



Co-development
for superior
consumer
products

Annual Report
2019

AAK

Contents

AAK at a glance.....	2
2019 in brief.....	4
Comments by Johan Westman, President and CEO.....	6
A vision that drives customer value.....	8
Innovation as a foundation.....	9
Facts about fats.....	10
Broad range of raw materials.....	11
AAK's business model.....	12
Continued growth through strategic acquisitions.....	14
Three years with The AAK Way.....	16
AAK's new strategic direction.....	18
Business areas.....	20
Our House of Sustainability.....	31
A company to be proud of.....	34
Risks and risk management.....	36
Corporate governance and financial information.....	40
Comments by Georg Brunstam, Chairman of the Board.....	42
Directors' report.....	43
Board of Directors.....	48
Executive Committee.....	50
The AAK share.....	52
Reasons to invest in AAK.....	54
Comments by Fredrik Nilsson, Chief Financial Officer.....	55
Financial statements.....	56
Notes.....	68
Corporate Governance Report.....	111
Auditor's report.....	121
Financial calendar and Annual General Meeting.....	126
Alternative performance measures (APM) and other financial definitions.....	127



President and CEO, p. 6



New strategic direction, p. 18



Our House of Sustainability, p. 31



AAK at a glance

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.

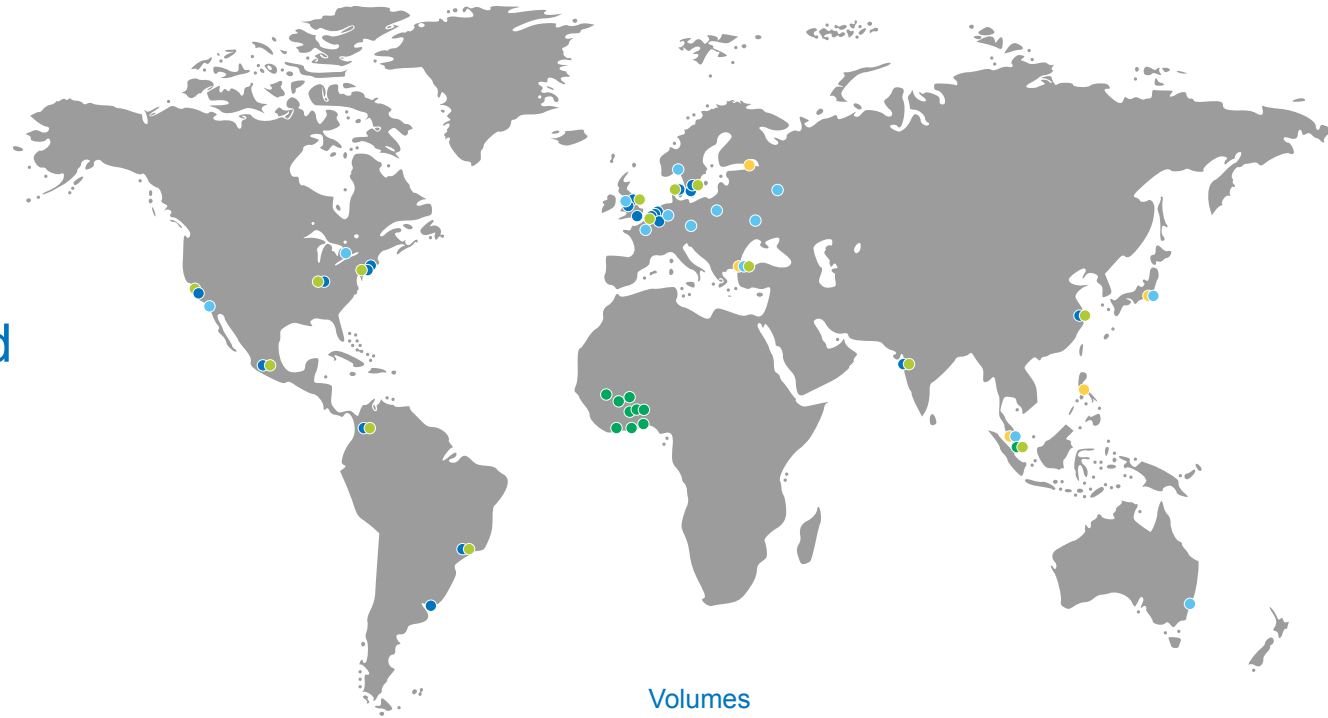
Through our unique co-development approach, we bring together our customers' skills and know-how with our capabilities and mindset. By doing so, we solve customer-specific needs across many industries – Chocolate & Confectionery, Bakery, Dairy, Plant-based Foods, Special Nutrition, Foodservice, Personal 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, more than 3,800 employees are dedicated to providing innovative value-adding solutions to our customers.

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

AAK in the world

- Production sites
- Customization sites
- Sales offices
- Sourcing operations
- Customer Innovation Centers



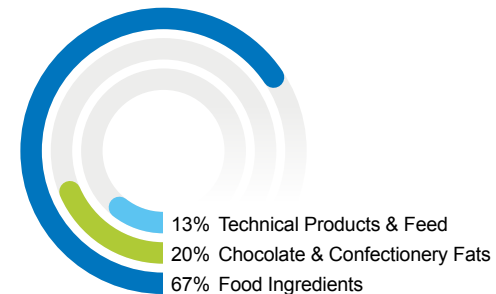
Three business areas

Food Ingredients is our largest business area. It primarily offers solutions to the bakery, dairy, food-service, and special nutrition industries, as well as the fast-growing market for plant-based foods.

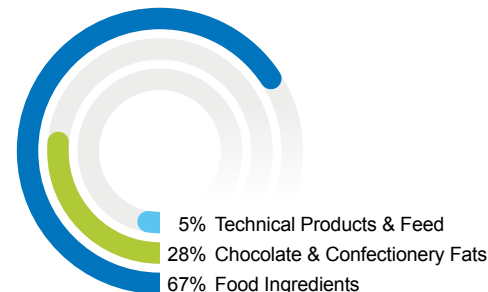
Chocolate & Confectionery Fats offers functional cocoa butter alternatives for chocolate, compounds for coating and molding, and speciality fats for confectionery fillings.

Our Technical Products & Feed business area offers fatty acids and glycerine for various applications, vegetable candle waxes, and proteins and fats for animal feed.

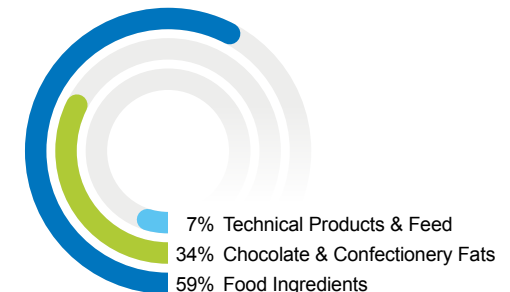
Volumes



Net sales



Operating profit



2019 in brief

Operational key figures (SEK million unless otherwise stated)	2015	2016	2017	2018	2019
Volumes, thousand tons	1,833	1,966	2,129	2,239	2,290
Net sales	20,114	22,057	26,436	27,592	28,510
Adjusted operating profit (EBIT)*	1,411	1,615	1,786	1,956	2,157
Operating profit	1,409	1,615	1,786	1,956	2,142
Operating profit per kilo, SEK	0.77	0.82	0.84	0.87	0.94
Cash flow from operating activities	1,736	1,213	1,099	1,090	1,558
Earnings per share, SEK**	3.70	3.95	4.71	5.21	5.86
Equity per share, SEK**	26.13	29.65	30.21	35.11	40.74
Dividend per share, SEK**	1.29	1.46	1.63	1.85	- ***
Return on Capital Employed, R12M, %	15.7	15.8	15.6	15.8	14.9

* Adjusted for non-recurring items and acquisition costs

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

*** As communicated in a press release on March 30, 2020, the Board of Directors has, due to the corona pandemic, proposed to postpone the decision on the dividend for 2019. For further information, please see page 47.

For financial definitions, please see page 127.

- ◆ To increase capacity, support existing production facilities and enable continued growth, AAK acquired MaasRefinery B.V., a Dutch vegetable oils refinery, in February 2019. The refinery is located next to a deep-sea terminal in Rotterdam and has a capacity of approximately 40,000 MT with room for expansion.
- ◆ During the same month, we acquired British foodservice company BD Foods, located in St Leonards-on-Sea on the south coast of England. The company is a producer of tailor-made restaurant quality meal accompaniments and has a portfolio of over 3,000 products.
- ◆ In March, we decided on some significant add-on investments in our production facility in Zhangjiagang, China – this in order to increase capacity and support volume growth for, in particular, our Special Nutrition segment and high-end bakery solutions.
- ◆ A senior unsecured bond for a total of SEK 500 million with a tenor of five years was issued in March. In November, another senior unsecured bond for a total of SEK 500 million, also with a tenor of five years, was issued. Both bond issues are part of the MTN program (Medium Term Note) that was established in November 2018 with a framework amount of SEK 4,000 million.
- ◆ In April and May, we further increased our position in the Indian market by acquiring an additional 13 percent of the shares of AAK Kamani, the joint venture between AAK and Kamani Oil Industries Pvt Ltd. that was formed in September 2015. In October, we acquired an additional 5 percent. AAK now owns 69 percent of AAK Kamani.
- ◆ In June, we launched AkoPlanet™, a new portfolio with tailor-made solutions for food manufacturers developing plant-based alternatives within the meat, dairy and ice cream segments.
- ◆ In September, we acquired 80 percent of Soya International (Europe) Ltd. The UK-based company focuses on the sourcing, processing and distribution of non-GMO semi-speciality and speciality lecithins. Lecithin is a natural emulsifier and a by-product from the processing of vegetable oils, for example soya bean oil (picture to the right).
- ◆ In November, we inaugurated our new Customer Innovation Center in Richmond, California. The center, where there will be a particular focus on solutions for plant-based foods, will further strengthen our capabilities and customer co-development approach on the West Coast of the United States.



President and CEO:

A strong year with continued profit growth

Looking back at 2019, there is no doubt that it has been a strong year for AAK. In terms of financial development, we have seen year-over-year growth in volumes, operating profit, operating profit per kilo, and earnings per share. We have also made three strategic acquisitions, increased our ownership in our joint venture AAK Kamani in India, and brought some key products to market.

Profit growth in line with our ambition

Compared to 2018, we managed to grow our operating profit with 10 percent, in line with our ambition.

Business area Food Ingredients was our main driver with a 13 percent increase in operating profit. Dairy, Bakery and Foodservice all contributed nicely as did our solutions to plant-based foods. The picture for Special Nutrition was more mixed. Volumes were impacted by lower birth rates in China and destocking by some global customers. However, we continued to strengthen our mix with a higher portion of customer co-developed solutions.

Chocolate & Confectionery Fats also contributed to the profitability improvement. This despite facing some challenges throughout the year, especially due to low-yielding shea kernels. However, the last batches of these kernels have now been used. In addition, our investment projects to increase capacity and strengthen our supply chain have been completed according to plan and with good results. The long-term market trend

for the industry looks promising and we continue to see a strong demand for our high-end solutions.

Despite a small decline, Technical Products & Feed continued to operate on a significantly higher operating profit level during 2019 compared to historical performances. This is in large part due to our successful implementation of our customer co-development approach within the business area.

Important product launches and strategic acquisitions

During the year, we have brought a number of important products to market, among them our chocolate solution COBAO™ Pure. This breakthrough innovation which delivers significantly improved bloom-retarding effects and extends shelf life, is expected to be beneficial mainly in the fast-growing premium chocolate segment.

AkoPlanet™, our portfolio with tailor-made solutions for food manufacturers developing plant-based alternatives, has generated strong volume and profit growth since it was launched in June 2019. Our pipeline of customer co-development projects more than doubled between the second and the third quarter, and then again between the third and the fourth quarter.

The three acquisitions we have made during the year have helped us increase our capacity in Europe, broaden our capabilities within our foodservice offerings, and expand our portfolio with lecithin, a key ingredient for many customers within our core segments.

Continued progress within sustainability

We continue to make substantial progress within our sustainability activities to contribute to the UN Sustainable Development Goals. Through our responsible sourcing activities, we see a positive impact on smallholders' livelihoods, and through our co-development work, we continuously create new sustainable solutions.

In West Africa, we have further strengthened our shea sourcing program Kolo Nafaso and our work with women's groups. We are now directly working with more than 230,000 women. This is an important achievement in securing our long-term growth for shea-based solutions and making a positive and sustainable impact in our supply chain.

Fully aware of the impacts of global warming, we have committed to set a Science Based Target during 2020. Climate change impact assessments have been initiated at all production sites which will provide valuable input for our actions going forward.

New strategic direction

The closing of 2019 also marked the end of The AAK Way, a company program that has resulted in many important achievements. In parallel with concluding the program, we have reviewed our market and our capabilities to define AAK's strategic direction going forward. Although we will continue to build on what has made us successful, we will also sharpen our focus and

lift our capabilities to further strengthen our position as the leading speciality oils and fats provider in the world.

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

Financially, we believe that the strategic direction supports our ambition of an average 10 percent year-over-year operating profit growth combined with a good and consistent earnings per share improvement.

As I write this, the ongoing corona pandemic is profoundly impacting people's health, societies, and business operations across the world. The uncertainty in our industry has increased, especially in the short term. However, in a more long-term perspective, we still see favorable underlying trends in our markets, and we remain prudently optimistic about the future.

I'm very proud to be part of the AAK team and the dedicated work I see wherever I go continues to impress me. I would like to thank our customers, shareholders, the Board of Directors, our devoted management team, and all AAK colleagues around the world for your valuable contributions during the past year.

Johan Westman, President and CEO



A vision that drives customer value

AAK solves challenges and creates opportunities with lasting value through tailored vegetable oils and fats solutions. Through our unique co-development approach, customers can depend upon us to support their needs and help realize their goals.

To achieve this, we have set our standards as high as possible. After more than 140 years, we have the expertise and capabilities to make a positive impact to our customers' business, to the industries we serve, to our employees and stakeholders – and to the future of our planet.

Our vision

Our vision is to be the industry's first choice for value-adding vegetable oil solutions. This goal is made possible by the attributes that form the foundation of our approach:

We succeed when we add real value to a customer's process and business. We go above and beyond to create opportunities and solve challenges through our unique co-development approach and our in-depth understanding of customer needs. This enables customers to explore and leverage every opportunity from idea generation to launch, generating results that last for years.

The first choice for value-adding vegetable oil solutions

We aspire to be the first choice for businesses looking for innovative, cost-effective and sustainable vegetable oil solutions. Just as importantly, this ambition applies to all other stakeholders, such as our employees, partners, suppliers, and shareholders. We achieve this through our competitiveness, our consistently high-quality standards, and our innovation.

We know vegetable oils better than anyone else. This isn't only about developing superior products; it is about creating superior solutions. This is made possible through a unique multi-oil/multi-process approach and personalized services that encompass everything from consultation and customization to technical support and a faster time-to-market.

Innovation as a foundation

At AAK, innovation means continued sustainable growth for us and our customers. By constantly exploring new insights, new raw materials and new technologies, we are able to co-develop unique solutions that open the door to a wealth of opportunities. It is what makes working with AAK different.

Market insights

Our solutions are never a success unless they add tangible, long-term value to our customers. Through our co-development approach, we start by gaining deep insights into the drivers behind market demand, as well as the challenges they present. This gives us a powerful framework to ensure each solution is exactly in line with the customer's specific requirements.

Value at every stage

When it comes to creating a new solution, our global network of Customer Innovation Centers is home to many of the best engineering and technical minds in the business. We work in close collaboration with our customers' own teams and experts to bring the best resources into play at every stage. This allows us to make sure that value is created throughout the process until the final solution is ready for launch.

AAK's approach to innovation offers significant advantages that help customers to be more competitive and build market share. This is not only through safer, more cost-efficient processing or a more sustainable supply,

but also through superior products with a better sensory experience, better nutritional profile or that tap into the latest consumer trend.

New innovations

Innovation at AAK has been strong over 2019 and thanks to our Customer Innovation Centers being close to our customer base, we have seen positive results virtually every day. For example, our focus on clean labels has created new solutions that increase the stability of chocolate based on cocoa butter, and in our nutrition portfolio we have added new solutions to improve the uptake of the essential omega-3 fatty acids. Within plant-based foods, we have developed new standards for sustainable solutions across different raw materials and functionalities.

Innovation for the future

Going forward and within the framework of our new strategic direction we will continue to work closely with our customers. This in order to gain market insights and steer our innovation efforts towards customer co-developed solutions that create even higher value. We will also increase our focus on solutions for plant-based foods and nutritional solutions that can be implemented in the food sector where we already have a strong footprint through our regional Customer Innovation Centers and close connection to the market.





Facts about fats

As humans, we simply cannot live without fat. Found in every cell in the body, it is essential for producing certain hormones and provides a wide range of other important functions, including:

- ◆ The body's ability to absorb vitamins A, D, E and K is dependent on the presence of fat.
- ◆ Fat is a very important provider of energy (providing 37 kJ/g) and the most energy-dense part of our diet. It is recommended that approximately 30 percent of our daily intake comes from fat, equal to 60–90 grams for adults.
- ◆ Essential fatty acids are precursors to a number of bioactive components which are required for the human body to function.

There are several different types of fat, which are typically divided into four main groups:

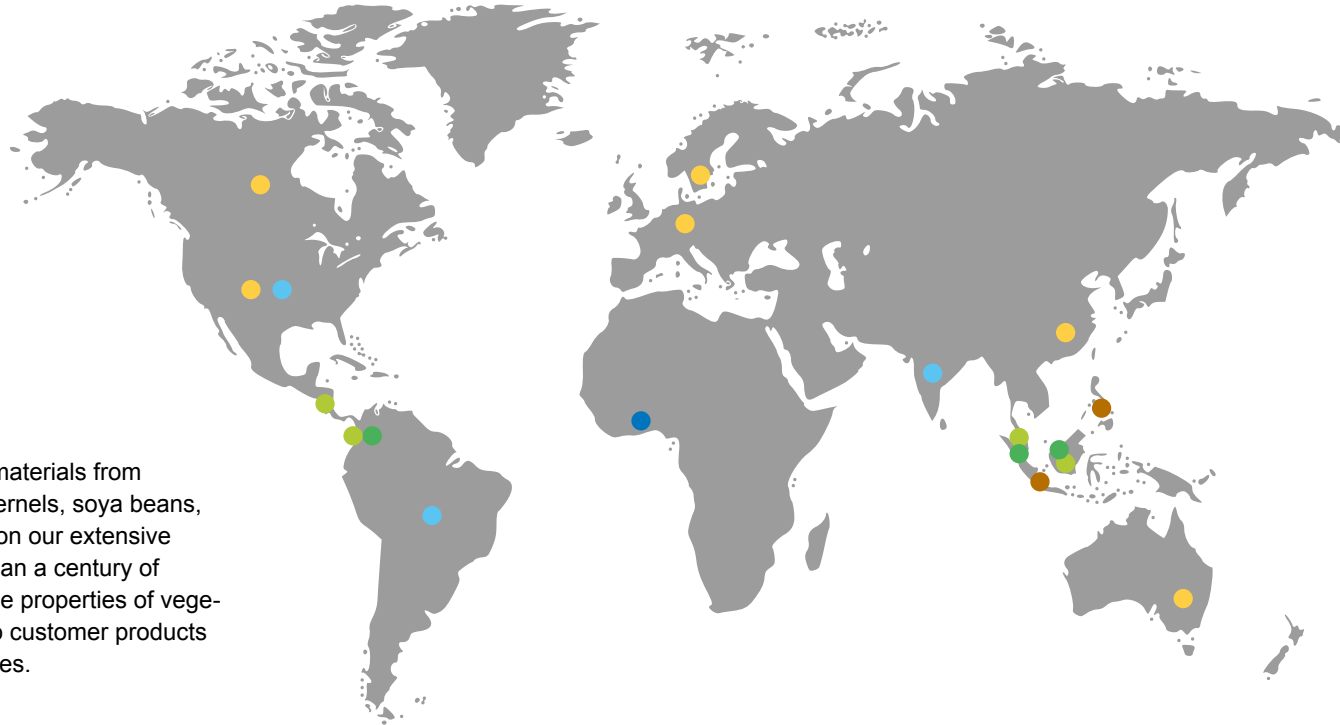
- ◆ **Saturated fat** – found in animal products such as butter, cream, milk, meat, and vegetable oils from tropical plants (coconut and palm). Characterized by the ability to remain solid at room temperature.

- ◆ **Monounsaturated fat** – found in almonds, olive oil, rapeseed oil and other vegetable oils. Suitable for cooking, being more heat-stable than polyunsaturated fat.
- ◆ **Polyunsaturated fat** – found in most liquid vegetable oils, for example sunflower and soy bean oil, and, to some extent, in oily fish such as salmon, mackerel, herring and sardines. Polyunsaturated fats are further categorized as omega-3 and omega-6 polyunsaturated fats.
- ◆ **Trans fat** – a particular form of unsaturated fat. Occurs naturally in milk and fat from ruminants but are also formed when vegetable fat is partially hydrogenated.

Unsaturated fats have a positive (decreasing) effect on blood cholesterol while saturated fats increase all cholesterol, LDL (“bad” cholesterol) as well as HDL. Trans fats, on the other hand, only increase the level of LDL cholesterol and at AAK, we have been developing ways to reduce the majority of industrially-produced trans fats in our products.

Broad range of raw materials

We obtain our key raw materials from rapeseed, palm, shea kernels, soya beans, and coconuts. Drawing on our extensive knowledge, and more than a century of experience, we utilize the properties of vegetable oils to add value to customer products within our target industries.



 Rapeseed oil/Canola oil



Northern and Central Europe, Canada, United States, Australia, and China

 Palm oil



Asia and Central and South America

 Palm kernel oil



Asia and South America

 Shea kernels



West Africa

 Soya bean oil



United States, South America and India

 Coconut oil



Indonesia, the Philippines and India

A business model focused on collaboration, value and growth

Ever since AAK first started helping customers to improve and accelerate product development, our industry has changed tremendously. Consequently, our business model has evolved to ensure AAK continues to deliver ever more effective solutions that drive sustainable growth.

Our core business today is to provide value-adding vegetable oil solutions to the food, confectionery and cosmetics industries. Customers worldwide rely on our expertise, experience and innovation to deliver lasting business value in markets shaped by shifting consumer trends.

While this inevitably creates challenges to overcome, it also gives way to exciting new ideas and potential. We continuously refine our business model to ensure customers can leverage these developments and turn them into growth opportunities. This model is built around the following key attributes:

Co-Development creates value

One of AAK's greatest strengths is our unique co-development approach. This was born from our strong relationships with customers, where we could bring the most value by working proactively in close collaboration to deliver value-adding results at every stage. This methodology enables us to work as an efficient team from idea to launch, drawing upon the right expertise at the right time to create solutions with better ideation, faster development times and more effective implementation.



One size does not fit all

We understand that customers come with their own unique challenges, and therefore require customized solutions to get the results they need to stay competitive. Our multi-oil and multi-process approach gives us an unmatched capability to provide products tailored to specific needs, while our worldwide network of Customer Innovation Centers and production facilities enables us to act effectively as both a local and global partner.

Exceptional multi-functional solutions

We make products with excellent nutritional and functional value, with outstanding structure, melting and crystallization behavior, rheological properties, flavor release, and skin penetration. This enables us to meet specific customer requirements for improved health profile, taste, processing, logistics, labeling, and legal requirements. In every case, our technical and commercial experts work closely with customers to identify the optimal solution.

A focus on health

Many customer demands are inspired by consumer health trends. This is an area we take very seriously, not least to support a customer's product development strategy. Here our expertise has enabled us to maintain

high product functionality while reducing the majority of saturated fat solutions, believed to increase the risk of cardiovascular disease.

Driving down costs

At AAK, we are constantly striving to reduce raw materials and processing costs, but never at the expense of our own high-quality standards. By finding new ways to operate more efficiently, we can help customers strengthen their bottom-line results. We see this as vital to help maintain their growth and development, especially as we work in a highly competitive market where retailers continue to challenge food manufacturers.

Sustainability as a foundation

Sustainable growth is a cornerstone of our company. The foundation of our model for sustainable growth incorporates the ten principles of the UN Global Compact, the UN's Sustainable Development Goals, and our own policies and codes. Some of the industries we work with, for example Chocolate & Confectionery Fats and Plant-based Foods, have very ambitious sustainability commitments, and through our co-development approach we create solutions that help our customers live up to these commitments.





Continued growth through strategic acquisitions

AAK's impressive growth journey over the last decade has been fueled by both organic growth and strategic mergers and acquisitions. Several important acquisitions were also completed during 2019.

Increased capacity in Europe

In early 2019, we acquired Dutch company MaasRefinery B.V., specialized in toll refining of vegetable oils and fats for the food industry. The rationale behind the acquisition was to increase capacity, support existing production facilities and enable continued growth for AAK.

MaasRefinery is located next to a deep-sea terminal in Rotterdam and has a capacity of approximately 40,000 MT with room for expansion. The company, today known as AAK Rotterdam B.V., focuses on conventional as well as organic oils and fats, the latter being a key focus area for AAK.

MaasRefinery was established in 2009 and is designed according to the latest technology with processes that maximize energy efficiency and minimize oil losses. The company has integrated well into AAK and has been able to support our other European production facilities in a good way.

Premium foodservice products

At the end of February, AAK acquired British foodservice company BD Foods, a producer of tailor-made restaurant quality meal accompaniments. The acquisition is a very good fit with our global foodservice expansion and provides a complementary range of products at the premium end of the foodservice market.

With a broad product and packaging offering, a customer-centric approach and a strong reputation in UK foodservice, the acquisition has broadened our product portfolio and given us greater access to some key operators in the foodservice market.

The company, now acting as AAK BD Foods, was established in 2001 and is located in St Leonards-on-Sea on the south coast of England. It has a portfolio of over 3,000 products that are sold to a wide range of customers, including restaurants, hotels, airlines, wholesalers, and food manufacturers.

The first year with AAK BD Foods has been very good and the company has delivered strong results within our foodservice business.

Expansion of our ingredient portfolio

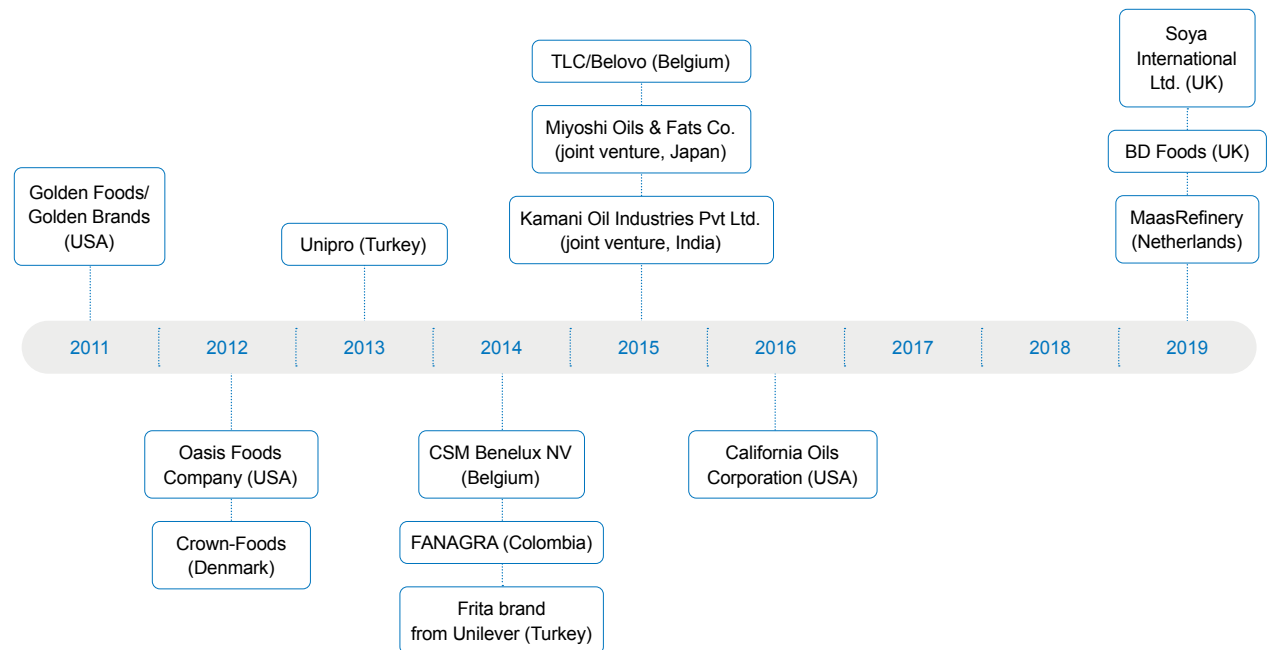
In mid-September, AAK acquired 80 percent of Soya International (Europe) Ltd. The UK-based company focuses on the sourcing, processing and distribution of non-GMO semi-speciality and speciality lecithins. Lecithin is a natural emulsifier and a by-product from the processing of vegetable oils.

With this acquisition, AAK has expanded its ingredient portfolio with a product range critical to many customers within our core segments, especially Chocolate & Confectionery Fats and Bakery, but also Dairy, Special Nutrition, and Personal Care.

Soya International was founded in 1996 and operates out of Manchester, UK. It has a third-party processing facility in the Netherlands and holds well-established relationships with customers and distributors in 40 markets globally. The company now trades under the name of AAK Soya International Ltd.

Having entered the natural emulsifiers segment, we have started to leverage our go-to-market organization to include the lecithin business in our existing product portfolio. The global speciality lecithin market is expected to show strong market growth in the coming years and we are well positioned to grow the business well above the market.

Excellent track record of strategic acquisitions



The AAK Way successfully completed

Having guided our business for the past three years, our company program The AAK Way came to a close at the end of 2019.

Our key focus with the program has been to enable continued organic growth, to help us improve our operating profit year-over-year by 10 percent on average, and to build a stronger AAK for the short, mid and long term.

By establishing a strong foundation at the beginning of the program, followed by a dedicated and continuous execution, we are now able to reap the harvest of our many great efforts within the program's five priority areas.

Go to Market

A very important activity within Go to Market has been the global customer survey that was conducted in 2018. Based on both quantitative and qualitative input from close to 1,000 customers, we have put strong actions in place to further enhance our customers' experiences. We have also taken our go-to-market approach to new levels by developing strong training platforms and knowledge-sharing networks, as well as rolling out a high-level sales program to hundreds of go-to-market colleagues globally, supporting our Customer Co-Development approach.

Operational Excellence

In this priority area we have strengthened our competitiveness within sourcing and made significant improvements within the responsible sourcing of our raw materials globally. To achieve a cost-efficient and flexible operation, we have also between our production plants ensured benchmarking and best practices for critical operational needs.

Special Focus Areas

Special Nutrition and Dairy+ (including the plant-based foods industry) were identified as two special focus areas believed to hold significant potential for future growth. Important achievements include expansion into new markets, significant growth within Infant Nutrition, and a successful launch of our AkoPlanet™ brand has supported us in generating a very strong pipeline of solutions for the fast-growing plant-based foods industry.

Innovation

Innovation is decisive for being the preferred partner to our customers and for securing that our solutions add significant value to their products. During the course of The AAK Way, we have further developed our innovation processes and several supporting tools and guidelines. We have also launched a global social platform internally to drive proactivity input for our innovation pipeline as well as added new Customer Innovation Centers in several AAK regions.

People

Aiming to have a great leadership in our organization, we have within priority area People invested significant time and effort in leadership development globally. Workforce planning has also been an important priority in order to secure the future of AAK.

To summarize, The AAK Way has given us many achievements to be proud of. As we set out to do, we have continued to deliver organic growth, we have improved our operating profit in accordance with our ambition, and we have made AAK a stronger company.





The **AAK** Way 

Innovación

- Go To Market (Ir al Mercado)**
 - La manera AAK de vender
 - Co-desarrollado con el cliente
- Excelencia en Operaciones**
 - Excelencia en Abastecimiento
 - Eficiencia en Costos & Flexibilidad
 - Entrega de Clase Mundial
- Áreas de Enfoque Especial**
 - Nutrición Especial
 - Lactosa
 - Productos HACCP

Gente

The AAK Development Strategy



AAK's new strategic direction

The closing of 2019 marked the end of our company program The AAK Way. To identify new opportunities for future growth, we have over the past year reviewed our market and our capabilities to define AAK's strategic direction going forward.

Our assessment shows favorable market and consumer trends and new opportunities for continued profitable growth. We are building on a very strong historical performance, and although we will preserve the DNA of our company we will, going forward, prioritize and operate our business somewhat differently.

Acknowledging that different industries are characterized by different market dynamics, it is important to differentiate our approach to each of them. Therefore, we have identified four different portfolio roles: "Invest in continued growth", "Bet for the future", "Optimize performance", and "Maintain current strategy"

Financially, we believe that the strategy supports our ambition of an average 10 percent year-over-year operating profit growth combined with a good and consistent earnings per share improvement.

Invest in continued growth



Chocolate & Confectionery Fats



Special Nutrition

Our strong historical growth in Chocolate & Confectionery Fats has been made possible by industry-leading application knowledge and an ability to offer customers the best solutions. Strengthening our key supply chains and capacities within customer innovation will enable us to capture the growth in high-value applications.

In Special Nutrition, high-quality solutions tailored to our customers' needs have over the past decade enabled high growth rates. A strong innovation pipeline and investments in our ability to serve important markets such as China is key to continue the growth.

We will enable the continued growth of these two industries by ensuring the necessary investments in new value propositions and a reliable supply of key products.

Optimize performance



Bakery



Dairy



Foodservice

The overall bakery and dairy markets are characterized by more standard solutions with a strong focus on cost of ingredients and less opportunities for further premiumization of AAK's offering. However, some

underexploited, high-value product applications exist, and opportunities in shifting product mixes towards these higher-value products in specific applications as well as optimizing how to serve the markets will thus be pursued.

In Foodservice, our business is also characterized by large variations in the value that we can capture depending on the applications. As in Bakery and Dairy, there are pockets of high-value applications and products, and the focus going forward will thus be to focus on the higher-value products in the portfolio as well as to optimize our go-to-market approach.

Bet for the future



Plant-based
Foods



Health & Nutrition
platform

The market shows a clear increase in consumer demand for healthy and fortified nutrition. As a result, consumer goods companies are looking to develop product offerings meeting this demand. This gives AAK an opportunity to build capabilities related to oils and fats health claims to enable our customers to claim health benefits.

The plant-based foods market is a fast-growing market where oils and fats can be an impactful differentiator to the quality, taste and texture of the final product. Our deep and broad knowledge within oils and fats provides an opportunity for AAK to become the preferred provider to plant-based foods companies. AAK

already has a good starting point through engagements with key players in the market for plant-based dairy and plant-based meat, but we will lift our capabilities further to respond to the fast-moving market requirements.

Maintain current strategy



Natural
Emulsifiers



Personal
Care



Technical
Products &
Feed

For the remaining segments within AAK – Natural Emulsifiers, Personal Care, and Technical Products & Feed – the current strategy stays the most promising option for further value creation.

Natural Emulsifiers (lecithin) is a speciality segment with a large overlap with AAK product applications. Our recent acquisition in the UK is a first step into this market.

Personal Care is a growing business with a strong value proposition in the beauty industry's quest to move to more natural ingredients, where the future growth rates will be a function of the industry's ongoing replacement of mineral oils.

Technical Products & Feed is another healthy business, functioning as an outlet for various side-streams as well as serving the market with strong value propositions in, for example, animal feed and waxes for candles.

Key enablers to deliver on ambition

We have developed a strategic roadmap with key focus areas that will be addressed by a range of initiatives to lift our performance for the future. The goal is to further differentiate ourselves from our competitors by enhancing our Customer Co-Development approach and sustainability offerings. To succeed, we need to offer a customer experience that is second to none and create even more differentiated solutions meeting the needs of our customers, consumers and the world we live in.

Our aim is to continue our growth journey by further utilizing our global strengths and harvesting synergies. To enable this, we will strengthen our global product management to fully leverage insights, expertise and resources as well as aim for global scale effects and efficiencies with more integrated and holistic end-to-end supply chain planning and execution.

A close-up photograph of a hand holding two halves of a croissant. The croissant is split in half, revealing its flaky, layered interior. The hand is positioned on the right side of the frame, and the croissant is resting on a light-colored wooden cutting board. The background is blurred, showing a person in a white chef's coat.

Business area
Food Ingredients

Another record year for Food Ingredients

Food Ingredients is our largest business area and primarily provides solutions to the bakery, dairy, plant-based, nutrition, and foodservice industries. 2019 was a record year with double-digit growth for our operating profit as well as our operating profit per kilo. The demand for our speciality and semi-speciality solutions increased.

Food Ingredients

	2015	2016	2017	2018	2019
Volumes, thousand tons	1,258	1,325	1,447	1,508	1,531
Net sales, SEK million	13,556	14,707	17,665	18,468	18,978
Operating profit, SEK million	903	996	1,107	1,205	1,366
Operating profit per kilo, SEK	0.72	0.75	0.77	0.80	0.89

Bakery

2019 was another good year for Bakery. The execution of our bakery strategy to become an even stronger value-adding solutions provider for our bakery customers resulted in limited organic growth but with a clear shift in the product portfolio. We closed the year with confidence, ready to build on the solid foundation that has been established over the past three years.

Solutions

AAK provides a wide range of solutions for major bakery applications, such as biscuits, cookies, crackers and wafers; laminated applications/pastry; cakes and muffins; and bread, pizza and donuts. All our solutions meet customer requirements for functionality and process efficiency as well as specific consumer demands.

Trends

Consumers are focused on healthier and more sustainable solutions where sugar and calorie reduction, low saturated fats, waste reduction, and shelf-life extension are key areas.

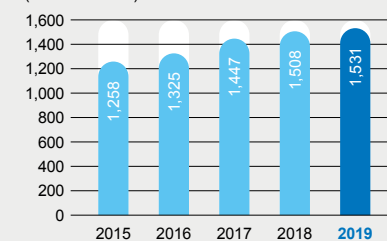
New products

Created through our co-development approach, we have developed many new customized products, both consumer-oriented, for example with sustainably sourced raw materials, and customer-oriented, such as production efficiency improvements.

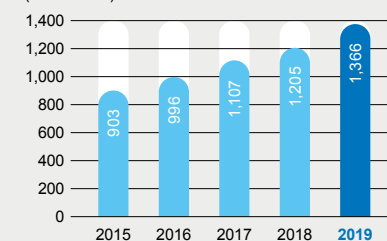
Future growth

There is a growing demand for efficient and value-adding bakery solutions worldwide. To take advantage of the trend, we will continue to strengthen our position as an oils and fats specialist with deep technical industry knowledge. We will do so through specialized and dedicated resources and a strong network of regional Customer Innovation Centers and go-to-market teams to facilitate local customer penetration.

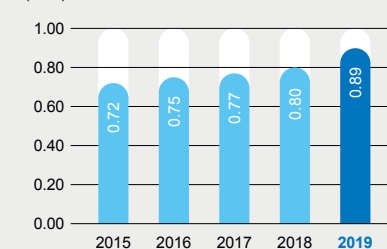
Volumes
(67% of Group total)
(Thousand tons)



Operating profit
(59% of Group total)
(SEK million)



Operating profit per kilo
(SEK)



Dairy

Dairy had yet another great year, reporting double-digit growth compared to 2018, both in terms of volumes and operating profit. All regions, North Latin America, South Latin America, the US, and Europe in particular, contributed with positive results.

Solutions

We provide the whole dairy and ice cream segment with solutions ranging from cheese, whipped toppings and yellow fats to fermented milk products, milk drink, and coffee whitener. During 2019, we saw a great increase in sales of speciality and semi-speciality solutions.

Trends

The major dairy trends are healthy, sustainable and more cost-effective solutions. The dairy industry is also very much impacted by the rise of flexitarians, generating a need to develop solutions for plant-based dairy products.

New products

Through our co-development approach, our Customer Innovation team has developed a variety of new products around the AAK world, resulting in yet another record year.

Future growth

By maintaining our strong focus on speciality and semi-speciality solutions, our Dairy segment is expected to continue its growth journey.

Plant-based Foods

2019 was a record year for Plant-based Foods, with the plant-based meat category being a significant contributor to the positive results. The growth was mainly driven by the US and Europe, but with good help from South Latin America and Asia.

Solutions

We offer solutions for all major sub-segments within Plant-based Foods, be it plant-based burgers, sausages, frozen desserts, cheese, milk drinks, whipped toppings, or fermented products. The segment's primary products are all part of our AkoPlanet™ range and specifically designed and proven for each application.

Trends

The main trends supporting the market are health, sustainability, and a lifestyle where the “Instagram ability” of foods is of critical importance for today's conscious consumers, increasingly defining themselves as flexitarians.

New products

The launch of our umbrella brand AkoPlanet™ in June 2019 was very successful. AkoPlanet™ consists of our proven solutions for the segment of plant-based foods, and the range is our foundation for developing specific solutions by using our co-development approach. Our pipeline of customer co-development projects has quadrupled since launch.

Future growth

Led by the rise of flexitarians, a healthier lifestyle, and the younger generations' desire to ensure a planet for their children, the plant-based segment is expected to continue its growth journey.

Special Nutrition

Special Nutrition reported profit growth in 2019. This was particularly driven by high-end solutions within sub-segment Infant Nutrition.

Solutions

AAK provides tailor-made speciality lipids solutions for Infant, Senior, and Medical Nutrition.

Trends

The global trends that are driving AAK's Special Nutrition segment are health, trust, sustainability, premiumization, and personalization.

New products

Through our co-development approach, the Customer Innovation team has developed a variety of new products around the world for all three sub-segments within Special Nutrition. Examples include high-end innovations within Infant Nutrition and a new ingredient for Senior Nutrition, Akovita® ELIP, which is backed by clinical data.

Future growth

AAK continues to grow in the wider nutrition area and we will keep focusing on bringing new innovations to the nutrition markets. We are currently expanding our production facilities in China to support local production of OPO (a fat ingredient that mimics the fatty acid profile of human milk).

Foodservice

2019 was a very strong year for Foodservice with double-digit year-over-year profit growth. UK-based BD Foods was acquired in February and has had a very effective and smooth integration.

Solutions

AAK Foodservice produces over 500 different frying oils, speciality oils, condiments, sauces, dressings, and ingredients for the commercial caterer.

Trends

The main trends are more customization (faster, quicker and better), health and wellness, veganism, gluten-free, new flavors, technology and delivery, and sustainable solutions.

New products

We constantly develop new products in close cooperation with our customers. As a result, a wealth of new and on-trend products has been co-developed and taken to market in 2019. We have, for example, launched a series of plant-based products across all regions as well as a new range of sauces (World Flavours) under our Lion brand.

Future growth

The market is in steady growth as consumer behavior is changing and as their propensity to eat out is on the rise. We see a high interest in the above-mentioned trends, especially veganism, where we will continue to provide customized solutions for customer needs.





Business area
Chocolate & Confectionery Fats

Continued growth and very well positioned

Chocolate & Confectionery Fats primarily serves customers in the chocolate confectionery and caramel, toffee and nougat segments. During 2019, the business area, which also includes Personal Care and Natural Emulsifiers, showed good volume and profit growth. This despite challenges with low-yielding shea kernels that resulted in a lower output and higher production costs.

Chocolate & Confectionery Fats

	2015	2016	2017	2018	2019
Volumes, thousand tons	312	367	404	430	459
Net sales, SEK million	5,315	6,117	7,354	7,611	8,076
Operating profit, SEK million	553	664	735	747	794
Operating profit per kilo, SEK	1.77	1.81	1.82	1.74	1.73

Solutions

Our solutions within Chocolate & Confectionery Fats continue to cover a wide range of product applications, including chocolate fats and compound fats for coating and molding, filling fats, barrier fats, and spreads.

Trends

With our unique customer co-development approach, we are very well positioned to address the major global trends in the chocolate and confectionery industry, including premiumization, individualization, and consciousness. We are furthermore well positioned to provide sustainable solutions that go further than comparable solutions in the market.

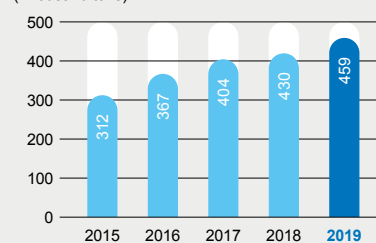
New products

During 2019, we launched a global spreads campaign. Our tailor-made solutions give our customers great opportunities to work with new characteristics, flavors, and textures, and enable them to create differentiated spreads solutions that are in line with global consumer trends. The campaign has resulted in a significantly increased demand from both existing and new customers. COBAO™ Pure, a solution that delivers excellent bloom-retarding capabilities, was another important product launch during the year.

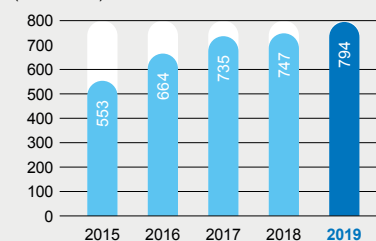
Future growth

The long-term market trend for Chocolate & Confectionery Fats looks promising and the business area is well positioned to continue to grow with and above the market. Driven by our customer co-development approach, we will continue to develop new products and solutions.

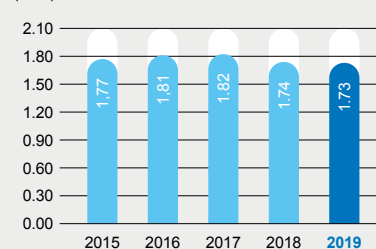
Volumes
(20% of Group total)
(Thousand tons)



Operating profit
(34% of Group total)
(SEK million)



Operating profit per kilo
(SEK)





Natural Emulsifiers

New ingredient in the AAK portfolio

With the acquisition of Soya International (Europe) Ltd. in September, AAK broadened its ingredient portfolio and entered the speciality lecithin arena. The business currently trades under its new name, AAK Soya International Ltd., and operates out of Manchester, United Kingdom.

Solutions

Our solutions – from soy, sunflower, and rapeseed origin – cover a range of non-GMO speciality and semi-speciality lecithins. Lecithin is a key ingredient for many customers within our core segments, especially Chocolate & Confectionery Fats and Bakery, but also Dairy, Plant-based Foods, Personal Care, and Special Nutrition.

Trends

Lecithins are natural by-products from the processing of vegetable oils, and the only natural, clean label emulsifiers in the market. The global demand for specialized lecithin, such as organic, certified or plain non-GMO, are expected to rise as consumers look to verify the sustainability and traceability within food production.

New products

We have introduced our co-development approach within this segment which is a true differentiator as no other lecithin company can offer a similar approach together with oils and fats. We have high expectations to provide solutions for both existing and new customers.

Future growth

The global speciality lecithin market is expected to show strong market growth on the back of global trends such as clean label declarations, natural and functional ingredients, and allergen-free. With new products and solutions driven by our customer co-development approach, we are well positioned to grow the lecithin business well above the market average.

Personal Care

Sustainable solutions to the cosmetics industry

AAK applies its technical expertise and technological know-how in the development of high-performing, functional emollients for the cosmetics industry. Since 1988, when we started to develop customized solutions for cosmetic giant L'Oréal, we have continued to develop our offer. Today, we are proud to serve all customer categories, from local niche brands to multinational brand leaders.

Solutions

Our plant-derived emollients, distinct from synthetic, animal or fossil-based raw materials, are primarily used for skin care applications, including face care, body care, baby care, and sun care; but are also used in hair care, make-up, deodorants, and wet wipes. Our product range is appreciated for the moisturizing properties and sensory attributes it brings to final cosmetic formulations.

Trends

Trends supporting the continued global volume and value growth of the industry include a growing population, an increasing spending power in emerging markets, and an aging, active, health-oriented and appearance-focused population (female and male) in

mature western economies. The increased demand for natural ingredients is driven by the growing concern and awareness of the health of our body and planet.

Sustainable and responsible

Ethical sourcing and traceability are becoming increasingly important for consumers and cosmetic producers. In response to customer interest in increasing the social value of their brands, we have developed Sustainability Partner Programs in collaboration with the Global Shea Alliance, where customers or brands can engage directly in supporting the optimization of the shea sourcing and processing in West Africa. Burt's Bees and Beiersdorf are two examples of such partnerships in 2019.

Future growth

Though the cosmetics industry is global, it continues to be the mature western markets (Europe and North America) that consume the majority of plant-based emollients. This is due to these regions being the biggest manufacturers and consumers of skin care products and having the biggest consumer demand for natural alternatives. China and Brazil are expected to follow suit as their markets mature.





Business area
Technical Products & Feed

Continued good growth in specialized markets

AAK provides a growing range of specialized solutions for the technical products and feed industries. Although slightly below the record-high 2018, the business area reported good profitability in 2019.

Technical Products & Feed

	2015	2016	2017	2018	2019
Volumes, thousand tons	263	274	278	301	300
Net sales, SEK million	1,243	1,233	1,417	1,513	1,456
Operating profit, SEK million	88	100	84	155	150
Operating profit per kilo, SEK	0.33	0.36	0.30	0.51	0.50

Tefac – industrial applications

AAK's business for technical applications, Tefac, had an excellent 2019 in a historical perspective, but did not quite reach the level of the record-high 2018. Our high-end products are still in demand, and we saw particularly good growth for our vegetable candle waxes. This was, however, offset by very low prices for glycerine caused by a substantial global oversupply and a volatile raw material market.

Solutions

AAK offers fatty acids and glycerine that are produced by splitting the fat molecule and refining the outcome into value-adding solutions for various applications. Based on sustainably produced vegetable oils, AAK also offers solutions for candle makers.

Trends

In 2019, there was good growth for our candle business. Consumer preferences for more sustainable solutions are driving our customers in the candle industry away from fossil paraffin. Our customers with exposure to the plastics and automotive industries in Europe experienced a sluggish market during the second half of 2019.

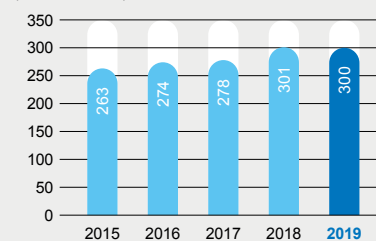
New products

We have during the year continued to add solutions to our portfolio for candle makers to match our customers' demand for sustainable and functional candle waxes.

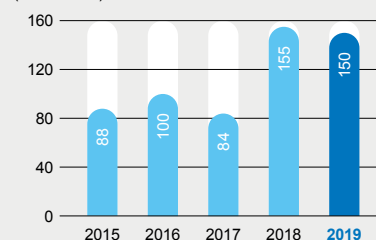
Future growth

AAK has historically provided a wide range of products for candle applications. With our widened product portfolio for candle wax applications, we will continue to focus on developing more opportunities in this segment to build the best possible pipeline for future growth.

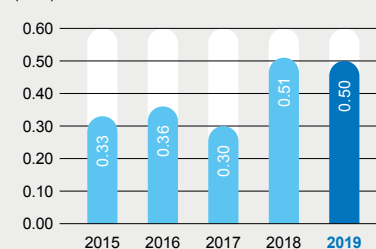
Volumes
(13% of Group total)
(Thousand tons)



Operating profit
(7% of Group total)
(SEK million)



Operating profit per kilo
(SEK)





Feed

Our Feed business in 2019 continued where the record-high 2018 ended, but declined somewhat towards the second half of the year. However, the underlying demand for our products continues to be strong. Our rapeseed crushing business had a stable year, performing particularly well towards the end of year.

Solutions

AAK supplies ExPro®, a rapeseed meal, which is exposed to a special heat treatment process to improve the protein quality for ruminants. ExPro® is a perfect soybean meal replacer. We also supply by-pass fats, which are used in dairy cattle feeds to increase milk yield, as well as simple liquid fats.

Trends

With farms increasingly producing their own feeds, demand is turning to more concentrated feed products. These require smaller volumes of higher quality, containing more protein and more energy. In addition, we are seeing more customers turning to non-GMO feeds.

New products

During the year, we have successfully re-launched a few products with good results.

Future growth

We aim to grow with ExPro® in non-GMO feeds and with by-pass fats. The most interesting opportunities are in some of Sweden's neighboring countries where our market share is low. We have grown in these countries over the past years, but there is still good potential to continue to grow. In 2020 and beyond, we aim to continue optimizing and widening our portfolio to build a better foundation for future growth.

Our House of Sustainability

To have our House of Sustainability in order is key for sustainable growth and essential to our vision of being the first choice for value-adding vegetable oil solutions. For us, sustainable growth is about governance of risks and opportunities in our value chain and our responsibility towards all of our stakeholders. During 2019, our House of Sustainability, still representing the foundation of our sustainability work, has guided us to continued strong progress within the sustainability area.

UNGC principles

The UN Global Compact (UNGC) is a solid platform and a broad concept based on ten universal principles within Human and Labor Rights, Environment and Anti-corruption. It enjoys participation by the major players in global business and sustainability, including the GRI (Global Reporting Initiative), ETI (Ethical Trading Initiative), ICC (International Chamber of Commerce), and OECD (Organization for Economic Cooperation and Development). AAK has been a member of the UNGC since 2003.

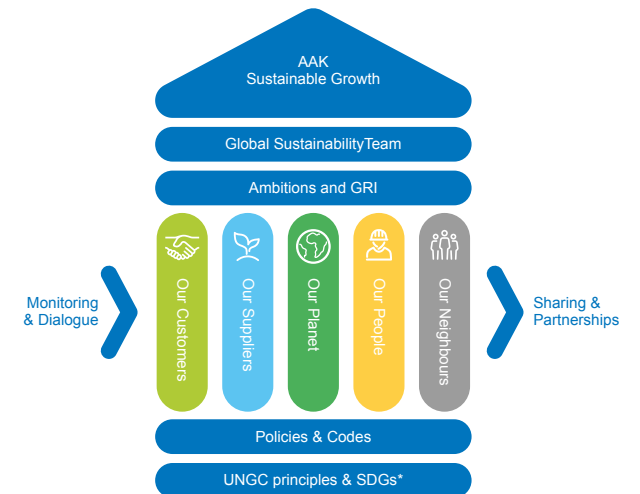
The UN Sustainable Development Goals

In 2015, all member states of the United Nations adopted 17 goals – the Sustainable Development Goals (SDGs) – setting out to end poverty, protect the planet, and ensure prosperity for all. Each goal has specific sub-targets to be achieved by 2030. As a global company, we recognize that businesses play an important role in that process and we have included the SDGs in our model. Many of our activities support the specific targets of the 17 SDGs.

Sustainability policies and codes

AAK's sustainability policies and codes are based on the UNGC and our own principles and implemented globally for all our business activities. The policies and codes are aligned with many of our customers' requirements and values, which strengthen our strategic alignment. AAK's policies and codes are available at our website, www.aak.com.

AAK's House of Sustainability



Five sustainability focus areas

We have defined five sustainability focus areas – the “pillars” – that are important to our business. They provide an overview and guide us in setting objectives and focus our resources. The five focus areas are: Our Customers, Our Suppliers, Our Planet, Our People, and Our Neighbours.

Our Customers

Our Customers covers all areas in which we interact with customers. It includes products, product development, food safety, product information, and market communication. Interaction with customers is based on sound business ethics and a deep understanding of the company’s responsibility for safeguarding customer brands.



Our Suppliers

This area covers activities related to the sourcing of raw materials that we use. Sustainable sourcing is the backbone of AAK’s business and a key element in our strategy. To obtain the right raw materials is essential but we place equal emphasis on how they are produced. For this reason, we have implemented a Code of Conduct for Suppliers of Raw Materials that applies to all actors in the supply chain.



Our People

This focus area is about working life at AAK – how to remain an attractive workplace and assure a healthy, equal and safe workplace. Our employees are our most important resource. AAK is a diverse company with employees from many parts of the world and with many different job functions. Common to every employee is our values and our Group Code of Conduct. These govern the way our business is conducted and how employees interact with each other and AAK’s stakeholders.



Our Planet

Our Planet covers our impact on the environment in terms of resource consumption and emissions from our production plants. It is a top priority for us to minimize our use of natural resources and emissions per processed product even though our stronger focus on more refined products drives a higher degree of processing. All production sites are required to continuously work to improve their respective environmental footprints as well as get new acquired plants on track with AAK standards.



Our Neighbours

This focus area covers activities that we initiate and engage in – be they local, regional, national or international – to be a part of and act responsibly in society. Contributing to and being part of the communities in which we operate are essential for maintaining a positive relationship with neighbours, politicians and authorities. Through a commitment to community causes, AAK is also instrumental in creating a workplace with highly motivated employees who are proud of representing a company that makes a noticeable difference.



Sustainability ambitions and GRI

To maintain momentum and drive improvement, we define ambitions within each of the five focus areas. Achievements and future ambitions are publicly available in our Sustainability Report. Further, based on the Global Reporting Initiative Standards, we globally monitor indicators that are material to our stakeholders and ourselves.

Global sustainability team

The engine driving our sustainability activities is our decentralized global sustainability team, established in 2007. It consists of local teams with competencies covering our sustainability scope. The Global Sustainability Manager reports to the Chief Strategy & Sustainability Officer who is ultimately responsible for sustainability and a member of AAK's Executive Committee.

Knowledge sharing and partnerships

Sharing our knowledge, objectives and achievements with our stakeholders is a fundamental part of our approach. In our annual Sustainability Report we share global information based on the GRI framework supported by a variety of local projects and initiatives illustrating how our sustainability work comes alive. Further, we regularly report progress on the implementation of our Responsible sourcing of vegetable oils

policy and our Palm oil policy in AAK's progress report on sustainable palm oil and AAK's progress report on sustainable shea. Reports and policies are available at our website.

The UN Global Compact encourages companies to engage in partnerships to tackle global challenges more effectively. We strongly believe that this will allow you to accomplish more than you would on your own. Partnering with other businesses, NGOs and governmental agencies are ways to accomplish more. AAK is participating in or partnering with, for example, RSPO (Roundtable on Sustainable Palm Oil), GSA (Global Shea Alliance) and Proforest.

Monitoring and dialogue

Our sustainability approach is not static but rather adjusted to input from stakeholders such as customers, investors, NGOs, and employees. We monitor new and upcoming legislation, follow trends in our communities, and benchmark our sustainability practices against those of retailers, customers, and competitors.

If you would like to learn more about our sustainability work, please watch the short, animated video under Sustainability at our website or read about our sustainability achievements, initiatives and ambitions in our annual Sustainability Report, also available at our website.





A company to be proud of

Our priority area People is at the heart of AAK's ambitions towards people development. Over the last few years, a broad variety of initiatives and programs have been very successful. Not only has this delivered very positive results internally and helped to promote a high-performance culture across our global organization, but it has contributed significantly towards the value we create for customers.

A successful year

During 2019, there have been many initiatives designed to support priority area People. These include the continued implementation of the AAK leadership model as well as a series of workforce planning, talent management and succession planning programs. We have during the year also continued to deliver our four days of leadership training for more than 400 managers and key employees worldwide, focusing on our leadership competencies and company values.

We have furthermore developed and implemented a new Performance Management process designed to promote continuous dialogues, feedback and employee development. By implementing a continuous dialogue model for performance management, we are committed to create an environment where everyone feels empowered to take responsibility for their performance and development.

We have during the year also finetuned and further developed our Global Trainee Program. This is where trainees are recruited into "real" jobs from day one that are aligned with a structured 12-month program designed to accelerate a number of attributes, namely:

- ◆ Operational and commercial understanding of our business
- ◆ Personal and professional development of self, others, and the business
- ◆ Application of technical knowledge in role
- ◆ International exposure to develop and grow a strong global network
- ◆ Fast-track progress on a career pathway

Since the program was launched in 2012, we have recruited more than 60 trainees.

Safety at AAK

Health and safety are integral parts of AAK's business strategy. Any work-related injury is unacceptable and we strive to be a zero-injuries workplace. In 2019, we managed to decrease Lost Time Injury Rate (LTIR) at our production sites to 0.4 (0.6 in 2018). This was in large part due to our Global Safety Team who has developed a strategic program for continuous improvement, aligning the Group's global safety efforts.



3,884

Number of employees globally
(as of December 31, 2019)



8.8 years

The average time
of employment



**Employee
distribution by region**

Europe: 42%
Americas: 30%
Asia/Pacific: 19%
Africa: 9%



0.4

Lost Time Injury Rate (LTIR) –
the number of work injuries that
result in one or more days of sick
leave per 200,000 working hours
(production sites)

Planning for the future

Looking towards 2020 and beyond, we will continue to progress our existing initiatives and to develop on-the-job training with local, cross-functional projects. In 2020, we will also conduct our Employee Engagement Survey to identify what actions we need to focus on to secure a high level of engagement.

At the same time, new People initiatives and programs, will be implemented in alignment with AAK's new strategic direction. We want to evolve our position as "a company to be proud of" within the industry through a more proactive and systematic approach to the job market. At AAK, we have much to be proud of – and we want to make sure this message is heard far and wide to help attract even more of the best minds in the business.

Creating a unified business

The People strategy focuses on four key areas: AAK Purpose & Culture, People Development, AAK a great place to work, and Leadership Development. These are directed towards creating a unified business committed to delivering excellence and growth for AAK and our customers. By implementing what AAK stands for through the behavior and development of our employees, we can elevate our business by strengthening loyalty, fostering innovation and delivering a more passionate, customer-centric service.

Co-developing people

Just as co-development plays a vital role in the success of our customer relationships, it is also a driving force behind our People strategy. We will increase our focus on inclusion and being an accessible company. This to ensure that the right people are recruited and given the best possible support and opportunities for development. This helps us to improve the quality of service we provide through a more skilled, focused and sustainable workforce.

Risks and risk management

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.

Raw materials

Harvests are weather-dependent. While a year of poor harvests drives up prices, a year of successful harvests reduces them. Most of our raw materials are traded on the international world market and purchased in foreign currencies. This exposes us to significant currency and raw material price risks.

We have a strategy of active risk management and as soon as a sales contract is signed, we hedge the equivalent currency and raw material price exposure. This safeguards margins against price risks on agreed sales contracts.

Since many raw materials are produced far away from our production plants and markets, transport costs are an important factor. Particularly the potential impact on margins from the growing demand for environmentally-acceptable transport methods have to be taken into consideration. Competition in commodities is fierce.

The processing industry

AAK is part of the processing industry. Improvements in results are achieved through organic volume growth and by increasing sales of speciality products with higher margins relative to lower-margin bulk products.

Capacity expansion aimed at increasing total volumes to meet growing demand has a relatively long planning horizon. AAK must analyze potential growth in good time. In the meantime, it is possible to balance production between our plants to enable processing of specific products closer to their markets and accommodate swings in supply and demand. Key speciality products are produced at dedicated plants, where problems with machinery can have a major impact.

Changes in the competitive environment

The sector in which AAK operates is undergoing structural change. As a sector that has existed for just over a century and has a fundamental dependence on natural products, there is great pressure for more intensive development. This includes demands for sustainable, ethical production, where producers accept responsibility for social issues and the environmental impact of their operations. AAK operates on the basis of an organic growth and selective acquisition strategy. A strong balance sheet has laid the financial foundations for future acquisitions.

There is intense competition in the industry. Several global competitors deliver large volumes of bulk

products with limited margins. Our response is to focus more on products with better margins and higher value. These include confectionery products and cosmetics, as well as value-adding ingredients for the bakery, dairy and infant nutrition industries.

Political instability

Operating globally always carries risks, but it can also be a stabilizing factor. Although AAK largely operates in mature markets in the US and Europe, much of company growth is generated in developing markets, which are vulnerable to political instability that can impact currencies and exchange rates. We also operate in Eastern Europe, the Middle East, Asia, Africa, and South America, where instability may arise. As a well-established operator in these areas, we have extensive experience of handling such issues. In addition, we operate with a deliberate risk management strategy.

Global operations also involve risks such as trade barriers, inflation, environmental and health-related legislation, and changes in national or regional legislation, e.g. the introduction of protective tariffs and taxes, which prevent AAK from operating in a free market.

Trade sanctions and export controls

AAK is committed to conducting business in accordance with applicable trade sanctions laws and export control regulations which AAK believes are important tools in



COMPUTER



SECURITY



ONLINE SHOPPING



E-MAIL



SOCIAL



GLOBAL



LOCATION SEARCH



NETWORK

SEARCH WWW



SMART PHONE

SOCIAL NETWORK



the international community's drive to inter alia improve human rights. AAK will not tolerate any violation of trade sanctions laws, export control laws or related regulations by its employees. This means that AAK will not engage, directly or indirectly, in any business, dealing, or transaction prohibited by applicable trade sanctions or export control regulations.

Furthermore, AAK and its employees will not carry out any direct or indirect business activities with any person, entity or government targeted by trade sanctions, nor export goods or services subject to applicable export control laws without required licenses and/or approvals from the relevant authorities.

Health trends

We are able to adapt our product range quickly to the latest trends in the health debate. This is mainly because we work with all types of vegetable oils and can reformulate our products to meet customer needs. We focus strongly on co-development with our customers. This limits the risks involved in commercializing new products.

Regulatory measures also pose a risk. Active involvement in sustainability-related issues is, therefore, becoming increasingly important to forestall legislation on issues that are a natural development of human requirements.

Risks related to climate change

Together with an external partner, AAK has during 2019 started to identify the physical and operational risks of climate change at our production sites. We have decided to first focus on water-related risks because of an increased number of extreme weather events globally linked to water as well as the potentially destructive power of water. The evaluation gives us input on risk exposure to production loss due to water-related hazards. The inherent risk exposure and the residual risk with regard to mitigation actions and plans will be discussed and implemented at each site. Draft reports have been submitted by more than half of our sites and the work will be further refined during 2020.

As soon as all areas required by AAK have been covered and all production sites have been implemented, the results can be used to determine the financial loss/implications and opportunities due to climate change before further actions are initiated. You can read more about the evaluation under Mitigating risks in a dynamic environment in our Sustainability Report.

Disruptions to critical IT systems

AAK uses modern IT infrastructure and technology to support its business. Disruptions to critical IT systems could potentially have an impact on the business. Therefore, this is a risk that needs to be analyzed and mitigated with the objective to prevent possible issues and minimize impact. This work is conducted by Group IT together with our local entities. Our critical IT systems are audited annually, with security, internal processes and compliance in focus.

Cyber security has a very high priority at AAK and in order to minimize external threats, we are continuously investing in technology that is operated by a highly skilled staff. The Group IT Security Policy is implemented at all AAK units, and a common framework is used for our global IT infrastructure.

Changes in external factors

Business operations are affected by raw material prices, transport costs, energy prices, interest rates and exchange rates. Our employees are experienced in reacting quickly to changes in external factors and adapting operations, products and services to customer needs.





Corporate
governance
and financial
information

WORLD BUSINESS

B3

Contents

Comments by Georg Brunstam, Chairman of the Board.....	42
Directors' Report.....	43
Board of Directors.....	48
Executive Committee.....	50
The AAK share	52
Reasons to invest in AAK	54
Comments by Fredrik Nilsson, Chief Financial Officer.....	55
Consolidated Income Statement	56
Consolidated Statement of Comprehensive Income	57
Consolidated Balance Sheet	58
Consolidated Changes in Shareholders' Equity	60
Consolidated Cash Flow Statement	61
Income Statement – Parent Company	62
Statement of Comprehensive Income – Parent Company	63
Balance Sheet – Parent Company	64
Changes in Shareholders' Equity – Parent Company	66
Cash Flow Statement – Parent Company	67
Notes	68
Alternative Performance Measures	109
Corporate Governance Report	111
Auditor's report	121
Financial calendar and Annual General Meeting.....	126
Alternative performance measures (APM) and other financial definitions.....	127

All amounts are denominated in SEK million unless otherwise stated.



Chairman of the Board, p. 42



The AAK share, p. 52



Corporate Governance Report, p. 111



Chairman of the Board:

Another strong year for AAK

As Chairman of the Board, it is with great pleasure I look back at another strong year for AAK, during which the company has further strengthened its position as a leading company within the world of speciality vegetable oils and fats.

AAK has continued to deliver profitable growth and three strategic acquisitions have expanded both the company's geographic footprint and its ingredient portfolio. Another important milestone during the year has been to develop a new strategic direction which was launched in November. With this strategic direction in place and with a clear ambition of further accelerating growth organically combined with carefully selected mergers and acquisitions, I look upon the future of AAK with great enthusiasm.

Corporate governance

AAK is a very well-run company made up by competent and highly motivated colleagues. How to continue to achieve profitable and sustainable growth are goals that characterize all discussions and decisions by the Board and all AAK units. Working toward these goals, it is important that our decision-making processes and responsibilities comply with relevant rules and regulations and with the company's business principles. With this report we want to illustrate our effective and clear corporate governance and show that we always work in the shareholders' best interest.

2019 saw two changes to the Board of Directors. In connection with the Annual General Meeting, we

welcomed Patrik Andersson as new board member, and at the end of the year Lillie Li Valuer decided to leave her position as board member due to new external commitments. On behalf of the Board, I would like to thank Lillie for her engagement during her time as board member of AAK.

Encouraging sustainability work

There has been good progress within AAK's sustainability work as well, which is very encouraging. Sustainable products and solutions have been developed and put to market, we have seen improvements within resource efficiency, and the company has reduced its carbon dioxide emissions. Furthermore, there are strong engagements in AAK's supply chains. A great example is the company's Kolo Nafaso program in West Africa which now involves more than 230,000 shea-collecting women. At the end of last year, I had personally the opportunity to observe the program first-hand in West Africa and the impact it has on the women and their communities is nothing less than tremendous.

On behalf of the Board of Directors, I would like to thank AAK's management team and all employees around the organization for great contributions during 2019. Your hard and dedicated work has been, and will continue to be, integral to the company's growth and success.

Georg Brunstam, Chairman of the Board

Directors' report

For the financial year January 1 – December 31, 2019

The Board of Directors and the President and Chief Executive Officer (CEO) of AAK AB (publ.), corporate identity number 556669-2850, with its registered office in Malmö, hereby present the Financial Statements and Consolidated Financial Statements for the financial year January 1 – December 31, 2019.

Performance and financial position

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

- Net sales increased by SEK 918 million to SEK 28,510 million (27,592). There was an underlying growth in sales due to organic volume growth, a greater portion of speciality solutions, and a positive currency translation impact of SEK 968 million. This was partly offset by lower raw material prices.
- Operating profit was record-high and reached SEK 2,142 million (1,956), an improvement of 10 percent including acquisition costs of SEK 15 million. The

currency translation impact was SEK 75 million. Operating profit at fixed foreign exchange rates and excluding acquisition costs improved by 6 percent. Food Ingredients reported a strong improvement by 13 percent and Chocolate & Confectionery Fats improved by 6 percent. Technical Products & Feed reported a decline of 2 percent but is compared to historical performances operating on a significantly higher operating profit level.

- Operating profit per kilo reached SEK 0.94 (0.87), an improvement by 8 percent. At fixed foreign exchange rates and excluding acquisition costs operating profit per kilo increased by 5 percent.
- The Group's profit after financial items amounted to SEK 2,011 million (1,829). Net financial items amounted to negative SEK 131 million (negative 127), an increase of SEK 4 million. Interest expenses for bank financing decreased but the new accounting standard for leases, IFRS 16, has resulted in additional interest expenses of SEK 35 million compared to the corresponding period last year.
- The equity/assets ratio was 46 percent as at December 31, 2019 (50 percent as at December 31, 2018). Consolidated net debt as at December 31, 2019 was SEK 3,117 million (2,667 as at December 31, 2018). On December 31, 2019, the Group had total credit facilities of approximately SEK 7,081 million.

- Operating cash flow including changes in working capital amounted to SEK 1,558 million (1,090). Cash flow from working capital was negative, amounting to SEK 896 million (negative 555). Strategic purchases of key raw materials to Chocolate & Confectionery Fats impacted cash flow from inventory negatively. Accounts payables have during the latter part of 2019 showed positive cash flow and have, combined with lower raw material prices, to a small degree offset the increased inventory. Cash outflow from investing activities amounted to SEK 1,335 million (723), whereof SEK 535 million (0) was related to acquisitions.
- Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 14.9 percent (15.8 at December 31, 2018). ROCE was negatively impacted by 0.5 percent due to the new accounting standard for leases, IFRS 16. The additional purchase of strategic raw materials has also impacted ROCE negatively.
- Earnings per share were SEK 5.86 (5.21), an increase of 12 percent, due to increased operating profit combined with lower tax costs. A lower tax rate in Sweden and India combined with further optimization of capital structure in the Group have reduced the average tax rate.
- On March 30, 2020, the Board of Directors proposed to postpone the decision on the dividend for 2019. For further information, please see page 47.

The Company's largest business area, Food Ingredients, reported a record-high operating profit of SEK 1,366 million (1,205), an increase of 13 percent. The operating profit per kilo increased by 11 percent to SEK 0.89 (0.80). The increase in operating profit was primarily driven by semi-speciality solutions in Dairy, Bakery and Foodservice. The performance within the Special Nutrition segment was mixed. Lower birth rates in China and destocking by some customers had a negative impact on Infant Nutrition while Medical Nutrition continued to grow. Solutions for plant-based foods generated strong volume and profit growth.

Chocolate & Confectionery Fats reported an improvement in operating profit of 6 percent to SEK 794 million (747). The use of low-yielding shea kernels with a higher cost base when compared to using normal-yielding shea kernels impacted operating profit negatively. The profit growth was driven by an improved product mix and some favorable spot business opportunities during the second half of the year. Investment projects to increase capacity and strengthen the supply chain have been completed according to plan. The sourcing season for new kernels has been good and with new kernels at hand and additional production capacity, the cost level is expected to normalize within the business area by the middle of the first quarter 2020. Volumes increased by 7 percent. Operating profit per kilo decreased from SEK 1.74 to SEK 1.73 as a consequence of the yield challenges.

Operating profit for AAK's smallest business area, Technical Products & Feed, decreased by 3 percent from SEK 155 million to SEK 150 million. Compared to the record-high operating profit in 2018, both the fatty

acids business and feed business declined. Compared to historical performances, the business area is operating on a significantly higher operating profit level due to a successful implementation of the company's co-development approach within the business area

Operations and significant events

Business areas

The company's business areas are Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. Group-wide functions are included in the Group Functions segment.

Food Ingredients maintains its strong regional positions, primarily in Europe, USA and North Latin America, but is gradually strengthening its positions in other regions.

Chocolate & Confectionery Fats and Personal Care have world-leading positions, and these will gradually be expanded in an increasingly global arena.

Technical Products & Feed has a strong local position in Northern Europe and will continue to focus its growth efforts in these geographic areas through its close links to the Karlshamn factory in Sweden, bringing significant synergy effects.

New strategic direction

During the year, the company has reviewed its market and capabilities to define AAK's strategic direction going forward. Building on a very strong historical performance, we will preserve the DNA of our company. Passion, drive and entrepreneurship that can be found in all corners of AAK, our unique co-development

approach and customer centricity, and our determined focus on sustainability will remain key going forward.

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

Acquisitions

During the first quarter, AAK acquired the Dutch company MaasRefinery B.V. and British foodservice company BD Foods Ltd. MaasRefinery had revenues of SEK 50 million in 2018 and BD Foods' revenues for the same year amounted to SEK 120 million. Neither of the transactions had a significant impact on AAK's earnings. Acquisition-related costs of SEK 9 million were charged during the first quarter.

During the second quarter, AAK further strengthened its position in the strategic and fast-growing Indian market by acquiring an additional 13 percent of the shares of AAK Kamani, and during the fourth quarter, AAK acquired another 5 percent. AAK now owns 69 percent of AAK Kamani.

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

In 2018, the company had revenues of approximately SEK 150 million. There is a put/call option under which AAK could acquire the remaining 20 percent of the company within the next 2–5 years. The transaction had no significant impact on AAK's earnings. Acquisition-related costs of SEK 6 million were charged during the third quarter.

Company management

Torben Friis Lange, President Asia and Global Sourcing & Trading, has decided to pursue new opportunities outside of AAK and will leave the company during the spring 2020. Tim Stephenson, Director, Finance and Global Trading, has since February 1, 2020 taken over the responsibility as President Global Sourcing & Trading. The process to find Torben's successor as President Asia is ongoing.

Financial goals

AAK's financial goals are to grow faster than the underlying market and to generate strong cash flows. We also intend to continually improve the return on capital employed.

Planned dividend policy

The objective of the Board of Directors, taking into account the development of Group earnings, its financial position and future development opportunities, is to propose annual dividends equivalent to at least 30–50 percent of the profit for the year, after tax, for the Group.

Concluding comments by the CEO

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

Nomination Committee

For the 2020 Annual General Meeting, the Nomination Committee has proposed re-election of Georg Brunstam, Gun Nilsson, Bengt Baron, Märta Schörling Andreen, Marianne Kirkegaard and Patrik Andersson as Board members. Lillie Li Valeur decided to leave the Board of Directors in December 2019 due to new external commitments. In total, the Nomination Committee represents approximately 44 percent of the shares and votes in AAK as at December 31, 2019.

AAK's Nomination Committee for the 2020 Annual General Meeting consists of:

- Märta Schörling Andreen (Chair),
Melker Schörling AB
- Henrik Didner, Didner & Gerge Fonder
- Leif Törnvall, Alecta
- Åsa Nisell, Swedbank Robur Fonder

Share capital and shareholder structure

The total number of shares in AAK as of December 31, 2019 was 253,730,934. There is one class of shares in AAK, and each share entitles the holder to one vote. There are no limits as regards how many votes each shareholder may cast at an Annual General Meeting.

Nor are there any limitations regarding the transfer of the shares resulting from provisions in law or in the Articles of Association.

Of the Company's shareholders, only Melker Schörling AB has a shareholding which represents at least one-tenth of the number of votes of all shares in AAK. Melker Schörling AB's shareholding as at December 31, 2019 amounted to 31.1 percent of the shares and votes.

AAK is not aware of any agreement between direct shareholders of AAK that would involve limitations in the right to transfer shares. The shareholder structure is described further on page 53.

Articles of Association

The Articles of Association stipulate that Board members shall be appointed by the Annual General Meeting of AAK. The Articles of Association contain no provisions regarding dismissal of Board members or regarding amendment of the Articles of Association.

Important agreements affected by change in control resulting from official take-over bid

The Group's long-term financing agreement contains stipulations that, in certain cases, give the lender the right to request advance payment if control of AAK changes substantially. Such a substantial change in control can occur as a result of an official take-over bid.

AAK's assessment is that it has been necessary to accept these stipulations in order to obtain financing on terms which are otherwise acceptable.

Guidelines for remuneration of senior executives

Guidelines for the remuneration of the CEO and other senior executives were adopted by the 2019 Annual General Meeting. No deviations from these guidelines have been made. The Board of Directors of AAK proposes that the 2020 Annual General Meeting resolve new guidelines for remuneration of senior executives to be applied in 2020. The present guidelines are contained in Note 8, Remuneration of the Board of Directors and senior executives.

These guidelines will cover those persons who are in Group management positions during the period of time in which the guidelines apply. The guidelines apply to agreements entered into after a resolution by the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time. The Board will be entitled to diverge from the guidelines if there are particular reasons to do so in an individual case.

Product development

The Group's product development operations are described in further detail on pages 20–30.

Environment

The environmental impact from our plants include emissions of odorous substances, solvents, smoke and gases into the atmosphere, as well as discharging fats, oxygen-consuming material, and nutrients into the water, and also creating organic waste and noise. We continually review our impact on all levels to further improve the environmental performance at AAK. We operate all our plants with appropriate official permits

in all countries in which we are present. In Sweden, the operations in Karlshamn are licensable under Swedish law.

Employees

The recruitment of skilled and competent personnel is an important component in maintaining competitiveness for the AAK Group. The Group therefore has continuous active programs for personnel development.

Risk management and sensitivity analysis

All business operations involve risks – a controlled approach to risk-taking is a prerequisite for maintaining good profitability. Risks may depend on events in the operating environment and may affect a certain sector or market. A risk may also be purely company-specific or country-specific. At AAK, effective risk management is a continual process which is conducted within the framework of operational management and forms a natural part of the day-to-day monitoring of operations.

For more detailed information, please refer to the section on Risks and risk management on pages 36–39 and to Note 3, Financial Risk Management.

External risks

The AAK Group is exposed to the fierce competition which characterizes the industry related to fluctuations in raw material prices which affect capital tied up.

Operational risk

The raw materials used in operations are agricultural products, and availability may therefore vary due to climatic and other external factors.

Financial risk

The Group's management of financial risks is described in Note 3, Financial Risk Management.

Corporate Governance Report

The Corporate Governance Report on pages 111–120 is part of the Directors' Report. For information on the composition and work, etc., of the Board of Directors, see the Corporate Governance Report on pages 112–114.

Sustainability Report

Under Chapter 6, Section 11, of the Swedish Annual Accounts Act, AAK has decided to prepare its Sustainability Report separately from the Annual Report. The Sustainability Report was submitted to the auditor with the Annual Report.

Parent

The Company is the holding company of the AAK Group, and its activities consist mainly of joint Group functions connected to the development and management of the Group. The Parent employs personnel with skills and competencies to execute Group-wide financing, accounting, information, marketing, product development, human resources and IT. The Parent is also responsible for Group strategy and risk management and provides legal and tax-related services to Group companies.

The Parent's invoicing in 2019 amounted to SEK 159 million (119). The profit after financial items amounted to SEK 1,474 million (2,372). Interest-bearing liabilities minus cash and cash equivalents and interest-bearing

assets totalled SEK 2,173 million (positive 211 as of December 31, 2018). Investments in intangible and tangible assets amounted to SEK 5 million (6). The average number of employees at December 31, 2019 was 37 (37).

Background to and motivation of the proposed appropriation of profits

The objective for the dividend in the long term is to correspond to 30–50 percent of consolidated profits after tax, while always considering AAK’s long-term financing requirements. During the last ten years, the annual dividend has been between 32–37 percent of the net result.

Based on the current situation with the ongoing corona pandemic, the Board of Directors has evaluated the proposal of the dividend for 2019.

As of March 30, 2020, AAK had not, due to the corona pandemic, experienced any material business disruptions. However, the volatility and uncertainty have increased within all industries that AAK serves.

AAK has a robust foundation with a strong financial track record and a solid balance sheet. However, as an additional precaution due to the current situation, the Board of Directors proposed, on March 30, 2020, to postpone the decision on the dividend for 2019*.

Retained profits from the previous year total SEK 4,966 million and the profit for the 2019 financial year is SEK 1,473 million (1,513 for the Group). Provided that the 2020 Annual General Meeting approves the Board’s proposed appropriation of profits, a total of SEK 6,439 million will be carried forward.

Proposed appropriation of profits

The Board of Directors propose that the disposable profit brought forward	SEK	4,966,288,349
and profit/loss for the year	SEK	1,472,909,933
Total	SEK	6,439,198,282

be appropriated as follows:

To be carried forward	SEK	6,439,198,282
Total	SEK	6,439,198,282

The Group’s and the Parent’s income statements and balance sheets will be presented to the Annual General Meeting on May 13, 2020 for adoption.

* The dividend proposal for 2019 was SEK 2.10 per share (36 percent of net profit).

Board of Directors



Georg Brunstam

Chairman of the Board of Directors

Elected in: 2018

Born: 1957

Nationality: Swedish

Other board positions: Chairman of the Board of Hexpol AB and Inwido AB. Board member of NIBE Industrier AB, Beckers Industrial Coatings Holding AB, and Melker Schörling AB

Holdings in AAK: 71,599 stock options, issued by Melker Schörling AB*



Gun Nilsson

Board member

Elected in: 2017

Born: 1955

Nationality: Swedish

Other board positions: Chairman of the Board of Directors of Hexagon AB. Board member of Hexpol AB, Loomis AB, and Bonnier Holding AB

Holdings in AAK: 6,000 shares



Bengt Baron

Board member

Elected in: 2017

Born: 1962

Nationality: Swedish

Other board positions: Chairman of the Board of Directors of Enzymatica AB and Thule Group AB

Holdings in AAK: 6,000 shares



Marianne Kirkegaard

Board member

Elected in: 2015

Born: 1968

Nationality: Danish

Other board positions: Board member of Dansk Supermarked

Holdings in AAK: None



Märta Schörling Andreen

Board member

Elected in: 2013

Born: 1984

Nationality: Swedish

Other board positions: Board member of Melker Schörling AB, Hexpol AB, Hexagon AB, and Absolent Group AB

Holdings in AAK: 78,774,412 shares (through Melker Schörling AB)

* Each stock option entitles the option holder to buy six shares.

Members of the Board of Directors appointed by the employees



Patrik Andersson

Board member

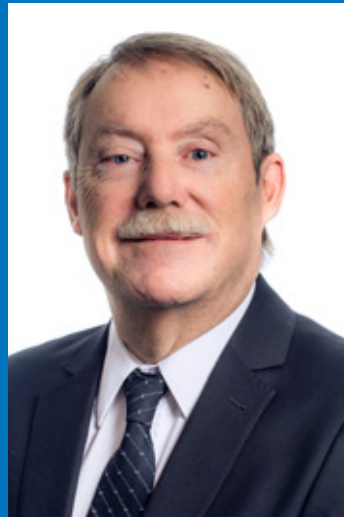
Elected in: 2019

Born: 1963

Nationality: Swedish

Other board positions: Board member of Ecolean AB

Holdings in AAK: 307 shares



Leif Håkansson

AAK Sweden AB

Appointed by IF-Metall

Elected in: 2005

Born: 1957

Nationality: Swedish

Holdings in AAK: None



Lena Nilsson

AAK Sweden AB

Appointed by PTK-L

Elected in: 2018

Born: 1960

Nationality: Swedish

Holdings in AAK: None

Auditor



Sofia Götmar-Blomstedt

Authorized public accountant

PricewaterhouseCoopers AB

Born: 1969

The company's auditor since 2013

Executive Committee



Johan Westman

President and CEO
Born: 1973
Employed: 2018
Nationality: Swedish
Qualifications: MSc. Industrial Engineering and Management
Holdings in AAK: 105,000 stock options*



Fredrik Nilsson

Chief Financial Officer (CFO).
Head of Corporate Communications, IT, Mergers & Acquisitions and Global Foodservice
Vice President AAK AB
Born: 1977
Employed: 2007
Nationality: Swedish
Qualifications: MSc. Business Administration
Holdings in AAK: 90,000 shares and 25,000 stock options*



Anne Mette Olesen

Chief Strategy & Sustainability Officer. Head of People and Corporate Branding
Vice President AAK AB
Born: 1964
Employed: 2010
Nationality: Danish
Qualifications: MBA, BSc. Chemical Engineering
Holdings in AAK: 120,000 shares and 50,000 stock options*



Torben Friis Lange

President AAK Asia
Vice President AAK AB
Born: 1963
Employed: 2010
Nationality: Danish
Qualifications: BSc. Dairy Technology, Graduate Diploma in Business Administration
Holdings in AAK: 90,000 shares and 50,000 stock options*



Jan Lenferink

President AAK Europe
Vice President AAK AB
Born: 1963
Employed: 2015
Nationality: Dutch
Qualifications: Food Technology
Holdings in AAK: 35,000 stock options*



Octavio Díaz de León

President AAK USA and North Latin America
Vice President AAK AB
Born: 1967
Employed: 2007
Nationality: Mexican
Qualifications: MBA, BSc. Mechanical & Electrical Engineering
Holdings in AAK: 240,000 shares and 15,000 stock options*

* Each stock option entitles the option holder to buy six shares.



Gerardo Garza López de Hereida

President AAK South Latin America
Vice President AAK AB
Born: 1961
Employed: 2014
Nationality: Mexican
Qualifications: Graduate Diploma in Business Administration, Food Engineering
Holdings in AAK: 18,000 stock options*



David Smith

President Global Operations
Vice President AAK AB
Born: 1960
Employed: 2001
Nationality: British
Qualifications: MBA, Graduate Diploma in Business Management
Holdings in AAK: 40,000 stock options*



Tim Stephenson

President Global Sourcing & Trading
Vice President AAK AB
Born: 1961
Employed: 1995
Nationality: British
Qualifications: MA (Oxon), FCA
Holdings in AAK: 10,000 stock options*



René Schou

President Global Industries
Vice President AAK AB
Born: 1969
Employed: 2011
Nationality: Danish
Qualifications: MBA, and Food Technologist
Holdings in AAK: 10,000 stock options*



Karsten Nielsen

Chief Technology Officer (CTO)
Vice President AAK AB
Born: 1963
Employed: 1988
Nationality: Danish
Qualifications: Graduate Diploma in Food Technology
Holdings in AAK: 45,400 shares and 50,000 stock options*



Renald Mackintosh

Senior advisor
Vice President AAK AB
Born: 1951
Employed: 2002
Nationality: Nederländsk
Qualifications: MSc. Food Technology
Holdings in AAK: 75,000 shares and 25,000 stock options*

The AAK share

AAK's shares have been traded since October 2, 2006 on the NASDAQ OMX, Stockholm, the Nordic List. As from January 2, 2014, AAK shares have been traded in the Large Cap segment in the Consumer Commodities sector. The abbreviation is AAK and the ISIN code is SE0011337708.

Turnover and price trend

During 2019, 118,0 million (86,1) shares were traded at a total value of SEK 19,585 million (11,437), which corresponds to a turnover rate of 47 percent (34). The average trade per trading day was 472,141 (347,107) shares or SEK 78 million (46). At the year-end, the price was SEK 178.00 (122.70) and AAK's market value was SEK 45,164 million (31,133). The highest price during the year was SEK 202.10 (August 2) and the lowest price was SEK 120.98 (January 3).

Share capital

As at December 31, 2019, the share capital of AAK was SEK 422,884,890 (422,884,890). The number of shares was 253,730,934 (253,730,934). The quota value per share was SEK 1.67. Each share entitles the holder to one vote. All shares have equal rights to participate in the profits and assets of the Company.

Ownership

There were 17,250 (11,820) shareholders as at December 31, 2019. There are shareholders in more than 40 countries, and the total ownership outside of Sweden amounted to 32 percent (31) at year-end. The

ten largest individual shareholders accounted for 55 percent of the share capital on the same date. As of 31 December 2019, members of AAK's Group Executive Management owned a total of 660,400 shares in AAK.

Planned dividend policy

The Board of Directors has adopted a dividend policy. According to the policy, the objective of the Board of Directors, taking into account the development of Group earnings, its financial position and future development opportunities, is to propose annual dividends equivalent to at least 30–50 percent of the profit for the year, after tax, for the Group.

Ordinary dividend

The Board of Directors has proposed to postpone the decision on the dividend for the 2019 financial year. For further information, please see page 47.

AAK's Investor Relations work

AAK's aim is for the shares to be valued on the basis of relevant, accurate and up-to-date information. This requires a clear strategy for financial communication, reliable information and regular contact with financial market stakeholders.

Contact with the financial markets takes place via presentations in conjunction with quarterly reports and meetings with analysts, investors and journalists at capital market days, seminars and visits to AAK's divisions.

During 2019, a capital market day was held in Aarhus,

Denmark and a large number of meetings were held with analysts and other professional operators on site in Malmö, Copenhagen, London and Stockholm.

Those interested can obtain presentation material and listen to audio recordings from quarterly presentations at www.aak.com.

Analysts

ABG Sundal Collier – Fredrik Ivarsson
Berenberg Bank – James Targett
Carnegie Investment Bank – Kenneth Toll Johansson
Danske Bank – Oskar Lindström
Exane BNP Paribas – Heidi Vesterinen
Handelsbanken – Karri Rinta
Nordea Bank – Christer Beckard
SEB Enskilda – Carl Mellerby

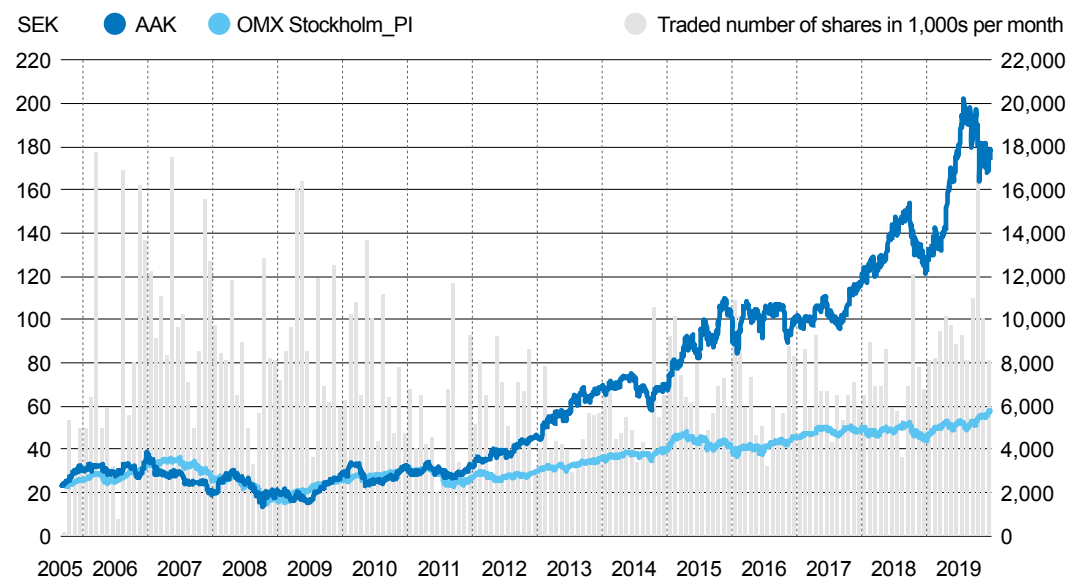
Financial information about AAK is available at www.aak.com, where financial reports, press releases and presentations can be obtained. The Company's press releases are distributed via Cision and are also available on the Company's website.

The Company management can be contacted as follows: Telephone: +46 (0)40-627 83 00
Email: info@aak.com

Shareholder contacts

Fredrik Nilsson, CFO
Telephone: +46 (0)40-627 83 00
Email: fredrik.nilsson@aak.com

The AAK share September 29, 2005 to December 31, 2019



Major shareholders, December 30, 2019	No. of shares	Proportion of share capital and votes, %
Melker Schörling AB	78,774,412	31.1
State Street Bank and Trust	14,335,663	5.7
Alecta Pensionsförsäkring	12,300,000	4.8
Swedbank Robur Fonder	12,063,608	4.8
SEB Investment Management	11,564,443	4.6
Didner & Gerge Fonder	8,562,191	3.4
JPM Chase NA	5,912,204	2.3
Handelsbanken Fonder	5,689,381	2.2
Kirkbi Invest A/S	4,859,272	1.9
CBNY- Norges Bank	4,508,196	1.8
Other shareholders	95,161,564	37.4
Total	253,730,934	100.0

Distribution of shareholdings, December 30, 2019	No. of shareholders	Proportion of all shareholders, %	Proportion of share capital and votes, %
1–500	11,134	64.6	0.5
501–1,000	2,104	12.2	0.6
1,001–5,000	2,810	16.3	2.4
5,001–10,000	574	3.3	1.5
10,001–15,000	176	1.0	0.9
15,001–20,000	68	0.4	0.5
20,001–	384	2.2	93.6
Total	17,250	100.0	100.0

Information per share	2019	2018
Share price, reporting date, SEK	178.00	122.70
Dividend, SEK	- ¹⁾	1.85
Direct yield, %	1.18	1.51
Earnings per share, SEK	5.86	5.21
Equity per share, SEK	40.74	35.11
Share price/Equity	4.37	3.49

¹⁾ For further information, please see page 47.
Definitions, see page 127.

Reasons to invest in AAK

1. Above the market growth

AAK has over the past decade been able to grow faster than the underlying markets in our focus areas – speciality and semi-speciality solutions in Food Ingredients and Chocolate & Confectionery Fats. With our new strategic direction, we will continue to support the company’s growth journey. Market data* shows that in terms of volumes the oils and fats market in total is growing at approximately 3 percent with the speciality market growing even faster.

With our recent greenfield investments and our latest acquisitions, we have continued to strengthen our geographic footprint. Through this expansion we are represented in regions where both population

and urbanization are on the increase – demographic changes that present substantial market opportunities. We also see a growing middle class with a higher income and an increased spending power as well as a growing senior population as people live longer.

2. Average 10 percent year-over-year operating profit improvement

Between 2010 and 2019, AAK has annually increased its operating profit by 11 percent on average. Based on our high go-to-market activity (sales and customer innovation) and new product development, the very solid foundation we have built over time, our strong executive and local management, and our increased

focus on mergers and acquisitions, we see no reason to lower that ambition.

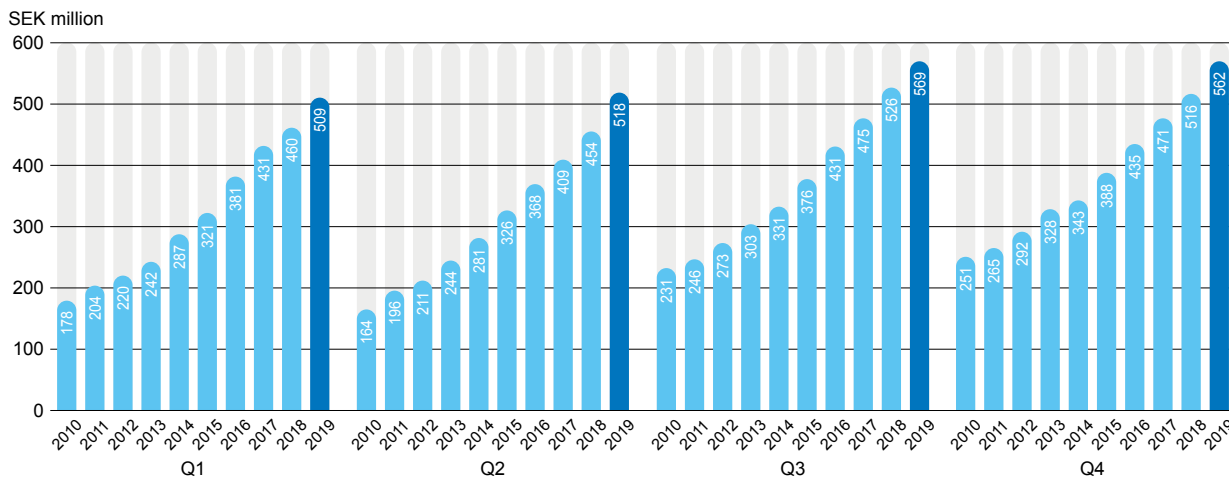
3. Strong balance sheet supporting further growth

Despite considerable investments to increase capacity and several acquisitions to add both capacity and new capabilities to AAK, we have over recent years built a very strong balance sheet with an improved equity ratio. Combined with long-term loan agreements and our MTN program (Medium Term Note), this has created a solid foundation and a flexible alternative for further growth, both organically and through selective and strategic acquisitions.

4. Well positioned to benefit from consumer trends

Through our unique customer co-development approach and by focusing on trends and global key drivers, AAK is very well positioned to benefit from current consumer trends such as health and well-being, sustainability, premiumization, convenience, customization, and transparency. An important example is our natural and plant-based solutions that are on trend with consumer demands for health and nutrition. Sustainability is another competitive advantage as AAK is considered a trustworthy partner with focus on traceability and sustainability throughout the value chain. We are furthermore well positioned in the speciality segment in which there is a great demand for co-developed and high-quality premium solutions.

AAK’s operating profit per quarter 2010–2019



*Transparency market research, IHS Global, 2018

CFO:

Strong performance with double-digit profit growth

How would you describe AAK's financial performance in 2019?

It has been a strong year where we have seen year-over-year growth in terms of volumes, operating profit, operating profit per kilo, and earnings per share. This is particularly impressive considering the challenges we have had with low-yielding shea kernels in Chocolate & Confectionery Fats and a more mixed performance in Special Nutrition due to lower birth rates in China and destocking by some global customers.

The continued double-digit improvement in operating profit is in line with our ambition, and we have now had 36 straight quarters with record-high operating profit quarter-over-quarter as well as a record-high full-year result every year since 2010.

What is your comment on the cash flow?

To be able to meet future demand, we have continued to invest in capacity and to make strategic acquisitions. Despite this, we have had a positive cash flow after investments during the last three years. We expect capital expenditure to be at a slightly higher level in 2020 compared to 2019.

Cash flow from working capital was negative in 2019. Good working capital management on accounts receivables impacted cash flow favorably. This was offset by strategic purchases of key raw materials to Chocolate & Confectionery Fats which had a significant negative impact on cash flow from inventory.

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

We continue our focus on working capital days and further improvements should be possible, particularly relating to payment terms with our suppliers and late payments from some customers.

How do you allocate capital?

We always try to maximize our ability to invest in growth and create a higher shareholder return. To ensure continued growth, we want to have a strong balance sheet and be well capitalized with a net debt/EBITDA ratio lower than 3. Our current ratio is 1.10.

At the end of 2018, we established an MTN program (Medium Term Note) with a framework amount of SEK 4,000 million. The program supports us in diversifying our existing sources of funding and gives us a flexible alternative to current bank facilities.

Over the last years we have invested significant amounts in organic growth, built new factories, and made several acquisitions to strengthen our footprint and add new capabilities to AAK. Going forward, we will continue to invest in growth, both in equipment and in our employees, to secure that we can continue to be our customers' preferred co-development partner.

Fredrik Nilsson, CFO



Consolidated Income Statement

SEK million	Note	Jan–Dec 2019	Jan–Dec 2018
Net sales	28	28,510	27,592
Other operating income		193	180
Total operating income		28,703	27,772
Raw materials and consumables and changes in inventories of finished goods and work in progress		-20,247	-19,784
Goods for resale		-496	-939
Other external expenses	5, 16, 28	-2,685	-2,462
Employee benefits expenses	6, 7, 8, 9	-2,423	-2,073
Depreciation, amortization and impairment loss	14, 15, 16	-687	-552
Other operating expenses		-23	-6
Total operating expenses		-26,561	-25,816
Operating profit (EBIT)		2,142	1,956
Result from financial items	10, 16		
Financial income		26	28
Financial expenses		-157	-155
Net financial items		-131	-127
Profit before tax		2,011	1,829
Income tax	11, 16	-498	-489
Profit for the year		1,513	1,340
Attributable to:			
Non-controlling interests		26	18
Parent company shareholders		1,487	1,322
Earnings per share attributable to Parent shareholders during the year before and after dilution (SEK per share)	12	5.86	5.21

Consolidated Statement of Comprehensive Income

SEK million	Note	Jan–Dec 2019	Jan–Dec 2018
Profit for the period		1,513	1,340
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	9	-21	-28
		-21	-28
Items that may subsequently be reclassified to profit or loss:			
Translation differences		402	362
Fair-value changes in cash flow hedges		-0	-
Tax related to fair-value changes in cash flow hedges		0	-
		402	362
Total comprehensive income for the period		1,894	1,674
Attributable to:			
Non-controlling interests		26	18
Parent company shareholders		1,868	1,656

Consolidated Balance Sheet

SEK million	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Intangible assets	14		
Goodwill		2,114	1,666
Patents and other intangible assets		363	333
		2,477	1,999
Property, plant and equipment	15		
Land and buildings		1,274	1,245
Plant and machinery		3,739	3,255
Equipment, tools and fixtures and fittings		239	229
Assets under construction		782	739
		6,034	5,468
Right-of-use assets	16	770	-
		770	-
Financial assets			
Shares in associates		13	12
Deferred tax assets	11	144	61
Other non-current receivables		18	18
		175	91
Total non-current assets		9,456	7,558
Current assets			
Inventories	18	6,681	4,705
Accounts receivables	3	3,529	3,441
Current tax assets	11	295	305
Other receivables		354	428
Derivative instruments	3	1,391	698
Prepaid expenses and accrued income		231	163
Cash and cash equivalents	19	982	737
Total current assets		13,463	10,477
TOTAL ASSETS		22,919	18,035

SEK million	Note	Dec 31, 2019	Dec 31, 2018
EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		423	423
Reserves		496	94
Retained profit		9,418	8,391
Equity attributable to Parent's shareholders		10,337	8,908
Non-controlling interests		84	88
Total equity		10,421	8,996
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	2,987	2,551
Pension provisions	9	241	206
Lease liabilities	16	675	-
		3,903	2,757
Non-interest-bearing liabilities			
Deferred tax liabilities	11	511	490
Other non-current provisions	22	102	72
Other non-current liabilities		423	362
		1,036	924
Total non-current liabilities		4,939	3,681
Current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions	21	870	661
Other current liabilities		12	7
Lease liabilities	16	110	-
		992	668
Non-interest-bearing liabilities			
Accounts payables	3	3,354	2,685
Current tax liabilities	11	474	393
Other current liabilities		283	249
Other current provisions	22	36	30
Derivative instruments	3	1,098	290
Accrued expenses and prepaid income	23	1,322	1,043
		6,567	4,690
Total current liabilities		7,559	5,358
TOTAL EQUITY AND LIABILITIES		22,919	18,035

Consolidated Changes in Shareholders' Equity

SEK million	Attributable to the Parent's shareholders			Non-controlling interests	Total equity
	Share capital	Reserves	Retained profit		
Opening balance as at January 1, 2018	423	-243	7,484	70	7,734
Profit for the year	-	-	1,322	18	1,340
Other comprehensive income	-	362	-28	-	334
Comprehensive income	-	362	1,294	18	1,674
Transactions with shareholders					
Dividend	-	-	-412	-	-412
Total transactions with shareholders	-	-	-412	-	-412
Reclassification	-	-25	25	-	-
Closing balance as at December 31, 2018	423	94	8,391	88	8,996

SEK million	Attributable to the Parent's shareholders			Non-controlling interests	Total equity
	Share capital	Reserves	Retained profit		
Opening balance as at January 1, 2019	423	94	8,391	88	8,996
Profit for the year	-	-	1,487	26	1,513
Other comprehensive income	-	402	-21	-	381
Comprehensive income	-	402	1,466	26	1,894
Transactions with shareholders					
Change in non-controlling interests	-	-	30	-30	-
Dividend	-	-	-469	-	-469
Total transactions with shareholders	-	-	-439	-30	-469
Closing balance as at December 31, 2019	423	496	9,418	84	10,421

For further information, see Note 20.

Consolidated Cash Flow Statement

SEK million	Note	Jan–Dec 2019	Jan–Dec 2018
OPERATING ACTIVITIES			
Operating profit		2,142	1,956
Depreciation and amortization	14, 15, 16	687	552
Other non-cash items	29	246	-278
Cash flow before interest and tax		3,075	2,230
Interest received and other financial income		26	26
Interest paid and other financial expenses		-148	-128
Tax paid		-499	-483
Cash flow before changes in working capital		2,454	1,645
Changes in inventory		-1,784	63
Changes in accounts receivables		86	-208
Changes in accounts payables		540	-538
Changes in other working capital items		262	128
Changes in working capital		-896	-555
Cash flow from operating activities		1,558	1,090
INVESTING ACTIVITIES			
Acquisition of intangible assets		-14	-23
Acquisition of property, plant and equipment		-787	-702
Acquisition of operations and shares, net of cash acquired		-535	-
Proceeds from sale of property, plant and equipment		1	2
Cash flow from investing activities		-1,335	-723
FINANCING ACTIVITIES			
Loans raised	29	1,878	1,751
Amortization of loans	29	-1,287	-1,462
Amortization of lease liability	16	-122	-
Dividends paid		-469	-412
Cash flow from financing activities		0	-123
Cash flow for the year		223	244
Cash and cash equivalents at beginning of year		737	480
Exchange rate difference for cash equivalents		22	13
Cash and cash equivalents at year-end	19	982	737

Income Statement – Parent Company

SEK million	Note	Jan–Dec 2019	Jan–Dec 2018
Net sales	26	159	119
Other operating income		0	0
Total operating income		159	119
Other external expenses	5	-136	-105
Personnel costs	6, 7, 8, 9	-101	-100
Depreciation, amortization and impairment loss		-7	-3
Total operating expenses		-244	-208
Operating profit (EBIT)		-85	-89
Profit from financial items	10		
Dividend from Group companies		1,497	2,360
Profit from interests in Group companies		87	119
Interest income and similar items		1	4
Interest expenses and similar items		-26	-22
Net financial items		1,559	2,461
Profit before tax		1,474	2,372
Income tax	11	-1	-11
Profit for the year		1,473	2,361

Statement of Comprehensive Income – Parent Company

SEK million	Note	Jan–Dec 2019	Jan–Dec 2018
Profit for the period		1,473	2,361
Other comprehensive income		-	-
Total comprehensive income for the period		1,473	2,361

Balance Sheet – Parent Company

SEK million	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Intangible non-current assets		12	11
		12	11
Property, plant and equipment		3	2
		3	2
Right-of-use assets		6	-
		6	-
Financial non-current assets			
Shares in Group companies	17	5,788	2,426
Receivables from Group companies		2,971	4,604
Deferred tax assets	11	5	3
Other non-current assets		18	14
		8,782	7,047
Total non-current assets		8,803	7,060
Current assets			
Receivables from Group companies		409	406
Tax assets	11	7	7
Prepaid expenses and accrued income		6	6
Other receivables		1	1
Total current assets		423	420
TOTAL ASSETS		9,226	7,480

SEK million	Note	Dec 31, 2019	Dec 31, 2018
EQUITY AND LIABILITIES			
EQUITY	20		
Restricted equity			
Share capital		423	423
Statutory reserve		5	5
		428	428
Non-restricted equity			
Retained profit		4,966	3,074
Profit/loss for the year		1,473	2,361
		6,439	5,435
Total equity		6,867	5,863
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities			
Liabilities to banks and credit institutions		2,250	1,499
Lease liabilities		3	-
		2,253	1,499
Non-interest-bearing liabilities			
Other non-current liabilities		33	26
		33	26
Total non-current liabilities		2,286	1,525
Current liabilities			
Interest-bearing liabilities			
Lease liabilities		3	-
		3	-
Non-interest-bearing liabilities			
Accounts payables		8	18
Liabilities to Group companies		12	27
Accrued interest		2	1
Accrued expenses and prepaid income	23	41	40
Other current liabilities		7	6
		70	92
Total current liabilities		73	92
TOTAL EQUITY AND LIABILITIES		9,226	7,480

Changes in Shareholders' Equity – Parent Company

SEK million	Share capital	Statutory reserves	Retained profit	Total equity
Opening balance as at January 1, 2018	423	5	3,488	3,916
Profit for the year	-	-	2,361	2,361
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	2,361	2,361
Dividend	-	-	-412	-412
Closing balance as at December 31, 2018	423	5	5,435	5,863

SEK million	Share capital	Statutory reserves	Retained profit	Total equity
Opening balance as at January 1, 2019	423	5	5,435	5,863
Profit for the year	-	-	1,473	1,473
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,473	1,473
Dividend	-	-	-469	-469
Closing balance as at December 31, 2019	423	5	6,439	6,867

Total shares outstanding were 253,730,934 at quota value of SEK 1.67 per share. For further information, see Note 20.

Cash Flow Statement – Parent Company

SEK million	Note	Jan–Dec 2019	Jan–Dec 2018
OPERATING ACTIVITIES			
Profit after financial items		1,474	2,372
Reversal of amortization and impairment losses		4	3
Income tax paid		-4	-10
Other non-cash items	29	3	-
Cash flow from operations before changes to working capital		1,477	2,365
Changes in working capital			
Net change in other current receivables		-4	-298
Net change in other current operating liabilities		-21	2
Cash flow from operating activities		1,452	2,069
INVESTING ACTIVITIES			
Acquisition of intangible assets		-5	-6
Acquisition of operations and shares, net of cash acquired		-3,362	-
Cash flow from investing activities		-3,367	-6
FINANCING ACTIVITIES			
Loans raised from banks and credit institutions		751	1,499
Loans raised from Group companies		1,633	-
Amortization of loans from Group companies		-	-3,150
Dividend		-469	-412
Cash flow from financing activities		1,915	-2,063
Cash flow for the year		0	0
Cash and cash equivalents at beginning of year		0	0
Cash and cash equivalents at year-end		0	0

Note General information

- | | | |
|---|---|--|
| <p>1 AAK AB (publ.), corporate identity number 556669-2850, is a Swedish registered limited liability company domiciled in Malmö, Sweden. The shares of the Parent are listed on NASDAQ OMX Stockholm, in the Large Cap list and under</p> | <p>Consumer Goods. The head office is located at Skrivaregatan 9, 215 32 Malmö, Sweden.
These consolidated financial statements for 2019 are for the Group consisting of the Parent and all subsidiaries. The</p> | <p>Group also has ownership interests in associates and joint ventures. The Board of Directors approved these consolidated financial statements for publication on April 15, 2020.</p> |
|---|---|--|

Note Summary of significant accounting policies

2 Basis of presentation of the annual report and consolidated financial statements

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standard Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted within the EU, the Swedish Annual Accounts Act, and the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary accounting rules for groups of companies". The Parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for legal entities".

The annual and consolidated financial statements have been prepared on a historical cost basis, with the exception of currency, fixed income and commodity derivative instruments, which are measured at fair value through profit or loss. Preparing these financial statements requires that the Board of Directors and the Company management use certain critical accounting estimates and assumptions. These estimates and assumptions can materially affect the income statement, balance sheet and other information contained herein, including contingent liabilities; see Note 4. Actual outcome can vary from these estimates under different assumptions or circumstances.

New and amended standards applied by the Group

A number of new standards and interpretations enter into force for financial years that start after January 1, 2019. None of these will not have any significant effect on the Group's financial statements.

IFRS 16 Leases

In January 2016, IASB published a new leasing standard that will replace IAS 17 Leases and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with some exceptions, be recognized in the balance sheet. This recognition is based on the view that the lessee has a right to use an asset during a specific period of time and also has an obligation to pay for this right. AAK applied the new standard as of January 1, 2019.

The Group was affected primarily by lease agreements of rental for premises, land and lease of vehicles. The Group has applied the modified retrospective approach and has, in accordance with the standard, not restated the comparatives for 2018. The Group has adopted the majority of the practical expedients allowed for the first time that IFRS 16 is applied, the most significant being to account for leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases. The Group has also, after initial application, applied the practical expedients of accounting for leases with a lease term of 12 months or less and leases of low value as an expense on a straight-line basis in the income statement.

On transition, the right-of-use assets were measured at an amount corresponding to the lease liabilities at December 31, 2018 and amounted to SEK 741 million. Equity was not affected in the transition to IFRS 16. For more information about leasing, see note 16.

Consolidated financial statements

Subsidiaries

The consolidated financial statements cover AAK AB and all its subsidiaries. Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed to or is entitled to variable return from its holding in the company and is able to affect the return by exerting influence in the company. Subsidiaries are included in the consolidated financial statements as from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as from the date on which the controlling influence ceases.

Purchase method

The acquisition of subsidiaries is recognized using the purchase method of accounting. The cost of acquisition is measured as the fair value of the assets provided as consideration, liabilities incurred and shares issued by the Group. Transaction costs relating to acquisitions are expensed as they are incurred. Identifiable assets acquired and liabilities and obligations assumed in an acquisition are measured initially at fair value at the acquisition date. For each acquisition, the Group determines whether all non-controlling interests in the acquired companies are to

Note Summary of significant accounting policies

2 be recognized at fair value or according to the proportional share of the acquired company's net assets. The excess of the purchase price, any non-controlling interests and the fair value of previous shareholdings at the acquisition date over the fair value of the Group's interest in identifiable net assets is recognized as goodwill. If this amount is less than the fair value for the acquired subsidiary's assets, the difference is recognized directly in the statement of comprehensive income.

All intra-group transactions, balances and unrealized gains on transactions are eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with holders of non-controlling interests

The Group handles transactions with holders of non-controlling interests in the same ways as transactions with the Group's shareholders. In the event of acquisitions from holders of non-controlling interests, the company recognizes the difference between the purchase price paid and the actual acquired portion of the carrying amount of the subsidiary's net assets in equity. Gains and losses on disposals to holders of non-controlling interests are also recognized in equity.

When the Group no longer holds a controlling or significant influence, each shareholding is remeasured at fair value and the change in the carrying amount is recognized in the income statement. Fair value is used as the primary carrying amount and forms the basis for ongoing recognition of the remaining ownership interest as an associate company, joint venture or financial asset. All amounts relating to divested units previously recognized under "Other comprehensive income" are recognized as though the Group had directly disposed of the respective assets or liabilities. This can result in amounts previously recognized in "Other comprehensive income" being reclassified as earnings.

If the equity interest in an associate is reduced but significant influence still remains, where relevant only a proportional share of the amounts previously recognized in "Other comprehensive income" is recognized as earnings.

Associated companies

Associates are those companies where the Group has significant influence, but not a controlling influence over operational and financial management, usually through an ownership interest of between 20 percent and 50 percent of the voting rights. As of the date at which the significant influence is acquired, investments in associated companies are recognized in the consolidated financial statements using the equity method. The equity method means that the value of the shares in the associated companies recognized for the Group corresponds to the Group's interest in the equity of the associates plus Group-related goodwill and any residual values of Group-related surplus or shortfall in value. The consolidated income statement reports the Group's share of profit of associated companies, adjusted for any amortization, impairment or dissolution of acquired surplus or shortfall values, as other financial revenue. Dividends received from associated companies reduce the carrying amount of the investment.

The equity method is used until significant influence ceases.

Foreign currency translation of foreign subsidiaries' financial statements

Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which they operate (functional currency). The consolidated financial statements are presented in Swedish krona which is the Parent's functional and presentation currency.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate are recognized as of the end of the reporting period in the income statement.

Group companies

The results and financial position of foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency other than the presentation currency are translated into the Group's presentation currency as follows:

- ◆ Assets and liabilities are translated at the closing day rate.
- ◆ Income and expenses are translated at average exchange rates.
- ◆ All exchange differences are charged directly to other comprehensive income and are recognized as a separate part of equity. When a foreign subsidiary is sold, any exchange differences are recognized in profit or loss as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising in the acquisition of foreign operations are treated as assets and liabilities of the entity and translated at the closing day rate.

Exchange rates

The following rates were used to translate currency:

Currency	Average rate	Closing rate
EUR	10.56	10.49
DKK	1.41	1.40
GBP	12.06	12.40
MXN	0.49	0.49
USD	9.43	9.34

Segment reporting

An operating segment is the part of the Group that conducts business operations from which it may generate revenue and incur expenses for which discrete financial information is available. The operating results of an operating segment are followed up by the Group's chief operating decision-maker in order to evaluate its performance and allocate resources to the operating segment. The Group's operations are divided up into operating segments based on which parts of the operations the Group's chief operating decision-maker monitors, that is, according to the management approach.

Note Summary of significant accounting policies

2 AAK's business operations are organized in such a way that the Group's highest executive decision-maker, that is the CEO, monitors earnings, returns and cash flows generated by the Group's various products. Each operating segment has a manager who is responsible for day-to-day operations and who regularly reports to the CEO on the outcome of the operating segment's performance and its resource requirements. Where the CEO monitors profit/loss and determines resource allocations based on the product that the Group produces and sells, these constitute the Group's operating segments.

The Group's operations are organically divided into business segments based on product. The marketing organization also reflects this structure. Segment reporting is submitted in accordance with IFRS 8 for the Group only. For each segment, the results, assets and liabilities directly attributable to or items that can reliably be attributed to the segment are included in that segment. Assets and liabilities not attributed to segments include tax assets and tax liabilities, financial investments and financial liabilities, as well as cash and cash equivalents and interest-bearing receivables.

Revenue recognition

Revenue from contracts with customers are reported as Net sales in the Consolidated Income Statement. AAK recognizes revenue from contracts with customers based on the five-step process described in IFRS 15. The five steps in the process for recognizing revenue from contracts with customers are: Identify the contract, identify separate performance obligations in the contract, determine the transaction price, allocate the transaction price to the separate performance obligations and recognize revenue when each performance obligation is satisfied. The Group's performance obligation in contracts with customers consists of providing the goods specified in the contract. Revenue from the Group's sales is recognized when the control of the products is transferred to the customer in accordance with the terms of the contract, which occurs when the products are delivered to the customer and there are no unfulfilled obligations that may affect the customer's acceptance and approval of the products.

Net sales are recognized based on the price specified in the sales contract less any discounts. A contract with a customer may include one or more variable considerations. The IFRS 15 standard requires an entity to estimate the amount of variable consideration and recognizes a minimum amount of highly probable, not reversing revenue. Variable considerations, such as price reductions, performance discounts and bonuses are non-significant within the AAK Group. Based on this, AAK follows the objective of the constraint as it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur. No element of financing is deemed present as the sales are made with a credit term of 30–45 days. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a warranty provision monthly. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional. Prepayments are reported as a liability on the line item Accrued expenses and prepaid income in the Balance Sheet.

Other operating income relates to for instance rental revenue, capital gains from the sale and scrapping of tangible and intangible assets and exchange gains on operating receivables and liabilities. Interest income is recognized allocated over the maturity of the security using the effective interest method. Dividend income is recognized when the right to receive payment has been determined.

Employee benefits

a) Pension liabilities

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods. The fees paid in exchange for the employee performing services for the company are recognized as expenses in the period in which the services are performed.

A defined benefit pension plan is a pension plan that is not a defined contribution plan. The characteristic feature of a defined benefit plan is that it defines an amount of pension

benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality mortgage bonds that are denominated in the same currency in which the benefits will be paid, and that have terms of maturity approximating the terms in the related pension commitment. Past-service costs are recognized immediately in the income statement.

The net interest rate is calculated by the discount rate being applied to defined benefit plans and to the fair value of plan assets. This expense is included in the personnel costs in the income statement.

Actuarial gains and losses as a result of experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

b) Termination benefits

Employees receive compensation on termination before normal retirement age or when they voluntarily accept termination in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed, formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

c) Variable remuneration

Annual variable remuneration is based on meeting set targets determined on an annual basis. These targets are related to the performance of the Company. The Group recognizes costs as and when earnings occur.

Note Summary of significant accounting policies

2 Leases up to December 31, 2018

Leasing is classified as operating leasing when the risks and benefits of ownership are retained by the lessor. All leasing agreements within the Group are classified as operating leases. Operating lease payments are recognized in the income statement on a straight-line basis over the period of the lease.

Leases as from January 1, 2019

The Group leases various land, buildings, machinery, equipment and vehicles. Rental contracts are typically made for fixed periods of 10 to 30 years for land, 5 to 20 years for buildings and 3 to 5 years for vehicles but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable in connection with the inception date of the lease
- Variable lease payments that are based on an index or a rate, measured based on the index or rate at initial recognition
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions considering the entity's financial credit ability.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received in connection with the inception date of the lease
- Any initial direct costs
- Restoration costs of the underlying asset in accordance with the lease agreement.

AAK has chosen to apply the practical expedient concerning short-term leases and leases of low-value assets. Short-term leases are leases with a lease term of 12 months or less and low-value assets have an underlying value of USD 5,000 or less when new. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Extension and termination options are included in the majority of the property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. When determine the lease term the management consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise an option to extend the lease, or not to exercise an option to terminate the lease. Periods covered by the extension option are included in the lease term only if the lessee is reasonably certain to exercise the extension option, or if the lessee is reasonably certain not to exercise the termination option. Assessment regarding the exercise of options to extend or options to terminate a lease agreement is revised if there is any material event or change in circumstances that affect this assessment and if that change is within AAK's control.

Product development

Product development work is an integral part of production relating to process improvement measures that is expensed as part of the product cost as it arises. The development work consists primarily of work aimed at optimizing the attributes and function of speciality oils and fats, either for the finished product in which these oils and fats are ingredients or to improve the efficiency of the production process of the finished product.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill recognized separately is allocated to cash-generating units for the purpose of annual impairment testing. Goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition. Goodwill is recognized at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

When acquiring operations where cost is less than the net value of the acquired assets, borrowings, and any contingent liabilities, the difference is recognized directly in the income statement.

Other intangible assets

Other intangible assets include such assets as capitalized expenditure on IT, patents and trademarks. These assets have a defined useful life and are carried at cost less accumulated amortization and impairment losses. The cost associated with maintaining an intangible asset is recognized as part of the carrying value or as a separate asset only when it is probable that the future economic benefit associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Other expenditures are expensed as they arise. Other intangible assets are amortized using the straight-line method over their estimated useful lives, normally 5 to 10 years.

Note Summary of significant accounting policies

2 **Property, plant and equipment**

Land and buildings comprise mainly factory buildings and offices. All property, plant and equipment is carried at cost, less accumulated depreciation. Acquisition cost includes expenditure that is directly attributable to the acquisition of an asset.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are expensed in the financial period in which they arise.

Land is not depreciated. Depreciation of other property, plant and equipment is allocated on a straight-line basis over the estimated useful lives of the assets to reduce their cost to residual values. Depreciation periods of between 3 and 15 years are used for plant and machinery, equipment, tools, fixtures and fittings. Industrial buildings and research laboratories are depreciated over 20 and 25 years, respectively, and office buildings over 50 years. When an asset's carrying amount may not be recoverable, the asset is immediately impaired to its recoverable amount.

Assets' residual value and useful life are reviewed at the end of every reporting period and adjusted as required.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Impairment of non-financial assets

Assets with indefinite useful lives are tested for impairment annually rather than being amortized. All assets are assessed in terms of impairment whenever events or changes in circumstances indicate that an asset's carrying amount exceeds its recoverable amount. Impairment reflects the excess of an asset's carrying amount over its recoverable amount. The recoverable amount is either the asset's fair value less any selling costs or its value in use, whichever is greater. For the purposes of assessment, assets are grouped on the basis of the lowest level at which there are separate identifiable cash flows (cash-generating units). Assets, other than financial assets and goodwill, for which impairment loss

was previously recognized, are tested at the end of every reporting period to ascertain whether any reversal should be made.

Inventories

Inventories are stated at cost or net selling price, whichever is lowest. Cost is calculated using the first-in-first-out principle (FIFO) or weighted average prices. The nature and area of use of the product determines the method used. The cost of finished goods and work in progress includes direct material costs, direct labor and other direct manufacturing costs and a reasonable allocation of indirect manufacturing expenses based on normal production capacity, excluding borrowing costs. Net selling price is the estimated sale price in the ordinary course of business, less costs of completion and applicable variable costs to sell.

Financial income and expenses

Financial income consists of interest income on funds invested, dividend income and gains on hedging instruments recognized in profit or loss. Dividend income is recognized when the right to receive payment has been established. Results from the sale of financial instruments are recognized when the risks and benefits associated with ownership of the instruments have been transferred to the buyer and the Group no longer has control of the instrument. Financial expenses consist of interest expenses on loans, the effect of the resolution of present value calculations for provisions, impairment of financial assets and those losses on hedging instruments recognized in profit or loss. Borrowing expenses are recognized in profit or loss, except where they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for their intended use or sale, in which case they are included in the cost of those assets. No borrowing expenses have been capitalized during the past two years. Exchange gains and losses are recognized net.

Financial instruments

The Group classifies its financial assets in the following categories:

- ◆ Amortized cost
- ◆ Fair value through profit or loss

The classification is dependent on AAK's business model for managing the financial assets and the contractual terms of the cash flows. Management establishes the classification of financial assets at initial recognition. Management reclassifies debt instruments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Recognition and derecognition

A financial asset or financial liability is recognized in the balance sheet when AAK enters a contract for the instrument (i.e. on the relevant business day).

A financial liability is recognized when the counterparty has performed and a contractual duty to pay arises, even if no invoice is received.

A financial asset is derecognized when the rights to cash flow in the contract mature or the rights are transferred in a transaction that transfers essentially all risks and remunerations from ownership to the assets transferred. This also applies to parts of financial assets.

A financial liability is removed from the balance sheet when the duty in the contract is performed or otherwise extinguished. This also applies to parts of financial liabilities.

Debt instruments

All of AAK's debt instruments are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are consequently measured at amortized cost. These are included in current assets, except for items with a maturity of more than 12 months after the end of the reporting period, which are classified as non-current assets. Interest income from these

Note Summary of significant accounting policies

2 financial assets are included in financial income using the effective interest method. The Group's financial instruments measured at amortized cost consist of accounts receivables and other receivables, as well as cash and cash equivalents in the balance sheet.

Equity instruments

The Group subsequently measures all equity investments at fair value through profit or loss.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The expected credit loss rates are calculated based on payment profiles and the corresponding historical credit losses experienced within the same period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Derivatives

Derivative instruments are recognized in the balance sheet on the date of contract and at fair value, both initially and upon subsequent revaluation. The method of recognizing gain or loss arising from revaluation depends on whether the derivative is identified as a hedging instrument, and, in such event, the nature of the item being hedged. The Group has identified

hedging of fair value regarding a recognized asset or liability or a firm commitment (fair-value hedging).

When the transaction is undertaken, the Group documents the economic relationship between the hedging instrument and the hedged item, as well as the hedge's role in the Group's risk management objectives and strategy. The Group also documents its assessment, both when it enters into hedging contracts and on an ongoing basis, as to whether the derivative instruments used in hedging transactions are effective in terms of counteracting changes in fair value or cash flow that are attributable to the hedged items. The Company's derivative instruments consist of OTC or "over-the-counter" derivatives concluded with financial counterparties, listed standardized derivatives and sales and purchase contracts which are not deemed to be for own use (and consequently should be recognized as derivatives). According to IFRS 9, only contracts not designated for physical delivery may be accounted for as derivatives. AAK's business model permits (enables) the net settlement of purchase and sales contracts entered into. The full fair value of a hedging derivative is classified as a non-current asset or liability when remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Hedging of fair value

Changes in fair value of a derivative that has been formally identified for hedging of fair value and meets the conditions for hedge accounting are recognized on the same line item in the income statement as any change in fair value attributable to the hedged risk for the hedged asset or liability. The Group applies hedging of fair value for raw materials in inventory. Changes in fair value of raw material in inventory are accounted for as a part of Current assets and liabilities in the balance sheet. The gain or loss attributable to the ineffective portion is recognized with immediate effect in "Raw materials and consumables and changes in inventory".

When forward contracts are used to hedge fair value the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. The change in the forward element of the

contract that relates to the hedged item is recognized within Operating profit.

Sales and purchase contracts

AAK applies the fair value option to binding commitments (sales and purchase contracts) for own use since this offset the change in fair value of derivatives not designated for hedge accounting (reducing accounting mismatch) and AAK's business model enables the net settlement of purchase and sales contracts entered into for physical delivery (the contracts are readily convertible to cash). Assets in this category are classified as current assets as they are expected to be settled within 12 months.

Determining fair value

The fair value of instruments that do not have listed prices is determined using valuation techniques such as discounted cash flow models, in which all assessed and determined cash flows are discounted using a zero-coupon yield curve. The fair value of derivatives is determined using valuation techniques. The valuation is based on models that discount cash flows using forward curves for underlying variables such as raw materials and exchange rates. The assessed and determined cash flows are discounted by a zero-coupon interest rate curve. The Group's credit risk is taken into consideration in the valuation at fair value.

Accounts receivables

Accounts receivables are recognized initially at fair value and thereafter at amortized cost using the effective interest method, less provisions for impairment, see above about impairment. Provisions are recognized in the income statement as "Other external expenses".

Equity

Ordinary shares are classified as share capital. Transaction expenses that are directly attributable to new share issues or options are recognized, net of tax, in equity as a deduction from the proceeds.

Premium received for share warrants issued at market price has been recognized as an increase in funds brought

Note Summary of significant accounting policies

2 forward in equity as the options will be redeemed with equity instruments. Information on outstanding subscription warrants is available in Note 8.

Liabilities to banks and credit institutions

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently stated at amortized cost and any difference between proceeds (net of transaction costs) and redemption value is recognized in the income statement, allocated over the period of the borrowing using the effective interest method.

Accounts payables

Accounts payables are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligations and the amount can be estimated reliably. No provisions are made for future operating losses. If the effect of when in time payment is made is significant, provisions are calculated through discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the debt.

A provision for restructuring is recognized when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or published.

Income tax

Tax expenses for the period comprise both current tax due and deferred income tax. Tax is recognized in the income statement, apart from when tax is attributable to items recognized in other comprehensive income or directly in equity. In such cases, tax is also recognized in other comprehensive income and equity. Income tax is determined using the tax

rules that have been enacted or announced by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Tax expenses stated include both current tax due and deferred income tax.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward. The tax rates enacted in each country are used in determining deferred income tax.

Deferred income tax assets for tax-deductible temporary differences and loss carry-forwards are recognized only to the extent it is likely that it will be possible to utilize these items. The value of deferred tax assets is derecognized when it is no longer deemed likely that they can be utilized.

Deferred income tax assets are recognized on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the difference will not be reversed in the foreseeable future.

Cash and cash equivalents

Cash equivalents comprise balances with less than three months' maturity, including cash, bank deposits and other current securities.

Cash flow statement

Payments in and out have been divided up into three categories: operating activities, investing activities and financing activities. The indirect method is used for flows from operating activities.

The changes during the year in operating assets and operating liabilities have been adjusted for the effects of changes in exchange rates. Acquisitions and disposals are recognized under investing activities. The assets and liabilities that acquired and divested companies had at the time of the change are not included in the analysis of the changes

in operating capital, nor in changes to balance sheet items recognized under investing and financing activities. These items are reported separately under investing activities.

Earnings per share

The calculation of earnings per share is based on the consolidated profit attributable to the Parent's shareholders and the weighted average number of shares outstanding during the year.

When determining earnings per share after dilution, a company must base its calculations on the company's shares and stock options which could result in dilution being exercised. Compensation from these instruments will be deemed to have been received from the issuing of ordinary shares at the average market price for ordinary shares during the period. The difference between the number of issued ordinary shares and the number of ordinary shares that should have been issued at the average market price for ordinary shares during the period shall be treated as an issue of ordinary shares without consideration. According to paragraph 47 of IAS 33, options and stock options only have a dilutive effect when the average market price for ordinary shares during the period exceeds the exercise price for options or stock options.

Dividend

The dividend to shareholders in the Parent is recognized as a liability in the consolidated financial statements in the period when the dividend was approved by the shareholders. However, in 2018 a dividend to the Parent company of SEK 250 million was accounted in 2019. As a result of this, the financial statements of the Parent company are restated in the annual report of 2019.

Accounting policies – Parent

The Parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for legal entities". No differences with the Group's accounting policies have been identified.

Note Financial risk management and hedge accounting

3 Financial risk management

The AAK Group's operations are exposed to various financial risks, including market price risks (on raw materials, currencies and interest rates), liquidity risk, counterparty risk and credit risk. Since AAK's products are sold throughout the world, our sales revenues are exposed to market fluctuations in the exchange rates of the currencies involved. Moreover, the Group buys its raw materials on international markets, so its cost of raw materials is exposed to market fluctuations in both the price of the raw materials and the exchange rates of the currencies involved.

Exposure to such significant financial risks makes managing these risks a significant factor in successful operations. AAK believes that we are largely successful in managing risks owing to the policies and procedures established for the Group.

The Group's management of price risk and other risks related to purchasing of raw materials is regulated by AAK's policy and principles on the management of market risk for raw materials. Currency risk is hedged when risk arise from

underlying commercial actions and flows. Interest rate risks are hedged in line with AAK's financial policy and principles. Counterparty risks are measured and managed according to AAK's financial policy and principles. Policies and principles are established by AAK's Board of Directors, which also monitors, evaluates and updates these policies and principles annually.

Raw material price risks

The Group's annual costs for raw materials are two-thirds of the sales value of the finished products. AAK hedges both operational raw material price risk and the underlying operational currency risk when sales agreements are signed with customers.

Raw material prices fluctuate, so the Group has assigned a high priority to raw material procurement and to managing this exposure. Raw material procurement is managed by the Group procurement organization, which continually monitors and controls raw material market exposure for the Group. However, to maintain an effective organization, the Group's

procurement organization is permitted to take limited price risks within the framework of our trading policy established by the Board of Directors. Since these raw material positions are managed appropriately, AAK's profitability is affected only marginally by price changes.

AAK hedges sales contracts with physical purchases of raw material. In long-term contracts, AAK hedges by paper purchase contracts, since there is low liquidity in the market for longer periods. For paper purchase contracts, the Group uses standard commodity futures traded on commodity exchanges or OTC hedge contracts.

Exotic raw materials (of which shea is by far the most important) must be sourced when they are available right after the harvest season. No efficient hedge market exists for exotic raw materials. Therefore, the Group is typically left with a significant unhedged volume of exotic raw materials in the months following the harvest season. The Group endeavors to limit this exposure by entering into new exotic-raw-material-based sales contracts during the months in which the exotic raw materials are sourced.

Exposure to raw material price risk, December 31, 2019

(Thousand tons)	Sales contracts	Inventory	Purchase contracts	Net exposure
Oils and fats	1,786	-334	-1,461	-9

Exposure to raw material price risk, December 31, 2018

(Thousand tons)	Sales contracts	Inventory	Purchase contracts	Net exposure
Oils and fats	1,917	-245	-1,680	-8

Note Financial risk management and hedge accounting

3 *Sensitivity analysis – raw materials (excluding exotic raw materials)*
With the stocks and commercial contracts hedged by raw material hedge contracts, leaving a very limited net exposure, changes in raw material prices have no significant effect on the Group's profit margin. A 10 percent change in all raw material prices would therefore have a negligible effect on Group operating profit.

Exposure to foreign currency

A significant portion of the Group's buying and selling of raw materials is denominated in foreign currency. Moreover, most

of the Group's operational subsidiaries are located outside Sweden. Changes in exchange rates therefore affect AAK in several ways:

- Sales contracts and raw material contracts in foreign currency give rise to transaction risk.
- Profits for our foreign subsidiaries are affected by changes in currency rates when they are translated to SEK.
- The Group's equity is affected when equity in our foreign subsidiaries is translated to SEK.

AAK hedges all its currency transaction risks. Payment for all sales contracts is thus hedged in the local currency of the subsidiaries that have entered into such sales contracts. Exchange rate risks related to translating equity and profit/loss in our foreign subsidiaries to SEK are not hedged.

Exposure to transaction risk, December 31, 2019

SEK million	Assets	Liabilities	Sales contracts	Purchase contracts	Currency contracts		Net exposure
					Sold	Bought	
USD	3,402	-4,181	-2,333	1,174	-1,508	3,362	-84
EUR	2,292	-994	1,687	-327	-3,214	511	-45
GBP	39	-676	68	0	-359	929	1
Other	1,577	-201	417	-281	-2,934	1,386	-36
Total	7,310	-6,052	-161	566	-8,015	6,188	-164

Exposure to transaction risk, December 31, 2018

SEK million	Assets	Liabilities	Sales contracts	Purchase contracts	Currency contracts		Net exposure
					Sold	Bought	
USD	3,265	-3,999	-759	170	-2,105	3,332	-96
EUR	1,768	-717	2,172	-699	-3,222	681	-17
GBP	37	-474	45	0	-452	845	1
Other	382	-251	554	-332	-3,032	2,692	13
Total	5,452	-5,441	2,012	-861	-8,811	7,550	99

Note Financial risk management and hedge accounting

3 *Sensitivity analysis – transaction risk*

With all foreign currency transaction risk hedged by currency hedge contracts, leaving a very limited net exposure, changes in foreign currencies will have an insignificant effect on each subsidiary's profit margin. As this is considered non-material for AAK, no sensitivity analysis for transaction risk is shown.

Sensitivity analysis – translation risk

Changes in foreign currencies relative to SEK do affect Group profit when the profit of each foreign subsidiary is translated into SEK. A 10 percent change in the exchange rates of all foreign currencies relative to SEK would have an effect of \pm SEK 150 million (120) on Group operating profit. Furthermore, a 10 percent change in the exchange rates of all foreign currencies relative to SEK would affect Group net sales by SEK 2,800 million (2,100) and Group net working capital by SEK 510 million (390).

Interest rate risk

AAK's policy on interest rate risk management is to minimize volatility in cash flow and net profit caused by fluctuations in interest rates. However, during abnormal market conditions – e.g. a financial crisis – short-term interest rates can rise to extreme levels. In order to protect the Group's interest costs against such abnormal scenarios, the interest rate on part of the Group's net interest-bearing debt can be fixed or capped. AAK applies as a general principle cash flow hedging on interest rate swaps.

At year-end 2019, the Group's interest-bearing net debt, including pensions, amounted to SEK 3,117 million (2,667).

Effective interest rate on debt to banks and credit institutions at balance sheet date

%	2019	2018
SEK	2.0	1.5
DKK	1.5	1.5
USD	2.5	3.3
CNY	4.5	5.0
TRY	13.5	27.0
INR	6.5	7.0

Sensitivity analysis – interest rates

At the closing date, the Group had a floating-rate-based net debt of SEK 2,950 million (2,274). A 1 percent change in interest rates would therefore have a full-year effect of SEK 30 million (23) on the Group's interest costs before tax.

Note Financial risk management and hedge accounting

3 Capital management

AAK defines its managed capital as the Group's consolidated equity and net debt. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and provide an adequate return for shareholders and benefits for other stakeholders together with maintaining an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may for instance raise new loans, amortize existing loans, adjust the dividends paid to shareholders, issue new shares or sell assets to reduce.

AAK's policy on capital structure is to optimize debt financing, though not to a level that would threaten the Company's position as an investment grade company. When managing the capital, the Group monitors different measures including the following target key ratio which is included as financial covenant under the terms of the major borrowing facilities. This target level is considered relatively conservative and contributes to ensuring that AAK will be able to retain its high credit rating.

	Target	2019	2018
Net debt/EBITDA	< 3.00	1.10	1.06

The Group's policy is to allocate total net borrowings per subsidiary relative to each subsidiary's share of the Group's cash flow. This minimizes the currency risk in relation to the Group's ability to pay interest on and amortize its borrowings, which in turn strengthens the Group's debt capacity.

Total borrowing reported in the balance sheet, per currency at balance sheet date

SEK million	2019	2018
SEK	2,795	1,182
DKK	535	780
USD	-	399
CNY	216	176
TRY	35	270
BRL	-	121
INR	274	241
Other	2	41
Total	3,857	3,212

Liquidity risk

Liquidity risk concerns the Group's ability to meet its financial commitments as they fall due.

The following table shows all of the Group's financial commitments, listed by the earliest contractual maturity date at the balance sheet date. All liabilities to banks and credit institutions are based on variable interest rates, which means the year-end carrying value reflects the present value of these liabilities. All liabilities in foreign currency are translated into SEK at year-end closing rates.

Note Financial risk management and hedge accounting

3 Disclosure of financial liabilities by maturity date, December 31, 2019

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-current liabilities					
<i>Financial liabilities</i>					
Liabilities to banks and credit institutions	2,987	353	1,100	1,113	421
Other non-current liabilities	423	-	-	-	423
Total non-current liabilities	3,410	353	1,100	1,113	844
Interest on liabilities to banks and credit institutions	284	83	65	110	26
Total non-current liabilities and interest	3,694	436	1,165	1,223	870
Current liabilities					
<i>Financial liabilities</i>					
Liabilities to banks and credit institutions	870	870	-	-	-
Accounts payables	3,354	3,354*	-	-	-
Derivative financial instruments	922	922	-	-	-
Accrued expenses	1,322	1,322	-	-	-
Other current liabilities	258	258	-	-	-
Total current liabilities	6,726	6,726	-	-	-
Interest on liabilities to banks and credit institutions	51	51	-	-	-
Total current liabilities and interest	6,777	6,777	-	-	-

* The majority are due within 3 months.

Unused committed credit facilities available to the Group at the 2019 year-end

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Unused committed credit facilities	5,728	-	3,951	1,777	-

Note Financial risk management and hedge accounting

3 Disclosure of financial liabilities by maturity date, December 31, 2018

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-current liabilities					
<i>Financial liabilities</i>					
Liabilities to banks and credit institutions	2,551	933	-	1,100	518
Other non-current liabilities	362	-	-	-	362
Total non-current liabilities	2,913	933	-	1,100	880
Interest on liabilities to banks and credit institutions	377	76	76	176	49
Total non-current liabilities and interest	3,290	1,009	76	1,276	929
Current liabilities					
<i>Financial liabilities</i>					
Liabilities to banks and credit institutions	661	661	-	-	-
Accounts payables	2,685	2,685*	-	-	-
Derivative financial instruments	258	258	-	-	-
Accrued expenses	1,044	1,044	-	-	-
Other current liabilities	193	193	-	-	-
Total current liabilities	4,841	4,841	-	-	-
Interest on liabilities to banks and credit institutions	33	33	-	-	-
Total current liabilities and interest	4,874	4,874	-	-	-

* The majority are due within 3 months.

Unused committed credit facilities available to the Group at the 2018 year-end

	Total amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Unused committed credit facilities	4,698	1,034	-	3,664	-

The Group's cash and cash equivalents of SEK 982 million, available credit facilities of SEK 6,684 million and future cash generated by the business are together deemed sufficient for the Group to meet its financial commitments.

Credit risk

The Company is exposed to credit risk primarily in relation to accounts receivables and customer contracts. Risk in the latter case is represented by customers' failure to meet their commitments due to changes in market prices.

Generally, AAK's credit risks are significantly limited due to the stable, long-term business relationships we have with our customers and suppliers.

The customer structure for the Group is such that its single-largest customer is responsible for less than 5 percent of its total sales, and the average customer corresponds to less than 1 percent.

Nearly a quarter of the Group's sales occur in countries where the political and commercial risks are deemed to be higher than in Western economies. However, we experience

only a limited need for impairments even in these countries. This is largely due to the fact that a significant portion of AAK's business in these countries is with large multinational companies that also do business worldwide. The partners with whom AAK do business are also primarily companies with which we have stable, long-term relationships.

Each business segment is responsible for managing its customer credit risks, while our large production facilities are responsible for managing their counterparty risk in relation to raw material procurement.

Note Financial risk management and hedge accounting

3 Provisions for doubtful accounts receivables

	2019	2018
Provisions at January 1	48	41
Provisions for potential losses	24	11
Reversed amount that is not recoverable	-2	-
Unused amount reversed	1	-5
Exchange differences	2	1
Provisions at December 31	73	48

Provisions for impairments are entirely related to accounts receivables. Total accounts receivables excluding provisions were SEK 3,456 million (3,393).

Past due assets not considered impaired

SEK million	2019	2018
1–30 days	383	423
31–120 days	43	53
121–360 days	26	59
Over 360 days	36	9
	488	544

Derivatives classified as financial instruments

The Group had two classes of financial instruments (hedging instruments): raw material hedge contracts and currency hedge contracts, all measured at fair value. The fair value of the derivative financial instruments is measured using valuation methods and observable market data (methodology: level 2). The valuation methods applied are described in the accounting policy.

The Group's financial assets and liabilities measured at fair value

As at December 31, 2019	Assets and liabilities measured at fair value through the income statement		Derivatives held for hedging purposes		Derivatives measured at fair value through equity		Total
	Carrying amount	Valuation level	Carrying amount	Valuation level	Carrying amount	Valuation level	
SEK million							
Sales and purchase contracts			813	2			813
Currency hedge contracts			152	2			152
Fair value of changes in inventories			426	2			426
Total assets	-		1,391		-		1,391
Sales and purchase contracts			801	2			801
Currency hedge contracts			122	2			122
Fair value of changes in inventories			175	2			175
Total liabilities	-		1,098		-		1,098

As at December 31, 2018	Assets and liabilities measured at fair value through the income statement		Derivatives held for hedging purposes		Derivatives measured at fair value through equity		Total
	Carrying amount	Valuation level	Carrying amount	Valuation level	Carrying amount	Valuation level	
SEK million							
Sales and purchase contracts			544	2			544
Currency hedge contracts			123	2			123
Fair value of changes in inventories			31	2			31
Total assets	-		698		-		698
Sales and purchase contracts			180	2			180
Currency hedge contracts			78	2			78
Fair value of changes in inventories			32	2			32
Total liabilities	-		290		-		290

Note Financial risk management and hedge accounting

3 Foreign currency contracts and the foreign currency components in sales and purchase contracts are valued at actual market foreign currency forward rates. The raw material price components in sales and purchase contracts are valued at actual market forward prices for identical or similar raw materials. Inventory is valued at actual market spot prices for identical or similar raw materials. Interest rate swap contracts are valued at actual market interest rates.

Hedge accounting

Inventory hedging at fair value

Future contracts, and purchase and sales contracts not deemed to be assets for own use are used for hedging,

which means that they cannot be exempted from derivative accounting. Since the quality of the underlying raw materials used for hedging differs from the quality of the hedged raw materials, some inefficiency is likely. AAK minimizes this inefficiency by reducing the basis risk between hedged raw material risks and the underlying raw materials used as hedging contracts. Due to the basis risk involved, AAK uses the “dollar offset” method for testing the hedge efficiency of the fair value of raw materials. Hedge efficiency testing in 2019 confirmed that the fair-value hedge of raw materials qualifies for hedge accounting.

Fair-value hedge of currency risk on sales contracts qualifying for exemption under assets for own use

The hedging instruments used are future contracts and purchase contracts. As the currency risk of the hedge instruments is identical to the currency risk of the hedged contracts, no material basis risk exists. AAK therefore only uses the “critical match” method to test the hedge efficiency of currency risk on sales contracts that qualify for own use exemption and that may consequently be exempted from derivative accounting. The hedge efficiency testing in 2019 confirmed a perfect critical match.

Note Critical accounting estimates and assumptions in applying accounting policies

4 In preparing these financial statements, the Group management and Board of Directors must make estimates and assumptions that affect the recognized amounts of assets and liabilities, revenues and expenses, and other information, especially regarding contingent liabilities. The estimates and assumptions for accounting purposes dealt with in this section are deemed the most critical for a proper understanding of the financial statements, in view of their degree of significance in judgments and uncertainty. Our estimates and assumptions in this regard change as the circumstances for AAK’s operations change.

Impairment testing of goodwill

The Group tests goodwill for any impairment on an annual basis or whenever events or objective circumstances indicate that the fair value of acquisition-related goodwill may have declined – for example, because of changes in the business climate or decisions to dispose of or discontinue certain operations. To determine whether the value of goodwill has decreased, the cash-generating unit to which the goodwill is attributable must be valued and this is done by discounting the cash flow of the unit. In applying this method, the Company relies on several factors, such as profit/loss,

business plans, financial forecasts and market data. See also note 14.

Impairment test of other non-current assets

AAK’s property, plant and equipment and intangible non-current assets, excluding goodwill, are recognized at cost less accumulated amortization/depreciation and any impairment. Besides goodwill, AAK recognizes no intangible assets with unlimited useful life. Depreciation/amortization is applied over the estimated useful life to an estimated residual value. Both the useful life and residual value are reviewed at least once at the end of each financial period.

The carrying amount of the Group’s non-current assets is tested whenever events or changes in circumstances indicate that the carrying amount cannot be recovered. The carrying amount of intangible assets not yet finished for use is tested each year. If such an analysis indicates that the carrying amount is too high, the recovery value of the asset is established, which is either the net sales value or the value in use, whichever is greatest. Value in use is measured as the expected future discounted cash flow from the assets or the cash-generating unit to which the asset belongs. See also note 14 and 15.

Income tax

The Group is liable to pay taxes in many countries. Extensive reviews and testing are necessary to establish worldwide provisions for income tax liabilities. There are many transactions and calculations for which the final tax is uncertain. The Group recognizes a liability for anticipated tax audit issues based on assessment of whether an additional tax liability will arise. In cases where the final tax for these matters differs from the amounts first recognized, these differences will impact current and deferred tax assets and tax liabilities in the period when these determinations are made. See also note 11.

Disputes

According to our best assessment, neither the Parent nor any subsidiary is currently involved in any legal proceedings or arbitration proceedings that are deemed to have any significant negative impact on the business, its financial position or its performance.

Pension obligations

The present value of pension obligations depends on multiple factors determined on an actuarial basis using a number of

Note Critical accounting estimates and assumptions in applying accounting policies

- 4 assumptions. The assumptions used to determine net cost (income) for pensions include the discount rate. Each change in these assumptions will affect the carrying amount of pension obligations.
- The Group determines a suitable discount rate at the end of each year. This is the rate used to determine the present value of assessed future payments that are expected to be demanded to settle the pension obligations. When determining a suitable discount rate, the Group considers the interest rates of high-quality mortgage bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity equivalent to the assessments for the pension obligation in question. See also note 9.

Note Auditors' remuneration (SEK thousand)

	Group		Parent	
	2019	2018	2019	2018
Audit				
PwC	7,053 ¹⁾	6,866	1,190 ³⁾	1,164
Other	1,275	568	-	-
Subtotal, audit	8,328	7,434	1,190	1,164
Other audit assignments				
PwC	1,171	154	-	-
Other	689	127	-	-
Subtotal, other audit assignments	1,860	281	-	-
Tax consulting				
PwC	48	178	-	-
Other	1,517	403	-	-
Subtotal, tax consulting	1,565	581	-	-
Other assignments				
PwC	2,093 ²⁾	6,891	2,022 ²⁾	6,761
Other	1,641	688	-	-
Subtotal, other assignments	3,734	7,579	2,022	6,761
Total	15,487	15,875	3,212	7,925

¹⁾ Of which SEK 1,935,000 concerns PricewaterhouseCoopers AB.

²⁾ Of which SEK 2,022,000 concerns PricewaterhouseCoopers AB.

³⁾ Of which SEK 1,190,000 concerns PricewaterhouseCoopers AB.

The audit assignment refers to fees for the statutory audit, i.e. work that has been necessary in order to issue the Auditors' Report, and what is referred to as audit consulting, which is submitted in conjunction with the audit assignment.

Note Employee benefits (SEK thousand)

6

	Group		Parent	
	2019	2018	2019	2018
Wages and salaries	1,838,517	1,573,568	57,858	63,855
Social security contributions (of which pension costs)	468,143 (144,725)	390,872 (113,295)	32,184 (10,030)	32,786 (9,810)

SEK 6 million (6) of the Group pension costs relates to the Board of Directors, the CEO and other senior managers.

Salaries and other remuneration for members of the Board of Directors and others:

	2019		2019		2018		2018	
	Board of Directors, CEO and other senior managers		Other employees		Board of Directors, CEO and other senior managers		Other employees	
	Wages and salaries	Of which variable remuneration	Wages and salaries		Wages and salaries	Of which variable remuneration	Wages and salaries	
Parent, Sweden	26,587	12,313	31,271		32,222	8,755	31,633	
Subsidiaries, Sweden	4,542	969	291,883		3,482	726	281,163	
	31,129	13,282	323,154		35,704	9,481	312,796	
Foreign subsidiaries	66,201	18,970	1,418,033		56,673	12,951	1,168,395	
Group total	97,330	32,252	1,741,187		92,377	22,432	1,481,191	

Note Average number of employees, etc.

7

Average number of employees	2019			2018		
	Number of employees	Of which men	Of which women	Number of employees	Of which men	Of which women
Parent, Sweden	37	22	15	37	22	15
Subsidiaries in Sweden	513	374	139	505	378	127
	550	396	154	542	400	142
Foreign subsidiaries:						
United Kingdom	552	416	136	430	329	101
India	525	493	32	535	502	33
USA	515	385	130	496	377	119
Mexico	388	319	69	384	315	69
Denmark	223	163	60	214	152	62
Colombia	153	106	47	155	103	52
China	146	107	39	125	90	35
Ghana	144	129	15	112	103	9
Netherlands	136	101	35	102	76	26
Brazil	112	79	33	111	80	31
Burkina Faso	111	93	18	113	97	16
Belgium	98	76	22	90	70	20
Benin	57	56	1	51	51	-
Turkey	43	29	14	42	29	13
Singapore	23	12	11	19	10	9
Malaysia	22	4	18	22	4	18
Uruguay	16	7	9	16	8	8
Russia	16	3	13	16	3	13
Ivory Coast	16	14	2	5	5	-
Ukraine	9	4	5	7	3	4
Mali	7	7	-	4	4	-
Japan	4	3	1	4	3	1
Poland	4	2	2	4	2	2
Philippines	4	1	3	3	2	1
Australia	2	1	1	2	1	1
Czech Republic	2	1	1	2	1	1
Germany	2	1	1	2	1	1
Nigeria	2	1	1	-	-	-
Norway	1	1	-	1	1	-
Malta	1	1	-	-	-	-
	3,334	2,615	719	3,067	2,422	645
Group total	3,884	3,011	873	3,609	2,822	787

Note Average number of employees, etc.

7

	2019		2018	
	Total on reporting date	Of which men (%)	Total on reporting date	Of which men (%)
Board members and senior managers				
Group (incl. subsidiaries)				
Board members	188	81	165	79
Chief Executive Officer and other senior managers	48	90	43	86
Parent company				
Board members ¹⁾	6	50	6	33
Chief Executive Officer and other senior managers	3	66	4	75

¹⁾ And two employee representatives, one of which is male.

Note Remuneration of the Board of Directors and senior executives

8 Principles

The principles for the remuneration of senior managers (Group management) at AAK, in both the Parent company and the Group, are designed to ensure that AAK can offer internationally competitive remuneration that can attract and retain qualified managers.

Consideration and determination

Compensation of the Chief Executive Officer and other senior managers is considered by the Remuneration Committee of the Board of Directors and all decisions are made by the Board as a whole.

Components of remuneration

Total remuneration includes salary, annual variable remuneration, pension, car allowance, and termination benefit.

Salary

Fixed salary, individually determined and differentiated according to responsibility and performance, is determined on competitive principles and reviewed annually. The applicable date for the annual performance review is January 1.

Variable remuneration

Annual variable remuneration is based on meeting set targets determined on an annual basis. These targets are related to the performance of the Company. Senior management are entitled to up to 110 percent of their annual fixed salary in variable remuneration.

Incentive program

At the Annual General Meeting in AAK AB on May 17, 2017 it was resolved to implement a long-term incentive program for senior executives and key employees in AAK and issue of subscription warrants for implementation of a subscription warrants program. The total number of subscription warrants in the program amounted to 1,220,000 with an initial value of SEK 42.40 per subscription warrant, in total SEK 51,728,000. In 2017, employees in AAK subscribed for 880,320 subscription warrants at an average price per subscription warrant of SEK 42.54 for a value of SEK 37,444,825. After the share split in 2018 the number of shares each subscription warrant entitles to is six. In 2019, employees in AAK subscribed for 20,480 subscription warrants at an average price per subscription warrant of SEK 244,14 for a value of SEK 4,999,987. The number of outstanding subscription warrants on December 31, 2019 amounts to 319,200 (339,680) at a book value of SEK 9,283,187 (14,283,175).

Pension

Pensions for senior management are in line with the Swedish KTP plan (corresponding to ITP) and retirement age for senior managers is 65 years.

Termination benefits

The Company has separate agreements with the Chief Executive Officer and senior managers for termination compensation of one year's salary (fixed cash amount per

month x 12 months) on termination by the Company. Neither the Chief Executive Officer nor any senior manager can independently assert the right to termination compensation.

The period of notice of termination by the Chief Executive Officer and senior managers is agreed as 6 months. Termination notice by the Company is agreed as 12 months.

Compensation of Board Members

Fees are paid to the elected members of the Board in accordance with a resolution of the Shareholders' Annual General Meeting. This is distributed between the members as decided by the Board of Directors.

No other compensation or benefits have been paid to members of the Board, except travel expenses. The CEO, the secretary to the Board and employee representatives to the Board do not receive any compensation other than for costs in connection with their participation in Board activities.

Under a resolution of the Annual General Meeting, total compensation of elected external members of the Board is set at SEK 3,870,000, for the period up to the next annual general meeting, including compensation for committee work. Of this amount, the Chairman receives SEK 880,000 and each other external member receives SEK 390,000. Compensation for committee work is distributed, in accordance with a decision of the Annual General Meeting, as SEK 250,000 to the Chairman of the Audit Committee, SEK 125,000 to other members of the Audit Committee, SEK 100,000 to the Chairman of the Remuneration Committee, and SEK 50,000 to other members of the Remuneration Committee.

Note Remuneration of the Board of Directors and senior executives

8 Remuneration and other benefits for the year¹⁾

SEK	Salary/Board of Directors' fees	Annual variable salary	Other benefits ²⁾	Pension cost	Total
<i>Board of Directors</i>					
Georg Brunstam, Chairman	980,000	-	-	-	980,000
Bengt Baron	452,500	-	-	-	452,500
Marianne Kirkegaard	390,000	-	-	-	390,000
Gun Nilsson	640,000	-	-	-	640,000
Märta Schörling Andreen	565,000	-	-	-	565,000
Lillie Li Valeur ³⁾	257,500	-	-	-	257,500
Patrik Andersson	390,000	-	-	-	390,000
Subtotal for Board	3,675,000	-	-	-	3,675,000
<i>Senior managers</i>					
Johan Westman, Chief Executive Officer	8,446,187	7,522,680 ⁴⁾	127,620	2,561,912	18,658,399
Other senior managers	43,841,461	31,127,883 ⁴⁾	2,555,765	4,022,736	81,547,845
Subtotal, senior managers	52,287,648	38,650,563	2,683,385	6,584,648	100,206,244 ⁵⁾
Total	55,962,648	38,650,563	2,683,385	6,584,648	103,881,244 ⁶⁾

1) Refers to items recorded as an expense in 2019.

2) Other benefits refer primarily to company cars.

3) Lillie Li Valeur decided to leave the Board of Directors in December 2019.

4) Final amounts approved by the Remuneration Committee to be paid in 2020. During the year, variable remuneration expensed in 2018 of SEK 25,226,914 was paid.

5) Refers to the following for 2019: Anne Mette Olesen, David Smith, Fredrik Nilsson, Gerardo Garza López de Hereida, Jan Lenferink, Karsten Nielsen, Octavio Díaz de León, Renald Mackintosh, René Schou, and Torben Friis Lange.

6) Of the amount of SEK 100,206,244, SEK 36,310,875 relates to the Parent company, AAK AB.

Note Provisions for pensions and similar obligations

9 Defined benefit plans

The Group maintains defined benefit retirement plans in which employees earn the right to payment of benefits after completing their employment, based on their final salary and period of service. These defined benefit retirement plans exist in Sweden, the Netherlands, Belgium, and India. There are further commitments for retirement and survivors' pensions for salaried employees in Sweden that are insured through Folksam (Folksam cooperative occupational pensions).

The obligations for retirement and survivors' pension for salaried employees in Sweden are insured through policies with Alecta or correspondingly in Folksam. According to a statement by the Swedish Financial Reporting Board, UFR 3, classification of ITP plans financed via insurance with Alecta, this is a defined benefit plan that involves several different employers. For the period from January 1 to December 31, 2019, AAK AB and AAK Sweden AB have not had access to sufficient information to recognize their proportional shares of the plan's obligations, plan assets and costs, which has meant that it has not been possible to recognize the plan as

a defined benefit plan. The ITP 2 pension plan that is insured through Folksam is therefore recognized as a defined contribution plan. The premium for the defined benefit retirement and survivors' pension is calculated individually and depends on factors including salary, pension earned previously and expected remaining period of service. Charges for ITP 2 pensions insured through Folksam are SEK 17 million (14).

The collective consolidation level consists of the market value of Alecta's assets as a percentage of the estimated insurance commitments, computed using Alecta's actuarial methods and assumptions, which are not in accordance with IAS 19. The collective consolidation level should normally be permitted to vary between 125 and 155 percent. If Alecta's collective consolidation level is below 125 percent or above 155 percent, measures must be taken to create the conditions for the consolidation level to return to the normal range. If the consolidation is low, one measure may be to increase the agreed price for new policies and increasing existing benefits. If the consolidation is high, one measure may be to introduce premium reductions. At year-end 2019, Alecta's and

Folksam's surplus in the form of their collective consolidation levels was 148 percent and 187 percent, respectively (142 percent and 174 percent, respectively).

The Group has defined benefit pension plans in Sweden and the Netherlands which come under largely similar regulations. All plans are pension plans based on final salary and give employees covered by the plans benefits in the form of a guaranteed level of pension payments during their lives. The level of the benefits depends on the employees' period of service and salary on retirement. The pension payments in the Swedish and Dutch plans are normally indexed according to the consumer price index. The plans are subject to largely similar risks. Benefits are paid from plans that are secured with foundations. The activities of the foundations are regulated by national regulations and practice which also apply to the relationship between the Group and the administrator (or equivalent) of the foundation's plan assets. Responsibility for monitoring the plans, including investment decisions and contributions, is held jointly by the company and the foundation's board.

	2019	2018
Specification of costs		
Costs for services during current year	36	29
Interest expenses	18	18
Anticipated return on plan assets	-13	-12
Employee contributions	-6	-5
Total cost of defined benefit plans, included in employee costs (Note 6)	35	30
Cost of defined contribution plans	110	83
Total pension costs	145	113
Net defined benefit liability in the Balance Sheet		
Present value of funded obligations	1,054	899
Fair value of plan assets	-813	-693
Net defined benefit liability	241	206

Note Provisions for pensions and similar obligations

9

	2019	2018
Change in defined benefit liability		
Net liability at January 1	206	164
Net cost recognized in the income statement	35	30
Benefits paid	-11	-10
Disbursement of funds from the foundation	11	10
Contributions by employer to funded obligations	-28	-25
Actuarial losses/gains arising from changes in demographic assumptions	21	28
Actuarial losses/gains arising from changes in financial assumptions	-	-
Actuarial losses/gains arising from changes in experience	-	-
Exchange rate differences on foreign plans	3	2
Reclassifications	4	7
Net liability at December 31	241	206
Composition of plan assets (%)		
Fixed income	40	42
Shares	22	22
Properties	5	6
Alternative investments	33	30
<i>The entire pension obligation in the Netherlands concerns alternative investments.</i>		
Contributions to plans for post-employment benefits for the 2020 fiscal year are expected to amount to SEK 30 million. The weighted average term of the pension obligation is 17–19 years.		
Key actuarial assumptions (%)		
The Netherlands		
Discount rate	1.05	1.85
Inflation	1.05	1.85
Future annual salary increases	2.35	2.35
Sweden		
Discount rate	1.70	2.60
Inflation	1.80	2.00
Future annual salary increases	2.80	3.00

Note Provisions for pensions and similar obligations

9

Sensitivity in the defined benefit liability to changes in key weighted assumptions

The Netherlands

Discount rate

Inflation

Future annual salary increases

Sweden

Discount rate

Inflation

Future annual salary increases

Impact on the defined benefit liability

+1% -1%

-99 134

13 -12

13 -12

+1% -1%

-60 78

72 -58

43 -28

Note Financial items

10

	Group		Parent	
	2019	2018	2019	2018
Dividend from Group companies	-	-	1,497	2,360
Interest income	10	6	1	4
Share of profit in associated companies	16	17	-	-
Changes in exchange rates	0	2	-	-
Other financial income	0	3	-	-
Group contributions	-	-	87	119
Financial income	26	28	1,585	2,483
Interest expenses	-98	-124	-20	-17
Interest expenses leases	-35	-	-0	-
Changes in exchange rates	-1	-2	-2	-1
Other financial expenses	-23	-29	-4	-4
Financial expenses	-157	-155	-26	-22
Net financial items	-131	-127	1,559	2,461

Note Tax expenses

11 Tax expenses for the year

	Group		Parent	
	2019	2018	2019	2018
Current tax	-587	-431	-3	-11
Deferred tax	89	-58	2	-
Total	-498	-489	-1	-11

Determination of the current tax expense

The Group's weighted average underlying tax rate is approximately 24–25 percent. The Group's weighted average tax rate for 2019, based on the tax rates in each of the various countries involved, was 25 percent. The tax rate in Sweden is 21.4 percent (22).

	Group		Parent	
	2019	2018	2019	2018
Profit before taxes	2,011	1,829	1,474	2,372
Weighted average tax rate based on the tax rates in each country	-442	-415	-315	-522
Tax effect of non-deductible expenses	-19	-20	-3	-3
Tax effect of tax-exempt income	7	6	317	514
Effect of deficit deductions not carried forward	-45	-57	-	-
Effect of tax rate changes	5	14	-	-
Adjustment for current tax for previous years	-4	-17	-	-
Tax expense	-498	-489	-1	-11

Deferred tax asset/provisions for deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized tax assets and liabilities and when the deferred taxes refer to the same tax authority. The offset amounts are as follows:

	Group		Parent	
	2019	2018	2019	2018
Deferred tax assets				
Tax loss carry-forwards	21	21	-	-
Non-current assets	24	1	-	-
Right-of-use assets	4	-	0	-
Inventory	-3	-5	-	-
Current assets	1	-15	5	3
Provisions	63	36	-	-
Current liabilities	34	23	-	-
At year-end	144	61	5	3

Note Tax expenses

11

	Group		Parent	
	2019	2018	2019	2018
Deferred tax liabilities				
Non-current assets	489	477	-	-
Inventory	-4	5	-	-
Current assets	19	16	-	-
Provisions	6	-30	-	-
Current liabilities	1	22	-	-
At year-end	511	490	-	-

Income tax liabilities and tax assets

In addition to deferred tax assets and liabilities, AAK has the following current tax liabilities and tax receivables:

	Group		Parent	
	2019	2018	2019	2018
Current tax liabilities	-474	-393	-1	0
Current tax receivables	295	305	8	7
Income tax liabilities/tax assets	-179	-88	7	7

Note Earnings per share

12

	Group	
	2019	2018
Earnings attributable to shareholders of the Parent (SEK million)	1,487	1,322
Weighted average number of ordinary shares in issue	253,730,934	253,730,934
Earnings per share before and after dilution, SEK	5.86	5.21

Earnings per share are calculated for 2019 based on net profit for the year attributable to shareholders in the Parent – SEK 1,487 million (1,322) – and on a weighted average number of ordinary shares in issue of 253,730,934 (253,730,934). The weighted average number of ordinary shares and earnings per share are recalculated in accordance with the decided share split (6:1) by the Annual General Meeting on May 30, 2018.

Note Events after the balance sheet date

13 The ongoing corona pandemic is profoundly impacting people's health, societies, and business operations across the world. As a supplier of ingredients to the crucial food supply chain, AAK has a very important role to play right now. All of the company's production plants around the world have strong contingency plans in place to secure operations and inbound/outbound logistics so that food manufacturers can maintain their production of food products.

As of March 30, 2020, AAK had not experienced any material business disruptions. Food supply will remain essential and a top priority going forward. However, the volatility and uncertainty in every step of the supply chain have increased within all industries that AAK serves.

AAK has a robust foundation with a strong financial track record and a solid balance sheet. However, as an additional precaution due to the current situation, the Board of Directors of AAK has proposed to postpone the decision on the dividend for 2019. The original dividend proposal for the year was SEK 2.10 per share.

Note Intangible assets

14

Group	Goodwill	Patents and other intangible assets	Total
Cost at January 1, 2018	1,601	623	2,224
Investments	-	20	20
Acquired through business combinations	4	-	4
Reclassifications	-	3	3
Exchange differences	61	-6	55
Accumulated cost at December 31, 2018	1,666	640	2,306
Cost at January 1, 2019	1,666	640	2,306
Investments	-	7	7
Acquired through business combinations	366	44	410
Exchange differences	82	13	95
Accumulated cost at December 31, 2019	2,114	704	2,818
Amortization and impairment loss at January 1, 2018	-	274	274
Amortization for the year	-	30	30
Reclassifications	-	1	1
Exchange differences	-	2	2
Accumulated amortization and impairment loss at December 31, 2018	-	307	307
Amortization and impairment loss at January 1, 2019	-	307	307
Amortization for the year	-	29	29
Exchange differences	-	5	5
Accumulated amortization and impairment loss at December 31, 2019	-	341	341
Residual value at December 31, 2018	1,666	333	1,999
Residual value at December 31, 2019	2,114	363	2,477

Note Intangible assets

14 Reviewing impairment of goodwill

In preparing the financial statements for 2019, the Group has reviewed impairment of goodwill.

Goodwill is allocated to the following cash-generating units; Business areas Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. These cash-generating units correspond to the operating segments of AAK. The recoverable amount for a cash-generating unit is determined

by calculating its value in use. These calculations are based on estimated future cash flow as stated in budgets and forecasts covering a five-year period. Cash flow beyond this period has been extrapolated by no more than 3 percent (3) in any case. Working capital beyond the five-year period is estimated at the same level as year five. Discount rates are assumed to be 8 percent (8) after tax and 11.4 percent (11.4) before tax.

Testing has not demonstrated any need for impairment. The sensitivity in these calculations indicates that recognized goodwill is still intact even if the discount rate increases by 1 percent or if long-term growth is 1 percent less.

Goodwill by cash-generating unit

	2019	2018
Food Ingredients	1,213	1,080
Chocolate & Confectionery Fats	901	586
Technical Products & Feed	-	-
Total	2,114	1,666

Note Property, plant and equipment

15

Group	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Non-current assets under construction	Total
Cost at January 1, 2018	2,187	8,733	565	767	12,252
Investments	50	306	56	290	702
Disposals	-	-33	-6	-	-39
Reclassification to tax assets	-	-	-	-8	-8
Reclassifications	116	174	38	-329	-1
Exchange differences	41	252	19	19	331
Accumulated cost at December 31, 2018	2,394	9,432	672	739	13,237
Cost at January 1, 2019	2,394	9,432	672	739	13,237
Investments	4	277	35	469	785
Acquired through business combinations	10	191	1	-	202
Disposals	-1	-18	-2	-	-21
Reclassifications	46	385	20	-451	0
Exchange differences	89	364	38	25	516
Accumulated cost at December 31, 2019	2,542	10,631	764	782	14,719

Note Property, plant and equipment

15

	Land and buildings	Plant and machinery	Equipment, tools and fixtures and fittings	Non-current assets under construction	Total
Depreciation at January 1, 2018	1,037	5,619	384	-	7,040
Disposals	-	-30	-4	-	-34
Reclassifications	-	2	-2	-	-
Depreciations for the year	69	401	52	-	522
Exchange differences	31	162	13	-	206
Accumulated depreciation at December 31, 2018	1,137	6,154	443	-	7,734
Depreciation at January 1, 2019	1,137	6,154	443	-	7,734
Acquired through business combinations	3	72	1	-	76
Disposals	-1	-12	-1	-	-14
Depreciations for the year	76	419	58	-	553
Exchange differences	41	235	24	-	300
Accumulated depreciation at December 31, 2019	1,256	6,868	525	-	8,649
Impairment loss at January 1, 2018	12	22	-	-	34
Exchange differences	-	1	-	-	1
Accumulated impairment loss at December 31, 2018	12	23	-	-	35
Impairment loss at January 1, 2019	12	23	-	-	35
Exchange differences	-	1	-	-	1
Accumulated impairment loss at December 31, 2019	12	24	-	-	36
Residual value according to plan at December 31, 2018	1,245	3,255	229	739	5,468
of which land	143				
Residual value according to plan at December 31, 2019	1,274	3,739	239	782	6,034
of which land	148				

Note Leases

16 The consolidated balance sheet shows the following amounts related to leases:

Right-of-use assets	2019
Land and buildings	592
Plant and machinery	78
Equipment	5
Vehicles	95
Residual value at December 31, 2019	770

Additions to the right-of-use assets during the year were SEK 101 million.

Lease liabilities	2019
Non-current	675
Current	110
Total lease liabilities	785

The consolidated income statement shows the following amounts related to leases:

Depreciations of right-of-use assets	2019
Land and buildings	64
Plant and machinery	12
Equipment	1
Vehicles	28
Total depreciation	105

Expense related to short-term leases (included in Other external expenses)	16
Expense related to leases of low-value assets (included in Other external expenses)	5
Interest expense (included in Result from financial items)	35
Tax income (included in Income tax)	4

The total cash lease payments for the year amounted to SEK 143 million.

The table below describes the differences between the Group's operating lease agreements recognized according to IAS17 and recognition under IFRS16:

Operating lease commitments at December 31, 2018	652
Less: Effect of discounted commitment (with the incremental borrowing rate at the date of initial application)	-150
Less: Short-term leases not recognized as a liability	-16
Less: Low-value leases not recognized as a liability	-5
Add: Adjustments for extension and termination options	260
Lease liability recognized at January 1, 2019	741

Operating leases for 2018 according to IAS17

Future minimum leasing fees under non-cancellable operating lease agreements are distributed as follows:

Within 1 year	110
Between 1 and 5 years	238
More than 5 years	304
Total	652

Operating lease expenses of SEK 102 million are recognized in the consolidated income statement for 2018.

Note Shares in Group companies

17 Parent company's direct holdings of shares in Group companies

Company name	Registration number	Domicile	Number of shares	Share of capital, %	2019 Book value	2018 Book value
AAK Denmark Holding A/S	45954919	Aarhus, Denmark	400,000,000	100	1,468	1,468
AAK Miyoshi Japan Co.Ltd	0118-01-031265	Tokyo, Japan	70,000,000	70	5	5
AarhusKarlshamn Finance AB	556880-4339	Malmö, Sweden	100,000	100	472	472
AarhusKarlshamn Holding AB	556759-7918	Malmö, Sweden	100	100	481	481
AarhusKarlshamn Invest AB	556747-6931	Malmö, Sweden	1,000	100	3,362	0
Advanced Lipids AB	556728-5837	Karlshamn, Sweden	100	50	0	0
Total					5,788	2,426

Note Shares in Group companies

17 Group holding of shares in Group companies

Company name	Registration number	Domicile	Share of capital, %
AAK (UK) Ltd	1585686	Hull, United Kingdom	100
AAK Australia Pty Ltd	094486361	New South Wales, Australia	100
AAK Baltic Holding AB	556381-8664	Karlshamn, Sweden	100
AAK Bastogne SA	0673.737.551	Bastogne, Belgium	100
AAK Belgium NV	0547.965.074	Antwerpen, Belgium	100
AAK Burkina Faso Sarl	BF BBD2007 B465	Bobo-Dioulasso, Burkina Faso	100
AAK Canada Ltd	2040468	Toronto, Canada	100
AAK China Ltd	913 101 155 791 320 606	Shanghai, China	100
AAK Colombia S.A.S.	860090365-8	Bogotá, Colombia	100
AAK Côte d'Ivoire SASU	CI ABJ2018 B20038	Abidjan, Côte d'Ivoire	100
AAK Czech Republic s.r.o.,	15268853	Prague, Czech Republic	100
AAK Dalby AB	556236-0478	Lund, Sweden	100
AAK Denmark A/S	15672099	Aarhus, Denmark	100
AAK do Brasil Indústria e Comércio de Óleos Vegetais Ltda	07.830.192/0001-02	São Paulo, Brazil	100
AAK Germany GmbH	HRB89102	Darmstadt, Germany	100
AAK Havnen A/S	13919232	Aarhus, Denmark	100
AAK Insurance Malta Ltd	C51071	St Julians, Malta	100
AAK International AB	559155-5411	Malmö, Sweden	100
AAK Invest Ltd	C59066	St Julians, Malta	100
AAK Kamani Pvt Ltd	U15140MH2002PTC137681	Maharashtra, India	69
AAK Malaysia Sdn. Bhd.	516423-P	Kuala Lumpur, Malaysia	100
AAK Mali SARL	MA BKO2018 H5859	Bamako, Mali	100
AAK Malta EUR Ltd	C78539	St Julians, Malta	100
AAK Malta MXN Ltd	C83359	St Julians, Malta	100
AAK Malta RUB Ltd	C92442	St Julians, Malta	100
AAK Malta TRY Ltd	C88855	St Julians, Malta	100
AAK Malta USD Ltd	C59069	St Julians, Malta	100
AAK Mexico, S.A. de C.V.	AUM8302244G2	Morelia, Mexico	99.9976
AAK Netherlands BV	35012547	Zaandijk, The Netherlands	100
AAK Nigeria Oils and Fats Ltd	1539623	Lagos, Nigeria	100
AAK Norway AS	988 369 403	Oslo, Norway	100
AAK OOO	7709851438	Moscow, Russia	100
AAK Philippines Inc	CS201816294	Batangas, Philippines	100
AAK Poland Sp.z o.o.,	0000124135	Warsaw, Poland	100
AAK Rotterdam BV	24419984	Rotterdam, The Netherlands	100
AAK SG Pte. Ltd.	201421305H	Singapore, Singapore	100

Note Shares in Group companies

17	Company name	Registration number	Domicile	Share of capital, %
	AAK Soya International Ltd	07734226	Cheshire, United Kingdom	80
	AAK Sweden AB	556478-1796	Karlshamn, Sweden	100
	AAK Turkey Gida Sanayi ve Ticaret Limited Sirketi	877226	Istanbul, Turkey	100
	AAK USA Inc.	13-3445572	New Jersey, USA	100
	AAK USA K1, LLC	45-2596488	Kentucky, USA	100
	AAK USA K2, LLC	45-2700873	Kentucky, USA	100
	AAK USA Realco, LLC	45-2596451	Kentucky, USA	100
	AAK USA Richmond Corp.	94-28476111	Richmond, USA	100
	AAK Zhangjiagang Ltd	913 205 920 885 469 71Q	Zhangjiagang, China	100
	Aarhus (Malaysia) Sdn Bhd	203033-P	Teluk Intan, Malaysia	100
	Aarhus 1 A/S	10112265	Aarhus, Denmark	100
	Aarhus 3 A/S	16335770	Aarhus, Denmark	100
	AarhusKarlshamn Hull Ltd	2193829	Hull, United Kingdom	100
	AarhusKarlshamn Latin America S.A.	214947990014	Cousa, Uruguay	100
	AarhusKarlshamn Ltd	2747344	Hull, United Kingdom	100
	AarhusKarlshamn Spain S.L	11174823	Madrid, Spain	100
	Alba Fabrikers AB	556030-2183	Lund, Sweden	100
	Allied Foods Ltd	500613	Hull, United Kingdom	100
	Anglia Oils Ltd	1492748	Hull, United Kingdom	100
	BD Foods Ltd	04170983	Hull, United Kingdom	100
	Belico Holding AB	556537-0904	Karlshamn, Sweden	100
	Book & Claim Ltd	5997462	Hull, United Kingdom	100
	Ceylon Trading Co. Ltd.	J 333	Colombo, Sri Lanka	100
	Chamber & Fargus Ltd	2352279	Hull, United Kingdom	100
	Crown Foods A/S, Danmark	76952019	Holbæk, Denmark	100
	Fondation (Centre de recherche sur l'arbre a karite)	00085852R	Satiri, Burkina Faso	100
	Hydrogen I/S	21839639	Aarhus, Denmark	68.9
	Karlshamns International Plc	2366565	Hull, United Kingdom	100
	Karlshamns UK Holdings Plc	83553	Hull, United Kingdom	100
	KI Ghana Ltd	C-933	Tamale, Ghana	100
	KNAR Benin Sarl	19 269B	Cotonou, Benin	100
	Knar Togo Sarl-U	B.P.508	Kara, Togo	100
	Nutritionelle Ltd	1726044	Hull, United Kingdom	100
	Oasis Foods Company	22-2107122	New Jersey, USA	100
	Rapsona	556759-4600	Malmö, Sweden	100
	Rowallan Creamery Ltd	529393	Hull, United Kingdom	100
	Tefac AB	556283-5214	Karlshamn, Sweden	100
	Unicao Ltd	1492799	Hull, United Kingdom	100

Note Inventories

18

	Group	
	2019	2018
Raw materials and consumables	4,071	2,905
Goods in transit	576	289
Work in progress	1,199	832
Finished products and goods for resale	835	679
Total according to balance sheet	6,681	4,705
Change in fair value	251	-1
Inventory at fair value	6,932	4,704

"Raw materials and consumables and changes in inventories of finished products and work in progress" for the Group includes impairment loss on inventories of SEK 25 million (28).

Note Cash and cash equivalents

19

	Group	
	2019	2018
Cash equivalents	874	712
Current investments	108	25
Total	982	737

Note Shareholders' equity

20 Group

Share capital

As of December 31, 2019, the Group's registered share capital was 253,730,934 shares (SEK 422,884,890).

Reserves

Translation reserve

Translation reserves include all exchange differences that arise when translating financial statements from foreign operations whose financial statements are stated in currencies other than the Group's presentation currency. The Parent company and the Group present their financial statements in SEK.

Hedging reserve

The hedging reserve encompasses the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to hedging transactions yet to take place.

Statutory reserve

The statutory reserve refers to a reduction of the share capital carried out previously.

Retained profits and profit for the year

Retained profits and profit for the year include profits earned and retained by the Parent and subsidiaries, investments in associates, revaluation of the net pension commitment, net effect of acquisition of minority share and profit for the year.

Treasury shares

The Group owned a total of 0 (0) treasury shares as of December 31, 2019.

Specification of equity item "Reserves"

	Statutory reserve	Hedging reserve	Translation reserve	Total
2018 opening balance	5	25	-273	-243
Exchange differences	-	-	362	362
Reclassification	-	-25	-	-25
2018 closing balance	5	-	89	94
2019 opening balance	5	-	89	94
Exchange differences	-	-	402	402
2019 closing balance	5	-	491	496

Note Shareholders' equity

20 Parent company

Share capital

In accordance with the articles of association for AAK AB, share capital shall be a minimum of SEK 300 million and a maximum of SEK 1,200 million. All shares are fully paid and entitle the holder to equal voting rights and shares in Company assets. Share capital consists of 253,730,934 shares (253,730,934) at a quota value of SEK 1.67 per share, and shareholder equity of SEK 422,884,890 (422,884,890).

Statutory reserve

The statutory reserve refers to a reduction of the share capital carried out previously.

Retained profit

Retained profit includes non-restricted equity from the previous year after any dividend distribution together with the profit for the year. The total non-restricted equity is the amount available for dividends to shareholders.

Proposed appropriation of profits

In accordance with the Swedish Companies Act, the Board of Directors proposes appropriation of profits for the consideration and approval of the Annual General Meeting of the Shareholders.

The Board of Directors proposes that

the disposable profit brought forward	SEK	4,966,288,349
and profit/loss for the year	SEK	1,472,909,933
Total	SEK	6,439,198,282

be appropriated as follows:

To be carried forward	SEK	6,439,198,282
Total	SEK	6,439,198,282

Note Borrowings

21

Non-current	Group		Parent	
	2019	2018	2019	2018
Liabilities to banks and credit institutions	2,987	2,551	2,250	1,499
Total	2,987	2,551	2,250	1,499

Current	Group		Parent	
	2019	2018	2019	2018
Liabilities to banks and credit institutions	870	661	-	-
Total	870	661	-	-

Maturity for non-current borrowing is as follows:

	Group		Parent	
	2019	2018	2019	2018
Between 1 and 5 years	2,566	2,033	2,250	399
More than 5 years	421	518	-	1,100
Total	2,987	2,551	2,250	1,499

Note Other provisions

22 Group	Restructuring	Environmental restoration	Other	Total
Opening balance at January 1, 2018	1	27	88	116
Provisions for the year	-	-	21	21
Provisions claimed for the year	-2	-	-37	-39
Reclassification	7	-	-7	-
Exchange differences	-1	1	4	4
Closing balance as at December 31, 2018	5	28	69	102
Opening balance at January 1, 2019	5	28	69	102
Provisions for the year	-	-	70	70
Provisions claimed for the year	-4	-	-30	-34
Reversal of unused amounts	-	-	-5	-5
Exchange differences	-	0	5	5
Closing balance as at December 31, 2019	1	28	109	138
Provisions include			2019	2018
Non-current			102	72
Current			36	30
Total			138	102

Restructuring

A provision for restructuring is reported when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or published. No provisions are made for future operating expenses.

Environmental restoration

These provisions are primarily related to restoring contaminated land.

Note Accrued expenses and deferred income

23	Group		Parent	
	2019	2018	2019	2018
Employee-related expenses	399	322	35	33
Other	923	721	6	7
Total	1,322	1,043	41	40

Note Assets pledged

24	Group		Parent	
	2019	2018	2019	2018
Collateral for provisions and liabilities				
Property mortgages	598	663	-	-
Other assets	1	498	-	-
Total	599	1,161	-	-

Note Contingent liabilities

25	Group		Parent	
	2019	2018	2019	2018
Other contingent liabilities	2,127	1,781	2,127	1,781
Total	2,127	1,781	2,127	1,781

Contingent liabilities refer primarily to counter-guarantees issued for Group companies' commitments to financial institutions to cover local borrowings.

Over and above the contingent liabilities stated above, guarantees for the completion of various contractual undertakings are sometimes involved as part of the Group's normal

business activities. There was no indication at year-end that any contractual guarantees provided will require any payment to be made.

Note Related-party transactions

26 For the Parent, SEK 159 million (119), i.e. 100 percent (100) of sales were to Group companies. The Parent's purchasing from Group companies is related to administrative services of limited scope. All transactions were carried out on commercial

terms. As at December 31, 2019, the Parent had intragroup receivables of SEK 409 million (156) and intragroup liabilities of SEK 12 million (27).

Transactions with key management personnel
Besides those transactions stated in Note 8 Remuneration of the Board of Directors and senior executives, and in the description of the Board of Directors on pages 48–49, no transactions with related physical persons have taken place.

Note Acquisitions

27 MaasRefinery B.V.

During the first quarter, AAK acquired the Dutch company MaasRefinery B.V. with a production capacity of approximately 40,000 MT and room for expansion. The plant had revenues of SEK 50 million in 2018 and has 20 full-time employees. The company forms part of AAK's sales and profit as from March 1, 2019. The acquisition had very limited impact on AAK's profit for 2019.

BD Foods Ltd.

BD Foods Ltd., a British foodservice company with production of tailor-made restaurant quality meal accompaniments, was acquired by AAK during the first quarter. In 2018, revenues

amounted to SEK 120 million and the company had approximately 100 employees. BD Foods forms part of AAK's sales and profit from March 1, 2019. The acquisition had very limited impact on AAK's profit for 2019.

Soya International (Europe) Ltd.

In the third quarter, AAK acquired the UK-based company Soya International (Europe) Ltd. The company focuses on the sourcing, processing and distribution of non-GMO semi-speciality and speciality lecithins and had 2018 revenues of approximately SEK 150 million. The company forms part of AAK's sales and profit as from September 1, 2019. The acquisition had very limited impact on AAK's profit for 2019.

AAK Kamani Pvt. Ltd.

During the second quarter 2019, AAK acquired an additional 13 percent of the shares in AAK Kamani, India for an amount of SEK 112 million, and in the fourth quarter an additional 5 percent for an amount of SEK 47 million. AAK now owns 69 percent of the shares. The transaction had no significant impact on AAK's profit in 2019.

Assets and liabilities recognized as a consequence of the acquisitions

Fair value (SEK million)

Goodwill	29
Contracts with customers	35
Trademarks	9
Property, plant and equipment	125
Other non-current assets	10
Inventories	37
Other current assets	53
Cash and cash equivalents	69
Provisions	-13
Other non-current liabilities	-182
Other current liabilities	-63
Total net assets	109
Goodwill	336
Total acquisition with cash and cash equivalents	445
Net outflow of cash and cash equivalents on account of the acquisitions	
Cash and cash equivalents paid for the acquisitions	445
Cash and cash equivalents in the companies acquired at the acquisition date	-69
Impact on the Group's cash and cash equivalents	376

Note Segment reporting

28 The Group's operations are organizationally divided into business segments based on product. The marketing organization also reflects this structure.

All transactions between business segments are recognized at market value. Assets and liabilities not attributed

to a segment include tax assets and tax liabilities, financial investments and financial liabilities, as well as cash and cash equivalents and interest-bearing receivables.

The external sales are based on where our customers are located. The carrying amounts of assets and the direct

investment in plant for the period are determined by the location of the assets. Segment-based reporting is prepared in accordance with the accounting policies described in Note 2 "Accounting Policies".

Reporting by primary segments/business areas

2019	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group
Net sales						
External sales	18,978	8,076	1,456	-	-	28,510
Internal sales	2,111	6,188	2	-	-8,301	-
Group total	21,089	14,264	1,458	-	-8,301	28,510

Operating profit/loss by business segment

2019	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group
Operating profit/loss	1,366	794	150	-168	-	2,142
Total	1,366	794	150	-168	-	2,142
Other						
Assets	11,427	9,079	910	54	-	21,470
Unallocated assets	-	-	-	-	-	1,449
Group total	11,427	9,079	910	54	-	22,919
Liabilities	3,565	2,761	596	209	-	7,131
Unallocated liabilities	-	-	-	-	-	5,367
Group total	3,565	2,761	596	209	-	12,498
Investments	354	387	45	6	-	792
Depreciation, amortization and impairment loss	405	231	40	11	-	687

Note Segment reporting

28 Reporting by market

2019	Europe	North and South America	Asia	Other countries	Total
External sales	13,947	11,008	3,192	363	28,510
Intangible assets and property, plant and equipment	4,197	3,529	1,472	83	9,281
Other assets	6,804	3,625	2,199	1,010	13,638
Total assets	11,001	7,154	3,671	1,093	22,919
Investments	326	216	213	37	792

Reporting by primary segments/business areas

2018	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group
Net sales						
External sales	18,468	7,611	1,513	-	-	27,592
Internal sales	2,115	5,109	3	-	-7,227	-
Group total	20,583	12,720	1,516	-	-7,227	27,592

Operating profit/loss by business segment

2018	Food Ingredients	Chocolate & Confectionery Fats	Technical Products & Feed	Group Functions	Eliminations	Group
Operating profit/loss	1,205	747	155	-151	-	1,956
Total	1,205	747	155	-151	-	1,956
Other						
Assets	10,016	5,913	906	67	-	16,902
Unallocated assets	-	-	-	-	-	1,133
Group total	10,016	5,913	906	67	-	18,035
Liabilities	2,432	1,417	360	156	-	4,365
Unallocated liabilities	-	-	-	-	-	4,674
Group total	2,432	1,417	360	156	-	9,039
Investments	442	243	28	8	-	721
Depreciation, amortization and impairment loss	293	216	36	7	-	552

Note Segment reporting

28 Reporting by market

2018	Europe	North and South America	Asia	Other countries	Total
External sales	13,284	10,750	3,182	376	27,592
Intangible assets and property, plant and equipment	3,304	2,864	1,249	50	7,467
Other assets	4,948	3,356	1,706	558	10,568
Total assets	8,252	6,220	2,955	608	18,035
Investments	342	267	105	7	721

Note Supplemental cash flow statement

29 Adjustment for items not included in cash flow

	Group		Parent	
	2019	2018	2019	2018
Sales of non-current assets	6	2	-	-
Changes in pensions and provisions	51	22	3	-
Unrealized exchange rate effects on financial instruments	75	-24	-	-
Others	114	-278	-	-
Total	246	-278	3	-

Cash flow from financing activities

Group	Dec 31, 2018	Cash flows	Changes that do not affect cash flow			Dec 31, 2019
			Acquisition-related	Exchange rate effects	IFRS 16 Leases	
Non-current financial assets	18	0	-	0	-	18
Current financial assets	20	-8	-	0	-	12
Non-current financial liabilities	2,913	388	73	37	675	4,086
Current financial liabilities	668	74	14	5	232	993
Total liabilities from financing activities	3,543	470	87	42	907	5,049

Parent	Dec 31, 2018	Cash flows	Changes that do not affect cash flow			Dec 31, 2019
			Acquisition-related	Exchange rate effects	IFRS 16 Leases	
Non-current financial liabilities	1,499	751	-	-	-	2,250
Total liabilities from financing activities	1,499	751	-	-	-	2,250

Alternative performance measures (APM)

Organic volume growth %	2019	2018
Food Ingredients		
Organic volume growth	2	4
Acquisitions/divestments	-	-
Volume growth	2	4
Chocolate & Confectionery Fats		
Organic volume growth	7	6
Acquisitions/divestments	-	-
Volume growth	7	6
Technical Products & Feed		
Organic volume growth	-0	8
Acquisitions/divestments	-	-
Volume growth	-0	8
AAK Group		
Organic volume growth	2	5
Acquisitions/divestments	-	-
Volume growth	2	5
EBITDA SEK million		
Operating profit (EBIT)	2,142	1,956
Add back depreciation and amortization	687	552
EBITDA	2,829	2,508
Return on Capital Employed (ROCE) SEK million		
Total assets	22,919	18,035
Cash and cash equivalents	-982	-737
Financial assets	-12	-20
Accounts payables	-3,354	-2,685
Other non-interest-bearing liabilities	-3,207	-1,973
Capital employed	15,364	12,620
Operating profit (Rolling 12 months)	2,142	1,956
Return on Capital Employed (ROCE), %	13.9	15.5

Alternative performance measures (APM)

Net working capital

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

Net debt

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

Net debt/EBITDA

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

Equity to assets ratio

SEK million		
Shareholders' equity	10,337	8,908
Non-controlling interests	84	88
Total equity including non-controlling interests	10,421	8,996

Total assets

	22,919	18,035
--	---------------	---------------

Equity to assets ratio, %

	45.5	49.9
--	-------------	-------------

Corporate Governance Report

Corporate Governance Report 2019

This Corporate Governance Report has been drawn up in accordance with the rules of the Annual Accounts Act and the Swedish Corporate Governance Code (“the Code”). The Corporate Governance Report has been subject to the statutory review by the company’s auditor.

Effective and clear corporate governance contributes to the safeguarding of trust among AAK’s stakeholder groups and also increases the focus on business benefit and shareholder value in the company. AAK’s Board of Directors and management team endeavor, through a high level of transparency, to make it easy for individual shareholders to understand the company’s decision-making process and to clarify where in the organization responsibilities and authorities reside. AAK’s corporate governance is based on applicable legislation, the Code, NASDAQ OMX Stockholm’s regulatory framework for issuers, generally accepted practice in the stock market and various internal guidelines. Where AAK has chosen to diverge from the rules in the Code, the reason is provided under each heading in this Corporate Governance Report.

General

AAK is a Swedish public limited liability company, the shares of which are traded on NASDAQ OMX Stockholm within the Large Cap segment, Consumer Commodities sector. AAK has around 17,200 shareholders. Its business operations are global, with a presence in more than 100 countries. As at December

31, 2019, the number of employees was 3,884. Responsibility for management and control of AAK is divided between the shareholders at the Annual General Meeting, the Board of Directors, its elected committees and the President and Chief Executive Officer (CEO) in accordance with the Swedish Companies Act, other legislation and ordinances, applicable rules for companies traded on a regulated market, the Articles of Association and the Board’s internal control instruments. AAK’s goal is to be the obvious first choice for its customers, and to create the best possible value for the company’s various stakeholder groups – in particular customers, suppliers, shareholders and employees. At the same time, AAK aims to be a good corporate citizen and take long-term responsibility. The aim of corporate governance is to define a clear allocation of responsibility and roles between the owners, the Board, the executive management team and various control bodies. In line with this, corporate governance covers the Group’s management and control systems.

Ownership structure

Information about shareholders and shareholdings can be found on pages 52–53.

Articles of Association

AAK’s current Articles of Association were adopted at the Annual General Meeting on May 30, 2018. The Articles of Association state that the company is to operate manufacturing and trading business, primarily

within the food industry, to own and manage shares and securities and other associated business. The Articles of Association also state the shareholders’ rights, the number of Board members and auditors, that the Annual General Meeting shall be held yearly within six months of the end of the financial year, how notification of the Annual General Meeting shall be effected and that the registered office of the Board of Directors shall be in Malmö, Sweden. The company’s financial year is the calendar year. The Annual General Meeting shall be held in Malmö or Karlshamn, Sweden. The Articles of Association contain no restrictions on the number of votes each shareholder may cast at a general meeting. Furthermore, the Articles of Association contain no special provisions on the appointment and removal of members of the Board of Directors and on amendments to the Articles of Association. For the current Articles of Association, please see www.aak.com.

Annual General Meeting

The Annual General Meeting of AAK is the highest decision-making body and the forum through which the shareholders exercise their influence over the company. The tasks of the Annual General Meeting are regulated by the Swedish Companies Act and the Articles of Association. The Annual General Meeting makes decisions on a number of central issues, such as adoption of the income statement and balance sheet, discharge from liability for the Board members and CEO, the dividend to shareholders and the composition of the Board.

Further information about the Annual General Meeting and complete minutes from previous Annual General Meetings and Extraordinary General Meetings are published at www.aak.com.

Annual General Meeting 2019

The Annual General Meeting held on May 15, 2019 was attended by shareholders representing around 60 percent of the share capital and votes in the company. Georg Brunstam was elected Chairman of the Meeting. The Annual General Meeting adopted the income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet. Following this, the Annual General Meeting approved the Board's proposal for a dividend for the 2018 financial year of SEK 1.85 per share. Georg Brunstam, Märta Schörling Andreen, Gun Nilsson, Bengt Baron, Lillie Li Valeur and Marianne Kirkegaard were re-elected as ordinary members of the Board of Directors. Patrik Andersson was elected as new member of the Board of Directors. Georg Brunstam was elected Chairman of the Board. The employee organizations had appointed Lena Nilsson (PTK-L) and Leif Håkansson (IF Metall) as employee representative members of the Board, and Mikael Myhre (IF Metall) and Fredrik Rydberg (PTK-L) as deputy members of the Board. The Annual General Meeting did not authorize the Board to resolve on the issue of new shares by the Company or the acquisition of the Company's own shares.

Nomination Committee

The Annual General Meeting decides on the election of the Board, among other items. The task of the Nomination Committee is to make proposals to the Annual General Meeting regarding the election of the Chairman and other members of the Board and of the Chairman of the Meeting, and regarding remuneration issues and related issues. The Nomination Committee considers the company's operations, phase of development and other relevant circumstances when assessing the appropriate composition of the Board.

Nomination Committee for the Annual General Meeting in 2020

At the Annual General Meeting 2019, Märta Schörling Andreen (Melker Schörling AB), Henrik Didner (Didner & Gerge Fonder), Leif Törnvall (Alecta) and Åsa Nisell (Swedbank Robur Fonder) were elected members of the Nomination Committee in respect of the Annual General Meeting 2020. Märta Schörling Andreen was elected Chairman of the Nomination Committee. The members of the Nomination Committee represent around 44 percent of the votes in AAK. The decision also included the opportunity to change the composition of the Nomination Committee in the event of a change in ownership. During the year, the Nomination Committee held two minuted meetings. At these meetings, the Chairman reported on the evaluation work, whereupon the Nomination Committee discussed any changes and new recruitments. The Nomination Committee has been

contactable by letter with proposals from shareholders. The members of the Nomination Committee have not received any remuneration from AAK for their work. Shareholders who wish to contact the Nomination Committee can send letters addressed to AAK AB (publ.), Valberedningen, Skrivaregatan 9, SE-215 32 Malmö, Sweden.

The Board of Directors and its activities

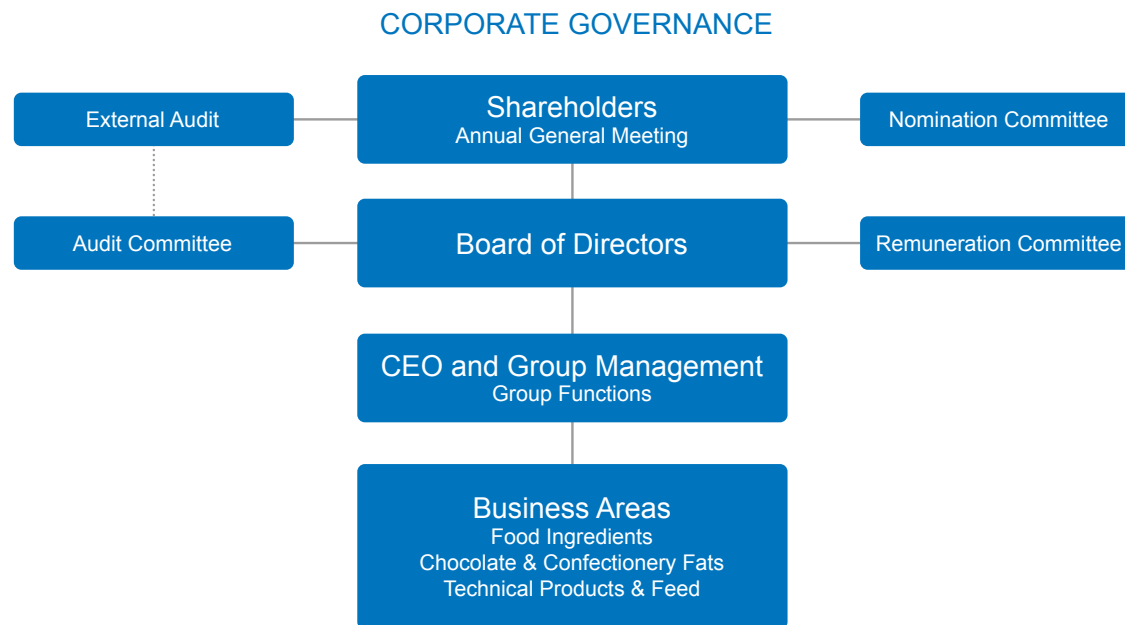
The tasks of the Board are regulated in the Swedish Companies Act and the Articles of Association. In addition to this, the work of the Board is regulated by the working practices adopted by the Board each year. The procedural rules of the Board also regulate the distribution of work and responsibilities between the Board, the Chairman of the Board and the CEO and also include procedures for financial reporting by the CEO to the Board. According to the current working practices, the Board shall meet at least six times each year, including a statutory meeting following election held immediately after the Annual General Meeting. The tasks of the Board shall include setting strategies, business plans, budgets, interim reports and year-end reports for AAK. The Board shall also monitor the work of the CEO, appoint and dismiss the CEO and decide on important changes to AAK's organization and operation. The most important tasks of the Board are to set the overall goals for the company's operation and to decide on the company's strategy for achieving the goals; to ensure the company has an effective executive management

team and appropriate remuneration terms; to ensure the transparency and accuracy of the company's external reporting; and that external reporting provides a fair presentation of the company's performance, profitability and financial position and exposure to risk; to monitor the financial reporting, including instructions to the CEO and the establishment of requirements for the content of the financial reporting to be submitted to the Board on a continuous basis; to ensure the company's insider policy and logging procedures are adhered to in accordance with legislation and the guidelines of the Swedish Financial Supervisory Authority; to ensure there are effective systems for follow-up and control of the company's operational and financial position against set goals; to follow up and evaluate the company's development and to recognize and support the work of the CEO in carrying out the required measures; to ensure there is sufficient control of the company's compliance with legislation and other rules applicable to the operation of the company, to ensure the required ethical guidelines are set for the company's behavior; and to propose to the Annual General Meeting any dividend, repurchase of shares, redemption or other proposals falling within the competence of the Annual General Meeting. The Chairman of the Board of Directors is responsible for evaluating the work of the Board. During 2019, he conducted a survey of the members and, based on this and interviews in the previous year, analyzed the results. The results of the survey were then presented and discussed on the Board and on the Nomination

Committee as the basis for assessing the size and composition of the Board. The evaluation focused on Board work in general and on the contributions of individual members, including the Chairman of the Board and the CEO. The Board evaluations clearly contributed to continued development of the work of the Board and the committees.

Composition of the Board

Under the Articles of Association, AAK's Board shall consist of at least three and at most ten members. The current Board consists of six members elected by the Annual General Meeting. Under Swedish law, employee organizations have a right to be represented on the Board, and have appointed two ordinary members and two deputies. In accordance with the proposal by the



Nomination Committee, six members were re-elected and one new member, Patrik Andersson, were elected. Georg Brunstam was re-appointed Chairman of the Board of Directors. At the statutory Board meeting following the Annual General Meeting, the Board chose to appoint an Audit Committee and a Remuneration Committee. Gun Nilsson was appointed Chair of the Audit Committee and Lillie Li Valeur and Märta Schörling Andreen were appointed members. Georg Brunstam was appointed Chairman of the Remuneration Committee and Märta Schörling Andreen was appointed member. Georg Brunstam is also Director of the Board of Melker Schörling AB, which holds around 31.1 percent of the votes in AAK. Georg Brunstam cannot, therefore, be considered to be independent in relation to major shareholders in the Company in accordance with the Code. Märta Schörling Andreen, a member of the Board of Directors of Melker Schörling AB, and Gun Nilsson, CEO of Melker Schörling AB, also cannot be considered to be independent in relation to AAK's major shareholders. The other three members elected by the Annual General Meeting, Bengt Baron, Marianne Kirkegaard and Patrik Andersson, are independent in relation to AAK, the Company management and the Company's major shareholders in accordance with the Code. Lillie Li Valeur decided to leave the Board of Directors in December 2019 due to new external commitments. Bengt Baron was appointed new member of the Audit Committee.

The Board therefore fulfils the requirement of the Code that at least two Board members who are

independent of the Company and the Company management shall also be independent of the Company's major shareholders. Mikael Ekdaahl, lawyer, acts as secretary to the Board. The application and result of the diversity policy are described on the Company's website in the Nomination Committee's reasoned statement regarding proposals to the Board of AAK AB.

Working practices

The Board's working practices, containing instructions for the division of work between the Board and the CEO and for financial reporting, are updated and adopted annually. Board meetings consider the financial reporting and monitoring of day-to-day business operations and profitability trends, as well as goals, strategies for the business operation, acquisitions and significant investments and matters relating to capital structure. Business area managers and other senior executives report on business plans and strategic issues on a continual basis.

Remuneration and audit issues are prepared within the respective committees. The Board holds a statutory meeting immediately after the Annual General Meeting. At this meeting, the Board's working practices are also adopted, as are the instructions to the CEO and the Committees and other internal management instruments. The current Board held its statutory meeting on May 15, 2019, at which all members were in attendance.

Chairman of the Board

At the Annual General Meeting held on May 15, 2019, Georg Brunstam was re-elected Chairman of the Board. The role of the Chairman of the Board is to lead the work of the Board and ensure the Board fulfils its tasks. The Chairman shall monitor the progress of the business in dialogue with the CEO, and is responsible for ensuring the other members continuously receive the information required to carry out the work on the Board, maintaining the required quality and in accordance with the Swedish Companies Act and other applicable laws and ordinances, the Articles of Association and the working practices of the Board. The Chairman is responsible for ensuring the Board constantly develops its knowledge about the Company, that an evaluation of the Board's work is carried out and that the Nomination Committee is provided with this evaluation. The Chairman shall also participate in evaluation and development issues relating to senior executives in the Group.

The work of the Board in 2019

The Board held 11 meetings during the year. Business area managers have reported on the goals and business strategies of the business areas. The Board has handled issues relating to strategy, staffing and organization. Decisions have been made relating to investments and acquisitions. Other areas handled are the Group's work on the supply of raw materials, risk management and the Company's strategy for capital structure and borrowing.

Attendance at Board and committee meetings in 2019

Member	Board of Directors	Audit Committee	Remuneration Committee
Number of meetings	11	4	2
Georg Brunstam	11		2
Marianne Kirkegaard	10		
Gun Nilsson	11	4	
Lillie Li Valeur	10	4	
Märta Schörling Andreen	11	4	2
Leif Håkansson	11		
Bengt Baron	11		
Lena Nilsson	11		
Patrik Andersson	6		

Patrik Andersson has attended all Board meetings since he was elected member of the Board at the Annual General Meeting on May 15, 2019.

Information about the members of the Board can be found on pages 48–49.

Fees to Board members

According to the decision of the Annual General Meeting, the total fees to the Board amounted to SEK 3,870,000, to be allocated between the members as follows: SEK 880,000 to the Chairman and SEK 390,000 to each of the other members elected at the Annual General Meeting who are not employed by the Company. The Chairman of the Audit Committee

received SEK 250,000 and the members SEK 125,000 each. The Chairman of the Remuneration Committee received SEK 100,000 and the member SEK 50,000. The secretary to the Board and employee representatives to the Board do not receive any compensation other than for costs in connection with their participation in Board activities. For further information about remuneration to members of the Board, please see page 87.

Evaluation of the CEO

The Board continuously evaluates the work and competence of the CEO and the Company's management team. This is discussed at least once a year without representatives of the Company management being present.

Guidelines for remuneration of senior executives

The 2019 Annual General Meeting approved the principles for the remuneration of senior executives. The principles for the remuneration of AAK's senior executives are designed to ensure, from an international perspective, that AAK can offer compensation that is competitive and at the prevailing market level to attract and retain qualified people. The total remuneration package paid to senior executives shall consist of fixed basic salary, annual variable salary, pension, company car and severance payment. The fixed salary shall be individually differentiated on the basis of responsibility and performance, and shall be set on market principles and revised annually. In addition to annual salary,

senior executives shall also receive a variable salary, which shall have a pre-set ceiling and be based on the outcome in relation to goals set annually. The goals shall be related to the company's performance and shall also be able to be linked to individual areas of responsibility. The annual variable portion must not exceed 110 percent of the fixed salary. In addition to the variable salary mentioned, share or share-price related incentive programs may be added as determined from time to time by the Annual General Meeting. The right to a pension for senior executives shall apply from the age of 60 at the earliest. Pension plans for senior executives shall primarily be defined benefit plans. In the event of termination of employment by the Company, the notice period for the CEO and other senior executives shall be twelve months, and they shall be entitled to receive severance pay with a pre-determined ceiling corresponding to twelve months' salary. For termination of employment by the employee, a notice period of six months shall normally apply and no severance pay shall be payable. These guidelines will cover those persons who are in Group management positions during the period of time in which the guidelines apply. The guidelines apply to agreements entered into after a resolution by the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time. The Board will be entitled to diverge from the guidelines if there are particular reasons to do so in an individual case.

Board committees

Audit and remuneration issues within the Board are handled in committees, whose task it is to prepare issues arising and submit proposals for decisions to the Board. The tasks and working practices of the committees are determined by the Board in written instructions, which constitute part of the Board's working practices.

Remuneration Committee

In accordance with the Board's working practices, issues of remuneration to the CEO and senior executives shall be prepared by the Remuneration Committee. The Remuneration Committee prepares and presents proposals to the Board relating to remuneration to the CEO and other senior executives. The final task of the Remuneration Committee is to monitor and evaluate the ongoing programs for variable remuneration of the company management team, and programs terminated during the year, as well as the application of the guidelines for the remuneration of senior executives and the current remuneration structure and remuneration levels in the Company. During 2019, the members of the Remuneration Committee were Georg Brunstam (Chairman) and Märta Schörling Andreen. The recommendations of the Remuneration Committee to the Board include principles for remuneration, the relationship between fixed and variable salary, conditions for pensions and severance pay and other benefits payable to the management. Remuneration to the CEO of the

Group has been decided by the Board on the basis of the recommendations of the Remuneration Committee. Remuneration to other senior executives has been decided by the Chief Executive Officer in consultation with the Remuneration Committee. For further information, see page 87. During 2019, the Remuneration Committee met on two occasions, on which both members attended. Current guidelines for remuneration to senior executives can be found in Note 8. The Board's proposal for new guidelines will be put to the Annual General Meeting in 2020 for a decision.

Audit Committee

During 2019, the members of the Audit Committee were Gun Nilsson (Chair), Märta Schörling Andreen and Lillie Li Valeur. The Audit Committee held four ordinary meetings during the year, which the Company's external auditors and representatives of the management team attended. Areas dealt with by the Audit Committee are primarily related to planning, scope and follow-up of the audit for the year. Other issues dealt with include risk management, integration and systematics of Group procedures, coordination of insurance issues, corporate governance, internal control, accounting rules, development of the global finance function, financing operations and other issues that the Board has requested the Audit Committee to prepare. Under the provisions of Chap. 8, Section 49 a, of the Swedish Companies Act (2005:551), at least one member of the Audit Committee

must be independent in relation to major shareholders in the Company, and have expertise in accounting or auditing, and the Company fulfils this requirement of the Code.

External auditors

AAK's auditors are appointed by the Annual General Meeting. At the Annual General Meeting in 2019, the audit company PricewaterhouseCoopers AB was re-elected as auditors up to and including the Annual General Meeting in 2020. Sofia Götmar-Blomstedt, Authorized Public Accountant, was appointed auditor in charge. Sofia Götmar-Blomstedt also has auditing engagements in companies including Coop Sverige, Scandic Hotels Group AB, Genovis AB, Pågengruppen AB and Beijer Electronics Group AB. All services requested in addition to the statutory audit are tested separately to ensure there is no conflict arising involving independence or disqualification. No agreements with related parties exist.

Operational management

It is the task of the CEO to lead operations in accordance with the guidelines and instructions of the Board. In conjunction with this, the CEO shall use the required control systems to ensure the company complies with applicable laws and regulations. The CEO reports to the Board meetings and shall ensure the Board receives as much factual, detailed and relevant information as is

required for the Board to reach well-informed decisions. The CEO also maintains continual dialogue with the Chairman of the Board and keeps him informed of the development and financial position of the Company and the Group.

AAK's Group management team consists of twelve persons from five countries: the CEO, Chief Financial Officer (CFO) who is also responsible for Mergers & Acquisitions, Corporate Communications, Global IT and Global Foodservice, Chief Strategy & Sustainability Officer, who is also responsible for People and Corporate Branding, Chief Technology Officer (CTO), President Global Operations and President Global Sourcing & Trading, as well as five persons in charge of business areas/regions/industries and one Senior advisor. The Group management team meets every other month and deals with the Group's financial development, investments, synergy and productivity projects, acquisitions, Group-wide development projects, leadership and competence supply and other strategic issues. The meetings are chaired by the CEO, who make decisions in consultation with the other members of the Group management team. The Group has a small number of Group employees, who are responsible for Group-wide activities, such as financial performance, tax, IT, internal control, strategy, investor relations, information and legal issues. The CEO and Group management team are presented on pages 50–51. For remuneration principles and salaries and other fees paid to the CEO and Group management team, please see Note 8.

AAK's business areas are Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. The heads of each business area are responsible for goals, strategies, product development and day-to-day business issues, as well as for profit, cash flow and balance sheets for the unit in question. The business areas in turn are organized into different sectors with responsibility for day-to-day business issues. Direction is exercised through internal boards, which meet four times a year. AAK's CEO chairs the meetings. Other executives are co-opted as necessary. In all countries where AAK has subsidiaries, a Country Manager has legal charge of operations. The Country Manager's task is to represent AAK vis-à-vis public authorities in the country, to coordinate operations on the ground, organization and Group-wide procedures/projects and to ensure that Group-wide guidelines are complied with. For each such country, one member of the Group management team has been appointed to have overall responsibility for operations. This person is the superior of the Country Manager, and in most cases acts as Chairman of the local legal board.

[The Board's description of internal control and risk management relating to financial reporting](#)

The Board is responsible for AAK's internal control, the overall purpose of which is to protect the owners' investments and the Company's assets. The Board shall provide a description of how internal control and risk management relating to financial reporting

are organized in a separate section of this Corporate Governance Report. Internal control relating to financial reporting is a process involving the Board, the company management team and personnel.

The process has been designed to ensure the reliability of external reporting. According to the commonly accepted framework established for this purpose, internal control is usually described from five different aspects, which are described below. The control environment forms the basis for internal management and control. Risk assessment and risk management mean that the management is aware of and has itself assessed and analyzed risks and threats to operations.

Control activities are the measures and procedures designed by the management to prevent errors from arising and for discovering and correcting errors that do arise. In order for individual tasks to be carried out in a satisfactory manner, the personnel in an organization need to have access to current and relevant information. The final module of the model relates to follow-up of internal management and the design and effectiveness of controls.

[Control environment](#)

AAK's organization is designed to facilitate quick decision-making. Operational decisions are therefore made at business area or subsidiary level, while decisions about strategies, acquisitions and overriding financial issues are taken by the company's Board and Group management team. The organization is characterized

by clear division of responsibilities and effective and established management and control systems, covering all units within AAK.

The basis for the internal control relating to financial reporting consists of an overall control environment in which the organization, decision-making routes, authorities and responsibilities have been documented and communicated in management documents, such as AAK's financial policy, raw material purchasing policy, the manual on financial reporting and the authorization rules set by the CEO. AAK's finance functions are integrated through a joint consolidation system and joint accounting instructions. The Group's finance unit works closely and effectively with the controllers of subsidiaries in relation to year-end financial statements and reporting.

As a supplement to the internal control, under a specific plan, an annual audit of some units in the Group is carried out on a rotating basis by the Group's central Finance Department, in collaboration with an independent international accounting firm. AAK has decided not to set up a separate review function (internal audit), as the functions mentioned above fulfil this task well. All of AAK's subsidiaries report on a monthly basis. These reports form the basis for the Group's consolidated financial reporting. Each legal unit has a controller who is responsible for the financial management of each business area, and for ensuring the financial reports are correct, complete and delivered in time for consolidated reporting.

Risk assessment and risk management

Through its international presence, the AAK Group is exposed to a number of different risks. Risk management within the Group is run in accordance with fixed policies and procedures, which are reviewed annually by AAK's Board. Risks relating to commodities are managed using the Group's raw material purchasing policy. Risks relating to currency, interest and liquidity are mainly governed by AAK's finance policy. The Group's credit policy directs the management of credit and contract risks. Effective risk management unites operational business development with the requirements of owners and other stakeholders for improvements in control and long-term value. Risk management aims to minimize risks, but also to ensure that opportunities are utilized in the best possible way. Risk management covers the following areas of risk: strategic risks relating to the market and sector, commercial, operational and financial risks, compliance with external and internal regulatory frameworks and financial reporting. The main components of risk assessment and management are identification, evaluation, management, reporting, follow-up and control. For further information about AAK's risk management, please see Note 3.

Control activities

The risks identified relating to financial reporting are handled via the company's control activities. These control activities aim to prevent, identify and correct

errors and discrepancies. Control activities take the form of manual controls, such as reconciliation and stocktaking, automatic controls via the IT systems and general controls of the underlying IT environment. Detailed financial analyses of the result and follow-up against budgets and forecasts supplement the operation-specific controls and provide overall confirmation of the quality of the reporting.

Information and communication

To ensure the completeness and accuracy of its financial reporting, the Group has adopted guidelines for information and communication aimed at ensuring relevant and significant exchange of information within business operations, both within each unit and to and from management and the Board. Policies, handbooks and working practices relating to the financial process are communicated between the management and employees, and are available in electronic format and/or printed format. The Board receives regular feedback on internal control from the Audit Committee. To ensure that external information is correct and complete, AAK has a communication policy adopted by the Board, which states what is to be communicated, by whom and in what way.

Follow-up

The effectiveness of the process for risk assessment and execution of control activities is followed up continuously. The follow-up covers both formal and informal

procedures, which are used by those responsible at each level. The procedures include follow-up of results against budgets and plans, analyses and key figures. The Board receives monthly reports about the Group's financial position and development. The Company's financial situation is discussed at each Board meeting, and the management team analyzes the financial reporting at detailed level on a monthly basis.

At Audit Committee meetings, the Committee follows up the financial reporting and receives reports from the auditors about their observations.

Policy documents

AAK has a number of policies for the operations of the Group and its employees. These include:

Ethics policy

Ethical guidelines for the Group have been drawn up with the aim of clarifying the Group's fundamental approach to ethical issues, both within the Group and externally with regard to customers and suppliers.

Finance policy

The Group's finance function works in accordance with instructions adopted by the Board, which provide a framework for how the Group's operations shall be financed, and for how, for example, currency and interest risks are to be handled.

Communication policy

The Group's communication policy is a document describing the Group's general principles for the publication of information.

Environmental policy

The Group's environmental policy provides guidelines for environmental work within the Group.

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on May 13, 2020 for adoption.

The Board of Directors and the Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with IFRS International Accounting Standards, as adopted by the EU, and

provide a true and fair view of the Group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting practices and provide a true and fair view of the Parent's financial position and results.

The Directors' Report for the Group and Parent provides a true and fair view of the development of

the business operations, financial position and results of the Group and Parent and describes the significant risks and uncertainty factors facing the Parent and the companies belonging to the Group.

Malmö, April 15, 2020

Georg Brunstam
Chairman of the Board

Johan Westman
President and CEO

Märta Schörling Andreen
Member

Marianne Kirkegaard
Member

Bengt Baron
Member

Gun Nilsson
Member

Patrik Andersson
Member

Leif Håkansson
Employee representative

Lena Nilsson
Employee representative

Audited and submitted on April 15, 2020
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Auditor in charge

Auditor's report

To the general meeting of the shareholders of AAK AB (publ.), corporate identity number 556669-2850

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AAK AB (publ.) for the year 2019 except for the corporate governance statement on pages 111–119. The annual accounts and consolidated accounts of the company are included on pages 43–120 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent company as of December 31, 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of the shareholders adopts the income statement and balance sheet for the Parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including

among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Market valuation of inventory and completeness, existence and market valuation related to open sales and purchase contracts

The Group applies hedging of fair value in relation to raw material in inventory, meaning that a change in the price of the hedge has a direct impact on the value of the inventory. Open sales and purchase contracts are recognized according to IFRS 9, and thus measured and recognized at market value on the balance sheet date. Recognition of raw material purchases is complex and fluctuations in the price of raw material can have a significant impact on the financial information. An incorrect valuation of purchase contracts and inventory has a direct impact on the Group's costs and earnings.

The Group's raw material purchasing process is based on the premise that the underlying currency and raw material are hedged as soon as a sales contract has been signed. A possible omission in recognizing entered contracts or the risk that a fictive contract is recognized would limit AAK's possibilities to implement appropriate risk management and would also affect the recognized result.

How the Group works with risk management and the measurement of sales and entered purchase contracts is described in Note 3.

How our audit addressed the key audit matter

In order to verify that sales and purchase contracts are complete, remeasured at market value, comprise existing contracts and that inventory is measured at market price, our audit included a combination of:

- Verification that the recognition of entered sales and purchase contracts are complete and measured at market value, and that inventory is measured at market value.
- Gained an understanding of, and tested, the internal control aimed at identifying signed sales and purchase contracts, and the measurement of these. In addition, we have also tested the Group's internal controls for updating and registering market prices.
- An analytical review has been conducted of the accounting effects.
- We have also carried out a detailed test, in the form of random checks, to ensure the existence and registration of signed sales and purchase contracts, inbound deliveries of inventory, and registered market prices.
- In addition, we have assessed the completeness and correctness of the disclosures presented in the annual report.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–42 and 126–127. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of AAK AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section. We are independent of the Parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible to ensure that the corporate governance statement on pages 111–119 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is

different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts.

PricewaterhouseCoopers AB, Box 4009, 203 11 Malmö was appointed auditor of AAK AB by the Annual General Meeting of the shareholders on May 15, 2019 and has been the company's auditor since the financial year May 1, 2005–December 31, 2005.

Malmö, April 15, 2020
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Auditor in charge

Financial calendar and Annual General Meeting

Reporting schedule

AAK AB will provide financial information for the 2020 financial year on the following occasions:

- ◆ The interim report for the first quarter will be published on April 24.
- ◆ The interim report for the second quarter will be published on July 17.
- ◆ The interim report for the third quarter will be published on October 22.
- ◆ The fourth quarter and year-end report 2020 will be published in January/February 2021.

Reports and press releases are available in English and Swedish and can be ordered from:

AAK AB (publ.)
Corporate Communications
Skrivaregatan 9
215 32 Malmö, Sweden
Telephone: +46 (0)40-627 83 00
Email: comm@aak.com

More information on AAK AB (publ.) is available on the company's website: www.aak.com

Annual General Meeting

AAK AB's Annual General Meeting will take place at 2 p.m. on Wednesday, May 13, 2020 at Malmö Arena, Hyllie Stationstorg 2, in Malmö. Doors to the Annual General Meeting open at 1.30 p.m. and registration must be completed before 2 p.m., at which time the voting list will be established.

Right to attend the Annual General Meeting

Shareholders are entitled to attend the Annual General Meeting if they are registered in the printout of the shareholders' register created on Thursday, May 7, 2020, and if they have given notice that they will attend the Annual General Meeting by 4 p.m. on Thursday, May 7, 2020.

Registration in the shareholders' register

The company is a reconciliation company and its shares are affiliated with Euroclear Sweden AB, the Swedish central securities depository. This means that, in order to be entitled to attend the Annual General Meeting, shareholders must be entered in the shareholders' register held by Euroclear Sweden AB on Thursday, May 7, 2020. Anyone who has had shares registered through a nominee must temporarily register the shares in their own name to be able to attend the Annual General Meeting. This should be done in good time before this date.

Notification

Shareholders who wish to attend the Annual General Meeting must notify the company by one of the following alternatives:

- by post to:
AAK AB
Annual General Meeting
c/o Euroclear Sweden AB
Box 191
101 23 Stockholm, Sweden
- or by telephone: +46 (0)8-4029045
- or via www.aak.com as soon as possible and no later than 4 p.m. on Thursday, May 7, 2020.

In the notification, the shareholder must specify his or her name, address, phone number, personal or corporate identity number and shareholding. For shareholders who are represented by proxies, the original proxy form must be sent with the notification. Anyone representing a legal entity must show a copy of the certificate of incorporation or equivalent authorization documents showing they are an authorized signatory.

Notice of Annual General Meeting

Notice of the Annual General Meeting is published in Post- och Inrikes Tidningar and on the company's website, including a full agenda. An advertisement regarding the Annual General Meeting being convened will be published in Svenska Dagbladet.

Alternative performance measures (APM) and other financial definitions

AAK presents Alternative performance measures that are not defined in the financial reporting framework IFRS. Alternative performance measures are used as guidance to the Group's management and external stakeholders in their analysis of the Group's operations and are considered as a supplement to the financial statements prepared in accordance with IFRS. AAK uses the following Alternative performance measures:

Organic volume growth, EBITDA, Return on Capital Employed (ROCE), Net working capital, Net debt, Net debt/EBITDA and Equity/asset ratio. See pages 109–110 for calculations. See definitions of the Alternative performance measures and other performance measures below.

Cash and cash equivalents

Cash and bank balances and short-term investments with a maturity of less than three months.

Capital employed

Total assets less cash and cash equivalents, other interest-bearing receivables, non-interest-bearing operating liabilities, but excluding deferred tax.

Direct yield

Dividend per share in relation to the share price at the reporting date. Expressed in percent.

Dividend pay-out ratio

Dividend in relation to the net profit for the year. Expressed in percent.

Earnings per share

Net profit for the year attributable to the Parent company shareholders divided by the average number of shares on the reporting date.

EBITDA

Earnings before interest, tax, depreciation and amortization.

Equity/assets ratio

Equity including non-controlling interests in relation to total assets. Expressed in percent.

Equity per share

Equity excluding non-controlling interests divided by the average number of shares on the reporting date.

Net debt

Interest-bearing liabilities (incl. pension liabilities, excl. financial leases) less Cash and cash equivalents and other current interest-bearing receivables.

Net debt/EBITDA

Net debt in relation to EBITDA calculated on a rolling 12 months basis. Expressed as a multiple of EBITDA.

Net working capital

Non-interest-bearing current assets less non-interest-bearing current liabilities.

Organic volume growth

Total volume growth excluding effects of acquisitions/disposals. Expressed in percent.

Return on Capital employed (ROCE)

Operating profit in relation to average capital employed, calculated on a rolling 12 months basis. Expressed in percent.

Share price/equity

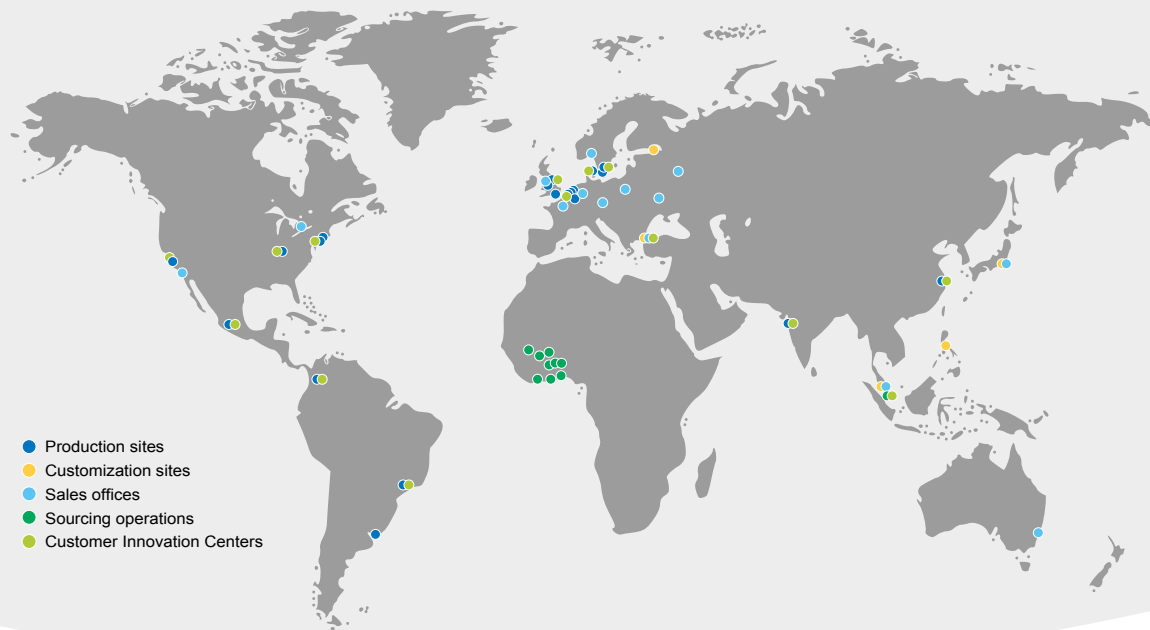
Share price in relation to equity per share.

Address

AAK AB (publ.)
Skrivaregatan 9
215 32 Malmö, Sweden
Telephone: +46 (0)40 627 83 00
Email: info@aak.com
www.aak.com
Corporate identity no. 556669-2850

For further information, please visit our website at www.aak.com.

This document is a translation of the Swedish language version. In the event of any discrepancies between the translation and the original Swedish AAK Annual Report 2019, the latter shall prevail.



We are AAK

AAK is a leading provider of value-adding vegetable oils & fats.

Our expertise in lipid technology within foods and special nutrition applications, our wide range of raw materials and our broad process capabilities enable us to develop innovative and value-adding solutions 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. Our unique co-development approach brings our customers' skills and know-how together with our own capabilities and mindset for lasting results.

Listed on the NASDAQ OMX Stockholm and with our headquarters in Malmö, Sweden, AAK has more than 20 different production facilities, sales offices in more than 25 countries and more than 3,800 employees.

We are AAK – The Co-Development Company.

