

Johan Westman, CEO
Fredrik Nilsson, CFO

Interim Report Fourth quarter and Year-end report 2018

AAK



Agenda

- 1 Fourth quarter and year-end report 2018
- 2 Business area information
- 3 The AAK Way
- 4 Q&A

Highlights Q4 2018

HIGHLIGHTS

2018



- Organic volume growth continued at 4 percent
- Gaining market shares
- Continued strong operating profit growth in the fourth quarter
- Operating cash flow including changes in working capital was good
- Most of our geographic markets have seen good progress
- We continue to see a greater demand for some of our high-end Chocolate & Confectionery Fats products compared to our current capacity, but, as expected, we have had lower than normal raw material yield impacting the operating profit negatively

GROWTH & RETURNS

Volume
574,000 MT
(up 4% y/y)

Operating profit
SEK 516 million
(up 10% y/y, up 7% y/y*)

**Operating profit
per kilo**
SEK 0.90
(up 5% y/y, up 2% y/y*)

ROCE
15.8%

* Fixed FX

Highlights Q4 2018

AAK issues bond for a total of SEK 1.1 billion

- AAK AB has issued a senior unsecured bond for a total of SEK 1.1 billion with a tenor of three years
 - Floating interest rate of three months STIBOR plus 105 basis points
- The proceeds from the bond issue will be used to broaden AAK's funding base
- The issue is part of an MTN program with a framework amount of SEK 4,000 million

AAK among the 100 most sustainable corporations in the world

- Corporate Knights Inc. released its 15th annual Global 100 list of the most sustainable corporations in the world, ranking AAK as number 75
- Corporate Knights, a Canadian based company specialized in media and investment research, analyzed the sustainability performance of 7,500 companies
- The ranking is based on key performance indicators within resource management, employee management, financial management, clean revenue, and supplier performance

Capital Market Day, November 21, 2018

- This year's event focused on:
 - AAK strategy and business performance
 - M&A focus going forward
 - Plant-based solutions
 - Sustainability
 - Innovation and Customer Co-Development

Highlights 2018

HIGHLIGHTS

2018



- 2018 has been another year of strong financial performance and we continue to grow faster than the market
- Operating profit increased by 10 percent, in line with our management ambition
- Our company program The AAK Way is progressing well and yielding good results
- The Board of Directors proposes that a dividend of SEK 1.85 (1.63) per share be paid for the financial year 2018, an increase of 13 percent compared to 2017

GROWTH & RETURNS

Volume
2,239,000 MT
(up 5% y/y)

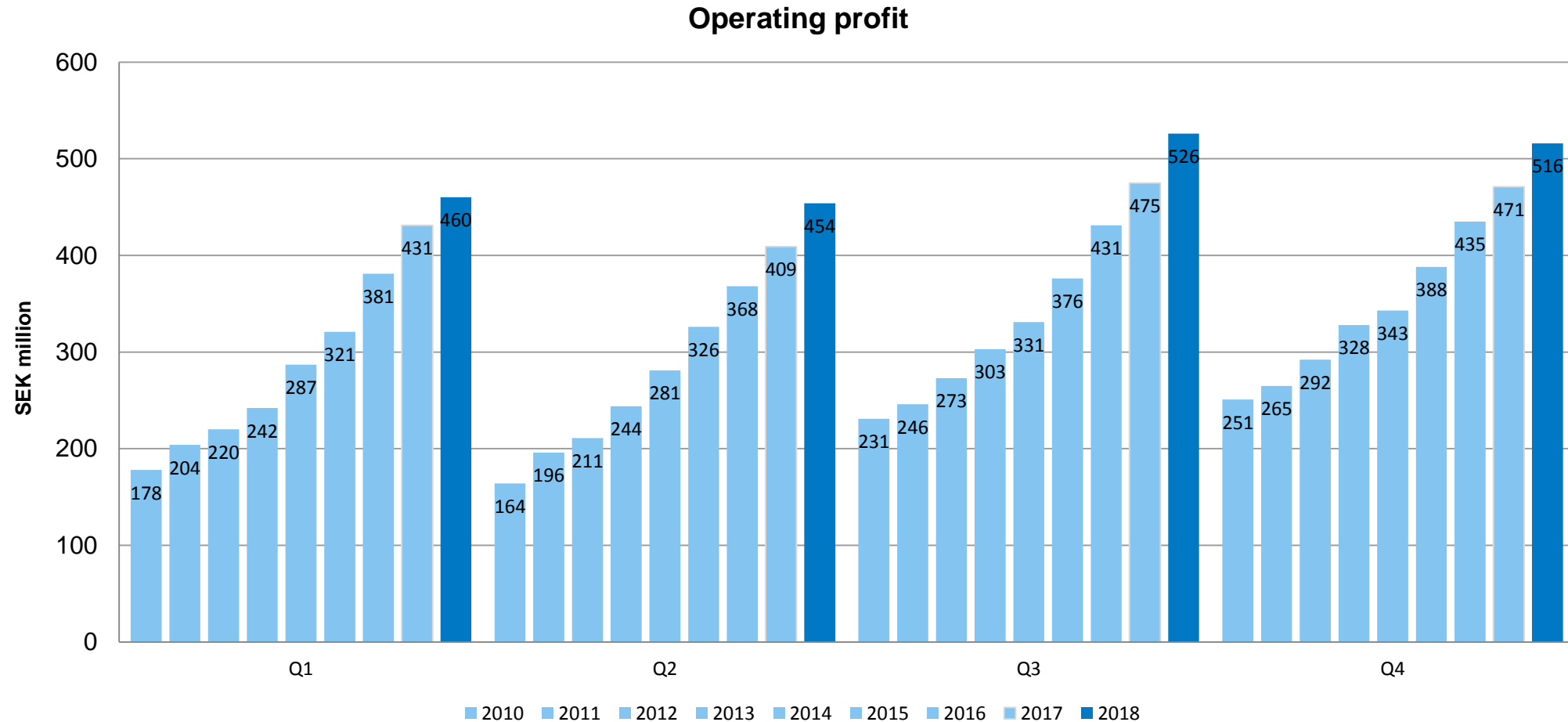
Operating profit
SEK 1,956 million
(up 10% y/y, up 8% y/y*)

Operating profit
per kilo
SEK 0.87
(up 4% y/y, up 3% y/y*)

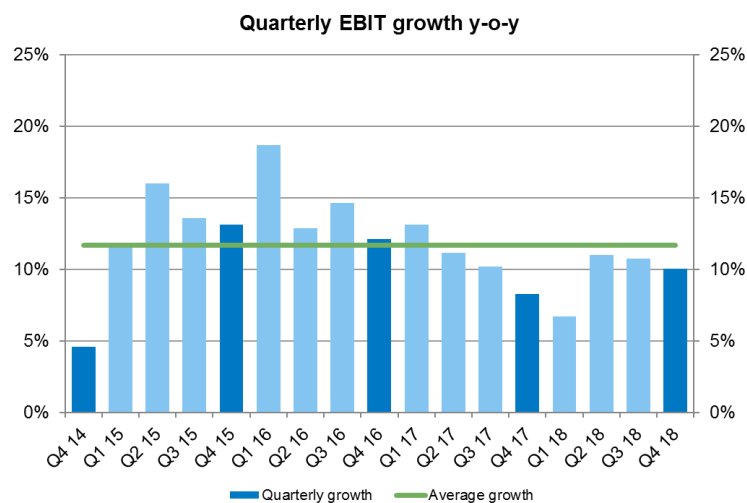
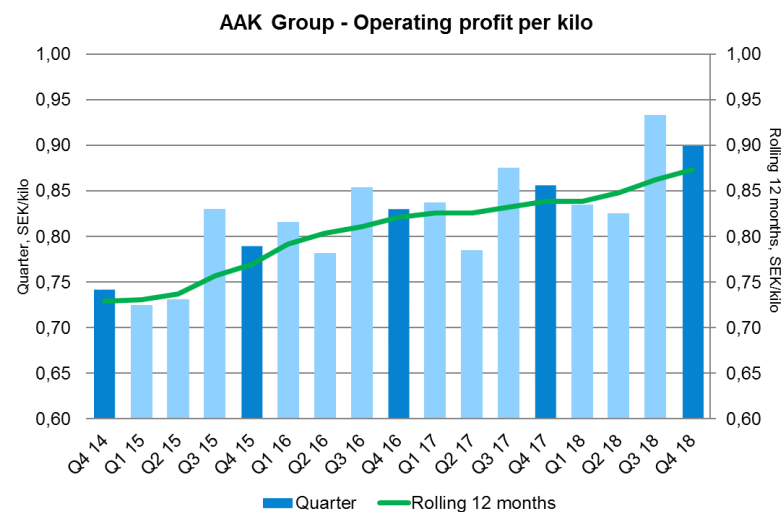
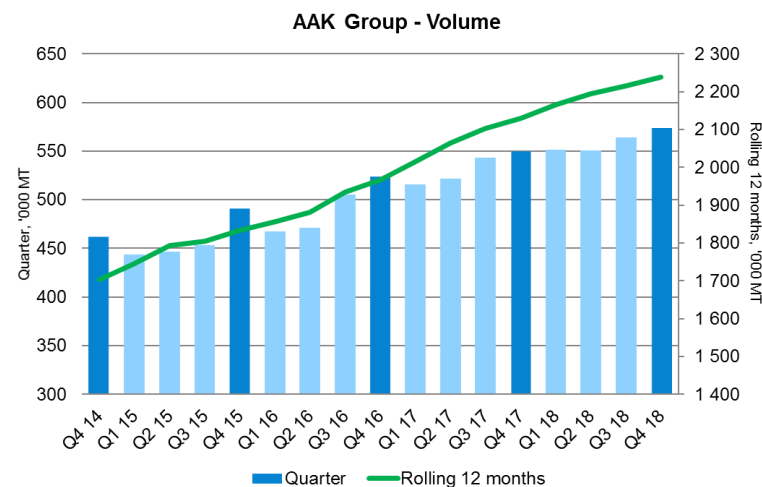
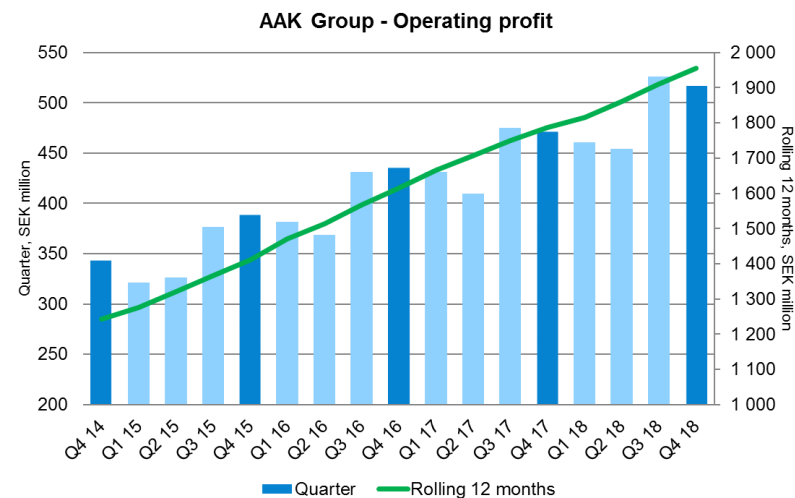
ROCE
15.8%

* Fixed FX

Operating profit for Q4 2018 was well in line with our historic trend lines

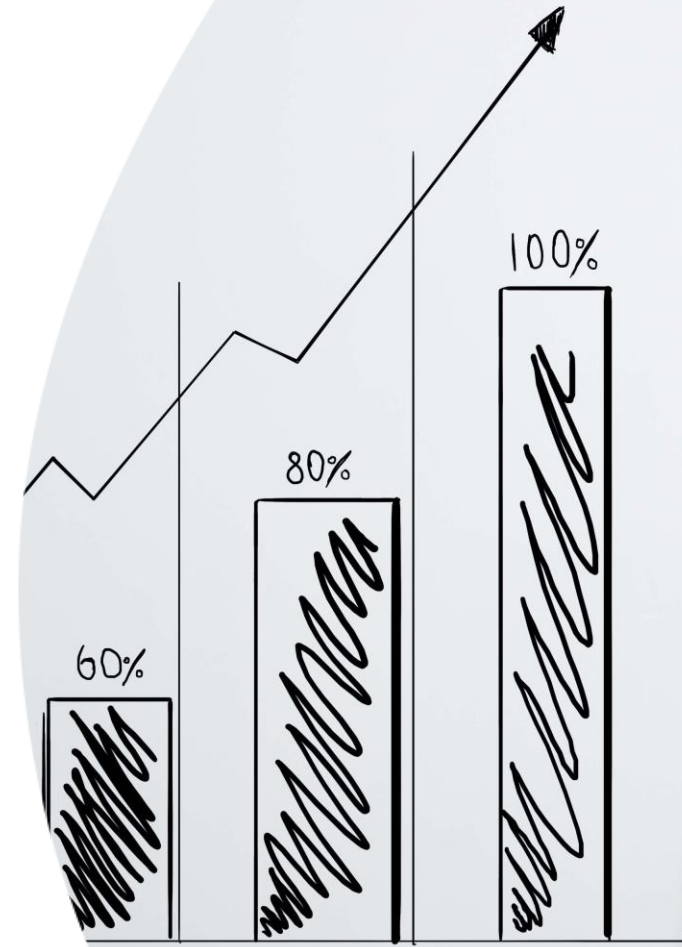


Financial summary – AAK Group



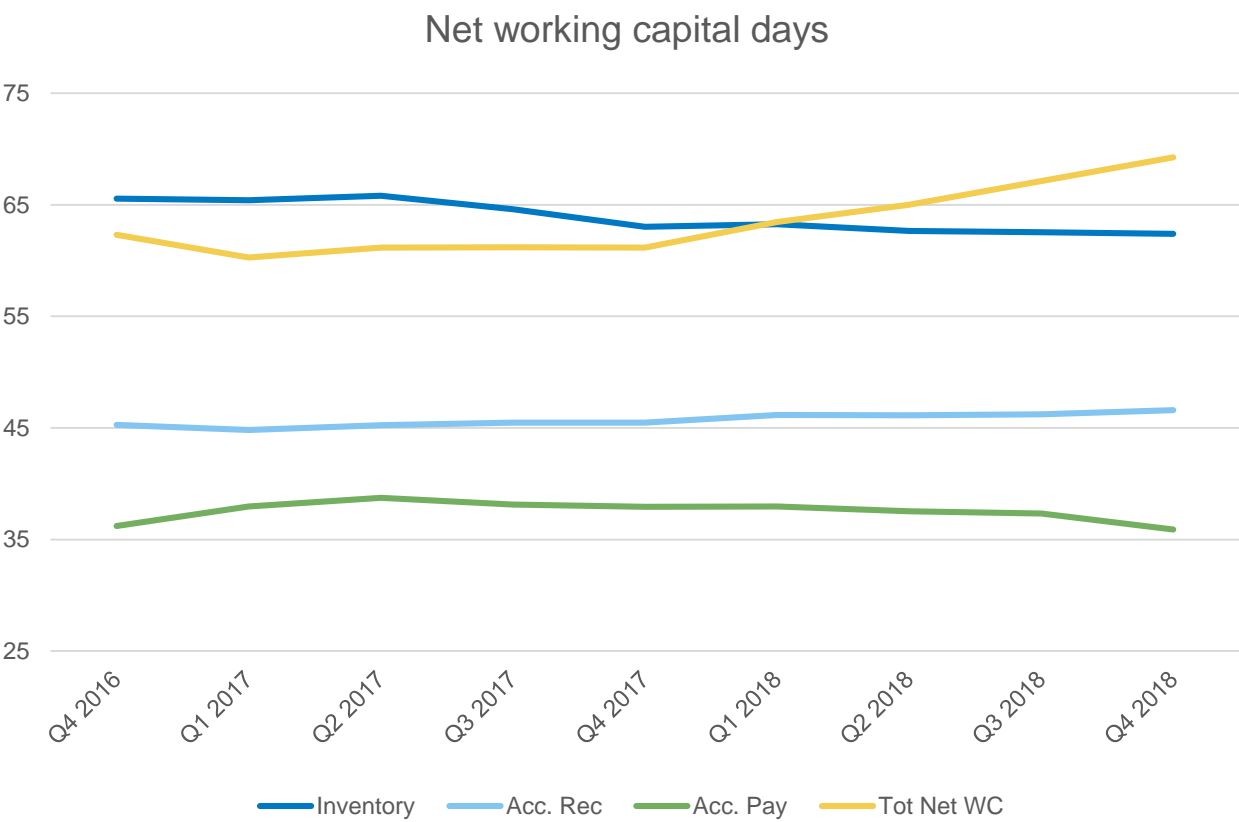
FX exposure – translation impact

	Average rate 2017	Average rate 2018	Movement vs SEK
USD	8.52	8.71	➡
EUR	9.65	10.26	➡
GBP	11.04	11.58	➡
MXN	0.45	0.45	➡



Working capital days

Working capital days, rolling 12 months



Full-year development

Inventory
-1

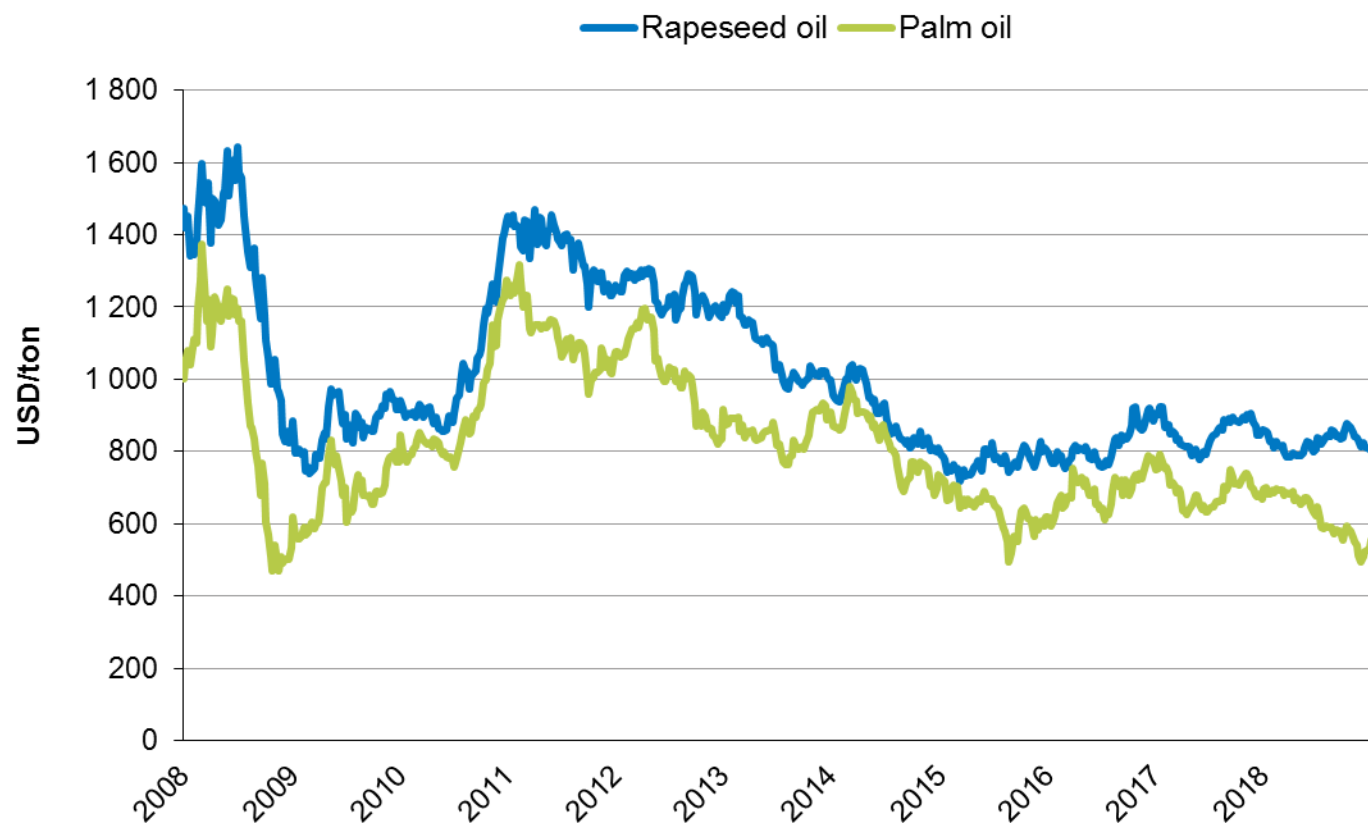
Payables
-2

Receivables
+2

Other WC
+5

Raw material prices

Rapeseed oil and palm oil



Cash flow

SEK million	Q4 2018	Q4 2017	Q1–Q4 2018	Q1–Q4 2017
EBITDA	654	597	2,508	2,278
Paid interest	-15	-16	-102	-115
Paid tax	-159	-27	-483	-413
Non-cash items	26	28	-278	-263
Change in working capital (WC)	60	262	-555	-388
Cash flow from operating activities incl. changes in WC	566	844	1,090	1,099
Cash flow from investments	-259	-291	-720	-810
Free cash flow	307	553	370	289

- Lower raw material prices had a favorable effect on cash flow from working capital
 - Impacting inventory and accounts receivables positively and accounts payables negatively
- Underlying accounts receivables increased due to the continued volume growth
- Purchase of some strategic raw materials, due to normal seasonality, also had a negative impact on cash flow

Return on Capital Employed (ROCE)

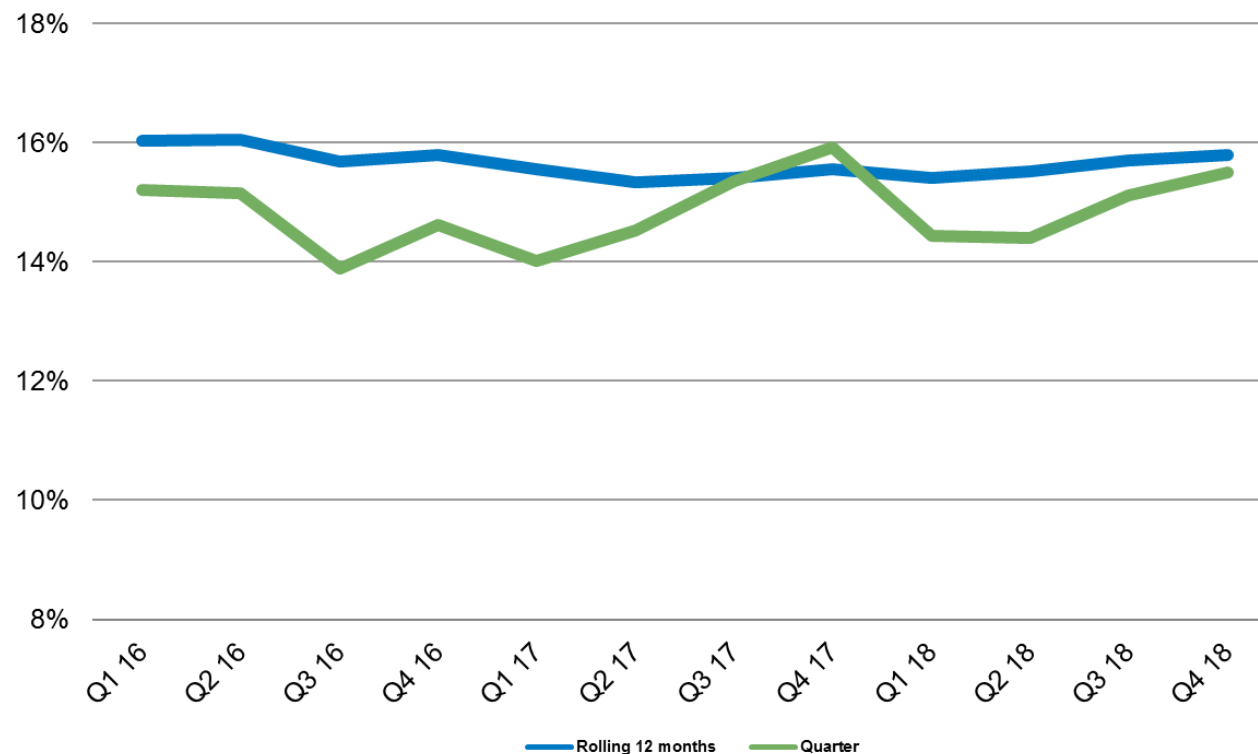
- 💧 We target a gradual and continuous improvement

ROCE end Q4 2018*
15.8%

EBIT LTM
SEK million
1,956

**Capital
employed***
SEK million
12,391

Growth and operating leverage
to drive increase in ROCE



* ROCE: Return on Capital Employed calculated on rolling 12 months

Food Ingredients Q4 2018



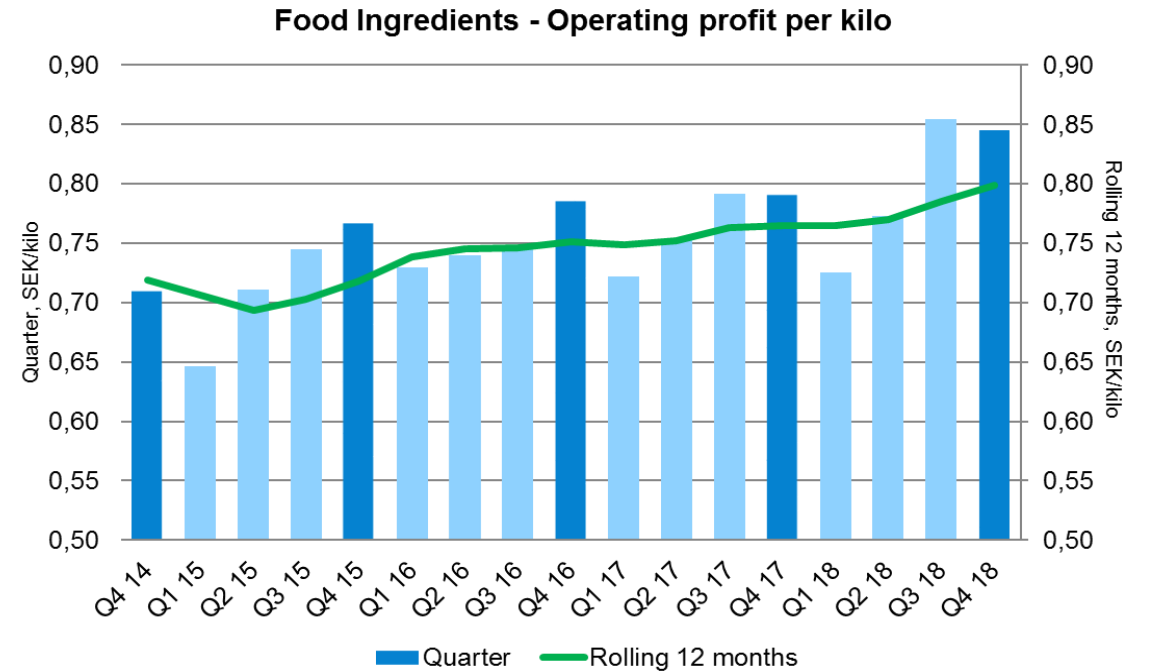
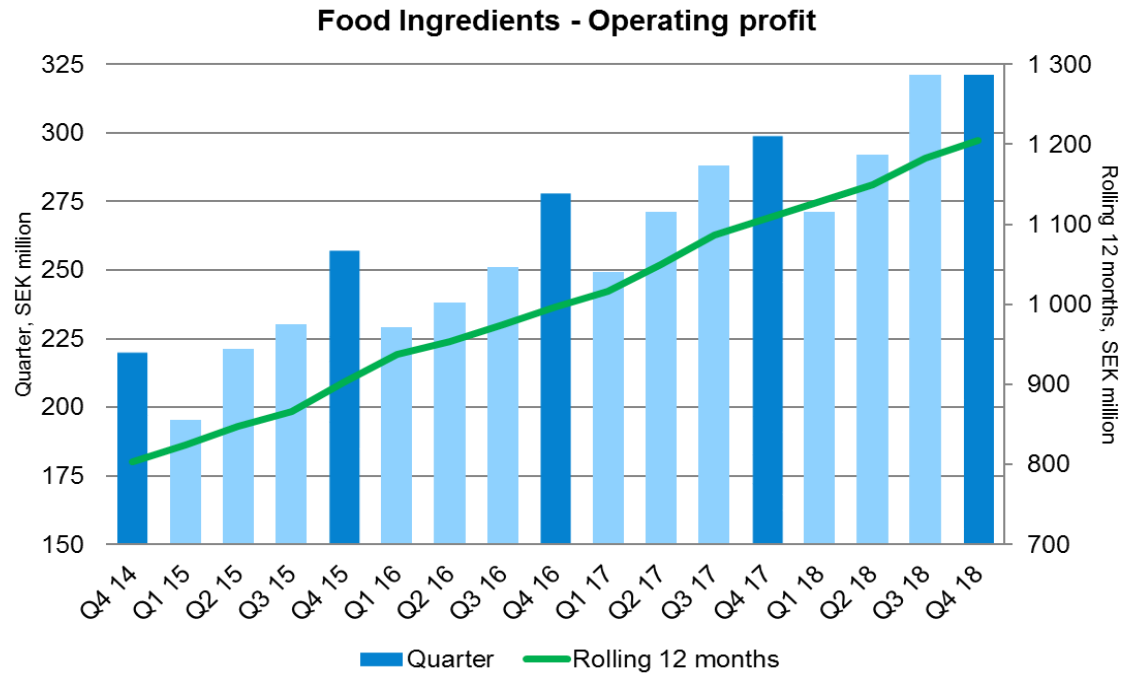
- **Operating profit increased to SEK 321 million (299)**
 - The Bakery segment continued its positive trend
 - Volume growth was strong in North Latin America while most other markets showed limited volume growth
 - The product mix continued to improve with a greater proportion of customer co-developed solutions
 - The long-term growth trend within Dairy continued and the segment once again reported organic volume growth
 - Special Nutrition had a negative volume growth in the quarter but that was compensated by a very favorable product mix in Infant Nutrition
 - The currency translation impact was positive SEK 10 million
- **Operating profit per kilo improved to SEK 0.84 (0.79)**
 - Good underlying improvement
 - The currency translation impact was SEK 0.03

**Organic volume
growth
+1%**

**Operating
profit
+7%**

**Operating profit
per kilo
+6%**

Food Ingredients Q4 2018





Chocolate & Confectionery Fats Q4 2018

- **Operating profit reached SEK 182 million (176)**

- The organic volume growth for the business area was 15 percent. There was particularly strong volume growth for some low-end semi-speciality products
 - Production capacity, compared to demand, remains stretched for certain high-end products
 - As expected, the raw material yield continued to be lower than normal, resulting in lower output and higher production costs
 - We continue to make investments to remove bottlenecks and strengthen our supply chain in order to support current and future volume growth of high-end products
 - Price development on high-end products have been slightly positive in the quarter
 - The currency translation impact was positive SEK 4 million
- **Operating profit per kilo was stable and reached SEK 1.57 (1.74)**
 - The currency translation impact was SEK 0.03

Organic volume
growth
+15%

Operating
profit
+3%

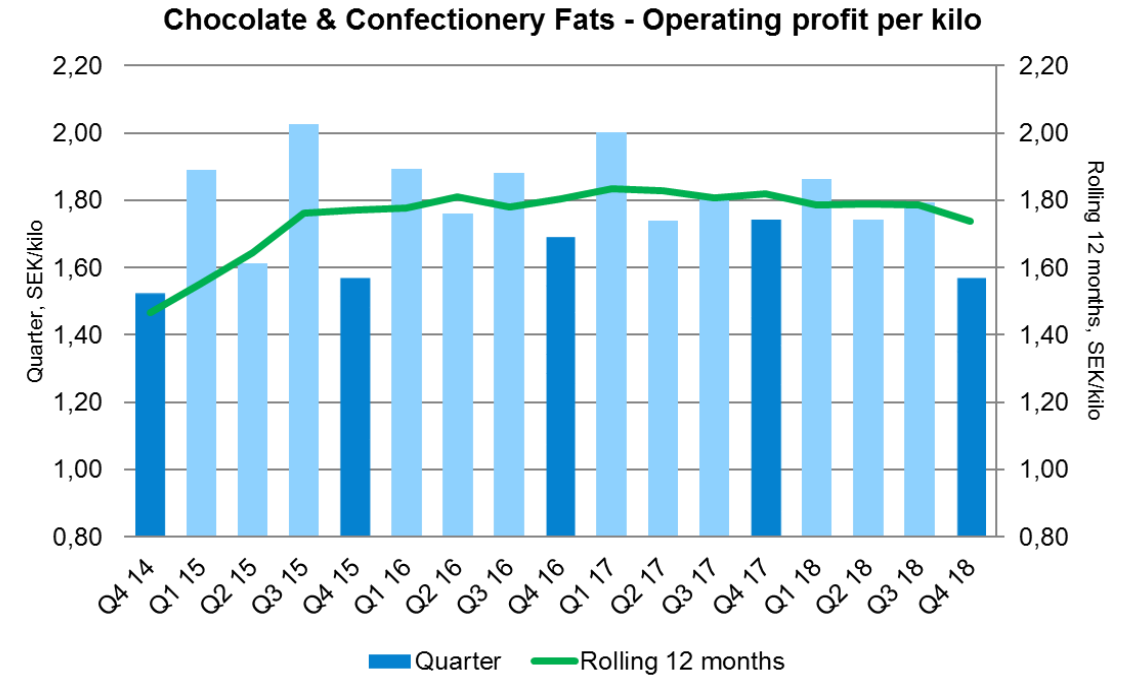
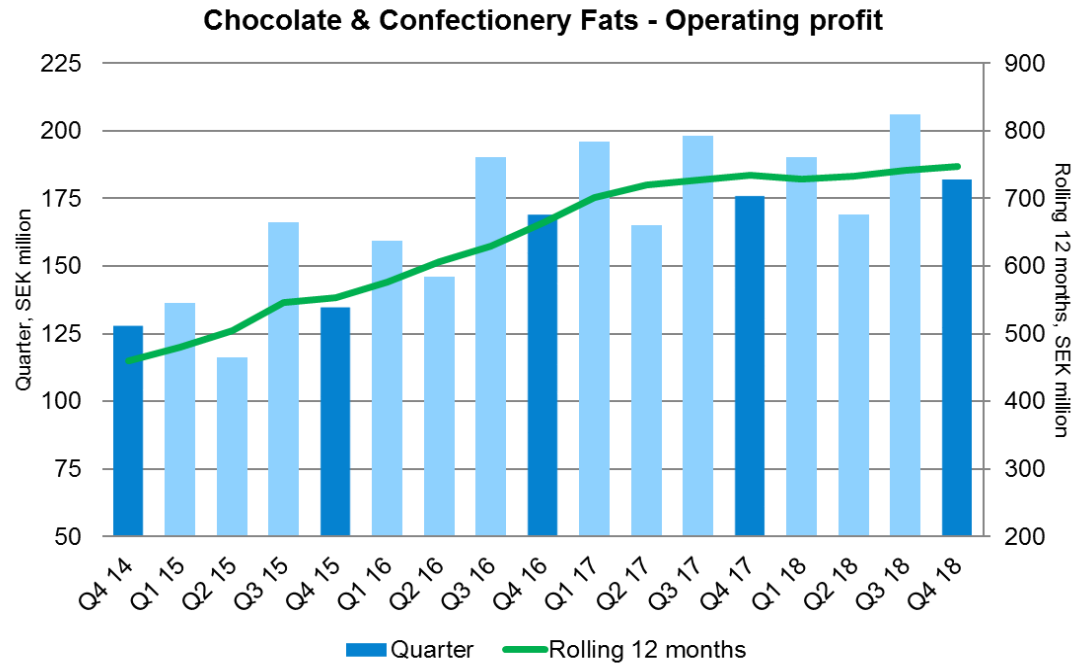
Operating profit
per kilo
-10%

Cocoa butter price

Cocoa butter



Chocolate & Confectionery Fats Q4 2018



Technical Products & Feed Q4 2018

- **Operating profit increased by 61 percent reaching SEK 50 million (31)**
 - The volume increased by 10 percent (1)
 - Both our feed and fatty acids business reported good volume growth
 - Profit improvement due to:
 - Improved and extraordinarily favorable product mix in our fatty acids business
 - Good performance in our crushing operation
- **Operating profit per kilo increased to SEK 0.64 (0.44), an improvement of 45 percent**

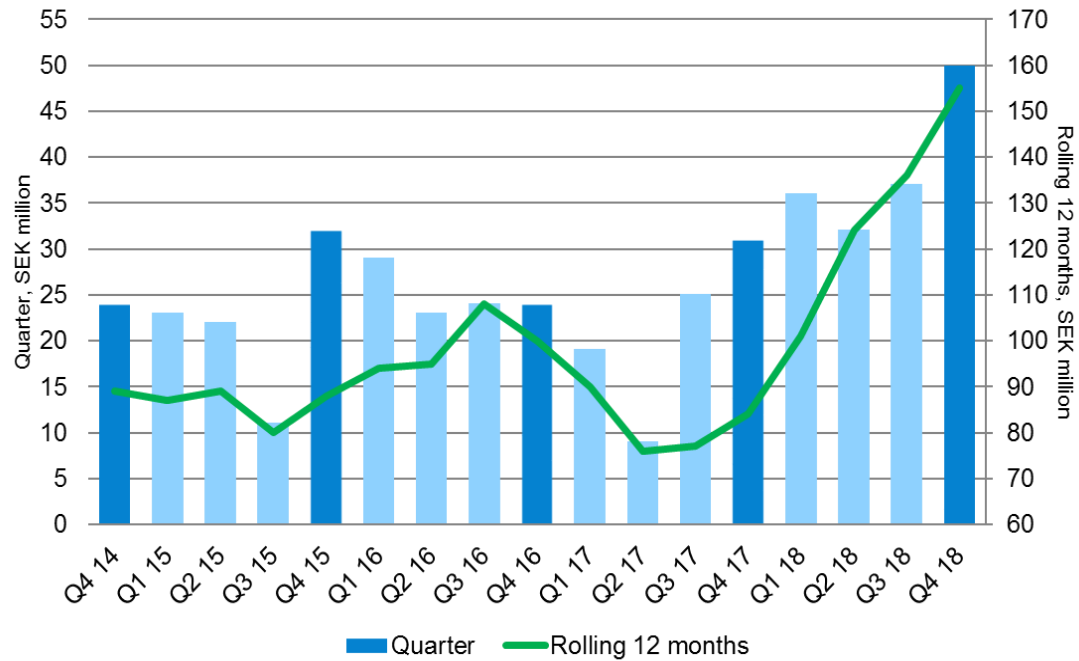
**Organic volume
growth
+10%**

**Operating
profit
+61%**

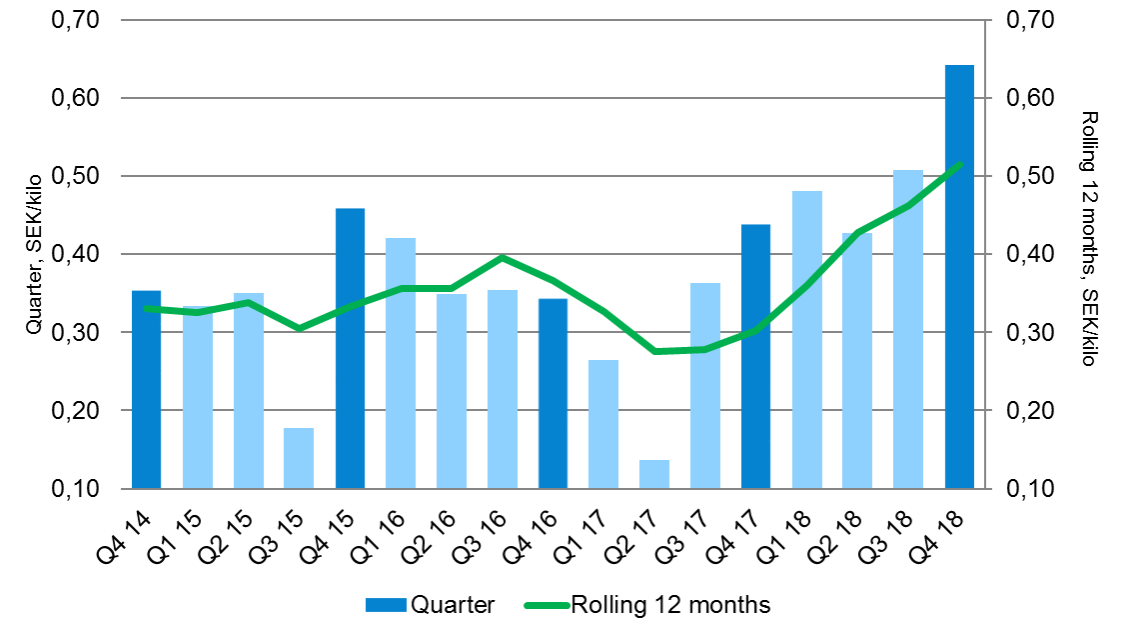
**Operating profit
per kilo
+45%**

Technical Products & Feed Q4 2018

Technical Products & Feed - Operating profit



Technical Products & Feed - Operating profit per kilo



-  Ahead of plan
-  On plan
-  Behind plan



Innovation



Go To Market

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



Operational Excellence

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



Special Focus Areas

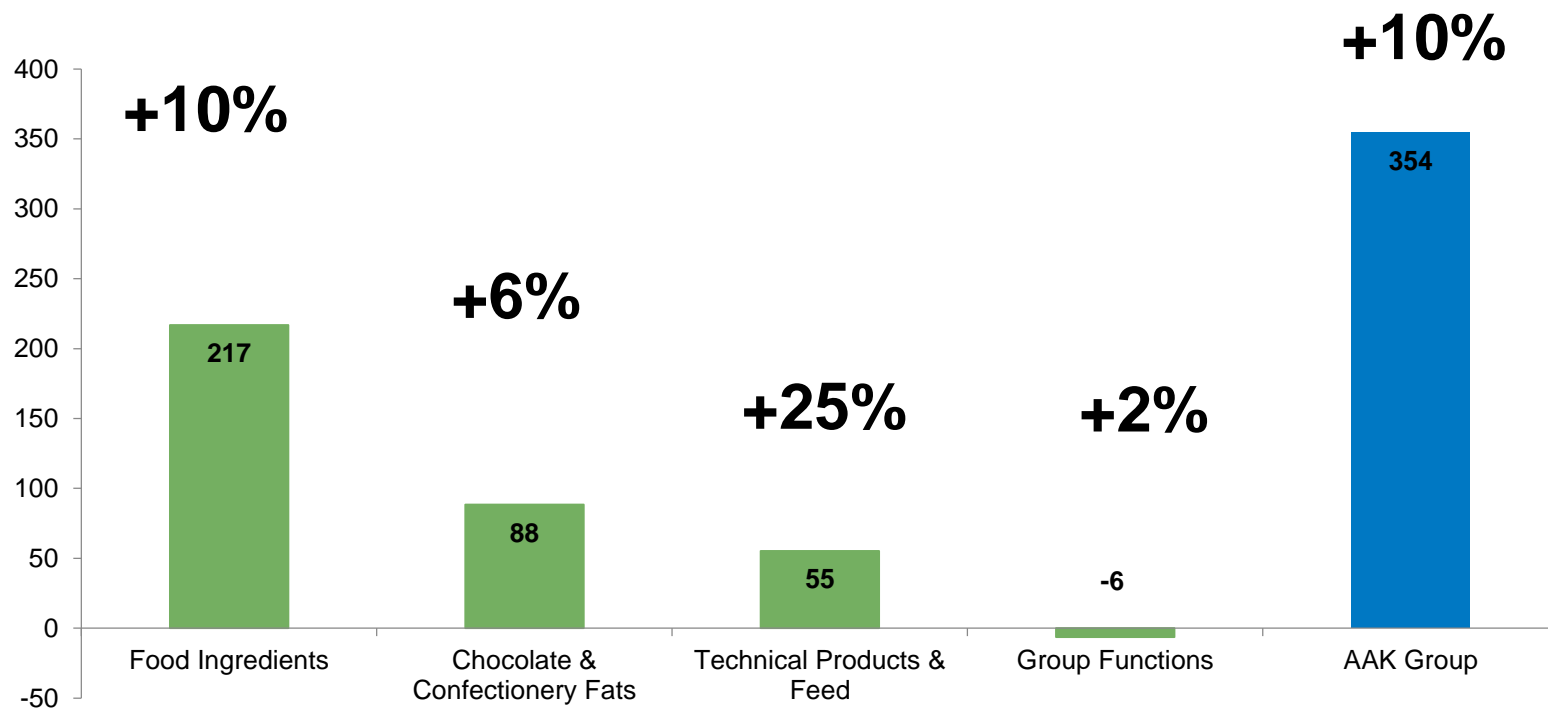
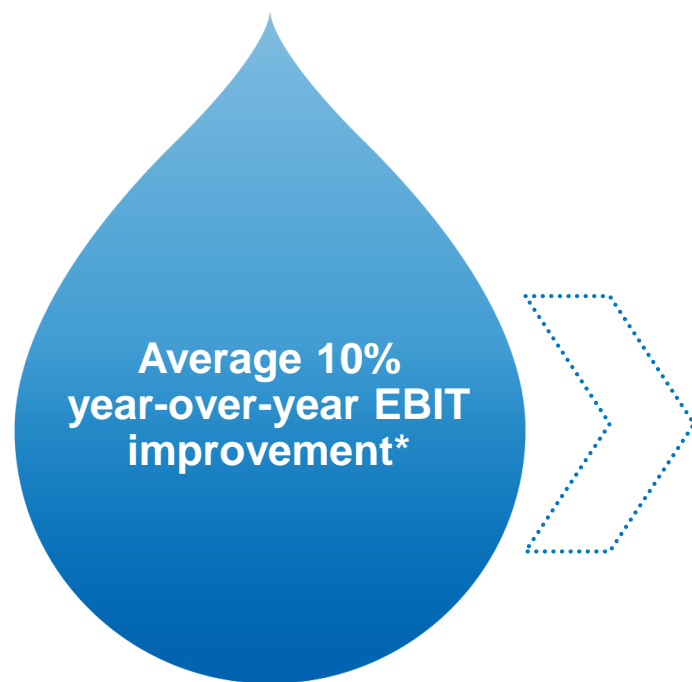
- 💧 Special Nutrition
- 💧 Dairy+
- 💧 INNOBO-Products



People



We are well on target for our management ambition after 24 months



*Excluding acquisitions and at fixed FX

Concluding remarks



We offer plant-based, healthy, high value-adding oils and fats solutions by using our customer co-development approach. In addition, we see favorable underlying trends in the food industry. Thus, we continue to remain prudently optimistic about the future.

Q&A

Financial calendar

Financial calendar 2019

April 23, 2019

First quarter report 2019

May 15, 2019

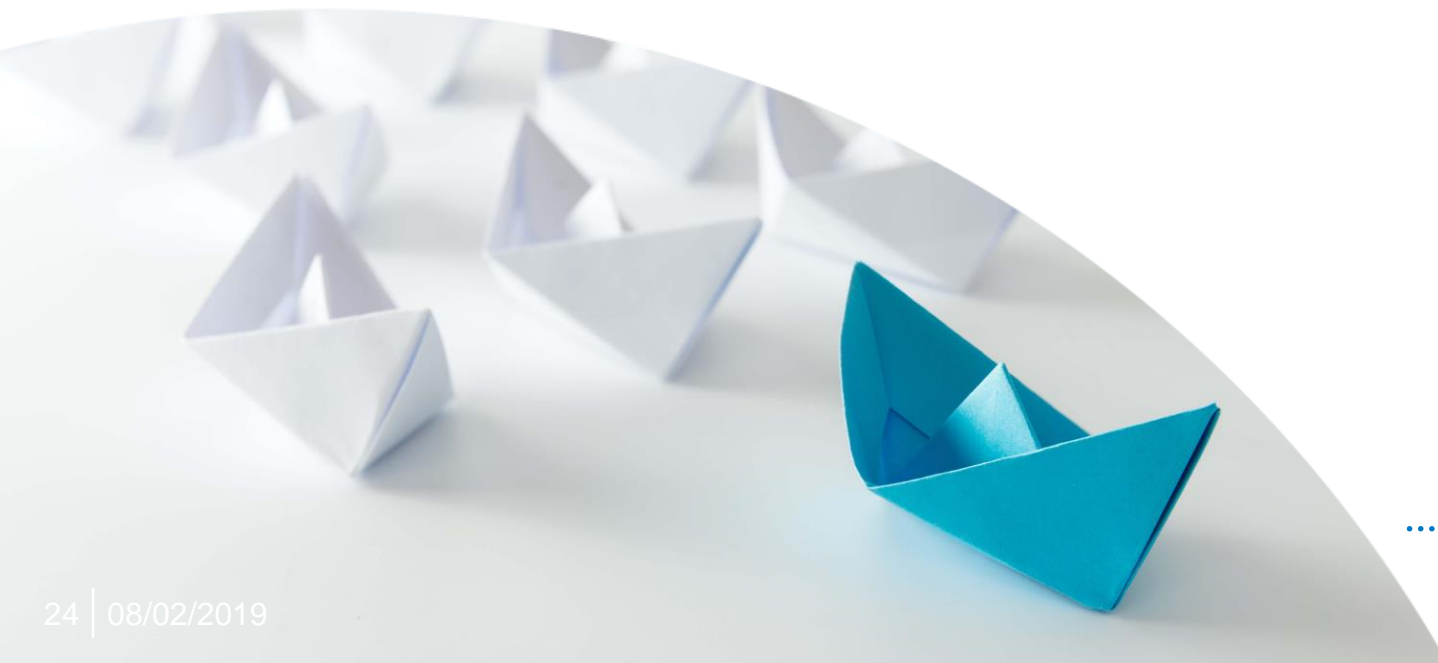
Annual General Meeting 2019

July 16, 2019

Second quarter report 2019

October 24, 2019

Third quarter report 2019



Investor Relations contact:

Fredrik Nilsson

Chief Financial Officer

Mobile: +46 708 95 22 21

E-mail: fredrik.nilsson@aak.com

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can be found at aak.com/investors**



A background image showing a person in a blue button-down shirt holding a smartphone with both hands. Another person's hand is visible, holding a black pen over a table covered with various papers, including what appears to be a technical drawing or map. A large, semi-transparent blue teardrop shape is overlaid on the left side of the image.

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