



Johan Westman, CEO
Fredrik Nilsson, CFO

**Interim Report
Second quarter
2020**

AAK



Agenda

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

Challenging start to the quarter followed by clear sequential improvement

HIGHLIGHTS

Q2 2020



- In Q2, April was the low mark with demand and earnings gradually improving in the following months
- Adjusted operating profit decreased by 21 percent
- Plant-based food solutions doubled volumes again
- Foodservice volumes declined significantly in the beginning of the quarter – we are seeing a gradual improvement
- Special Nutrition continues to perform well
- CCF operating profit per kilo improved despite challenging market conditions
- Reported tax rate of 15 percent (25) – income linked to items affecting comparability is tax exempt
- Earnings per share decreased by 11 percent

GROWTH & RETURNS

Volume
481,000 MT
(down 15% y/y)

**Adjusted
operating profit**
SEK 411 million
(down 21% y/y, down 19%
y/y*)

**Adjusted
operating profit
per kilo**
SEK 0.85
(down 7% y/y, down 5%
y/y*)

ROCE
13.6%**

* Fixed FX

** Rolling 12 months incl. IFRS 16 effect

Key highlights

- ◆ Over the last few months, extensive restrictions and lockdown measures have been implemented in most countries
 - ◆ This has resulted in a negative impact on demand and earnings within most industries that AAK serves
 - ◆ In response, we are optimizing our cost base to secure our short- to mid-term profitability, but without jeopardizing our long-term strategic focus
 - ◆ Our strong focus on employee health and safety as well as business continuity continues to secure AAK's ability to serve the critical food supply chain
 - ◆ This is very much thanks to our global team's passion, drive and attention to safe procedures
- ◆ As communicated at the end of June, we have initiated measures to optimize our structure
 - ◆ Annual savings of about SEK 150 million 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 strategic investments in Chocolate & Confectionery Fats, health, nutrition and Plant-based Foods
- ◆ The acquisition of NPO Margaron LLC in Russia has now been completed
 - ◆ With this acquisition we will move closer to many of our global strategic customers who are already locally represented in Russia
- ◆ AAK is well positioned to take advantage of the market rebound as soon as lockdowns and restrictions are lifted



Key events

AAK joins forces with Good Food Institute

- Our majority-owned Indian joint venture AAK Kamani has partnered with Good Food Institute India to collaborate on research and business promotion aimed at advancing India's highly promising market for plant-based meat and dairy alternatives
- The collaboration is linked to our global AkoPlanet™ initiative, a platform for plant-based food innovations



Sten Estrup new President Asia

- Sten Estrup has been appointed new President Asia. Sten is a Danish native and joins 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
- Sten is part of AAK's Executive Committee and based at our Singapore office



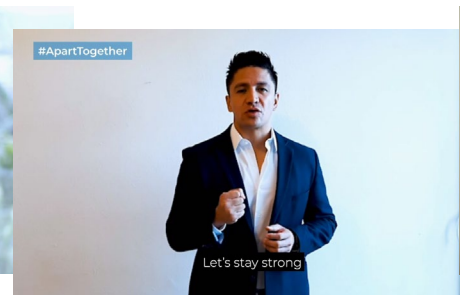
Creative initiative to maintain strong relationships during the pandemic

China

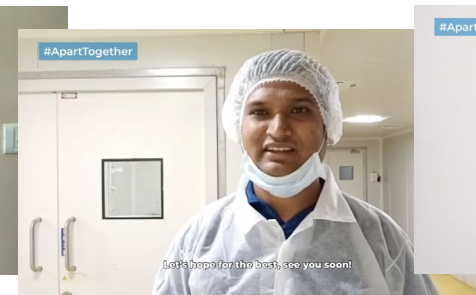
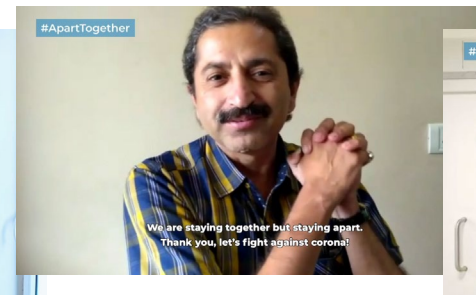


#ApartTogether

Mexico



India



Sustainable sourcing of raw materials

Shea



Palm



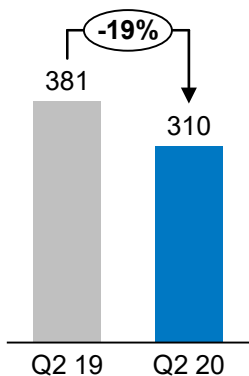
Coconut



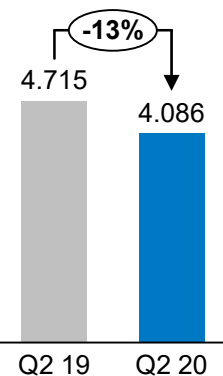
Food Ingredients*



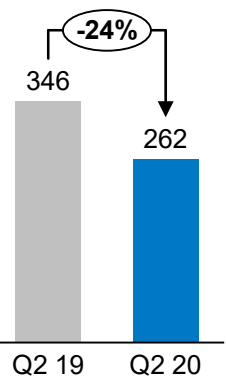
Organic volume growth (%)



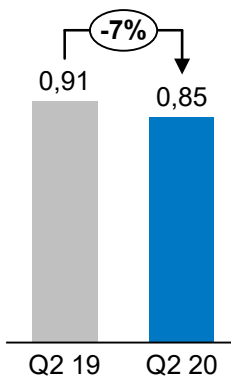
Revenue SEK million



Operating profit SEK million



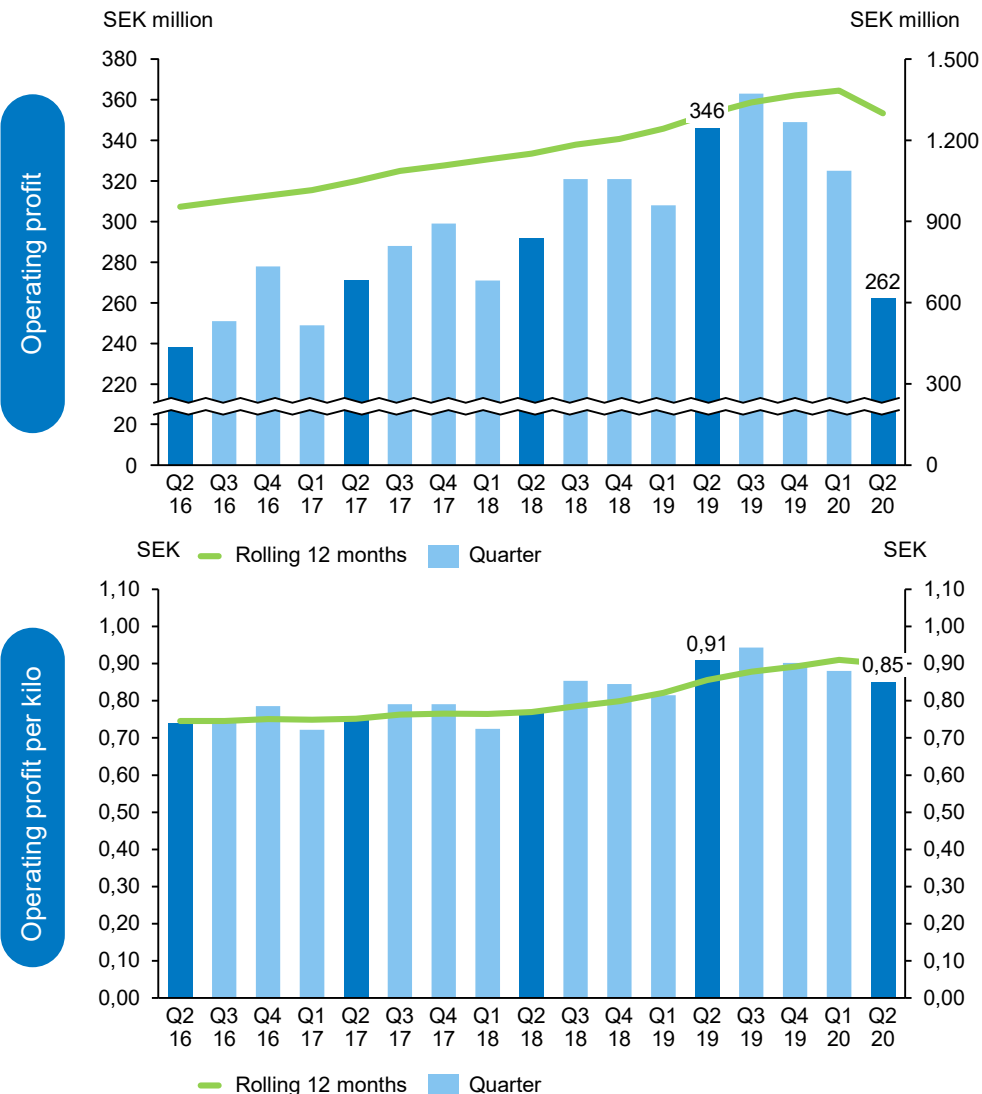
Operating profit per kilo SEK



Business area development

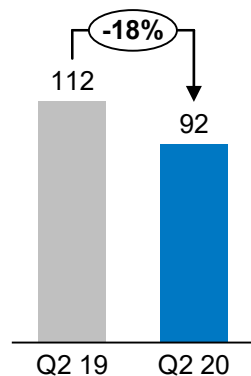
- Special Nutrition continued to increase its volumes. The growth, predominantly in Infant Nutrition speciality products, was strongly driven by Asia and supported by new local Chinese customers
- Foodservice sales was down 50 percent compared to the corresponding quarter last year due to a lower demand from restaurants, hotels and airline catering
- Dairy and Bakery had soft volumes in the quarter
- Plant-based Foods doubled its volumes, driven by our plant-based dairy solutions

*All figures are excluding items affecting comparability

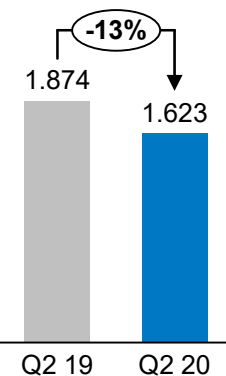


Chocolate & Confectionery Fats*

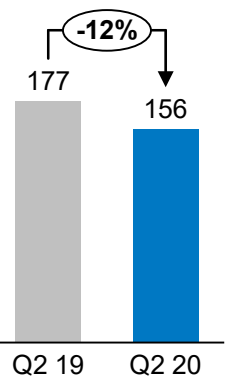
Organic volume growth (%)



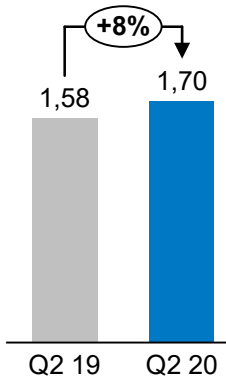
Revenue SEK million



Operating profit SEK million



Operating profit per kilo SEK

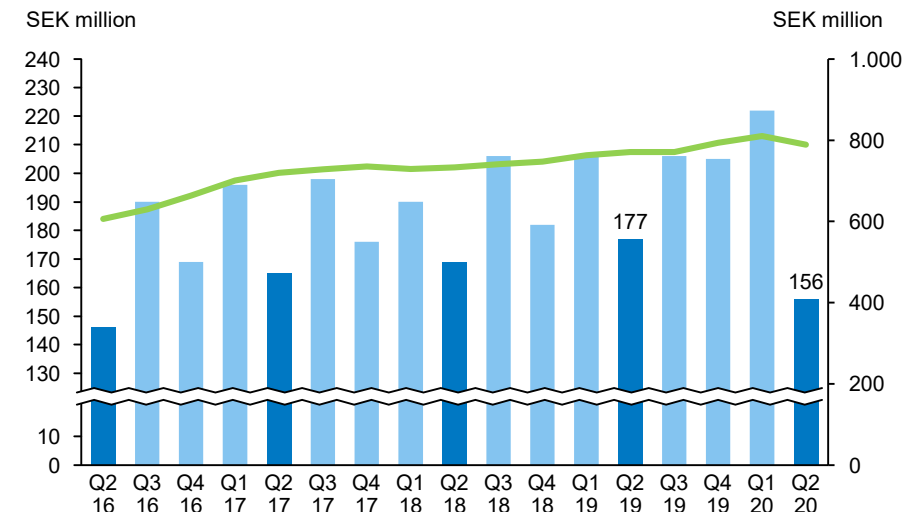


Business area development

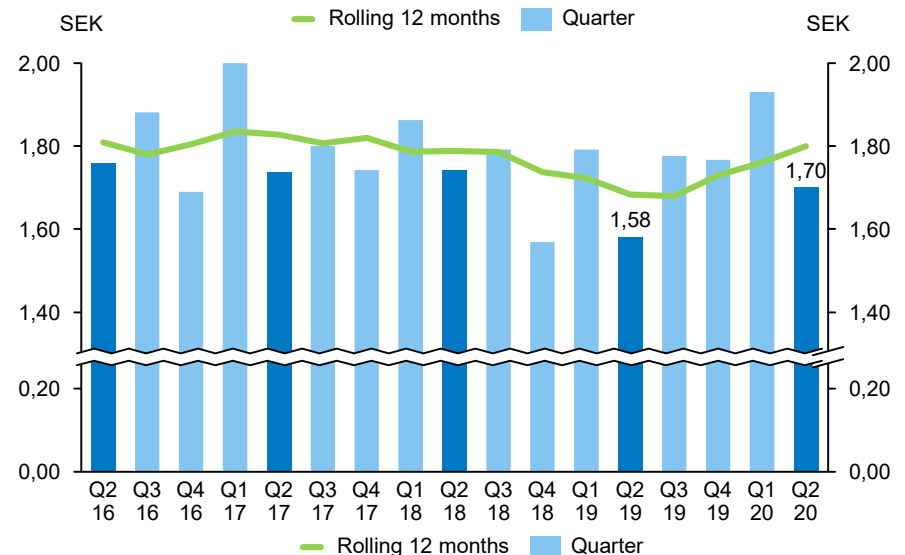
- The global chocolate and confectionery market was severely impacted by the coronavirus during the second quarter
- The second quarter last year was favorably impacted by a few good spot opportunities of low-end semi-speciality solutions. This accounted for approximately 30 percent of the volume drop versus last year
- Despite lower sales, operating profit per kilo increased due to implemented supply chain improvements with additional production capacity in Aarhus, Denmark and better-yielding shea kernels from the harvest last year

*All figures are excluding items affecting comparability

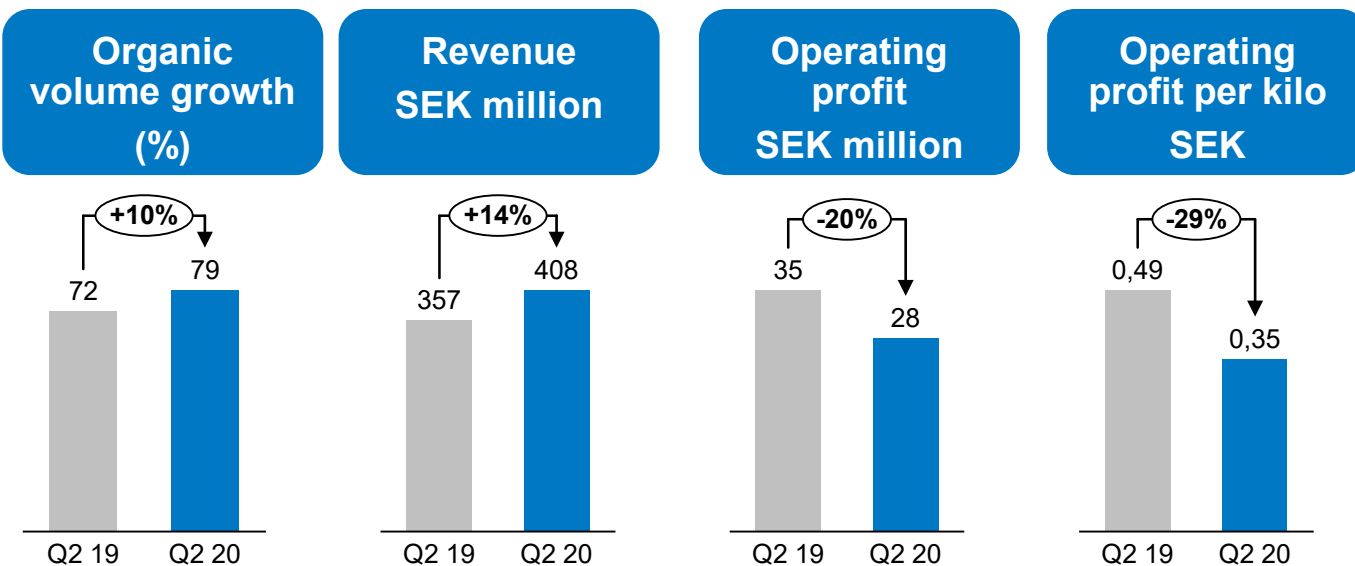
Operating profit



Operating profit per kilo

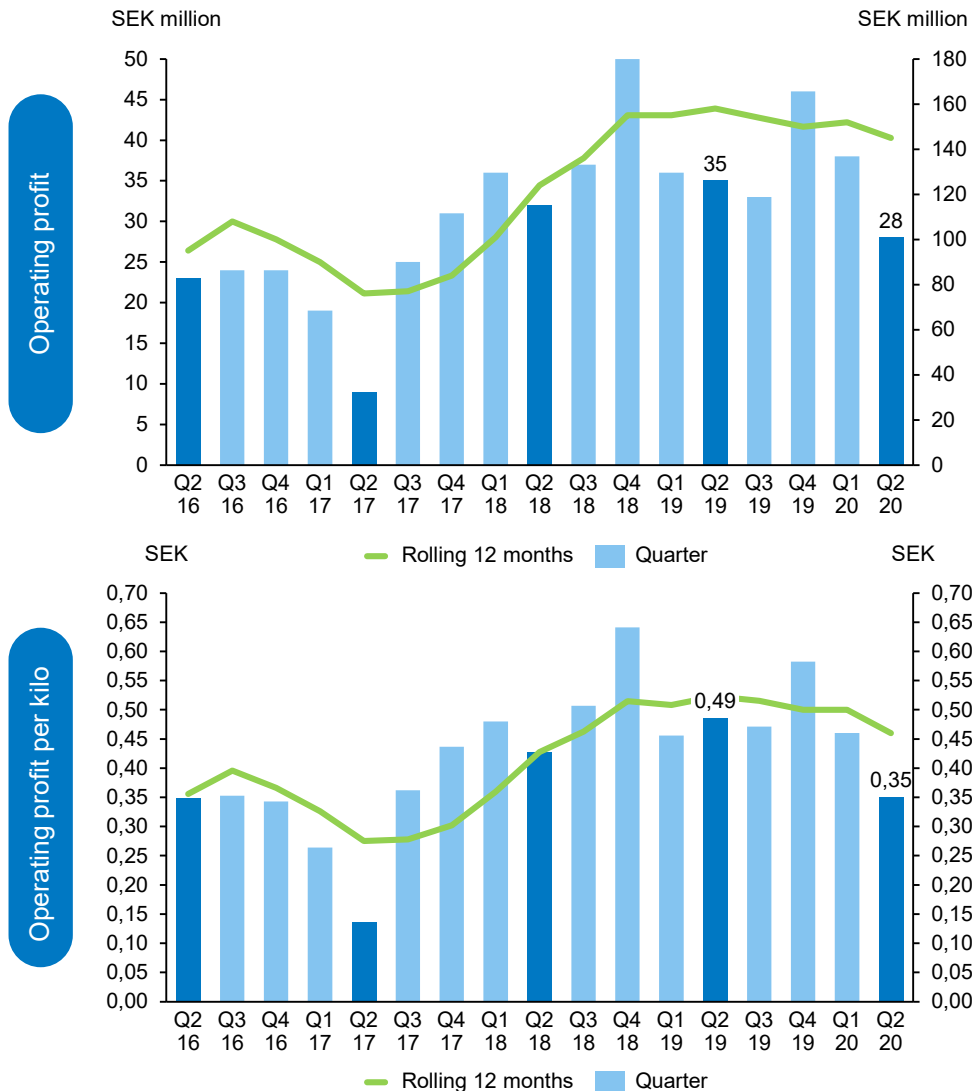


Technical Products & Feed*



Business area development

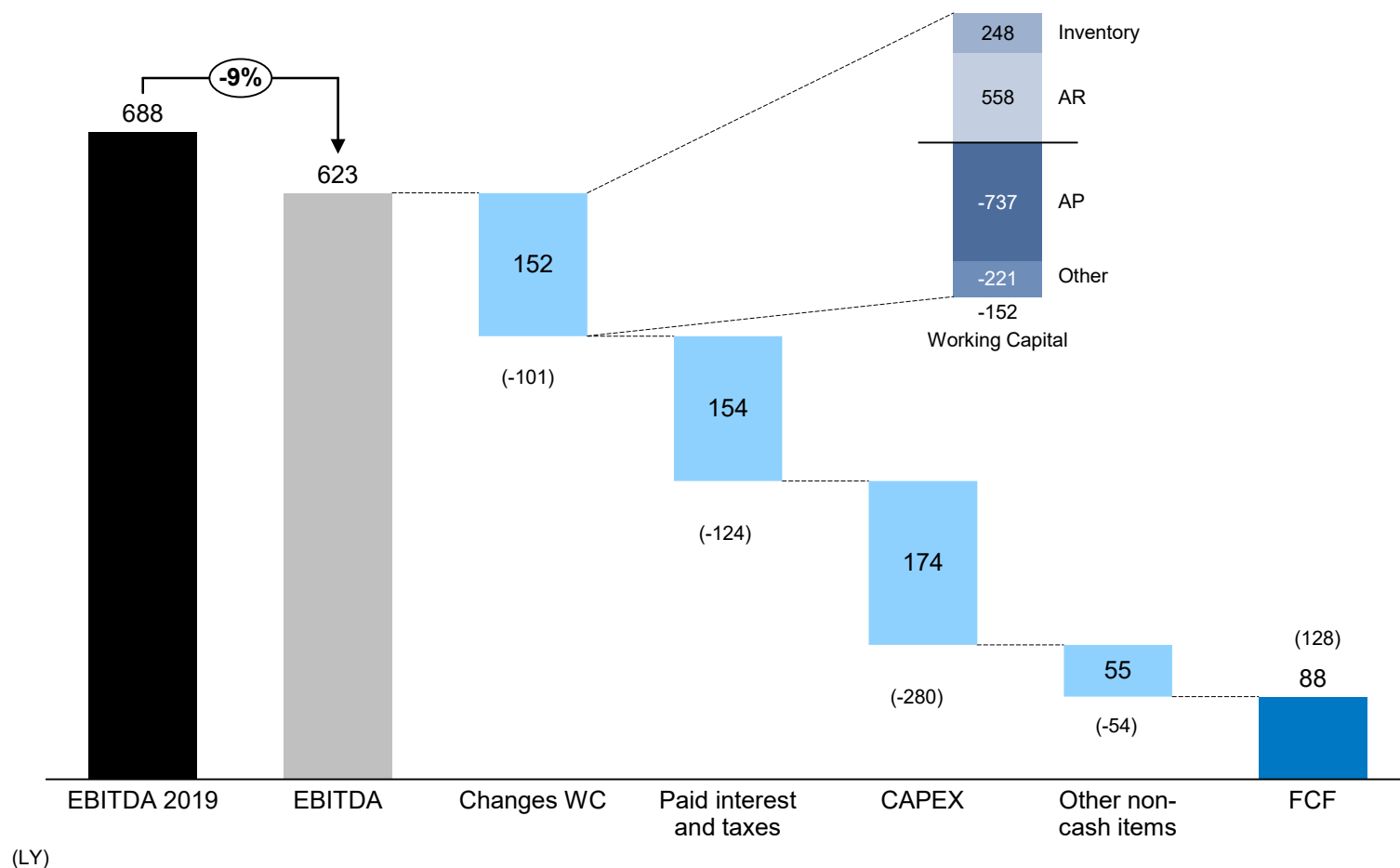
- Volumes increased by 10 percent compared to the corresponding quarter in 2019 driven by our Feed business
- Due to the coronavirus situation there was a lower demand in our fatty acids business during the quarter, particularly for candles and technical solutions



*All figures are excluding items affecting comparability

Q2 cash flow – in good control but impacted by last year's higher raw material prices

Cash flow Q2 2020

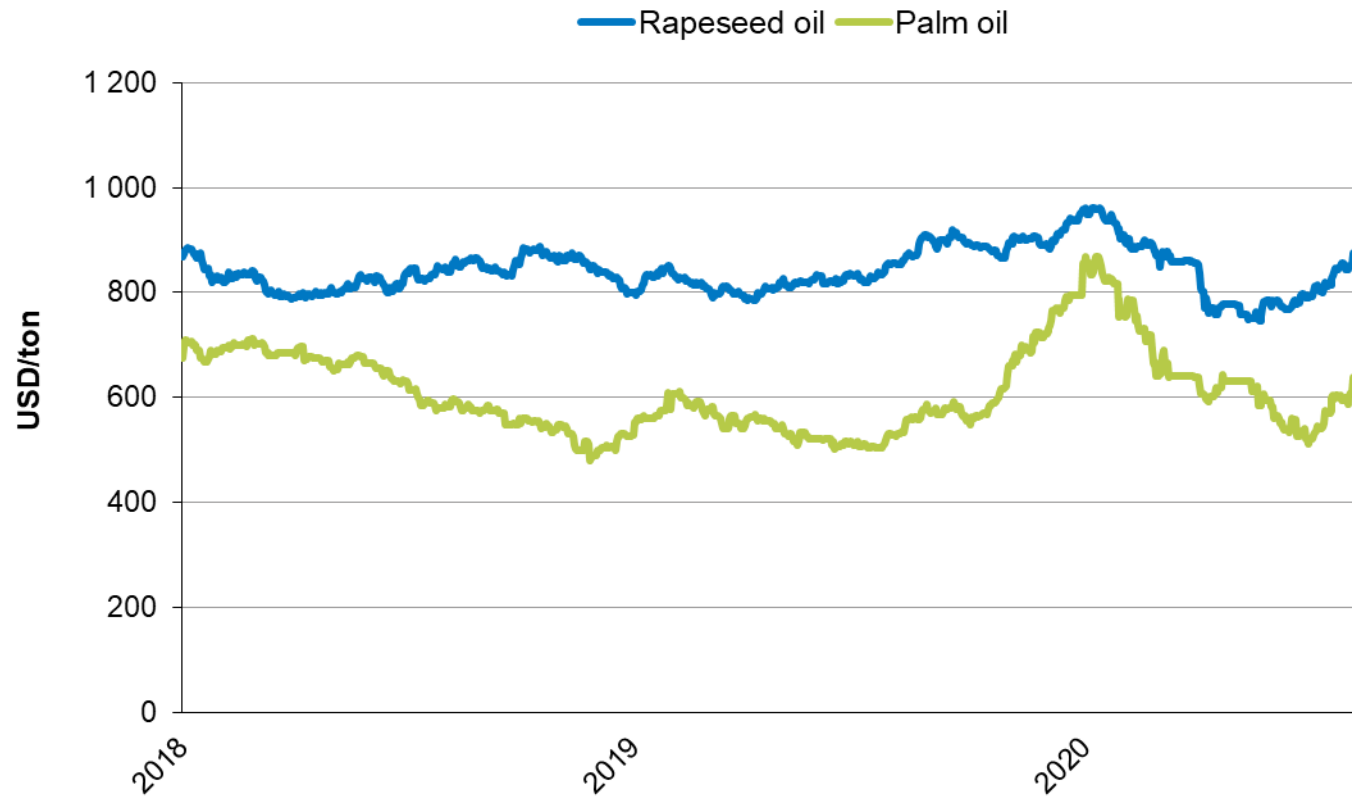


Comments

- Accounts receivables have decreased due to lower sales
- Good inventory control has also generated a cash inflow during the quarter
- This has been offset by reduced accounts payables as a consequence of lower purchases and a deferred impact of higher raw material prices
- Based on current raw material prices we expect a significant positive cash flow from inventory in the second half of 2020

Raw material price development – price volatility remains

Rapeseed oil and palm oil



Comments

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

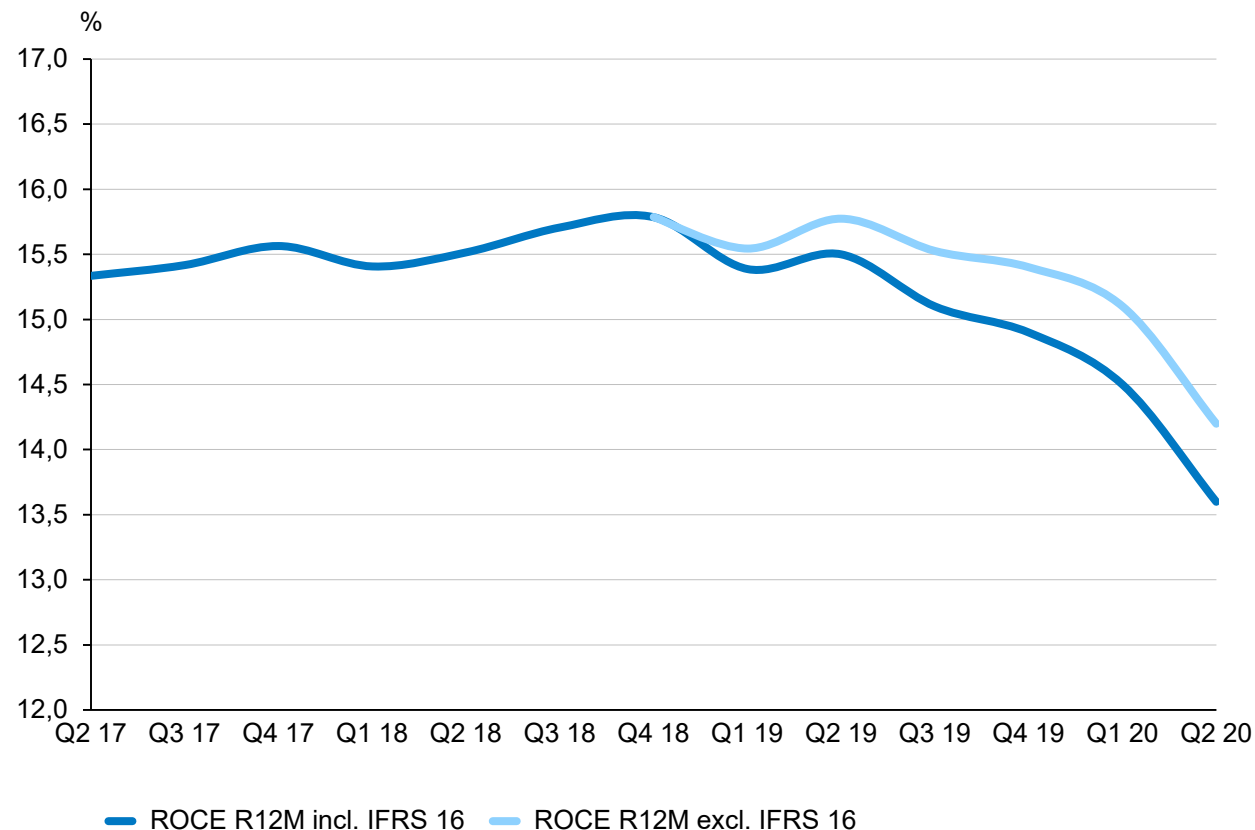
Return on Capital Employed (ROCE)

💧 We target a gradual and continuous improvement

ROCE end Q2 2020*
13.6%

EBIT LTM
SEK 2,082
million

Capital
employed*
SEK 15,287
million

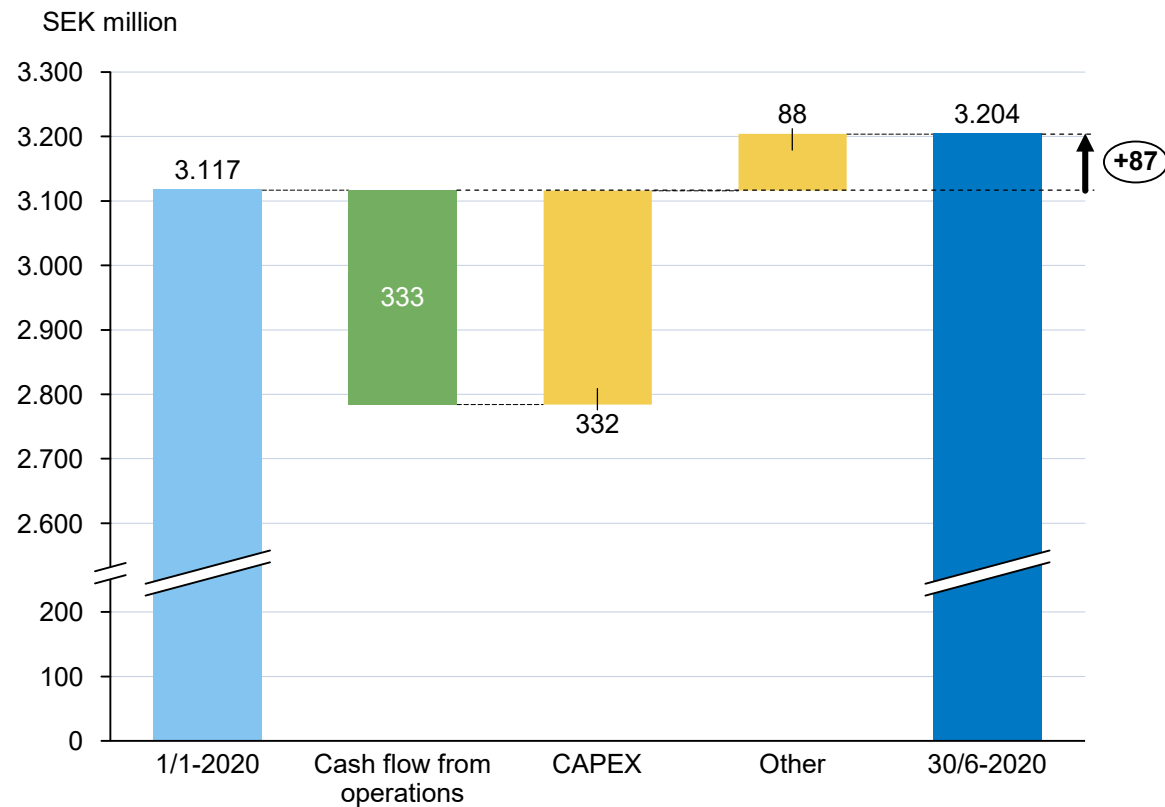


* ROCE: Return on Capital Employed calculated on rolling 12 months

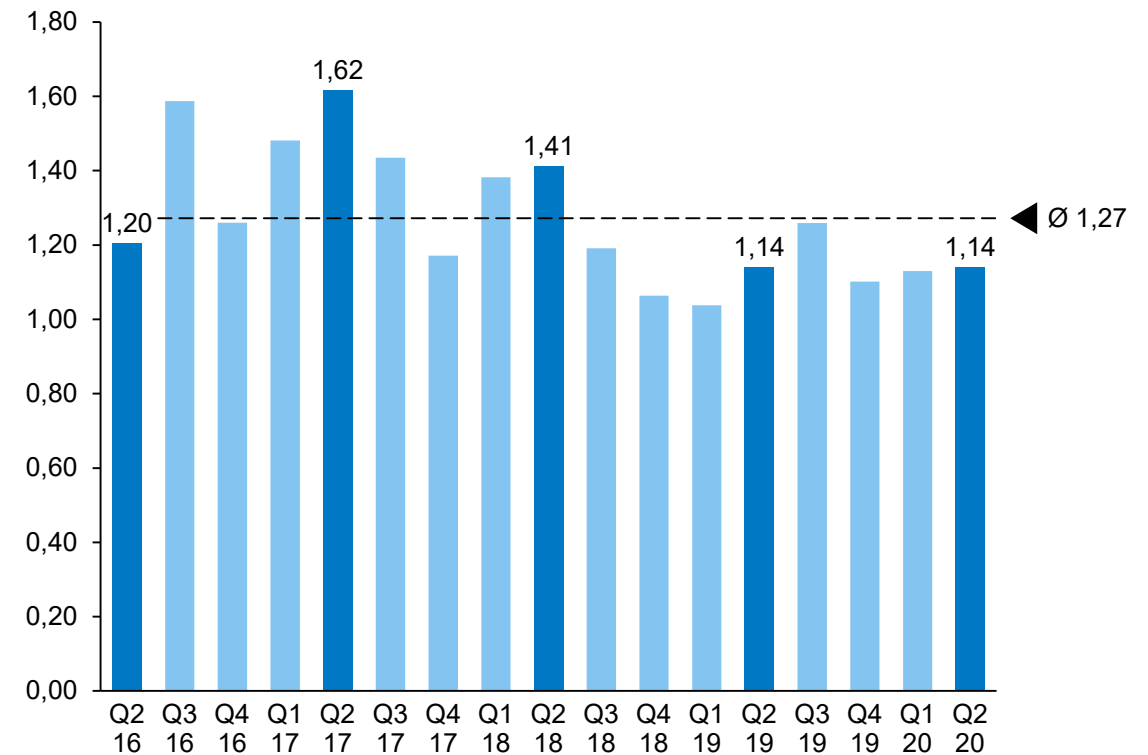
Net debt

Low net debt/EBITDA provides solid foundation

Net debt

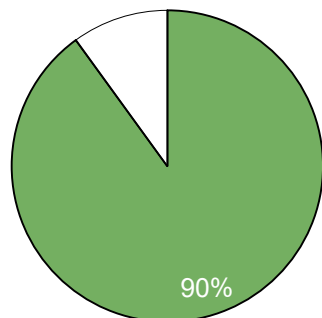


Net debt/EBITDA

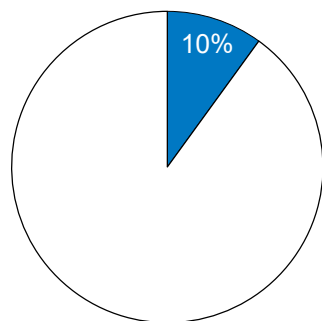


Loan and duration profile

Long term



Short term



	SEK million	Duration
Mortgage	534	13 years
MTN bond	500	5 years
MTN bond	500	5 years
MTN bond	1,100	2 years
Bilateral	350	3 years
Club loan	1,216	1.5 years

	SEK million	Duration
Bilateral	20	1 months
Bank loans	424	6 months

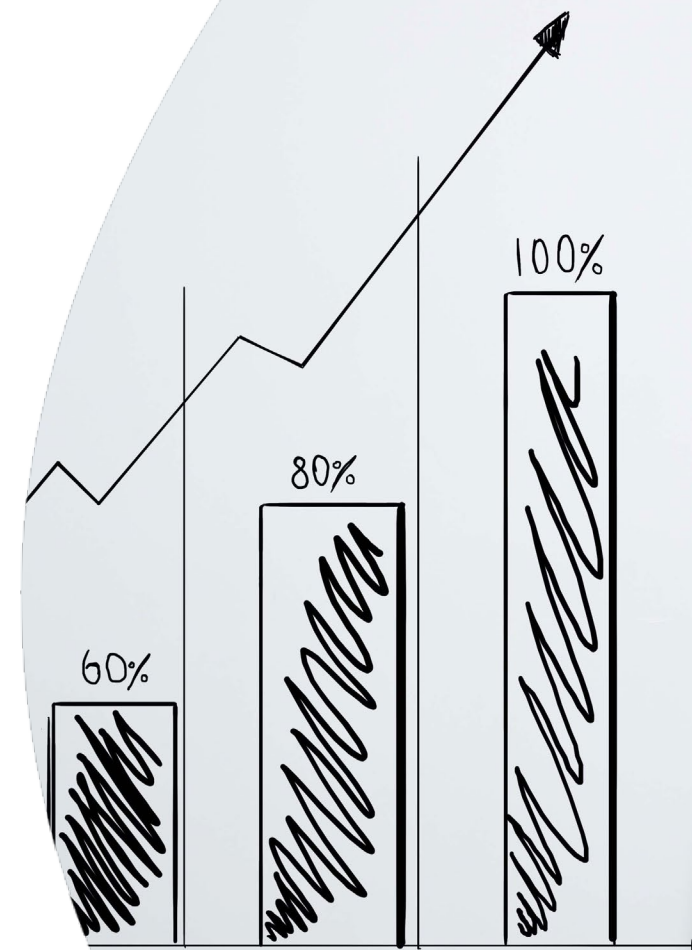
Total loans financial institutes	4,644	
Cash	1,899	
Net	3,204	
Committed credit facilities	6,869	



FX exposure – negative translation impact in the quarter

- SEK has strengthened against most currencies in the second quarter

	Average rate 2019	Average rate YTD 2020	Movement vs SEK	Spot rate June 2020
USD	9.43	9.58	➡	9.31
EUR	10.56	10.62	➡	10.46
GBP	12.06	12.18	➡	11.51
MXN	0.49	0.45	➡	0.40



CFO Fredrik Nilsson will pursue new opportunities outside of AAK

- ◆ Fredrik has been working for AAK for almost 14 years, whereof the last seven as CFO
- ◆ Through the years he has played a very important role in AAK's growth journey and development
- ◆ He will continue in his current position until the beginning of 2021
- ◆ Fredrik will start working as CFO for Trelleborg AB (publ.)



After almost 14 years with AAK, it is time for me to pursue new opportunities. My years with the company have been incredibly exciting and the Group has seen a fantastic development during the last 10 years. I am very proud of being a small part of the AAK history and I'm convinced that AAK and its many dedicated colleagues will grow even stronger in the future. But before leaving this great company, I will continue to work hard and diligently to help AAK deliver the strongest possible second half of 2020.



Concluding remarks



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 impact from the corona 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

Q&A

Financial calendar



Financial calendar 2020

October 22, 2020	Interim report third quarter 2020
November 17, 2020	Capital Market Day, Malmö
January 28, 2021	Interim report fourth quarter and year-end report

Investor Relations contact:

Fredrik Nilsson

Chief Financial Officer

Mobile: +46 708 95 22 21

E-mail: fredrik.nilsson@aak.com

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



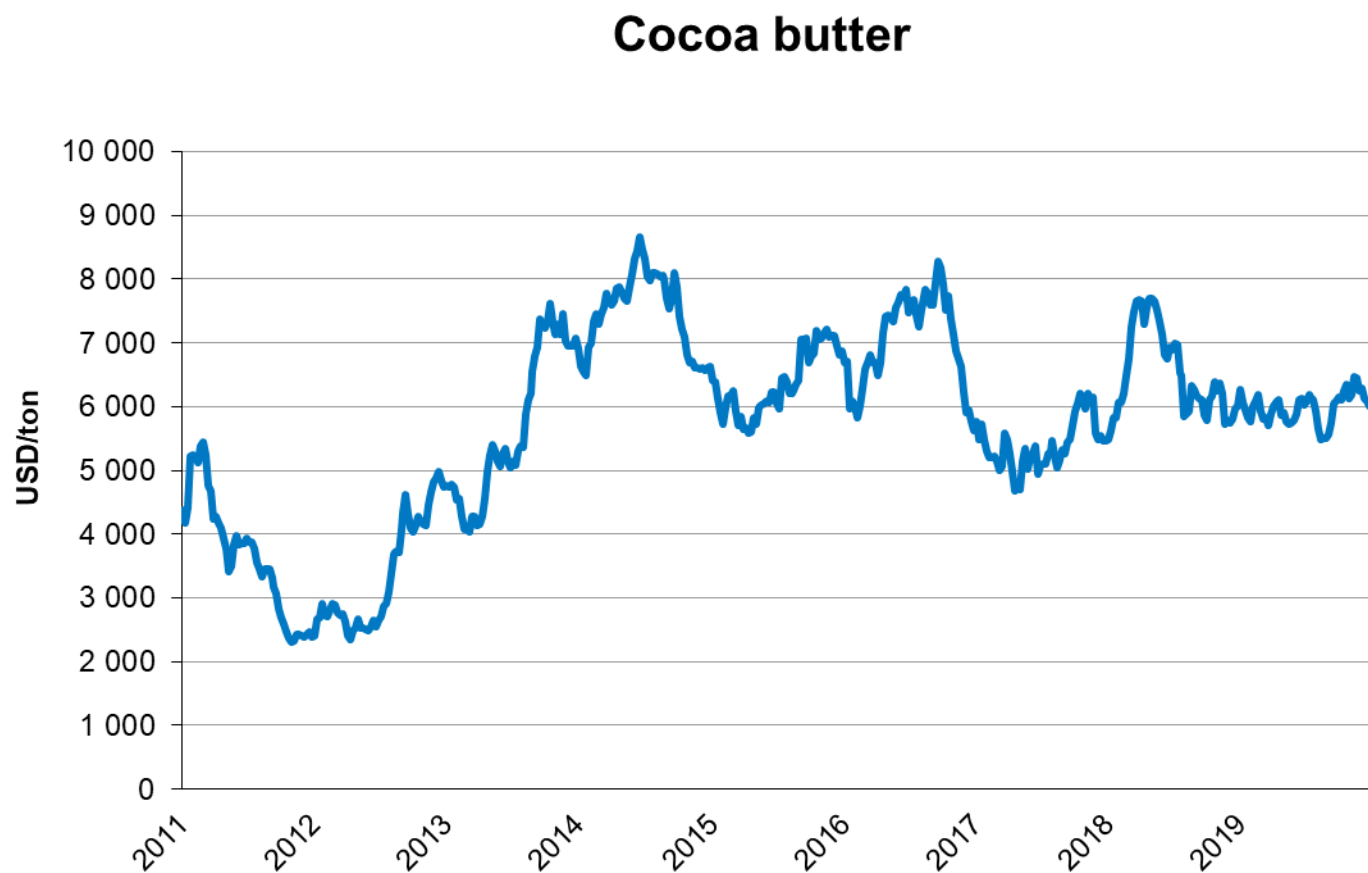


Q2 presentation

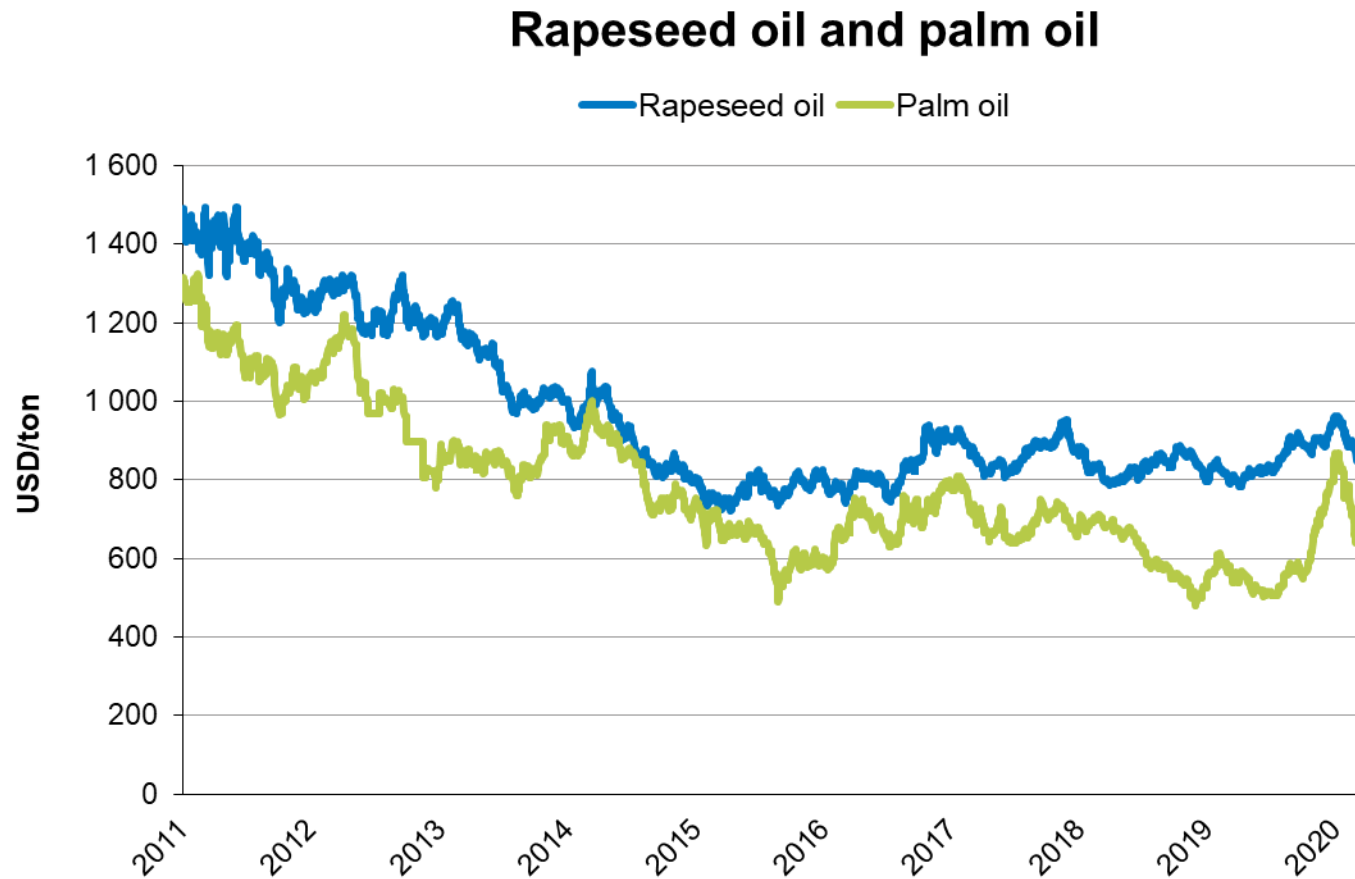
**Supplementary
information**

AAK

Cocoa butter price



Rapeseed and palm oil prices



Condensed income statement

SEK million	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Net sales	6,117	6,946	13,572	13,977	28,51
Other operating income	234	38	274	77	193
Total operating income	6,351	6,984	13,846	14,054	28,703
Raw materials and supplies	-4,599	-5,028	-10,107	-10,200	-20,743
Other external expenses	-491	-660	-1,143	-1,324	-2,685
Cost for remuneration to employees	-597	-603	-1,208	-1,167	-2,423
Depreciation, amortization and impairment losses	-207	-170	-387	-336	-687
Other operating expenses	-40	-5	-42	-9	-23
Total operating expenses	-5,934	-6,466	-12,887	-13,036	-26,561
Operating profit (EBIT)	417	518	959	1,018	2,142
Interest income	2	2	4	4	10
Interest expense	-30	-32	-61	-67	-133
Other financial items	-7	-3	-13	0	-8
Total financial net	-35	-33	-70	-63	-131
Profit before tax	382	485	889	955	2,011
Income tax	-58	-123	-182	-241	-498
Profit for the period	324	362	707	714	1,513
Attributable to non-controlling interests	1	1	3	10	26
Attributable to the Parent company's shareholders	323	361	704	704	1,487

Condensed balance sheet

SEK million	30.06.2020	30.06.2019	31.12.2019
Total non-current assets	9,014	8,850	9,456
Inventory	6,085	4,762	6,681
Accounts receivables	3,325	3,670	3,529
Current receivables	2,163	1,756	2,271
Cash and cash equivalents	1,138	744	982
Total current assets	12,711	10,932	13,463
Total assets	21,725	19,782	22,919
Total equity including non-controlling interests	10,183	9,616	10,421
Liabilities to banks and credit institutions	3,530	3,087	2,987
Pension liabilities	229	225	241
Lease liabilities	660	659	675
Deferred tax liabilities	454	484	511
Non-interest-bearing liabilities	495	380	525
Total non-current liabilities	5,368	4,835	4,939
Liabilities to banks and credit institutions	1,094	477	870
Lease liabilities	108	94	110
Accounts payables	2,624	2,683	3,354
Other current liabilities	2,348	2,077	3,225
Total current liabilities	6,174	5,331	7,559
Total equity and liabilities	21,725	19,782	22,919

No changes have arisen in contingent liabilities

KPI sheet

SEK million (unless otherwise stated)	Q2 2020	Q2 2019	Δ %	Q1-Q2 2020	Q1-Q2 2019	Δ %	Full year 2019
Income statement							
Volumes, '000 MT	481	565	-15	1,05	1,137	-8	2,29
Operating profit	417	518	-19	959	1,018	-6	2,142
Operating profit excluding items affecting comparability and acquisition costs	411	518	-21	957	1,027	-7	2,157
Profit for the period	324	362	-10	707	714	-1	1,513
Financial position							
Total assets	21,725	19,782	10	21,725	19,782	10	22,919
Equity	10,183	9,616	6	10,183	9,616	6	10,421
Net working capital	6,064	5,434	12	6,064	5,434	12	5,908
Net debt	3,204	3,049	5	3,204	3,049	5	3,117
Cash flow							
EBITDA	624	688	-9	1,346	1,354	-1	2,829
Cash flow from operating activities	262	408	-	333	802	-	1,558
Cash flow from investing activities	-174	-280	-	-332	-576	-	-1,335
Free cash flow	88	128	-	1	226	-	223
Share data							
Number of shares, thousand	253,731	253,731	0	253,731	253,731	0	253,731
Earnings per share, SEK*	1.27	1.42	-11	2.77	2.78	0	5.86
Earnings per share incl. dilution, SEK**	1.27	1.42	-11	2.76	2.77	0	5.84
Earnings per share incl. full dilution, SEK***	1.24	1.39	-11	2.71	2.72	0	5.74
Equity per share, SEK	39.80	37.57	6	39.80	37.57	6	40.74
Market value on closing date, SEK	160.10	176.00	-9	160.10	176.00	-9	178.00
Other key ratios							
Volume growth, percent	-15	3	-	-8	3	-	2
Operating profit per kilo, SEK	0.87	0.92	-5	0.91	0.90	1	0.94
Operating profit per kilo excluding items affecting comparability and acquisition costs, SEK	0.85	0.92	-8	0.91	0.90	1	0.94
Return on Capital Employed (R12 months), percent	13.6	15.5	-12	13.6	15.5	-12	14.9
Net debt / EBITDA, multiple	1.14	1.14	0	1.14	1.14	0	1.10

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

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

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

Items affecting comparability

SEK million	Q2 2020 as reported	Items affecting comparability	Q2 2020 excl. items affecting comparability
Net sales	6,117	-	6,117
Other operating income	234	206	28
Total operating income	6,351	206	6,145
Raw materials and supplies	-4,599	-90	-4,509
Other external expenses	-491	-	-491
Cost for remuneration to employees	-597	-40	-557
Depreciation, amortization and impairment losses	-207	-30	-177
Other operating expenses	-40	-40	-
Total operating expenses	-5,934	-200	-5,734
Operating profit (EBIT)	417	6	411
Tax rate*	15%	7%	22%

*The underlying tax rate remains at 24%.