

Johan Westman, CEO
Fredrik Nilsson, CFO

Interim Report Fourth quarter and Year-end report 2019

AAK



Agenda

- 1 Fourth quarter and year-end report 2019
- 2 Business area information and financial details
- 3 Updated strategic direction
- 4 Q&A

Highlights Q4 – Continued profit growth and new strategic direction

HIGHLIGHTS

Q4 19



- All-time high operating profit for a fourth quarter
- Reported tax costs reduced to 24 percent (26)
- Earnings per share increased by 12 percent
- Strong cash flow from accounts receivables and accounts payables – offset by strategic purchases of key raw materials to Chocolate & Confectionery Fats to build large safety stock
- Good year-over-year operating profit improvement in both Food Ingredients and Chocolate & Confectionery Fats

GROWTH & RETURNS

Volume
582,000 MT
(up 1% y/y)

Adjusted operating profit
SEK 562 million
(up 9% y/y, up 7% y/y*)

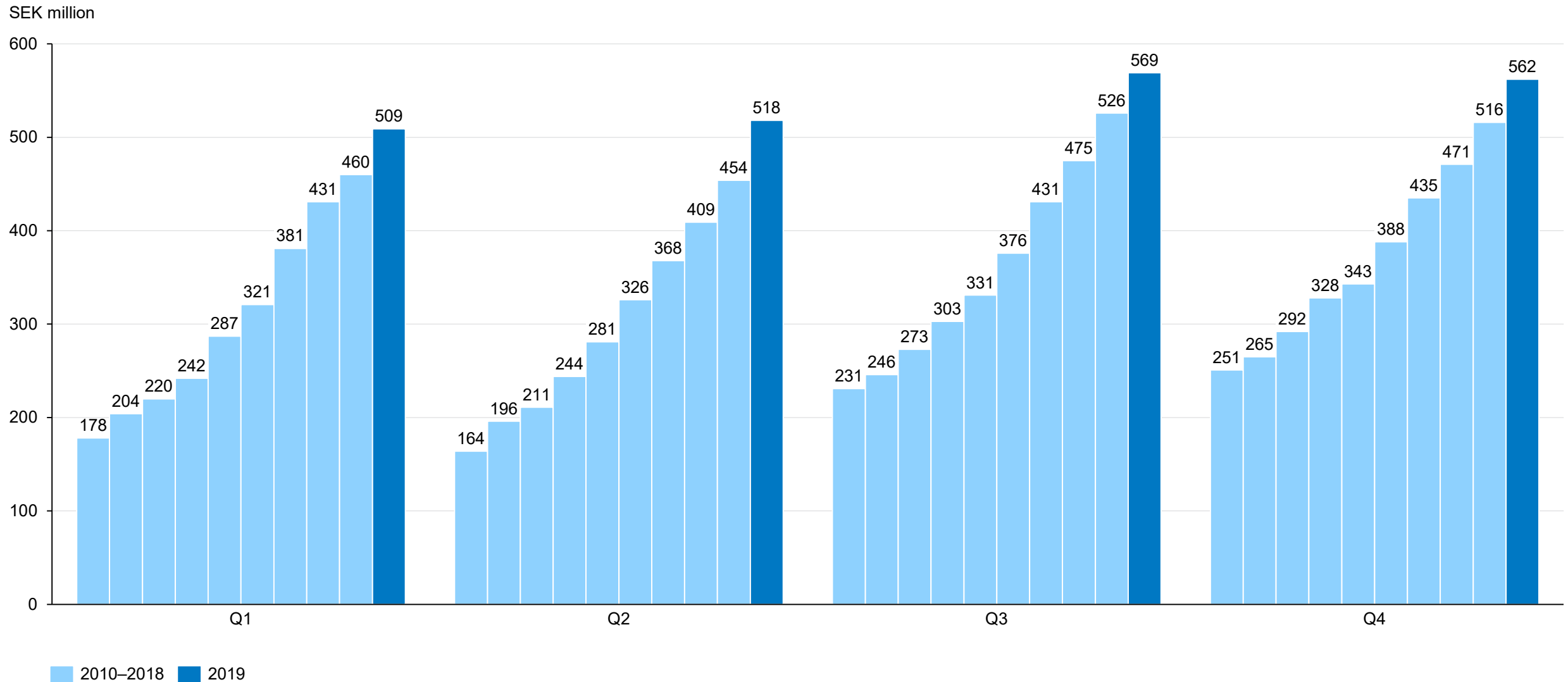
Adjusted operating profit per kilo
SEK 0.97
(up 8% y/y, up 6% y/y*)

ROCE
14.9%**

* Fixed FX

** Rolling 12 months incl. IFRS 16 effect

Operating profit for Q4 2019 – the trend continued



2019 summary

HIGHLIGHTS

AkoPlanet™

- ◆ Our range of solutions for plant-based foods
- ◆ Strong growth
- ◆ Strong pipeline development

COBAO™ Pure

- ◆ Application for the chocolate and confectionery industry

Ramped up M&A activity

- ◆ Expanded portfolio offering in Foodservice
- ◆ Addition of lecithin to our portfolio, an adjacent ingredient to oils & fats
- ◆ Addition of capacity in Europe (Rotterdam, the Netherlands)



Summary 2019 – Continued double-digit profit growth

HIGHLIGHTS

2019



- Sales amounted to SEK 28,510 million (27,592), an increase by 3 percent
- Double-digit operating profit growth continues
- Operating cash flow including changes in working capital amounted to SEK 1,558 million (1,090)
- Reported tax costs reduced to 25 percent (27)
- Earnings per share increased by 12 percent
- The proposed dividend is SEK 2.10 (1.85), an increase by 14 percent
- Three strategic acquisitions to support future profit growth

GROWTH & RETURNS

Volume
2,290,000 MT
(up 2% y/y)

**Adjusted
operating profit**
SEK 2,157 million
(up 10% y/y, up 6% y/y*)

**Adjusted
operating profit
per kilo**
SEK 0.94
(up 8% y/y, up 3% y/y*)

ROCE
14.9%**

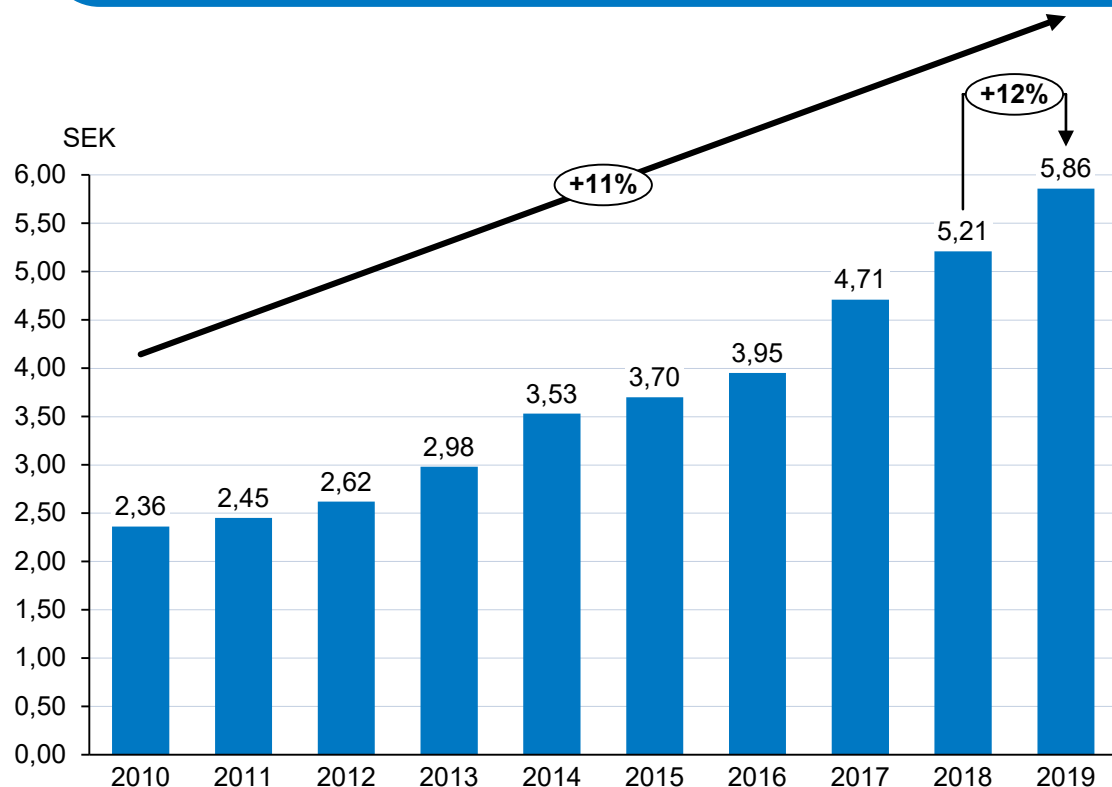
* Fixed FX

** Rolling 12 months incl. IFRS 16 effect

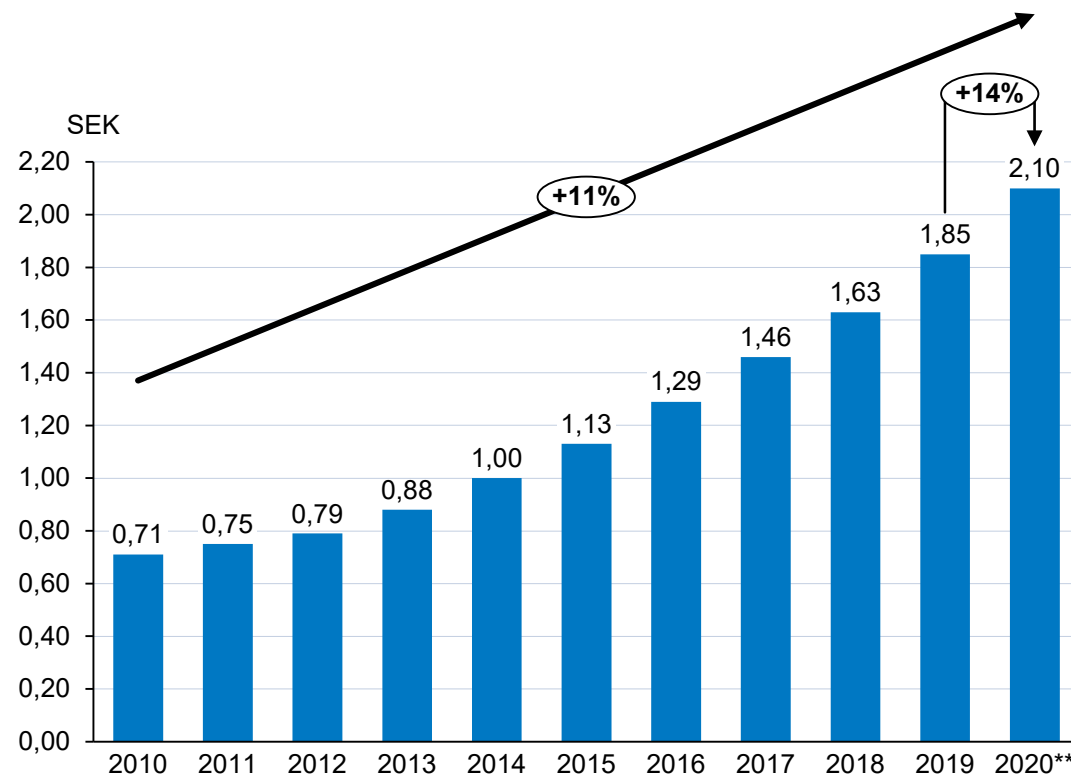
Consistent growth in EPS drives increase in dividend

The proposed dividend is SEK 2.10 (1.85) per share, an increase by 14 percent compared to last year

Earnings per share



Dividend per share*



*Year paid out

** Proposed dividend

Food Ingredients

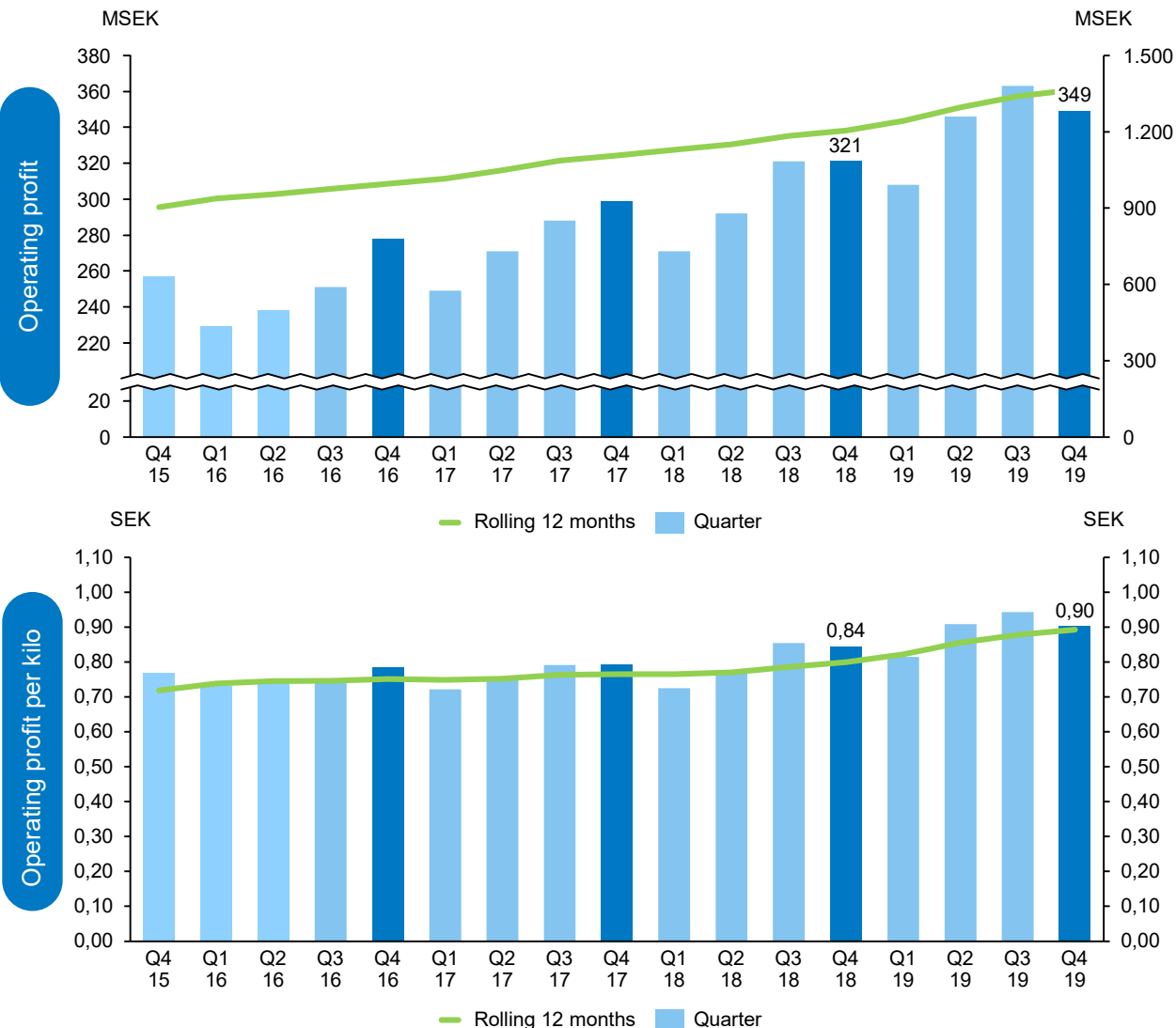
Operating profit
+9%

Organic volume growth
+2%

Operating profit per kilo
+7%

Business area development

- Strong profit growth driven by plant-based foods solutions as well as Dairy and Bakery
- Special Nutrition had a mixed performance
 - Lower birth rates in China and destocking by some global customers continued to negatively impact Infant Nutrition while we saw a double-digit growth rate for volumes to local customers in China
- Solutions for plant-based foods generated a strong volume and profit growth. Our pipeline of customer co-development projects has doubled between the third and the fourth quarter, just as it did between the second and the third quarter.
- Foodservice improved profitability despite negative volume development



Chocolate & Confectionery Fats

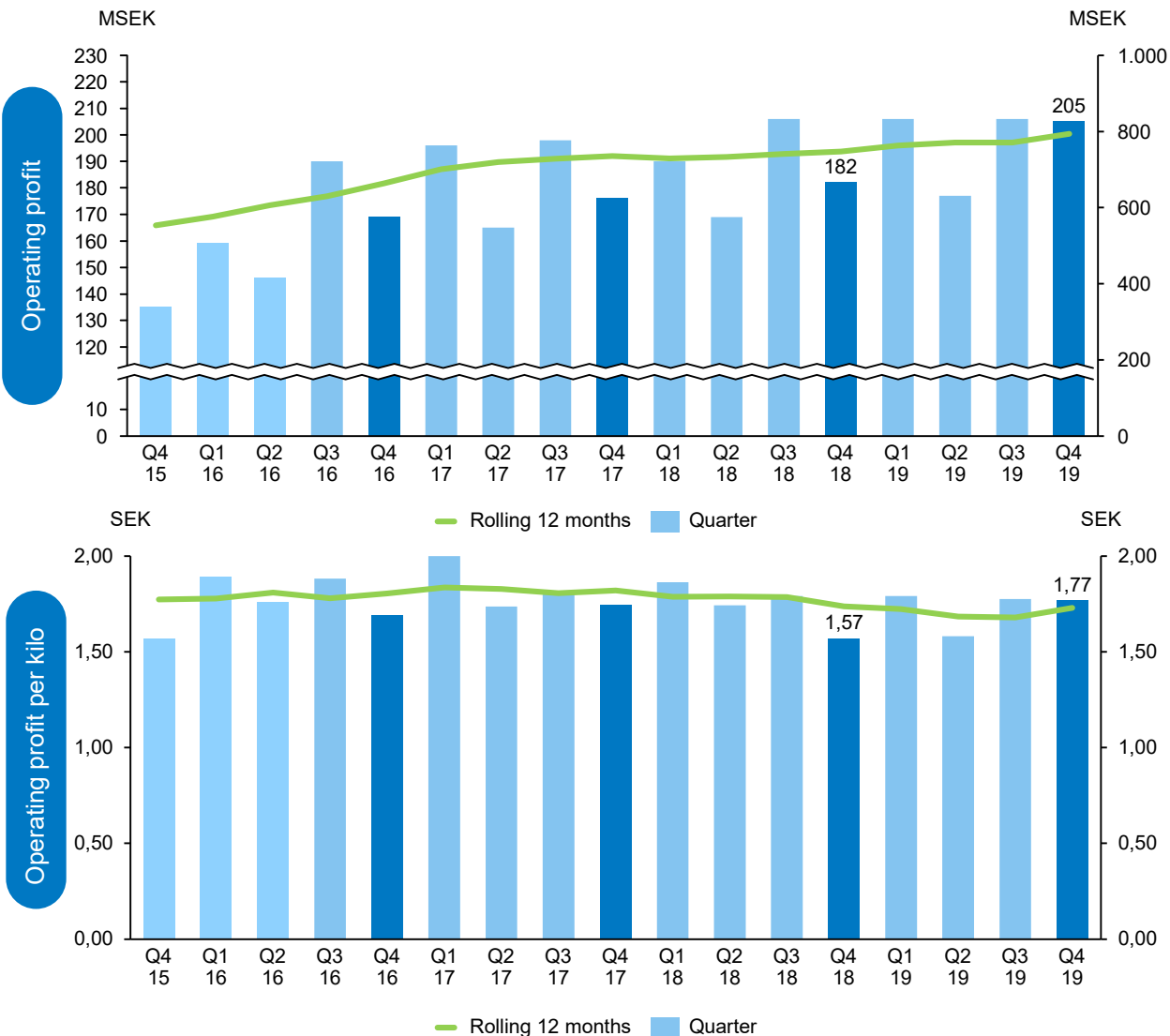
Operating profit
+13%

Organic volume growth
+0%

Operating profit per kilo
+13%

Business area development

- Strong profit growth driven by favorable spot business opportunities in the quarter as well as an improved product mix
- Volume growth for Chocolate & Confectionery Fats was flat
- Mixed picture with growth for our filling fats and spreads while our low-end semi-speciality products declined
- Pressure from some customers to roll contracted volumes forward remains
- Capacity expansion investments completed during the fourth quarter with good results
- The extended maintenance stop at our production plant in Aarhus, Denmark, planned for the first quarter 2020, is currently ongoing
- 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



Technical Products & Feed

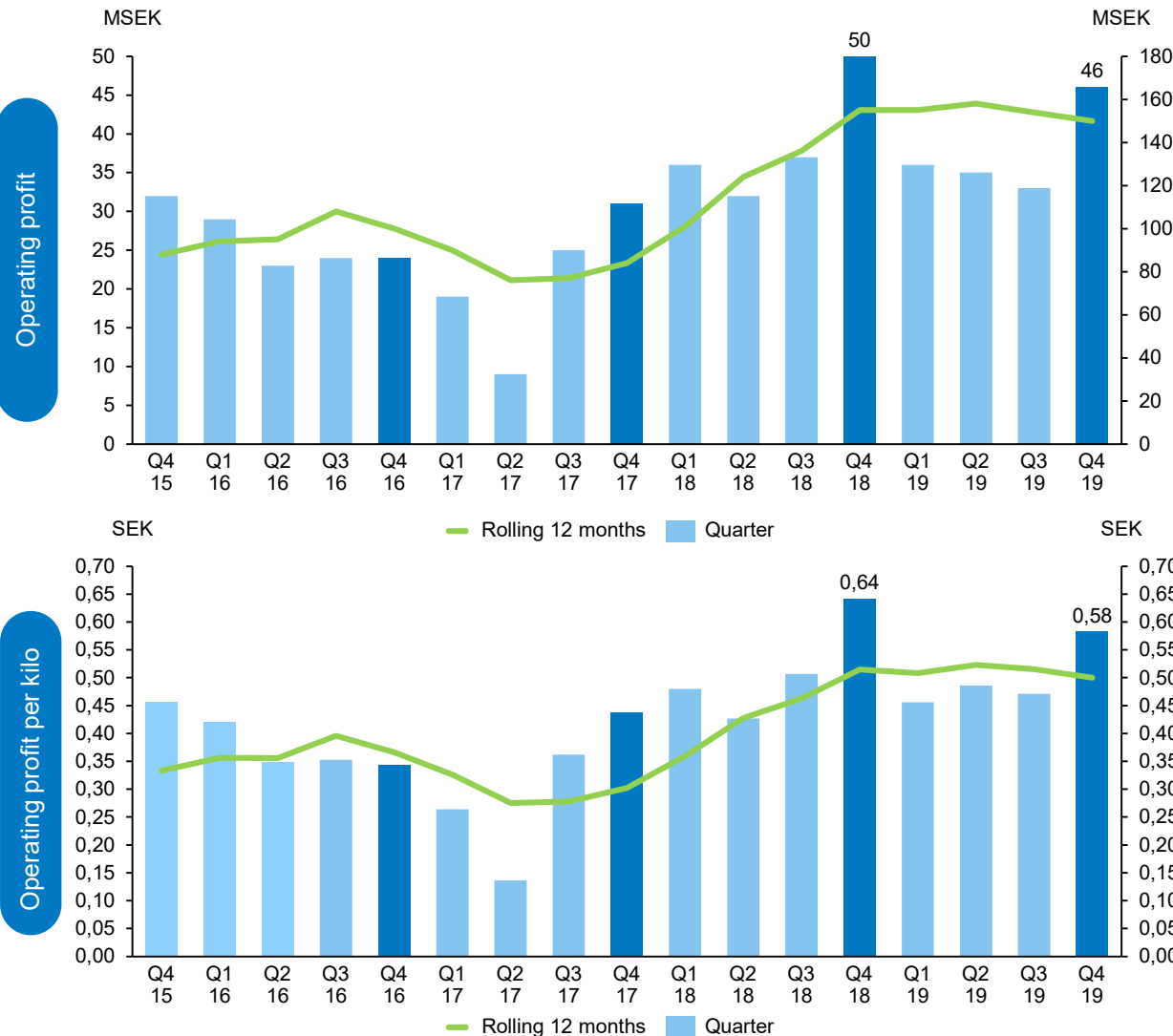
Operating profit
-8%

Organic volume growth
+1%

Operating profit per kilo
-9%

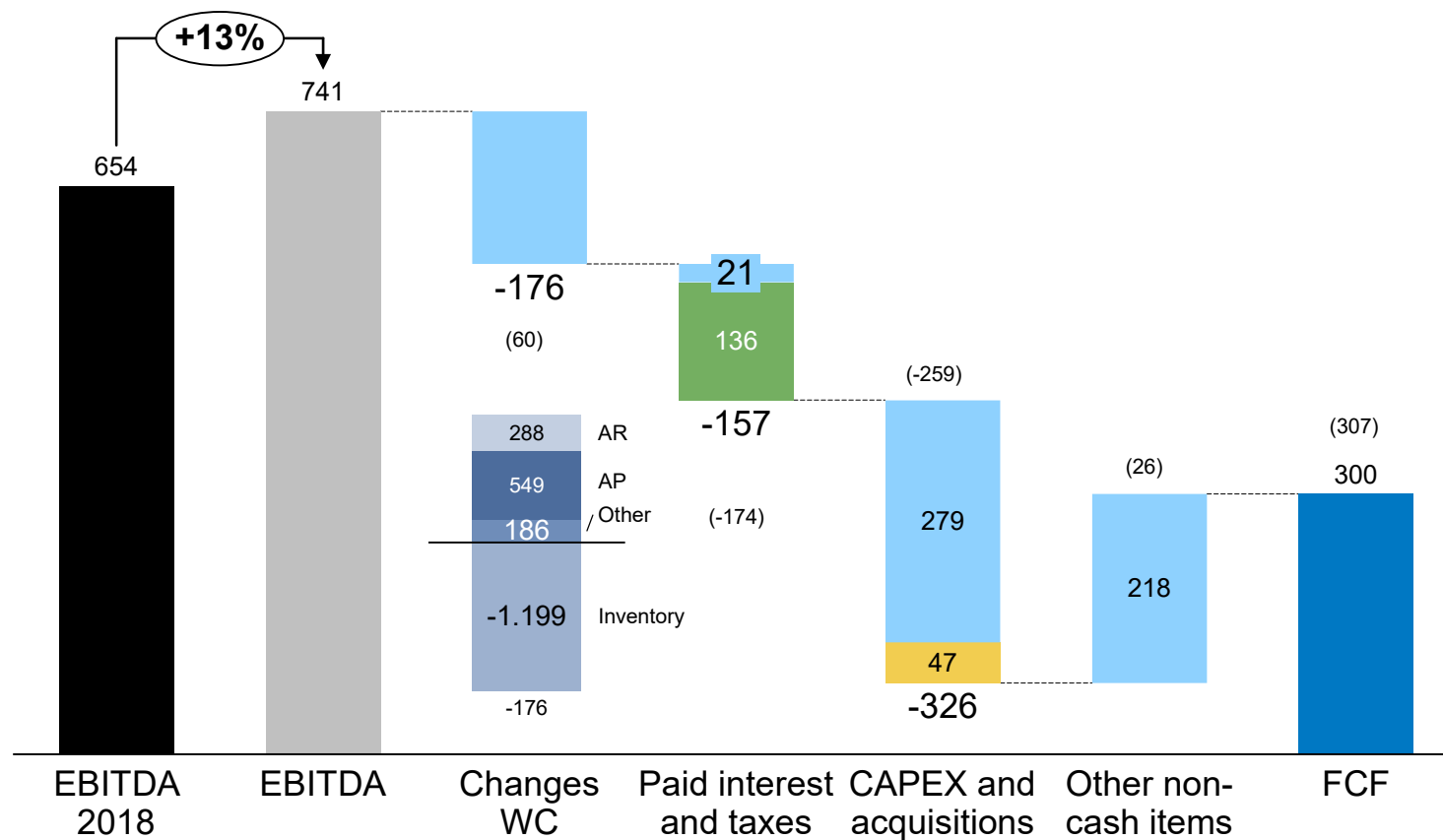
Business area development

- Continued strong performance in our crushing operation
- Both our fatty acids business and our feed business declined compared to the very strong corresponding quarter 2018
- Compared to historical performances, we continue to operate on a significantly higher operating profit level due to the successful implementation of our customer co-development approach within the business area



Q4 cash flow impacted by sourcing of strategic raw materials

Cash flow Q4 2019



(LY) Acquisitions Tax

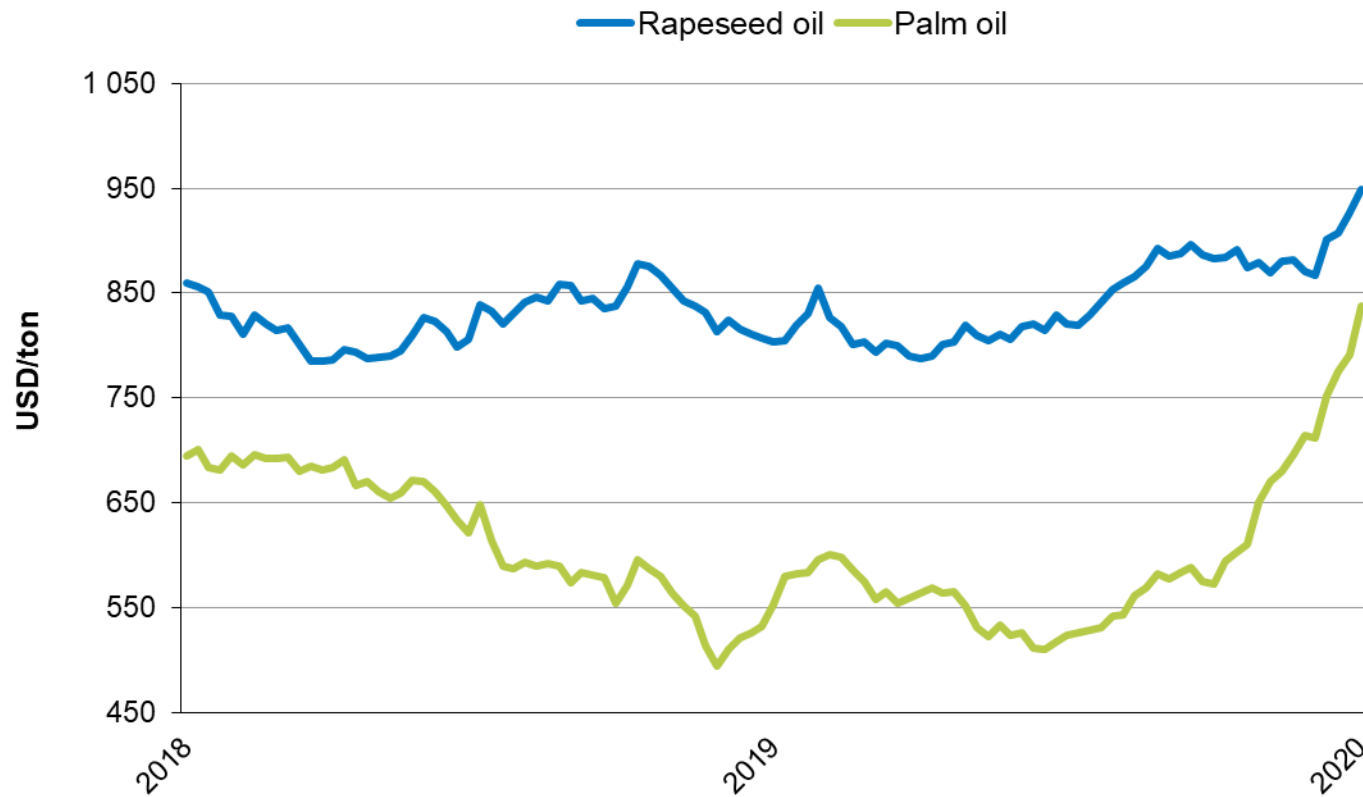
Comments

- Strategic purchases of key raw materials to Chocolate & Confectionery Fats had a significant negative impact on cash flow from inventory
- Strong positive cash flow from accounts payables as well as accounts receivables

Raw material price development

Sharp price increase on palm – rapeseed also in an upward trend

Rapeseed oil and palm oil



Comments

- Palm prices have gone up significantly during the fourth quarter, which will have an impact on cash flow with a 6–9 month lag
- A 10 percent change in all raw material prices will affect working capital by +/- SEK 350 million

Return on Capital Employed (ROCE)

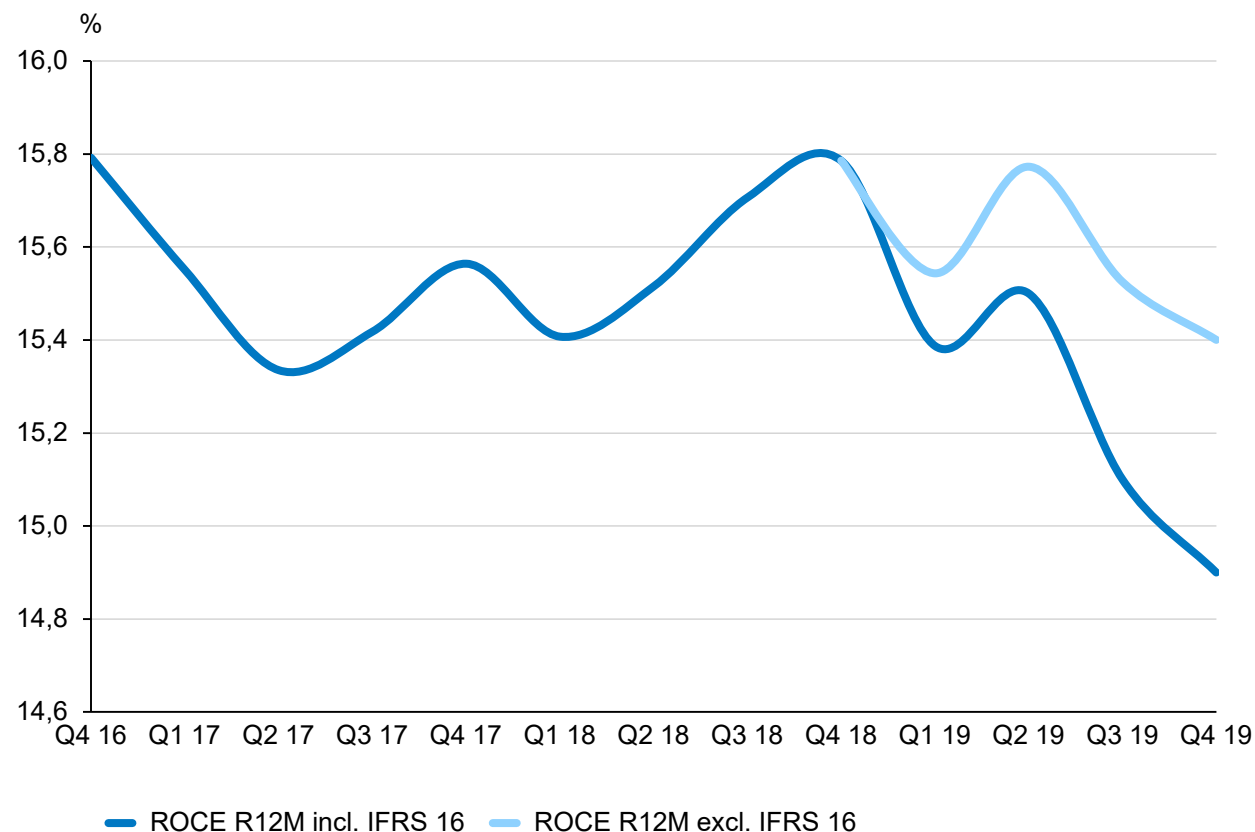
- 💧 We target a gradual and continuous improvement

ROCE end Q4 2019*
14.9%

EBIT LTM
SEK 2,142
million

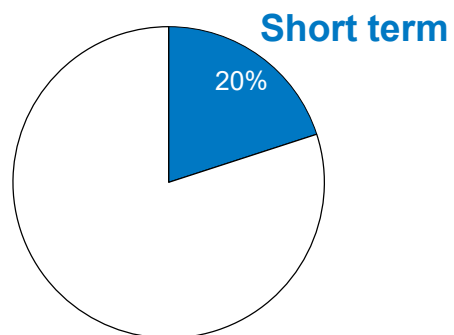
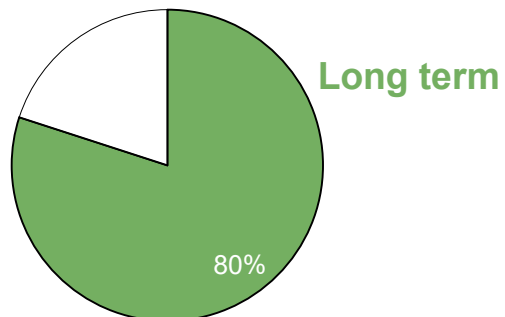
Capital
employed*
SEK 14,417
million

Growth and operating leverage
to drive increase in ROCE



* ROCE: Return on Capital Employed calculated on rolling 12 months

Loan and duration profile



	SEK million	Duration
Mortgage	534	13 years
MTN bond	500	5 years
MTN bond	500	5 years
MTN bond	1,100	2 years
Bilateral	400	3 years
Clubloan	150	2 years

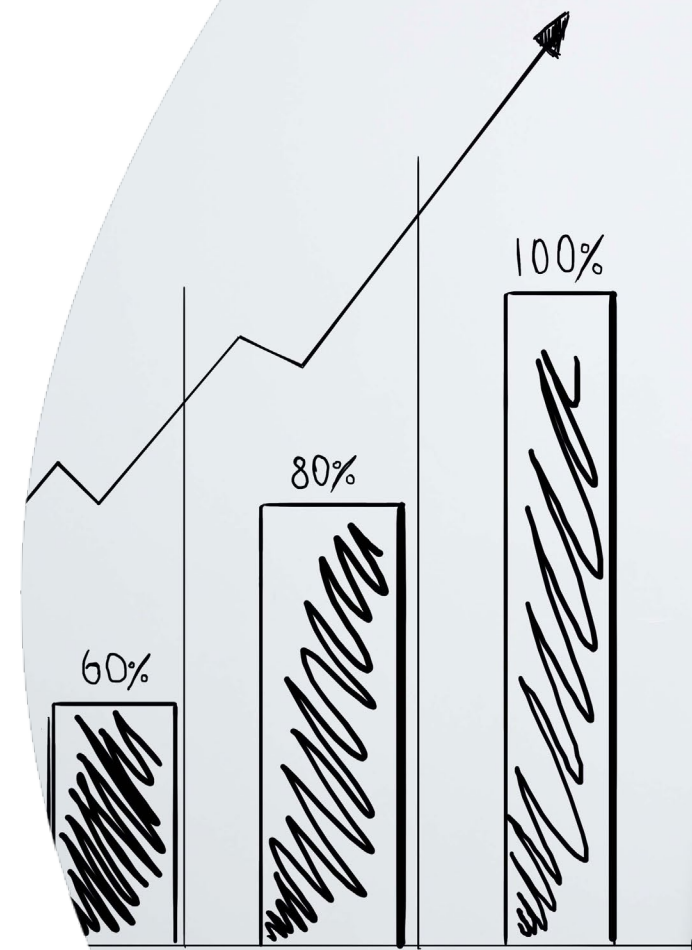
	SEK million	Duration
Bilateral	273	3 months
Bank loans	527	6 months
Total loans	3,984	
Cash	-982	
Net	3,002	



FX exposure – positive translation impact in the quarter

Based on spot FX rates for December 31, 2019, small negative translation impact in 2020

	Average rate 2018	Average rate 2019	Movement vs SEK	Spot rate Dec
USD	8.71	9.43	➡	9.34
EUR	10.26	10.56	➡	10.49
GBP	11.58	12.06	➡	12.40
MXN	0.45	0.49	➡	0.49



**AAK builds
on a strong
performance
with...**

36

**record quarters
in a row!**

The new strategic direction will preserve our DNA,
but we will sharpen our focus to strengthen our position



Passion, drive and entrepreneurship



Strong regional ownership and accountability



Co-development and Customer centricity



Sustainability and responsibility towards all stakeholders



Flexibility and agility in sourcing and production

In light of the diverse market dynamics, we will apply different portfolio strategies, which will guide how we manage our respective industries



Invest in continued growth



Chocolate &
Confectionery Fats



Special Nutrition



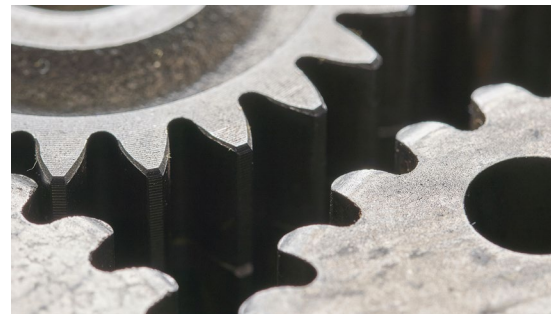
Bet for the future



Health & Nutrition platform



Plant-based Foods



Optimize performance



Bakery



Dairy



Foodservice



Maintain current strategy



Natural Emulsifiers



Personal Care



Technical Products & Feed

To further differentiate, we want to enhance our Customer Co-Development model and sustainability offerings by strengthening our foundation and backbone

Differentiators



Customer Co-Development
2.0



Sustainability as a true
differentiator

Backbone



Product Management



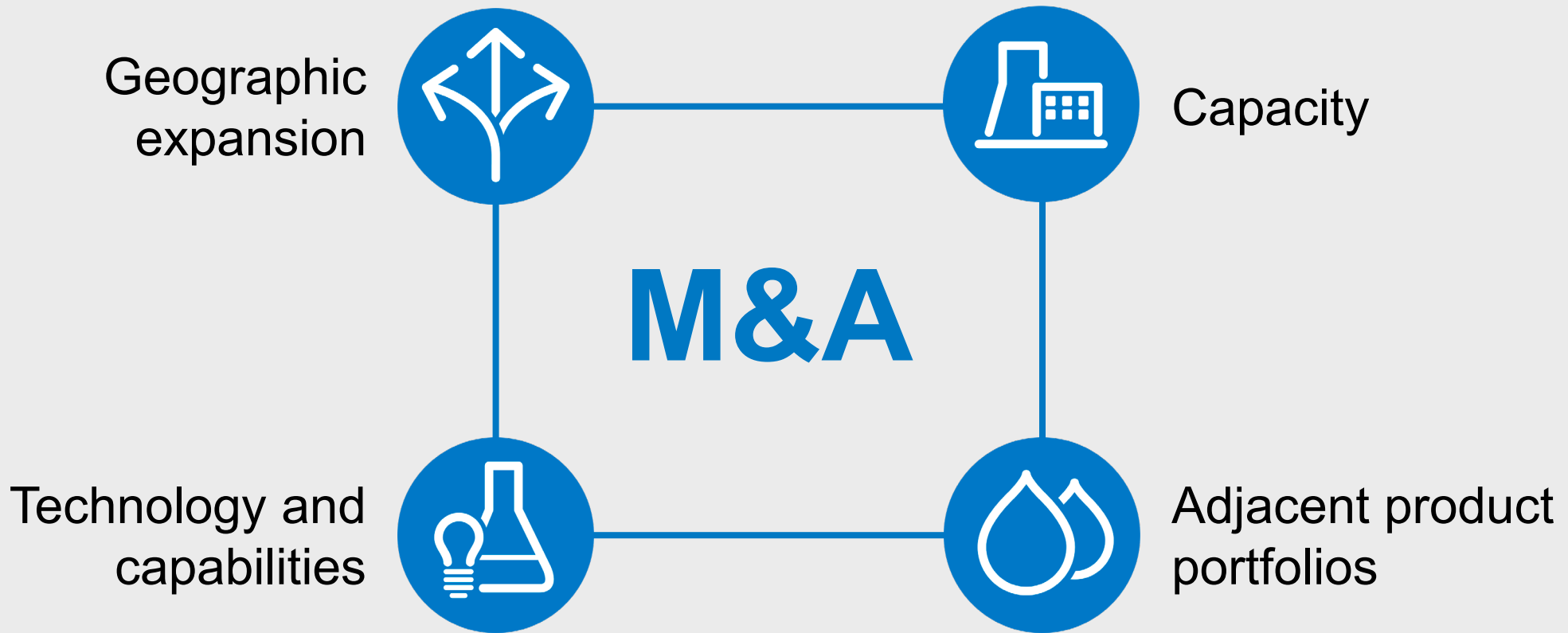
End-to-end supply chain
planning and execution

Foundation



People, Purpose &
Culture

M&A remains a key enabler of our continued growth journey



Concluding remarks



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.

Q&A

Financial calendar

Financial calendar 2020

April 24, 2020	Interim report first quarter 2020
May 13, 2020	Annual General Meeting, Malmö
July 17, 2020	Interim report second quarter 2020
October 22, 2020	Interim report third quarter 2020
November 17, 2020	Capital Market Day, Malmö

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**Further Investor Relations material
can be found at aak.com/investors**

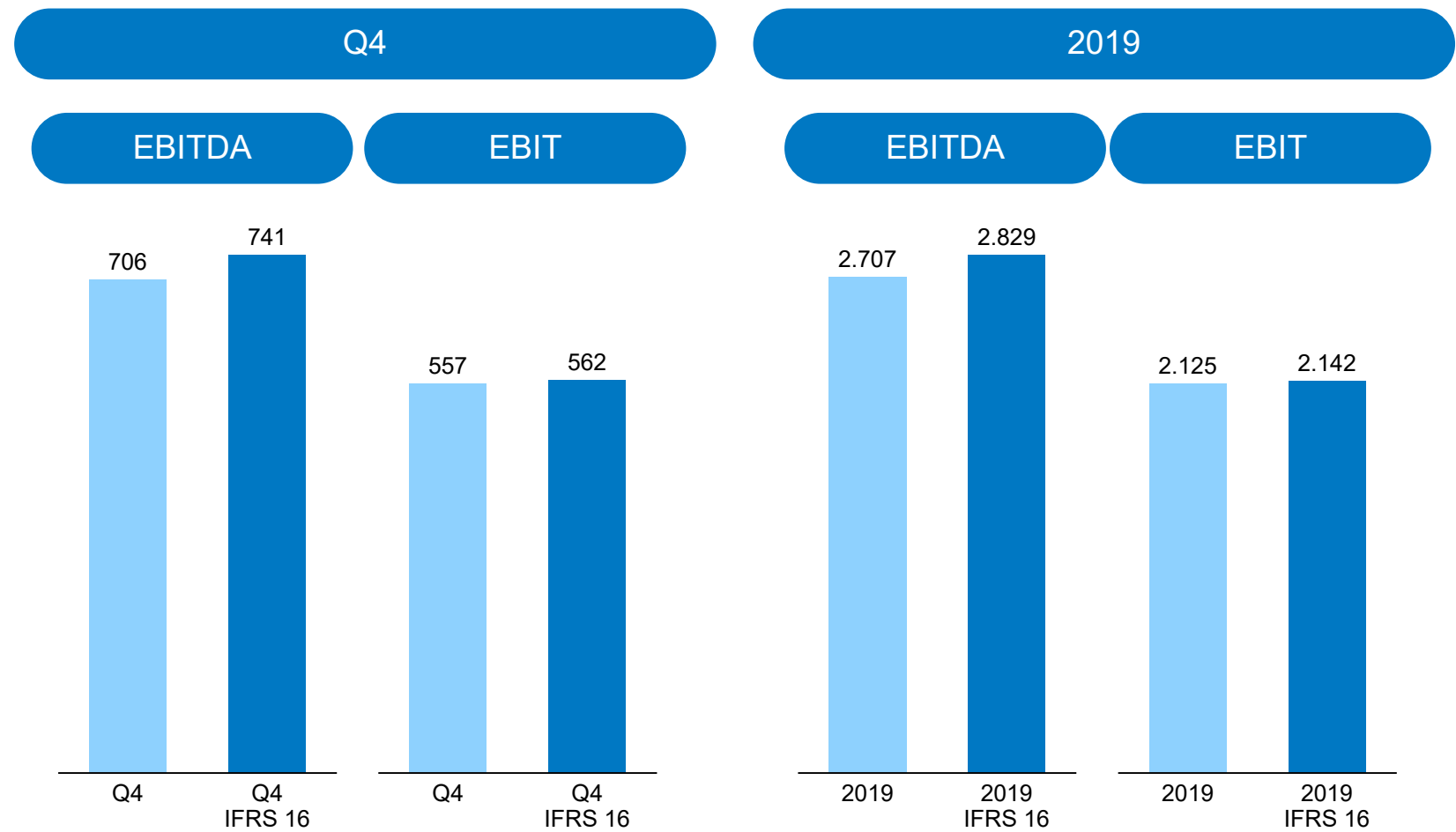


Q4 presentation

Supplementary information

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IFRS 16 effect

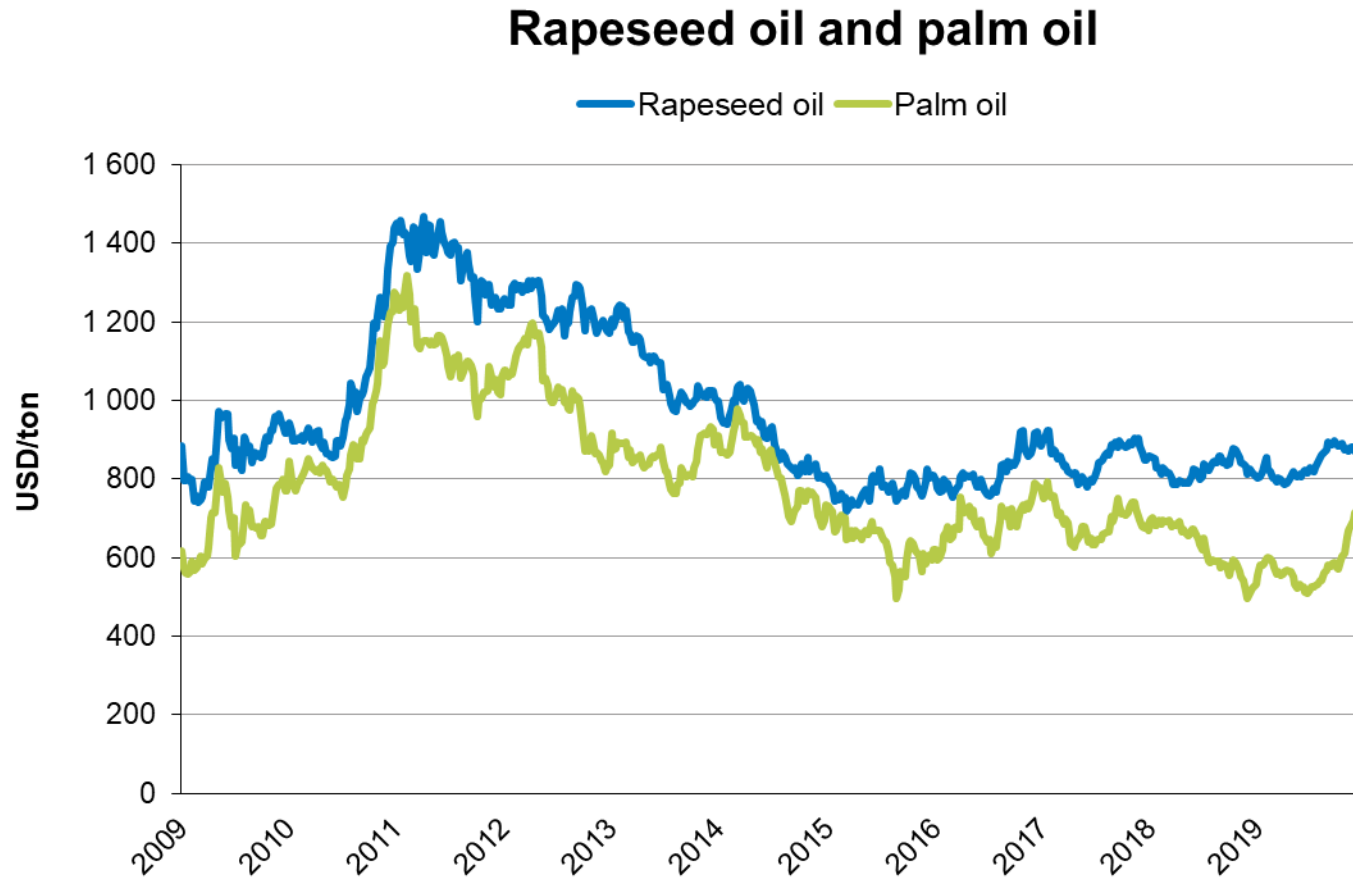


Cocoa butter price

Cocoa butter

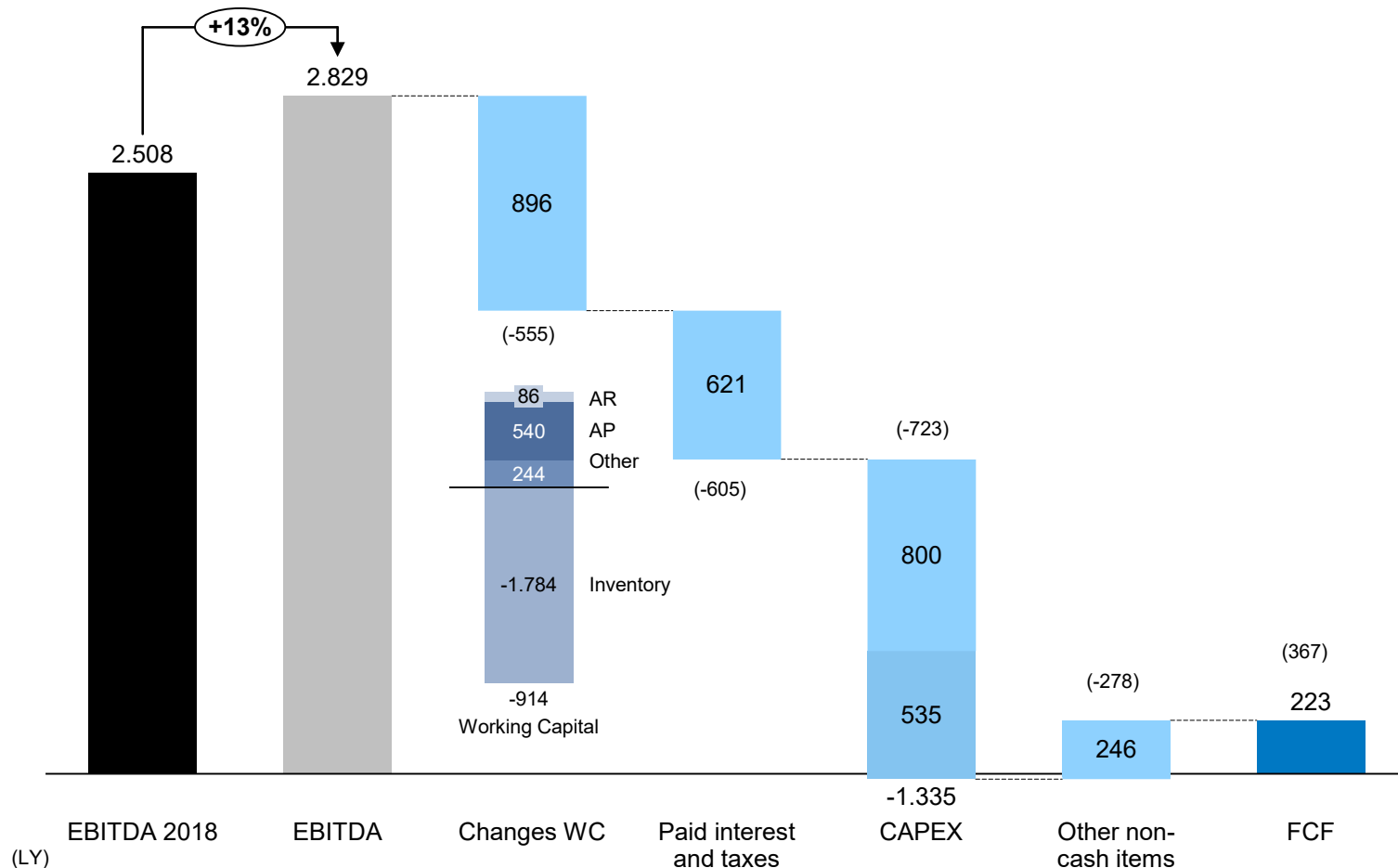


Rapeseed and palm oil prices



YTD cash flow impacted by sourcing of strategic raw materials

Cash flow YTD 2019



Comments

- 💧 Cash out flow from inventory mainly driven by sourcing of strategic raw materials. Some effect also from increased inventory levels. This effect is offset by increased accounts payables.
- 💧 The increase in palm oil prices during the fourth quarter is expected to impact cash flow negatively with a 6–9 month lag.
- 💧 CAPEX related to regular maintenance investments and capacity increases amounting to SEK 800 million.
- 💧 Cash flow from acquisitions (MaasRefinery B.V., BD Foods Ltd., Soya International, and an increased ownership in AAK Kamani) amounted to SEK 535 million.