

Johan Westman, CEO
Fredrik Nilsson, CFO

Interim Report Second quarter 2019

AAK



Agenda

- 1 Second quarter 2019
- 2 Key strategic activities
- 3 Business area information
- 4 Q&A

Highlights Q2 – strong profit growth and strategic launch of our portfolio for plant-based alternatives

HIGHLIGHTS

Q2 19



- Organic volume growth continued
- All-time high operating profit for a second quarter
- R12M operating profit above SEK 2 billion for the first time
- Reported tax costs reduced to 25 percent (27)
- Earnings per share increased by 18 percent
- Good operating cash flow
- Strong trend and improved mix in Food Ingredients
- As expected, the lower yield in our CCF business continued with higher than normal production costs

GROWTH & RETURNS

Volume
565,000 MT
(up 3% y/y)

Operating profit
SEK 518 million
(up 14% y/y, up 10% y/y*)

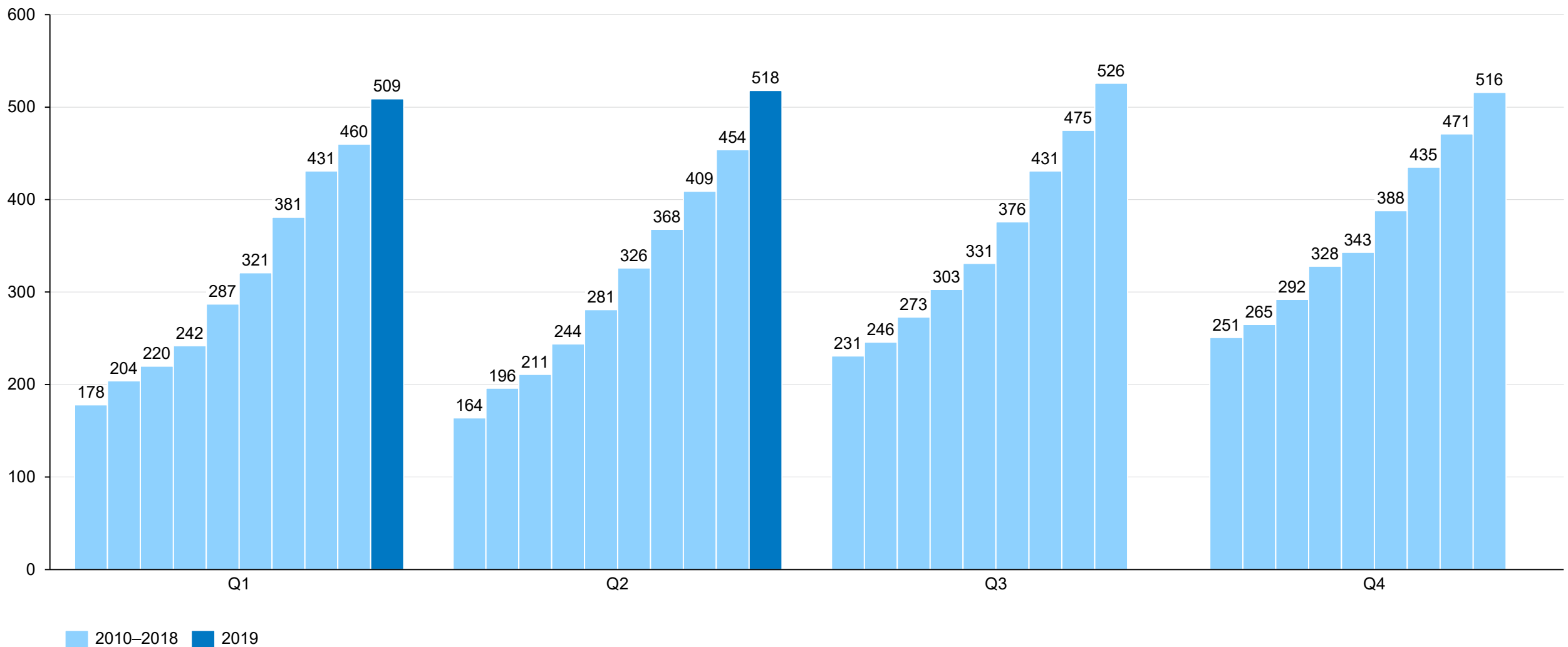
Operating profit
per kilo
SEK 0.92
(up 11% y/y, up 6% y/y*)

ROCE
15.5%**

* Fixed FX

** Rolling 12 months incl. IFRS 16 effect

Operating profit for Q2 2019 was well in line with our historic trend lines



Key product launches Q2

AkoPlanet™

- During Q2, AAK launched AkoPlanet™, a new portfolio with tailor-made solutions for food manufacturers developing plant-based alternatives within the meat, dairy and ice cream segments
- AkoPlanet™ will not only enable food manufacturers to meet a variety of industry opportunities, such as health, nutrition and sustainability, but also the fast-growing demand for plant-based products among consumers
- Sustainable sourcing is a crucial aspect for the plant-based movement and all raw materials used in the AkoPlanet™ portfolio are, as a minimum standard, traceable to the growing region



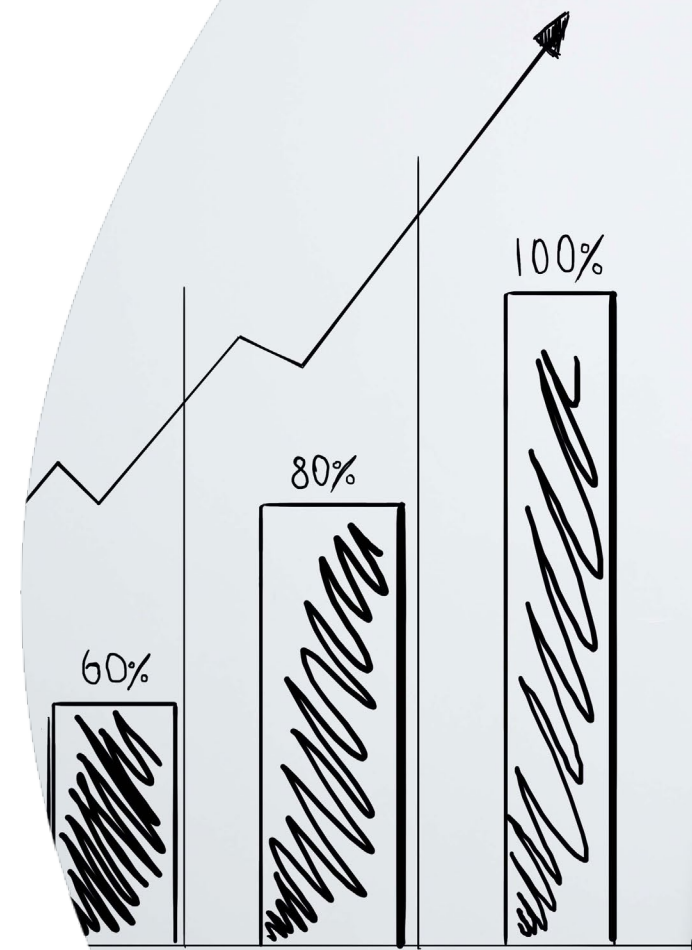
COBAO™ Pure

- Newly launched COBAO™ Pure is a unique, patented solution that delivers significantly improved bloom-retarding effects, extending a chocolate product's shelf life with up to 400 percent, without impacting the product
- The AAK solution delivers significantly improved bloom-retarding effects in all kinds of applications including milk and dark chocolate tablets, coated and filled products, and dark chocolate with nuts
- COBAO™ Pure is not subject to regulations that limit the use of vegetable fats in chocolate products



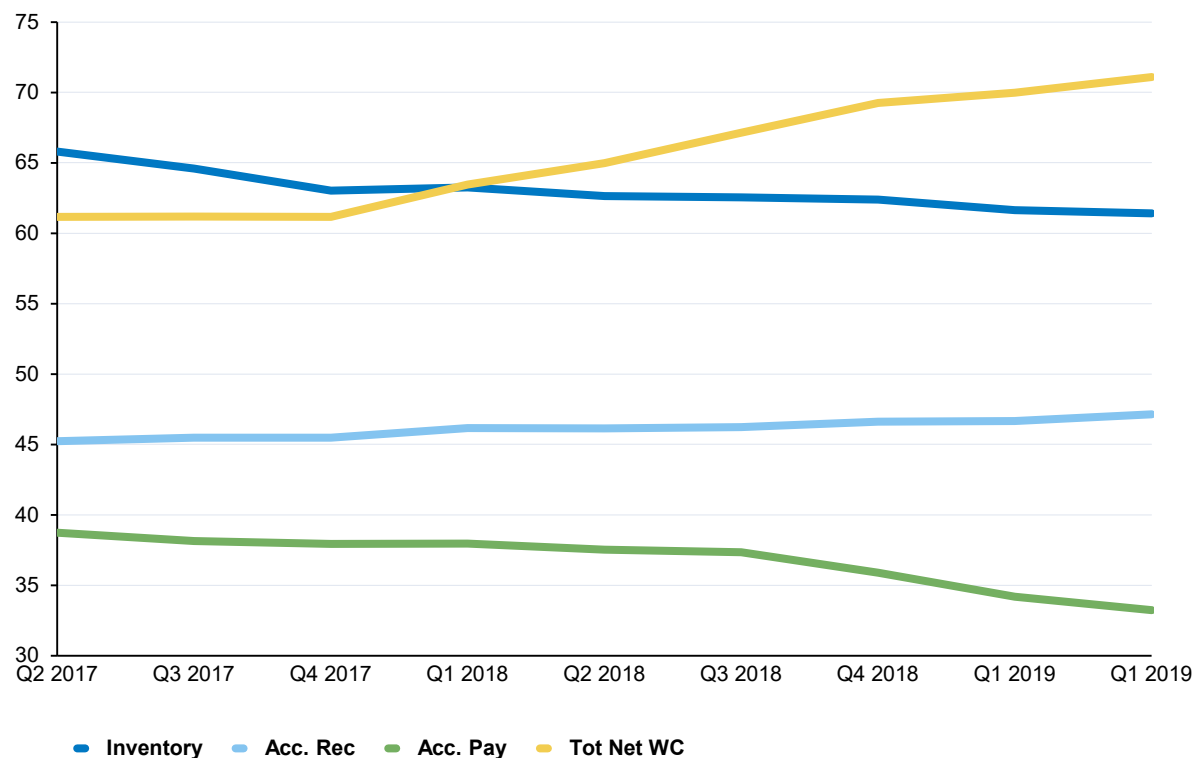
FX exposure – translation impact positive in the quarter

	Average rate 2018	Average rate YTD 2019	Movement vs SEK
USD	8.71	9.25	➡
EUR	10.26	10.47	➡
GBP	11.58	11.96	➡
MXN	0.45	0.48	➡



Working capital days up two days since year-end

Working capital days, rolling 12 months



Development YTD

Inventory
-1

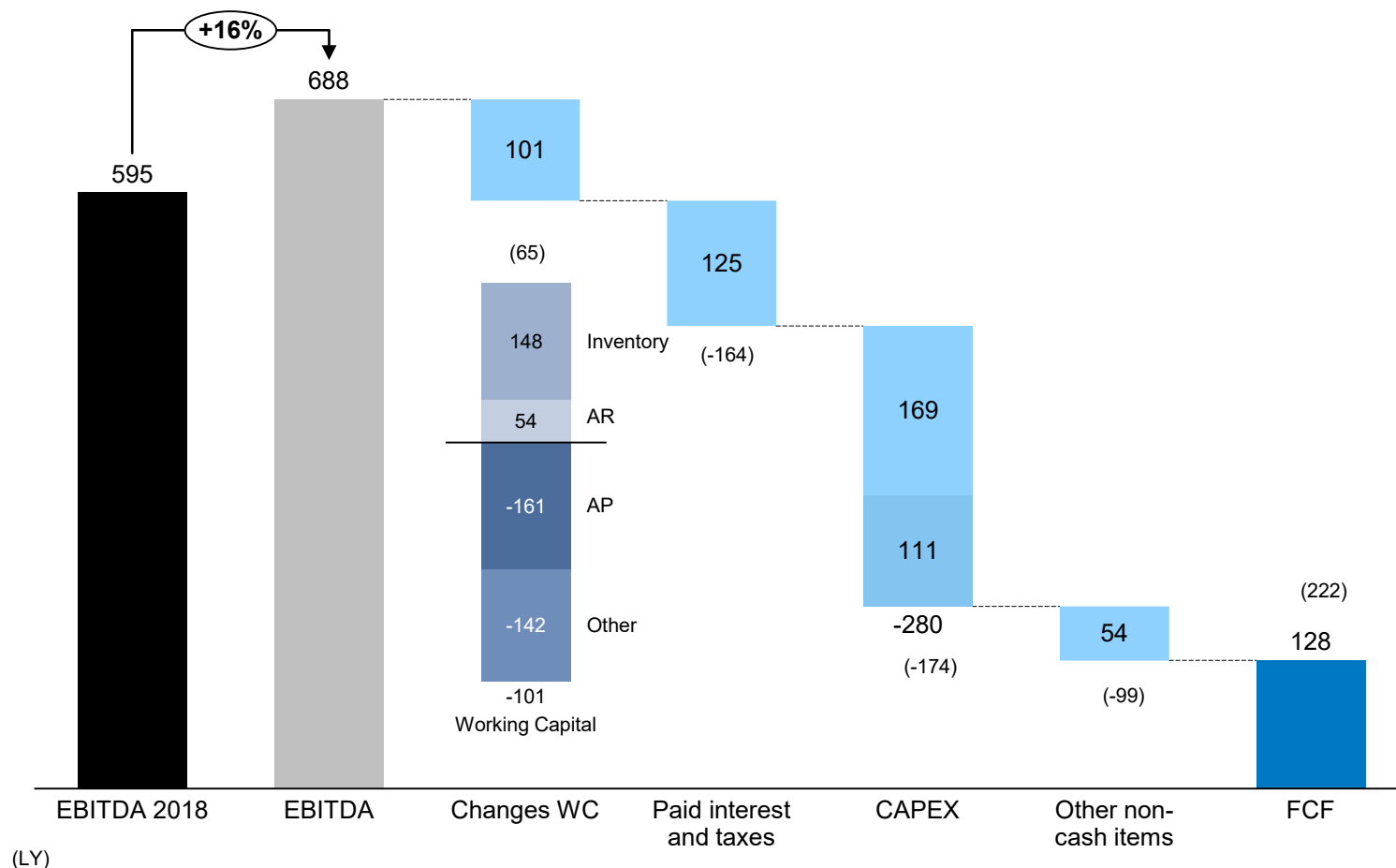
Payables
-3

Receivables
Flat

Other WC
Flat

Q2 cash flow benefited from low raw material prices

Cash flow Q2 2019



Comments

- Good inventory management as well as continued low raw material prices impacted cash flow from inventory and accounts receivables positively. This was offset by lower accounts payables.
- CAPEX related to regular maintenance investments and capacity increases amounted to SEK 169 million. Acquisitions related to the increased ownership in AAK Kamani amounted to SEK 111 million.

Return on Capital Employed (ROCE)

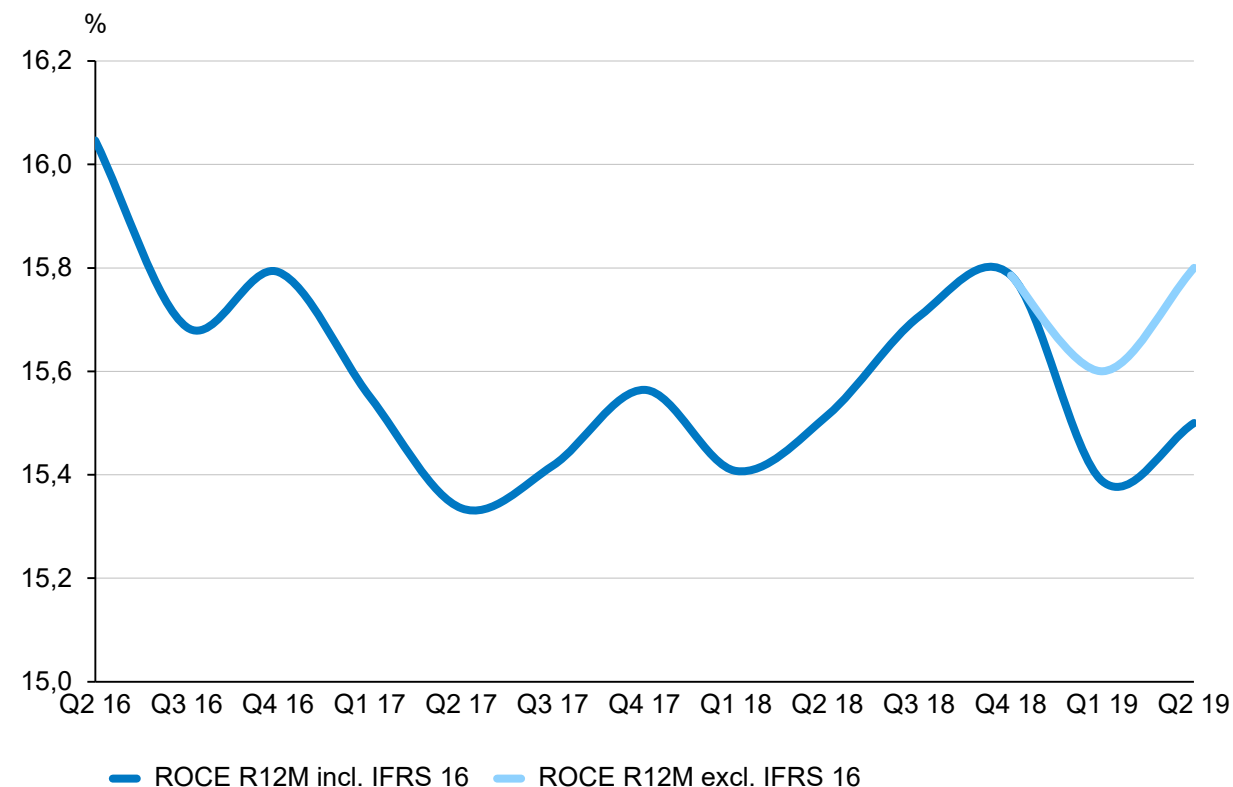
- 💧 We target a gradual and continuous improvement

ROCE end Q2 2019*
15.5%

EBIT LTM
SEK million
2,060

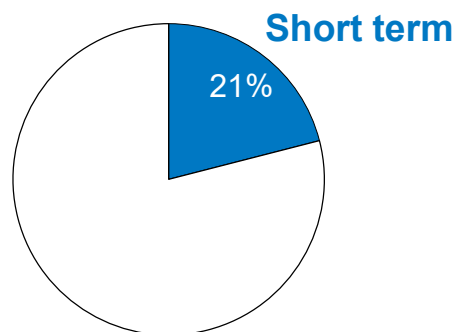
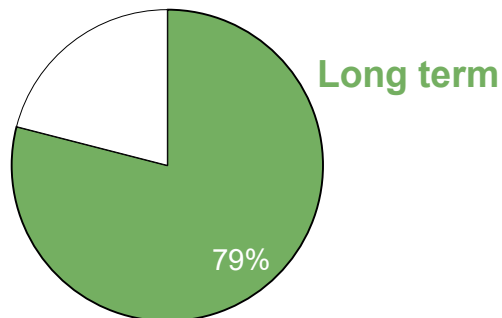
**Capital
employed***
SEK million
13,315

Growth and operating leverage
to drive increase in ROCE



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

Loan and duration profile – good duration in the loan portfolio



	SEK million	Duration
Mortgage	539	13 years
MTN bond	500	5 years
MTN bond	1,100	3 years
Bilateral	550	3 years
Club loan	250	2 years

	SEK million	Duration
Bilateral	155	4 months
Bank loans	606	6 months
Total loans	3,699	
Cash	744	
Net	2,955	



Food Ingredients

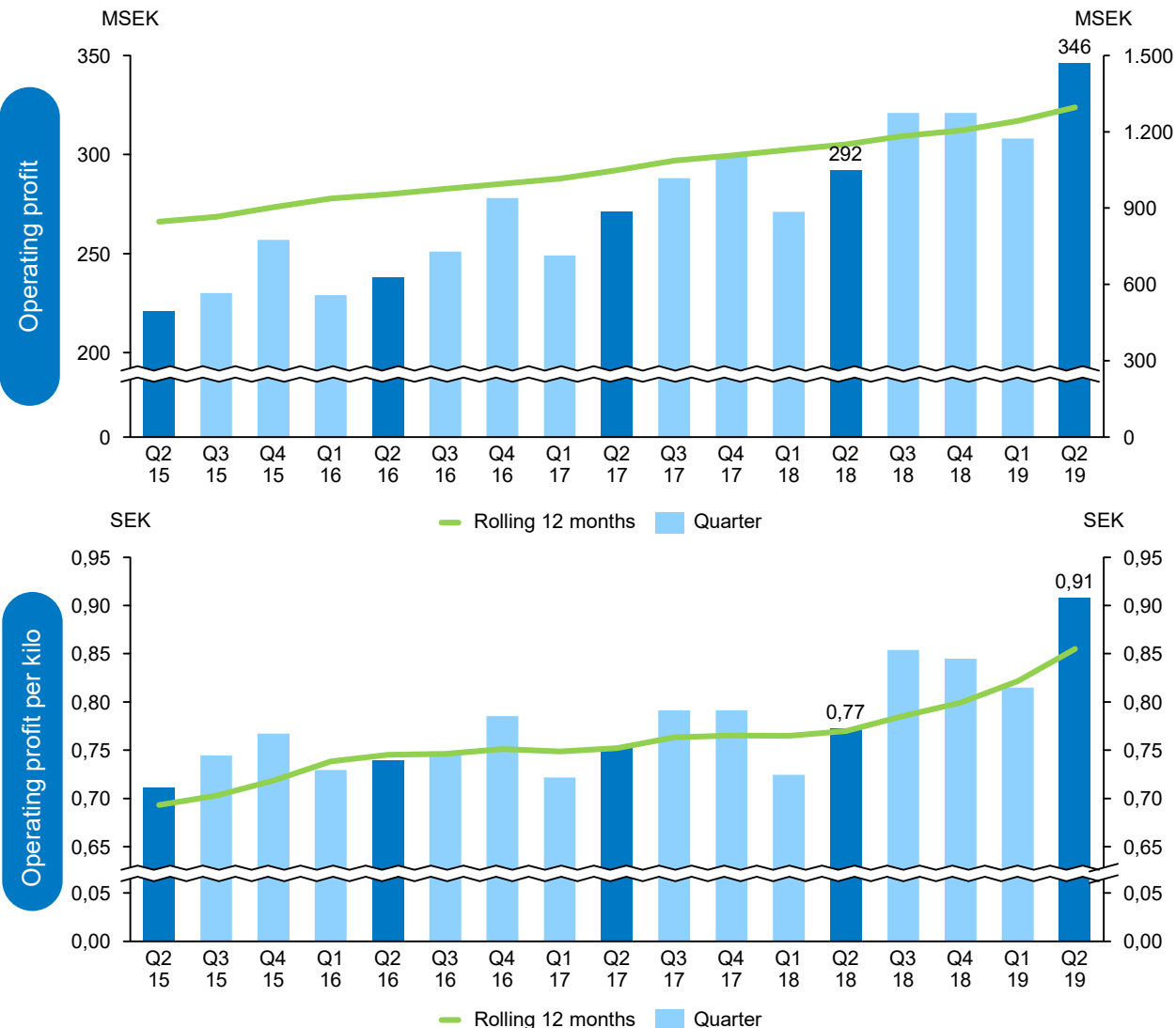
Operating profit
+18%

Organic volume growth
+1%

Operating profit per kilo
+18%

Business area development

- Strong growth in the Bakery and Dairy segments
- Special Nutrition continued to have a favorable mix
 - Higher sale of concentrated solutions compared to blended ones
- Foodservice improved profitability while volumes were slightly negative
- Strong volume growth in Asia combined with a very favorable development of the product mix in North Latin America, South Latin America and the US



Chocolate & Confectionery Fats

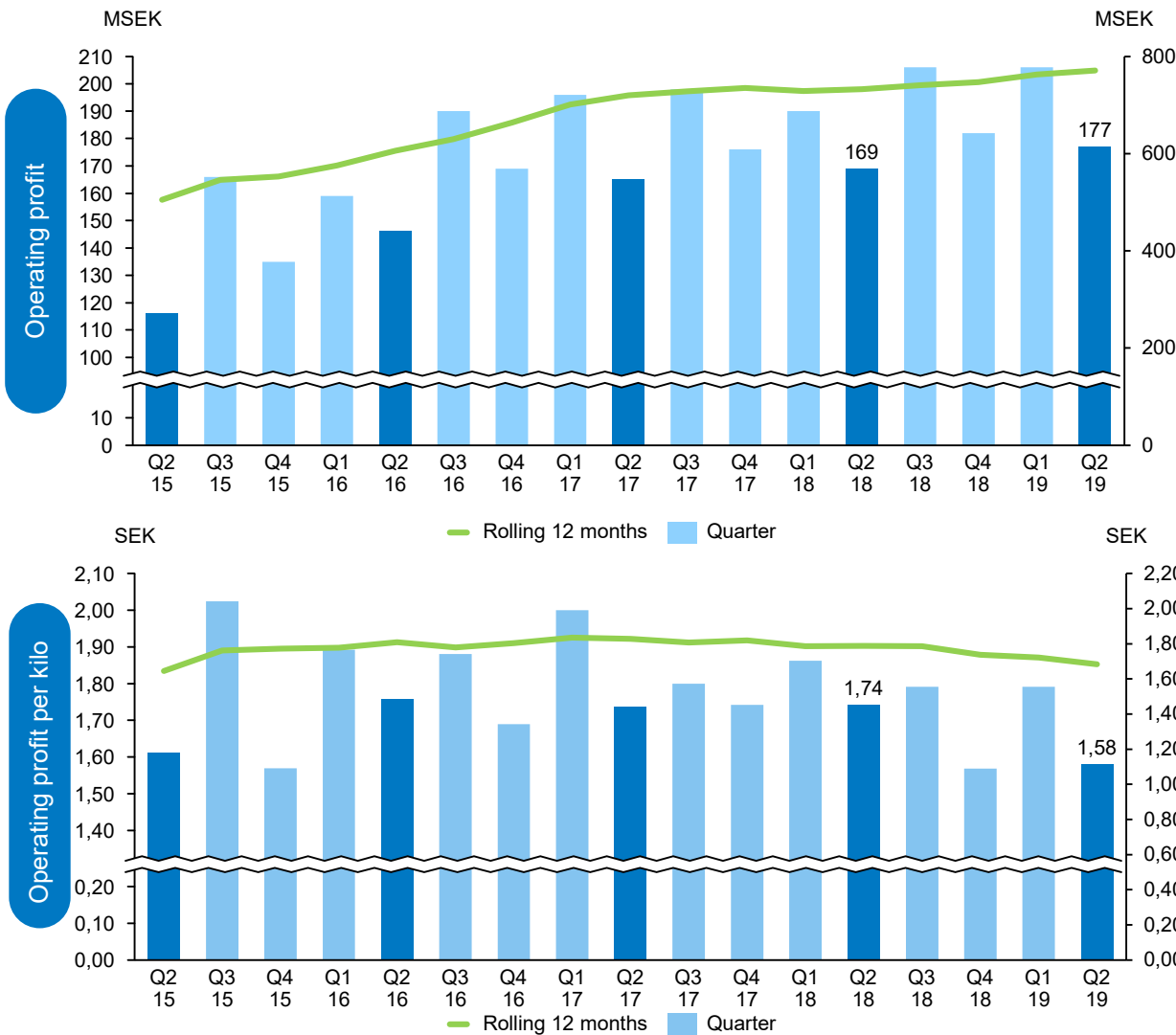
Operating profit
+5%

Organic volume growth
+15%

Operating profit per kilo
-9%

Business area development

- There was good volume growth for high-end semi-speciality products and strong volume growth for low-end semi-speciality products
- The lower operating profit per kilo was due to higher production costs and the proportionately stronger volume growth for low-end semi-speciality products as mentioned above
- Effects of lower raw material yields remained
- Slightly positive price development on high-end solutions in the quarter
- Capacity expansion investments progress according to plan



Technical Products & Feed



Operating profit
+9%

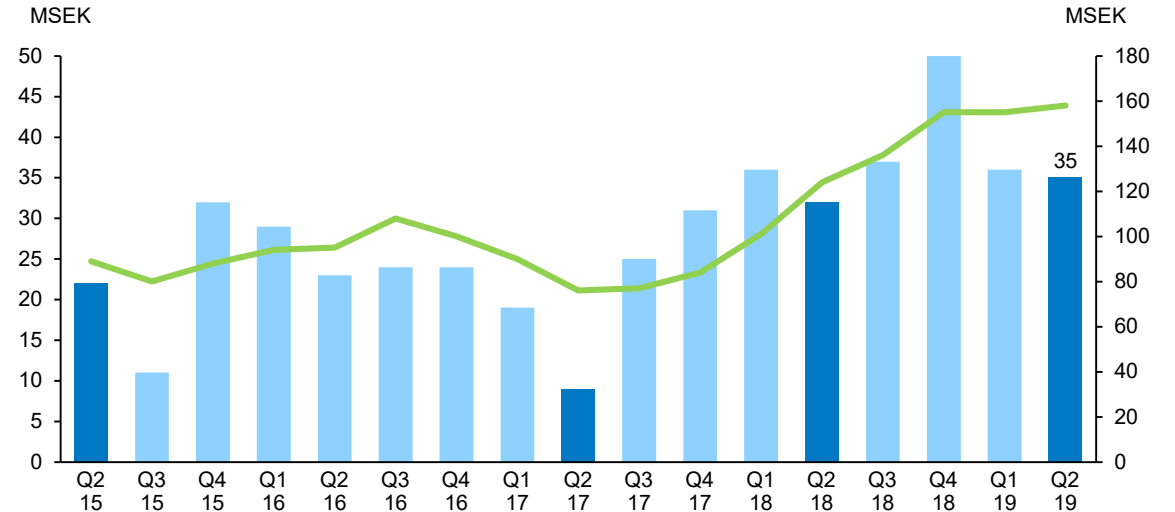
Organic volume growth
-4%

Operating profit per kilo
+14%

Business area development

- The fatty acids business continued its volume growth
- The feed business had a slightly negative volume development but higher sales of high-end solutions

Operating profit



Operating profit per kilo



Progress and good results for The AAK Way – strong foundation for our next company program



Go To Market

- Continuous training on Creating Customer Value
- Follow up on global customer survey – *We listen, We care, We act*
- Training on oils & fats and customers' industries



Operational Excellence

- Further progressing with multi-oil sustainability
- Global networks enabling best practice sharing on key production capabilities
- Continuous Improvement and Lean practices enabled by a strengthened toolbox



Special Focus Areas

- Senior and Medical Nutrition business growing
- Launch of AkoPlanet™ – AAK portfolio with solutions for plant-based foods
- Cross-regional collaboration for strengthened INNOBO-Product offerings



Innovation

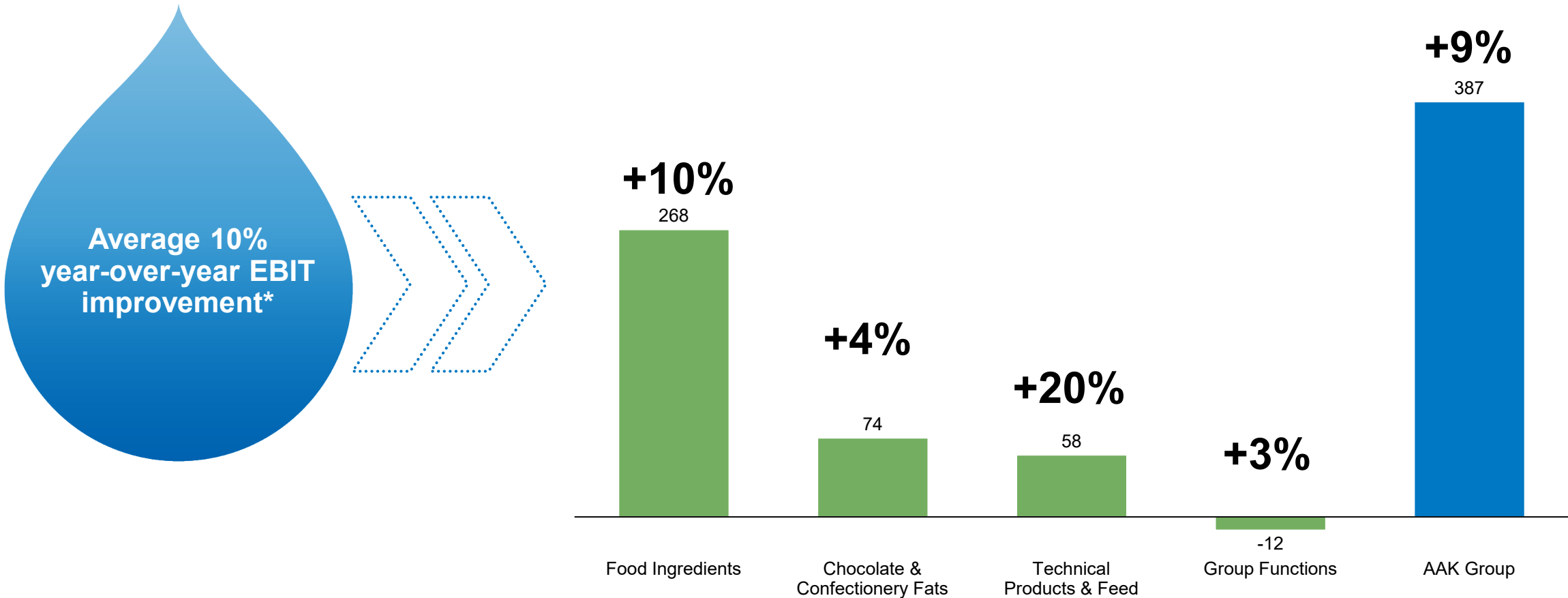
- Market-driven innovation process



People

- Leadership development
- Preparing the organization for the future

Almost on target for our management ambition after 30 months



*Excluding acquisitions and at fixed FX

Concluding remarks



We offer plant-based, healthy, high value-adding oils and fats solutions by using our customer co-development approach and we see favorable underlying trends in our markets. Thus, we continue to remain prudently optimistic about the future.

Q&A

Financial calendar

Financial calendar 2019

October 24, 2019

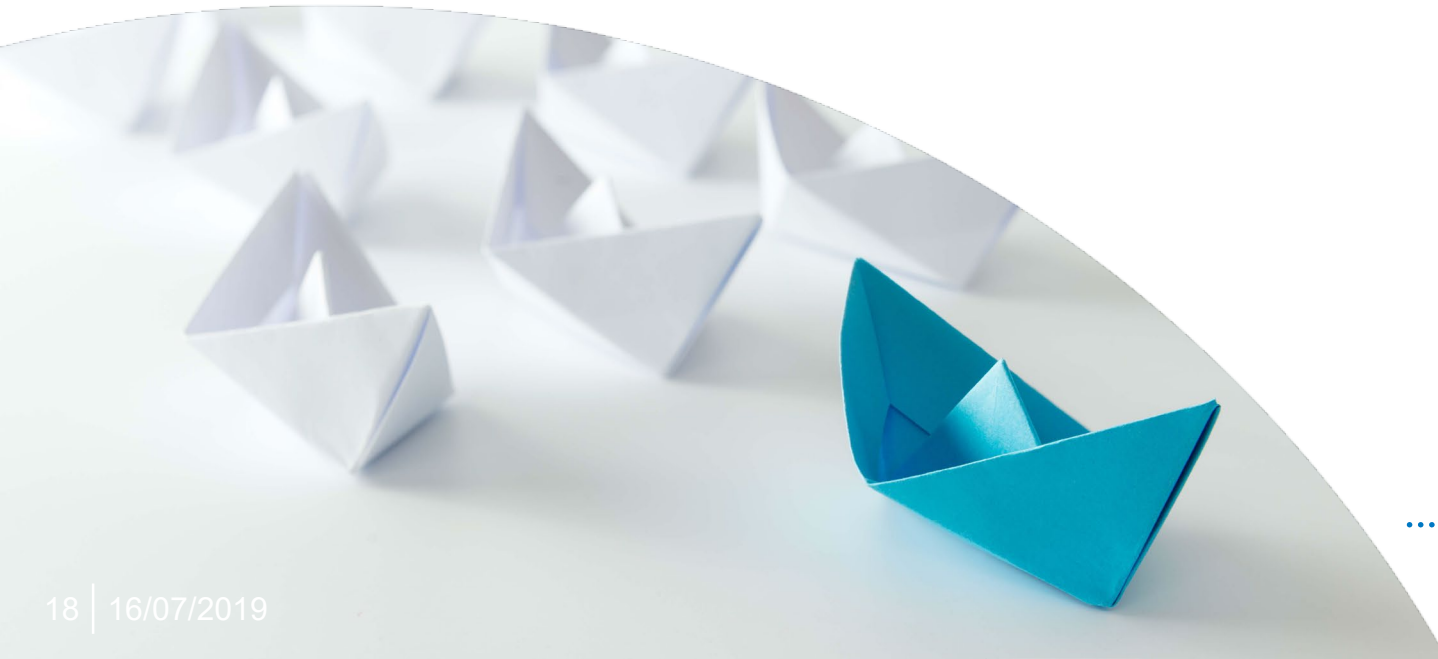
Third quarter report 2019

November 20, 2019

Capital Market Day, Aarhus

January 30, 2020

Fourth quarter and year-end report 2019



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**Further Investor Relations material
can be found at aak.com/investors**

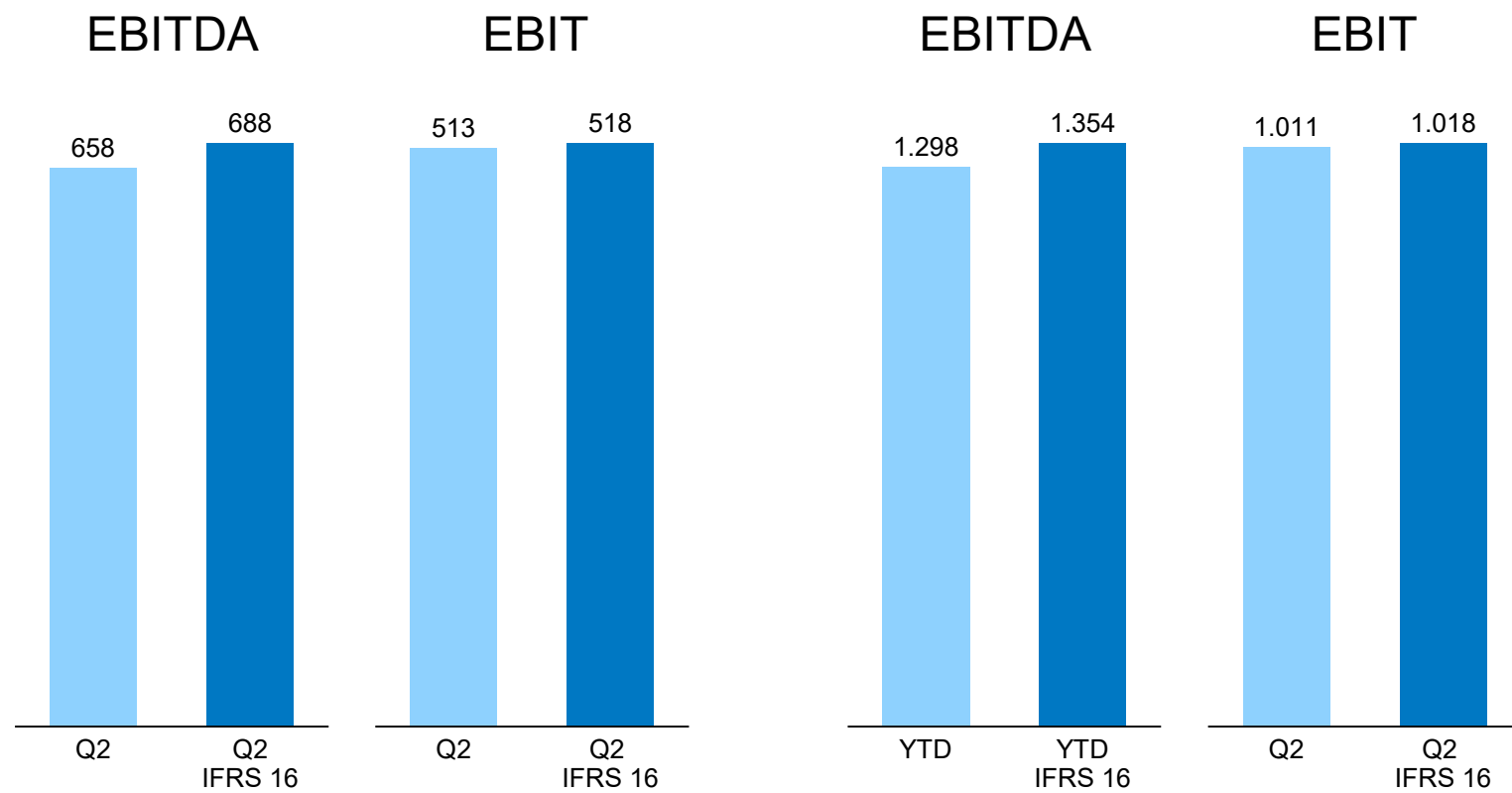


Q2 presentation

Supplementary information

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IFRS 16 effect



Cocoa butter price

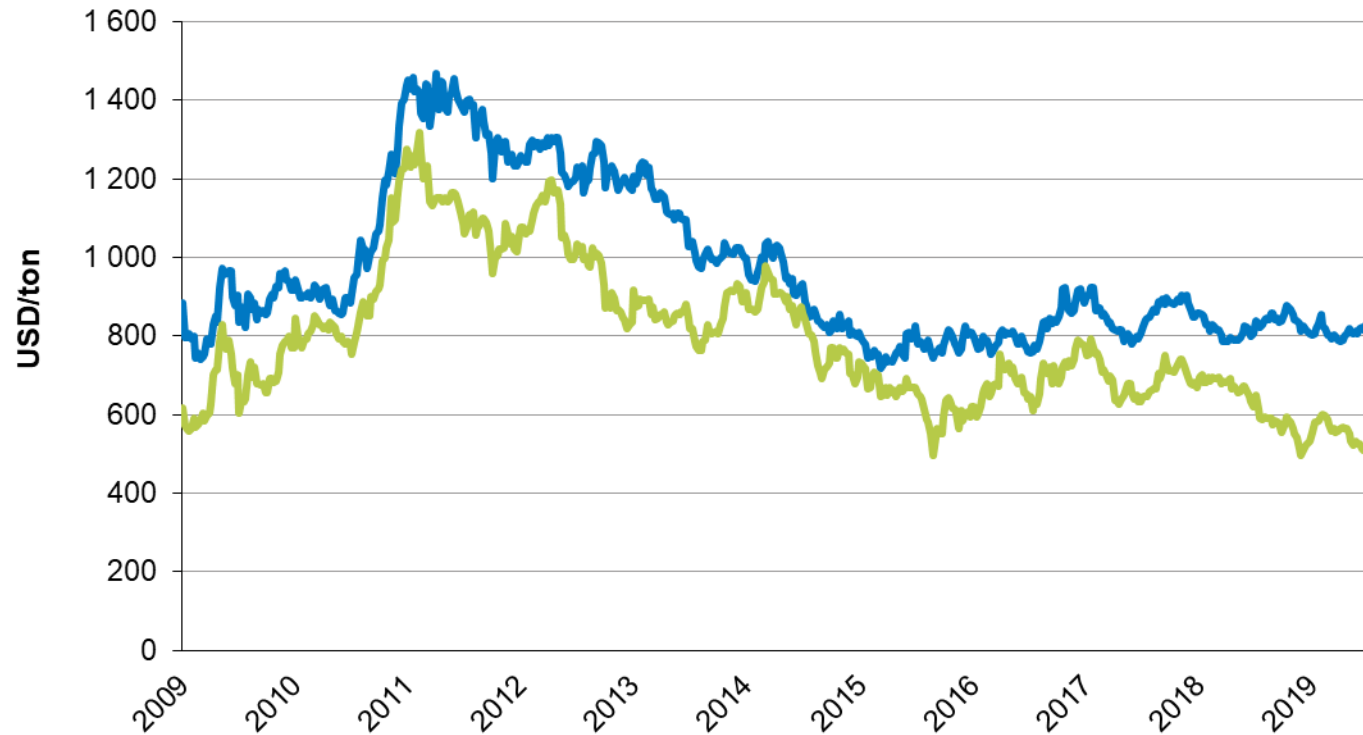
Cocoa butter



Raw material prices

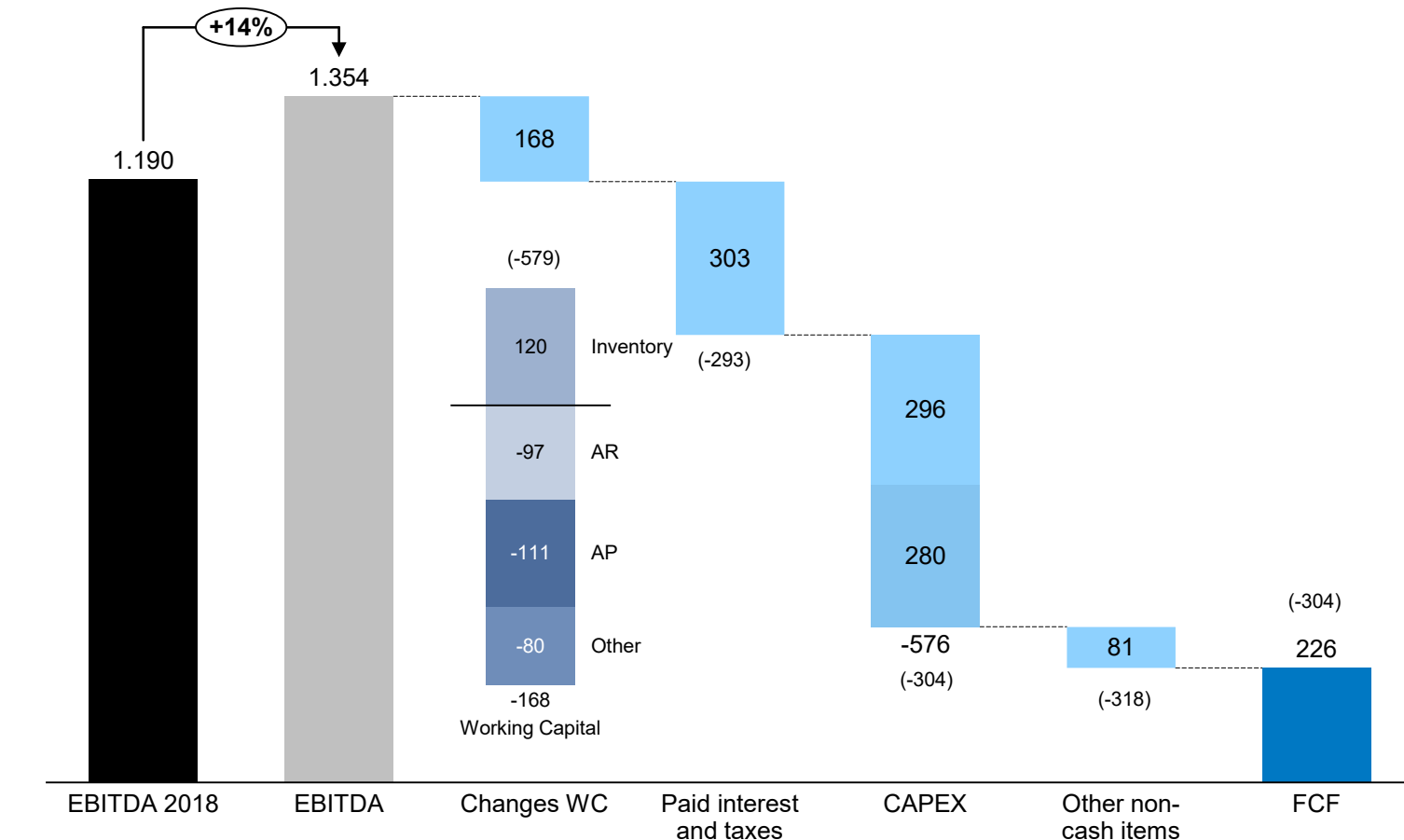
Rapeseed oil and palm oil

— Rapeseed oil — Palm oil



YTD cash flow benefited from low raw material prices

Cash flow Q2 2019



(LY)

Comments

- Continued volume growth impacted cash flow from accounts receivables negatively. Lower raw material prices had a favorable impact on cash flow from inventory. However, the lower raw material prices had a negative impact on cash flow from accounts payables.
- CAPEX related to regular maintenance investments and capacity increases amounted to SEK 296 million.
- Cash flow from acquisitions (MaasRefinery B.V., BD Foods Ltd., and an increased ownership in AAK Kamani) amounted to SEK 280 million.