



Arne Frank, CEO  
Fredrik Nilsson, CFO

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**Interim report  
Second quarter  
2016**

# Agenda

Second quarter 2016

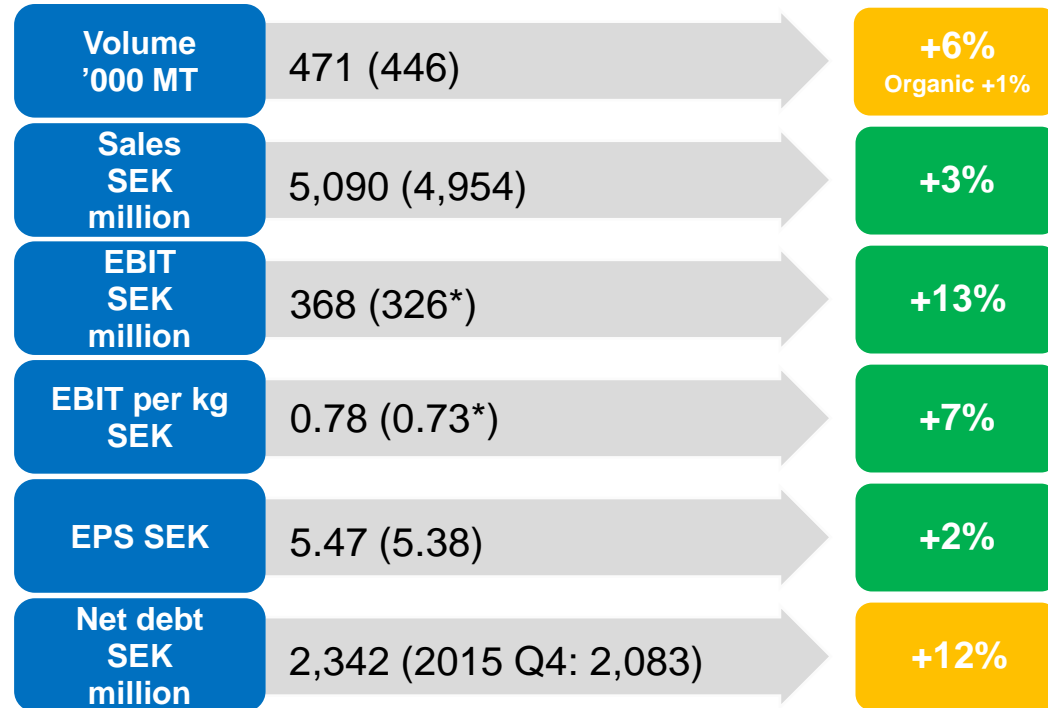
Business area information

AAKtion

Acquisition - California Oils Corporation

Q & A

## Second quarter 2016



\* Adjusted for non-recurring items

# Second quarter 2016 – All-time high operating profit for a second quarter

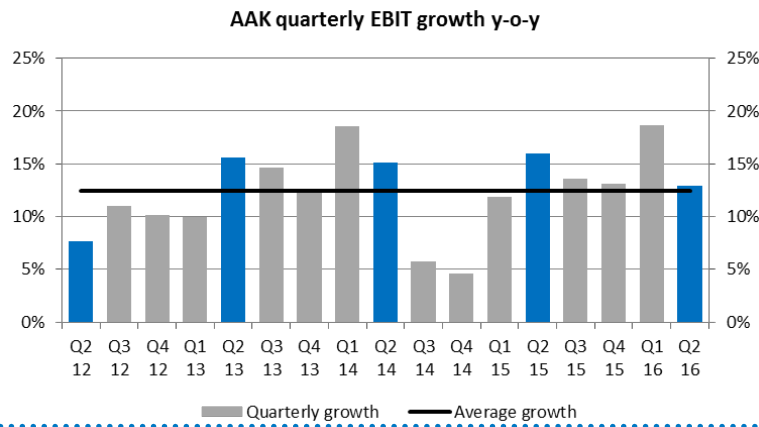
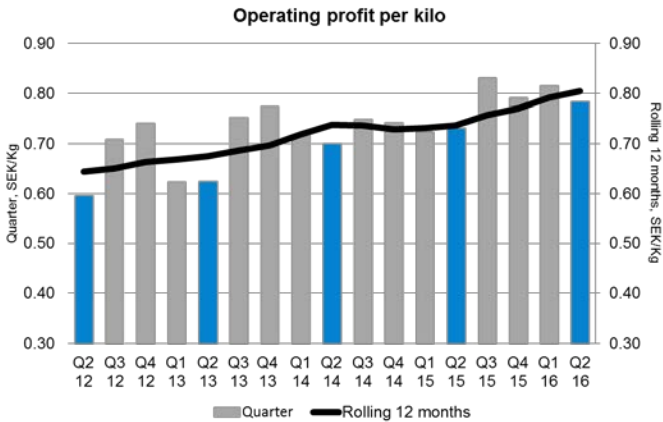
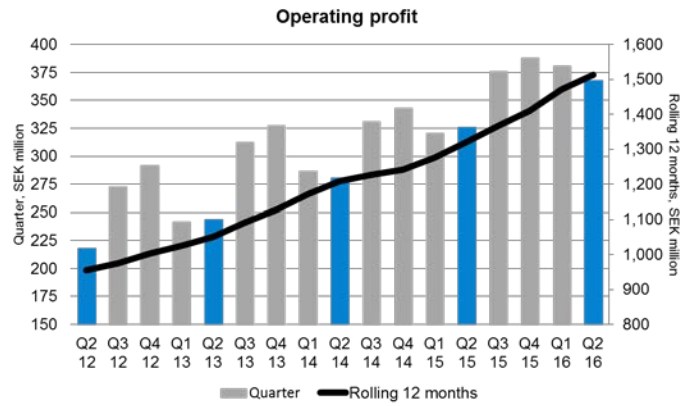
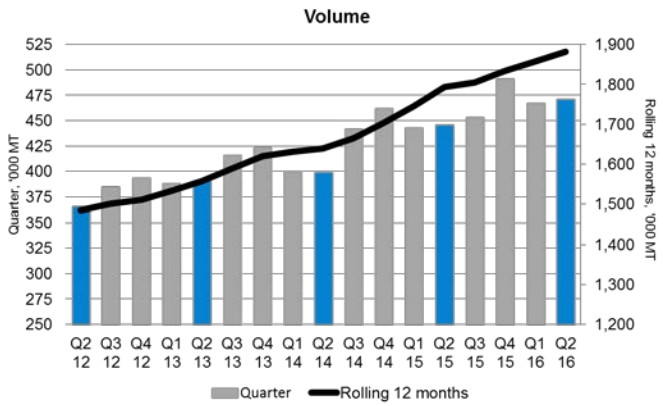
## ◆ AAK Group – Operating profit

- ◆ Operating profit reached SEK 368 million (326, adjusted for non-recurring items)
- ◆ Improvement of 13 percent
- ◆ Negative currency translation impact of SEK 8 million (positive 39)
- ◆ Operating profit per kilo reached SEK 0.78 (0.73, adjusted for non-recurring items), with the currency translation being negative by SEK 0.02 per kilo (positive 0.09)

## ◆ Business areas – Operating profit

- ◆ Food Ingredients improved by 8 percent, reaching SEK 238 million (221)
- ◆ Chocolate & Confectionery Fats reported a result of SEK 146 million (116), an improvement of 26 percent
- ◆ Technical Products & Feed improved by 5 percent, reaching SEK 23 million (22)

# Financial summary – AAK Group

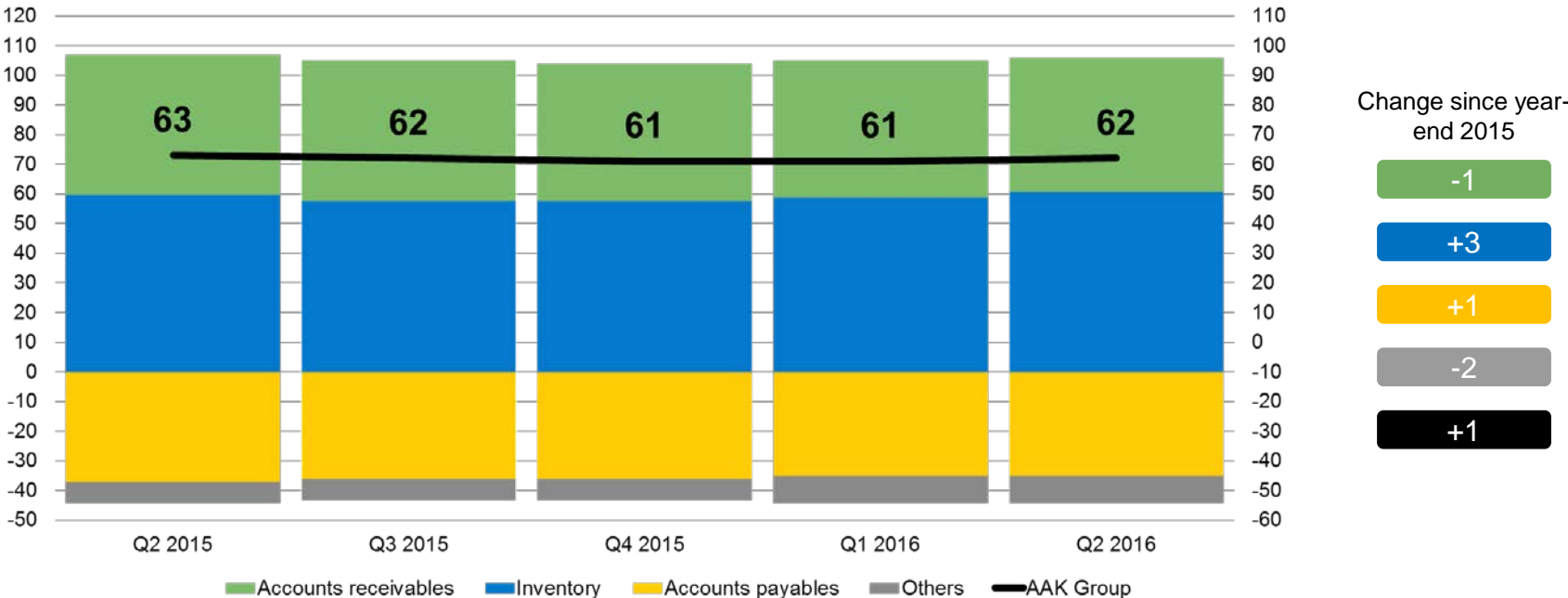


# Cash flow

SEK million	Q2 2016	YTD 2016	Q2 2015	YTD 2015	FY 2015
EBITDA	482	975	445	871	1,840
Paid interest	-34	-72	-31	-57	-114
Paid tax	-108	-191	-72	-115	-270
Non-cash items	22	14	-36	-51	-100
Change in working capital (WC)	158	-222	83	169	380
<b>Cash flow from operating activities incl. changes in WC</b>	<b>520</b>	<b>504</b>	<b>389</b>	<b>817</b>	<b>1,736</b>
Cash flow from investments	-194	-386	-74	-234	-1,016
<b>Free cash flow</b>	<b>326</b>	<b>118</b>	<b>315</b>	<b>583</b>	<b>720</b>

- ◆ Cash flow from working capital was positive, amounting to SEK 158 million (83)
  - ◆ The strong improvement in working capital was mainly related to good inventory management and increased accounts payables. This despite the negative impact from substantially increased raw material prices during the last quarters, combined with working capital tied up for the two greenfield investments
  - ◆ The greenfield investments will continue to have a negative impact on working capital during 2016
- ◆ Cash outflow from investing activities amounted to SEK 194 million (74). The increased outflow is mainly related to the on-going greenfield projects in Brazil and China

# Working capital days – rolling 12 months



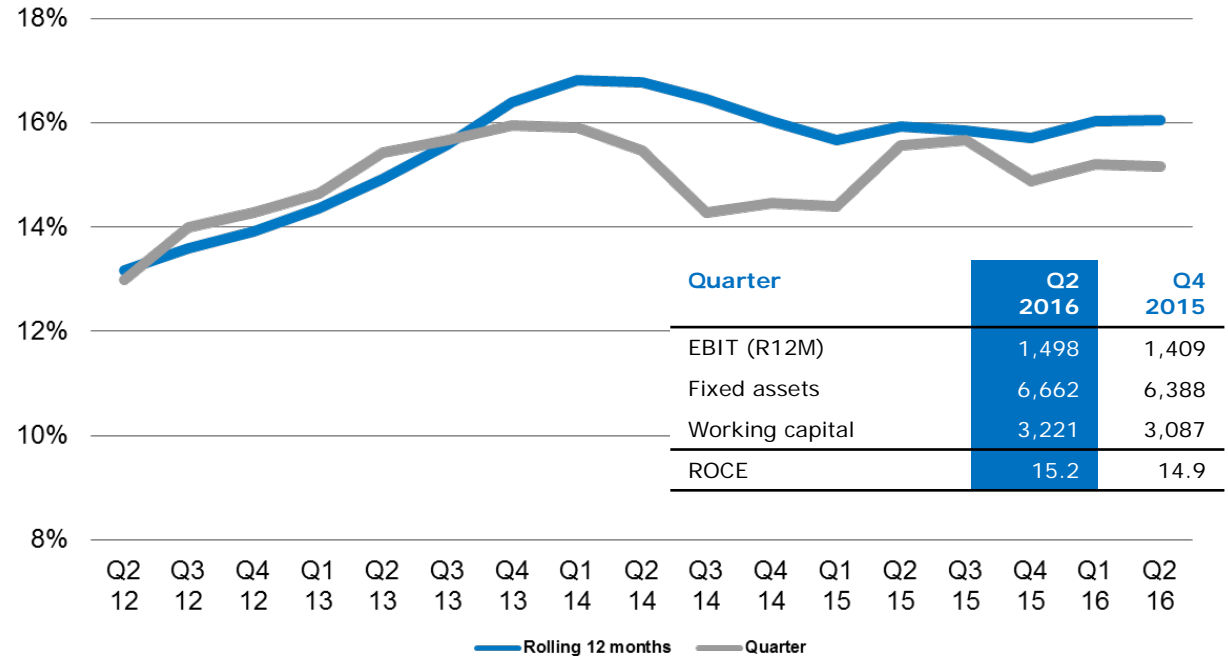
## Raw material prices



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



# ROCE – second quarter 2016



## Business trends – second quarter 2016

	Share of volume	Nordics	WE	UK	USA	CEE	CIS	Asia	LA
Food Ingredients	68%	↘	↘	→	↗	↗	→	↗	→
Chocolate & Confectionery Fats	18%	→	↗		↗	↗	↗	↗	↘
Technical Products & Feed	14%	↗							
AAK Group	100%	→	→	→	↗	↗	→	↗	→

# Food Ingredients Q2 2016

Organic volume growth

**-3%**

Operating profit

**+8% (+11%\*)**

Operating profit per kilo

**+4%**

## ◆ Operating profit improved to SEK 238 million (221)

- ◆ Speciality and semi-speciality reported organic volume growth of 3 percent
- ◆ The Bakery segment had another challenging quarter globally and volumes continued to decline, although at a slower pace than during the first quarter 2016
- ◆ The Dairy segment continued the strong trend from the last three quarters and reported double-digit organic volume growth
- ◆ Infant Nutrition reported a strong volume development. This was driven by product range Akonino®, which showed an impressive double-digit volume growth
- ◆ Foodservice reported organic volume growth with good development particularly in the UK and the US. Volumes in the Nordics were stable
- ◆ Commodity products showed a negative volume development after an exceptional volume growth in 2015
- ◆ The currency translation impact was negative SEK 7 million

## ◆ Operating profit per kilo increased from SEK 0.71 to SEK 0.74

- ◆ At fixed foreign exchange rates operating profit per kilo improved by 7 percent

\* At fixed FX

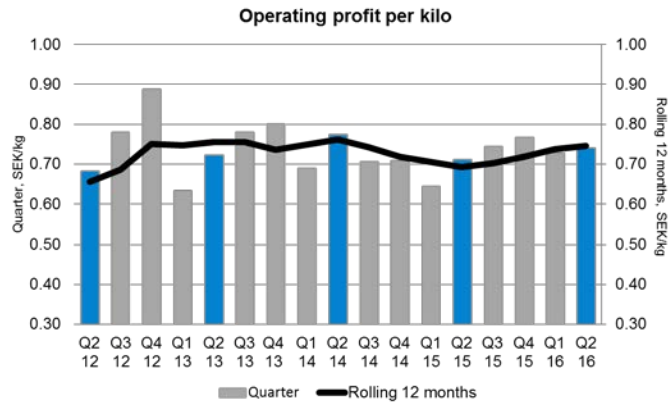
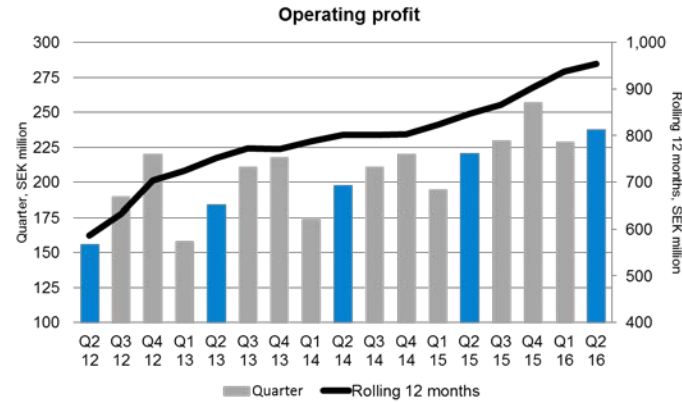


## Food Ingredients – organic volume growth



	2016 YTD	2016 Q2	2016 Q1	2015 Q2	2015 FY
FI - speciality & semi-speciality	+2%	+3%	0%	+4%	+2%
FI - commodity	-17%	-21%	-9%	+24%	+19%
FI - total	-3%	-3%	-3%	+9%	+5%

# Food Ingredients





# Chocolate & Confectionery Fats Q2 2016

Organic volume growth

**+11%**

Operating profit

**+26%**

Operating profit per kilo

**+9%**

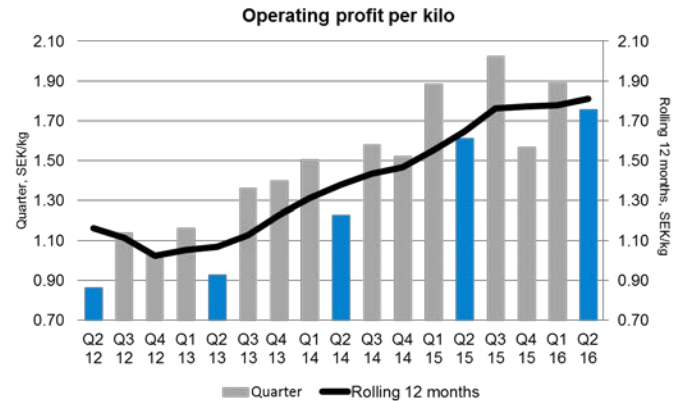
- **Operating profit improved and reached SEK 146 million (116)**

- Continued organic growth within high-end products
- After some challenging quarters, low-end products were also back to organic volume growth
- After two years of severely deteriorating market conditions in Russia and Ukraine, the strong growth in the first quarter continued during the second quarter, but still from a low level
- The currency translation impact was negative SEK 1 million

- **Operating profit per kilo increased from SEK 1.61 to SEK 1.76**

- At fixed foreign exchange rates operating profit per kilo improved by 9 percent
- 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 Q2 2016

Organic volume growth

**+5%**

Operating profit

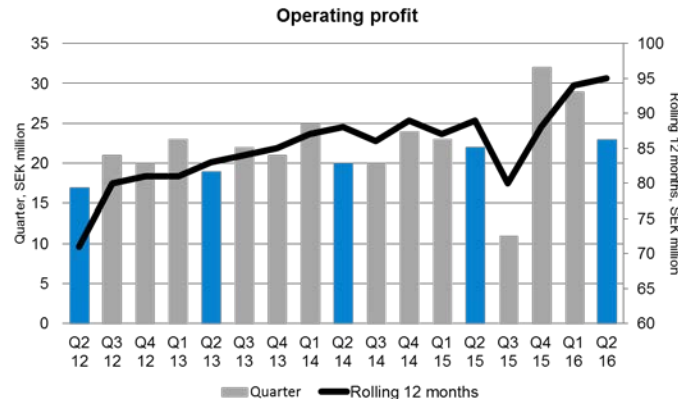
**+5%**

Operating profit per kilo

**0%**

- ◆ **Operating profit increased to SEK 23 million (22)**

- ◆ Volumes increased by 5 percent compared to the corresponding quarter in 2015. This was mainly related to volume growth for technical fatty acids, offset by lower feed volumes
- ◆ Operating profit improved by 5 percent due to a positive development of the fatty acids business



# 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
- ◆ Wholly owned by Mitsubishi Corporation
- ◆ Only significant speciality and semi-speciality oils player on the West Coast



# CalOils' business segments and applications



◆ Bakery



◆ Dairy



◆ Infant nutrition



◆ Frying



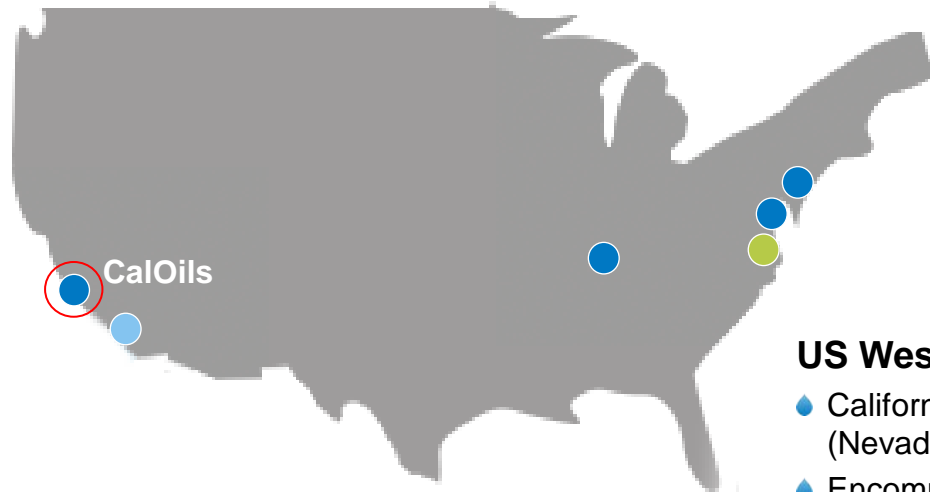
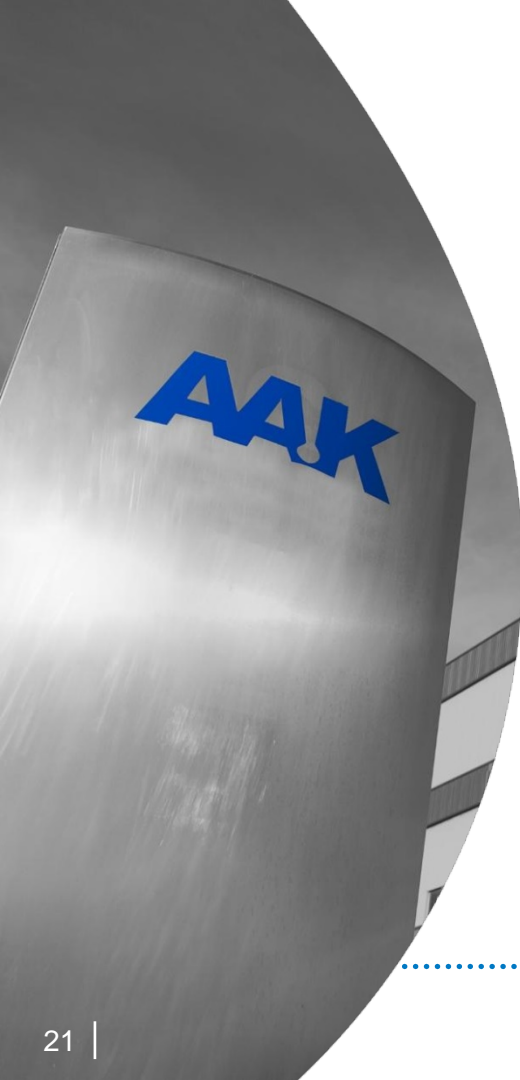
◆ Confectionery

# 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



# AAK in the US



- Production plants
- Sales offices
- Customer innovation centres

## US West Coast

- ◆ California, Oregon, Washington, (Nevada, Arizona)
- ◆ Encompasses approximately 60 million people
- ◆ The US West Coast is one of the largest economies in the world



## Strategic rationale

- ◆ Strengthen AAK's presence in a very important market
- ◆ Transform AAK into a true national speciality and semi-speciality edible oils company in the US
- ◆ Bring AAK's customer co-development approach to a national level in the US and Canada
- ◆ In the medium term support our US foodservice platform to develop into a national supplier
- ◆ Platform for increased sales of speciality and semi-speciality products within Food Ingredients and Chocolate & Confectionery Fats

# Integration

- ◆ Focus on cross-selling AAK products, leveraging customers and customer co-development
- ◆ The acquisition is expected to start contributing to AAK's operating profit from the third quarter 2017
- ◆ The acquisition will be included in the Food Ingredients and Chocolate & Confectionery Fats business areas
- ◆ Acquisition costs related to this transaction will be recorded during the third quarter of 2016

## 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



# 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



# Financial calendar

## Financial calendar 2016/2017

October 26, 2016	Third quarter report 2016
November 16, 2016	Capital Market Day, Stockholm
February 3, 2017	Fourth quarter and year-end report 2016

# Investor Relations contact

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