

# Press release

## AAK's Interim report for the first quarter 2020 – continued profit growth in a volatile market

### AAK Group

- Total volumes for the quarter decreased by 1 percent (positive 4), amounting to 569,000 MT (572,000).
- Operating profit, excluding acquisition costs of SEK 4 million (9), reached SEK 546 million (509), a year-over-year improvement by 7 percent. Including acquisition costs, operating profit increased by 8 percent. The currency translation impact was positive SEK 17 million.
- Profit for the period amounted to SEK 383 million (352), an improvement by 9 percent.
- Earnings per share increased by 11 percent, to SEK 1.50 (1.35).
- Cash flow from operating activities amounted to SEK 71 million (394).
- Return on Capital Employed (ROCE), R12M, was 14.5 percent (14.9 at December 31, 2019).

### Business areas

- Food Ingredients – operating profit improved by 6 percent to SEK 325 million (308).
- Chocolate & Confectionery Fats – operating profit reached SEK 222 million (206), an improvement by 8 percent.
- Technical Products & Feed – operating profit reached SEK 38 million (36), an improvement by 6 percent and a record-high operating profit for a first quarter.

### CEO's comments

The ongoing corona pandemic is profoundly impacting people's health, societies, and business operations across the world. Our first priority during this unprecedented situation has been to secure the health and safety of our employees.

As a key supplier of ingredients to the crucial food supply chain, AAK also has a very important role to play. Food supply will remain essential and a top priority going forward. All our production plants have strong contingency plans in place to secure operations and inbound/outbound logistics so that food manufacturers can maintain their production. I would like to take this opportunity to thank all our employees, suppliers and customers for the hard work and passionate drive that make this happen.

Our business model and strategic direction stand strong despite the increased uncertainty. Special Nutrition, Chocolate & Confectionery Fats and Plant-based Foods, all with a high proportion of speciality solutions based on our co-development approach, continue to develop well with close customer relationships. Other segments are, however, suffering from a more direct impact from the corona pandemic. Foodservice, part of business area Food Ingredients, had significantly lower sales to restaurants, hotels and airline catering during the latter part of the quarter.

We are also exposed to temporary disruptions due to lockdowns applied by governments in some countries where we operate. In February, we were forced into an extended closedown of our

operations in China and we also had several disruptions in India at the end of March, continuing to impact our business negatively into the second quarter.

Despite the business challenges at the end of the quarter, the consistent trend of profit growth continued. Operating profit, excluding acquisition costs, amounted to SEK 546 million (509), an improvement of 7 percent. Earnings per share and operating cash flow were also good in the quarter.

Volumes were overall flat with good growth in Technical Products & Feed while we had lower volumes in Food Ingredients, mainly due to the corona impact on Foodservice and China.

Food Ingredients continued to grow earnings, improving its operating profit by 6 percent, primarily driven by Bakery and Plant-based Foods as well as some good spot opportunities in the quarter. Special Nutrition continued to have a favorable product mix. Despite lower birth rates in China, we managed to increase sales of our high-end solution INFAT™, supported by new local Chinese customers.

Chocolate & Confectionery Fats reported a stable development but with a mixed picture. There was continued good growth for our filling fats and spreads while other products reported limited or negative volume growth. There is still pressure from some customers to roll contracted volumes forward.

Technical Products & Feed reported a record-high operating profit for a first quarter, driven by our crushing operation and our fatty acids business.

AAK has a robust foundation with a strong financial track record and a solid balance sheet. A large part of our business is supplying key ingredients to food and confectionery products for which demand remains robust also in times of uncertainty. However, the volatility throughout the supply chain has increased significantly within all industries that AAK serves.

Although these are very uncertain times, we expect a significant drop in demand for Foodservice and our non-food segments in the coming quarters which will have a material impact on earnings. In response, we are optimizing our cost base in affected segments without jeopardizing our long-term capabilities and strategic initiatives. With local lockdowns and restrictions around the world, lowering of GDP estimates are evident. This can, for our other segments, lead to a direct or indirect negative impact on our earnings in the coming quarters.

We offer plant-based, healthy, high value-adding oils and fats solutions by using our customer co-development approach and we see no reason to adjust our view on the strong favorable underlying long-term trends in our markets. Thus, we continue to remain prudently optimistic about the future, in spite of the short- to mid-term impact from the corona pandemic.

### **Press and analyst conference**

The Interim report for the first quarter 2020 will be presented today, April 24, 2020 at 1:00 p.m. CET at a press and analyst conference. For participation, please see instructions under the Investor tab at the AAK website, [www.aak.com](http://www.aak.com).

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*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, 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 Nasdaq 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.***

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