

# Press release

## AAK's Interim report for the fourth quarter and Year-end report 2016 – Again all-time high operating profit

- Operating profit, excluding non-recurring income of SEK 15 million, reached SEK 435 million (388), an improvement of 12 percent and an all-time high record. This despite a negative currency translation impact of SEK 8 million, mainly related to Food Ingredients.
- Total volumes continued to grow nicely and were up 7 percent (6). Organic volume growth was 2 percent (1). The demand for specialty and semi-specialty products continued to be strong, generating organic volume growth of 5 percent (0).
- Food Ingredients improved by 8 percent, reaching SEK 278 million (257). The picture between the different segments was mixed, but with several showing very good development:
  - The Dairy segment continued the trend from previous quarters and reported solid organic volume growth.
  - The Bakery segment had another challenging quarter, particularly in Western Europe. In other regions we are starting to see some improvements.
  - Special Nutrition reported double-digit volume growth. This was driven by an extraordinary volume growth for our Infant Nutrition product range Akonino®.
  - Foodservice reported organic volume growth with good development particularly in the UK and the US.
- Chocolate & Confectionery Fats reported a result of SEK 169 million (135), an improvement of 25 percent.
  - Organic volume growth in the quarter was 16 percent (negative 2).
  - Continued organic volume growth for both high-end and low-end products.
  - After two years of severely deteriorating market conditions in Russia and Ukraine, the strong growth during the first three quarters continued, but still from low levels.
- Technical Products & Feed reached SEK 24 million (32). Last year's corresponding quarter was exceptionally strong for the fatty acids business. Pressure from higher raw material prices had an unfavourable impact on operating profit.
- Earnings per share increased by 18 percent, to SEK 6.69 (5.65). This was despite increased financial costs due to extended borrowings in high-interest rate countries (Brazil, China and India) and increased earnings in countries with high tax rates.
- Operating cash flow including changes in working capital amounted to SEK 843 million (661). Cash flow from working capital was positive, amounting to SEK 426 million (292). The strong cash flow was due to increased accounts payables and reduced accounts receivables, this despite organic volume growth. Increased raw material prices and working capital tied up for the greenfield investments continued to impact negatively.

- Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 15.8 percent (15.7 at December 31, 2015).
- The greenfield project in Brazil is progressing according to plan and volumes are increasing quarter by quarter.
- Our China greenfield project also continues according to plan. The first limited volumes will be delivered during the first quarter 2017. To be able to deliver the whole product range from the factories, the gradual ramp-ups will continue during 2017.
- AAK's company program for 2014–2016, "AAKtion", has been completed during the quarter. The overall implementation of the program has progressed well.
- The new company program, The AAK Way, will guide us up through 2019. Our key focus with the program is to enable the company to continue to deliver strong organic growth. This will be achieved by focusing on five priority areas: Go to Market, Operational Excellence, Special Focus Areas, Innovation and People.
- In parallel to the new company program we have established a new management ambition for the coming years. We expect, on average, a 10 percent year-on-year improvement in operating profit which will support a good and consistent improvement in earnings per share.
- Proposed dividend of SEK 8.75 (7.75), an increase by SEK 1.00 or 13 percent.

#### Concluding remarks:

"Based on AAK's customer value propositions for health and reduced costs, and our customer product co-development and solutions approach, we continue to remain prudently optimistic about the future. The main drivers are the continued positive underlying development in Food Ingredients and the continued improvement in Chocolate & Confectionery Fats."

The Interim report for the fourth quarter and Year-end report 2016 will be presented today, February 3, 2017 at 1 p.m. CET at a Press & Analyst telephone conference. For participation, please see instructions under the Investor tab at the AAK website, [www.aak.com](http://www.aak.com).

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*AAK is a leading provider of value-adding vegetable oils & fats. Our expertise in oils & fats within food applications, our wide range of raw materials and our broad process capabilities enable us to develop innovative and value-adding solutions across many industries – Chocolate & Confectionery, Bakery, Dairy, Infant Nutrition, Foodservice, Personal Care, and more. AAK's proven expertise is based on more than 140 years of experience within oils & fats. Our unique co-development approach brings our customers' skills and know-how together with our own capabilities and mindset for lasting results. Listed on the NASDAQ OMX Stockholm and with our headquarters in Malmö, Sweden, AAK has 20 different production facilities, sales offices in more than 25 countries and more than 2,800 employees. **We are AAK – The Co-Development Company.***