



Interim report

Third quarter, 2020

Financial highlights

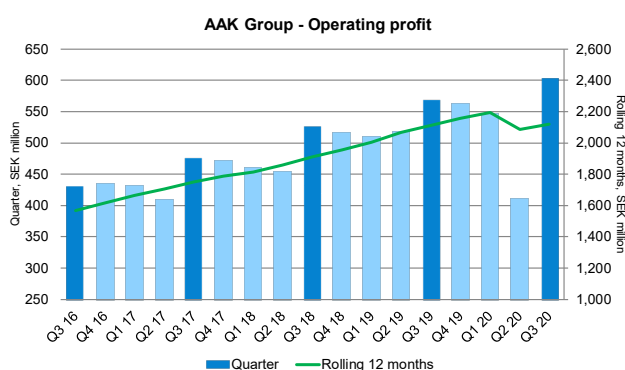
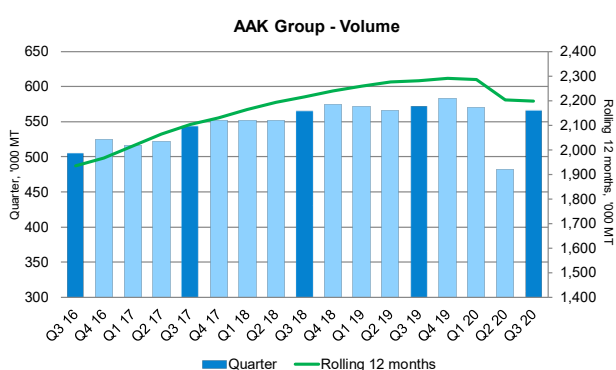
Q3 2020

- Total volumes for the quarter amounted to 565,000 MT (571,000), a decrease by 1 percent (positive 1).
- Operating profit, including a negative currency translation impact of SEK 43 million, increased by 7 percent, reaching SEK 602 million (563).
- Operating profit, excluding items affecting comparability, amounted to SEK 602 million (569), an increase by 6 percent.
- Profit for the period amounted to SEK 436 million (398), an increase by 10 percent.
- Earnings per share increased by 10 percent, to SEK 1.69 (1.53).
- Cash flow from operating activities amounted to SEK 482 million (130).
- Return on Capital Employed (ROCE), R12M, was 13.7 percent (14.9 at December 31, 2019).

Q1–Q3 2020

- Total volumes for the period amounted to 1,615,000 MT (1,708,000), a decrease by 5 percent (3).
- Operating profit, including a negative currency translation impact of SEK 36 million, reached SEK 1,560 million (1,581), a decrease by 1 percent.
- Operating profit, excluding acquisition costs and items affecting comparability, amounted to SEK 1,558 million (1,596), a decrease by 2 percent.
- Profit for the period amounted to SEK 1,142 million (1,112), an increase by 3 percent.
- Earnings per share increased by 4 percent and reached SEK 4.46 (4.30).
- Cash flow from operating activities amounted to SEK 815 million (932).
- Return on Capital Employed (ROCE), R12M, was 13.7 percent (14.9 at December 31, 2019).
- The Board of Directors proposes a dividend of SEK 2.10 (1.85) per share, an increase of 14 percent.

	Q3 2020	Q3 2019	Δ %	Q1–Q3 2020	Q1–Q3 2019	Δ %	R12 months	Full year 2019
Volumes, '000 MT	565	571	-1	1,615	1,708	-5	2,197	2,290
Operating profit, SEK million	602	563	+7	1,560	1,581	-1	2,121	2,142
Operating profit excluding items affecting comparability and acquisition costs, SEK million	602	569	+6	1,558	1,596	-2	2,119	2,157
Operating profit per kilo, SEK	1.07	0.99	+8	0.97	0.93	+4	0.97	0.94
Operating profit per kilo excluding items affecting comparability and acquisition costs, SEK	1.07	1.00	+7	0.96	0.93	+3	0.96	0.94
Profit for the period, SEK million	436	398	+10	1,142	1,112	+3	1,543	1,513
Earnings per share, SEK	1.69	1.53	+10	4.46	4.30	+4	6.02	5.86
Return on Capital Employed (R12M), percent	13.7	15.1	-9	13.7	15.1	-9	13.7	14.9



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

With the Covid-19 pandemic still impacting people, societies, and business operations across the world, our highest priority continues to be the health and safety of our employees.

In spite of the Covid-19 situation, AAK returned to profit growth in the third quarter, reporting an operating profit higher than the corresponding quarter last year. The main drivers were our continued focus on business continuity, cost reduction measures initiated early in the second quarter reaching full impact during the third quarter, additional savings from our optimization program, and a favorable product mix. Volumes were still lower compared to last year but have sequentially recovered since the end of May. The uncertainty is, however, still very high with regards to demand.

The imposed pandemic-related restrictions are creating challenges for many of our face-to-face activities, for example the execution of our customer co-development work. It is therefore truly inspirational to see the commitment and desire from all our employees to adjust to this new reality, trying to find new ways of interacting with our customers and partners.

Business performance

Despite total volumes being below last year, we have successfully managed to drive year-over-year volume growth for our high-end speciality solutions.

Operating profit amounted to SEK 602 million, an increase by 7 percent compared to the corresponding quarter last year. Cost reduction measures combined with a favorable product mix resulted in a record-high operating profit per kilo.

Food Ingredients had a strong quarter overall but continued to be negatively impacted by the lower sales in Foodservice. Bakery came back to volume growth after a tough second quarter. Special Nutrition, driven by high-end speciality solutions in Infant Nutrition, also reported organic volume growth. Plant-based Foods continued to grow, mainly driven by good growth for our plant-based dairy solutions. At the end of the quarter, AkoPlanet™, our platform for plant-based food innovations, was launched in the Chinese market.

Covid-19 had a negative effect on the chocolate and confectionery market in the second quarter, but there has been clear sequential volume growth since June. We reported a small year-over-year volume growth in the third quarter driven by our speciality solutions. This combined with our implemented supply chain improvements have supported the continued increase in operating profit.



Business area Technical Products & Feed, serving various non-food industries, had a strong quarter, mainly driven by our feed business and good performance in our crushing operations.

Strong payback from cost management initiatives

Measures to adapt to a new situation and tight cost management initiated in the second quarter have had a strong effect on operating profit. It is important to keep in mind that some of these cost savings, in this unprecedented situation, are of temporary nature and will return when our way of operating return to a more normalized situation.

The execution of our optimization program, announced late last quarter, is progressing according to plan with expected annual savings of about SEK 150 million, reaching full run-rate by the second half of 2021.

Concluding remarks

AAK has a robust foundation, a strong financial track record and a solid balance sheet. Our business has to a large degree showed resilient to a situation like Covid-19. However, it is very difficult to predict the future given current macro-level uncertainties.

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 uncertainty from the Covid-19 pandemic, we see no reason to adjust our view on the strong favorable underlying long-term trends in our markets. Thus, we continue to remain prudently optimistic about the future.

Johan Westman
President and CEO

AAK Group, Q3 2020

Volumes

Volumes were stable and amounted to 565,000 MT (571,000).

Net sales

Sales slightly decreased and amounted to SEK 7,064 million (7,153). This was due to a negative currency translation impact of SEK 609 million, partly offset by selling more speciality solutions with a higher sales price, and to higher raw material prices.

Operating profit

Operating profit reached SEK 602 million (569 excluding items affecting comparability), an increase by 6 percent compared to the corresponding quarter in 2019. Operating profit improved by 7 percent including items affecting comparability in the corresponding quarter last year.

The currency translation impact was negative SEK 43 million. SEK 20 million was related to Food Ingredients and SEK 23 million to Chocolate & Confectionery Fats. Operating profit, excluding items affecting comparability and at fixed foreign exchange rates, increased by 14 percent.

Operating profit per kilo reached SEK 1.07 (1.00 excluding items affecting comparability), an increase of 7 percent. The currency translation impact was negative SEK 0.08. At fixed foreign exchange rates and excluding items affecting comparability in the third quarter last year, operating profit per kilo increased by 14 percent.

Net financial cost and tax costs

Net financial cost amounted to SEK 26 million (34). The lower interest cost was related to less borrowing in high-interest rate countries and reduced net debt for the Group. Reported tax costs correspond to an average tax rate of 24 percent (25). The work to further optimize the capital structure in the Group has supported the lower tax rate.

Earnings per share

Earnings per share increased by 10 percent, to SEK 1.69 (1.53), due to an increased operating profit and lower financial and tax costs.

Cash flow and investments

Operating cash flow including changes in working capital amounted to SEK 482 million (130). Cash flow from working capital amounted to negative SEK 73 million (negative 552). Accounts receivables have increased and impacted cash flow negatively due to the sequential improvement in sales and the sales of more speciality solutions to customers with longer payment terms. Inventory has increased due to normal seasonality. However, the increased inventory has been offset by reduced accounts payables.

Cash outflow from investment activities amounted to SEK 226 million (433), whereof SEK 53 million (207) was related to acquisitions. Capital expenditure was mainly related to regular maintenance investments and capacity increases.

During the first quarter 2020, raw material prices almost returned to levels seen before the price rally in 2019. 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. Raw material prices have increased during the summer which will impact working capital negatively in the beginning of 2021.

Return on Capital Employed (ROCE)

Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 13.7 percent (14.9 at December 31, 2019). ROCE for the third quarter was 13.8 percent compared to 13.4 percent for the corresponding quarter 2019.

Financial position

The equity/assets ratio amounted to 48 percent (45 percent at December 31, 2019). Net debt at September 30, 2020 amounted to SEK 2,977 million (SEK 3,117 million at December 31, 2019). Net debt/EBITDA amounted to 1.04 (1.10 as of December 31, 2019). At September 30, 2020 the Group had total credit facilities of SEK 8,246 million (8,568 as of December 31, 2019), whereof SEK 6,891 million (7,081 as of December 31, 2019) in committed credit facilities. Unused committed credit facilities at September 30, 2020 amounted to SEK 5,589 million.

Selected key events



Partnership with Saha Global

AAK has partnered with Saha Global, a non-profit organization that trains and supports women in Northern Ghana to connect their remote communities to simple, cost-effective water treatment technology, providing them with clean and safe drinking water. This approach, focusing on long-term partnerships with simple interventions that create sustainable businesses, matches our direct shea sourcing program Kolo Nafaso perfectly. More information about the partnership can be found under News & Media at www.aak.com.

CEO Johan Westman signs UNGC's Statement for Renewed Global Cooperation

In response to this moment of global disruption and uncertainty, the UN Global Compact (UNGC) recently launched a campaign calling on member companies' CEOs to show their support for peace and security, human rights and sustainable development. The CEOs, including AAK's Johan Westman, answered the call to mark the 75th anniversary of the United Nations and the 20th anniversary of the UNGC by signing a Statement from Business Leaders for Renewed Global Cooperation. In just one month, the Statement was signed by more than 1,000 CEOs from large, medium and small enterprises in virtually every industry and more than 100 countries. For the sake of our planet and its people, courageous leadership and global cooperation is urgently needed, now more than ever. The signing of the statement demonstrates that AAK heartily embraces that spirit.



AkoPlanet™ with first appearance in China

China's leading exhibition focusing on plant-based diets and plant-based products, VeggieWorld, was held at the end of September in Shanghai. At the event, AkoPlanet™, our portfolio with tailor-made solutions for food manufacturers developing plant-based alternatives, made its first appearance in the Chinese market. With Covid-19 infection rates having decreased significantly across China since July, exhibitions and other large commercial events are once again possible, albeit with strict protocols in place.

Food Ingredients, Q3 2020*

Operating profit
+5%

Operating profit
per kilo
+6%

	Q3 2020	Q3 2019	Δ %	Q1-Q3 2020	Q1-Q3 2019	Δ %	R12 months	Full year 2019
Volumes, '000 MT	376	385	-2	1,055	1,144	-8	1,442	1,531
Net sales, SEK million	4,679	4,834	-3	13,689	14,198	-4	18,469	18,978
Operating profit, SEK million	381	364	+5	967	1,018	-5	1,316	1,366
Operating profit per kilo, SEK	1.01	0.95	+6	0.92	0.89	+3	0.91	0.89

Volumes

Volume growth was negative by 2 percent in the quarter. This was due to lower demand in Foodservice and, to some extent, in Dairy. Plant-based Foods continued its strong growth trend and both Bakery and Special Nutrition reported organic volume growth.

Bakery, serving many fast food chains and restaurants, recovered nicely across the world with double-digit volume growth in Europe and South Latin America.

Dairy volumes continued to decrease in most regions with the exception of Europe, which showed modest growth.

Compared to the corresponding quarter last year, Plant-based Foods continued to significantly increase its volumes (high double-digit growth), driven by our plant-based dairy solutions.

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 growth is despite lower birth rates in China. Our semi-speciality solutions showed good volume growth in the US, Asia and South Latin America. Medical Nutrition continued to grow and the trend for Senior Nutrition was also positive.

Although there was a sequential improvement in Foodservice, we still had significantly lower volumes compared to the corresponding quarter last year. This was due to lower demand from restaurants, hotels and airline catering. We expect volumes to increase further when pandemic-driven restrictions are fully lifted.

Net sales

Sales amounted to SEK 4,679 million (4,834), a decrease by SEK 155 million. This was related to a negative currency translation impact of SEK 414 million and lower sales in Foodservice, partly offset by selling more speciality solutions with a higher sales price and higher raw material prices.

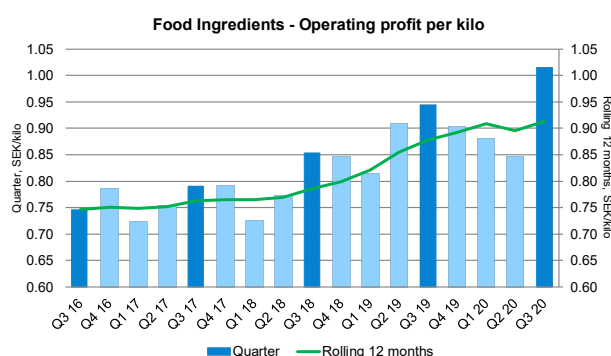
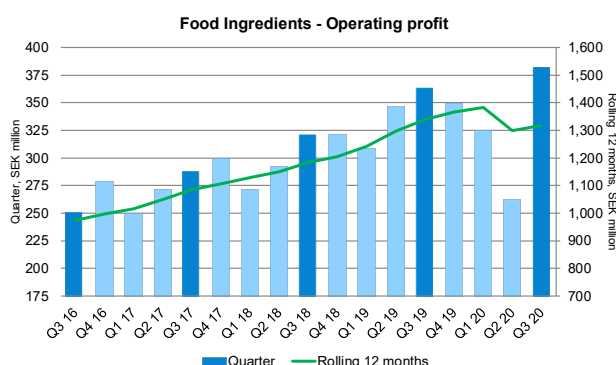
Operating profit

Operating profit increased by 5 percent to SEK 381 million (364). The increase was due to volume growth in Bakery, Plant-based Foods and Special Nutrition as well as to our implemented cost management initiatives. The currency translation impact was negative SEK 20 million. At fixed foreign exchange rates operating profit increased by 10 percent.

As earlier communicated, we have initiated cost optimization programs at all Foodservice facilities. With lower costs and volumes gradually picking up, we have seen a sequential improvement during the quarter, but are still materially below last year's profitability levels.

Operating profit per kilo increased by 6 percent to SEK 1.01 (0.95). The currency translation impact was negative SEK 0.05. At fixed foreign exchange rates operating profit per kilo increased by 13 percent.

AAK's position within Food Ingredients is strong and the Foodservice demand will gradually return. However, further disruptions and sales impact from the uncertainty remain high with regards to restrictions in many countries.



*All figures are excluding items affecting comparability.



Chocolate & Confectionery Fats, Q3 2020*

Operating profit
+7%

Operating profit
per kilo
+5%

	Q3 2020	Q3 2019	Δ %	Q1-Q3 2020	Q1-Q3 2019	Δ %	R12 months	Full year 2019
Volumes, '000 MT	118	116	+2	325	343	-5	441	459
Net sales, SEK million	2,033	1,987	+2	5,772	5,854	-1	7,994	8,076
Operating profit, SEK million	221	206	+7	599	589	+2	804	794
Operating profit per kilo, SEK	1.87	1.78	+5	1.84	1.72	+7	1.82	1.73

Volumes

The global chocolate and confectionery market recovered well following a second quarter severely impacted by the Covid-19 pandemic.

Volumes increased by 2 percent compared to the corresponding quarter last year. There has been a strong demand for our speciality and high-end semi-speciality solutions such as cocoa butter equivalents, filling fats and spreads, generating organic volume growth. However, market conditions for our low-end semi-speciality solutions have been more challenging.

Regionally, the strongest growth was in South Latin America and Europe, except for the CIS area where demand has been low and where some customers also have opted for more low-end solutions.

Net sales

Net sales for the business area increased and amounted to SEK 2,033 million (1,987). The increase was related to the high demand for our speciality and high-end semi-speciality solutions, partly offset by a negative currency translation impact of SEK 195 million.

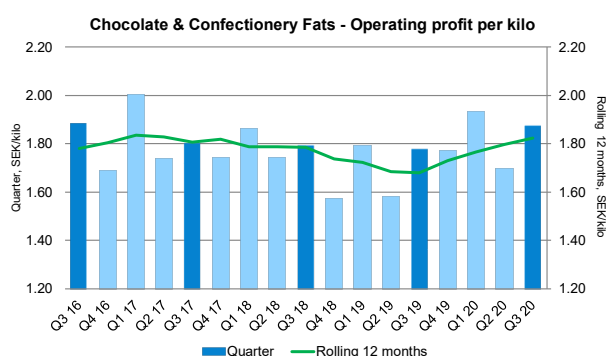
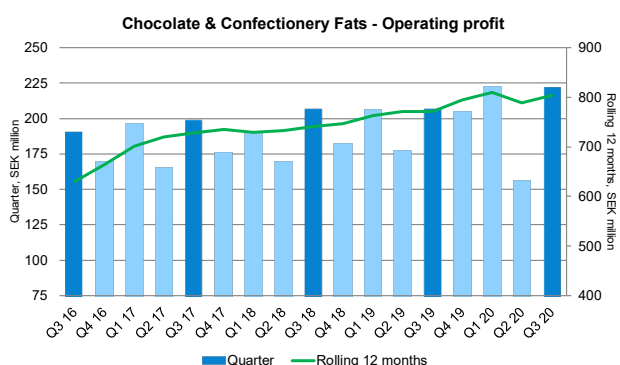
Operating profit

Operating profit reached SEK 221 million (206), an increase by 7 percent. The currency translation impact was negative SEK 23 million. At fixed foreign exchange rates operating profit increased by 18 percent.

The increase in operating profit was due to several factors: a favorable product mix; the cost reduction measures initiated in the second quarter; the implemented supply chain improvements and increased production capacity in Aarhus, Denmark; and the better-yielding shea kernels from the harvest last year.

Operating profit per kilo increased by 5 percent and reached SEK 1.87 (1.78) thanks to the above-mentioned factors. The currency translation impact was negative SEK 0.19. At fixed foreign exchange rates operating profit per kilo increased by 16 percent.

Volatility and uncertainty, especially in relation to upcoming Christmas and Easter sales, will remain high until restrictions are fully lifted and consumer patterns return to more normal.



*All figures are excluding items affecting comparability.



Technical Products & Feed, Q3 2020*

Operating profit
+3%

	Q3 2020	Q3 2019	Δ %	Q1-Q3 2020	Q1-Q3 2019	Δ %	R12 months	Full year 2019
Volumes, '000 MT	71	70	+1	235	221	+6	314	300
Net sales, SEK million	352	332	+6	1,175	1,078	+9	1,553	1,456
Operating profit, SEK million	34	33	+3	100	104	-4	146	150
Operating profit per kilo, SEK	0.48	0.47	+2	0.43	0.47	-9	0.46	0.50

Operating profit
per kilo
+2%

Volumes

Volumes increased by 1 percent (negative 4) compared to the corresponding quarter in 2019. Our feed business continued to grow while volume growth within our fatty acids business was negative due to a lower demand for technical solutions.

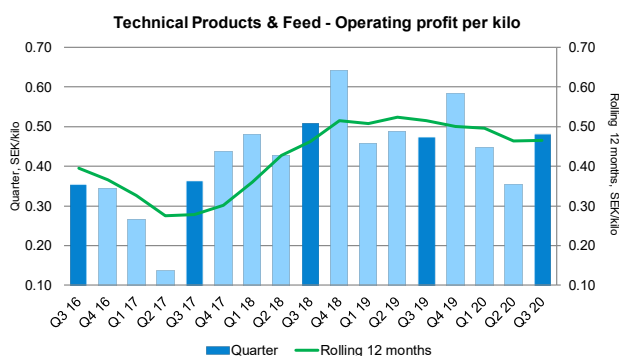
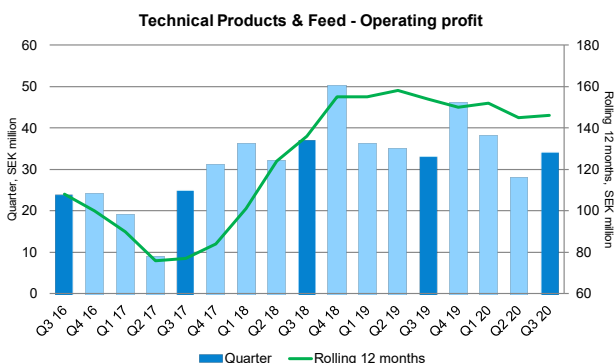
Net sales

Net sales for the business area increased by SEK 20 million due to the volume growth.

Operating profit

Operating profit reached SEK 34 million (33), an increase by 3 percent. This was mainly driven by strong performances in our feed business and crushing operations. Our fatty acids business also showed growth during the quarter due to a favorable product mix.

The business area reported an operating profit per kilo of SEK 0.48 (0.47), an increase by 2 percent.



*All figures are excluding items affecting comparability.



The AAK Group, first nine months 2020

Volumes

Total volumes were down by 5 percent (positive 3). Organic volume growth was negative 5 percent (positive 3).

Net sales

Sales amounted to SEK 20,636 million (21,130), a decrease by SEK 494 million. This was mainly related to lower sales due to the Covid-19 pandemic as well as a negative currency translation impact of SEK 677 million, partly offset by the impact from higher raw material prices.

Operating profit

Operating profit reached SEK 1,560 million (1,581), a decrease by 1 percent. Excluding items affecting comparability of SEK 6 million and acquisition costs of SEK 4 million (15), operating profit decreased by 2 percent.

The currency translation impact was negative SEK 36 million of which SEK 19 million was related to Food Ingredients and SEK 17 million to Chocolate & Confectionery Fats. Operating profit at fixed foreign exchange rates increased by 1 percent.

Operating profit per kilo reached SEK 0.97 (0.93), an increase by 4 percent. Excluding items affecting comparability and acquisition costs, operating profit per kilo increased by 3 percent. The currency translation impact was negative SEK 0.02. At fixed foreign exchange rates operating profit per kilo increased by 6 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 96 million (97). A higher net debt increased the financial costs during the first six months. This has been offset by lower financial costs during the third quarter. Reported tax costs correspond to an average tax rate of 22 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 2 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 increased and amounted to SEK 4.46 (4.30), due to the improved operating profit and lower tax costs.

Cash flow and investments

Operating cash flow including changes in working capital amounted to SEK 815 million (932). Cash flow from working capital was negative, amounting to SEK 477 million (negative 720). Accounts receivables have increased and impacted cash flow negatively due to the sequential improvement in sales and the sales of more speciality solutions to customers with longer payment terms. Inventory has decreased due to good inventory control. Accounts payables have decreased in line with the inventory reduction.

Cash outflow from investment activities amounted to SEK 558 million (1,009), whereof SEK 53 million (488) 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 travel restrictions during the spring/summer which prevented 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 September 30, 2020 was 3,990 (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 under the Investor tab. For reconciliation of Alternative Performance Measures, see pages 20–21.

Definitions

For definitions, please see our Annual Report.

Extraordinary Annual General Meeting

An Extraordinary Annual General Meeting will preliminary be held on November 26, 2020. A formal notice to shareholders will be issued within short.

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.

Events after the reporting period

AAK has in the fourth quarter further strengthened its position in the Indian market and signed an agreement to acquire the remaining 31 percent of the shares of AAK Kamani, the joint venture between AAK and Kamani Oil Industries Pvt Ltd. that was formed in September 2015. AAK now owns 100 percent of AAK Kamani. The payment for the shares will be completed in the coming weeks.

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 55 million (positive 1,386).

Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets totalled SEK 2,045 million (2,173 as of December 31, 2019). Investments in intangible and tangible assets amounted to SEK 2 million (2).

The Parent Company's balance sheet and income statement are shown on pages 23–24.

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, October 22, 2020

Johan Westman
President and CEO

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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 8:20 a.m. CET on October 22, 2020.

Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of AAK AB (publ.) as of September 30, 2020 and the nine-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, October 20, 2020

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant

AAK Group

Condensed Income statement

SEK million	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Net sales	7,064	7,153	20,636	21,130	28,510
Other operating income	28	55	302	132	193
Total operating income	7,092	7,208	20,938	21,262	28,703
Raw materials and supplies	-5,063	-5,194	-15,170	-15,394	-20,743
Other external expenses	-662	-658	-1,805	-1,982	-2,685
Cost for remuneration to employees	-577	-620	-1,785	-1,787	-2,423
Depreciation, amortization and impairment losses	-186	-172	-574	-508	-687
Other operating expenses	-2	-1	-44	-10	-23
Total operating expenses	-6,490	-6,645	-19,378	-19,681	-26,561
Operating profit (EBIT)	602	563	1,560	1,581	2,142
Interest income	1	3	5	7	10
Interest expense	-27	-36	-88	-103	-133
Other financial items	0	-1	-13	-1	-8
Total financial net	-26	-34	-96	-97	-131
Profit before tax	576	529	1,464	1,484	2,011
Income tax	-140	-131	-322	-372	-498
Profit for the period	436	398	1,142	1,112	1,513
Attributable to non-controlling interests	7	10	10	20	26
Attributable to the Parent company's shareholders	429	388	1,132	1,092	1,487

Comprehensive income

SEK million	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Profit for the period	436	398	1,142	1,112	1,513
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations	-23	-46	-12	-46	-21
	-23	-46	-12	-46	-21
Items that may subsequently be reclassified to profit or loss:					
Translation differences	-170	415	-1,139	792	402
Fair-value changes in cash flow hedges	0	-2	-2	-5	-0
Tax related to fair-value changes in cash flow hedges	0	0	1	1	0
	-170	413	-1,140	788	402
Total comprehensive income for the period	243	765	-10	1,854	1,894
Attributable to non-controlling interests	7	10	7	23	26
Attributable to the Parent company's shareholders	236	755	-17	1,831	1,868

Condensed balance sheet

SEK million	30.09.2020	30.09.2019	31.12.2019
Assets			
Goodwill	2,223	2,162	2,114
Other intangible assets	326	383	363
Property, plant and equipment	5,741	6,022	6,034
Right-of-use assets	768	779	770
Financial assets	36	34	31
Deferred tax assets	175	82	144
Total non-current assets	9,269	9,462	9,456
Inventory	6,257	5,624	6,681
Accounts receivables	3,699	3,903	3,529
Current receivables	1,777	1,797	2,271
Cash and cash equivalents	1,143	731	982
Total current assets	12,876	12,055	13,463
Total assets	22,145	21,517	22,919
Equity and liabilities			
Shareholders' equity	10,428	10,288	10,337
Non-controlling interests	91	93	84
Total equity including non-controlling interests	10,519	10,381	10,421
Liabilities to banks and credit institutions	3,214	3,042	2,987
Pension liabilities	263	291	241
Lease liabilities	676	690	675
Deferred tax liabilities	448	498	511
Non-interest-bearing liabilities	662	574	525
Total non-current liabilities	5,263	5,095	4,939
Liabilities to banks and credit institutions	635	842	870
Lease liabilities	118	102	110
Accounts payables	3,056	2,865	3,354
Other current liabilities	2,554	2,232	3,225
Total current liabilities	6,363	6,041	7,559
Total equity and liabilities	22,145	21,517	22,919

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	1,132	10	1,142
Other comprehensive income	-1,149	-3	-1,152
Total comprehensive income	-17	7	-10
New issue of shares	93	-	93
Subscription warrants	15	-	15
Closing balance September 30, 2020	10,428	91	10,519

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	1,092	20	1,112
Other comprehensive income	739	3	742
Total comprehensive income	1,831	23	1,854
Non-controlling interest	18	-18	-
Dividend	-469	-	-469
Closing balance September 30, 2019	10,288	93	10,381

Financial instruments

2020

SEK million	Asset	Liability
Financial instruments reported in balance sheet September 30, 2020		
Sales and purchase contracts	427	186
Currency hedge contracts	189	136
Total derivatives financial instruments	616	322
Fair value adjustment inventory	142	47
Total financial instruments	758	369

2019

SEK million	Asset	Liability
Financial instruments reported in balance sheet September 30, 2019		
Sales and purchase contracts	449	93
Currency hedge contracts	156	77
Total derivatives financial instruments	605	170
Fair value adjustment inventory	89	2
Total financial instruments	694	172

Condensed cash flow statement

SEK million	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Operating activities					
Operating profit	602	563	1,560	1,581	2,142
Depreciation and amortization	186	172	574	508	687
Other non-cash items	52	108	-187	27	246
Cash flow before interest and tax	840	843	1,947	2,116	3,075
Interest paid and received	-18	-26	-71	-101	-122
Tax paid	-267	-135	-584	-363	-499
Cash flow before changes in working capital	555	682	1,292	1,652	2,454
Changes in inventory	-208	-705	122	-585	-1,784
Changes in accounts receivables	-469	-105	-442	-202	86
Changes in accounts payables	461	102	-147	-9	540
Changes in other working capital items	143	156	-10	76	262
Changes in working capital	-73	-552	-477	-720	-896
Cash flow from operating activities	482	130	815	932	1,558
Investing activities					
Acquisition of intangible assets and property, plant and equipment	-174	-225	-506	-521	-801
Acquisition of operations and shares, net of cash acquired	-53	-207	-53	-488	-535
Proceeds from sale of property, plant and equipment	1	-1	1	0	1
Cash flow from investing activities	-226	-433	-558	-1,009	-1,335
Cash flow after investing activities	256	-303	257	-77	223
Financing activities					
Changes in loans	-287	303	-37	586	591
Amortization of lease liability	-38	-32	-112	-88	-122
New issue of shares	93	-	93	-	-
Subscription warrants	-	-	15	-	-
Dividend paid	-	-	-	-469	-469
Cash flow from financing activities	-232	271	-41	29	0
Cash flow for the period	24	-32	216	-48	223
Cash and cash equivalents at start of period	1,138	744	982	737	737
Exchange rate difference for cash equivalents	-19	19	-55	42	22
Cash and cash equivalents at end of period	1,143	731	1,143	731	982

Key ratios

SEK million (unless otherwise stated)	Q3 2020	Q3 2019	Δ %	Q1–Q3 2020	Q1–Q3 2019	Δ %	Full year 2019
Income statement							
Volumes, '000 MT	565	571	-1	1,615	1,708	-5	2,290
Operating profit	602	563	+7	1,560	1,581	-1	2,142
Operating profit excluding items affecting comparability and acquisition costs	602	569	+6	1,558	1,596	-2	2,157
Profit for the period	436	398	+10	1,142	1,112	+3	1,513
Financial position							
Total assets	22,145	21,517	+3	22,145	21,517	+3	22,919
Equity	10,519	10,381	+1	10,519	10,381	+1	10,421
Net working capital	6,134	6,240	-2	6,134	6,240	-2	5,908
Net debt	2,977	3,453	-14	2,977	3,453	-14	3,117
Cash flow							
EBITDA	788	735	+7	2,134	2,089	+2	2,829
Cash flow from operating activities	482	130	-	815	932	-	1,558
Cash flow from investing activities	-226	-433	-	-558	-1,009	-	-1,335
Free cash flow	256	-303	-	257	-77	-	223
Share data							
Number of shares, thousand	254,391	253,731	+0	254,391	253,731	+0	253,731
Earnings per share, SEK*	1.69	1.53	+10	4.46	4.30	+4	5.86
Earnings per share incl. dilution, SEK**	1.68	1.52	+11	4.45	4.29	+4	5.84
Earnings per share incl. full dilution, SEK***	1.65	1.50	+10	4.36	4.21	+4	5.74
Equity per share, SEK	41.10	40.55	+1	41.10	40.55	+1	40.74
Market value on closing date, SEK	167.15	190.85	-12	167.15	190.85	-12	178.00
Other key ratios							
Volume growth, percent	-1	+1	-	-5	+3	-	+2
Operating profit per kilo, SEK	1.07	0.99	+8	0.97	0.93	+4	0.94
Operating profit per kilo excluding items affecting comparability and acquisition costs, SEK	1.07	1.00	+7	0.96	0.93	+3	0.94
Return on Capital Employed (R12 months), percent	13.7	15.1	-9	13.7	15.1	-9	14.9
Net debt / EBITDA, multiple	1.04	1.26	-17	1.04	1.26	-17	1.10

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

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

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

Quarterly data by business area

Operating profit

SEK million	2019 Q1	Q2	Q3	Q4	Full year	2020 Q1	Q2	Q3
Food Ingredients	308	346	364	349	1,366	325	168	381
Chocolate & Confectionery Fats	206	177	206	205	794	222	73	221
Technical Products & Feed	36	35	33	46	150	38	20	34
Group Functions	-50	-40	-40	-38	-168	-43	156	-34
Operating profit AAK Group	500	518	563	562	2,142	542	417	602
Financial net	-30	-33	-34	-34	-131	-35	-35	-26
Profit before tax	470	485	529	528	2,011	507	382	576

Operating profit excluding items affecting comparability and acquisition costs

SEK million	2019 Q1	Q2	Q3	Q4	Full year	2020 Q1	Q2	Q3
Food Ingredients	308	346	364	349	1,366	325	262	381
Chocolate & Confectionery Fats	206	177	206	205	794	222	156	221
Technical Products & Feed	36	35	33	46	150	38	28	34
Group Functions	-41	-40	-34	-38	-153	-39	-35	-34
Operating profit AAK Group	509	518	569	562	2,157	546	411	602
Financial net	-30	-33	-34	-34	-131	-35	-35	-26
Profit before tax	479	485	535	528	2,026	511	376	576

Net sales by market

2020

SEK million	FI Q3 2020	CCF Q3 2020	TPF Q3 2020	Total Q3 2020	FI Q1-Q3 2020	CCF Q1-Q3 2020	TPF Q1-Q3 2020	Total Q1-Q3 2020
Europe	2,152	1,020	352	3,524	6,058	2,899	1,175	10,132
North and South America	1,946	733	-	2,679	5,901	2,107	-	8,008
Asia	529	259	-	788	1,557	669	-	2,226
Other countries	52	21	-	73	173	97	-	270
Net sales	4,679	2,033	352	7,064	13,689	5,772	1,175	20,636

2019

SEK million	FI Q3 2019	CCF Q3 2019	TPF Q3 2019	Total Q3 2019	FI Q1-Q3 2019	CCF Q1-Q3 2019	TPF Q1-Q3 2019	Total Q1-Q3 2019
Europe	2,258	1,017	332	3,607	6,413	2,814	1,078	10,305
North and South America	1,984	735	0	2,719	5,897	2,314	0	8,211
Asia	550	208	0	758	1,737	614	0	2,351
Other countries	42	27	0	69	151	112	0	263
Net sales	4,834	1,987	332	7,153	14,198	5,854	1,078	21,130

Alternative Performance Measures (APMs)

Organic volume growth

Percent	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Food Ingredients					
Organic volume growth	-2	2	-8	1	2
Acquisitions/divestments	-	-	-	-	-
Volume growth	-2	2	-8	1	2
Chocolate & Confectionery Fats					
Organic volume growth	2	1	-5	9	7
Acquisitions/divestments	-	-	-	-	-
Volume growth	2	1	-5	9	7
Technical Products & Feed					
Organic volume growth	1	-4	6	-1	-0
Acquisitions/divestments	-	-	-	-	-
Volume growth	1	-4	6	-1	-0
AAK Group					
Organic volume growth	-1	1	-5	3	2
Acquisitions/divestments	-	-	-	-	-
Volume growth	-1	1	-5	3	2

EBITDA

SEK million	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Operating profit (EBIT)	602	563	1,560	1,581	2,142
Add back depreciation and amortization	186	172	574	508	687
EBITDA	788	735	2,134	2,089	2,829

Return on Capital Employed (ROCE)

SEK million	30.09.2020	30.09.2019	R12M 30.09.2020	R12M 31.12.2019
Total assets	22,145	21,517	22,420	20,454
Cash and cash equivalents	-1,143	-731	-1,179	-801
Financial assets	-5	-5	-115	-13
Accounts payables	-3,056	-2,865	-3,076	-2,885
Other non-interest-bearing liabilities	-2,538	-2,214	-2,539	-2,338
Capital employed	15,403	15,702	15,511	14,417
Operating profit (Rolling 12 months)	2,121	2,097	2,121	2,142
Return on Capital Employed (ROCE), percent	13.8	13.4	13.7	14.9

Net working capital

SEK million	30.09.2020	Full year 2019
Inventory	6,257	6,681
Accounts receivables	3,699	3,529
Other current receivables, non-interest-bearing	1,772	2,261
Accounts payables	-3,056	-3,354
Other current liabilities, non-interest-bearing	-2,538	-3,209
Net working capital	6,134	5,908

Net debt

SEK million	30.09.2020	Full year 2019
Current interest-bearing receivables	5	11
Cash and cash equivalents	1,143	982
Pension liabilities	-263	-241
Non-current liabilities to banks and credit institutions	-3,214	-2,987
Current liabilities to banks and credit institutions	-635	-870
Other interest-bearing liabilities	-13	-12
Net debt	-2,977	-3,117

Net debt/EBITDA

SEK million	30.09.2020	Full year 2019
Net debt	2,977	3,117
EBITDA (Rolling 12 months)	2,874	2,829
Net debt/EBITDA, multiple	1.04	1.10

Equity to assets ratio

SEK million	30.09.2020	Full year 2019
Shareholders' equity	10,428	10,337
Non-controlling interests	91	84
Total equity including non-controlling interests	10,519	10,421
Total assets	22,145	22,919
Equity to assets ratio, percent	47.5	45.5

Acquisitions

During the second quarter 2020, AAK acquired 75 percent of the Russian company NPO Margaron LLC. The effect on AAK's Balance sheet and Cash flow is shown below.

SEK million	Q1-Q3 2020
Fair value of acquired assets and liabilities	
Total fixed assets	27
Total financial assets	1
Total current assets	32
Total assets	60
Total non-current liabilities	36
Total current liabilities	12
Total liabilities	48
Fair value of acquired assets and liabilities	12
Goodwill	242
Non-current liabilities	-216
Total purchase consideration transferred	38
Less cash and cash equivalents in acquired companies	0
Cash flow from acquisition of operations and shares	38

During the third quarter 2020, AAK paid an additional purchase price for BD Foods Ltd. for an amount of SEK 15 million.

Income statement – Parent company

SEK million	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Net sales	44	33	131	98	159
Total operating income	44	33	131	98	159
Other external expenses	-27	-25	-83	-103	-136
Cost for remuneration to employees	-16	-26	-68	-78	-101
Depreciation, amortization and impairment losses	-2	-3	-6	-5	-7
Total operating expenses	-45	-54	-157	-186	-244
Operating profit (EBIT)	-1	-21	-26	-88	-85
Dividend from group companies	-	-	-	1,497	1,497
Income from shares in group companies	-	-	-	-	87
Interest income	0	-	0	1	1
Interest expense	-8	-6	-25	-21	-20
Other financial items	-1	-2	-4	-3	-6
Total financial net	-9	-8	-29	1,474	1,559
Profit before tax	-10	-29	-55	1,386	1,474
Income tax	2	6	12	24	-1
Profit for the period	-8	-23	-43	1,410	1,473
Attributable to non-controlling interests	-	-	-	-	-
Attributable to the Parent company's shareholders	-8	-23	-43	1,410	1,473

Comprehensive income – Parent company

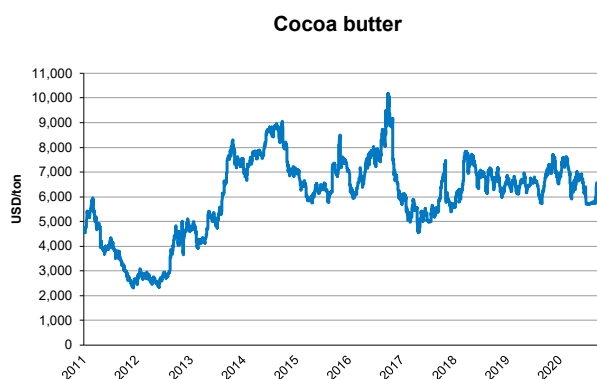
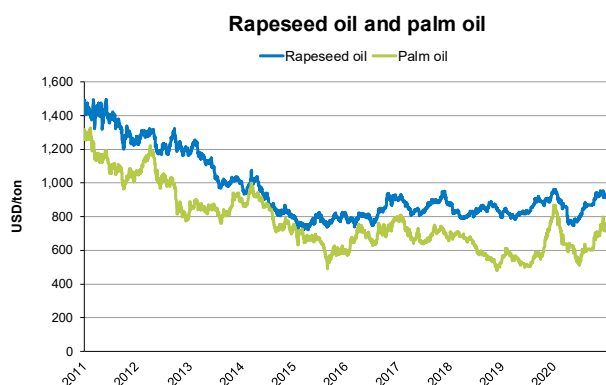
SEK million	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Profit for the period	-8	-23	-43	1,410	1,473
Items that will not be reclassified to profit or loss:					
	-	-	-	-	-
Items that may subsequently be reclassified to profit or loss:					
	-	-	-	-	-
Total comprehensive income for the period	-8	-23	-43	1,410	1,473
Attributable to non-controlling interests	-	-	-	-	-
Attributable to the Parent company's shareholders	-8	-23	-43	1,410	1,473

Condensed balance sheet – Parent company

SEK million	30.09.2020	30.09.2019	31.12.2019
Assets			
Other intangible assets	12	9	12
Property, plant and equipment	2	3	3
Right-of-use assets	5	7	6
Financial assets	9,255	8,683	8,777
Deferred tax assets	5	5	5
Total non-current assets	9,279	8,707	8,803
Current receivables	339	347	423
Cash and cash equivalents	0	0	0
Total current assets	339	347	423
Total assets	9,618	9,054	9,226
Equity and liabilities			
Shareholders' equity	6,916	6,804	6,867
Non-controlling interests	-	-	-
Total equity including non-controlling interests	6,916	6,804	6,867
Liabilities to banks and credit institutions	2,600	2,150	2,250
Lease liabilities	2	4	3
Other non-current liabilities	30	32	33
Total non-current liabilities	2,632	2,186	2,286
Lease liabilities	3	3	3
Accounts payables	5	1	8
Other current liabilities	62	60	62
Total current liabilities	70	64	73
Total equity and liabilities	9,618	9,054	9,226

No changes have arisen in contingent liabilities.

Price trends in raw materials



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 October 22, 2020 at 10 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 2020–2021

A virtual capital market day will be held on November 17, 2020.

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

The interim report for the first quarter 2021 will be published on April 23.

The Annual General Meeting will be held on May 7, 2021.

Forward-looking statements

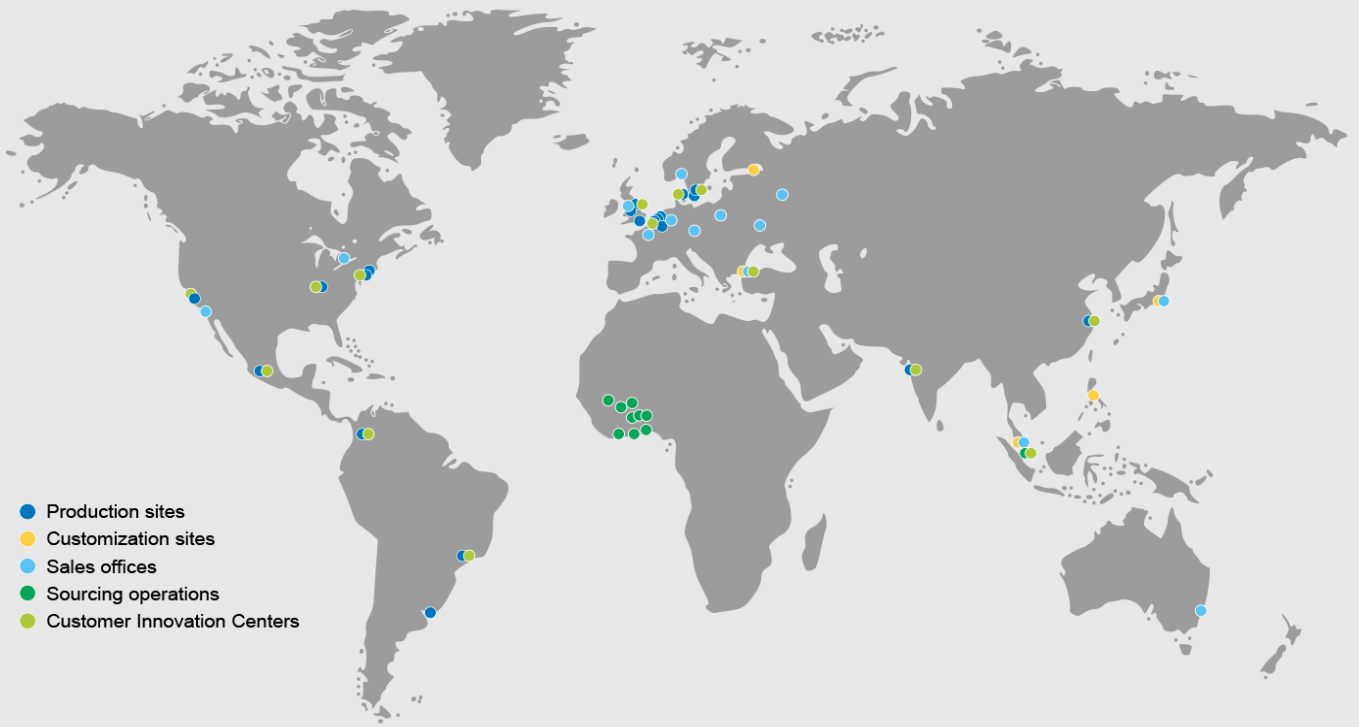
This report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of AAK AB (publ.), may cause actual developments and results to differ materially from the expectations expressed in this report.

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.

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