

Johan Westman, CEO
Fredrik Nilsson, CFO

Interim Report First quarter 2019



Agenda

- 1 First quarter 2019
- 2 Key strategic activities
- 3 Business area information
- 4 Q&A

Highlights Q1 2019

HIGHLIGHTS

Q1 19



- Organic volume growth continued
- Gaining market shares
- All-time high operating profit for a first quarter
- Earnings per share increased by 9 percent
- Operating cash flow including changes in working capital was good
- Most of our geographic markets have seen good progress. US has come back after a challenging period
- As expected, the lower yield in our CCF business continued with higher than normal production costs
- Reported tax costs corresponded to an average tax rate of 25 percent (27) due to a lower corporate tax rate in Sweden combined with further optimization of capital structure in the Group

GROWTH & RETURNS

Volume
572,000 MT
(up 4% y/y)

Operating profit
SEK 509 million*
(up 11% y/y, up 6% y/y**)

Operating profit
per kilo
SEK 0.87
(up 5% y/y, up 3% y/y**)

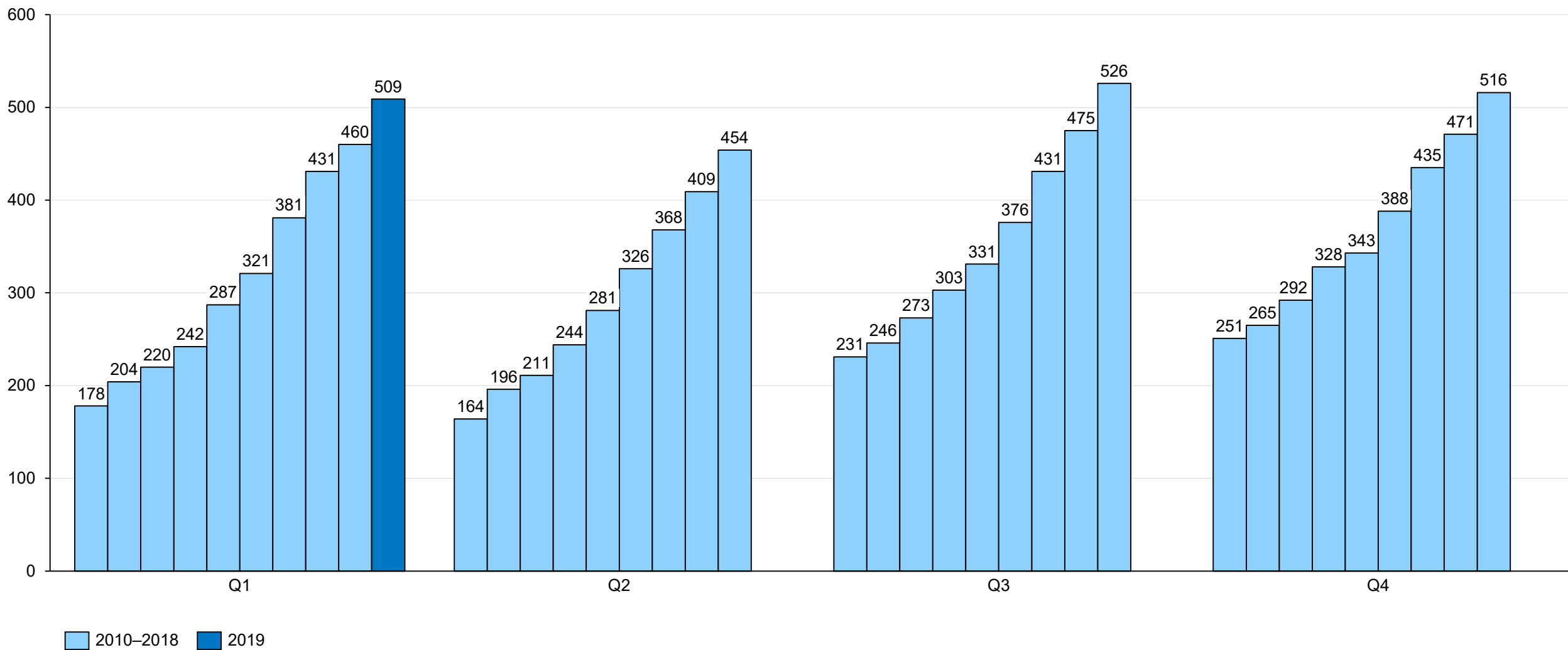
ROCE
15.4%***

* Excluding acquisition costs of SEK 9 million

** Fixed FX

*** Rolling 12 months incl. IFRS 16 impact

Operating profit, excl acquisition costs, for Q1 2019 was well in line with our historic trend lines



Highlights Q1 2019

AAK makes significant investments in China

- Eighteen months after inaugurating our production facility in Zhangjiagang, China, we have decided on significant add-on investments to increase capacity and support volume growth for, in particular, our Special Nutrition and Bakery segments
- The processing plant for Special Nutrition will significantly strengthen the product and service offering for our end customers
- AAK has established a solid presence in the Chinese market and with these new investments we are very well positioned to continue to grow organically and capture market share

M&A

- During Q1, AAK made two acquisitions (further details on upcoming slides)

AAK issues bond for a total of SEK 500 million

- AAK AB has issued a senior unsecured bond for a total of SEK 500 million with a tenor of five years
 - Floating interest rate of three months STIBOR plus 130 basis points
- The proceeds from the bond issue will be used to finance AAK's recent acquisitions in Europe and earlier communicated investments
- The issue is part of an MTN program with a framework amount of SEK 4,000 million
 - Total of SEK 1,600 million now issued (SEK 1,100 million + SEK 500 million)

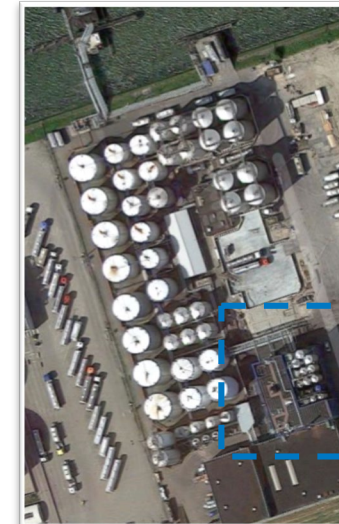
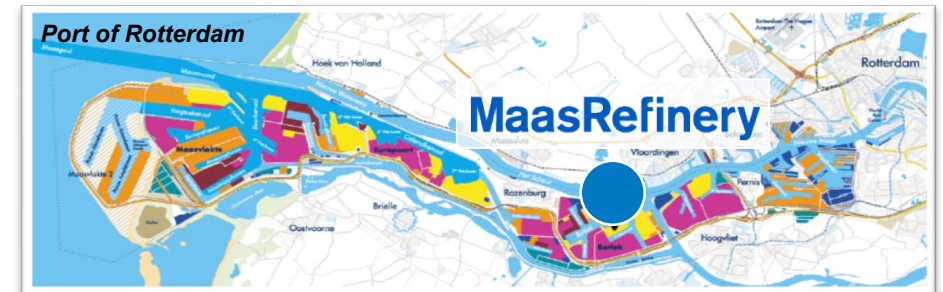
MaasRefinery acquired to accelerate growth, strengthen the European supply chain and to add operational capabilities

MaasRefinery – a Dutch specialized vegetable oils refinery strategically located in Port of Rotterdam

- ◆ Capacity is approximately 40,000 MT with further room for expansion
- ◆ MaasRefinery is strategically located next to a deep-sea terminal in Rotterdam
- ◆ Established in 2009 and designed according to the latest process technology in order to maximize energy efficiency and minimize oil losses
- ◆ FSSC 22000 certified and compliant with Skal, Kosher, RSPO and GMP+

Strategic rationale

- ☑ Increase capacity to enable accelerated growth of our business in Europe
- ☑ Support existing European production footprint to optimize supply chain and save costs
- ☑ Strengthen capabilities and flexibility for the production of organic oils and fats



BD Foods – a good strategic fit with our global Foodservice expansion

BD Foods – a British Foodservice company

- ◆ Produces bespoke chilled restaurant quality meal accompaniments including sauces, salsas, chutneys, vinaigrettes, infused oils and dressings
- ◆ Portfolio of over 3,000 products
- ◆ Wide range of customers including pubs, restaurants, hotels, airlines and airline caterers, other travel caterers, hospitality companies, wholesalers, retailers and food manufacturers
- ◆ Located in St Leonards-on-Sea (near Hastings), East Sussex
- ◆ Established in 2001

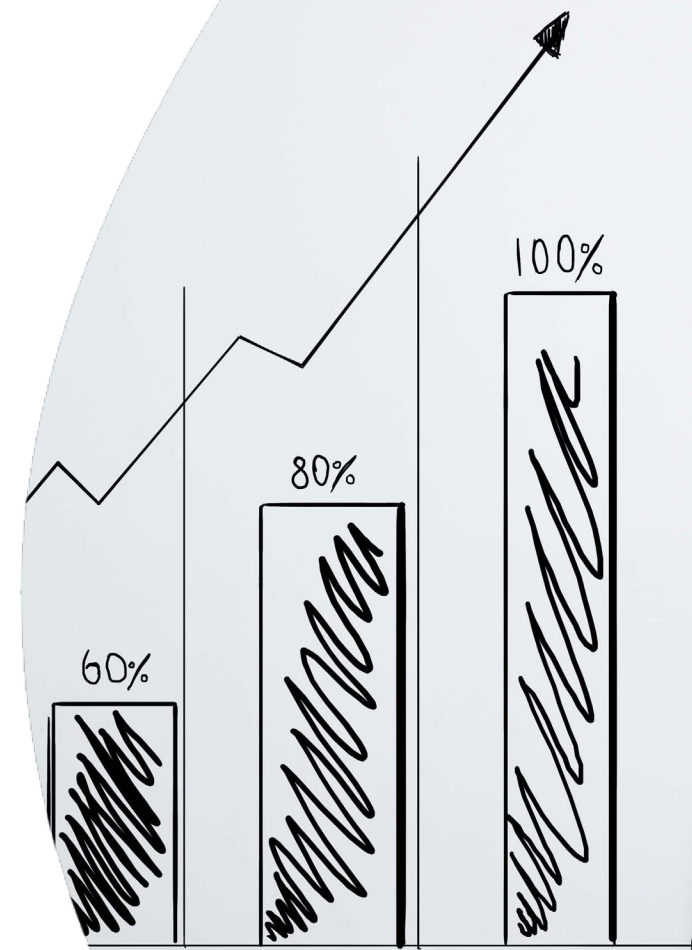


Strategic rationale

- ✓ Broad product and packaging offering including dip pots and hot filled products
- ✓ Extensive know-how in new product development and packaging design
- ✓ Customer-focused innovation

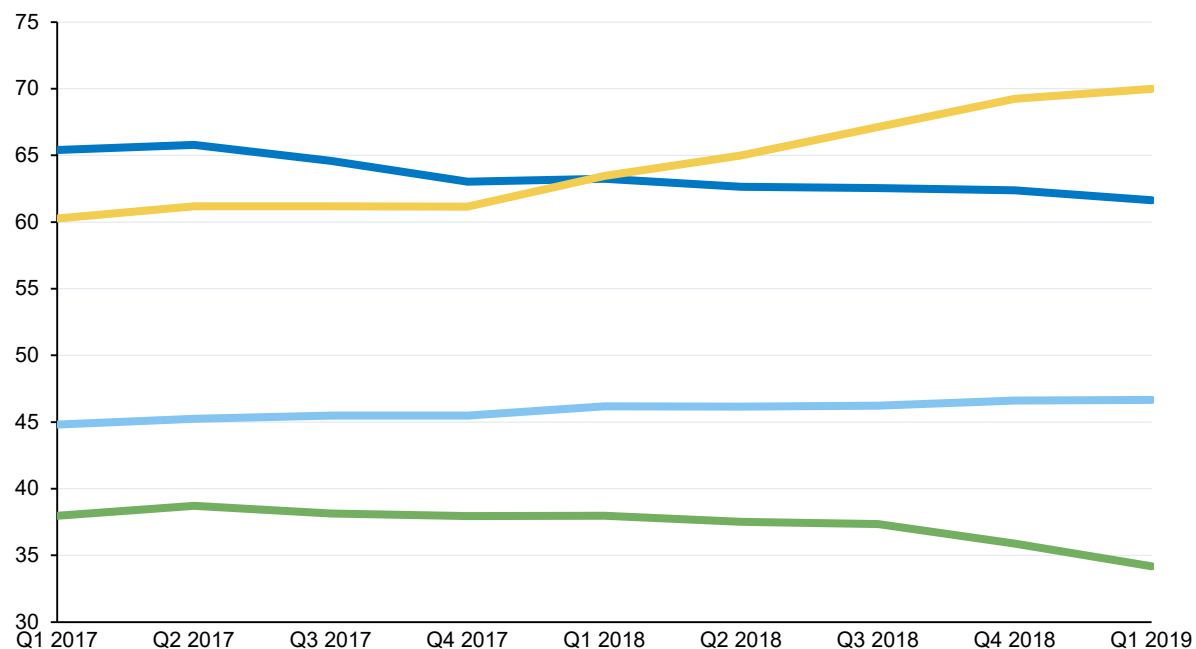
FX exposure – translation impact positive in the quarter

	Average rate 2018	Average rate Q1 2019	Movement vs SEK
USD	8.71	9.11	➡
EUR	10.26	10.36	➡
GBP	11.58	11.88	➡
MXN	0.45	0.47	➡



Working capital days

Working capital days, rolling 12 months



Inventory Acc. Pay
Acc. Rec Tot Net WC

Development YTD

Inventory
-1

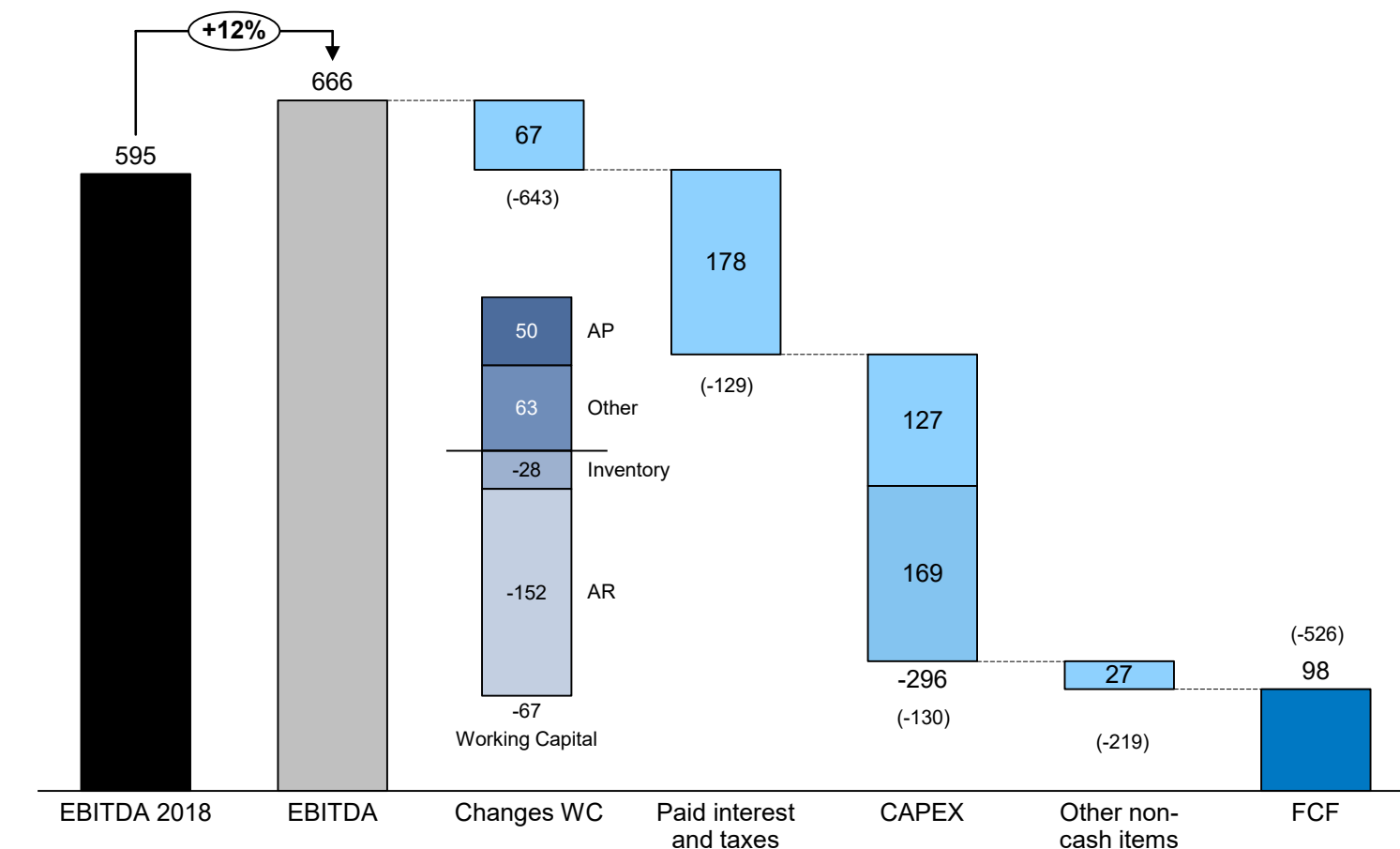
Payables
-2

Receivables
Flat

Other WC
+1

Good cash flow for a first quarter

Cash flow Q1 2019



(LY)

Comments

- Continued volume growth impacted cash flow from working capital negatively by increased receivables as well as higher inventory. This was partly offset by increased payables
- CAPEX excluding acquisitions mainly related to regular maintenance investments and capacity increases

Return on Capital Employed (ROCE)

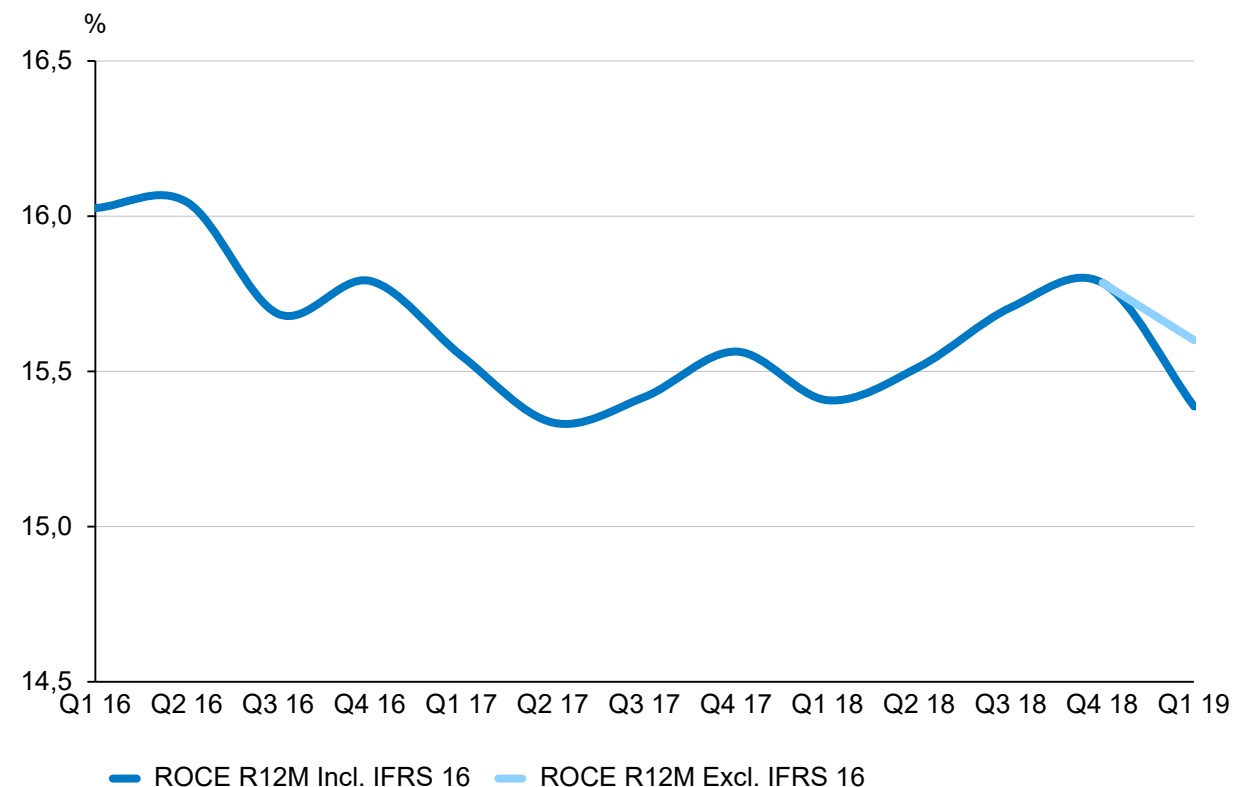
- 💧 We target a gradual and continuous improvement

ROCE end Q4 2018*
15.4%

EBIT LTM
SEK million
1,996

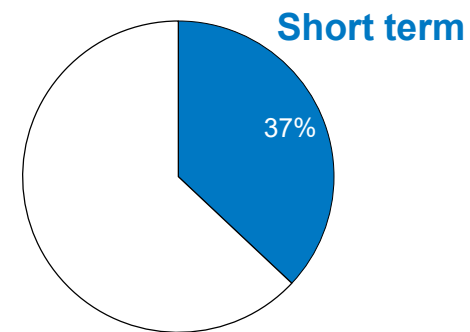
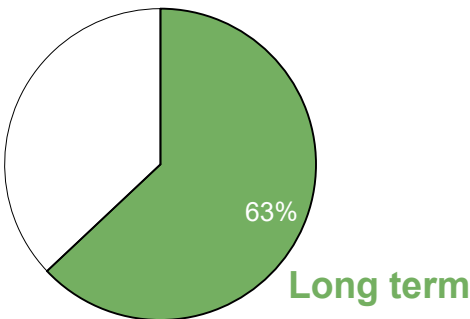
**Capital
employed***
SEK million
12,970

Growth and operating leverage
to drive increase in ROCE



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

Loan and duration profile



	SEK million	Duration
Mortgage	531	13 years
MTN bond	500	5 years
MTN bond	1,100	3 years

	SEK million	Duration
Bilateral	638	4 months
Bank loans	628	6 months
Total	3,397	



Food Ingredients

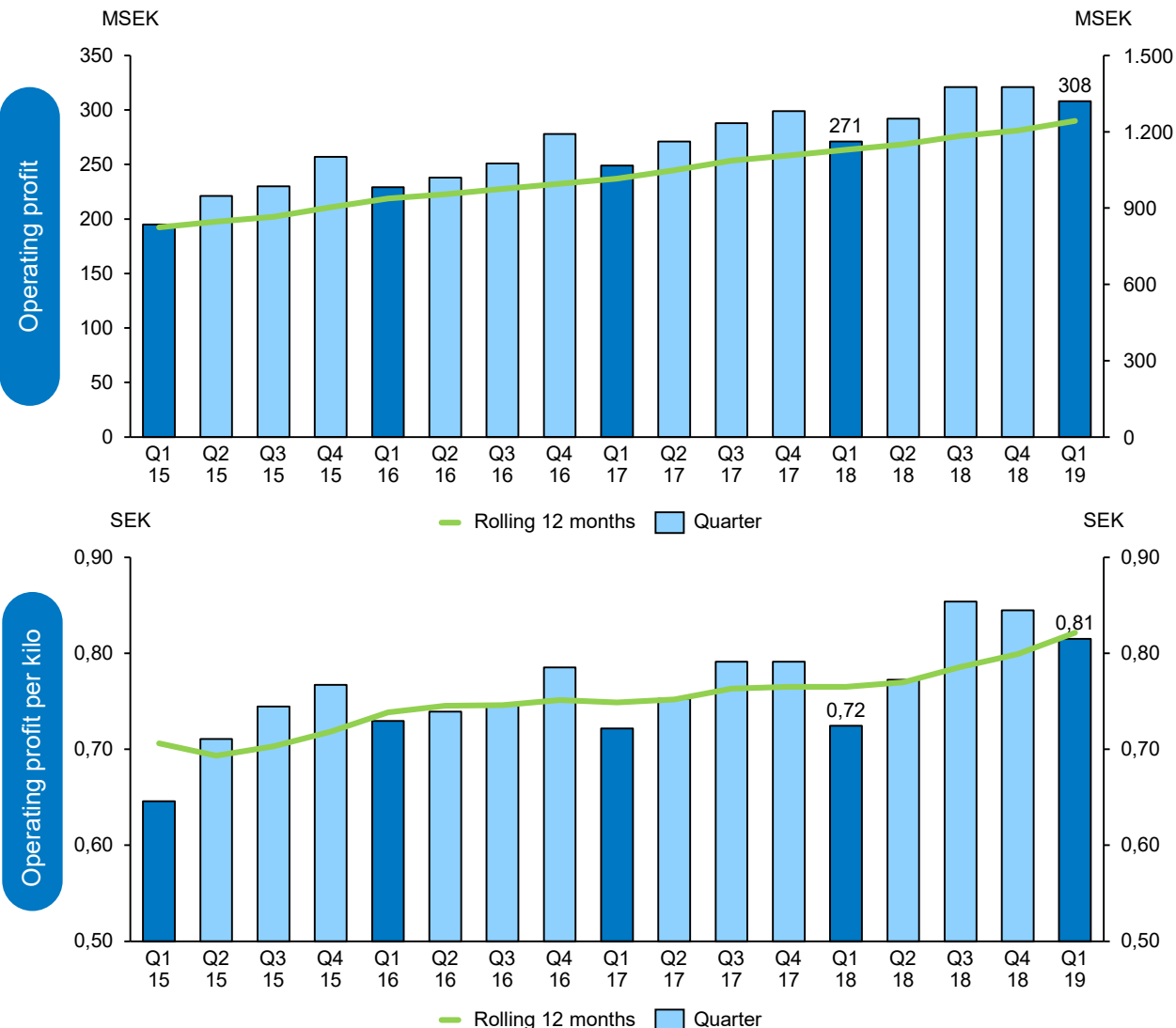
Operating profit
+14%

Organic volume growth
+1%

Operating profit per kilo
+13%

Business area development

- ◆ Margin expansion
- ◆ Bakery in positive trend
- ◆ US regaining momentum
- ◆ Special Nutrition had lower volumes but improved mix with more concentrates and less blends



Chocolate & Confectionery Fats

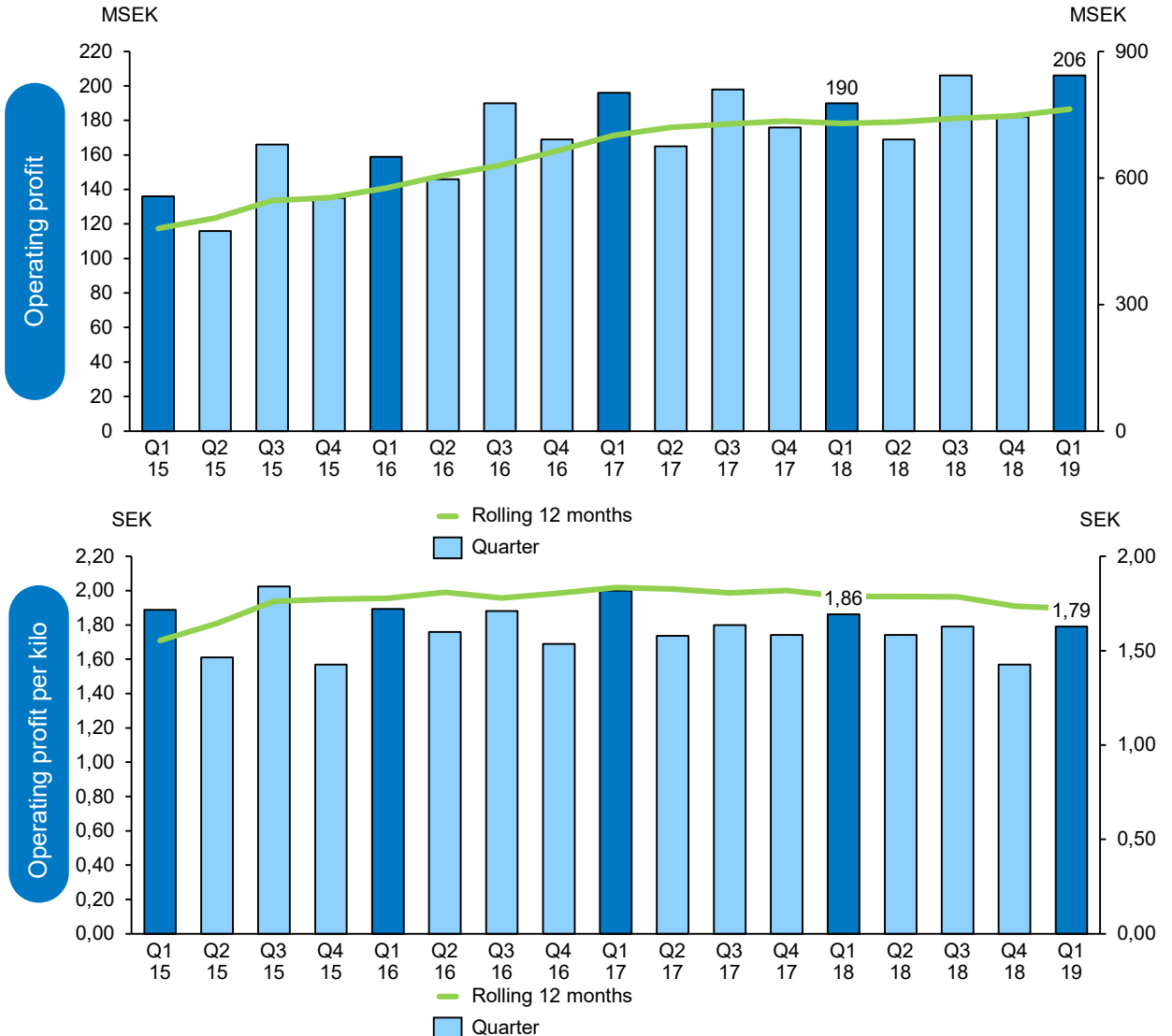
Operating profit
+8%

Organic volume growth
+13%

Operating profit per kilo
-4%

Business area development

- Strong volume growth in the quarter
- Margin expansion on high-end products
- Effects of lower raw material yield remained in the quarter
- Capacity expansion investments progress according to plan



Technical Products & Feed



Operating profit
+0%

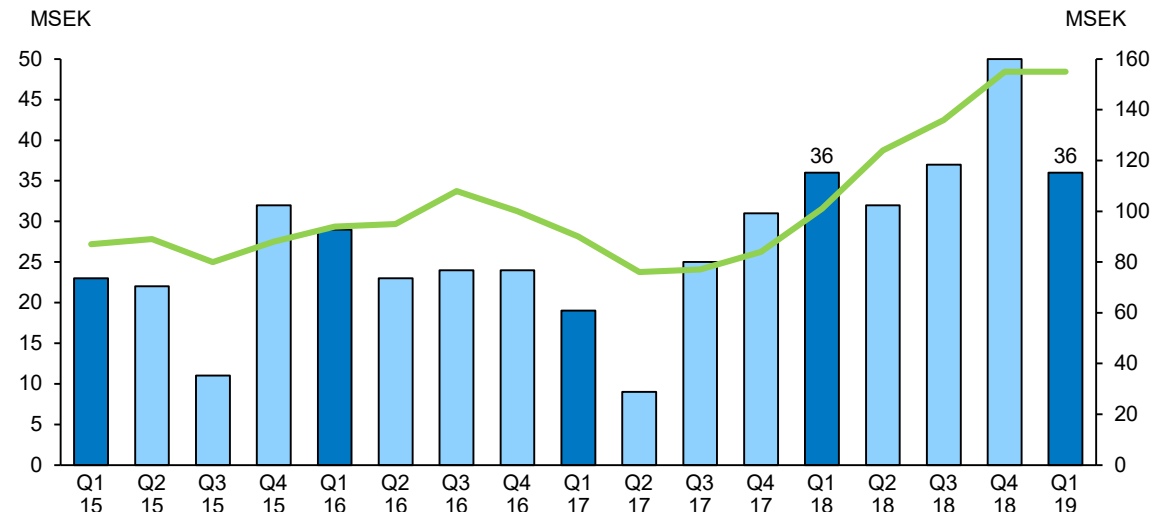
Organic volume growth
+5%

Operating profit per kilo
-4%

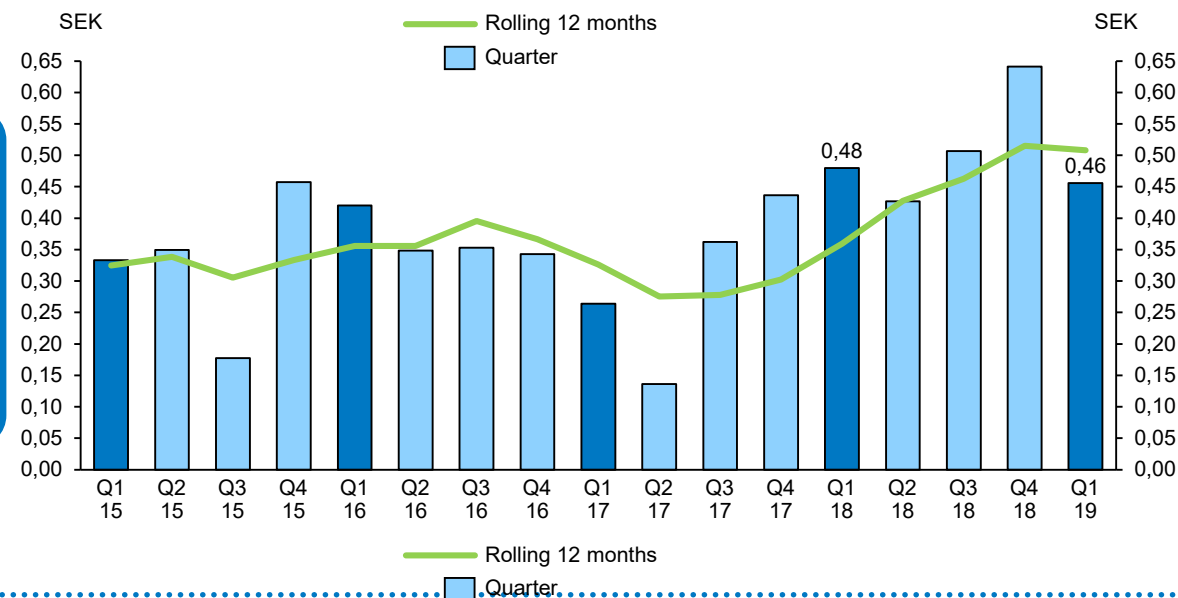
Business area development

- Volume growth in both our feed and fatty acids business
- Maintenance stop decreased production days

Operating profit



Operating profit per kilo



The AAK Way – program execution highlights



Go to Market

- Next level Creating Customer Value training
- *We listen, We care, We act* – global customer survey
- Training on oils & fats and customers' industries



Operational Excellence

- Further progressing with multi-oil sustainability
- Global networks enabling best practice sharing on key production capabilities
- Continuous Improvement and Lean practices enabled by a strengthened toolbox



Special Focus Areas

- Senior and Medical Nutrition businesses growing
- Penetrating the plant-based foods market
- Cross-regional collaboration for strengthened INNOBO-Products offerings



Innovation

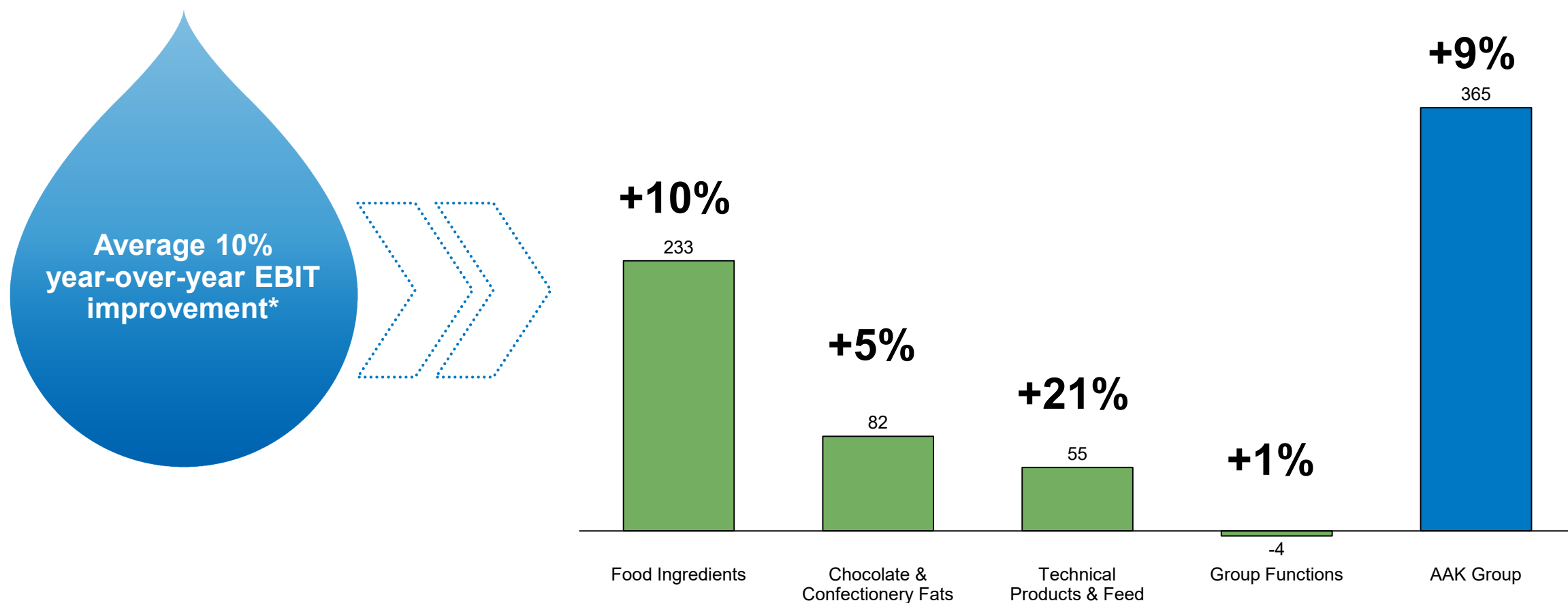
- Market-driven innovation process



People

- Leadership development
- Preparing the organization for the future

Almost on target for our management ambition after 27 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 and we see favorable underlying trends in our markets. Thus, we continue to remain prudently optimistic about the future.

Q&A

Financial calendar

Financial calendar 2019

May 15, 2019

Annual General Meeting 2019

July 16, 2019

Second quarter report 2019

October 24, 2019

Third quarter report 2019

November 20, 2019

Capital Market Day, Aarhus

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**Further Investor Relations material
can be found at aak.com/investors**

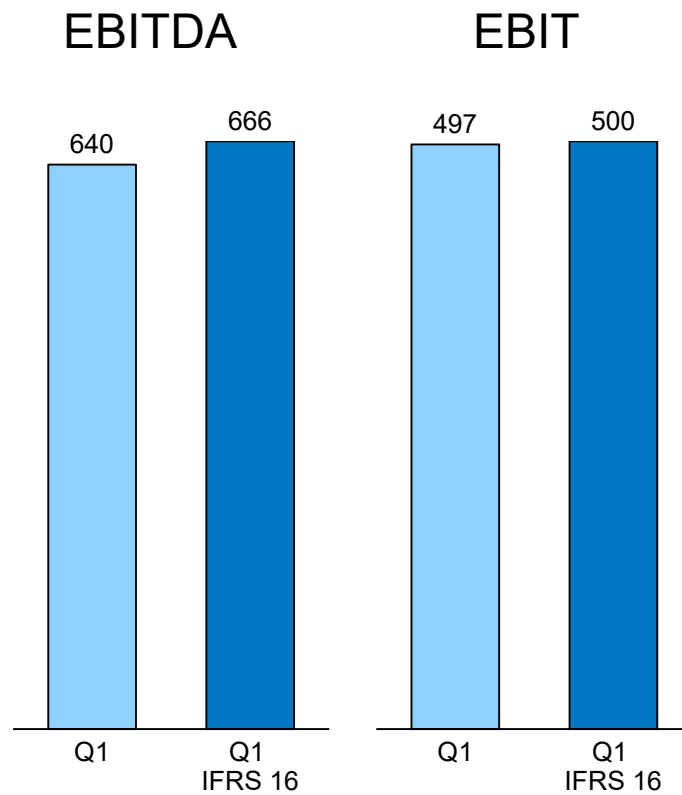


Q1 presentation

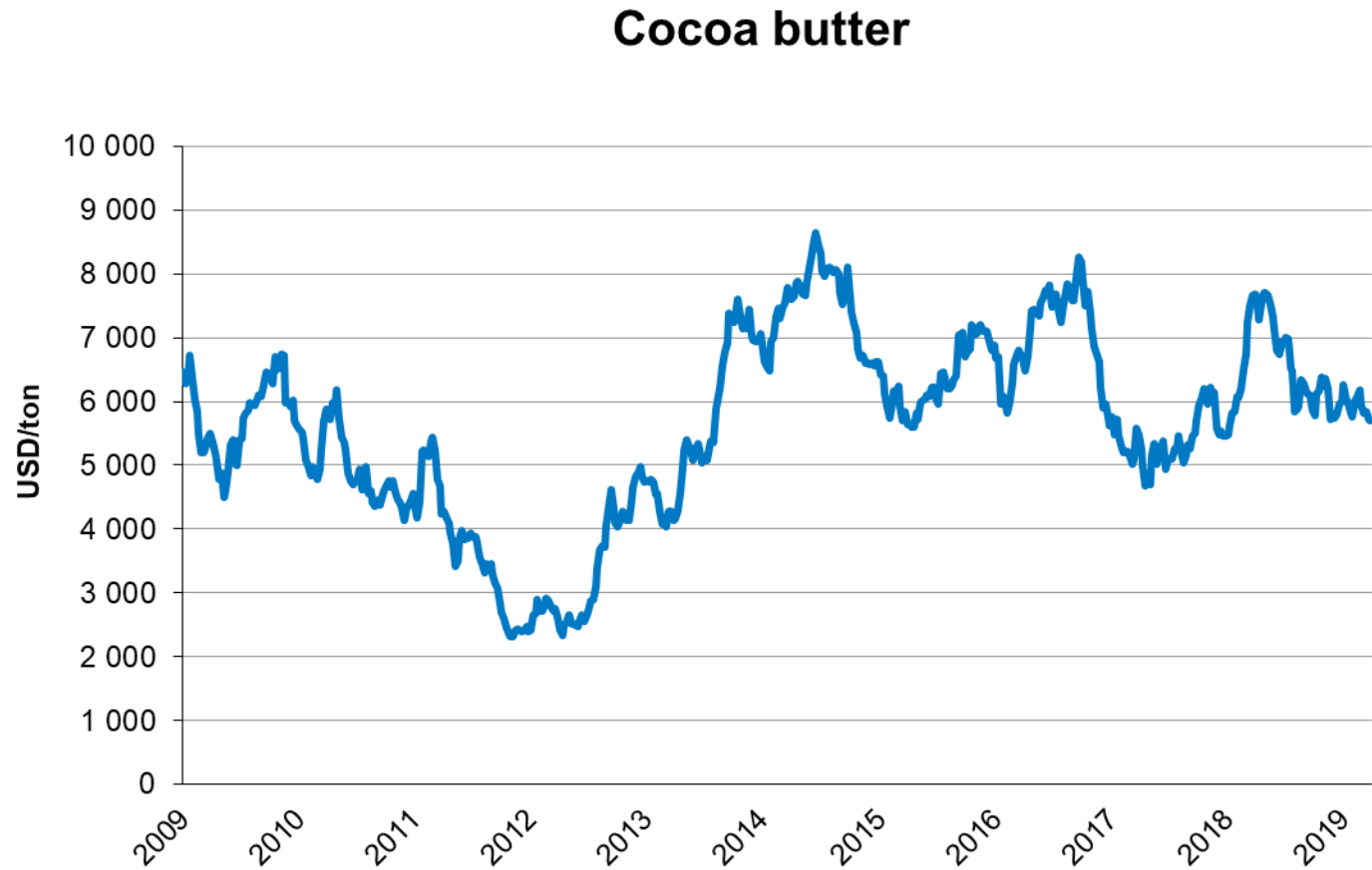
Supplementary information

AAK

IFRS 16 effect on key KPIs



Cocoa butter price



Raw material prices

Rapeseed oil and palm oil

