

Press release

AAK's Interim report for the fourth quarter and year-end report 2019 – continued profit growth and new strategic direction

AAK Group, fourth quarter

- Total volumes for the quarter amounted to 582,000 MT (574,000), organic growth of 1 percent (4).
- Sales amounted to SEK 7,380 million (6,992), an increase of 6 percent.
- Operating profit, including a positive currency translation impact of SEK 12 million, reached SEK 562 million (516), an improvement of 9 percent. Operating profit per kilo improved by 8 percent to SEK 0.97 (0.90).
- Net result amounted to SEK 401 million (354), an improvement of 13 percent.
- Earnings per share increased by 12 percent, to SEK 1.56 (1.39).
- Cash flow from operating activities amounted to SEK 626 million (566).
- Return on Capital Employed (ROCE), R12M, was 14.9 percent (15.8 at December 31, 2018).
- The Board of Directors proposes that a dividend of SEK 2.10 (1.85) per share be paid for the financial year 2019, an increase of 14 percent.

Business areas

- Food Ingredients – operating profit improved by 9 percent to SEK 349 million (321).
- Chocolate & Confectionery Fats – operating profit improved by 13 percent to SEK 205 million (182).
- Technical Products & Feed – operating profit reached SEK 46 million (50), a decrease of 8 percent compared to the record-high fourth quarter in 2018.

AAK Group, full year

- Total volumes were up by 2 percent (5). Organic volume growth was 2 percent (5).
- Sales amounted to SEK 28,510 million (27,592), an increase of 3 percent.
- Operating profit reached SEK 2,142 million (1,956), an improvement of 10 percent. Operating profit per kilo reached SEK 0.94 (0.87), an increase of 8 percent.
- Earnings per share increased by 12 percent, to SEK 5.86 (5.21).
- Operating cash flow including changes in working capital amounted to SEK 1,558 million (1,090).

CEO's comments

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

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

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

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

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

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

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.

Press and analyst conference

The Interim report for the fourth quarter and year-end 2019 will be presented today, January 30, 2020 at 10:00 a.m. CET at a press and analyst conference. For participation, please see instructions under the Investor tab at the AAK website, 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.**