



Johan Westman, CEO  
Fredrik Nilsson, CFO

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**Interim report  
Second quarter  
2018**

**AAK**

# Agenda

- 1 Second quarter 2018
- 2 Business area information
- 3 The AAK Way
- 4 Q&A



# Highlights Q2 2018

## HIGHLIGHTS

# 2018



- Strong organic volume growth continued
- Gaining market shares
- Record-high operating profit for a second quarter, +11 percent vs. last year
- Earnings per share increased by 15 percent
- Operating cash flow including changes in working capital was good in the quarter
- Most of our geographic markets have seen good progress. However, there has been a slightly weaker development in the US

## GROWTH & RETURNS

**Volume**  
**550,000 MT**  
(up 6% y/y)

**Operating profit**  
**SEK 454 million**  
(up 11% y/y, up 11% y/y\*)

**Operating profit**  
**per kilo**  
**SEK 0.83**  
(up 5% y/y, up 5% y/y\*)

**ROCE**  
**15.5%**

\* Fixed FX

# Highlights Q2 2018

## Investment in the Philippines

- AAK has decided to invest in a customization plant in the Philippines
- The plant will be located on land owned by oils and fats refinery San Pablo Manufacturing Company
- The customization plant will be operational at the end of 2018 after which AAK will continue to explore additional capabilities and opportunities in the Philippine market



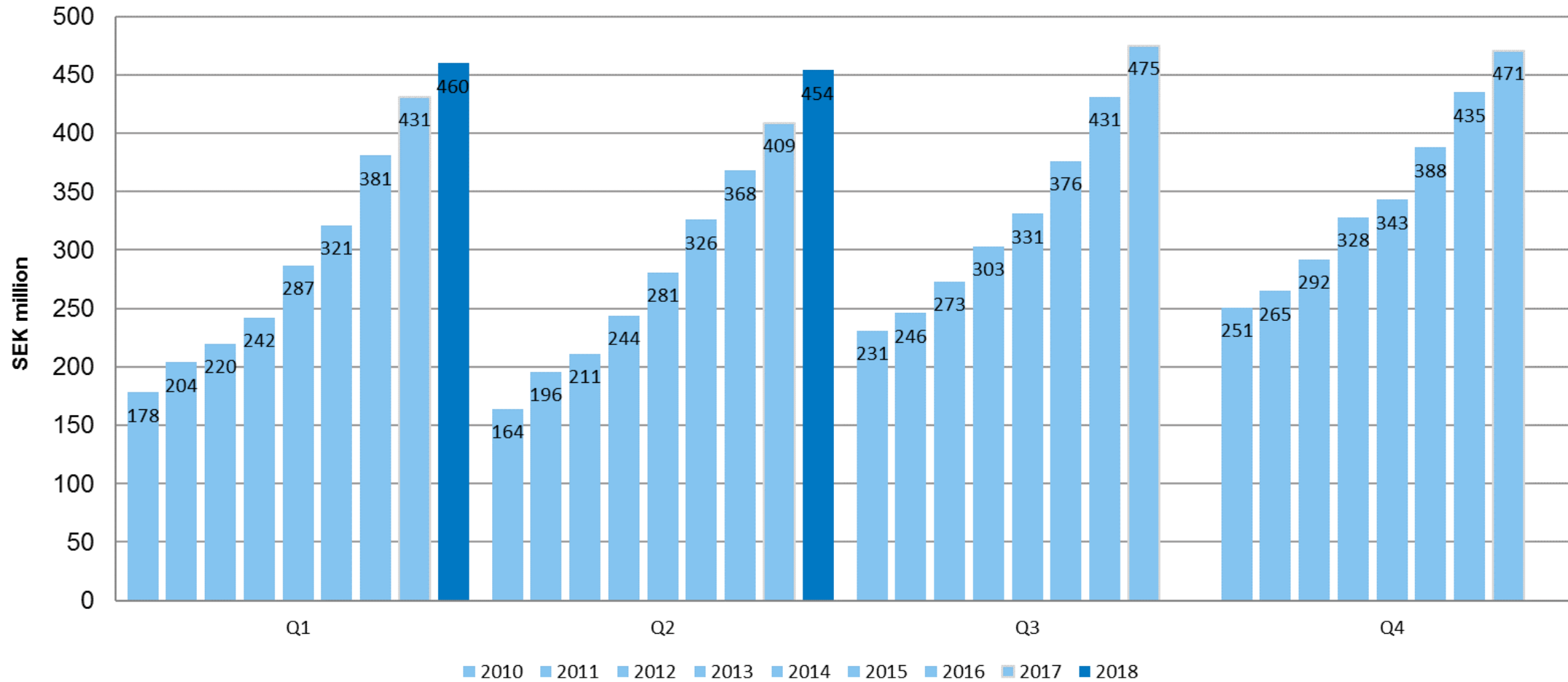
## Distribution agreement with FSL

- Exclusive agent and distributor agreement signed with Food Specialities Limited (FSL), the leading food and beverage ingredient supplier in the GCC (Gulf Cooperation Council) region
- FSL's complementary portfolio of ingredients and solutions will yield great synergies with our unique and global co-development approach, creating value in every step of the production



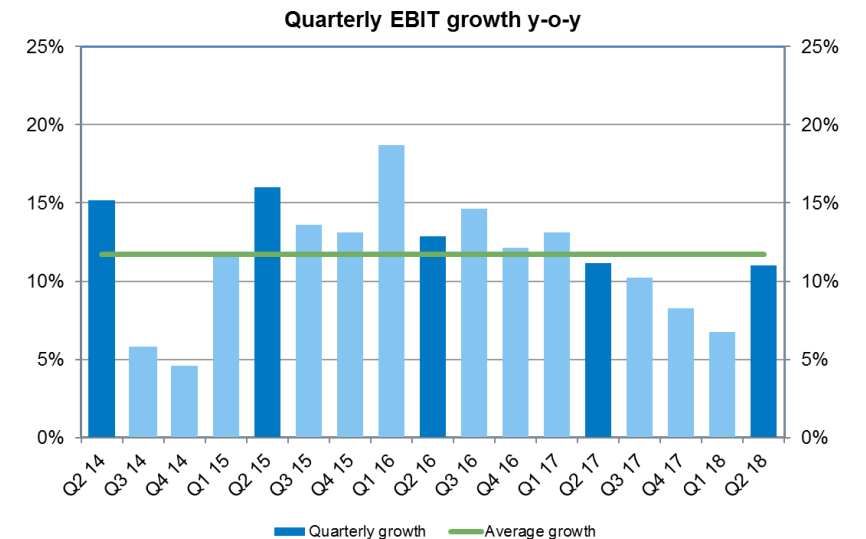
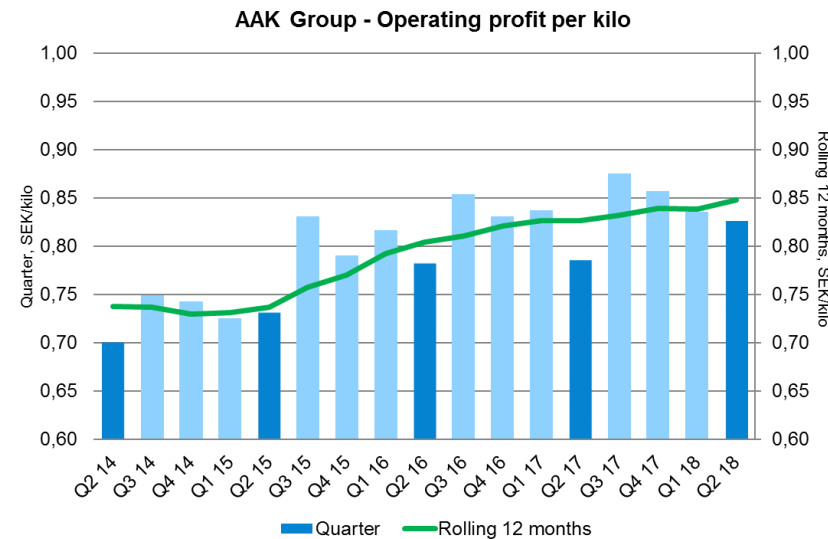
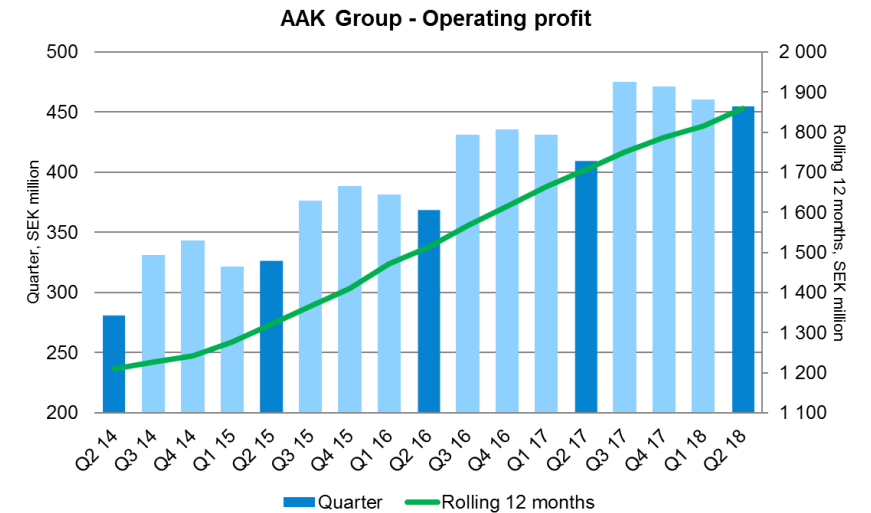
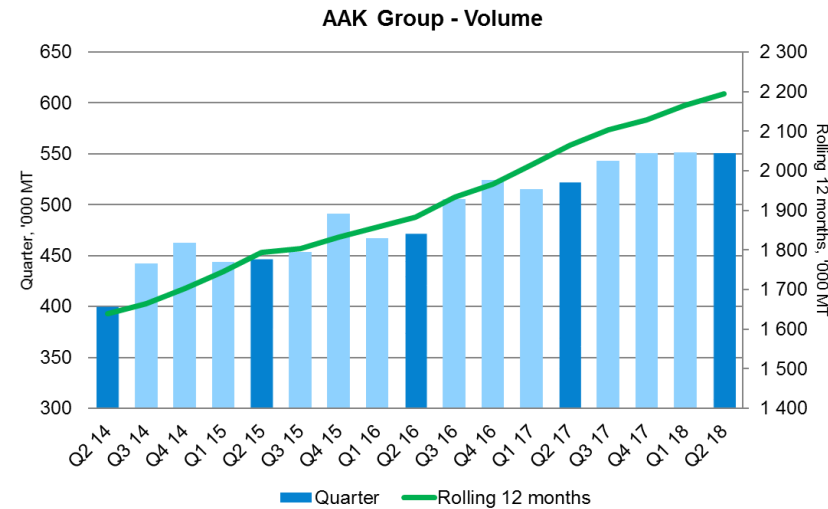
# Continued strong year-over-year operating profit growth

Operating profit









# Financial summary – AAK Group

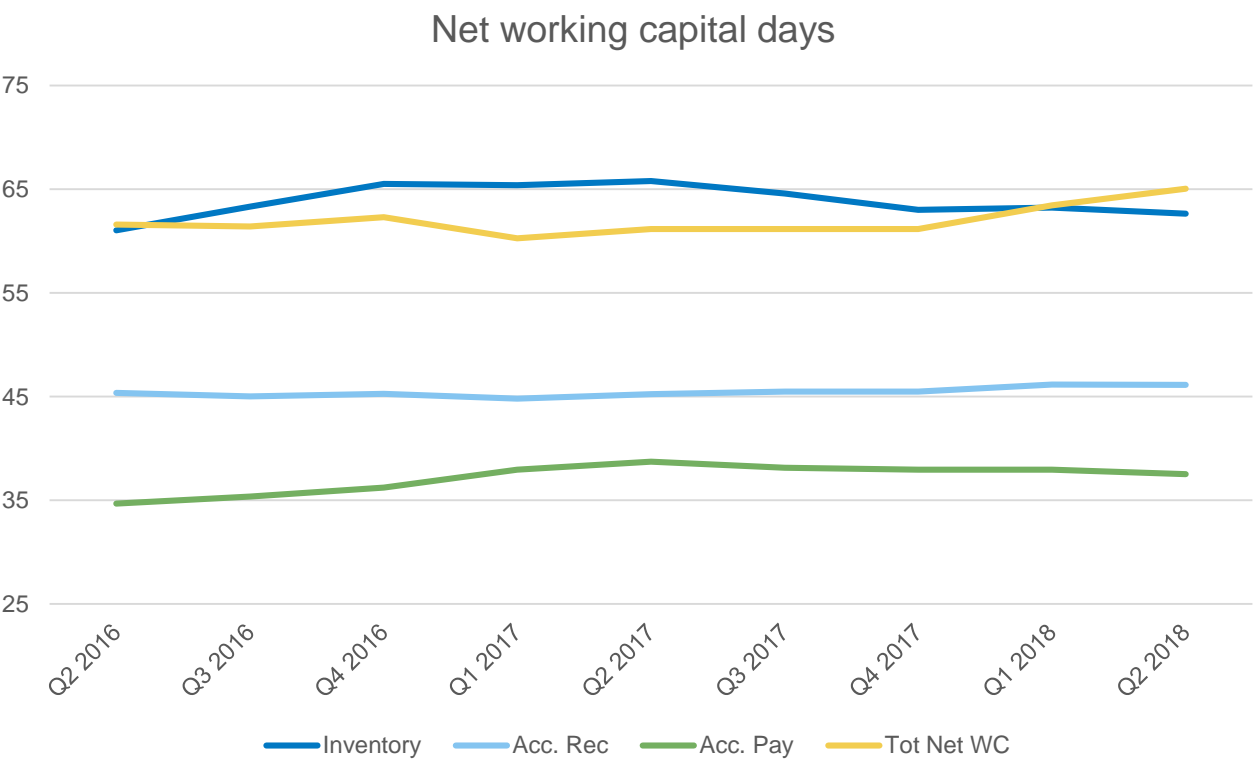


## FX exposure – translation impact

	Average rate 2017	Average rate YTD 2018	Movement vs SEK
USD	8.52	8.46	
EUR	9.65	10.19	
GBP	11.04	11.56	
MXN	0.45	0.44	

# Working capital details

Working capital days rolling 12 months



YTD development

Inventory  
Flat

Payables  
Flat

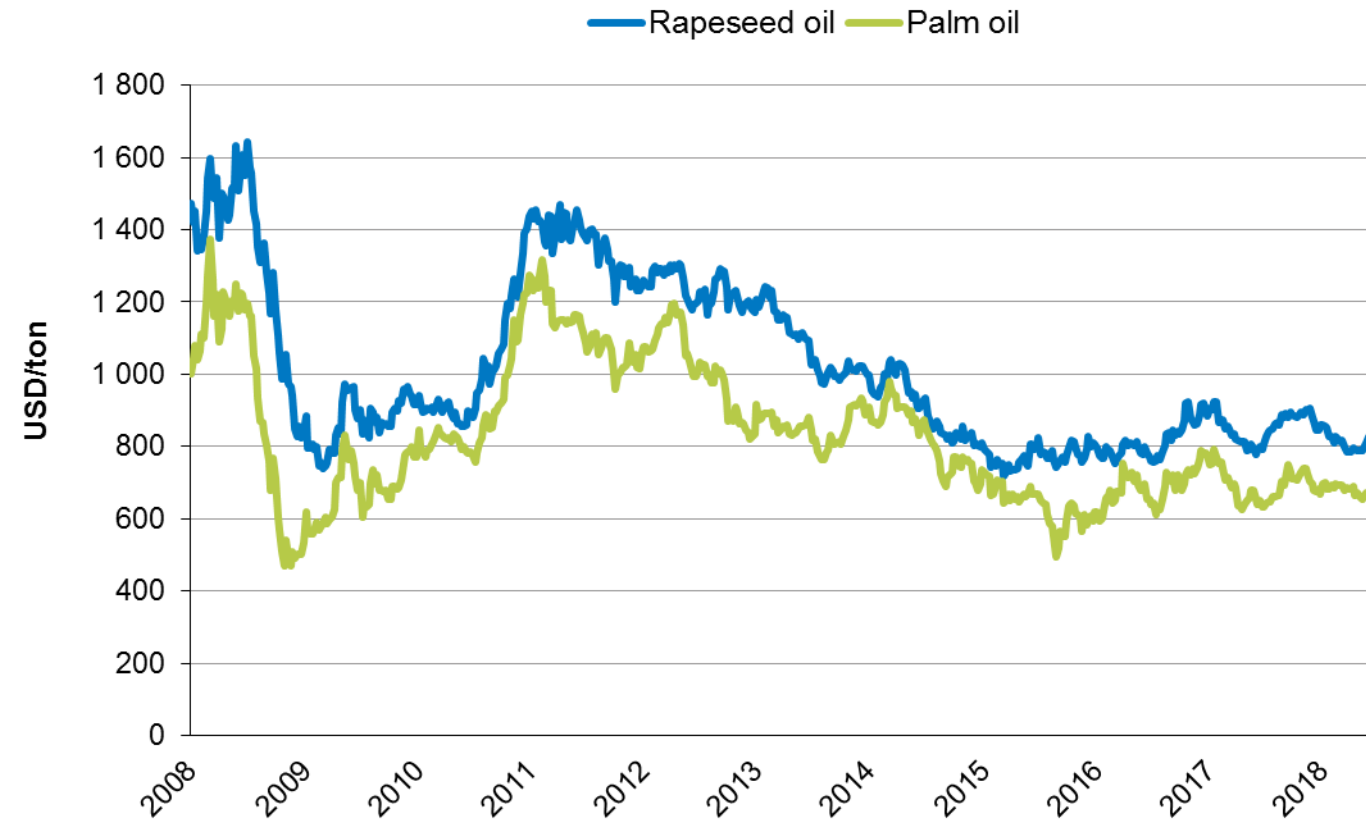
Receivables  
+1

Other WC  
+3



# Raw material prices

## Rapeseed oil and palm oil



## Cash flow

SEK million	Q2 2018	Q2 2017	Q1–Q2 2018	Q1–Q2 2017
<b>EBITDA</b>	<b>595</b>	<b>532</b>	<b>1,190</b>	<b>1,085</b>
Paid interest	-32	-18	-49	-64
Paid tax	-132	-146	-244	-287
Non-cash items	-100	-131	-319	-165
Change in working capital (WC)	65	-66	-578	-806
<b>Cash flow from operating activities incl. changes in WC</b>	<b>396</b>	<b>171</b>	<b>0</b>	<b>-237</b>
Cash flow from investments	-174	-192	-304	-344
<b>Free cash flow</b>	<b>222</b>	<b>-21</b>	<b>-304</b>	<b>-581</b>

- Despite continued volume growth (impacting negatively on accounts receivables) cash flow from working capital was positive due to reduced inventory levels and higher accruals. This was partly offset by reduced accounts payables

# Return on Capital Employed (ROCE)

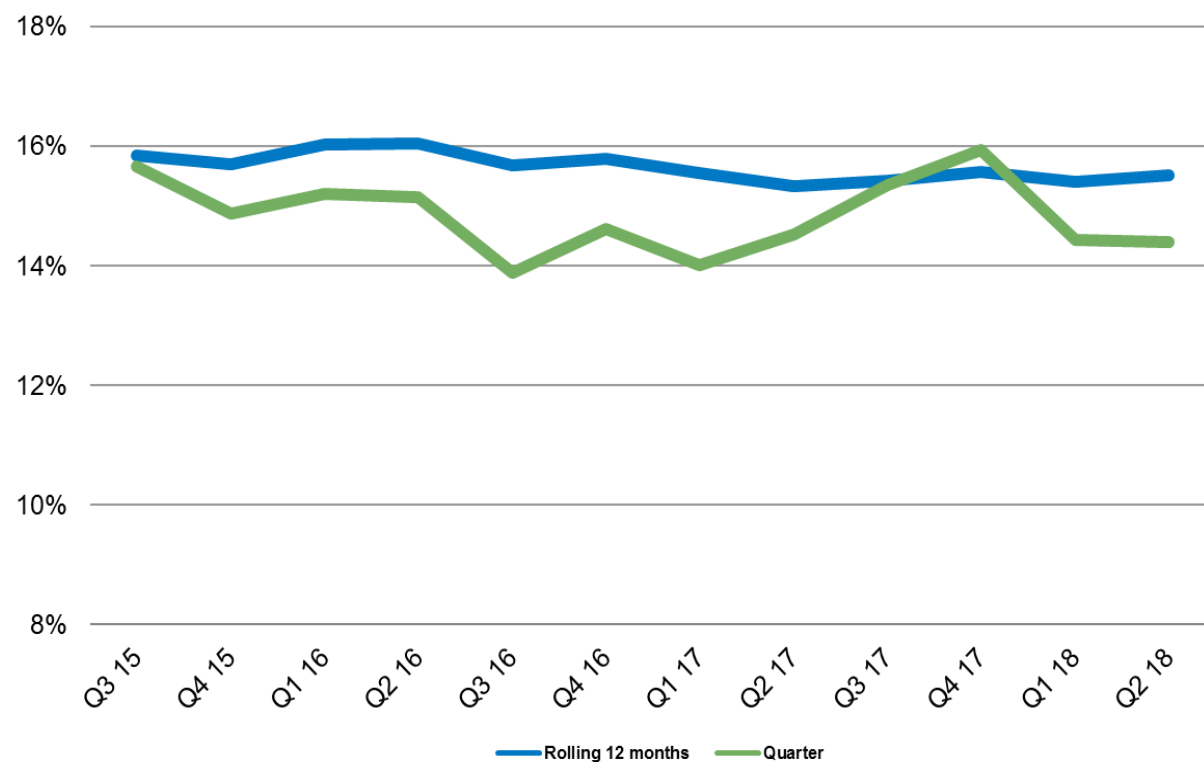
We target a gradual and continuous improvement

**ROCE end Q2 2018\***  
**15.5%**

**EBIT LTM**  
**SEK million**  
**1,860**

**Capital  
employed\***  
**SEK million**  
**11,988**

Growth and operating leverage  
to drive increase in ROCE



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

# Food Ingredients Q2 2018

- ◆ **Operating profit increased to SEK 292 million (271)**

- ◆ The Bakery segment reported volume growth for the second consecutive quarter. The challenge to change the product mix towards a greater proportion of high-end products remains
- ◆ The Dairy segment continued the strong trend from previous quarters
- ◆ Special Nutrition continued its strong momentum with an improved product mix
- ◆ Foodservice declined slightly due to harsher market conditions in the US.
- ◆ The currency translation impact was positive SEK 3 million

- ◆ **Operating profit per kilo improved to SEK 0.77 (0.75)**

- ◆ Good underlying improvement as well as a positive currency translation impact helped lift operating profit per kilo

**Organic volume  
growth  
+5%**

**Operating  
profit  
+8%**

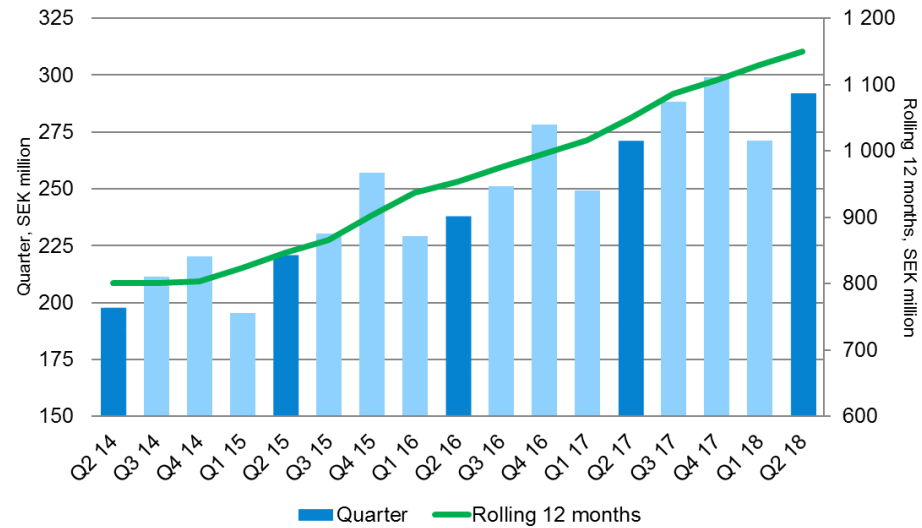
**Operating profit  
per kilo  
+3%**



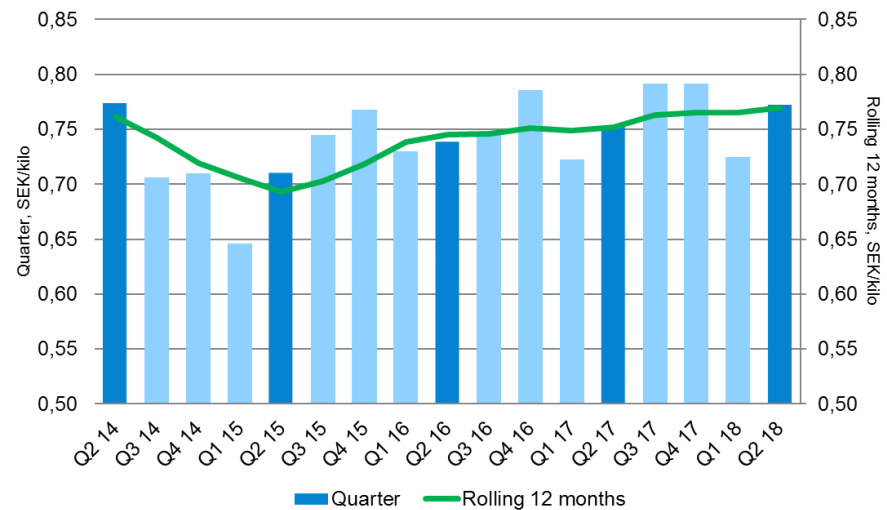
# Food Ingredients Q2 2018



Food Ingredients - Operating profit



Food Ingredients - Operating profit per kilo





# Chocolate & Confectionery Fats Q2 2018

- ◆ **Operating profit reached SEK 169 million (165)**

- ◆ After a challenging first quarter the business area was back to a small profit growth
- ◆ Good growth for high-end products but a slightly more challenging quarter for our semi-speciality products
- ◆ The planned maintenance stop and the stretched utilization have resulted in some additional costs in the quarter as well as limited our possibilities to take advantage of new market opportunities
- ◆ No currency translation impact

- ◆ **Operating profit per kilo decreased to SEK 1.74 (1.74)**

- ◆ Continued organic volume growth for speciality products offset by production disruptions, ramp-up costs and a negative currency translation impact

**Organic volume  
growth  
+2%**

**Operating  
profit  
+2%**

**Operating profit  
per kilo  
0%**

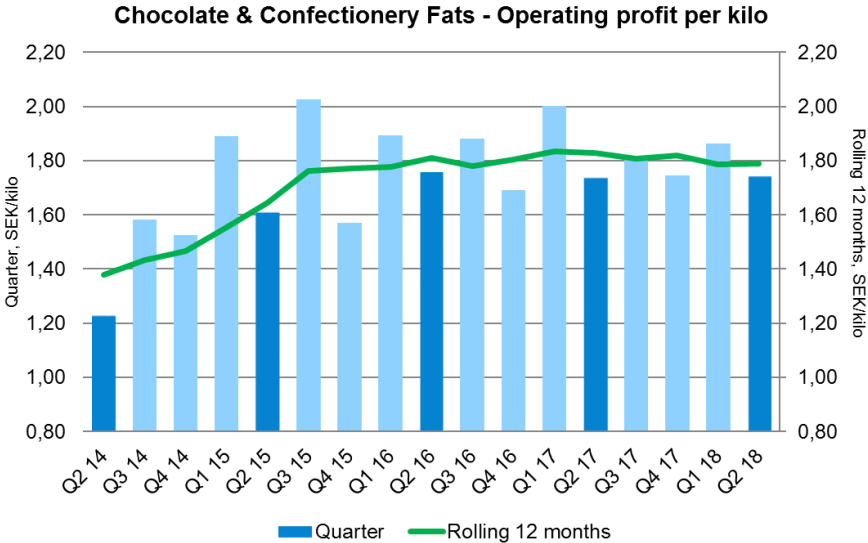
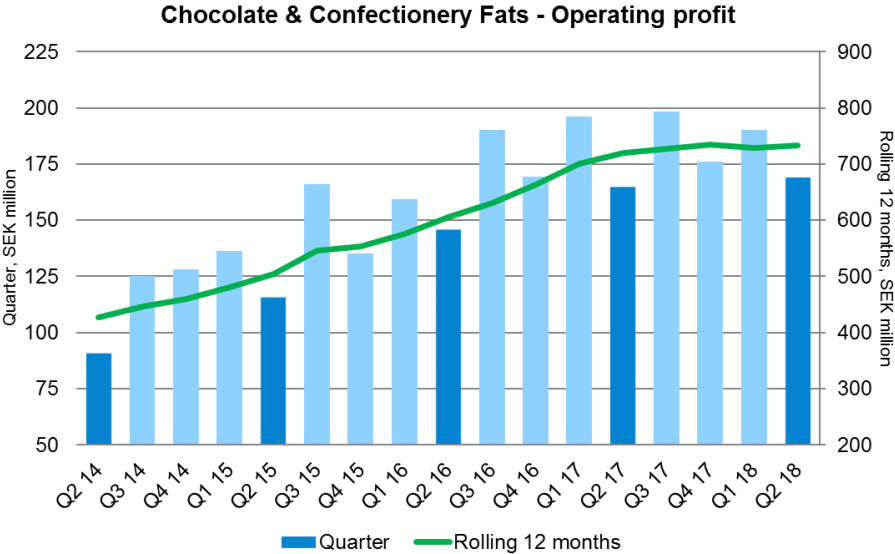
## Cocoa butter price




### Cocoa butter



# Chocolate & Confectionery Fats Q2 2018



# Technical Products & Feed Q2 2018

- 
- **Operating profit increased by 256 percent reaching SEK 32 million (9)**
    - Double-digit volume growth in both the fatty acids business and the feed business
    - Mainly due to this year's normal maintenance stop as opposed to the extended one in 2017
    - The improvement in the operating profit was due to
      - Improved product mix in our fatty acids business
      - Volume growth as a result of last year's extended maintenance stop
      - Lower raw material prices in the fatty acids business compared to the first six months of 2017
  - **The business area reported an impressive operating profit per kilo, SEK 0.43 (0.14), an improvement by 207 percent**

**Organic volume  
growth  
+14%**

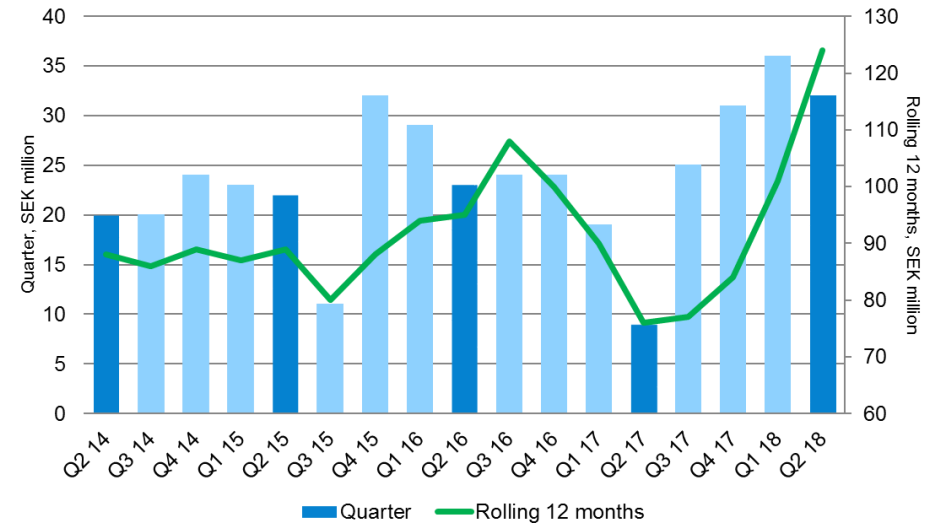
**Operating  
profit  
+256%**

**Operating profit  
per kilo  
+207%**

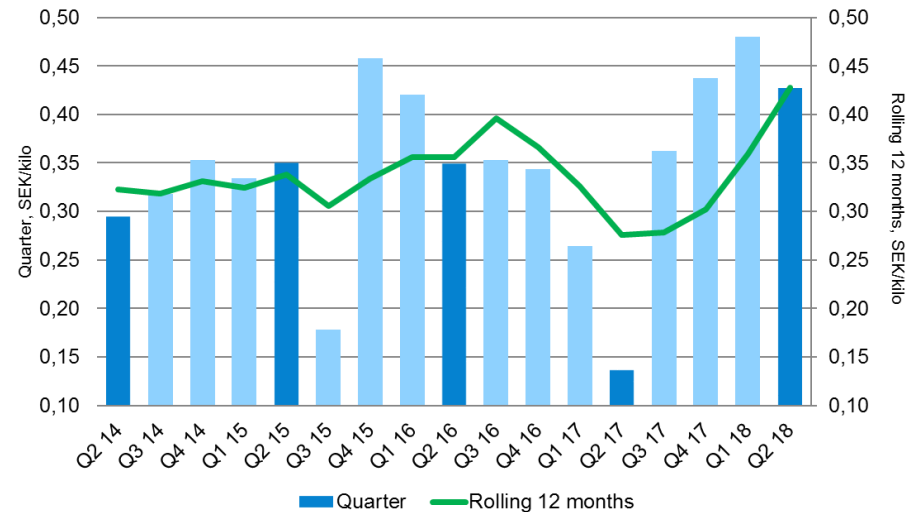
# Technical Products & Feed Q2 2018






Technical Products & Feed - Operating profit



Technical Products & Feed - Operating profit per kilo





-  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

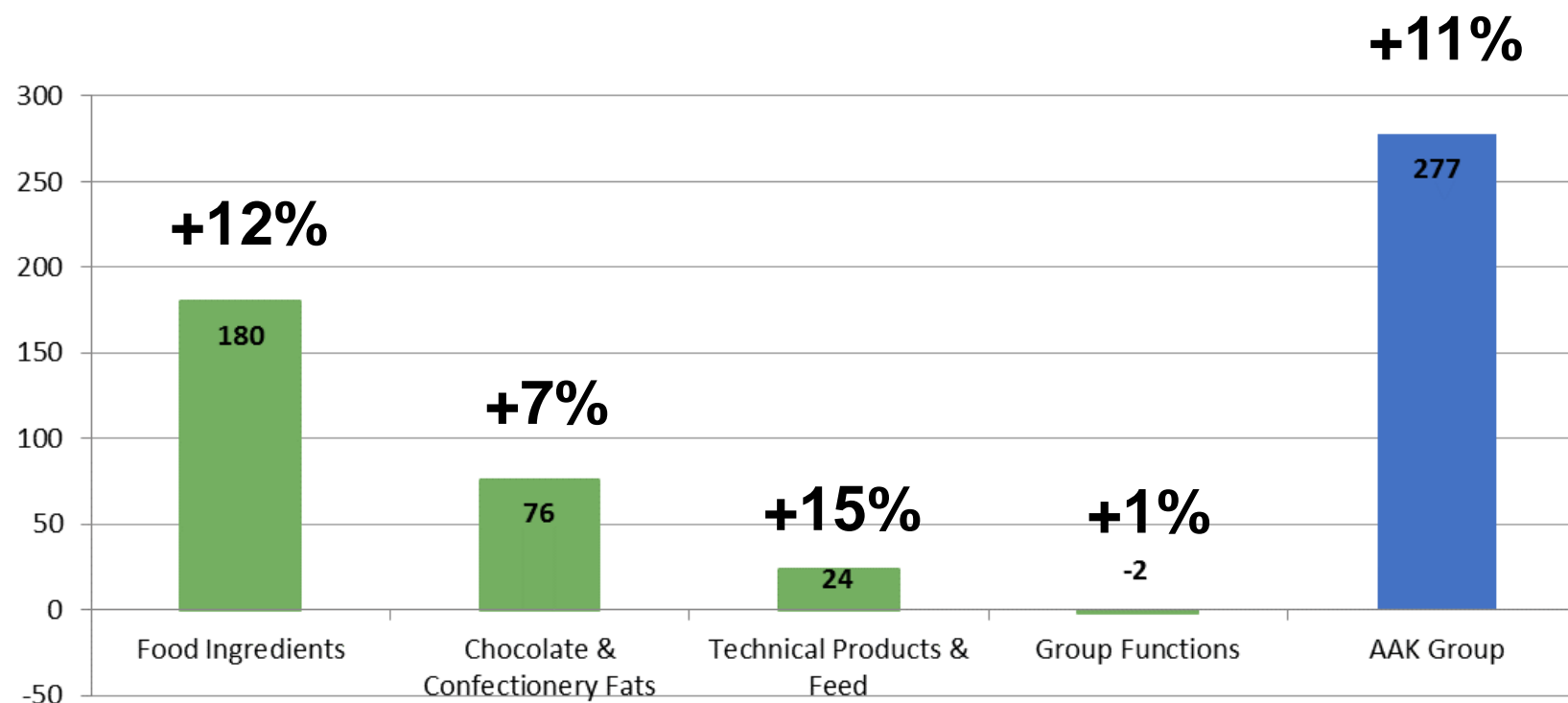
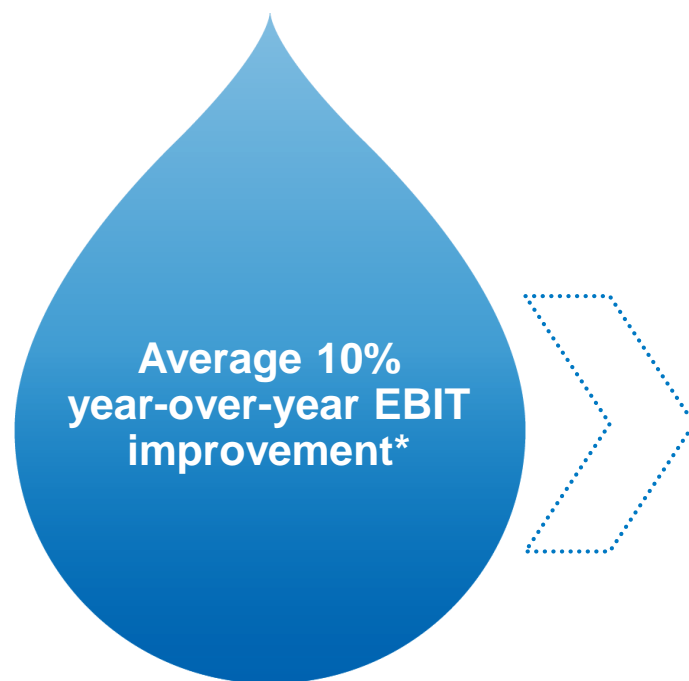
- 💧 Special Nutrition
- 💧 Dairy+
- 💧 INNOBO-Products



## People



# Our long-term management ambition – CAGR after 18 months



\*Excluding acquisitions and at fixed FX



We continue to  
remain prudently  
optimistic about the  
future.

# Q&A

# Financial calendar

## Financial calendar 2018/2019

October 25, 2018	Third quarter report 2018
November 21, 2018	Capital market day
February 1, 2019	Fourth quarter and year-end report 2018



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Thank you!

**AAK**