



Johan Westman, CEO
Fredrik Nilsson, CFO

Interim Report First quarter 2020

AAK



Agenda

- 1 CEO update
- 2 Business area information
- 3 CFO update
- 4 Concluding remarks
- 5 Q&A

Highlights Q1 – Continued profit growth in a volatile market

HIGHLIGHTS

Q1 2020



- Strong profit growth in the first quarter
- Continued strong growth for Plant-based Foods
- Foodservice, part of business area Food Ingredients, had significantly lower sales to restaurants, hotels and airline catering during the latter part of the quarter
- Strong customer campaigns in 2019 accelerated growth for CCF products filling fats and spreads in the first quarter this year
- Reported tax costs reduced to 24 percent (25)
- Earnings per share increased by 11 percent

GROWTH & RETURNS

Volume
569,000 MT
(down 1% y/y)

**Adjusted
operating profit**
SEK 546 million
(up 7% y/y, up 4% y/y*)

**Adjusted
operating profit
per kilo**
SEK 0.96
(up 8% y/y, up 4% y/y*)

ROCE
14.5%**

* Fixed FX

** Rolling 12 months incl. IFRS 16 effect

Update on the coronavirus situation

Health and safety

- ◆ Our first priority during this unprecedented situation has been to secure the health and safety of our employees

Critical food supply

- ◆ AAK is a key supplier of food ingredients, a critical supply chain with high priority across the globe
- ◆ All our production plants have strong contingency plans in place to secure operations as well as inbound/outbound logistics

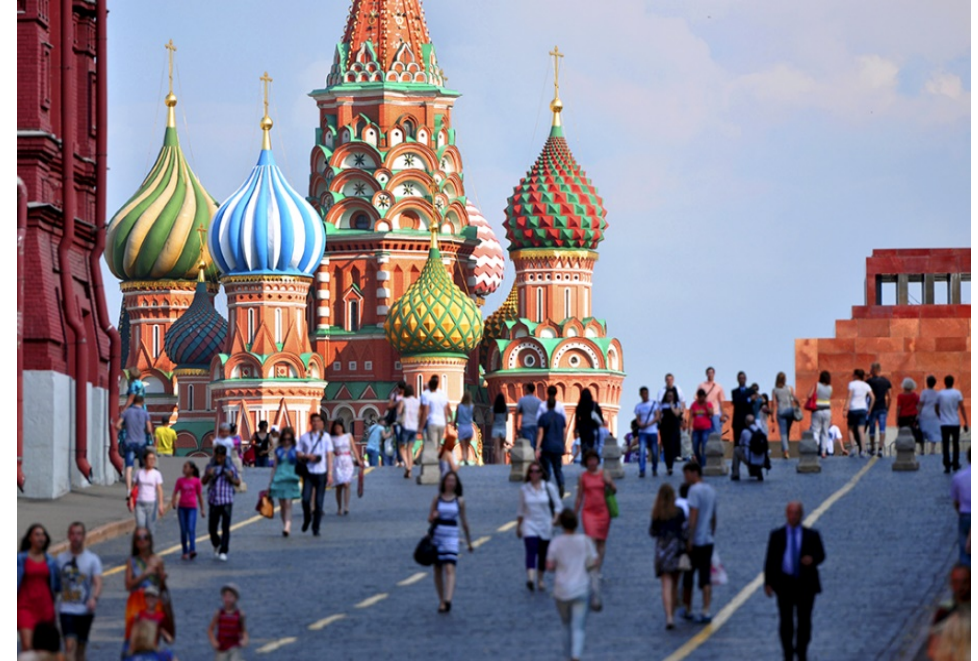
Business impact

- ◆ Foodservice had significantly lower sales to restaurants, hotels and airline catering during the latter part of the quarter
- ◆ In February, we were forced into an extended closedown of our operations in China
- ◆ Disruptions in India at the end of March continue to impact our business negatively into the second quarter
- ◆ In South Latin America several customers have shut down production facilities temporarily due to restrictions and volumes adjustments
- ◆ We expect a significant drop in demand for Foodservice and our non-food segments in the coming quarters which will have a material impact on earnings. In response, we are optimizing our cost base in affected segments without jeopardizing our long-term capabilities and strategic initiatives
- ◆ With local lockdowns and restrictions around the world, lowering of GDP estimates are evident. This can, for our other segments, lead to a direct or indirect negative impact on our earnings in the coming quarters

Acquisition in Russia

Entering a market with great potential

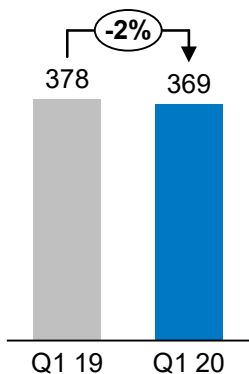
- ◆ In early March, an agreement was signed to acquire 75 percent of NPO Margaron LLC, based in St. Petersburg, Russia
- ◆ Margaron has been a trusted toll manufacturer to AAK for more than a decade and had last year revenues of approximately SEK 280 million
- ◆ Russia and the CIS countries is one of the world's largest chocolate and confectionery markets
- ◆ Significant potential for our Special Nutrition, Bakery, and Dairy segments



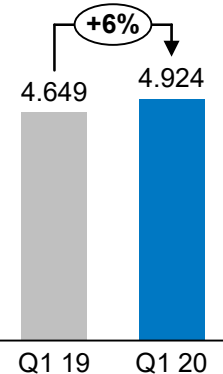
Food Ingredients



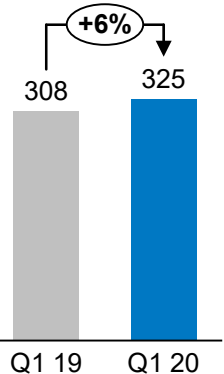
Organic volume growth (%)



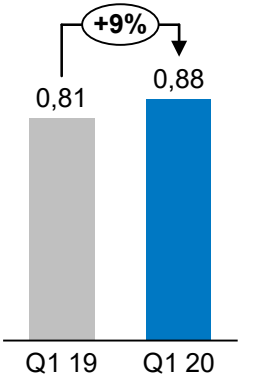
Revenue SEK million



Operating profit SEK million



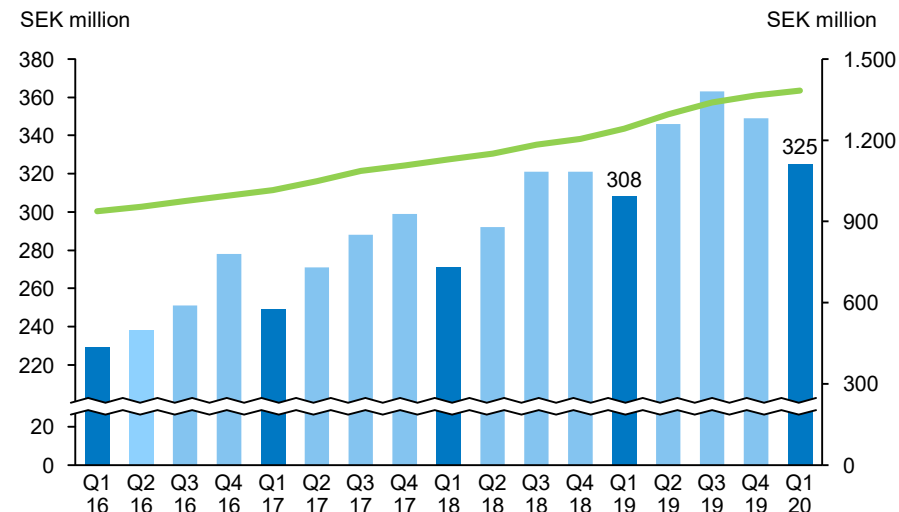
Operating profit per kilo SEK



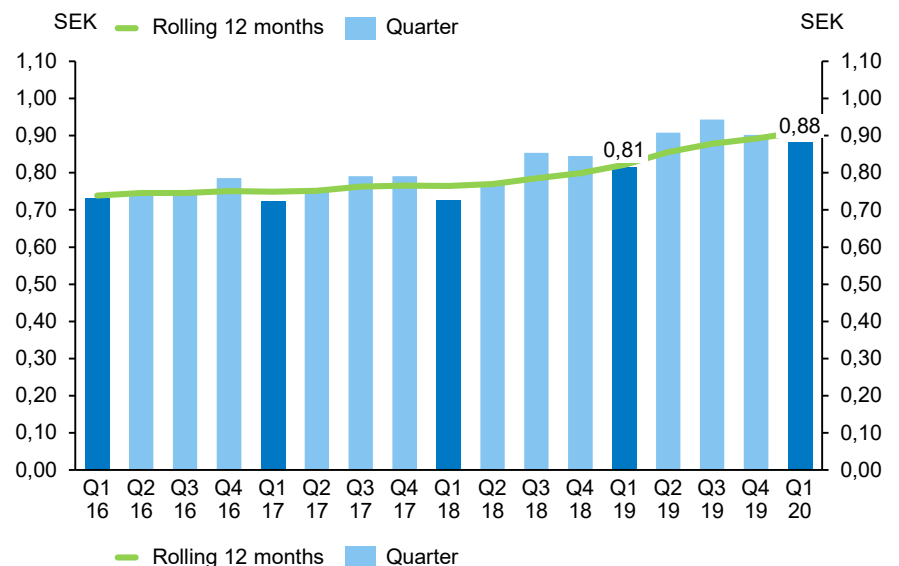
Business area development

- Compared to the corresponding quarter last year, Plant-based Foods doubled its volume and profit
- INFAT™, one of our premium solutions within Infant Nutrition, reported volume growth, supported by new local Chinese customers
- Foodservice currently has a situation with under-absorption of costs. AAK's position within Food Ingredients is strong and the Foodservice demand will return, but during the corona restrictions earnings will take a material hit due to very low sales and under-absorption

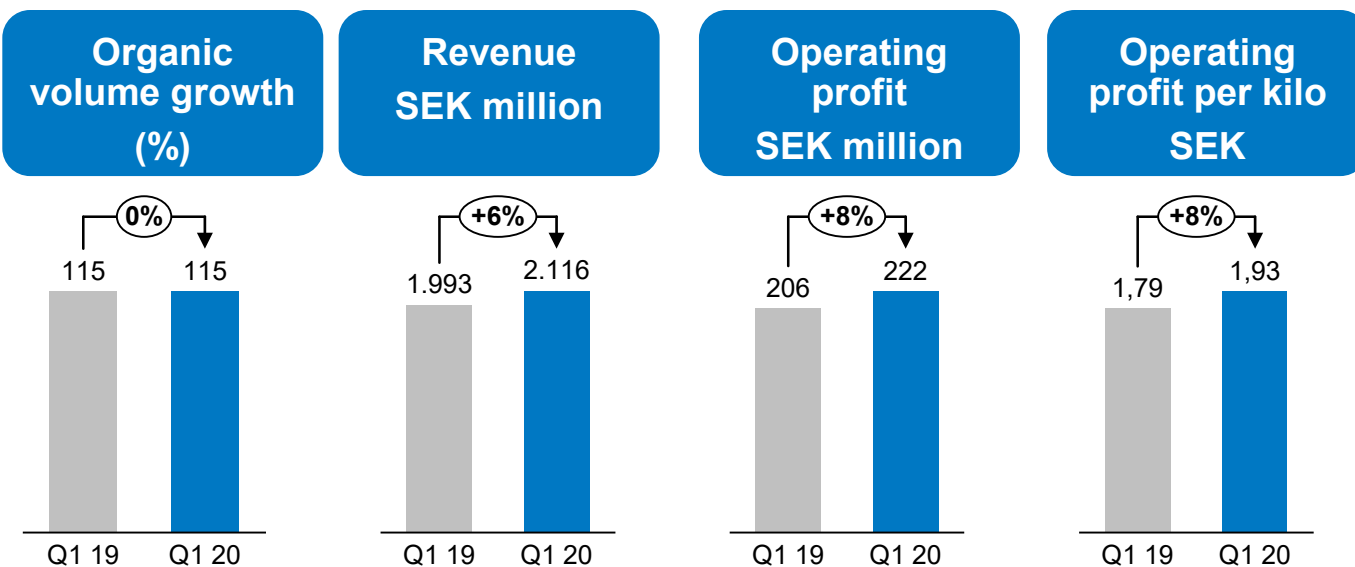
Operating profit



Operating profit per kilo

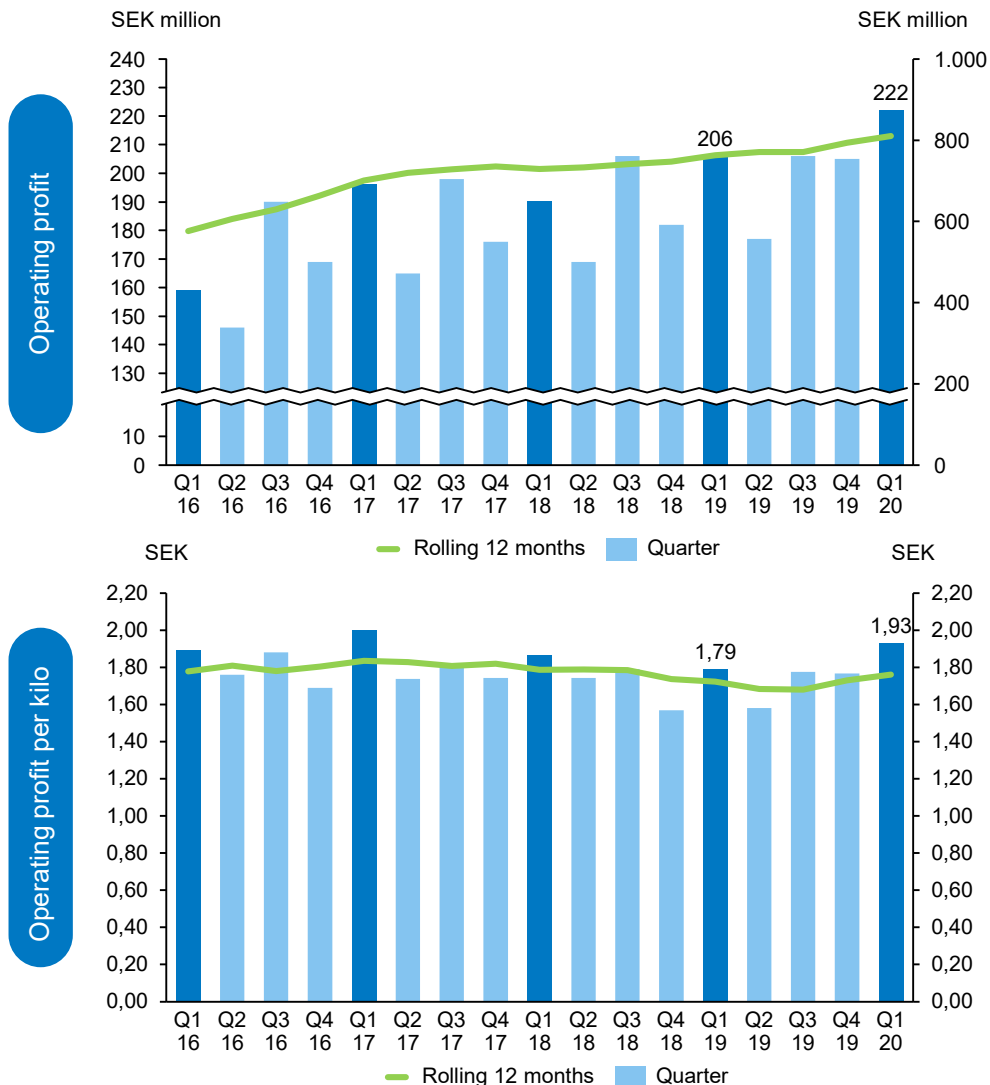


Chocolate & Confectionery Fats

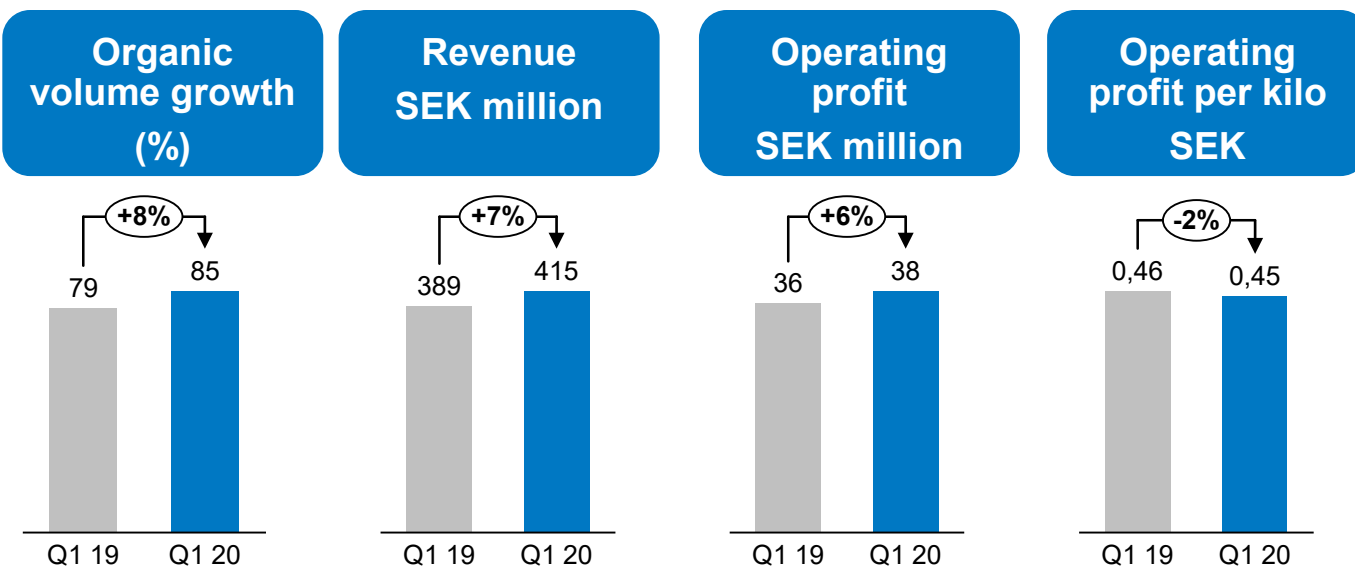


Business area development

- Volume growth for Chocolate & Confectionery Fats was flat in the quarter compared to the exceptional increase of 13 percent last year
- The turnaround of operating profit per kilo continued in the first quarter, up 8 percent compared to last year
- The volatility in the industry has in the short term increased due to the coronavirus. Some markets have opted for more low-end solutions
- Government lockdowns have forced some customers in Latin America and Asia to close down temporarily. This can have a direct or indirect negative impact on earnings in the coming quarters

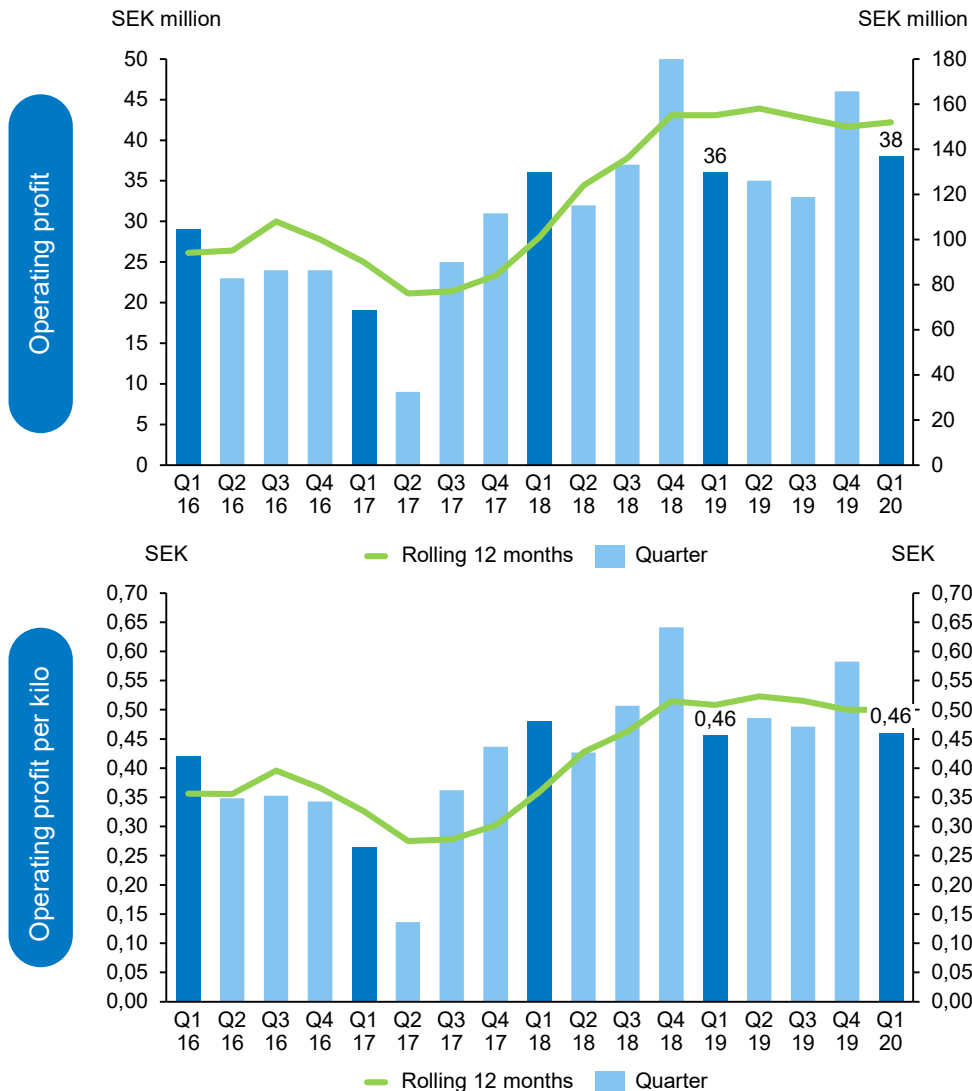


Technical Products & Feed



Business area development

- Volumes increased by 8 percent with good contributions from both our feed business and our fatty acids business
- Due to the coronavirus, there was a lower demand in our fatty acids business towards the end of the quarter, particularly for candles and technical solutions. We expect this trend to continue until restrictions are lifted in Europe

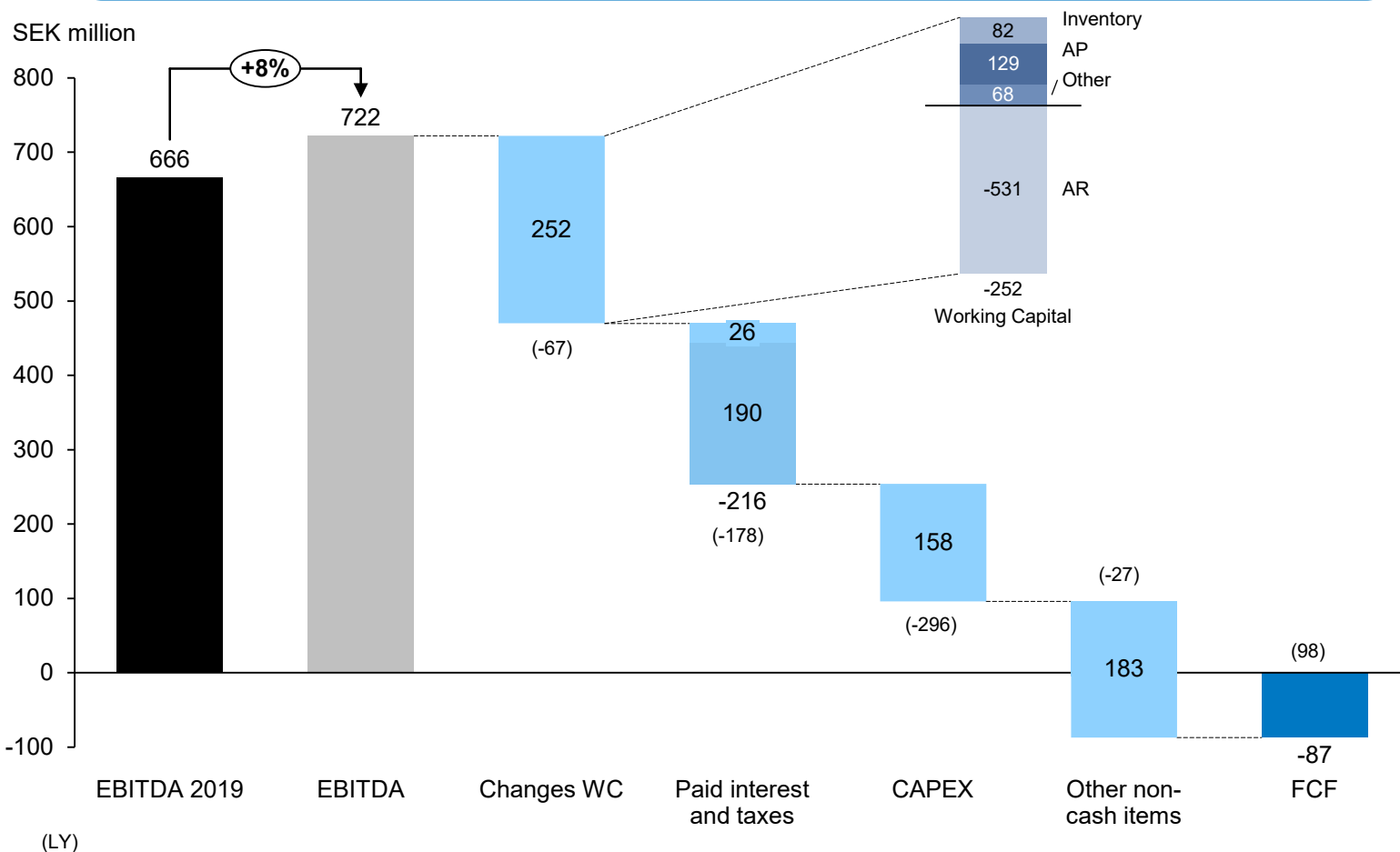


Key sustainability achievements 2019

Our ambitions	Key achievements	
 <p>Our Customers Be a leading and knowledgeable partner on sustainability</p>	<p>Launch of AkoPlanet™ – made with love for the people, plants and the planet</p> <ul style="list-style-type: none"> • An umbrella brand for solutions in plant-based foods • A platform for co-developing oils and fats solutions for plant-based meat and dairy • Made from responsibly sourced and traceable raw materials 	
 <p>Our Suppliers Progressing on sustainability for each of our key raw materials</p>	<p>Growing our Kolo Nafaso program with 72 percent to 230,000 women Supporting sustainable development by:</p> <ul style="list-style-type: none"> • Equal rights to economic resources – increasing the number of microcredits and opening 4,249 bank accounts • Increasing agricultural productivity – training 96,650 women in cooperative business skills and good agricultural practices • Ensure women's full and effective participation and equal opportunities for leadership – increasing the number of female managers in Burkina Faso 	
 <p>Our Planet Minimize our environmental impact and increase resource efficiency per processed unit raw material</p>	<p>Increased resource efficiency and reduced climate impact:</p> <ul style="list-style-type: none"> • Energy consumption: 7% decrease per processed unit vs 2018 • Water consumption: 2.3% decrease per processed unit vs 2018 • GHG emissions: 4.4% decrease per processed unit since 2012 vs our ambition of a 22% reduction by 2030 	

Q1 cash flow impacted by quarterly seasonality

Cash flow Q1 2020



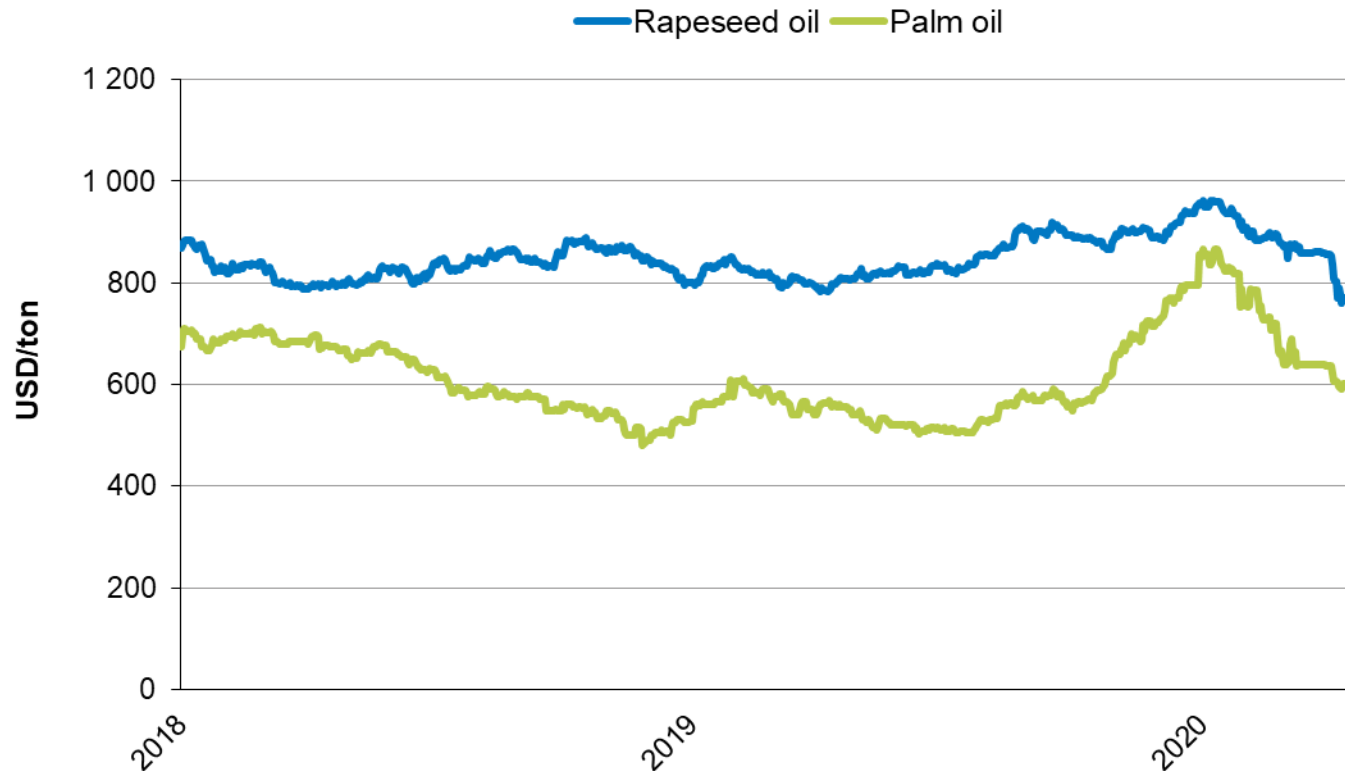
Comments

- Accounts receivables impacted by:
 - Normal seasonality between quarters
 - Increased share of sales to customers with longer payment terms
- Positive impact from strong inventory management

Raw material price development

After a sharp price increase on palm, prices have come down significantly

Rapeseed oil and palm oil



Comments

- Palm prices have dropped significantly during the first quarter after a spike in the beginning of January
- A 10 percent change in all raw material prices will affect working capital by +/- SEK 350 million with a 6–9 month lag

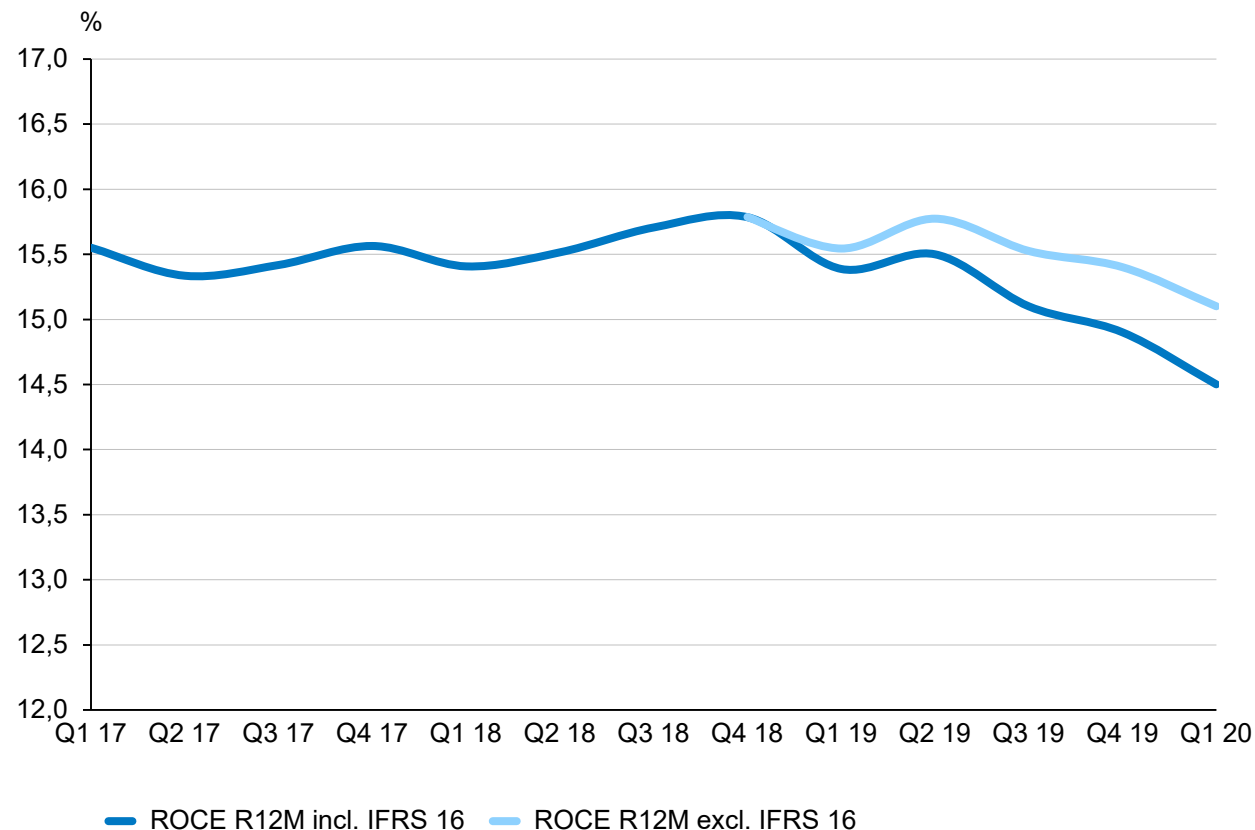
Return on Capital Employed (ROCE)

- 💧 We target a gradual and continuous improvement

ROCE end Q1 2020*
14.5%

EBIT LTM
SEK 2,184
million

Capital
employed*
SEK 15,088
million

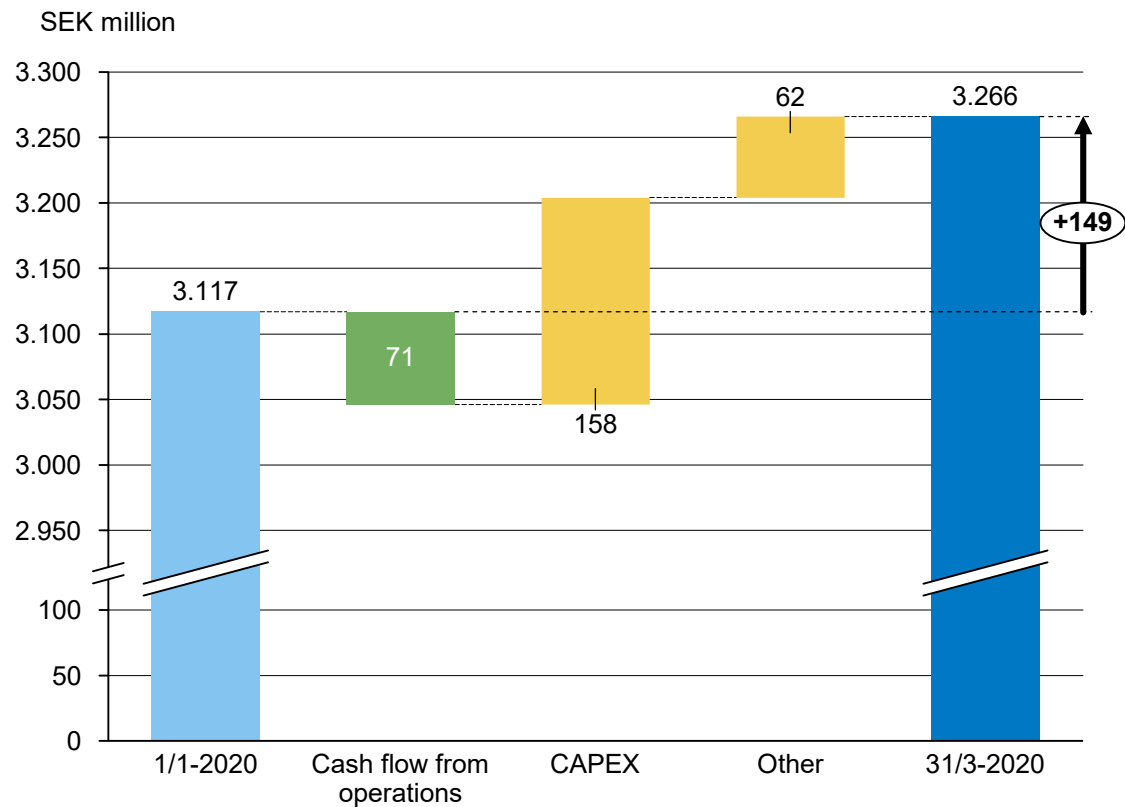


* ROCE: Return on Capital Employed calculated on rolling 12 months

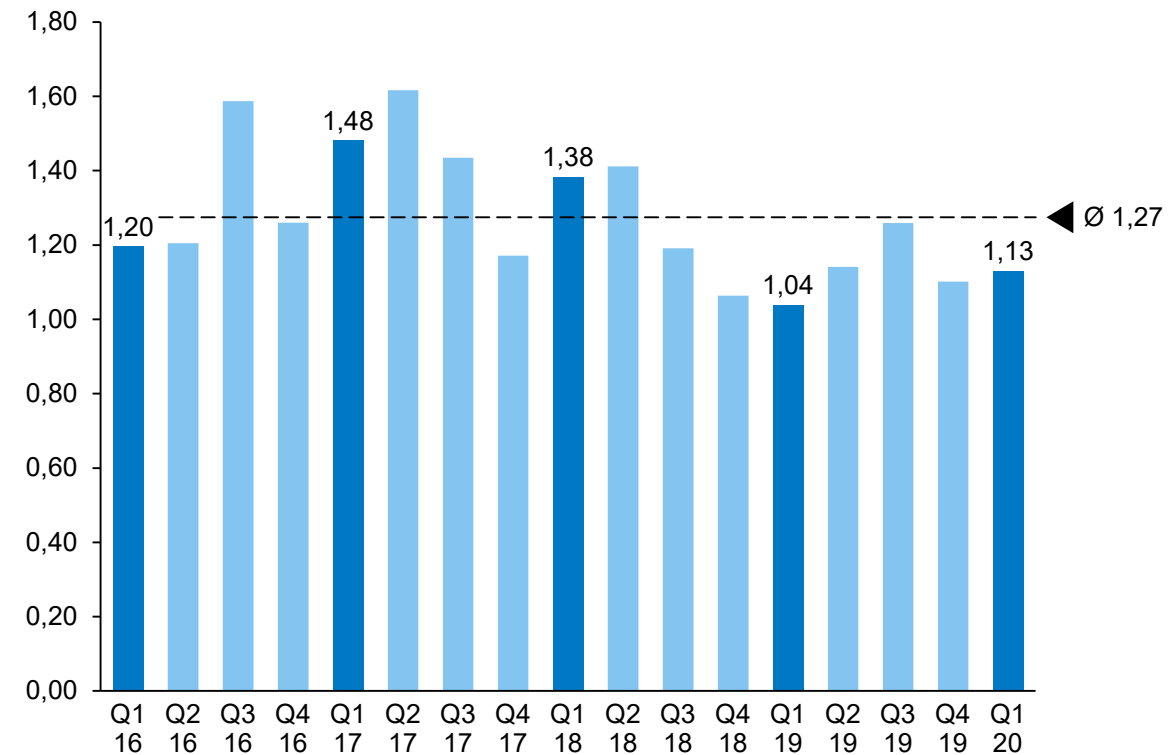
Net debt

Low net debt/EBITDA provides solid foundation

Net debt

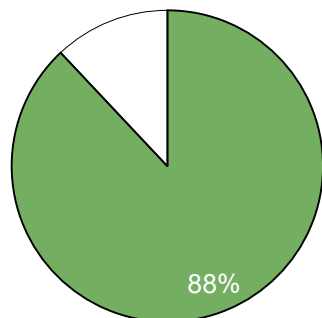


Net debt/EBITDA

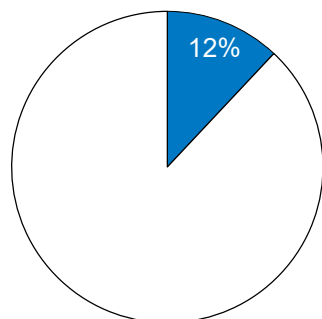


Loan and duration profile

Long term



Short term



	SEK million	Duration
Mortgage	557	13 years
MTN bond	500	5 years
MTN bond	500	5 years
MTN bond	1,100	2 years
Bilateral	350	3 years
Club loan	1,341	1.5 years

	SEK million	Duration
Bilateral	16	3 months
Bank loans	600	6 months

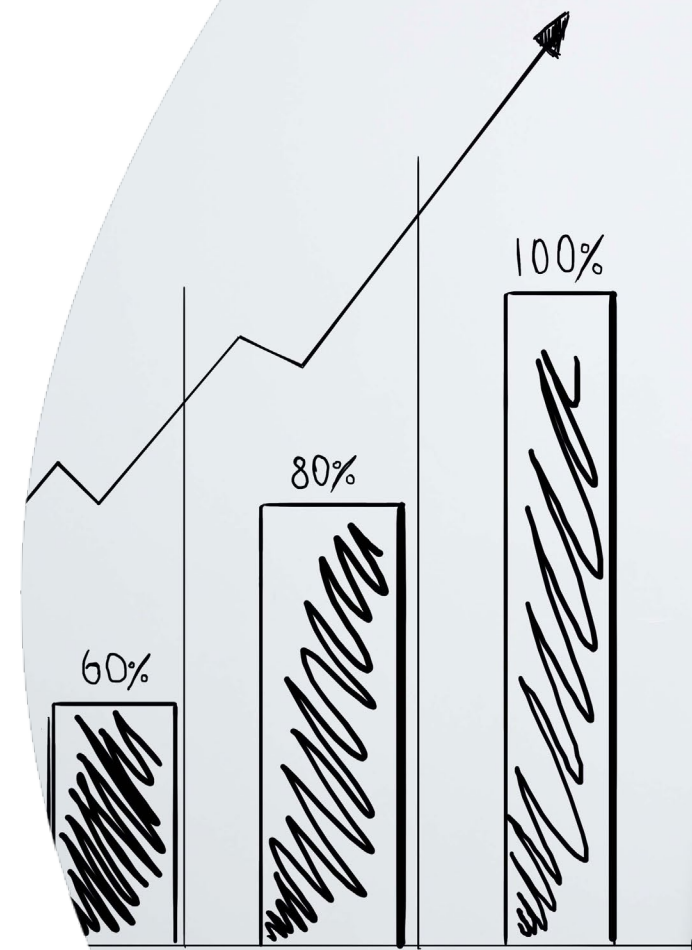
Total loans financial institutes	4,964	
Other debts	201	
Cash	1,899	
Net	3,266	
Committed credit facilities	7,075	



FX exposure – positive translation impact in the quarter

- SEK has weakened against most currencies in the first quarter

	Average rate 2019	Average rate YTD 2020	Movement vs SEK	Spot rate March 2020
USD	9.43	9.64	➡	9.92
EUR	10.56	10.68	➡	10.92
GBP	12.06	12.45	➡	12.35
MXN	0.49	0.48	➡	0.42



Strategic direction

- ◆ In these unprecedented times we will experience bumps in the road
- ◆ AAK has a robust foundation with a strong financial track record and a solid balance sheet
- ◆ A large part of our business is supplying key ingredients to food and confectionery products for which demand remains robust also in times of uncertainty
- ◆ We will remain calm and will continue to act according to our strategy



Our strategic direction stands strong

Concluding remarks



We offer plant-based, healthy, high value-adding oils and fats solutions by using our customer co-development approach and 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, in spite of the short- to mid-term impact from the corona pandemic

Q&A

Financial calendar



Financial calendar 2020

May 13, 2020	Annual General Meeting, Malmö
July 17, 2020	Interim report second quarter 2020
October 22, 2020	Interim report third quarter 2020
November 17, 2020	Capital Market Day, Malmö

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**Further Investor Relations material
can be found at aak.com/investors**





Q1 presentation

**Supplementary
information**

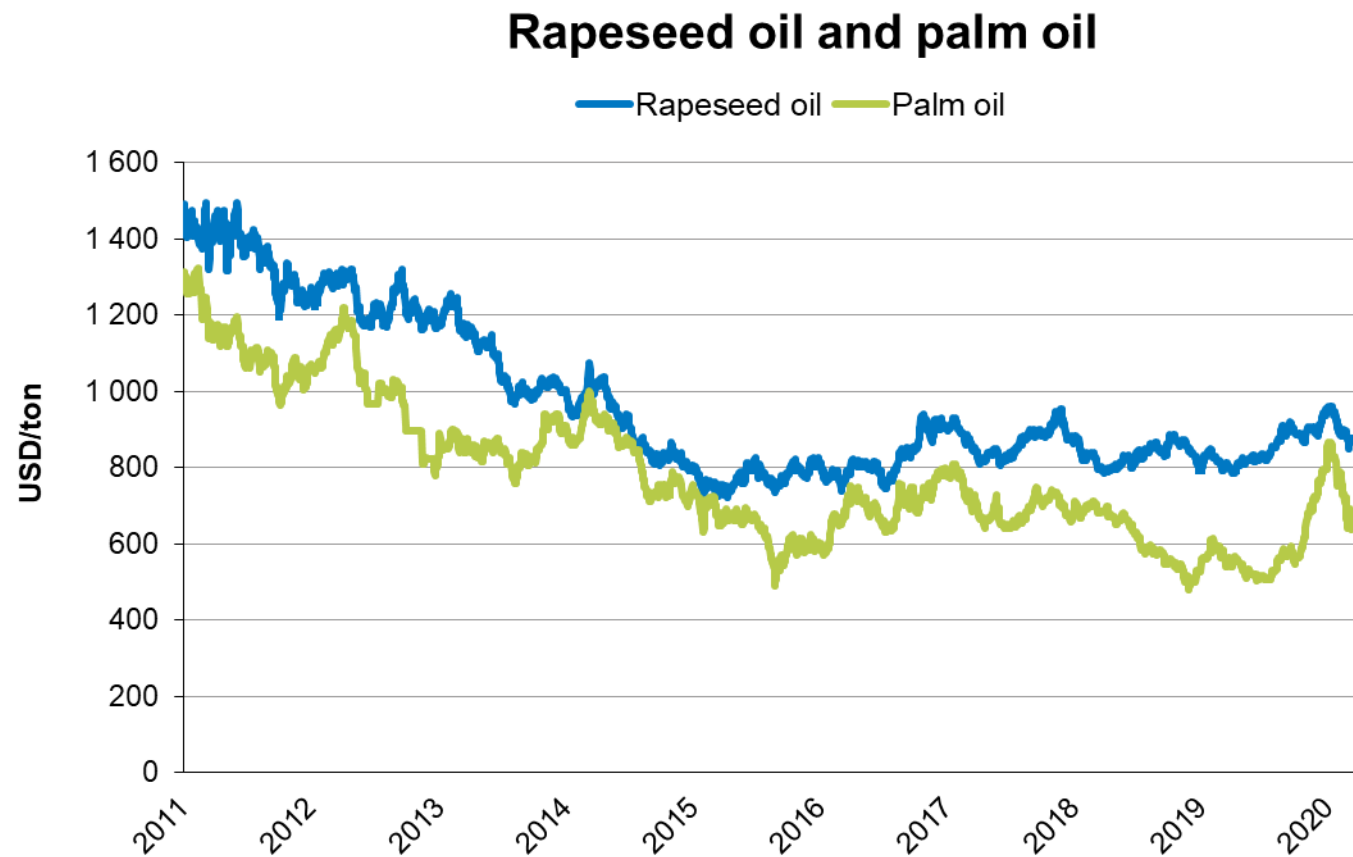
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Cocoa butter price

Cocoa butter



Rapeseed and palm oil prices



Condensed income statement

SEK million	Q1 2020	Q1 2019	Full year 2019
Net sales	7,455	7,031	28,51
Other operating income	40	39	193
Total operating income	7,495	7,07	28,703
Raw materials and supplies	-5,508	-5,172	-20,743
Other external expenses	-652	-664	-2,685
Cost for remuneration to employees	-611	-564	-2,423
Depreciation, amortization and impairment losses	-180	-166	-687
Other operating expenses	-2	-4	-23
Total operating expenses	-6,953	-6,57	-26,561
Operating profit (EBIT)	542	500	2,142
Interest income	2	2	10
Interest expense	-31	-35	-133
Other financial items	-6	3	-8
Total financial net	-35	-30	-131
Profit before tax	507	470	2,011
Income tax	-124	-118	-498
Profit for the period	383	352	1,513
Attributable to non-controlling interests	2	9	26
Attributable to the Parent company's shareholders	381	343	1,487

Condensed balance sheet

SEK million	31.03.2020	31.03.2019	31.12.2019
Total non-current assets	9,479	8,824	9,456
Inventory	6,651	4,899	6,681
Accounts receivables	4,017	3,731	3,529
Current receivables	1,75	1,751	2,271
Cash and cash equivalents	1,899	814	982
Total current assets	14,317	11,195	13,463
Total assets	23,796	20,019	22,919
Total equity including non-controlling interests	10,887	9,765	10,421
Liabilities to banks and credit institutions	3,566	2,791	2,987
Pension liabilities	231	210	241
Lease liabilities	681	659	675
Deferred tax liabilities	497	477	511
Non-interest-bearing liabilities	533	442	525
Total non-current liabilities	5,508	4,579	4,939
Liabilities to banks and credit institutions	1,384	496	870
Lease liabilities	107	92	110
Accounts payables	3,483	2,839	3,354
Other current liabilities	2,427	2,248	3,225
Total current liabilities	7,401	5,675	7,559
Total equity and liabilities	23,796	20,019	22,919

KPI sheet

SEK million (unless otherwise stated)	Q1 2020	Q1 2019	Δ %	Full year 2019
Income statement				
Volumes, '000 MT	569	572	-1	2,29
Operating profit	542	500	8	2,142
Operating profit excl. acquisition costs	546	509	7	2,157
Profit for the period	383	352	9	1,513
Financial position				
Total assets	23,796	20,019	19	22,919
Equity	10,887	9,765	11	10,421
Net working capital	6,498	5,29	23	5,908
Net debt	3,266	2,676	22	3,117
Cash flow				
EBITDA	722	666	8	2,829
Cash flow from operating activities	71	394	-	1,558
Cash flow from investing activities	-158	-296	-	-1,335
Free cash flow	-87	98	-	223
Share data				
Number of shares, thousand	253,731	253,731	0	253,731
Earnings per share, SEK*	1.50	1.35	11	5.86
Earnings per share incl dilution, SEK**	1.49	1.35	10	5.84
Earnings per share incl full dilution, SEK***	1.47	1.35	9	5.74
Equity per share, SEK	42.57	38.09	12	40.74
Market value on closing date, SEK	161.90	138.68	17	178.00
Other key ratios				
Volume growth, percent	-1	4	-	2
Operating profit per kilo, SEK	0.95	0.87	9	0.94
Operating profit per kilo excl. acquisition costs, SEK	0.96	0.89	8	0.94
Return on Capital Employed (R12 months), percent	14.5	15.4	-6	14.9
Net debt / EBITDA, multiple	1.13	1.04	9	1.10