



Fredrik Nilsson  
CFO and acting CEO

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**Interim Report  
Third Quarter  
2017**

# Agenda



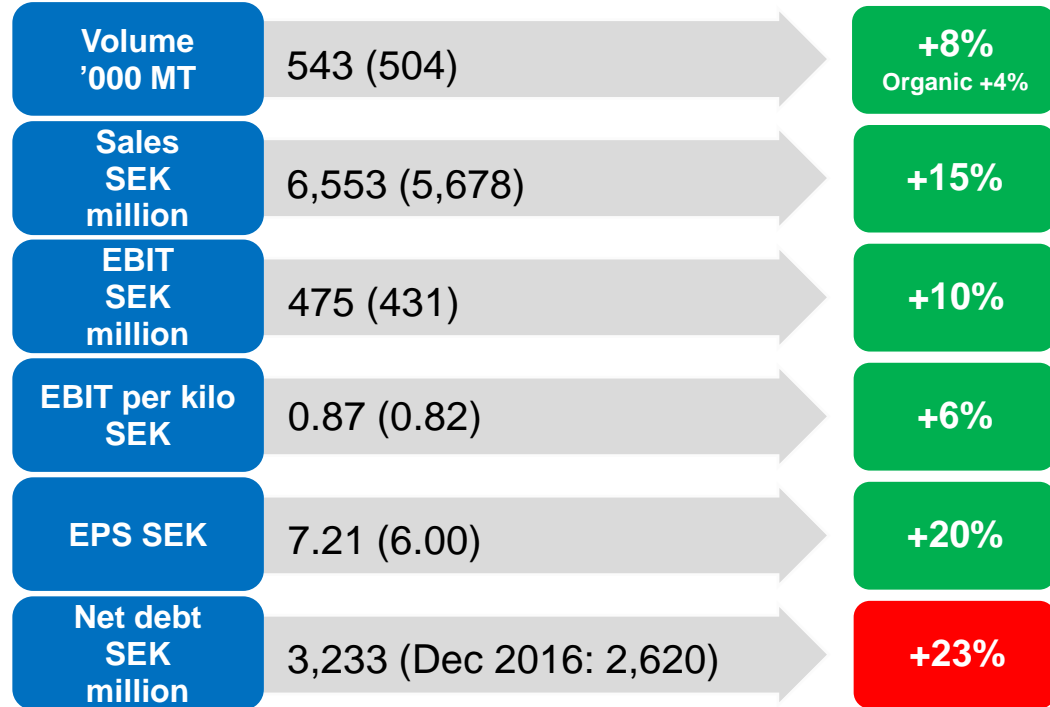
Third quarter 2017

Business area information

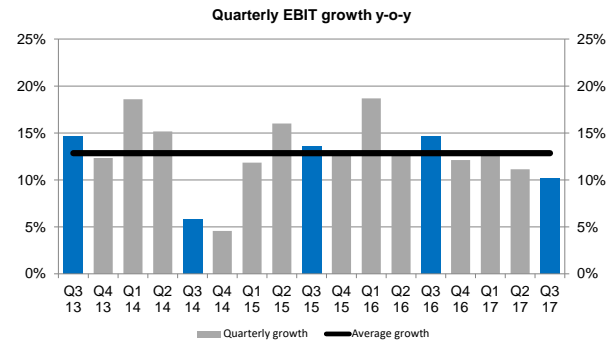
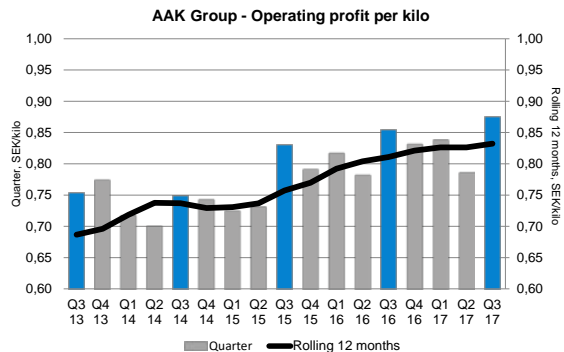
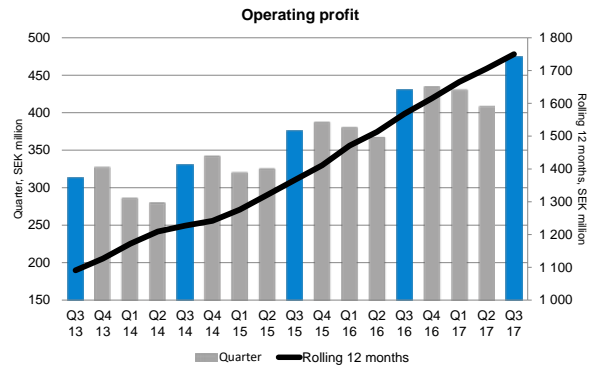
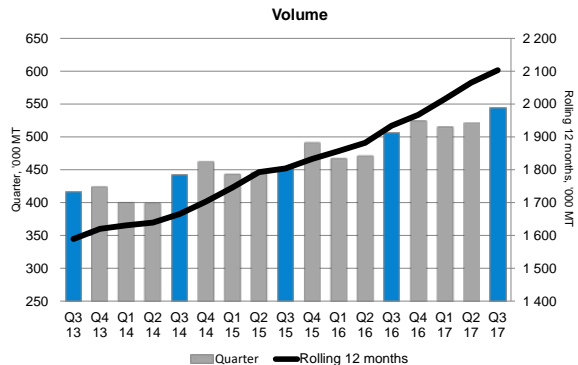
The AAK Way

Q & A

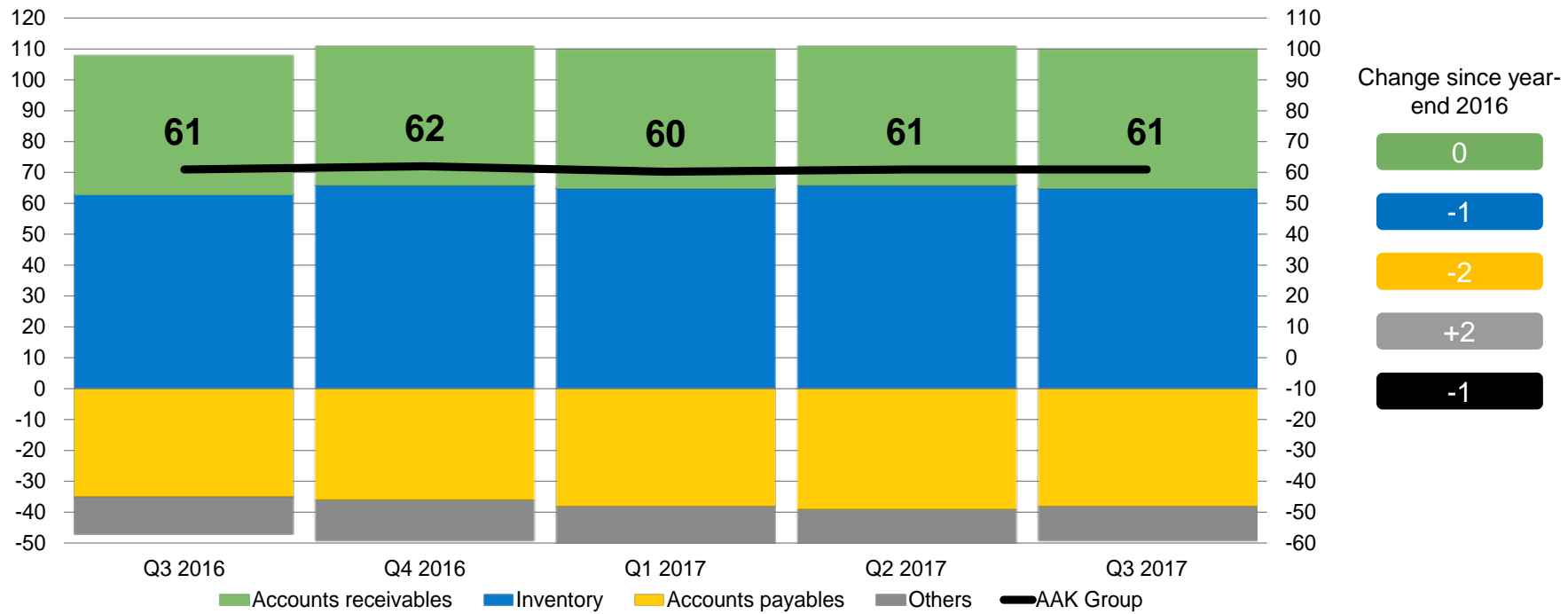
## Third quarter 2017 – all-time high operating profit



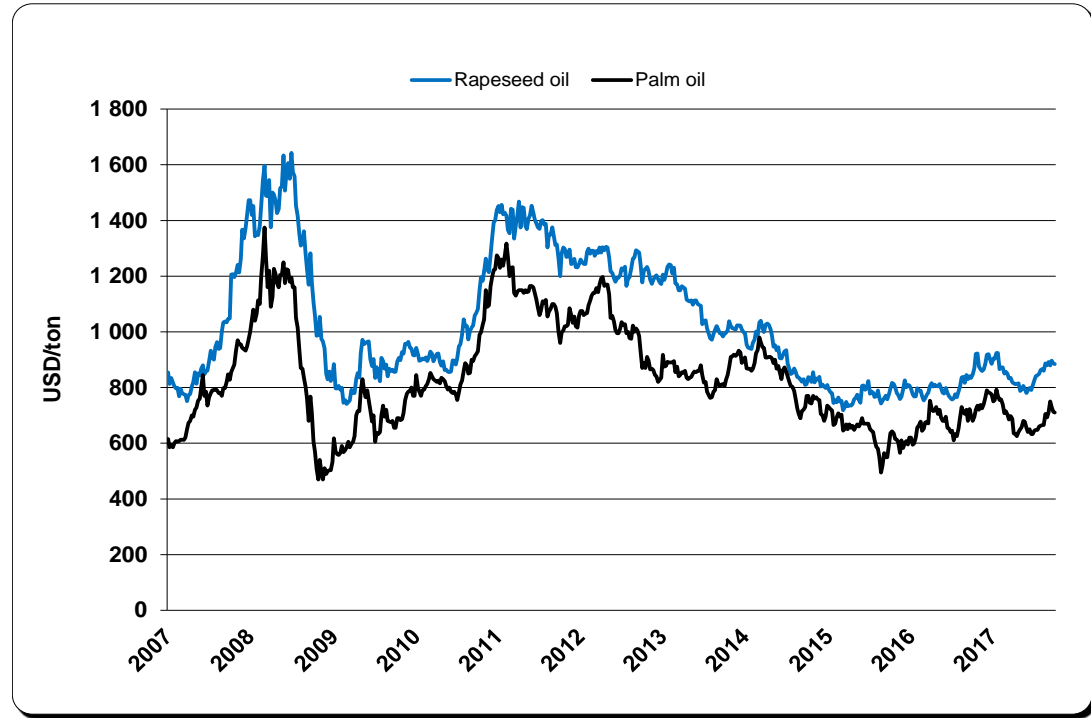
# Financial summary – AAK Group



# Working capital days – rolling 12 months

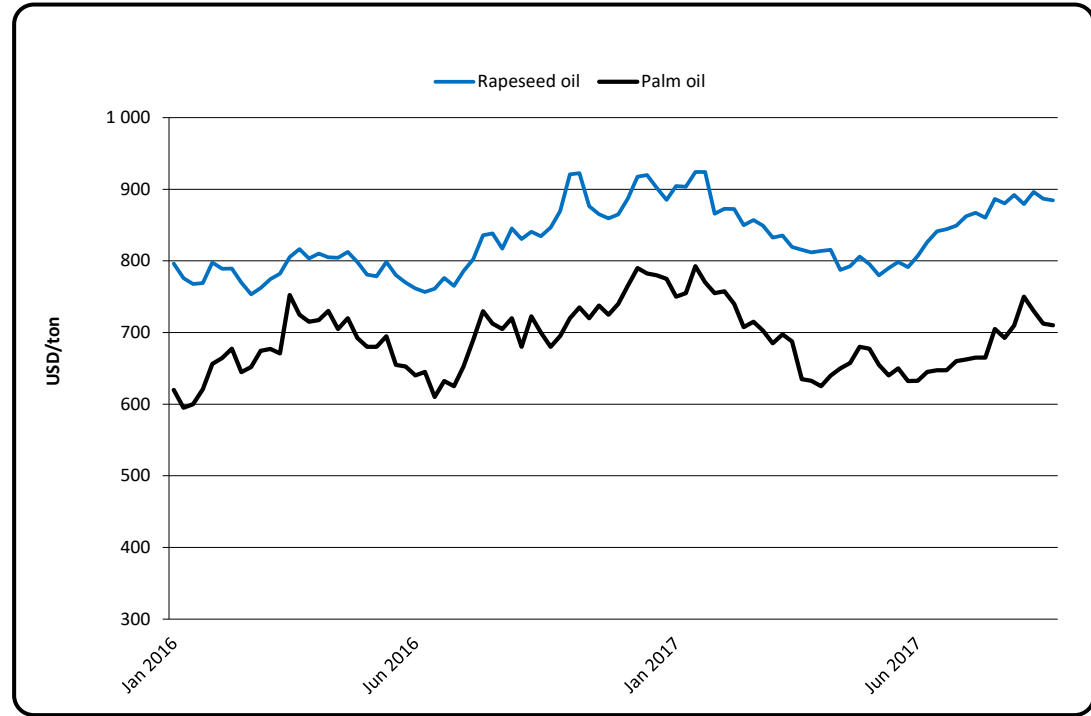


# Raw material prices





# Raw material prices



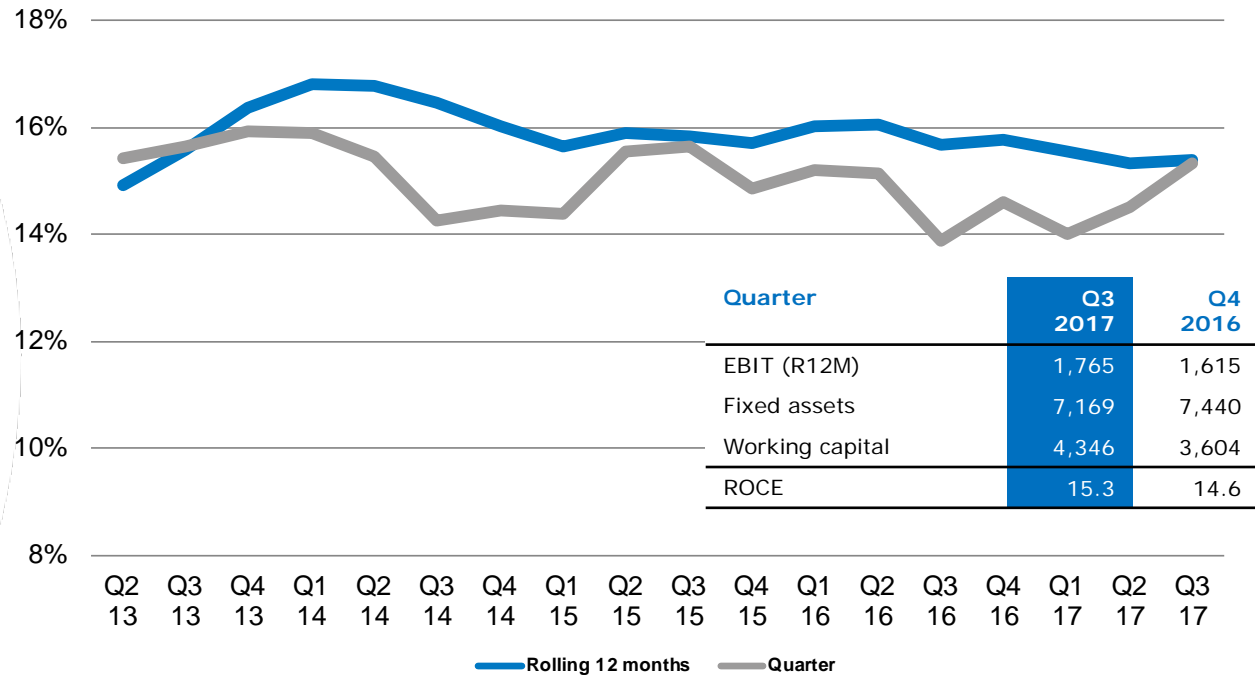
# Cash flow

SEK million	Q3 2017	YTD 2017	Q3 2016	YTD 2016
EBITDA	595	1,680	529	1,505
Paid interest	-35	-99	-49	-121
Paid tax	-98	-385	-134	-325
Non-cash items	-126	-291	-14	0
Change in working capital (WC)	156	-650	-467	-689
<b>Cash flow from operating activities incl. changes in WC</b>	<b>492</b>	<b>255</b>	<b>-135</b>	<b>370</b>
Cash flow from investments	-175	-519	-708	-1,094
<b>Free cash flow</b>	<b>317</b>	<b>-264</b>	<b>-843</b>	<b>-725</b>

- ◆ Cash flow from working capital was positive, amounting to SEK 156 million (negative 467)
  - ◆ Strong inventory management combined with some positive impact from lower raw material prices have impacted cash flow favorably. This was partly offset by a continued strong organic volume growth and working capital tied up for our new factories in Brazil and China
  - ◆ Cash outflow from investing activities amounted to SEK 175 million (708 incl. Cal Oils Acquisition)
  - ◆ There has been a decrease in raw material prices since mid-first quarter which will have a positive impact on cash flow with a time lag of 6–9 months. However, we have started to see a modest increase in raw material prices since some months



# ROCE – third quarter 2017



# Business trends – third quarter 2017



	Share of volume	Nordics	WE	UK	USA	CEE	CIS	Asia	LA
Food Ingredients	67%	→	→	→	→	→	→	→	→
Chocolate & Confectionery Fats	20%	→	→		→	→	→	→	→
Technical Products & Feed	13%	→							
AAK Group	100%	→	→	→	→	→	→	→	→

# Food Ingredients Q3 2017

Organic volume growth

**+3%**

Operating profit

**+15%**

Operating profit per kilo

**+5%**


## ◆ Operating profit increased to SEK 288 million (251)

- ◆ The Bakery segment had another challenging quarter, particularly within the European market. The development in North Latin America and the US continued to be weak. There was good growth in Asia, the Nordics and South Latin America
- ◆ The Dairy segment continued the strong trend from 2016 and once again reported high double-digit organic volume growth
- ◆ Special Nutrition reported high double-digit volume growth with a significantly better product mix. This was driven by a double-digit volume growth for our Infant Nutrition product range Akonino®. Our other Infant Nutrition product range InFat®, sold through Advanced Lipids AB, a joint venture of AAK and Enzymotec, also showed double-digit volume growth
- ◆ Foodservice reported declining volumes in the quarter. This was mainly due to more challenging market conditions in the Nordics
- ◆ The currency translation impact was negative SEK 9 million

## ◆ Operating profit per kilo increased to SEK 0.79 (0.75)

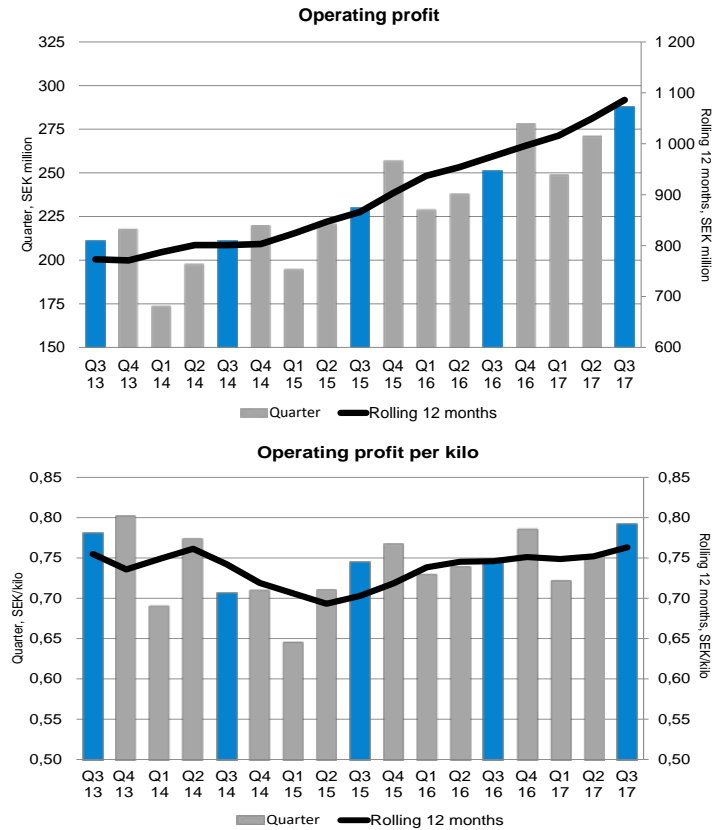
- ◆ Improved product mix, including a higher portion of customer co-developed solutions
- ◆ Ramp-up costs in Brazil and China have had a negative impact on operating profit per kilo and two months' dilution from our acquisition in 2016

## Food Ingredients – organic volume growth



	2017 Q3	2017 Q2	2017 Q1	2017 YTD	2016 FY	2016 Q3
FI – speciality and semi-speciality	+3%	+2%	+2%	+2%	+1%	+2%
FI – commodity	+4%	+7%	+2%	+4%	-13%	-9%
FI – total	+3%	+3%	+2%	+3%	-2%	0%

# Food Ingredients



# Chocolate & Confectionery Fats Q3 2017

Organic volume growth

**+9%**

Operating profit

**+4%**

Operating profit per kilo

**-4%**

## • **Operating profit increased to SEK 198 million (190)**

- 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
- There has been a stronger than projected growth in demand, combined with some production disruptions in Aarhus, Denmark, which have resulted in increased production and supply chain costs. This will gradually start to improve towards the end of the fourth quarter
- The currency translation impact was negative SEK 5 million

## • **Operating profit per kilo decreased from SEK 1.88 to SEK 1.80**

- Strong volume growth
- Ramp-up costs in Brazil and China 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

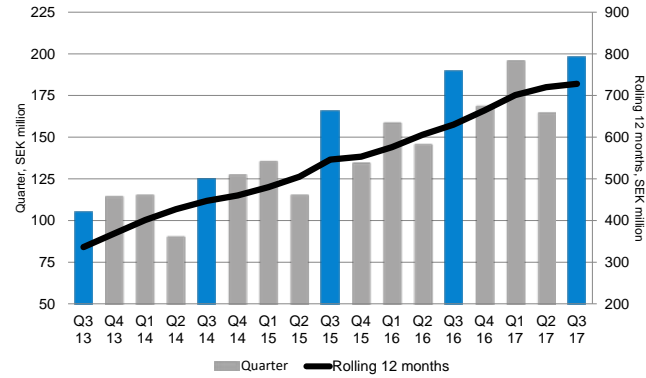




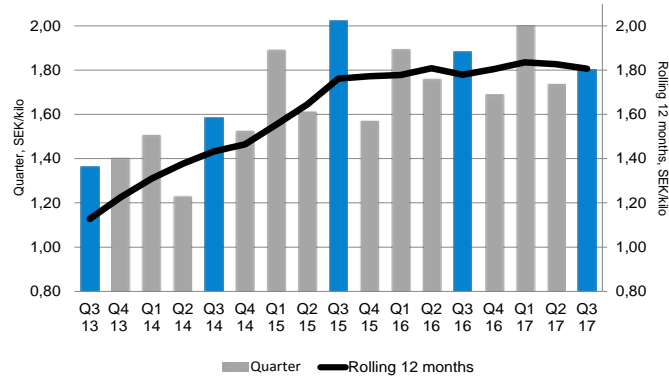
# Chocolate & Confectionery Fats



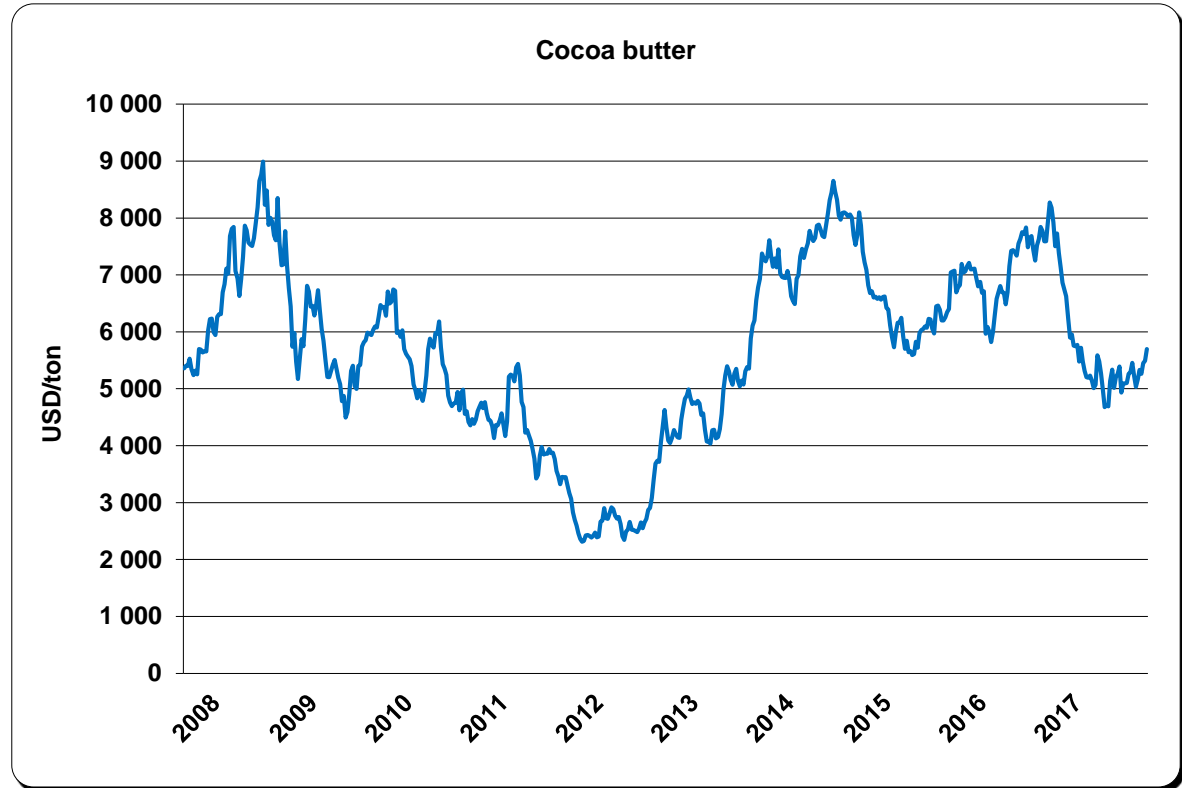
Operating profit



Operating profit per kilo



## Cocoa butter price



# Technical Products & Feed Q3 2017

Organic volume growth

**+1%**

Operating profit

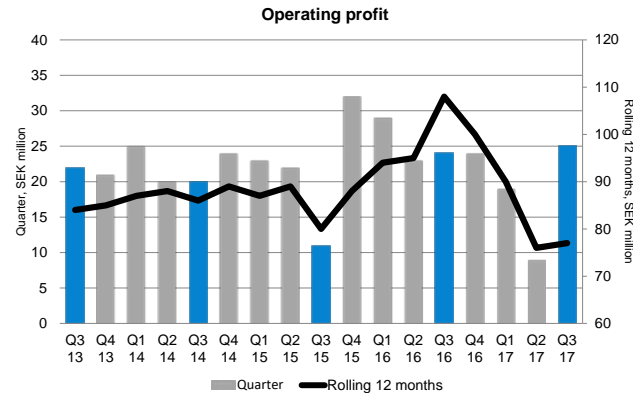
**+4%**




Operating profit per kilo

**+3%**

- ◆ **Operating profit in the quarter was SEK 25 million (24)**

- ◆ Volumes increased by 1 percent in the quarter
- ◆ Operating profit reached SEK 25 million (24)
  - ◆ After some challenging quarters the profit level was almost back to historical levels. The raw material prices in our fatty acids business have been back to more normal levels for several months
  - ◆ The feed business continued to improve



-  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



# Inauguration of new factory in China



# Financial calendar

## Financial calendar 2017/2018

November 28, 2017	Capital Market Day, Stockholm
February 5, 2018	Fourth quarter and year-end report 2017
April 23, 2018	First quarter report 2018
July 18, 2018	Second quarter report 2018
October 25, 2018	Third quarter report 2018



## 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



# Investor Relations contact

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