

Press release

AAK's Interim report for the second quarter 2017 – all-time high operating profit for a second quarter

- Operating profit reached SEK 409 million (368), an improvement of 11 percent. The currency translation impact was SEK 6 million, entirely related to Chocolate & Confectionery Fats.
 - Ramp-up costs for the greenfield projects in Brazil and China have, according to plan, been absorbed in the reported profit.
- Total volumes continued to grow nicely and were up 11 percent (6). Organic volume growth was 5 percent (1). The demand for speciality and semi-speciality products continued to be strong and generated organic volume growth of 5 percent (5).
- Food Ingredients improved by 14 percent, reaching SEK 271 million (238). It was a strong quarter with double-digit profit growth due to a continued improved product mix, including a higher portion of customer co-developed solutions. However, the picture between the different segments was mixed:
 - The Dairy segment continued the strong trend from 2016 and once again reported high double-digit organic volume growth. All regions showed very strong growth except the Nordics where the development was modest.
 - The Bakery segment had a slightly challenging quarter. The European market remained a challenge and the development in North Latin America was slightly weaker in the second quarter. There was, however, good growth in Asia and South Latin America.
 - 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.
- Chocolate & Confectionery Fats reported a result of SEK 165 million (146), another impressive quarter with double-digit organic volume growth and profit growth of 13 percent. Both total volume growth and organic volume growth was 14 percent in the quarter. There was continued strong organic volume growth for both speciality and semi-speciality products, with several showing exceptional volume growth – in mature as well as in emerging markets.
- Technical Products & Feed reached SEK 9 million (23) and had a more challenging quarter due to an extended, but planned, maintenance stop in our crushing operation with continued pressure from higher raw material prices for the fatty acids business. However, we expect this pressure to gradually decrease over the coming quarters.
- Earnings per share increased by 14 percent, to SEK 6.25 (5.47), despite increased earnings in countries with high tax rates.

- Operating cash flow including changes in working capital amounted to SEK 171 million (520). As earlier communicated, cash flow from working capital was negative, amounting to SEK 66 million (positive 158). Increased raw material prices, strong organic volume growth and working capital tied up for the two greenfield investments, continued to have a negative impact on working capital. Inventory management has been good and volumes in stock have decreased. There has been a decrease in raw material prices since mid-first quarter which will have a positive impact on cash flow with a time lag of 6–9 months.
- Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 15.3 percent (15.8 at December 31, 2016).
- Our greenfield project in Brazil is progressing according to plan with volumes increasing quarter by quarter.
- Our greenfield project in China is also progressing according to plan. To be able to deliver the whole product range a gradual ramp-up will continue during the upcoming quarters.
- Our 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. The implementation of the program is developing according to plan.
 - During the second quarter we delivered our first volumes of Akovita®, AAK's new product range for the senior nutrition market. This is an important milestone within The AAK Way. AAK's tailor-made speciality blend Akovita® will be used in a powder product for the European market.
- As communicated in a press release on May 8, 2017, AAK's CEO Arne Frank has been undergoing medical treatment. The rehabilitation is continuing but will be somewhat longer than earlier predicted. Fredrik Nilsson will continue as acting CEO until Arne Frank returns to full employment.

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 second quarter 2017 will be presented today, July 17, 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.

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*AAK is a leading provider of value-adding vegetable oils & fats. Our expertise in lipid technology within foods and special nutrition 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, Special 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 3,000 employees. **We are AAK – The Co-Development Company.***

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