

Press release

AAK's Interim report for the third quarter 2020 – strong profit growth driven by cost optimizations and a favorable product mix

AAK Group

- Total volumes for the quarter were stable and amounted to 565,000 MT (571,000).
- Operating profit, including a negative currency translation impact of SEK 43 million, increased by 7 percent, reaching SEK 602 million (563).
- Operating profit, excluding items affecting comparability, amounted to SEK 602 million (569), an increase by 6 percent.
- Net profit amounted to SEK 436 million (398), an increase by 10 percent.
- Earnings per share increased by 10 percent, to SEK 1.69 (1.53).
- Cash flow from operating activities amounted to SEK 480 million (130).
- Return on Capital Employed (ROCE), R12M, was 13.7 percent (14.9 at December 31, 2019).
- The Board of Directors proposes a dividend of SEK 2.10 (1.85), an increase of 14 percent.

Business areas

- Food Ingredients – operating profit increased by 5 percent to SEK 381 million (364).
- Chocolate & Confectionery Fats – operating profit reached SEK 221 million (206), an increase by 7 percent.
- Technical Products & Feed – operating profit reached SEK 34 million (33), an increase by 3 percent.

CEO's comments

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

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

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

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

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

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

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

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

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

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

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

We offer plant-based, healthy, high value-adding oils and fats solutions based on our customer co-development approach. In spite of the short- to mid-term uncertainty from the Covid-19 pandemic, we see no reason to adjust our view on the strong favorable underlying long-term trends in our markets. Thus, we continue to remain prudently optimistic about the future.

Press and analyst conference

The Interim report for the third quarter 2020 will be presented today, October 22, 2020 at 10 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, 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 3,900 employees. **We are AAK – The Co-Development Company.***

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