



*Arne Frank*  
*CEO*

*Fredrik Nilsson*  
*CFO*

*Anders Byström*  
*Director IR*

A close-up photograph of a beer bottle, tilted diagonally. The bottle is filled with a golden beer, and a thick layer of white foam is visible at the top. The bottle has a label with the 'AAK' logo. The background is a light, textured surface.

# Interim report Second quarter 2014

# Agenda



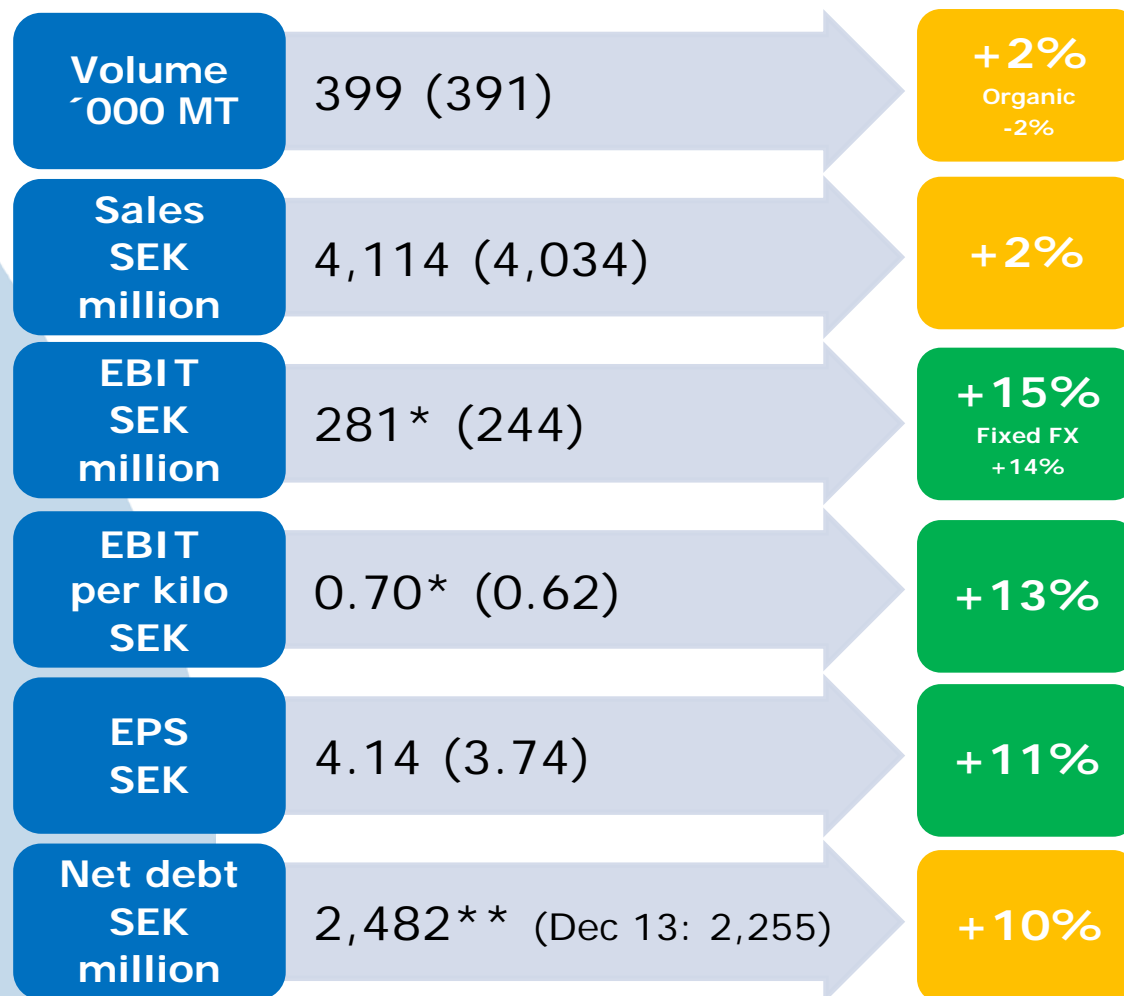
Second quarter 2014

Business area information

AAKtion

Q & A

# Second quarter 2014



\* Excluding acquisition costs

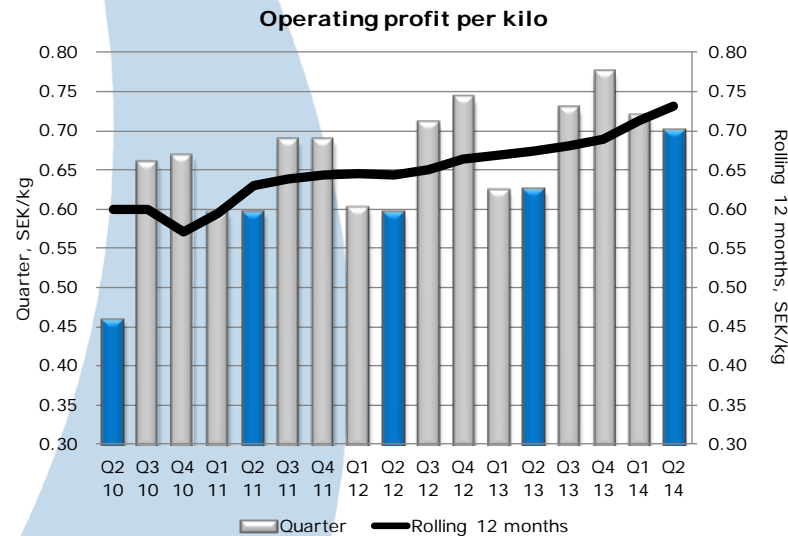
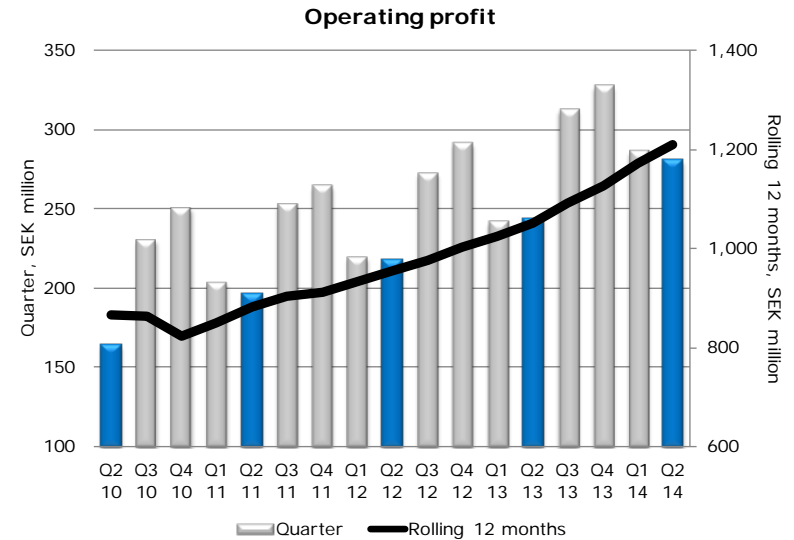
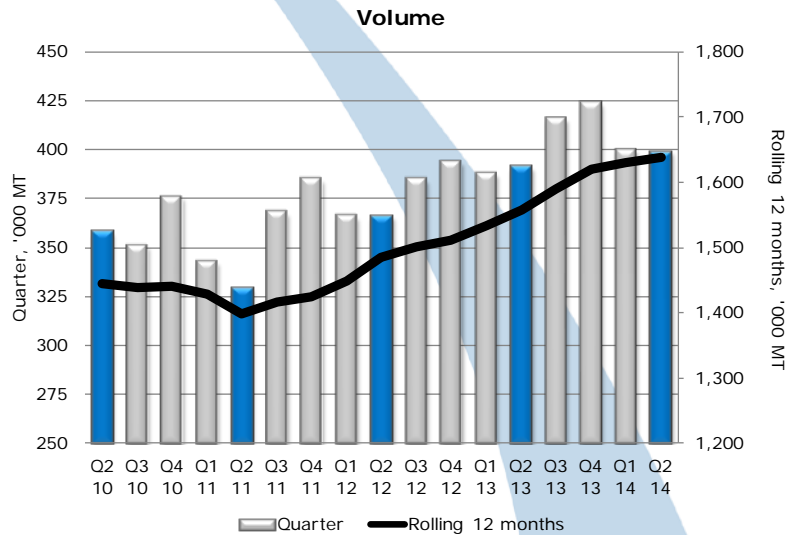
\*\* During the second quarter the company paid a dividend of SEK 250 million

# 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 2014	YTD 2014	Q2 2013	YTD 2013	Full year 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

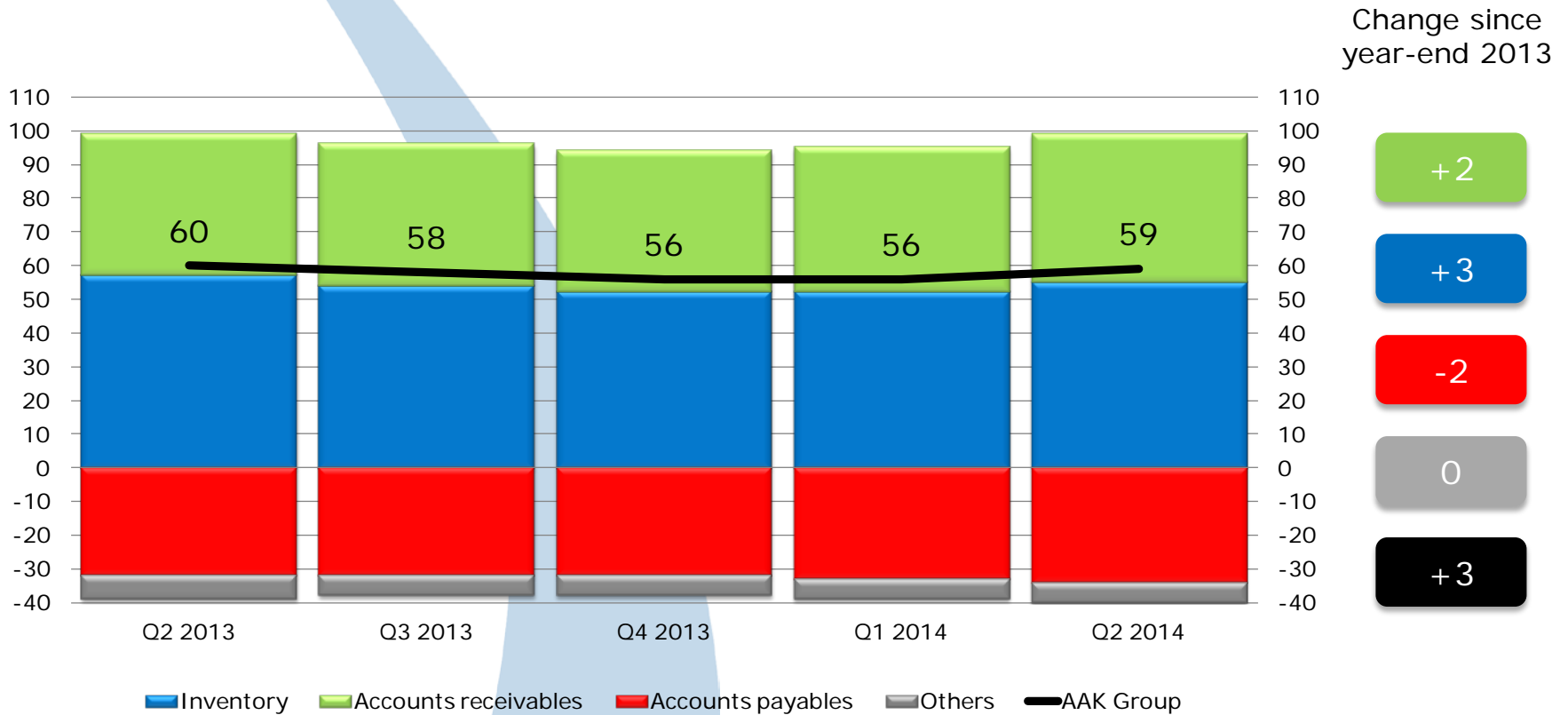
# Refinancing



- ◆ 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

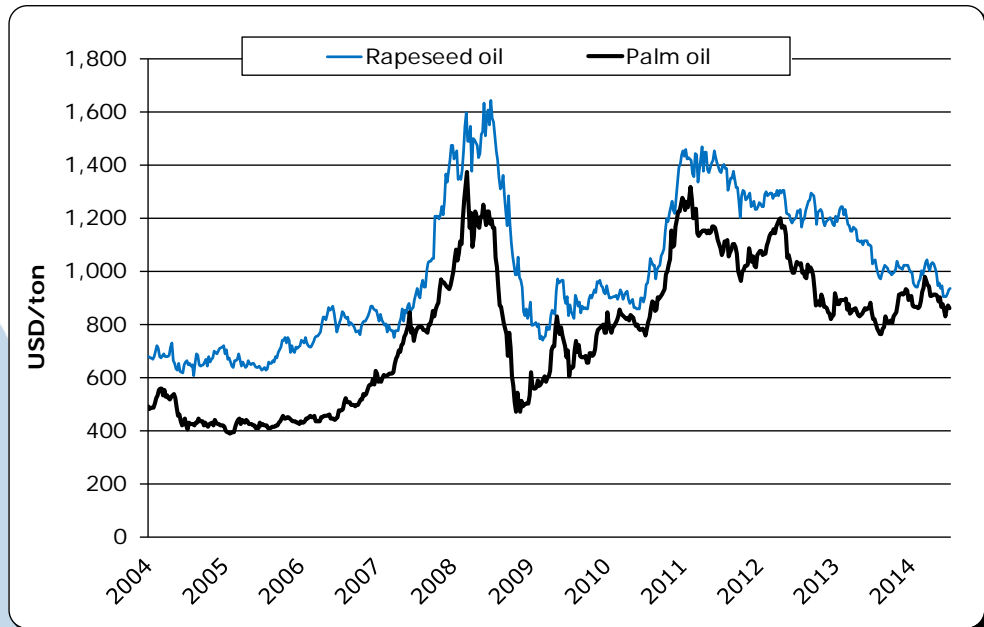
# Working capital days

## Rolling 12 months





# Raw material prices

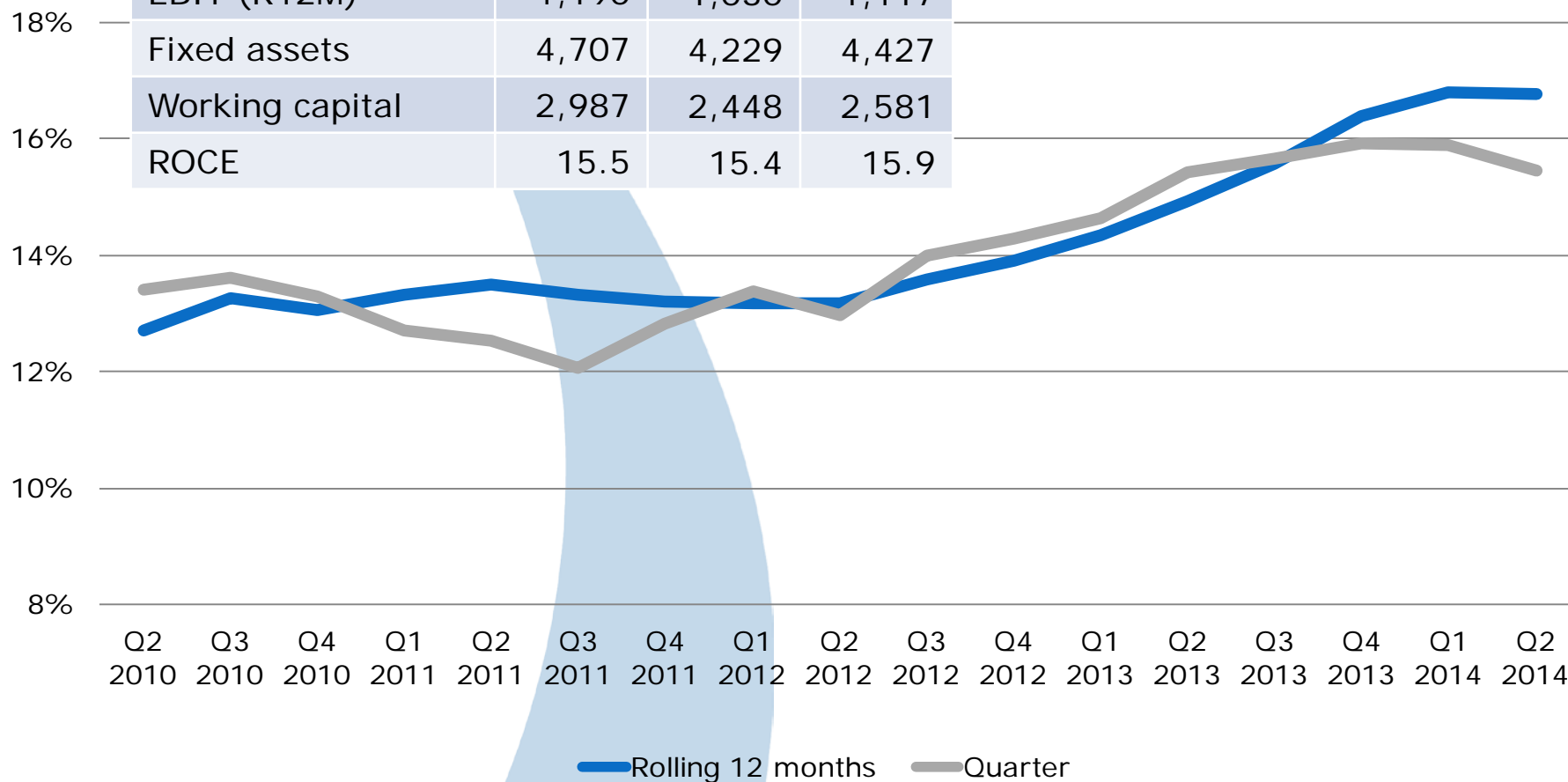


- 10 percent change in all raw material prices will effect working capital by +/- SEK 250 million
- Time lag of six to nine months

# 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



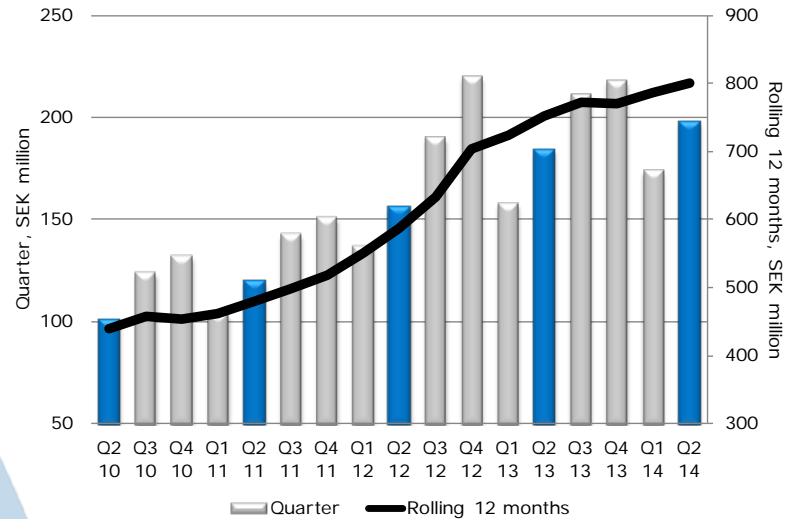
	2014 YTD	2014 Q2	2014 Q1	2013 FY
Speciality & semi-speciality	+1%	+1%	+1%	+7%
Commodity	-9%	-10%	-7%	-1%
Total	-3%	-3%	-2%	+4%



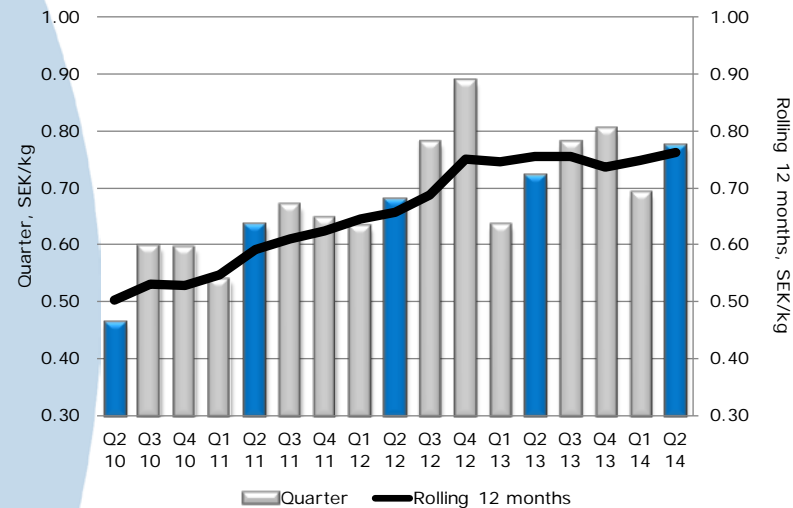
# Food Ingredients



Operating profit



Operating profit per kilo





# Chocolate & Confectionery Fats



+40%

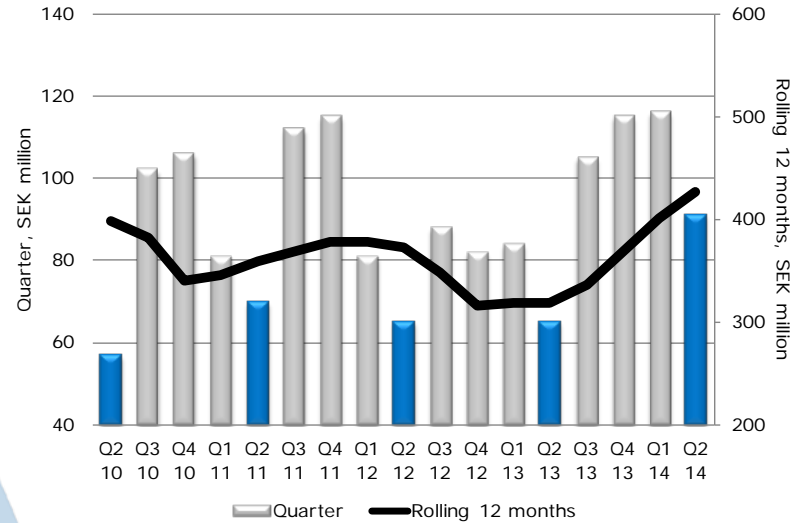
## Second quarter 2014

- ◆ 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

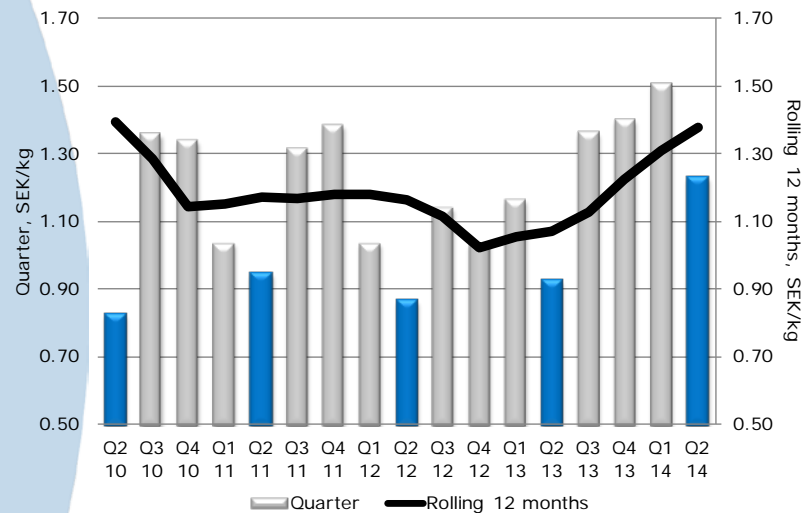


Operating profit



+ 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)

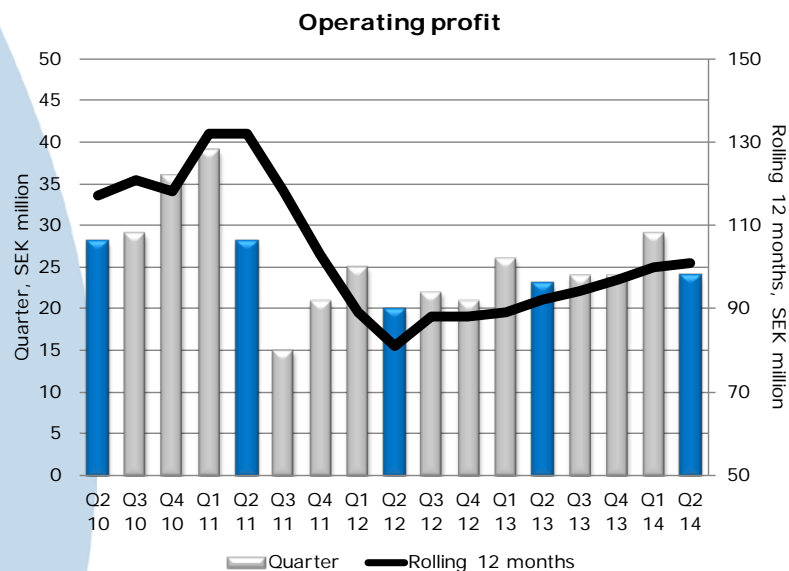
# Technical Products & Feed



+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

Sales



Customer co-development



### INNOVATION

Innovation



### EXECUTION

Service






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 – Karlshamn, Sweden
February 3, 2015	Fourth quarter and year- end report 2014

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solutions