



AAK
J. Peeters

Interim report

Fourth quarter and
year-end report 2019

AAK

Financial highlights

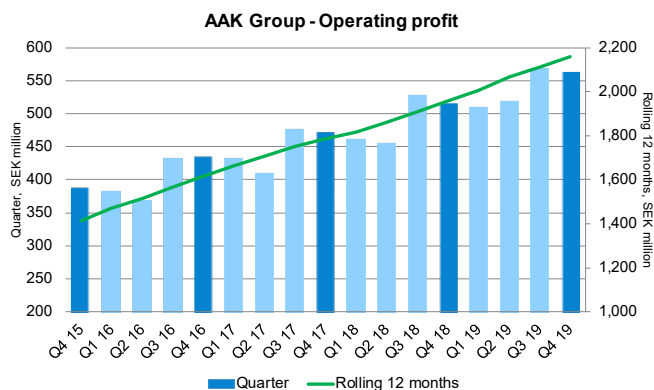
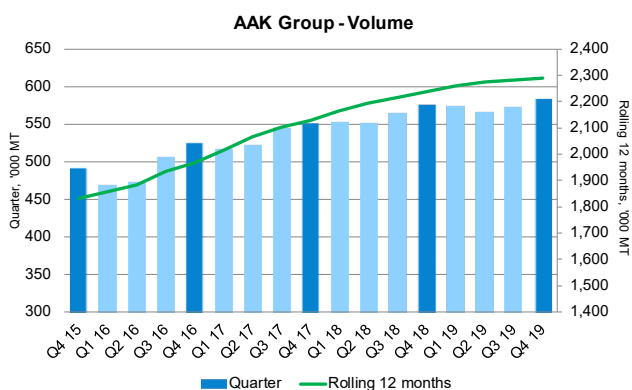
Q4 2019

- Total volumes for the quarter amounted to 582,000 MT (574,000), organic growth of 1 percent (4).
- Operating profit, including a positive currency translation impact of SEK 12 million, reached SEK 562 million (516), an improvement of 9 percent. Operating profit per kilo improved by 8 percent to SEK 0.97 (0.90).
- Net result amounted to SEK 401 million (354), an improvement of 13 percent.
- Earnings per share increased by 12 percent, to SEK 1.56 (1.39).
- Cash flow from operating activities amounted to SEK 626 million (566).
- Return on Capital Employed (ROCE), R12M, was 14.9 percent (15.8 at December 31, 2018).

Q1–Q4 2019

- Total volumes amounted to 2,290,000 MT (2,239,000), organic growth of 2 percent (5).
- Operating profit, including a positive currency translation impact of SEK 75 million and acquisition costs of SEK 15 million, reached SEK 2,142 million (1,956), an improvement of 10 percent. Operating profit per kilo improved by 8 percent to SEK 0.94 (0.87).
- Net result amounted to SEK 1,513 million (1,340), an improvement of 13 percent.
- Earnings per share increased by 12 percent, to SEK 5.86 (5.21).
- Cash flow from operating activities amounted to SEK 1,558 million (1,090).
- Return on Capital Employed (ROCE), R12M, was 14.9 percent (15.8 at December 31, 2018).
- The Board of Directors proposes a dividend of SEK 2.10 (1.85), an increase of 14 percent.

	Q4 2019	Q4 2018	Δ %	Full year 2019	Full year 2018	Δ %
Volumes, '000 MT	582	574	+1	2,290	2,239	+2
Operating profit, SEK million	562	516	+9	2,142	1,956	+10
Operating profit excl. acquisition costs, SEK million	562	516	+9	2,157	1,956	+10
Operating profit per kilo, SEK	0.97	0.90	+8	0.94	0.87	+8
Operating profit per kilo excl. acquisition costs, SEK	0.97	0.90	+8	0.94	0.87	+8
Net result, SEK million	401	354	+13	1,513	1,340	+13
Earnings per share, SEK	1.56	1.39	+12	5.86	5.21	+12
Return on Capital Employed (R12M), percent	14.9	15.8	-6	14.9	15.8	-6



Continued profit growth and new strategic direction

Our profit growth continued in the fourth quarter with both Food Ingredients and Chocolate & Confectionery Fats reporting strong year-over-year improvement. We continue to improve our margin and our operating profit per kilo.

The organic volume growth was 1 percent (4), driven by Food Ingredients and Technical Products & Feed.

Operating profit amounted to SEK 562 million, an improvement of 9 percent compared to last year and an all-time high for a fourth quarter. Earnings per share increased by 12 percent compared to the fourth quarter 2018.

Food Ingredients continue to grow, improving its operating profit by 9 percent, primarily driven by our semi-speciality solutions in Dairy, Bakery and Foodservice. The performance within the Special Nutrition segment was mixed. Lower birth rates in China and destocking by some customers had a negative impact on Infant Nutrition sales in the fourth quarter while we saw continued growth for Medical Nutrition. Our business with solutions for plant-based foods generated strong volume and profit growth.

Chocolate & Confectionery Fats reported double-digit profit growth, driven by favorable spot business opportunities in the quarter as well as an improved product mix. We continue to see pressure from some customers to roll contracted volumes forward. Our investment projects to increase capacity and strengthen our supply chain have been completed according to plan. The sourcing season for new kernels in West Africa has been good and we have managed to build an adequate safety stock to secure future production needs. With new kernels at hand and additional capacity, we expect to reach normal cost levels within the business area by the middle of the first quarter 2020.

Within Technical Products & Feed, our crushing operation continued to perform well. Our fatty acids business and our feed business declined compared to the record-high fourth quarter of 2018. However, compared to any other fourth quarter, the performance was very strong.

New strategic direction

We have during the year reviewed our market and our capabilities to define AAK's strategic direction going forward. Building on a very strong historical performance, we will preserve the DNA of our company. Passion, drive and entrepreneurship that can be found in all corners of AAK, our unique co-development approach and customer centricity, and our determined focus on sustainability will remain key going forward.



The strategic direction will be focused on the opportunities within the specific industries we serve as well as sustainability, health and nutrition. We will step up our focus and investments within Plant-based Foods and develop a Health & Nutrition platform. For Special Nutrition and Chocolate & Confectionery Fats we will invest for continued growth while focusing on optimizing our performance within Bakery and Dairy.

2019 – continued double-digit profit growth

2019 has been a strong year for AAK. We have seen year-over-year growth in terms of volumes, operating profit, operating profit per kilo, and earnings per share. In addition, we have made three strategic acquisitions, increased our ownership in our joint venture AAK Kamani in India, and brought some key products to market, including AkoPlanet™ and COBAO™ Pure. The closing of 2019 also marks the end of The AAK Way, a company program that has resulted in many important achievements.

I'm very proud to be part of the AAK team, and the dedicated work I see wherever I go continues to impress me. AAK is truly made up by professional and passionate colleagues. I'm convinced that we have great opportunities for continued profitable and sustainable growth, organically as well as through acquisitions.

Concluding remarks

We are well positioned with our offer of plant-based, healthy, high value-adding oils and fats solutions, using our customer co-development approach. We continue to see favorable underlying trends in our markets and we remain prudently optimistic about the future.

Johan Westman
President and CEO

AAK Group, Q4 2019

Volumes

Volumes continued to grow, by 1 percent (4). Organic volume growth was 1 percent (4). Speciality and semi-speciality products grew organically by 2 percent (2).

Net sales

Sales amounted to SEK 7,380 million (6,992). There was an underlying growth in sales due to a positive currency translation impact of SEK 270 million and organic volume growth.

Operating profit

Operating profit reached SEK 562 million (516), an improvement of 9 percent compared to the corresponding quarter in 2018.

The currency translation impact was positive SEK 12 million of which SEK 14 million was related to Food Ingredients and negative SEK 2 million to Chocolate & Confectionery Fats. Operating profit at fixed foreign exchange rates and excluding acquisition costs improved by 7 percent.

Operating profit per kilo reached SEK 0.97 (0.90), an increase of 8 percent. The currency translation impact was SEK 0.02. At fixed foreign exchange rates, operating profit per kilo increased by 6 percent.

Net financial cost

Net financial cost decreased, amounting to SEK 34 million (35). Interest expenses for bank financing have decreased. However, the new accounting standard for leases, IFRS 16, has resulted in additional interest expenses of SEK 9 million compared to the corresponding quarter last year.

Tax costs

Reported tax costs corresponded to an average tax rate of 24 percent (26). A lower corporate tax rate in Sweden and India combined with further optimization of the capital structure in the Group have reduced the average tax rate.

Earnings per share

Earnings per share increased by 12 percent, to SEK 1.56 (1.39), due to increased operating profit combined with lower tax costs.

Cash flow and investments

Operating cash flow including changes in working capital amounted to SEK 626 million (566). Cash flow from working capital was negative, amounting to SEK 176 million (positive 60). There was a strong positive cash flow from accounts receivables and accounts payables in the quarter. However, strategic purchases of key raw materials to Chocolate & Confectionery Fats had a significant negative impact on the cash flow.

We have during the fourth quarter seen a sharp increase in raw material prices, particularly for palm. This will have an impact on our cash flow and working capital during 2020.

Cash outflow from investment activities amounted to SEK 326 million (260), whereof SEK 47 million was related to acquisitions. Capital expenditure was mainly related to regular maintenance investments and capacity increases.

Return on Capital Employed (ROCE)

Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 14.9 percent (15.8 at December 31, 2018). ROCE was negatively impacted by 0.5 percent due to the new accounting standard for leases, IFRS 16. ROCE for the fourth quarter was 13.9 percent (15.5 percent for the corresponding quarter 2018). The additional purchase of strategic raw materials has impacted ROCE negatively.

Financial position

The equity/assets ratio amounted to 45 percent (50 percent at December 31, 2018). Net debt at December 31, 2019 amounted to SEK 3,117 million (SEK 2,667 million at December 31, 2018). At December 31, 2019 the Group had total committed credit facilities of SEK 7,081 million (6,339 as of December 31, 2018), with SEK 5,728 million of unused facilities.

During the fourth quarter, a senior unsecured bond for a total of SEK 500 million with a tenor of five years was issued. The bond carries a floating interest rate of three months STIBOR plus 97 basis points. An MTN program (Medium Term Note) was established in November 2018 with a framework amount of SEK 4,000 million.

Acquisitions

During the fourth quarter, AAK further strengthened its position in the Indian market by acquiring an additional 5 percent of the shares of AAK Kamani. AAK now owns 69 percent of AAK Kamani. The remaining 31 percent of the shares is owned by AAK Kamani's CEO Prakash Chawla and his family. The transaction had no significant impact on AAK's earnings.

Changes in the Executive Committee

Torben Friis Lange, President Asia and Global Sourcing & Trading, has decided to pursue new opportunities outside of AAK. Tim Stephenson, Director, Finance and Global Trading, will take over the responsibility as President Global Sourcing & Trading. The process to find Torben's successor as President Asia is ongoing.

Employees

The average number of employees at December 31, 2019 was 3,884 (3,609 at December 31, 2018).

Selected key events



A Customer Innovation Center has been opened at AAK's production facility in Richmond, California, USA.

In mid-November, AAK opened yet another Customer Innovation Center, this time at the premises of our production facility in Richmond, California, USA. The center, where we will develop new solutions together with our customers using our unique Customer Co-Development approach, features three innovation labs – Bakery, Personal Care, and Dairy, with a heavy focus on plant-based foods. The Customer Innovation Center is strategically located where some of the most innovative US companies reside, most notably the up-and-coming plant-based companies.

On November 20, AAK hosted its annual Capital Market Day for analysts, investors and media representatives. The event, held in Aarhus, Denmark, included a presentation by President and CEO Johan Westman, focusing on AAK's new strategic direction. The company's current performance, business development, and progress within the sustainability area were also presented. A more in-depth look at AAK's sourcing and trading activities in West Africa, the company's solutions for plant-based products, and lecithin, the latest addition to AAK's ingredient portfolio, were also presented. All presentations can be accessed at www.aak.com.



AAK's exhibition booth at Food ingredients Europe 2019.

In early December, AAK participated at Food ingredients Europe (FiE), the largest trade show in Europe for stakeholders in the food ingredients industry. This year, FiE was held in Paris, France with some 25,000 visitors attending. At the event, we presented solutions from all our segments, including plant-based foods and lecithin, our latest portfolio addition.

Food Ingredients, Q4 2019

Operating profit
+9%

Operating profit
per kilo
+7%

	Q4 2019	Q4 2018	Δ %	Full year 2019	Full year 2018	Δ %
Volumes, '000 MT	387	380	+2	1,531	1,508	+2
Net sales, SEK million	4,780	4,643	+3	18,978	18,468	+3
Operating profit, SEK million	349	321	+9	1,366	1,205	+13
Operating profit per kilo, SEK	0.90	0.84	+7	0.89	0.80	+11

Volumes

Food Ingredients reported volume growth of 2 percent (1) with an increased proportion of customer co-developed solutions.

Bakery continued its positive trend towards an improved product mix with more tailor-made solutions. The US, North Latin America and Asia had good volume growth while other regions reported limited or slightly negative volume growth. Dairy reported a strong quarter with double-digit volume growth, mainly driven by Europe and North Latin America.

Our business with solutions for plant-based foods generated strong volume and profit growth. Just like between the second and the third quarter, our pipeline of customer co-development projects doubled between the third and the fourth quarter. Europe and the US have so far been the main contributors to the growth but other regions are quickly following.

The performance of Special Nutrition was mixed. Lower birth rates in China and destocking by some global customers continued to negatively impact Infant Nutrition while we saw a double-digit growth rate for volumes to local customers in China. There was strong growth for Infant Nutrition in India and the US in the quarter. Medical Nutrition reported continued growth and the trend for Senior Nutrition continued to be positive.

Foodservice reported slightly negative volume growth but the dedicated work to increase the amount of customer co-developed solutions has resulted in improved profitability.

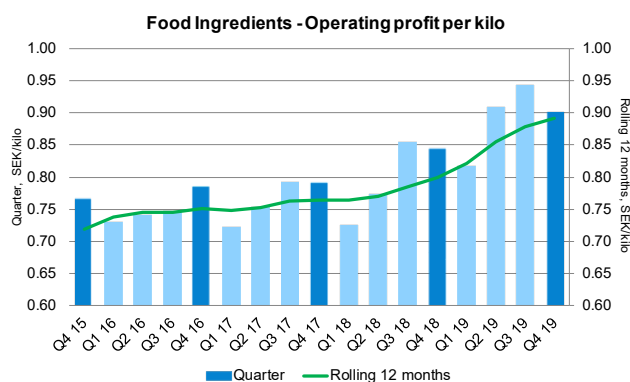
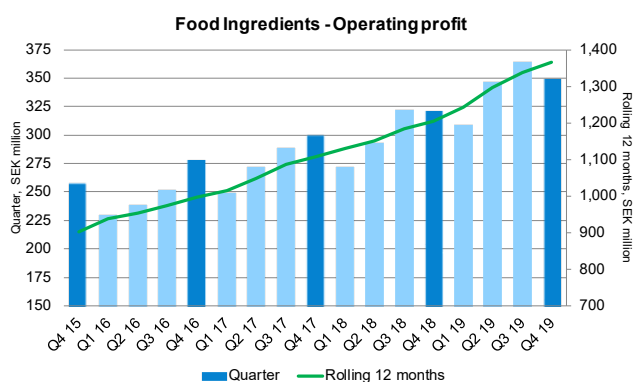
Net sales

Sales amounted to SEK 4,780 million (4,643). There was an underlying growth in sales due to a positive currency translation impact of SEK 195 million and the modest organic volume growth. This was partly offset by lower raw material prices.

Operating profit

Operating profit improved by 9 percent to SEK 349 million (321). This was driven by a higher proportion of customer co-developed solutions. The currency translation impact was positive SEK 14 million. At fixed foreign exchange rates operating profit increased by 4 percent.

Operating profit per kilo for Food Ingredients improved by 7 percent and reached SEK 0.90 (0.84). The currency translation impact was SEK 0.04. At fixed foreign exchange rates operating profit per kilo improved by 4 percent.





Chocolate & Confectionery Fats, Q4 2019

Operating profit
+13%

Operating profit
per kilo
+13%

	Q4 2019	Q4 2018	Δ %	Full year 2019	Full year 2018	Δ %
Volumes, '000 MT	116	116	+0	459	430	+7
Net sales, SEK million	2,222	1,962	+13	8,076	7,611	+6
Operating profit, SEK million	205	182	+13	794	747	+6
Operating profit per kilo, SEK	1.77	1.57	+13	1.73	1.74	-1

Volumes

Volume growth for Chocolate & Confectionery Fats was flat (positive 15). The picture was mixed with growth for our filling fats and spreads while our low-end semi-speciality products declined. Last year, there was an exceptionally strong volume growth for our low-end semi-speciality products. We continue to see pressure from some customers to roll contracted volumes forward.

The long-term market trend looks promising. According to market research by Euromonitor, there is an expected global market CAGR (Compound Annual Growth Rate) of 4–5 percent for the coming years.

Net sales

Net sales amounted to SEK 2,222 million (1,962), an increase by SEK 260 million. This was due to a positive currency translation impact of SEK 75 million and an improved product mix.

Operating profit

Operating profit reached SEK 205 million (182), an increase by 13 percent. The currency translation impact was negative SEK 2 million. At fixed foreign exchange rates operating profit increased by 14 percent. The strong profit growth was driven by favorable spot

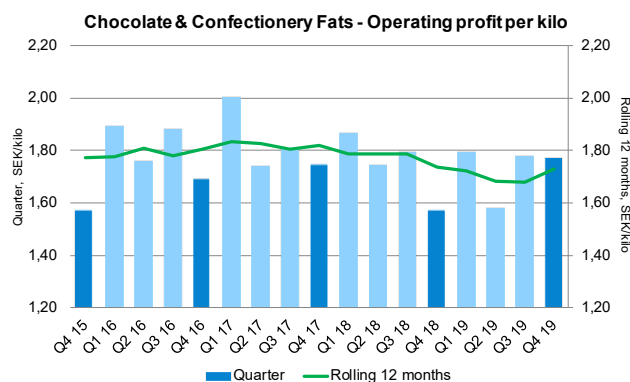
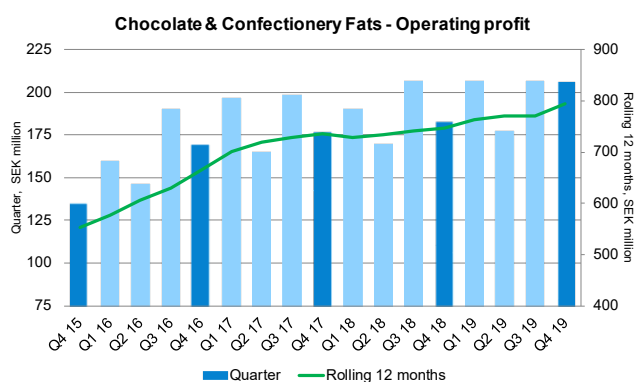
business opportunities in the quarter as well as an improved product mix.

During the quarter, we have continued to use low-yielding shea kernels and our current cost base remains higher when compared to using normal-yielding shea kernels. Our investment projects to increase capacity and strengthen our supply chain have been completed according to plan.

The sourcing season for new kernels in West Africa has been good and we have managed to build an adequate safety stock to secure future production needs. With new kernels at hand and additional capacity, we expect to reach normal cost levels within the business area by the middle of the first quarter 2020.

There is a planned extended maintenance stop scheduled for our production plant in Aarhus, Denmark during the first quarter of 2020.

Operating profit per kilo reached SEK 1.77 (1.57), an increase of 13 percent. The currency translation impact was negative SEK 0.02. At fixed foreign exchange rates operating profit per kilo increased by 13 percent. The increase in operating profit per kilo was due to favorable spot business opportunities in the quarter as well as an improved product mix.





Technical Products & Feed, Q4 2019

Operating profit

-8%

Operating profit

per kilo

-9%

	Q4 2019	Q4 2018	Δ %	Full year 2019	Full year 2018	Δ %
Volumes, '000 MT	79	78	+1	300	301	-0
Net sales, SEK million	378	387	-2	1,456	1,513	-4
Operating profit, SEK million	46	50	-8	150	155	-3
Operating profit per kilo, SEK	0.58	0.64	-9	0.50	0.51	-2

Volumes

Volumes increased by 1 percent (10) compared to the corresponding quarter in 2018.

Net sales

Net sales for the business area decreased by SEK 9 million due to lower raw material prices.

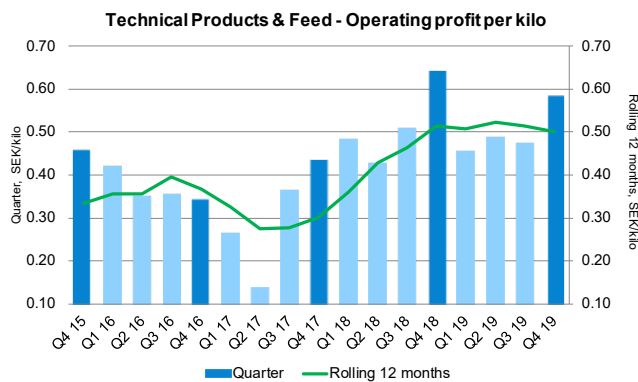
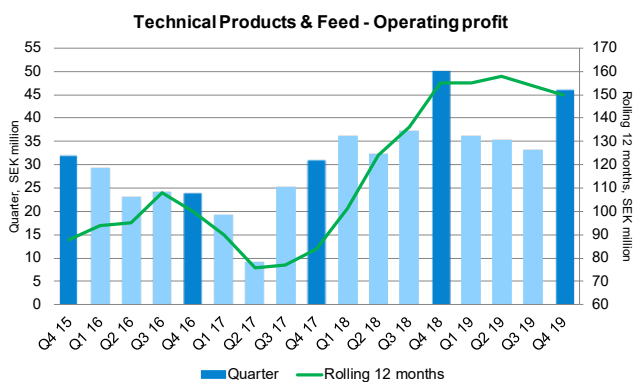
Operating profit

Operating profit reached SEK 46 million (50). Compared to the record-high fourth quarter in 2018, both our fatty acids business and our feed business

declined. However, our crushing operation continued to perform well.

Compared to historical performances, we continue to operate on a significantly higher operating profit level due to a successful implementation of our customer co-development approach within the business area.

Technical Products & Feed reported an operating profit per kilo of SEK 0.58 (0.64).



The AAK Group, full year 2019

Volumes

Total volumes were up by 2 percent (5). Organic volume growth was 2 percent (5).

Net sales

Sales amounted to SEK 28,510 million (27,592). There was an underlying growth in sales due to organic volume growth, a greater proportion of speciality solutions, and a positive currency translation impact of SEK 968 million. This was partly offset by lower raw material prices.

Operating profit

Operating profit reached SEK 2,142 million (1,956), an improvement of 10 percent. Excluding acquisition costs of SEK 15 million, operating profit improved by 10 percent.

The currency translation impact was positive SEK 75 million of which SEK 55 million was related to Food Ingredients, SEK 21 million to Chocolate & Confectionery Fats while Group Functions was negative SEK 1 million. Operating profit at fixed foreign exchange rates and excluding acquisition costs improved by 6 percent.

Operating profit per kilo reached SEK 0.94 (0.87), an increase of 8 percent. Excluding acquisition costs, operating profit per kilo improved by 8 percent. The currency translation impact was SEK 0.03. At fixed foreign exchange rates and excluding acquisition costs, operating profit per kilo increased by 5 percent.

Net financial cost

Net financial cost increased, amounting to SEK 131 million (127). Interest expenses for bank financing decreased but the new accounting standard for leases, IFRS 16, has resulted in additional interest expenses of SEK 35 million compared to the corresponding period last year.

Tax costs

Reported tax costs correspond to an average tax rate of 25 percent (27). A lower corporate tax rate in Sweden and India combined with further optimization of capital structure in the Group have reduced the average tax rate.

Earnings per share

Earnings per share increased by 12 percent, to SEK 5.86 (5.21), due to increased operating profit combined with lower tax costs.

Cash flow and investments

Operating cash flow including changes in working capital amounted to SEK 1,558 million (1,090). Cash flow from working capital was negative, amounting to

SEK 896 million (negative 555). Strategic purchases of key raw materials to Chocolate & Confectionery Fats impacted cash flow from inventory negatively. Accounts payables have during the latter part of 2019 showed positive cash flow and have, combined with lower raw material prices, to a small degree offset the increased inventory.

Cash outflow from investment activities amounted to SEK 1,335 million (723), whereof SEK 535 million (0) was related to acquisitions.

Acquisitions

During the first quarter, AAK announced its acquisition of Dutch company MaasRefinery B.V. and British foodservice company BD Foods Ltd. MaasRefinery had revenues of SEK 50 million in 2018 and BD Foods' revenues for the same year amounted to SEK 120 million. Neither of the transactions had a significant impact on AAK's earnings.

The fair value of the assets and liabilities in the acquired companies resulted in moderate goodwill. Acquisition-related costs of SEK 9 million were charged to Group Functions during the first quarter.

During the second quarter, AAK further strengthened its position in the strategic and fast-growing Indian market by acquiring an additional 13 percent of the shares of AAK Kamani, and during the fourth quarter, AAK acquired another 5 percent. AAK now owns 69 percent of AAK Kamani. The remaining 31 percent of the shares is owned by AAK Kamani's CEO Prakash Chawla and his family. The transactions had no significant impact on AAK's earnings.

During the third quarter, AAK acquired 80 percent of Soya International (Europe) Ltd. The UK-based company focuses on the sourcing, processing and distribution of non-GMO semi-speciality and speciality lecithins. Soya International has a third-party processing facility in the Netherlands and holds well-established relationships with customers and distributors in 40 markets globally. Last year, the company had revenues of approximately SEK 150 million.

There is a put/call option under which AAK could acquire the remaining 20 percent of the company within the next 2–5 years. The transaction had no significant impact on AAK's earnings. Acquisition-related costs of SEK 6 million were charged to Group Functions during the third quarter.

General information

Related parties

No significant changes have taken place in relations or transactions with related parties since 2018.

Risks and uncertainty factors

AAK is a global company represented in many countries and as such is exposed to a number of commercial and financial risks. Accordingly, risk management is an important process for AAK in its work to achieve established targets.

Efficient risk management is an ongoing process conducted within the framework of business control, and is part of the ongoing review and forward-looking assessment of operations.

AAK's long-term risk exposure is assumed not to deviate from the inherent exposure associated with AAK's ongoing business operations.

For a more in-depth analysis of risks, please refer to AAK's Annual Report.

Accounting policies in 2019

This interim report is prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. For information regarding the accounting policies applied, please see our Annual Report.

IFRS 16 replaced IAS 17 as of January 1, 2019. According to the new standard, almost all leases are recognized on the balance sheet as a right-of-use asset and a lease liability. In the income statement depreciation is recognized in operating income and interest expenses in net financial result. The Group is affected primarily by lease agreements of rental for premises and lease of vehicles.

The Group has adopted IFRS 16 using the modified retrospective approach with the cumulative effect initially recognized on January 1, 2019, which means the comparatives for 2018, in accordance with the standard, are not restated. The Group has adopted the majority of the practical expedients allowed for the first time that IFRS 16 is applied, the most significant being to account for leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases. The Group will also, after initial application, apply the practical expedients of accounting for leases with a lease term of 12 months or less and leases of low value as an expense on a straight-line basis in the income statement. The calculations of the transition effects have now been completed and the lease liability and right-of-use asset as at January 1, 2019 amounted to SEK 741 million. Equity was not affected in the transition to IFRS 16.

The lease liability as at December 31, 2019 is SEK 785 million and the right-of-use asset SEK 770 million. Year-to-date, the new standard has impacted Amortization

and impairment losses negatively by SEK 105 million and Other external expenses positively by SEK 122 million, with a net positive effect on EBIT of SEK 17 million. Interest expenses were impacted negatively by SEK 35 million. For further information about current lease agreements, see note 28 in the Annual Report.

Alternative Performance Measures (APMs)

AAK presents APMs to reflect underlying business performance and to enhance comparability from period to period. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS.

Definitions of Alternative Performance Measures can be found at www.aak.com under the Investor tab. For reconciliation of Alternative Performance Measures, see pages 21–22.

Definitions

For definitions, please see our Annual Report.

Annual General Meeting

The Annual General Meeting will be held on May 13, 2020 at 2 p.m. CET in Malmö, Sweden (Malmö Arena). The Annual Report for 2019 will be available at www.aak.com from April 16, 2020 and is expected to be distributed to shareholders during the week starting with April 27, 2020. The report will at that time also be available at AAK's headquarters.

Shareholders who wish to participate at the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB on May 7, 2020. To be eligible to participate in the Annual General Meeting, shareholders with nominee-registered holdings should temporarily re-register their shares in their own names through the agency of their nominees so that they are recorded in the share register in good time before May 7, 2020. Notification of attendance should be made to AAK's head office no later than 4 p.m. CET on May 7, 2020.

Nomination Committee

At the Annual General Meeting 2019, Märta Schörling Andreen (Melker Schörling AB), Henrik Didner (Didner & Gerge Fonder), Leif Törnvall (Alecta) and Åsa Nisell (Swedbank Robur fonder) were elected members of the Nomination Committee in respect of the Annual General Meeting 2020. Märta Schörling Andreen was elected chairman of the Nomination Committee.

Proposed dividend

The Board of Directors proposes that a dividend of SEK 2.10 (1.85) per share be paid for the financial year 2019. The proposed recording day for the dividend is May 15, 2020. It is expected that the dividend will reach the shareholders on May 20, 2020.

The Parent Company and Group Functions

The Parent Company is a holding company for the AAK Group. Its functions are primarily activities related to the development and administration of the Group.

The result for the Parent Company after financial items amounted to positive SEK 1,474 million (2,372).

Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets totalled a positive of SEK 77 million (1,710 as of December 31, 2018). Investments in intangible and tangible assets amounted to SEK 5 million (6).

The Parent Company's balance sheet and income statement are shown on pages 24–25.

Accounting policies

AAK AB (publ.) is the Parent Company of the AAK Group. The company has prepared its financial reports in accordance with the Annual Accounts Act and RFR 2 Reporting for legal entities.

Changes in the balance sheet

No major change in the parent company since year-end.

Malmö, January 30, 2020

Georg Brunstam
Chairman of the Board

Gun Nilsson
Board member

Bengt Baron
Board member

Märta Schörling Andreen
Board member

Patrik Andersson
Board member

Marianne Kirkegaard
Board member

Leif Håkansson
Trade union representative

Lena Nilsson
Trade union representative

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CFO

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The information is information that AAK AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:50 a.m. CET on January 30, 2020.

Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed interim financial information (interim report) of AAK AB (publ.) as of December 31, 2019 and the twelve-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not

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

Conclusion

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

Malmö, January 30, 2020

PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant

AAK Group

Condensed Income statement

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	7,380	6,992	28,510	27,592
Other operating income	61	68	193	180
Total operating income	7,441	7,060	28,703	27,772
Raw materials and supplies	-5,349	-5,205	-20,743	-20,723
Other external expenses*	-702	-631	-2,685	-2,462
Cost for remuneration to employees	-636	-568	-2,423	-2,073
Amortization and impairment losses*	-179	-138	-687	-552
Other operating expenses	-13	-2	-23	-6
Total operating costs	-6,879	-6,544	-26,561	-25,816
Operating profit (EBIT)	562	516	2,142	1,956
Interest income	3	1	10	6
Interest expense*	-30	-39	-133	-124
Other financial items	-7	3	-8	-9
Total financial net	-34	-35	-131	-127
Result before tax	528	481	2,011	1,829
Income tax*	-127	-127	-498	-489
Net result	401	354	1,513	1,340
Attributable to non-controlling interests	6	3	26	18
Attributable to the Parent company's shareholders	395	351	1,487	1,322

* Impact in the Income statement related to accounting standard IFRS 16 Leases

Other external expenses	34	-	122	-
Amortization and impairment losses	-30	-	-105	-
Interest expense	-9	-	-35	-
Income tax	1	-	4	-

Comprehensive income

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit for the period	401	354	1,513	1,340
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefit obligations	25	-9	-21	-28
	25	-9	-21	-28
Items that may subsequently be reclassified to profit or loss:				
Translation differences	-390	-170	402	362
Fair-value changes in cash flow hedges	5	-	-0	-
Tax related to fair-value changes in cash flow hedges	-1	-	0	-
	-386	-170	402	362
Total comprehensive income for the period	40	175	1,894	1,674
Attributable to non-controlling interests	3	5	26	18
Attributable to the Parent company's shareholders	37	170	1,868	1,656

Condensed balance sheet

SEK million	31.12.2019	31.12.2018
Assets		
Goodwill	2,114	1,666
Other intangible assets	363	333
Tangible assets	6,034	5,468
Right of use asset	770	-
Financial assets	31	30
Deferred tax assets	144	61
Total non-current assets	9,456	7,558
Inventory	6,681	4,705
Accounts receivables	3,529	3,441
Current receivables	2,271	1,594
Cash and cash equivalents	982	737
Total current assets	13,463	10,477
Total assets	22,919	18,035
Equity and liabilities		
Shareholders' equity	10,337	8,908
Non-controlling interests	84	88
Total equity including non-controlling interests	10,421	8,996
Liabilities to banks and credit institutions	2,987	2,551
Pension liabilities	241	206
Deferred tax liabilities	511	490
Lease liabilities	675	-
Non-interest-bearing liabilities	525	434
Total non-current liabilities	4,939	3,681
Liabilities to banks and credit institutions	870	661
Accounts payables	3,354	2,685
Lease liabilities	110	-
Other current liabilities	3,225	2,012
Total current liabilities	7,559	5,358
Total equity and liabilities	22,919	18,035

No changes have arisen in contingent liabilities.

Condensed change in equity

2019

SEK million	Shareholders' equity	Non-controlling interests	Total equity incl. non-controlling interests
Opening balance January 1, 2019	8,908	88	8,996
Profit for the period	1,487	26	1,513
Other comprehensive income	381	0	381
Total comprehensive income	1,868	26	1,894
Non-controlling interest	30	-30	-
Dividend	-469	-	-469
Closing balance December 31, 2019	10,337	84	10,421

2018

SEK million	Shareholders' equity	Non-controlling interests	Total equity incl. non-controlling interests
Opening balance January 1, 2018	7,664	70	7,734
Profit for the period	1,322	18	1,340
Other comprehensive income	334	0	334
Total comprehensive income	1,656	18	1,674
Dividend	-412	-	-412
Closing balance December 31, 2018	8,908	88	8,996

Financial instruments

SEK million	Asset	Liability
Financial instruments reported in balance sheet December 31, 2019		
Sales and purchase contracts	813	801
Currency hedge contracts	152	122
Total derivatives financial instruments	965	923
Fair value adjustment inventory	426	175
Total financial instruments	1,391	1,098

Condensed cash flow statement

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Operating activities				
Operating profit	562	516	2,142	1,956
Depreciation and amortization	179	138	687	552
Other non-cash items	218	26	246	-278
Cash flow before interest and tax	959	680	3,075	2,230
Interest paid and received	-21	-15	-122	-102
Tax paid	-136	-159	-499	-483
Cash flow before changes in working capital	802	506	2,454	1,645
Changes in inventory	-1,199	-241	-1,784	63
Changes in accounts receivables	288	265	86	-208
Changes in accounts payables	549	-59	540	-538
Changes in other working capital items	186	95	262	128
Changes in working capital	-176	60	-896	-555
Cash flow from operating activities	626	566	1,558	1,090
Investing activities				
Acquisition of intangible and tangible assets	-280	-260	-801	-725
Acquisition of operations and shares, net of cash acquired	-47	-	-535	-
Proceeds from sale of property, plant and equipment	1	0	1	2
Cash flow from investing activities	-326	-260	-1,335	-723
Cash flow after investing activities	300	306	223	367
Financing activities				
Changes in loans	5	-297	591	289
Amortization of lease liability	-34	-	-122	-
Dividend paid	-	-	-469	-412
Cash flow from financing activities	-29	-297	0	-123
Cash flow for the period	271	9	223	244
Cash and cash equivalents at start of period	731	723	737	480
Exchange rate difference for cash equivalents	-20	5	22	13
Cash and cash equivalents at end of period	982	737	982	737

Key ratios

SEK million (unless otherwise stated)	Q4 2019	Q4 2018	Δ %	Full year 2019	Full year 2018	Δ %
Income statement						
Volumes, '000 MT	582	574	+1	2,290	2,239	+2
Operating profit	562	516	+9	2,142	1,956	+10
Operating profit excl. acquisition costs	562	516	+9	2,157	1,956	+10
Net result	401	354	+13	1,513	1,340	+13
Financial position						
Total assets	22,919	18,035	+27	22,919	18,035	+27
Equity	10,421	8,996	+16	10,421	8,996	+16
Net working capital	5,908	5,062	+17	5,908	5,062	+17
Net debt	3,117	2,667	+17	3,117	2,667	+17
Cash flow						
EBITDA	741	654	+13	2,829	2,508	+13
Cash flow from operating activities	626	566	-	1,558	1,090	-
Cash flow from investing activities	-326	-260	-	-1,335	-723	-
Free cash flow	300	306	-	223	367	-
Share data*						
Number of shares, thousand	253,731	253,731	+0	253,731	253,731	+0
Earnings per share, SEK**	1.56	1.39	+12	5.86	5.21	+12
Earnings per share incl. dilution, SEK***	1.55	1.39	+12	5.84	5.21	+12
Earnings per share incl. full dilution, SEK****	1.52	1.39	+9	5.74	5.21	+10
Equity per share, SEK	40.74	35.11	+16	40.74	35.11	+16
Market value on closing date, SEK	178.00	122.70	+45	178.00	122.70	+45
Other key ratios						
Volume growth, percent	+1	+4	-	+2	+5	-
Operating profit per kilo, SEK	0.97	0.90	+8	0.94	0.87	+8
Operating profit per kilo excl. acquisition costs, SEK	0.97	0.90	+8	0.94	0.87	+8
Return on Capital Employed (R12 months), percent	14.9	15.8	-6	14.9	15.8	-6
Net debt/EBITDA, multiple	1.10	1.06	+4	1.10	1.06	+4

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

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

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

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

Quarterly data by business area

Operating profit

SEK million	2018 Q1	Q2	Q3	Q4	Full year	2019 Q1	Q2	Q3	Q4	Full year
Food Ingredients	271	292	321	321	1,205	308	346	363	349	1,366
Chocolate & Confectionery Fats	190	169	206	182	747	206	177	206	205	794
Technical Products & Feed	36	32	37	50	155	36	35	33	46	150
Group Functions	-37	-39	-38	-37	-151	-50	-40	-40	-38	-168
Operating profit AAK Group	460	454	526	516	1,956	500	518	562	562	2,142
Financial net	-24	-31	-37	-35	-127	-30	-33	-34	-34	-131
Result before tax	436	423	489	481	1,829	470	485	528	528	2,011

Net sales by market

2019

SEK million	FI Q4 2019	CCF Q4 2019	TPF Q4 2019	Total Q4 2019	FI Full year 2019	CCF Full year 2019	TPF Full year 2019	Total Full year 2019
Europe	2,106	1,158	378	3,642	8,519	3,972	1,456	13,947
North and South America	2,142	655	0	2,797	8,039	2,969	0	11,008
Asia	476	365	0	841	2,213	979	0	3,192
Other countries	56	44	0	100	207	156	0	363
Net sales	4,780	2,222	378	7,380	18,978	8,076	1,456	28,510

2018

SEK million	FI Q4 2018	CCF Q4 2018	TPF Q4 2018	Total Q4 2018	FI Full year 2018	CCF Full year 2018	TPF Full year 2018	Total Full year 2018
Europe	2,103	905	386	3,394	8,372	3,407	1,505	13,284
North and South America	1,947	752	1	2,700	7,652	3,090	8	10,750
Asia	554	264	0	818	2,256	926	0	3,182
Other countries	39	41	0	80	188	188	0	376
Net sales	4,643	1,962	387	6,992	18,468	7,611	1,513	27,592

Alternative Performance Measures (APMs)

Organic volume growth

Percent	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Food Ingredients				
Organic volume growth	2	1	2	4
Acquisitions/divestments	-	-	-	-
Volume growth	2	1	2	4
Chocolate & Confectionery Fats				
Organic volume growth	0	15	7	6
Acquisitions/divestments	-	-	-	-
Volume growth	0	15	7	6
Technical Products & Feed				
Organic volume growth	1	10	-0	8
Acquisitions/divestments	-	-	-	-
Volume growth	1	10	-0	8
AAK Group				
Organic volume growth	1	4	2	5
Acquisitions/divestments	-	-	-	-
Volume growth	1	4	2	5

EBITDA

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Operating profit (EBIT)	562	516	2,142	1,956
Add back depreciation and amortization	179	138	687	552
EBITDA	741	654	2,829	2,508

Return on Capital Employed (ROCE)

SEK million	31.12.2019	31.12.2018	R12M 31.12.2019	R12M 31.12.2018
Total assets	22,919	18,035	20,454	18,004
Cash and cash equivalents	-982	-737	-801	-696
Financial assets	-12	-20	-13	-51
Accounts payables	-3,354	-2,685	-2,885	-2,931
Other non-interest-bearing liabilities	-3,207	-1,973	-2,338	-1,935
Capital employed	15,364	12,620	14,417	12,391
Operating profit (Rolling 12 months)	2,142	1,956	2,142	1,956
Return on Capital Employed (ROCE), percent	13.9	15.5	14.9	15.8

Net working capital

SEK million	Full year 2019	Full year 2018
Inventory	6,681	4,705
Accounts receivables	3,529	3,441
Other current receivables, non-interest-bearing	2,261	1,574
Accounts payables	-3,354	-2,685
Other current liabilities, non-interest-bearing	-3,209	-1,973
Net working capital	5,908	5,062

Net debt

SEK million	Full year 2019	Full year 2018
Current interest-bearing receivables	11	20
Cash and cash equivalents	982	737
Pension liabilities	-241	-205
Non-current liabilities to banks and credit institutions	-2,987	-2,551
Current liabilities to banks and credit institutions	-870	-661
Other interest-bearing liabilities	-12	-7
Net debt	-3,117	-2,667

Net debt/EBITDA

SEK million	Full year 2019	Full year 2018
Net debt	3,117	2,667
EBITDA (Rolling 12 months)	2,829	2,508
Net debt/EBITDA, multiple	1.10	1.06

Equity to assets ratio

SEK million	Full year 2019	Full year 2018
Shareholders' equity	10,337	8,908
Non-controlling interests	84	88
Total equity including non-controlling interests	10,421	8,996
Total assets	22,919	18,035
Equity to assets ratio, percent	45.5	49.9

Acquisitions

During the first quarter 2019, AAK acquired the Dutch company MaasRefinery B.V. and the British foodservice company BD Foods Ltd. During the third quarter, AAK acquired 80 percent of the UK-based company Soya International (Europe) Ltd.

The effect on AAK's Balance sheet and Cash flow is shown below.

SEK million	Full year 2019
Fair value of acquired assets and liabilities	
Intangible fixed assets	44
Tangible fixed assets	125
Other non-current assets	10
Total fixed assets	179
Total current assets	159
Total assets	338
Total non-current liabilities	195
Total current liabilities	63
Total liabilities	258
Fair value of acquired assets and liabilities	80
Goodwill	365
Total purchase consideration transferred	445
Less cash and cash equivalents in acquired companies	-69
Cash flow from acquisition of operations and shares	376

During the second quarter 2019, AAK acquired an additional 13 percent of the shares in AAK Kamani, India, for an amount of SEK 112 million. During the fourth quarter 2019, AAK acquired an additional 5 percent for an amount of SEK 47 million.

Income statement – Parent company

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	61	22	159	119
Total operating income	61	22	159	119
Other external expenses	-33	-51	-136	-105
Cost for remuneration to employees	-23	-20	-101	-100
Amortization and impairment losses	-2	-1	-7	-3
Total operating costs	-58	-72	-244	-208
Operating profit (EBIT)	3	-50	-85	-89
Dividend from group companies	-	250	1,497	2,360
Income from shares in group companies	87	119	87	119
Interest income	0	4	1	4
Interest expense	-0	-9	-21	-17
Other financial items	-2	-2	-5	-5
Total financial net	85	362	1,559	2,461
Result before tax	88	312	1,474	2,372
Income tax	-25	-17	-1	-11
Net result	63	295	1,473	2,361
Attributable to non-controlling interests	-	-	-	-
Attributable to the Parent company's shareholders	63	295	1,473	2,361

Comprehensive income – Parent company

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit for the period	63	295	1,473	2,361
Items that will not be reclassified to profit or loss:				
	-	-	-	-
Items that may subsequently be reclassified to profit or loss:				
	-	-	-	-
Total comprehensive income for the period	63	295	1,473	2,361
Attributable to non-controlling interests	-	-	-	-
Attributable to the Parent company's shareholders	63	295	1,473	2,361

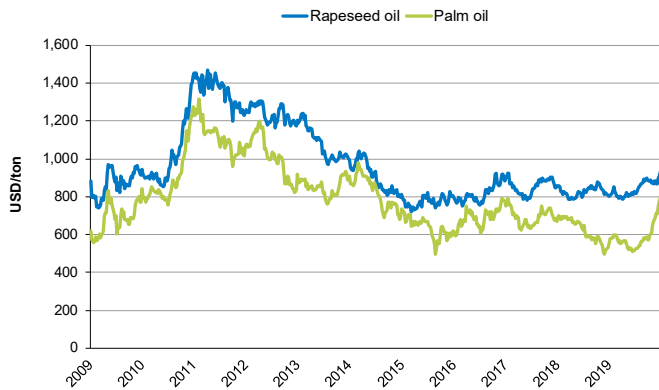
Condensed balance sheet – Parent company

SEK million	31.12.2019	31.12.2018
Assets		
Other intangible assets	12	11
Tangible assets	9	2
Financial assets	8,777	7,044
Deferred tax assets	5	3
Total non-current assets	8,803	7,060
Current receivables	423	420
Cash and cash equivalents	0	0
Total current assets	423	420
Total assets	9,226	7,480
Equity and liabilities		
Shareholders' equity	6,867	5,863
Non-controlling interests	-	-
Total equity including non-controlling interests	6,867	5,863
Liabilities to banks and credit institutions	2,250	1,499
Other non-current liabilities	36	26
Total non-current liabilities	2,286	1,525
Accounts payables	8	18
Other current liabilities	65	74
Total current liabilities	73	92
Total equity and liabilities	9,226	7,480

No changes have arisen in contingent liabilities.

Price trends in raw materials

Rapeseed oil and palm oil



Cocoa butter



For information regarding cocoa and cocoa butter please refer to information at www.icco.org

Additional information

Press and analyst conference

AAK will host a conference call on January 30, 2020 at 10:00 a.m. CET. The conference call can be accessed via our website, www.aak.com.

The annual and quarterly reports are also published on www.aak.com.

Financial calendar 2020

The interim report for the first quarter 2020 will be published on April 24, 2020.

The Annual General Meeting will be held in Malmö, Sweden on May 13, 2020.

The interim report for the second quarter 2020 will be published on July 17, 2020.

The interim report for the third quarter 2020 will be published on October 22, 2020.

A capital market day will be held in Malmö, Sweden, on November 17, 2020.

Forward-looking statements

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

Governing text

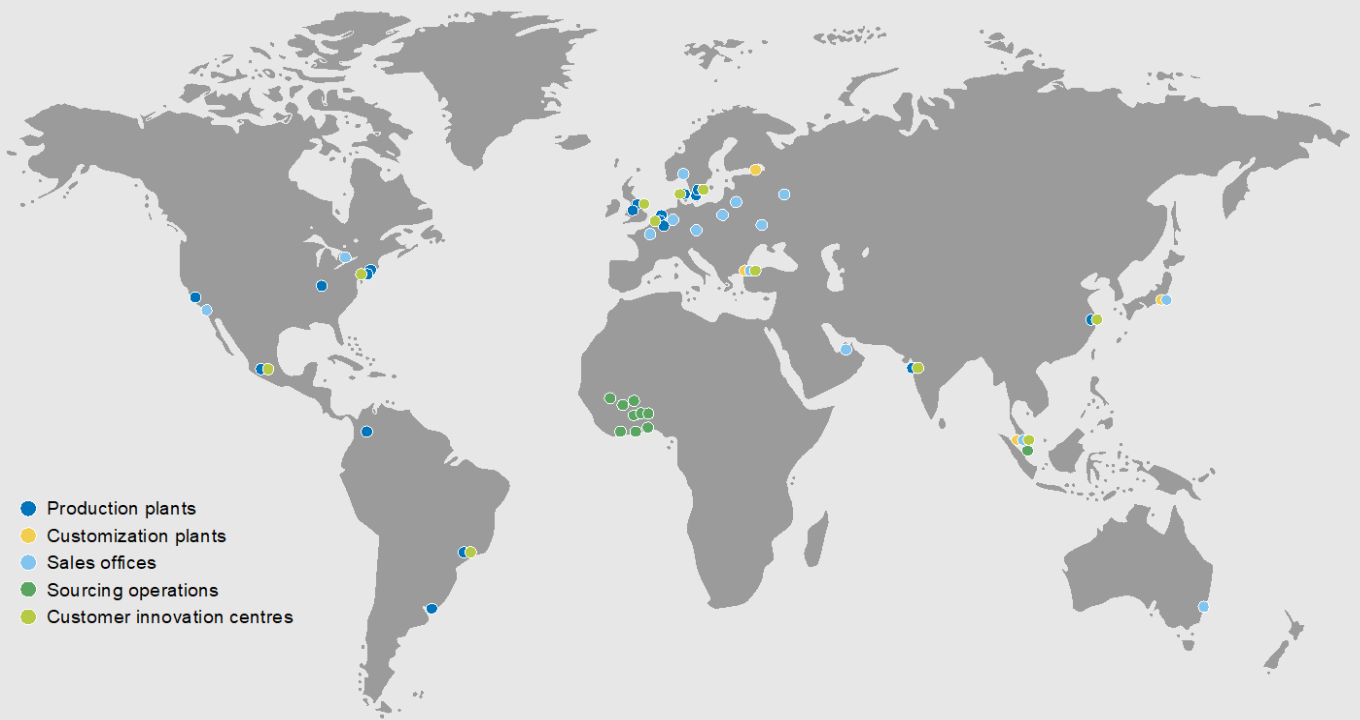
The report has been translated from Swedish. The Swedish text shall govern for all purposes and prevail in the event of any discrepancy between the versions.

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The first choice for value-adding vegetable oil solutions

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

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

Through our unique co-development approach we bring together our customers' skills and know-how with our capabilities and mindset. By doing so, we solve customer specific needs across many industries – Chocolate & Confectionery, Bakery, Dairy, Special Nutrition, Foodservice, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. With our headquarters in Malmö, Sweden, more than 20 production facilities and customization plants, and sales offices in more than 25 countries, our more than 3,800 employees are dedicated to providing innovative value-adding solutions to our customers.

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

[We are AAK – The Co-Development Company.](#)

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www.aak.com

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