



# Interim report

Second quarter, 2020

# Financial highlights

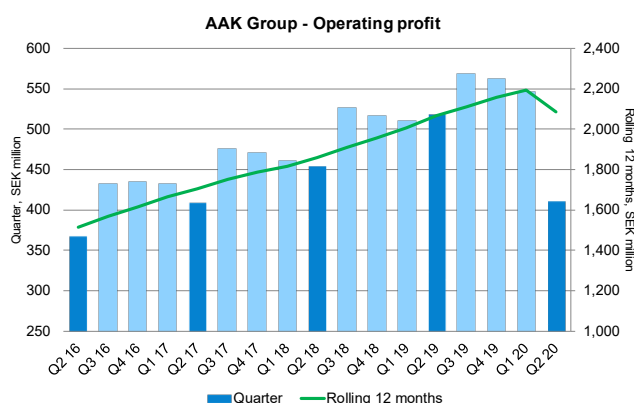
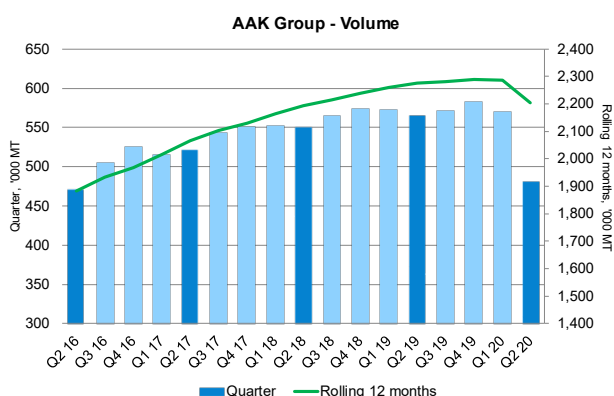
## Q2 2020

- Total volumes for the quarter amounted to 481,000 MT (565,000), a decrease by 15 percent (positive 3).
- Operating profit, including a negative currency translation impact of SEK 10 million, decreased by 19 percent, reaching SEK 417 million (518).
- Operating profit, excluding items affecting comparability, amounted to SEK 411 million (518), a decrease by 21 percent.
- Profit for the period amounted to SEK 324 million (362), a decrease by 10 percent.
- Earnings per share decreased by 11 percent, to SEK 1.27 (1.42).
- Cash flow from operating activities amounted to SEK 262 million (408).
- Return on Capital Employed (ROCE), R12M, was 13.6 percent (14.9 at December 31, 2019).

## Q1-Q2 2020

- Total volumes for the period amounted to 1,050,000 MT (1,137,000), a decrease by 8 percent (3).
- Operating profit, excluding acquisition costs and including a positive currency translation impact of SEK 7 million, reached SEK 963 million (1,027), a decrease by 6 percent.
- Operating profit, excluding acquisition costs and items affecting comparability, amounted to SEK 957 million (1,027), a decrease by 7 percent.
- Profit for the period amounted to SEK 707 million (714), a decrease by 1 percent.
- Earnings per share was stable and reached SEK 2.77 (2.78).
- Cash flow from operating activities amounted to SEK 333 million (802).
- Return on Capital Employed (ROCE), R12M, was 13.6 percent (14.9 at December 31, 2019).

	Q2 2020	Q2 2019	Δ %	Q1-Q2 2020	Q1-Q2 2019	Δ %	R12 months	Full year 2019
Volumes, '000 MT	481	565	-15	1,050	1,137	-8	2,203	2,290
Operating profit, SEK million	417	518	-19	959	1,018	-6	2,083	2,142
Operating profit excluding items affecting comparability and acquisition costs, SEK million	411	518	-21	957	1,027	-7	2,087	2,157
Operating profit per kilo, SEK	0.87	0.92	-5	0.91	0.90	+1	0.95	0.94
Operating profit per kilo excluding items affecting comparability and acquisition costs, SEK	0.85	0.92	-8	0.91	0.90	+1	0.95	0.94
Profit for the period, SEK million	324	362	-10	707	714	-1	1,506	1,513
Earnings per share, SEK	1.27	1.42	-11	2.77	2.78	-0	5.85	5.86
Return on Capital Employed (R12M), percent	13.6	15.5	-12	13.6	15.5	-12	13.0	14.9



# Challenging start to the quarter followed by clear sequential improvement

The ongoing corona pandemic continues to profoundly impact people, societies, and business operations across the world. 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.

## Business performance

Within the quarter, April was the low mark with demand and earnings gradually improving in the following months.

Operating profit, excluding items affecting comparability, amounted to SEK 411 million. A decrease by 21 percent compared to the corresponding quarter last year due to the volume impact from the corona situation. With our focus on business continuity, implementation of cost optimization measures, and our high value-adding solutions, we have managed to keep a relatively good margin, operating profit per kilo, in spite of the significant volume reduction.

Food Ingredients was materially impacted by lower sales in the Foodservice and Bakery segments, directly or indirectly delivering to hotels, restaurants and airline catering. Plant-based Foods continued to grow, reporting double-digit growth, and we now also see a more global market penetration. As an example, we have joined forces with Good Food Institute India for research and business promotion. Special Nutrition continued its stable performance with continued organic growth in the quarter.

Chocolate & Confectionery Fats was also severely impacted by restrictions and lockdown measures in many countries, particularly affecting the Easter sales. Despite lower sales, we continue to increase the operating profit per kilo due to our implemented supply chain improvements with additional production capacity in Aarhus, Denmark and better-yielding shea kernels from the harvest last year.

Business area Technical Products & Feed, serving various non-food industries, was also negatively impacted by the corona pandemic, particularly affecting the demand within our fatty acids business.



## Completion of acquisition in Russia

The acquisition of NPO Margaron LLC 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. This is an important milestone for AAK and will strengthen our capabilities to serve a strategically important market.

## Cost optimizations in line with strategy

As communicated at the end of June, we have initiated measures to optimize our structure. These measures will generate annual savings of about SEK 150 million and are expected to reach full run-rate by the second half of 2021. This is fully in line with our strategic direction to optimize our Bakery, Dairy and Foodservice businesses as well as strategic investments in Chocolate & Confectionery Fats, health, nutrition and Plant-based Foods.

## Concluding remarks

AAK has a robust foundation and a strong financial track record with a solid balance sheet. Therefore, AAK is well prepared to weather these very uncertain times. It is difficult to predict the future, but as soon as lockdowns and restrictions are lifted, AAK will be well positioned to take advantage of the market rebound.

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.

Johan Westman  
President and CEO

# AAK Group, Q2 2020

## Volumes

Volumes decreased and amounted to 481,000 MT (565,000).

## Net sales

Sales amounted to SEK 6,117 million (6,946). This was due to the situation with the coronavirus as well as a negative currency translation impact of SEK 216 million.

## Operating profit

Operating profit, excluding items affecting comparability, reached SEK 411 million (518), a decrease by 21 percent compared to the corresponding quarter in 2019. Including items affecting comparability of SEK 6 million (0), operating profit amounted to SEK 417 million (518).

The currency translation impact was negative SEK 10 million. SEK 6 million was related to Food Ingredients and SEK 4 million to Chocolate & Confectionery Fats. Operating profit, excluding items affecting comparability and at fixed foreign exchange rates, decreased by 19 percent.

Operating profit per kilo, excluding items affecting comparability, reached SEK 0.85 (0.92), a decrease of 8 percent. The currency translation impact was negative SEK 0.02. At fixed foreign exchange rates operating profit per kilo decreased by 4 percent.

## Items affecting comparability

AAK has reported two items affecting comparability during the second quarter, amounting to net SEK 6 million. There were costs of SEK 200 million linked to structural measures that will generate annual savings of about SEK 150 million, expected to reach full run-rate by the second half of 2021. In addition, AAK has reported an income of SEK 206 million, related to an optimization of the company's capital structure.

## Net financial cost and Tax costs

Net financial cost amounted to SEK 35 million (33). The increase was due to a higher average net debt compared to the corresponding quarter last year. Reported tax costs correspond to an average tax rate of 15 percent (25). The income reported as items affecting comparability is not taxable. This has reduced the average tax rate in the quarter by 7 percent. The work to further optimize the capital structure in the Group has also supported the lower tax rate.

## Earnings per share

Earnings per share decreased by 11 percent, to SEK 1.27 (1.42), due to a decreased operating profit, partly offset by lower tax costs.

## Cash flow and investments

Operating cash flow including changes in working capital amounted to SEK 262 million (408). Cash flow from working capital amounted to negative SEK 152 million (negative 101). Accounts receivables have decreased due to lower sales. Good inventory control

has also generated a cash inflow during the quarter. However, this has been offset by reduced accounts payables as a consequence of lower purchases and a deferred impact of higher raw material prices.

Cash outflow from investment activities amounted to SEK 174 million (280), whereof SEK 0 million (112) was related to acquisitions. Capital expenditure was mainly related to regular maintenance investments and capacity increases.

Based on the significantly increased raw material prices (particularly palm) at the end of 2019, we have seen a net outflow from working capital during the second quarter 2020. However, during the first quarter raw material prices almost returned to levels seen before the price rally in 2019. Therefore, we should see a positive impact in working capital from lower raw material prices during the second half of 2020. Based on the duration of our contract portfolio, there is a time lag of 6–9 months until we see the cash flow effect from the price volatility.

## Return on Capital Employed (ROCE)

Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 13.6 percent (14.9 at December 31, 2019). ROCE for the second quarter was 13.8 percent compared to 14.4 percent for the corresponding quarter 2019.

## Financial position

The equity/assets ratio amounted to 47 percent (45 percent at December 31, 2019). Net debt at June 30, 2020 amounted to SEK 3,204 million (SEK 3,117 million at December 31, 2019). Net debt/EBITDA amounted to 1.14 (1.10 as of December 31, 2019). At June 30, 2020 the Group had total credit facilities of SEK 8,204 million (8,568 as of December 31, 2019), whereof SEK 6,869 million (7,081 as of December 31, 2019) in committed credit facilities. Unused committed credit facilities at June 30, 2020 was SEK 4,750 million. The revolving credit facilities of EUR 400 million expiring in mid-June 2021 have been extended by an additional twelve months and adjusted to EUR 280 million. The Board of Directors has today approved additional bilateral credit facilities of approximately EUR 120 million, agreed with a bank and a credit institution. Signing will be done in due course.

## Acquisitions

AAK has completed the acquisition of 75 percent of NPO Margaron LLC. Margaron has been a trusted toll manufacturer to AAK for more than a decade and had last year revenues of approximately SEK 280 million. Margaron will, as of the third quarter, be consolidated into business areas Food Ingredients and Chocolate & Confectionery Fats.

## Changes in the Executive Committee

Fredrik Nilsson, CFO, has decided to pursue new opportunities outside of AAK. He will continue in his current position until the beginning of 2021.

## Selected key events

### AAK appoints new President Asia

On April 30, we announced the appointment of Sten Estrup as 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.

Most recently, he was CEO of Biomega Group, a company in the health and nutrition industry. Before that, he had an extensive career within Chr. Hansen, a leading global bioscience company, holding various international positions on four different continents.

Sten is part of AAK's Executive Committee and based at our Singapore office.



### Annual General Meeting 2020

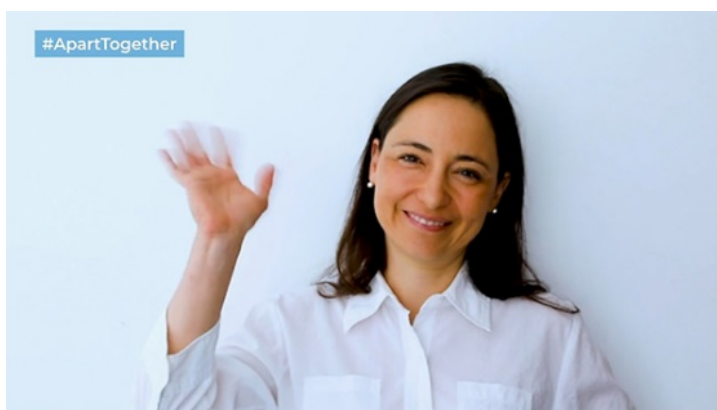
On May 13, AAK's Annual General Meeting was held in Malmö, Sweden. The very popular event among shareholders usually attracts some 900–1,000 visitors, but this year it had to be scaled down significantly due to the situation with the coronavirus. The Annual General Meeting was held in accordance with the Swedish Public Health Agency's legislation preventing public gatherings and events of more than 50 people.

The presentation given by President and CEO Johan Westman as well as the press release listing the decisions of the meeting can be found at our website, [www.aak.com](http://www.aak.com).

### AAK joins forces with Good Food Institute

In May, our majority-owned Indian joint venture AAK Kamani partnered with the 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 means we can provide more support to both established food producers and start-ups, promoting the fast-track development of plant-based meat and dairy alternatives for the Indian market. The collaboration is linked to our global AkoPlanet™ initiative, a platform for plant-based food innovations. Good Food Institute is a non-profit organization, globally recognized for supporting the development of sustainable and healthy plant-based foods.



Tania Moreira Parra, CCF Sales Manager, AAK Mexico.

### Creative initiatives to maintain strong relationships during the pandemic

During the corona pandemic, AAK colleagues around our global organization have come up with many creative initiatives in order to help us emerge from the crisis with stronger relationships than ever – within our company as well as with customers and partners. One such initiative is an internal video series called #ApartTogether which is meant to maintain the very important feeling of belonging, the feeling that we're still united although currently separated due to travel restrictions and lockdowns.

# Food Ingredients, Q2 2020\*

Operating profit  
- 24%

Operating profit  
per kilo  
- 7%

	Q2 2020	Q2 2019	Δ %	Q1-Q2 2020	Q1-Q2 2019	Δ %	R12 months	Full year 2019
Volumes, '000 MT	310	381	-19	679	759	-11	1,451	1,531
Net sales, SEK million	4,086	4,715	-13	9,010	9,364	-4	18,624	18,978
Operating profit, SEK million	262	346	-24	587	654	-10	1,299	1,366
Operating profit per kilo, SEK	0.85	0.91	-7	0.86	0.86	+0	0.90	0.89

## Volumes

Volume growth was negative 19 percent in the quarter, mainly in Foodservice, Bakery and Dairy. Plant-based Foods continued its strong growth trend and Special Nutrition also reported increased volumes in the quarter.

Bakery, serving many fast food chains and restaurants, was severely impacted by the coronavirus situation, particularly in Asia, Europe and the US. Both North and South Latin America reported volume growth.

Dairy volumes also decreased significantly. Asia and the US were impacted the most while Europe and North Latin America continued to report volume growth.

Compared to the corresponding quarter last year, Plant-based Foods doubled its volumes, driven by our plant-based dairy solutions. There has been good progress in materializing projects from our customer co-development pipeline.

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. This despite lower birth rates in China. Our semi-speciality solutions showed good volume growth in the US and South Latin America.

Foodservice has halved its sales compared to the corresponding quarter last year due to a lower demand from restaurants, hotels and airline catering. When corona-driven restrictions are eased, we expect volumes to increase again over time.

## Net sales

Sales amounted to SEK 4,086 million (4,715), a decrease by SEK 629 million. This was entirely related to lower sales due to the coronavirus as well as a negative currency translation impact of SEK 157 million.

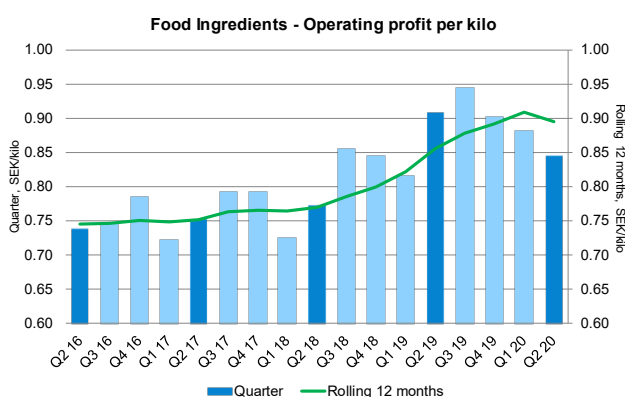
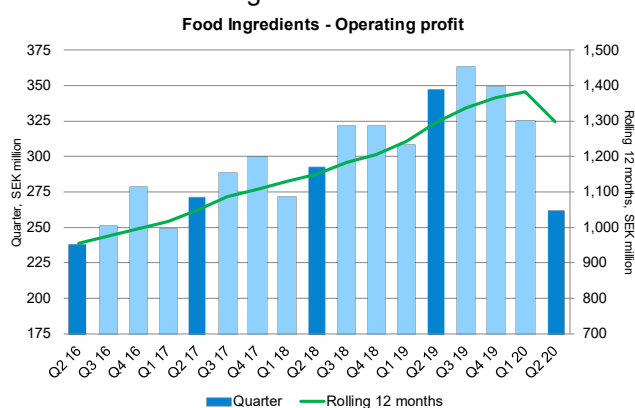
## Operating profit

Operating profit decreased by 24 percent to SEK 262 million (346). The currency translation impact was negative SEK 6 million. At fixed foreign exchange rates operating profit decreased by 23 percent.

Approximately 70 percent of the decrease in operating profit is directly linked to Foodservice. The halved volume has led to a situation with under-absorption of costs. The remaining 30 percent of the decrease was to a large extent linked to the Bakery segment which also serves many fast food chains and restaurants. We have initiated cost optimization programs at all Foodservice facilities. With lower costs and volumes gradually picking up, we have seen an improvement towards the end of the quarter and we expect that to continue.

AAK's position within Food Ingredients is strong and the Foodservice demand will gradually return. However, further disruptions and sales impact from current lockdowns in many countries are expected to continue until restrictions are fully lifted.

Operating profit per kilo decreased by 7 percent to SEK 0.85 (0.91). The currency translation impact was negative SEK 0.02. At fixed foreign exchange rates operating profit per kilo decreased by 5 percent.



\*All figures are excluding items affecting comparability.



# Chocolate & Confectionery Fats, Q2 2020\*

**Operating profit**  
- 12%

**Operating profit per kilo**  
+ 8%

	Q2 2020	Q2 2019	Δ %	Q1-Q2 2020	Q1-Q2 2019	Δ %	R12 months	Full year 2019
Volumes, '000 MT	92	112	-18	207	227	-9	439	459
Net sales, SEK million	1,623	1,874	-13	3,739	3,867	-3	7,948	8,076
Operating profit, SEK million	156	177	-12	378	383	-1	789	794
Operating profit per kilo, SEK	1.70	1.58	+8	1.83	1.69	+8	1.80	1.73

## Volumes

The global chocolate and confectionery market was severely impacted by the coronavirus during the second quarter, although with geographic variations. The business area reported negative volume growth of 18 percent compared to the corresponding quarter last year, with Europe showing better resilience.

The second quarter last year was favorably impacted by a few good spot opportunities of low-end semi-specialty solutions. In comparison to last year, these spot opportunities represent about 30 percent of the volume reduction. There has also been a negative impact from lower chocolate sales around Easter, declined airport sales due to travel restrictions as well as lower gift-related sales. In addition, government lockdowns have forced customers in a few regions to close down temporarily. From the middle of the second quarter volumes have slowly started to pick up again.

Within our specialty portfolio, spreads once again stood out and reported double-digit growth. This was due to an increased number of consumers eating at home but also thanks to strong customer campaigns in 2019.

## Net sales

Net sales for the business area decreased and amounted to SEK 1,623 million (1,874). The decrease

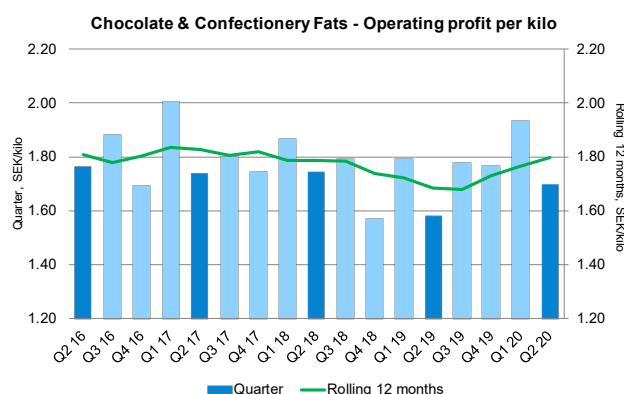
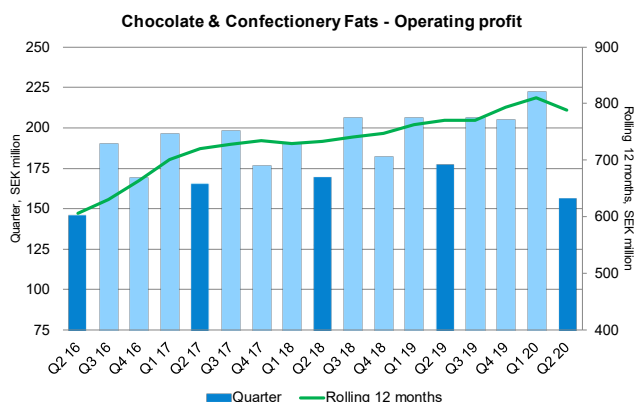
was entirely related to lower sales due to the coronavirus situation as well as a negative currency translation impact of SEK 59 million.

## Operating profit

Operating profit reached SEK 156 million (177), a decrease by 12 percent. The currency translation impact was negative SEK 4 million. At fixed foreign exchange rates operating profit decreased by 10 percent.

The volatility in the industry has in the short term increased due to the coronavirus, for example from destocking. We also see that some markets have opted for more low-end solutions. This combined with government lockdowns have resulted in a negative impact on our profitability. Uncertainty and volatility in demand will likely remain in the coming quarters.

Despite the current volume challenges, operating profit per kilo increased by 8 percent and reached SEK 1.70 (1.58) thanks to our strong focus on improving our shea supply chain over the last few years. With these improvements, AAK is well positioned to leverage future opportunities as restrictions are lifted and market conditions improve. The currency translation impact was negative SEK 0.04. At fixed foreign exchange rates operating profit per kilo increased by 10 percent.



\*All figures are excluding items affecting comparability.





# Technical Products & Feed, Q2 2020\*

**Operating profit**  
- 20%

**Operating profit per kilo**  
- 29%

	Q2 2020	Q2 2019	Δ %	Q1-Q2 2020	Q1-Q2 2019	Δ %	R12 months	Full year 2019
Volumes, '000 MT	79	72	+10	164	151	+9	313	300
Net sales, SEK million	408	357	+14	823	746	+10	1,533	1,456
Operating profit, SEK million	28	35	-20	66	71	-7	145	150
Operating profit per kilo, SEK	0.35	0.49	-29	0.40	0.47	-15	0.46	0.50

## Volumes

Volumes increased by 10 percent (negative 4) compared to the corresponding quarter in 2019. Our feed business continued to grow while volumes within our fatty acids business were negative.

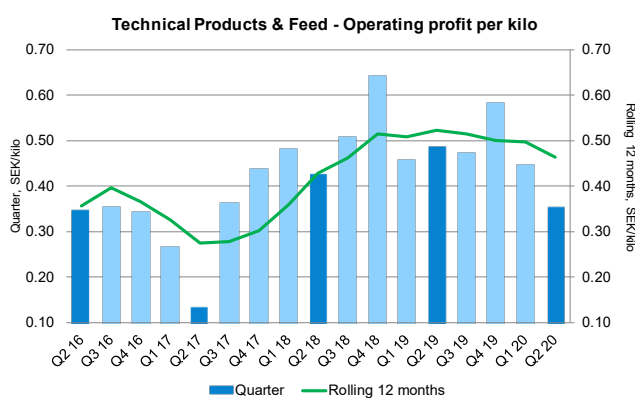
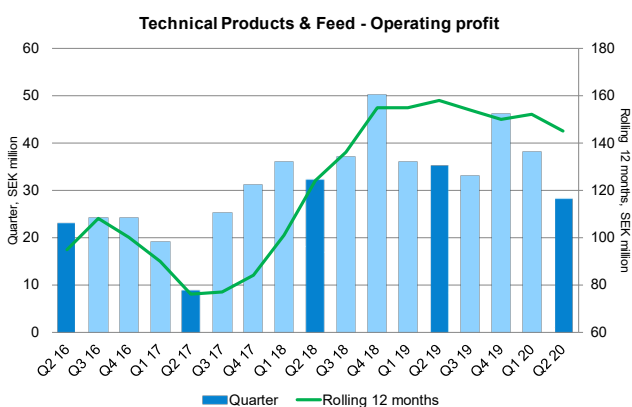
## Net sales

Net sales for the business area increased by SEK 51 million due to the volume growth.

## Operating profit

Operating profit reached SEK 28 million (35), a decrease by 20 percent. Due to the coronavirus situation there was a lower demand in our fatty acids business during the quarter, particularly for candles and technical solutions. We have also experienced pressure on margins within our feed business.

The business area reported an operating profit per kilo of SEK 0.35 (0.49), a decrease by 29 percent.



\*All figures are excluding items affecting comparability.



# The AAK Group, first six months 2020

## Volumes

Total volumes were down by 8 percent (positive 3). Organic volume growth was negative 8 percent (positive 3).

## Net sales

Sales amounted to SEK 13,572 million (13,977), a decrease by SEK 405 million. This was mainly related to lower sales due to the coronavirus situation as well as a negative currency translation impact of SEK 68 million.

## Operating profit

Operating profit reached SEK 959 million (1,018), a decrease by 6 percent. Excluding items affecting comparability of SEK 6 million and acquisition costs of SEK 4 million (9), operating profit decreased by 7 percent.

The currency translation impact was positive SEK 7 million of which SEK 1 million was related to Food Ingredients and SEK 6 million to Chocolate & Confectionery Fats. Operating profit at fixed foreign exchange rates decreased by 6 percent.

Operating profit per kilo reached SEK 0.91 (0.90), an increase by 1 percent. Excluding items affecting comparability and acquisition costs, operating profit per kilo increased by 1 percent. The currency translation impact was SEK 0.01. At fixed foreign exchange rates operating profit per kilo increased by 1 percent.

## Net financial cost and Tax costs

Net financial cost amounted to SEK 70 million (63). The increase was due to a higher average net debt compared to the corresponding period last year. Reported tax costs correspond to an average tax rate of 20 percent (25). The income reported as items affecting comparability in the second quarter was not taxable. This has reduced the average tax rate in the period by 3 percent. The work to further optimize the capital structure in the Group has also supported the lower tax rate.

## Earnings per share

Earnings per share was stable and amounted to SEK 2.77 (2.78), due to decreased operating profit, offset by lower tax costs.

## Cash flow and investments

Operating cash flow including changes in working capital amounted to SEK 333 million (802). Cash flow from working capital was negative, amounting to SEK 404 million (negative 168). Accounts receivables have decreased due to lower sales. Good inventory control has also generated a cash inflow during the period. However, this has been offset by reduced accounts payables as a consequence of lower purchases and a deferred impact of higher raw material prices.

Cash outflow from investment activities amounted to SEK 332 million (576), whereof SEK 0 million (281) was related to acquisitions. Our earlier communicated add-on investments in China will most likely not be operational until the first half of 2021. This delay is due to current travel restrictions preventing us from sending our experienced engineers from Europe to China.

## Acquisitions

In early March, we signed an agreement to acquire 75 percent of NPO Margaron LLC, a producer of margarines, spreads, and bakery and confectionery fats, based in St. Petersburg, Russia. Margaron has been a trusted toll manufacturer to AAK for more than a decade and had last year revenues of approximately SEK 280 million.

Subject to certain long-term targets being met, there is a put/call option under which we could acquire the remaining 25 percent of Margaron. Margaron will, as of the third quarter, be consolidated into business areas Food Ingredients and Chocolate & Confectionery Fats.

## Employees

The number of employees at June 30, 2020 was 3,858 (3,884 at December 31, 2019).

# General information

## Related parties

No significant changes have taken place in relations or transactions with related parties since 2019.

## Risks and uncertainty factors

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

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 2020

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.

## 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](http://www.aak.com) under the Investor tab. For

reconciliation of Alternative Performance Measures, see pages 20–21.

## Definitions

For definitions, please see our Annual Report.

## Events after the reporting period

No events to be reported.

## 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 negative SEK 43 million (positive 1,415).

Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets totalled a positive of SEK 2,213 million (2,173 as of December 31, 2019). Investments in intangible and tangible assets amounted to SEK 1 million (2).

The Parent Company's balance sheet and income statement are shown on pages 22–23.

## 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.

## Audit review

This report has not been reviewed by the company's auditors.

Malmö, July 17, 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

**For further information, please contact:**

Fredrik Nilsson  
CFO

Mobile: +46 708 95 22 21

E-mail: [fredrik.nilsson@aak.com](mailto:fredrik.nilsson@aak.com)

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 1:00 p.m. CET on July 17, 2020.

# AAK Group

## 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	28,510
Other operating income	234	38	274	77	193
<b>Total operating income</b>	<b>6,351</b>	<b>6,984</b>	<b>13,846</b>	<b>14,054</b>	<b>28,703</b>
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
<b>Total operating expenses</b>	<b>-5,934</b>	<b>-6,466</b>	<b>-12,887</b>	<b>-13,036</b>	<b>-26,561</b>
<b>Operating profit (EBIT)</b>	<b>417</b>	<b>518</b>	<b>959</b>	<b>1,018</b>	<b>2,142</b>
Interest income	2	2	4	4	10
Interest expense	-30	-32	-61	-67	-133
Other financial items	-7	-3	-13	0	-8
<b>Total financial net</b>	<b>-35</b>	<b>-33</b>	<b>-70</b>	<b>-63</b>	<b>-131</b>
<b>Profit before tax</b>	<b>382</b>	<b>485</b>	<b>889</b>	<b>955</b>	<b>2,011</b>
Income tax	-58	-123	-182	-241	-498
<b>Profit for the period</b>	<b>324</b>	<b>362</b>	<b>707</b>	<b>714</b>	<b>1,513</b>
Attributable to non-controlling interests	1	1	3	10	26
Attributable to the Parent company's shareholders	323	361	704	704	1,487

## Comprehensive income

SEK million	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Profit for the period	324	362	707	714	1,513
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations	6	-	11	-	-21
	<b>6</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-21</b>
Items that may subsequently be reclassified to profit or loss:					
Translation differences	-1,048	-40	-970	377	402
Fair-value changes in cash flow hedges	-2	-3	-2	-3	-0
Tax related to fair-value changes in cash flow hedges	1	1	1	1	0
	<b>-1,049</b>	<b>-42</b>	<b>-971</b>	<b>375</b>	<b>402</b>
<b>Total comprehensive income for the period</b>	<b>-719</b>	<b>320</b>	<b>-253</b>	<b>1,089</b>	<b>1,894</b>
Attributable to non-controlling interests	-1	1	0	13	26
Attributable to the Parent company's shareholders	-718	319	-253	1,076	1,868

## Condensed balance sheet

SEK million	30.06.2020	30.06.2019	31.12.2019
<b>Assets</b>			
Goodwill	2,046	1,788	2,114
Other intangible assets	323	372	363
Property, plant and equipment	5,769	5,830	6,034
Right-of-use assets	747	746	770
Financial assets	40	39	31
Deferred tax assets	89	75	144
<b>Total non-current assets</b>	<b>9,014</b>	<b>8,850</b>	<b>9,456</b>
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
<b>Total current assets</b>	<b>12,711</b>	<b>10,932</b>	<b>13,463</b>
<b>Total assets</b>	<b>21,725</b>	<b>19,782</b>	<b>22,919</b>
<b>Equity and liabilities</b>			
Shareholders' equity	10,099	9,533	10,337
Non-controlling interests	84	83	84
<b>Total equity including non-controlling interests</b>	<b>10,183</b>	<b>9,616</b>	<b>10,421</b>
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
<b>Total non-current liabilities</b>	<b>5,368</b>	<b>4,835</b>	<b>4,939</b>
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
<b>Total current liabilities</b>	<b>6,174</b>	<b>5,331</b>	<b>7,559</b>
<b>Total equity and liabilities</b>	<b>21,725</b>	<b>19,782</b>	<b>22,919</b>

No changes have arisen in contingent liabilities.

# Condensed change in equity

## 2020

SEK million	Shareholders' equity	Non-controlling interests	Total equity incl. non-controlling interests
Opening balance January 1, 2020	10,337	84	10,421
Profit for the period	704	3	707
Other comprehensive income	-957	-3	-960
<b>Total comprehensive income</b>	<b>-253</b>	<b>0</b>	<b>-253</b>
Subscription warrants	15	-	15
<b>Closing balance June 30, 2020</b>	<b>10,099</b>	<b>84</b>	<b>10,183</b>

## 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	704	10	714
Other comprehensive income	372	3	375
<b>Total comprehensive income</b>	<b>1,076</b>	<b>13</b>	<b>1,089</b>
Non-controlling interest	18	-18	-
Dividend	-469	-	-469
<b>Closing balance June 30, 2019</b>	<b>9,533</b>	<b>83</b>	<b>9,616</b>

# Financial instruments

## 2020

SEK million	Asset	Liability
<b>Financial instruments reported in balance sheet June 30, 2020</b>		
Sales and purchase contracts	485	197
Currency hedge contracts	134	84
<b>Total derivatives financial instruments</b>	<b>619</b>	<b>281</b>
Fair value adjustment inventory	3	0
<b>Total financial instruments</b>	<b>622</b>	<b>281</b>

## 2019

SEK million	Asset	Liability
<b>Financial instruments reported in balance sheet June 30, 2019</b>		
Sales and purchase contracts	581	201
Currency hedge contracts	118	98
<b>Total derivatives financial instruments</b>	<b>699</b>	<b>299</b>
Fair value adjustment inventory	58	-23
<b>Total financial instruments</b>	<b>757</b>	<b>276</b>



# Condensed cash flow statement

SEK million	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
<b>Operating activities</b>					
Operating profit	417	518	959	1,018	2,142
Depreciation and amortization	207	170	387	336	687
Other non-cash items	-56	-54	-239	-81	246
<b>Cash flow before interest and tax</b>	<b>568</b>	<b>634</b>	<b>1,107</b>	<b>1,273</b>	<b>3,075</b>
Interest paid and received	-27	-24	-53	-75	-122
Tax paid	-127	-101	-317	-228	-499
<b>Cash flow before changes in working capital</b>	<b>414</b>	<b>509</b>	<b>737</b>	<b>970</b>	<b>2,454</b>
Changes in inventory	248	148	330	120	-1,784
Changes in accounts receivables	558	55	27	-97	86
Changes in accounts payables	-737	-161	-608	-111	540
Changes in other working capital items	-221	-143	-153	-80	262
Changes in working capital	-152	-101	-404	-168	-896
<b>Cash flow from operating activities</b>	<b>262</b>	<b>408</b>	<b>333</b>	<b>802</b>	<b>1,558</b>
<b>Investing activities</b>					
Acquisition of intangible assets and property, plant and equipment	-174	-169	-332	-296	-801
Acquisition of operations and shares, net of cash acquired	-	-112	-	-281	-535
Proceeds from sale of property, plant and equipment	0	1	0	1	1
Cash flow from investing activities	-174	-280	-332	-576	-1,335
<b>Cash flow after investing activities</b>	<b>88</b>	<b>128</b>	<b>1</b>	<b>226</b>	<b>223</b>
<b>Financing activities</b>					
Changes in loans	-786	301	250	283	591
Amortization of lease liability	-36	-30	-74	-56	-122
Subscription warrants	15	-	15	-	-
Dividend paid	-	-469	-	-469	-469
Cash flow from financing activities	-807	-198	191	-242	0
<b>Cash flow for the period</b>	<b>-719</b>	<b>-70</b>	<b>192</b>	<b>-16</b>	<b>223</b>
Cash and cash equivalents at start of period	1,899	814	982	737	737
Exchange rate difference for cash equivalents	-42	0	-36	23	22
<b>Cash and cash equivalents at end of period</b>	<b>1,138</b>	<b>744</b>	<b>1,138</b>	<b>744</b>	<b>982</b>

# Key ratios

SEK million (unless otherwise stated)	Q2 2020	Q2 2019	Δ %	Q1-Q2 2020	Q1-Q2 2019	Δ %	Full year 2019
<b>Income statement</b>							
Volumes, '000 MT	481	565	-15	1,050	1,137	-8	2,290
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
<b>Financial position</b>							
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
<b>Cash flow</b>							
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
<b>Share data</b>							
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
<b>Other key ratios</b>							
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.

## Quarterly data by business area

### Operating profit

SEK million	2019 Q1	Q2	Q3	Q4	Full year	2020 Q1	Q2
Food Ingredients	308	346	363	349	1,366	325	168
Chocolate & Confectionery Fats	206	177	206	205	794	222	73
Technical Products & Feed	36	35	33	46	150	38	20
Group Functions	-50	-40	-40	-38	-168	-43	156
<b>Operating profit AAK Group</b>	<b>500</b>	<b>518</b>	<b>562</b>	<b>562</b>	<b>2,142</b>	<b>542</b>	<b>417</b>
Financial net	-30	-33	-34	-34	-131	-35	-35
<b>Profit before tax</b>	<b>470</b>	<b>485</b>	<b>528</b>	<b>528</b>	<b>2,011</b>	<b>507</b>	<b>382</b>

### Operating profit excluding items affecting comparability and acquisition costs

SEK million	2019 Q1	Q2	Q3	Q4	Full year	2020 Q1	Q2
Food Ingredients	308	346	363	349	1,366	325	262
Chocolate & Confectionery Fats	206	177	206	205	794	222	156
Technical Products & Feed	36	35	33	46	150	38	28
Group Functions	-41	-40	-34	-38	-153	-39	-35
<b>Operating profit AAK Group</b>	<b>509</b>	<b>518</b>	<b>568</b>	<b>562</b>	<b>2,157</b>	<b>546</b>	<b>411</b>
Financial net	-30	-33	-34	-34	-131	-35	-35
<b>Profit before tax</b>	<b>479</b>	<b>485</b>	<b>534</b>	<b>528</b>	<b>2,026</b>	<b>511</b>	<b>376</b>

## Net sales by market

### 2020

SEK million	FI Q2 2020	CCF Q2 2020	TPF Q2 2020	Total Q2 2020	FI Q1-Q2 2020	CCF Q1-Q2 2020	TPF Q1-Q2 2020	Total Q1-Q2 2020
Europe	1,768	834	408	3,010	3,906	1,879	823	6,608
North and South America	1,782	587	0	2,369	3,955	1,374	0	5,329
Asia	482	172	0	654	1,028	410	0	1,438
Other countries	54	30	0	84	121	76	0	197
<b>Net sales</b>	<b>4,086</b>	<b>1,623</b>	<b>408</b>	<b>6,117</b>	<b>9,010</b>	<b>3,739</b>	<b>823</b>	<b>13,572</b>

### 2019

SEK million	FI Q2 2019	CCF Q2 2019	TPF Q2 2019	Total Q2 2019	FI Q1-Q2 2019	CCF Q1-Q2 2019	TPF Q1-Q2 2019	Total Q1-Q2 2019
Europe	2,095	857	357	3,309	4,155	1,797	746	6,698
North and South America	1,977	781	0	2,758	3,913	1,579	0	5,492
Asia	598	195	0	793	1,187	406	0	1,593
Other countries	45	41	0	86	109	85	0	194
<b>Net sales</b>	<b>4,715</b>	<b>1,874</b>	<b>357</b>	<b>6,946</b>	<b>9,364</b>	<b>3,867</b>	<b>746</b>	<b>13,977</b>

# Alternative Performance Measures (APMs)

## Organic volume growth

Percent	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
<b>Food Ingredients</b>					
Organic volume growth	-19	1	-11	1	2
Acquisitions/divestments	-	-	-	-	-
<b>Volume growth</b>	<b>-19</b>	<b>1</b>	<b>-11</b>	<b>1</b>	<b>2</b>
<b>Chocolate &amp; Confectionery Fats</b>					
Organic volume growth	-18	15	-9	14	7
Acquisitions/divestments	-	-	-	-	-
<b>Volume growth</b>	<b>-18</b>	<b>15</b>	<b>-9</b>	<b>14</b>	<b>7</b>
<b>Technical Products &amp; Feed</b>					
Organic volume growth	10	-4	9	1	-0
Acquisitions/divestments	-	-	-	-	-
<b>Volume growth</b>	<b>10</b>	<b>-4</b>	<b>9</b>	<b>1</b>	<b>-0</b>
<b>AAK Group</b>					
Organic volume growth	-15	3	-8	3	2
Acquisitions/divestments	-	-	-	-	-
<b>Volume growth</b>	<b>-15</b>	<b>3</b>	<b>-8</b>	<b>3</b>	<b>2</b>

## EBITDA

SEK million	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Operating profit (EBIT)	417	518	959	1,018	2,142
Add back depreciation and amortization	207	170	387	336	687
<b>EBITDA</b>	<b>624</b>	<b>688</b>	<b>1,346</b>	<b>1,354</b>	<b>2,829</b>

## Return on Capital Employed (ROCE)

SEK million	30.06.2020	30.06.2019	R12M 30.06.2020	R12M 31.12.2019
Total assets	21,725	19,782	21,947	20,454
Cash and cash equivalents	-1,138	-744	-1,099	-801
Financial assets	-524	-10	-116	-13
Accounts payables	-2,624	-2,683	-3,002	-2,885
Other non-interest-bearing liabilities	-2,332	-2,061	-2,443	-2,338
<b>Capital employed</b>	<b>15,107</b>	<b>14,284</b>	<b>15,287</b>	<b>14,417</b>
<b>Operating profit (Rolling 12 months)</b>	<b>2,082</b>	<b>2,060</b>	<b>2,082</b>	<b>2,142</b>
<b>Return on Capital Employed (ROCE), percent</b>	<b>13.8</b>	<b>14.4</b>	<b>13.6</b>	<b>14.9</b>

## Net working capital

SEK million	30.06.2020	Full year 2019
Inventory	6,085	6,681
Accounts receivables	3,325	3,529
Other current receivables, non-interest-bearing	1,639	2,261
Accounts payables	-2,624	-3,354
Other current liabilities, non-interest-bearing	-2,361	-3,209
<b>Net working capital</b>	<b>6,064</b>	<b>5,908</b>

## Net debt

SEK million	30.06.2020	Full year 2019
Current interest-bearing receivables	524	11
Cash and cash equivalents	1,138	982
Pension liabilities	-229	-241
Non-current liabilities to banks and credit institutions	-3,530	-2,987
Current liabilities to banks and credit institutions	-1,094	-870
Other interest-bearing liabilities	-13	-12
<b>Net debt</b>	<b>-3,204</b>	<b>-3,117</b>

## Net debt/EBITDA

SEK million	30.06.2020	Full year 2019
Net debt	3,204	3,117
EBITDA (Rolling 12 months)	2,821	2,829
<b>Net debt/EBITDA, multiple</b>	<b>1.14</b>	<b>1.10</b>

## Equity to assets ratio

SEK million	30.06.2020	Full year 2019
Shareholders' equity	10,099	10,337
Non-controlling interests	84	84
<b>Total equity including non-controlling interests</b>	<b>10,183</b>	<b>10,421</b>
<b>Total assets</b>	<b>21,725</b>	<b>22,919</b>
<b>Equity to assets ratio, percent</b>	<b>46.9</b>	<b>45.5</b>

## Income statement – Parent company

SEK million	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Net sales	44	32	87	65	159
<b>Total operating income</b>	<b>44</b>	<b>32</b>	<b>87</b>	<b>65</b>	<b>159</b>
Other external expenses	-26	-49	-56	-78	-136
Cost for remuneration to employees	-24	-26	-52	-52	-101
Depreciation, amortization and impairment losses	-2	-2	-4	-3	-7
<b>Total operating expenses</b>	<b>52</b>	<b>-77</b>	<b>-112</b>	<b>-133</b>	<b>-244</b>
<b>Operating profit (EBIT)</b>	<b>-8</b>	<b>-45</b>	<b>-25</b>	<b>-68</b>	<b>-85</b>
Dividend from group companies	-	1,497	-	1,497	1,497
Income from shares in group companies	-	-	-	-	87
Interest income	1	0	2	1	1
Interest expense	-9	-7	-17	-13	-20
Other financial items	-2	-1	-3	-2	-6
<b>Total financial net</b>	<b>-10</b>	<b>1,489</b>	<b>-18</b>	<b>1,483</b>	<b>1,559</b>
<b>Profit before tax</b>	<b>-18</b>	<b>1,444</b>	<b>-43</b>	<b>1,415</b>	<b>1,474</b>
Income tax	4	12	9	18	-1
<b>Profit for the period</b>	<b>-14</b>	<b>1,456</b>	<b>-34</b>	<b>1,433</b>	<b>1,473</b>
Attributable to non-controlling interests	-	-	-	-	-
Attributable to the Parent company's shareholders	-14	1,456	-34	1,433	1,473

## Comprehensive income – Parent company

SEK million	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Profit for the period	-14	1,456	-34	1,433	1,473
Items that will not be reclassified to profit or loss:					
	-	-	-	-	-
Items that may subsequently be reclassified to profit or loss:					
	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-14</b>	<b>1,456</b>	<b>-34</b>	<b>1,433</b>	<b>1,473</b>
Attributable to non-controlling interests	-	-	-	-	-
Attributable to the Parent company's shareholders	-14	1,456	-34	1,433	1,473

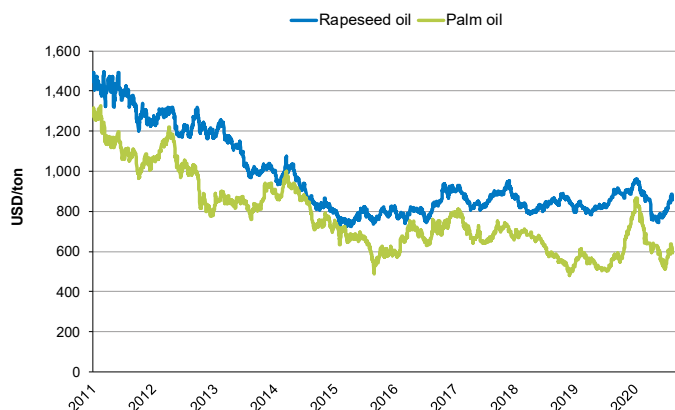
## Condensed balance sheet – Parent company

SEK million	30.06.2020	30.06.2019	31.12.2019
<b>Assets</b>			
Other intangible assets	12	10	12
Property, plant and equipment	1	3	3
Right-of-use assets	6	8	6
Financial assets	9,437	8,424	8,777
Deferred tax assets	5	4	5
<b>Total non-current assets</b>	<b>9,461</b>	<b>8,449</b>	<b>8,803</b>
Current receivables	425	333	423
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	<b>425</b>	<b>333</b>	<b>423</b>
<b>Total assets</b>	<b>9,886</b>	<b>8,782</b>	<b>9,226</b>
<b>Equity and liabilities</b>			
Shareholders' equity	6,832	6,826	6,867
Non-controlling interests	-	-	-
<b>Total equity including non-controlling interests</b>	<b>6,832</b>	<b>6,826</b>	<b>6,867</b>
Liabilities to banks and credit institutions	2,950	1,850	2,250
Lease liabilities	2	5	3
Other non-current liabilities	33	29	33
<b>Total non-current liabilities</b>	<b>2,985</b>	<b>1,884</b>	<b>2,286</b>
Lease liabilities	3	3	3
Accounts payables	6	7	8
Other current liabilities	60	62	62
<b>Total current liabilities</b>	<b>69</b>	<b>72</b>	<b>73</b>
<b>Total equity and liabilities</b>	<b>9,886</b>	<b>8,782</b>	<b>9,226</b>

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](http://www.icco.org)

## Additional information

### Press and analyst conference

AAK will host a conference call on July 17, 2020 at 2 p.m. CET. The conference call can be accessed via our website, [www.aak.com](http://www.aak.com).

The annual and quarterly reports are also published on [www.aak.com](http://www.aak.com).

### Financial calendar 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.

The fourth quarter and year-end report for 2020 will be published on January 28, 2021.

### 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.

### Investor Relations contact:

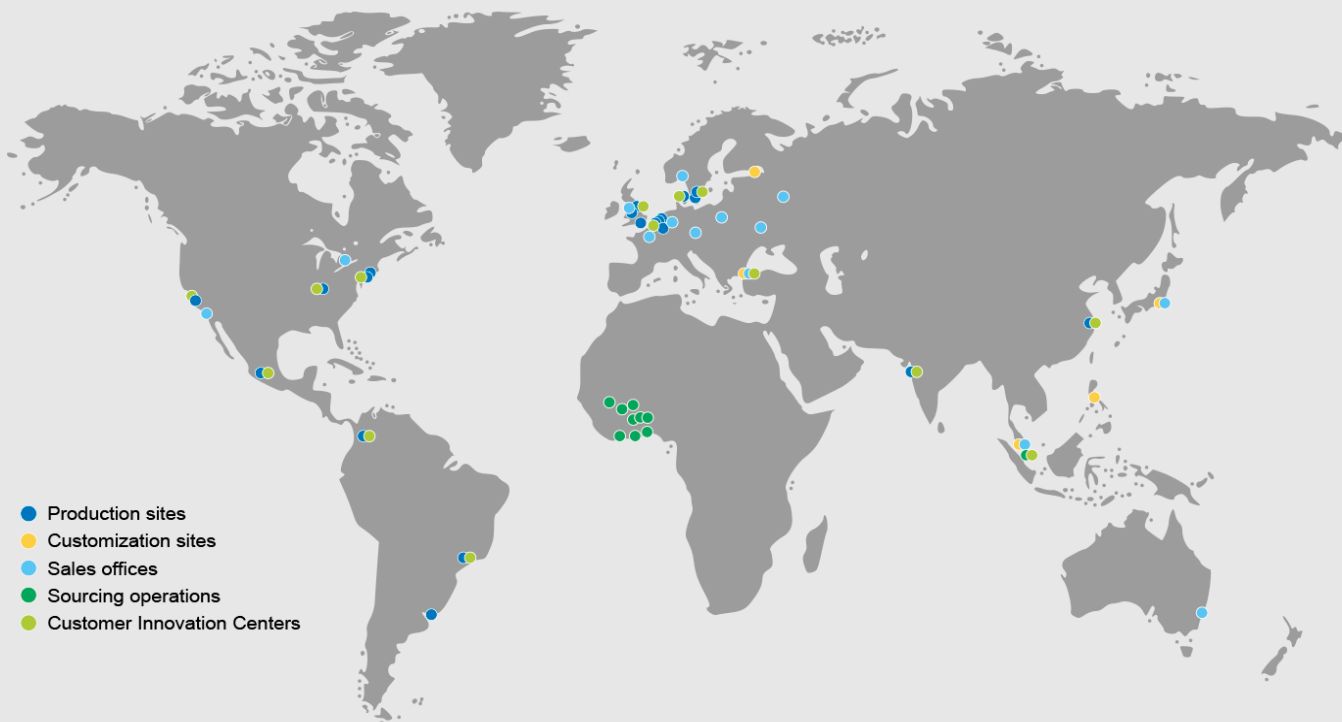
Fredrik Nilsson  
CFO  
Mobile: +46 708 95 22 21  
E-mail: [fredrik.nilsson@aak.com](mailto:fredrik.nilsson@aak.com)











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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, Plant-based Foods, 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.



**AAK AB (publ.)**  
 Skrivaregatan 9, SE-215 32 Malmö, Sweden  
 Phone: + 46 40 627 83 00, Reg. No. 556669-2850, [www.aak.com](http://www.aak.com)



Front page: plant-based burgers made with AAK's AkoPlanet™ range