

Press release

AAK's Interim report for the fourth quarter and year-end report 2017 – a record-high year-over-year operating profit was achieved

- Operating profit reached SEK 471 million (435 excluding non-recurring items), an improvement of 8 percent. The currency translation impact was negative SEK 18 million of which SEK 12 million was related to Food Ingredients and SEK 6 million to Chocolate & Confectionery Fats. Operating profit at fixed foreign exchange rates and excluding non-recurring items improved by 12 percent.
- Total volumes continued to grow nicely and increased by 5 percent (7). Organic volume growth was 5 percent (2). The demand for speciality and semi-speciality products continued to be strong and generated organic volume growth of 7 percent (5).
- Food Ingredients improved by 8 percent, reaching SEK 299 million (278). It was another strong quarter with high single-digit profit growth driven by a continued improved product mix, including a higher proportion of customer co-developed solutions. At fixed foreign exchange rates operating profit increased by 12 percent.
 - The Dairy segment continued the strong trend from previous quarters and once again reported high double-digit organic volume growth. All regions showed very strong growth except the Nordics which had another challenging quarter.
 - Bakery had another challenging quarter, particularly within Europe and North Latin America. Development in 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 176 million (169), an improvement of 4 percent. Organic volume growth increased by 1 percent (16). At fixed foreign exchange rates operating profit increased by 8 percent.
 - The business area has, as earlier communicated, seen a stronger than projected growth in demand, combined with some production disruptions in Aarhus, Denmark. This has resulted in increased production costs and higher supply chain costs. We have started to see an improvement in our production, however, due to higher volatility in the variations in some of our raw materials and the backlog from 2017 there will be an impact during the first quarter of 2018 as well. From the end of the first quarter 2018 we expect a lower volatility in the variations in these raw materials.
 - Despite these challenges profit growth was solid with stable volume development. The mix continued to improve with some organic volume growth for speciality products.

- At the end of the quarter we signed our first commercial contract for TROPICAO™, our chocolate solution for hot climate markets.
- Technical Products & Feed reached SEK 31 million (24), an improvement by 29 percent. This was mainly due to an improved product mix in our fatty acids business.
- Earnings per share increased by 24 percent, to SEK 8.31 (6.69). The US decision to reduce its corporate tax rate has impacted earnings per share by approximately SEK 0.80.
- Operating cash flow including changes in working capital amounted to SEK 844 million (843). Cash flow from working capital amounted to SEK 262 million (426). Continued good working capital management combined with a positive impact from lower raw material prices have impacted cash flow favorably. However, this was partly offset by a continued 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 15.6 percent (15.8 at December 31, 2016).
- The Board of Directors proposes that a dividend of SEK 9.75 (8.75) per share be paid for the financial year 2017.
- The Board of Directors proposes that the Annual General Meeting 2018 resolves on a share split 6:1 so that each existing share is divided into six (6) shares.
- For the Annual General Meeting 2018, the Nomination Committee proposes Georg Brunstam as new Chairman of the Board. With Melker Schörling AB as the main shareholder, Georg has developed Hexpol into a highly profitable, world-leading player in the polymer industry. He recently left his executive position at Hexpol for the role as Chairman of the Board, and is now proposed for the corresponding role in AAK.
- 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 fourth quarter and year-end report 2017 will be presented today, February 5, 2018 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 3,300 employees. **We are AAK – The Co-Development Company.***

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