



# Interim Report

Second quarter, 2017

**AAK**

## Acting CEO's comments

### All-time high operating profit for a second quarter

Our determined, focussed and hard work based upon our clear strategy is continuing to yield good results. For the 26th consecutive quarter, a record-high operating profit was achieved. The Group reported a double-digit year-on-year improvement for the second quarter. This is despite parts of the world markets experiencing material challenges.

Operating profit reached SEK 409 million (368), an improvement of 11 percent compared to the corresponding quarter in 2016. The currency translation impact was SEK 6 million, entirely related to Chocolate & Confectionery Fats. Operating profit, at fixed foreign exchange rates, improved by 10 percent.

Food Ingredients reported a strong quarter with double-digit profit growth driven by a continued improved product mix, including a higher portion of customer co-developed solutions.

Chocolate & Confectionery Fats reported another impressive quarter with double-digit organic volume growth and profit growth. The product mix continued to improve with strong growth for both speciality and semi-speciality products.

Ramp-up costs for the greenfield projects in Brazil and China have, according to plan, been absorbed in the reported profit for the two above-mentioned business areas.

Technical Products & Feed had a more challenging quarter due to an extended, but planned, maintenance stop in our crushing operation and continued pressure from higher raw material prices for the fatty acids business.

Total volumes continued to grow nicely and increased by 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).

Business area operating profit:

- Food Ingredients improved by 14 percent, reaching SEK 271 million (238).
- Chocolate & Confectionery Fats reported a result of SEK 165 million (146), an improvement of 13 percent.
- Technical Products & Feed reached SEK 9 million (23).

Operating profit per kilo reached SEK 0.79 (0.78). The currency translation impact was positive SEK 0.01.

Operating profit per kilo for Food Ingredients was stable at 0.75 (0.74) mainly as a consequence of the improved product mix, offset by ramp-up costs related to greenfield investments and the dilution from our acquisition in 2016.

Operating profit per kilo for Chocolate & Confectionery Fats was stable at SEK 1.74 (1.76). There was continued strong organic volume growth for both speciality and semi-speciality products. Ramp-up costs related to greenfield investments have impacted negatively on operating profit per kilo.

Operating profit per kilo for Technical Products & Feed decreased, reaching SEK 0.14 (0.35).

Earnings per share increased by 14 percent, to SEK 6.25 (5.47), despite increased earnings in countries with high tax rates.

Sales amounted to SEK 6,612 million (5,090). The increase was mainly due to higher raw material prices, a positive product mix, organic volume growth, a currency translation impact of SEK 94 million, and the effect of the acquisition in 2016.

### Food Ingredients

The demand for speciality and semi-speciality products continued to be good, generating organic volume growth of 2 percent (3). However, the picture between the different segments was mixed.

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.

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.



Special Nutrition, comprised of Infant, Senior and Medical 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.

Commodity products showed 7 percent (negative 21) organic volume growth.

### **Chocolate & Confectionery Fats**

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.

### **Cash flow**

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.

### **Return on Capital Employed (ROCE)**

Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 15.3 percent (15.8 at December 31, 2016). ROCE declined

due to increased raw material prices, greenfield investments in Brazil and China, and the acquisition in 2016. The ROCE for the second quarter was 14.5 percent compared to 15.2 percent for the corresponding quarter 2016.

### **Greenfield investments**

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 coming quarters.

### **The AAK Way**

Our new company program, The AAK Way, will guide us up through 2019. The key focus of 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 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.

### **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.

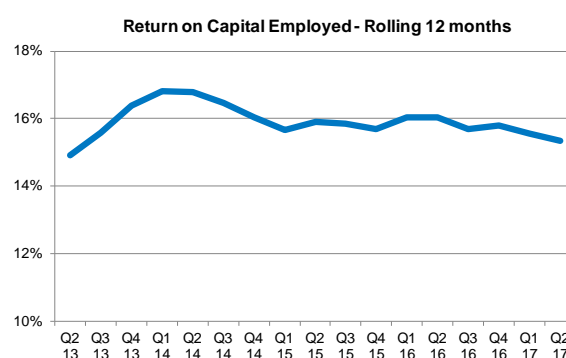
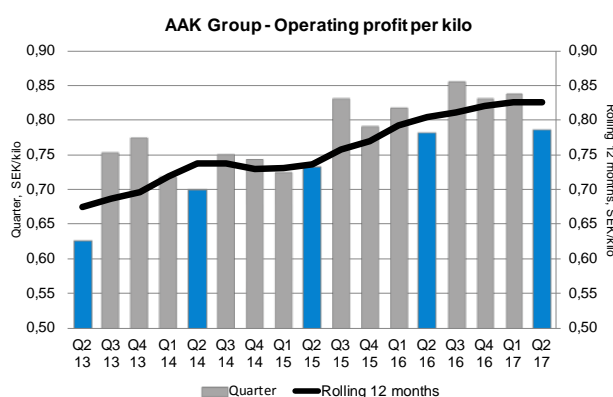
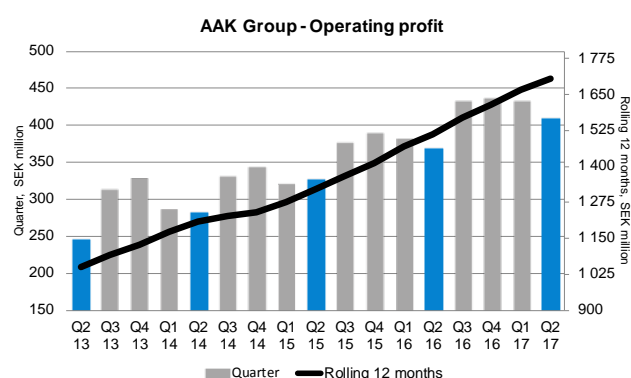
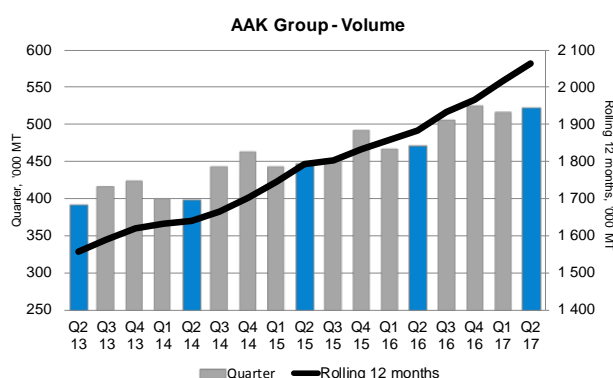
The main drivers are the continued positive underlying development in Food Ingredients and a continued improvement in Chocolate & Confectionery Fats.

Fredrik Nilsson  
Chief Financial Officer and acting CEO

## Financial highlights and key ratios

SEK million (unless otherwise stated)	Q2 2017	Q2 2016	Δ %	Q1-2 2017	Q1-2 2016	Δ %	Full year 2016
<b>Income statement</b>							
Volumes ('000 MT)	521	471	+11	1,036	938	+10	1,966
Operating profit excluding non-recurring items	409	368	+11	840	749	+12	1,615
Operating profit including non-recurring items	409	368	+11	840	749	+12	1,615
Net profit	273	241	+13	548	490	+12	1,040
<b>Financial position</b>							
Total assets	17,194	14,245	-	17,194	14,245	-	17,184
Equity	7,333	6,765	-	7,333	6,765	-	7,576
Net working capital	4,510	3,221	-	4,510	3,221	-	3,604
Net interest-bearing debt	3,539	2,342	-	3,539	2,342	-	2,620
<b>Cash flow</b>							
EBITDA	532	482	+10	1,085	975	+11	2,079
Cash flow from operating activities	171	520	-	-237	504	-	1,213
Cash flow from investing activities	-192	-194	-	-344	-386	-	-1,421
Free cash flow	-21	326	-	-581	118	-	-208
<b>Earnings per share</b>							
Earnings per share, SEK	6.25	5.47	+14	12.72	11.03	+15	23.71
<b>Key figures</b>							
Volume growth, %	+11	+6	-	+10	+6	-	+7
Operating profit per kilo (excl. non-recurring costs), SEK	0.79	0.78	+1	0.81	0.80	+1	0.82
Return on Capital Employed (R12 months), %	15.3	16.0	-4	15.3	16.0	-4	15.8
Net debt / EBITDA, multiple	1.62	1.20	+35	1.62	1.20	+35	1.26

\* Non-recurring items for the full year 2016 amounted to SEK 0 million and consist of acquisition costs of SEK 15 million and a net positive impact of SEK 15 million related to the acquisition of California Oils Corporation.





## The AAK Group, second quarter 2017

### Volumes

Volumes increased by 11 percent (6) compared to the second quarter 2016. Organic volume growth was 5 percent (1) due to an increased demand for speciality and semi-speciality products, which alone generated organic volume growth of 5 percent (5).

### Net sales

Sales amounted to SEK 6,612 million (5,090). The increase was mainly due to higher raw material prices, a positive product mix, organic volume growth, a currency translation impact of SEK 94 million, and the effect of the acquisition in 2016.

### Operating profit

Operating profit reached SEK 409 million (368), an improvement of 11 percent compared to the corresponding quarter in 2016. The currency translation impact was SEK 6 million. Operating profit at fixed foreign exchange rates improved by 10 percent.

Operating profit per kilo reached SEK 0.79 (0.78). The currency translation impact was positive SEK 0.01 (negative 0.02).

### Net financial cost

Net financial cost decreased and amounted to SEK 22 million (39). The lower financial costs are due to the company optimizing financing in a few high-interest rate countries. The company has, in addition, temporarily benefited from the structure in the interest market.

### Cash flow and investments

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.

Cash outflow from investing activities amounted to SEK 192 million (194). Going forward, we expect investments to gradually decrease due to the completion of the greenfield projects.

### Financial position

The equity/assets ratio amounted to 43 percent (44 percent at December 31, 2016). Net debt at June 30, 2017, amounted to SEK 3,539 million (SEK 2,620 million at December 31, 2016).

At June 30, 2017, the Group had total committed credit facilities of SEK 6,135 million (6,139 as of December 31, 2016), with SEK 2,537 million of unused committed credit facilities at quarter-end.

### Employees

The average number of employees at June 30, 2017 was 3,329 (3,256 at December 31, 2016). The increase of employees is related to recently made acquisitions and ongoing greenfield projects.

### Update on AAK's CEO

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.

### Events after the balance sheet date

There are no events after the balance sheet date to report on.

## Business Area Food Ingredients, Q2 2017

	Q2 2017	Q2 2016	Δ%	Q1-2 2017	Q1-2 2016	Δ%	Full year 2016
Operating profit							
<b>+14 %</b>							
Operating profit per kilo							
<b>+1 %</b>							
Volumes ('000 MT)	360	322	+12	705	636	+11	1,325
Net sales, SEK million	4,457	3,474	+28	8,852	6,769	+31	14,707
Operating profit, SEK million	271	238	+14	520	467	+11	996
Operating profit per kilo, SEK	0.75	0.74	+1	0.74	0.73	+1	0.75

### Volumes

Food Ingredients reported organic volume growth of 3 percent (negative 3). The demand for speciality and semi-speciality products continued to be good, generating organic volume growth of 2 percent (3). However, the picture between the different segments was mixed.

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.

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.

Special Nutrition, comprised of Infant, Senior and Medical 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 challenging market conditions in the Nordics.

Commodity products showed 7 percent (negative 21) organic volume growth.

### Net sales

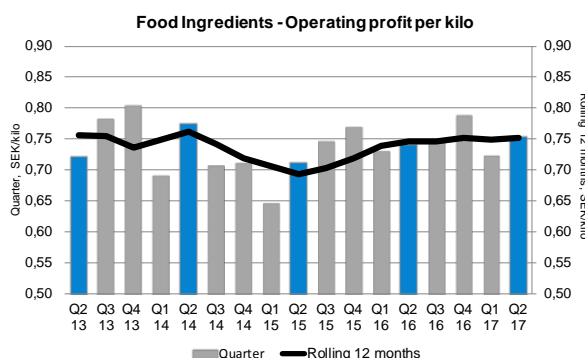
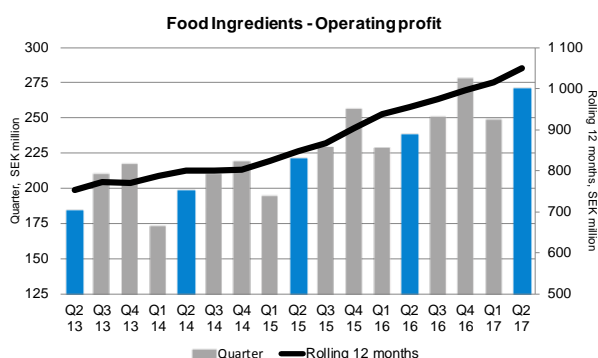
Sales amounted to SEK 4,457 million (3,474). The increase was mainly due to higher raw material prices, a positive product mix, organic volume growth, a currency translation impact of SEK 46 million, and the effect of the acquisition in 2016.

### Operating profit

Operating profit improved by 14 percent to SEK 271 million (238), due to a continued improved product mix, including a higher portion of customer co-developed solutions. Ramp-up costs for the greenfield projects in Brazil and China have, according to plan, been absorbed in the reported profit. There was no currency translation impact in the quarter.

Operating profit per kilo in Food Ingredients was stable at SEK 0.75 (0.74), mainly as a consequence of the improved product mix, offset by ramp-up costs related to greenfield investments and the dilution from our acquisition in 2016.

We are expecting a continued positive underlying development for this business area.



## Business Area Chocolate & Confectionery Fats, Q2 2017

	Q2 2017	Q2 2016	Δ %	Q1-2 2017	Q1-2 2016	Δ %	Full year 2016
Operating profit							
<b>+13 %</b>							
Operating profit per kilo							
<b>-1 %</b>							
Volumes ('000 MT)	95	83	+14	193	167	+16	367
Net sales, SEK million	1,796	1,317	+36	3,699	2,679	+38	6,117
Operating profit, SEK million	165	146	+13	361	305	+18	664
Operating profit per kilo, SEK	1.74	1.76	-1	1.87	1.83	+2	1.81

### Volumes

Total volumes for the business area increased by 14 percent (15). Organic volume growth continued to be impressive, increasing by 14 percent in the quarter (11).

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.

### Net sales

Net sales for Chocolate & Confectionery Fats increased by SEK 479 million as a consequence of higher raw material prices, volume growth, an improved product mix, and a currency translation impact of SEK 47 million.

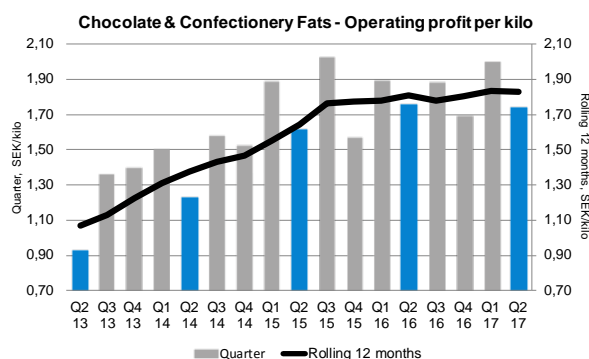
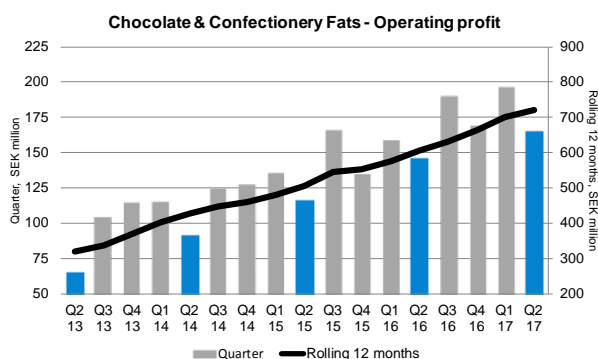
Recent years' strong customer co-development, new innovative solutions, and further expansion of our geographical footprint are continuing to yield positive results.

### Operating profit

Operating profit improved by 13 percent, reaching SEK 165 million (146). Ramp-up costs for the greenfield projects in Brazil and China have, according to plan, been absorbed in the reported profit. The currency translation impact was SEK 6 million.

Operating profit per kilo was stable at SEK 1.74 (1.76). This was due to a further improved product mix, offset mainly by absorbed ramp-up costs.

We are expecting continued improvement in Chocolate & Confectionery Fats.



## Business Area Technical Products & Feed, Q2 2017

	Q2 2017	Q2 2016	Δ%	Q1-2 2017	Q1-2 2016	Δ%	Full year 2016
Operating profit							
<b>-61 %</b>	Volumes ('000 MT)	66	+0	138	135	+2	274
	Net sales, SEK million	359	+20	738	605	+22	1,233
Operating profit per kilo							
<b>-60 %</b>	Operating profit, SEK million	9	-61	28	52	-46	100
	Operating profit per kilo, SEK	0.14	-60	0.20	0.39	-49	0.36

### Volumes

Volume development was flat in the quarter due to an extended, but planned, maintenance stop.

### Net sales

Net sales for the business area increased by SEK 60 million as a result of higher raw material prices.

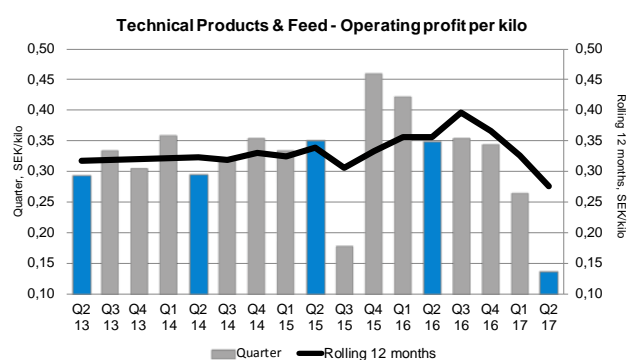
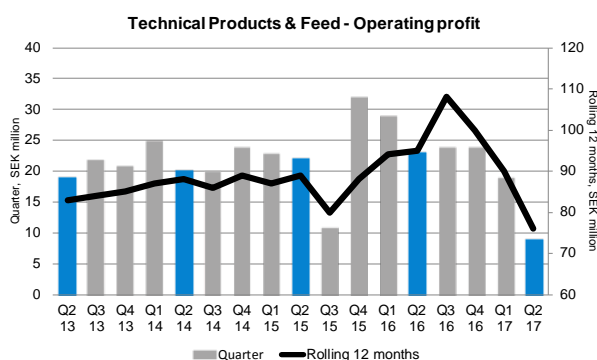
### Operating profit

Operating profit reached SEK 9 million (23). The extended, but planned, maintenance stop in our crushing operation had an unfavorable impact on

operating profit. The pressure on our fatty acids business continued due to higher raw material prices. However, we expect this pressure to gradually decrease over the coming quarters.

Operating profit per kilo at SEK 0.14 (0.35) decreased by 60 percent.

The operating profit is expected to gradually come back to more normal levels during the upcoming quarters.\*



\* The operating profit is expected to be stable or to improve slightly compared to the prior year (guidance from the Interim Report for the first quarter 2017).



## *The AAK Group, first six months 2017*

### **Volumes**

Total volumes were up 10 percent (6), including organic volume growth of 5 percent (0).

### **Net sales**

Sales amounted to SEK 13,289 million (10,053). The increase was mainly due to higher raw material prices, a positive product mix, organic volume growth, a currency translation impact of SEK 168 million, and the effect of the acquisition in 2016.

### **Operating profit**

Operating profit reached SEK 840 million (749), an improvement of 12 percent. Operating profit at fixed foreign exchange rates improved by 10 percent. The currency translation impact was SEK 13 million.

Operating profit per kilo reached SEK 0.81 (0.80). The currency translation impact was SEK 0.01.

### **Net financial cost**

Net financial cost decreased and amounted to SEK 63 million (77). The lower financial costs are due to the company optimizing financing in a few high-interest rate countries. The company has, in addition, temporarily benefited from the structure

in the interest market.

### **Tax costs**

Reported tax costs correspond to an average tax rate of 29 percent (27). The reported tax rate is 2 percent higher than last year due to increased earnings in countries with higher tax rates.

### **Cash flow and investments**

Operating cash flow including changes in working capital amounted to negative SEK 237 million (positive 504). As earlier communicated, cash flow from working capital was negative, amounting to SEK 806 million (negative 222).

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.

Cash outflow from investing activities amounted to SEK 344 million (386). Going forward, we expect investments to gradually decrease due to the completion of the greenfield projects.

## General information

### Related parties

No significant changes have taken place in relations or transactions with related parties since 2016.

### Risks and uncertainty factors

AAK is a global company represented in many countries and as such is exposed to a number of commercial and financial risks. Accordingly, risk management is an important process for AAK in its work to achieve established targets.

Efficient risk management is an ongoing process conducted within the framework of business control, and is part of the ongoing review and forward-looking assessment of operations.

AAK's long-term risk exposure is assumed not to deviate from the inherent exposure associated with AAK's ongoing business operations.

For a more in-depth analysis of risks, refer to AAK's Annual Report for 2016.

### Accounting principles in 2017

This interim report is prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. For information regarding the accounting policies applied, see the Annual Report for 2016. The accounting policies are unchanged, compared with those applied in 2016. A number of new and amended standards are effective for periods beginning after January 1, 2017. None of these is expected to have a significant effect on the consolidated financial statements of the Group or the Parent company.

### Alternative Performance Measures (APMs)

AAK presents APMs to reflect underlying business performance and to enhance comparability from period to period. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS.

Definitions of Alternative Performance Measures can be found at [www.aak.com](http://www.aak.com) under the Investor

tab. For reconciliation of Alternative Performance Measures, see pages 16–17.

### Definitions

For definitions, see the Annual Report for 2016.

### The Parent Company and Group Functions

The Parent Company is a holding company for the AAK Group. Its functions are primarily activities related to the development and administration of the Group.

The Parent Company's invoiced sales during the first six months of 2017 amounted to SEK 47 million (39). The result for the Parent Company after financial items amounted to negative SEK 26 million (negative 37).

The costs for Group Functions have increased mainly as a consequence of the increased management ambition related to growth and The AAK Way, specifically Innovation involving additional resources for new product development.

Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets totalled a negative of SEK 1,656 million (negative 1,301 as at December 31, 2016). Investments in intangible and tangible assets amounted to SEK 0 million (5). The Parent Company's income statement and balance sheet are shown on pages 12–13.

### Accounting policies

AAK AB (publ.) is the Parent Company of the AAK Group. The company has prepared its financial reports in accordance with the Annual Accounts Act and RFR 2 Reporting for legal entities.

### Changes in the balance sheet

No major changes since year-end.

Malmö, July 17, 2017

Mikael Ekdahl  
Chairman of the Board

Arne Frank  
Chief Executive Officer and  
President

Gun Nilsson  
Board member

Märta Schörling Andreen  
Board member

Bengt Baron  
Board member

Marianne Kirkegaard  
Board member

Lillie Li Valeur  
Board member

Annika Westerlund  
Trade union representative

Leif Håkansson  
Trade union representative

This report has not been reviewed by the company's auditors.

**For further information, please contact:**

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CFO and acting CEO  
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This information is information that AAK AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Act. The information was submitted for publication, through the agency of the contact person set out above, at 10:20 a.m. CET on July 17, 2017.

## Income statement

SEK million	Group					Parent		
	Q2 2017	Q2 2016	Q1-2 2017	Q1-2 2016	Full year 2016	Q1-2 2017	Q1-2 2016	Full year 2016
Net sales	6,612	5,090	13,289	10,053	22,057	47	39	95
Other operating income	27	16	54	40	109	0	0	0
<b>Total operating income</b>	<b>6,639</b>	<b>5,106</b>	<b>13,343</b>	<b>10,093</b>	<b>22,166</b>	<b>47</b>	<b>39</b>	<b>95</b>
Raw materials and supplies	-5,075	-3,729	-10,238	-7,353	-16,362	-	-	-
Other external expenses	-545	-488	-1,074	-944	-1,973	-18	-20	-63
Cost for remuneration to employees	-485	-405	-944	-819	-1,726	-52	-53	-101
Amortization and impairment losses	-123	-114	-245	-226	-464	-1	0	-1
Other operating expenses	-2	-2	-2	-2	-26	-	-	-3
<b>Total operating costs</b>	<b>-6,230</b>	<b>-4,738</b>	<b>-12,503</b>	<b>-9,344</b>	<b>-20,551</b>	<b>-71</b>	<b>-73</b>	<b>-168</b>
<b>Operating profit (EBIT)</b>	<b>409</b>	<b>368</b>	<b>840</b>	<b>749</b>	<b>1,615</b>	<b>-24</b>	<b>-34</b>	<b>-73</b>
Income from shares in group companies	-	-	-	-	-	-	-	63
Interest income	5	2	6	3	6	-	-	0
Interest expense	-26	-39	-63	-72	-159	-2	-3	-4
Other financial items	-1	-2	-6	-8	-17	-	-	-
<b>Total financial net</b>	<b>-22</b>	<b>-39</b>	<b>-63</b>	<b>-77</b>	<b>-170</b>	<b>-2</b>	<b>-3</b>	<b>59</b>
<b>Result before tax</b>	<b>387</b>	<b>329</b>	<b>777</b>	<b>672</b>	<b>1,445</b>	<b>-26</b>	<b>-37</b>	<b>-14</b>
Income tax	-114	-88	-229	-182	-405	5	6	-5
<b>Net result</b>	<b>273</b>	<b>241</b>	<b>548</b>	<b>490</b>	<b>1,040</b>	<b>-21</b>	<b>-31</b>	<b>-19</b>
Attributable to non-controlling interests	9	9	10	23	37	-	-	-
Attributable to the Parent company's shareholders	264	232	538	467	1,003	-21	-31	-19

## Comprehensive income

SEK million	Group					Parent		
	Q2 2017	Q2 2016	Q1-2 2017	Q1-2 2016	Full year 2016	Q1-2 2017	Q1-2 2016	Full year 2016
Income for the period	273	241	548	490	1,040	-21	-31	-19
Items that will not be reclassified to profit or loss:								
Remeasurements of post employment benefit obligations	11	-15	11	-15	5	-	-	-
	<b>11</b>	<b>-15</b>	<b>11</b>	<b>-15</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>
Items that may subsequently be reclassified to profit and loss:								
Translation differences	-411	197	-432	-44	189	-	-	-
Fair-value changes in cash flow hedges	-	7	-	13	23	-	-	-
Tax attributable to fair value changes in cash flow hedges	-	-2	-	-3	-5	-	-	-
	<b>-411</b>	<b>202</b>	<b>-432</b>	<b>-34</b>	<b>207</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>-127</b>	<b>428</b>	<b>127</b>	<b>441</b>	<b>1,252</b>	<b>-21</b>	<b>-31</b>	<b>-19</b>
Attributable to non-controlling interests	7	11	9	22	36	-	-	-
Attributable to the Parent company's shareholders	-134	417	118	419	1,216	-21	-31	-19

## Condensed balance sheet

SEK million	Group			Parent		
	30.06.2017	30.06.2016	31.12.2016	30.06.2017	30.06.2016	31.12.2016
<b>Assets</b>						
Goodwill	1,626	1,583	1,686	-	-	-
Other intangible assets	335	348	357	4	4	5
Tangible assets	5,098	4,571	5,164	4	4	4
Financial assets	42	41	32	5,492	5,486	5,486
Deferred tax assets	135	119	201	5	6	-
<b>Total non-current assets</b>	<b>7,236</b>	<b>6,662</b>	<b>7,440</b>	<b>5,505</b>	<b>5,500</b>	<b>5,495</b>
Inventory	4,717	3,594	4,850	-	-	-
Accounts receivables	3,358	2,544	3,027	-	-	-
Other current receivables	1,244	960	1,281	80	209	144
Cash and cash equivalents	639	485	586	0	0	0
<b>Total current assets</b>	<b>9,958</b>	<b>7,583</b>	<b>9,744</b>	<b>80</b>	<b>209</b>	<b>144</b>
<b>Total assets</b>	<b>17,194</b>	<b>14,245</b>	<b>17,184</b>	<b>5,585</b>	<b>5,709</b>	<b>5,639</b>
<b>Equity and liabilities</b>						
Shareholders' equity	7,270	6,688	7,522	3,852	4,231	4,243
Non-controlling interests	63	77	54	-	-	-
<b>Total equity including non-controlling interests</b>	<b>7,333</b>	<b>6,765</b>	<b>7,576</b>	<b>3,852</b>	<b>4,231</b>	<b>4,243</b>
Liabilities to banks and credit institutions	3,829	2,476	2,857	-	-	-
Pension liabilities	125	153	134	14	8	8
Deferred tax liabilities	527	479	520	-	-	-
Non-interest-bearing liabilities	340	291	320	-	-	-
<b>Total non-current liabilities</b>	<b>4,821</b>	<b>3,399</b>	<b>3,831</b>	<b>14</b>	<b>8</b>	<b>8</b>
Liabilities to banks and credit institutions	233	204	217	-	-	-
Accounts payables	2,875	2,176	3,258	7	10	9
Other current liabilities	1,932	1,701	2,302	1,712	1,460	1,379
<b>Total current liabilities</b>	<b>5,040</b>	<b>4,081</b>	<b>5,777</b>	<b>1,719</b>	<b>1,470</b>	<b>1,388</b>
<b>Total equity and liabilities</b>	<b>17,194</b>	<b>14,245</b>	<b>17,184</b>	<b>5,585</b>	<b>5,709</b>	<b>5,639</b>

No changes have arisen in contingent liabilities.



## AAK Group – Change in equity

SEK million	Total equity capital	Non-controlling interests	Total equity incl. non-controlling interests
Openings equity January 1, 2017	7,522	54	7,576
Profit for the period	538	10	548
Other comprehensive income	-420	-1	-421
<b>Total comprehensive income</b>	<b>118</b>	<b>9</b>	<b>127</b>
Dividend	-370	-	-370
<b>Closing equity June 30, 2017</b>	<b>7,270</b>	<b>63</b>	<b>7,333</b>

SEK million	Total equity capital	Non-controlling interests	Total equity incl. non-controlling interests
Openings equity January 1, 2016	6,597	53	6,650
Profit for the period	467	23	490
Other comprehensive income	-48	-1	-49
<b>Total comprehensive income</b>	<b>419</b>	<b>22</b>	<b>441</b>
Non controlling interest	-	2	2
Dividend	-328	-	-328
<b>Closing equity June 30, 2016</b>	<b>6,688</b>	<b>77</b>	<b>6,765</b>

## Financial instruments

SEK million	Asset	Liability
<b>Financial instruments reported in balance sheet June 30, 2017</b>		
Raw material hedge contracts	306	195
FX hedge contracts	163	193
<b>Total derivatives financial instruments</b>	<b>469</b>	<b>388</b>
Fair value adjustment inventory	0	81
<b>Total financial instruments</b>	<b>469</b>	<b>469</b>

## AAK Group – Cash flow statement

SEK million	Q2 2017	Q2 2016	Q1-2 2017	Q1-2 2016	Full year 2016
<b>Operating activities</b>					
Operating profit	409	368	840	749	1,615
Depreciation and amortization	123	114	245	226	464
Other non-cash items	-131	22	-165	14	-37
<b>Cash flow before interest and tax</b>	<b>401</b>	<b>504</b>	<b>920</b>	<b>989</b>	<b>2,042</b>
Interest paid and received	-18	-34	-64	-72	-163
Tax paid	-146	-108	-287	-191	-403
<b>Cash flow before changes in working capital</b>	<b>237</b>	<b>362</b>	<b>569</b>	<b>726</b>	<b>1,476</b>
Changes in inventory	112	68	21	-1	-818
Changes in accounts receivables	-83	-20	-424	-138	-489
Changes in accounts payables	-319	123	-323	-195	814
Changes in other working capital items	224	-13	-80	112	230
Changes in working capital	-66	158	-806	-222	-263
<b>Cash flow from operating activities</b>	<b>171</b>	<b>520</b>	<b>-237</b>	<b>504</b>	<b>1,213</b>
<b>Investing activities</b>					
Acquisition of intangible and tangible assets	-196	-194	-350	-386	-977
Acquisition of operations and shares, net of cash acquired	-	-	-	-	-449
Proceeds from sale of property, plan and equipment	4	-	6	-	5
<b>Cash flow from investing activities</b>	<b>-192</b>	<b>-194</b>	<b>-344</b>	<b>-386</b>	<b>-1,421</b>
<b>Cash flow after investing activities</b>	<b>-21</b>	<b>326</b>	<b>-581</b>	<b>118</b>	<b>-208</b>
<b>Financing activities</b>					
Changes in loans	474	58	1,028	227	645
Dividend paid	-370	-328	-370	-328	-328
<b>Cash flow from financing activities</b>	<b>104</b>	<b>-270</b>	<b>658</b>	<b>-101</b>	<b>317</b>
<b>Cash flow for the period</b>	<b>83</b>	<b>56</b>	<b>77</b>	<b>17</b>	<b>109</b>
Cash and cash equivalents at start of period	581	414	586	459	459
Exchange rate difference for cash equivalents	-25	15	-24	9	18
<b>Cash and cash equivalents at end of period</b>	<b>639</b>	<b>485</b>	<b>639</b>	<b>485</b>	<b>586</b>

## AAK Group – Share data

	Q2 2017	Q2 2016	Q1-2 2017	Q1-2 2016	Full year 2016
Number of shares, thousand	42,288	42,288	42,288	42,288	42,288
Earnings per share, SEK*	6.25	5.47	12.72	11.03	23.71
Equity per share, SEK	171.91	158.15	171.91	158.15	177.87
Market value on closing date, SEK	615.00	599.50	615.00	599.50	599.50

\* The calculation of earnings per share is based on weighted average number of outstanding shares.

## Quarterly data – Business areas

### Operating profit

	2016					2017	
SEK million	Q1	Q2	Q3	Q4	Full year	Q1	Q2
Food Ingredients	229	238	251	278	996	249	271
Chocolate & Confectionery Fats	159	146	190	169	664	196	165
Technical Products & Feed	29	23	24	24	100	19	9
Group Functions	-36	-39	-34	-36	-145	-33	-36
<b>Total AAK Group excl non-recurring items</b>	<b>381</b>	<b>368</b>	<b>431</b>	<b>435</b>	<b>1,615</b>	<b>431</b>	<b>409</b>
Acquisition costs and non-recurring items	-	-	-15	15	-	-	-
<b>Total operating profit AAK Group</b>	<b>381</b>	<b>368</b>	<b>416</b>	<b>450</b>	<b>1,615</b>	<b>431</b>	<b>409</b>
Financial net	-38	-39	-47	-46	-170	-41	-22
<b>Result before tax</b>	<b>343</b>	<b>329</b>	<b>369</b>	<b>404</b>	<b>1,445</b>	<b>390</b>	<b>387</b>

## Alternative Performance Measures (APMs)

### Organic volume growth

%	Q2 2017	Q2 2016	Q1-2 2017	Q1-2 2016	Full year 2016
<b>Food Ingredients</b>					
Organic volume growth	3	-3	3	-3	-2
Acquisitions/divestments	9	7	8	7	7
<b>Volume growth as reported</b>	<b>12</b>	<b>4</b>	<b>11</b>	<b>4</b>	<b>5</b>
<b>Chocolate &amp; Confectionery Fats</b>					
Organic volume growth	14	11	16	11	13
Acquisitions/divestments	-	4	-	5	5
<b>Volume growth as reported</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>18</b>
<b>Technical Products &amp; Feed</b>					
Organic volume growth	0	5	2	2	4
Acquisitions/divestments	-	-	-	-	0
<b>Volume growth as reported</b>	<b>0</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>4</b>
<b>AAK Group</b>					
Organic volume growth	5	1	5	0	2
Acquisitions/divestments	6	5	5	6	5
<b>Volume growth as reported</b>	<b>11</b>	<b>6</b>	<b>10</b>	<b>6</b>	<b>7</b>

### EBITDA

SEK million	Q2 2017	Q2 2016	Q1-2 2017	Q1-2 2016	Full year 2016
Operating profit (EBIT)	409	368	840	749	1,615
Add back depreciation and amortization	123	114	245	226	464
<b>EBITDA</b>	<b>532</b>	<b>482</b>	<b>1,085</b>	<b>975</b>	<b>2,079</b>

## Return on Capital Employed (ROCE)

SEK million	30.06.2017	R12M 2017	Full year 2016
Total assets	17,194	16,472	17,184
Cash and cash equivalents	-639	-539	-586
Financial assets	-10	-13	-3
Accounts payables	-2,875	-2,849	-3,258
Other non-interest bearing liabilities	-1,924	-1,946	-2,293
<b>Capital employed</b>	<b>11,746</b>	<b>11,125</b>	<b>11,044</b>
<b>Operating profit (Rolling 12 months)</b>	<b>1,706</b>	<b>1,706</b>	<b>1,615</b>
<b>Return on Capital Employed (ROCE), %</b>	<b>14.5</b>	<b>15.3</b>	<b>14.6</b>

## Working capital

SEK million	30.06.2017	Full year 2016
Inventory	4,717	4,850
Accounts receivables	3,358	3,027
Other current receivables	1,234	1,278
Accounts payables	-2,875	-3,258
Other current liabilities	-1,924	-2,293
<b>Working capital</b>	<b>4,510</b>	<b>3,604</b>

## Net debt

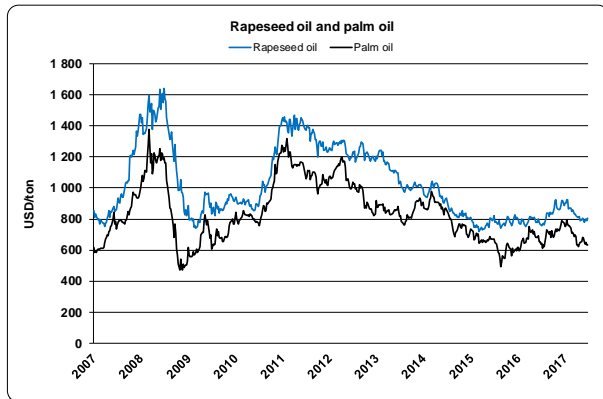
SEK million	30.06.2017	Full year 2016
Current interest bearing receivables	10	3
Cash and cash equivalents	639	586
Pension liabilities	-125	-134
Non-current liabilities to banks and credit institutions	-3,829	-2,857
Current liabilities to banks and credit institutions	-233	-217
Other interest-bearing liabilities	-1	-1
<b>Net debt</b>	<b>-3,539</b>	<b>-2,620</b>

## Equity to assets ratio

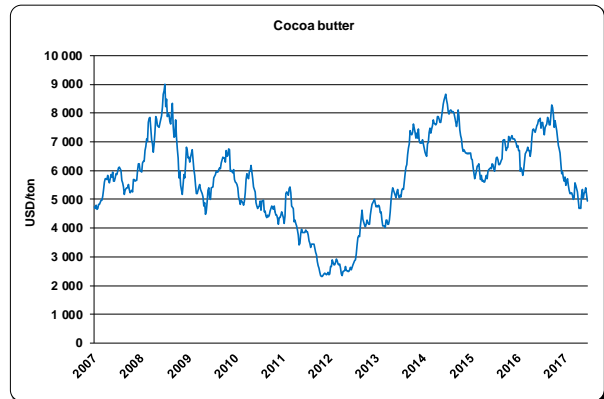
SEK million	30.06.2017	Full year 2016
Shareholders' equity	7,270	7,522
Non-controlling interests	63	54
<b>Total equity including non-controlling interests</b>	<b>7,333</b>	<b>7,576</b>
<b>Total assets</b>	<b>17,194</b>	<b>17,184</b>
<b>Equity to assets ratio, %</b>	<b>42.6</b>	<b>44.1</b>

## Price trends in raw materials

### Rapeseed oil and palm oil



### Cocoa butter



For information regarding cocoa and cocoa butter please refer to information at [www.icco.org](http://www.icco.org)



## *Additional information*

### **Press and analyst conference**

AAK will host a conference call on July 17, 2017 at 1 p.m. CET. The conference call can be accessed via our home page [www.aak.com](http://www.aak.com).

The annual and quarterly reports are also published on [www.aak.com](http://www.aak.com).

### **Financial calendar 2017**

The interim report for the third quarter 2017 will be published on October 26, 2017.

A capital market day will be held in Stockholm, Sweden, on November 28, 2017.

The fourth quarter and year-end report for 2017 will be published on February 5, 2018.

### **Forward-looking statements**

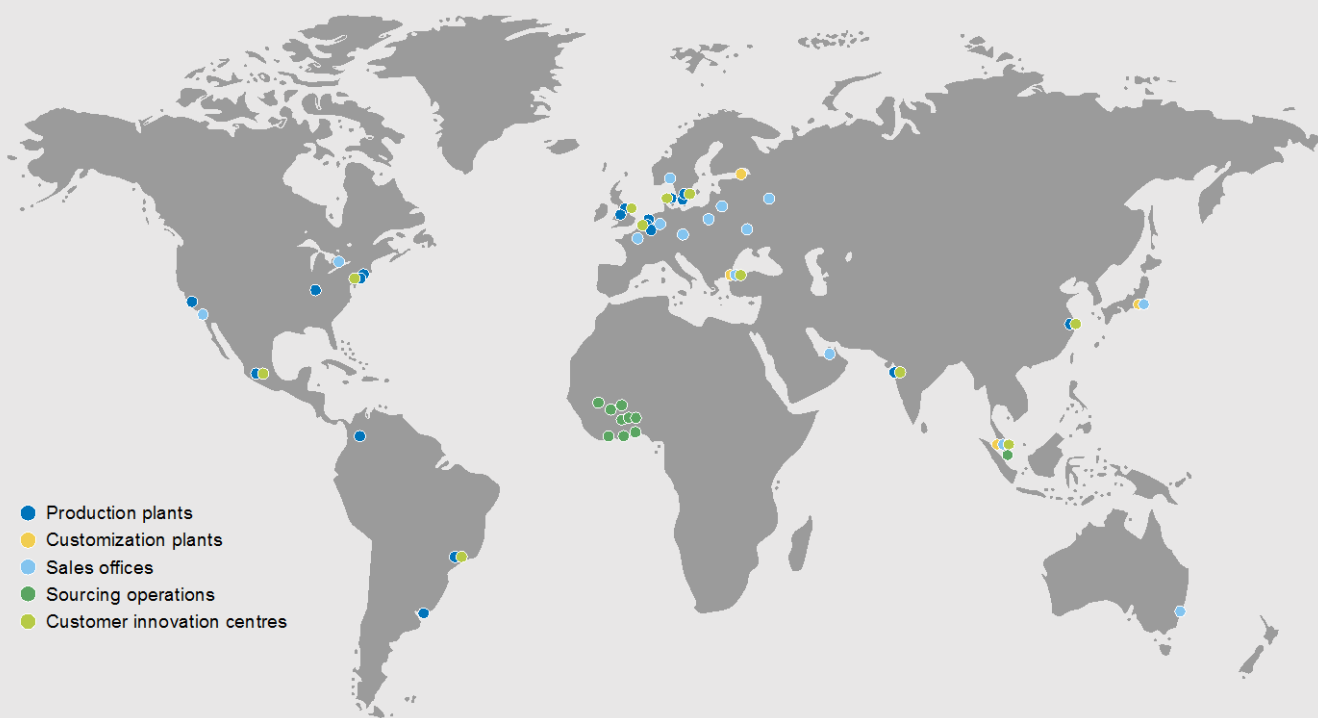
This report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of AAK AB (publ.), may cause actual developments and results to differ materially from the expectations expressed in this report.

### **Governing text**

The report has been translated from Swedish. The Swedish text shall govern for all purposes and prevail in the event of any discrepancy between the versions.

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