The background of the slide features a blue-toned image of financial data. It includes a line chart with multiple colored lines (purple, yellow, red) showing fluctuations. Overlaid on this are vertical bars of varying heights, resembling a bar chart. Faint binary code (0s and 1s) is scattered across the background, particularly in the center and right areas.

Johan Westman, CEO  
Fredrik Nilsson, CFO

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# Interim Report Third Quarter 2018

**AAK**



# Agenda

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

# Highlights Q3 2018

## HIGHLIGHTS

# 2018



- Strong organic volume growth continued
- Gaining market shares
- All-time high operating profit
- Earnings per share increased by 16 percent
- Operating cash flow including changes in working capital was good
- Most of our geographic markets have seen good progress. However, the slightly weaker development in the US continued in the third quarter
- We continue to see a greater demand for some of our high-end Chocolate & Confectionery Fats products compared to our current capacity

## GROWTH & RETURNS

**Volume**  
**564,000 MT**  
(up 4% y/y)

**Operating profit**  
**SEK 526 million**  
(up 11% y/y, up 7% y/y\*)

**Operating profit**  
**per kilo**  
**SEK 0.93**  
(up 7% y/y, up 3% y/y\*)

**ROCE**  
**15.7%**

\* Fixed FX

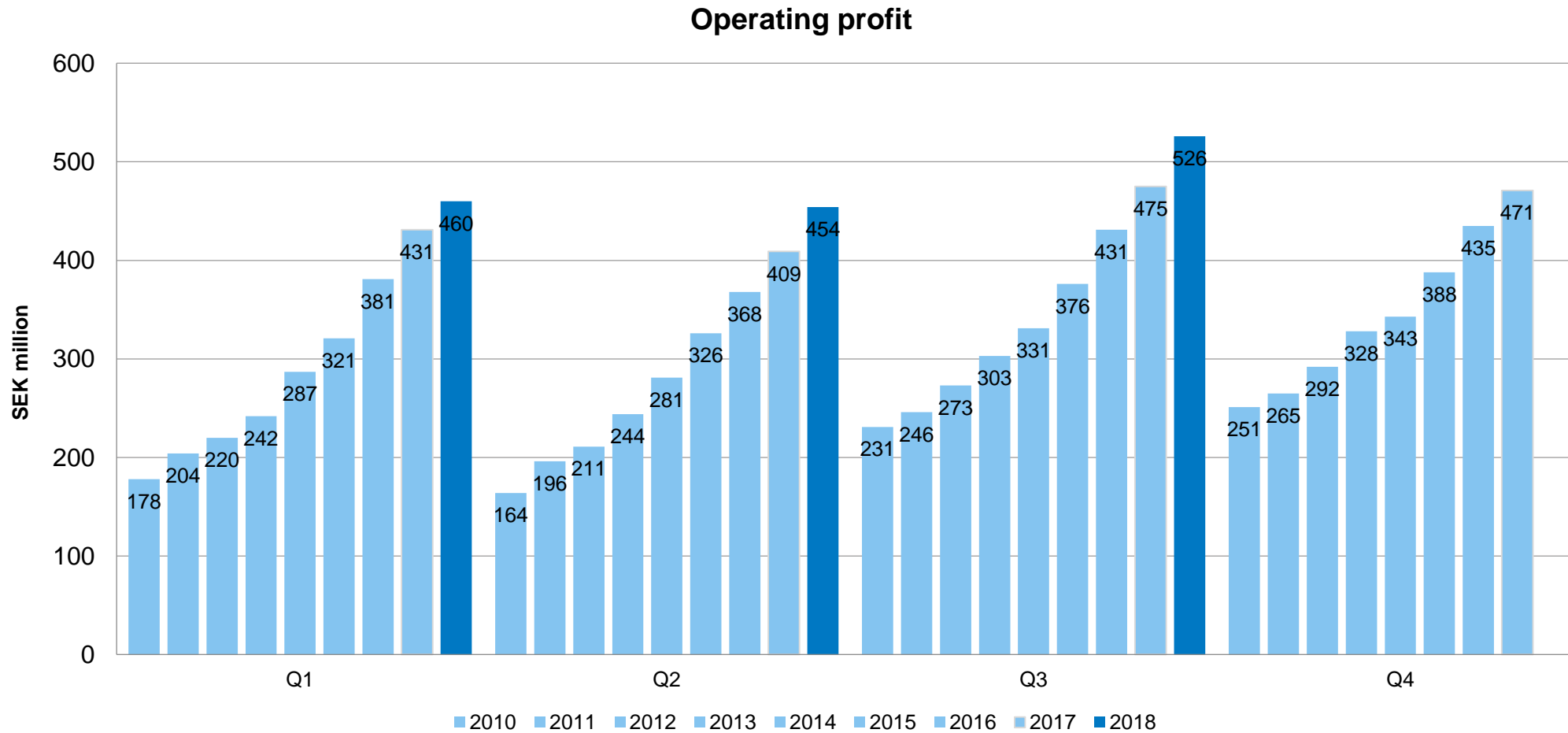
# Highlights Q3 2018

## Customer Innovation Center in Singapore

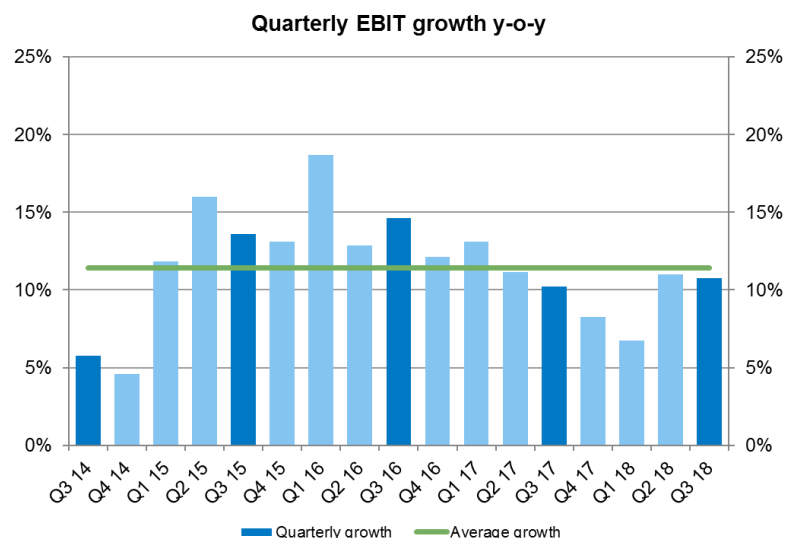
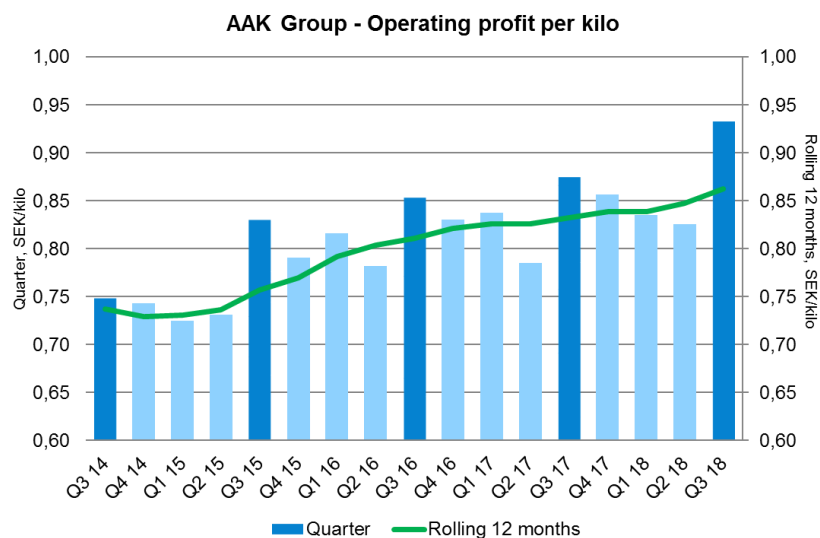
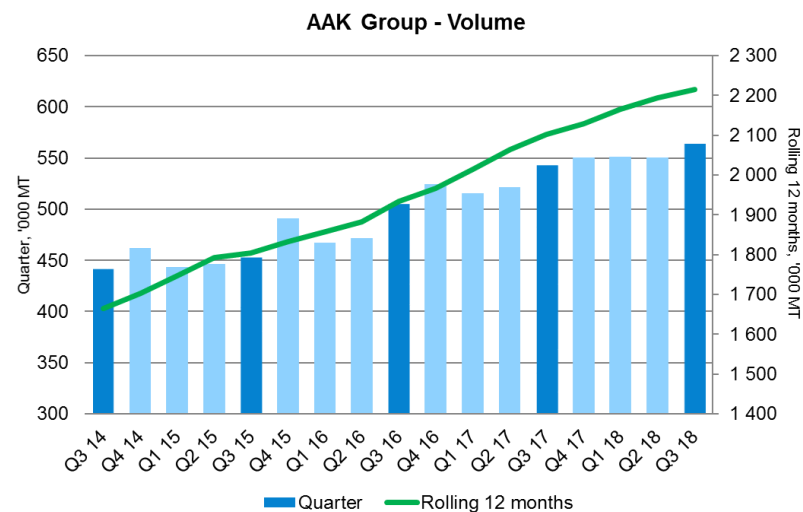
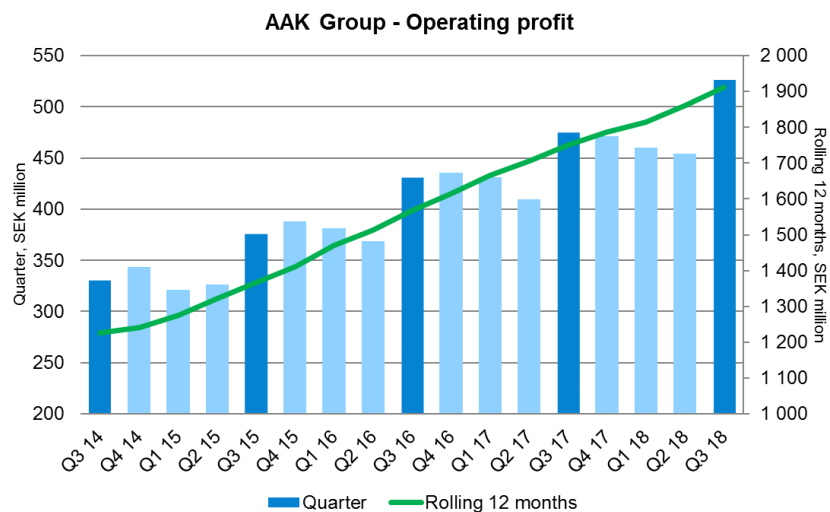
- AAK has opened a Customer Innovation Center in Singapore to further strengthen its capabilities and customer co-development approach in the Southeast Asian market
- The state-of-the-art center will be focused on applications within Chocolate & Confectionery Fats, Bakery, Ice cream and Dairy, and Special Nutrition
- Southeast Asia is one of the fastest-growing economies on the continent and the demand for speciality and semi-speciality edible oils is expected to grow strongly in the region
- The center is located at Biopolis, an integrated R&D complex that houses research laboratories of pharmaceutical and biotechnology companies as well as public sector research institutes



## Q3 2018 – in line with our historic trend lines

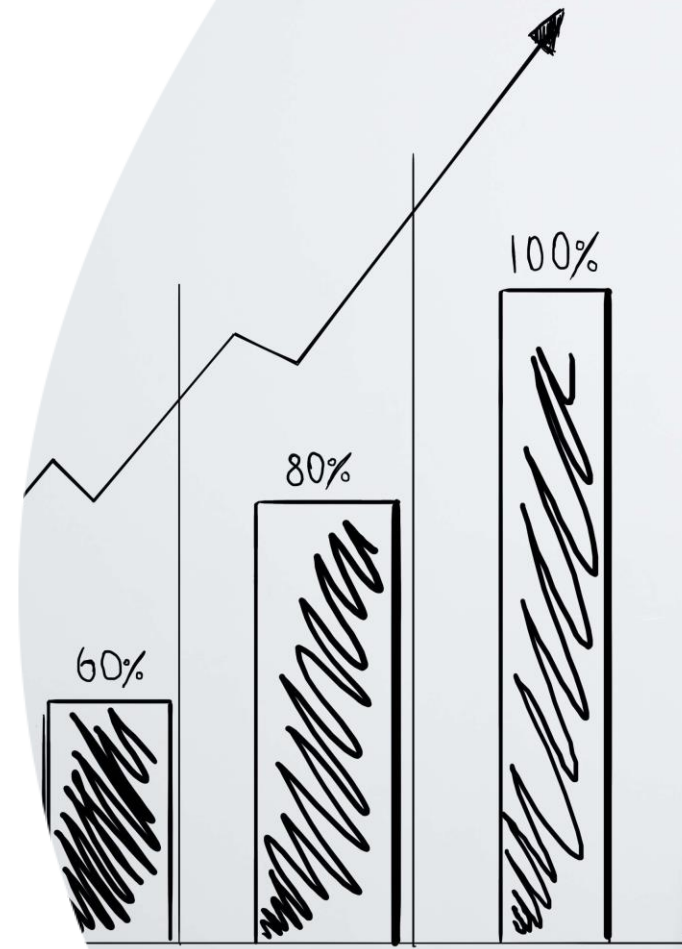


# Financial summary – AAK Group



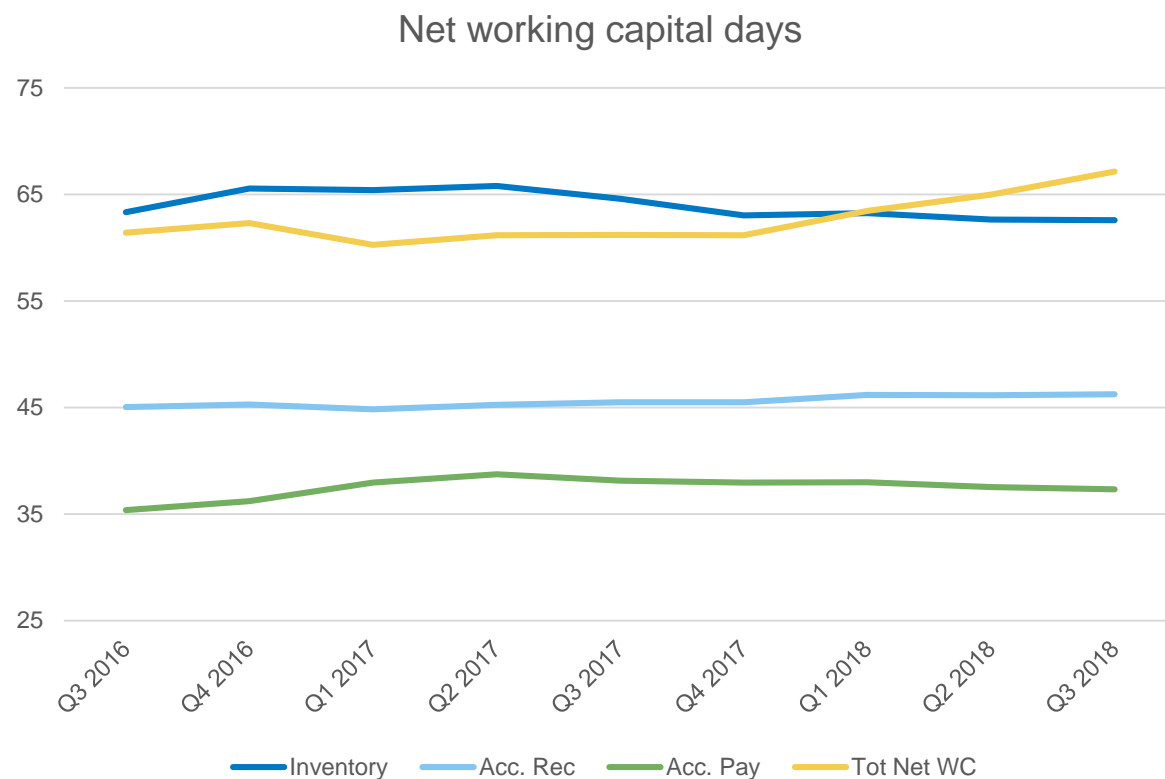
## FX exposure – translation impact

	Average rate 2017	Average rate YTD 2018	Movement vs SEK
USD	8.52	8.60	➡
EUR	9.65	10.26	➡
GBP	11.04	11.59	➡
MXN	0.45	0.45	➡



# Working capital days

Working capital days, rolling 12 months



YTD development

**Inventory**  
**Flat**

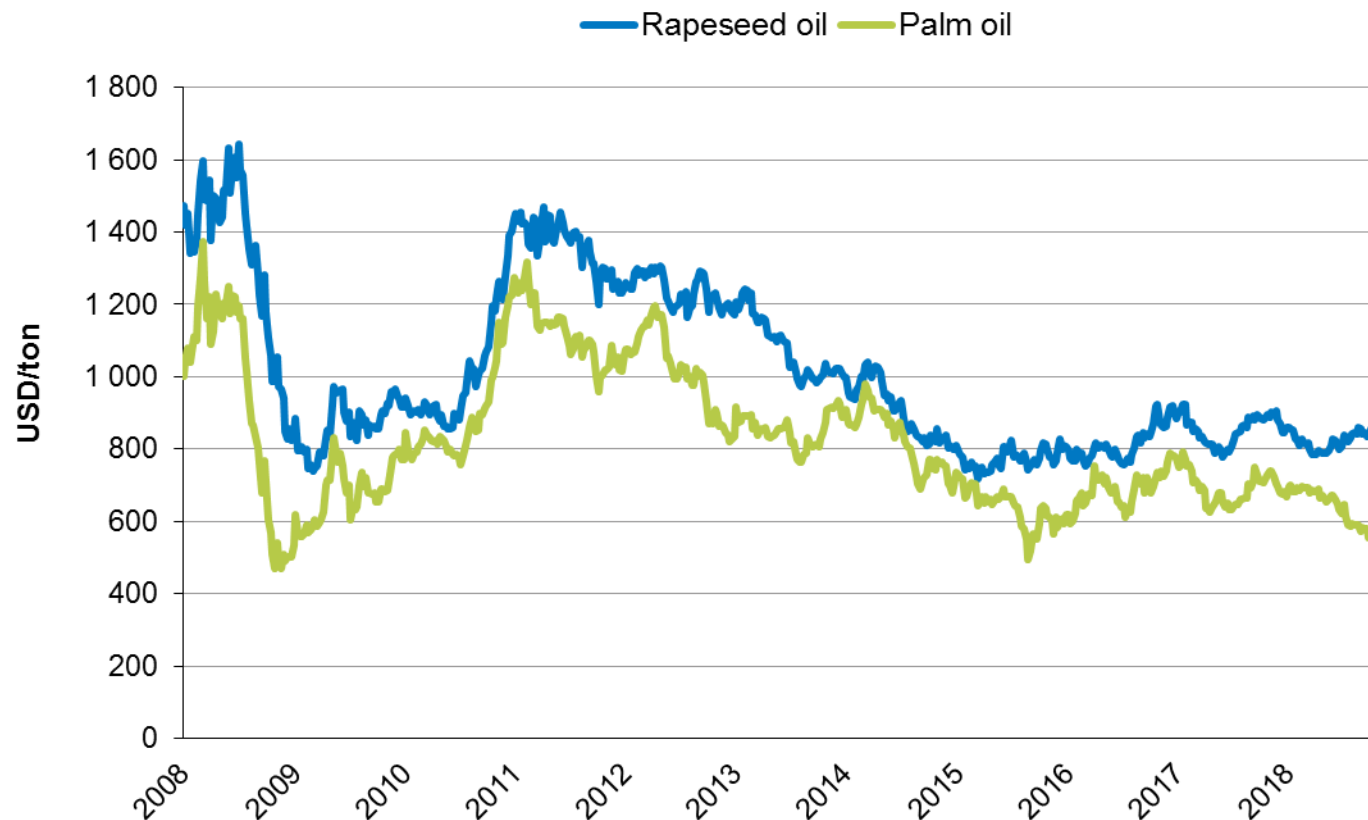
**Payables**  
**-1**

**Receivables**  
**+1**

**Other WC**  
**+4**

# Raw material prices

## Rapeseed oil and palm oil



# Cash flow

SEK million	Q3 2018	Q3 2017	Q1–Q3 2018	Q1–Q3 2017
<b>EBITDA</b>	<b>664</b>	<b>595</b>	<b>1,854</b>	<b>1,680</b>
Paid interest	-38	-35	-87	-99
Paid tax	-80	-98	-324	-385
Non-cash items	15	-126	-304	-291
Change in working capital (WC)	-37	156	-615	-650
<b>Cash flow from operating activities incl. changes in WC</b>	<b>524</b>	<b>492</b>	<b>524</b>	<b>255</b>
Cash flow from investments	-159	-175	-463	-519
<b>Free cash flow</b>	<b>365</b>	<b>317</b>	<b>61</b>	<b>-264</b>

- Continued good inventory control had a favorable impact on cash flow from working capital. This was partly offset by reduced accounts payables mainly as a consequence of lower raw material prices
- Continued volume growth and normal seasonality drove higher accounts receivables which impacted cash flow negatively

# Return on Capital Employed (ROCE)

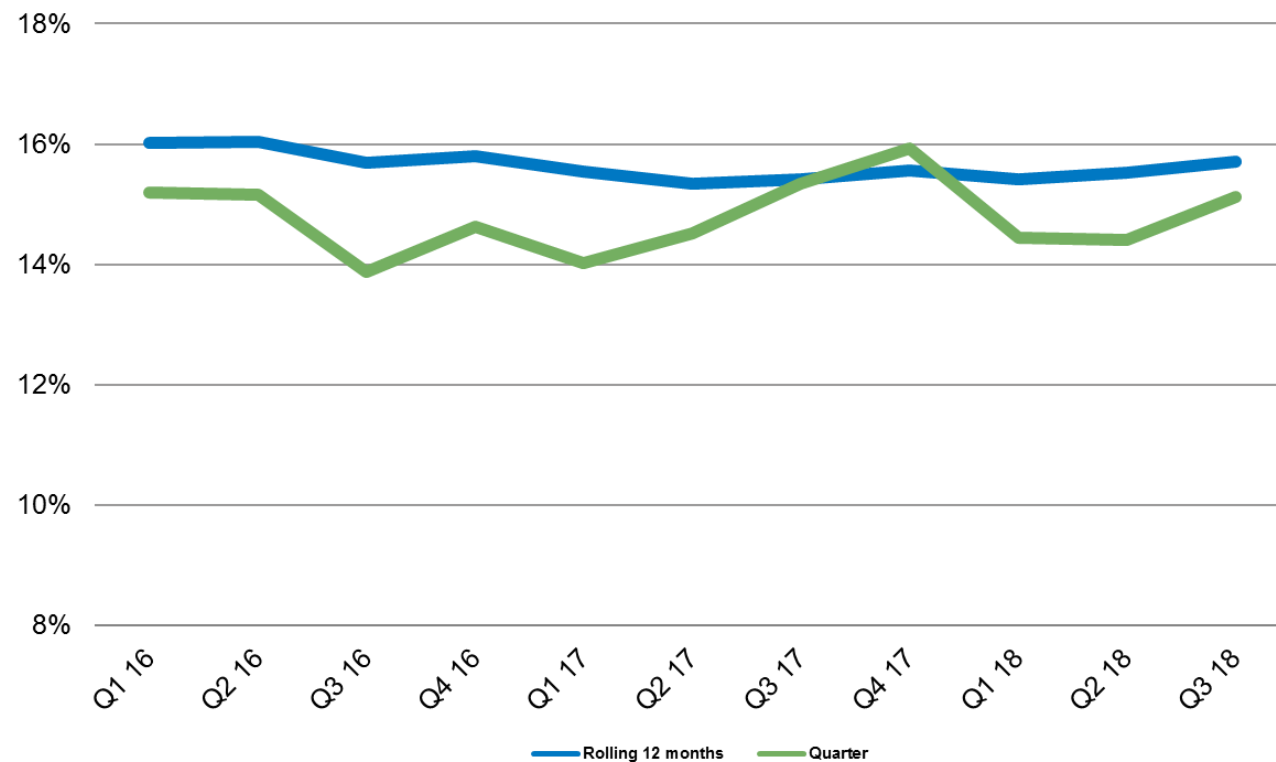
We target a gradual and continuous improvement

**ROCE end Q3 2018\***  
**15.7%**

**EBIT LTM**  
**SEK million**  
**1,911**

**Capital  
employed\***  
**SEK million**  
**12,167**

Growth and operating leverage  
to drive increase in ROCE



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

# Food Ingredients Q3 2018



- **Operating profit increased to SEK 321 million (288)**
  - The Bakery segment continued the positive trend
    - Volume growth was particularly strong in North Latin America
    - Europe had an improved product mix with a greater proportion of customer co-developed solutions
  - The long-term trend within Dairy continued and the segment once again reported strong organic volume growth
  - Special Nutrition reported double-digit volume growth with an improved product mix
  - In the US, volumes in Foodservice declined slightly
  - The currency translation impact was positive SEK 9 million
- **Operating profit per kilo improved to SEK 0.85 (0.79)**
  - Good underlying improvement
  - The currency translation impact was SEK 0.02

**Organic volume  
growth  
+3%**

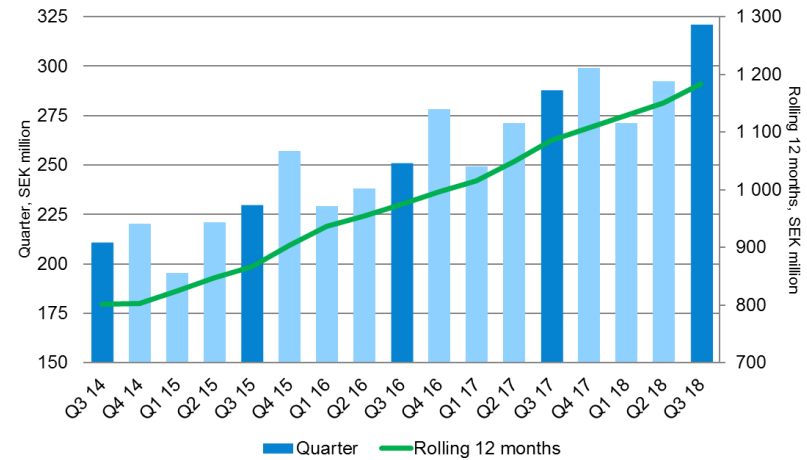
**Operating  
profit  
+11%**

**Operating profit  
per kilo  
+8%**

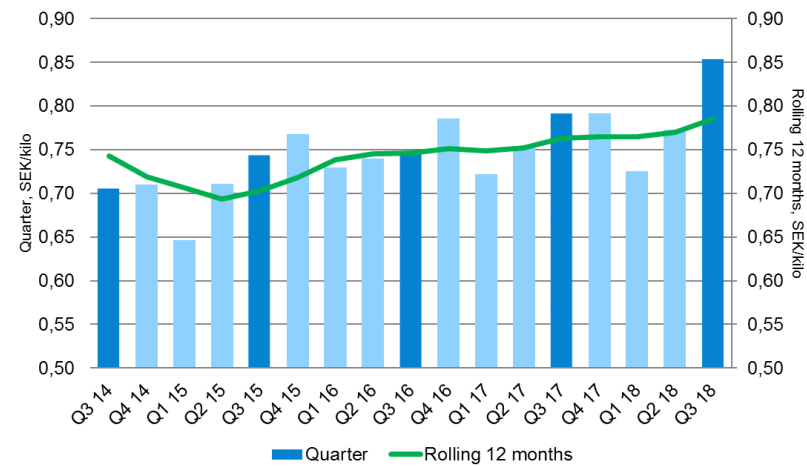
# Food Ingredients Q3 2018



Food Ingredients - Operating profit



Food Ingredients - Operating profit per kilo



# Chocolate & Confectionery Fats Q3 2018

- **Operating profit reached SEK 206 million (198)**
  - The organic volume growth for the business area was 5 percent (9).
  - Price development on high-end products have been slightly positive in the quarter
  - Production capacity, compared to demand, remains stretched for certain high-end products
    - Volatility in raw material yields has resulted in lower output and higher production costs
    - We continue to make investments to remove bottlenecks in order to support current and future volume growth of high-end products
  - The currency translation impact was positive SEK 7 million
- **Operating profit per kilo was stable and reached SEK 1.79 (1.80)**
  - The currency translation impact was SEK 0.06

Organic volume  
growth  
**+5%**

Operating  
profit  
**+4%**

Operating profit  
per kilo  
**-1%**

# Cocoa butter price

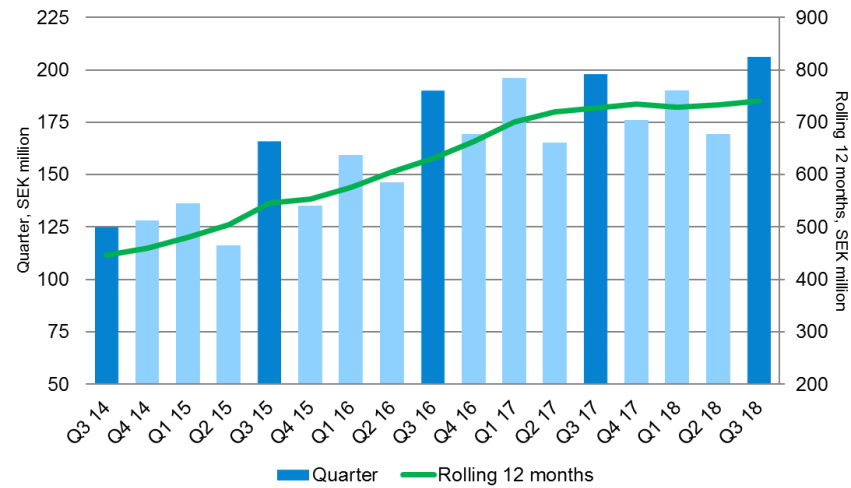
**Cocoa butter**



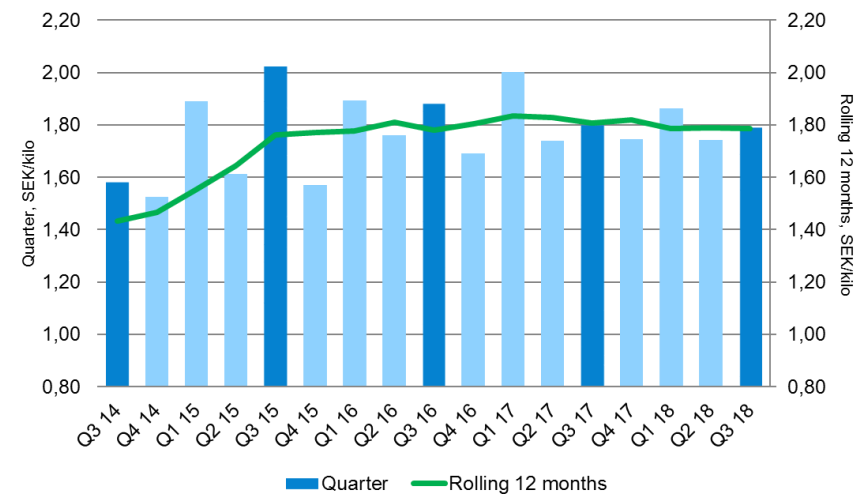
# Chocolate & Confectionery Fats Q3 2018



Chocolate & Confectionery Fats - Operating profit



Chocolate & Confectionery Fats - Operating profit per kilo



# Technical Products & Feed Q3 2018

- **Operating profit increased by 48 percent reaching SEK 37 million (25)**
  - Volumes increased by 6 percent (1)
  - Profit improvement due to:
    - Volume growth in both our feed and fatty acids business
    - Good performance in our crushing operation
- **Operating profit per kilo increased to SEK 0.51 (0.36), an improvement of 42 percent**

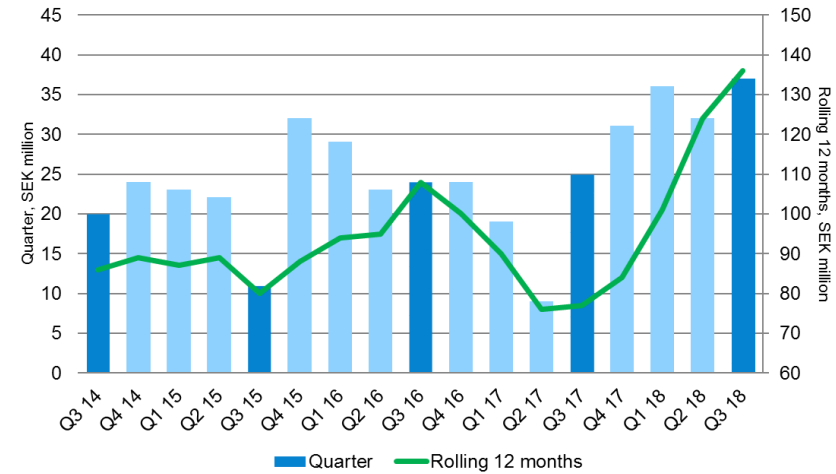
**Organic volume  
growth  
+6%**

**Operating  
profit  
+48%**

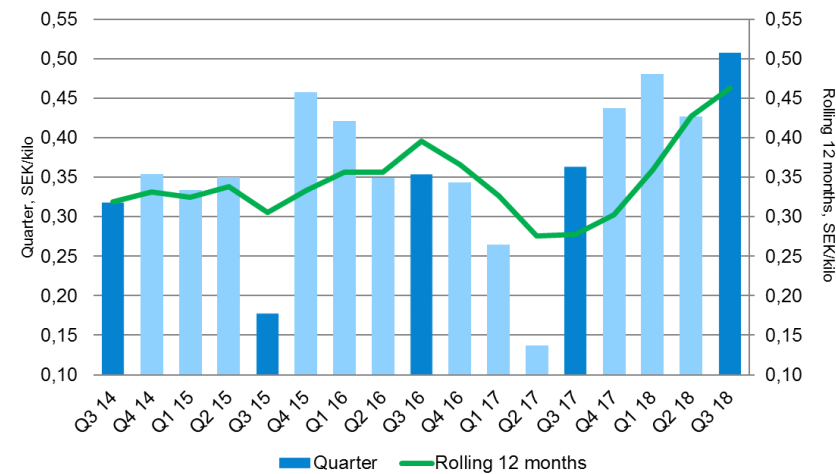
**Operating profit  
per kilo  
+42%**




# Technical Products & Feed Q3 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

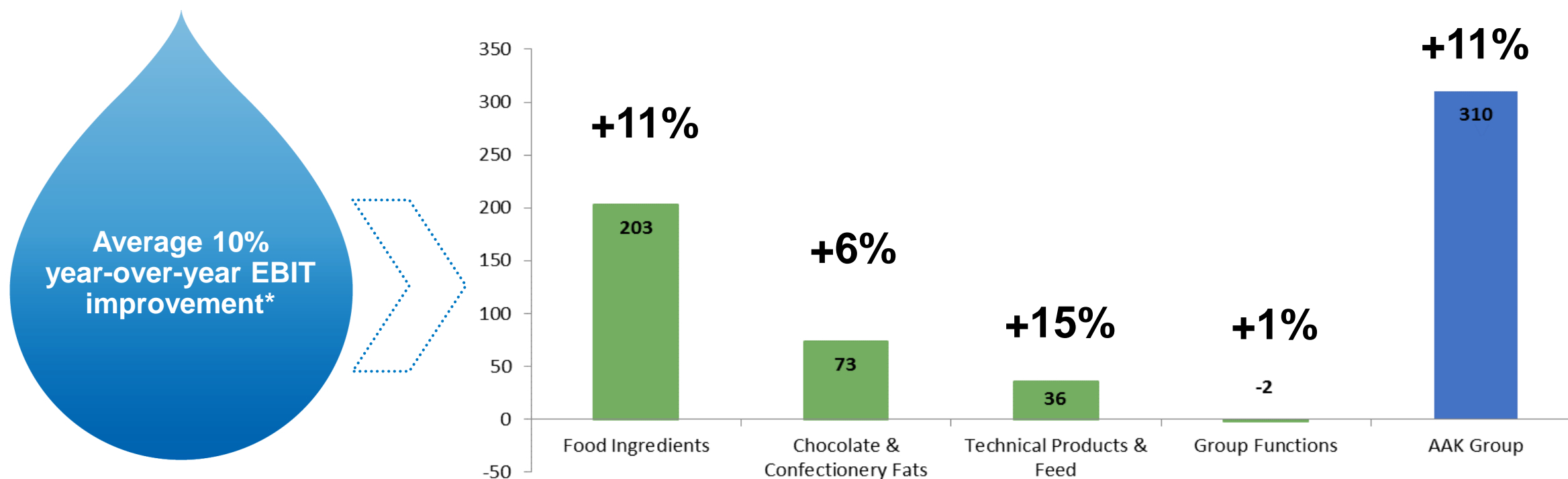
- 💧 Special Nutrition
- 💧 Dairy+
- 💧 INNOBO-Products



## People



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



\*Excluding acquisitions and at fixed FX

## Concluding remarks



We continue to remain prudently optimistic about the future. The main drivers are the continued positive underlying trends in the food industry.

# Q&A

# Financial calendar

## Financial calendar 2018/2019

November 21, 2018

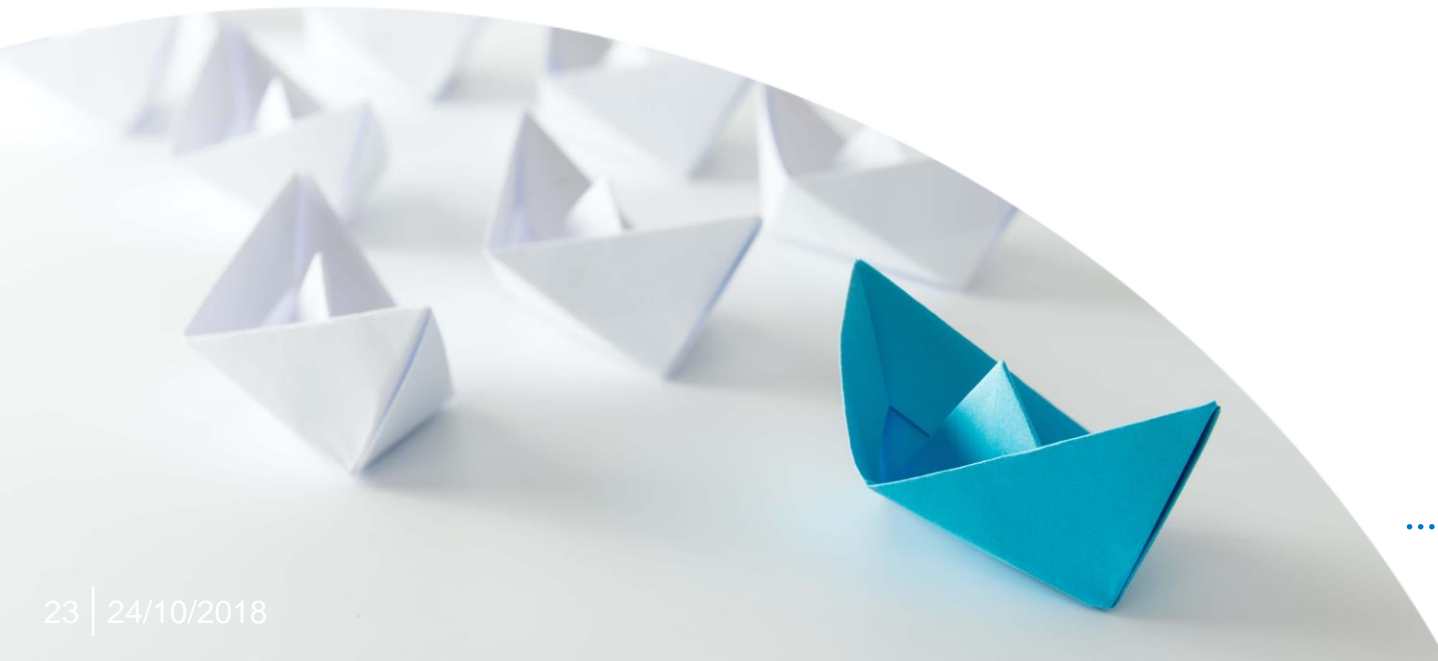
Capital market day

February 8, 2019

Fourth quarter and year-end report 2018

April 23, 2019

First quarter report 2019



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**Further Investor Relations material  
can be found at [aak.com/investors](http://aak.com/investors)**





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