

Making better consumer  
products happen

**AAK**



# Contents

About AAK	2	Corporate governance and financial information	40
2020 in brief	4	Comments from Georg Brunstam, Chairman of the Board	42
Comments from Johan Westman, President and CEO	6	Directors' report	43
AAK's purpose – Making Better Happen™	8	Board of Directors	48
A vision that drives better customer value	10	Executive Committee	49
Innovation as a foundation	11	The AAK share	52
Facts about fats	12	Reasons to invest in AAK	54
Broad range of raw materials	13	Financial statements	56
The Customer Co-Development business model	14	Notes	68
AAK's strategic direction	16	Corporate Governance Report	114
Business areas	18	Auditor's report	123
Driving sustainability progress	29	Financial calendar and Annual General Meeting	128
Making better careers happen	34	Alternative performance measures (APM) and other financial definitions	129
Risks and risk management	36		

# Our story

Everything we do is about Making Better Happen™

AAK specializes in plant-based oils that are the value-adding ingredients in many of the products people love to consume. We make these products better tasting, healthier, and more sustainable. We enhance their sensory experience – by giving the silkier mouthfeel in premium chocolate, the juicier texture in a plant-based burger, and the puffier appearance in a lower-fat pastry. We can also optimize their production by substituting existing ingredients with plant-based equivalents that give better efficiency. AAK's value-adding solutions enable our customers to be successful in a better way.

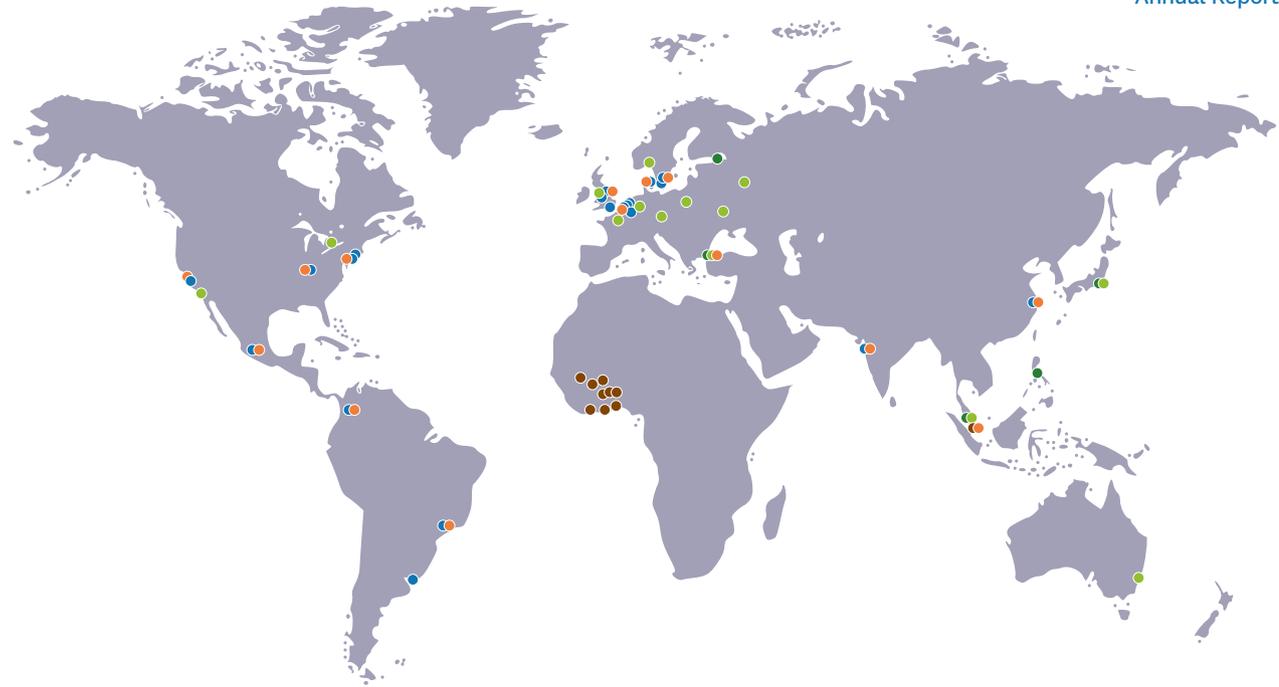
At the heart of AAK's offer is Customer Co-Development, combining our desire to understand what better means for each customer, with the unique flexibility of our production assets, and a deep knowledge of many products and industries, including Chocolate & Confectionery, Bakery, Dairy, Plant-based Foods, Special Nutrition, Foodservice and Personal Care. Our 3,900 employees support our close collaboration with customers through 25 regional sales offices, 15 dedicated Customer Innovation Centers, and with the support of more than 20 production facilities.

Listed on Nasdaq Stockholm and with our headquarters in Malmö, Sweden, AAK has been Making Better Happen™ for 150 years.



## AAK in the world

- Production plants
- Customization plants
- Sales offices
- Sourcing operations
- Customer Innovation Centers



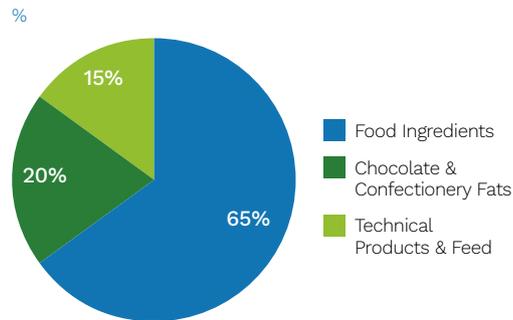
## Our business areas

**Food Ingredients** is our largest business area. It primarily offers solutions to the bakery, dairy, food-service, and special nutrition industries, as well as the fast-growing market for plant-based foods.

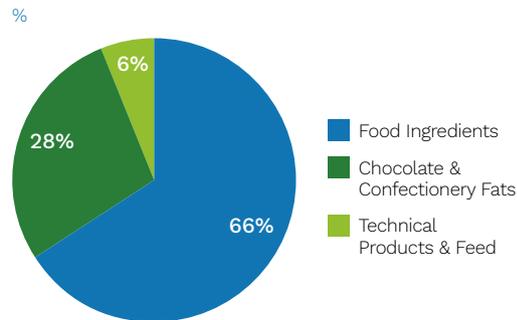
**Chocolate & Confectionery Fats** offers functional cocoa butter equivalents for chocolate, cocoa butter alternatives for coating and molding compounds, and speciality fats for confectionery fillings.

Our **Technical Products & Feed** business area offers fatty acids and glycerine for various applications, vegetable candle waxes, and proteins and fats for animal feed.

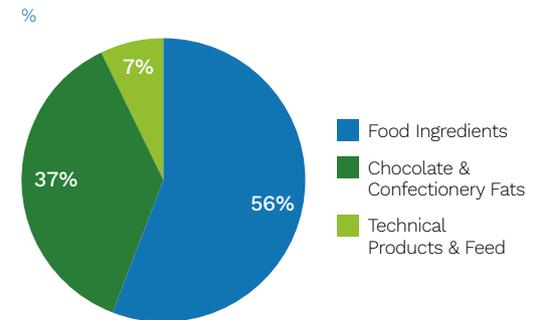
### Volumes



### Net sales



### Operating profit



# 2020 in brief

Operational key figures (SEK million unless otherwise stated)	2016	2017	2018	2019	2020
Volumes, thousand tons	1,966	2,129	2,239	2,290	<b>2,195</b>
Net sales	22,057	26,436	27,592	28,510	<b>27,934</b>
Adjusted operating profit (EBIT)*	1,615	1,786	1,956	2,157	<b>2,165</b>
Operating profit	1,615	1,786	1,956	2,142	<b>2,167</b>
Operating profit per kilo, SEK	0.82	0.84	0.87	0.94	<b>0.99</b>
Cash flow from operating activities	1,213	1,099	1,090	1,558	<b>2,023</b>
Earnings per share, SEK**	3.95	4.71	5.21	5.86	<b>6.16</b>
Equity per share, SEK**	29.65	30.21	35.11	40.74	<b>38.00</b>
Dividend per share, SEK**	1.46	1.63	1.85	2.10	<b>2.30 ***</b>
Return on Capital Employed, R12m, %	15.8	15.6	15.8	14.9	<b>14.3</b>

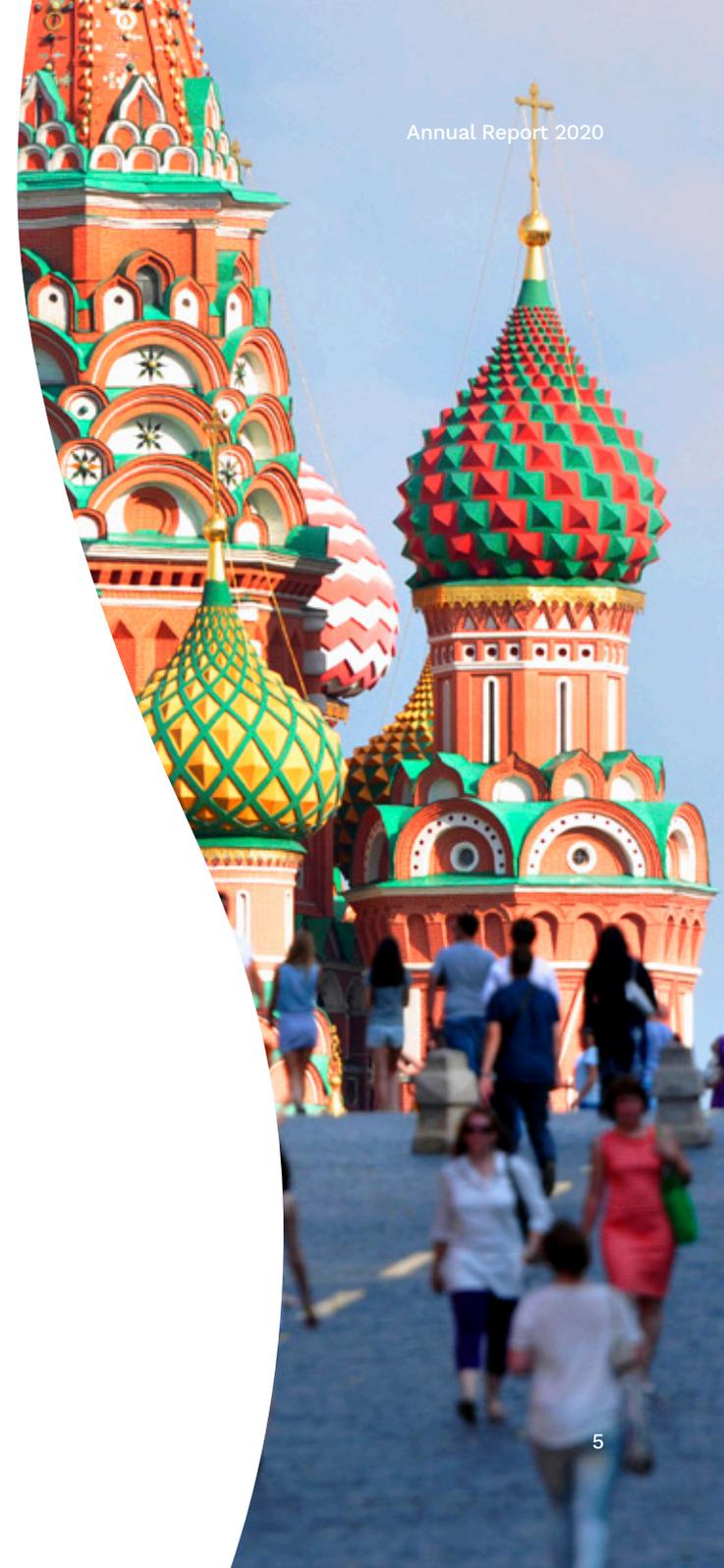
\*Adjusted for non-recurring items and acquisition costs

\*\*Share data recalculated in accordance with the decided share split (6:1) by the Annual General Meeting on May 30, 2018

\*\*\*In accordance with the Board of Directors' proposal

For financial definitions, please see page 129.

- Tim Stephenson was appointed President Global Sourcing & Trading in January. Tim has held various senior positions during his 25 years with the company. He has also been a board member of the Roundtable on Sustainable Palm Oil (RSPO) since 2003.
- In early March, we announced that we had acquired 75 percent of NPO Margaron LLC, based in St. Petersburg, Russia. Margaron has been a trusted toll manufacturer to AAK for more than a decade. Russia, together with the CIS countries, is one of the world's largest chocolate and confectionery markets with great potential for our Special Nutrition, Bakery, and Dairy segments (picture to the right).
- Sten Estrup was appointed President Asia in April. Sten joined AAK with more than 25 years of proven track record across the food and health industries, holding executive roles within operations, sales, marketing, and commercial development.
- At the end of June, we initiated structural measures that will generate annual savings of about SEK 150 million and that are expected to reach full run-rate by the second half of 2021. The cost optimizations are fully in line with our strategic direction.
- In October, we further strengthened our position in the Indian market as we acquired the remaining 31 percent of the shares of AAK Kamani, the joint venture between AAK and Kamani Oil Industries Pvt Ltd. that was formed in 2015. AAK now owns 100 percent of AAK Kamani.
- To accelerate innovation and drive further growth within the plant-based foods market, AAK joined the MISTA innovation platform, based in San Francisco, USA, in November. MISTA brings together the expertise of larger food and ingredients companies and selected start-ups to optimize ideas, products, people and investments within the food and beverage industries.
- In November, we also announced that we will establish a Plant-based Foods Global Center of Excellence on our premises in Zaandijk, the Netherlands. The investment reaffirms our commitment to grow our presence in this dynamic and fast-paced category. The center is expected to be operational by the end of 2021.
- In connection with our annual Capital Market Day in November, we presented the new AAK purpose, Making Better Happen™. The choice to be a purpose-driven business is rooted in our belief that long-term, sustainable growth goes hand-in-hand with making a positive impact.
- In December, we announced that we have committed to set science-based emissions reduction targets through the Science Based Targets initiative, consistent with keeping global warming to 1.5°C above pre-industrial levels. This commitment is part of our overall commitment to make better sustainability happen.



President and CEO:

# A successful year despite unprecedented challenges

2020 will forever be remembered by the Covid-19 pandemic and its impact on our world. As a key supplier of ingredients to the crucial food supply chain, we early on acknowledged that AAK had a vital role to play during these difficult times. Throughout the past 12–14 months, our top priority has been to secure not only the health and safety of our employees but also our operations and logistics so that food manufacturers can maintain their production.

## Strong performance considering the circumstances

Despite all the challenges linked to Covid-19, we managed to grow our operating profit as well as our operating profit per kilo in 2020. We also increased our net result and earnings per share. While the second quarter was severely impacted by restrictions and lockdowns, the two quarters that followed saw significant improvements, resulting in a strong finish to the year.

Our largest business area Food Ingredients was negatively impacted by the pandemic, particularly in Foodservice but also in Bakery and Dairy. This was offset by continued growth for Plant-based Foods and for high-end solutions in Special Nutrition. Chocolate & Confectionery Fats reported strong profit growth, mainly driven by supply chain improvements and better-yielding shea kernels. Our smallest business

“The organization’s commitment and agility in response to recent challenges have been nothing less than remarkable.”

area, Technical Products & Feed, had a strong year and increased both its volumes and operating profit.

A few months into 2021, uncertainty and volatility remain very high. However, AAK has a robust foundation, a strong financial track record and solid balance sheet, and we have during 2020 demonstrated the resilience of our business.

## Key achievements

During the year, we completed two strategic acquisitions to increase our geographic footprint and strengthen our opportunities in markets that hold significant potential.

In March, we signed an agreement to acquire 75 percent of NPO Margaron LLC, a Russian company that has been a trusted toll manufacturer to AAK for more than a decade. Russia together with the CIS countries is one of the world’s largest chocolate and confectionery markets with great potential for our Special Nutrition, Bakery, and Dairy segments as well. We have also strengthened our position in the Indian market by acquiring the remaining 31 percent of the shares of AAK Kamani.

We have also made some important investments in the dynamic and fast-paced category of plant-based foods. We are currently building a Plant-based Foods Global Center of Excellence in the Netherlands. At the state-of-the-art facilities, we will be able, together with our customers, to bring to market better, healthier, and more sustainable plant-based foods and beverages.

Towards the end of 2020, we launched our new company purpose, Making Better Happen™, which really embodies AAK’s core values and operating culture. Making Better Happen drives our love of continuous improvement; it retains and attracts talented people who want to be part of a company that makes a real



difference; and it connects with customers, investors and NGOs on a more strategic level. This purpose has an enormous potential and we are fully committed to Making Better Happen.

### **Raised ambitions within sustainability**

To help steer our world onto a more equitable, inclusive and sustainable path, we have also taken important steps to raise our ambitions and intensify our sustainability work. One such step is that we have identified climate risks, frameworks and actions that

can enable us to effectively reduce our climate impact. We have also begun the process of setting targets for CO<sub>2</sub> emissions that will be approved by the Science Based Targets initiative.

Progress has also been made within our sourcing activities. Our direct sourcing program in West Africa, Kolo Nafaso, continued to expand during 2020 and is now reaching more than 320,000 women, an increase by 39 percent compared to 2019. At the heart of this program is a long-term sustainable partnership,

sourcing directly from women in one of the world's poorest regions. We have furthermore announced our commitment to verified deforestation-free and conversion-free palm and soy supply chains by 2025, and we have signed the coconut industry's first global Sustainable Charter, which aims to improve farmer livelihoods, lessen the carbon footprint of coconuts, and boost supply to meet rising global demand.

As I write this, the Covid-19 pandemic continues to impact people and societies all over the world. But with vaccination programs now fully underway, we have good reasons to be optimistic about the future. Although there are still many uncertainties within our industry, we see no reason to adjust our view on the strong favorable underlying long-term trends in our markets.

I have always been impressed by the spirit of our organization, but the commitment and agility that I have seen in response to recent challenges have been nothing less than remarkable. I am a very proud member of the AAK family. By way of conclusion, I would like to thank our customers, suppliers, shareholders, the Board of Directors, our dedicated management team, and all AAK colleagues around the world for the continued support during an unprecedented year.

Johan Westman, President and CEO

# The uncovering of our purpose – Making Better Happen™

**The journey to uncover our purpose began in 2019 with the creation of a new AAK strategy to guide our future development. The vision for this future is to become the first choice for plant-based oil solutions within the industries we serve. The need for a unifying and mobilizing purpose was identified as a key strategic enabler for delivering against this vision.**

Throughout 2020, we conducted a highly inclusive co-development process with the objective of uncovering our purpose. More than 1,000 colleagues were involved, representing all regions, functions and industries. When all input had been consolidated, it became very clear to us that everything we do is, and will continue to be, about doing things better...

We collaborate closely with customers to understand what better means for them. We deliver better

benefits, by making their products better tasting, healthier, more sustainably sourced, and more efficient to produce.

Central to AAK is a preference for the humbleness of better in contrast to the boasting of best. Best breeds complacency, while better is a journey of continuous improvement. We truly believe that better has the potential to be more ambitious than best.

Our purpose – Making Better Happen™ – is the reason why we exist, the difference we want to make. We choose to be a purpose-driven company in the belief that long-term, sustainable growth goes hand-in-hand with making a positive impact.

Another key insight that came out of our internal processes was that we're very good at getting things done. Our way of doing business is designed and geared to make things happen. This is a tremendous source of pride for our organization.

Our purpose brings together these two simple ideas: Doing better + Making happen. Combining them into the reason why we exist: Making Better Happen.

We sincerely believe that this purpose will never run out of potential. It drives our love of continuous improvement. It commits us to always take steps in a better direction. It retains and attracts talented people who want to be part of a company that makes a real difference. It connects with customers, investors and NGOs on a more strategic level. And it motivates us to take a look at the good things we do and make them even better.

### **Making Better Happen for our customers**

For our customers, our purpose is about enabling them to be successful in a better way. We choose to do this in close collaboration with them, and this is reflected in our commitment to be The Co-Development Company.

Customer Co-Development starts with our desire to understand what better means for each customer. It continues in our many Customer Innovation Centers around the world where concepts are tested and refined in real-life conditions, greatly accelerating development times. It progresses through production, where the agility and flexibility designed into AAK's operation means we can support our customers as they go-to-market, by starting small and expanding fast, or by customizing to meet local requirements.

Another hugely important aspect that increasingly is top-of-mind is how our ingredients can help improve our customers' sustainability profile – through better sourcing of raw materials, better operations to reduce the environmental footprint, and better solutions that can offer the sustainability credentials that consumers increasingly demand.

In short, AAK is committed to Making Better Happen – from plant to brand.



# A vision that drives better customer value

AAK solves challenges and creates opportunities with lasting value through tailored plant-based oil solutions. Through our unique co-development approach, we support our customers' needs and help realize their goals.

To achieve this, we have set our standards high. After 150 years in the business, we have the knowledge and capabilities to make a positive impact to our customers' business, to the industries we serve, to our employees and stakeholders – and to the future of our planet.

## **Our vision**

Our vision is to be the industry's first choice for plant-based oil solutions. This goal is made possible by the elements that form the foundation of our approach:

## The first choice for plant-based oil solutions

↓

We aspire to be the first choice for businesses looking for innovative, cost-effective and sustainable plant-based oil solutions. This ambition also applies to our other stakeholders, such as employees, partners, suppliers, and shareholders. We achieve this through our competitiveness, our consistently high-quality standards, and our innovation.

↓

We have deep knowledge about plant-based oils and we know it isn't only about developing better products; it is about creating better solutions. This is made possible through a unique multi-oil/multi-process approach and personalized services that include everything from consultation and customization to technical support and a faster time-to-market.

# Innovation as a foundation

**At AAK, innovation is a means to accelerate sustainable growth for us and our customers. By constantly exploring new insights, new raw materials and new technologies, we are able to co-develop unique solutions that open the door to a wealth of opportunities. This is what makes working with AAK different.**

## Market insights

Our solutions are never a success unless they add tangible, long-term value to our customers. Through our co-development approach, we start by gaining deep insights into the drivers behind market demand, as well as the challenges they present. This gives us a powerful framework to ensure each solution is exactly in line with the customer's specific requirements.

## Value at every stage

When it comes to creating a new solution, our global network of Customer Innovation Centers is home to many of the best engineering and technical minds in the business. We work in close collaboration with our customers' own teams and experts to bring the best resources into play at every stage. This allows us to make sure that value is created throughout the process until the final solution is ready for launch.

Our approach to innovation ensures relevant solutions that are swiftly implemented in the marketplace to create new options for meeting consumer demands on sensory experience and nutrition. But increasingly important, it also creates long-lasting values in the supply chain by ensuring efficient, safe and sustainable solutions in handling and processing.



## New innovations

In the pandemic-challenged 2020, we increased our focus on sustainable and safe innovations within plant-based foods and nutrition as well as on sustainable and safe supply chains. We have brought products to market focusing on new and emerging challenges in the food supply chain – this in accordance with our strategy to decrease food safety risks within infant nutrition and improve the functionality of plant-based foods. In the confectionery space, we have developed new solutions to eliminate harmful trans fatty acids in confectionery products across the globe.

## Sustainable innovation

Our innovation projects include ambitions to respect, as far as possible, the so-called precautionary approach. This means that we strive to implement more environment-friendly technologies, applications and products to address impacts of the full life cycle of our solutions.

## Innovation for the future

Going forward and within our strategic framework, we will continue to work closely with our customers, suppliers and other partners to gain market insights and steer our innovation efforts towards customer co-developed solutions that continuously make better consumer products happen. We will also increase our focus on solutions for plant-based foods and nutritional solutions that can be implemented in the food sector where we already have a strong footprint through our regional Customer Innovation Centers and close connection to the market.

# Facts about fats



As humans, we simply cannot live without fat. Found in every cell in the body, it is essential for producing certain hormones and provides a wide range of other important functions, including:

- The body's ability to absorb vitamins A, D, E and K is dependent on the presence of fat.
- Fat is a very important provider of energy (providing 37 kJ/g) and the most energy-dense part of our diet. It is recommended that approximately 30 percent of our daily intake comes from fat, equal to 60–90 grams for adults.
- Essential fatty acids are precursors to a number of bioactive components which are required for the human body to function.

There are several different types of fat, which are typically divided into four main groups:

**Saturated fat** – found in animal products such as butter, cream, milk, meat, and vegetable oils from tropical plants (coconut and palm). Characterized by the ability to remain solid at room temperature.

**Monounsaturated fat** – found in almonds, olive oil, rapeseed oil and other vegetable oils. Suitable for cooking, being more heat-stable than polyunsaturated fat.

**Polyunsaturated fat** – found in most liquid vegetable oils, for example sunflower and soybean oil, and, to some extent, in oily fish such as salmon, mackerel, herring and sardines. Polyunsaturated fats are further categorized as omega-3 and omega-6 polyunsaturated fats.

**Trans fat** – a particular form of unsaturated fat. Occurs naturally in milk and fat from ruminants but are also formed when vegetable fat is partially hydrogenated.

Unsaturated fats have a positive (decreasing) effect on blood cholesterol while saturated fats increase all cholesterol, LDL (bad cholesterol) as well as HDL (good cholesterol). Trans fats, on the other hand, only increase the level of bad LDL cholesterol and at AAK, we have been developing ways to eliminate the industrially produced trans fats in our products.

# Broad range of raw materials

Our raw materials are natural and obtained from rapeseed, palm, shea kernels, soya beans, sunflower seeds, and coconuts. Drawing on our extensive knowledge and 150 years of experience, we utilize the properties of plant-based oils to add value to customer products within our target industries.



**Rapeseed oil/Canola oil**  
Northern and Central Europe, Canada, United States, Australia, and China



**Palm oil**  
Asia and Central and South America



**Palm kernel oil**  
Asia and South America



**Shea kernels**  
West Africa



**Soybean oil**  
United States, South America and India



**Sunflower oil**  
United States, Europe and Argentina



**Coconut oil**  
Indonesia, the Philippines, India, and Mexico



# A business model built on better collaboration

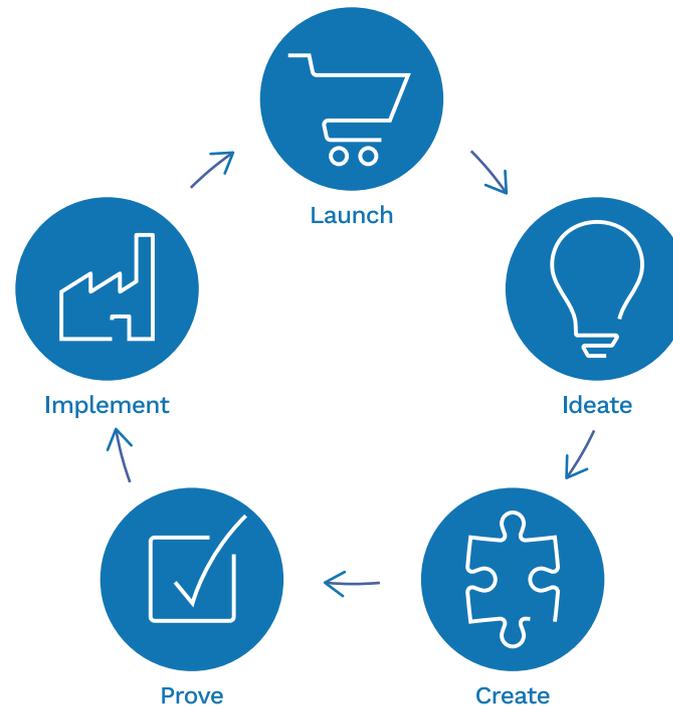
Ever since AAK first started helping customers to improve and accelerate product development, our industry has changed tremendously. Consequently, our business model has evolved to ensure we continue to deliver better and more effective solutions that drive sustainable growth.

Our core business today is to provide value-adding plant-based oil solutions to the food, confectionery and cosmetics industries. Customers all over the world rely on our expertise, experience and innovation to deliver lasting business value in markets shaped by shifting consumer trends.

This inevitably creates challenges to overcome, but it also gives way to exciting new ideas and potential. We continuously refine our business model to ensure customers can leverage these developments and turn them into growth opportunities. This model is built around the following key attributes:

## Collaboration that creates lasting value

One of AAK's greatest strengths is our unique co-development approach. This was born from our strong relationships with customers, where we could bring the most value by working proactively in close collaboration to deliver value-adding results at every stage. This methodology enables us to work as an efficient team from idea to launch to create solutions with better ideation, faster development times and more effective implementation.



## One size does not fit all

Customers come with their own unique challenges and therefore require customized solutions to get the results they need to stay competitive. Our multi-oil and multi-process approach gives us capabilities to provide products tailored to specific needs, while our global network of Customer Innovation Centers and production facilities enables us to be flexible and act effectively as both a local and global partner.

## Better multi-functional solutions

We make products with better nutritional and functional value, with great structure, melting and crystallization behavior, rheological properties, flavor release, and skin penetration. This enables us to meet specific customer requirements for improved health profile, taste, processing, logistics, labeling, and legal requirements. In every case, our technical and commercial experts work closely with customers to identify the optimal solution.

### A focus on health

Many customer demands are inspired by consumer health trends. This is an area we take very seriously, not least to support a customer's product development strategy. Here our expertise has enabled us to maintain high product functionality while reducing the majority of saturated fat solutions, believed to increase the risk of cardiovascular disease.

### Optimizing costs

At AAK, we are constantly striving to reduce raw materials and processing costs, but never at the expense of our own high-quality standards. By finding new ways to operate more efficiently, we help customers maintain their growth and development, especially as we work in a highly competitive market where retailers continue to challenge food manufacturers.

### Sustainability as a foundation

Sustainable growth is a cornerstone of our company. The foundation of our model for sustainable growth incorporates the ten principles of the UN Global Compact, the UN's Sustainable Development Goals, and our own policies and codes. Through our co-development approach we can create solutions that help our customers live up to these same commitments.

### Co-Development in a digital environment

With the pandemic keeping people physically apart, a resourceful and efficient digital work environment has grown increasingly important. During the past year, we have hosted a great number of virtual customer meetings and webinars as part of our customer



dialogue, including AAK Academies with industry-specific topics. The use of cameras in our Customer Innovation Centers has made it possible to closely

interact with our customers, enabling a transparent and effective joint development of successful solutions from idea to launch.

# Advancing our strategy to sharpen our focus and strengthen our position

**At the end of 2019, we launched a new strategic direction for AAK. Although we have preserved the DNA of our company, building on a very strong historical performance, we have with this strategy chosen to prioritize and operate our business somewhat differently.**

Acknowledging that different industries are characterized by different market dynamics, it is important to differentiate our approach to each of them. Therefore, we have identified four different portfolio roles: “Invest in continued growth”, “Bet for the future”, “Optimize performance”, and “Maintain current strategy”.

## Key enablers to deliver on ambition

In addition to our portfolio roles, we have developed a strategic roadmap with key focus areas that will be addressed by a range of initiatives to lift our performance for the future. The goal is to further differentiate ourselves from our competitors by, for example, enhancing our Customer Co-Development approach and sustainability offerings. To succeed, we need to offer a customer experience that is second to none and create even more differentiated solutions meeting the needs of our customers, consumers, and the world we live in.

Financially, we believe that the strategy supports our ambition of an average 10 percent year-over-year operating profit growth combined with a good and consistent earnings per share improvement.

## Strategy highlights 2020

Despite the challenges that the Covid-19 pandemic has caused, we have made several important achievements in line with our strategy during the past year.

Following a successful roll-out, we have adjusted our business, both financially and organizationally, to enable a stronger execution of our strategy. This includes the cost optimization program that was launched in June 2020, expected to generate annual savings of about SEK 150 million. Another key highlight has been the launch of our company purpose, Making Better Happen™, which really embodies AAK's core values and operating culture.

## Invest in continued growth



Chocolate &  
Confectionery Fats



Special  
Nutrition

## Optimize performance



Bakery



Dairy



Foodservice

## Bet for the future



Plant-based  
Foods



Health & Nutrition  
platform

## Maintain current strategy



Natural  
Emulsifiers



Personal  
Care



Technical  
Products & Feed

In line with our portfolio roles, we have made some important investments during the year. These include the acquisition of our long-term partner Margarón in Russia, one of the world's largest chocolate and confectionery markets. We have also made significant investments in our production plant in China that will strengthen our position within Special Nutrition in the Chinese region. As for Plant-based Foods, one of the pillars within "Bet for the future", we have decided on a Plant-based Foods Global Center of Excellence in the Netherlands and we have also joined important partnerships in North America and India to accelerate innovation and drive further growth within this highly dynamic and fast-paced category.

To further enhance our Customer Co-Development approach, we have during the year developed and adapted our model to a more digital environment. This has been a truly great experience, both for us and for our customers. To improve our sustainability offerings, we have committed to set science-based emissions reduction targets through the Science Based Targets initiative, consistent with keeping global warming to 1.5°C above pre-industrial levels. We have furthermore defined two important palm oil targets: to be 100 percent deforestation-free and have 100 percent traceability to plantation by 2025.



## Business area Food Ingredients

# Mixed business dynamics for Food Ingredients

Food Ingredients is our largest business area and primarily provides solutions to the bakery, dairy, plant-based, nutrition, and foodservice industries. During 2020, the demand for our speciality and semi-speciality solutions in Special Nutrition and Plant-based Foods continued to increase and we managed to improve our operating profit per kilo. However, Foodservice was severely impacted by the pandemic and this combined with a material negative currency translation impact resulted in a negative year-over-year performance for the business area.

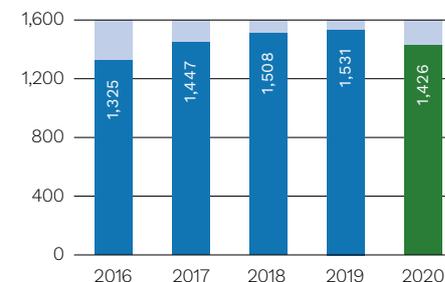
	2016	2017	2018	2019	2020
Volumes, thousand tons	1,325	1,447	1,508	1,531	<b>1,426</b>
Net sales, SEK million	14,707	17,665	18,468	18,978	<b>18,387</b>
Operating profit, SEK million	996	1,107	1,205	1,366	<b>1,286</b>
Operating profit per kilo, SEK	0.75	0.77	0.80	0.89	<b>0.90</b>

All figures are excluding items affecting comparability.

### Volumes

(65% of Group total)

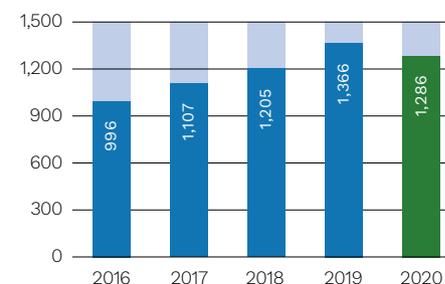
(Thousand tons)



### Operating profit

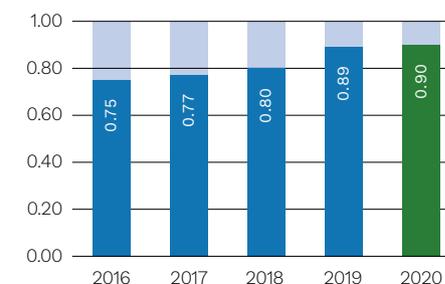
(56% of Group total)

(SEK million)



### Operating profit per kilo

(SEK)



## Bakery

Bakery started off 2020 with a very strong first quarter, which, unfortunately, was followed by a second quarter significantly impacted by the Covid-19 pandemic. The business picked up during the second half of the year, reporting good growth.

### Solutions

AAK provides a wide range of solutions for major bakery applications, such as biscuits, cookies, lamination applications, cakes, bread, and pizza. Our solutions are developed to meet customer requirements for health, sustainability, functionality, and process efficiency and may be tailored for specific consumer demands.

### Trends

Consumers are focused on healthier and more sustainable solutions where sugar and calorie reduction, low-saturated fats, waste reduction, and shelf-life extension are key areas.

### New products

Created through our co-development approach, we have developed many new customized products, both consumer-oriented, for example calorie- and sugar-reduced biscuits, and customer-oriented, such as production efficiency improvements.

### Future growth

There is a growing demand for efficient and value-adding bakery solutions worldwide. To take advantage of the trend, we will continue to strengthen our position as an oils and fats specialist with deep technical industry knowledge. We will do so through specialized and dedicated resources and a strong network of regional Customer Innovation Centers and go-to-market teams to facilitate local customer penetration.



## Dairy

A strong first quarter was followed by a second one that was severely impacted by the effects from the pandemic. We saw improvements during the second half of the year, particularly for our European business. However, our other regions have experienced a slower comeback.

### Solutions

We develop and provide the whole dairy and ice cream segment with solutions for use in cheese, whipped toppings, yellow fats, fermented milk products, milk drinks, and coffee whitener. Our solutions are developed to meet customer requirements for health, sustainability, functionality, and process efficiency and may be customized to meet specific consumer demands.

### Trends

The major dairy trends are healthy, sustainable and more cost-effective solutions. The dairy industry is also very much impacted by the rise of conscious consumers who want to include more sustainable, vegetable-based food in their diets.

### New products

Through our co-development approach, our Customer Innovation team has during the year developed a variety of new products globally. We maintain our strong commitment to the regional markets to develop solutions supporting our customers' needs for new products, aiming at cost optimizations or meeting consumer demands for sustainably sourced raw materials.



### Future growth

By maintaining our strong focus on speciality and semi-speciality solutions, we will continue to help our customers to launch new and improved consumer products in line with market trends. We therefore expect our Dairy segment, post-Covid, to pick up on its growth journey.

## Plant-based Foods

In light of the pandemic, consumers have become even more aware of health and environment. This has resulted in a switch to plant-based foods and beverages, making it the fastest-growing retail category in key markets across the world. During the year, the segment continued to show strong growth. We have accelerated our efforts to support the drive for healthier, more sustainable, and tastier plant-based foods by investing in a Global Plant-based Center of Excellence in the Netherlands, joining the MISTA innovation platform in USA, and partnering with Good Food Institute in India.

### Solutions

During 2020, we have enhanced our range of plant-based solutions and our Customer Innovation teams across the world have worked with each other and with external partners to expand and improve our product portfolio. We offer solutions for all major sub-segments within Plant-based Foods, such as plant-based burgers, sausages, frozen desserts and ice cream, and a wide range of cheeses, milk drinks and whipped toppings.

### Trends

Today's conscious consumers are ever more focused on sourcing practices, sustainability, climate matters, animal welfare, and ingredient labeling. Our umbrella brand AkoPlanet™ is developed to fulfil these expectations. The consciousness of consumers has been augmented by the pandemic with more people shopping groceries on the internet, resulting in product switching and new products based on online habits and preferences.

### New products

The launch of AkoPlanet in 2019 has been very successful. AkoPlanet consists of our proven solutions for the segment of plant-based foods, and the range is our foundation for developing specific solutions by using our co-development approach. We look forward to a number of new and exciting product launches in 2021.

### Future growth

Led by the rise of flexitarians, a healthier lifestyle, and Generation Z's efforts to ensure a planet for their children, the plant-based segment is forecast to grow in the years ahead.

## Special Nutrition

Despite the challenging year of 2020, marked by the Covid-19 pandemic, Special Nutrition managed to continue to report profit growth. This was driven by our high-end solutions within sub-segment Infant Nutrition as well as business region Asia, supported by new local Chinese customers.

### Solutions

AAK provides tailor-made speciality lipids solutions for Infant, Senior, and Medical Nutrition.

### Trends

The global trends that are driving AAK's Special Nutrition segment are health, premiumization, trust, and sustainability.

### New products

We have developed a variety of new global products for all three sub-segments within Special Nutrition. Examples include an extension of our egg phospholipids portfolios Akonino ELIP™ and Akovita ELIP™, new organic solutions, and new high-end solutions within our INFAT™ range, sold through Advanced Lipids, a joint venture between AAK and IFF (International Flavors & Fragrances Inc.). Using our co-development approach, most products and solutions within Special Nutrition are tailor-made for our customers.

### Future growth

Going forward, we will focus on growing in the wider nutrition area by bringing new innovations to the global nutrition markets and increasing our presence in selected regions. During the first half of 2021, we will expand our production facility in China to enable local production of INFAT and to support continuous growth in Infant Nutrition in the region.

## Foodservice

2020 was a challenging year for the foodservice market as the Covid-19 pandemic hit hard and resulted in numerous lockdowns and restrictions across our key markets, Scandinavia, the UK and USA. AAK has been agile and we quickly adapted to meet the challenges as well as our customers' needs. On the back of the pandemic, the retail segment delivered a strong performance.

### Solutions

AAK Foodservice produces more than 500 different frying oils, speciality oils, condiments, sauces, dressings, and ingredients for foodservice operators and retailers across market-leading brands and private label products.

### Trends

Over the past year, foodservice operators have focused on core menu items and changed their operations to be Covid-safe while at the same time enabling delivery solutions. An even greater focus on safety, quality and value for money will drive operators' menu development going forward. Key market trends remain strong: plant-based and dairy-free solutions, health and wellness, indulgence, and sustainable solutions.

### New products

Co-development in 2020 was heavily focused on adding value opportunities to trend products and packaging solutions such as dairy-free and vegan sauces under our Rapsona brand, Lion-branded dip pots, ExSeed high-performance oils, and private label products including spray oils and dressings.

### Future growth

The early part of 2021 has been defined by further lockdowns and restrictions, followed by cautionary consumer spending. However, the industry will bounce back and there is positivity in the market for the second and third quarter with a pent-up customer demand anticipated to drive the eating-out market once lockdowns are lifted and vaccination programs are fully underway.

## Business area Chocolate & Confectionery Fats

# Continued growth and improved margins

Chocolate & Confectionery Fats primarily serves customers in the chocolate confectionery and caramel, toffee and nougat segments. The business area also includes Personal Care and Natural Emulsifiers. Due to the pandemic, volumes reduced in the second quarter during Easter, driven by destocking from some customers. However, there was strong sequential improvement in the third and fourth quarters. For the full 2020, the business area reported a record-high operating profit due to implemented supply chain improvements, increased production capacity in Denmark, and better-yielding shea kernels from the harvest 2019/2020.

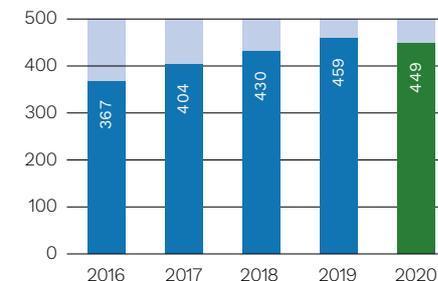
	2016	2017	2018	2019	2020
Volumes, thousand tons	367	404	430	459	<b>449</b>
Net sales, SEK million	6,117	7,354	7,611	8,076	<b>7,949</b>
Operating profit, SEK million	664	735	747	794	<b>865</b>
Operating profit per kilo, SEK	1.81	1.82	1.74	1.73	<b>1.93</b>

All figures are excluding items affecting comparability.

### Volumes

(20% of Group total)

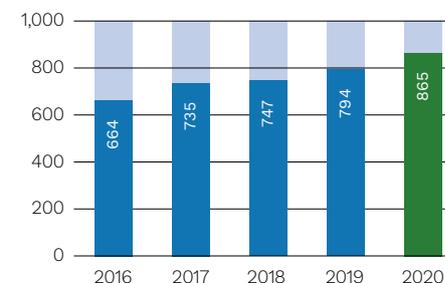
(Thousand tons)



### Operating profit

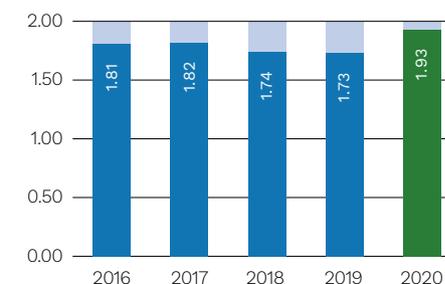
(37% of Group total)

(SEK million)



### Operating profit per kilo

(SEK)



## Chocolate & Confectionery Fats

### Solutions

Our solutions within Chocolate & Confectionery Fats continue to cover a wide range of product applications, including chocolate fats and compound fats for coating and molding, filling fats, barrier fats, and spreads.

### Trends

With our unique customer co-development approach, we are very well positioned to address the major global trends in the chocolate and confectionery industry, including premiumization, individualization, and consciousness. We are furthermore well positioned to provide sustainable solutions that go further than comparable solutions in the market.

### New products

In 2020, the chocolate market saw fewer product launches than during a normal year. However, AAK brought to market a health campaign adding high-protein content to chocolate applications which resulted in great interest from our customers following and adapting to the global health trend. We have during the year also further driven and supported COBAO™ Pure, an AAK solution that delivers excellent bloom-retarding capabilities, that was launched in 2019.

### Future growth

The long-term market trend for Chocolate & Confectionery Fats looks promising and the business area is well positioned to continue to grow with and above the market. Driven by our customer co-development approach, we will continue to develop new products and solutions.



## Personal Care

AAK applies its technical expertise and technological know-how in the development of high-performing, functional emollients for the cosmetics industry. Since 1988, when we started to develop customized solutions for cosmetic giant L'Oréal, we have continued to develop our offer. Today, we are proud to serve all customer categories, from local niche brands to multinational brand leaders.

### Solutions

Our plant-derived emollients, distinct from synthetic, animal or fossil-based raw materials, are primarily used for skin care applications, including face care, body care, baby care, and sun care; but are also used in hair care, make-up, deodorants, and wet wipes, as well as in diaper coatings to help protect sensitive baby skin. Our product range is appreciated for the moisturizing properties and sensory attributes it brings to final personal care formulations.

### Trends

Trends supporting the continued global volume and value growth of the industry include a growing population, an increasing spending power in emerging markets, and an aging, active, health-oriented and appearance-focused population (female and male) in mature western economies. The increased demand for natural ingredients is driven by the growing concern and awareness of the health of our body and planet.



### Sustainable and responsible

Ethical sourcing, traceability and responsibly processed ingredients and personal care products continue to be highly important for consumers and cosmetic manufacturers. In response to our customers' increased need for communicating and documenting their sustainability commitments, we have in 2020 launched traceable product variants in our shea and coconut portfolios. The Covid-19 pandemic has not had a negative impact on this position. Leading industry players' sustainability commitments and communicated targets remain.

### Future growth

Though the cosmetics industry is global, it continues to be the mature western markets (Europe and North America) that consume most plant-based emollients. This is due to these regions being the biggest manufacturers and consumers of skin care products and having the biggest consumer demand for natural alternatives. China and Brazil are expected to follow suit as their markets mature.

## Natural Emulsifiers



Operating out of Manchester, United Kingdom, AAK's business for natural emulsifiers serves customers with natural lecithins that are crucial in a wide range of applications. Segments in which natural lecithins play a key role are Chocolate & Confectionery Fats, Bakery, Dairy, Plant-based Foods, Personal Care, and Special Nutrition.

### Solutions

With our portfolio of natural emulsifiers, we are providing customized solutions created in close collaboration with our customers, based on lecithin from soy, sunflower, and rapeseed origin, in both liquid and powder form.

### Trends

As a by-product from the processing of plant-based oils, lecithin is the only natural, clean label emulsifier in the market. The global demand for specialized lecithin, such as organic, certified non-GMO IP or allergen-free, is expected to continue to rise as consumers look to verify the sustainability and traceability within food production.

### New products

Our portfolio continues to expand with this value-adding ingredient and driven by trends and close customer collaborations we aim to create even better co-development solutions in the various segments that we serve.

### Future growth

The global lecithin market is expected to show continued strong market growth, supported by clear trends such as clean label declarations, natural and functional ingredients, allergen-free, and traceability. With the implementation of our customer co-development approach for lecithin, we are well positioned and we will continue to develop new products and solutions in collaboration with our customers.

## Business area Technical Products & Feed

# Strong growth in specialized non-food markets

Within business area Technical Products & Feed, AAK provides a growing range of specialized solutions for the technical products and feed industries. Compared to 2019, the business area reported volume growth in 2020 as well as a strong operating profit.

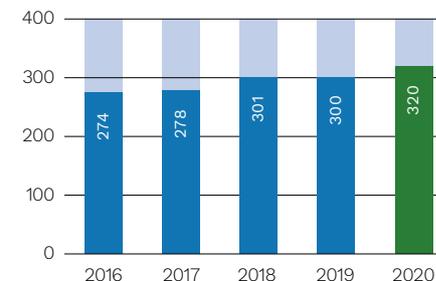
	2016	2017	2018	2019	2020
Volumes, thousand tons	274	278	301	300	<b>320</b>
Net sales, SEK million	1,233	1,417	1,513	1,456	<b>1,598</b>
Operating profit, SEK million	100	84	155	150	<b>157</b>
Operating profit per kilo, SEK	0.36	0.30	0.51	0.50	<b>0.49</b>

All figures are excluding items affecting comparability.

### Volumes

(15% of Group total)

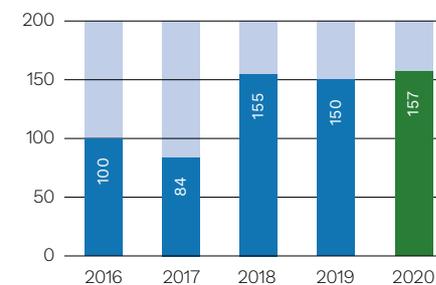
(Thousand tons)



### Operating profit

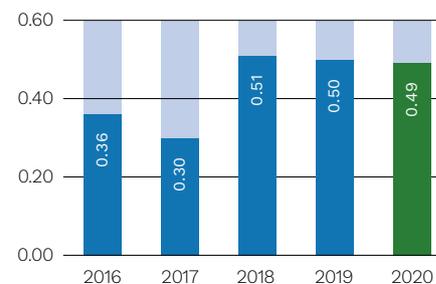
(7% of Group total)

(SEK million)



### Operating profit per kilo

(SEK)



## Tefac

Our Tefac business started off 2020 with good demand for our fatty acids products and continued growth for our solutions to the candle industry. In the second and third quarters, however, pandemic-related lockdowns in many European countries had a significant negative impact on demand from several industries and consequently on our business. We saw a gradual improvement in all industries from the third quarter, and in the fourth, demand was back to normal.

### Solutions

AAK offers refined fatty acids and glycerine to a wide range of technical industries as well as solutions based on sustainably produced plant-based fats to the candle industry. The fatty acids and glycerine are produced by oleochemical splitting of the fat molecule and subsequent refining of the fractions.

### Trends

The trend towards an increased use of natural, sustainable waxes in the candle industry, at the expense of fossil paraffin, remains strong and we expect to benefit from this in the next years. In the longer perspective, we believe that the transformation from a fossil-based to a bio-based economy in Europe will be positive for our natural oleochemicals business.

### New products

We have during the year continued to add solutions to our portfolio for candle makers to match our customers' demand for sustainable and functional candle waxes.

### Future growth

We strongly believe in the development of renewable, sustainable candle waxes to replace non-renewable alternatives, and we will continue to focus on developing more opportunities in this segment to build the best possible pipeline for future growth.



## Feed

Demand and volume development for our feed products remained strong throughout 2020 without any significant impact from the pandemic. We did, however, experience a negative financial impact from the volatility in the raw materials market which erased some of the gain from the good demand. Our rapeseed crushing business benefited from favorable market conditions and good margins and delivered significant growth in 2020.

### Solutions

AAK supplies ExPro®, a rapeseed meal, which is exposed to a special heat treatment process to improve the protein quality for ruminants. ExPro is a perfect soybean meal replacer. We also supply by-pass fats, which are used in dairy cattle feeds to increase milk yield, as well as simple liquid fats.

### Trends

The consolidation trend with farms getting bigger and fewer continues. As a consequence, more farms are producing their own feeds and demand is turning to more concentrated feed products. These require smaller volumes of higher quality, containing more protein and energy. In addition, we are seeing more customers turning to non-GMO feeds.

### New products

During the year, we have launched a new rumen-protected fat and added a new and smaller packaging size for our distributors to better meet the demand from farms producing their own feeds.

### Future growth

In 2021, we aim to continue to grow with our rumen-protected fats and widen our product portfolio. The most interesting opportunities are in some of Sweden's neighboring countries where our market share is low. We have grown in these countries over the past years, but there is still good potential for continued growth.

# Driving sustainability progress

**Sustainability is at the heart of our purpose, Making Better Happen™. For AAK, sustainability is a journey, not a destination. We always strive to go further, constantly taking new steps to improve and deliver solutions that are more sustainable.**

We believe that long-term sustainable growth goes hand-in-hand with making a positive impact for all of our stakeholders and minimizing our environmental impact. Our sustainability work is embedded in all parts of the AAK value chain, from the crop all the way to the brand on the store shelf.

We know that real change does not happen in isolation. Our sustainability solutions are a result of Co-Development with our suppliers and customers. We collaborate with NGOs and local communities and strive to scale up our impact beyond our own operations and supply chain.

Plant-based oils and fats play a key role in creating a more healthy, sustainable and just global food system and they are important ingredients in many different foods. Together with our customers and suppliers we bring to market plant-based solutions that offer great taste experiences as well as sustainability benefits.

## **Our global impact and responsibility**

AAK is a global company with a strong local presence. The raw materials that we source and process are an important part of AAK's sustainability impact. Our raw materials, especially palm oil, shea and coconut, are to a large extent produced by smallholder farms, creating a better livelihood for people at source.



The primary risks for negative impact are related to deforestation, greenhouse gas emissions and human rights violations. Therefore, it is vital that we do our utmost to address environmental and societal issues, both within our own supply chain and as far as we can beyond. Only then can we reach a truly sustainable industry.

We engage and collaborate with our customers and suppliers, as well as industry organizations, local governments, NGOs and smallholder initiatives, to constantly improve the impact from our supply chain.

AAK's production is resource intensive, depending on raw materials and energy with a high environmental impact. We continuously work to reduce the environmental impact of our operations with improvement projects, benchmarking between sites, and by exchanging best practices. We explore and utilize best available technology and participate in different community engagement projects, always with the aim to become a better neighbor.

We believe that our greatest opportunity to make a positive contribution to a sustainable future is to support the transition to a more sustainable global food system. This opportunity relies on our ability to increase the demand for sustainable solutions, manage risk and drive Co-Development with our customers that is good for both people and planet.

## House of Sustainability

In 2020, we updated and sharpened our focus on sustainability using our framework – the AAK House of Sustainability. The updated framework supports an even stronger integration of sustainability into the AAK business model and strategy. The aim is to embed sustainability from plant to brand and strengthen our position as the first choice for plant-based oil solutions. The framework helps us to prioritize our actions and live up to our ambitions and commitments.

We support international sustainability standards and frameworks

- UN Global Compact (UNGC)
- The OECD guidelines
- The ILO core conventions
- The UN guiding Principles on Business and Human Rights
- Global Reporting Initiative (GRI)

During 2021, we will analyze our business in relation to the EU Sustainable Finance Action plan and the EU taxonomy to make sure our future reporting is continuously in line with upcoming legislation and requirements on ESG data from investors and owners.



The AAK House of Sustainability is based on our three focus areas: Better Sourcing, Better Operations and Better Solutions. The framework has a strong connection to those of the UN Sustainable Development Goals that are critical for our business and to our ambition to fulfill the Paris Agreement. The framework is supported by a clear structure for governance and accountability.

## 2020 – a year of raised ambitions

In the consumer goods industry, sustainability standards are constantly raised as a result of increasingly conscious consumers, as well as national and global policy initiatives like the UN Sustainable Development Goals and the Paris Agreement.

Each year, we monitor materiality and new and upcoming legislation as well as benchmark our sustainability practices against those of investors, retailers, customers and competitors, to ensure that we have our house in order and the right level of ambition. As a result, we raised our ambitions within several key areas and we have, during 2020, made the following external commitments:

- We have signed the UN Global Compact's Statement for Renewed Global Cooperation, emphasizing the urgent need for global cooperation to support peace, security, human rights, and sustainable development due to the impact of the Covid-19 pandemic.
- We have signed the Science Based Targets Initiative Commitment Letter. During 2021, we will set science-based targets through the Science Based Targets initiative (SBTi), driving the reduction of greenhouse gas emissions consistent with keeping global warming to 1.5°C above pre-industrial levels.
- We have signed the coconut industry's first global Sustainable Charter, which aims to improve farmer livelihoods, lessen the carbon footprint of coconuts and boost supply to meet rising global demand.
- We have announced our commitment to verified deforestation-free and conversion-free palm and soy supply chains by 2025.



## Progress during 2020

Focus area	Commitments	Highlights of progress 2020
<b>Better Sourcing</b> 	<p>Protecting biodiversity and ecosystems and reducing environmental impact</p> <hr/> <p>Empowering smallholder livelihoods and women</p> <hr/> <p>Respecting human and labor rights</p>	<ul style="list-style-type: none"> <li>Investing in new partnerships and digital platforms for satellite monitoring to achieve full transparency in the palm oil supply chain.</li> <li>Significantly increase our verified deforestation-free volumes from 26 percent in 2019 to almost 50 percent, based on first half 2020 data.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>4,300 smallholders engaged in palm programs.</li> <li>321,443 women included in the Kolo Nafaso program.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Setting ambition and planning of risk assessments related to human rights across our value chain.</li> </ul>
<b>Better Operations</b> 	<p>Supporting the well-being of our people</p> <hr/> <p>Minimizing our environmental impact</p> <hr/> <p>Being a better neighbor</p>	<ul style="list-style-type: none"> <li>During 2020, all sites have had a safety audit from our external partner through teamwork, virtual walks and video calls.</li> <li>We have initiated a dedicated global project team that is working on identifying and mitigating risk, increasing awareness and implementing ways of tracking our progress with regards to diversity and inclusion.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Performing climate change risk assessments on all sites and establishing a site scoring system aligned with physical and transition risk.</li> <li>Regular best practice sharing to ensure resource efficiency and process optimization.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Delivering food donation programs to support in exposed areas due to Covid-19.</li> </ul>
<b>Better Solutions</b> 	<p>Increasing the demand for better solutions</p> <hr/> <p>Co-developing with customers to do good for people and planet</p> <hr/> <p>Enhancing sustainable development with our solutions</p>	<ul style="list-style-type: none"> <li>We enhanced our virtual platforms to demonstrate our solutions to customers online.</li> <li>Strengthened our capability to support the demand for plant-based foods by using our AAK Academy and Health &amp; Nutrition platform.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>We have increased the number of co-development projects focused on sustainable solutions.</li> <li>We conducted in-depth customer interviews to identify how we can improve and align with their sustainability ambitions.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>We have continued to progress on solutions that enable the reduction of food waste by improving the shelf life of chocolate products.</li> <li>We started measuring the percentage of our revenue connected to the UN Sustainable Development Goals.</li> </ul>

Read more about our sustainability progress and performance in our Sustainability Report and our progress reports on sustainable palm oil, all available on [www.aak.com](http://www.aak.com).

## Highlights from 2020

### *Empowering women in Kolo Nafaso*

We are especially proud of our program in West Africa, Kolo Nafaso. At the heart of this program is a long-term sustainability partnership, where we source directly from women – in a way that empowers them to make their own investment choices, whilst earning a fair income.

During 2020, more than 90,000 women joined the program, which means we are now reaching 321,443 women in total. This is business, not charity. The support we give is connected to our daily business, guaranteeing we're there for the long term. But we know that we can – and should – be doing so much more to make livelihoods better and more sustainable for many more local communities around the world. To make this happen, we're taking what we've learned in West Africa to other geographies and continue to focus and scale up our positive impact.

For more information about the progress, please see our Sustainability Report.

### *The road to sustainable palm oil*

As a stakeholder in the palm oil sector, it is equally important to protect forests and the animals that live there as it is to give the millions of people in these regions the possibility of a better livelihood.

Palm oil is a very versatile crop. It is free from unhealthy trans-fatty acids; it is the most effective plant-based oil in terms of yield per hectare – alternative crops require more than five to ten times larger area to grow; it is more affordable compared to other crops; and it is an important part of the diet for the world's population. Palm oil also brings economic benefits and better livelihoods to poorer communities around the world.

### Kolo Nafaso

Kolo Nafaso is AAK's verified shea sustainability program that focuses on

- poverty alleviation, and
- women empowerment, through direct trade, interest-free micro credits, and training.

Therefore, the way forward is not to stop using palm oil but to make it sustainable.

Because the palm oil supply chain involves millions of smallholder farmers, the challenges can only be solved by working together in cross-industry initiatives. In 2020, we have taken important steps on the journey toward more sustainable palm oil:

- Committed to a palm oil supply chain that is 100 percent traceable to plantation and 100 percent verified deforestation-free by 2025.
- Accelerated our sourcing strategy, stepped up our supplier monitoring and engagement, and strengthened our processes for proactively addressing non-compliance.
- Implemented the full-scale satellite monitoring of our global palm oil supply base. The new service will provide real time insights in areas connected to our supply chain. We use this information to verify deforestation-free and to reach out to suppliers to further investigate and take the appropriate actions.



What we do in Kolo Nafaso represent the strong interconnection between our business and the Sustainable Development Goals. The initiatives in the Kolo Nafaso program contribute, directly or indirectly, to nine of the SDGs.



# Making better careers happen

A main objective for AAK during 2020 was to become a truly purpose-driven company. Throughout the year, we carried out an internal, inclusive, co-development process to uncover and define our company purpose, and in October we proudly launched Making Better Happen™ to the AAK organization. This was followed by a set of updated company values, defined as our Better Behaviors, and updated leadership principles: leading self, leading teams and leading business. These elements combined are fundamental for AAK in making better careers happen.

## Responding to the pandemic

During the challenges that the pandemic has created, we have focused on keeping our people safe,

connected and engaged. We have managed the situation by implementing strict hygiene protocols and increased safety measures, by giving employees the possibility to work from home, and through clear and frequent communication, making sure everyone is properly and continuously informed.

Our employees have also come up with a lot of creative initiatives to maintain our strong relationships within the company. There have been virtual coffee talks, lunch and learn sessions, team quizzes, and even a virtual family day. We have also run an internal video series called #ApartTogether, in order to maintain the very important feeling of belonging, the feeling that we're still united although currently separated.

“AAK is recognized by a workforce that is healthy, truly engaged and creates value for our business and stakeholders. Our leadership is characterized by leading self, leading teams and leading business. We live our Better Behaviors and Better Leadership principles, supporting AAK’s purpose and strategy.”



# 3,978

Number of employees globally (as of December 31, 2020)



# 8.7 years

The average time of employment



## Employee distribution by region

Europe: 43%  
Americas: 29%  
Asia/Pacific: 18%  
Africa: 10%



# 0.4

Lost Time Injury Rate (LTIR) – the number of work injuries that result in one or more days of sick leave per 200,000 working hours (production sites)

### Health and safety

Pandemic or no pandemic, health and safety are top priorities at AAK. Any work-related injury is unacceptable, and we strive to be a zero-injuries workplace. In 2020, we reported a Lost Time Injury Rate (LTIR) at our production sites of 0.4, the same level as for 2019. We will continue to work relentlessly to reach our objective of being a zero-injuries workplace.

### Co-developing people

Our People strategy focuses on four key areas – AAK Purpose & Culture, People Development, AAK a great place to work, and Leadership Development – creating a unified business committed to delivering excellence and growth for AAK and our customers. Through the behaviors of our passionate employees and by strengthening our agility, accountability and collaboration, we can make our business even better, delivering a more customer-centric service.

### Prioritized programs

To support our People strategy, we launched some prioritized programs last year that will continue to be strengthened during 2021 and the years ahead.

#### *Inclusion and diversity*

AAK is committed to attract, develop and retain an inclusive and diverse workforce. This drives innovation, creates a trusting environment within the company and with our customers, and contributes to the success and sustainability of our business. We know that diverse groups are proven more successful and effective. As of 2020, a dedicated global project team is working to increase awareness and implement ways of tracking our progress.

#### *Employee engagement*

Towards the end of last year, we conducted a Great Place to Work survey, collecting our employees' valua-

ble opinions on working life at AAK. Survey results have been shared broadly across AAK and teams have been asked to create action plans to ensure continuous improvement for a sustainable workplace with high engagement. These action plans will be closely linked to our purpose, Making Better Happen, and our Better Behaviors.

#### *AAKtivate*

Over the past decade, AAK in Mexico and Colombia have successfully worked with an employee well-being program called AAKtivate. The program focuses on medical, physical and mental health as well as nutrition. We strongly believe that the program contributes to a healthier lifestyle which in turn result in increased motivation, increased productivity, lower absenteeism, and reduced health costs. The AAKtivate program was rolled out as a global program during 2020.

# Risks and risk management

**AAK's operations are constantly exposed to risks, threats and external factors with an impact on the company. Through a proactive approach to business intelligence, we aim to anticipate changes in factors affecting operations. Plans and policies are adjusted continuously to counteract potential negative effects. Active risk management, such as hedging raw material prices and currencies, reduces the risks that we face.**

## Raw materials

Harvests are weather-dependent. While a year of poor harvests drives up prices, a year of successful harvests reduces them. Most of our raw materials are traded on the international world market and purchased in foreign currencies. This exposes us to significant currency and raw material price risks.

We have a strategy of active risk management and as soon as a sales contract is signed, we hedge the equivalent currency and raw material price exposure. This safeguards margins against price risks on agreed sales contracts.

Since many raw materials are produced far away from our production plants and markets, transport costs are an important factor. Particularly the potential impact on margins from the growing demand for environmentally acceptable transport methods must be taken into consideration. Competition in commodities is fierce.

## The processing industry

AAK is part of the processing industry. Improvements in results are achieved through organic volume growth and by increasing sales of speciality products with higher margins relative to lower-margin bulk products.

Capacity expansion aimed at increasing total volumes to meet growing demand has a relatively long planning horizon and we must analyze potential growth in good time. In the meantime, it is possible to balance production between our plants to enable processing of

specific products closer to their markets and accommodate swings in supply and demand. Key speciality products are produced at dedicated plants, where problems with machinery can have a major impact.

## Changes in the competitive environment

The sector in which AAK operates is undergoing structural change. As a sector that has existed for just over a century and has a fundamental dependence on natural products, there is great pressure for more intensive development. This includes demands for sustainable, ethical production, where producers accept responsibility for social issues and the environmental impact of their operations. We operate on the basis of an organic growth and selective acquisition strategy. A strong balance sheet has laid the financial foundations for future acquisitions.

There is intense competition in the industry. Several global competitors deliver large volumes of bulk products with limited margins. Our response is to focus more on products with better margins and higher value. These include confectionery products and cosmetics, as well as value-adding ingredients for the bakery, dairy and infant nutrition industries.

## Political instability

Operating globally always carries risks, but it can also be a stabilizing factor. Although AAK largely operates in mature markets in USA and Europe, much of company growth is generated in developing markets, which

are vulnerable to political instability that can impact currencies and exchange rates. We operate in Eastern Europe, the Middle East, Asia, Africa, and South America, where instability may arise. As a well-established operator in these areas, we have extensive experience of handling such issues. In addition, we operate with a deliberate risk management strategy.

Global operations also involve risks such as trade barriers, inflation, environmental and health-related legislation, and changes in national or regional legislation, e.g. the introduction of protective tariffs and taxes, which prevent us from operating in a free market.

### **Trade sanctions and export controls**

AAK is committed to conducting business in accordance with applicable trade sanctions laws and export control regulations which we believe are important tools in the international community's drive to inter alia improve human rights. AAK will not tolerate any violation of trade sanctions laws, export control laws or related regulations by its employees. This means that we will not engage, directly or indirectly, in any business, dealing, or transaction prohibited by applicable trade sanctions or export control regulations.

Furthermore, AAK and its employees will not carry out any direct or indirect business activities with any person, entity or government targeted by trade sanctions, nor export goods or services subject to applicable export control laws without required licenses and/or approvals from the relevant authorities.





### Health trends

We can adapt our product range quickly to the latest trends in the health debate. This is mainly because we work with all types of plant-based oils and can reformulate our products to meet customer needs. We focus strongly on co-development with our customers. This limits the risks involved in commercializing new products.

Regulatory measures also pose a risk. Active involvement in sustainability-related issues is, therefore, becoming increasingly important to anticipate legislation on issues that are a natural development of human requirements.

### Risks related to climate change

AAK aims to measure and follow up on climate-related risks in line with the Task Force on Climate-related Financial Disclosures (TCFD).

During 2020, we have together with an external partner worked to finalize physical and operational climate risk assessments at all of our production sites. These assessments have been incorporated into a site-specific rating system to ensure that climate-related risks are assessed and managed at all sites.

The scope of transition risks, such as changes in climate and energy policies, or shifts to low-carbon technologies and liability issues, was added to the site rating system during 2020. The outcome, including potential impacts and opportunities, will be presented to AAK's Audit Committee that will escalate material information to the Board of Directors if the outcome has an impact on the organization's objectives or overall strategy.

The physical financial risk of climate change impact at AAK sites is today low to medium based on an assessment of extreme weather impact such as flooding, earthquake or heavy weather. Most sites have made the initial planning and investment with regards to physical risk which is why we will focus more on the transition risk going forward.

The transition risk will be further defined once the updated scoring system has been implemented, but so far, the level of risk and impact from a financial perspective is evaluated as low to medium, depending on development such as local actions taken by governments and countries themselves.

#### *Building the foundation for climate resilience*

During 2020, we have committed to set science-based targets, upgraded the site scoring system with transition risk, and revisited the scope 3 screening to learn more about the impact in the supply chain. In 2021, we will define targets, deploy the site scoring system, enforce financial roadmaps made for scope 1 and scope 2 greenhouse gas emissions, and engage with our suppliers. This foundation and the next steps will enable us to disclose information in line with TCFD, strengthen the resilience to climate change, support our capability to reduce climate impact, and deliver sustainable value-adding solutions. For more information and an overview of our climate risk assessments, please see our Sustainability Report.

#### **Disruptions to critical IT systems**

AAK uses modern IT infrastructure and technology to support its business. Disruptions to critical IT systems could potentially have an impact on the business. Therefore, this is a risk that needs to be analyzed and mitigated with the objective to prevent possible issues and minimize impact. This work is conducted by Group IT together with our local entities. Our critical IT systems are audited annually, with security, internal processes and compliance in focus.

Cyber security has a very high priority at AAK and in order to minimize external threats, we are continuously investing in technology that is operated by a highly skilled staff. The Group IT Security Policy is implemented at all AAK units, and a common framework is used for our global IT infrastructure.

#### **Changes in external factors**

Business operations are affected by raw material prices, transport costs, energy prices, interest rates, and exchange rates. Our employees are experienced in reacting quickly to changes in external factors and adapting operations, products and services to customer needs.

# Corporate governance and financial information

# Contents

Comments by Georg Brunstam, Chairman of the Board	42	Statement of Comprehensive Income – Parent Company	63
Directors' Report	43	Balance Sheet – Parent Company	64
Board of Directors	48	Changes in Shareholders' Equity – Parent Company	66
Executive Committee	50	Cash Flow Statement – Parent Company	67
The AAK share	52	Notes	68
Reasons to invest in AAK	54	Alternative Performance Measures	111
Consolidated Income Statement	56	Corporate Governance Report	114
Consolidated Statement of Comprehensive Income	57	Auditor's report	123
Consolidated Balance Sheet	58	Financial calendar and Annual General Meeting	128
Consolidated Changes in Shareholders' Equity	60	Alternative performance measures (APM) and other financial definitions	129
Consolidated Cash Flow Statement	61		
Income Statement – Parent Company	62		

All amounts are denominated in SEK million unless otherwise stated.

Chairman of the Board:

# Strong performance considering the circumstances

When summarizing 2020, I feel very proud of AAK – as an organization and as a global key supplier of food ingredients. AAK colleagues around the world have health and safety as a first priority, and in combination with passion, drive and professionalism, the company has been able to operate safely and navigate in an unprecedented situation. With its decentralized structure and a highly dedicated and attentive workforce, AAK has shown the strength and resilience of its business model.

Given the difficult circumstances, the past year was a strong one for AAK. There has been good progress for the company's strategic direction, some additional acquisitions and key investments have been made, and a new corporate purpose has been unveiled and launched. The purpose, Making Better Happen™, is a very apt representation of what AAK stands for: to continuously make things better – for its customers and shareholders, for its employees, for the planet.

## Strong corporate governance

AAK is a well-managed company that has experienced a very successful development over the past decade. How to continuously improve the business and how to continue to achieve profitable and sustainable growth are topics that characterize all discussions and decisions by the Board and AAK's management team. When working toward these goals, it is important that



our decision-making processes and responsibilities comply with relevant rules and regulations and with the company's business principles. With this report we want to illustrate our strong and clear corporate governance and show that we always work in the shareholders' best interest.

## Raised sustainability ambitions

In alignment with its purpose, AAK also continues to make better sustainability happen. Many important achievements have been made within the company's supply chains. One example is the expansion of the Kolo Nafaso program in West Africa, which targets shea-collecting women in one of the world's poorest regions. Over the last year, the program has grown by 39 percent, now including more than 320,000 women. AAK has furthermore announced its firm commitment to verified deforestation-free and conversion-free palm and soy supply chains by 2025. In addition, Plant-based Foods, the company's business segment focusing on alternatives to dairy and meat products, continues to grow at a rapid pace.

Considering the good performance and the many achievements that have been made during a difficult year such as 2020, it is with great confidence I look upon the future of AAK. I would like to thank my colleagues on the Board of Directors, AAK's management team and all employees around the organization for extraordinary contributions during a challenging year. Your dedicated work continues to be integral to the company's growth and success.

Georg Brunstam, Chairman of the Board

# Directors' report

## For the financial year January 1 – December 31, 2020

The Board of Directors and the President and Chief Executive Officer (CEO) of AAK AB (publ.), corporate identity number 556669-2850, with its registered office in Malmö, hereby present the Financial Statements and Consolidated Financial Statements for the financial year January 1 – December 31, 2020.

### Performance and financial position

2020 was an unprecedented year. The Covid-19 pandemic impacted people, societies and business operations across the world. In spite of the pandemic and a material negative currency translation impact there has been year-over-year growth in terms of operating profit, operating profit per kilo, and earnings per share. In addition, the company acquired 75 percent of NPO Margaron LLC, Russia, as well as the remaining 31 percent of the shares in AAK Kamani, India, and announced the establishment of a Plant-based Foods Global Center of Excellence on the company's premises in the Netherlands. AAK's new purpose, Making Better Happen™, has been launched according to plan and initiatives and activities are ongoing in all areas within AAK.

- Net sales decreased by SEK 576 million to SEK 27,934 million (28,510). This was mainly related to a negative currency translation impact of SEK 1,370 million and lower sales due to the Covid-19 pandemic, partly offset by the impact from higher raw material prices and improved product mix.
- Operating profit reached SEK 2,167 million (2,142), an increase by 1 percent including items affecting comparability and acquisition costs. The currency translation impact was negative SEK 98 million.
- Operating profit at fixed foreign exchange rates, excluding items affecting comparability and acquisition costs, improved by 6 percent. Food Ingredients reported a decrease of 6 percent while Chocolate & Confectionery Fats reported a strong improvement of 9 percent. Technical Products & Feed reported an increase of 5 percent.
- Operating profit per kilo reached SEK 0.99 (0.94), an improvement by 5 percent. At fixed foreign exchange rates and excluding acquisition costs operating profit per kilo increased by 10 percent.
- AAK reported two items affecting comparability during the second quarter, amounting to net SEK 6 million. There were costs of SEK 200 million linked to structural measures that will generate annual savings of about SEK 150 million with full run-rate from second half of 2021. AAK also reported an income of SEK 206 million, related to an optimization of the company's capital structure. Acquisition costs during the year amounted to SEK 4 million (15).
- The Group's profit after financial items amounted to SEK 2,040 million (2,011). Net financial items amounted to negative SEK 127 million (negative 131), a decrease of SEK 4 million.
- The equity/assets ratio was 44 percent as at December 31, 2020 (45 percent as at December 31, 2019). Consolidated net debt as at December 31, 2020 was SEK 2,738 million (3,117 as at December 31, 2019). On December 31, 2020, the Group had total committed credit facilities of approximately SEK 7,234 million (7,081 as of December 31, 2019).
- Operating cash flow including changes in working capital amounted to SEK 2,023 million (1,558). Cash flow from working capital was SEK 44 million (negative 896). Accounts receivables have increased and impacted cash flow negatively due to increased sales of more speciality solutions to customers with longer payment terms. Inventory has increased due to increased raw material prices. The increased inventory has been more than fully offset by the increased accounts payables. Cash outflow from investing activities amounted to SEK 1,150 million (1,335), whereof SEK 412 million (535) was related to acquisitions.
- Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 14.3 percent (14.9 at December 31, 2019).
- Earnings per share were SEK 6.16 (5.86), an increase of 5 percent, due to increased operating profit, lower financial costs and lower tax costs. The income reported as items affecting comparability in the second quarter was not taxable. This has reduced the average tax rate in the period by 1 percentage point. The work to further optimize the capital structure in the Group has also supported the lower tax rate.
- On October 21, 2020, the Board of Directors decided to propose to distribute a dividend of SEK 2.10 per share to the shareholders for financial year 2019. The proposed dividend for financial year 2020 amounts to SEK 2.30. For further information, please see page 47.

The Company's largest business area, Food Ingredients, reported an operating profit excluding items affecting comparability of SEK 1,286 million (1,366), a decrease of 6 percent. The operating profit per kilo increased by 1 percent to SEK 0.90 (0.89). The decrease was primarily due to lower volumes for Foodservice, that was negatively impacted by restrictions and lockdowns, and led to a situation of under-absorption of costs. Solutions for Special Nutrition and Plant-based Foods generated strong profit growth.

Chocolate & Confectionery Fats reported an improvement in operating profit excluding items affecting comparability of 9 percent to SEK 865 million (794). The growth in operating profit was driven by lower costs achieved by the implemented supply chain improvements, increased production capacity in Aarhus, Denmark, and the better-yielding shea kernels from the harvest 2019/2020. Operating profit per kilo increased to SEK 1.93 from SEK 1.73 driven by the above-mentioned factors.

Operating profit excluding items affecting comparability for AAK's smallest business area, Technical Products & Feed, increased by 5 percent from SEK 150 million to SEK 157 million. The increase was mainly driven by strong performances in our feed business and crushing operations. Our fatty acids business also showed growth due to a favorable product mix.

## Operations and significant events

### *Business areas*

The company's business areas are Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. Group-wide functions are included in the Group Functions segment.

Food Ingredients maintains its strong regional positions, primarily in Europe, USA and North Latin America, but is gradually strengthening its positions in other regions.

Chocolate & Confectionery Fats and Personal Care have world-leading positions, and these will gradually be expanded in an increasingly global arena.

Technical Products & Feed has a strong local position in Northern Europe and will continue to focus its growth efforts in these geographic areas through its close links to the Karlshamn factory in Sweden, bringing significant synergy effects.

### *Acquisitions*

During the first quarter, an agreement was signed to acquire 75 percent of NPO Margaron LLC, a producer of margarines, spreads, and bakery and confectionery fats, based in St. Petersburg, Russia. Margaron has been a trusted toll manufacturer to AAK for more than a decade and had in 2019 revenues of approximately SEK 280 million.

During the third quarter, AAK further strengthened its position in the strategic and fast-growing Indian market by acquiring the remaining 31 percent of the shares of AAK Kamani.

## Company management

Tim Stephenson was appointed President Global Sourcing & Trading in January 2020. Sten Estrup was appointed President Asia April, 2020. Fredrik Nilsson, Chief Financial Officer, left the company in January 2021 to pursue new opportunities outside of AAK. Tomas Bergendahl has been appointed new Chief Financial Officer and assumes his position as of May 1, 2021.

### *Financial goals*

AAK's financial goals are to grow faster than the underlying market and to generate strong cash flows. We also intend to continually improve the return on capital employed.

### *Planned dividend policy*

The objective of the Board of Directors, taking into account the development of Group earnings, its financial position and future development opportunities, is to propose annual dividends equivalent to at least 30–50 percent of the profit for the year, after tax, for the Group.

### *Concluding remarks by the CEO*

We offer plant-based, healthy, high value-adding oils and fats solutions based on our customer co-development approach. In spite of the short- to mid-term uncertainty from the Covid-19 pandemic, we see no reason to adjust our view on the strong favorable underlying long-term trends in our markets. Thus, we continue to remain prudently optimistic about the future and we are fully committed to Making Better Happen™.

### Nomination Committee

For the 2021 Annual General Meeting, the Nomination Committee has proposed re-election of Georg Brunstam, Gun Nilsson, Bengt Baron, Märta Schörling Andreen, Marianne Kirkegaard and Patrik Andersson as Board members. Bengt Baron has declined reelection. In total, the Nomination Committee represents approximately 42 percent of the shares and votes in AAK as at December 31, 2020.

AAK's Nomination Committee for the 2021 Annual General Meeting consists of:

- Märta Schörling Andreen (Chair), Melker Schörling AB
- Leif Törnvall, Alecta
- Joachim Spetz, Swedbank Robur Fonder
- Elisabet Jamal Bergström, SEB Investment Management

### Share capital and shareholder structure

The total number of shares in AAK as of December 31, 2020 was 255,413,934. There is one class of shares in AAK, and each share entitles the holder to one vote. There are no limits as regards how many votes each shareholder may cast at an Annual General Meeting. Nor are there any limitations regarding the transfer of the shares resulting from provisions in law or in the Articles of Association.

Of the Company's shareholders, only Melker Schörling AB has a shareholding which represents at least one-tenth of the number of votes of all shares in AAK. Melker Schörling AB's shareholding as at December 31, 2020 amounted to 30.8 percent of the shares and votes.

AAK is not aware of any agreement between direct shareholders of AAK that would involve limitations in the right to transfer shares. The shareholder structure is described further on page 53.

### Articles of Association

The Articles of Association stipulate that Board members shall be appointed by the Annual General Meeting of AAK. The Articles of Association contain no provisions regarding dismissal of Board members or regarding amendment of the Articles of Association.

### Important agreements affected by change in control resulting from official take-over bid

The Group's long-term financing agreement contains stipulations that, in certain cases, give the lender the right to request advance payment if control of AAK changes substantially. Such a substantial change in control can occur as a result of an official take-over bid.

AAK's assessment is that it has been necessary to accept these stipulations in order to obtain financing on terms which are otherwise acceptable.

### Guidelines for remuneration of senior executives

Guidelines for the remuneration of the CEO and other senior executives were adopted by the 2020 Annual General Meeting. No deviations from these guidelines have been made. The Board of Directors of AAK proposes that the 2021 Annual General Meeting resolve new guidelines for remuneration of senior executives to be applied in 2021. The present guidelines are contained in Note 8, Remuneration of the Board of Directors and senior executives.

These guidelines will cover those persons who are in Group management positions during the period of time in which the guidelines apply. The guidelines apply to agreements entered into after a resolution by the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time. The Board will be entitled to diverge from the guidelines if there are particular reasons to do so in an individual case.

### Product development

The Group's product development operations are described in further detail on pages 18–28.

### Environment

The environmental impact from our plants include emissions of odorous substances, solvents, smoke and gases into the atmosphere, as well as discharging fats, oxygen-consuming material, and nutrients into the water, and also creating organic waste and noise. We continually review our impact on all levels to further improve the environmental performance at AAK. We operate all our plants with appropriate official permits in all countries in which we are present. In Sweden, the operations in Karlshamn are licensable under Swedish law.

### Employees

The recruitment of skilled and competent personnel is an important component in maintaining competitiveness for the AAK Group. The Group therefore has continuous active programs for personnel development.

### Risk management and sensitivity analysis

All business operations involve risks – a controlled approach to risk-taking is a prerequisite for maintaining good profitability. Risks may depend on events in the operating environment and may affect a certain sector or market. A risk may also be purely company-specific or country-specific. At AAK, effective risk management is a continual process which is conducted within the framework of operational management and forms a natural part of the day-to-day monitoring of operations.

For more detailed information, please refer to the section on Risks and risk management on pages 36–39 and to Note 3, Financial Risk Management.

#### External risks

The AAK Group is exposed to the fierce competition which characterizes the industry related to fluctuations in raw material prices which affect capital tied up.

#### Operational risks

The raw materials used in operations are agricultural products, and availability may therefore vary due to climatic and other external factors.

#### Financial risks

The Group's management of financial risks is described in Note 3, Financial Risk Management.

### Corporate Governance Report

The Corporate Governance Report on pages 114–121 is part of the Directors' Report. For information on the composition and work, etc., of the Board of Directors, see the Corporate Governance Report on pages 115–117.

### Sustainability Report

Under Chapter 6, Section 11, of the Swedish Annual Accounts Act, AAK has decided to prepare its Sustainability Report separately from the Annual Report. The Sustainability Report was submitted to the auditor with the Annual Report.

### Parent

The Company is the holding company of the AAK Group, and its activities consist mainly of joint Group functions connected to the development and management of the Group. The Parent employs personnel with skills and competencies to execute Group-wide financing, accounting, information, marketing, product development, human resources, M&A and IT. The Parent is also responsible for Group strategy and risk management and provides legal and tax-related services to Group companies.

The Parent's invoicing in 2020 amounted to SEK 134 million (159). The profit after financial items amounted to negative SEK 39 million (positive 1,474). Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets totalled SEK 2,456 million (2,173 as of December 31, 2019). Investments in intangible and tangible assets amounted to SEK 3 million (5). The average number of employees at December 31, 2020 was 37 (37).

### Background to and motivation of the proposed appropriation of profits

The Board of Directors has proposed that the 2021 Annual General Meeting approves an appropriation of profits under which the shareholders will receive a dividend of SEK 2.30 per share. The proposed dividend therefore totals SEK 587 million. The objective is for the dividend in the long term to correspond to 30–50 percent of consolidated profits after tax, while always considering AAK's long-term financing requirements. The Parent has no financial instruments valued under Chap. 4, Section 14 a, of the Swedish Annual Accounts Act (1995:1554). The Board of Directors hereby makes the following statement regarding the proposed dividend, in accordance with Chap. 18, Section 4, of the Swedish Companies Act (2005:551).

Retained profits from the previous year total SEK 6,136 million and the result for the 2020 financial year is negative SEK 39 million (positive 1,581 for the Group). Provided that the 2021 Annual General Meeting approves the Board's proposed appropriation of profits, a total of SEK 5,509 million will be carried forward. The Company's restricted equity will be fully covered after distribution of the dividend. In the Board's judgment, the Company and the Group will retain sufficient equity after distribution of the proposed dividend in relation to the nature, scope and risks associated with its business operations. In making this assessment, the Board has taken account of the historical development of the Company and the Group, budgeted performance and the economic situation. In the view of the Board, the Company and the Group are in a position and have the capacity, in both the short and long terms, to meet all their obligations.

The proposed dividend represents a total of 9 percent of the Company's equity and 6 percent of the Group's equity attributable to the Parent's shareholders. After payment of the dividend, the equity/assets ratio of the Company and the Group will be 69 percent and 42 percent, respectively. These ratios are good in relation to other businesses in the industry. The Board of Directors judges that the Company is in a good position to meet future business risks as well as withstand possible losses. Distribution of the dividend will not negatively affect the ability of the Company and the Group to make further investments as planned by the Board of Directors. The proposed dividend distribution will have a temporary negative effect on the Company's and Group's ability to meet certain current liabilities. However, the Company and Group have sufficient access to both short- and long-term credit that can be obtained at short notice.

The Board of Directors therefore considers that the Company and the Group are prepared for likely changes to liquidity, as well as unforeseen events. In addition, the Board of Directors has considered other known circumstances that may materially affect the financial position of the Company and the Group. No circumstance has arisen that makes the proposed dividend distribution appear unjustifiable. It is proposed that the record date for the dividend be May 11, 2021, and it is estimated that the dividend will be received by the shareholders on May 17, 2021.

### Proposed appropriation of profits

The Board of Directors proposes that the disposable profit brought forward	SEK	6,135,980,620
and profit/loss for the year	SEK	-39,231,986
Total	SEK	6,096,748,634

be appropriated as follows:

To be distributed to shareholders, a dividend of SEK 2.30 per share	SEK	587,452,048
To be carried forward	SEK	5,509,296,586
Total	SEK	6,096,748,634

The Group's and the Parent's income statements and balance sheets will be presented to the Annual General Meeting on May 7, 2021 for adoption.

# Board of Directors



## Georg Brunstam

Chairman of the Board of Directors

**Elected in:** 2018

**Born:** 1957

**Nationality:** Swedish

**Other board positions:** Board member of NIBE Industrier AB and Melker Schörling AB

**Experience:** President and CEO of Hexpol AB and Nolato AB

**Qualifications:** MSc. Industrial Management and Engineering, BSc. Business Administration

**Dependence:** Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of AAK's main owner Melker Schörling AB

**Holdings in AAK:** 71,599 stock options, issued by Melker Schörling AB (each stock option entitles to buy six shares)



## Gun Nilsson

Board member

**Elected in:** 2017

**Born:** 1955

**Nationality:** Swedish

**Other board positions:** Chairman of the Board of Directors of Hexagon AB, Board member of Hexpol AB, Bonnier Group AB, Kollegiet för Svensk Bolagsstyrning, and Absolent Group AB

**Experience:** Board member of Loomis AB, Capio AB, Dometic Group AB, and Husqvarna AB. CEO of Melker Schörling AB and Gambro Holding AB. CFO and Executive Vice President of Duni AB, CFO of IP-Only Holding AB, Sanitec Oyj, and Nobia AB

**Qualifications:** MSc. Economics and Business Administration

**Dependence:** Yes. Dependent in relation to the company's major shareholders through her assignment on behalf of AAK's main owner Melker Schörling AB

**Holdings in AAK:** 6,000 shares



## Bengt Baron

Board member

**Elected in:** 2017

**Born:** 1962

**Nationality:** Swedish

**Other board positions:** Chairman of the Board of Directors of Enzymatica AB and Thule Group AB

**Experience:** Chairman of the Board of MIPS AB. Board member of Nordnet AB. CEO of Cloetta AB, Leaf International B.V., Vin & Sprit, The Absolut Company, and Frionor AB. Various senior positions at StepStone A/S, Kodak, and Coca-Cola AB

**Qualifications:** MBA

**Dependence:** No

**Holdings in AAK:** 6,000 shares



## Marianne Kirkegaard

Board member

**Elected in:** 2015

**Born:** 1968

**Nationality:** Danish

**Other board positions:** Board member of Dansk Supermarked

**Experience:** President and CEO of CSM Bakery Solutions. Various senior positions at Unilever Europe and Carlsberg/Coca Cola

**Qualifications:** Executive MBA, MBA

**Dependence:** No

**Holdings in AAK:** None



## Märta Schörling Andreen

Board member

**Elected in:** 2013

**Born:** 1984

**Nationality:** Swedish

**Other board positions:** Board member of Melker Schörling AB, Hexpol AB, Hexagon AB, and Absolent Group AB

**Experience:** Board member of Melker Schörling AB, Hexpol AB, Hexagon AB, and Absolent Group AB

**Qualifications:** MSc. Business Administration

**Dependence:** Yes. Dependent in relation to the company's major shareholders through her assignment on behalf of AAK's main owner Melker Schörling AB

**Holdings in AAK:** 78,774,412 shares (through Melker Schörling AB)



## Patrik Andersson

Board member

**Elected in:** 2019

**Born:** 1963

**Nationality:** Swedish

**Other board positions:** Board member of Ecolean AB

**Experience:** President and CEO Loomis, President of Orkla Foods Sverige, CEO and President of Rieber & Son, President of Wasabröd globally within Barilla Group, and various senior positions at Unilever Group

**Qualifications:** MSc. Business Administration and Economics – International Business

**Dependence:** No

**Holdings in AAK:** 307 shares

## Members of the Board of Directors appointed by the employees

**Leif Håkansson**

AAK Sweden AB

Appointed by IF-Metall

**Elected in:** 2005

**Born:** 1957

**Nationality:** Swedish

**Position:** Senior safety delegate

**Experience:** Various labor union positions in AAK since 1991. Senior safety delegate for more than 30 years. Political assignments in Karlshamn municipality

**Qualifications:** Upper secondary school

**Holdings in AAK:** None

**Lena Nilsson**

AAK Sweden AB

Appointed by PTK-L

**Elected in:** 2018

**Born:** 1960

**Nationality:** Swedish

**Position:** Marketing Coordinator

**Experience:** Vice Chairman local trade union, Deputy to Work environment representative, Work environment representative local trade union

**Qualifications:** Upper secondary school

**Holdings in AAK:** None

## Auditor

**Bo Karlsson**

Authorized public accountant

PricewaterhouseCoopers AB

**Born:** 1966

**Nationality:** Swedish

**Other auditing assignments:** Scania AB and IA Hedin Bil AB (pubL)

The company's auditor since 2020

# Executive Committee



## Johan Westman

President and CEO

**Born:** 1973

**Employed:** 2018

**Nationality:** Swedish

**Qualifications:** MSc. Industrial Engineering and Management

**Other significant positions:** Board member of Absolent Group AB (publ.)

**Experience:** Senior Vice President Europe and Managing Director of the BlankLight division at Shiloh Industries, Inc., President and CEO of FinnvedenBulten AB (publ.), President of Finnveden Metal Structures AB, and management consulting with Arthur D. Little

**Holdings in AAK:** 36,000 shares and 50,000 stock options\*



## Jarl Andreasson

Acting Chief Financial Officer (not a member of the Executive Committee) until appointed CFO Tomas Bergendahl assumes his position on May 1, 2021

**Born:** 1962

**Employed:** 2015

**Nationality:** Swedish

**Qualifications:** MSc. Business Administration

**Holdings in AAK:** None



## Anne Mette Olesen

Chief Strategy & Sustainability Officer. Head of People and Corporate Branding

Vice President AAK AB

**Born:** 1964

**Employed:** 2010

**Nationality:** Danish

**Qualifications:** MBA, BSc. Chemical Engineering

**Holdings in AAK:** 120,000 shares



## Sten Estrup

President AAK Asia

Vice President AAK AB

**Born:** 1968

**Employed:** 2020

**Nationality:** Danish

**Qualifications:** MBA, MSc. Dairy Science & Technology, Executive Master in Change, Diploma in HRM

**Holdings in AAK:** None



## Jan Lenferink

President AAK Europe

Vice President AAK AB

**Born:** 1963

**Employed:** 2015

**Nationality:** Dutch

**Qualifications:** Food Technology

**Holdings in AAK:** None



## Octavio Díaz de León

President AAK USA and North Latin America

Vice President AAK AB

**Born:** 1967

**Employed:** 2007

**Nationality:** Mexican

**Qualifications:** MBA, BSc. Mechanical & Electrical Engineering

**Holdings in AAK:** 240,000 shares and 15,000 stock options\*



### Gerardo Garza López de Hereida

President AAK South Latin America  
Vice President AAK AB

**Born:** 1961

**Employed:** 2014

**Nationality:** Mexican

**Qualifications:** Graduate Diploma in Business Administration, Food Engineering

**Holdings in AAK:** 18,000 stock options\*



### René Schou

President Global Industries  
Vice President AAK AB

**Born:** 1969

**Employed:** 2011

**Nationality:** Danish

**Qualifications:** MBA, and Food Technologist

**Holdings in AAK:** None



### David Smith

President Global Operations  
Vice President AAK AB

**Born:** 1960

**Employed:** 2001

**Nationality:** British

**Qualifications:** MBA, Graduate Diploma in Business Management

**Holdings in AAK:** 40,000 stock options\*



### Tim Stephenson

President Global Sourcing & Trading  
Vice President AAK AB

**Born:** 1961

**Employed:** 1995

**Nationality:** British

**Qualifications:** MA (Oxon), FCA

**Holdings in AAK:** 5,000 stock options\*



### Karsten Nielsen

Chief Technology Officer (CTO)  
Vice President AAK AB

**Born:** 1963

**Employed:** 1988

**Nationality:** Danish

**Qualifications:** Graduate Diploma in Food Technology

**Holdings in AAK:** 57,400 shares and 33,000 stock options\*

\* Each stock option entitles the option holder to buy six shares.

# The AAK share

AAK's shares have been traded since October 2, 2005 on the NASDAQ OMX, Stockholm, the Nordic List. As from January 2, 2014, AAK shares have been traded in the Large Cap segment in the Consumer Commodities sector. The abbreviation is AAK and the ISIN code is SE0011337708.

## Turnover and price trend

During 2020, 136.8 million (118.0) shares were traded at a total value of SEK 22,997 million (19,585), which corresponds to a turnover rate of 54 percent (47). The average trade per trading day was 542,802 (472,141) shares or SEK 91 million (78). At year-end, the price was SEK 166.00 (178.00) and AAK's market value was SEK 42,399 million (45,164). The highest price during the year was SEK 192.20 (January 30) and the lowest price was SEK 133.05 (March 16).

## Share capital

As at December 31, 2020, the share capital of AAK was SEK 425,689,890 (422,884,890). The number of shares was 255,413,934 (253,730,934). The quota value per share was SEK 1.67. Each share entitles the holder to one vote. All shares have equal rights to participate in the profits and assets of the Company.

## Ownership

There were 18,279 (17,250) shareholders as at December 31, 2020. There are shareholders in more than 40 countries, and the total ownership outside of Sweden amounted to 34 percent (32) at year-end. The ten largest individual shareholders accounted for 53 percent of the share capital on the same date. As of December 31,

2020, members of AAK's Group Executive Management owned a total of 531,400 shares in AAK.

## Planned dividend policy

The Board of Directors has adopted a dividend policy. According to the policy, the objective of the Board of Directors, taking into account the development of Group earnings, its financial position and future development opportunities, is to propose annual dividends equivalent to at least 30–50 percent of the profit for the year, after tax, for the Group.

## Ordinary dividend

The Board of Directors proposes a dividend for the 2020 financial year of SEK 2.30 (2.10) per share, a total of SEK 587 million (534).

## AAK's Investor Relations work

AAK's aim is for the shares to be valued on the basis of relevant, accurate and up-to-date information. This requires a clear strategy for financial communication, reliable information and regular contact with financial market stakeholders.

Contact with the financial markets takes place via presentations in conjunction with quarterly reports and meetings with analysts, investors and journalists at capital market days and seminars.

During 2020, a capital market day was due to the Covid-19 pandemic held virtually. Meetings with analysts and other professional investors that normally take place physically were also held virtually due to the pandemic.

Those interested can obtain presentation material and listen to audio recordings from quarterly presentations at [www.aak.com](http://www.aak.com).

## Analysts

ABG Sundal Collier – Johan Brown  
Bank of America – Alexander Jones  
Barclays – Alex Sloane  
Berenberg Bank – James Targett  
Carnegie Investment Bank – Kenneth Toll Johansson  
Danske Bank – Oskar Lindström  
DNB Bank – Ebba Björklid  
Exane BNP Paribas – Heidi Vesterinen  
Handelsbanken – Karri Rinta  
Nordea Bank – Daniel Ovin  
SEB Enskilda – Carl Mellerby

Financial information about AAK is available at [www.aak.com](http://www.aak.com), where financial reports, press releases and presentations can be obtained. The Company's press releases are distributed via Cision and are also available on the Company's website.

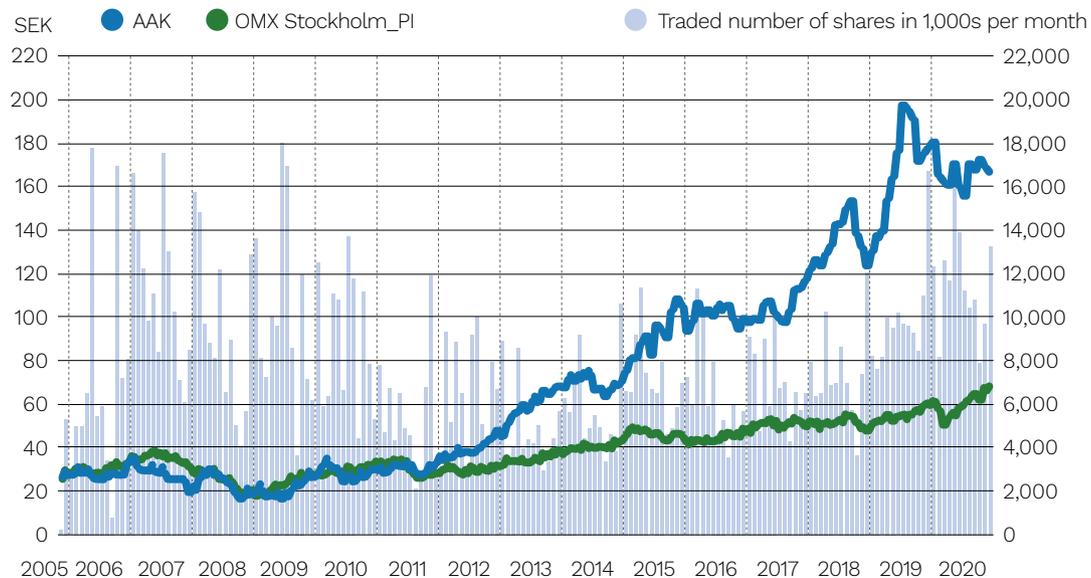
The Company management can be contacted as follows:

Telephone: +46 (0)40-627 83 00  
Email: [info@aak.com](mailto:info@aak.com)

## Shareholder contacts

Patrik Winquist, Group Controller  
Telephone: +46 (0)708 926 421  
Email: [investor@aak.com](mailto:investor@aak.com)

## The AAK share September 29, 2005 to December 31, 2020



Major shareholders, December 30, 2020	No. of shares	Proportion of share capital and votes, %	Distribution of shareholdings, December 30, 2020	No. of shareholders	Proportion of all share- holders, %	Proportion of share capital and votes, %	Information per share	2020	2019
Melker Schörling AB	78,774,412	30.8	1–500	12,122	66.3	0.6	Share price, reporting date, SEK	166.00	178.00
SEB Investment Management	14,150,728	5.5	501–1,000	2,148	11.8	0.6	Dividend, SEK	2.30	2.10
Alecta Pensionsförsäkring	12,300,000	4.8	1,001–5,000	2,810	15.3	2.4	Direct yield, %	1.39	1.18
State Street Bank and Trust	11,861,219	4.6	5,001–10,000	566	3.1	1.5	Earnings per share, SEK	6.16	5.86
Didner & Gerge Fonder	8,830,088	3.5	10,001–15,000	181	1.0	0.9	Equity per share, SEK	38.00	40.74
BNY Mellon SA/NV	5,847,241	2.3	15,001–20,000	69	0.4	0.5	Share price/Equity	4.35	4.37
JP Morgan Chase Bank	5,102,683	2.0	20,001–	383	2.1	93.5			
Kirkbi Invest A/S	4,836,356	1.9	<b>Total</b>	<b>18,279</b>	<b>100.0</b>	<b>100.0</b>			
Nordea Investment Funds	4,767,115	1.9							
BNP Paribas Sec Services Paris	4,619,083	1.8							
Other shareholders	104,325,009	40.9							
<b>Total</b>	<b>255,413,934</b>	<b>100.0</b>							

Definitions, see page 129.

# Reasons to invest in AAK

## Continued profit growth rests on four pillars

As for most companies, 2020 was a very special year for AAK due to Covid-19. But despite the challenges with the pandemic, we continued to improve our profitability year-over-year, although at a slower pace than previous years. Our ambition for the coming years stands: to grow our operating profit 10 percent year-over-year with a good earnings per share growth.

### 1. Above the market growth

AAK has over the past decade grown faster than the underlying markets in our focus areas – speciality and semi-speciality solutions in Food Ingredients and Chocolate & Confectionery Fats – and our strategic direction will continue to support our growth journey. Market data\* shows that in terms of volumes the oils and fats market in total is growing at approximately 3 percent with the speciality market growing even faster. Through our unique customer co-development approach we intend to continue to win market shares.

With our recent greenfield investments and acquisitions, we have continued to strengthen our geographic footprint. Through this expansion we are represented in regions where both population and urbanization are on the increase – demographic changes that present substantial market opportunities. We also see a growing middle class with a higher income and an increased spending power as well as a growing senior population as people live longer.

### 2. Structural growth – Mergers & Acquisitions

Despite considerable investments to increase capacity and several acquisitions to add both capacity and new capabilities, we have over recent years built a very strong balance sheet with an improved equity ratio. AAK has a proven track record of making successful acquisitions. During the past decade, we have acquired 15 companies. In 2020, we increased our presence in Russia by acquiring NPO Margaron LLC, and we also bought the remaining 31 percent of the shares in AAK Kamani in India. Going forward, we will continue to make selective acquisitions based on our M&A strategy:

- Geographic expansion – focus is on emerging markets but more mature regions where we have limited or no presence are also of interest
- Capacity – opportunities to add capacity at existing production sites or by acquiring capacity
- Technology – oils and fats remain our core business, but we are open for other ingredients that can be blended with our solutions if it adds customer value or makes it less complex for customers
- Adjacent product portfolios – in 2019, AAK entered the lecithin market where we have the ambition to be a more substantial player

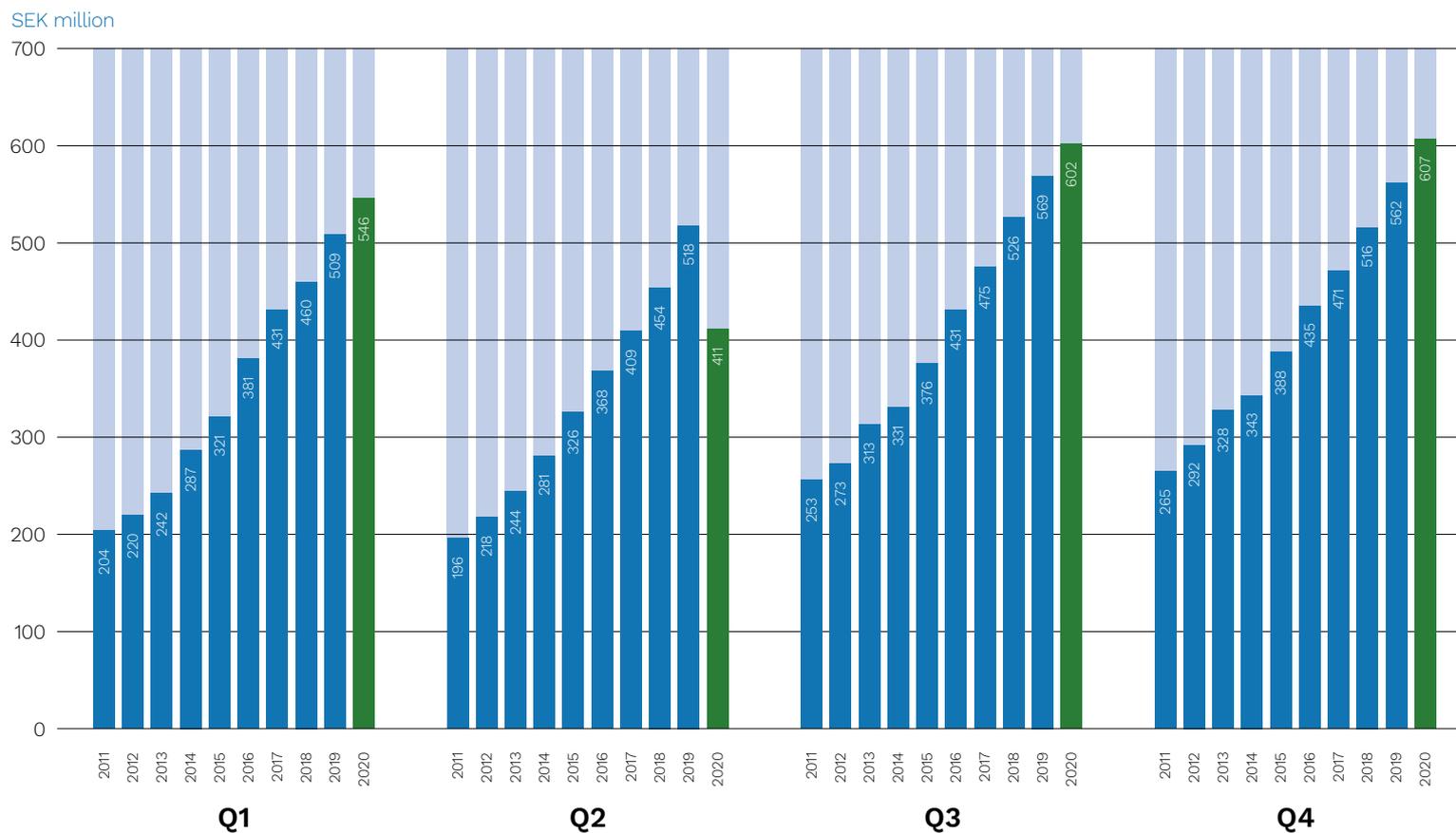
### 3. Optimization – focus on productivity

Measures to adapt to a new situation and optimize our structure, particularly through tight cost management, had a clear effect on operating profit in 2020. The structural measures will generate annual savings of about SEK 150 million and are expected to reach full run-rate by the second half of 2021. This is fully in line with our strategic direction to optimize our Bakery, Dairy and Foodservice businesses and to strategically invest in Chocolate & Confectionery Fats, Plant-based Foods, health, and nutrition.

### 4. Well positioned to benefit from consumer trends

Through our unique customer co-development approach and by focusing on global key drivers, AAK is very well positioned to benefit from current consumer trends such as health and well-being, sustainability, premiumization, convenience, customization, and transparency. An important example is our natural and plant-based solutions that are on trend with consumer demands for health and nutrition. Sustainability is another competitive advantage as AAK, with our focus on traceability and sustainability throughout the value chain, is considered a trustworthy partner. We are furthermore well positioned in the speciality segment in which there is a great demand for co-developed and high-quality premium solutions.

## AAK's operating profit per quarter 2011-2020



All figures are excluding items affecting comparability and acquisition costs.

## Consolidated Income Statement

SEK million	Note	Jan–Dec 2020	Jan–Dec 2019
Net sales	28	27,934	28,510
Other operating income		364	193
<b>Total operating income</b>		<b>28,298</b>	<b>28,703</b>
Raw materials and consumables and changes in inventories of finished goods and work in progress		-19,969	-20,247
Goods for resale		-603	-496
Other external expenses	5, 16, 28	-2,416	-2,685
Employee benefits expenses	6, 7, 8, 9	-2,334	-2,423
Depreciation, amortization and impairment loss	14, 15, 16	-755	-687
Other operating expenses		-54	-23
<b>Total operating expenses</b>		<b>-26,131</b>	<b>-26,561</b>
<b>Operating profit (EBIT)</b>		<b>2,167</b>	<b>2,142</b>
Result from financial items	10, 16		
Financial income		19	26
Financial expenses		-146	-157
<b>Net financial items</b>		<b>-127</b>	<b>-131</b>
<b>Profit before tax</b>		<b>2,040</b>	<b>2,011</b>
Income tax	11, 16	-459	-498
<b>Profit for the year</b>		<b>1,581</b>	<b>1,513</b>
<b>Attributable to:</b>			
Non-controlling interests		18	26
Parent company shareholders		1,563	1,487
Earnings per share attributable to Parent shareholders (SEK per share)	12	6.16	5.86
Earnings per share including dilution (SEK per share)	12	6.13	5.84
Earnings per share including full dilution (SEK per share)	12	6.07	5.74

## Consolidated Statement of Comprehensive Income

SEK million	Note	Jan–Dec 2020	Jan–Dec 2019
Profit for the period		1,581	1,513
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	9	-19	-21
		<b>-19</b>	<b>-21</b>
Items that may subsequently be reclassified to profit or loss:			
Translation differences		-1,959	402
Fair-value changes in cash flow hedges		-1	-0
Tax related to fair-value changes in cash flow hedges		0	0
		<b>-1,960</b>	<b>402</b>
<b>Total comprehensive income for the period</b>		<b>-398</b>	<b>1,894</b>
<b>Attributable to:</b>			
Non-controlling interests		10	26
Parent company shareholders		-408	1,868

## Consolidated Balance Sheet

SEK million	Note	Dec 31, 2020	Dec 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14		
Goodwill		2,103	2,114
Patents and other intangible assets		313	363
		<b>2,416</b>	<b>2,477</b>
Property, plant and equipment	15		
Land and buildings		1,095	1,274
Plant and machinery		3,595	3,739
Equipment, tools and fixtures and fittings		244	239
Assets under construction		667	782
		<b>5,601</b>	<b>6,034</b>
Right-of-use assets	16	709	770
		<b>709</b>	<b>770</b>
Financial assets			
Shares in associates		14	13
Deferred tax assets	11	187	144
Other non-current receivables		20	18
		<b>221</b>	<b>175</b>
<b>Total non-current assets</b>		<b>8,947</b>	<b>9,456</b>
<b>Current assets</b>			
Inventories	18	6,569	6,681
Accounts receivables	3	3,336	3,529
Current tax assets	11	398	295
Other receivables		341	354
Derivative instruments	3	1,365	1,391
Prepaid expenses and accrued income		122	231
Cash and cash equivalents	19	1,200	982
<b>Total current assets</b>		<b>13,331</b>	<b>13,463</b>
<b>TOTAL ASSETS</b>		<b>22,278</b>	<b>22,919</b>

## Consolidated Balance Sheet

SEK million	Note	Dec 31, 2020	Dec 31, 2019
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	20		
Share capital		426	423
Reserves		-1,456	496
Retained profit		10,729	9,418
<b>Equity attributable to Parent's shareholders</b>		<b>9,699</b>	<b>10,337</b>
Non-controlling interests		39	84
<b>Total equity</b>		<b>9,738</b>	<b>10,421</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	2,087	2,987
Pension provisions	9	278	241
Lease liabilities	16	617	675
		<b>2,982</b>	<b>3,903</b>
Non-interest-bearing liabilities			
Deferred tax liabilities	11	480	511
Other non-current provisions	22	94	102
Other non-current liabilities		346	423
		<b>920</b>	<b>1,036</b>
<b>Total non-current liabilities</b>		<b>3,902</b>	<b>4,939</b>
<b>Current liabilities</b>			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	1,565	870
Other current liabilities		12	12
Lease liabilities	16	117	110
		<b>1,694</b>	<b>992</b>
Non-interest-bearing liabilities			
Accounts payables	3	3,659	3,354
Current tax liabilities	11	360	474
Other current liabilities		292	283
Other current provisions	22	164	36
Derivative instruments	3	1,147	1,098
Accrued expenses and prepaid income	23	1,322	1,322
		<b>6,944</b>	<b>6,567</b>
<b>Total current liabilities</b>		<b>8,638</b>	<b>7,559</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,278</b>	<b>22,919</b>

## Consolidated Changes in Shareholders' Equity

SEK million	Attributable to the Parent's shareholders			Non-controlling interests	Total equity
	Share capital	Reserves	Retained profit		
<b>Opening balance as at January 1, 2019</b>	<b>423</b>	<b>94</b>	<b>8,391</b>	<b>88</b>	<b>8,996</b>
Profit for the year	-	-	1,487	26	1,513
Other comprehensive income	-	402	-21	-	381
<b>Comprehensive income</b>	<b>-</b>	<b>402</b>	<b>1,466</b>	<b>26</b>	<b>1,894</b>
<b>Transactions with shareholders</b>					
Change in non-controlling interests	-	-	30	-30	-
Dividend	-	-	-469	-	-469
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-439</b>	<b>-30</b>	<b>-469</b>
<b>Closing balance as at December 31, 2019</b>	<b>423</b>	<b>496</b>	<b>9,418</b>	<b>84</b>	<b>10,421</b>

SEK million	Attributable to the Parent's shareholders			Non-controlling interests	Total equity
	Share capital	Reserves	Retained profit		
<b>Opening balance as at January 1, 2020</b>	<b>423</b>	<b>496</b>	<b>9,418</b>	<b>84</b>	<b>10,421</b>
Profit for the year	-	-	1,563	18	1,581
Other comprehensive income	-	-1,952	-19	-8	-1,979
<b>Comprehensive income</b>	<b>-</b>	<b>-1,952</b>	<b>1,544</b>	<b>10</b>	<b>-398</b>
<b>Transactions with shareholders</b>					
New issue of shares	3	-	233	-	236
Subscription warrants	-	-	15	-	15
Change in non-controlling interests	-	-	55	-55	-
Dividend	-	-	-536	-	-536
<b>Total transactions with shareholders</b>	<b>3</b>	<b>-</b>	<b>-233</b>	<b>-55</b>	<b>-285</b>
<b>Closing balance as at December 31, 2020</b>	<b>426</b>	<b>-1,456</b>	<b>10,729</b>	<b>39</b>	<b>9,738</b>

For further information, see Note 20.

## Consolidated Cash Flow Statement

SEK million	Note	Jan–Dec 2020	Jan–Dec 2019
<b>OPERATING ACTIVITIES</b>			
Operating profit		2,167	2,142
Depreciation and amortization	14, 15, 16	755	687
Other non-cash items	29	-137	246
<b>Cash flow before interest and tax</b>		<b>2,785</b>	<b>3,075</b>
Interest received and other financial income		18	26
Interest paid and other financial expenses		-112	-148
Tax paid		-712	-499
<b>Cash flow before changes in working capital</b>		<b>1,979</b>	<b>2,454</b>
Changes in inventory		-470	-1,784
Changes in accounts receivables		-190	86
Changes in accounts payables		631	540
Changes in other working capital items		73	262
<b>Changes in working capital</b>		<b>44</b>	<b>-896</b>
<b>Cash flow from operating activities</b>		<b>2,023</b>	<b>1,558</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible assets		-33	-14
Acquisition of property, plant and equipment		-709	-787
Acquisition of operations and shares, net of cash acquired		-412	-535
Proceeds from sale of property, plant and equipment		4	1
<b>Cash flow from investing activities</b>		<b>-1,150</b>	<b>-1,335</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised	29	1,555	1,878
Amortization of loans	29	-1,686	-1,287
Amortization of lease liability	16	-154	-122
New issue of shares		236	-
Subscription warrants		15	-
Dividends paid		-536	-469
<b>Cash flow from financing activities</b>		<b>-570</b>	<b>0</b>
<b>Cash flow for the year</b>		<b>303</b>	<b>223</b>
Cash and cash equivalents at beginning of year		982	737
Exchange rate difference for cash equivalents		-85	22
<b>Cash and cash equivalents at year-end</b>	19	<b>1,200</b>	<b>982</b>

## Income Statement – Parent Company

SEK million	Note	Jan–Dec 2020	Jan–Dec 2019
Net sales	26	134	159
Other operating income		0	0
<b>Total operating income</b>		<b>134</b>	<b>159</b>
Other external expenses	5	-107	-136
Personnel costs	6, 7, 8, 9	-87	-101
Depreciation, amortization and impairment loss		-7	-7
<b>Total operating expenses</b>		<b>-201</b>	<b>-244</b>
<b>Operating profit (EBIT)</b>		<b>-67</b>	<b>-85</b>
<b>Profit from financial items</b>	10		
Dividend from Group companies		-	1,497
Profit from interests in Group companies		65	87
Interest income and similar items		0	1
Interest expenses and similar items		-37	-26
<b>Net financial items</b>		<b>28</b>	<b>1,559</b>
<b>Profit before tax</b>		<b>-39</b>	<b>1,474</b>
Income tax	11	0	-1
<b>Profit for the year</b>		<b>-39</b>	<b>1,473</b>

## Statement of Comprehensive Income – Parent Company

SEK million	Note	Jan–Dec 2020	Jan–Dec 2019
Profit for the period		-39	1,473
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>-39</b>	<b>1,473</b>

## Balance Sheet – Parent Company

SEK million	Note	Dec 31, 2020	Dec 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible non-current assets		12	12
		<b>12</b>	<b>12</b>
Property, plant and equipment		2	3
		<b>2</b>	<b>3</b>
Right-of-use assets		4	6
		<b>4</b>	<b>6</b>
Financial non-current assets			
Shares in Group companies	17	5,788	5,788
Receivables from Group companies		3,038	2,971
Deferred tax assets	11	5	5
Other non-current assets		17	18
		<b>8,848</b>	<b>8,782</b>
<b>Total non-current assets</b>		<b>8,866</b>	<b>8,803</b>
<b>Current assets</b>			
Receivables from Group companies		329	409
Tax assets	11	9	7
Prepaid expenses and accrued income		13	6
Other receivables		0	1
<b>Total current assets</b>		<b>351</b>	<b>423</b>
<b>TOTAL ASSETS</b>		<b>9,217</b>	<b>9,226</b>

## Balance Sheet – Parent Company

SEK million	Note	Dec 31, 2020	Dec 31, 2019
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>	20		
<b>Restricted equity</b>			
Share capital		426	423
Statutory reserve		5	5
		<b>431</b>	<b>428</b>
<b>Non-restricted equity</b>			
Retained profit		6,135	4,966
Profit/loss for the year		-39	1,473
		<b>6,096</b>	<b>6,439</b>
<b>Total equity</b>		<b>6,527</b>	<b>6,867</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities			
Liabilities to banks and credit institutions		1,500	2,250
Lease liabilities		1	3
		<b>1,501</b>	<b>2,253</b>
Non-interest-bearing liabilities			
Other non-current liabilities		29	33
		<b>29</b>	<b>33</b>
<b>Total non-current liabilities</b>		<b>1,530</b>	<b>2,286</b>
<b>Current liabilities</b>			
Interest-bearing liabilities			
Liabilities to banks and credit institutions		1,100	-
Lease liabilities		3	3
		<b>1,103</b>	<b>3</b>
Non-interest-bearing liabilities			
Accounts payables		6	8
Liabilities to Group companies		7	12
Accrued interest		2	2
Accrued expenses and prepaid income	23	37	41
Other current liabilities		5	7
		<b>57</b>	<b>70</b>
<b>Total current liabilities</b>		<b>1,160</b>	<b>73</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,217</b>	<b>9,226</b>

## Changes in Shareholders' Equity – Parent Company

SEK million	Share capital	Statutory reserves	Retained profit	Total equity
<b>Opening balance as at January 1, 2019</b>	<b>423</b>	<b>5</b>	<b>5,435</b>	<b>5,863</b>
Profit for the year	-	-	1,473	1,473
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,473</b>	<b>1,473</b>
Dividend	-	-	-469	-469
<b>Closing balance as at December 31, 2019</b>	<b>423</b>	<b>5</b>	<b>6,439</b>	<b>6,867</b>

SEK million	Share capital	Statutory reserves	Retained profit	Total equity
<b>Opening balance as at January 1, 2020</b>	<b>423</b>	<b>5</b>	<b>6,439</b>	<b>6,867</b>
Profit for the year	-	-	-39	-39
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-39</b>	<b>-39</b>
New issue of shares	3	-	233	236
Dividend	-	-	-536	-536
<b>Closing balance as at December 31, 2020</b>	<b>426</b>	<b>5</b>	<b>6,096</b>	<b>6,527</b>

Total shares outstanding were 255,413,934 at quota value of SEK 1.67 per share. For further information, see Note 20.

## Cash Flow Statement – Parent Company

SEK million	Note	Jan–Dec 2020	Jan–Dec 2019
<b>OPERATING ACTIVITIES</b>			
Profit after financial items		-39	1,474
Reversal of amortization and impairment losses		4	4
Income tax paid		-2	-4
Other non-cash items	29	-	3
<b>Cash flow from operations before changes to working capital</b>		<b>-37</b>	<b>1,477</b>
<b>Changes in working capital</b>			
Net change in other current receivables		72	-4
Net change in other current operating liabilities		-14	-21
<b>Cash flow from operating activities</b>		<b>21</b>	<b>1,452</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible assets		-3	-5
Acquisition of operations and shares, net of cash acquired		-	-3,362
<b>Cash flow from investing activities</b>		<b>-3</b>	<b>-3,367</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised from banks and credit institutions		350	751
Change in receivables from Group companies		-68	1,633
New issue of shares		236	-
Dividend		-536	-469
<b>Cash flow from financing activities</b>		<b>-18</b>	<b>1,915</b>
<b>Cash flow for the year</b>		<b>0</b>	<b>0</b>
Cash and cash equivalents at beginning of year		0	0
<b>Cash and cash equivalents at year-end</b>		<b>0</b>	<b>0</b>

# Notes

Amounts stated in SEK million unless specified otherwise.

## Note 1 | General information

AAK AB (publ), corporate identity number 556669-2850, is a Swedish registered limited liability company domiciled in Malmö, Sweden. The shares of the Parent are listed on NASDAQ OMX Stockholm, in the Large Cap list and under Consumer Goods. The head office is located at Skrivaregatan 9, 215 32 Malmö, Sweden.

These consolidated financial statements for 2020 are for the Group consisting of the Parent and all subsidiaries. The Group also has ownership interests in associates and joint ventures. The Board of Directors approved these consolidated financial statements for publication on April 14, 2021.

## Note 2 | Summary of significant accounting policies

### Basis of presentation of the annual report and consolidated financial statements

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standard Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted within the EU, the Swedish Annual Accounts Act, and the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary accounting rules for groups of companies". The Parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for legal entities".

The annual and consolidated financial statements have been prepared on a historical cost basis, with the exception of currency, fixed income and commodity derivative instruments, which are measured at fair value through profit or loss. Preparing these financial statements requires that the Board of Directors and the Company management use certain critical accounting estimates and assumptions. These estimates and assumptions can materially affect the income statement, balance sheet and other information contained herein, including contingent liabilities; see Note 4. Actual outcome can vary from these estimates under different assumptions or circumstances.

### New and amended standards applied by the Group

A number of new standards and interpretations enter into force for financial years that start after January 1, 2020. None of these have any significant effect on the Group's financial statements.

### New standards and interpretations not yet applied by the Group

A number of new standards and interpretations enter into force for financial years that start after January 1, 2020 and have not been applied by the Group in this financial report. These standards are not expected to have any significant effect on the Group's financial statements in the current or future reporting periods and on foreseeable future transactions.

### Consolidated financial statements

#### *Subsidiaries*

The consolidated financial statements cover AAK AB and all its subsidiaries. Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed to or is entitled to variable return from its holding in the company and is able to affect the return by exerting influence in the company. Subsidiaries are included in the consolidated financial statements as from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as from the date on which the controlling influence ceases.

#### *Purchase method*

The acquisition of subsidiaries is recognized using the purchase method of accounting. The cost of acquisition is measured as the fair value of the assets provided as consideration, liabilities incurred and shares issued by the Group. Transaction costs relating to acquisitions are expensed as they are incurred. Identifiable assets acquired and liabilities and obligations assumed in an acquisition are measured initially at fair value at the acquisition date. For each acquisition, the Group determines whether all non-controlling interests in the acquired companies are to be recognized at fair value or according to the proportional share of the acquired company's net assets. The excess of the purchase price, any non-controlling interests and the fair value of previous shareholdings at the acquisition date over the fair value of the Group's interest in identifiable net assets is recognized as goodwill. If this amount is less than the fair value for the acquired subsidiary's assets, the difference is recognized directly in the statement of comprehensive income.

All intra-group transactions, balances and unrealized gains on transactions are eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Note 2 | Summary of significant accounting policies

### Transactions with holders of non-controlling interests

The Group handles transactions with holders of non-controlling interests in the same ways as transactions with the Group's shareholders. In the event of acquisitions from holders of non-controlling interests, the company recognizes the difference between the purchase price paid and the actual acquired portion of the carrying amount of the subsidiary's net assets in equity. Gains and losses on disposals to holders of non-controlling interests are also recognized in equity.

When the Group no longer holds a controlling or significant influence, each shareholding is remeasured at fair value and the change in the carrying amount is recognized in the income statement. Fair value is used as the primary carrying amount and forms the basis for ongoing recognition of the remaining ownership interest as an associate company, joint venture or financial asset. All amounts relating to divested units previously recognized under "Other comprehensive income" are recognized as though the Group had directly disposed of the respective assets or liabilities. This can result in amounts previously recognized in "Other comprehensive income" being reclassified as earnings.

If the equity interest in an associate is reduced but significant influence still remains, where relevant only a proportional share of the amounts previously recognized in "Other comprehensive income" is recognized as earnings.

### Associated companies

Associates are those companies where the Group has significant influence, but not a controlling influence over operational and financial management, usually through an ownership interest of between 20 and 50 percent of the voting rights. As of the date at which the significant influence is acquired, investments in associated companies are recognized in the consolidated financial statements using the equity method. The equity method means that the value of the shares in the associated companies recognized for the Group corresponds to the Group's interest in the equity of the associates plus Group-related goodwill and any residual values of Group-related surplus or shortfall in value. The consolidated income statement reports the Group's share of profit of associated companies, adjusted for any amortization, impairment or dissolution of acquired surplus or shortfall values, as other financial revenue. Dividends received from associated companies reduce the carrying amount of the investment.

The equity method is used until significant influence ceases.

### Foreign currency translation of foreign subsidiaries' financial statements

#### Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which they operate (functional currency). The consolidated financial statements are presented in Swedish krona which is the Parent's functional and presentation currency.

### Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate are recognized as of the end of the reporting period in the income statement.

### Group companies

The results and financial position of foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency other than the presentation currency are translated into the Group's presentation currency as follows:

- Assets and liabilities are translated at the closing day rate.
- Income and expenses are translated at average exchange rates.
- All exchange differences are charged directly to other comprehensive income and are recognized as a separate part of equity. When a foreign subsidiary is sold, any exchange differences are recognized in profit or loss as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising in the acquisition of foreign operations are treated as assets and liabilities of the entity and translated at the closing day rate.

### Exchange rates

The following rates were used to translate currency:

Currency	Average rate	Closing rate
EUR	10.47	10.04
DKK	1.40	1.35
GBP	11.85	11.22
MXN	0.43	0.41
USD	9.16	8.21

### Segment reporting

An operating segment is the part of the Group that conducts business operations from which it may generate revenue and incur expenses for which discrete financial information is available. The operating results of an operating segment are followed up by the Group's chief operating decision-maker in order to evaluate its performance and allocate resources to the operating segment. The Group's operations are divided up into operating segments based on which parts of the operations the Group's chief operating decision-maker monitors, that is, according to the management approach. AAK's business operations are organized in such a way that the Group's highest executive decision-maker, that is the CEO, monitors earnings, returns and cash flows generated by the Group's various products. Each operating segment has a manager who is responsible for day-to-day operations and who regularly reports to the CEO on the outcome of the operating segment's performance and its resource requirements.

## Note 2 | Summary of significant accounting policies

Where the CEO monitors profit/loss and determines resource allocations based on the product that the Group produces and sells, these constitute the Group's operating segments.

The Group's operations are organically divided into business segments based on product. The marketing organization also reflects this structure. Segment reporting is submitted in accordance with IFRS 8 for the Group only. For each segment, the results, assets and liabilities directly attributable to or items that can reliably be attributed to the segment are included in that segment. Assets and liabilities not attributed to segments include tax assets and tax liabilities, financial investments and financial liabilities, as well as cash and cash equivalents and interest-bearing receivables.

### **Revenue recognition**

Revenue from contracts with customers are reported as Net sales in the Consolidated Income Statement. AAK recognizes revenue from contracts with customers based on the five-step process described in IFRS 15. The five steps in the process for recognizing revenue from contracts with customers are: Identify the contract, identify separate performance obligations in the contract, determine the transaction price, allocate the transaction price to the separate performance obligations and recognize revenue when each performance obligation is satisfied. The Group's performance obligation in contracts with customers consists of providing the goods specified in the contract. Revenue from the Group's sales is recognized when the control of the products is transferred to the customer in accordance with the terms of the contract, which occurs when the products are delivered to the customer and there are no unfulfilled obligations that may affect the customer's acceptance and approval of the products.

Net sales are recognized based on the price specified in the sales contract less any discounts. A contract with a customer may include one or more variable considerations. The IFRS 15 standard requires an entity to estimate the amount of variable consideration and recognizes a minimum amount of highly probably, not reversing revenue. Variable considerations, such as price reductions, performance discounts and bonuses are non-significant within the AAK Group. Based on this, AAK follows the objective of the constraint as it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur. No element of financing is deemed present as the sales are made with a credit term of 30–45 days. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a warranty provision monthly. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional. Prepayments are reported as a liability on the line item Accrued expenses and prepaid income in the Balance Sheet.

Other operating income relates to for instance rental revenue, capital gains from the sale and scrapping of tangible and intangible assets and exchange gains on operating receivables and liabilities. Interest income is recognized allocated over the maturity of the security using the effective interest method. Dividend income is recognized when the right to receive payment has been determined.

### **Employee benefits**

#### *a) Pension liabilities*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods. The fees paid in exchange for the employee performing services for the company are recognized as expenses in the period in which the services are performed.

A defined benefit pension plan is a pension plan that is not a defined contribution plan. The characteristic feature of a defined benefit plan is that it defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality mortgage bonds that are denominated in the same currency in which the benefits will be paid, and that have terms of maturity approximating the terms in the related pension commitment.

Past-service costs are recognized immediately in the income statement.

The net interest rate is calculated by the discount rate being applied to defined benefit plans and to the fair value of plan assets. This expense is included in the personnel costs in the income statement.

Actuarial gains and losses as a result of experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

#### *b) Termination benefits*

Employees receive compensation on termination before normal retirement age or when they voluntarily accept termination in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed, formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### *c) Variable remuneration*

Annual variable remuneration is based on meeting set targets determined on an annual basis. These targets are related to the performance of the Company. The Group recognizes costs as and when earnings occur.

## Note 2 | Summary of significant accounting policies

### Leases

The Group leases various land, buildings, machinery, equipment and vehicles. Rental contracts are typically made for fixed periods of 10 to 30 years for land, 5 to 20 years for buildings and 3 to 5 years for vehicles but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable in connection with the inception date of the lease
- Variable lease payments that are based on an index or a rate, measured based on the index or rate at initial recognition
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions considering the entity's financial credit ability.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received in connection with the inception date of the lease
- Any initial direct costs
- Restoration costs of the underlying asset in accordance with the lease agreement.

AAK has chosen to apply the practical expedient concerning short-term leases and leases of low-value assets. Short-term leases are leases with a lease term of 12 months or less and low-value assets have an underlying value of USD 5,000 or less when new. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Extension and termination options are included in the majority of the property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. When determining the lease term the management considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise an option to extend the lease, or not to exercise an option to terminate the lease. Periods covered by the extension option are included in the lease term only if the lessee is reasonably certain to exercise the extension option, or if the lessee is reasonably certain not to exercise the termination option. Assessment regarding the exercise of options to extend or options to terminate a lease agreement is revised if there is any material event or change in circumstances that affect this assessment and if that change is within AAK's control.

### Product development

Product development work is an integral part of production relating to process improvement measures that is expensed as part of the product cost as it arises. The development work consists primarily of work aimed at optimizing the attributes and function of speciality oils and fats, either for the finished product in which these oils and fats are ingredients or to improve the efficiency of the production process of the finished product.

### Intangible assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill recognized separately is allocated to cash-generating units for the purpose of annual impairment testing. Goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition. Goodwill is recognized at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

When acquiring operations where cost is less than the net value of the acquired assets, borrowings, and any contingent liabilities, the difference is recognized directly in the income statement.

#### Other intangible assets

Other intangible assets include such assets as capitalized expenditure on IT, patents and trademarks. These assets have a defined useful life and are carried at cost less accumulated amortization and impairment losses. The cost associated with maintaining an intangible asset is recognized as part of the carrying value or as a separate asset only when it is probable that the future economic benefit associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Other expenditures are expensed as they arise. Other intangible assets are amortized using the straight-line method over their estimated useful lives, normally 5 to 10 years.

## Note 2 | Summary of significant accounting policies

### **Property, plant and equipment**

Land and buildings comprise mainly factory buildings and offices. All property, plant and equipment is carried at cost, less accumulated depreciation. Acquisition costs include expenditure that is directly attributable to the acquisition of an asset.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are expensed in the financial period in which they arise.

Land is not depreciated. Depreciation of other property, plant and equipment is allocated on a straight-line basis over the estimated useful lives of the assets to reduce their cost to residual values. Depreciation periods of between 3 and 15 years are used for plant and machinery, equipment, tools, fixtures and fittings. Industrial buildings and research laboratories are depreciated over 20 and 25 years, respectively, and office buildings over 50 years. When an asset's carrying amount may not be recoverable, the asset is immediately impaired to its recoverable amount.

Assets' residual value and useful life are reviewed at the end of every reporting period and adjusted as required.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

### **Impairment of non-financial assets**

Assets with indefinite useful lives are tested for impairment annually rather than being amortized. All assets are assessed in terms of impairment whenever events or changes in circumstances indicate that an asset's carrying amount exceeds its recoverable amount. Impairment reflects the excess of an asset's carrying amount over its recoverable amount. The recoverable amount is either the asset's fair value less any selling costs or its value in use, whichever is greater. For the purposes of assessment, assets are grouped on the basis of the lowest level at which there are separate identifiable cash flows (cash-generating units). Assets, other than financial assets and goodwill, for which impairment loss was previously recognized, are tested at the end of every reporting period to ascertain whether any reversal should be made.

### **Inventories**

Inventories are stated at cost or net selling price, whichever is lowest. Cost is calculated using the first-in-first-out principle (FIFO) or weighted average prices. The nature and area of use of the product determines the method used. The cost of finished goods and work in progress includes direct material costs, direct labor and other direct manufacturing costs and a reasonable allocation of indirect manufacturing expenses based on normal production capacity, excluding borrowing costs. Net selling price is the estimated sale price in the ordinary course of business, less costs of completion and applicable variable costs to sell.

### **Financial income and expenses**

Financial income consists of interest income on funds invested, dividend income and gains on hedging instruments recognized in profit or loss. Dividend income is recognized when the right to receive payment has been established. Results from the sale of financial instruments are

recognized when the risks and benefits associated with ownership of the instruments have been transferred to the buyer and the Group no longer has control of the instrument. Financial expenses consist of interest expenses on loans, the effect of the resolution of present value calculations for provisions, impairment of financial assets and those losses on hedging instruments recognized in profit or loss. Borrowing expenses are recognized in profit or loss, except where they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for their intended use or sale, in which case they are included in the cost of those assets. No borrowing expenses have been capitalized during the past two years. Exchange gains and losses are recognized net.

### **Financial instruments**

The Group classifies its financial assets in the following categories:

- Amortized cost
- Fair value through profit or loss

The classification is dependent on AAK's business model for managing the financial assets and the contractual terms of the cash flows. Management establishes the classification of financial assets at initial recognition. Management reclassifies debt instruments when and only when its business model for managing those assets changes.

### **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

### **Recognition and derecognition**

A financial asset or financial liability is recognized in the balance sheet when AAK enters a contract for the instrument (i.e. on the relevant business day).

A financial liability is recognized when the counterparty has performed and a contractual duty to pay arises, even if no invoice is received.

A financial asset is derecognized when the rights to cash flow in the contract mature or the rights are transferred in a transaction that transfers essentially all risks and remunerations from ownership to the assets transferred. This also applies to parts of financial assets.

A financial liability is removed from the balance sheet when the duty in the contract is performed or otherwise extinguished. This also applies to parts of financial liabilities.

### **Debt instruments**

All of AAK's debt instruments are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are consequently measured at amortized cost. These are included in current assets, except for items with a maturity of more than 12 months after the end of the reporting period, which are classified as non-current assets. Interest income from these financial assets are included in financial income using the effective interest method. The Group's financial instruments measured at amortized cost consist of accounts receivables and other receivables, as well as cash and cash equivalents in the balance sheet.

## Note 2 | Summary of significant accounting policies

### **Equity instruments**

The Group subsequently measures all equity investments at fair value through profit or loss.

### **Impairment**

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The expected credit loss rates are calculated based on payment profiles and the corresponding historical credit losses experienced within the same period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

### **Derivatives**

Derivative instruments are recognized in the balance sheet on the date of contract and at fair value, both initially and upon subsequent revaluation. The method of recognizing gain or loss arising from revaluation depends on whether the derivative is identified as a hedging instrument, and, in such event, the nature of the item being hedged. The Group has identified hedging of fair value regarding a recognized asset or liability or a firm commitment (fair-value hedging).

When the transaction is undertaken, the Group documents the economic relationship between the hedging instrument and the hedged item, as well as the hedge's role in the Group's risk management objectives and strategy. The Group also documents its assessment, both when it enters into hedging contracts and on an ongoing basis, as to whether the derivative instruments used in hedging transactions are effective in terms of counteracting changes in fair value or cash flow that are attributable to the hedged items. The Company's derivative instruments consist of OTC or "over-the-counter" derivatives concluded with financial counterparties, listed standardized derivatives and sales and purchase contracts which are not deemed to be for own use (and consequently should be recognized as derivatives). According to IFRS 9, only contracts not designated for physical delivery may be accounted for as derivatives. AAK's business model permits (enables) the net settlement of purchase and sales contracts entered into. The full fair value of a hedging derivative is classified as a non-current asset or liability when remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

### **Hedging of fair value**

Changes in fair value of a derivative that has been formally identified for hedging of fair value and meets the conditions for hedge accounting are recognized on the same line item in the income statement as any change in fair value attributable to the hedged risk for the hedged asset or liability. The Group applies hedging of fair value for raw materials in inventory. Changes in fair value of raw material in inventory are accounted for as a part of Current assets and liabilities in the balance sheet. The gain or loss attributable to the ineffective portion is recognized with immediate effect in "Raw materials and consumables and changes in inventory".

When forward contracts are used to hedge fair value the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. The change in the forward element of the contract that relates to the hedged item is recognized within Operating profit.

### **Sales and purchase contracts**

AAK applies the fair value option to binding commitments (sales and purchase contracts) for own use since this offsets the change in fair value of derivatives not designated for hedge accounting (reducing accounting mismatch) and AAK's business model enables the net settlement of purchase and sales contracts entered into for physical delivery (the contracts are readily convertible to cash). Assets in this category are classified as current assets as they are expected to be settled within 12 months.

### **Determining fair value**

The fair value of instruments that do not have listed prices is determined using valuation techniques such as discounted cash flow models, in which all assessed and determined cash flows are discounted using a zero-coupon yield curve. The fair value of derivatives is determined using valuation techniques. The valuation is based on models that discount cash flows using forward curves for underlying variables such as raw materials and exchange rates. The assessed and determined cash flows are discounted by a zero-coupon interest rate curve. The Group's credit risk is taken into consideration in the valuation at fair value.

### **Accounts receivables**

Accounts receivables are recognized initially at fair value and thereafter at amortized cost using the effective interest method, less provisions for impairment, see above about impairment. Provisions are recognized in the income statement as "Other external expenses".

### **Equity**

Ordinary shares are classified as share capital. Transaction expenses that are directly attributable to new share issues or options are recognized, net of tax, in equity as a deduction from the proceeds.

Premium received for share warrants issued at market price has been recognized as an increase in funds brought forward in equity as the options will be redeemed with equity instruments. Information on outstanding subscription warrants is available in Note 8.

## Note 2 | Summary of significant accounting policies

### **Liabilities to banks and credit institutions**

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently stated at amortized cost and any difference between proceeds (net of transaction costs) and redemption value is recognized in the income statement, allocated over the period of the borrowing using the effective interest method.

### **Accounts payables**

Accounts payables are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

### **Provisions**

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligations and the amount can be estimated reliably. No provisions are made for future operating losses. If the effect of when in time payment is made is significant, provisions are calculated through discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the debt.

A provision for restructuring is recognized when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or published.

### **Income tax**

Tax expenses for the period comprise both current tax due and deferred income tax. Tax is recognized in the income statement, apart from when tax is attributable to items recognized in other comprehensive income or directly in equity. In such cases, tax is also recognized in other comprehensive income and equity. Income tax is determined using the tax rules that have been enacted or announced by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Tax expenses stated include both current tax due and deferred income tax.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward. The tax rates enacted in each country are used in determining deferred income tax.

Deferred income tax assets for tax-deductible temporary differences and loss carry-forwards are recognized only to the extent it is likely that it will be possible to utilize these items. The value of deferred tax assets is derecognized when it is no longer deemed likely that they can be utilized.

Deferred income tax assets are recognized on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the difference will not be reversed in the foreseeable future.

### **Cash and cash equivalents**

Cash equivalents comprise balances with less than three months' maturity, including cash, bank deposits and other current securities.

### **Cash flow statement**

Payments in and out have been divided up into three categories: operating activities, investing activities and financing activities. The indirect method is used for flows from operating activities.

The changes during the year in operating assets and operating liabilities have been adjusted for the effects of changes in exchange rates. Acquisitions and disposals are recognized under investing activities. The assets and liabilities that acquired and divested companies had at the time of the change are not included in the analysis of the changes in operating capital, nor in changes to balance sheet items recognized under investing and financing activities. These items are reported separately under investing activities.

### **Earnings per share**

The calculation of earnings per share is based on the consolidated profit attributable to the Parent's shareholders and the weighted average number of shares outstanding during the year.

When determining earnings per share after dilution, a company must base its calculations on the company's shares and stock options which could result in dilution being exercised. Compensation from these instruments will be deemed to have been received from the issuing of ordinary shares at the average market price for ordinary shares during the period. The difference between the number of issued ordinary shares and the number of ordinary shares that should have been issued at the average market price for ordinary shares during the period shall be treated as an issue of ordinary shares without consideration. According to paragraph 47 of IAS 33, options and stock options only have a dilutive effect when the average market price for ordinary shares during the period exceeds the exercise price for options or stock options.

### **Dividend**

The dividend to shareholders in the Parent is recognized as a liability in the consolidated financial statements in the period when the dividend was approved by the shareholders.

### **Accounting policies – Parent**

The Parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for legal entities". No differences with the Group's accounting policies have been identified.

### Note 3 | Financial risk management and hedge accounting

#### Financial risk management

The AAK Group's operations are exposed to various financial risks, including market price risks (on raw materials, currencies and interest rates), liquidity risk, counterparty risk and credit risk. Since AAK's products are sold throughout the world, our sales revenues are exposed to market fluctuations in the exchange rates of the currencies involved. Moreover, the Group buys its raw materials on international markets, so its cost of raw materials is exposed to market fluctuations in both the price of the raw materials and the exchange rates of the currencies involved.

Exposure to such significant financial risks makes managing these risks a significant factor in successful operations. AAK believes that it is largely successful in managing risks owing to the policies and procedures established for the Group.

The Group's management of price risk and other risks related to purchasing of raw materials is regulated by AAK's policy and principles on the management of market risk for raw materials. Currency risk is hedged when risk arise from underlying commercial actions and flows. Interest rate risks are hedged in line with AAK's financial policy and principles. Counterparty risks are measured and managed according to AAK's financial policy and principles. Policies and principles are established by AAK's Board of Directors, which also monitors, evaluates and updates these policies and principles annually.

#### Raw material price risks

The Group's annual costs for raw materials are two-thirds of the sales value of the finished products. AAK hedges both operational raw material price risk and the underlying operational currency risk when sales agreements are signed with customers.

Raw material prices fluctuate, so the Group has assigned a high priority to raw material procurement and to managing this exposure. Raw material procurement is managed by the Group procurement organization, which continually monitors and controls raw material market exposure for the Group. However, to maintain an effective organization, the Group's procurement organization is permitted to take limited price risks within the framework of our trading policy established by the Board of Directors. Since these raw material positions are managed appropriately, AAK's profitability is affected only marginally by price changes.

AAK hedges sales contracts with physical purchases of raw material. In long-term contracts, AAK hedges by paper purchase contracts, since there is low liquidity in the market for longer periods. For paper purchase contracts, the Group uses standard commodity futures traded on commodity exchanges or OTC hedge contracts.

Exotic raw materials (of which shea is by far the most important) must be sourced when they are available right after the harvest season. No efficient hedge market exists for exotic raw materials. Therefore, the Group is typically left with a significant unhedged volume of exotic raw materials in the months following the harvest season. The Group endeavors to limit this exposure by entering into new exotic-raw-material-based sales contracts during the months in which the exotic raw materials are sourced.

#### Exposure to raw material price risk, December 31, 2020

(Thousand tons)	Sales contracts	Inventory	Purchase contracts	Net exposure
Oils and fats	1,586	-287	-1,319	-20

#### Exposure to raw material price risk, December 31, 2019

(Thousand tons)	Sales contracts	Inventory	Purchase contracts	Net exposure
Oils and fats	1,786	-334	-1,461	-9

### Note 3 | Financial risk management and hedge accounting

#### Sensitivity analysis – raw materials (excluding exotic raw materials)

With the stocks and commercial contracts hedged by raw material hedge contracts, leaving a very limited net exposure, changes in raw material prices have no significant effect on the Group's profit margin. A 10 percent change in all raw material prices would therefore have a negligible effect on Group operating profit, but a cash flow impact of SEK 350-400 million.

#### Exposure to foreign currency

A significant portion of the Group's buying and selling of raw materials is denominated in foreign currency. Moreover, most of the Group's operational subsidiaries are located outside Sweden. Changes in exchange rates therefore affect AAK in several ways:

- Sales contracts and raw material contracts in foreign currency give rise to transaction risk.
- Profits for our foreign subsidiaries are affected by changes in currency rates when they are translated to SEK.
- The Group's equity is affected when equity in our foreign subsidiaries is translated to SEK.

AAK hedges all its currency transaction risks. Payment for all sales contracts is thus hedged in the local currency of the subsidiaries that have entered into such sales contracts. Exchange rate risks related to translating equity and profit/loss in our foreign subsidiaries to SEK are not hedged.

#### Exposure to transaction risk, December 31, 2020

SEK million	Assets	Liabilities	Sales contracts	Purchase contracts	Currency contracts		Net exposure
					Sold	Bought	
USD	3,173	-2,802	-2,583	1,386	-1,135	1,946	-15
EUR	1,535	-1,107	1,273	-189	-2,176	640	-24
GBP	132	-683	32	1	-451	967	-2
Other	965	-183	348	-137	-2,059	1,067	1
<b>Total</b>	<b>5,805</b>	<b>-4,775</b>	<b>-930</b>	<b>1,061</b>	<b>-5,821</b>	<b>4,620</b>	<b>-40</b>

#### Exposure to transaction risk, December 31, 2019

SEK million	Assets	Liabilities	Sales contracts	Purchase contracts	Currency contracts		Net exposure
					Sold	Bought	
USD	3,402	-4,181	-2,333	1,174	-1,508	3,362	-84
EUR	2,292	-994	1,687	-327	-3,214	511	-45
GBP	39	-676	68	0	-359	929	1
Other	1,577	-201	417	-281	-2,934	1,386	-36
<b>Total</b>	<b>7,310</b>	<b>-6,052</b>	<b>-161</b>	<b>566</b>	<b>-8,015</b>	<b>6,188</b>	<b>-164</b>

### Note 3 | Financial risk management and hedge accounting

#### *Sensitivity analysis – transaction risk*

With all foreign currency transaction risk hedged by currency hedge contracts, leaving a very limited net exposure, changes in foreign currencies will have an insignificant effect on each subsidiary's profit margin. As this is considered non-material for AAK, no sensitivity analysis for transaction risk is shown.

#### *Sensitivity analysis – translation risk*

Changes in foreign currencies relative to SEK do affect Group profit when the profit of each foreign subsidiary is translated into SEK. A 10 percent change in the exchange rates of all foreign currencies relative to SEK would have an effect of ± SEK 170 million (150) on Group operating profit. Furthermore, a 10 percent change in the exchange rates of all foreign currencies relative to SEK would affect Group net sales by SEK 2,700 million (2,800) and Group net working capital by SEK 449 million (510).

#### **Interest rate risk**

AAK's policy on interest rate risk management is to minimize volatility in cash flow and net profit caused by fluctuations in interest rates. However, during abnormal market conditions – e.g. a financial crisis – short-term interest rates can rise to extreme levels. In order to protect the Group's interest costs against such abnormal scenarios, the interest rate on part of the Group's net interest-bearing debt can be fixed or capped. AAK applies as a general principle cash flow hedging on interest rate swaps.

At year-end 2020, the Group's interest-bearing net debt, including pensions, amounted to SEK 2,738 million (3,117).

#### **Effective interest rate on debt to banks and credit institutions at balance sheet date**

%	2020	2019
SEK	1.0	2.0
DKK	1.5	1.5
USD	1.5	2.5
CNY	2.5	4.5
TRY	10.0	13.5
INR	4.5	6.5

#### *Sensitivity analysis – interest rates*

At the closing date, the Group had a floating-rate-based net debt of SEK 2,254 million (2,950). A 1 percent change in interest rates would therefore have a full-year effect of SEK 23 million (30) on the Group's interest costs before tax.

#### **Capital management**

AAK defines its managed capital as the Group's consolidated equity and net debt. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and provide an adequate return for shareholders and benefits for other stakeholders together with maintaining an optimal capital structure to reduce the cost of capital. In order

to maintain or adjust the capital structure, the Group may for instance raise new loans, amortize existing loans, adjust the dividends paid to shareholders, issue new shares or sell assets to reduce.

AAK's policy on capital structure is to optimize debt financing, though not to a level that would threaten the Company's position as an investment grade company. When managing the capital, the Group monitors different measures including the following target key ratio which is included as financial covenant under the terms of the major borrowing facilities. This target level is considered relatively conservative and contributes to ensuring that AAK will be able to retain its high credit rating.

	Target	2020	2019
Net debt/EBITDA	< 3.00	0.94	1.10

The Group's policy is to allocate total net borrowings per subsidiary relative to each subsidiary's share of the Group's cash flow. This minimizes the currency risk in relation to the Group's ability to pay interest on and amortize its borrowings, which in turn strengthens the Group's debt capacity.

#### **Total borrowing reported in the balance sheet, per currency at balance sheet date**

SEK million	2020	2019
SEK	2,600	2,795
DKK	514	535
INR	212	274
CNY	193	216
EUR	100	-
RUB	30	-
USD	6	-
TRY	-	35
Other	8	2
<b>Total</b>	<b>3,663</b>	<b>3,857</b>

#### **Liquidity risk**

Liquidity risk concerns the Group's ability to meet its financial commitments as they fall due. The following table shows all of the Group's financial commitments, listed by the earliest contractual maturity date at the balance sheet date. All liabilities to banks and credit institutions are based on variable interest rates, which means the year-end carrying value reflects the present value of these liabilities. All liabilities in foreign currency are translated into SEK at year-end closing rates.

### Note 3 | Financial risk management and hedge accounting

#### Maturities of financial liabilities, December 31, 2020

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
<b>Non-current liabilities</b>					
<i>Financial liabilities</i>					
Liabilities to banks and credit institutions	2,087	43	30	1,500	514
Other non-current liabilities	346	-	-	-	346
<b>Total non-current liabilities</b>	<b>2,433</b>	<b>43</b>	<b>30</b>	<b>1,500</b>	<b>860</b>
Interest on liabilities to banks and credit institutions	130	1	4	36	89
<b>Total non-current liabilities and interest</b>	<b>2,563</b>	<b>44</b>	<b>34</b>	<b>1,536</b>	<b>949</b>
<b>Current liabilities</b>					
<i>Financial liabilities</i>					
Liabilities to banks and credit institutions	1,565	1,565	-	-	-
Accounts payables	3,659	3,659*	-	-	-
Derivative financial instruments	1,119	1,119	-	-	-
Accrued expenses	1,322	1,322	-	-	-
Other current liabilities	12	12	-	-	-
<b>Total current liabilities</b>	<b>7,677</b>	<b>7,677</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest on liabilities to banks and credit institutions	57	57	-	-	-
<b>Total current liabilities and interest</b>	<b>7,734</b>	<b>7,734</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* The majority are due within 3 months.

#### Unused committed credit facilities available to the Group, December 31, 2020

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Unused committed credit facilities	6,120	-	6,120	-	-

### Note 3 | Financial risk management and hedge accounting

#### Maturities of financial liabilities, December 31, 2019

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
<b>Non-current liabilities</b>					
<i>Financial liabilities</i>					
Liabilities to banks and credit institutions	2,987	353	1,100	1,113	421
Other non-current liabilities	423	-	-	-	423
<b>Total non-current liabilities</b>	<b>3,410</b>	<b>353</b>	<b>1,100</b>	<b>1,113</b>	<b>844</b>
Interest on liabilities to banks and credit institutions	284	83	65	110	26
<b>Total non-current liabilities and interest</b>	<b>3,694</b>	<b>436</b>	<b>1,165</b>	<b>1,223</b>	<b>870</b>
<b>Current liabilities</b>					
<i>Financial liabilities</i>					
Liabilities to banks and credit institutions	870	870	-	-	-
Accounts payables	3,354	3,354*	-	-	-
Derivative financial instruments	922	922	-	-	-
Accrued expenses	1,322	1,322	-	-	-
Other current liabilities	258	258	-	-	-
<b>Total current liabilities</b>	<b>6,726</b>	<b>6,726</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest on liabilities to banks and credit institutions	51	51	-	-	-
<b>Total current liabilities and interest</b>	<b>6,777</b>	<b>6,777</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* The majority are due within 3 months.

#### Unused committed credit facilities available to the Group, December 31, 2019

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Unused committed credit facilities	5,728	-	3,951	1,777	-

### Note 3 | Financial risk management and hedge accounting

The Group's cash and cash equivalents of SEK 1,200 million, available credit facilities of SEK 6,809 million and future cash generated by the business are together deemed sufficient for the Group to meet its financial commitments.

#### Credit risk

The Company is exposed to credit risk primarily in relation to accounts receivables and customer contracts. Risk in the latter case is represented by customers' failure to meet their commitments due to changes in market prices.

Generally, AAK's credit risks are significantly limited due to the stable, long-term business relationships we have with our customers and suppliers.

The customer structure for the Group is such that its single-largest customer is responsible for less than 5 percent of its total sales, and the average customer corresponds to less than 1 percent.

Nearly a quarter of the Group's sales occur in countries where the political and commercial risks are deemed to be higher than in Western economies. However, we experience only a limited need for impairments even in these countries. This is largely due to the fact that a significant portion of AAK's business in these countries is with large multinational companies that also do business worldwide. The partners with whom AAK do business are also primarily companies with which we have stable, long-term relationships.

Each business segment is responsible for managing its customer credit risks, while our large production facilities are responsible for managing their counterparty risk in relation to raw material procurement.

#### Provisions for doubtful accounts receivables

	2020	2019
Provisions at January 1	73	48
Provisions for potential losses	12	24
Reversed amount that is not recoverable	-8	-2
Unused amount reversed	-2	1
Exchange differences	-3	2
<b>Provisions at December 31</b>	<b>72</b>	<b>73</b>

Provisions for impairments are entirely related to accounts receivables. Total accounts receivables excluding provisions were SEK 3,408 million (3,456).

#### Past due assets not considered impaired

SEK million	2020	2019
1–30 days	262	383
31–120 days	38	43
121–360 days	6	26
Over 360 days	28	36
	<b>334</b>	<b>488</b>

#### Derivatives classified as financial instruments

The Group had three classes of financial instruments (hedging instruments): raw material hedge contracts, currency hedge contracts and interest swaps, all measured at fair value. The fair value of the derivative financial instruments is measured using valuation methods and observable market data (methodology: level 2). The valuation methods applied are described in the accounting policy.

### Note 3 | Financial risk management and hedge accounting

#### The Group's financial assets and liabilities measured at fair value

As at December 31, 2020	Derivatives held for hedging purposes	
	Carrying amount	Valuation level
SEK million		
Sales and purchase contracts	573	2
Currency hedge contracts	223	2
Fair value of changes in inventories	569	2
<b>Total assets</b>	<b>1,365</b>	
Sales and purchase contracts	928	2
Currency hedge contracts	191	2
Fair value of changes in inventories	28	2
<b>Total liabilities</b>	<b>1,147</b>	

As at December 31, 2019	Derivatives held for hedging purposes	
	Carrying amount	Valuation level
SEK million		
Sales and purchase contracts	813	2
Currency hedge contracts	152	2
Fair value of changes in inventories	426	2
<b>Total assets</b>	<b>1,391</b>	
Sales and purchase contracts	801	2
Currency hedge contracts	122	2
Fair value of changes in inventories	175	2
<b>Total liabilities</b>	<b>1,098</b>	

Foreign currency contracts and the foreign currency components in sales and purchase contracts are valued at actual market foreign currency forward rates. The raw material price components in sales and purchase contracts are valued at actual market forward prices for identical or similar raw materials. Inventory is valued at actual market spot prices for identical or similar raw materials. Interest rate swap contracts are valued at actual market interest rates.

#### Hedge accounting

##### *Inventory hedging at fair value*

Future contracts, and purchase and sales contracts not deemed to be assets for own use are used for hedging, which means that they cannot be exempted from derivative accounting. Since the quality of the underlying raw materials used for hedging differs from the quality of the hedged raw materials, some inefficiency is likely. AAK minimizes this inefficiency by reducing the basis risk between hedged raw material risks and the underlying raw materials used as hedging contracts. Due to the basis risk involved, AAK uses the "dollar offset" method for testing the hedge efficiency of the fair value of raw materials. Hedge efficiency testing in 2020 confirmed that the fair-value hedge of raw materials qualifies for hedge accounting.

##### *Fair-value hedge of currency risk on sales contracts qualifying for exemption under assets for own use*

The hedging instruments used are future contracts and purchase contracts. As the currency risk of the hedge instruments is identical to the currency risk of the hedged contracts, no material basis risk exists. AAK therefore only uses the "critical match" method to test the hedge efficiency of currency risk on sales contracts that qualify for own use exemption and that may consequently be exempted from derivative accounting. The hedge efficiency testing in 2020 confirmed a perfect critical match.

## Note 4 | Critical accounting estimates and assumptions in applying accounting policies

In preparing these financial statements, the Group management and Board of Directors must make estimates and assumptions that affect the recognized amounts of assets and liabilities, revenues and expenses, and other information, especially regarding contingent liabilities. The estimates and assumptions for accounting purposes dealt with in this section are deemed the most critical for a proper understanding of the financial statements, in view of their degree of significance in judgments and uncertainty. Our estimates and assumptions in this regard change as the circumstances for AAK's operations change.

### Impairment testing of goodwill

The Group tests goodwill for any impairment on an annual basis or whenever events or objective circumstances indicate that the fair value of acquisition-related goodwill may have declined – for example, because of changes in the business climate or decisions to dispose of or discontinue certain operations. To determine whether the value of goodwill has decreased, the cash-generating unit to which the goodwill is attributable must be valued and this is done by discounting the cash flow of the unit. In applying this method, the Company relies on several factors, such as profit/loss, business plans, financial forecasts and market data. See also note 14.

### Impairment test of other non-current assets

AAK's property, plant and equipment and intangible non-current assets, excluding goodwill, are recognized at cost less accumulated amortization/depreciation and any impairment. Besides goodwill, AAK recognizes no intangible assets with unlimited useful life. Depreciation/amortization is applied over the estimated useful life to an estimated residual value. Both the useful life and residual value are reviewed at least once at the end of each financial period.

The carrying amount of the Group's non-current assets is tested whenever events or changes in circumstances indicate that the carrying amount cannot be recovered. The carrying amount of intangible assets not yet finished for use is tested each year. If such an analysis indicates that the carrying amount is too high, the recovery value of the asset is established, which is either the net sales value or the value in use, whichever is greatest. Value in use is measured as the expected future discounted cash flow from the assets or the cash-generating unit to which the asset belongs. See also note 14 and 15.

### Income tax

The Group is liable to pay taxes in many countries. Extensive reviews and testing are necessary to establish worldwide provisions for income tax liabilities. There are many transactions and calculations for which the final tax is uncertain.

The Group recognizes a liability for anticipated tax audit issues based on assessment of whether an additional tax liability will arise. In cases where the final tax for these matters differs from the amounts first recognized, these differences will impact current and deferred tax assets and tax liabilities in the period when these determinations are made. See also note 11.

### Disputes

According to our best assessment, neither the Parent nor any subsidiary is currently involved in any legal proceedings or arbitration proceedings that are deemed to have any significant negative impact on the business, its financial position or its performance.

### Pension obligations

The present value of pension obligations depends on multiple factors determined on an actuarial basis using a number of assumptions. The assumptions used to determine net cost (income) for pensions include the discount rate. Each change in these assumptions will affect the carrying amount of pension obligations.

The Group determines a suitable discount rate at the end of each year. This is the rate used to determine the present value of assessed future payments that are expected to be demanded to settle the pension obligations. When determining a suitable discount rate, the Group considers the interest rates of high-quality mortgage bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity equivalent to the assessments for the pension obligation in question. See also note 9.

### Note 5 | Auditors' remuneration (SEK thousand)

	Group		Parent	
	2020	2019	2020	2019
Audit				
PwC	7,395 <sup>1)</sup>	7,053	1,655 <sup>2)</sup>	1,190
Other	2,055	1,275	-	-
Subtotal, audit	9,450	8,328	1,655	1,190
Other audit assignments				
PwC	1,117	1,171	-	-
Other	290	689	-	-
Subtotal, other audit assignments	1,407	1,860	-	-
Tax consulting				
PwC	244	48	-	-
Other	1,280	1,517	-	-
Subtotal, tax consulting	1,524	1,565	-	-
Other assignments				
PwC	329	2,093	329	2,022
Other	815	1,641	-	-
Subtotal, other assignments	1,144	3,734	329	2,022
<b>Total</b>	<b>13,525</b>	<b>15,487</b>	<b>1,984</b>	<b>3,212</b>

<sup>1)</sup> Of which SEK 2,994,000 concerns PricewaterhouseCoopers AB.

<sup>2)</sup> Of which SEK 1,655,000 concerns PricewaterhouseCoopers AB.

The audit assignment refers to fees for the statutory audit, i.e. work that has been necessary in order to issue the Auditors' Report, and what is referred to as audit consulting, which is submitted in conjunction with the audit assignment.

## Note 6 | Employee benefits (SEK thousand)

	Group		Parent	
	2020	2019	2020	2019
Wages and salaries	1,865,400	1,838,517	59,221	57,858
Social security contributions	445,265	468,143	30,211	32,184
(of which pension costs)	(132,691)	(144,725)	(10,702)	(10,030)

SEK 6 million (6) of the Group pension costs relates to the Board of Directors, the CEO and other senior managers.

### Salaries and other remuneration for members of the Board of Directors and others:

	2020		2020		2019		2019	
	Board of Directors, CEO and other senior managers		Other employees		Board of Directors, CEO and other senior managers		Other employees	
	Wages and salaries	Of which variable remuneration	Wages and salaries		Wages and salaries	Of which variable remuneration	Wages and salaries	
Parent, Sweden	23,501	7,216	35,720		26,587	12,313	31,271	
Subsidiaries, Sweden	3,860	576	295,775		4,542	969	291,883	
	<b>27,361</b>	<b>7,792</b>	<b>331,495</b>		<b>31,129</b>	<b>13,282</b>	<b>323,154</b>	
Foreign subsidiaries	96,241	29,427	1,410,303		66,201	18,970	1,418,033	
<b>Group total</b>	<b>123,602</b>	<b>37,219</b>	<b>1,741,798</b>		<b>97,330</b>	<b>32,252</b>	<b>1,741,187</b>	

### Note 7 | Average number of employees, etc.

Average number of employees	2020			2019		
	Number of employees	Of which men	Of which women	Number of employees	Of which men	Of which women
Parent, Sweden	37	21	16	37	22	15
Subsidiaries in Sweden	514	375	139	513	374	139
	<b>551</b>	<b>396</b>	<b>155</b>	<b>550</b>	<b>396</b>	<b>154</b>

Foreign subsidiaries:	2020			2019		
	Number of employees	Of which men	Of which women	Number of employees	Of which men	Of which women
United Kingdom	520	394	126	552	416	136
India	515	485	30	525	493	32
USA	492	363	129	515	385	130
Mexico	392	324	68	388	319	69
Denmark	224	167	57	223	163	60
Ghana	162	148	14	144	129	15
Colombia	151	108	43	153	106	47
China	150	110	40	146	107	39
Netherlands	143	108	35	136	101	35
Russia	131	91	40	16	3	13
Brazil	109	77	32	112	79	33
Burkina Faso	108	85	23	111	93	18
Belgium	97	75	22	98	76	22
Benin	45	43	2	57	56	1
Turkey	42	29	13	43	29	14
Ivory Coast	32	28	4	16	14	2
Singapore	23	13	10	23	12	11
Malaysia	22	4	18	22	4	18
Uruguay	17	7	10	16	7	9
Nigeria	12	9	3	2	1	1
Mali	9	9	-	7	7	-
Ukraine	8	3	5	9	4	5

### Note 7 | Average number of employees, etc.

Foreign subsidiaries (continues):	2020			2019		
	Number of employees	Of which men	Of which women	Number of employees	Of which men	Of which women
Japan	5	4	1	4	3	1
Poland	4	2	2	4	2	2
Philippines	4	1	3	4	1	3
Australia	3	2	1	2	1	1
Czech Republic	2	1	1	2	1	1
Germany	2	1	1	2	1	1
Malta	2	2	-	1	1	-
Norway	1	1	-	1	1	-
	3,427	2,694	733	3,334	2,615	719
<b>Group total</b>	<b>3,978</b>	<b>3,090</b>	<b>888</b>	<b>3,884</b>	<b>3,011</b>	<b>873</b>

Board members and senior executives	2020		2019	
	Total on reporting date	Of which men (%)	Total on reporting date	Of which men (%)
Group (incl. subsidiaries)				
Board members	146	77	188	81
Chief Executive Officer and other senior executives	40	97	48	90
Parent company				
Board members <sup>1)</sup>	6	50	6	50
Chief Executive Officer and other senior executives	3	66	3	66

<sup>1)</sup> And two employee representatives, one of which is male.

## Note 8 | Remuneration of the Board of Directors and senior executives

### Principles

The principles for the remuneration of senior managers (Group management) at AAK, in both the Parent company and the Group, are designed to ensure that AAK can offer internationally competitive remuneration that can attract and retain qualified managers.

### Consideration and determination

Compensation of the Chief Executive Officer and other senior managers is considered by the Remuneration Committee of the Board of Directors and all decisions are made by the Board as a whole.

### Components of remuneration

Total remuneration includes salary, annual variable remuneration, pension, car allowance, and termination benefit.

### Salary

Fixed salary, individually determined and differentiated according to responsibility and performance, is determined on competitive principles and reviewed annually. The applicable date for the annual performance review is January 1.

### Variable remuneration

Annual variable remuneration is based on meeting set targets determined on an annual basis. These targets are related to the performance of the Company. Senior management are entitled to up to 110 percent of their annual fixed salary in variable remuneration.

### Incentive program

At the Annual General Meeting in AAK AB on May 17, 2017 it was resolved to implement a long-term incentive program for senior executives and key employees in AAK and issue of subscription warrants for implementation of a subscription warrants program. The subscription warrants are acquired by the employees at market value using the Black & Scholes formula. The exercise period for the subscription warrants is September 1, 2020 - August 31, 2022 at an exercise price of SEK 140.20 per share. The total number of subscription warrants in the program amounted to 1,220,000 with an initial value of SEK 42.40 per subscription warrant, in total SEK 51,728,000. In 2017, employees in AAK subscribed for 880,320 subscription warrants at an average price per subscription warrant of SEK 42.54 for a value of SEK 37,444,825. After the share split in 2018 the number of shares each subscription warrant entitles to is six. In 2019, employees in AAK subscribed for 20,480 subscription warrants at an average price per subscription warrant of SEK 244.14 for a value of SEK 4,999,987. The number of outstanding subscription warrants on December 31, 2019 amounted to 319,200 (339,680) at a book value of SEK 9,283,187 (14,283,175). In 2020, employees in AAK subscribed for 61,580 subscription warrants at an average price per subscription warrant of SEK 155.16 for a value of SEK 9,554,753. The holdings of subscription warrants for the CEO and other senior executives, please see pages 50–51. The number of outstanding subscription warrants on December 31, 2020 amounted to 257,620 (319,200) at a book value of SEK 0 (9,283,187).

### Pension

Pensions for senior management are in line with the Swedish KTP plan (corresponding to ITP) and retirement age for senior managers is 65 years.

### Termination benefits

The Company has separate agreements with the Chief Executive Officer and senior managers for termination compensation of one year's salary (fixed cash amount per month x 12 months) on termination by the Company. Neither the Chief Executive Officer nor any senior manager can independently assert the right to termination compensation.

The period of notice of termination by the Chief Executive Officer and senior managers is agreed as 6 months. Termination notice by the Company is agreed as 12 months.

### Compensation of Board Members

Fees are paid to the elected members of the Board in accordance with a resolution of the Shareholders' Annual General Meeting. This is distributed between the members as decided by the Board of Directors.

No other compensation or benefits have been paid to members of the Board, except travel expenses. The CEO, the secretary to the Board and employee representatives to the Board do not receive any compensation other than for costs in connection with their participation in Board activities.

Under a resolution of the Annual General Meeting, total compensation of elected external members of the Board is set at SEK 3,480,000, for the period up to the next Annual General Meeting, including compensation for committee work. Of this amount, the Chairman receives SEK 880,000 and each other external member receives SEK 390,000. Compensation for committee work is distributed, in accordance with a decision of the Annual General Meeting, as SEK 250,000 to the Chairman of the Audit Committee, SEK 125,000 to other members of the Audit Committee, SEK 100,000 to the Chairman of the Remuneration Committee, and SEK 50,000 to other members of the Remuneration Committee.

## Note 8 | Remuneration of the Board of Directors and senior executives

### Remuneration and other benefits for the year<sup>1)</sup>

SEK	Salary/Board of Directors' fees	Annual variable salary	Other benefits <sup>2)</sup>	Pension cost	Total
<i>Board of Directors</i>					
Georg Brunstam, Chairman	980,000	-	-	-	980,000
Bengt Baron	515,000	-	-	-	515,000
Marianne Kirkegaard	390,000	-	-	-	390,000
Gun Nilsson	640,000	-	-	-	640,000
Märta Schörling Andreen	565,000	-	-	-	565,000
Patrik Andersson	390,000	-	-	-	390,000
<b>Subtotal, Board of Directors</b>	<b>3,480,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,480,000</b>
<i>Senior executives</i>					
Johan Westman, Chief Executive Officer	8,832,045	2,984,125 <sup>3)</sup>	200,736	3,075,815	15,092,721
Other senior executives	41,481,115	11,598,741 <sup>3)</sup>	2,485,184	3,266,295	58,831,335
<b>Subtotal, Senior executives</b>	<b>50,313,160</b>	<b>14,582,866</b>	<b>2,685,920</b>	<b>6,342,110</b>	<b>73,924,056 <sup>4)</sup></b>
<b>Total</b>	<b>53,793,160</b>	<b>14,582,866</b>	<b>2,685,920</b>	<b>6,342,110</b>	<b>77,404,056 <sup>5)</sup></b>

<sup>1)</sup> Refers to items recorded as an expense in 2020.

<sup>2)</sup> Other benefits refer primarily to company cars.

<sup>3)</sup> Final amounts approved by the Remuneration Committee to be paid in 2021. During the year, variable remuneration expensed in 2019 of SEK 31,285,947 was paid.

<sup>4)</sup> Refers to the following for 2020: Anne Mette Olesen, David Smith, Fredrik Nilsson, Gerardo Garza López de Hereida, Jan Lenferink, Karsten Nielsen, Octavio Díaz de León, Renald Mackintosh (until June 30, 2020), René Schou, Tim Stephenson, and Sten Estrup (from April 30, 2020).

<sup>5)</sup> Of the amount of SEK 77,404,056 SEK 26,235,624 relates to the Parent company, AAK AB.

## Note 9 | Provisions for pensions and similar obligations

### Defined benefit plans

The Group maintains defined benefit retirement plans in which employees earn the right to payment of benefits after completing their employment, based on their final salary and period of service. These defined benefit retirement plans exist in Sweden, the Netherlands, Belgium, and India.

The obligations for retirement and survivors' pension for salaried employees in Sweden are insured through policies with Alecta or correspondingly in Folksam. According to the statement UFR 10 by the Swedish Financial Reporting Board, this is a defined benefit plan that involves several different employers. For the period from January 1 to December 31, 2020, AAK AB and AAK Sweden AB have not had access to sufficient information to recognize their proportional shares of the plan's obligations, plan assets and costs, which has meant that it has not been possible to recognize the plan as a defined benefit plan. The ITP 2 pension plan that is insured through Folksam is therefore recognized as a defined contribution plan. The premium for the defined benefit retirement and survivors' pension is calculated individually and depends on factors including salary, pension earned previously and expected remaining period of service. Charges for ITP 2 pensions insured through Folksam are SEK 14 million (17).

The collective consolidation level consists of the market value of Alecta's assets as a percentage of the estimated insurance commitments, computed using Alecta's actuarial methods and assumptions, which are not in accordance with IAS 19. The collective consolidation level

should normally be permitted to vary between 125 and 155 percent. If Alecta's collective consolidation level is below 125 percent or above 155 percent, measures must be taken to create the conditions for the consolidation level to return to the normal range. If the consolidation is low, one measure may be to increase the agreed price for new policies and increasing existing benefits. If the consolidation is high, one measure may be to introduce premium reductions. At year-end 2020, Alecta's and Folksam's surplus in the form of their collective consolidation levels was 148 percent and 191 percent, respectively (148 percent and 187 percent, respectively).

The Group has defined benefit pension plans in Sweden and the Netherlands which come under largely similar regulations. All plans are pension plans based on final salary and give employees covered by the plans benefits in the form of a guaranteed level of pension payments during their lives. The level of the benefits depends on the employees' period of service and salary on retirement. The pension payments in the Swedish and Dutch plans are normally indexed according to the consumer price index. The plans are subject to largely similar risks. Benefits are paid from plans that are secured with foundations. The activities of the foundations are regulated by national regulations and practice which also apply to the relationship between the Group and the administrator (or equivalent) of the foundation's plan assets. Responsibility for monitoring the plans, including investment decisions and contributions, is held jointly by the company and the foundation's board.

	2020	2019
<b>Specification of costs</b>		
Costs for services during current year	40	36
Interest expenses	13	18
Anticipated return on plan assets	-11	-13
Employee contributions	-4	-6
<b>Total cost of defined benefit plans, included in Employee benefits (Note 6)</b>	<b>38</b>	<b>35</b>
Cost of defined contribution plans	95	110
<b>Total pension costs</b>	<b>133</b>	<b>145</b>
<b>Net defined benefit liability in the Balance Sheet</b>		
Present value of funded obligations	1,113	1,054
Fair value of plan assets	-835	-813
<b>Net defined benefit liability</b>	<b>278</b>	<b>241</b>

## Note 9 | Provisions for pensions and similar obligations

	2020	2019
<b>Change in defined benefit liability</b>		
Net liability at January 1	241	206
Net cost recognized in the income statement	38	35
Benefits paid	-11	-11
Disbursement of funds from the foundation	11	11
Contributions by employer to funded obligations	-26	-28
Actuarial losses/gains arising from changes in demographic assumptions	25	21
Actuarial losses/gains arising from changes in financial assumptions	-	-
Actuarial losses/gains arising from changes in experience	-	-
Exchange rate differences on foreign plans	-5	3
Reclassifications	5	4
<b>Net liability at December 31</b>	<b>278</b>	<b>241</b>
<b>Composition of plan assets (%)</b>		
Fixed income	43	40
Shares	23	22
Properties	6	5
Alternative investments	28	33
<i>The entire pension obligation in the Netherlands concerns alternative investments.</i>		
Contributions to plans for post-employment benefits for the 2021 fiscal year are expected to amount to SEK 34 million. The weighted average term of the pension obligation is 17–19 years.		
<b>Key actuarial assumptions (%)</b>		
<b>Netherlands</b>		
Discount rate	0.75	1.05
Inflation	1.05	1.05
Future annual salary increases	2.35	2.35
<b>Sweden</b>		
Discount rate	0.90	1.70
Inflation	1.50	1.80
Future annual salary increases	2.50	2.80

## Note 9 | Provisions for pensions and similar obligations

### Impact on the defined benefit liability

#### Sensitivity in the defined benefit liability to changes in key weighted assumptions

##### Netherlands

Discount rate

Inflation

Future annual salary increases

+1%

-104

13

12

-1%

141

-11

-12

##### Sweden

Discount rate

Inflation

Future annual salary increases

+1%

-67

80

46

-1%

85

-64

-30

## Note 10 | Financial items

	Group		Parent	
	2020	2019	2020	2019
Dividend from Group companies	-	-	-	1,497
Interest income	7	10	0	1
Share of profit in associated companies	11	16	-	-
Changes in exchange rates	0	0	-	-
Other financial income	1	0	-	-
Group contributions	-	-	65	87
<b>Financial income</b>	<b>19</b>	<b>26</b>	<b>65</b>	<b>1,585</b>
Interest expenses	-80	-98	-31	-20
Interest expenses leases	-34	-35	-0	-0
Changes in exchange rates	-11	-1	-1	-2
Other financial expenses	-21	-23	-5	-4
<b>Financial expenses</b>	<b>-146</b>	<b>-157</b>	<b>-37</b>	<b>-26</b>
<b>Net financial items</b>	<b>-127</b>	<b>-131</b>	<b>28</b>	<b>1,559</b>

## Note 11 | Tax expenses

### Tax expenses for the year

	Group		Parent	
	2020	2019	2020	2019
Current tax	-416	-587	0	-3
Deferred tax	-43	89	0	2
<b>Total</b>	<b>-459</b>	<b>-498</b>	<b>0</b>	<b>-1</b>

### Determination of the current tax expense

The Group's weighted average underlying tax rate is approximately 24–25 percent. The Group's weighted average tax rate for 2020, based on the tax rates in each of the various countries involved, was 24 percent. The tax rate in Sweden is 21.4 percent (21.4).

	Group		Parent	
	2020	2019	2020	2019
Profit before taxes	2,040	2,011	-39	1,474
Weighted average tax rate based on the tax rates in each country	-424	-442	8	-315
Tax effect of non-deductible expenses	-24	-19	-8	-3
Tax effect of tax-exempt income	33	7	-	317
Effect of deficit deductions not carried forward	-34	-45	-	-
Effect of tax rate changes	6	5	-	-
Adjustment for current tax for previous years	-16	-4	-	-
<b>Tax expense</b>	<b>-459</b>	<b>-498</b>	<b>0</b>	<b>-1</b>

## Note 11 | Tax expenses

### Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized tax assets and liabilities and when the deferred taxes refer to the same tax authority. The offset amounts are as follows:

Deferred tax assets	Group		Parent	
	2020	2019	2020	2019
Tax loss carry-forwards	13	21	-	-
Non-current assets	20	24	-	-
Right-of-use assets	7	4	0	0
Inventory	-2	-3	-	-
Current assets	35	1	5	5
Provisions	103	63	-	-
Current liabilities	11	34	-	-
<b>At year-end</b>	<b>187</b>	<b>144</b>	<b>5</b>	<b>5</b>

Deferred tax liabilities	Group		Parent	
	2020	2019	2020	2019
Non-current assets	477	489	-	-
Inventory	30	-4	-	-
Current assets	27	19	-	-
Provisions	-13	6	-	-
Current liabilities	-41	1	-	-
<b>At year-end</b>	<b>480</b>	<b>511</b>	<b>-</b>	<b>-</b>

### Income tax liabilities and tax assets

In addition to deferred tax assets and liabilities, AAK has the following current tax liabilities and tax receivables:

	Group		Parent	
	2020	2019	2020	2019
Current tax liabilities	-360	-474	-	-1
Current tax receivables	398	295	9	8
<b>Income tax liabilities/tax assets</b>	<b>38</b>	<b>-179</b>	<b>9</b>	<b>7</b>

## Note 12 | Earnings per share

	Group	
	2020	2019
Earnings attributable to shareholders of the Parent (SEK million)	1,563	1,487
Weighted average number of ordinary shares in issue	253,941,309	253,730,934
Earnings per share, SEK <sup>1)</sup>	6.16	5.86
Earnings per share including dilution, SEK <sup>2)</sup>	6.13	5.84
Earnings per share including full dilution, SEK <sup>3)</sup>	6.07	5.74

<sup>1)</sup> Earnings per share are calculated for 2020 based on net profit for the year attributable to shareholders in the Parent – SEK 1,563 million (1,487) – and on a weighted average number of outstanding shares of 253,941,309 (253,730,934).

<sup>2)</sup> Earnings per share are calculated based on weighted average number of outstanding shares including dilution from outstanding subscription options (in accordance with IAS33).

<sup>3)</sup> Earnings per share are calculated based on total number of average outstanding shares for the period including a conversion of all outstanding share options to ordinary shares.

## Note 13 | Events after the balance sheet date

For the 2020 financial year, the Board of Directors propose to distribute a dividend of SEK 2.30 (2.10) per share. A decision will be made at the Annual General Meeting on May 7, 2021. The proposed recording day for the dividend is May 11, 2021 and it is expected that the dividend will reach the shareholders on May 17, 2021.

## Note 14 | Intangible assets

Group	Goodwill	Patents and other intangible assets	Total
Cost at January 1, 2019	1,666	640	2,306
Investments	-	7	7
Acquired through business combinations	366	44	410
Exchange differences	82	13	95
<b>Accumulated cost at December 31, 2019</b>	<b>2,114</b>	<b>704</b>	<b>2,818</b>
Cost at January 1, 2020	2,114	704	2,818
Investments	-	32	32
Acquired through business combinations	241	-	241
Reclassifications	-	2	2
Exchange differences	-252	-64	-316
<b>Accumulated cost at December 31, 2020</b>	<b>2,103</b>	<b>674</b>	<b>2,777</b>
Amortization and impairment loss at January 1, 2019	-	307	307
Amortization for the year	-	29	29
Exchange differences	-	5	5
<b>Accumulated amortization and impairment loss at December 31, 2019</b>	<b>-</b>	<b>341</b>	<b>341</b>
Amortization and impairment loss at January 1, 2020	-	341	341
Amortization for the year	-	39	39
Exchange differences	-	-19	-19
<b>Accumulated amortization and impairment loss at December 31, 2020</b>	<b>-</b>	<b>361</b>	<b>361</b>
<b>Residual value at December 31, 2019</b>	<b>2,114</b>	<b>363</b>	<b>2,477</b>
<b>Residual value at December 31, 2020</b>	<b>2,103</b>	<b>313</b>	<b>2,416</b>

## Note 14 | Intangible assets

### Reviewing impairment of goodwill

In preparing the financial statements for 2020, the Group has reviewed impairment of goodwill.

Goodwill is allocated to the following cash-generating units; business areas Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. These cash-generating units correspond to the operating segments of AAK. The recoverable amount for a cash-generating unit is determined by calculating its value in use. These calculations are based on estimated future cash flow as stated in budgets and forecasts covering a five-year period. Cash flow beyond this period has been extrapolated by no more than 3 percent (3) in any case. Working capital beyond the five-year period is estimated at the same level as year five. Discount rates are assumed to be 8 percent (8) after tax and 11.4 percent (11.4) before tax.

Testing has not demonstrated any need for impairment. The sensitivity in these calculations indicates that recognized goodwill is still intact even if the discount rate increases by 1 percent or if long-term growth is 1 percent less.

### Goodwill by cash-generating unit

	2020	2019
Food Ingredients	1,286	1,213
Chocolate & Confectionery Fats	817	901
Technical Products & Feed	-	-
<b>Total</b>	<b>2,103</b>	<b>2,114</b>

## Note 15 | Property, plant and equipment

Group	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Non-current assets under construction	Total
Cost at January 1, 2019	2,394	9,432	672	739	13,237
Investments	4	277	35	469	785
Acquired through business combinations	10	191	1	-	202
Disposals	-1	-18	-2	-	-21
Reclassifications	46	385	20	-451	0
Exchange differences	89	364	38	25	516
<b>Accumulated cost at December 31, 2019</b>	<b>2,542</b>	<b>10,631</b>	<b>764</b>	<b>782</b>	<b>14,719</b>
Cost at January 1, 2020	2,542	10,631	764	782	14,719
Investments	9	430	56	223	718
Acquired through business combinations	28	29	3	-	60
Disposals	-9	-39	-3	-4	-55
Reclassifications	49	184	54	-289	-2
Exchange differences	-271	-755	-77	-45	-1,148
<b>Accumulated cost at December 31, 2020</b>	<b>2,348</b>	<b>10,480</b>	<b>797</b>	<b>667</b>	<b>14,292</b>

## Note 15 | Property, plant and equipment

	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Non-current assets under construction	Total
Depreciation at January 1, 2019	1,137	6,154	443	-	7,734
Acquired through business combinations	3	72	1	-	76
Disposals	-1	-12	-1	-	-14
Depreciations for the year	76	419	58	-	553
Exchange differences	41	235	24	-	300
<b>Accumulated depreciation at December 31, 2019</b>	<b>1,256</b>	<b>6,868</b>	<b>525</b>	<b>-</b>	<b>8,649</b>
Depreciation at January 1, 2020	1,256	6,868	525	-	8,649
Acquired through business combinations	6	27	2	-	35
Disposals	-8	-35	-3	-	-46
Reclassifications	-	-4	4	-	-
Depreciations for the year	76	407	74	-	557
Exchange differences	-89	-428	-49	-	-566
<b>Accumulated depreciation at December 31, 2020</b>	<b>1,241</b>	<b>6,835</b>	<b>553</b>	<b>-</b>	<b>8,629</b>
Impairment loss at January 1, 2019	12	23	-	-	35
Exchange differences	-	1	-	-	1
<b>Accumulated impairment loss at December 31, 2019</b>	<b>12</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>36</b>
Impairment loss at January 1, 2020	12	24	-	-	36
Write-down for the year	-	27	-	-	27
Exchange differences	-	-1	-	-	-1
<b>Accumulated impairment loss at December 31, 2020</b>	<b>12</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>62</b>
<b>Residual value according to plan at December 31, 2019</b>	<b>1,274</b>	<b>3,739</b>	<b>239</b>	<b>782</b>	<b>6,034</b>
of which land	148				
<b>Residual value according to plan at December 31, 2020</b>	<b>1,095</b>	<b>3,595</b>	<b>244</b>	<b>667</b>	<b>5,601</b>
of which land	142				

## Note 16 | Leases

The consolidated balance sheet shows the following amounts related to leases:

Right-of-use assets	Group	
	2020	2019
Land and buildings	560	592
Plant and machinery	48	78
Equipment	5	5
Vehicles	96	95
<b>Residual value at December 31</b>	<b>709</b>	<b>770</b>

Additions to the right-of-use assets during the year were SEK 99 million (101).

Lease liabilities	Group	
	2020	2019
Non-current	617	675
Current	117	110
<b>Total lease liabilities</b>	<b>734</b>	<b>785</b>

The consolidated income statement shows the following amounts related to leases:

Depreciations of right-of-use assets	Group	
	2020	2019
Land and buildings	73	64
Plant and machinery	26	12
Equipment	1	1
Vehicles	31	28
<b>Total depreciation</b>	<b>131</b>	<b>105</b>
Expense related to short-term leases (included in Other external expenses)	17	16
Expense related to leases of low-value assets (included in Other external expenses)	2	5
Interest expense (included in Result from financial items)	34	35
Tax income (included in Income tax)	3	4

The total cash lease payments for the year amounted to SEK 154 million (143).

## Note 17 | Shares in Group companies

### Parent company's direct holdings of shares in Group companies

Company name	Registration number	Domicile	Number of shares	Share of capital, %	2020 Book value	2019 Book value
AAK Denmark Holding A/S	45954919	Aarhus, Denmark	400,000,000	100	1,468	1,468
AAK Miyoshi Japan Co.Ltd	0118-01-031265	Tokyo, Japan	70,000,000	70	5	5
AarhusKarlshamn Finance AB	556880-4339	Malmö, Sweden	100,000	100	472	472
AarhusKarlshamn Holding AB	556759-7918	Malmö, Sweden	100	100	481	481
AarhusKarlshamn Invest AB	556747-6931	Malmö, Sweden	1,000	100	3,362	3,362
Advanced Lipids AB	556728-5837	Karlshamn, Sweden	100	50	0	0
<b>Total</b>					<b>5,788</b>	<b>5,788</b>

## Note 17 | Shares in Group companies

### Group holding of shares in Group companies

Company name	Registration number	Domicile	Share of capital, %
AAK (UK) Ltd	1585686	Hull, United Kingdom	100
AAK Australia Pty Ltd	094486361	New South Wales, Australia	100
AAK Baltic Holding AB	556381-8664	Karlshamn, Sweden	100
AAK Bastogne SA	0673.737.551	Bastogne, Belgium	100
AAK Belgium NV	0547.965.074	Antwerpen, Belgium	100
AAK Burkina Faso Sarl	BF BBD2007 B465	Bobo-Dioulasso, Burkina Faso	100
AAK Canada Ltd	2040468	Toronto, Canada	100
AAK China Ltd	913 101 155 791 320 606	Shanghai, China	100
AAK Colombia S.A.S.	860090365-8	Bogotá, Colombia	100
AAK Côte d'Ivoire SASU	CI ABJ2018 B20038	Abidjan, Côte d'Ivoire	100
AAK Czech Republic s.r.o.,	15268853	Prague, Czech Republic	100
AAK Dalby AB	556236-0478	Lund, Sweden	100
AAK Denmark A/S	15672099	Aarhus, Denmark	100
AAK do Brasil Indústria e Comércio de Óleos Vegetais Ltda	07.830.192/0001-02	São Paulo, Brazil	100
AAK Germany GmbH	HRB89102	Darmstadt, Germany	100
AAK Havnen A/S	13919232	Aarhus, Denmark	100
AAK Insurance Malta Ltd	C51071	St Julians, Malta	100
AAK International AB	559155-5411	Malmö, Sweden	100
AAK Invest Ltd	C59066	St Julians, Malta	100
AAK Kamani Pvt Ltd	U15140MH2002PTC137681	Maharashtra, India	100
AAK Malaysia Sdn. Bhd.	516423-P	Kuala Lumpur, Malaysia	100
AAK Mali SARL	MA BKO2018 H5859	Bamako, Mali	100
AAK Malta EUR Ltd	C78539	St Julians, Malta	100
AAK Malta MXN Ltd	C83359	St Julians, Malta	100
AAK Malta RUB Ltd	C92442	St Julians, Malta	100
AAK Malta TRY Ltd	C88855	St Julians, Malta	100
AAK Malta USD Ltd	C59069	St Julians, Malta	100
AAK Margaron OOO	7802309759	St. Petersburg, Russia	75
AAK Mexico, S.A. de C.V.	AUM8302244G2	Morelia, Mexico	99.9976
AAK Netherlands BV	35012547	Zaandijk, the Netherlands	100
AAK Nigeria Oils and Fats Ltd	1539623	Lagos, Nigeria	100
AAK Norway AS	988 369 403	Oslo, Norway	100
AAK OOO	7709851438	Moscow, Russia	100
AAK Phillippines Inc	CS201816294	Batangas, Phillippines	100
AAK Poland Sp.z o.o.,	0000124135	Warsaw, Poland	100
AAK Rotterdam BV	24419984	Rotterdam, the Netherlands	100
AAK SG Pte. Ltd.	201421305H	Singapore, Singapore	100
AAK Soya International Ltd	07734226	Cheshire, United Kingdom	80

## Note 17 | Shares in Group companies

Company name	Registration number	Domicile	Share of capital, %
AAK Sweden AB	556478-1796	Karlshamn, Sweden	100
AAK Turkey Gıda Sanayi ve Ticaret Limited Sirketi	877226	Istanbul, Turkey	100
AAK USA Inc.	13-3445572	New Jersey, USA	100
AAK USA K1, LLC	45-2596488	Kentucky, USA	100
AAK USA K2, LLC	45-2700873	Kentucky, USA	100
AAK USA Realco, LLC	45-2596451	Kentucky, USA	100
AAK USA Richmond Corp.	94-28476111	Richmond, USA	100
AAK Zhangjiagang Ltd	913 205 920 885 469 71Q	Zhangjiagang, China	100
Aarhus (Malaysia) Sdn Bhd	203033-P	Teluk Intan, Malaysia	100
Aarhus 1 A/S	10112265	Aarhus, Denmark	100
Aarhus 3 A/S	16335770	Aarhus, Denmark	100
AarhusKarlshamn Hull Ltd	2193829	Hull, United Kingdom	100
AarhusKarlshamn Latin America S.A.	214947990014	Cousa, Uruguay	100
AarhusKarlshamn Ltd	2747344	Hull, United Kingdom	100
AarhusKarlshamn Spain S.L	11174823	Madrid, Spain	100
Alba Fabriker AB	556030-2183	Lund, Sweden	100
Allied Foods Ltd	500613	Hull, United Kingdom	100
Anglia Oils Ltd	1492748	Hull, United Kingdom	100
BD Foods Ltd	04170983	Hull, United Kingdom	100
Belico Holding AB	556537-0904	Karlshamn, Sweden	100
Book & Claim Ltd	5997462	Hull, United Kingdom	100
Ceylon Trading Co. Ltd.	J 333	Colombo, Sri Lanka	100
Chamber & Fergus Ltd	2352279	Hull, United Kingdom	100
Crown Foods A/S, Danmark	76952019	Holbæk, Denmark	100
Fondation (Centre de recherche sur l'arbre a karite)	00085852R	Satiri, Burkina Faso	100
Hydrogen I/S	21839639	Aarhus, Denmark	68.9
Karlshamns International Plc	2366565	Hull, United Kingdom	100
Karlshamns UK Holdings Plc	83553	Hull, United Kingdom	100
KI Ghana Ltd	C-933	Tamale, Ghana	100
KNAR Benin Sarl	19 269B	Cotonou, Benin	100
Knar Togo Sarl-U	B.P.508	Kara, Togo	100
Nutrionelle Ltd	1726044	Hull, United Kingdom	100
Oasis Foods Company	22-2107122	New Jersey, USA	100
Rapsoda	556759-4600	Malmö, Sweden	100
Rowallan Creamery Ltd	529393	Hull, United Kingdom	100
Tefac AB	556283-5214	Karlshamn, Sweden	100
Unicao Ltd	1492799	Hull, United Kingdom	100

## Note 18 | Inventories

	Group	
	2020	2019
Raw materials and consumables	3,967	4,071
Goods in transit	666	576
Work in progress	1,176	1,199
Finished products and goods for resale	760	835
<b>Total inventories</b>	<b>6,569</b>	<b>6,681</b>

"Raw materials and consumables and changes in inventories of finished products and work in progress" for the Group includes impairment loss on inventories of SEK 20 million (25).

## Note 19 | Cash and cash equivalents

	Group	
	2020	2019
Cash equivalents	1,085	874
Current investments	115	108
<b>Total</b>	<b>1,200</b>	<b>982</b>

## Note 20 | Shareholders' equity

### Group

#### Share capital

As of December 31, 2020, the Group's registered share capital was 255,413,934 shares (SEK 425,689,890).

#### Reserves

##### Statutory reserve

The statutory reserve refers to a reduction of the share capital carried out previously.

##### Hedging reserve

The hedging reserve encompasses the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to hedging transactions yet to take place.

##### Translation reserve

Translation reserves include all exchange differences that arise when translating financial statements from foreign operations whose financial statements are stated in currencies other than the Group's presentation currency. The Parent company and the Group present their financial statements in SEK.

##### Retained profits and profit for the year

Retained profits and profit for the year include profits earned and retained by the Parent and subsidiaries, investments in associates, revaluation of the net pension commitment, new share issue, subscription warrants, net effect of acquisition of minority share and profit for the year.

##### Treasury shares

The Group owned a total of 0 (0) treasury shares as of December 31, 2020.

### Specification of equity item "Reserves"

	Statutory reserve	Hedging reserve	Translation reserve	Total
2019 opening balance	5	-	89	94
Exchange differences	-	-	402	402
<b>2019 closing balance</b>	<b>5</b>	<b>-</b>	<b>491</b>	<b>496</b>
2020 opening balance	5	-	491	496
Exchange differences	-	-1	-1,951	-1,952
<b>2020 closing balance</b>	<b>5</b>	<b>-1</b>	<b>-1,460</b>	<b>-1,456</b>

### Parent company

#### Share capital

In accordance with the articles of association for AAK AB, share capital shall be a minimum of SEK 300 million and a maximum of SEK 1,200 million. All shares are fully paid and entitle the holder to equal voting rights and shares in Company assets. Share capital consists of 255,413,934 shares (253,730,934) at a quota value of SEK 1.67 per share, and shareholder equity of SEK 425,689,890 (422,884,890).

#### Statutory reserve

The statutory reserve refers to a reduction of the share capital carried out previously.

#### Retained profit

Retained profit includes non-restricted equity from the previous year after any dividend distribution together with the profit for the year. The total non-restricted equity is the amount available for dividends to shareholders.

#### Proposed appropriation of profits

In accordance with the Swedish Companies Act, the Board of Directors proposes appropriation of profits for the consideration and approval of the Annual General Meeting of the Shareholders.

The Board of Directors proposes that

the disposable profit brought forward	SEK	6,135,980,620
and profit/loss for the year	SEK	-39,231,986
<b>Total</b>	<b>SEK</b>	<b>6,096,748,634</b>

be appropriated as follows:

To be distributed to shareholders, a dividend of SEK 2.30 per share	SEK	587,452,048
To be carried forward	SEK	5,509,296,586
<b>Total</b>	<b>SEK</b>	<b>6,096,748,634</b>

## Note 21 | Borrowings

Non-current	Group		Parent	
	2020	2019	2020	2019
Liabilities to banks and credit institutions	2,087	2,987	1,500	2,250
<b>Total</b>	<b>2,087</b>	<b>2,987</b>	<b>1,500</b>	<b>2,250</b>

Current	Group		Parent	
	2020	2019	2020	2019
Liabilities to banks and credit institutions	1,565	870	1,100	-
<b>Total</b>	<b>1,565</b>	<b>870</b>	<b>1,100</b>	<b>-</b>

Maturity for non-current borrowing is as follows:

	Group		Parent	
	2020	2019	2020	2019
Between 1 and 5 years	1,733	2,566	1,500	2,250
More than 5 years	354	421	-	-
<b>Total</b>	<b>2,087</b>	<b>2,987</b>	<b>1,500</b>	<b>2,250</b>

## Note 22 | Other provisions

Group	Restructuring	Environmental restoration	Other	Total
Opening balance at January 1, 2019	5	28	69	102
Provisions for the year	-	-	70	70
Provisions claimed for the year	-4	-	-30	-34
Reversal of unused amounts	-	-	-5	-5
Exchange differences	-	0	5	5
<b>Closing balance as at December 31, 2019</b>	<b>1</b>	<b>28</b>	<b>109</b>	<b>138</b>
Opening balance at January 1, 2020	1	28	109	138
Provisions for the year	144	-	69	213
Provisions claimed for the year	-58	-	-24	-82
Exchange differences	-	-1	-10	-11
<b>Closing balance as at December 31, 2020</b>	<b>87</b>	<b>27</b>	<b>144</b>	<b>258</b>

Provisions include	2020	2019
Non-current	94	102
Current	164	36
<b>Total</b>	<b>258</b>	<b>138</b>

### Restructuring

A provision for restructuring is reported when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or published. No provisions are made for future operating expenses.

### Environmental restoration

These provisions are primarily related to restoring contaminated land.

## Note 23 | Accrued expenses and deferred income

	Group		Parent	
	2020	2019	2020	2019
Employee-related expenses	387	399	30	35
Other	935	923	7	6
<b>Total</b>	<b>1,322</b>	<b>1,322</b>	<b>37</b>	<b>41</b>

## Note 24 | Assets pledged

	Group		Parent	
	2020	2019	2020	2019
<b>Collateral for provisions and liabilities</b>				
Property mortgages	585	598	-	-
Other assets	1	1	-	-
<b>Total</b>	<b>586</b>	<b>599</b>	<b>-</b>	<b>-</b>

## Note 25 | Contingent liabilities

	Group		Parent	
	2020	2019	2020	2019
Other contingent liabilities	2,040	2,127	2,926	2,127
<b>Total</b>	<b>2,040</b>	<b>2,127</b>	<b>2,926</b>	<b>2,127</b>

Contingent liabilities refer primarily to counter-guarantees issued for Group companies' commitments to financial institutions to cover local borrowings.

Over and above the contingent liabilities stated above, guarantees for the completion of various contractual undertakings are sometimes involved as part of the Group's normal business activities. There was no indication at year-end that any contractual guarantees provided will require any payment to be made.

## Note 26 | Related-party transactions

For the Parent, SEK 134 million (159), i.e. 100 percent (100) of sales were to Group companies. The Parent's purchasing from Group companies is related to administrative services of limited scope. All transactions were carried out on commercial terms. As at December 31, 2020, the Parent had intragroup receivables of SEK 329 million (409) and intragroup liabilities of SEK 6 million (12).

### Transactions with key management personnel

Besides those transactions stated in Note 8 Remuneration of the Board of Directors and senior executives, and in the description of the Board of Directors on pages 48–49, no transactions with related physical persons have taken place.

## Note 27 | Acquisitions

During the second quarter 2020, AAK acquired 75 percent of the Russian company NPO Margaron LLC. The effect on AAK's Balance sheet and Cash flow is shown below.

Assets and liabilities recognized as a consequence of the acquisitions	Fair value
Total fixed assets	27
Total financial assets	1
Total current assets	32
Total non-current liabilities	-36
Total current liabilities	-12
<b>Fair value of acquired assets and liabilities</b>	<b>12</b>
Goodwill	242
Non-current liabilities	-216
<b>Total purchase consideration transferred</b>	<b>38</b>
<b>Net outflow of cash and cash equivalents on account of the acquisitions</b>	
Cash and cash equivalents paid for the acquisitions	38
Cash and cash equivalents in the companies acquired at the acquisition date	0
<b>Impact on the Group's cash and cash equivalents</b>	<b>38</b>

During the third quarter 2020, AAK paid an additional purchase price for BD Foods Ltd. for an amount of SEK 15 million. During the fourth quarter, AAK acquired the remaining 31 percent of the shares in AAK Kamani for an amount of SEK 359 million.

## Note 28 | Segment reporting

The Group's operations are organizationally divided into business segments based on product. The marketing organization also reflects this structure.

All transactions between business segments are recognized at market value. Assets and liabilities not attributed to a segment include tax assets and tax liabilities, financial investments and financial liabilities, as well as cash and cash equivalents and interest-bearing receivables.

The external sales are based on where our customers are located. The carrying amounts of assets and the direct investment in plant for the period are determined by the location of the assets. Segment-based reporting is prepared in accordance with the accounting policies described in Note 2 "Accounting Policies".

## Note 28 | Segment reporting

### Reporting by primary business segments

2020	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group
<b>Net sales</b>						
External sales	18,387	7,949	1,598	-	-	27,934
Internal sales	2,320	6,101	1	-	-8,422	-
<b>Total</b>	<b>20,707</b>	<b>14,050</b>	<b>1,599</b>	<b>-</b>	<b>-8,422</b>	<b>27,934</b>
<b>Operating profit</b>						
Operating profit	1,192	782	149	44	-	2,167
<b>Total</b>	<b>1,192</b>	<b>782</b>	<b>149</b>	<b>44</b>	<b>-</b>	<b>2,167</b>
<b>Other</b>						
Assets	10,597	8,819	959	92	-	20,467
Unallocated assets	-	-	-	-	-	1,811
<b>Total</b>	<b>10,597</b>	<b>8,819</b>	<b>959</b>	<b>92</b>	<b>-</b>	<b>22,278</b>
Liabilities	3,555	3,297	624	228	-	7,704
Unallocated liabilities	-	-	-	-	-	4,836
<b>Total</b>	<b>3,555</b>	<b>3,297</b>	<b>624</b>	<b>228</b>	<b>-</b>	<b>12,540</b>
Investments	422	293	33	2	-	750
Depreciation, amortization and impairment loss	437	261	44	13	-	755

### Reporting by market

2020	Europe	North and South America	Asia	Other countries	Total
External sales	13,520	10,820	3,238	356	27,934
Intangible assets and property, plant and equipment	4,295	2,964	1,392	75	8,726
Other assets	7,117	3,623	2,235	577	13,552
<b>Total assets</b>	<b>11,412</b>	<b>6,587</b>	<b>3,627</b>	<b>652</b>	<b>22,278</b>
Investments	355	240	147	8	750

## Note 28 | Segment reporting

### Reporting by primary business segments

2019	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group
<b>Net sales</b>						
External sales	18,978	8,076	1,456	-	-	28,510
Internal sales	2,111	6,188	2	-	-8,301	-
<b>Total</b>	<b>21,089</b>	<b>14,264</b>	<b>1,458</b>	<b>-</b>	<b>-8,301</b>	<b>28,510</b>
<b>Operating profit</b>						
Operating profit	1,366	794	150	-168	-	2,142
<b>Total</b>	<b>1,366</b>	<b>794</b>	<b>150</b>	<b>-168</b>	<b>-</b>	<b>2,142</b>
<b>Other</b>						
Assets	11,427	9,079	910	54	-	21,470
Unallocated assets	-	-	-	-	-	1,449
<b>Total</b>	<b>11,427</b>	<b>9,079</b>	<b>910</b>	<b>54</b>	<b>-</b>	<b>22,919</b>
Liabilities	3,565	2,761	596	209	-	7,131
Unallocated liabilities	-	-	-	-	-	5,367
<b>Total</b>	<b>3,565</b>	<b>2,761</b>	<b>596</b>	<b>209</b>	<b>-</b>	<b>12,498</b>
Investments	354	387	45	6	-	792
Depreciation, amortization and impairment loss	405	231	40	11	-	687

### Reporting by market

2019	Europe	North and South America	Asia	Other countries	Total
External sales	13,947	11,008	3,192	363	28,510
Intangible assets and property, plant and equipment	4,197	3,529	1,472	83	9,281
Other assets	6,804	3,625	2,199	1,010	13,638
<b>Total assets</b>	<b>11,001</b>	<b>7,154</b>	<b>3,671</b>	<b>1,093</b>	<b>22,919</b>
Investments	326	216	213	37	792

## Note 29 | Supplemental cash flow statement

### Adjustment for items not included in cash flow

	Group		Parent	
	2020	2019	2020	2019
Sales of non-current assets	4	6	-	-
Changes in pensions and provisions	173	51	-	3
Unrealized exchange rate effects on long-term Group holdings	-391	75	-	-
Others	77	114	-	-
<b>Total</b>	<b>-137</b>	<b>246</b>	<b>-</b>	<b>3</b>

### Cash flow from financing activities

Group	Dec 31, 2019	Cash flows	Changes that do not affect cash flow			Dec 31, 2020
			Acquisition-related	Exchange rate effects	IFRS 16 Leases	
Non-current financial assets	18	2	-	-0	-	20
Current financial assets	12	-8	-	0	-	4
Non-current financial liabilities	4,086	223	-59	-41	-59	4,150
Current financial liabilities	993	-507	-	-52	161	594
<b>Total liabilities from financing activities</b>	<b>5,049</b>	<b>-278</b>	<b>-59</b>	<b>-93</b>	<b>102</b>	<b>4,720</b>

Parent	Dec 31, 2019	Cash flows	Changes that do not affect cash flow			Dec 31, 2020
			Acquisition-related	Exchange rate effects	IFRS 16 Leases	
Non-current financial assets	19	-2	-	-	-	17
Current financial assets	0	1	-	-	-	1
Non-current financial liabilities	2,253	-750	-	-	-2	1,501
Current financial liabilities	3	1,096	-	-	4	1,103
<b>Total liabilities from financing activities</b>	<b>2,237</b>	<b>347</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2,586</b>

## Alternative performance measures (APM)

Organic volume growth	2020	2019
%		
<b>Food Ingredients</b>		
Organic volume growth	-7	2
Acquisitions/divestments	-	-
<b>Volume growth</b>	<b>-7</b>	<b>2</b>
<b>Chocolate &amp; Confectionery Fats</b>		
Organic volume growth	-2	7
Acquisitions/divestments	-	-
<b>Volume growth</b>	<b>-2</b>	<b>7</b>
<b>Technical Products &amp; Feed</b>		
Organic volume growth	7	-0
Acquisitions/divestments	-	-
<b>Volume growth</b>	<b>7</b>	<b>-0</b>
<b>AAK Group</b>		
Organic volume growth	-4	2
Acquisitions/divestments	-	-
<b>Volume growth</b>	<b>-4</b>	<b>2</b>
<b>EBITDA</b>		
SEK million		
Operating profit (EBIT)	2,167	2,142
Depreciation and amortization	755	687
<b>EBITDA</b>	<b>2,922</b>	<b>2,829</b>

## Alternative performance measures (APM)

Return on Capital Employed (ROCE)		
SEK million	2020	2019
Total assets	22,278	22,919
Cash and cash equivalents	-1,200	-982
Financial assets	-4	-12
Accounts payables	-3,659	-3,354
Other non-interest-bearing liabilities	-3,281	-3,207
<b>Capital employed</b>	<b>14,134</b>	<b>15,364</b>
<b>Operating profit</b>	<b>2,167</b>	<b>2,142</b>
<b>Return on Capital Employed (ROCE), %</b>	<b>15.3</b>	<b>13.9</b>
Net working capital		
SEK million	2020	2019
Inventory	6,569	6,681
Accounts receivables	3,336	3,529
Other current receivables, non-interest-bearing	2,222	2,261
Accounts payables	-3,659	-3,354
Other current liabilities, non-interest-bearing	-3,282	-3,209
<b>Net working capital</b>	<b>5,186</b>	<b>5,908</b>
Net debt		
SEK million	2020	2019
Current interest-bearing receivables	4	11
Cash and cash equivalents	1,200	982
Pension liabilities	-278	-241
Non-current liabilities to banks and credit institutions	-2,087	-2,987
Current liabilities to banks and credit institutions	-1,565	-870
Other interest-bearing liabilities	-12	-12
<b>Net debt</b>	<b>-2,738</b>	<b>-3,117</b>

## Alternative performance measures (APM)

Net debt/EBITDA		
SEK million	2020	2019
Net debt	2,738	3,117
EBITDA	2,922	2,829
<b>Net debt/EBITDA, multiple</b>	<b>0.94</b>	<b>1.10</b>
Equity to assets ratio		
SEK million	2020	2019
Shareholders' equity	9,699	10,337
Non-controlling interests	39	84
<b>Total equity including non-controlling interests</b>	<b>9,738</b>	<b>10,421</b>
<b>Total assets</b>	<b>22,064</b>	<b>22,919</b>
<b>Equity to assets ratio, %</b>	<b>44.1</b>	<b>45.5</b>

# Corporate Governance Report

## Corporate Governance Report 2020

This Corporate Governance Report has been drawn up in accordance with the rules of the Annual Accounts Act and the Swedish Corporate Governance Code (“the Code”). The Corporate Governance Report has been subject to the statutory review by the company’s auditor.

Effective and clear corporate governance contributes to the safeguarding of trust among AAK’s stakeholder groups and also increases the focus on business benefit and shareholder value in the company. AAK’s Board of Directors and management team endeavor, through a high level of transparency, to make it easy for individual shareholders to understand the company’s decision-making process and to clarify where in the organization responsibilities and authorities reside. AAK’s corporate governance is based on applicable legislation, the Code, NASDAQ OMX Stockholm’s regulatory framework for issuers, generally accepted practice in the stock market and various internal guidelines. Where AAK has chosen to diverge from the rules in the Code, the reason is provided under each heading in this Corporate Governance Report.

## General

AAK is a Swedish public limited liability company, the shares of which are traded on NASDAQ OMX Stockholm within the Large Cap segment, Consumer Commodities sector. AAK has around 18,300 shareholders. Its business operations are global, with a presence in more than 100 countries. As at December 31, 2020, the number of employees was 3,978. Respon-

sibility for management and control of AAK is divided between the shareholders at the Annual General Meeting, the Board of Directors, its elected committees and the President and Chief Executive Officer (CEO) in accordance with the Swedish Companies Act, other legislation and ordinances, applicable rules for companies traded on a regulated market, the Articles of Association and the Board’s internal control instruments. AAK’s goal is to be the obvious first choice for its customers, and to create the best possible value for the company’s various stakeholder groups – in particular customers, suppliers, shareholders and employees. At the same time, AAK aims to be a good corporate citizen and take long-term responsibility. The aim of corporate governance is to define a clear allocation of responsibility and roles between the owners, the Board, the executive management team and various control bodies. In line with this, corporate governance covers the Group’s management and control systems.

## Ownership structure

Information about shareholders and shareholdings can be found on pages 52–53.

## Articles of Association

AAK’s current Articles of Association were adopted at the Annual General Meeting on May 13, 2020. The Articles of Association state that the company is to operate manufacturing and trading business, primarily within the food industry, to own and manage shares and securities and other associated business. The Articles of Association also state the shareholders’

rights, the number of Board members and auditors, that the Annual General Meeting shall be held yearly within six months of the end of the financial year, how notification of the Annual General Meeting shall be effected and that the registered office of the Board of Directors shall be in Malmö, Sweden. The company’s financial year is the calendar year. The Annual General Meeting shall be held in Malmö or Karlshamn, Sweden. The Articles of Association contain no restrictions on the number of votes each shareholder may cast at a general meeting. Furthermore, the Articles of Association contain no special provisions on the appointment and removal of members of the Board of Directors and on amendments to the Articles of Association. For the current Articles of Association, please see [www.aak.com](http://www.aak.com).

## Annual General Meeting

The Annual General Meeting of AAK is the highest decision-making body and the forum through which the shareholders exercise their influence over the company. The tasks of the Annual General Meeting are regulated by the Swedish Companies Act and the Articles of Association. The Annual General Meeting makes decisions on a number of central issues, such as adoption of the income statement and balance sheet, discharge from liability for the Board members and CEO, the dividend to shareholders and the composition of the Board. Further information about the Annual General Meeting and complete minutes from previous Annual General Meetings and Extraordinary General Meetings are published at [www.aak.com](http://www.aak.com).

### Annual General Meeting 2020

The Annual General Meeting held virtually, due to the Covid-19 pandemic, on May 13, 2020 was represented by shareholders holding around 65 percent of the share capital and votes in the company. Georg Brunstam was elected Chairman of the Meeting. The Annual General Meeting adopted the income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet. Following this, the Annual General Meeting approved the Board's proposal that, as a precaution due to the circumstances caused by Covid-19, no dividend should be distributed for the financial year 2019. Georg Brunstam, Märta Schörling Andreen, Gun Nilsson, Bengt Baron, Patrik Andersson and Marianne Kirkegaard were re-elected as ordinary members of the Board of Directors. Georg Brunstam was elected Chairman of the Board. The employee organizations had appointed Lena Nilsson (PTK-L) and Leif Håkansson (IF Metall) as employee representative members of the Board, and Mikael Myhre (IF Metall) and Fredrik Rydberg (PTK-L) as deputy members of the Board. The Annual General Meeting authorized the Board to resolve on the issue of new shares by the Company or the acquisition of the Company's own shares.

### Extraordinary General Meeting 2020

Based on the company's performance during 2020 and the solid balance sheet, the Board of Directors proposed a dividend of SEK 2.10 for financial year 2019 to be resolved at an Extraordinary General Meeting on November 26, 2020. The meeting resolved in accordance with the Board's proposal.

### Nomination Committee

The Annual General Meeting decides on the election of the Board, among other items. The task of the Nomination Committee is to make proposals to the Annual General Meeting regarding the election of the Chairman and other members of the Board and of the Chairman of the Meeting, and regarding remuneration issues and related issues. The Nomination Committee considers the company's operations, phase of development and other relevant circumstances when assessing the appropriate composition of the Board.

### Nomination Committee for the Annual General Meeting in 2021

At the Annual General Meeting 2020, Märta Schörling Andreen (Melker Schörling AB), Elisabet Jamal Bergström (SEB Investment Management), Leif Törnvall (Alecta) and Joachim Spetz (Swedbank Robur Fonder) were elected members of the Nomination Committee in respect of the Annual General Meeting 2021. Märta Schörling Andreen was elected Chairman of the Nomination Committee. The members of the Nomination Committee represent around 42 percent of the votes in AAK. The decision also included the opportunity to change the composition of the Nomination Committee in the event of a change in ownership. During the year, the Nomination Committee held two minuted meetings. At these meetings, the Chairman reported on the evaluation work, whereupon the Nomination Committee discussed any changes and new recruitments. The Nomination Committee has been contactable by letter with proposals from shareholders. The members

of the Nomination Committee have not received any remuneration from AAK for their work. Shareholders who wish to contact the Nomination Committee can send letters addressed to AAK AB (publ.), Valberedningen, Skrivaregatan 9, SE-215 32 Malmö, Sweden.

### The Board of Directors and its activities

The tasks of the Board are regulated in the Swedish Companies Act and the Articles of Association. In addition to this, the work of the Board is regulated by the working practices adopted by the Board each year. The procedural rules of the Board also regulate the distribution of work and responsibilities between the Board, the Chairman of the Board and the CEO and also include procedures for financial reporting by the CEO to the Board. According to the current working practices, the Board shall meet at least six times each year, including a statutory meeting following election held immediately after the Annual General Meeting. The tasks of the Board shall include setting strategies, business plans, budgets, interim reports and year-end reports for AAK. The Board shall also monitor the work of the CEO, appoint and dismiss the CEO and decide on important changes to AAK's organization and operation. The most important tasks of the Board are to set the overall goals for the company's operation and to decide on the company's strategy for achieving the goals; to ensure the company has an effective executive management team and appropriate remuneration terms; to ensure the transparency and accuracy of the company's external reporting; and that external reporting provides a fair presentation of the company's

performance, profitability and financial position and exposure to risk; to monitor the financial reporting, including instructions to the CEO and the establishment of requirements for the content of the financial reporting to be submitted to the Board on a continuous basis; to ensure the company's insider policy and logging procedures are adhered to in accordance with legislation and the guidelines of the Swedish Financial Supervisory Authority; to ensure there are effective systems for follow-up and control of the company's operational and financial position against set goals; to follow up and evaluate the company's development and to recognize and support the work of the CEO in carrying out the required measures; to ensure there is sufficient control of the company's compliance with legislation and other rules applicable to the operation of the company, to ensure the required ethical guidelines are set for the company's behavior; and to propose to the Annual General Meeting any dividend, repurchase of shares, redemption or other proposals falling within the competence of the Annual General Meeting. The Chairman of the Board of Directors is responsible for evaluating the work of the Board. During 2020, he conducted a survey of the members and, based on this and interviews in the previous year, analyzed the results. The results of the survey were then presented and discussed on the Board and on the Nomination Committee as the basis for assessing the size and composition of the Board. The evaluation focused on Board work in general and on the contributions of individual members, including the Chairman of the Board and the CEO. The Board evaluations clearly contributed to continued development of the work of the Board and the committees.

## CORPORATE GOVERNANCE



### Composition of the Board

Under the Articles of Association, AAK's Board shall consist of at least three and at most ten members. The current Board consists of six members elected by the Annual General Meeting. Under Swedish law, employee organizations have a right to be represented on the Board, and have appointed two ordinary members and two deputies. In accordance with the proposal by the Nomination Committee, all six members were re-elected. Georg Brunstam was re-appointed Chairman of the Board of Directors. At the statutory Board meeting following the Annual General Meeting, the Board chose to appoint an Audit Committee and a Remuneration Committee. Gun Nilsson was

appointed Chair of the Audit Committee and Bengt Baron and Märta Schörling Andreen were appointed members. Georg Brunstam was appointed Chairman of the Remuneration Committee and Märta Schörling Andreen was appointed member. Georg Brunstam is also Director of the Board of Melker Schörling AB, which holds around 30.8 percent of the votes in AAK. Georg Brunstam cannot, therefore, be considered to be independent in relation to major shareholders in the Company in accordance with the Code. Märta Schörling Andreen, a member of the Board of Directors of Melker Schörling AB, and Gun Nilsson, CEO of Melker Schörling AB, also cannot be considered to be independent in relation to AAK's major shareholders. The

other three members elected by the Annual General Meeting, Bengt Baron, Marianne Kirkegaard and Patrik Andersson, are independent in relation to AAK, the Company management and the Company's major shareholders in accordance with the Code.

The Board therefore fulfils the requirement of the Code that at least two Board members who are independent of the Company and the Company management shall also be independent of the Company's major shareholders. Mikael Ekdahl, lawyer, acts as secretary to the Board. The application and result of the diversity policy are described on the Company's website in the Nomination Committee's reasoned statement regarding proposals to the Board of AAK AB.

### Working practices

The Board's working practices, containing instructions for the division of work between the Board and the CEO and for financial reporting, are updated and adopted annually. Board meetings consider the financial reporting and monitoring of day-to-day business operations and profitability trends, as well as goals, strategies for the business operation, acquisitions and significant investments and matters relating to capital structure. Business area managers and other senior executives report on business plans and strategic issues on a continual basis.

Remuneration and audit issues are prepared within the respective committees. The Board holds a statutory meeting immediately after the Annual General Meeting. At this meeting, the Board's working practices are also adopted, as are the instructions to the CEO and the Committees and other internal management instruments. The current Board held its statutory

meeting on May 13, 2020, at which all members were in attendance.

### Chairman of the Board

At the Annual General Meeting held on May 13, 2020, Georg Brunstam was re-elected Chairman of the Board. The role of the Chairman of the Board is to lead the work of the Board and ensure the Board fulfils its tasks. The Chairman shall monitor the progress of the business in dialogue with the CEO, and is responsible for ensuring the other members continuously receive the information required to carry out the work on the Board, maintaining the required quality and in accordance with the Swedish Companies Act and other applicable laws and ordinances, the Articles of Association and the working practices of the Board. The Chairman is responsible for ensuring the Board constantly develops its knowledge about the Company, that an evaluation of the Board's work is carried out and that the Nomination Committee is provided with this evaluation. The Chairman shall also participate in evaluation and development issues relating to senior executives in the Group.

### The work of the Board in 2020

The Board held eleven meetings during the year. Business area managers have reported on the goals and business strategies of the business areas. The Board has handled issues relating to strategy, staffing and organization. Decisions have been made relating to investments and acquisitions. Other areas handled have been the Group's work on the supply of raw materials, risk management and the Company's strategy for capital structure and borrowing.

Attendance at Board and Committee meetings in 2020

Member	Board of Directors	Audit Committee	Remuneration Committee
Number of meetings	11	5	2
Georg Brunstam	11		2
Patrik Andersson	11		
Bengt Baron	11	4	
Marianne Kirkegaard	10		
Gun Nilsson	11	5	
Märta Schörling Andreen	11	5	2
Leif Håkansson	11		
Lena Nilsson	11		

Information about the members of the Board can be found on pages 48–49.

### Fees to Board members

According to the decision of the Annual General Meeting, the total fees to the Board amounted to SEK 3,480,000, to be allocated between the members as follows: SEK 880,000 to the Chairman and SEK 390,000 to each of the other members elected at the Annual General Meeting who are not employed by the Company. The Chairman of the Audit Committee received SEK 250,000 and the members SEK 125,000 each. The Chairman of the Remuneration Committee received SEK 100,000 and the member SEK 50,000. The secretary to the Board and employee representatives to the Board do not receive any compensation

other than for costs in connection with their participation in Board activities. For further information about remuneration to members of the Board, please see page 87.

### Evaluation of the CEO

The Board continuously evaluates the work and competence of the CEO and the Company's management team. This is discussed at least once a year without representatives of the Company management being present.

### Guidelines for remuneration of senior executives

The 2020 Annual General Meeting approved the principles for the remuneration of senior executives. The principles for the remuneration of AAK's senior executives are designed to ensure, from an international perspective, that AAK can offer compensation that is competitive and at the prevailing market level to attract and retain qualified people. The total remuneration package paid to senior executives shall consist of fixed basic salary, annual variable salary, pension, company car and severance payment. The fixed salary shall be individually differentiated on the basis of responsibility and performance, and shall be set on market principles and revised annually. In addition to annual salary, senior executives shall also receive a variable salary, which shall have a pre-set ceiling and be based on the outcome in relation to goals set annually. The goals shall be related to the company's performance and shall also be able to be linked to individual areas of responsibility. During 2020, it was decided that ESG targets henceforth should be a quali-

fier for the Executive Committee's remuneration. The annual variable portion must not exceed 110 percent of the fixed salary. In addition to the variable salary mentioned, share or share-price related incentive programs may be added as determined from time to time by the Annual General Meeting. The right to a pension for senior executives shall apply from the age of 60 at the earliest. Pension plans for senior executives shall primarily be defined benefit plans. In the event of termination of employment by the Company, the notice period for the CEO and other senior executives shall be twelve months, and they shall be entitled to receive severance pay with a pre-determined ceiling corresponding to twelve months' salary. For termination of employment by the employee, a notice period of six months shall normally apply and no severance pay shall be payable. These guidelines will cover those persons who are in Group management positions during the period of time in which the guidelines apply. The guidelines apply to agreements entered into after a resolution by the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time. The Board will be entitled to diverge from the guidelines if there are particular reasons to do so in an individual case.

### Board committees

Audit and remuneration issues within the Board are handled in committees, whose task it is to prepare issues arising and submit proposals for decisions to the Board. The tasks and working practices of the committees are determined by the Board in written instructions, which constitute part of the Board's working practices.

### Remuneration Committee

In accordance with the Board's working practices, issues of remuneration to the CEO and senior executives shall be prepared by the Remuneration Committee. The Remuneration Committee prepares and presents proposals to the Board relating to remuneration to the CEO and other senior executives. The final task of the Remuneration Committee is to monitor and evaluate the ongoing programs for variable remuneration of the company management team, and programs terminated during the year, as well as the application of the guidelines for the remuneration of senior executives and the current remuneration structure and remuneration levels in the Company. During 2020, the members of the Remuneration Committee were Georg Brunstam (Chairman) and Märta Schörling Andreen. The recommendations of the Remuneration Committee to the Board include principles for remuneration, the relationship between fixed and variable salary, conditions for pensions and severance pay and other benefits payable to the management. Remuneration to the CEO of the Group has been decided by the Board on the basis of the recommendations of the Remuneration Committee. Remuneration to other senior executives has been decided by the Chief Executive Officer in consultation with the Remuneration Committee. For further information, see page 87. During 2020, the Remuneration Committee met on two occasions, on which both members attended. Current guidelines for remuneration to senior executives can be found in Note 8. The Board's proposal for new guidelines will be put to the Annual General Meeting in 2021 for a decision.

### Audit Committee

During 2020, the members of the Audit Committee were Gun Nilsson (Chair), Märta Schörling Andreen and Bengt Baron. The Audit Committee held five meetings during the year, which the Company's external auditors and representatives of the management team attended. Areas dealt with by the Audit Committee are primarily related to planning, scope and follow-up of the audit for the year. Other issues dealt with include risk management, integration and systematics of Group procedures, coordination of insurance issues, corporate governance, internal control, accounting rules, development of the global finance function, financing operations and other issues that the Board has requested the Audit Committee to prepare. Under the provisions of Chap. 8, Section 49 a, of the Swedish Companies Act (2005:551), at least one member of the Audit Committee must be independent in relation to major shareholders in the Company, and have expertise in accounting or auditing, and the Company fulfils this requirement of the Code.

### External auditors

AAK's auditors are appointed by the Annual General Meeting. At the Annual General Meeting in 2020, the audit company PricewaterhouseCoopers AB was re-elected as auditors up to and including the Annual General Meeting in 2021. Bo Karlsson, Authorized Public Accountant, was appointed auditor in charge. Bo Karlsson also has auditing engagements in companies including Scania AB and IA Hedin Bil AB. All services requested in addition to the statutory audit are tested separately to ensure there is no conflict arising involving independence or disqualification. No agreements with related parties exist.

### Operational management

It is the task of the CEO to lead operations in accordance with the guidelines and instructions of the Board. In conjunction with this, the CEO shall use the required control systems to ensure the company complies with applicable laws and regulations. The CEO reports to the Board meetings and shall ensure the Board receives as much factual, detailed and relevant information as is required for the Board to reach well-informed decisions. The CEO also maintains continual dialogue with the Chairman of the Board and keeps him informed of the development and financial position of the Company and the Group.

AAK's Group management team consists of eleven persons from five countries: the CEO, Chief Financial Officer (CFO) who is also responsible for Mergers & Acquisitions, Corporate Communications, Global IT and legal, Chief Strategy & Sustainability Officer, who is also responsible for People and Corporate Branding, President Global Operations, Chief Technology Officer (CTO), President Global Industries and President Global Sourcing & Trading, as well as four persons in charge of business areas/regions/industries. The Group management team meets every other month and deals with the Group's financial development, investments, synergy and productivity projects, acquisitions, Group-wide development projects, leadership and competence supply and other strategic issues. The meetings are chaired by the CEO, who make decisions in consultation with the other members of the Group management team. The Group has a small number of Group employees, who are responsible for Group-wide activities, such as financial performance, tax, IT, internal control, strategy, investor relations, information

and legal issues. The CEO and Group management team are presented on pages 50–51. For remuneration principles and salaries and other fees paid to the CEO and Group management team, please see Note 8.

AAK's business areas are Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. The heads of each business area are responsible for goals, strategies, product development and day-to-day business issues, as well as for profit, cash flow and balance sheets for the unit in question. The business areas in turn are organized into different sectors with responsibility for day-to-day business issues. Direction is exercised through internal boards, which meet four times a year. AAK's CEO chairs the meetings. Other executives are co-opted as necessary. In all countries where AAK has subsidiaries, a Country Manager has legal charge of operations. The Country Manager's task is to represent AAK vis-à-vis public authorities in the country, to coordinate operations on the ground, organization and Group-wide procedures/projects and to ensure that Group-wide guidelines are complied with. For each such country, one member of the Group management team has been appointed to have overall responsibility for operations. This person is the superior of the Country Manager, and in most cases acts as Chairman of the local legal board.

### The Board's description of internal control and risk management relating to financial reporting

The Board is responsible for AAK's internal control, the overall purpose of which is to protect the owners' investments and the Company's assets. The Board shall provide a description of how internal control

and risk management relating to financial reporting are organized in a separate section of this Corporate Governance Report. Internal control relating to financial reporting is a process involving the Board, the company management team and personnel.

The process has been designed to ensure the reliability of external reporting. According to the commonly accepted framework established for this purpose, internal control is usually described from five different aspects, which are described below. The control environment forms the basis for internal management and control. Risk assessment and risk management mean that the management is aware of and has itself assessed and analyzed risks and threats to operations.

Control activities are the measures and procedures designed by the management to prevent errors from arising and for discovering and correcting errors that do arise. In order for individual tasks to be carried out in a satisfactory manner, the personnel in an organization need to have access to current and relevant information. The final module of the model relates to follow-up of internal management and the design and effectiveness of controls.

### Control environment

AAK's organization is designed to facilitate quick decision-making. Operational decisions are therefore made at business area or subsidiary level, while decisions about strategies, acquisitions and overriding financial issues are taken by the company's Board and Group management team. The organization is characterized by clear division of responsibilities and effective and established management and control systems, covering all units within AAK.

The basis for the internal control relating to financial reporting consists of an overall control environment in which the organization, decision-making routes, authorities and responsibilities have been documented and communicated in management documents, such as AAK's financial policy, raw material purchasing policy, the manual on financial reporting and the authorization rules set by the CEO. AAK's finance functions are integrated through a joint consolidation system and joint accounting instructions. The Group's finance unit works closely and effectively with the controllers of subsidiaries in relation to year-end financial statements and reporting.

As a supplement to the internal control, under a specific plan, an annual audit of some units in the Group is carried out on a rotating basis by the Group's central Finance Department, in collaboration with an independent international accounting firm. AAK has decided not to set up a separate review function (internal audit), as the functions mentioned above fulfil this task well. All of AAK's subsidiaries report on a monthly basis. These reports form the basis for the Group's consolidated financial reporting. Each legal unit has a controller who is responsible for the financial management of each business area, and for ensuring the financial reports are correct, complete and delivered in time for consolidated reporting.

### Risk assessment and risk management

Through its international presence, the AAK Group is exposed to a number of different risks. Risk management within the Group is run in accordance with fixed policies and procedures, which are reviewed annually by AAK's Board. Risks relating to commodities

are managed using the Group's raw material purchasing policy. Risks relating to currency, interest and liquidity are mainly governed by AAK's finance policy. The Group's credit policy directs the management of credit and contract risks. Effective risk management unites operational business development with the requirements of owners and other stakeholders for improvements in control and long-term value. Risk management aims to minimize risks, but also to ensure that opportunities are utilized in the best possible way. Risk management covers the following areas of risk: strategic risks relating to the market and sector, commercial, operational and financial risks, compliance with external and internal regulatory frameworks and financial reporting. The main components of risk assessment and management are identification, evaluation, management, reporting, follow-up and control. For further information about AAK's risk management, please see Note 3.

### Control activities

The risks identified relating to financial reporting are handled via the company's control activities. These control activities aim to prevent, identify and correct errors and discrepancies. Control activities take the form of manual controls, such as reconciliation and stocktaking, automatic controls via the IT systems and general controls of the underlying IT environment. Detailed financial analyses of the result and follow-up against budgets and forecasts supplement the operation-specific controls and provide overall confirmation of the quality of the reporting.

### Information and communication

To ensure the completeness and accuracy of its financial reporting, the Group has adopted guidelines for information and communication aimed at ensuring relevant and significant exchange of information within business operations, both within each unit and to and from management and the Board. Policies, handbooks and working practices relating to the financial process are communicated between the management and employees, and are available in electronic format and/or printed format. The Board receives regular feedback on internal control from the Audit Committee. To ensure that external information is correct and complete, AAK has a communication policy adopted by the Board, which states what is to be communicated, by whom and in what way.

### Follow-up

The effectiveness of the process for risk assessment and execution of control activities is followed up continuously. The follow-up covers both formal and informal procedures, which are used by those responsible at each level. The procedures include follow-up of results against budgets and plans, analyses and key figures. The Board receives monthly reports about the Group's financial position and development. The Company's financial situation is discussed at each Board meeting, and the management team analyzes the financial reporting at detailed level on a monthly basis.

At Audit Committee meetings, the Committee follows up the financial reporting and receives reports from the auditors about their observations.

### Policy documents

AAK has a number of policies for the operations of the Group and its employees. These include:

#### *Ethics policy*

Ethical guidelines for the Group have been drawn up with the aim of clarifying the Group's fundamental approach to ethical issues, both within the Group and externally with regard to customers and suppliers.

#### *Finance policy*

The Group's finance function works in accordance with instructions adopted by the Board, which provide a framework for how the Group's operations shall be financed, and for how, for example, currency and interest risks are to be handled.

#### *Communication policy*

The Group's communication policy is a document describing the Group's general principles for the publication of information.

#### *Environmental policy*

The Group's environmental policy provides guidelines for environmental work within the Group.

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on May 7, 2021 for adoption.

The Board of Directors and the Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with IFRS International Accounting Standards, as adopted by the EU, and provide a true and fair view of the Group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting practices and provide a true and fair view of the Parent's financial position and results.

The Directors' Report for the Group and Parent provides a true and fair view of the development of the business operations, financial position and results of the Group and Parent and describes the significant risks and uncertainty factors facing the Parent and the companies belonging to the Group.

Malmö, April 14, 2021

Georg Brunstam  
Chairman of the Board

Johan Westman  
President and CEO

Märta Schörling Andreen  
Board member

Marianne Kirkegaard  
Board member

Bengt Baron  
Board member

Gun Nilsson  
Board member

Patrik Andersson  
Board member

Leif Håkansson  
Employee representative

Lena Nilsson  
Employee representative

Audited and submitted on April 14, 2021  
PricewaterhouseCoopers AB

Bo Karlsson  
Authorized Public Accountant  
Auditor in charge

# Auditor's report

To the general meeting of the shareholders of AAK AB (publ.), corporate identity number 556669-2850

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of AAK AB (publ.) for the year 2020 except for the corporate governance statement on pages 114–121. The annual accounts and consolidated accounts of the company are included on pages 43–122 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Parent company and the Group as of December 31, 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the Corporate Governance Report on pages 114–121. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section. We are independent of the Parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Our audit approach

#### *Audit scope*

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

## Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

## Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Key audit matter

#### ***Market valuation of inventory and completeness, and market valuation related to open sales and purchase contracts***

The Group applies hedging of fair value in relation to raw materials in inventory, meaning that a change in the price of the hedge has a direct impact on the value of the inventory. Open sales and purchase contracts are recognized according to IFRS 9, and thus measured and recognized at market value on the balance sheet date. Recognition of raw material purchases is complex and fluctuations in the price of raw materials can have a significant impact on the financial information. An incorrect valuation of contracts and inventory has a direct impact on the Group's costs and earnings.

The Group's raw material purchasing process is based on the premise that the underlying currency and raw materials are hedged as soon as a sales contract has been signed. A possible omission in recognizing entered contracts would limit AAK's possibilities to implement appropriate risk management and would also affect the recognized result.

How the Group works with risk management and the measurement of sales and entered purchase contracts is described in Note 3.

### How our audit addressed the key audit matter

***In order to verify that sales and purchase contracts are complete, remeasured at market value, comprise existing contracts and that inventory is measured at market price, our audit included a combination of:***

- Verification that the recognition of entered sales and purchase contracts are complete and measured at market value, and that inventory is measured at market value. We have assessed the accounting effects.
- Gained an understanding of, and tested, the internal control aimed at identifying signed sales and purchase contracts. In addition, we have also tested the Group's internal controls for updating and registering market prices.
- We have also carried out substantive testing, to ensure the existence and registration of signed sales and purchase contracts, inbound deliveries of inventory, and registered market prices.
- In addition, we have assessed the completeness and correctness of the disclosures presented in the annual report.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–42 and 128–129. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar).

This description is part of the Auditor's report.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of AAK AB (publ.) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section. We are independent of the Parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website:

[www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar).

This description is part of the Auditor's report.

*The auditor's examination of the corporate governance statement*

The Board of Directors is responsible for that the corporate governance statement on pages 114–121 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Box 4009, 203 11 Malmö was appointed auditor of AAK AB by the Annual General Meeting of the shareholders on May 13, 2020 and has been the company's auditor since the financial year May 1, 2005–December 31, 2005.

Malmö, April 14, 2021  
PricewaterhouseCoopers AB

Bo Karlsson  
Authorized Public Accountant  
Auditor in charge

# Financial calendar and Annual General Meeting

## Reporting schedule

AAK AB will provide financial information for the 2021 financial year on the following occasions:

- The interim report for the first quarter will be published on April 23.
- The interim report for the second quarter will be published on July 16.
- The interim report for the third quarter will be published on November 1.
- The fourth quarter and year-end report 2021 will be published in January/February 2022.

Reports and press releases are available in English and Swedish and can be ordered from:

AAK AB (publ.)  
Corporate Communications  
Skrivaregatan 9  
215 32 Malmö, Sweden  
Telephone: +46 (0)40-627 83 00  
Email: [comm@aak.com](mailto:comm@aak.com)

More information on AAK AB (publ.) is available on the company's website: [www.aak.com](http://www.aak.com)

## Annual General Meeting

AAK AB's Annual General Meeting will take place on Friday, May 7, 2021 in Malmö.

### *Notice of Annual General Meeting*

Notice of the Annual General Meeting is published in Post- och Inrikes Tidningar and on the company's website, including a full agenda. An advertisement regarding the Annual General Meeting being convened will be published in Svenska Dagbladet.

# Alternative performance measures (APM) and other financial definitions

AAK presents Alternative performance measures that are not defined in the financial reporting framework IFRS. Alternative performance measures are used as guidance to the Group's management and external stakeholders in their analysis of the Group's operations and are considered as a supplement to the financial statements prepared in accordance with IFRS. AAK uses the following Alternative performance measures:

Organic volume growth, EBITDA, Return on Capital Employed (ROCE), Net working capital, Net debt, Net debt/EBITDA and Equity/asset ratio. See pages 111–113 for calculations. See definitions of the Alternative performance measures and other performance measures below.

## Cash and cash equivalents

Cash and bank balances and short-term investments with a maturity of less than three months.

## Capital employed

Total assets less cash and cash equivalents, other interest-bearing receivables, non-interest-bearing operating liabilities, but excluding deferred tax.

## Direct yield

Dividend per share in relation to the share price at the reporting date. Expressed in percent.

## Dividend pay-out ratio

Dividend in relation to the net profit for the year. Expressed in percent.

## Earnings per share

Net profit for the year attributable to the Parent company shareholders divided by the average number of shares on the reporting date.

## EBITDA

Earnings before interest, tax, depreciation and amortization.

## Equity/assets ratio

Equity including non-controlling interests in relation to total assets. Expressed in percent.

## Equity per share

Equity excluding non-controlling interests divided by the average number of shares on the reporting date.

## Net debt

Interest-bearing liabilities (incl. pension liabilities, excl. financial leases) less Cash and cash equivalents and other current interest-bearing receivables.

## Net debt/EBITDA

Net debt in relation to EBITDA calculated on a rolling 12 months basis. Expressed as a multiple of EBITDA.

## Net working capital

Non-interest-bearing current assets less non-interest-bearing current liabilities.

## Organic volume growth

Total volume growth excluding effects of acquisitions/disposals. Expressed in percent.

## Return on Capital employed (ROCE)

Operating profit in relation to average capital employed, calculated on a rolling 12 months basis. Expressed in percent.

## Share price/equity

Share price in relation to equity per share.

# Address

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[www.aak.com](http://www.aak.com)

Corporate identity no. 556669-2850

For further information, please visit our website at [www.aak.com](http://www.aak.com).







# Everything

we do  
is about

# Making Better Happen™

AAK specializes in plant-based oils that are the value-adding ingredients in many of the products people love to consume. We make these products better tasting, healthier, and more sustainable. We enhance their sensory experience – by giving the silkier mouthfeel in premium chocolate, the juicier texture in a plant-based burger, and the puffier appearance in a lower-fat pastry. We can also optimize their production by substituting existing ingredients with plant-based equivalents that give better efficiency. AAK's value-adding solutions enable our customers to be successful in a better way.

At the heart of AAK's offer is Customer Co-Development, combining our desire to understand what better means for each customer, with the unique flexibility of our production assets, and a deep knowledge of many products and industries, including Chocolate & Confectionery, Bakery, Dairy, Plant-based Foods, Special Nutrition, Food-service and Personal Care. Our 3,900 employees support our close collaboration with customers through 25 regional sales offices, 15 dedicated Customer Innovation Centers, and with the support of more than 20 production facilities.

Listed on Nasdaq Stockholm and with our headquarters in Malmö, Sweden, AAK has been Making Better Happen™ for 150 years.



Explore more at  
[www.aak.com](http://www.aak.com)

Or contact us at  
[info@aaak.com](mailto:info@aaak.com)



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