

Press release

AAK's Interim report for the second quarter 2016 – all-time high operating profit for a second quarter

- A record-high operating profit of SEK 368 million (326 excluding non-recurring items) was achieved, an improvement of 13 percent. The currency translation impact was negative SEK 8 million (positive 39), mainly related to Food Ingredients.
- Total volumes continued to grow nicely and were up 6 percent (12). Organic volume growth was 1 percent (last year 4 percent) despite continued declining commodity volumes in Food Ingredients, where the growth in 2015 was exceptional. However, the demand for speciality and semi-speciality products was strong, generating organic volume growth of 5 percent (3).
- Food Ingredients improved by 8 percent, reaching SEK 238 million (221). The picture between the different segments was mixed though.
 - The Dairy segment continued the strong trend from the last three quarters and reported double-digit organic volume growth.
 - The Bakery segment had another challenging quarter globally. Volumes continued to decline, although at a slower pace than during the first quarter 2016.
 - Infant Nutrition reported a strong volume development. This was driven by product range Akonino®, which showed an impressive double-digit volume growth.
 - Foodservice reported organic volume growth with good development particularly in the U.K. and the U.S.
- Chocolate & Confectionery Fats reported a result of SEK 146 million (116), an improvement of 26 percent.
 - Total volumes in the quarter increased by 15 percent and organic volume growth was 11 percent.
 - Organic volume growth within high-end products continued during the second quarter. After some challenging quarters, low-end products were also back to organic volume growth.
 - After two years of severely deteriorating market conditions in Russia and Ukraine, the strong growth in the first quarter continued also during the second quarter, but still from a low level.
- Technical Products & Feed improved its operating profit by 5 percent, reaching SEK 23 million (22), due to a positive development of the fatty acids business.
- Earnings per share increased by 2 percent, to SEK 5.47 (5.38). Increased financial costs due to extended borrowings in high-interest rate countries (Brazil, China and India) had a very unfavorable impact on earnings per share.

- Operating cash flow including changes in working capital amounted to SEK 520 million (389). Cash flow from working capital was positive, amounting to SEK 158 million (83). The strong improvement in working capital was mainly related to good inventory management and increased accounts payables. This was despite the negative impact from substantially increased raw material prices during the last quarters, combined with working capital tied up for the two greenfield investments.
- Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 16.0 percent (15.7 percent at December 31, 2015).
- As communicated earlier today, AAK has acquired the leading West Coast based vegetable oils company California Oils Corporation from Mitsubishi Corporation of Japan. California Oils Corporation, also known as CalOils, had last year revenues of approximately SEK 1,350 million and a volume of approximately 110,000 MT, with 65 employees.
- During the second quarter we have inaugurated our new factory in Brazil. Some limited volumes have been delivered. To be able to deliver the whole product range a gradual ramp-up will continue during the coming quarters. Our China greenfield project continues to develop 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”, says Arne Frank, CEO and President, AAK Group. “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 2016 will be presented today, July 15, 2016 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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This information is information that AAK AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 11:00 a.m. CET on July 15, 2016.

*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 2,700 employees. We are AAK – **The Co-Development Company**.*