



Johan Westman, CEO  
Fredrik Nilsson, CFO

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**Interim Report  
Third quarter  
2020**

**AAK**



# Agenda

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

# Strong profit growth driven by cost optimizations and a favorable product mix

## HIGHLIGHTS

Q3  
2020



- Adjusted operating profit increased by 6 percent
- Food Ingredients had a strong quarter overall but continued to be negatively impacted by the lower sales in Foodservice
  - Special Nutrition, driven by high-end speciality solutions in Infant Nutrition, reported organic volume growth
  - Plant-based Foods continued to grow, mainly driven by good growth for our plant-based dairy solutions
- Chocolate & Confectionery Fats, reported volume growth in the third quarter driven by our speciality solutions
- The execution of our optimization program is progressing according to plan
- Earnings per share increased by 10 percent
- Proposed dividend of SEK 2.10 per share (1.85)

## GROWTH & RETURNS

**Volume**  
**565,000 MT**  
(down 1% y/y)

**Adjusted operating profit**  
**SEK 602 million**  
(up 6% y/y, 14% y/y\*)

**Operating profit per kilo**  
**SEK 1.07**  
(up 7% y/y, up 15% y/y\*)

**ROCE**  
**13.7%\*\***

\* Fixed FX

\*\* Rolling 12 months incl. IFRS 16 effect



# Key highlights

- ◆ With the Covid-19 pandemic still impacting people, societies, and business operations across the world, our highest priority continues to be the health and safety of our employees
- ◆ Despite the challenges for many of our face-to-face activities our dedicated employees show true commitment and a desire to find new ways of interacting with our customers and partners to create value
- ◆ Record-high operating profit and operating profit per kilo driven by cost reduction measures combined with a favorable product mix
- ◆ The execution of our optimization program, announced at the end of Q2, is progressing according to plan with expected annual savings of about SEK 150 million, reaching full run-rate by the second half of 2021
- ◆ The efforts made to improve our supply chain and our increased production capacity in Aarhus, Denmark is now, together with better-yielding shea kernels, resulting in improved profitability in business area Chocolate & Confectionery Fats
- ◆ To further strengthen our position in the strategic and fast-growing Indian market, we have 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 September 2015



# Key events

## Partnership with Saha Global

- AAK has partnered with Saha Global, a non-profit organization that trains and supports women in Northern Ghana to connect their remote communities to simple, cost-effective water treatment technology, providing them with clean and safe drinking water



## UNGC's Renewed Global Cooperation

- In response to this moment of global disruption and uncertainty, the UN Global Compact (UNGC) recently launched a campaign calling on member companies' CEOs to show their support for peace and security, human rights and sustainable development. The CEOs, including AAK's Johan Westman, answered the call to mark the 75th anniversary of the United Nations and the 20th anniversary of the UNGC by signing a Statement from Business Leaders for Renewed Global Cooperation. The signing of the statement demonstrates that AAK heartily embraces that spirit



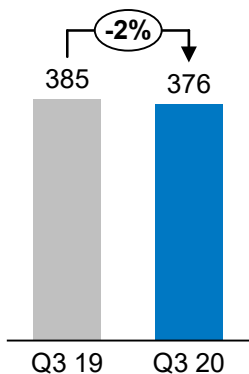
## AkoPlanet™ with first appearance in China

- AkoPlanet™, our portfolio with tailor-made solutions for food manufacturers developing plant-based alternatives, made its first appearance in the Chinese market at VeggieWorld, China's leading exhibition focusing on plant-based diets and plant-based products

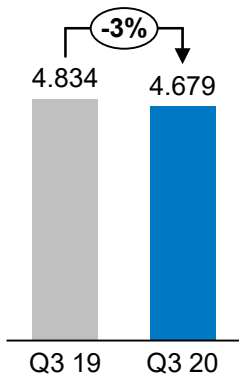


# Food Ingredients\*

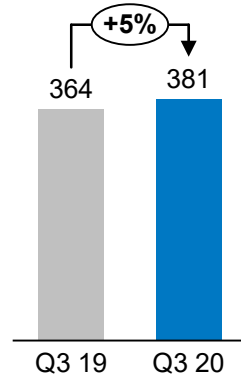
## Organic volume growth (%)



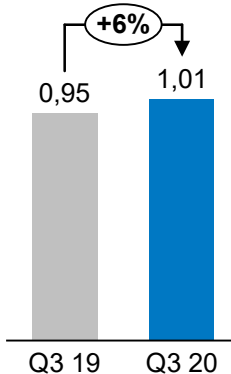
## Revenue SEK million



## Operating profit SEK million



## Operating profit per kilo SEK

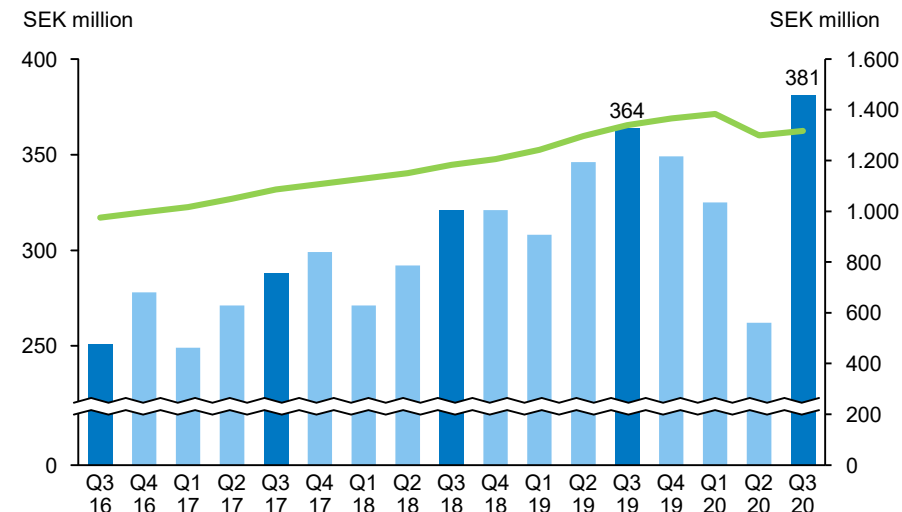


## Business area development

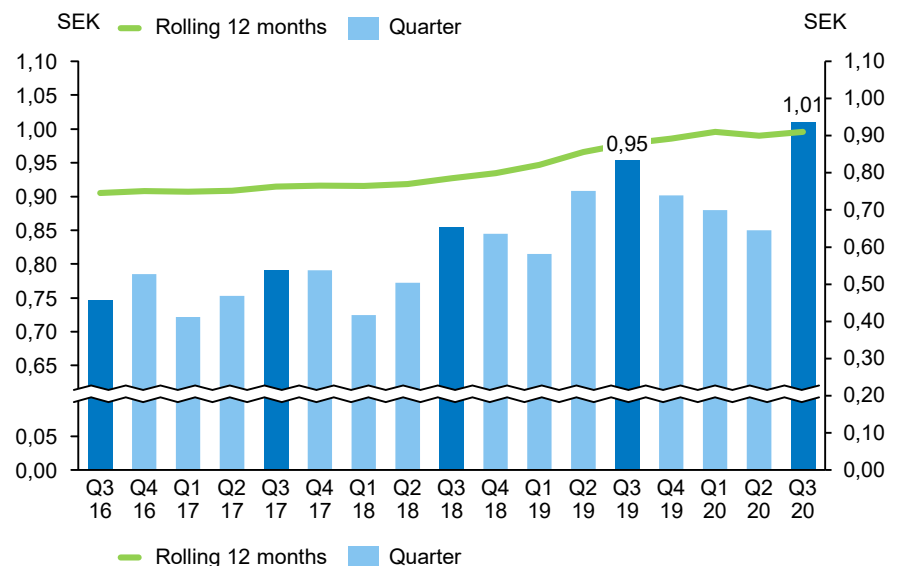
- Special Nutrition continued to increase its volumes. The growth, predominantly in Infant Nutrition speciality products, was strongly driven by Asia and supported by new local Chinese customers
- Foodservice volumes have increased since May but is still significantly lower than the corresponding quarter last year
- Bakery, serving many fast food chains and restaurants, recovered nicely
- Plant-based Foods continued to significantly increase its volumes compared to the corresponding quarter last year, driven by our plant-based dairy solutions

\*All figures are excluding items affecting comparability

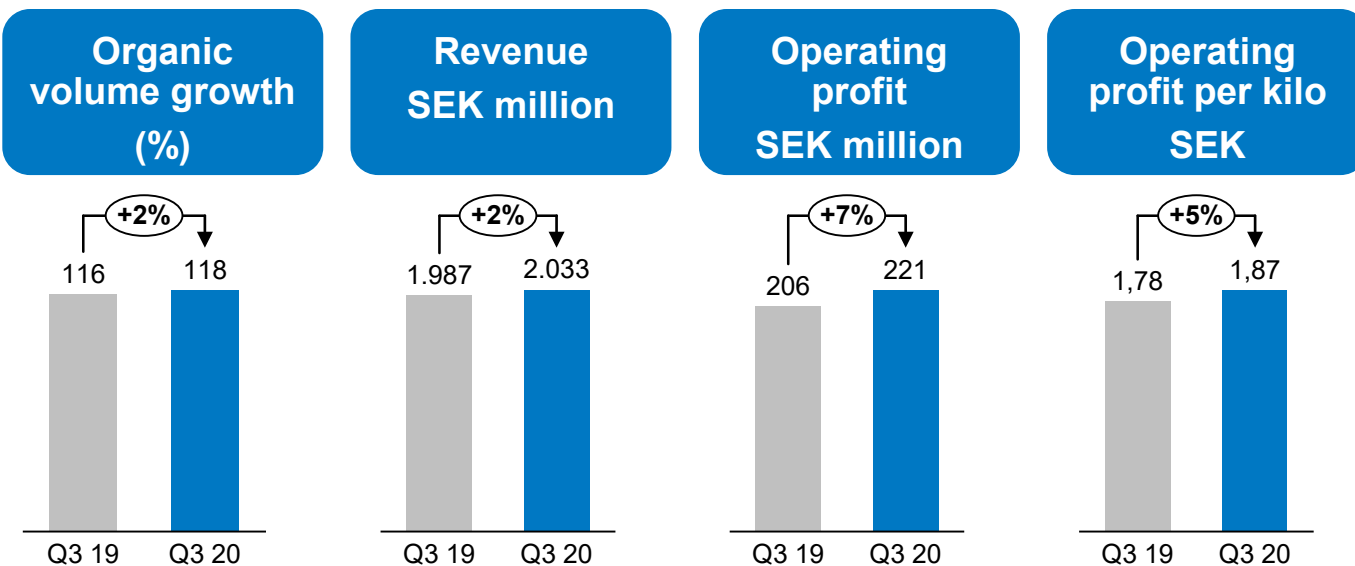
## Operating profit



## Operating profit per kilo



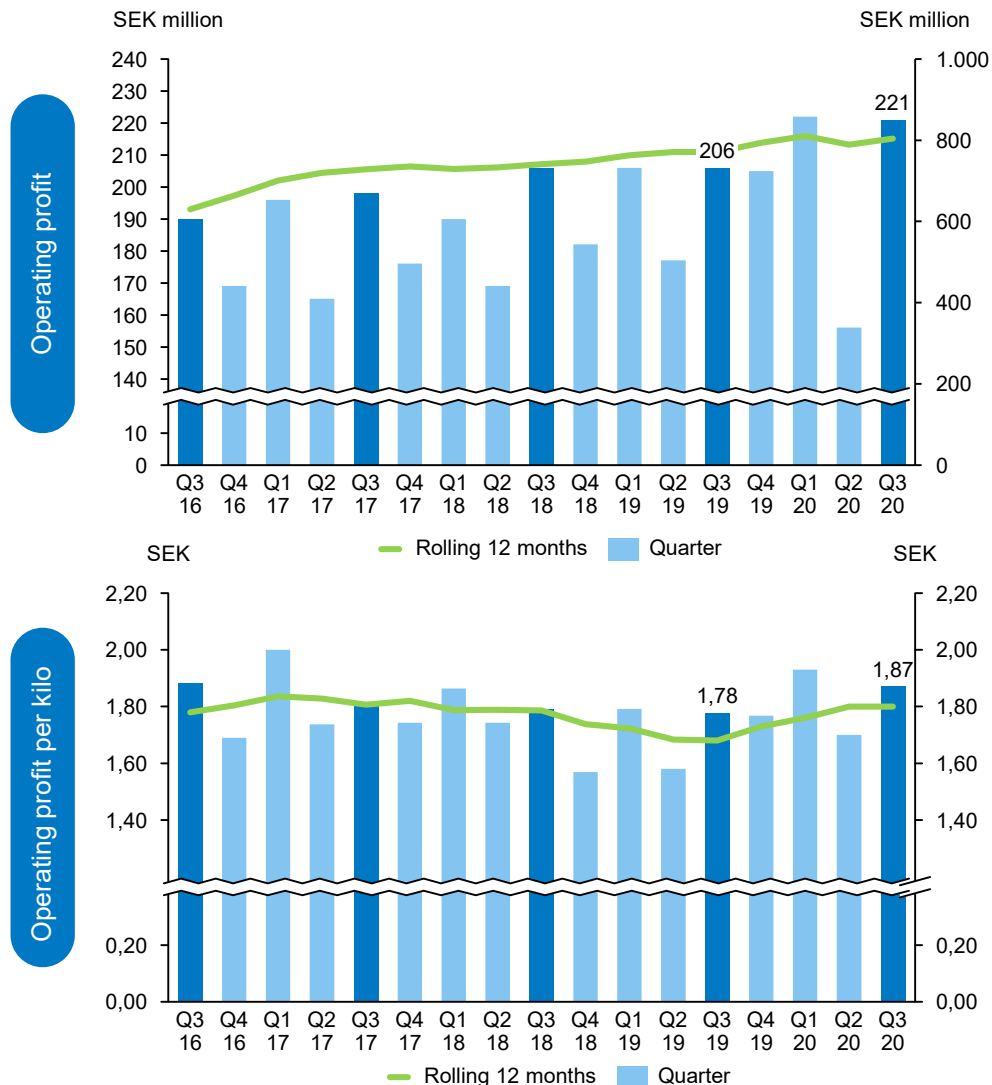
# Chocolate & Confectionery Fats\*



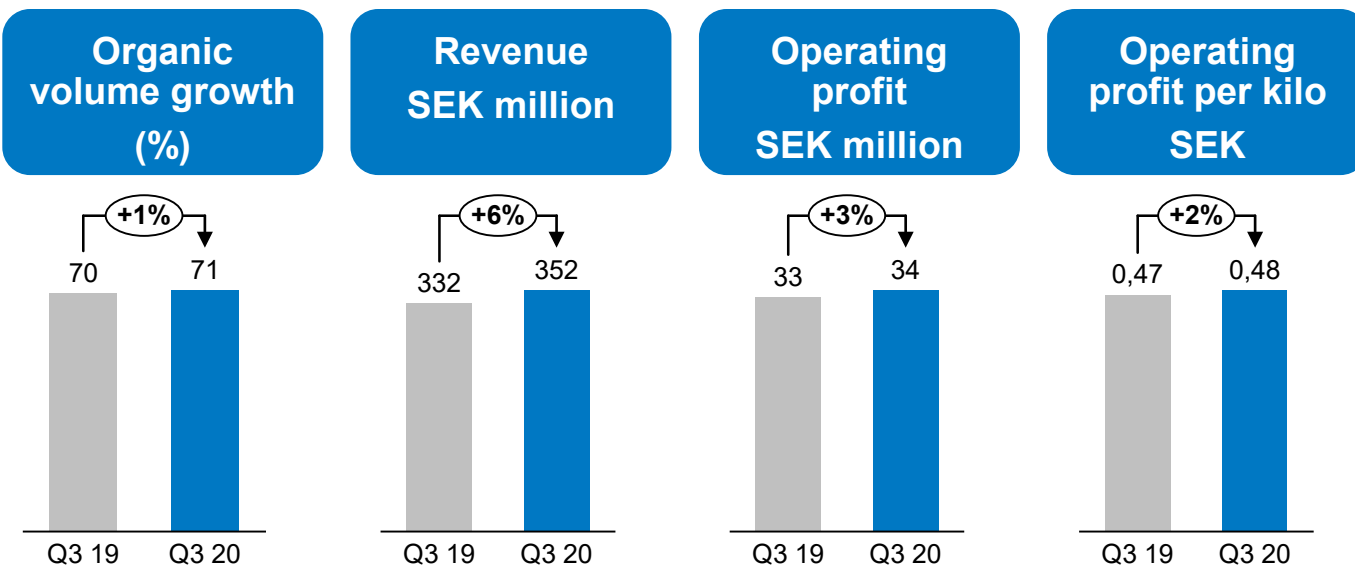
## Business area development

- The global chocolate and confectionery market recovered well following a second quarter severely impacted by the Covid-19 pandemic
- Strong demand for our speciality and high-end semi-speciality solutions
- The growth in operating profit was driven by a favorable product mix, cost reduction measures initiated in the second quarter, implemented supply chain improvements and increased production capacity in Aarhus, Denmark, and the better-yielding shea kernels from the harvest last year

\*All figures are excluding items affecting comparability

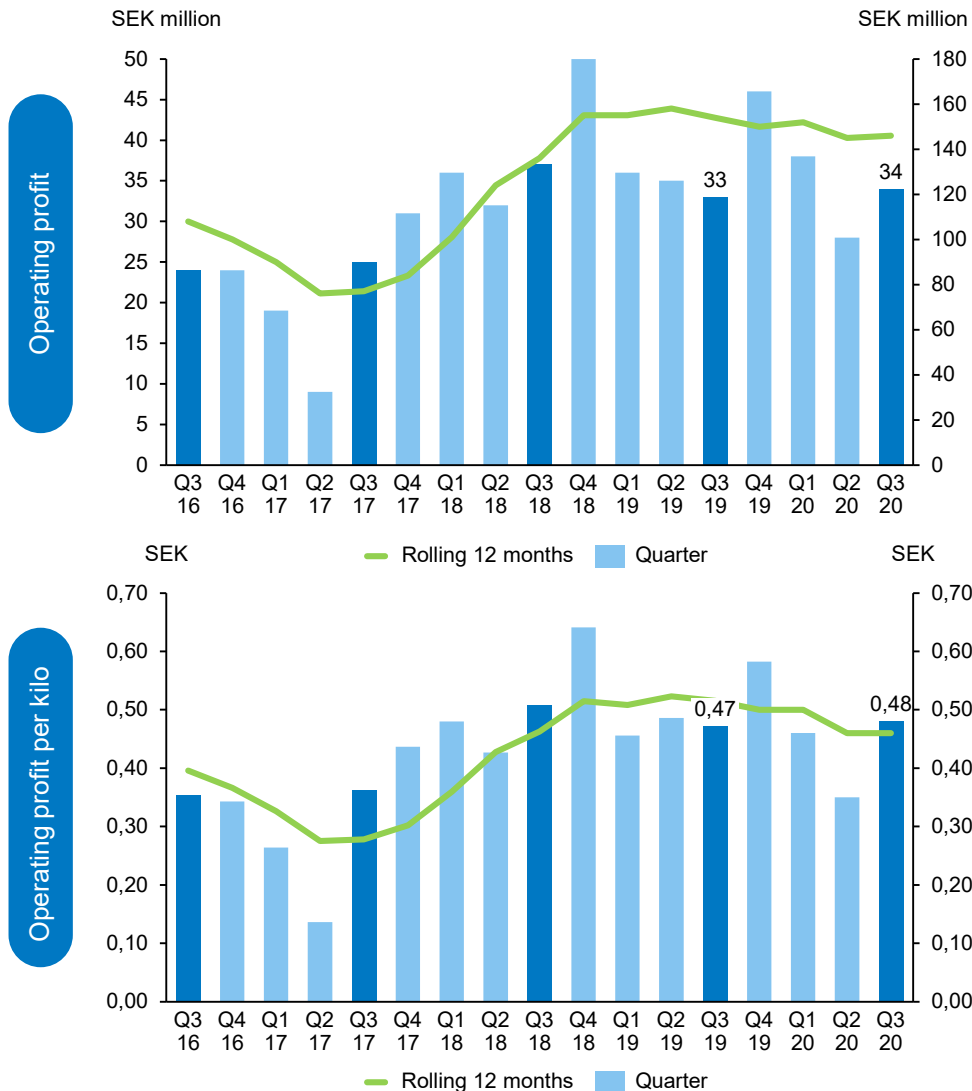


# Technical Products & Feed\*



## Business area development

- The Feed business continued to grow while volume growth within our fatty acids business was negative due to a lower demand for technical solutions
- Operating profit mainly driven by strong performances in our feed business and crushing operations



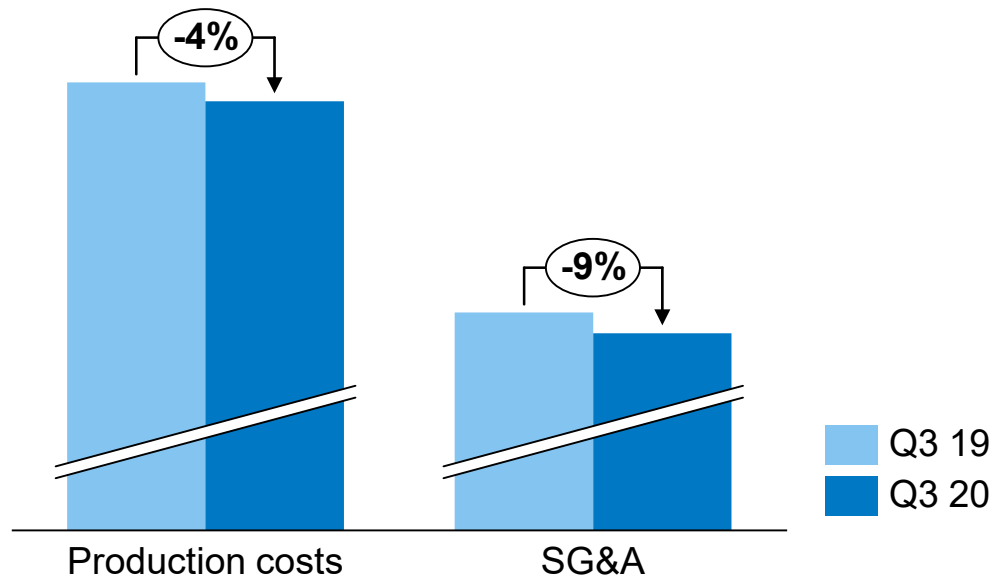
\*All figures are excluding items affecting comparability



# Both short-term and long-term cost saving measures resulted in lower cost levels

- ◆ Direct production costs savings mainly on utilities and processing aids
- ◆ SG&A includes e.g. travel savings that will, to varying degrees, bounce back in normal operations
- ◆ Normal inflation is absorbed

## Q3 year-over-year cost savings per function at fixed FX

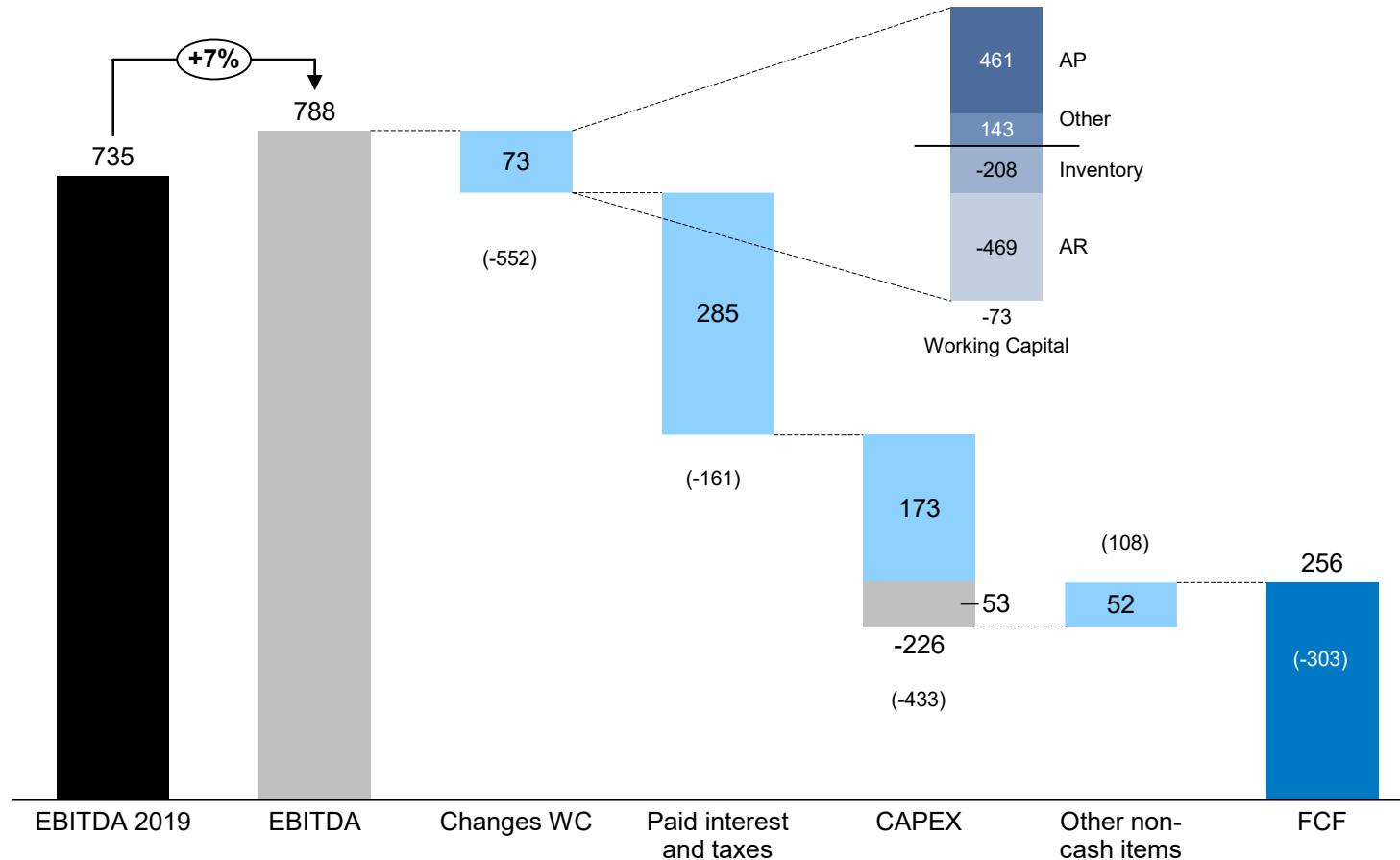


## Comments

- ◆ Short-term savings
  - ◆ Travel, trade shows, etc.
  - ◆ Variable production costs
  - ◆ Headcount reductions
- ◆ Long-term savings
  - ◆ Initiated procurement savings
  - ◆ Headcount reductions

# Q3 cash flow reflects improvements in sales and inventory seasonality

## Cash flow Q3 2020



(LY)

## Comments

- Accounts receivables have increased and impacted cash flow negatively due to:
- The sequential improvement in sales
- Sales of more speciality solutions to customers with longer payment terms
- Inventory has increased due to normal seasonality
- The increased inventory has been offset by reduced accounts payables

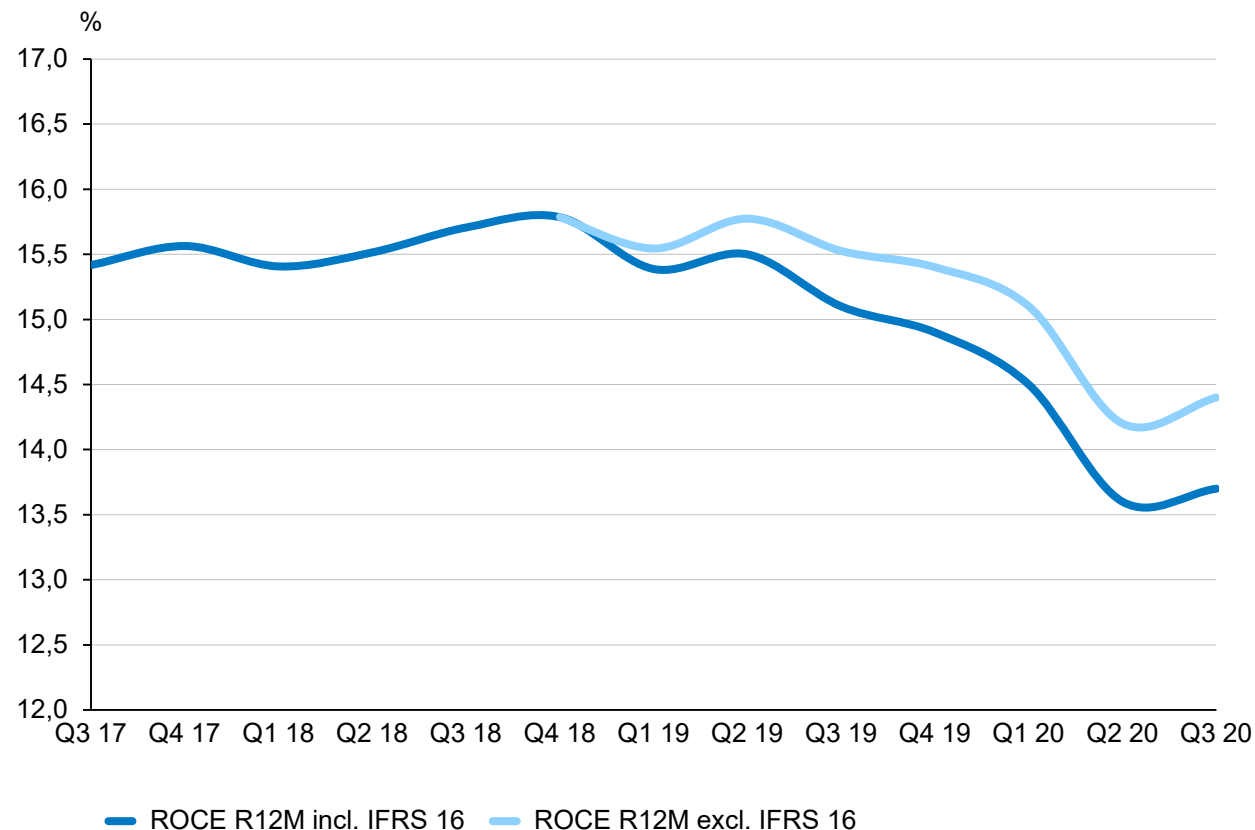
# Return on Capital Employed (ROCE)

- 💧 We target a gradual and continuous improvement

**ROCE end Q3 2020\***  
**13.7%**

**EBIT LTM**  
**SEK 2,121**  
**million**

**Capital**  
**employed\***  
**SEK 15,511**  
**million**

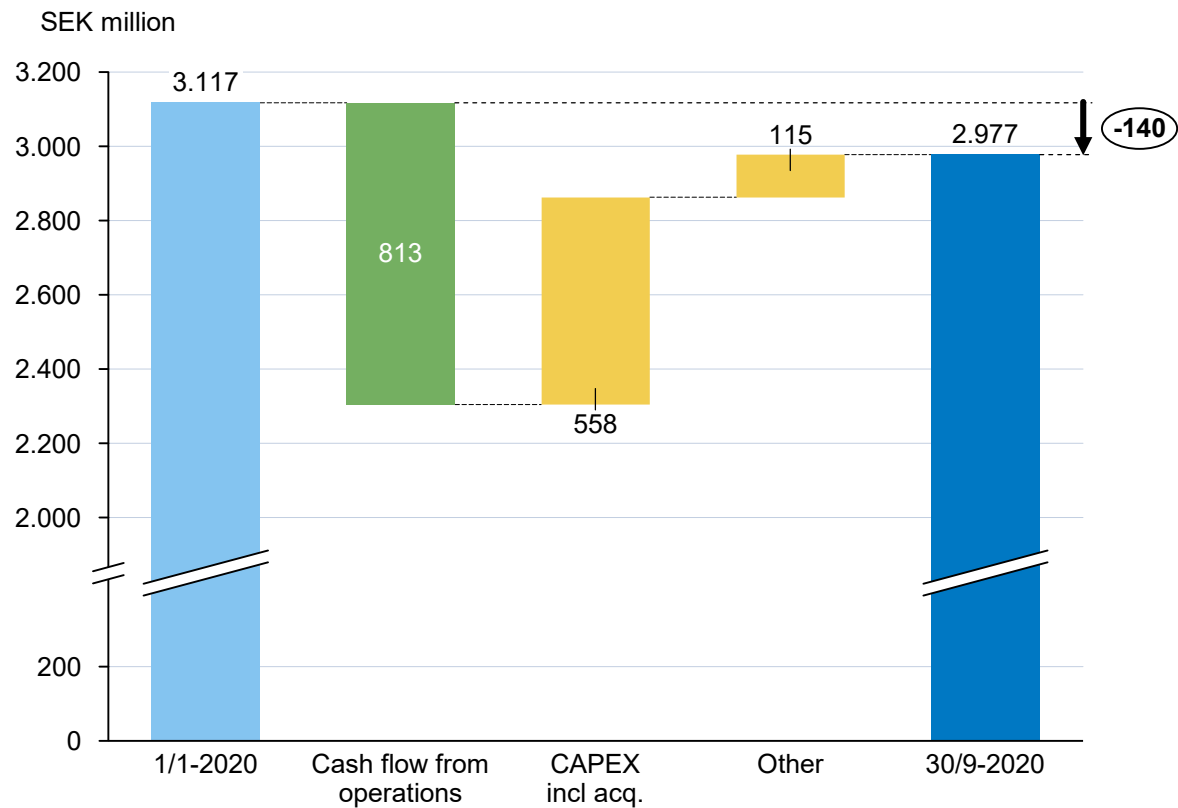


\* ROCE: Return on Capital Employed calculated on rolling 12 months

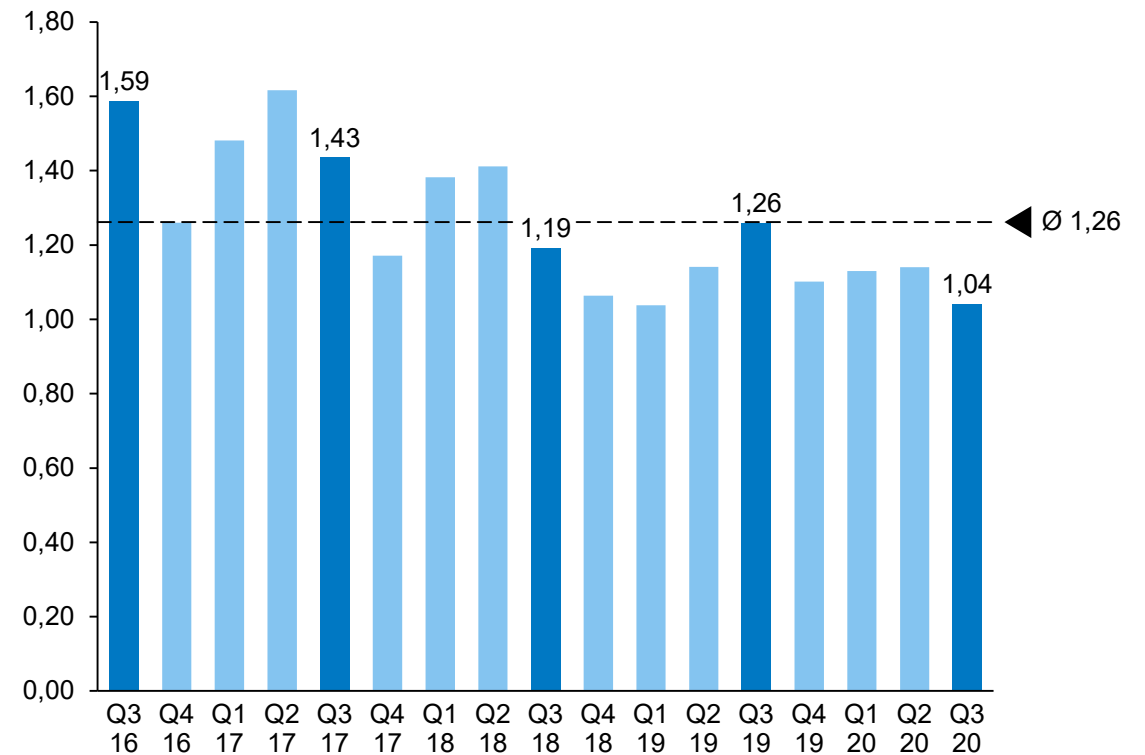
# Net debt

Low net debt/EBITDA provides solid foundation

## Net debt year-to-date



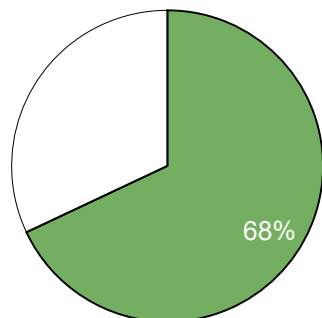
## Net debt/EBITDA



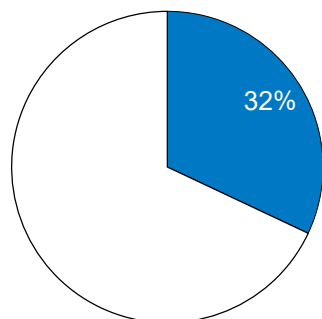


# Loan and duration profile

## Long term



## Short term



	SEK million	Duration
Mortgage	537	12 years
MTN bond	500	5 years
MTN bond	500	5 years
MTN bond	1,100	2 years

	SEK million	Duration
Bilateral	8	1 months
Clubloan	763	9 months
Bank loans	450	6 months

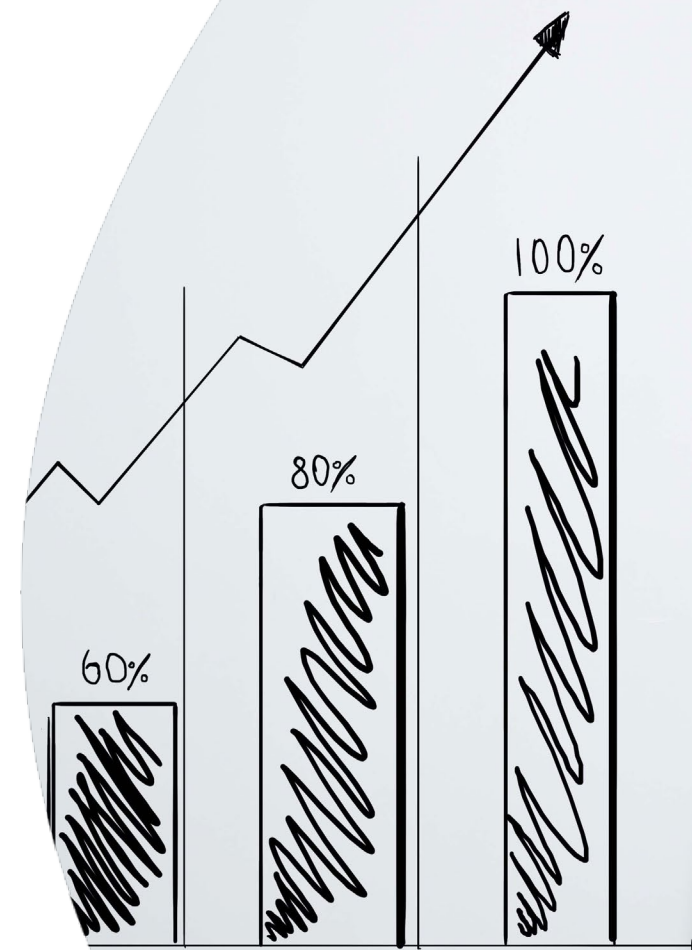
<b>Total loans financial institutes</b>	<b>3,857</b>	
Cash	1,143	
<b>Net debt excl. pension provisions</b>	<b>2,977</b>	
<b>Committed credit facilities</b>	<b>6,891</b>	



## FX exposure – negative translation impact in the quarter

Based on current FX rates we expect further negative impact in the fourth quarter

	Average rate full- year 2019	Average rate YTD 2020	Movement vs SEK	Spot rate Sep 2020
USD	9.43	9.34	➡	8.93
EUR	10.56	10.55	➡	10.51
GBP	12.06	11.99	➡	11.58
MXN	0.49	0.43	➡	0.40





## Global uncertainty and volatility remain high



## 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 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



# Q&A

# Financial calendar



## Financial calendar 2020–2021

November 17, 2020	Virtual Capital Market Day
January 28, 2021	Interim report fourth quarter and year-end report
April 23, 2021	Interim report first quarter 2021

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can be found at [aak.com/investors](http://aak.com/investors)**







Q3 presentation

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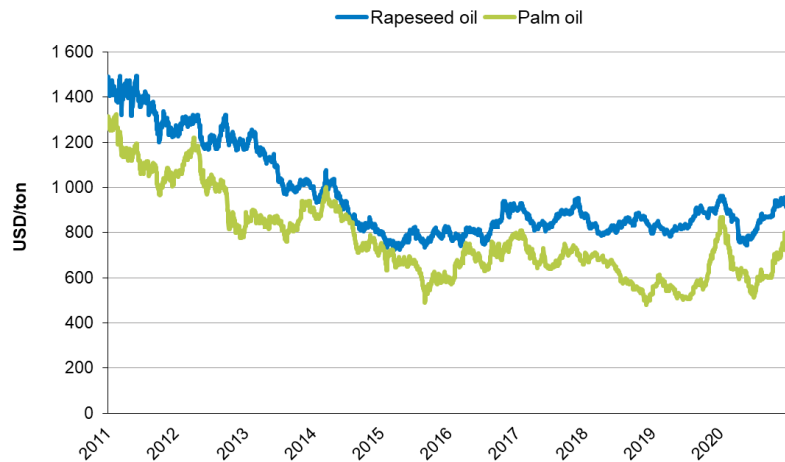
## Supplementary information

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# Raw material prices

Rapeseed oil and palm oil



Cocoa butter



## 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 time lag of 6–9 months



# Condensed income statement

SEK million	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Net sales	7,064	7,153	20,636	21,130	28,51
Other operating income	28	55	302	132	193
<b>Total operating income</b>	<b>7,092</b>	<b>7,208</b>	<b>20,938</b>	<b>21,262</b>	<b>28,703</b>
Raw materials and supplies	-5,063	-5,194	-15,170	-15,394	-20,743
Other external expenses	-662	-658	-1,805	-1,982	-2,685
Cost for remuneration to employees	-577	-620	-1,785	-1,787	-2,423
Depreciation, amortization and impairment losses	-186	-172	-574	-508	-687
Other operating expenses	-2	-1	-44	-10	-23
<b>Total operating expenses</b>	<b>-6,490</b>	<b>-6,645</b>	<b>-19,378</b>	<b>-19,681</b>	<b>-26,561</b>
<b>Operating profit (EBIT)</b>	<b>602</b>	<b>563</b>	<b>1,560</b>	<b>1,581</b>	<b>2,142</b>
Interest income	1	3	5	7	10
Interest expense	-27	-36	-88	-103	-133
Other financial items	0	-1	-13	-1	-8
<b>Total financial net</b>	<b>-26</b>	<b>-34</b>	<b>-96</b>	<b>-97</b>	<b>-131</b>
<b>Profit before tax</b>	<b>576</b>	<b>529</b>	<b>1,464</b>	<b>1,484</b>	<b>2,011</b>
Income tax	-140	-131	-322	-372	-498
<b>Profit for the period</b>	<b>436</b>	<b>398</b>	<b>1,142</b>	<b>1,112</b>	<b>1,513</b>
Attributable to non-controlling interests	7	10	10	20	26
Attributable to the Parent company's shareholders	429	388	1,132	1,092	1,487

# Condensed balance sheet

SEK million	30.09.2020	30.09.2019	31.12.2019
<b>Total non-current assets</b>	<b>9,269</b>	<b>9,462</b>	<b>9,456</b>
Inventory	6,257	5,624	6,681
Accounts receivables	3,699	3,903	3,529
Current receivables	1,777	1,797	2,271
Cash and cash equivalents	1,143	731	982
<b>Total current assets</b>	<b>12,876</b>	<b>12,055</b>	<b>13,463</b>
<b>Total assets</b>	<b>22,145</b>	<b>21,517</b>	<b>22,919</b>
<b>Total equity including non-controlling interests</b>	<b>10,519</b>	<b>10,381</b>	<b>10,421</b>
Liabilities to banks and credit institutions	3,214	3,042	2,987
Pension liabilities	263	291	241
Lease liabilities	676	690	675
Deferred tax liabilities	448	498	511
Non-interest-bearing liabilities	662	574	525
<b>Total non-current liabilities</b>	<b>5,263</b>	<b>5,095</b>	<b>4,939</b>
Liabilities to banks and credit institutions	635	842	870
Lease liabilities	118	102	110
Accounts payables	3,056	2,865	3,354
Other current liabilities	2,554	2,232	3,225
<b>Total current liabilities</b>	<b>6,363</b>	<b>6,041</b>	<b>7,559</b>
<b>Total equity and liabilities</b>	<b>22,145</b>	<b>21,517</b>	<b>22,919</b>

No changes have arisen in contingent liabilities



# KPI sheet

SEK million (unless otherwise stated)	Q3 2020	Q3 2019	Δ %	Q1-Q3 2020	Q1-Q3 2019	Δ %	Full year 2019
<b>Income statement</b>							
Volumes, '000 MT	565	571	-1	1,615	1,708	-5	2,29
Operating profit	602	563	7	1,560	1,581	-1	2,142
Operating profit excluding items affecting comparability and acquisition costs	602	569	6	1,558	1,596	-2	2,157
Profit for the period	436	398	10	1,142	1,112	3	1,513
<b>Financial position</b>							
Total assets	22,145	21,517	3	22,145	21,517	3	22,919
Equity	10,519	10,381	1	10,519	10,381	1	10,421
Net working capital	6,134	6,240	-2	6,134	6,240	-2	5,908
Net debt	2,977	3,453	-14	2,977	3,453	-14	3,117
<b>Cash flow</b>							
EBITDA	788	735	7	2,134	2,089	2	2,829
Cash flow from operating activities	480	130	-	813	932	-	1,558
Cash flow from investing activities	-226	-433	-	-558	-1,009	-	-1,335
Free cash flow	254	-303	-	255	-77	-	223
<b>Share data</b>							
Number of shares, thousand	254,391	253,731	0	254,391	253,731	0	253,731
Earnings per share, SEK*	1.69	1.53	10	4.46	4.30	4	5.86
Earnings per share incl. dilution, SEK**	1.68	1.52	11	4.45	4.29	4	5.84
Earnings per share incl. full dilution, SEK***	1.65	1.50	10	4.36	4.21	4	5.74
Equity per share, SEK	41.10	40.55	1	41.10	40.55	1	40.74
Market value on closing date, SEK	167.15	190.85	-12	167.15	190.85	-12	178.00
<b>Other key ratios</b>							
Volume growth, percent	-1	1	-	-5	3	-	2
Operating profit per kilo, SEK	1.07	0.99	8	0.97	0.93	4	0.94
Operating profit per kilo excluding items affecting comparability and acquisition costs, SEK	1.07	1.00	7	0.96	0.93	3	0.94
Return on Capital Employed (R12 months), percent	13.7	15.1	-9	13.7	15.1	-9	14.9
Net debt / EBITDA, multiple	1.04	1.26	-17	1.04	1.26	-17	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.