



# Interim Report

---

Third quarter, 2016

**AAK**

## Chief Executive's comments

### All-time high operating profit

We are happy to see that our determined, targeted and hard work based upon the clear strategy is yielding. Again, a record-high operating profit was achieved with a continued double-digit year-on-year improvement for the Group. This despite parts of the world markets really not being without serious challenges.

Operating profit, excluding acquisition costs of SEK 15 million, reached SEK 431 million (376), an improvement of 15 percent compared to the corresponding quarter in 2015. The currency translation impact was negative SEK 10 million (positive 27), mainly related to Food Ingredients. Operating profit at fixed foreign exchange rates and excluding acquisition costs improved by 17 percent.

Food Ingredients reported another strong quarter with high single-digit profit growth due to a continued improved product mix including a higher portion of customer co-developed solutions.

Chocolate & Confectionery Fats reported an impressive quarter with strong double-digit organic volume growth and a continued double-digit profit growth.

Technical Products & Feed reported a solid quarter with a continued good development for the technical fatty acids business.

Total volumes continued to grow nicely and were up 11 percent (2). Organic volume growth was 4 percent (2) despite continued declining commodity volumes in Food Ingredients, where the growth in 2015 was exceptional. However, the demand for speciality and semi-speciality products continued to be strong, generating organic volume growth of 5 percent (2).

Business area operating profit:

- Food Ingredients improved by 9 percent, reaching SEK 251 million (230).
- Chocolate & Confectionery Fats reported a result of SEK 190 million (166), an improvement of 14 percent.
- Technical Products & Feed reached SEK 24 million (11). Last year's low result was due to a planned maintenance stop.

Operating profit per kilo, excluding acquisition costs, reached SEK 0.85 (0.83). The currency translation impact was negative SEK 0.02 (positive 0.06).



Operating profit per kilo in Food Ingredients was stable at SEK 0.75 (0.74). This was due to an improved product mix offset by a negative currency translation impact and ramp-up costs related to greenfield investments. At fixed foreign exchange rates operating profit per kilo improved by 4 percent.

Operating profit per kilo for Chocolate & Confectionery Fats continued at a high level and reached SEK 1.88 (2.02). There was continued organic volume growth for both speciality and semi-speciality products in the quarter with the latter being particularly strong. Ramp-up costs related to greenfield investments have had a negative impact on operating profit per kilo.

Technical Products & Feed reported a solid operating profit per kilo, SEK 0.35 (0.18).

Earnings per share were stable at SEK 6.00 (6.03). Increased financial costs due to extended borrowings in high-interest rate countries (Brazil, China and India) and increased earnings in countries with high tax rates had a very unfavorable impact on earnings per share.

Sales amounted to SEK 5,678 million (5,058). The increase was mainly due to the positive product mix, increased raw material prices and acquisitions, partly offset by a negative currency translation impact of SEK 183 million.

### Food Ingredients

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

The Bakery segment had another challenging quarter globally. Volumes continued to decline, although at a slower pace than during the first two quarters 2016.

The Dairy segment continued the trend from previous quarters and reported solid organic volume growth. Several regions and markets

showed strong growth in this segment. Milk fat prices have been at a very low level for several quarters but have increased significantly since the summer.

Infant Nutrition reported strong double-digit volume growth. This was particularly driven by an extraordinary volume growth for our product range Akonino® but also by InFat®, sold through Advanced Lipids AB, a joint venture of AAK and Enzymotec.

Foodservice reported organic volume growth with good development particularly in the U.K., the U.S. and the Nordics.

Commodity products showed negative volume development after exceptional growth in 2015.

### **Chocolate & Confectionery Fats**

Total volumes increased by 23 percent (4). Organic volume growth in the quarter was 15 percent (4).

There was continued organic volume growth for both high-end and low-end products in the quarter with the latter showing particularly strong growth after some challenging quarters.

After two years of severely deteriorating market conditions in Russia and Ukraine, the strong growth during the first two quarters continued, but still from low levels.

### **Cash flow**

Operating cash flow including changes in working capital amounted to negative SEK 135 million (258). Cash flow from working capital was negative, amounting to SEK 467 million (negative 81). This was due to the impact from substantially increased raw material prices during the last quarters, combined with working capital tied up for the two greenfield investments. The higher raw material prices and the greenfield investments will continue to have a negative impact on working capital during 2016.

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

Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was unchanged, 15.7 percent (15.7 at December 31, 2015). This despite being negatively effected by higher working capital due to increased raw material prices, initial greenfield investments in Brazil and China, and acquisitions. The ROCE for the third quarter

was 13.9 percent compared to 15.7 percent for the corresponding quarter 2015.

### **Acquisition of California Oils Corporation**

As earlier communicated, 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.

A strong presence on the U.S. West Coast has been a priority for AAK since several years. The West Coast encompasses 20 percent of the U.S. population and economy and this expansion has been identified as an important component of AAK's long-term growth strategy. The acquisition of CalOils will transform AAK into a truly national speciality and semi-speciality edible oils company in the U.S.

### **Greenfield investments**

Our greenfield project in Brazil is progressing according to plan. Some limited volumes have been delivered during the quarter. 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.

### **AAKtion**

Our company program for 2014–2016, "AAKtion", is developing according to plan. The program is intended to further strengthen the focus on "Sales-Innovation-Execution".

### **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.

Arne Frank  
Chief Executive Officer



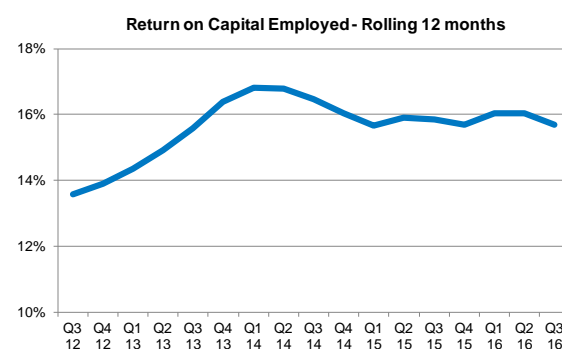
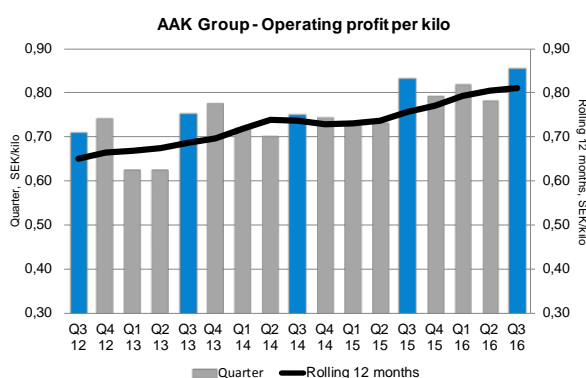
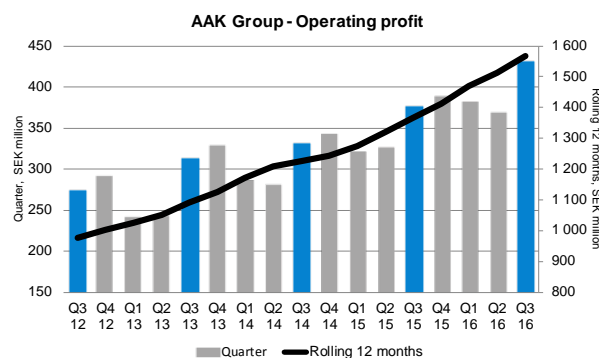
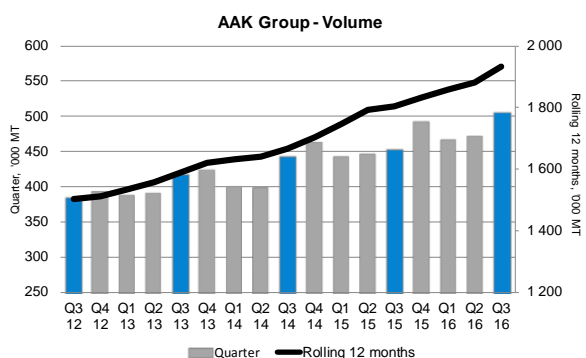
## Financial highlights and key ratios

SEK million (unless otherwise stated)	Q3 2016	Q3 2015	Δ %	Q1-3 2016	Q1-3 2015	Δ %	Full year 2015
<b>Income statement</b>							
Volumes ('000 MT)	505	453	+11	1,442	1,342	+7	1,833
Operating profit excluding non-recurring items	431 <sup>1)</sup>	376	+15	1,180 <sup>1)</sup>	1,023 <sup>2)</sup>	+15	1,411 <sup>3)</sup>
Operating profit including non-recurring items	416 <sup>1)</sup>	376	+11	1,165 <sup>1)</sup>	1,036 <sup>2)</sup>	+12	1,409 <sup>3)</sup>
Net profit	263	256	+3	753	701	+7	945
<b>Financial position</b>							
Total assets	16,091	12,891	-	16,091	12,891	-	13,896
Equity	7,087	6,422	-	7,087	6,422	-	6,650
Working capital	4,047	3,309	-	4,047	3,309	-	3,087
Net interest-bearing debt	3,165	2,035	-	3,165	2,035	-	2,083
<b>Cash flow</b>							
EBITDA	530	479	+11	1,505	1,351	+11	1,840
Cash flow from operating activities	-135	258	-	369	1,075	-	1,736
Cash flow from investing activities	-708	-234	-	-1,094	-467	-	-1,016
Free cash flow	-843	24	-	-725	608	-	720
<b>Earnings per share</b>							
Earnings per share before dilution, SEK	6.00	6.03	-0	17.03	16.52	+3	22.17
Earnings per share after dilution, SEK	6.00	6.01	-0	17.03	16.47	+3	22.12
<b>Key figures</b>							
Volume growth, %	+11	+2	-	+7	+8	-	+8
Operating profit per kilo (excl. non-recurring items), SEK	0.85	0.83	+2	0.82	0.76	+8	0.77
Return on Capital Employed (R12 months), %	15.7	15.8	-1	15.7	15.8	-1	15.7
Net debt / EBITDA, multiple	1.59	1.12	+42	1.59	1.12	+42	1.13

1) Acquisition costs of SEK 15 million related to California Oils Corporation have been recorded during the third quarter 2016.

2) As a result of the sale of the company's office building in M.P. Bruuns Gade, Aarhus, Denmark, a net profit of SEK 45 million was recorded during the second quarter 2015. At the end of the second quarter 2015 an assessment of previously made non-recurring provisions, and during the last few quarters communicated, has resulted in increased provisions of SEK 32 million. A non-recurring, net positive impact of SEK 13 million has been reported in the Income Statement on page 12.

3) Non-recurring items for the full year 2015 amounted to negative SEK 2 million and consist of acquisition costs of SEK 15 million and SEK 45 million in net profit as a result of the sale of the company's office building in M.P. Bruuns Gade, Aarhus, Denmark. An assessment of previously made non-recurring provisions has resulted in increased provisions of SEK 32 million.



## The AAK Group, Third quarter 2016

### Volumes

Volumes increased by 11 percent (2) compared to the third quarter 2015. Organic volume growth was 4 percent (2) 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 (2).

### Net sales

Sales amounted to SEK 5,678 million (5,058). The increase was mainly due to the positive product mix, increased raw material prices, and acquisitions, partly offset by a negative currency translation impact of SEK 183 million.

### Operating profit

Operating profit, excluding acquisition costs of SEK 15 million, reached SEK 431 million (376), an improvement of 15 percent compared to the corresponding quarter in 2015. The currency translation impact was negative SEK 10 million (positive 27), mainly related to Food Ingredients. Operating profit at fixed foreign exchange rates and excluding acquisition costs improved by 17 percent. Operating profit, including acquisition costs, amounted to SEK 416 million (376).

Operating profit per kilo, excluding acquisition costs, reached SEK 0.85 (0.83). The currency translation impact was negative SEK 0.02 (positive 0.06).

### Net financial cost

Net financial cost increased, reaching SEK 47 million (28). The Group's borrowings in high-interest rate countries (Brazil, China and India) have increased due to ongoing greenfield projects, recently made acquisitions, and increased working capital due to higher raw material prices.

### Cash flow and investments

Operating cash flow including changes in working capital amounted to negative SEK 135 million (258). Cash flow from working capital was negative, amounting to SEK 467 million (negative 81). This was due to the impact from substantially increased raw material prices during the last quarters, combined with working capital tied up for the two greenfield investments. The higher raw material prices and the greenfield investments will continue to have a negative impact on working capital during 2016.

### Acquisition of California Oils Corporation

AAK announced on July 15, 2016 its entry into an agreement to acquire California Oils Corporation. The transaction was completed on August 31.

The acquisition will not start contributing to AAK's operating profit until the third quarter 2017. A material turnaround of the business is planned. This will be supported by the implementation of our customer co-development concept with focus on tailor-made speciality and semi-speciality solutions.

Due to the complexity of calculating a fair value of the assets and liabilities in California Oils Corporation, AAK has made a very preliminary assessment of the fair value. This assessment has resulted in a negative goodwill.

The Group has in the quarter also recorded costs related to the planned integration.

The net impact in the income statement of the negative goodwill and these costs are reported as neutral. AAK has in this assessment been prudent. The assessment is very preliminary and it is not unlikely that a non-recurring income will be reported during the fourth quarter when a final fair value calculation has been made.

### Acquisition of non-controlling interest in AAK Mexico

During the quarter AAK has acquired 4.5 percent of the non-controlling interest in AAK Mexico from United Plantation Berhad. AAK now owns more than 99 percent of the shares in AAK Mexico.

### Financial position

The equity/assets ratio amounted to 44 percent (48 percent at December 31, 2015). Net debt at September 30, 2016, amounted to SEK 3,165 million (SEK 2,083 million at December 31, 2015). At September 30, 2016, the Group had total committed credit facilities of SEK 6,219 million (5,924 as of December 31, 2015), with SEK 3,189 million of unused committed credit facilities at quarter-end.

### Employees

The average number of employees at September 30, 2016 was 2,858 (2,738 at December 31, 2015). The increase of employees is related to recently made acquisitions and ongoing greenfield projects.

## Business Area Food Ingredients, Q3 2016

	Q3 2016	Q3 2015	Δ%	Q1-3 2016	Q1-3 2015	Δ%	Full year 2015
Operating profit							
<b>+9 %</b>							
Operating profit per kilo							
<b>+1 %</b>							
Volumes ('000 MT)	336	309	+9	971	923	+5	1,258
Net sales, SEK million	3,792	3,372	+12	10,561	10,014	+5	13,556
Operating profit, SEK million	251	230	+9	718	646	+11	903
Operating profit per kilo, SEK	0.75	0.74	+1	0.74	0.70	+6	0.72

### Volumes

The business area reported total volume growth of 9 percent (4). The demand for speciality and semi-speciality products was good, generating organic volume growth of 2 percent (2). The picture between the different segments was mixed though.

The Bakery segment had another challenging quarter globally. Volumes continued to decline, although at a slower pace than during the first two quarters 2016.

The Dairy segment continued the trend from previous quarters and reported solid organic volume growth. Several regions and markets showed strong growth in this segment. Milk fat prices have been at a very low level for several quarters but have increased significantly since the summer.

Infant Nutrition reported strong double-digit volume growth. This was particularly driven by an extraordinary volume growth for our product range Akonino® but also by InFat®, sold through Advanced Lipids AB, a joint venture of AAK and Enzymotec.

Foodservice reported organic volume growth with good development particularly in the U.K., the U.S. and the Nordics.

Commodity products showed negative volume development after exceptional growth in 2015.

### Net sales

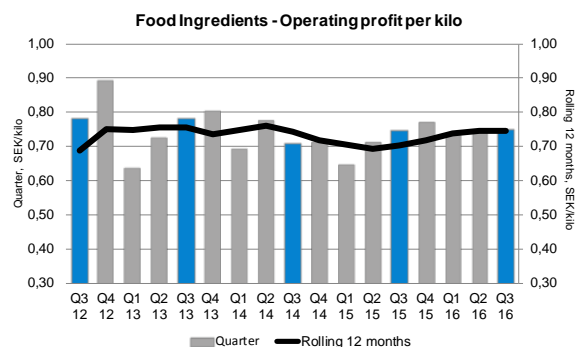
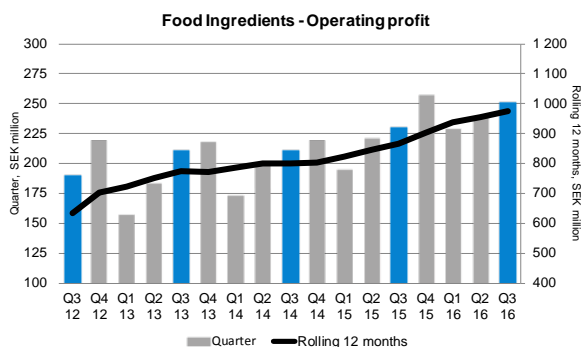
Sales amounted to SEK 3,792 million (3,372). The increase was mainly due to acquisitions, increased raw material prices, and an improved product mix, partly offset by lower commodity volumes, and a negative currency translation impact of SEK 168 million.

### Operating profit

Operating profit improved by 9 percent to SEK 251 million (230). The currency translation impact was negative SEK 9 million (positive 15).

Operating profit per kilo in Food Ingredients was stable at SEK 0.75 (0.74). This was due to an improved product mix offset by a negative currency translation impact and ramp-up costs related to greenfield investments. At fixed foreign exchange rates operating profit per kilo improved by 4 percent.

We expect a continued positive underlying development for this business area.



# Business Area Chocolate & Confectionery Fats, Q3 2016

	Q3 2016	Q3 2015	Δ%	Q1-3 2016	Q1-3 2015	Δ%	Full year 2015
Operating profit							
<b>+14 %</b>							
Volumes ('000 MT)	101	82	+23	267	225	+19	312
Net sales, SEK million	1,580	1,389	+14	4,259	3,901	+9	5,315
Operating profit per kilo							
<b>-7 %</b>							
Operating profit, SEK million	190	166	+14	495	419	+18	553
Operating profit per kilo, SEK	1.88	2.02	-7	1.85	1.86	-0	1.77

## Volumes

Total volumes for the business area increased by 23 percent (4). Organic volume growth in the quarter was 15 percent (4).

There was continued organic volume growth for both high-end and low-end products in the quarter.

After two years of severely deteriorating market conditions in Russia and Ukraine, the strong growth during the first two quarters continued, but still from low levels.

## Net sales

Net sales for Chocolate & Confectionery Fats increased by SEK 191 million as a consequence of volume growth, increased raw material prices, and acquisitions. This was partly offset by a negative currency translation impact of SEK 15 million.

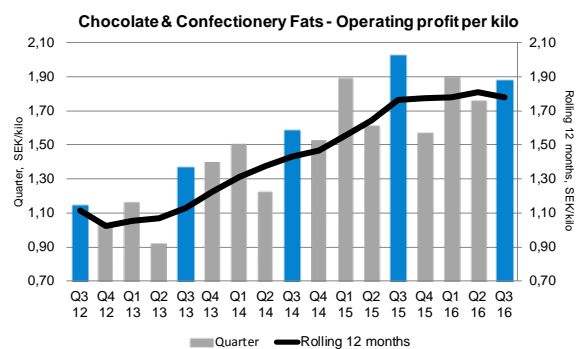
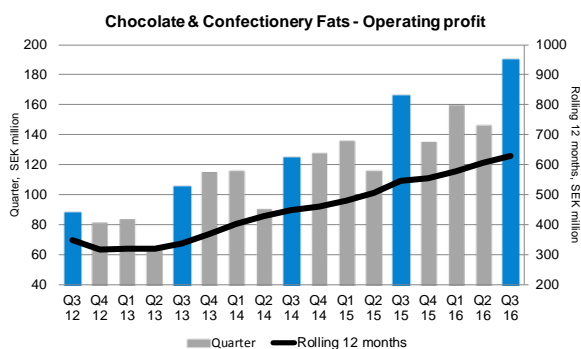
Recent years' strong customer co-development, new innovative solutions, and further expansion of our geographical footprint are continuing to yield positive results.

## Operating profit

As expected, operating profit improved further, by 14 percent, and reached SEK 190 million (166). The currency translation impact was negative SEK 1 million (positive 12).

Operating profit per kilo for Chocolate & Confectionery Fats continued at a high level and reached SEK 1.88 (2.02). There was continued organic volume growth for both speciality and semi-speciality products in the quarter with the latter being particularly strong. Ramp-up costs related to greenfield investments have had a negative impact on operating profit per kilo.

We are expecting continued improvement in Chocolate & Confectionery Fats.



## Business Area Technical Products & Feed, Q3 2016

	Q3 2016	Q3 2015	Δ%	Q1-3 2016	Q1-3 2015	Δ%	Full year 2015
Operating profit							
<b>+118 %</b>							
Operating profit per kilo							
<b>+94 %</b>							
Volumes ('000 MT)	68	62	+10	204	194	+5	263
Net sales, SEK million	306	297	+3	911	933	-2	1,243
Operating profit, SEK million	24	11	+118	76	56	+36	88
Operating profit per kilo, SEK	0.35	0.18	+94	0.37	0.29	+28	0.33

### Volumes

Volumes increased by 10 percent (negative 2) compared to the corresponding quarter in 2015. Both the feed business and the technical fatty acids business reported volume growth. Last year's maintenance stop also impacted last year's volumes.

### Net sales

Net sales for the business area increased by SEK 9 million as a result of the volume growth.

### Operating profit

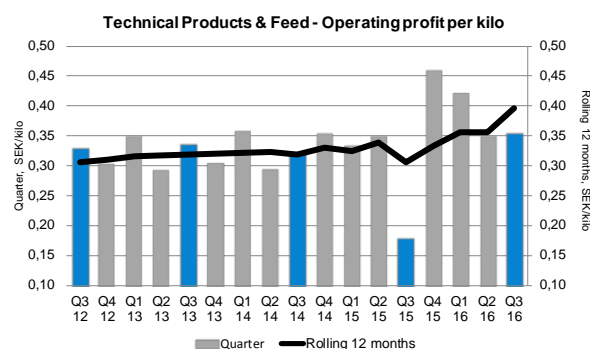
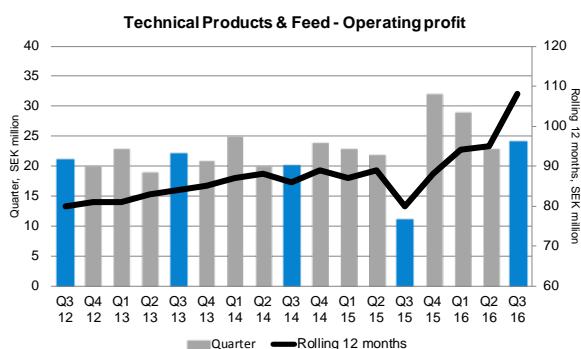
Operating profit improved by SEK 13 million,

reaching SEK 24 million (11). Last year's low result was due to a planned and extended maintenance stop.

The technical fatty acids business continued its positive development from the last quarters.

Operating profit per kilo was solid at SEK 0.35 (0.18).

Operating profit is expected to be stable or to improve slightly compared to the prior years.





## *The AAK Group, first nine months 2016*

### **Volumes**

Total volumes were up 7 percent (8) and organic volume growth was up 1 percent (4).

### **Net sales**

Sales amounted to SEK 15,731 million (14,848). The increase was mainly due to the positive product mix, increased raw material prices, and acquisitions, partly offset by a negative currency translation impact of SEK 552 million.

### **Operating result**

Operating profit, excluding acquisition costs, reached SEK 1,180 million (1,023 excluding non-recurring items), an improvement of 15 percent compared to the corresponding period in 2015. Operating profit at fixed foreign exchange rates and excluding acquisition costs improved by 18 percent. Operating profit, including acquisition costs, amounted to SEK 1,165 million (1,036 including non-recurring items).

Operating profit per kilo, excluding acquisition costs, reached SEK 0.82 (0.76). The currency translation impact was negative SEK 0.02 (positive 0.08).

### **Net financial cost**

Net financial cost increased, reaching SEK 124 million (85). The Group's borrowings in high-interest rate countries (Brazil, China and India) have increased due to ongoing greenfield projects and recently made acquisitions.

### **Tax cost**

Reported tax costs amounted to SEK 288 million (251), implying a tax rate of 27.7 percent. The reported tax rate is 1.4 percent higher than last year due to increased earnings in countries with high tax rates.

### **Cash flow**

Operating cash flow including changes in working capital amounted to positive SEK 369 million (1,075). As previously predicted, cash flow from working capital was negative, amounting to SEK 689 million (positive 88). The substantial increase in raw material prices during the last quarters, combined with working capital tied up for the two greenfield investments, will continue to have a negative impact on working capital during 2016.

### **Acquisitions**

For further information, please refer to pages 3 and 5.

## General information

### Related parties

No significant changes have taken place in relations or transactions with related parties since 2015.

### 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 2015.

### Accounting principles in 2016

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 2015. The accounting policies are unchanged, compared with those applied in 2015. A number of new and amended standards are effective for periods beginning after January 1, 2016. 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)

New ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures (APMs) are effective for the financial year 2016. Accordingly, AAK publishes the explanation of use, definitions as well as reconciliations of its APMs to IFRS financial statements.

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 2015.

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

The Parent Company's invoiced sales during the first nine months of 2016 amounted to SEK 60 million (55). The result for the Parent Company after financial items amounted to negative SEK 57 million (negative 72).

Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets totalled a negative of SEK 1,419 million (negative 995 as at December 31, 2015). Investments in intangible and tangible assets amounted to SEK 5 million (2). 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.

### Events after the balance sheet date

Melker Schörling announced on October 24, 2016 that he will leave his position as Chairman of the Board of AAK AB (publ.) at the Annual General Meeting on May 17, 2017.

The Nomination Committee will come back with a proposal for new Chairman during the next couple of months. Melker Schörling will continue to support and act as adviser to AAK's Management as well as the Board of AAK.

As earlier communicated, Ulrik Svensson will leave his position as CEO of Melker Schörfling AB (publ.) at the end of the year. He will at the same

time leave his position as Board member of AAK AB (publ.).

Malmö, October 26, 2016

Arne Frank  
Chief Executive Officer

**For further information, please contact:**

Fredrik Nilsson  
CFO  
Mobile: + 46 708 95 22 21  
E-mail: [fredrik.nilsson@aak.com](mailto:fredrik.nilsson@aak.com)

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 08:50 a.m. CET on October 26, 2016.

## *Report of Review of Interim Financial Information*

### **Introduction**

We have reviewed the condensed interim financial information (interim report) of AAK AB (publ.) as of September 30, 2016 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards

in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö, October 25, 2016

PricewaterhouseCoopers

Sofia Götmar-Blomstedt  
Authorized Public Accountant

## Income statement

SEK million	Group					Parent		
	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Net sales	5,678	5,058	15,731	14,848	20,114	60	55	80
Other operating income	25	43	65	147	194	0	0	-
<b>Total operating income</b>	<b>5,703</b>	<b>5,101</b>	<b>15,796</b>	<b>14,995</b>	<b>20,308</b>	<b>60</b>	<b>55</b>	<b>80</b>
Raw materials and supplies	-4,268	-3,770	-11,621	-11,125	-15,008	-	-	-
Other external expenses	-474	-454	-1,415	-1,320	-1,833	-34	-59	-96
Cost for remuneration to employees	-415	-396	-1,234	-1,164	-1,590	-77	-63	-88
Amortization and impairment losses	-114	-103	-340	-314	-431	0	-1	-1
Other operating expenses	-16	-2	-21	-36	-37	-3	-	-15
<b>Total operating costs</b>	<b>-5,287</b>	<b>-4,725</b>	<b>-14,631</b>	<b>-13,959</b>	<b>-18,899</b>	<b>-114</b>	<b>-123</b>	<b>-200</b>
<b>Operating profit (EBIT)</b>	<b>416</b>	<b>376</b>	<b>1,165</b>	<b>1,036</b>	<b>1,409</b>	<b>-54</b>	<b>-68</b>	<b>-120</b>
Income from shares in group companies	-	-	-	-	-	-	-	125
Interest income	2	4	5	10	3	0	0	0
Interest expense	-44	-25	-116	-72	-99	-3	-4	-4
Other financial items	-5	-7	-13	-23	-18	0	-	0
<b>Total financial net</b>	<b>-47</b>	<b>-28</b>	<b>-124</b>	<b>-85</b>	<b>-114</b>	<b>-3</b>	<b>-4</b>	<b>121</b>
<b>Result before tax</b>	<b>369</b>	<b>348</b>	<b>1,041</b>	<b>951</b>	<b>1,295</b>	<b>-57</b>	<b>-72</b>	<b>1</b>
Income tax	-106	-92	-288	-250	-350	14	16	-1
<b>Net result</b>	<b>263</b>	<b>256</b>	<b>753</b>	<b>701</b>	<b>945</b>	<b>-43</b>	<b>-56</b>	<b>0</b>
Attributable to non-controlling interests	10	2	33	6	12	-	-	-
Attributable to the Parent company's shareholders	253	254	720	695	933	-43	-56	0

## Comprehensive income

SEK million	Group					Parent		
	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Profit for the period	263	256	753	701	945	-43	-56	0
Items that will not be reclassified to profit or loss:								
Remeasurements of post employment benefit obligations	14	3	-1	3	19	-	-	-
	<b>14</b>	<b>3</b>	<b>-1</b>	<b>3</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>
Items that may subsequently be reclassified to profit or loss:								
Translation differences	39	-62	-5	105	44	-	-	-
Fair value changes in cash flow hedges	8	9	21	17	25	-	-	-
Tax attributable to fair value changes in cash flow hedges	-2	-2	-5	-4	-6	-	-	-
	<b>45</b>	<b>-55</b>	<b>11</b>	<b>118</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>322</b>	<b>204</b>	<b>763</b>	<b>822</b>	<b>1,027</b>	<b>-43</b>	<b>-56</b>	<b>0</b>
Attributable to non-controlling interests	12	-1	34	3	7	-	-	-
Attributable to the Parent company's shareholders	310	205	729	819	1,020	-43	-56	0



## Condensed balance sheet

SEK million	Group			Parent		
	30.09.2016	30.09.2015	31.12.2015	30.09.2016	30.09.2015	31.12.2015
<b>Assets</b>						
Goodwill	1,644	1,346	1,567	-	-	-
Other intangible assets	348	119	377	5	1	3
Tangible assets	4,875	3,977	4,295	4	1	1
Financial assets	30	39	52	5,486	5,476	5,476
Deferred tax assets	130	115	97	15	16	-
<b>Total non-current assets</b>	<b>7,027</b>	<b>5,596</b>	<b>6,388</b>	<b>5,510</b>	<b>5,494</b>	<b>5,480</b>
Inventory	4,533	3,249	3,599	-	-	-
Accounts receivables	3,055	2,573	2,426	-	-	-
Other current receivables	1,073	1,082	1,024	199	62	193
Cash and cash equivalents	403	391	459	-	-	0
<b>Total current assets</b>	<b>9,064</b>	<b>7,295</b>	<b>7,508</b>	<b>199</b>	<b>62</b>	<b>193</b>
<b>Total assets</b>	<b>16,091</b>	<b>12,891</b>	<b>13,896</b>	<b>5,709</b>	<b>5,556</b>	<b>5,673</b>
<b>Equity and liabilities</b>						
Shareholders' equity	7,035	6,374	6,597	4,218	4,510	4,590
Non-controlling interests	52	48	53	-	-	-
<b>Total equity including non-controlling interests</b>	<b>7,087</b>	<b>6,422</b>	<b>6,650</b>	<b>4,218</b>	<b>4,510</b>	<b>4,590</b>
Liabilities to banks and credit institutions	3,263	2,199	2,132	-	-	-
Pension liabilities	144	136	128	8	-	-
Deferred tax liabilities	517	353	454	-	-	-
Non-interest-bearing liabilities	301	95	288	-	-	-
<b>Total non-current liabilities</b>	<b>4,225</b>	<b>2,783</b>	<b>3,002</b>	<b>8</b>	<b>-</b>	<b>-</b>
Liabilities to banks and credit institutions	196	94	287	-	-	-
Accounts payables	2,670	2,250	2,383	9	10	6
Other current liabilities	1,913	1,342	1,574	1,474	1,036	1,077
<b>Total current liabilities</b>	<b>4,779</b>	<b>3,686</b>	<b>4,244</b>	<b>1,483</b>	<b>1,046</b>	<b>1,083</b>
<b>Total equity and liabilities</b>	<b>16,091</b>	<b>12,891</b>	<b>13,896</b>	<b>5,709</b>	<b>5,556</b>	<b>5,673</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, 2016	6,597	53	6,650
Profit for the period	720	33	753
Other comprehensive income	9	1	10
<b>Total comprehensive income</b>	<b>729</b>	<b>34</b>	<b>763</b>
Non-controlling interest	37	-35	2
Dividend	-328	-	-328
<b>Closing equity September 30, 2016</b>	<b>7,035</b>	<b>52</b>	<b>7,087</b>

SEK million	Total equity capital	Non-controlling interests	Total equity incl. non-controlling interests
Openings equity January 1, 2015	5,755	45	5,800
Profit for the period	695	6	701
Other comprehensive income	124	-3	121
<b>Total comprehensive income</b>	<b>819</b>	<b>3</b>	<b>822</b>
New issue of shares	84	-	84
Dividend	-284	-	-284
<b>Closing equity September 30, 2015</b>	<b>6,374</b>	<b>48</b>	<b>6,422</b>

During 2015, 446,200 new shares have been issued which have increased equity by SEK 84 million.

## Financial instruments

SEK million	Asset	Liability
<b>Financial instruments reported in balance sheet September 30, 2016</b>		
Raw material hedge contracts	95	240
FX hedge contracts	113	113
Interest rate swaps	-	42
<b>Total derivatives financial instruments</b>	<b>208</b>	<b>395</b>
Fair value adjustment inventory	200	-10
<b>Total financial instruments</b>	<b>408</b>	<b>385</b>

## AAK Group – Cash flow statement

SEK million	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
<b>Operating activities</b>					
Operating profit	416	376	1,165	1,036	1,409
Depreciation and amortization	114	103	340	315	431
Other non-cash items	-15	-28	-1	-80	-100
<b>Cash flow before interest and tax</b>	<b>515</b>	<b>451</b>	<b>1,504</b>	<b>1,271</b>	<b>1,740</b>
Interest paid and received	-49	-28	-121	-85	-114
Tax paid	-134	-84	-325	-199	-270
<b>Cash flow before changes in working capital</b>	<b>332</b>	<b>339</b>	<b>1,058</b>	<b>987</b>	<b>1,356</b>
Changes in inventory	-540	-232	-541	-46	-292
Changes in accounts receivables	-403	-48	-541	-67	126
Changes in accounts payables	446	214	251	9	148
Changes in other working capital items	30	-15	142	192	398
Changes in working capital	-467	-81	-689	88	380
<b>Cash flow from operating activities</b>	<b>-135</b>	<b>258</b>	<b>369</b>	<b>1,075</b>	<b>1,736</b>
<b>Investing activities</b>					
Acquisition of intangible and tangible assets	-265	-234	-651	-568	-994
Acquisition of operations and shares, net of cash acquired	-447	-	-447	-	-123
Proceeds from sale of property, plan and equipment	4	-	4	1	1
Divestment of operations and shares	-	-	-	100	100
Cash flow from investing activities	-708	-234	-1,094	-467	-1,016
<b>Cash flow after investing activities</b>	<b>-843</b>	<b>24</b>	<b>-725</b>	<b>608</b>	<b>720</b>
<b>Financing activities</b>					
New share issue	-	1	-	84	107
Changes in loans	761	1	988	-266	-344
Dividend paid	-	-	-328	-284	-284
Cash flow from financing activities	761	2	660	-466	-521
<b>Cash flow for the period</b>	<b>-82</b>	<b>26</b>	<b>-65</b>	<b>142</b>	<b>199</b>
Cash and cash equivalents at start of period	485	377	459	264	264
Exchange rate difference for cash equivalents	0	-12	9	-15	-4
<b>Cash and cash equivalents at end of period</b>	<b>403</b>	<b>391</b>	<b>403</b>	<b>391</b>	<b>459</b>

## AAK Group – Share data

	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Number of shares, thousand	42,288	42,165	42,288	42,165	42,288
Earnings per share, SEK*	6.00	6.03	17.03	16.52	22.17
Earnings per share incl. dilution, SEK**	-	6.01	-	16.47	22.12
Earnings per share incl. full dilution, SEK***	-	6.01	-	16.47	22.16
Equity per share, SEK	166.35	151.65	166.35	151.65	156.77
Market value on closing date, SEK	633.50	543.00	633.50	543.00	627.50

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

\*\* The calculation of earnings per share is based on weighted average number of outstanding shares including dilution from outstanding subscription options (in accordance with IAS 33).

\*\*\* Earnings per share after full dilution is calculated by dividing net income for the period by the total number of average outstanding shares for the period including a conversion of all outstanding share options to ordinary shares.

## Quarterly data – Business Areas

### Operating profit

SEK million	2015				Full year	2016		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3
Food Ingredients	195	221	230	257	903	229	238	251
Chocolate & Confectionery Fats	136	116	166	135	553	159	146	190
Technical Products & Feed	23	22	11	32	88	29	23	24
Group Functions	-33	-33	-31	-36	-133	-36	-39	-34
<b>Total AAK Group excl. non-recurring items</b>	<b>321</b>	<b>326</b>	<b>376</b>	<b>388</b>	<b>1,411</b>	<b>381</b>	<b>368</b>	<b>431</b>
Acquisition costs and non-recurring items	-	13	-	-15	-2	-	-	-15
<b>Total legal operating profit AAK Group</b>	<b>321</b>	<b>339</b>	<b>376</b>	<b>373</b>	<b>1,409</b>	<b>381</b>	<b>368</b>	<b>416</b>
Financial net	-27	-30	-28	-29	-114	-38	-39	-47
<b>Result before tax</b>	<b>294</b>	<b>309</b>	<b>348</b>	<b>344</b>	<b>1,295</b>	<b>343</b>	<b>329</b>	<b>369</b>

## Alternative Performance Measures (APMs)

### Organic volume growth

%	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
<b>Food Ingredients</b>					
Organic volume growth	-0	4	-2	7	5
Acquisitions/divestments	9	-	7	7	8
<b>Volume growth as reported</b>	<b>9</b>	<b>4</b>	<b>5</b>	<b>14</b>	<b>13</b>
<b>Chocolate &amp; Confectionery Fats</b>					
Organic volume growth	15	4	12	-2	-2
Acquisitions/divestments	8	-	7	-	1
<b>Volume growth as reported</b>	<b>23</b>	<b>4</b>	<b>19</b>	<b>-2</b>	<b>-1</b>
<b>Technical Products &amp; Feed</b>					
Organic volume growth	10	-2	5	-3	-2
Acquisitions/divestments	-	-2	-	-2	-1
<b>Volume growth as reported</b>	<b>10</b>	<b>-4</b>	<b>5</b>	<b>-5</b>	<b>-3</b>
<b>AAK Group</b>					
Organic volume growth	4	2	1	4	3
Acquisitions/divestments	7	0	6	4	5
<b>Volume growth as reported</b>	<b>11</b>	<b>2</b>	<b>7</b>	<b>8</b>	<b>8</b>

### EBITDA

SEK million	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Operating profit (EBIT)	416	376	1,165	1,036	1,409
Add back depreciation and amortization	114	103	340	315	431
<b>EBITDA</b>	<b>530</b>	<b>479</b>	<b>1,505</b>	<b>1,351</b>	<b>1,840</b>



## Return on Capital Employed (ROCE)

SEK million	30.09.2016	R12M 2016	Full year 2015
Total assets	16,091	14,211	13,896
Cash and cash equivalents	-403	-430	-459
Financial assets	-35	-11	-8
Accounts payables	-2,670	-2,300	-2,383
Other non-interest bearing liabilities	-1,909	-1,671	-1,571
<b>Capital employed</b>	<b>11,074</b>	<b>9,799</b>	<b>9,475</b>
<b>Operating profit (Rolling 12 months)</b>	<b>1,537</b>	<b>1,537</b>	<b>1,409</b>
<b>Return on Capital Employed (ROCE), %</b>	<b>13.9</b>	<b>15.7</b>	<b>14.9</b>

## Working capital

SEK million	30.09.2016	Full year 2015
Inventory	4,533	3,599
Accounts receivables	3,055	2,426
Other current receivables, non-interest bearing	1,038	1,016
Accounts payables	-2,670	-2,383
Other current liabilities, non-interest bearing	-1,909	-1,571
<b>Working capital</b>	<b>4,047</b>	<b>3,087</b>

## Net debt

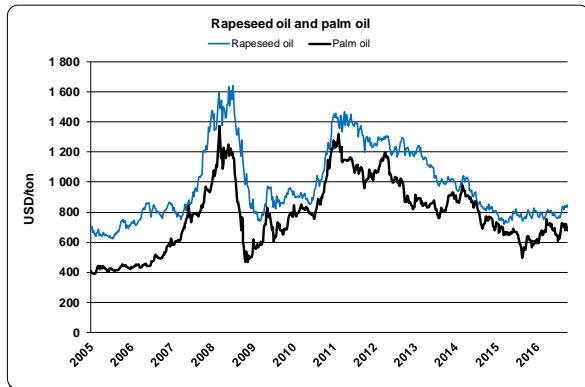
SEK million	30.09.2016	Full year 2015
Current interest bearing receivables	36	8
Cash and cash equivalents	403	459
Pension liabilities	-144	-128
Non-current liabilities to banks and credit institutions	-3,263	-2,132
Current liabilities to banks and credit institutions	-196	-287
Other interest-bearing liabilities	-1	-3
<b>Net debt</b>	<b>-3,165</b>	<b>-2,083</b>

## Equity to assets ratio

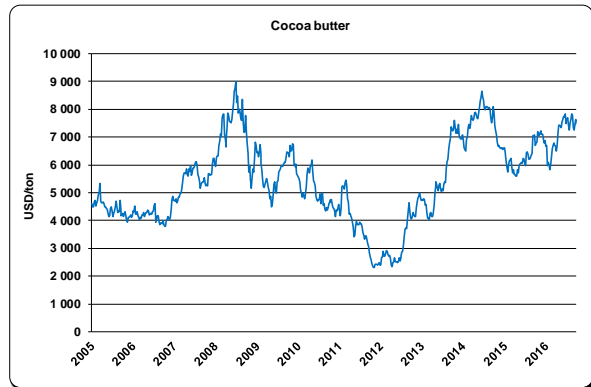
SEK million	30.09.2016	Full year 2015
Shareholders' equity	7,035	6,597
Non-controlling interests	52	53
<b>Total equity including non-controlling interests</b>	<b>7,087</b>	<b>6,650</b>
<b>Total assets</b>	<b>16,091</b>	<b>13,896</b>
<b>Equity to assets ratio, %</b>	<b>44.0</b>	<b>47.9</b>

## 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 October 26, 2016 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 2016–2017**

A capital market day will be held in Stockholm, Sweden, on November 16, 2016.

The fourth quarter and year-end report for 2016 will be published on February 3, 2017.

The Annual General Meeting will be held in Malmö, Sweden on May 17, 2017.

### **Forward-looking statements**

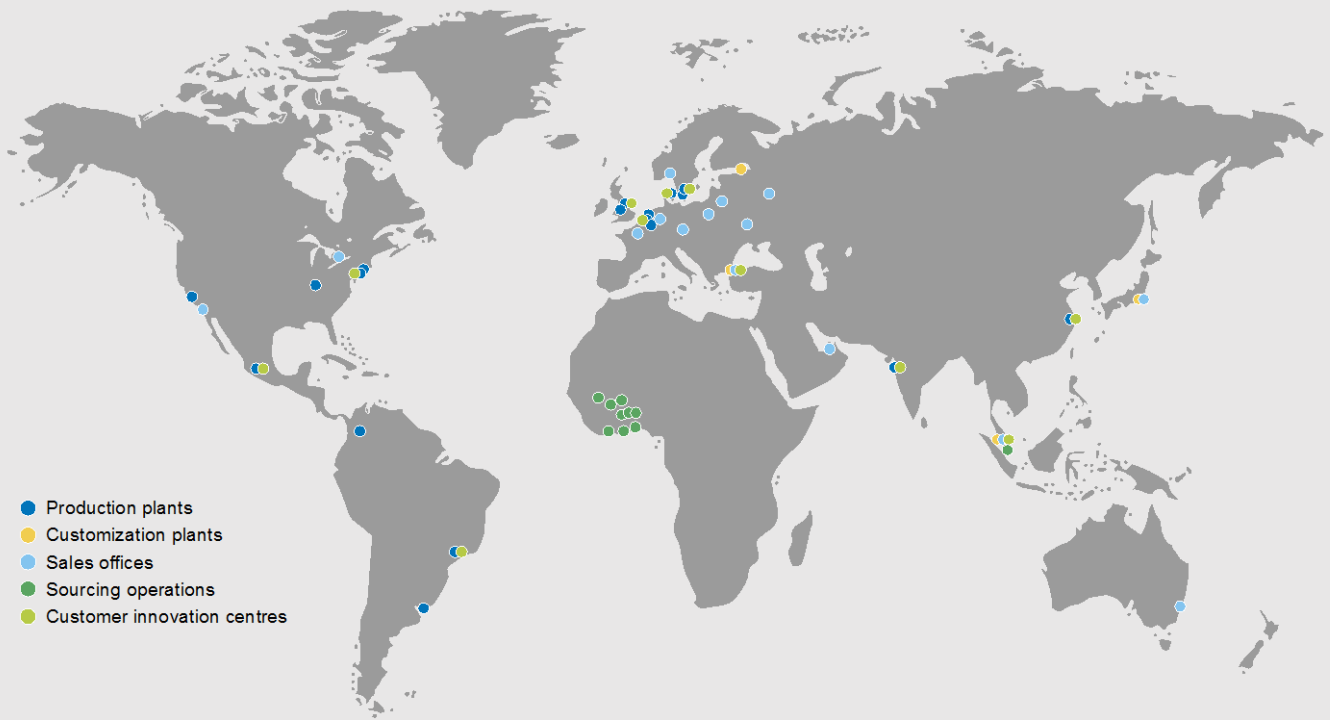
This report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of AAK AB (publ.), may cause actual developments and results to differ materially from the expectations expressed in this report.

### **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.

### **Investor Relations contact:**

Fredrik Nilsson  
CFO  
Mobile: + 46 708 95 22 21  
E-mail: [fredrik.nilsson@aab.com](mailto:fredrik.nilsson@aab.com)



# The first choice for value-adding vegetable oil solutions

We develop and provide value-adding vegetable oil solutions in close collaboration with our customers, enabling them to achieve long lasting business results.

We do so through our in-depth expertise in oils & fats within food applications, working with a wide range of raw materials and broad process capabilities.

Through our unique co-development approach we bring together our customers' skills and know-how with our capabilities and mindset. By doing so, we solve customer specific needs 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. With our headquarters in Malmö, Sweden, 20 production facilities and customization plants, and sales offices in more than 25 countries, our more than 2,800 employees are dedicated to providing innovative value-adding solutions to our customers.

So no matter where you are in the world, we are ready to help you achieve long lasting results.

We are AAK – The Co-Development Company.



**AAK AB (publ.)**

Skrivaregatan 9, SE-215 32 Malmö, Sweden  
 Phone: + 46 40 627 83 00, Reg. No. 556669-2850, [www.aak.com](http://www.aak.com)

