

# Press release

## AAK's Interim report for the second quarter 2020 – challenging start to the quarter followed by clear sequential improvement

### AAK Group

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

### Business areas

- Food Ingredients – operating profit decreased by 24 percent to SEK 262 million (346).
- Chocolate & Confectionery Fats – operating profit reached SEK 156 million (177), a decrease by 12 percent.
- Technical Products & Feed – operating profit reached SEK 28 million (35), a decrease by 20 percent.

### CEO's comments

The ongoing corona pandemic continues to profoundly impact people, societies, and business operations across the world. Over the last few months, extensive restrictions and lockdown measures have been implemented in most countries. This has resulted in a negative impact on demand and earnings within most industries that AAK serves. In response, we are optimizing our cost base to secure our short- to mid-term profitability, but without jeopardizing our long-term strategic focus.

Our strong focus on employee health and safety as well as business continuity continues to secure AAK's ability to serve the critical food supply chain. This is very much thanks to our global team's passion, drive and attention to safe procedures.

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

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

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

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

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

The acquisition of NPO Margaron LLC in Russia has now been completed. With this acquisition we will move closer to many of our global strategic customers who are already locally represented in Russia. This is an important milestone for AAK and will strengthen our capabilities to serve a strategically important market.

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

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

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

### **Changes in the Executive Committee**

Fredrik Nilsson, CFO, has decided to pursue new opportunities outside of AAK as CFO of another Swedish listed large-cap company. He will continue in his current position until the beginning of 2021. Fredrik has been working for AAK for almost 14 years, whereof the last seven as CFO.

### **Press and analyst conference**

The Interim report for the second quarter 2020 will be presented today, July 17, 2020 at 2:00 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, 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 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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