

Fredrik Nilsson  
CFO and acting CEO

Anne Mette Olesen  
Chief Marketing Officer

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**Interim report  
Fourth quarter and  
Year-end 2017**

# Agenda



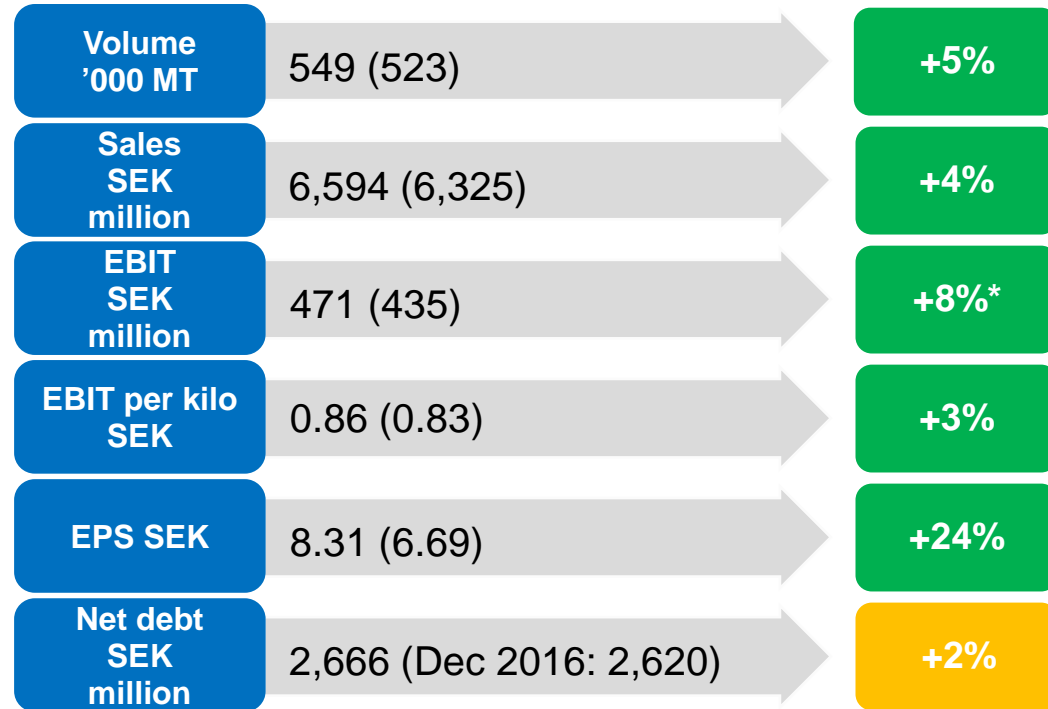
Fourth quarter and full year 2017

Business area information

The AAK Way

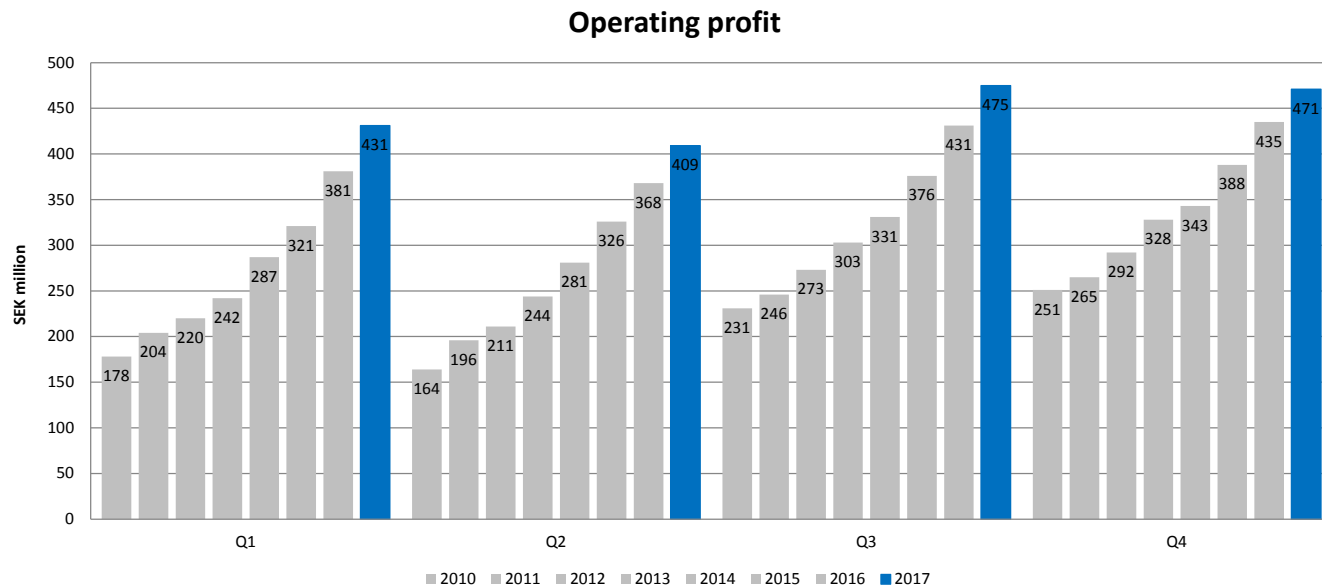
Q & A

## Fourth quarter 2017











\*At fixed foreign exchange rates +12 percent

# 28th consecutive quarter with a record-high year-over-year operating profit

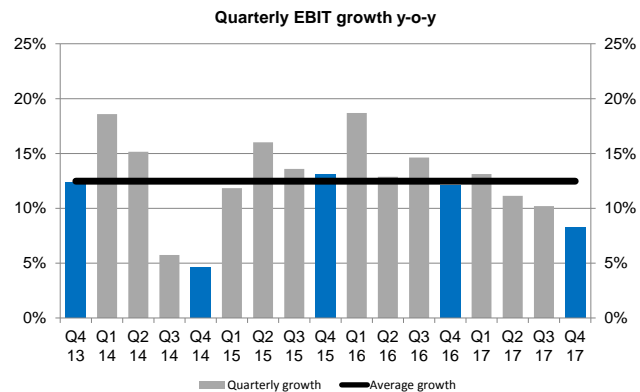
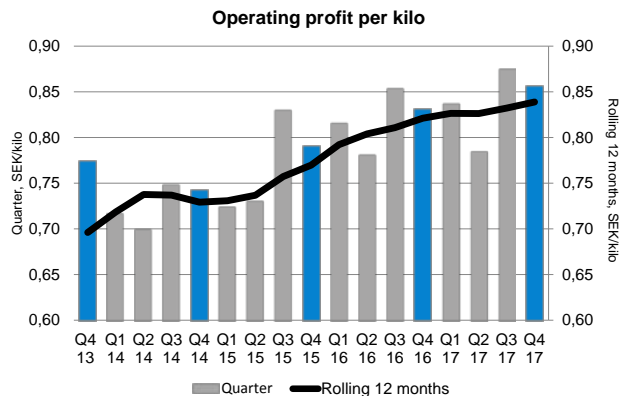
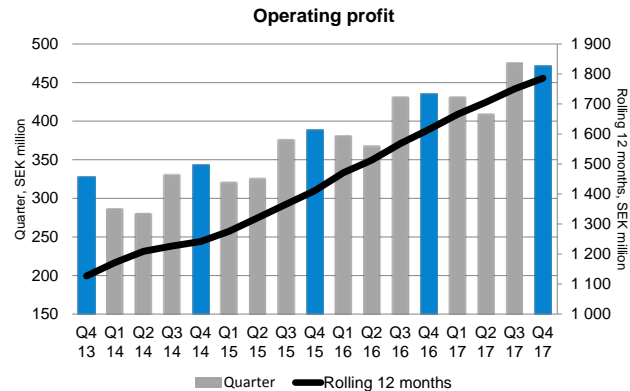
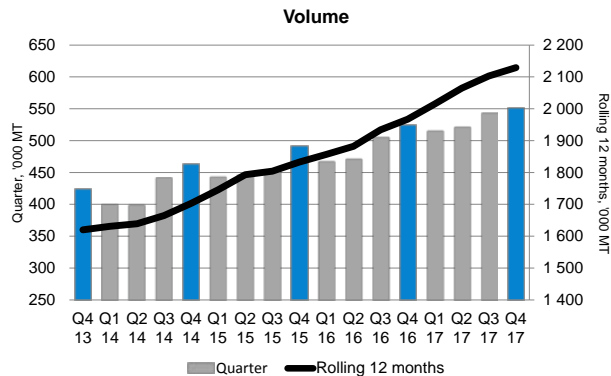


## FX exposure – translation impact


	Average rate 2017	Spot rate 31 January 2018	Movement vs SEK	EBIT impact
USD	8.52	7.88		
EUR	9.65	9.79		
GBP	11.04	11.18		
MXN	0.45	0.42		



# Financial summary – AAK Group



# Full year 2017



Volume '000 MT	2,129 (1,966)	+8% Organic 5%
Sales SEK million	26,436 (22,057)	+20%
EBIT SEK million	1,786 (1,615)	+11%*
EBIT per kilo SEK	0.84 (0.82)	+2%
EPS SEK	28.24 (23.71)	+20%
Net debt SEK million	2,666 (Dec 2016: 2,620)	+2%
Proposed dividend	9.75 (8.75)	+11%

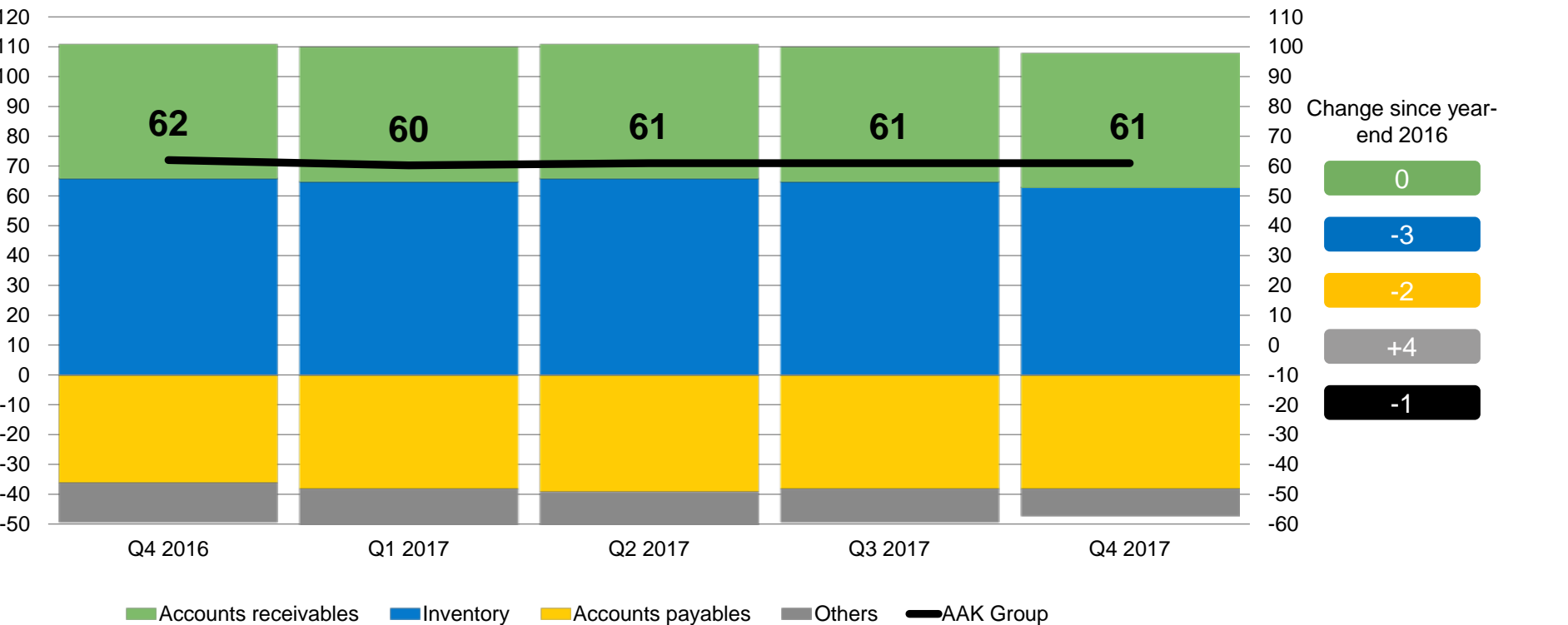
\*At fixed foreign exchange rates +12 percent

The Co-Development Company



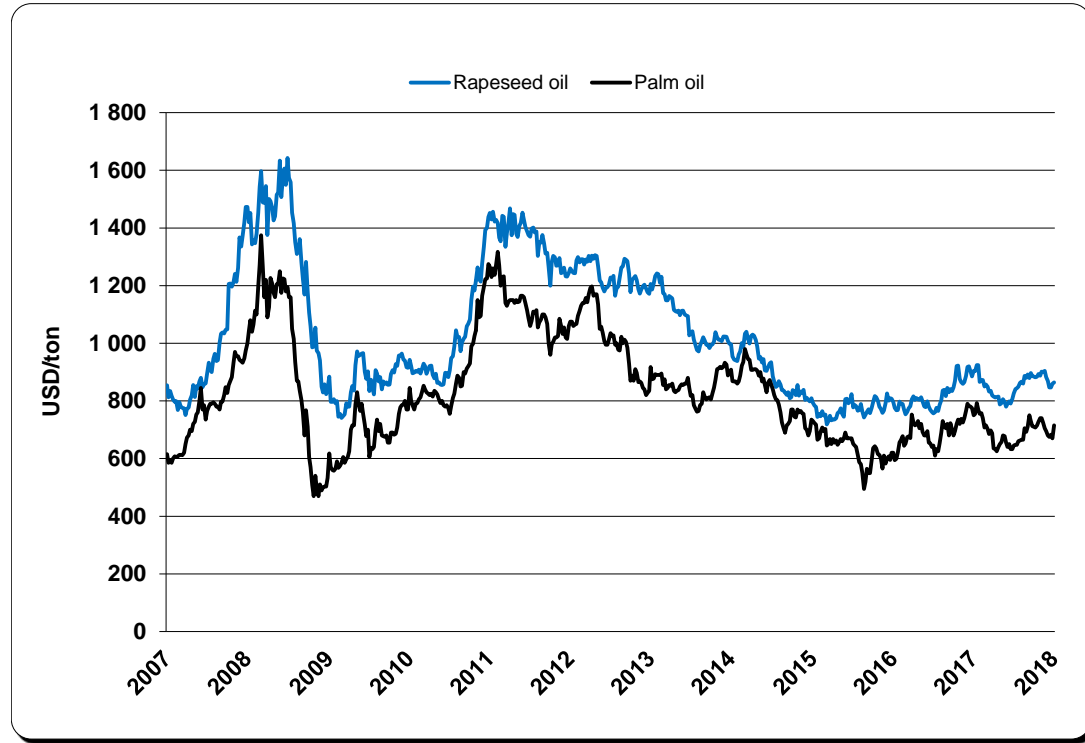


# Working capital days – rolling 12 months

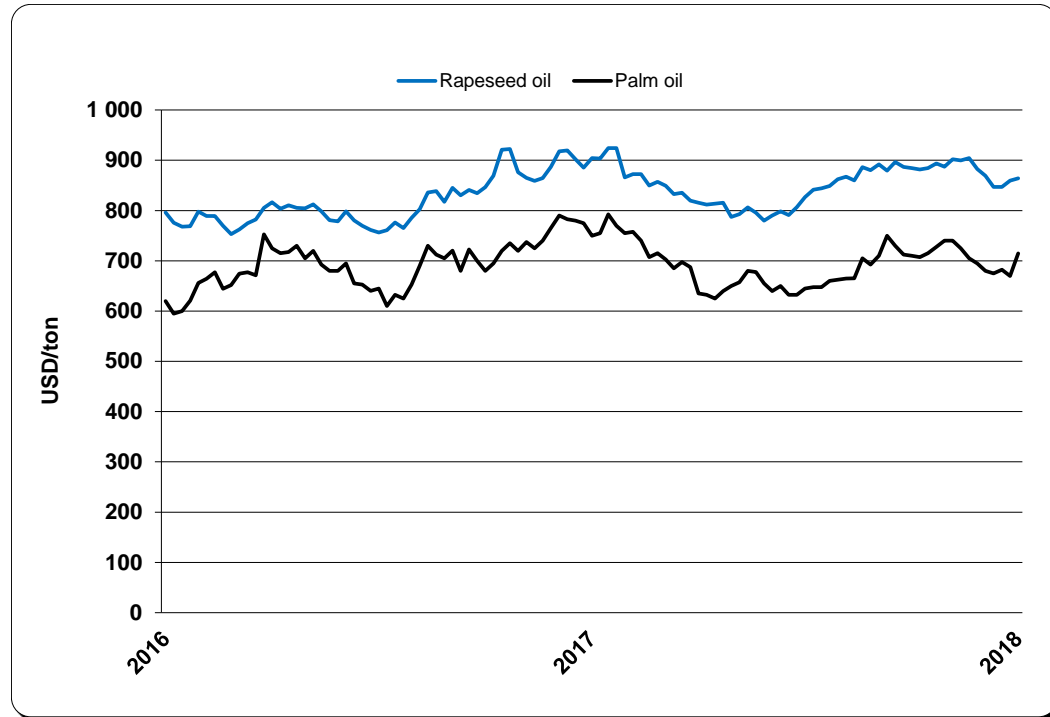




## Raw material prices



## Raw material prices

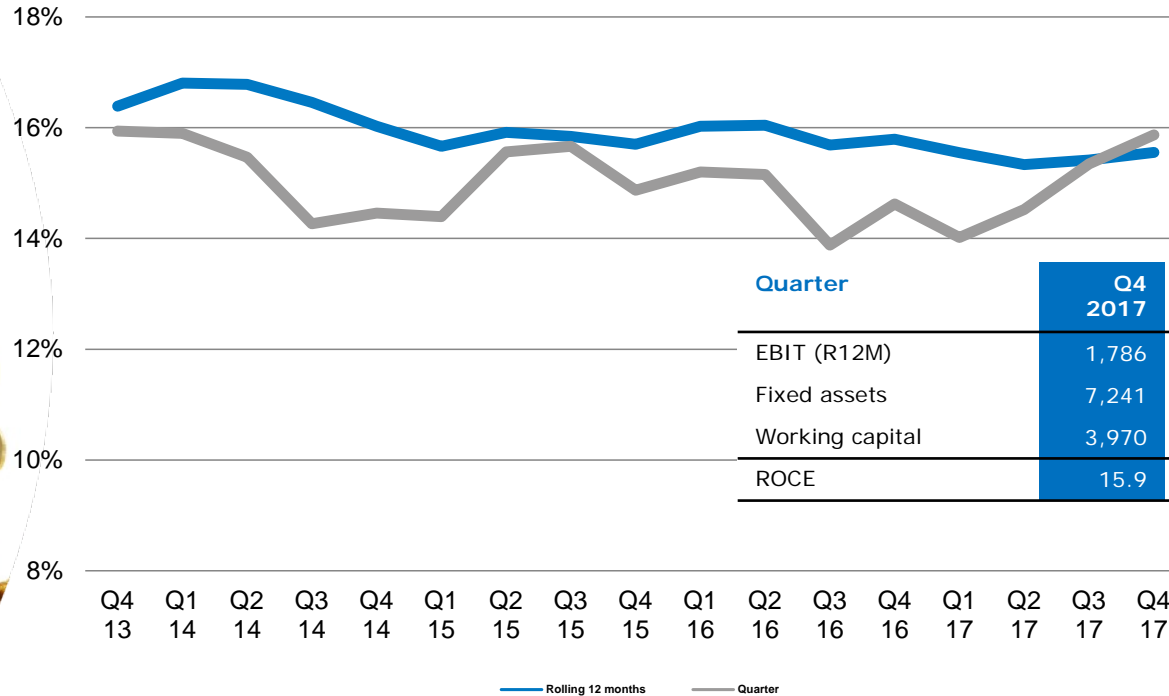


# Cash flow

SEK million	Q4 2017	YTD 2017	Q4 2016	YTD 2016
EBITDA	597	2,278	574	2,079
Paid interest	-15	-115	-42	-163
Paid tax	-28	-413	-78	-403
Non-cash items	28	-263	-37	-37
Change in working capital (WC)	262	-388	426	-263
<b>Cash flow from operating activities incl. changes in WC</b>	<b>844</b>	<b>1,099</b>	<b>843</b>	<b>1,213</b>
Cash flow from investments	-291	-810	-327	-1,421
<b>Free cash flow</b>	<b>553</b>	<b>289</b>	<b>516</b>	<b>-208</b>

- ◆ Cash flow from working capital was positive, amounting to SEK 262 million (426)
  - ◆ Good working capital management combined with lower raw material prices have impacted cash flow favorably. This was partly offset by a continued organic volume growth and working capital tied up for our new factories in Brazil and China
  - ◆ Cash outflow from investing activities amounted to SEK 291 million (327)
- ◆ The decrease in raw material prices since mid-first quarter 2017 is having a positive impact on cash flow. However, we have started to see a modest increase in raw material prices since the beginning of the third quarter which will impact our cash flow negatively with a time lag of 6–9 months

# ROCE – fourth quarter 2017



# Business trends – fourth quarter 2017



	Share of volume	Nordics	WE	UK	USA	CEE	CIS	Asia	LA
Food Ingredients	66%	→	→	→	→	→	→	→	→
Chocolate & Confectionery Fats	21%	→	→		→	→	→	→	→
Technical Products & Feed	13%	→							
AAK Group	100%	→	→	→	→	→	→	→	→



# Food Ingredients Q4 2017

Organic volume growth

**+7%**

Operating profit

**+8%**

Operating profit per kilo

**+0%**


## ◆ Operating profit increased to SEK 299 million (278)

- ◆ Bakery had another challenging quarter, particularly within Europe and North Latin America. Development in the US continued to be weak. However, there was good growth in Asia, the Nordics and South Latin America
- ◆ The Dairy segment continued the strong trend from previous quarters and once again reported high double-digit organic volume growth
- ◆ Special Nutrition reported high double-digit volume growth with a significantly better product mix compared to the corresponding quarter last year. 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 in the quarter
- ◆ Foodservice reported declining volumes in the quarter. This was mainly due to continued challenging market conditions in the Nordics
- ◆ The currency translation impact was negative SEK 12 million

## ◆ Operating profit per kilo was stable at SEK 0.79 (0.79)

- ◆ Improved product mix, partly offset by ramp-up costs and a negative currency translation impact.

## Food Ingredients – organic volume growth



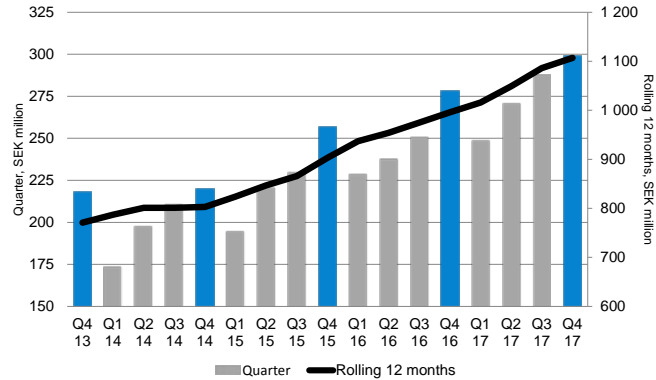
	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 FY	2016 FY
FI – speciality & semi-speciality	+9%	+3%	+2%	+2%	+4%	+1%
FI – commodity	-1%	+4%	+7%	+2%	+3%	-13%
FI – total	+7%	+3%	+3%	+2%	+4%	-2%



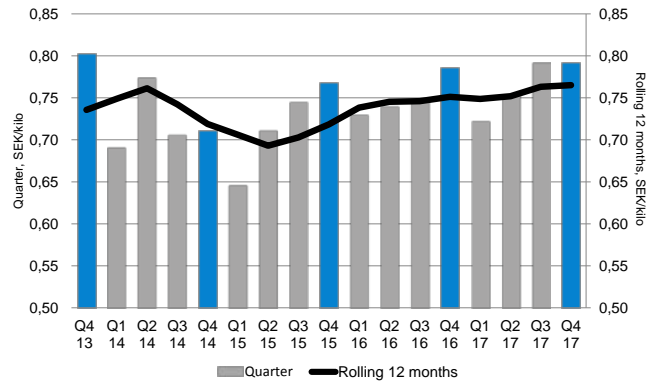
# Food Ingredients



Operating profit



Operating profit per kilo



# Chocolate & Confectionery Fats Q4 2017

Organic volume growth

**+1%**

Operating profit

**+4%**

Operating profit per kilo

**+3%**

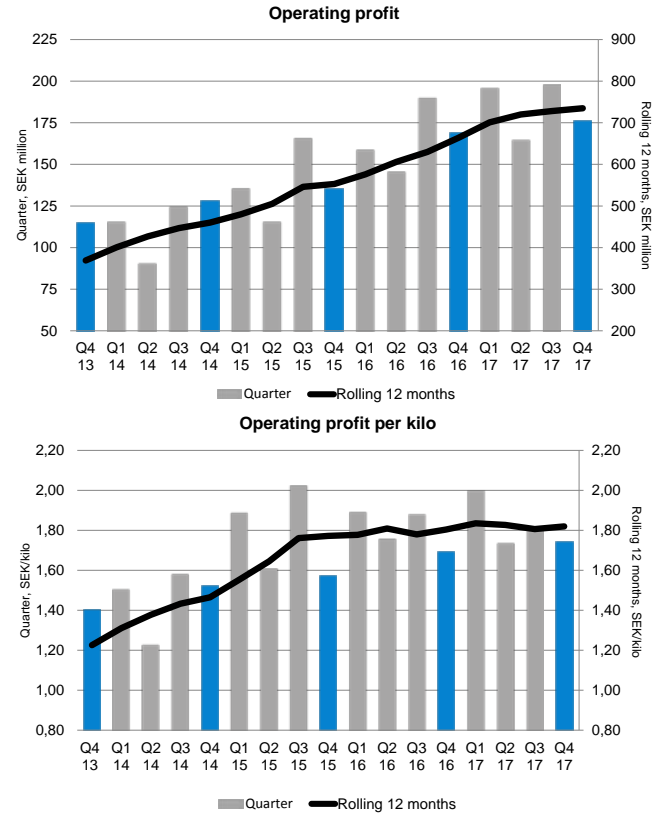
## ◆ Operating profit increased to SEK 176 million (169)

- ◆ There was continued organic volume growth for high-end products
- ◆ As earlier communicated, the business area has seen a stronger than projected growth in demand, combined with some production disruptions in Aarhus, Denmark, which have resulted in increased production costs and higher supply chain costs
  - ◆ We have started to see an improvement in our production, however, due to higher volatility in the variations in some of our raw materials and the backlog from 2017 there will be an impact during the first quarter of 2018 as well
- ◆ At the end of the quarter we signed our first commercial contract for TROPICAO™, our chocolate solution for hot climate markets
- ◆ The currency translation impact was negative SEK 6 million

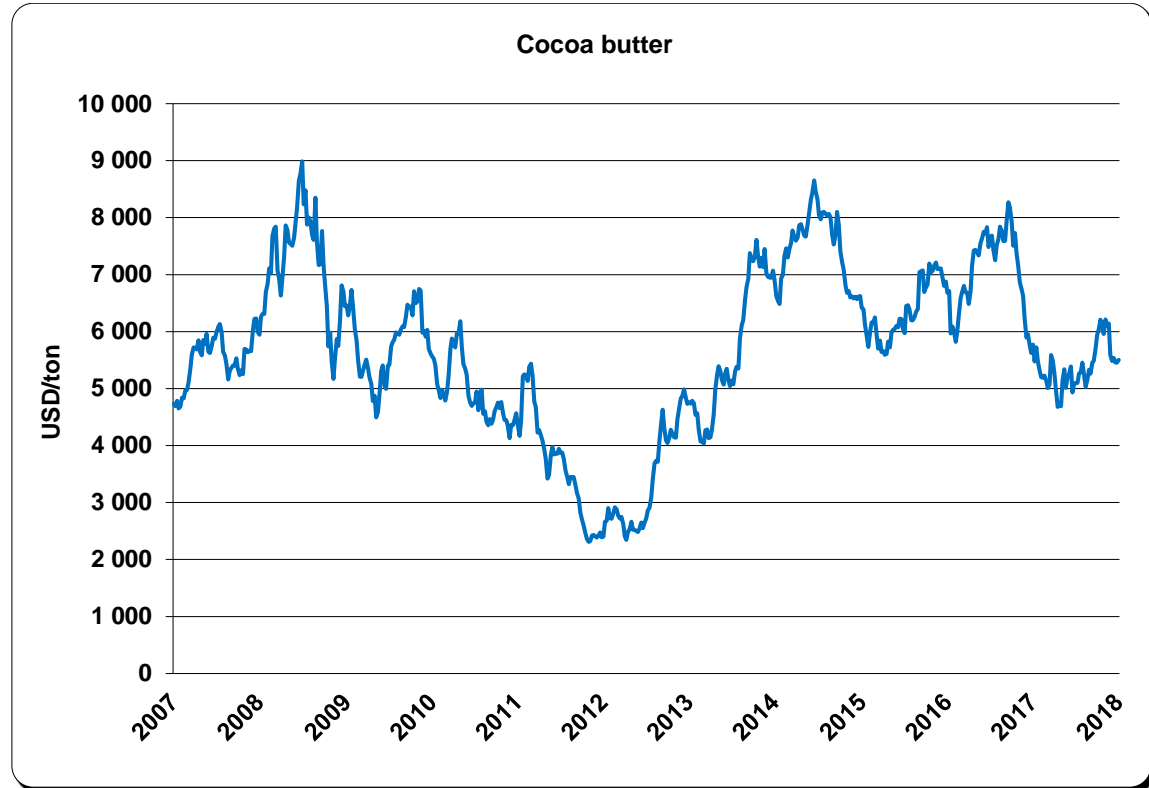
## ◆ Operating profit per kilo increased to SEK 1.74 from SEK 1.69

- ◆ Continued organic volume growth for speciality products offset by production disruptions, ramp-up costs and a negative currency translation impact
- ◆ At fixed foreign exchange rates operating profit per kilo improved by 7 percent

# Chocolate & Confectionery Fats



## Cocoa butter price



# Technical Products & Feed Q4 2017

Organic volume growth

**+1%**

Operating profit

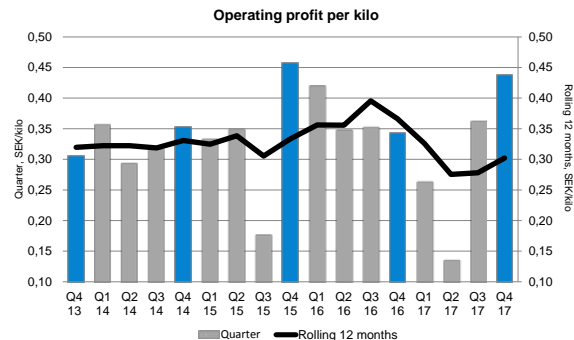
**+29%**




Operating profit per kilo

**+29%**

## Operating profit in the quarter was SEK 31 million (24)

- Volumes increased by 1 percent in the quarter
- Operating profit reached SEK 31 million (24)
  - Mainly due to an improved product mix in our fatty acids business
  - Our Feed business has also developed positively in the quarter
- The business area reported an impressive operating profit per kilo, SEK 0.44 (0.34), an improvement by 29 percent



-  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





# AAK participates in the EcoVadis CSR performance survey 2018

- ◆ EcoVadis is a collaborative platform enabling companies to monitor the sustainable performance of their suppliers
- ◆ EcoVadis uses its unique CSR assessment system with a methodology covering 150 purchasing categories, 110 countries, and 21 CSR indicators
- ◆ Four main categories: Environment, Labor practices, Fair business practices, and Sustainable procurement





## AAK receives highest possible recognition

- ◆ BRONZE, SILVER, GOLD recognition levels available
- ◆ AAK received a GOLD recognition for the second year in a row!
- ◆ More than 40,000 suppliers participated



AAK scored among the top 5% of companies assessed in the global EcoVadis survey!

## 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



# Financial calendar

## Financial calendar 2018/2019

April 23, 2018	First quarter report 2018
May 30, 2018	Annual General Meeting
July 18, 2018	Second quarter report 2018
October 25, 2018	Third quarter report 2018
November 21, 2018	Capital market day
February 1, 2019	Fourth quarter and year-end report 2018

# Investor Relations contact

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