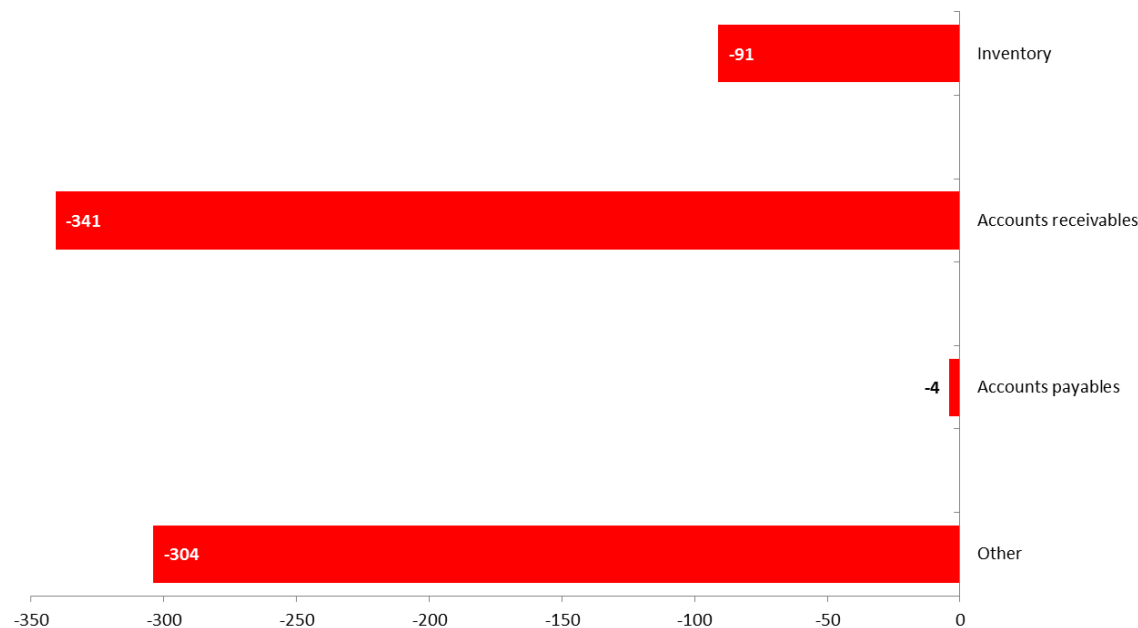


Cash flow

SEK million	Q1 2017	Q1 2016
EBITDA	553	493
Paid interest	-46	-38
Paid tax	-141	-83
Non-cash items	-34	-8
Change in working capital (WC)	-740	-380
Cash flow from operating activities incl. changes in WC	-408	-16
Cash flow from investments	-152	-192
Free cash flow	-560	-208

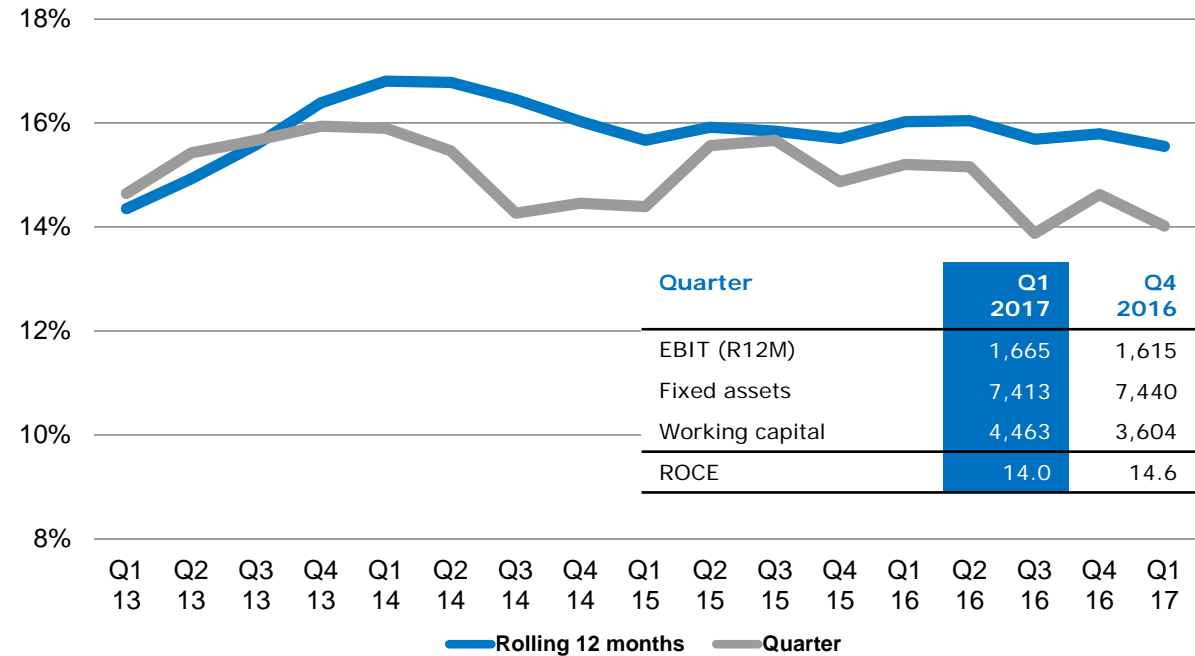
- ◆ Cash flow from working capital was negative, amounting to negative SEK 740 million (negative 380)
 - ◆ Increased raw material prices, strong organic volume growth and working capital tied up for the two greenfield investments, continued to have a negative impact on working capital
 - ◆ Cash outflow from investing activities amounted to SEK 152 million (192). The lower investments are mainly due to the completion of our greenfield project in Brazil
 - ◆ There has been a slight decrease in raw material prices during the first quarter which will have a positive impact during the second half of the year

WC cash flow – negative SEK 740 million



- Higher raw material prices – impact negatively
 - Inventory volumes down since year-end
 - DSO R12M is down by one day
-
- Higher raw material prices – impact negatively
 - Organic volume growth 5%
 - DSO R12M is flat since year-end
-
- Higher raw material prices – impact positively
 - DSO R12M has improved two days since year-end
 - Timing Q4 16 / Q1 17 impact Q1 17 negatively
-
- Normal pattern when raw material prices are increasing. Should reverse during the second half of this year
 - Lower accruals end of Q1 than year-end 16
-

ROCE – first quarter 2017



Business trends – first quarter 2017



	Share of volume	Nordics	WE	UK	USA	CEE	CIS	Asia	LA
Food Ingredients	67%	→	→	→	→	→	→	→	→
Chocolate & Confectionery Fats	19%	→	→		→	→	→	→	→
Technical Products & Feed	14%	→							
AAK Group	100%	→	→	→	→	→	→	→	→

Food Ingredients Q1 2017

Organic volume growth

+2%

Operating profit

+9%

Operating profit per kilo

-1%


- ◆ **Operating profit increased to SEK 249 million (229)**

- ◆ After some challenging quarters the Bakery segment was back to organic growth in several important regions, however the European market remained a challenge
- ◆ The Dairy segment continued the strong trend from 2016 and reported high double-digit organic volume growth
- ◆ Special Nutrition reported medium single-digit volume growth, but with a significantly better product mix compared to the corresponding quarter last year. This was driven by a continued volume growth for our Infant Nutrition product range Akonino®, building on exceptionally strong volume growth last year. Our other Infant Nutrition product range, InFat®, sold through Advanced Lipids AB, a joint venture of AAK and Enzymotec, had a strong volume growth in the quarter
- ◆ Foodservice reported declining volumes in the quarter. This was mainly due to more challenging market conditions in Europe

- ◆ **Operating profit per kilo was stable at SEK 0.72 (0.73)**

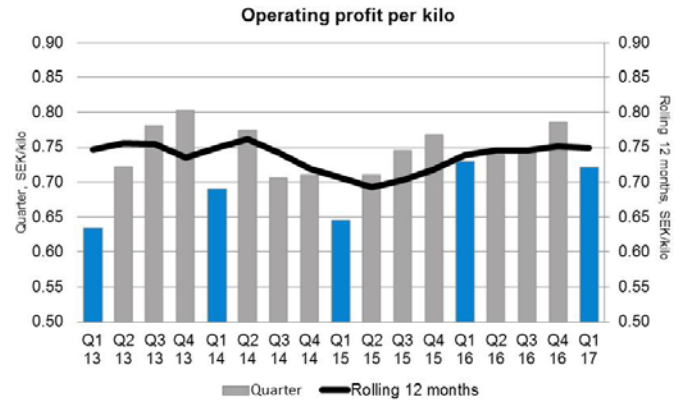
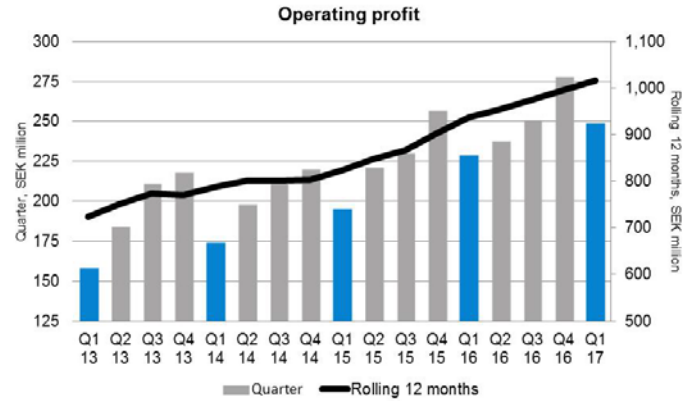
- ◆ Improved product mix
- ◆ Ramp-up costs related to greenfield investments have had a negative impact on operating profit per kilo

Food Ingredients – organic volume growth



	2017 Q1	2016 FY	2016 Q1
FI – speciality & semi-speciality	+2%	+1%	0%
FI – commodity	+2%	-13%	-9%
FI – total	+2%	-2%	-3%

Food Ingredients



Chocolate & Confectionery Fats Q1 2017

Organic volume growth

+17%

Operating profit

+23%

Operating profit per kilo

+6%

- **Operating profit increased to SEK 196 million (159)**

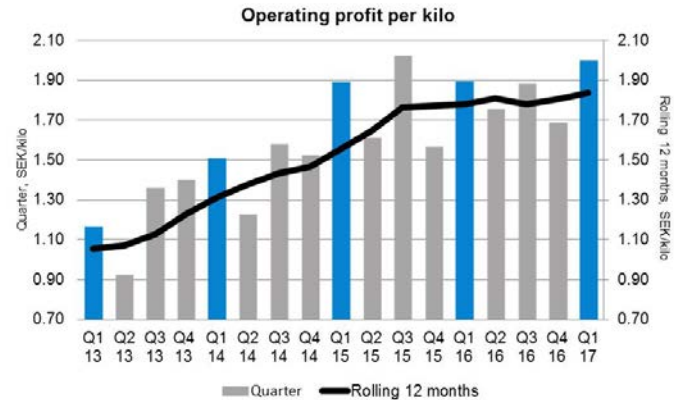
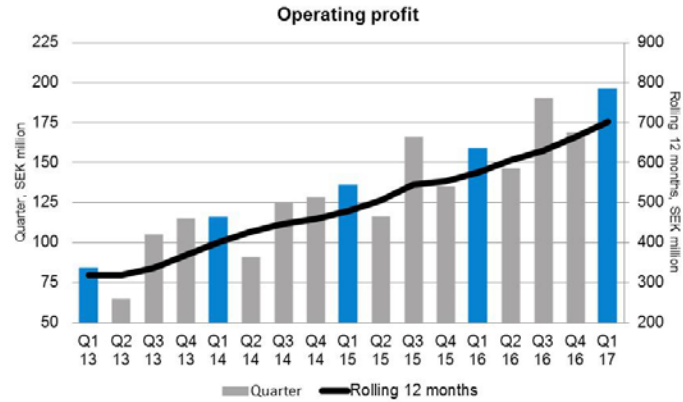
- There was continued strong organic volume growth for both speciality and semi-speciality products, with several showing exceptional volume growth – in mature as well as in emerging markets.
- The currency translation impact was SEK 6 million

- **Operating profit per kilo increased from SEK 1.89 to SEK 2.00**

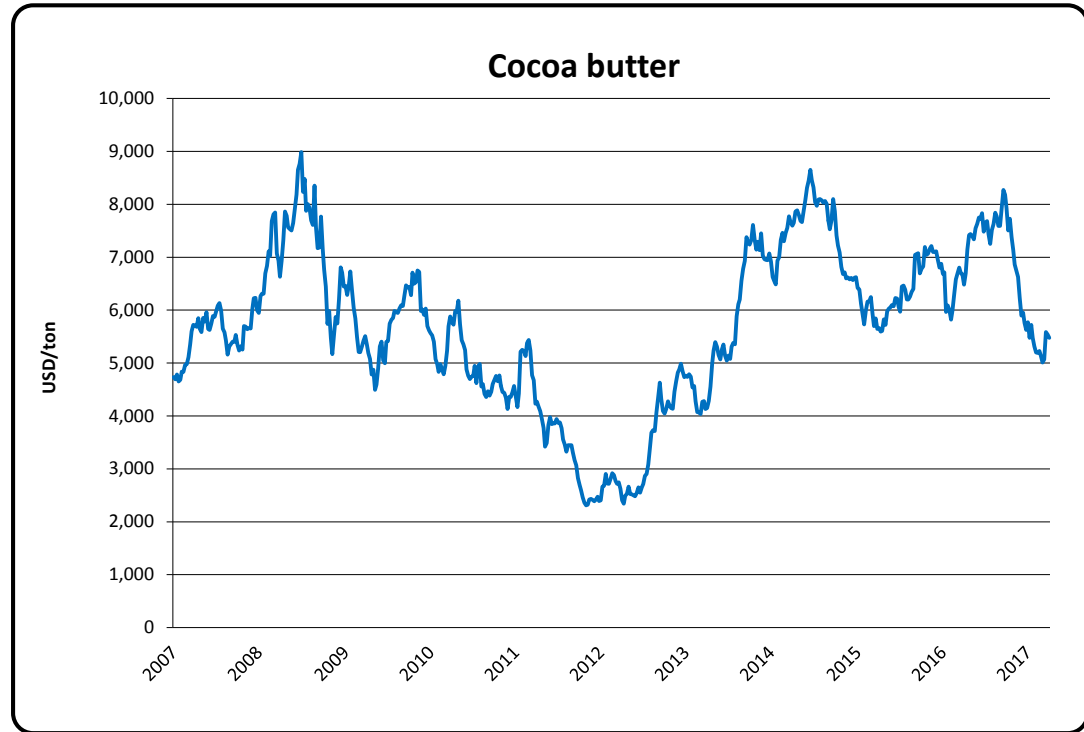
- Continued improved product mix
- Ramp-up costs related to greenfield investments have had a negative impact on operating profit per kilo
- Recent years' strong customer co-development, new innovative solutions, and further expansion of our geographical footprint are continuing to yield positive results



Chocolate & Confectionery Fats



Cocoa butter price



For information regarding cocoa and cocoa butter, please refer to information at www.icco.org

Technical Products & Feed Q1 2017

Organic volume growth

+4%

Operating profit

-34%

Operating profit per kilo

-38%

- ◆ **Operating profit in the quarter was SEK 19 million (29)**

- ◆ Volumes increased compared to the corresponding quarter in 2016 due to volume growth in the feed business
- ◆ Operating profit reached SEK 19 million (29). Pressure from higher raw material prices had an unfavorable impact on operating profit for the fatty acids business. Last year's corresponding quarter was exceptionally strong for the fatty acids business



AAK global CSR objectives 2017+

Area	AAK global CSR objectives 2017+
Our Customers 	<p>CSR training 2017: E-learning module on CSR passed by 80% of all relevant employees</p> <p>Responsible Shea training 2017: E-learning module passed by 100% of all relevant employees</p> <p>Sustainable sourcing 2017: E-learning module developed</p> <p>AAK Agents & Distributors Code of Conduct 2017: Implemented with minimum 80% of AAK Agents & Distributors, including 2015 acquisitions</p>
Our Suppliers 	<p>Palm oil traceability 2017: Maintain full traceability to palm oil supplier mills</p> <p>2018–2019: Full traceability to plantation</p> <p>Palm oil compliance 2017: Risk assessment completed with all suppliers and their mills</p> <p>2017: Complete at least 5 on-site verifications of supplier mills</p> <p>Palm oil RSPO certification 2020: All palm oil, palm kernel oil and derivatives purchased as RSPO certified</p> <p>Shea supply chain 2017: At least 95,000 women enrolled in AAK's women's groups program in West Africa</p>

AAK global CSR objectives 2017+

Area	AAK global CSR objectives 2017+	
Our Planet 	Waste 2018: Less than 1.5% of waste disposed as landfill / deposit	
	Resource efficiency projects 2017: Each site identifies at least one project and reports its impact	
Our People 	Safety Any work-related injury is unacceptable and AAK is constantly working towards a zero injuries workplace. We monitor and report globally Lost Time Injury Rate (LTIR)	
Our Neighbours 	Local engagement 2017: Engaging in relevant local projects and activities 2017: Further develop AAK's smallholder approach	

Innovation

Go To Market

- ◆ AAK Way of Selling
- ◆ Customer Co-Development

Operational Excellence

- ◆ Sourcing Excellence
- ◆ Cost Effective & Flexible
- ◆ World Class Delivery

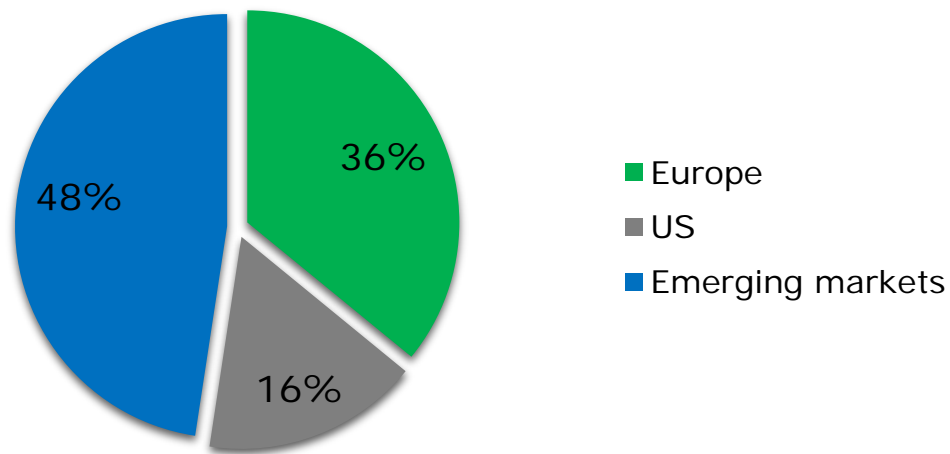
Special Focus Areas

- ◆ Special Nutrition
- ◆ Dairy+
- ◆ INNOBO-Products

People

Dairy+ – performance

Dairy+ volumes in AAK



Volume CAGR since Q1 2015

+20%

Dairy+: The value-driven consumers – changing dynamics

◆ Millennials



◆ iGeneration



◆ Flexitarians



◆ Vegans & Vegetarians



◆ Social medias



Dairy+ value promise

- ◆ Deliverables as to brand promise:
 - ◆ We achieve **lasting business value** together with our customers
 - ◆ We provide value-adding vegetable oils & fats solutions
- ◆ The Dairy value propositions per segment are centered around:
 - ◆ Functionality
 - ◆ Sustainability
 - ◆ Health
 - ◆ Origin & safety
 - ◆ Cost efficiency
- ◆ Perfect match between value-driven consumers' needs and the AAK promise

Dairy+ strategy



Dairy Better-than

“Revitalization of current business”

- Deliver beyond price as to other benefits e.g. functionality, health, sustainability and cost efficiency
- For each market segment develop value-adding solutions with validated value propositions providing winning concepts for our customers



Dairy Cheaper-than

“Continuation of DFA strategy”

- Replace standard fat e.g. dairy fat or coconut with cheaper alternative solution
- Continue the optimization of the value chain to ensure competitive solutions



Plant-based Dairy

“New business development”

- Make a strong entrance to this new market facing new challenges e.g. different food matrixes and high sustainability requirements
- Deliver beyond price as to other benefits e.g. sustainability, functionality, health and cost efficiency
- For each market segment develop value-adding solutions with validated value propositions providing winning concepts for our customers

Dairy+ strategy

Key growth enablers – great link to other “The AAK Way” projects

Strengthen sourcing activities incl. multi-oil sustainability

- 💧 Link to “Sourcing excellence” project

Strengthen Dairy+ application knowledge incl. training of Dairy+ Sales & Customer Innovation

- 💧 Link to “Customer Co-Development” project

Effective Dairy+ customer management procedures

- 💧 Link to “AAK Way of Selling” project

Effective Dairy+ product management procedures

- 💧 Link to “World class delivery” project

Create and strengthen Dairy+ Innovation culture

- 💧 Link to “Innovation” project



Concluding remarks

- ◆ 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



Financial calendar

Financial calendar 2017/2018

May 17, 2017	Annual General Meeting, Malmö
July 17, 2017	Second quarter report 2017
October 26, 2017	Third quarter report 2017
November 28, 2017	Capital Market Day, Stockholm
February 5, 2018	Fourth quarter and year-end report 2017

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