

Press release

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

- Operating profit reached SEK 475 million (431 excluding acquisition costs), an improvement of 10 percent. The currency translation impact was negative SEK 14 million of which SEK 9 million was related to Food Ingredients and SEK 5 million to Chocolate & Confectionery Fats. Operating profit at fixed foreign exchange rates and excluding acquisition costs improved by 13 percent.
- Total volumes continued to grow nicely and increased by 8 percent (11). Organic volume growth was 4 percent (4). The demand for speciality and semi-speciality products continued to be strong and generated organic volume growth of 4 percent (5).
- Food Ingredients improved by 15 percent, reaching SEK 288 million (251). It was another strong quarter with double-digit profit growth driven by a continued improved product mix, including a higher portion of customer co-developed solutions. At fixed foreign exchange rates operating profit was up 18 percent.
 - 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 another challenging quarter, particularly within the European market. The development in North Latin America and the US continued to be weak. However, there was good growth in Asia, the Nordics 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 198 million (190), an improvement of 4 percent. Both total volume growth and organic volume growth was 9 percent in the quarter. At fixed foreign exchange rates operating profit improved by 7 percent.
 - 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.
 - The business area has seen a stronger than projected growth in demand, combined with some production disruptions in Aarhus, Denmark, which have resulted in increased production and supply chain costs. This will gradually start to improve towards the end of the fourth quarter.
- Technical Products & Feed reached SEK 25 million (24) and after some challenging quarters the profit level was almost back to historical levels.

- Earnings per share increased by 20 percent, to SEK 7.21 (6.00).
- Operating cash flow including changes in working capital amounted to SEK 492 million (negative 135). Cash flow from working capital amounted to SEK 156 million (negative 467). Strong inventory management combined with some positive impact from lower raw material prices have impacted cash flow favorably. However, this was partly offset by a continued strong organic volume growth and working capital tied up for our new factories in Brazil and China.
- Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 15.4 percent (15.8 at December 31, 2016).
- The ramp-up of our new factories in Brazil and China is progressing according to plan with volumes increasing quarter by quarter.
- The key focus of our company program The AAK Way 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.

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 third quarter 2017 will be presented today, October 26, 2017 at 1 p.m. CET at a press and analyst 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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