

150 years of Making Better Happen™



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Everything we do is about Making Better Happen™

AAK specializes in plant-based oils that are the value-adding ingredients in many of the products people love to consume. We make these products better tasting, healthier, and more sustainable. We enhance their sensory experience – by giving the silkier mouthfeel in premium chocolate, the juicier texture in a plant-based burger, and the puffier appearance in a lower-fat pastry.

We can also optimize their production by substituting existing ingredients with plant-based equivalents that give better efficiency. AAK's value-adding solutions enable our customers to be successful in a better way.

At the heart of AAK's offer is Customer Co-Development, combining our desire to understand what better means for each customer, with the unique flexibility of our production assets, and a deep knowledge of many products and industries, including Chocolate & Confectionery, Bakery, Dairy, Plant-based Foods, Special Nutrition, Foodservice, and Personal Care. Our 4,000 employees support our close collaboration with customers through 25 regional sales offices, 15 dedicated Customer Innovation Centers, and with the support of more than 20 production facilities.

Listed on Nasdaq Stockholm and with our headquarters in Malmö, Sweden, AAK has been Making Better Happen™ for more than 150 years.

AAK in the world



2021 in brief

| Operational key figures (SEK million unless otherwise stated) | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------|--------|--------|--------|----------------|
| Volumes, thousand tonnes | 2,129 | 2,239 | 2,290 | 2,195 | 2,312 |
| Net sales | 26,436 | 27,592 | 28,510 | 27,934 | 35,452 |
| Operating profit | 1,786 | 1,956 | 2,142 | 2,167 | 2,089 |
| Operating profit excluding IAC* | 1,786 | 1,956 | 2,157 | 2,165 | 2,393 |
| Operating profit per kilo, SEK | 0.84 | 0.87 | 0.94 | 0.99 | 0.90 |
| Operating profit per kilo excluding IAC, SEK | 0.84 | 0.87 | 0.94 | 0.99 | 1.04 |
| Cash flow from operating activities | 1,099 | 1,090 | 1,558 | 2,023 | 508 |
| Earnings per share, SEK** | 4.71 | 5.21 | 5.86 | 6.16 | 5.59 |
| Equity per share, SEK** | 30.21 | 35.11 | 40.74 | 38.00 | 45.58 |
| Dividend per share, SEK** | 1.63 | 1.85 | 2.10 | 2.30 | 2.50*** |
| Return on Capital Employed, R12M, % | 15.6 | 15.8 | 15.0 | 14.2 | 15.6 |

*Items affecting comparability

**Share data recalculated in accordance with the decided share split (6:1) by the Annual General Meeting on May 30, 2018

***In accordance with the Board of Directors' proposal

For financial definitions, please see page 129.

- In March, we implemented satellite monitoring globally to support zero deforestation. Our partnerships with market-leading sustainability tech companies Earthqualizer and Satelligence allow us to monitor our global supply base for palm oil, making it possible to earlier detect signs of deforestation and take immediate action.
- To accelerate the development of ingredient solutions for alternative meat and dairy products, AAK partnered with Big Idea Ventures in mid-March. With this investment, we get closer to early-stage businesses who are active within one of our key growth segments, Plant-based Foods (picture to the right).
- Tomas Bergendahl began his role as new Chief Financial Officer in May. Prior to joining AAK, Tomas was CFO and Executive Vice President at a leading international consulting group. He has also held various senior finance positions for companies both in Scandinavia and the United States.
- In June, AAK joined forces with Mars, several leading NGOs, and an impact investment fund to create a public-private partnership that will improve the livelihoods of women working in Ghana's shea supply chain. Running until 2030, the Women in Shea (WISH) initiative aims to reach 13,000 women shea collectors from more than 150 communities in northern Ghana.
- We signed a EUR 400 million sustainability-linked revolving credit facility during the month of June. The facility is closely linked to a number of AAK's sustainability targets, among them our commitment to a 100 percent deforestation- and conversion-free palm supply chain by 2025.
- At the end of June, we entered a formal consultation process with union delegates to carry out a production consolidation and subsequent closure of our site in Merksem, Belgium. The consultation process was completed during the third quarter. The initiative is in line with our strategy to optimize performance within the Bakery segment to improve cost efficiency and increase competitiveness.
- To address deforestation outside of palm oil concession areas in Aceh, Indonesia, AAK entered a partnership with Nestlé and palm oil corporation Musim Mas in September. The five-year program will positively impact some 1,000 independent smallholders and is an important part of AAK's sustainable sourcing approach.
- In September, we acquired BIC Ingredients, the lecithin arm of BIC International Holding, significantly increasing our footprint in the European lecithin market. With the acquisition, we have expanded our offer with non-GM speciality lecithin and lecithin compounds.
- During the same month, we announced a partnership with Progress Biotech to supply the Dutch company's high-quality, algae-based DHA for infant formula. Commonly derived from fish oils, DHA is an omega-3 fatty acid that offers several clinically proven benefits and is mandatory in infant formula across the EU.



President and CEO:

A successful year for AAK, despite high volatility and a very dynamic business environment

Aside from pandemic-related restrictions and uncertainties – more prevalent in some regions than others – 2021 was characterized by continued high raw material prices, general cost inflation, and global logistics disturbances. This had a negative effect on businesses all over the world, AAK included. But looking at our strong performance, it's fair to say that our agile and dedicated organization managed these challenges successfully.

For the full year, operating profit, excluding items affecting comparability, increased by 11 percent – 18 percent, when calculated at fixed foreign exchange rates. Delivering on our financial ambition, an average 10 percent year-over-year EBIT improvement, is a clear indication not only of the sustainable nature of our business and the attractiveness of our offering, but also of our organization's continued ability to manage uncertainties and disruptions.

Our strong performance in 2021 was driven by a positive development across business areas, well supported by strong execution of our strategy.

Food Ingredients reported an improved profitability as we continued our prioritization of speciality and semi-speciality solutions. Foodservice, which was severely impacted by the pandemic in 2020, recovered nicely but is still not back at pre-pandemic levels. Plant-based Foods continued its positive growth trend.

There was also a clear rebound effect in Chocolate & Confectionery Fats, driven by our successful co-development approach and an increased consumer demand for chocolate and confectionery products. The business area reported a very strong year and delivered double-digit growth both in terms of volumes and operating profit.

The positive development for Technical Products & Feed was quite significant with an operating profit and an operating profit per kilo at record levels.

Important achievements

During the year, we made important progress in line with our portfolio-based strategy. We partnered with Big Idea Ventures to accelerate the development of ingredient solutions for Plant-based Foods, identified

as a key growth segment. We also joined forces with partners in India and Oceania to meet the growing demand for plant-based products in these strategically important markets.

As for Special Nutrition, we opened our new production plant in China, focusing on infant nutrition speciality solutions. We also partnered with Progress Biotech to supply the Dutch company's premium algae-based DHA for infant formula.

To further strengthen our position in the European lecithin market, we acquired BIC Ingredients during the third quarter. Lecithin, which is an adjacent product to our oils and fats, is relatively new in our portfolio but a crucial ingredient in a wide range of applications. With this investment, we will be able to create even better solutions in close collaboration with our customers globally.

Another key event was the signing of a EUR 400 million revolving credit facility, closely linked to a number of AAK's sustainability targets. The new facility is completely in line with our purpose, Making Better Happen™, and clearly emphasizes the financial community's support for our sustainability agenda.

Strong sustainability progress

On that note, we have continued to take important steps in our sustainability work. One such step is the implementation of satellite monitoring for our global palm oil supply base. The monitoring system is an important tool, supporting us on our way towards reaching our goal – a palm oil supply chain that is 100 percent verified deforestation-free and 100 percent traceable to plantation by 2025.

Steering our world in a more equitable and sustainable direction, requires collaboration between various stakeholders, such as governments, policy makers, companies, and NGOs. Therefore, we warmly welcomed initiatives and commitments put forward by the EU and global leaders at COP26 in November 2021.

A good example of an important collaboration is our partnership with customer Nestlé and palm oil corporation Musim Mas to address deforestation outside of palm oil concession areas in Aceh, Indonesia – an important area both in terms of biodiversity and carbon storage. Another example is the ten-year Women in Shea (WISH) initiative, aimed at significantly improving the livelihoods of women working in the shea supply chain in West Africa. We will continue to engage in these types of partnerships to make even better happen in and around our supply chain.

As for our own operations, we made strong improvements in terms of resource efficiency and climate impact. Our greenhouse gas emissions in terms of scope 1 and 2 decreased by 5 percent compared to 2020, and our annual sourcing of renewable electricity increased by 50 percentage points. A few months ago, we continued to push forward as we decided to invest SEK 500 million in two biomass boilers at our production site in Aarhus, Denmark. The initiative will reduce the site's CO₂ emissions by approximately 90 percent – and the Group's total scope 1 emissions by 16 percent.



Continued uncertainties

As I write this, we seem to be moving in the right direction regarding the pandemic. However, the tragic war in Europe and its ripple effects, devastating for millions of people, have thrown the world into new uncertainties with macro-economic consequences that are difficult to predict. Despite the uncertainties, we are, as an important supplier of food ingredients, well positioned to manage risks and continue to serve the crucial food supply chain.

150 years of Making Better Happen

In September 2021, we proudly celebrated our first 150 years as a pioneer and leader in plant-based oils and fats, and we look forward to making better happen for many years to come. Concluding another successful year, I would like to sincerely thank our customers, collaboration partners, shareholders, the Board of Directors, our dedicated management team, and each and every AAK colleague around the world for your continued support and contributions.

Johan Westman, President and CEO

AAK's vision

AAK solves challenges and creates opportunities with lasting value through tailored plant-based oil solutions. Through our unique co-development approach, we support our customers' needs and help realize their goals.

To achieve this, we have set our standards high. After 150 years in the business, we have the knowledge and capability to make a positive impact to our customers' business, to the industries we serve, to our employees and stakeholders – and to the future of our planet.

Our vision is to be the industry's first choice for plant-based oil solutions. This goal is enabled by the elements that form the foundation of our approach:

The first choice for plant-based oil solutions

We aspire to be the **first choice** for businesses looking for innovative, cost-effective, and sustainable plant-based oil solutions. This ambition also applies to our other stakeholders, such as employees, partners, suppliers, and shareholders. We achieve this through our competitiveness, our consistently high-quality standards, and our innovation.

We have deep knowledge about **plant-based** oils and we know it isn't only about developing better products; it is about creating better solutions. This is made possible through a unique multi-oil/multi-process approach and personalized services that include everything from consultation and customization to technical support and a faster time-to-market.

AAK in the food value chain



*Crushing and refining performed by AAK for select raw materials.

Fat – an essential food ingredient

As humans, we simply cannot live without fat. Found in every cell in the body, it is essential for structuring the cell walls and regulating important mechanisms in the body, for example our immune system. Fat is also a very important provider of energy (providing 37 kJ/g) and the most energy-dense part of our diet. It is recommended that approximately 30 percent of our daily intake comes from fat, equal to 60–90 grams for adults.

The essential fatty acids are nutrients which are required every day at well-balanced levels as they are precursors to a number of bioactive components which are required for the human body to function. As vitamins A, D, E, and K are only dissolvable in oils, the body is only able to absorb these in the presence of fat.

There are several different types of fat, which are typically divided into four main groups:

Saturated fat – found in animal products such as butter, cream, milk, meat, and vegetable oils from tropical plants (coconut and palm). Characterized by the ability to remain solid at room temperature.

Monounsaturated fat – found in almonds, olive oil, rapeseed oil and other vegetable oils. Suitable for cooking, being more heat-stable than polyunsaturated fat.

Polyunsaturated fat – found in most liquid vegetable oils, for example sunflower and soybean oil, and, to some extent, in oily fish such as salmon, mackerel, herring and sardines. Polyunsaturated fats are further



categorized as omega-3 and omega-6 polyunsaturated fats. Two of the polyunsaturated fatty acids are essential: linoleic acid and linolenic acid. Based on these two fatty acids, the body is able to synthesize all other polyunsaturated fatty acids it needs.

Trans fat – a particular form of unsaturated fat. Industrially hardened vegetable fats were previously a major source of trans fatty acids, but after years of focus on decreasing the content of trans fatty acids

in vegetable oils and fats, this source is now negligible compared to the natural content found in milk and fat from ruminants.

Unsaturated fats have a positive (decreasing) effect on blood cholesterol while saturated fats increase all cholesterol, LDL (bad cholesterol) as well as HDL (good cholesterol). Trans fats, on the other hand, only increase the level of bad LDL cholesterol.

Broad range of raw materials

Our raw materials are natural and obtained from rapeseed, palm, shea kernels, soya beans, sunflower seeds, and coconuts. Drawing on our extensive knowledge and 150 years of experience, we utilize the properties of plant-based oils to add value to customer products within our target industries.

**Rapeseed oil/Canola oil**

Northern and Central Europe, Canada, United States, Australia, and China

**Palm oil**

Asia, Central and South America

**Palm kernel oil**

Asia and South America

**Shea kernels**

West Africa

**Soybean oil**

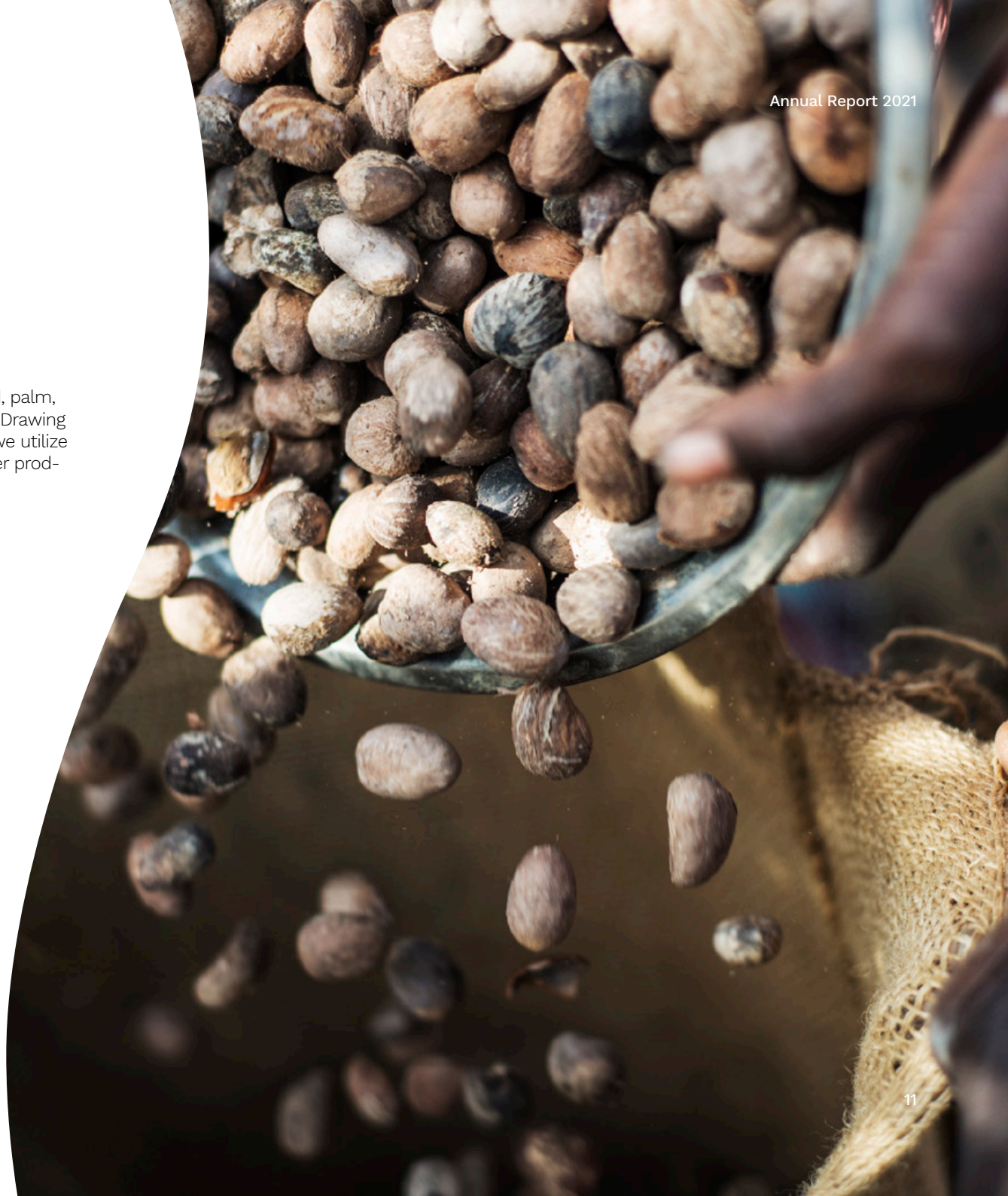
United States, South America, and Asia

**Sunflower oil**

United States, Europe, and Argentina

**Coconut oil**

Indonesia, the Philippines, India, and Mexico



A collaborative business model for lasting value



Our industry has changed quite significantly since we first started collaborating with customers to improve and accelerate product development. Consequently, our business model, built around a unique co-development approach, has evolved to ensure we continue to deliver better and more effective solutions that drive sustainable growth.

Our core business is to provide value-adding plant-based oil solutions to the food, confectionery, and cosmetics industries. Customers across the world rely

on our expertise, experience, and innovation to deliver lasting business value in markets shaped by shifting consumer trends. This inevitably creates challenges to overcome, but also opens up for potential and exciting new ideas.

A common understanding of business opportunities

Inspired by our purpose, Making Better Happen™, we have over the past year enhanced our co-development approach. Successful co-development starts

by gaining a deeper understanding of a customer's business and objectives. Where do improvements need to be made and why? Here we have upgraded our tools to help us understand what better means to each customer. To jointly identify the right opportunity is key to efficient innovation processes. An important change is that we have increased the scope of our understanding to cover the whole value chain. When relevant, our specialists will be at hand to walk this value chain – from plant to brand.

Collaboration that creates lasting value

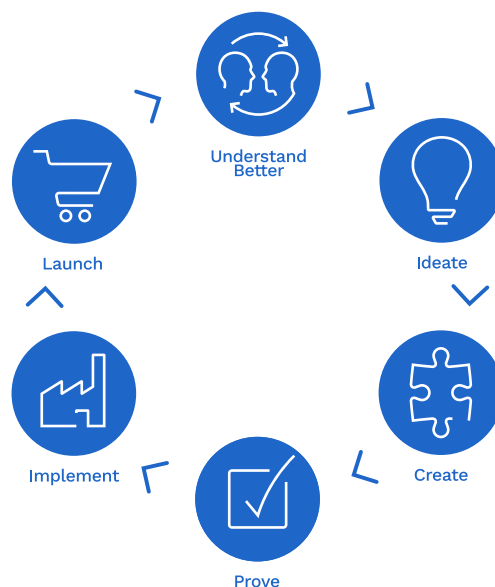
Our co-development approach is based on our strong relationships with customers, where we bring the most value by working proactively in close collaboration to deliver value-adding results at every stage. This methodology enables us to work as an efficient team throughout the process to create solutions with better ideation, faster development times, and more effective implementation.

One size does not fit all

Customers have unique challenges and therefore require customized solutions to get the results they need to stay competitive. Our multi-oil and multi-process approach gives us flexible capabilities to provide products tailored to specific needs, while our global network of Customer Innovation Centers and production facilities enable us to be agile and act effectively as both a local and global partner.

Better multi-functional solutions

We make products with better nutritional and functional value, with great structure, melting and crystallization behavior, rheological properties, flavor release, and skin penetration. This enables us to meet specific customer requirements for improved health profile, taste, processing, logistics, labeling, and legal requirements. In every case, our technical and commercial experts work closely with customers to identify the optimal solution.



A focus on health

Many customer demands are inspired by consumer health trends. This is an area we take very seriously, not least to support a customer's product development strategy. Here, our expertise has enabled us to maintain high product functionality while reducing the majority of saturated fat solutions, believed to increase the risk of cardiovascular disease.

Optimizing costs

At AAK, we constantly strive to reduce raw material and processing costs, but never at the expense of our own high-quality standards. By finding new ways to operate more efficiently, we help customers maintain their growth and development, especially as we work in highly competitive markets where retailers continue to challenge food manufacturers.

Sustainability as a foundation

Sustainable growth is a cornerstone of our company. The foundation of our model for sustainable growth incorporates the ten principles of the UN Global Compact, the UN's Sustainable Development Goals, and our own policies and codes. Through our co-development approach, we can create solutions that help our customers live up to these same commitments.

Co-development in a digital environment

A resourceful and efficient digital work environment has grown increasingly important, even more so since the outbreak of Covid-19. Throughout 2021, we hosted a great number of virtual customer meetings and webinars as part of our customer dialogue, including AAK Academies with industry-specific topics. The use of cameras in our Customer Innovation Centers has made it possible to closely interact with customers, even though apart, enabling a transparent and effective joint development of successful solutions.

A portfolio-based strategy that sets the AAK direction

Recognizing that different industries are characterized by different market dynamics, we have built our strategy around four opportunity profiles. Two years into the execution, we continue to make important progress in line with our strategic direction.

We have a strategic roadmap in place with specific initiatives targeting the speciality, innovation, and optimization opportunities we see by industry. We also have global cross-industry initiatives which include further strengthening of our co-development approach and sustainability offering, strengthening of our ability to create differentiated solutions across industries, and meeting the ever-changing needs of our customers.

In financial terms, we believe that the strategy supports our ambition of an average 10 percent year-over-year operating profit growth combined with a good and consistent earnings per share improvement.

Strategy highlights 2021

Despite continued pandemic-related challenges, we can present several important achievements in line with our strategy.

Invest in continued growth



Chocolate &
Confectionery Fats



Special
Nutrition

Optimize performance



Bakery



Dairy



Foodservice

Bet for the future



Plant-based
Foods



Health & Nutrition
platform

Maintain current strategy



Natural
Emulsifiers



Personal
Care



Technical
Products & Feed

Within “Invest in continued growth”, we increased our innovation and sales pipeline for Chocolate & Confectionery Fats. Another highlight was the signing of a ten-year partnership with global confectionery company Mars and several leading NGOs that will create a significant impact for shea-collecting women in West Africa. We also opened a new production plant in China, focusing on infant nutrition speciality solutions. In addition, we entered a partnership with Progress Biotech on premium algae-based DHA for infant formula.

As for “Bet for the future”, we engaged with innovative partners and suppliers to bring new solutions to market within Plant-based Foods and Health & Nutrition, two areas with strong market growth and high potential for speciality solutions. Within the plant-based space, we grew by high double digits, onboarded a significant number of new customers, and increased our opportunity pipeline, creating a strong foundation for continued growth.

In “Optimize performance”, we have taken initiatives to improve earnings via product management and capacity consolidation in our European bakery business. We have also strengthened our focus on value-adding solutions. One such solution, Akobisc® GO!, developed for the European bakery market, won a Sensory Innovation Award at Food ingredients Europe 2021.

Highlights within “Maintain current strategy” include strong growth in our candles segment, driven by the trend towards more natural solutions, and the acquisition of lecithin business BIC Ingredients. This further strengthens our lecithin footprint and supports many of our core segments where natural emulsifiers are key ingredients. In addition, we continued to focus on maximizing the value of our sidestreams by finding applications where we can replace materials such as mineral oils and plastics with our more sustainable alternatives.

In addition to these achievements, we have during 2021 further enhanced our Customer Co-Development approach and our sustainability offering. We have also continued to lift our capabilities, systems, and processes. Examples include the internal roll-out of our Better Behaviors and Better Leadership principles – elements that are fundamental for our commitment to Making Better Happen™.



150 years of Making Better Happen

From past to present

Our successful story of expertise in plant-based oils and fats started 150 years ago. In 1871, Aarhus Palmekærnefabrik was established to process palm kernels. Farmers used the remaining cakes as animal feed, while the extracted palm oil became important to a wide range of industries.

In 1892, Aarhus Palmekærnefabrik was restructured and named Aarhus Oliefabrik. The focus became production of vegetable oils, primarily for margarine. Already in the early 1900s, Aarhus Oliefabrik expanded globally through the acquisition of companies abroad.

In the 1960s, growth and modern production capabilities helped Aarhus Oliefabrik to become a market leader within speciality fats. All operations were gathered under the collective name Aarhus United in 2003.

The birth of Karlshamns AB

In Karlshamn, Sweden, the company Karlshamns AB was established in 1918. Karlshamns AB produced soybean meal for animal feed, while the soy oil was used for other types of products. Using by-products for new purposes and in groundbreaking ways were the main similarities between Aarhus Oliefabrik and Karlshamns AB.

Kooperativa Förbundet (KF) in Sweden acquired Karlshamns AB in 1932 with the purpose to use fats with competitive prices in their margarine production. In 1965, the margarine and ice cream factory was inaugurated, and a research laboratory was built.



In the 1970s, Karlshamns AB began to export speciality fats to chocolate manufacturers, and an organization for product development and international sales was created. In 2001, Melker Schörling acquired the shares held by KF, thereby becoming Karlshamns AB's largest shareholder.

The successful merger

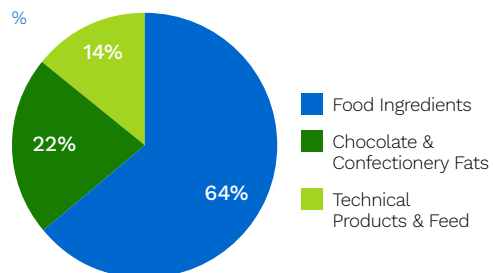
Aarhus United and Karlshamns AB merged in 2005 and became AarhusKarlshamn, AAK. Through the merger, the two strong organizations would complement each other and find synergies between their markets, offers, and production capabilities. Today, AAK is a world-leading global company specialized in customized and sustainable plant-based oils and fats solutions.

Our business areas

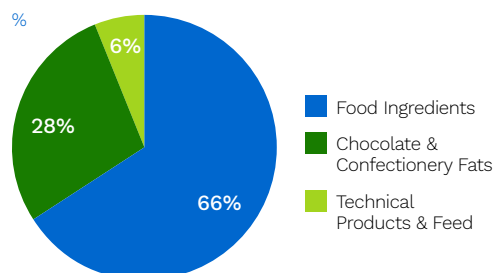
As one of the world's leading providers of value-adding plant-based oils and fats, we enable our customers, representing a wide range of industries, to develop high-quality products that are better tasting, healthier, and more sustainable.

AAK is organized in three business areas: Food Ingredients, Chocolate & Confectionery Fats, and Technical Products & Feed. Food Ingredients, our largest business area, provides solutions to the bakery, dairy, plant-based, nutrition, and foodservice industries. Chocolate & Confectionery Fats primarily serves manufacturers of chocolate, spreads, and caramel products, but also customers in the cosmetics industry. Within business area Technical Products & Feed, AAK provides a growing range of specialized solutions for the technical products and feed industries.

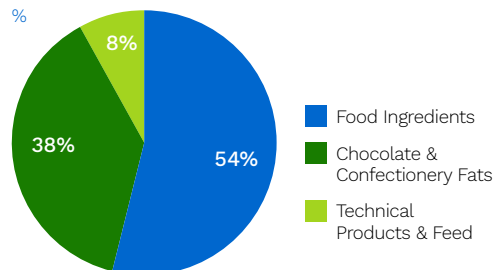
Volumes



Net sales



Operating profit



Business area Food Ingredients

Improved profitability through portfolio optimization

During 2021, we continued our prioritization of speciality and semi-speciality solutions which led to an improved profitability for the business area. Foodservice, severely impacted by the pandemic in 2020, recovered nicely, although not quite back to pre-pandemic levels, and Plant-based Foods continued its positive growth trend and expansion into new geographies.

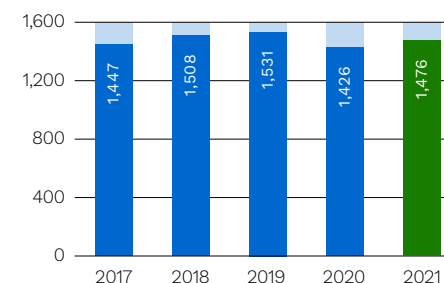
| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------|--------|--------|--------|--------|---------------|
| Volumes, thousand tonnes | 1,447 | 1,508 | 1,531 | 1,426 | 1,476 |
| Net sales, SEK million | 17,665 | 18,468 | 18,978 | 18,387 | 23,245 |
| Operating profit, SEK million* | 1,107 | 1,205 | 1,366 | 1,286 | 1,380 |
| Operating profit per kilo, SEK* | 0.77 | 0.80 | 0.89 | 0.90 | 0.93 |

*Excluding items affecting comparability (IAC)

Volumes

(64% of Group total)

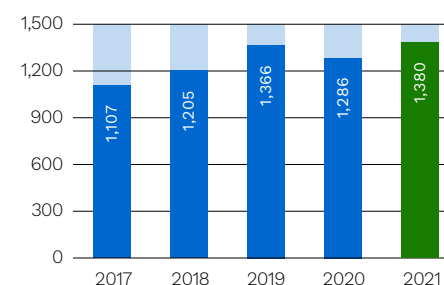
(Thousand tonnes)



Operating profit*

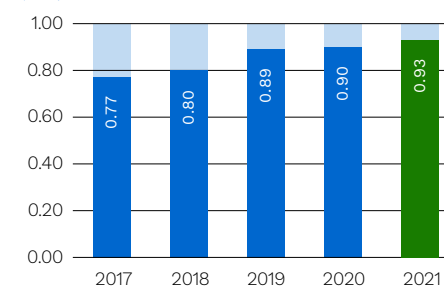
(54% of Group total)

(SEK million)



Operating profit per kilo*

(SEK)



Bakery

The business performance for Bakery was good throughout 2021 with profitability improvements in line with our overall strategic intent. Many optimization activities have taken place within our regions, leading to a strengthening of our regional bakery portfolios.

Solutions

AAK provides a wide range of solutions for major bakery applications, such as biscuits, cookies, pastries, cakes, bread, and pizza. Our solutions are developed to meet customer requirements for health, sustainability, functionality, and process efficiency and may be tailored for specific consumer demands.

Trends

Consumers are focusing on healthier, safer, and more sustainable products which deliver a great tasting experience. There are quite some regional differences as to how these trends carry through to packaging claims. For example, whereas sustainability is the most notable trend in Europe, health and nutrition is number one in South and North America.

New products

During the year, we launched AkoBisc® GO!, a structuring fat protected by a patented technology for the biscuit and cookie segment. Our solution creates a unique biscuit quality with a crunchy bite, no fat bloom, and no discoloration over time. Besides the unique sensory benefits, it enables a simple production process with quick air uptake and a shorter mixing time. It also provides a healthier profile than, for example, tropical fats as it is based on liquid, low-saturated oils. AkoBisc® GO! won the Sensory Innovation Award at Food ingredients Europe 2021. We have through our co-development approach also continued to develop new customized products, both customer- and consumer-oriented.



Future growth

Going forward, we will continue to deliver efficient and value-adding bakery solutions across the globe to support consumer demands, and to strengthen our position as an oils and fats specialist with deep technical industry knowledge. We will do so through specialized and dedicated resources and a strong network of regional Customer Innovation Centers and go-to-market teams to facilitate local customer penetration.

Dairy

Our Dairy business also delivered profitability improvements in line with our strategy. Growth momentum was particularly good for our European and Latin American businesses, bouncing back from the negative impact in 2020 caused by the Covid-19 pandemic.

Solutions

We develop and provide the dairy and ice cream industries with solutions for use in cheese, whipped toppings, yellow fats, fermented milk products, milk drinks, and coffee whitener. Our solutions are developed to meet customer requirements for health, sustainability, functionality, and process efficiency and may be customized to meet specific consumer demands.

Trends

Consumers are focusing on healthier, safer, and more sustainable products which deliver a great tasting experience. Health is the most notable trend across all regions with sustainability being second in Europe and the USA. This is closely linked to the consumer drive for plant-based dairy alternatives.

New products

Through our co-development approach, our customer innovation team has during the year developed a variety of new products across the globe. We maintain our strong commitment to the regional markets to develop solutions supporting our customers' need for new products, aiming at cost optimizations or meeting consumer demands for a great taste experience or a healthier product.

Future growth

In the years to come, we will continue to deliver our efficient and value-adding dairy solutions globally to support various consumer demands. We will further more continue to strengthen our position as an oils and fats specialist with deep technical industry knowledge. This will be achieved through specialized and dedicated resources and a strong network of regional Customer Innovation Centers and go-to-market teams to facilitate local customer penetration.

Plant-based Foods

Plant-based Foods continues to be the fastest-growing retail category in developed markets, coupled with launches and trials in the foodservice channel by world-leading Quick Service Restaurants (QSRs) throughout 2021. To support global growth, we have recruited business development and customer innovation specialists in key markets, we are making progress with the development of our Global Plant-based Center of Excellence in the Netherlands, and we continue to leverage our partnership status within the plant-based foods industry, through, for example, Big Idea Ventures and MISTA.

Solutions

Collaboration with peers in the ingredient industry has been a deliberate approach to growing our Plant-based Foods business. By selectively joining forces with key collaborators, we can overcome technical challenges quicker and create great-tasting food and beverages. This approach also enables us to come to market faster with a more complete customer solution in terms of functionality and taste.

Trends

The pandemic has forced consumers to slow down, reflect, and re-evaluate their lifestyle habits. This is a consequence of consumers being forced to adapt and re-adapt as government policies and restrictions continuously changed. Although consumers continue to focus on health and well-being and sustainability, value and digitalization have also become fast-emerging trends. With an increased price competitiveness as we moved through 2021, new branded products have come to market to challenge the recognized disruptive brands in plant-based meat, quickly responding to a savvier and more conscious shopper. Similarly, a digital experience, including QR code menus and self-service check-ins, has been firmly established to create a Covid-safe environment in restaurants, bars, and hotels.

New products

Our umbrella brand AkoPlanet™ by AAK continues to go from strength to strength. With fat being a vital ingredient for both functionality and flavor for plant-based meat and plant-based dairy products, our AkoPlanet fat delivery systems come in a variety of formats to support customer and consumer needs with respect to nutrition, taste, and the overall culinary experience.

Future growth

Generation Z and mainstream consumers' transition to a flexitarian diet combined with the climate-related concerns of industrial farming for an ever-growing world population is expected to support the growth of Plant-based Foods in the years ahead.

Special Nutrition

2021 was characterized by a contraction of the infant nutrition industry due to lower birth rates, particularly in China. Despite this, Special Nutrition managed to retain its leading market position, and overall achieved double-digit volume growth. This was driven by increased requirements for higher-purity oils, particularly in Asia. Our new facility in China, producing high-end solutions within our INFAT™ range, successfully started production in the second quarter.



Solutions

AAK provides tailor-made speciality lipids solutions for Infant, Senior, and Medical Nutrition. Using our co-development approach, most products and solutions within Special Nutrition are tailor-made for our customers.

Trends

The global trends that are driving AAK's Special Nutrition segment are health, premiumization, purity, trust, and sustainability.

New products

During the year, we signed a distribution agreement with Progress Biotech to supply the Dutch company's high-quality, algae-based DHA (a long-chain omega-3 fatty acid used in early life nutrition). This allows us to expand our offering to our core customer base. We also signed an agreement with Brenntag to distribute our egg phospholipid product Akonino ELIP™ in the European supplement market. We have furthermore continued to roll out our high-end solutions within our INFAT™ range, sold through Advanced Lipids, a joint venture between AAK and IFF (International Flavors & Fragrances Inc.).

Future growth

Going forward, we will focus on growing in the wider nutrition area by bringing new innovations to the global nutrition markets as well as increasing our presence in selected regions.

Foodservice

2021 was another challenging year for the foodservice market as pandemic-related restrictions continued during the first quarter across our core markets Europe, the UK and USA. From the second quarter, demand started to return and AAK was agile and quick to adapt to meet our customers' needs.

Solutions

Our foodservice organization produces more than 500 different frying oils, speciality oils, condiments, sauces, dressings, and ingredients for foodservice operators, such as restaurant and hotel chains, and retailers across market-leading brands and private label products.

Trends

Over the past year, foodservice operators have focused on core menu items as well as business recovery following lockdowns in 2020 and into the first quarter of 2021. The greater focus on safety, quality and value for money, driving operators' menu development, remain and will continue to do so. Key market trends are strong: plant-based and dairy-free solutions, health and wellness, indulgence, and sustainable packaging solutions.

New products

AAK Foodservice has made good progress within its plastic packaging strategy by removing all problematic black plastics from its products. Solutions have been found for more complex and multi-layered polymer formats and we have gained a clear understanding on where recycled content can be safely introduced to our packaging. Our packaging strategy will continue to drive improvements going forward. During the year, we expanded our plant-based offering with the launch of a new brand, GreenOasis, in the US market, and we expect to see growth within this area across other regions. Customer co-development was during the year heavily focused on adding value opportunities. AAK also won some good operator accounts.

Future growth

The global foodservice market recovered in 2021, however, it is still not back at pre-pandemic levels. Given that lockdowns and restrictions are further eased, the industry is expected to bounce back, driven by a pent-up customer demand and a desire to return to more normal living conditions.

Business area Chocolate & Confectionery Fats

Double-digit volume growth and strengthened local presence

Compared to 2020, significantly affected by the Covid-19 pandemic, the business area recovered nicely in 2021 and delivered double-digit volume growth as well as a strong operating profit, mainly driven by an increased consumer demand for chocolate and confectionery products.

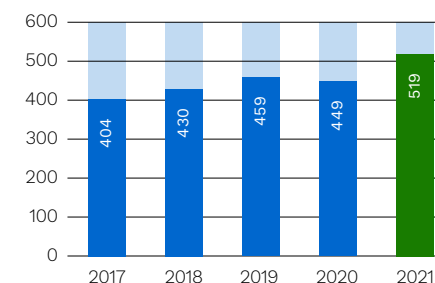
| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------|-------|-------|-------|-------|---------------|
| Volumes, thousand tonnes | 404 | 430 | 459 | 449 | 519 |
| Net sales, SEK million | 7,354 | 7,611 | 8,076 | 7,949 | 10,116 |
| Operating profit, SEK million* | 735 | 747 | 794 | 865 | 971 |
| Operating profit per kilo, SEK* | 1.82 | 1.74 | 1.73 | 1.93 | 1.87 |

*Excluding items affecting comparability (IAC)

Volumes

(22% of Group total)

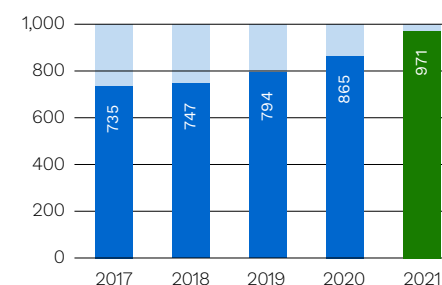
(Thousand tonnes)



Operating profit*

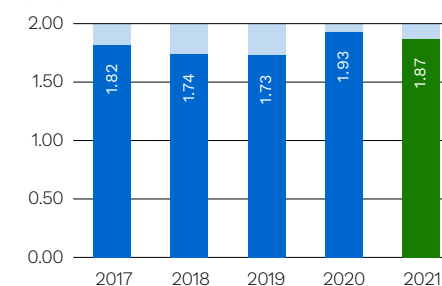
(38% of Group total)

(SEK million)



Operating profit per kilo*

(SEK)



Chocolate & Confectionery Fats

Solutions

Our solutions within Chocolate & Confectionery Fats bring value to customer products by extending shelf life, improving taste and texture, and overall enabling a better sensory experience. AAK's customers have access to a full palette of solutions for cocoa butter alternatives, compound fats, filling fats, barrier fats, spreads, and more. We have throughout our 150 years in the market strengthened our facilities and supply chains around the globe to remain close to our customers, and today, we are able to deliver our solutions from any of our production sites.

Trends

By working closely with our customers using our unique co-development approach, we connect the dots between market trends in the chocolate and confectionery industries and our customers' ability to develop great-tasting and differentiated consumer products. 'Good for the planet' and 'Good for me' remain top of mind with consumers worldwide.

New products

During 2021, we launched new solutions within the ILLEXAO™ range. One of them, with sustainability and deforestation-free as key drivers, was nominated for a Sustainability Award at Food ingredients Europe in Frankfurt, Germany. ILLEXAO™ VN70, which makes a significant sensory difference in vegan milk chocolate, was another important launch. We also brought to market AKOSPREAD™ HS200, specifically designed for clean label spreads, as well as filling fats for extrusion processes, and a new range of fat solutions for caramel applications.

Future growth

As a global supplier of plant-based oils and fats, we are committed to deliver high-quality solutions to our customers so that consumers can continue to enjoy the great sensory experiences provided by chocolate and confectionery products. Together with our customers, we will continue to drive the sustainability agenda. We are uniquely positioned with our global presence and local reach, and guided by our co-development approach, we will remain a trusted business partner that continuously strive to make better happen.



Personal Care

AAK applies its technical expertise and technological know-how to develop high-performing, functional emollients for the cosmetics industry. Since 1988, when we started to create customized solutions for cosmetic giant L'Oréal, we have continued to develop our offer. Today, we are proud to serve all customer categories, from local niche brands to multinational brand leaders.

Solutions

Our plant-derived emollients, distinct from synthetic, animal- or fossil-based raw materials, are primarily used for skin care applications, including face care, body care, baby care, and sun care; but are also used in hair care, make-up, deodorants, and wet wipes, as well as in diaper coatings to help protect sensitive baby skin. Our product range is appreciated for the moisturizing properties and sensory attributes it brings to final personal care formulations.

Trends

Macro trends supporting the industry's continued global volume and value growth include a growing population, increasing spending power in emerging markets, and an aging, active, health-oriented, and appearance-focused population in mature western economies. The increased demand for sustainable, natural-derived cosmetic ingredients is driven by the growing concern and awareness of the health of our body and planet.

Sustainable and responsible

Ethical sourcing, traceability and responsibly processed ingredients and products continue to be highly relevant for personal care consumers and cosmetic manufacturers. Minimizing the carbon footprint across the value chain is also becoming increasingly important to our customers. Therefore, in 2021, in response to their specific needs for communicating and documenting their sustainability commitments, we increased our focus on sharing impact assessments in our canola and shea supply chains, including identified priorities and initiatives for continued improvement.

Future growth

In 2021, the global consumption of cosmetics bounced back to pre-pandemic levels, and the projected future growth rates for natural-derived ingredients are again highly optimistic. Though the cosmetics industry is global, it continues to be the mature western markets (Europe and North America) that consume most plant-based emollients. This is due to these regions being the leading manufacturers and consumers of skin care products and having the most significant demand for natural and renewable alternatives. China and Brazil are expected to follow suit as their markets mature.

Natural Emulsifiers

AAK's business for natural emulsifiers serves customers around the world with natural lecithins that are crucial in a wide range of applications. Segments in which natural lecithins play a key role are Chocolate & Confectionery Fats, Bakery, Dairy, Plant-based Foods, Personal Care, and Special Nutrition.

Solutions

With our portfolio of natural emulsifiers, we provide customized solutions, created in close collaboration with our customers, based on lecithin from soy, sunflower, and rapeseed, in both liquid and powder form.

Trends

As a by-product from the processing of plant-based oils, lecithin is the only natural, clean label emulsifier in the market. The global demand for specialized lecithin, such as organic, certified non-GMO IP or allergen-free, is expected to continue to rise as consumers look to verify the sustainability and traceability within food production.

New products

Our portfolio continues to expand with this value-adding ingredient and driven by trends and close customer collaborations, we aim to create even better co-development solutions in the various segments that we serve.

Future growth

The global lecithin market is expected to show continued strong market growth, supported by clear trends such as clean label declarations, natural and functional ingredients, allergen-free, and traceability. With the acquisition and integration of BIC Ingredients, and the implementation of our customer co-development approach for lecithin, we are well positioned and we will continue to develop new products and solutions in collaboration with our customers.



Business area Technical Products & Feed

Very strong profit growth in specialized non-food segments

Business area Technical Products & Feed had a very strong year and reported an operating profit and an operating profit per kilo at record levels. During the year, we saw an increased demand for natural ingredients for technical products, linked to a greater focus on sustainability across different industry segments.

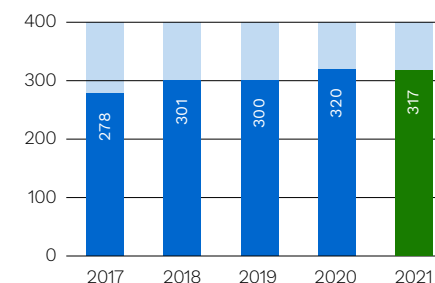
| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------|-------|-------|-------|-------|--------------|
| Volumes, thousand tonnes | 278 | 301 | 300 | 320 | 317 |
| Net sales, SEK million | 1,417 | 1,513 | 1,456 | 1,598 | 2,091 |
| Operating profit, SEK million* | 84 | 155 | 150 | 157 | 214 |
| Operating profit per kilo, SEK* | 0.30 | 0.51 | 0.50 | 0.49 | 0.68 |

*Excluding items affecting comparability (IAC)

Volumes

(14% of Group total)

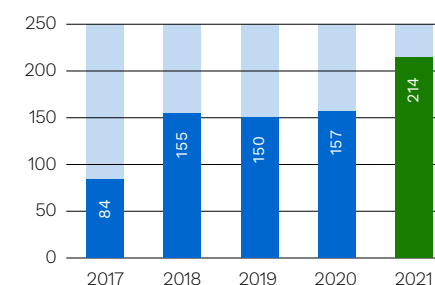
(Thousand tonnes)



Operating profit*

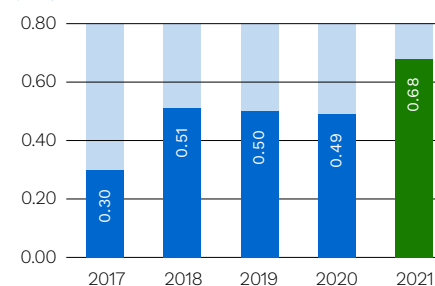
(8% of Group total)

(SEK million)



Operating profit per kilo*

(SEK)



Technical Products

Even as extreme price increases for important raw materials and process additives affected our business during the first half of 2021, we still delivered an increased operating profit per kilo. During the second half, successful price management led to further margin improvements and a very strong financial performance for technical products. Volume growth was stable with the main increase coming from sales to the candle industry.

Solutions

AAK offers refined fatty acids and glycerine to a wide range of technical industries as well as solutions based on sustainably produced plant-based fats to the candle industry. The fatty acids and glycerine are produced by oleochemical splitting of the fat molecule and subsequent refining of the fractions.

Trends

The trend towards an increased use of natural, sustainable waxes in the candle industry, at the expense of fossil paraffin, remains strong and we expect to benefit from this in the next years. In the longer perspective, we believe that the transformation from a fossil-based to a bio-based economy in Europe will be positive for our natural oleochemicals business.

New products

We have during the year continued to add solutions to our portfolio for candle makers to match our customers' demand for sustainable and functional candle waxes.

Future growth

We strongly believe in the development of renewable, sustainable candle waxes to replace non-renewable alternatives, and we will continue to explore more opportunities in this segment to build the best possible pipeline for future growth.





Feed

Demand for our feed products remained strong throughout 2021. In terms of volumes, we came up slightly lower than in 2020. This was due to an extended maintenance stop in April. The volatility in the raw materials market affected us while our rapeseed crushing business benefited from favorable market conditions and delivered significant growth in 2021.

Solutions

AAK supplies ExPro®, a rapeseed meal, which is exposed to a special heat treatment process to improve the protein quality for ruminants. ExPro is a perfect soybean meal replacer for cattle. We also supply by-pass fats, which are used in dairy cattle feeds to increase milk yield, as well as simple liquid fats.

Trends

The consolidation trend with farms getting bigger and fewer continues. As a consequence, more farms are producing their own feeds and demand is turning to more concentrated feed products. Concentrated feeds contain more fat and protein, which fits perfectly with AAK's solutions. In addition, we are seeing more customers turning to non-GMO feeds.

New products

Product development in 2021 was focused on further improving sustainability aspects of our offering while maintaining functionality and nutritional profiles.

Future growth

In 2022, we aim to continue to grow with our rumen-protected fats and widen our product portfolio. The most interesting opportunities are in some of Sweden's neighboring countries where our market share is low. We have grown in these countries over the past years, but there is still good potential for further growth.

Sustainability embedded from plant to brand

Sustainability is at the heart of our purpose, Making Better Happen™. For AAK, sustainability is a journey, not a destination. We always strive to go further, constantly taking new steps to improve and deliver solutions that are more sustainable.

We believe that long-term sustainable growth goes hand-in-hand with making a positive impact for all of our stakeholders and minimizing our environmental impact. Our sustainability work is embedded in all parts of the AAK value chain, from the crop all the way to the brand on the store shelf.

Plant-based oils and fats are ingredients in many different foods and therefore play a key role in creating a more healthy, sustainable, and fair global food system. Together with our suppliers and customers, we bring to market plant-based solutions that offer great taste experiences as well as sustainability benefits.

We believe that we have an opportunity to make a positive contribution to a sustainable future by supporting the transition to a more sustainable global food system. This opportunity relies on our ability to ensure responsible sourcing and production, and to deliver and increase the demand for sustainable solutions that are good for both people and planet.



House of Sustainability

The AAK House of Sustainability is a framework that supports the integration of sustainability into the AAK business model and strategy. Our aim is to fully embed sustainability from plant to brand and strengthen our position as the first choice for plant-based oil solutions. The framework helps and guides us to prioritize our actions and live up to our ambitions and commitments.

The House of Sustainability is based on a foundation of international sustainability standards and frameworks. On top of these, we drive progress within our three focus areas: Better Sourcing, Better Operations, and Better Solutions. The framework is strongly connected to the UN Sustainable Development Goals and to our ambition to fulfil the Paris Agreement. It is also supported by a clear structure for governance and accountability (for more information, please refer to pages 68–71 in our Sustainability Report).



Our commitments and achievements

Sustainability expectations are constantly rising and changing as a result of increasingly conscious consumers and investors, as well as national and regional legislation, such as the European Green Deal,

and global policy initiatives following COP26. AAK continuously drives progress in accordance with these standards and requirements, and our commitments are aligned with the increasing expectations. Here, we share some key progress within our three focus areas

during 2021. You can read more about our sustainability progress and performance in our Sustainability Report, available on www.aak.com.

Progress during 2021

| Focus area | Commitments | Key progress 2021 |
|--------------------------|--|---|
| Better Sourcing | Protecting biodiversity and ecosystems and reducing environmental impact | <ul style="list-style-type: none"> Significantly increased our verified deforestation-free palm volumes from 50 percent in 2020 to 67 percent, and traceability to plantation to 81 percent (a 16 percent increase compared to 2020) |
| | Empowering smallholder livelihoods and women | <ul style="list-style-type: none"> Further scaled the number of women registered in our direct shea sourcing program Kolo Nafaso by 2 percent to 353,000 |
| | Respecting human and labor rights | <ul style="list-style-type: none"> Completed risk assessment related to human rights across our key raw materials and developed risk mitigation plan for palm |
| Better Operations | Supporting the well-being of our people | <ul style="list-style-type: none"> Completed risk assessment related to human rights for 100 percent of our sites; identified salient issues and initiated plans |
| | Minimizing our environmental impact | <ul style="list-style-type: none"> Increased our annual sourcing of renewable electricity by 50 percentage points, and decreased waste and water consumption per unit processed material by 18.6 and 20.9 percent, respectively |
| | Being a better neighbor | <ul style="list-style-type: none"> Led relevant community engagement programs based on impact assessments |
| Better Solutions | Co-developing with customers to do good for people and planet | <ul style="list-style-type: none"> Created and embedded tools in our customer co-development approach, enabling progress towards sustainable development |
| | Increasing the demand for better solutions | <ul style="list-style-type: none"> Developed consumer-driven sustainability value propositions |
| | Enhancing sustainable development with our solutions | <ul style="list-style-type: none"> 31 percent of revenue contributed to the Sustainable Development Goals |

Making better careers happen

A main objective during 2021 was to continue our journey to be a truly purpose-driven company. The launch of Making Better Happen™ at the end of 2020 was followed by a set of updated company values, defined as our Better Behaviors: passionate, agile, accountable, and collaborative. This, in turn, was followed by our Better Leadership principles, building on our three dimensions of leadership – leading self, leading teams, and leading business – with a clear connection to our Better Behaviors. During the second half of 2021, we launched our so-called People ambition:

We offer our people the chance to make a real difference by being part of a team that is passionate about Making Better Happen.

- We take, together with our people, responsibility for health and safety, and for creating a workplace where equality, diversity and inclusivity are priorities.
- Our leaders are striving to be role models for our Better Leadership principles, and they are committed to unleash the full potential of every member of the AAK family.
- Together, we are guided in our decisions and actions by our Better Behaviors and by the highest ethical standards.
- We share a sense of ownership and pride for the positive impact our company makes.

All these elements combined are fundamental for AAK in making better careers happen.

Responding to the pandemic

With the pandemic still present throughout 2021, we continued to focus on keeping our people safe, connected, and engaged. We managed the situation through strict hygiene protocols and increased safety measures, by giving employees the possibility to work from home, and through clear and frequent communication. Our employees also came up with a lot of creative initiatives to maintain our strong relationships within the company. Examples include virtual coffee talks, lunch and learn sessions, and team quizzes.

Health and safety

Health and safety are top priorities at AAK. Any work-related injury is unacceptable, and we strive to be a zero-injuries workplace. In 2021, we reported a Lost Time Injury Rate (LTIR) at our production sites of 0.4, same as for 2020. We will continue to work relentlessly to reach our objective of being a zero-injuries workplace.

Co-developing people

Our People strategy focuses on four key areas – AAK Purpose & Culture, People Development, AAK a great place to work, and Leadership Development – creating a unified business committed to delivering excellence and growth for AAK and our customers. Through our employees' passionate behavior and by further improving our agility, accountability, and collaboration, we can make our business even better, delivering a more customer-centric service.



4,013

Average number of employees globally (at December 31, 2021)



8.8 years

The average time of employment



Employee distribution by region

Europe: 43%
Americas: 29%
Asia/Pacific: 19%
Africa: 9%



0.4

Lost Time Injury Rate (LTIR) – the number of work injuries that result in one or more days of sick leave per 200,000 working hours (production sites)

Prioritized programs

To support our People strategy, we launched some prioritized programs last year that we will continue to develop during 2022 and the years ahead.

Inclusion and diversity

AAK is committed to attract, develop, and retain an inclusive and diverse workforce. This drives innovation, creates a trusting environment within the company and with our customers, and contributes to the success and sustainability of our business. We know that diverse groups are proven more successful and effective. During 2021, we launched a number of bite-sized learnings regarding diversity, but also a pilot for a global awareness training in unconscious bias.

Employee engagement

In 2021, four AAK entities – China, India, Mexico, and Colombia – were certified Great Place to Work® by global management research and consulting firm Great Place to Work® Institute. We also carried out pulse surveys with our employees in certain regions to ensure, among other things, that we are on the right track towards fulfilling the commitments made after our latest engagement survey.

AAKtivate

Over the past decade, AAK in Mexico and Colombia have successfully worked with an employee well-being program called AAKtivate. The program focuses on medical, physical, and mental health as well as nutrition. We strongly believe that the program contributes to a healthier lifestyle which in turn results in increased motivation, increased productivity, lower absenteeism, and reduced health costs. AAKtivate became a global program in 2020, and in 2021 we continued to successfully roll out a number of engaging activities.

Leadership development

During the past year, we introduced our Better Leadership Universe, an internal support tool, with the goal to make our leaders even better. Embedded in every aspect of the tool are our Better Leadership principles. There is a strong connection with our actual business activities as this is the context within which our leaders learn and practice their leadership skills. The process of making our leaders even better is, as so many other things at AAK, a journey of continuous improvement.

Risks and risk management

AAK's operations are constantly exposed to risks, threats and external factors that can have an impact on the company. With a proactive approach to business intelligence, we aim to anticipate changes in factors affecting operations. Plans and policies are adjusted continuously to counteract potential negative effects. Active risk management, such as hedging raw material prices and currencies, reduces some of the risks that we face.

Raw materials

Harvests are weather-dependent. While a year of poor harvests drives up prices, a year of successful harvests reduces them. Most of our raw materials are traded on the international world market and purchased in foreign currencies. This exposes us to significant currency and raw material price risks.

We have a strategy of active risk management where we hedge sales contracts for currency and raw material price exposure. This safeguards margins against price risks on agreed sales contracts.

Since many raw materials are produced far away from our production plants and markets, transport costs are an important factor. Particularly the potential impact on margins from the growing demand for environmentally acceptable transportation must be taken into consideration.

The processing industry

AAK is part of the processing industry. Improvements in results are achieved through organic volume growth and by increasing sales of speciality products with higher margins relative to lower-margin products.

Capacity expansion aimed at increasing total volumes to meet growing demand has a relatively long planning horizon and we must analyze potential growth in good time. In the meantime, it is possible to balance production between our plants to enable processing of specific products closer to their markets and accommodate swings in supply and demand. Key speciality products are produced at dedicated plants, where problems with production equipment can have a major impact.

Changes in the competitive environment

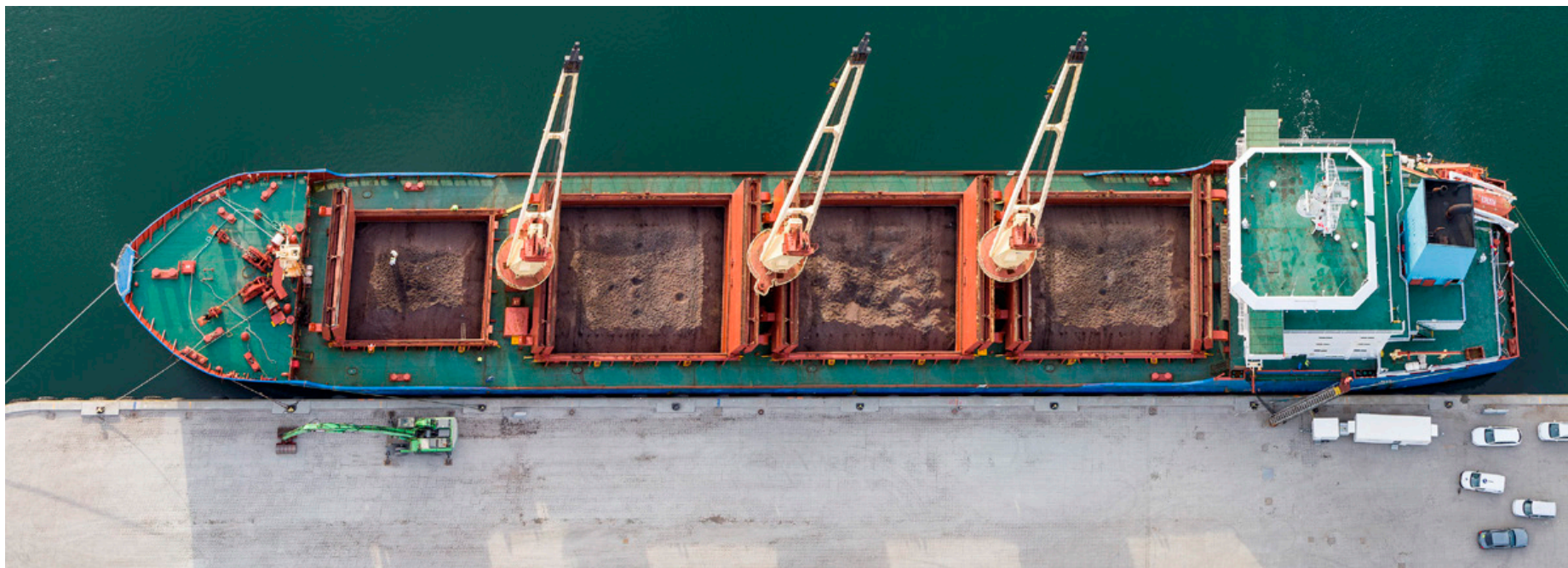
The sector in which AAK operates is undergoing structural change. As a sector that has existed for just over a century and has a fundamental dependence on natural products, there is great pressure for more intensive

development. This includes demand for sustainable, ethical production, where producers accept responsibility for social issues and the environmental impact of their operations. We operate on the basis of an organic growth and selective acquisition strategy. A strong balance sheet has laid the financial foundation for future acquisitions.

There is intense competition in the industry. Several global competitors deliver large volumes of commodity products with limited margins. Our response is to focus more on speciality products with better margins and higher value. These include confectionery products and cosmetics, as well as value-adding ingredients for the bakery, dairy and infant nutrition industries.

Political instability

Operating globally always carries risks, but it can also be a stabilizing factor. Although AAK largely operates in mature markets in the USA and Europe, much of company growth is generated in developing markets, which are vulnerable to political instability that can impact currencies and exchange rates. We operate in Eastern Europe, the Middle East, Asia, Africa, and South America, where instability may arise. As a well-established operator in these areas, we have extensive experience of handling such issues. In addition, we operate with a well-established risk management strategy.



Global operations also involve risks such as trade barriers, inflation, environmental and health-related legislation, and changes in national or regional legislation, e.g. the introduction of protective tariffs and taxes, which prevent us from operating in a free market.

Trade sanctions and export controls

AAK is committed to conducting business in accordance with applicable trade sanctions laws and export control regulations which we believe are important tools in the international community's drive to inter alia improve human rights. AAK will not tolerate any

violation of trade sanctions laws, export control laws or related regulations by its employees. This means that we will not engage, directly or indirectly, in any business, dealing, or transaction prohibited by applicable trade sanctions or export control regulations.

Furthermore, AAK and its employees will not carry out any direct or indirect business activities with any person, entity or government targeted by trade sanctions, nor export goods or services subject to applicable export control laws without required licenses and/or approvals from relevant authorities.

Health trends

We can adapt our product range quickly to the latest health trends. This is mainly because we work with all types of plant-based oils and can reformulate our products to meet customer needs. We focus strongly on co-development with our customers. This limits the risks involved in commercializing new products.

Regulatory measures also pose a risk. Active involvement in sustainability-related issues is, therefore, becoming increasingly important to anticipate legislation on issues that are a natural development of human requirements.

Risks related to climate change

AAK aims to measure and follow up on climate-related risks in line with the Task Force on Climate-related Financial Disclosures (TCFD).

In 2020, we began our work with TCFD supported by climate change risk assessments conducted at all production sites. These assessments have been incorporated into a site-specific environmental scoring system to ensure that climate-related risks are assessed and managed at all sites.

The outcome of the scoring system, including potential impacts and opportunities, was presented to AAK's Audit Committee during 2021. The Audit Committee escalates material information to the Board of Directors if the outcome has an impact on the organization's objectives or overall strategy.

The physical financial risk of climate change impact at AAK sites has so far been considered low to medium based on an assessment of extreme weather impact such as flooding, earthquake, or heavy weather. Physical risk of climate change impact needs to be continuously assessed and remains relevant. Today, nearly all sites have made the initial planning and investment with regards to physical risk which is why we will focus more on the transition risk in the near future.

The work with TCFD was further developed at the end of 2021. This was done in collaboration with an external partner by assessing climate-related risks and opportunities connected to scope 1 and 2. This work will continue in 2022 by identifying climate-related risks and opportunities in scope 3. When a full assessment has been made, based on likelihood and impact for all scopes, the implications of the top three risks and opportunities will be further analyzed in a scenario assessment and a strategic response will be identified.

Building the foundation for climate resilience

During 2021, we have defined science-based targets, deployed the site-specific scoring system, enforced financial roadmaps made for scope 1 and scope 2 greenhouse gas emissions, and strongly focused on engaging with our suppliers to collect scope 3 emissions, building the foundation to meet upcoming science-based targets. These activities will be a foundation for disclosing information in line with TCFD, strengthening the resilience to climate change, supporting our capability to reduce climate impact, and delivering sustainable value-adding solutions.

Disruptions to critical IT systems

AAK uses modern IT infrastructure and technology to support its business. Disruptions to critical IT systems could potentially have an impact on the business. Therefore, this is a risk that needs to be analyzed and mitigated with the objective to prevent possible issues and minimize impact. This work is conducted by Group IT together with our local entities. Our critical IT systems are audited annually, with security, internal processes, and compliance in focus.

Cyber security has a very high priority at AAK and in order to minimize external threats, we are continuously investing in technology that is operated by a highly skilled staff. The Group IT Security Policy is implemented at all AAK units, and a common framework is used for our global IT infrastructure.

Changes in external factors

Business operations are affected by raw material prices, transport costs, energy prices, interest rates, and exchange rates. Our employees are experienced in reacting quickly to changes in external factors and adapting operations, products, and services to customer needs.

Corporate governance and financial information

AAK

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All amounts are denominated in SEK million unless otherwise stated.

Chairman of the Board

A strong year despite continued challenges

As Chairman of the Board, it is with great pleasure I look back at another strong year for AAK. During a period of high volatility and a demanding macro-economic climate, AAK has shown the resilience of its business model and closed out 2021 on record levels. The performance was driven by good development across business areas and a strong execution of the company's portfolio-based strategy, but above all made possible thanks to a dedicated and united organization that successfully managed the pandemic-related uncertainties and disruptions that characterized 2021.

Key achievements and encouraging sustainability work

During the year, AAK continued to develop and put to market sustainable, plant-based oil solutions in close collaboration with its customers. Strategic partnerships within key growth segments and continued investments in capabilities and product development were important achievements during 2021.

There was also good progress within AAK's sustainability work. Supply chain improvement actions have put the company closer to its 2025 ambition – a palm oil supply chain that is 100 percent verified deforestation-free and 100 percent traceable to plantation. Important improvements in terms of resource efficiency and climate impact were also made. While the continued positive development is encouraging in itself, a lot of hard work remains, and sustainability will, going forward, continue to be embedded in everything that AAK does.



Strong and clear corporate governance

AAK is made up by competent and highly professional people who in line with the company's purpose, Making Better Happen™, continuously push forward and try to make things better – an ambitious and progressive mindset that the Board of Directors fully share.

How to continue to grow AAK in a profitable and sustainable way is central in all decisions that the Board of Directors and AAK's management team take. On our way to achieve this goal, it is important that corporate governance is in order and that decision-making processes and responsibilities comply with applicable rules and regulations as well as with AAK's business principles. Strong and clear corporate governance, well illustrated in this annual report, is essential to safeguard the trust among AAK's shareholders and other stakeholder groups.

During the year, Bengt Baron decided to leave his position as board member of AAK, and on behalf of the Board of Directors, I would like to sincerely thank him for his engagement during his time with AAK.

Solid foundation

As I write this, the tragic war in Europe continues to affect millions of people. What its long-term consequences will be are difficult to foresee, but AAK, with its solid foundation, strong organization, and recent experience in managing unprecedented situations, is well positioned, and I look upon the company's future with confidence.

I would like to thank my colleagues on the Board of Directors, AAK's management team, and all employees around the world for great contributions during a challenging year.

Georg Brunstam, Chairman of the Board

Directors' report

For the financial year January 1 – December 31, 2021

The Board of Directors and the President and Chief Executive Officer (CEO) of AAK AB (publ.), corporate identity number 556669-2850, with its registered office in Malmö, hereby present the Financial Statements and Consolidated Financial Statements for the financial year January 1 – December 31, 2021.

Performance and financial position

In 2021, the world experienced rising raw material prices, general cost inflation, and logistics disturbances. This affected businesses globally, AAK included. But, when looking at our strong performance, it's fair to say that we handled these challenges successfully. Operating profit increased by 18 percent at fixed foreign exchange rates and excluding items affecting comparability. The increase was driven by the positive development across business areas, well supported by the successful execution of our strategy. During the year, we acquired BIC Ingredients to strengthen our position in the European lecithin market. We also joined forces with Progress Biotech, to supply the Dutch company's premium plant-based DHA (omega-3) for infant formula, as well as entered into strategic partnerships to accelerate the development of solutions for plant-based foods. We continued to drive sustainability progress in our operations as well as in our supply chain. To address deforestation, we have implemented satellite monitoring for our global supply base as well as established partnerships with suppliers and customers.

- Volumes amounted to 2,312,000 MT (2,195,000), an increase of 5 percent compared to 2020.

- Net sales increased by SEK 7,518 million to SEK 35,452 million (27,934). This was mainly due to increased sales of speciality solutions, with a higher sales price, as well as higher raw material prices, partly offset by a negative currency translation impact of SEK 1,584 million.
- Operating profit, excluding items affecting comparability, reached SEK 2,393 million (2,165), an increase by 11 percent. Including items affecting comparability of negative SEK 304 million (2), operating profit amounted to 2,089 million (2,167). The currency translation impact was negative SEK 155 million. Operating profit at fixed foreign exchange rates and excluding items affecting comparability improved by 18 percent. Food Ingredients reported an increase of 7 percent and Chocolate & Confectionery Fats reported an improvement of 12 percent. Technical Products & Feed increased by 36 percent.
- Operating profit per kilo, excluding items affecting comparability, reached SEK 1.04 (0.99), an improvement by 5 percent. At fixed foreign exchange rates and excluding items affecting comparability, operating profit per kilo increased by 12 percent.
- During the second quarter, AAK reported an item affecting comparability of negative SEK 304 million related to the optimization of the company's European bakery business. The optimization will lead to annual cost reductions and productivity gains of approximately SEK 51 million, expected to reach full run rate in the fourth quarter of 2022.
- The Group's profit after financial items amounted to SEK 1,987 million (2,040). Excluding items affecting comparability, profit after financial items increased by SEK 253 million and reached SEK 2,291 million. Net financial items amounted to negative SEK 102 million (negative 127), a decrease of SEK 25 million. The lower interest cost related to less borrowing in high-interest rate countries.
- The equity/assets ratio was 44 percent as of December 31, 2021 (44 percent at December 31, 2020). Consolidated net debt as of December 31, 2021 was SEK 3,817 million (3,472 at December 31, 2020). On December 31, 2021, the Group had total committed credit facilities of approximately SEK 6,374 million (7,234 as of December 31, 2020).
- Operating cash flow including changes in working capital amounted to SEK 508 million (2,023). Cash flow from working capital was negative SEK 2,149 million (positive 44). There was a negative cash flow from inventory driven by higher raw material prices, partly offset by lower inventory levels. Cash flow from accounts receivables was negative, driven by higher raw material prices and increased sales, partly offset by improved cash management. Cash flow from accounts payables was positive, driven by higher raw material prices. Cash outflow from investing activities amounted to SEK 650 million (1,150), whereof SEK 31 million (412) was related to acquisitions of operations. Capital expenditure was mainly related to regular maintenance investments and capacity increases.

- Calculated on a rolling 12 months basis, Return on Capital Employed (ROCE) was 15.6 percent (14.2 at December 31, 2020).
- Earnings per share (EPS) was SEK 5.59 (6.16), a decrease of 9 percent. Excluding items affecting comparability, EPS was 6.71 (6.05), an increase by 11 percent. Reported tax cost corresponds to an average tax rate of 27 percent (23). The expense reported as items affecting comparability in the second quarter could not be utilized as a tax credit. Excluding items affecting comparability, the average tax rate amounted to 24 percent (24).
- The proposed dividend for financial year 2021 is SEK 2.50 per share. For further information, please see page 45.

The Company's largest business area, Food Ingredients, reported an operating profit excluding items affecting comparability of SEK 1,380 million (1,286), an increase of 7 percent. The operating profit per kilo increased by 3 percent to SEK 0.93 (0.90). The increase was primarily due to a good recovery in Foodservice and improved profitability in Bakery.

Excluding items affecting comparability, Chocolate & Confectionery Fats reported an improvement in operating profit of 12 percent, to SEK 971 million (865). The growth in operating profit was due to our strong global position for customer co-developed solutions as well as higher volumes. Operating profit per kilo decreased and amounted to SEK 1.87 (1.93)

Operating profit, excluding items affecting comparability, for Technical Products & Feed, increased by 36 percent to SEK 214 million (157). The increase was mainly driven by a higher demand for natural ingredients, linked to an increased focus on sustainability across different industry segments, as well as higher margins in our feed business.

Operations and significant events

Business areas

The company's business areas are Food Ingredients, Chocolate & Confectionery Fats, and Technical Products & Feed. Group-wide functions are included in the Group Functions segment.

Food Ingredients maintains its strong regional positions, primarily in Europe, USA, and North Latin America, but is gradually strengthening its positions in other regions.

Chocolate & Confectionery Fats, including Personal Care, have world-leading positions, and these will gradually be expanded in an increasingly global arena.

Technical Products & Feed has a strong local position in Northern Europe and will continue to focus its growth efforts in these geographic areas through its close links to the Karlshamn factory in Sweden, bringing significant synergy effects.

Acquisitions

During the third quarter, AAK acquired BIC Ingredients, the lecithin arm of BIC International Holding. The acquisition has no significant impact on the Group earnings.

Company management

Tomas Bergendahl commenced his position as Chief Financial Officer in May 2021.

Financial goals

AAK's financial goals are to grow faster than the underlying market and to generate strong cash flows. The ambition is average ten percent year-over-year operating profit improvement. We also intend to continually improve Return on Capital Employed.

Planned dividend policy

The objective of the Board of Directors, taking into account the development of Group earnings, its financial position, and future development opportunities, is to propose annual dividends equivalent to at least 30–50 percent of the profit for the year, after tax, for the Group.

Concluding remarks by the CEO

As we concluded the fourth quarter and the full year, there were still challenges affecting the global economy. We navigated well throughout 2021 and could close the year on a strong note, having a robust foundation, strong financial track record, and a solid balance sheet. The passion, drive and agility of our employees have generated strong results and are also strengths we build on going forward. Despite short- to mid-term uncertainty, we see no reason to adjust our view on the strong favorable underlying long-term trends in our markets. Thus, we remain prudently optimistic about the future and we are fully committed to Making Better Happen™.

Nomination Committee

For the 2022 Annual General Meeting, the Nomination Committee has proposed re-election of Georg Brunstam, Gun Nilsson, Märta Schörling Andreen, Marianne Kirkegaard, and Patrik Andersson as Board members. In total, the Nomination Committee represents approximately 43 percent of the shares and votes in AAK as at December 31, 2021.

AAK's Nomination Committee for the 2022 Annual General Meeting consists of:

- Märta Schörling Andreen (Chair), Melker Schörling AB
- Henrik Didner, Didner & Gerge Fonder
- Leif Törnvall, Alecta
- Elisabet Jamal Bergström, SEB Investment Management

Share capital and shareholder structure

The total number of shares in AAK as of December 31, 2021 was 258,500,556. There is one class of shares in AAK, and each share entitles the holder to one vote. There are no limits as regards how many votes each shareholder may cast at an Annual General Meeting. Nor are there any limitations regarding the transfer of the shares resulting from provisions in law or in the Articles of Association.

Of the Company's shareholders, only Melker Schörling AB has a shareholding which represents at least one tenth of the number of votes of all shares in AAK. Melker Schörling AB's shareholding as at December 31, 2021 amounted to 30.5 percent of the shares and votes.

AAK is not aware of any agreement between direct shareholders of AAK that would involve limitations in the right to transfer shares. The shareholder structure is further described on page 51.

Articles of Association

The Articles of Association stipulate that Board members shall be appointed by the Annual General Meeting of AAK. The Articles of Association contain no provisions regarding dismissal of Board members or regarding amendment of the Articles of Association.

Important agreements affected by change in control resulting from official take-over bid

The Group's long-term financing agreement contains stipulations that, in certain cases, give the lender the right to request advance payment if control of AAK changes substantially. Such a substantial change in control can occur as a result of an official take-over bid.

AAK's assessment is that it has been necessary to accept these stipulations in order to obtain financing on terms which are otherwise acceptable.

Guidelines for remuneration of senior executives

Guidelines for the remuneration of the CEO and other senior executives were adopted by the 2021 Annual General Meeting. No deviations from these guidelines have been made. The Board of Directors of AAK proposes that the 2022 Annual General Meeting resolves new guidelines for remuneration of senior executives to be applied in 2022. In the proposal senior management are entitled to up to 120 percent of their annual fixed salary in variable remuneration. Other guidelines

are unchanged. The present guidelines are contained in Note 8, Remuneration of the Board of Directors and senior executives.

These guidelines will cover those persons who are in Group management positions during the period of time in which the guidelines apply. The guidelines apply to agreements entered into after a resolution by the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time. The Board will be entitled to diverge from the guidelines if there are particular reasons to do so in an individual case.

Product development

The Group's product development are described in further detail on pages 18–28.

Environment

The environmental impact from our plants include emissions of odorous substances, solvents, smoke and gases into the atmosphere, as well as discharging fats, oxygen-consuming material, and nutrients into the water, and also creating organic waste and noise. We continually review our impact on all levels to further improve the environmental performance at AAK. We operate all our plants with appropriate official permits in all countries in which we are present. In Sweden, the operations in Karlshamn are licensable under Swedish law.

Employees

The recruitment of skilled and competent personnel is an important component in maintaining competitiveness for the AAK Group. The Group therefore has continuous active programs for personnel development.

Risk management and sensitivity analysis

All business operations involve risks – a controlled approach to risk-taking is a prerequisite for maintaining good profitability. Risks may depend on events in the operating environment and may affect a certain sector or market. A risk may also be purely company-specific or country-specific. At AAK, effective risk management is a continual process which is conducted within the framework of operational management and forms a natural part of the day-to-day monitoring of operations.

For more detailed information, please refer to the section Risks and risk management on pages 34–37 and to Note 3, Financial Risk Management.

External risks

The AAK Group is exposed to the fierce competition which characterizes the industry related to fluctuations in raw material prices and exchange rates, which affect capital tied up.

Operational risks

The raw materials used in AAK's operations are agricultural products, and availability may therefore vary due to climatic and other external factors.

Financial risks

The Group's management of financial risks is described in Note 3, Financial Risk Management.

Corporate Governance Report

The Corporate Governance Report on pages 112–119 is part of the Directors' Report. For information on the composition and work, etc., of the Board of Directors, see the Corporate Governance Report on pages 113–115.

Sustainability Report

Under Chapter 6, Section 11, of the Swedish Annual Accounts Act, AAK has decided to prepare its Sustainability Report separately from the Annual Report. The Sustainability Report was submitted to the auditor with the Annual Report.

Parent

The Company is the holding company of the AAK Group, and its activities consist mainly of joint Group functions connected to the development and management of the Group. The Parent employs personnel with skills and competencies to execute Group-wide financing, accounting, communication, IR, marketing, product development, human resources, M&A, and IT. The Parent is also responsible for the Group's strategy and risk management, and provides legal and tax-related services to Group companies.

The Parent's invoicing in 2021 amounted to SEK 116 million (134). The profit after financial items amounted to SEK 1,093 million (negative 39). Interest-bearing liabilities minus cash and cash equivalents and interest-bearing assets totalled SEK 1,610 million (2,456 as of December 31, 2020). Investments in intangible and tangible assets amounted to SEK 1 million (3). The average number of employees at December 31, 2021 was 37 (37).

Background to and motivation of the proposed appropriation of profits

The Board of Directors has proposed that the 2022 Annual General Meeting approves an appropriation of profits under which the shareholders will receive a dividend of SEK 2.50 per share. The proposed dividend therefore totals SEK 646 million. The objective is for the dividend in the long term to correspond to 30–50 percent of consolidated profits after tax, while always considering AAK's long-term financing requirements. The Parent has no financial instruments valued under Chap. 4, Section 14 a, of the Swedish Annual Accounts Act (1995:1554). The Board of Directors hereby makes the following statement regarding the proposed dividend, in accordance with Chap. 18, Section 4, of the Swedish Companies Act (2005:551).

Retained profits from the previous year total SEK 5,935 million and the result for the 2021 financial year is SEK 1,002 million (1,437 for the Group). Provided that the 2022 Annual General Meeting approves the Board's proposed appropriation of profits, a total of SEK 6,291 million will be carried forward. The Company's restricted equity will be fully covered after distribution of the dividend. In the Board's judgment, the Company and the Group will retain sufficient equity after distribution of the proposed dividend in relation to the nature, scope and risks associated with its business operations. In making this assessment, the Board has taken account of the historical development of the Company and the Group, budgeted performance and the economic situation. In the view of the Board, the Company and the Group are in a position and have the capacity, in both the short and long terms, to meet all their obligations.

The proposed dividend represents a total of 9 percent of the Company's equity and 5 percent of the Group's equity attributable to the Parent's shareholders. After payment of the dividend, the equity/assets ratio of the Company and the Group will be 71 percent and 42 percent, respectively. The Board of Directors judges that the Company is in a good position to meet future business risks as well as withstand possible losses. Distribution of the dividend will not negatively affect the ability of the Company and the Group to make further investments as planned by the Board of Directors. The proposed dividend distribution will have a temporary negative effect on the Company's liquidity. However, the Company and Group have sufficient access to both short- and long-term credit that can be obtained at short notice.

The Board of Directors therefore considers that the Company and the Group are prepared for likely changes to liquidity, as well as unforeseen events. In addition, the Board of Directors has considered other known circumstances that may materially affect the financial position of the Company and the Group. No circumstance has arisen that makes the proposed dividend distribution appear unjustifiable. It is proposed that the record date for the dividend be May 20, 2022, and it is estimated that the dividend will be received by the shareholders on May 25, 2022.

Proposed appropriation of profits

| | | |
|--|-----|---------------|
| The Board of Directors proposes that the disposable profit brought forward | SEK | 5,935,401,361 |
| and profit/loss for the year | SEK | 1,001,887,277 |
| Total | SEK | 6,937,288,638 |

be appropriated as follows:

| | | |
|---|-----|---------------|
| To be distributed to shareholders, a dividend of SEK 2.50 per share | SEK | 646,251,390 |
| To be carried forward | SEK | 6,291,037,248 |
| Total | SEK | 6,937,288,638 |

The Group's and the Parent's income statements and balance sheets will be presented to the Annual General Meeting on May 18, 2022 for adoption.

Board of Directors



Georg Brunstam

Chairman of the Board of Directors

Year elected: 2018

Born: 1957

Nationality: Swedish

Other board positions: Board member of NIBE Industrier AB

Experience: President and CEO of Hexpol AB and Nolato AB

Qualifications: MSc. Industrial Management and Engineering

Dependence: No

Holdings in AAK: 25,000 shares



Gun Nilsson

Board member

Year elected: 2017

Born: 1955

Nationality: Swedish

Other board positions: Chairman of the Board of Directors of Hexagon AB. Board member of Hexpol AB, Bonnier Group AB, Kollegiet för Svensk Bolagsstyrning, and Absolent Group AB

Experience: Board member of Loomis AB, Capio AB, Dometic Group AB, and Husqvarna AB. CEO of Melker Schörling AB and Gambro Holding AB. CFO and Executive Vice President of Duni AB, CFO of IP-Only Holding AB, Sanitec Oyj, and Nobia AB

Qualifications: MSc. Economics and Business Administration

Dependence: Yes. Dependent in relation to the company's major shareholders through her assignment on behalf of AAK's main owner Melker Schörling AB

Holdings in AAK: 6,000 shares



Marianne Kirkegaard

Board member

Year elected: 2015

Born: 1968

Nationality: Danish

Other board positions: Board member of Dansk Supermarked

Experience: President and CEO of CSM Bakery Solutions. Various senior positions at Unilever Europe and Carlsberg/Coca Cola

Qualifications: Executive MBA, MBA

Dependence: No

Holdings in AAK: None



Märta Schörling Andreen

Board member

Year elected: 2013

Born: 1984

Nationality: Swedish

Other board positions: Board member of Melker Schörling AB, Hexpol AB, Hexagon AB, and Absolent Group AB

Experience: Board member of Melker Schörling AB, Hexpol AB, Hexagon AB, and Absolent Group AB

Qualifications: MSc. Business Administration

Dependence: Yes. Dependent in relation to the company's major shareholders through her assignment on behalf of AAK's main owner Melker Schörling AB

Holdings in AAK: 78,774,412 shares (through Melker Schörling AB)



Patrik Andersson

Board member

Year elected: 2019

Born: 1963

Nationality: Swedish

Other board positions: Board member of Ecolean AB

Experience: President and CEO Loomis. President of Orkla Foods Sverige, CEO and President of Rieber & Son, President of Wasabröd globally within Barilla Group, and various senior positions at Unilever Group

Qualifications: MSc. Business Administration and Economics – International Business

Dependence: No

Holdings in AAK: 307 shares

Members of the Board of Directors appointed by the employees

**David Alfredsson**

AAK Sweden AB

Appointed by IF Metall

Year elected: 2022

Born: 1994

Nationality: Swedish

Position: Chief safety representative

Experience: Various labor union positions in AAK and in the regional labor union

Qualifications: Upper secondary school

Holdings in AAK: None

David replaced Leif Håkansson in February 2022.

**Lena Nilsson**

AAK Sweden AB

Appointed by PTK-L

Year elected: 2018

Born: 1960

Nationality: Swedish

Position: Marketing Coordinator

Experience: Vice Chairman local trade union, Deputy to Work environment representative, Work environment representative local trade union

Qualifications: Upper secondary school

Holdings in AAK: None

Auditor

**Jonas Nihlberg**

Authorized public accountant

KPMG AB

Born: 1973

Nationality: Swedish

Other auditing assignments: Hansa Biopharma AB and NIBE Industrier AB

The company's auditor since 2021

Executive Committee



Johan Westman

President and CEO

Employed: 2018

Born: 1973

Nationality: Swedish

Qualifications: MSc. Industrial Engineering and Management

Other significant positions: Board member of Absolent Group AB (publ.)

Experience: Senior Vice President Europe and Managing Director of the BlankLight division at Shiloh Industries, Inc., President and CEO of FinnvedenBulten AB (publ.), President of Finnveden Metal Structures AB, and management consulting with Arthur D. Little

Holdings in AAK: 54,000 shares



Tomas Bergendahl

Chief Financial Officer

Vice President AAK AB

Employed: 2021

Born: 1974

Nationality: Swedish

Qualifications: MSc. Business Administration

Holdings in AAK: 10,000 stock options*

Tomas assumed his position in May 2021, replacing Fredrik Nilsson who left the company in January 2021. The interim position was held by Jarl Andreasson.



Anne Mette Olesen

Chief Strategy & Sustainability Officer. Head of People and Corporate Branding

Vice President AAK AB

Employed: 2010

Born: 1964

Nationality: Danish

Qualifications: MBA, BSc. Chemical Engineering

Holdings in AAK: 120,000 shares



Sten Estrup

President AAK Asia

Vice President AAK AB

Employed: 2020

Born: 1968

Nationality: Danish

Qualifications: MBA, MSc. Dairy Science & Technology, Executive Master in Change, Diploma in HRM

Holdings in AAK: None



Jan Lenferink

President AAK Europe

Vice President AAK AB

Employed: 2015

Born: 1963

Nationality: Dutch

Qualifications: Food Technology

Holdings in AAK: None

Jan left his position in March 2022 and was replaced by Susanne Jaspers.



Octavio Díaz de León

President AAK USA and North Latin America

Vice President AAK AB

Employed: 2007

Born: 1967

Nationality: Mexican

Qualifications: MBA, BSc. Mechanical & Electrical Engineering

Holdings in AAK: 240,000 shares



Gerardo Garza López de Hereida

President AAK South Latin America

Vice President AAK AB

Employed: 2014

Born: 1961

Nationality: Mexican

Qualifications: Graduate Diploma in Business Administration, Food Engineering

Holdings in AAK: 18,000 stock options*



René Schou

President Global Industries

Vice President AAK AB

Employed: 2011

Born: 1969

Nationality: Danish

Qualifications: MBA, and Food Technologist

Holdings in AAK: None



Tim Stephenson

President Global Sourcing & Trading

Vice President AAK AB

Employed: 1995

Born: 1961

Nationality: British

Qualifications: MA (Oxon), FCA

Holdings in AAK: None



David Smith

President Global Operations

Vice President AAK AB

Employed: 2001

Born: 1960

Nationality: British

Qualifications: MBA, Graduate Diploma in Business Management

Holdings in AAK: 40,000 stock options*



Karsten Nielsen

Chief Technology Officer (CTO)

Vice President AAK AB

Employed: 1988

Born: 1963

Nationality: Danish

Qualifications: Graduate Diploma in Food Technology

Holdings in AAK: 36,000 shares

* Each stock option entitles the option holder to buy six shares.

The AAK share

AAK's shares have been traded since October 2, 2005 on NASDAQ OMX, Stockholm, the Nordic List. As from January 2, 2014, AAK shares have been traded in the Large Cap segment in the Consumer Commodities sector. The abbreviation is AAK and the ISIN code is SE0011337708.

Turnover and price trend

During 2021, 92.3 million (136.8) shares were traded at a total value of SEK 17,235 million (22,997), which corresponds to a turnover rate of 36 percent (54). The average trade per trading day was 364,763 (542,802) shares or SEK 68 million (91). At year-end, the price was SEK 195.30 (166.00) and AAK's market value was SEK 50,485 million (42,399). The highest price during the year was SEK 210.50 (August 20) and the lowest price was SEK 157.05 (January 27).

Share capital

As at December 31, 2021, the share capital of AAK was SEK 430,844,260 (425,689,890). The number of shares was 258,500,556 (255,413,934). The quota value per share was SEK 1.67. Each share entitles the holder to one vote. All shares have equal rights to participate in the profits and assets of the Company.

Ownership

There were 16,928 (18,279) shareholders as at December 31, 2021. There are shareholders in more than 40 countries, and the total ownership outside of Sweden amounted to 37 percent (34) at year-end. The ten largest individual shareholders accounted for 62 percent of

the share capital on the same date. As of December 31, 2021, members of AAK's Group Executive Management owned a total of 432,000 shares in AAK.

Planned dividend policy

The Board of Directors has adopted a dividend policy. According to the policy, the objective of the Board of Directors, taking into account the development of Group earnings, its financial position and future development opportunities, is to propose annual dividends equivalent to at least 30–50 percent of the profit for the year, after tax, for the Group.

Ordinary dividend

The Board of Directors proposes a dividend for the 2021 financial year of SEK 2.50 (2.30) per share, a total of SEK 646 million (587).

AAK's Investor Relations work

AAK's aim is for the shares to be valued on the basis of relevant, accurate and up-to-date information. This requires a clear strategy for financial communication, reliable information and regular contact with financial market stakeholders.

Contact with the financial markets takes place via presentations in conjunction with quarterly reports and meetings with analysts, investors and journalists at capital market days and seminars.

During 2021, a capital market day was held in Malmö, Sweden, and a number of meetings were held with analysts and other professional investors.

Those interested can obtain presentation material and listen to audio recordings from quarterly presentations at www.aak.com.

Analysts

Bank of America – Alexander Jones
Barclays – Alex Sloane
Berenberg Bank – James Targett
Carnegie Investment Bank – Kenneth Toll Johansson
Danske Bank – Oskar Lindström
DNB Bank – Ebba Björklid
Exane BNP Paribas – Heidi Vesterinen
Handelsbanken – Karri Rinta
Nordea Bank – Daniel Ovin
SEB Enskilda – Carl Mellerby

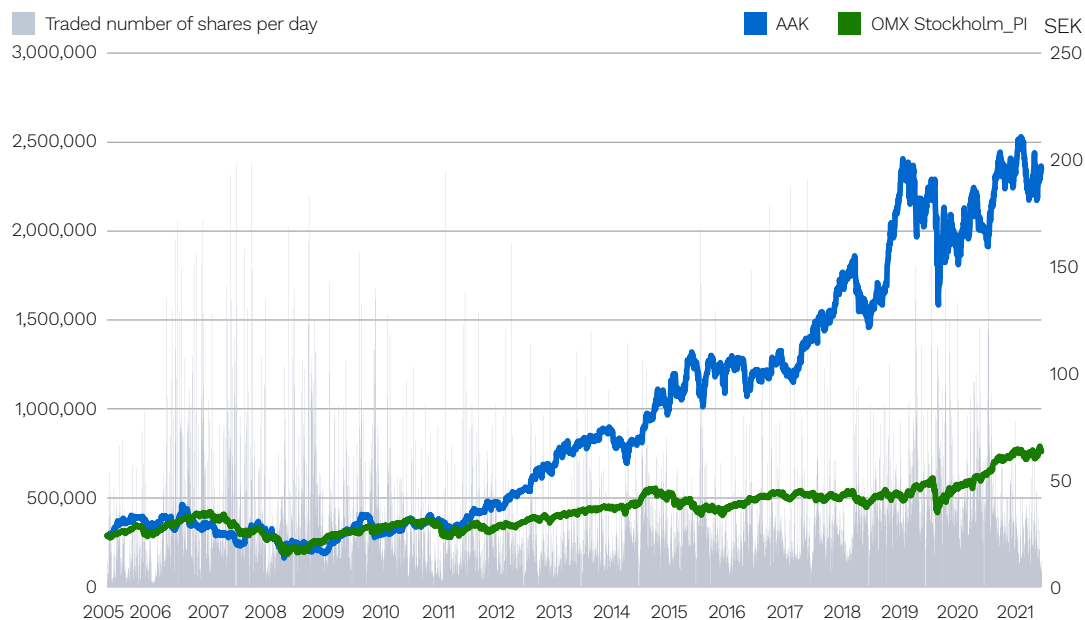
Financial information about AAK is available at www.aak.com, where financial reports, press releases and presentations can be obtained. The Company's press releases are distributed via Cision.

The Company management can be contacted as follows: Telephone: +46 (0)40-627 83 00
Email: info@aak.com

Shareholder contacts

Gabriella Grotte, Head of IR and Corporate Communications
Telephone: +46 737 168 001
Email: investor@aak.com

The AAK share September 29, 2005 to December 31, 2021



| Major shareholders, December 30, 2021 | No. of shares | Proportion of share capital and votes, % |
|--|--------------------|---|
| Melker Schörling AB | 78,774,412 | 30.5 |
| State Street Bank and Trust | 15,947,746 | 6.2 |
| Alecta Pensionsförsäkring | 12,300,000 | 4.8 |
| SEB Investment Management | 11,298,853 | 4.4 |
| JP Morgan Chase Bank NA | 10,732,997 | 4.2 |
| Didner & Gerge Fonder | 8,515,532 | 3.3 |
| Spiltan Fonder AB | 5,856,449 | 2.3 |
| BNY Mellon NA | 5,632,181 | 2.2 |
| BNY Mellon SA/NV | 5,251,876 | 2.0 |
| BNP Paribas Sec Services Paris | 5,201,227 | 2.0 |
| Other shareholders | 98,989,283 | 38.1 |
| Total | 258,500,556 | 100.0 |

| Distribution of shareholdings, December 30, 2021 | No. of shareholders | Proportion of all share- holders, % | Proportion of share capital and votes, % |
|---|------------------------|--|---|
| 1–500 | 11,462 | 67.7 | 0.5 |
| 501–1,000 | 1,816 | 10.7 | 0.5 |
| 1,001–5,000 | 2,562 | 15.1 | 2.2 |
| 5,001–10,000 | 531 | 3.1 | 1.4 |
| 10,001–15,000 | 160 | 0.9 | 0.8 |
| 15,001–20,000 | 63 | 0.4 | 0.4 |
| 20,001– | 334 | 2.1 | 94.2 |
| Total | 16,928 | 100.0 | 100.0 |

| Information per share | 2021 | 2020 |
|----------------------------------|--------|--------|
| Share price, reporting date, SEK | 195.30 | 166.00 |
| Dividend, SEK | 2.50 | 2.30 |
| Direct yield, % | 1.28 | 1.39 |
| Earnings per share, SEK | 5.59 | 6.16 |
| Equity per share, SEK | 45.58 | 38.00 |
| Share price/Equity | 4.27 | 4.35 |

Definitions, see page 129.

AAK as an investment case

Continued profit growth rests on four pillars

As for most companies, Covid-19 continued to affect AAK during 2021. Still, we managed to improve our profit by 18 percent excluding items affecting comparability and at fixed currency rates, year-over-year, a clear indication of the sustainable nature of our business. AAK has over the past decade grown faster than the underlying markets in our focus areas, speciality and semi-speciality solutions, and our ambition for the coming years stands: to achieve an average 10 percent year-over-year improvement in operating profit, with good growth in earnings per share. The journey to achieve this rests on four pillars:

- **Market growth**

Market data shows that in terms of volumes, the oils and fats market in total is growing approximately 3 percent per year*, supported by a growing world population, but also by consumer trends such as health and well-being, sustainability, premiumization, convenience, customization, and transparency – which AAK is well positioned to benefit from.

- **High value-adding solutions**

Through our unique customer co-development approach, our expertise in speciality oils and fats, and our focus on global key drivers, we intend to continue to grow faster than the oils and fats market as a whole. The competition in the industry is quite intense and many global competitors deliver large

volumes of bulk products with limited margins. AAK's response is to focus more on the speciality segment in which there is a great demand for co-developed and high-quality premium solutions that adds value to our customers. An important example is our natural and plant-based solutions that are on trend with consumer demands for health and nutrition. Sustainability is another competitive advantage as AAK, with our focus on traceability and sustainability throughout the value chain, is considered a trustworthy partner.

- **Optimization**

To adapt to the pandemic and to optimize our structure, particularly through tight cost management, we have taken important measures over the past few years. The optimization program initiated during 2020, for example, generated annual savings of about SEK 150 million, and in 2021, we decided to consolidate our bakery production in Europe. These initiatives are fully in line with our strategic direction. Optimization also applies to our individual production sites where we continuously seek to improve productivity as well as minimize our environmental impact.

- **Structural growth**

Despite considerable investments to increase capacity and several acquisitions to add both capacity and new capabilities, we have over recent years built a very strong balance sheet. We have a proven track record of making successful acquisitions and have acquired 15 companies during the past decade. The pandemic, with its restrictions, has made these types of investments somewhat more difficult during the past few years. However, in 2021, we increased our lecithin footprint by acquiring BIC Ingredients, the lecithin arm of BIC International Holding. Going forward, we will continue to make selective acquisitions based on geographic expansion (particularly in emerging markets but also in more mature markets where we have limited or no presence), technology and capabilities, as well as adjacent product portfolios.

CFO:

Strong performance despite uncertainties

How would you describe AAK's financial performance in 2021?

Despite the volatility and uncertainty caused by the Covid-19 pandemic, 2021 was a record year for AAK. Our strong performance was driven by a combination of volume growth, up 5 percent compared to 2020, and an improvement of our operating profit per kilo, reaching SEK 1.04 excluding items affecting comparability (IAC), which is an increase by 5 percent compared to 2020.

This combination resulted in an increased operating profit of 11 percent, excluding IAC (18 percent at fixed foreign exchange rates), meeting our financial target of an average 10 percent year-over-year EBIT improvement. At our Capital Market Day in November, we reiterated that financial target.

What is your comment on the cash flow?

Cash flow from operating activities was positive, even though significant increases in raw material prices directly impacted net working capital negatively by more than SEK 2 billion. Despite the increase in net working capital, good inventory management generated a reduction in overall inventory levels and days. Based on the duration of our contract portfolio, there is a time lag of 6–9 months until we see the cash flow effect from price volatility in the commodities market.

How about the level of capital expenditures?

The CAPEX level in 2021 was somewhat reduced compared to the average of SEK 800 million per year.



Tomas Bergendahl, Chief Financial Officer

This was mainly driven by availability of resources and a delay in CAPEX-related material deliveries. This, however, did not affect our production capabilities during the year.

For 2022, we expect to increase our CAPEX level to just above SEK 1 billion. In February 2022, we announced that we will install two biomass boilers at our production site in Aarhus, Denmark – an important investment, both from a financial and sustainability perspective. This initiative, amounting to SEK 500 million, will reduce the site's CO₂ emissions by approximately 90 percent, as well as generate yearly savings of up to SEK 100 million.

How do you allocate capital?

To ensure a continued ability to grow, both organically and through acquisitions, we want to maintain a strong balance sheet. At the end of 2021, we were at a net debt/EBITDA ratio of 1.25 which puts us in a good position.

During the year, we signed a EUR 400 million sustainability-linked revolving credit facility, renewing an undrawn EUR 400 million credit facility signed in 2014 and amended in 2018. The facility is closely linked to a number of AAK's sustainability targets, among them our commitment to a 100 percent deforestation- and conversion-free palm supply chain by 2025. The five-year facility has two one-year extension options and will serve as a facility for general corporate purposes.

Consolidated Income Statement

| SEK million | Note | Jan–Dec 2021 | Jan–Dec 2020 |
|---|------------|----------------|----------------|
| Net sales | 27 | 35,452 | 27,934 |
| Other operating income | | 186 | 364 |
| Total operating income | | 35,638 | 28,298 |
| Changes in inventories of finished goods and work in progress | | 356 | 55 |
| Raw materials and consumables | | -27,219 | -20,024 |
| Goods for resale | | -834 | -603 |
| Other external expenses | 5, 16, 27 | -2,346 | -2,416 |
| Employee benefits expenses | 6, 7, 8, 9 | -2,527 | -2,334 |
| Depreciation, amortization and impairment loss | 14, 15, 16 | -958 | -755 |
| Other operating expenses | | -21 | -54 |
| Total operating expenses | | -33,549 | -26,131 |
| Operating profit (EBIT) | | 2,089 | 2,167 |
| Result from financial items | 10, 16 | | |
| Financial income | | 19 | 19 |
| Financial expenses | | -121 | -146 |
| Net financial items | | -102 | -127 |
| Profit before tax | | 1,987 | 2,040 |
| Income tax | 11, 16 | -540 | -459 |
| Profit for the year | | 1,447 | 1,581 |
| Attributable to: | | | |
| Non-controlling interests | | 10 | 18 |
| Parent company shareholders | | 1,437 | 1,563 |
| Earnings per share before dilution (SEK) | 12 | 5.59 | 6.16 |
| Earnings per share after dilution (SEK) | 12 | 5.58 | 6.13 |

Consolidated Statement of Comprehensive Income

| SEK million | Note | Jan–Dec 2021 | Jan–Dec 2020 |
|--|------|--------------|---------------|
| Profit for the period | | 1,447 | 1,581 |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurements of post-employment benefit obligations | 9 | 12 | -19 |
| Total items that will not be reclassified to profit or loss | | 12 | -19 |
| Items that may subsequently be reclassified to profit or loss: | | | |
| Translation differences | | 682 | -1,959 |
| Fair-value changes in cash flow hedges | | 5 | -1 |
| Tax related to fair-value changes in cash flow hedges | | -1 | 0 |
| Total items that may subsequently be reclassified to profit or loss | | 686 | -1,960 |
| Total comprehensive income for the period | | 2,145 | -398 |
| Attributable to: | | | |
| Non-controlling interests | | 9 | 10 |
| Parent company shareholders | | 2,136 | -408 |

Consolidated Balance Sheet

| SEK million | Note | Dec 31, 2020 | Dec 31, 2020 |
|--|------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 14 | | |
| Goodwill | | 2,270 | 2,103 |
| Patents and other intangible assets | | 307 | 313 |
| Total intangible assets | | 2,577 | 2,416 |
| Property, plant and equipment | 15 | | |
| Land and buildings | | 1,038 | 1,095 |
| Plant and machinery | | 3,973 | 3,595 |
| Equipment, tools and fixtures and fittings | | 268 | 244 |
| Assets under construction | | 441 | 667 |
| Total property, plant and equipment | | 5,720 | 5,601 |
| Right-of-use assets | 16 | 595 | 709 |
| Shares in associates | | 16 | 14 |
| Financial assets | | 43 | 20 |
| Deferred tax assets | 11 | 179 | 187 |
| Total other non-current assets | | 833 | 930 |
| Total non-current assets | | 9,130 | 8,947 |
| Current assets | | | |
| Inventories | 18 | 9,054 | 6,569 |
| Accounts receivables | 3 | 5,132 | 3,336 |
| Current tax assets | 11 | 275 | 398 |
| Prepaid expenses and accrued income | | 285 | 158 |
| Derivative instruments | 3 | 1,918 | 1,365 |
| Other current receivables | | 371 | 305 |
| Cash and cash equivalents | 19 | 1,001 | 1,200 |
| Total current assets | | 18,036 | 13,331 |
| TOTAL ASSETS | | 27,166 | 22,278 |

Consolidated Balance Sheet

| SEK million | Note | Dec 31, 2021 | Dec 31, 2020 |
|---|------|---------------|---------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | 20 | | |
| Share capital | | 431 | 426 |
| Reserves | | -769 | -1,456 |
| Retained profit | | 12,121 | 10,729 |
| Equity attributable to Parent's shareholders | | 11,783 | 9,699 |
| Non-controlling interests | | 48 | 39 |
| Total equity | | 11,831 | 9,738 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Interest-bearing liabilities | | | |
| Liabilities to banks and credit institutions | 21 | 1,611 | 2,087 |
| Pension provisions | 9 | 271 | 278 |
| Lease liabilities | 16 | 493 | 617 |
| Total non-current interest-bearing liabilities | | 2,375 | 2,982 |
| Non-interest-bearing liabilities | | | |
| Deferred tax liabilities | 11 | 444 | 480 |
| Other non-current provisions | 22 | 98 | 94 |
| Other non-current liabilities | | 263 | 346 |
| Total non-current non-interest-bearing liabilities | | 805 | 920 |
| Total non-current liabilities | | 3,180 | 3,902 |
| Current liabilities | | | |
| Interest-bearing liabilities | | | |
| Liabilities to banks and credit institutions | 21 | 2,333 | 1,565 |
| Other current liabilities | | 12 | 12 |
| Lease liabilities | 16 | 128 | 117 |
| Total current interest-bearing liabilities | | 2,473 | 1,694 |
| Non-interest-bearing liabilities | | | |
| Accounts payables | 3 | 5,696 | 3,659 |
| Current tax liabilities | 11 | 296 | 360 |
| Other current provisions | 22 | 174 | 164 |
| Accrued expenses and prepaid income | 23 | 1,676 | 1,364 |
| Derivative instruments | 3 | 1,661 | 1,147 |
| Other current liabilities | | 179 | 250 |
| Total current non-interest-bearing liabilities | | 9,682 | 6,944 |
| Total current liabilities | | 12,155 | 8,638 |
| TOTAL EQUITY AND LIABILITIES | | 27,166 | 22,278 |

Consolidated Changes in Shareholders' Equity

| SEK million | Attributable to the Parent's shareholders | | | Non-controlling interests | Total equity |
|--|---|---------------|-----------------|---------------------------|--------------|
| | Share capital | Reserves | Retained profit | | |
| Opening balance as at January 1, 2020 | 423 | 496 | 9,418 | 84 | 10,421 |
| Profit for the year | - | - | 1,563 | 18 | 1,581 |
| Other comprehensive income | - | -1,952 | -19 | -8 | -1,979 |
| Comprehensive income | - | -1,952 | 1,544 | 10 | -398 |
| Transactions with shareholders | | | | | |
| New issue of shares | 3 | - | 233 | - | 236 |
| Subscription warrants | - | - | 15 | - | 15 |
| Change in non-controlling interests | - | - | 55 | -55 | - |
| Dividend | - | - | -536 | - | -536 |
| Total transactions with shareholders | 3 | - | -233 | -55 | -285 |
| Closing balance as at December 31, 2020 | 426 | -1,456 | 10,729 | 39 | 9,738 |

| SEK million | Attributable to the Parent's shareholders | | | Non-controlling interests | Total equity |
|--|---|-------------|-----------------|---------------------------|---------------|
| | Share capital | Reserves | Retained profit | | |
| Opening balance as at January 1, 2021 | 426 | -1,456 | 10,729 | 39 | 9,738 |
| Profit for the year | - | - | 1,437 | 10 | 1,447 |
| Other comprehensive income | - | 687 | 12 | -1 | 698 |
| Comprehensive income | - | 687 | 1,449 | 9 | 2,145 |
| Transactions with shareholders | | | | | |
| New issue of shares | 5 | - | 429 | - | 434 |
| Change in non-controlling interests | - | - | 104 | 0 | 104 |
| Dividend | - | - | -590 | - | -590 |
| Total transactions with shareholders | 5 | - | -57 | 0 | -52 |
| Closing balance as at December 31, 2021 | 431 | -769 | 12,121 | 48 | 11,831 |

For further information, see Note 20.

Consolidated Cash Flow Statement

| SEK million | Note | Jan–Dec 2021 | Jan–Dec 2020 |
|--|------------|---------------|---------------|
| OPERATING ACTIVITIES | | | |
| Operating profit | | 2,089 | 2,167 |
| Depreciation and amortization | 14, 15, 16 | 958 | 755 |
| Adjustment for other items not included in cash flow | 28 | 204 | -137 |
| Interest received and other financial income | | 17 | 18 |
| Interest paid and other financial expenses | | -90 | -112 |
| Tax paid | | -521 | -712 |
| Cash flow before changes in working capital | | 2,657 | 1,979 |
| Changes in inventory | | -2,181 | -470 |
| Changes in accounts receivables | | -1,710 | -190 |
| Changes in accounts payables | | 1,793 | 631 |
| Changes in other working capital items | | -51 | 73 |
| Changes in working capital | | -2,149 | 44 |
| Cash flow from operating activities | | 508 | 2,023 |
| INVESTING ACTIVITIES | | | |
| Acquisition of intangible assets | | -6 | -33 |
| Acquisition of property, plant and equipment | | -613 | -709 |
| Acquisition of operations and shares, net of cash acquired | | -31 | -412 |
| Proceeds from sale of property, plant and equipment | | 0 | 4 |
| Cash flow from investing activities | | -650 | -1,150 |
| FINANCING ACTIVITIES | | | |
| Loans raised | 28 | 1,630 | 1,555 |
| Amortization of loans | 28 | -1,388 | -1,686 |
| Amortization of lease liability | 16 | -151 | -154 |
| New issue of shares | | 434 | 236 |
| Subscription warrants | | - | 15 |
| Dividends paid | | -590 | -536 |
| Cash flow from financing activities | | -65 | -570 |
| Cash flow for the year | | -207 | 303 |
| Cash and cash equivalents at beginning of year | | 1,200 | 982 |
| Exchange rate difference for cash equivalents | | 8 | -85 |
| Cash and cash equivalents at year-end | 19 | 1,001 | 1,200 |

Income Statement – Parent Company

| SEK million | Note | Jan–Dec 2021 | Jan–Dec 2020 |
|--|------------|--------------|--------------|
| Net sales | 26 | 116 | 134 |
| Other operating income | | 0 | 0 |
| Total operating income | | 116 | 134 |
| Other external expenses | 5 | -88 | -107 |
| Personnel costs | 6, 7, 8, 9 | -113 | -87 |
| Depreciation, amortization and impairment loss | | -6 | -7 |
| Total operating expenses | | -207 | -201 |
| Operating profit (EBIT) | | -91 | -67 |
| Profit from financial items | 10 | | |
| Dividend from Group companies | | 1,039 | - |
| Profit from interests in Group companies | | 82 | 65 |
| Interest income and similar items | | 0 | 0 |
| Interest expenses and similar items | | -28 | -37 |
| Net financial items | | 1,093 | 28 |
| Profit before tax | | 1,002 | -39 |
| Income tax | 11 | 0 | 0 |
| Profit for the year | | 1,002 | -39 |

Statement of Comprehensive Income – Parent Company

| SEK million | Note | Jan–Dec 2021 | Jan–Dec 2020 |
|--|------|--------------|--------------|
| Profit for the period | | 1,002 | -39 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 1,002 | -39 |

Balance Sheet – Parent Company

| SEK million | Note | Dec 31, 2021 | Dec 31, 2020 |
|-------------------------------------|------|---------------|--------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible non-current assets | | 10 | 12 |
| | | 10 | 12 |
| Property, plant and equipment | | 1 | 2 |
| | | 1 | 2 |
| Right-of-use assets | | 6 | 4 |
| | | 6 | 4 |
| Financial non-current assets | | | |
| Shares in Group companies | 17 | 5,788 | 5,788 |
| Receivables from Group companies | | 3,882 | 3,038 |
| Deferred tax assets | 11 | 5 | 5 |
| Other non-current assets | | 12 | 17 |
| | | 9,687 | 8,848 |
| Total non-current assets | | 9,704 | 8,866 |
| Current assets | | | |
| Receivables from Group companies | | 355 | 329 |
| Tax assets | 11 | 10 | 9 |
| Prepaid expenses and accrued income | | 4 | 13 |
| Other receivables | | 5 | 0 |
| | | 374 | 351 |
| TOTAL ASSETS | | 10,078 | 9,217 |

Balance Sheet – Parent Company

| SEK million | Note | Dec 31, 2021 | Dec 31, 2020 |
|--|------|---------------|--------------|
| EQUITY AND LIABILITIES | | | |
| EQUITY | 20 | | |
| Restricted equity | | | |
| Share capital | | 431 | 426 |
| Statutory reserve | | 5 | 5 |
| | | 436 | 431 |
| Non-restricted equity | | | |
| Retained profit | | 5,935 | 6,135 |
| Profit/loss for the year | | 1,002 | -39 |
| | | 6,937 | 6,096 |
| Total equity | | 7,373 | 6,527 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Interest-bearing liabilities | | | |
| Liabilities to banks and credit institutions | | 1,000 | 1,500 |
| Lease liabilities | | 2 | 1 |
| | | 1,002 | 1,501 |
| Non-interest-bearing liabilities | | | |
| Other non-current liabilities | | 27 | 29 |
| | | 27 | 29 |
| Total non-current liabilities | | 1,029 | 1,530 |
| Current liabilities | | | |
| Interest-bearing liabilities | | | |
| Liabilities to banks and credit institutions | | 1,600 | 1,100 |
| Lease liabilities | | 3 | 3 |
| | | 1,603 | 1,103 |
| Non-interest-bearing liabilities | | | |
| Accounts payables | | 6 | 6 |
| Liabilities to Group companies | | 14 | 7 |
| Accrued interest | | 2 | 2 |
| Accrued expenses and prepaid income | 23 | 48 | 37 |
| Other current liabilities | | 3 | 5 |
| | | 73 | 57 |
| Total current liabilities | | 1,676 | 1,160 |
| TOTAL EQUITY AND LIABILITIES | | 10,078 | 9,217 |

Changes in Shareholders' Equity – Parent Company

| SEK million | Share capital | Statutory reserves | Retained profit | Total equity |
|--|---------------|--------------------|-----------------|--------------|
| Opening balance as at January 1, 2020 | 423 | 5 | 6,439 | 6,867 |
| Profit for the year | - | - | -39 | -39 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | -39 | -39 |
| New issue of shares | 3 | - | 233 | 236 |
| Dividend | - | - | -536 | -536 |
| Closing balance as at December 31, 2020 | 426 | 5 | 6,096 | 6,527 |

| SEK million | Share capital | Statutory reserves | Retained profit | Total equity |
|--|---------------|--------------------|-----------------|--------------|
| Opening balance as at January 1, 2021 | 426 | 5 | 6,096 | 6,527 |
| Profit for the year | - | - | 1,002 | 1,002 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 1,002 | 1,002 |
| New issue of shares | 5 | - | 428 | 433 |
| Dividend | - | - | -589 | -589 |
| Closing balance as at December 31, 2021 | 431 | 5 | 6,937 | 7,373 |

Total shares outstanding were 258,500,556 at quota value of SEK 1.67 per share. For further information, see Note 20.

Cash Flow Statement – Parent Company

| SEK million | Note | Jan–Dec 2021 | Jan–Dec 2020 |
|--|------|--------------|--------------|
| OPERATING ACTIVITIES | | | |
| Operating profit | | -91 | -67 |
| Depreciation and amortization | | 6 | 7 |
| Adjustment for other items not included in cash flow | 28 | 2 | 1 |
| Interest received and other financial income | | 1,121 | 65 |
| Interest paid and other financial expenses | | -28 | -37 |
| Tax paid | | -1 | -2 |
| Cash flow before changes in working capital | | 1,009 | -33 |
| Net change in other current receivables | | -21 | 72 |
| Net change in other current operating liabilities | | 17 | -13 |
| Changes in working capital | | -4 | 59 |
| Cash flow from operating activities | | 1,005 | 26 |
| INVESTING ACTIVITIES | | | |
| Acquisition of intangible assets | | -1 | -3 |
| Change in receivables from Group companies | | -845 | -69 |
| Cash flow from investing activities | | -846 | -72 |
| FINANCING ACTIVITIES | | | |
| Loans raised from banks and credit institutions | | 0 | 350 |
| Amortization of lease liability | | -3 | -4 |
| New issue of shares | | 433 | 236 |
| Dividend | | -589 | -536 |
| Cash flow from financing activities | | -159 | 46 |
| Cash flow for the year | | 0 | 0 |
| Cash and cash equivalents at beginning of year | | 0 | 0 |
| Cash and cash equivalents at year-end | | 0 | 0 |

Notes

Amounts stated in SEK million unless specified otherwise.

Note 1 | General information

AAK AB (publ.), corporate identity number 556669-2850, is a Swedish registered limited liability company domiciled in Malmö, Sweden. The shares of the Parent are listed on NASDAQ OMX Stockholm, in the Large Cap list and under Consumer Goods. The head office is located at Skrivaregatan 9, 215 32 Malmö, Sweden.

These consolidated financial statements for 2021 are for the Group consisting of the Parent and all subsidiaries. The Group also has ownership interests in associates and joint ventures. The Board of Directors approved these consolidated financial statements for publication on April 19, 2022.

Note 2 | Summary of significant accounting policies

Basis of presentation of the annual report and consolidated financial statements

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standard Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted within the EU, the Swedish Annual Accounts Act, and the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary accounting rules for groups of companies". The Parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for legal entities". No differences with the Group's accounting policies have been identified. The accounting principles for both the Group and the Parent company have been applied consistently for the periods presented, unless otherwise stated.

The annual and consolidated financial statements have been prepared on a historical cost basis, with the exception of currency, interest rate and commodity derivative instruments, which are measured at fair value through profit or loss. Preparing these financial statements requires that the Board of Directors and the Company management use certain critical accounting estimates and assumptions. These estimates and assumptions can materially affect the income statement, balance sheet and other information contained herein, including contingent liabilities; see Note 4. Actual outcome can vary from these estimates under different assumptions or circumstances.

New and amended standards applied by the Group

A number of changes to IFRS were effective from January 1, 2021. None of these have any significant effect on the Group's financial statements.

New standards and interpretations not yet applied by the Group

A number of new standards and interpretations enter into force for financial years that start after January 1, 2021 and have not been applied by the Group in this financial report. These standards are not expected to have any significant effect on the Group's financial statements in the current or future reporting periods and on foreseeable future transactions.

Consolidated financial statements

Subsidiaries

The consolidated financial statements cover AAK AB and all its subsidiaries. Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed to or is entitled to variable return from its holding in the company and is able to affect the return by exerting influence in the company. Subsidiaries are included in the consolidated financial statements as from the date on which the control is transferred to the Group. They are excluded from the consolidated financial statements as from the date on which the control ceases.

Purchase method

The acquisition of subsidiaries is recognized using the purchase method of accounting. The cost of acquisition is measured as the fair value of the assets provided as consideration, liabilities incurred and shares issued by the Group. Transaction costs relating to acquisitions are expensed as they are incurred. Identifiable assets acquired and liabilities and obligations assumed in an acquisition are measured initially at fair value at the acquisition date. For each acquisition, the Group determines whether all non-controlling interests in the acquired companies are to be recognized at fair value or according to the proportional share of the identifiable net assets in the company. The excess of the purchase price, any non-controlling interests and the fair value of previous shareholdings at the acquisition date over the fair value of the Group's interest in identifiable net assets is recognized as goodwill. If this amount is less than the fair value for the acquired subsidiary's assets, the difference is recognized directly in the statement of comprehensive income.

All intra-group transactions, balances and unrealized gains on transactions are eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Note 2 | Summary of significant accounting policies

Transactions with holders of non-controlling interests

The Group handles transactions with holders of non-controlling interests in the same ways as transactions with the Group's shareholders. In the event of acquisitions from holders of non-controlling interests, the company recognizes the difference between the purchase price paid and the actual acquired portion of the carrying amount of the subsidiary's net assets in equity. Gains and losses on disposals to holders of non-controlling interests are also recognized in equity.

When the Group no longer holds a controlling or significant influence, each shareholding is remeasured at fair value and the change in the carrying amount is recognized in the income statement. Fair value is used as the primary carrying amount and forms the basis for ongoing recognition of the remaining ownership interest as an associate company, joint venture or financial asset. All amounts relating to divested units previously recognized under "Other comprehensive income" are recognized as though the Group had directly disposed of the respective assets or liabilities. This can result in amounts previously recognized in "Other comprehensive income" being reclassified as earnings.

Associated companies

Associates are those companies where the Group has significant influence, but not a controlling influence over operational and financial management, usually through an ownership interest of between 20 and 50 percent of the voting rights. As of the date at which the significant influence is acquired, investments in associated companies are recognized in the consolidated financial statements using the equity method. The equity method means that the value of the shares in the associated companies recognized for the Group corresponds to the Group's interest in the equity of the associates plus Group-related goodwill and any residual values of Group-related surplus or shortfall in value. The consolidated income statement reports the Group's share of profit of associated companies, adjusted for any amortization, impairment or dissolution of acquired surplus or shortfall values, as other financial revenue. Dividends received from associated companies reduce the carrying amount of the investment.

Foreign currency translation of foreign subsidiaries' financial statements

Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which they operate (functional currency). The consolidated financial statements are presented in Swedish krona which is the Parent's functional and presentation currency.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate are recognized as of the end of the reporting period in the income statement.

Group companies

The results and financial position of foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency other than the presentation currency are translated into the Group's presentation currency as follows:

- Assets and liabilities are translated at the closing day rate.
- Income and expenses are translated at average exchange rates.
- All exchange differences are charged directly to other comprehensive income and are recognized as a separate part of equity. When a foreign subsidiary is sold, any exchange differences are recognized in profit or loss as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising in the acquisition of foreign operations are treated as assets and liabilities of the entity and translated at the closing day rate.

Exchange rates

The following rates were used to translate currency:

| Currency | Average rate | Closing rate |
|----------|--------------|--------------|
| EUR | 10.16 | 10.28 |
| DKK | 1.37 | 1.38 |
| GBP | 11.80 | 12.24 |
| MXN | 0.42 | 0.44 |
| USD | 8.59 | 9.04 |

Segment reporting

An operating segment is the part of the Group that conducts business operations from which it may generate revenue and incur expenses for which discrete financial information is available. The operating results of an operating segment are followed up by the Group's chief operating decision-maker in order to evaluate its performance and allocate resources to the operating segment. The Group's operations are divided up into operating segments based on which parts of the operations the Group's chief operating decision-maker monitors, that is, according to the management approach. AAK's business operations are organized in such a way that the Group's highest executive decision-maker, that is the CEO, monitors earnings, returns and cash flows generated by the Group's various products. Each operating segment has a manager who is responsible for day-to-day operations and who regularly reports to the CEO on the outcome of the operating segment's performance and its resource requirements. Where the CEO monitors profit/loss and determines resource allocations based on the product that the Group produces and sells, these constitute the Group's operating segments.

Note 2 | Summary of significant accounting policies

The Group's operations are organically divided into business segments based on product. The marketing organization also reflects this structure. Segment reporting is submitted in accordance with IFRS 8 for the Group only. For each segment, the results, assets and liabilities directly attributable to or items that can reliably be attributed to the segment are included in that segment. Assets and liabilities not attributed to segments include tax assets and tax liabilities, financial investments and financial liabilities, as well as cash and cash equivalents and interest-bearing receivables.

Revenue recognition

Revenue from contracts with customers are reported as Net sales in the Consolidated Income Statement. AAK recognizes revenue from contracts with customers based on the five-step process described in IFRS 15. The five steps in the process for recognizing revenue from contracts with customers are: identify the contract, identify separate performance obligations in the contract, determine the transaction price, allocate the transaction price to the separate performance obligations, and recognize revenue when each performance obligation is satisfied. The Group's performance obligation in contracts with customers consists of providing the goods specified in the contract. Revenue from the Group's sales is recognized when the control of the products is transferred to the customer in accordance with the terms of the contract, which occurs when the products are delivered to the customer and there are no unfulfilled obligations that may affect the customer's acceptance and approval of the products.

Net sales are recognized based on the price specified in the sales contract less any discounts. A contract with a customer may include one or more variable considerations. The IFRS 15 standard requires an entity to estimate the amount of variable consideration and recognizes a minimum amount of highly probably, not reversing revenue. Variable considerations, such as price reductions, performance discounts and bonuses are non-significant within the AAK Group. Based on this, AAK follows the objective of the constraint as it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur. No element of financing is deemed present as the sales are made with shorter credit terms. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a warranty provision monthly. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional. Prepayments are reported as a liability on the line item Accrued expenses and prepaid income in the Balance Sheet.

Other operating income relates to for instance rental revenue, capital gains from the sale and scrapping of tangible and intangible assets and exchange gains on operating receivables and liabilities. Interest income is recognized allocated over the maturity of the security using the effective interest method. Dividend income is recognized when the right to receive payment has been determined.

Employee benefits

a) Pension liabilities

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods. The fees paid in exchange for the employee performing services for the company are recognized as expenses in the period in which the services are performed.

A defined benefit pension plan is a pension plan that is not a defined contribution plan. The characteristic feature of a defined benefit plan is that it defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality mortgage bonds that are denominated in the same currency in which the benefits will be paid, and that have terms of maturity approximating the terms in the related pension commitment.

Past-service costs are recognized immediately in the income statement.

The net interest rate is calculated by the discount rate being applied to defined benefit plans and to the fair value of plan assets. This expense is included in the personnel costs in the income statement.

Actuarial gains and losses as a result of experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

b) Termination benefits

Employees receive compensation on termination before normal retirement age or when they voluntarily accept termination in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed, formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

c) Variable remuneration

Annual variable remuneration is based on meeting set targets determined on an annual basis. These targets are related to the performance of the Company. The Group recognizes costs as and when earnings occur.

Note 2 | Summary of significant accounting policies

Leases

The Group leases various land, buildings, machinery, equipment and vehicles. Rental contracts are typically made for fixed periods of 10 to 30 years for land, 5 to 20 years for buildings, and 3 to 5 years for vehicles but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable in connection with the inception date of the lease
- Variable lease payments that are based on an index or a rate, measured based on the index or rate at initial recognition
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions considering the entity's financial credit ability.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received in connection with the inception date of the lease
- Any initial direct costs
- Restoration costs of the underlying asset in accordance with the lease agreement.

AAK has chosen to apply the practical expedient concerning short-term leases and leases of low-value assets. Short-term leases are leases with a lease term of 12 months or less and low-value assets have an underlying value of USD 5,000 or less when new. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Extension and termination options are included in the majority of the property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. When determining the lease term, the management considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise an option to extend the lease, or not to exercise an option to terminate the lease. Periods covered by the extension option are included in the lease term only if the lessee is reasonably certain to exercise the extension option, or if the lessee is reasonably certain not to exercise the termination option. Assessment regarding the exercise of options to extend or options to terminate a lease agreement is revised if there is any material event or change in circumstances that affect this assessment and if that change is within AAK's control.

Product development

Product development work is an integral part of production relating to process improvement measures that is expensed as part of the product cost as it arises. The criteria for capitalization of development expenses according to IAS 38.57 are not met. The development work consists primarily of work aimed at optimizing the attributes and function of speciality oils and fats, either for the finished product in which these oils and fats are ingredients or to improve the efficiency of the production process of the finished product.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill recognized separately is allocated to cash-generating units for the purpose of annual impairment testing. Goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition. Goodwill is recognized at cost less accumulated impairment losses.

When acquiring operations where cost is less than the net value of the acquired assets, borrowings, and any contingent liabilities, the difference is recognized directly in the income statement.

Other intangible assets

Other intangible assets include such assets as capitalized expenditure on IT, patents and trademarks. These assets have a defined useful life and are carried at cost less accumulated amortization and impairment losses. The cost associated with maintaining an intangible asset is recognized as part of the carrying value or as a separate asset only when it is probable that the future economic benefit associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Other expenditures are expensed as they arise. Other intangible assets are amortized using the straight-line method over their estimated useful lives, normally 5 to 10 years.

Note 2 | Summary of significant accounting policies

Property, plant and equipment

Land and buildings comprise mainly factory buildings and offices. All property, plant and equipment is carried at cost, less accumulated depreciation. Acquisition costs include expenditure that is directly attributable to the acquisition of an asset.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are expensed in the financial period in which they arise.

Land is not depreciated. Depreciation of other property, plant and equipment is allocated on a straight-line basis over the estimated useful lives of the assets to reduce their cost to residual values. Depreciation periods of between 3 and 15 years are used for plant and machinery, equipment, tools, fixtures and fittings. Industrial buildings and research laboratories are depreciated over 20 and 25 years, respectively, and office buildings over 50 years. When an asset's carrying amount may not be recoverable, the asset is immediately impaired to its recoverable amount.

Assets' residual value and useful life are reviewed at the end of every reporting period and adjusted as required.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Impairment of non-financial assets

Assets with indefinite useful lives are tested for impairment annually rather than being amortized. All assets are assessed in terms of impairment whenever events or changes in circumstances indicate that an asset's carrying amount exceeds its recoverable amount. Impairment reflects the excess of an asset's carrying amount over its recoverable amount. The recoverable amount is either the asset's fair value less any selling costs or its value in use, whichever is greater. For the purposes of assessment, assets are grouped on the basis of the lowest level at which there are separate identifiable cash flows (cash-generating units). Assets, other than financial assets and goodwill, for which impairment loss was previously recognized, are tested at the end of every reporting period to ascertain whether any reversal should be made.

Inventories

Inventories are stated at cost or net selling price, whichever is lowest. Cost is calculated using the first-in-first-out principle (FIFO) or weighted average prices. The nature and area of use of the product determines the method used. The cost of finished goods and work in progress includes direct material costs, direct labor and other direct manufacturing costs and a reasonable allocation of indirect manufacturing expenses based on normal production capacity, excluding borrowing costs. Net selling price is the estimated sale price in the ordinary course of business, less costs of completion and applicable variable costs to sell.

Financial income and expenses

Financial income consists of interest income on funds invested, dividend income and gains on hedging instruments recognized in profit or loss. Dividend income is recognized when the right to receive payment has been established. Results from the sale of financial instruments are recognized when the risks and rewards associated with ownership of the instruments

have been transferred to the buyer and the Group no longer has control of the instrument. Financial expenses consist of interest expenses on loans, the effect of unwinding of discounting for provisions, impairment of financial assets and those losses on hedging instruments recognized in profit or loss. Borrowing expenses are recognized in profit or loss, except where they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for their intended use or sale, in which case they are included in the cost of those assets. No borrowing expenses have been capitalized during the past two years. Exchange gains and losses are recognized net.

Financial instruments

The Group's financial instruments consist of derivatives, sales and purchase contracts for which the fair value option in IFRS 9 is applied, fund investments, borrowings from banks and credit institutions, accounts payables and accounts receivables, cash and cash equivalents as well as other receivables and other liabilities to the extent such items meet the definition of financial instruments in IFRS.

a) Recognition and initial measurement

Accounts receivables are initially recognized when they are originated by AAK. All other financial assets are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial liability is recognized when the counterparty has performed and a contractual duty to pay arises, even if no invoice is received.

Accounts receivables are initially measured at the transaction price as determined under the guidance in IFRS 15. Other financial assets and financial liabilities are initially measured at fair value plus or minus any transaction costs that are directly attributable to the acquisition of an asset or the issue of a financial liability. Hence, any transaction costs related to borrowings from banks and credit institutions are presented net of the borrowings in the balance sheet. However, any transaction costs related to instruments that are subsequently measured at fair value through profit or loss are expensed immediately.

b) Classification and subsequent measurement of financial assets

The Group classifies its financial assets in the following categories:

- Amortized cost
- Fair value through profit or loss

The classification is dependent on AAK's business model for managing the financial assets and the contractual terms of the cash flows. Management establishes the classification of financial assets at initial recognition. The classification of the Group's financial assets is described further below.

Assets for derivatives and sales and purchase contracts when the fair value option is applied

All derivatives that are assets are measured at fair value through profit or loss unless the derivative is identified as a hedging instrument in a cash flow hedge. All assets for sales and purchase contracts for which the fair value option in IFRS 9 is applied are measured at fair value through profit or loss. For more information about how the Group accounts for derivatives as well as sales and purchase contracts for which the fair value option is applied, see sections "Derivatives and hedge accounting" and "Sales and purchase contracts" below.

Note 2 | Summary of significant accounting policies

Investment in funds

During 2021, the Group made an investment in the unlisted fund “New Protein Fund I”, which is managed by Big Idea Ventures (BIV). The Group’s investment in the fund is measured at fair value through profit or loss.

Other financial assets

All other financial assets are measured at amortized cost as they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest. These are included in current assets, except for items with a maturity of more than 12 months after the end of the reporting period, which are classified as non-current assets. Interest income from these financial assets is included in financial income using the effective interest method. The Group’s financial instruments measured at amortized cost consist of accounts receivables and other receivables, as well as cash and cash equivalents in the balance sheet.

c) Classification and subsequent measurement of financial liabilities

Financial liabilities are measured either at fair value or at amortized cost. Financial liabilities that are measured at fair value consists of derivatives with a negative fair value for the Group as well as sales and purchase contracts for which the fair value option is applied and where the contracts have a negative fair value for AAK. For more information about how the Group accounts for derivatives as well as sales and purchase contracts for which the fair value option is applied, see sections “Derivatives and hedge accounting” and “Sales and purchase contracts” below.

All other financial liabilities, including borrowings from banks and credit institutions as well as accounts payables, are measured at amortized cost using the effective interest rate method.

d) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its receivables carried at amortized cost. For accounts receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The expected credit loss rates are calculated based on payment profiles and the corresponding historical credit losses experienced within the same period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Accounts receivables are written off when there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment losses on accounts receivables are recognized in the income statement as “Other external expenses”. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other receivables than accounts receivables, the Group applies the full impairment model in IFRS 9 where changes in the loss reserve is made based on whether there has been a significant increase in credit risk.

e) Derivatives and hedge accounting

AAK uses derivatives to manage the Group’s exposure to raw material price risks, currency risks and interest rate risk. All derivatives are measured at fair value, both at the date of initial recognition and on subsequent balance sheet dates. The full fair value of the derivative is classified as a non-current asset or liability when remaining maturity of the derivative is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the derivative is less than 12 months.

Fair value hedging of inventory

The Group applies fair value hedge accounting for derivatives that hedge raw material price risks in inventory. The Group has identified the spot risk as the hedged risk in the hedging relationships. Changes in the fair value on derivatives that are designated as hedging instruments in such hedges are recognized in the income statement. The Group also remeasures inventory to fair value in respect of the spot risk during the period of the hedging relationship to the extent it is designated as the hedged item. The remeasurement adjustment is presented as part of current assets and liabilities in the balance sheet. Changes in the fair value of the hedging instruments as well as the effects of remeasuring the hedged item, i.e. inventory, at fair value is recognized in the income statement as part of “Raw materials and consumables”. Any ineffectiveness is recognized immediately in the income statement on the same line item.

Since the quality of the underlying raw materials used for hedging differs from the quality of the hedged raw materials, some inefficiency is likely. AAK minimizes this inefficiency by reducing the basis risk between hedged raw material risks and the underlying raw materials in hedging contracts. Hedge efficiency testing in 2021 confirmed that the fair-value hedge of raw materials qualifies for hedge accounting.

Cash flow hedges of interest rate risk

The Group has issued floating rate bonds and uses interest rates swaps to hedge the exposure to variability in interest rates. The interest rate swaps have been identified as cash flow hedges. Changes in the fair value of the swaps are therefore reported in other comprehensive income and accumulated in the hedging reserve within equity. Interest coupons paid or received on the swaps are presented as part of “Financial expenses”.

f) Sales and purchase contracts

AAK applies the fair value option in IFRS 9 to binding commitments (sales and purchase contracts) for own use since this offsets the change in fair value of derivatives not designated for hedge accounting and hence reduces an accounting mismatch. AAK’s business model enables the net settlement of sales and purchase contracts entered into for physical delivery since the commodities are readily convertible to cash. The full fair value of the contract is classified as a non-current asset or liability when remaining maturity is more than 12 months. It is classified as a current asset or liability when the remaining maturity is less than 12 months.

Note 2 | Summary of significant accounting policies

g) Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to cash flow in the contract mature or the rights are transferred to a third party in a transaction that transfers substantially all risks and rewards of ownership. This also applies to parts of financial assets. Financial liabilities are derecognized from the balance sheet when payment is made to the lender or when the liability is extinguished in some other manner. This also applies to parts of financial liabilities.

Equity

Ordinary shares are classified as share capital. Transaction expenses that are directly attributable to new share issues or options are recognized, net of tax, in equity as a deduction from the proceeds.

Premium received for share warrants issued at market price has been recognized as an increase in funds brought forward in equity as the options will be redeemed with equity instruments. Information on outstanding subscription warrants is available in Note 8.

Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligations and the amount can be estimated reliably. No provisions are made for future operating losses. If the effect of when in time payment is made is significant, provisions are calculated through discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the debt.

A provision for restructuring is recognized when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or published.

Income tax

Tax expenses for the period comprise both current tax due and deferred income tax. Tax is recognized in the income statement, apart from when tax is attributable to items recognized in other comprehensive income or directly in equity. In such cases, tax is also recognized in other comprehensive income and equity. Income tax is determined using the tax rules that have been enacted or announced by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Tax expenses stated include both current tax due and deferred income tax.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward. The tax rates enacted in each country are used in determining deferred income tax.

Deferred income tax assets for tax-deductible temporary differences and loss carry-forwards are recognized only to the extent it is likely that it will be possible to utilize these items. The value of deferred tax assets is derecognized when it is no longer deemed likely that they can be utilized.

Deferred income tax assets are recognized on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the difference will not be reversed in the foreseeable future.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and balances with banks and other institutes maturing within three months from the date of acquisition, as well as short-term liquid investments with a maturity, from the date of acquisition, of less than three months, and which are exposed to a minimal risk of fluctuations in value.

Cash flow statement

Payments in and out have been divided up into three categories: operating activities, investing activities, and financing activities. The indirect method is used for flows from operating activities.

The changes during the year in operating assets and operating liabilities have been adjusted for the effects of changes in exchange rates. Acquisitions and disposals are recognized under investing activities. The assets and liabilities that acquired and divested companies had at the time of the change are not included in the analysis of the changes in operating capital, nor in changes to balance sheet items recognized under investing and financing activities. These items are reported separately under investing activities.

Earnings per share

The calculation of earnings per share is based on the consolidated profit attributable to the Parent's shareholders and the weighted average number of shares outstanding during the year.

When determining earnings per share after dilution, a company must base its calculations on the company's shares and stock options which could result in dilution being exercised. Compensation from these instruments will be deemed to have been received from the issuing of ordinary shares at the average market price for ordinary shares during the period. The difference between the number of issued ordinary shares and the number of ordinary shares that should have been issued at the average market price for ordinary shares during the period, shall be treated as an issue of ordinary shares without consideration. According to paragraph 47 of IAS 33, options and stock options only have a dilutive effect when the average market price for ordinary shares during the period exceeds the exercise price for options or stock options.

Dividend

The dividend to shareholders in the Parent is recognized as a liability in the consolidated financial statements in the period when the dividend was approved by the shareholders.

Note 3 | Financial risk management

Financial risk management

The AAK Group's operations are exposed to various financial risks, including market price risks (on raw materials, currencies and interest rates), liquidity risk, counterparty risk and credit risk. Since AAK's products are sold throughout the world, our sales revenues are exposed to market fluctuations in the exchange rates of the currencies involved. Moreover, the Group buys its raw materials on international markets, so its cost of raw materials is exposed to market fluctuations in both the price of the raw materials and the exchange rates of the currencies involved.

Exposure to such significant financial risks makes managing these risks a significant factor in successful operations. AAK believes that it is largely successful in managing risks owing to the policies and procedures established for the Group.

The Group's management of price risks and other risks related to purchasing of raw materials is regulated by AAK's policy and principles on the management of market risk for raw materials. Currency risk is hedged when risk arise from underlying commercial actions and flows. Interest rate risks are hedged in line with AAK's financial policy and principles. Counterparty risks are measured and managed according to AAK's financial policy and principles. Policies and principles are established by AAK's Board of Directors, which also monitors, evaluates and updates these policies and principles annually.

Raw material price risks

The Group's annual costs for raw materials are 75–80 percent of the sales value of the finished products. AAK hedges both operational raw material price risk and the underlying operational currency risk when sales agreements are signed with customers.

Raw material prices fluctuate, so the Group has assigned a high priority to raw material procurement and to managing this exposure. Raw material procurement is managed by the Group procurement organization, which continually monitors and controls raw material market exposure for the Group. However, to maintain an effective organization, the Group's procurement organization is permitted to take limited price risks within the framework of our trading policy established by the Board of Directors. Since these raw material positions are managed appropriately, AAK's profitability is affected only marginally by price changes.

AAK generally hedges sales contracts with physical purchases of raw material. However, for long-term sales contracts the Group typically uses financial derivatives to hedge its exposure, since there is low liquidity in the market for longer-period physical purchase contracts. The Group uses standard commodity futures traded on commodity exchanges or OTC hedge contracts as hedging instruments.

Exotic raw materials, of which shea is by far the most important, must be sourced when they are available right after the harvest season. No efficient hedge market exists for exotic raw materials. Therefore, the Group is typically left with a significant unhedged volume of exotic raw materials in the months following the harvest season. The Group endeavors to limit this exposure by entering into new exotic-raw-material-based sales contracts during the months in which the exotic raw materials are sourced.

The table below illustrates the Group's exposure to raw material price risk as per the balance sheet date, expressed in thousands of metric tons. The amount of raw material sold under sales contracts less the amounts held in inventory and amounts purchased for future delivery, results in the Group's net exposure to price risk in oils and fats at any given point in time.

Exposure to raw material price risk, December 31, 2021

| (Thousand tonnes) | Sales contracts | Inventory | Purchase contracts | Net exposure |
|-------------------|-----------------|-----------|--------------------|--------------|
| Oils and fats | 1,913 | -341 | -1,612 | -40 |

Exposure to raw material price risk, December 31, 2020

| (Thousand tonnes) | Sales contracts | Inventory | Purchase contracts | Net exposure |
|-------------------|-----------------|-----------|--------------------|--------------|
| Oils and fats | 1,586 | -287 | -1,319 | -20 |

Note 3 | Financial risk management

Sensitivity analysis – raw materials (excluding exotic raw materials)

With the stock and commercial contracts hedged by raw material hedge contracts, leaving a very limited net exposure, changes in raw material prices have no significant effect on the Group's profit margin. A 10 percent change in all raw material prices would therefore have a negligible effect on Group operating profit, but a cash flow impact of SEK 350-400 million over a period of six to nine months.

Fair value hedge accounting disclosures

The following table provides information on the hedge accounting adjustments that follows from the Group's application of fair value hedge accounting for price risk in inventory.

Fair value hedge accounting

| SEK million | 2021 | 2020 |
|---|-------|-------|
| Carrying amount of the hedged item | 9,054 | 6,569 |
| Accumulated amount of fair value hedge adjustments on the hedged item | 868 | 541 |

Exposure to foreign currency

A significant portion of the Group's buying and selling of raw materials is denominated in foreign currency. Moreover, most of the Group's operational subsidiaries are located outside Sweden. Changes in exchange rates therefore affect AAK in several ways:

- Sales contracts and raw material contracts in foreign currency give rise to transaction risk.
- Profits for our foreign subsidiaries are affected by changes in currency rates when they are translated to SEK.
- The Group's equity is affected when equity in our foreign subsidiaries is translated to SEK.

AAK hedges all its currency transaction risks. Payment for all sales contracts is thus hedged in the local currency of the subsidiaries that have entered into such sales contracts. Exchange rate risks related to translating equity and profit/loss in our foreign subsidiaries to SEK are not hedged.

The table below illustrates the Group's exposure to currency transaction price risk as per the balance sheet date.

Exposure to transaction risk, December 31, 2021

| SEK million | Assets | Liabilities | Sales contracts | Purchase contracts | Currency contracts | | Net exposure |
|--------------|--------------|---------------|-----------------|--------------------|--------------------|--------------|--------------|
| | | | | | Sold | Bought | |
| USD | 5,742 | -4,931 | -2,058 | 255 | -2,060 | 3,128 | 76 |
| EUR | 2,024 | -1,226 | 999 | 173 | -3,036 | 1,049 | -17 |
| GBP | 17 | -548 | 34 | 2 | -612 | 1,107 | 0 |
| Other | 2,015 | -438 | 734 | -337 | -3,417 | 1,452 | 9 |
| Total | 9,798 | -7,143 | -291 | 93 | -9,125 | 6,736 | 68 |

Exposure to transaction risk, December 31, 2020

| SEK million | Assets | Liabilities | Sales contracts | Purchase contracts | Currency contracts | | Net exposure |
|--------------|--------------|---------------|-----------------|--------------------|--------------------|--------------|--------------|
| | | | | | Sold | Bought | |
| USD | 3,173 | -2,802 | -2,583 | 1,386 | -1,135 | 1,946 | -15 |
| EUR | 1,535 | -1,107 | 1,273 | -189 | -2,176 | 640 | -24 |
| GBP | 132 | -683 | 32 | 1 | -451 | 967 | -2 |
| Other | 965 | -183 | 348 | -137 | -2,059 | 1,067 | 1 |
| Total | 5,805 | -4,775 | -930 | 1,061 | -5,821 | 4,620 | -40 |

Note 3 | Financial risk management

Sensitivity analysis – transaction risk

With all foreign currency transaction risk hedged by currency hedge contracts, leaving a very limited net exposure, changes in foreign currencies will have an insignificant effect on each subsidiary's profit margin. As this is considered non-material for AAK, no sensitivity analysis for transaction risk is shown.

Sensitivity analysis – translation risk

Changes in foreign currencies relative to SEK do affect Group profit when the profit of each foreign subsidiary is translated into SEK. A 10 percent change in the exchange rates of all foreign currencies relative to SEK would have an effect of \pm SEK 185 million (170) on Group operating profit. Furthermore, a 10 percent change in the exchange rates of all foreign currencies relative to SEK would affect Group net sales by SEK \pm 3,555 million (2,700) and Group net working capital by SEK \pm 620 million (449).

Interest rate risk

AAK's policy on interest rate risk management is to minimize volatility in cash flow and net profit caused by fluctuations in interest rates. However, during abnormal market conditions – e.g. a financial crisis – short-term interest rates can rise to extreme levels. In order to protect the Group's interest costs against such abnormal scenarios, the interest rate on part of the Group's net interest-bearing debt can be fixed or capped. AAK applies as a general principle cash flow hedging on interest rate swaps. As per year-end 2021, the Group had outstanding interest rate swaps with a nominal total amount of SEK 400 million in order to hedge variable rate exposure from floating rate bonds issued under the Group's Medium Term Note (MTN) program. The swaps are identified as cash flow hedges of the exposure to variability interest rates on the MTN bonds.

At year-end 2021, the Group's interest-bearing net debt, including pensions, amounted to SEK 3,817 million (3,472).

Effective interest rate on debt to banks and credit institutions at balance sheet date

| % | 2021 | 2020 |
|-----|------|------|
| SEK | 1.0 | 1.0 |
| DKK | 1.3 | 1.5 |
| USD | 2.0 | 1.5 |
| CNY | 2.3 | 2.5 |
| TRY | 17.5 | 10.0 |
| INR | 5.5 | 4.5 |

Sensitivity analysis – interest rates

At the closing date, the Group had a floating-rate-based net debt of SEK 2,289 million (2,254), not including part of issued bonds under the MTN program that are hedged with interest rate swaps. A 1 percent change in interest rates would therefore have a full-year effect of SEK 23 million (23) on the Group's interest costs before tax. Of the fixed-rate-based debt, SEK 400 million (900) was hedged with interest swaps.

Capital management

AAK defines its managed capital as the Group's consolidated equity and net debt. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and provide an adequate return for shareholders and benefits for other stakeholders together with maintaining an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may for instance raise new loans, amortize existing loans, adjust the dividends paid to shareholders, issue new shares or sell assets to improve capital structure.

AAK's policy on capital structure is to optimize debt financing, though not to a level that would threaten the Company's position as an investment grade company. When managing the capital, the Group monitors different measures including the following target key ratio which is included as financial covenant under the terms of the major borrowing facilities. This target level is considered relatively conservative and contributes to ensuring that AAK will be able to retain its high credit rating.

| | Target | 2021 | 2020 |
|-----------------|--------|------|------|
| Net debt/EBITDA | < 3.00 | 1.25 | 1.19 |

Main source for external funding is the MTN program, SEK 4,000 million, a Revolving Credit facility of EUR 400 million and local bilateral credit facilities. The Group's policy is to allocate total net borrowings per subsidiary relative to each subsidiary's share of the Group's cash flow. This minimizes the currency risk in relation to the Group's ability to pay interest on and amortize its borrowings, which in turn strengthens the Group's debt capacity.

Total borrowing reported in the balance sheet, per currency at balance sheet date

| SEK million | 2021 | 2020 |
|--------------|--------------|--------------|
| SEK | 2,600 | 2,600 |
| DKK | 527 | 514 |
| INR | 423 | 212 |
| CNY | 196 | 193 |
| EUR | - | 100 |
| RUB | 43 | 30 |
| USD | - | 6 |
| TRY | 160 | - |
| Other | 8 | 8 |
| Total | 3,957 | 3,663 |

Note 3 | Financial risk management

Liquidity risk

Liquidity risk concerns the Group's ability to meet its financial commitments as they fall due.

The following table shows all of the Group's financial commitments, listed by the earliest contractual maturity date at the balance sheet date. The Group pays floating interest rate on all liabilities to banks and credit institutions. In the maturity analysis, the future payments of floating interest rate have been estimated using the prevalent floating rates at the balance sheet date. All liabilities in foreign currency are translated into SEK at year-end closing rates.

The Group's cash and cash equivalents of SEK 1,001 million, available committed credit facilities of SEK 4,248 million, and future cash generated by the business are together deemed sufficient for the Group to meet its financial commitments.

Maturities of financial liabilities, December 31, 2021

| | Total amount | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|--|---------------|------------------|-----------------------|-----------------------|-------------------|
| Liabilities to banks and credit institutions | 3,944 | 2,333 | 129 | 1,179 | 303 |
| Lease liabilities | 727 | 127 | 99 | 206 | 295 |
| Accounts payables | 5,696 | 5,696* | - | - | - |
| Derivative financial instruments | 1,634 | 1,634 | - | - | - |
| Other interest-bearing liabilities | 12 | 12 | - | - | - |
| Total financial liabilities | 12,013 | 9,802 | 228 | 1,385 | 598 |
| Interest on liabilities to banks and credit institutions | 334 | 249 | - | 30 | 55 |
| Total financial liabilities and interest | 12,347 | 10,051 | 228 | 1,415 | 653 |

* The majority are due within 3 months.

Unused committed credit facilities available to the Group, December 31, 2021

| | Total amount | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|------------------------------------|--------------|------------------|-----------------------|-----------------------|-------------------|
| Unused committed credit facilities | 4,248 | - | 1,234 | 3,014 | - |

Note 3 | Financial risk management

Maturities of financial liabilities, December 31, 2020

| | Total amount | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|--|--------------|------------------|-----------------------|-----------------------|-------------------|
| Liabilities to banks and credit institutions | 3,652 | 1,565 | 73 | 1,660 | 354 |
| Lease liabilities | 969 | 157 | 121 | 269 | 422 |
| Accounts payables | 3,659 | 3,659* | - | - | - |
| Derivative financial instruments | 1,119 | 1,119 | - | - | - |
| Other interest-bearing liabilities | 12 | 12 | - | - | - |
| Total financial liabilities | 9,411 | 6,512 | 194 | 1,929 | 776 |
| Interest on liabilities to banks and credit institutions | 187 | 58 | 4 | 36 | 89 |
| Total financial liabilities and interest | 9,598 | 6,570 | 198 | 1,965 | 865 |

* The majority are due within 3 months.

Unused committed credit facilities available to the Group, December 31, 2020

| | Total amount | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|------------------------------------|--------------|------------------|-----------------------|-----------------------|-------------------|
| Unused committed credit facilities | 6,120 | - | 6,120 | - | - |

Credit risk

The Company is exposed to credit risk primarily in relation to accounts receivables and customer contracts. Risk in the latter case is represented by customers' failure to meet their commitments due to changes in market prices.

Generally, AAK's credit risks are significantly limited due to the stable, long-term business relationships we have with our customers and suppliers. The customer structure for the Group is such that its single-largest customer is responsible for less than 5 percent of its total sales, and the average customer corresponds to less than 1 percent.

Nearly a quarter of the Group's sales occur in countries where the political and commercial risks are deemed to be higher than in Western economies. However, we experience only a limited need for impairments even in these countries. This is largely due to the fact that a significant portion of AAK's business in these countries is with large multinational companies that also do business worldwide. The partners with whom AAK do business are also primarily companies with which we have stable, long-term relationships.

Each business segment is responsible for managing its customer credit risks, while our large production facilities are responsible for managing their counterparty risk in relation to raw material procurement.

Change in allowance for expected credit losses on accounts receivables

| | 2021 | 2020 |
|--------------------------------------|-----------|-----------|
| Balance at January 1 | 71 | 73 |
| Provision for expected credit losses | -3 | 12 |
| Amounts written off | 0 | -8 |
| Reversal of prior year provisions | -2 | -2 |
| Exchange differences | 4 | -4 |
| Balance at December 31 | 70 | 71 |

Total accounts receivables excluding provisions were SEK 5,202 million (3,408).

Accounts receivables past due

| SEK million | 2021 | 2020 |
|---------------|------------|------------|
| 1-30 days | 368 | 262 |
| 31-120 days | 55 | 38 |
| 121-360 days | 23 | 6 |
| Over 360 days | 22 | 28 |
| Total* | 468 | 334 |

* Total past due is 9 percent (10) of total accounts receivables.

Note 3 | Financial risk management

Accounting classification of financial instruments

The following table shows the carrying amounts of financial assets and financial liabilities per measurement category in IFRS 9. The table also shows the levels in the fair value hierarchy to which the instruments that are measured at fair value in the balance sheet belong to.

| | Fair value through profit and loss | | | Derivatives used in cash flow hedges | | | Amortized cost | | Total | |
|--|------------------------------------|--------------|-------|--------------------------------------|----------|-------|----------------|--------------|--------------|--------------|
| | 2021 | 2020 | Level | 2021 | 2020 | Level | 2021 | 2020 | 2021 | 2020 |
| <i>Financial assets</i> | | | | | | | | | | |
| Currency and raw material derivatives | 1,036 | 792 | 2 | - | - | | | | 1,036 | 792 |
| Sales and purchase contracts | 882 | 573 | 2 | - | - | | | | 882 | 573 |
| Investment in funds | 26 | - | 3 | - | - | | | | 26 | - |
| Financial non-current assets | - | - | | - | - | | 4 | 3 | 4 | 3 |
| Accounts receivables | - | - | | - | - | | 5,132 | 3,336 | 5,132 | 3,336 |
| Financial current assets | - | - | | - | - | | 25 | 4 | 25 | 4 |
| Cash and cash equivalents | - | - | | - | - | | 1,001 | 1,200 | 1,001 | 1,200 |
| Total financial assets | 1,944 | 1,365 | | - | - | | 6,162 | 4,543 | 8,106 | 5,908 |
| <i>Financial liabilities</i> | | | | | | | | | | |
| Currency and raw material derivatives | 241 | 219 | 2 | - | - | | - | - | 241 | 219 |
| Sales and purchase contracts | 1,420 | 928 | 2 | - | - | | - | - | 1,420 | 928 |
| Interest rate swaps | - | - | | 0 | 1 | 1 | - | - | 0 | 1 |
| Liabilities to banks and credit institutions | - | - | | - | - | | 3,944 | 3,652 | 3,944 | 3,652 |
| Lease liabilities | - | - | | - | - | | 621 | 734 | 621 | 734 |
| Other interest-bearing liabilities | - | - | | - | - | | 12 | 12 | 12 | 12 |
| Total financial liabilities | 1,661 | 1,147 | | 0 | 1 | | 4,577 | 4,398 | 6,238 | 5,546 |

Fair values of financial instruments

Derivatives

The fair value for exchange traded derivatives is based on available quoted market prices. For OTC-derivatives the Group measures fair value using valuation models that discount future cash flows using a zero-coupon interest rate curve. The cash flows are estimated using forward curves for underlying variables such as raw materials, exchange rates and interest rates. The Group's credit risk is taken into consideration in determining the fair value of derivative liabilities, whereas the credit of the counterparty is considered when determining the fair value of derivative assets.

Sales and purchase contracts

Foreign currency contracts and the foreign currency components in sales and purchase contracts are valued at actual market foreign currency forward rates. The raw material price components in sales and purchase contracts are valued at actual market forward prices for identical or similar raw materials. The part of inventory identified as hedged items in hedges of fair value is valued at actual market spot prices for identical or similar raw materials.

Investment in funds

The fair value of the Group's investment in the unlisted fund "New Protein Fund I" is assessed using IFRS 9 level 3 evaluation.

Note 3 | Financial risk management

Fair values of financial assets and financial liabilities that are not measured at fair value in the balance sheet

The Group pays floating interest rate on its borrowings from banks and credit institutions and there has been no change in margins since the inception of the borrowings that would have a material impact on their fair values. The carrying amounts of the borrowings are therefore

considered reasonable approximations of their respective fair values. For short-term financial instruments such as accounts payables and accounts receivables, the carrying amounts are also considered reasonable approximations of fair value due to the short-term maturity for these items.

Note 4 | Critical accounting estimates and assumptions in applying accounting policies

In preparing these financial statements, the Group management and Board of Directors must make estimates and assumptions that affect the recognized amounts of assets and liabilities, revenues and expenses, and other information, especially regarding contingent liabilities. The estimates and assumptions for accounting purposes dealt with in this section are deemed the most critical for a proper understanding of the financial statements, in view of their degree of significance in judgments and uncertainty. Our estimates and assumptions in this regard change as the circumstances for AAK's operations change.

Impairment testing of goodwill

The Group tests goodwill for any impairment on an annual basis or whenever events or objective circumstances indicate that the fair value of acquisition-related goodwill may have declined – for example, because of changes in the business climate or decisions to dispose of or discontinue certain operations. To determine whether the value of goodwill has decreased, the cash-generating unit to which the goodwill is attributable must be valued and this is done by discounting the cash flow of the unit. In applying this method, the Company relies on several factors, such as profit/loss, business plans, financial forecasts and market data. See also note 14.

Impairment test of other non-current assets

AAK's property, plant and equipment and intangible non-current assets, excluding goodwill, are recognized at cost less accumulated amortization/depreciation and any impairment. Besides goodwill, AAK recognizes no intangible assets with unlimited useful life. Depreciation/amortization is applied over the estimated useful life to an estimated residual value. Both the useful life and residual value are reviewed at least once at the end of each financial period.

The carrying amount of the Group's non-current assets is tested whenever events or changes in circumstances indicate that the carrying amount cannot be recovered. The carrying amount of intangible assets not yet finished for use is tested each year. If such an analysis indicates that the carrying amount is too high, the recovery value of the asset is established, which is either the net sales value or the value in use, whichever is greatest. Value in use is measured as the expected future discounted cash flow from the assets or the cash-generating unit to which the asset belongs. See also note 14 and 15.

Income tax

The Group is liable to pay taxes in many countries. Extensive reviews and testing are necessary to establish worldwide provisions for income tax liabilities. There are many transactions and calculations for which the final tax is uncertain.

The Group recognizes a liability for anticipated tax audit issues based on assessment of whether an additional tax liability will arise. In cases where the final tax for these matters differs from the amounts first recognized, these differences will impact current and deferred tax assets and tax liabilities in the period when these determinations are made. See also note 11.

Disputes

According to our best assessment, neither the Parent nor any subsidiary is currently involved in any legal proceedings or arbitration proceedings that are deemed to have any significant negative impact on the business, its financial position or its performance.

Pension obligations

The present value of pension obligations depends on multiple factors determined on an actuarial basis using a number of assumptions. The assumptions used to determine net cost (income) for pensions include the discount rate. Each change in these assumptions will affect the carrying amount of pension obligations.

The Group determines a suitable discount rate at the end of each year. This is the rate used to determine the present value of assessed future payments that are expected to be demanded to settle the pension obligations. When determining a suitable discount rate, the Group considers the interest rates of high-quality mortgage bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity equivalent to the assessments for the pension obligation in question. See also note 9.

Note 5 | Auditors' remuneration

| | Group | | Parent | |
|---|-----------------|-----------|-----------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Audit | | | | |
| Group-appointed auditor (KPMG 2021, PwC 2020) | 8 ¹⁾ | 8 | 1 ²⁾ | 2 |
| Other | 1 | 2 | - | - |
| Subtotal, audit | 9 | 10 | 1 | 2 |
| Other audit assignments | | | | |
| Group-appointed auditor (KPMG 2021, PwC 2020) | 1 | 1 | 0 | 0 |
| Other | 0 | 0 | - | - |
| Subtotal, other audit assignments | 1 | 1 | 0 | 0 |
| Tax consulting | | | | |
| Group-appointed auditor (KPMG 2021, PwC 2020) | 1 | 0 | - | - |
| Other | 1 | 1 | - | - |
| Subtotal, tax consulting | 2 | 1 | - | - |
| Other assignments | | | | |
| Group-appointed auditor (KPMG 2021, PwC 2020) | 0 | 0 | - | 0 |
| Other | 0 | 1 | - | - |
| Subtotal, other assignments | 0 | 1 | - | 0 |
| Total | 12 | 13 | 1 | 2 |

¹⁾ Of which SEK 2 million concerns KPMG AB.

²⁾ Of which SEK 1 million concerns KPMG AB.

The audit assignment refers to fees for the statutory audit, i.e. work that has been necessary in order to issue the Auditors' Report, and what is referred to as audit consulting, which is submitted in conjunction with the audit assignment.

Note 6 | Employee benefits (SEK thousand)

| | Group | | Parent | |
|-------------------------------|-----------|-----------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Wages and salaries | 1,927,609 | 1,865,400 | 72,332 | 59,221 |
| Social security contributions | 474,541 | 445,265 | 36,443 | 30,211 |
| (of which pension costs) | (145,479) | (132,691) | (10,567) | (10,702) |

SEK 6 million (6) of the Group pension costs relates to the Board of Directors, the CEO and other members of the Executive Committee.

Salaries and other remuneration for members of the Board of Directors and others:

| | 2021 | | 2021 | | 2020 | |
|----------------------|---|--------------------------------|--------------------|--|---|--------------------------------|
| | Board of Directors, CEO and other senior managers | | Other employees | | Board of Directors, CEO and other senior managers | |
| | Wages and salaries | Of which variable remuneration | Wages and salaries | | Wages and salaries | Of which variable remuneration |
| Parent, Sweden | 32,942 | 15,676 | 39,390 | | 23,501 | 7,216 |
| Subsidiaries, Sweden | 5,073 | 969 | 305,865 | | 3,860 | 576 |
| | 38,015 | 16,645 | 345,255 | | 27,361 | 7,792 |
| Foreign subsidiaries | 101,397 | 27,585 | 1,442,942 | | 96,241 | 29,427 |
| Group total | 139,412 | 44,230 | 1,788,197 | | 123,602 | 37,219 |

Note 7 | Average number of employees, etc.

| Average number of employees | 2021 | | | 2020 | | |
|-----------------------------|---------------------|--------------|----------------|---------------------|--------------|----------------|
| | Number of employees | Of which men | Of which women | Number of employees | Of which men | Of which women |
| Parent, Sweden | 37 | 21 | 16 | 37 | 21 | 16 |
| Subsidiaries in Sweden | 528 | 389 | 139 | 514 | 375 | 139 |
| | 565 | 410 | 155 | 551 | 396 | 155 |

| Foreign subsidiaries: | 2021 | | | 2020 | | |
|-----------------------|---------------------|--------------|----------------|---------------------|--------------|----------------|
| | Number of employees | Of which men | Of which women | Number of employees | Of which men | Of which women |
| United Kingdom | 513 | 386 | 127 | 520 | 394 | 126 |
| India | 499 | 471 | 28 | 515 | 485 | 30 |
| USA | 495 | 354 | 141 | 491 | 362 | 129 |
| Mexico | 391 | 324 | 67 | 392 | 324 | 68 |
| Denmark | 229 | 171 | 58 | 224 | 167 | 57 |
| Ghana | 169 | 158 | 11 | 162 | 148 | 14 |
| China | 162 | 119 | 43 | 150 | 110 | 40 |
| Colombia | 153 | 110 | 43 | 151 | 108 | 43 |
| Netherlands | 153 | 117 | 36 | 143 | 108 | 35 |
| Russia | 140 | 99 | 41 | 131 | 91 | 40 |
| Brazil | 121 | 81 | 40 | 109 | 77 | 32 |
| Burkina Faso | 106 | 80 | 26 | 108 | 85 | 23 |
| Belgium | 97 | 74 | 23 | 97 | 75 | 22 |
| Turkey | 42 | 29 | 13 | 42 | 29 | 13 |
| Benin | 35 | 30 | 5 | 45 | 43 | 2 |
| Ivory Coast | 32 | 28 | 4 | 32 | 28 | 4 |
| Singapore | 27 | 16 | 11 | 23 | 13 | 10 |
| Malaysia | 22 | 3 | 19 | 22 | 4 | 18 |
| Uruguay | 17 | 7 | 10 | 17 | 7 | 10 |
| Ukraine | 8 | 3 | 5 | 8 | 3 | 5 |
| Mali | 7 | 7 | - | 9 | 9 | - |
| Nigeria | 5 | 4 | 1 | 12 | 9 | 3 |

Note 7 | Average number of employees, etc.

| Foreign subsidiaries: | 2021 | | | 2020 | | |
|-----------------------|---------------------|--------------|----------------|---------------------|--------------|----------------|
| | Number of employees | Of which men | Of which women | Number of employees | Of which men | Of which women |
| Japan | 5 | 4 | 1 | 5 | 4 | 1 |
| Poland | 4 | 2 | 2 | 4 | 2 | 2 |
| Philippines | 4 | 1 | 3 | 4 | 1 | 3 |
| Australia | 3 | 2 | 1 | 3 | 2 | 1 |
| Germany | 3 | 2 | 1 | 2 | 1 | 1 |
| Czech Republic | 2 | 1 | 1 | 2 | 1 | 1 |
| Malta | 2 | 2 | - | 2 | 2 | - |
| Norway | 1 | 1 | - | 1 | 1 | - |
| Canada | 1 | 1 | - | 1 | 1 | - |
| | 3,448 | 2,687 | 761 | 3,427 | 2,694 | 733 |
| Group total | 4,013 | 3,097 | 916 | 3,978 | 3,090 | 888 |

| Board members and senior executives | 2021 | | 2020 | |
|---|-----------------------|-------------------------|-----------------------|-------------------------|
| | Proportion of men (%) | Proportion of women (%) | Proportion of men (%) | Proportion of women (%) |
| Group (incl. subsidiaries) | | | | |
| Board members | 75 | 25 | 77 | 23 |
| Chief Executive Officer and other senior executives | 77 | 23 | 77 | 23 |
| Parent company | | | | |
| Board members ¹⁾ | 40 | 60 | 50 | 50 |
| Chief Executive Officer and other senior executives | 66 | 34 | 66 | 34 |

¹⁾ And two employee representatives, one male and one female.

Note 8 | Remuneration of the Board of Directors and senior executives

Principles

The principles for the remuneration of senior managers (Group management) at AAK, in both the Parent company and the Group, are designed to ensure that AAK can offer internationally competitive remuneration that can attract and retain qualified managers.

Consideration and determination

Compensation of the Chief Executive Officer and other senior managers is considered by the Remuneration Committee of the Board of Directors and all decisions are made by the Board as a whole.

Components of remuneration

Total remuneration includes salary, annual variable remuneration, pension, car allowance, and termination benefit.

Salary

Fixed salary, individually determined and differentiated according to responsibility and performance, is determined on competitive principles and reviewed annually. The applicable date for the annual performance review is January 1.

Variable remuneration

Annual variable remuneration is based on meeting set targets determined on an annual basis. These targets are related to the performance of the Company. ESG targets is a qualifier for the Executive Committee's remuneration. Senior management are entitled to up to 110 percent of their annual fixed salary in variable remuneration.

Incentive program

At the Annual General Meeting in AAK AB on May 17, 2017 it was resolved to implement a long-term incentive program for senior executives and key employees in AAK and issue of subscription warrants for implementation of a subscription warrants program. The subscription warrants are acquired by the employees at market value using the Black & Scholes formula. The exercise period for the subscription warrants is September 1, 2020 - August 31, 2022 at an exercise price of SEK 140.20 per share. The total number of subscription warrants in the program amounted to 1,220,000 with an initial value of SEK 42.40 per subscription warrant, in total SEK 51,728,000. In 2017, employees in AAK subscribed for 880,320 subscription warrants at an average price per subscription warrant of SEK 42.54 for a value of SEK 37,444,825. After the share split in 2018 the number of shares each subscription warrant entitles to is six. In 2019, employees in AAK subscribed for 20,480 subscription warrants at an average price per subscription warrant of SEK 244.14 for a value of SEK 4,999,987. In 2020, employees in AAK subscribed for 61,580 subscription warrants at an average price per subscription warrant of SEK 155.16 for a value of SEK 9,554,753. In 2021, employees in AAK subscribed for 10,000 subscription warrants at an average price of SEK 204.00. For the CEO's and other senior executives' holdings of subscription warrants, please see pages 48–49. The number of outstanding subscription warrants on December 31, 2021 amounted to 247,620 (257,620).

Pension

Pensions for senior management are in line with the Swedish KTP plan (corresponding to ITP) and retirement age for senior managers is 65 years.

Termination benefits

The Company has separate agreements with the Chief Executive Officer and senior managers for termination compensation of one year's salary (fixed cash amount per month x 12 months) on termination by the Company. Neither the Chief Executive Officer nor any senior manager can independently assert the right to termination compensation.

The period of notice of termination by the Chief Executive Officer and senior managers is agreed as 6 months. Termination notice by the Company is agreed as 12 months.

Compensation of Board Members

Fees are paid to the elected members of the Board in accordance with a resolution of the Shareholders' Annual General Meeting. This is distributed between the members as decided by the Board of Directors.

No other compensation or benefits have been paid to members of the Board, except travel expenses. The CEO, the secretary to the Board, and employee representatives to the Board do not receive any compensation other than for costs in connection with their participation in Board activities.

Under a resolution of the Annual General Meeting, the compensation of elected external members of the Board, including compensation for committee work, for the period up to the next Annual General Meeting, should be distributed as follows: SEK 930,000 to the Chairman and SEK 410,000 to each of the other external members. Compensation for committee work is distributed, in accordance with a decision of the Annual General Meeting, as SEK 250,000 to the Chairman of the Audit Committee, SEK 125,000 to other members of the Audit Committee, SEK 100,000 to the Chairman of the Remuneration Committee, and SEK 50,000 to other members of the Remuneration Committee.

Note 8 | Remuneration of the Board of Directors and senior executives

Remuneration and other benefits for the year¹⁾

| SEK | Salary/Board of Directors' fees | Annual variable salary | Other benefits ²⁾ | Pension cost | Total |
|--|---------------------------------|--------------------------|------------------------------|------------------|----------------------------------|
| <i>Board of Directors</i> | | | | | |
| Georg Brunstam, Chairman | 1,030,000 | - | - | - | 1,030,000 |
| Marianne Kirkegaard | 410,000 | - | - | - | 410,000 |
| Gun Nilsson | 660,000 | - | - | - | 660,000 |
| Märta Schörling Andreen | 585,000 | - | - | - | 585,000 |
| Patrik Andersson | 535,000 | - | - | - | 535,000 |
| Subtotal, Board of Directors | 3,220,000 | - | - | - | 3,220,000 |
| <i>Senior executives</i> | | | | | |
| Johan Westman, Chief Executive Officer | 9,272,000 | 9,302,400 ³⁾ | 171,912 | 2,785,332 | 21,531,644 |
| Other senior executives | 42,657,109 | 35,570,124 ³⁾ | 3,293,309 | 3,460,050 | 84,890,592 ⁴⁾ |
| Subtotal, senior executives | 51,929,109 | 44,872,524 | 3,465,221 | 6,245,382 | 106,512,236 |
| Total | 55,149,109 | 44,872,524 | 3,465,221 | 6,245,382 | 109,732,236 ⁵⁾ |

¹⁾ Refers to items recorded as an expense in 2021.

²⁾ Other benefits refer primarily to company cars.

³⁾ Final amounts approved by the Remuneration Committee to be paid in 2022. During the year, variable remuneration expensed in 2020 of SEK 24,741,758 was paid.

⁴⁾ Refers to the following for 2021: Anne Mette Olesen, David Smith, Fredrik Nilsson (until February 1, 2021), Tomas Bergendahl (from May 1, 2021), Gerardo Garza López de Hereida, Jan Lenferink, Karsten Nielsen, Octavio Díaz de León, René Schou, Tim Stephenson, and Sten Estrup.

⁵⁾ Of the amount of SEK 109,732,236, SEK 41,642,738 relates to the Parent company, AAK AB.

Note 9 | Provisions for pensions and similar obligations

Defined benefit plans

The Group maintains defined benefit retirement plans in which employees earn the right to payment of benefits after completing their employment, based on their final salary and period of service. These defined benefit retirement plans exist in Sweden, the Netherlands, Belgium, and India. There are further commitments for retirement and survivors' pensions for salaried employees in Sweden that are insured through policies with Alecta or correspondingly in Folksam. According to the Swedish Financial Reporting Board, statement UFR10, this is a defined benefit plan which covers a number of employers. For the period from January 1 to December 31, 2021, AAK AB and AAK Sweden AB have not had access to sufficient information to recognize their proportional shares of the plan's obligations, plan assets and costs, which has meant that it has not been possible to recognize the plan as a defined benefit plan. The ITP 2 pension plan that is insured through Folksam is therefore recognized as a defined contribution plan. The premium for the defined benefit retirement and survivors' pension is calculated individually and depends on factors including salary, pension earned previously, and expected remaining period of service. Charges for ITP 2 pensions insured through Folksam are SEK 12 million (14).

The collective consolidation level consists of the market value of Alecta's assets as a percentage of the estimated insurance commitments, computed using Alecta's actuarial methods and assumptions, which are not in accordance with IAS 19. The collective consolidation level

should normally be permitted to vary between 125 and 175 percent. If Alecta's collective consolidation level is below 125 percent or above 175 percent, measures must be taken to create the conditions for the consolidation level to return to the normal range. If the consolidation is low, one measure may be to increase the agreed price for new and existing benefits. If the consolidation is high, one measure may be to introduce premium reductions. At year-end 2021, Alecta's and Folksam's surplus in the form of their collective consolidation levels was 172 percent and 212 percent, respectively (148 percent and 191 percent, respectively).

The Group has defined benefit pension plans in Sweden and the Netherlands which come under largely similar regulations. All plans are pension plans based on final salary and give employees covered by the plans benefits in the form of a guaranteed level of pension payments during their lives. The pension liability includes special payroll tax. The level of the benefits depends on the employees' period of service and salary on retirement. The pension payments in the Swedish and Dutch plans are normally indexed according to the consumer price index. The plans are subject to largely similar risks. Benefits are paid from plans that are secured with foundations. The activities of the foundations are regulated by national regulations and practice which also apply to the relationship between the Group and the administrator (or equivalent) of the foundation's plan assets. Responsibility for monitoring the plans, including investment decisions and contributions, is held jointly by the company and the foundation's board.

| | 2021 | 2020 |
|---|------------|------------|
| Specification of costs | | |
| Costs for services during current year | 48 | 40 |
| Interest expenses/(income) | 1 | 2 |
| Employee contributions | -4 | -4 |
| Total cost of defined benefit plans, included in employee costs (Note 6) | 45 | 38 |
| Cost of defined contribution plans | 100 | 95 |
| Total pension costs | 145 | 133 |
| Net defined benefit liability in the Balance Sheet | | |
| Present value of funded obligations | 1,152 | 1,113 |
| Fair value of plan assets | -881 | -835 |
| Net defined benefit liability | 271 | 278 |

Note 9 | Provisions for pensions and similar obligations

| | 2021 | 2020 |
|--|------------|------------|
| Change in defined benefit liability | | |
| Net liability at January 1 | 278 | 241 |
| Net cost recognized in the income statement | 45 | 38 |
| Benefits paid | -12 | -11 |
| Disbursement of funds from the foundation | 12 | 11 |
| Contributions by employer to funded obligations | -43 | -26 |
| Actuarial losses/gains arising from changes in demographic assumptions | -12 | 25 |
| Actuarial losses/gains arising from changes in financial assumptions | - | - |
| Actuarial losses/gains arising from changes in experience | - | - |
| Exchange rate differences on foreign plans | 1 | -5 |
| Reclassifications | 2 | 5 |
| Net liability at December 31 | 271 | 278 |
| Composition of plan assets (%) | | |
| Interest-bearing assets | 46 | 43 |
| Shares | 25 | 23 |
| Properties | 6 | 6 |
| Alternative investments | 23 | 28 |
| <i>The entire pension obligation in the Netherlands concerns alternative investments.</i> | | |
| Contributions to plans for post-employment benefits for the 2022 fiscal year are expected to amount to SEK 41 million. The weighted average term of the pension obligation is 17–19 years. | | |
| Key actuarial assumptions (%) | | |
| The Netherlands | | |
| Discount rate | 1.00 | 0.75 |
| Inflation | 2.05 | 1.85 |
| Future annual salary increases | 2.55 | 2.35 |
| Sweden | | |
| Discount rate | 0.90 | 0.90 |
| Inflation | 1.50 | 1.50 |
| Future annual salary increases | 2.50 | 2.50 |

Note 9 | Provisions for pensions and similar obligations

| Impact on the defined benefit liability | | |
|---|------|-----|
| Sensitivity in the defined benefit liability to changes in key weighted assumptions | | |
| The Netherlands | | |
| | +1% | -1% |
| Discount rate | -106 | 144 |
| Inflation | 16 | -14 |
| Future annual salary increases | 15 | -15 |
| Sweden | | |
| | +1% | -1% |
| Discount rate | -72 | 94 |
| Inflation | 87 | -69 |
| Future annual salary increases | 51 | -33 |

Note 10 | Financial items

| | Group | | Parent | |
|---|-------------|-------------|--------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Dividend from Group companies | - | - | 1,039 | - |
| Interest income | 8 | 7 | 0 | 0 |
| Share of profit in associated companies | 8 | 11 | - | - |
| Changes in exchange rates | 1 | 0 | - | - |
| Other financial income | 2 | 1 | - | - |
| Group contributions | - | - | 82 | 65 |
| Financial income | 19 | 19 | 1,121 | 65 |
| Interest expenses | -69 | -80 | -23 | -31 |
| Interest expenses leases | -28 | -34 | -0 | -0 |
| Changes in exchange rates | -0 | -11 | -1 | -1 |
| Other financial expenses | -24 | -21 | -4 | -5 |
| Financial expenses | -121 | -146 | -28 | -37 |
| Net financial items | -102 | -127 | 1,093 | 28 |

Note 11 | Tax expenses

Tax expenses for the year

| | Group | | Parent | |
|--------------|-------------|-------------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Current tax | -520 | -416 | 0 | 0 |
| Deferred tax | -20 | -43 | 0 | 0 |
| Total | -540 | -459 | 0 | 0 |

Determination of the current tax expense

The Group's weighted average underlying tax rate is approximately 24–25 percent. The Group's weighted average tax rate for 2021, based on the tax rates in each of the various countries involved, was 24 percent. The tax rate in Sweden is 20.6 percent (21.4).

| | Group | | Parent | |
|--|-------------|-------------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Profit before taxes | 1,987 | 2,040 | 1,002 | -39 |
| Weighted average tax rate based on the tax rates in each country | -396 | -424 | -206 | 8 |
| Tax effect of non-deductible expenses | -51 | -24 | -8 | -8 |
| Tax effect of tax-exempt income | 2 | 33 | 214 | - |
| Effect of deficit deductions not carried forward | -76 | -34 | - | - |
| Effect of tax rate changes | -18 | 6 | - | - |
| Adjustment for current tax for previous years | -1 | -16 | - | - |
| Tax expense | -540 | -459 | 0 | 0 |

Note 11 | Tax expenses

Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized tax assets and liabilities and when the deferred taxes refer to the same tax authority. The offset amounts are as follows:

| Deferred tax assets | Group | | Parent | |
|-------------------------|------------|------------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Tax loss carry-forwards | 13 | 13 | - | - |
| Non-current assets | 11 | 20 | - | - |
| Right-of-use assets | 7 | 7 | 0 | 0 |
| Inventory | -1 | -2 | - | - |
| Current assets | 34 | 35 | 5 | 5 |
| Provisions | 99 | 103 | - | - |
| Current liabilities | 16 | 11 | - | - |
| At year-end | 179 | 187 | 5 | 5 |

| Deferred tax liabilities | Group | | Parent | |
|--------------------------|------------|------------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Non-current assets | 442 | 477 | - | - |
| Inventory | 14 | 30 | - | - |
| Current assets | 5 | 27 | - | - |
| Provisions | 21 | -13 | - | - |
| Current liabilities | -38 | -41 | - | - |
| At year-end | 444 | 480 | - | - |

Income tax liabilities and tax assets

In addition to deferred tax assets and liabilities, AAK has the following current tax liabilities and tax receivables:

| | Group | | Parent | |
|--|------------|-----------|-----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Current tax liabilities | -296 | -360 | - | - |
| Current tax receivables | 275 | 398 | 10 | 9 |
| Income tax liabilities/tax assets | -21 | 38 | 10 | 9 |

Note 12 | Earnings per share

| | Group | |
|---|-------------|-------------|
| | 2021 | 2020 |
| Earnings attributable to Parent company's shareholders (SEK million) | 1,437 | 1,563 |
| Weighted average number of outstanding shares before dilution | 256,999,373 | 253,941,309 |
| Effect of subscription warrants | 681,545 | 967,746 |
| Weighted average number of outstanding shares after dilution from outstanding subscription warrants | 257,680,918 | 254,909,055 |
| Earnings per share before dilution, SEK ¹⁾ | 5.59 | 6.16 |
| Earnings per share after dilution, SEK ²⁾ | 5.58 | 6.13 |

¹⁾ Earnings per share are calculated based on net profit for the year attributable to Parent company's shareholders, SEK 1,437 million (1,563) – and on a weighted average number of outstanding shares of 256,999,373 (253,941,309).

²⁾ Earnings per share are calculated based on net profit for the year attributable to Parent company's shareholders and on a weighted average number of outstanding shares after dilution from outstanding subscription warrants.

Note 13 | Events after the balance sheet date

In March AAK decided to temporarily halt deliveries to, and sales in, Russia. Even though AAK is a supplier in the food sector, which is not subject to sanctions, it has become very difficult to secure compliance to sanctions related to logistics and trade flows as well as third parties. Russia makes up for some 3 percent of AAK's volumes, as measured in metric tons, and Ukraine makes up less than 1 percent. AAK continuously evaluates the situation and will adapt accordingly.

AAK will invest SEK 500 million to install biomass boilers at its production plant in Aarhus, Denmark – an initiative that is expected to reduce the plant's CO₂ emissions by approximately 90 percent. The installation will also generate substantial savings as fossil fuel will be replaced by shea meal, a by-product from the plant's shea oil extraction process. This is expected to generate yearly savings of up to SEK 100 million.

The Board of Directors proposes that a dividend of SEK 2.50 (2.30) per share be paid for the financial year 2021. A decision will be made at the Annual General Meeting on May 18, 2022. The proposed record date for the dividend is May 20, 2022 and it is expected that the dividend will reach the shareholders on May 25, 2022.

Note 14 | Intangible assets

| Group | Goodwill | Patents and other intangible assets | Total |
|--|--------------|-------------------------------------|--------------|
| Cost at January 1, 2020 | 2,114 | 704 | 2,818 |
| Investments | - | 32 | 32 |
| Acquired through business combinations | 241 | - | 241 |
| Reclassifications | - | 2 | 2 |
| Exchange differences | -252 | -64 | -316 |
| Accumulated cost at December 31, 2020 | 2,103 | 674 | 2,777 |
| Cost at January 1, 2021 | 2,103 | 674 | 2,777 |
| Investments | - | 6 | 6 |
| Acquired through business combinations | 31 | - | 31 |
| Reclassifications | - | 1 | 1 |
| Exchange differences | 136 | 24 | 160 |
| Accumulated cost at December 31, 2021 | 2,270 | 705 | 2,975 |
| Amortization and impairment loss at January 1, 2020 | - | 341 | 341 |
| Amortization for the year | - | 39 | 39 |
| Exchange differences | - | -19 | -19 |
| Accumulated amortization and impairment loss at December 31, 2020 | - | 361 | 361 |
| Amortization and impairment loss at January 1, 2021 | - | 361 | 361 |
| Amortization for the year | - | 30 | 30 |
| Exchange differences | - | 7 | 7 |
| Accumulated amortization and impairment loss at December 31, 2021 | - | 398 | 398 |
| Residual value at December 31, 2020 | 2,103 | 313 | 2,416 |
| Residual value at December 31, 2021 | 2,270 | 307 | 2,577 |

Note 14 | Intangible assets

Reviewing impairment of goodwill

In preparing the financial statements for 2021, the Group has reviewed impairment of goodwill.

Goodwill is allocated to the following cash-generating units: business areas Food Ingredients, Chocolate & Confectionery Fats, and Technical Products & Feed. These cash-generating units correspond to the operating segments of AAK. The recoverable amount for a cash-generating unit is determined by calculating its value in use. These calculations are based on estimated future cash flow as stated in budgets and forecasts covering a five-year period. The projection for 2022 is based on a detailed reporting from each entity in the Group. The numbers are based on large number of assumptions regarding volume growth, operating margin, operating costs, capital expenditures, working capital, finance cost and taxes. The projection for the years 2023 - 2026 is based on management's general assumptions regarding expectations of market development and past performance. Key assumptions have been determined for volume growth, operating margin, operating costs, capital expenditures, working capital, finance cost and taxes. Cash flow beyond this period has been extrapolated by no more than 3

percent (3) in any case. Working capital beyond the five-year period is estimated at the same level as year five. Discount rates are assumed to be 8 percent (8) after tax and 11.4 percent (11.4) before tax.

Testing has not demonstrated any need for impairment. The sensitivity in these calculations indicates that recognized goodwill is still intact even if the discount rate increases by 1 percent or if long-term growth is 1 percent less.

Goodwill by cash-generating unit

| | 2021 | 2020 |
|--------------------------------|--------------|--------------|
| Food Ingredients | 1,378 | 1,286 |
| Chocolate & Confectionery Fats | 892 | 817 |
| Technical Products & Feed | - | - |
| Total | 2,270 | 2,103 |

Note 15 | Property, plant and equipment

| Group | Land and buildings | Plant and machinery | Equipment, tools and fixtures and fittings | Non-current assets under construction | Total |
|--|--------------------|---------------------|--|---------------------------------------|---------------|
| Cost at January 1, 2020 | 2,542 | 10,631 | 764 | 782 | 14,719 |
| Investments | 9 | 430 | 56 | 223 | 718 |
| Acquired through business combinations | 28 | 29 | 3 | - | 60 |
| Disposals | -9 | -39 | -3 | -4 | -55 |
| Reclassifications | 49 | 184 | 54 | -289 | -2 |
| Exchange differences | -271 | -755 | -77 | -45 | -1,148 |
| Accumulated cost at December 31, 2020 | 2,348 | 10,480 | 797 | 667 | 14,292 |
| Cost at January 1, 2021 | 2,348 | 10,480 | 797 | 667 | 14,292 |
| Investments | 39 | 214 | 90 | 270 | 613 |
| Disposals | - | -5 | -4 | -3 | -12 |
| Reclassifications | 61 | 453 | -16 | -502 | -4 |
| Exchange differences | 112 | 522 | 45 | 28 | 707 |
| Accumulated cost at December 31, 2021 | 2,560 | 11,664 | 912 | 460 | 15,596 |

Note 15 | Property, plant and equipment

| Group | Land and buildings | Plant and machinery | Equipment, tools and fixtures and fittings | Non-current assets under construction | Total |
|--|--------------------|---------------------|--|---------------------------------------|--------------|
| Depreciation at January 1, 2020 | 1,256 | 6,868 | 525 | - | 8,649 |
| Acquired through business combinations | 6 | 27 | 2 | - | 35 |
| Disposals | -8 | -35 | -3 | - | -46 |
| Reclassifications | - | -4 | 4 | - | - |
| Depreciations for the year | 76 | 407 | 74 | - | 557 |
| Exchange differences | -89 | -428 | -49 | - | -566 |
| Accumulated depreciation at December 31, 2020 | 1,241 | 6,835 | 553 | - | 8,629 |
| Depreciation at January 1, 2021 | 1,241 | 6,835 | 553 | - | 8,629 |
| Disposals | - | -4 | -3 | - | -7 |
| Depreciations for the year | 73 | 430 | 61 | - | 564 |
| Exchange differences | 53 | 302 | 33 | - | 388 |
| Accumulated depreciation at December 31, 2021 | 1,367 | 7,563 | 644 | - | 9,574 |
| Impairment loss at January 1, 2020 | 12 | 24 | - | - | 36 |
| Write-down for the year | - | 27 | - | - | 27 |
| Exchange differences | - | -1 | - | - | -1 |
| Accumulated impairment loss at December 31, 2020 | 12 | 50 | - | - | 62 |
| Impairment loss at January 1, 2021 | 12 | 50 | - | - | 62 |
| Write-down for the year | 142 | 80 | - | 19 | 241 |
| Reclassifications | - | -3 | - | - | -3 |
| Exchange differences | 1 | 1 | - | - | 2 |
| Accumulated impairment loss at December 31, 2021 | 155 | 128 | - | 19 | 302 |
| Residual value according to plan at December 31, 2020 | 1,095 | 3,595 | 244 | 667 | 5,601 |
| of which land | 142 | | | | |
| Residual value according to plan at December 31, 2021 | 1,038 | 3,973 | 268 | 441 | 5,720 |
| of which land | 124 | | | | |

Note 16 | Leases

The consolidated balance sheet shows the following amounts related to leases:

| Right-of-use assets | Group | |
|--------------------------------------|------------|------------|
| | 2021 | 2020 |
| Land and buildings | 459 | 560 |
| Plant and machinery | 49 | 48 |
| Equipment | 5 | 5 |
| Vehicles | 82 | 96 |
| Residual value at December 31 | 595 | 709 |

Additions to the right-of-use assets during the year were SEK 69 million (99).

| Lease liabilities | Group | |
|--------------------------------|------------|------------|
| | 2021 | 2020 |
| Non-current | 493 | 617 |
| Current | 128 | 117 |
| Total lease liabilities | 621 | 734 |

For maturity analysis of the lease liabilities, see Note 3 Financial risk management.

The consolidated income statement shows the following amounts related to leases:

| Depreciations of right-of-use assets | Group | |
|--|------------|------------|
| | 2021 | 2020 |
| Land and buildings | 80 | 73 |
| Plant and machinery | 13 | 26 |
| Equipment | 2 | 1 |
| Vehicles | 29 | 31 |
| Total depreciation | 124 | 131 |
| Expense related to short-term leases (included in Other external expenses) | 16 | 17 |
| Expense related to leases of low-value assets (included in Other external expenses) | 2 | 2 |
| Interest expense (included in Result from financial items) | 28 | 34 |
| Tax income (included in Income tax) | 0 | 3 |

The total cash lease payments for the year amounted to SEK 155 million (154).

Note 17 | Shares in Group companies

Parent company's direct holdings of shares in Group companies

| Company name | Registration number | Domicile | Number of shares | Share of capital, % | 2021 Book value | 2020 Book value |
|----------------------------|---------------------|-------------------|------------------|---------------------|--------------------|--------------------|
| AAK Denmark Holding A/S | 45954919 | Aarhus, Denmark | 400,000,000 | 100 | 1,468 | 1,468 |
| AAK Miyoshi Japan Co.Ltd | 0118-01-031265 | Tokyo, Japan | 70,000,000 | 70 | 5 | 5 |
| AarhusKarlshamn Finance AB | 556880-4339 | Malmö, Sweden | 100,000 | 100 | 472 | 472 |
| AarhusKarlshamn Holding AB | 556759-7918 | Malmö, Sweden | 100 | 100 | 481 | 481 |
| AarhusKarlshamn Invest AB | 556747-6931 | Malmö, Sweden | 1,000 | 100 | 3,362 | 3,362 |
| Advanced Lipids AB | 556728-5837 | Karlshamn, Sweden | 100 | 50 | 0 | 0 |
| Total | | | | | 5,788 | 5,788 |

Note 17 | Shares in Group companies

Group holding of shares in Group companies

| Company name | Registration number | Domicile | Share of capital, % |
|---|-------------------------|------------------------------|---------------------|
| AAK (UK) Ltd | 1585686 | Hull, United Kingdom | 100 |
| AAK Australia Pty Ltd | 094486361 | New South Wales, Australia | 100 |
| AAK Baltic Holding AB | 556381-8664 | Karlshamn, Sweden | 100 |
| AAK Bastogne SA | 0673.737.551 | Bastogne, Belgium | 100 |
| AAK Belgium NV | 0547.965.074 | Antwerpen, Belgium | 100 |
| AAK BD Foods Ltd | 04170983 | Hull, United Kingdom | 100 |
| AAK Burkina Faso Sarl | BF BBD2007 B465 | Bobo-Dioulasso, Burkina Faso | 100 |
| AAK Canada Ltd | 2040468 | Toronto, Canada | 100 |
| AAK China Ltd | 913 101 155 791 320 606 | Shanghai, China | 100 |
| AAK Colombia S.A.S. | 860090365-8 | Bogotá, Colombia | 100 |
| AAK Côte d'Ivoire SASU | CI ABJ2018 B20038 | Abidjan, Côte d'Ivoire | 100 |
| AAK Czech Republic s.r.o., | 15268853 | Prague, Czech Republic | 100 |
| AAK Dalby AB | 556236-0478 | Lund, Sweden | 100 |
| AAK Denmark A/S | 15672099 | Aarhus, Denmark | 100 |
| AAK do Brasil Indústria e Comércio de Óleos Vegetais Ltda | 07.830.192/0001-02 | São Paulo, Brazil | 100 |
| AAK Germany GmbH | HRB89102 | Darmstadt, Germany | 100 |
| AAK Havnen A/S | 13919232 | Aarhus, Denmark | 100 |
| AAK Insurance Malta Ltd | C51071 | St Julians, Malta | 100 |
| AAK International AB | 559155-5411 | Malmö, Sweden | 100 |
| AAK Invest Ltd | C59066 | St Julians, Malta | 100 |
| AAK Kamani Pvt Ltd | U15140MH2002PTC137681 | Maharashtra, India | 100 |
| AAK Malaysia Sdn. Bhd. | 516423-P | Kuala Lumpur, Malaysia | 100 |
| AAK Mali SARL | MA BKO2018 H5859 | Bamako, Mali | 100 |
| AAK Malta EUR Ltd | C78539 | St Julians, Malta | 100 |
| AAK Malta MXN Ltd | C83359 | St Julians, Malta | 100 |
| AAK Malta TRY Ltd | C88855 | St Julians, Malta | 100 |
| AAK Malta USD Ltd | C59069 | St Julians, Malta | 100 |
| AAK Margaron LLC | 7802309759 | St. Petersburg, Russia | 75 |
| AAK Mexico, S.A. de C.V. | AUM8302244G2 | Morelia, Mexico | 99.9976 |
| AAK Natural Emulsifiers Ltd | 7734226 | Cheshire, United Kingdom | 100 |
| AAK Netherlands BV | 35012547 | Zaandijk, the Netherlands | 100 |
| AAK Nigeria Oils and Fats Ltd | 1539623 | Lagos, Nigeria | 100 |
| AAK Norway AS | 988 369 403 | Oslo, Norway | 100 |
| AAK LLC | 7709851438 | Moscow, Russia | 100 |
| AAK Phillippines Inc | CS201816294 | Batangas, Philippines | 100 |
| AAK Poland Sp.z o.o., | 0000124135 | Warsaw, Poland | 100 |

Note 17 | Shares in Group companies

| Company name | Registration number | Domicile | Share of capital, % |
|--|-------------------------|----------------------------------|---------------------|
| AAK Rotterdam BV | 24419984 | Rotterdam, the Netherlands | 100 |
| AAK SG Pte. Ltd. | 201421305H | Singapore, Singapore | 100 |
| AAK Sweden AB | 556478-1796 | Karlshamn, Sweden | 100 |
| AAK Turkey Gıda Sanayi ve Ticaret Limited Sirketi | 877226 | Istanbul, Turkey | 100 |
| AAK USA Inc. | 13-3445572 | New Jersey, USA | 100 |
| AAK USA K1, LLC | 45-2596488 | Kentucky, USA | 100 |
| AAK USA K2, LLC | 45-2700873 | Kentucky, USA | 100 |
| AAK USA Realco, LLC | 45-2596451 | Kentucky, USA | 100 |
| AAK USA Richmond Corp. | 94-28476111 | Richmond, USA | 100 |
| AAK Zhangjiagang Ltd | 913 205 920 885 469 71Q | Zhangjiagang, China | 100 |
| Aarhus 1 A/S | 10112265 | Aarhus, Denmark | 100 |
| Aarhus 3 A/S | 16335770 | Aarhus, Denmark | 100 |
| AarhusKarlshamn Hull Ltd | 2193829 | Hull, United Kingdom | 100 |
| AarhusKarlshamn Latin America S.A. | 214947990014 | Montevideo, Uruguay | 100 |
| AarhusKarlshamn Ltd | 2747344 | Hull, United Kingdom | 100 |
| AarhusKarlshamn Spain S.L | 11174823 | Madrid, Spain | 100 |
| Alba Fabrikers AB | 556030-2183 | Lund, Sweden | 100 |
| Allied Foods Ltd | 500613 | Hull, United Kingdom | 100 |
| Anglia Oils Ltd | 1492748 | Hull, United Kingdom | 100 |
| BIC Ingredients B.V. | 56215819 | s-Hertogenbosch, the Netherlands | 100 |
| Belico Holding AB | 556537-0904 | Karlshamn, Sweden | 100 |
| Book & Claim Ltd | 5997462 | Hull, United Kingdom | 100 |
| Ceylon Trading Co. Ltd. | J 333 | Colombo, Sri Lanka | 100 |
| Chamber & Fergus Ltd | 2352279 | Hull, United Kingdom | 100 |
| Crown Foods A/S, Danmark | 76952019 | Holbæk, Denmark | 100 |
| Fondation (Centre de recherche sur l'arbre a karite) | 00085852R | Satiri, Burkina Faso | 100 |
| Karlshamns International Plc | 2366565 | Hull, United Kingdom | 100 |
| Karlshamns UK Holdings Plc | 83553 | Hull, United Kingdom | 100 |
| KI Ghana Ltd | C-933 | Tamale, Ghana | 100 |
| KNAR Benin Sarl | 19 269B | Cotonou, Benin | 100 |
| Nutritionelle Ltd | 1726044 | Hull, United Kingdom | 100 |
| Oasis Trading Co. Inc. | 22-2107122 | New Jersey, USA | 100 |
| Rapsona | 556759-4600 | Malmö, Sweden | 100 |
| Rowallan Creamery Ltd | 529393 | Hull, United Kingdom | 100 |
| Tefac AB | 556283-5214 | Karlshamn, Sweden | 100 |
| Unicao Ltd | 1492799 | Hull, United Kingdom | 100 |

Note 18 | Inventories

| | Group | |
|--|--------------|--------------|
| | 2021 | 2020 |
| Raw materials and consumables | 4,862 | 3,967 |
| Goods in transit | 1,109 | 666 |
| Work in progress | 1,855 | 1,176 |
| Finished products and goods for resale | 1,228 | 760 |
| Total inventories | 9,054 | 6,569 |

Impairment loss on inventories of SEK 25 million (20) is included in the Consolidated Income Statement in line items Raw materials and consumables and Changes in inventories of finished goods and work in progress.

Note 19 | Cash and cash equivalents

| | Group | |
|---------------------|--------------|--------------|
| | 2021 | 2020 |
| Cash equivalents | 928 | 1,085 |
| Current investments | 73 | 115 |
| Total | 1,001 | 1,200 |

Note 20 | Shareholders' equity

Group

Share capital

As of December 31, 2021, the Group's registered share capital was 258,500,556 shares (SEK 430,844,260).

Reserves

Statutory reserve

The statutory reserve refers to a reduction of the share capital carried out previously.

Hedging reserve

The hedging reserve encompasses the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to hedging transactions yet to take place.

Translation reserve

Translation reserves include all exchange differences that arise when translating financial statements from foreign operations whose financial statements are stated in currencies other than the Group's presentation currency. The Parent company and the Group present their financial statements in SEK.

Retained profits and profit for the year

Retained profits and profit for the year include profits earned and retained by the Parent and subsidiaries, investments in associates, revaluation of the net pension commitment, new share issue, subscription warrants, net effect of acquisition of minority share, and profit for the year.

Treasury shares

The Group owned a total of 0 (0) treasury shares as of December 31, 2021.

Specification of equity item "Reserves"

| | Statutory reserve | Hedging reserve | Translation reserve | Total |
|-----------------------------|-------------------|-----------------|---------------------|---------------|
| 2020 opening balance | 5 | - | 491 | 496 |
| Exchange differences | - | -1 | -1,951 | -1,952 |
| 2020 closing balance | 5 | -1 | -1,460 | -1,456 |
| 2021 opening balance | 5 | -1 | -1,460 | -1,456 |
| Exchange differences | - | 4 | 683 | 687 |
| 2021 closing balance | 5 | 3 | -777 | -769 |

Parent company

Share capital

In accordance with the Articles of Association for AAK AB, share capital shall be a minimum of SEK 300 million and a maximum of SEK 1,200 million. All shares are fully paid and entitle the holder to equal voting rights and shares in Company assets. Share capital consists of 258,500,556 shares (255,413,934) at a quota value of SEK 1.67 per share, and shareholder equity of SEK 430,844,260 (425,689,890).

Statutory reserve

The statutory reserve refers to a reduction of the share capital carried out previously.

Retained profit

Retained profit includes non-restricted equity from the previous year after any dividend distribution together with the profit for the year. The total non-restricted equity is the amount available for dividends to shareholders.

Proposed appropriation of profits

In accordance with the Swedish Companies Act, the Board of Directors proposes appropriation of profits for the consideration and approval of the Annual General Meeting of the Shareholders.

The Board of Directors proposes that

| | | |
|---------------------------------------|------------|----------------------|
| the disposable profit brought forward | SEK | 5,935,401,361 |
| and profit/loss for the year | SEK | 1,001,887,277 |
| Total | SEK | 6,937,288,638 |

be appropriated as follows:

| | | |
|---|------------|----------------------|
| To be distributed to shareholders, a dividend of SEK 2.50 per share | SEK | 646,251,390 |
| To be carried forward | SEK | 6,291,037,248 |
| Total | SEK | 6,937,288,638 |

Note 21 | Borrowings

| Non-current | Group | | Parent | |
|--|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Liabilities to banks and credit institutions | 1,611 | 2,087 | 1,000 | 1,500 |
| Total | 1,611 | 2,087 | 1,000 | 1,500 |

| Current | Group | | Parent | |
|--|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Liabilities to banks and credit institutions | 2,333 | 1,565 | 1,600 | 1,100 |
| Total | 2,333 | 1,565 | 1,600 | 1,100 |

Maturity for non-current borrowing is as follows:

| | Group | | Parent | |
|-----------------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Between 1 and 5 years | 1,308 | 1,733 | 1,000 | 1,500 |
| More than 5 years | 303 | 354 | - | - |
| Total | 1,611 | 2,087 | 1,000 | 1,500 |

Note 22 | Other provisions

| Group | Restructuring | Environmental restoration | Other | Total |
|--|---------------|---------------------------|------------|------------|
| Opening balance at January 1, 2020 | 1 | 28 | 109 | 138 |
| Provisions for the year | 144 | - | 69 | 213 |
| Provisions claimed for the year | -58 | - | -24 | -82 |
| Exchange differences | - | -1 | -10 | -11 |
| Closing balance as at December 31, 2020 | 87 | 27 | 144 | 258 |
| Opening balance at January 1, 2021 | 87 | 27 | 144 | 258 |
| Provisions for the year | 97 | - | 33 | 130 |
| Provisions claimed for the year | -46 | - | -71 | -117 |
| Reversal of unused amounts | - | - | -7 | -7 |
| Exchange differences | - | 1 | 7 | 8 |
| Closing balance as at December 31, 2021 | 138 | 28 | 106 | 272 |

| Provisions include | 2021 | 2020 |
|--------------------|------------|------------|
| Non-current | 98 | 94 |
| Current | 174 | 164 |
| Total | 272 | 258 |

Restructuring

A provision for restructuring is reported when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or published. No provisions are made for future operating expenses.

Environmental restoration

These provisions are primarily related to restoring contaminated land.

Note 23 | Accrued expenses and deferred income

| | Group | | Parent | |
|---------------------------------|--------------|--------------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Employee-related expenses | 473 | 387 | 43 | 30 |
| Advance payments from customers | 38 | 42 | - | - |
| Other | 1,165 | 935 | 5 | 7 |
| Total | 1,676 | 1,364 | 48 | 37 |

Note 24 | Assets pledged

| | Group | | Parent | |
|--|------------|------------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Collateral for provisions and liabilities | | | | |
| Property mortgages | 596 | 585 | - | - |
| Other assets | 0 | 1 | - | - |
| Total | 596 | 586 | - | - |

Note 25 | Contingent liabilities

| | Group | | Parent | |
|---------------------|------------|------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Pension obligations | 172 | 192 | 172 | 192 |
| Total | 172 | 192 | 172 | 192 |

Note 26 | Related-party transactions

For the Parent, SEK 116 million (134), i.e. 100 percent (100) of sales were to Group companies. The Parent's purchasing from Group companies is related to administrative services of limited scope. All transactions were carried out on commercial terms. As at December 31, 2021, the Parent had intragroup receivables of SEK 354 million (329) and intragroup liabilities of SEK 14 million (6).

Transactions with key management personnel

Besides those transactions stated in Note 8 Remuneration of the Board of Directors and senior executives, and in the description of the Board of Directors on pages 46–47, no transactions with related physical persons have taken place.

Note 27 | Segment reporting

The Group's operations are organizationally divided into business areas based on product. The marketing organization also reflects this structure.

All transactions between business areas are recognized at market value. Assets and liabilities not attributed to a business area include tax assets and tax liabilities, financial investments and financial liabilities, as well as cash and cash equivalents and interest-bearing receivables.

The external sales are based on where our customers are located. The carrying amounts of assets and the direct investment in plant for the period are determined by the location of the assets. Segment-based reporting is prepared in accordance with the accounting policies described in Note 2 "Accounting Policies".

Note 27 | Segment reporting

Reporting by business area

| 2021 | Food Ingredients | Chocolate & Confectionery Fats | Technical Products & Feed | Group Functions | Group |
|--|------------------|--------------------------------|---------------------------|-----------------|---------------|
| External sales | 23,245 | 10,116 | 2,091 | - | 35,452 |
| Operating profit | 1,076 | 971 | 214 | -172 | 2,089 |
| Assets | 13,854 | 10,366 | 1,364 | 76 | 25,660 |
| Unallocated assets | - | - | - | - | 1,506 |
| Total assets | 13,854 | 10,366 | 1,364 | 76 | 27,166 |
| Liabilities | 5,044 | 4,141 | 954 | 175 | 10,314 |
| Unallocated liabilities | - | - | - | - | 5,021 |
| Total liabilities | 5,044 | 4,141 | 954 | 175 | 15,335 |
| Investments | 435 | 160 | 23 | 1 | 619 |
| Depreciation, amortization and impairment loss | 648 | 254 | 45 | 11 | 958 |

Reporting by market

| 2021 | Europe | North and South America | Asia | Other countries | Total |
|---|---------------|-------------------------|--------------|-----------------|---------------|
| External sales | 16,721 | 13,947 | 4,376 | 408 | 35,452 |
| of which Mexico | - | 3,842 | - | - | 3,842 |
| of which Sweden | 3,172 | - | - | - | 3,172 |
| of which United Kingdom | 2,737 | - | - | - | 2,737 |
| of which USA | - | 7,393 | - | - | 7,393 |
| Intangible assets and property, plant and equipment | 4,208 | 3,145 | 1,493 | 46 | 8,892 |
| of which Denmark | 1,360 | - | - | - | 1,360 |
| of which Sweden | 1,017 | - | - | - | 1,017 |
| of which United Kingdom | 1,131 | - | - | - | 1,131 |
| of which USA | - | 2,104 | - | - | 2,104 |
| Other assets | 8,347 | 6,464 | 3,082 | 381 | 18,274 |
| Total assets | 12,555 | 9,609 | 4,575 | 427 | 27,166 |
| Investments | 302 | 279 | 34 | 4 | 619 |

Note 27 | Segment reporting

Reporting by business area

| 2020 | Food Ingredients | Chocolate & Confectionery Fats | Technical Products & Feed | Group Functions | Group |
|--|------------------|--------------------------------|---------------------------|-----------------|---------------|
| External sales | 18,387 | 7,949 | 1,598 | - | 27,934 |
| Operating profit | 1,192 | 782 | 149 | 44 | 2,167 |
| Assets | 10,597 | 8,819 | 959 | 92 | 20,467 |
| Unallocated assets | - | - | - | - | 1,811 |
| Total assets | 10,597 | 8,819 | 959 | 92 | 22,278 |
| Liabilities | 3,555 | 3,297 | 624 | 228 | 7,704 |
| Unallocated liabilities | - | - | - | - | 4,836 |
| Total liabilities | 3,555 | 3,297 | 624 | 228 | 12,540 |
| Investments | 422 | 293 | 33 | 2 | 750 |
| Depreciation, amortization and impairment loss | 437 | 261 | 44 | 13 | 755 |

Reporting by market

| 2020 | Europe | North and South America | Asia | Other countries | Total |
|---|---------------|-------------------------|--------------|-----------------|---------------|
| External sales | 13,520 | 10,820 | 3,238 | 356 | 27,934 |
| of which Mexico | - | 2,908 | - | - | 2,908 |
| of which Sweden | 2,525 | - | - | - | 2,525 |
| of which United Kingdom | 2,357 | - | - | - | 2,357 |
| of which USA | - | 5,349 | - | - | 5,349 |
| Intangible assets and property, plant and equipment | 4,295 | 2,964 | 1,392 | 75 | 8,726 |
| of which Denmark | 1,359 | - | - | - | 1,359 |
| of which Sweden | 1,062 | - | - | - | 1,062 |
| of which United Kingdom | 1,023 | - | - | - | 1,023 |
| of which USA | - | 2,003 | - | - | 2,003 |
| Other assets | 7,117 | 3,623 | 2,235 | 577 | 13,552 |
| Total assets | 11,412 | 6,587 | 3,627 | 652 | 22,278 |
| Investments | 355 | 240 | 147 | 8 | 750 |

Note 28 | Supplemental cash flow statement

Adjustment for items not included in cash flow

| | Group | | Parent | |
|------------------------------------|------------|-------------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Sales of non-current assets | 5 | 4 | - | - |
| Changes in pensions and provisions | -1 | 173 | -2 | -3 |
| Unrealized exchange rate effects | 240 | -391 | - | - |
| Others | -40 | 77 | 4 | 4 |
| Total | 204 | -137 | 2 | 1 |

Cash flow from financing activities

| Group | Dec 31, 2020 | Cash flows | Changes that do not affect cash flow | | | Dec 31, 2021 |
|--|--------------|------------|--------------------------------------|-----------------------|----------------|--------------|
| | | | Acquisition-related | Exchange rate effects | IFRS 16 Leases | |
| Non-current financial assets | 20 | 23 | - | 0 | - | 43 |
| Current financial assets | 4 | 27 | - | 0 | - | 31 |
| Non-current financial liabilities | 4,150 | -1,599 | 4 | -64 | -124 | 2,367 |
| Current financial liabilities | 594 | 1,740 | - | -22 | 162 | 2,474 |
| Total liabilities from financing activities | 4,720 | 91 | 4 | -86 | 38 | 4,767 |

| Group | Dec 31, 2019 | Cash flows | Changes that do not affect cash flow | | | Dec 31, 2020 |
|--|--------------|-------------|--------------------------------------|-----------------------|----------------|--------------|
| | | | Acquisition-related | Exchange rate effects | IFRS 16 Leases | |
| Non-current financial assets | 18 | 2 | - | -0 | - | 20 |
| Current financial assets | 12 | -8 | - | 0 | - | 4 |
| Non-current financial liabilities | 4,086 | 223 | -59 | -41 | -59 | 4,150 |
| Current financial liabilities | 993 | -507 | - | -52 | 161 | 594 |
| Total liabilities from financing activities | 5,049 | -278 | -59 | -93 | 102 | 4,720 |

Note 28 | Supplemental cash flow statement

| Parent | Dec 31, 2020 | Cash flows | Changes that do not affect cash flow | | | Dec 31, 2021 |
|--|--------------|------------|--------------------------------------|-----------------------|----------------|--------------|
| | | | Acquisition-related | Exchange rate effects | IFRS 16 Leases | |
| Non-current financial assets | 17 | -5 | - | - | - | 12 |
| Current financial assets | 1 | -1 | - | - | - | - |
| Non-current financial liabilities | 1,501 | -500 | - | - | 1 | 1,002 |
| Current financial liabilities | 1,103 | 497 | - | - | 3 | 1,603 |
| Total liabilities from financing activities | 2,586 | 3 | - | - | 4 | 2,593 |

| Parent | Dec 31, 2019 | Cash flows | Changes that do not affect cash flow | | | Dec 31, 2020 |
|--|--------------|------------|--------------------------------------|-----------------------|----------------|--------------|
| | | | Acquisition-related | Exchange rate effects | IFRS 16 Leases | |
| Non-current financial assets | 19 | -2 | - | - | - | 17 |
| Current financial assets | 0 | 1 | - | - | - | 1 |
| Non-current financial liabilities | 2,253 | -750 | - | - | -2 | 1,501 |
| Current financial liabilities | 3 | 1,096 | - | - | 4 | 1,103 |
| Total liabilities from financing activities | 2,237 | 347 | - | - | 2 | 2,586 |

Alternative Performance Measures (APMs)

| Organic volume growth % | 2021 | 2020 |
|---|--------------|--------------|
| Food Ingredients | | |
| Organic volume growth | 4 | -7 |
| Acquisitions/divestments | - | - |
| Volume growth | 4 | -7 |
| Chocolate & Confectionery Fats | | |
| Organic volume growth | 16 | -2 |
| Acquisitions/divestments | - | - |
| Volume growth | 16 | -2 |
| Technical Products & Feed | | |
| Organic volume growth | -1 | 7 |
| Acquisitions/divestments | - | - |
| Volume growth | -1 | 7 |
| AAK Group | | |
| Organic volume growth | 5 | -4 |
| Acquisitions/divestments | - | - |
| Volume growth | 5 | -4 |
| EBITDA SEK million | 2021 | 2020 |
| Operating profit (EBIT) | 2,089 | 2,167 |
| Depreciation and amortization | 958 | 755 |
| EBITDA | 3,047 | 2,922 |

Alternative Performance Measures (APMs)

| Operating profit excl. items affecting comparability (IAC) | | |
|--|--------------|--------------|
| SEK million | 2021 | 2020 |
| Food Ingredients | | |
| Operating profit excl. IAC | 1,380 | 1,286 |
| Optimization European bakery business | -304 | - |
| Structural measures | - | -94 |
| Operating profit | 1,076 | 1,192 |
| Chocolate & Confectionery Fats | | |
| Operating profit excl. IAC | 971 | 865 |
| Structural measures | - | -83 |
| Operating profit | 971 | 782 |
| Technical Products & Feed | | |
| Operating profit excl. IAC | 214 | 157 |
| Structural measures | - | -8 |
| Operating profit | 214 | 149 |
| AAK Group | | |
| Operating profit excl. IAC | 2,393 | 2,165 |
| Optimization European bakery business | -304 | - |
| Optimization capital structure | - | 206 |
| Structural measures | - | -200 |
| Acquisition costs | - | -4 |
| Operating profit | 2,089 | 2,167 |

Alternative Performance Measures (APMs)

| Return on Capital Employed (R12M) | | |
|---|---------------|---------------|
| SEK million | 2021 | 2020 |
| Total assets | 24,270 | 22,573 |
| Cash and cash equivalents | -1,117 | -1,273 |
| Financial assets | -12 | -115 |
| Accounts payables | -4,458 | -3,235 |
| Other non-interest-bearing liabilities | -3,385 | -2,753 |
| Capital employed | 15,298 | 15,197 |
| Operating profit excl. items affecting comparability | 2,393 | 2,165 |
| Return on Capital Employed (R12M), % | 15.6 | 14.2 |

| Net working capital | | |
|---|--------------|--------------|
| SEK million | 2021 | 2020 |
| Inventory | 9,054 | 6,569 |
| Accounts receivables | 5,132 | 3,336 |
| Other current receivables, non-interest-bearing | 2,818 | 2,222 |
| Accounts payables | -5,696 | -3,659 |
| Other current liabilities, non-interest-bearing | -3,981 | -3,282 |
| Net working capital | 7,327 | 5,186 |

| Net debt | | |
|--|---------------|---------------|
| SEK million | 2021 | 2020 |
| Current interest-bearing receivables | 31 | 4 |
| Cash and cash equivalents | 1,001 | 1,200 |
| Pension liabilities | -271 | -278 |
| Lease liabilities | -621 | -734 |
| Non-current liabilities to banks and credit institutions | -1,611 | -2,087 |
| Current liabilities to banks and credit institutions | -2,333 | -1,565 |
| Other interest-bearing liabilities | -13 | -12 |
| Net debt | -3,817 | -3,472 |

Alternative Performance Measures (APMs)

| Net debt/EBITDA | | |
|---|---------------|---------------|
| SEK million | 2021 | 2020 |
| Net debt | 3,817 | 3,472 |
| EBITDA (R12M) | 3,047 | 2,922 |
| Net debt/EBITDA, multiple | 1.25 | 1.19 |
| Net debt/EBITDA, excluding the IFRS 16 impact, amounted to 1.10 (0.99). | | |
| | | |
| Equity to assets ratio | | |
| SEK million | 2021 | 2020 |
| Shareholders' equity | 11,783 | 9,699 |
| Non-controlling interests | 48 | 39 |
| Total equity including non-controlling interests | 11,831 | 9,738 |
| | | |
| Total assets | 27,166 | 22,278 |
| | | |
| Equity to assets ratio, % | 43.6 | 43.7 |

Corporate Governance Report

Corporate Governance Report 2021

This Corporate Governance Report has been drawn up in accordance with the rules of the Annual Accounts Act and the Swedish Corporate Governance Code ("the Code"). The Corporate Governance Report has been subject to the statutory review by the company's auditor.

Effective and clear corporate governance contributes to the safeguarding of trust among AAK's stakeholder groups and also increases the focus on business benefit and shareholder value in the company. AAK's Board of Directors and management team endeavor, through a high level of transparency, to make it easy for individual shareholders to understand the company's decision-making process and to clarify where in the organization responsibilities and authorities reside. AAK's corporate governance is based on applicable legislation, the Code, NASDAQ OMX Stockholm's regulatory framework for issuers, generally accepted practice in the stock market, and various internal guidelines. Where AAK has chosen to diverge from the rules in the Code, the reason is provided under each heading in this Corporate Governance Report.

General

AAK is a Swedish public limited liability company, the shares of which are traded on NASDAQ OMX Stockholm within the Large Cap segment, Consumer Commodities sector. AAK has around 16,900 shareholders. Its business operations are global, with a presence in more than 100 countries. At December 31, 2021, the average number of employees was 4,013.

Responsibility for management and control of AAK is divided between the shareholders at the Annual General Meeting, the Board of Directors, its elected committees and the President and Chief Executive Officer (CEO) in accordance with the Swedish Companies Act, other legislation and ordinances, applicable rules for companies traded on a regulated market, the Articles of Association, and the Board's internal control instruments. AAK's goal is to be the obvious first choice for its customers, and to create the best possible value for the company's various stakeholder groups – in particular customers, suppliers, shareholders, and employees. At the same time, AAK aims to be a good corporate citizen and take long-term responsibility. The aim of corporate governance is to define a clear allocation of responsibility and roles between the owners, the Board, the executive management team and various control bodies. In line with this, corporate governance covers the Group's management and control systems.

Ownership structure

Information about shareholders and shareholdings can be found on pages 50–51.

Articles of Association

AAK's current Articles of Association were adopted at the Annual General Meeting on May 7, 2021. The Articles of Association state that the company is to operate manufacturing and trading business, primarily within the food industry, to own and manage shares and securities and other associated business. The Articles of Association also state the shareholders'

rights, the number of Board members and auditors, that the Annual General Meeting shall be held yearly within six months of the end of the financial year, how notification of the Annual General Meeting shall be effected, and that the registered office of the Board of Directors shall be in Malmö, Sweden. The company's financial year is the calendar year. The Annual General Meeting shall be held in Malmö or Karlshamn, Sweden. The Articles of Association contain no restrictions on the number of votes each shareholder may cast at a general meeting. Furthermore, the Articles of Association contain no special provisions on the appointment and removal of members of the Board of Directors and on amendments to the Articles of Association. For the current Articles of Association, please see www.aak.com.

Annual General Meeting

The Annual General Meeting of AAK is the highest decision-making body and the forum through which the shareholders exercise their influence over the company. The tasks of the Annual General Meeting are regulated by the Swedish Companies Act and the Articles of Association. The Annual General Meeting makes decisions on a number of central issues, such as adoption of the income statement and balance sheet, discharge from liability for the Board members and CEO, the dividend to shareholders, and the composition of the Board. Further information about the Annual General Meeting and complete minutes from previous Annual General Meetings and Extraordinary General Meetings are published at www.aak.com.

Annual General Meeting 2021

The Annual General Meeting, held virtually due to the Covid-19 pandemic, on May 7, 2021 was represented by shareholders holding around 68 percent of the share capital and votes in the company. Georg Brunstam was elected Chairman of the Meeting. The Annual General Meeting adopted the income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet. Georg Brunstam, Märta Schörling Andreen, Gun Nilsson, Patrik Andersson, and Marianne Kirkegaard were re-elected as ordinary members of the Board of Directors. Bengt Baron declined re-election. Georg Brunstam was elected Chairman of the Board. The employee organizations had appointed Lena Nilsson (PTK-L) and Leif Håkansson (IF Metall) as employee representative members of the Board, and Mikael Myhre (IF Metall) and Annika Edvardsson (PTK-L) as deputy members of the Board. The Annual General Meeting authorized the Board to resolve on the issue of new shares by the Company or the acquisition of the Company's own shares.

Nomination Committee

The Annual General Meeting decides on the election of the Board, among other items. The task of the Nomination Committee is to make proposals to the Annual General Meeting regarding the election of the Chairman and other members of the Board and of the Chairman of the Meeting, and regarding remuneration issues and related issues. The Nomination Committee considers the company's operations, phase of development and other relevant circumstances when assessing the appropriate composition of the Board.

Nomination Committee for the Annual General Meeting in 2022

At the Annual General Meeting 2021, Märta Schörling Andreen (Melker Schörling AB), Elisabet Jamal Bergström (SEB Investment Management), Leif Törnvall (Alecta), and Henrik Didner (Didner & Gerge Fonder) were elected members of the Nomination Committee in respect of the Annual General Meeting 2022. Märta Schörling Andreen was elected Chairman of the Nomination Committee. The members of the Nomination Committee represent around 43 percent of the votes in AAK. The decision also included the opportunity to change the composition of the Nomination Committee in the event of a change in ownership. During the year, the Nomination Committee held two minuted meetings. At these meetings, the Chairman reported on the evaluation work, whereupon the Nomination Committee discussed any changes and new recruitments. The Nomination Committee has been contactable by letter with proposals from shareholders. The members of the Nomination Committee have not received any remuneration from AAK for their work. Shareholders who wish to contact the Nomination Committee can send letters addressed to AAK AB (publ.), Valberedningen, Skrivaregatan 9, SE-215 32 Malmö, Sweden.

The Board of Directors and its activities

The tasks of the Board are regulated in the Swedish Companies Act and the Articles of Association. In addition to this, the work of the Board is regulated by the working practices adopted by the Board each year. The procedural rules of the Board also regulate the

distribution of work and responsibilities between the Board, the Chairman of the Board and the CEO and also include procedures for financial reporting by the CEO to the Board. According to the current working practices, the Board shall meet at least six times each year, including a statutory meeting following election held immediately after the Annual General Meeting. The tasks of the Board shall include setting strategies, business plans, budgets, interim reports and year-end reports for AAK. The Board shall also monitor the work of the CEO, appoint and dismiss the CEO and decide on important changes to AAK's organization and operation. The most important tasks of the Board are to set the overall goals for the company's operation and to decide on the company's strategy for achieving the goals; to ensure the company has an effective executive management team and appropriate remuneration terms; to ensure the transparency and accuracy of the company's external reporting; and that external reporting provides a fair presentation of the company's performance, profitability and financial position and exposure to risk; to monitor the financial reporting, including instructions to the CEO and the establishment of requirements for the content of the financial reporting to be submitted to the Board on a continuous basis; to ensure the company's insider policy and logging procedures are adhered to in accordance with legislation and the guidelines of the Swedish Financial Supervisory Authority; to ensure there are effective systems for follow-up and control of the company's operational and financial position against set goals; to follow up and evaluate the company's development and to recognize and support

the work of the CEO in carrying out the required measures; to ensure there is sufficient control of the company's compliance with legislation and other rules applicable to the operation of the company; to ensure the required ethical guidelines are set for the company's behavior; and to propose to the Annual General Meeting any dividend, repurchase of shares, redemption or other proposals falling within the competence of the Annual General Meeting. The Chairman of the Board of Directors is responsible for evaluating the work of the Board. During 2021, he conducted a survey of the members and, based on this and interviews in the previous year, analyzed the results. The results of the survey were then presented and discussed on the Board and on the Nomination Committee as the basis for assessing the size and composition of the Board. The evaluation focused on Board work in general and on the contributions of individual members, including the Chairman of the Board and the CEO. The Board evaluations clearly contributed to continued development of the work of the Board and the committees.

Composition of the Board

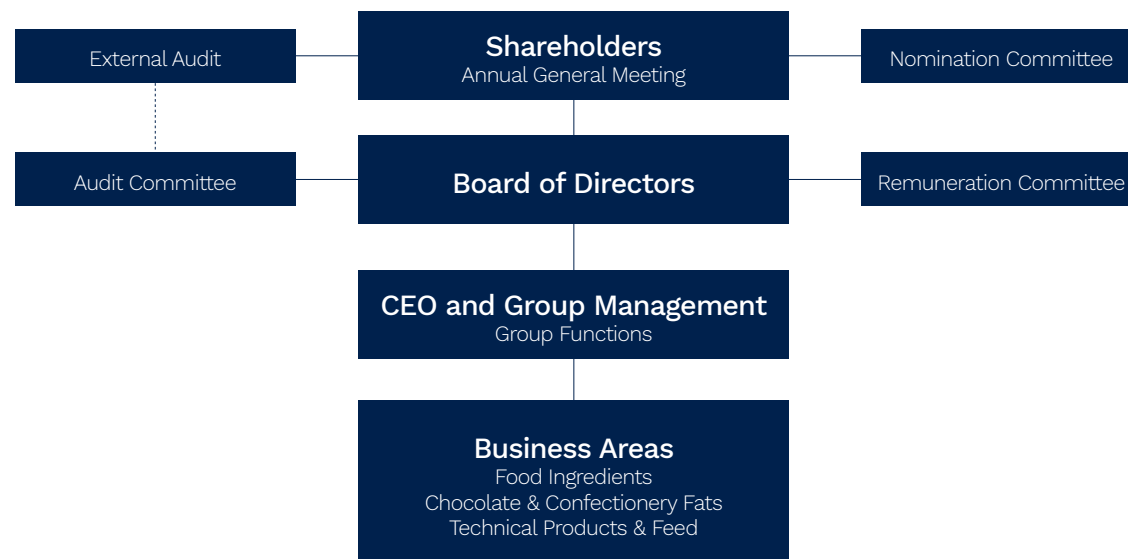
Under the Articles of Association, AAK's Board shall consist of at least three and at most ten members. The current Board consists of five members elected by the Annual General Meeting. Under Swedish law, employee organizations have a right to be represented on the Board, and have appointed two ordinary members and two deputies. Georg Brunstam was re-appointed Chairman of the Board of Directors. At the statutory Board meeting following the Annual General Meeting, the Board chose to appoint an Audit Committee and a Remuneration Committee.

Gun Nilsson was appointed Chair of the Audit Committee and Patrik Andersson and Märta Schörling Andreen were appointed members. Georg Brunstam was appointed Chairman of the Remuneration Committee and Märta Schörling Andreen was appointed member. Märta Schörling Andreen, a member of the Board of Directors of Melker Schörling AB, and Gun Nilsson, CEO of Melker Schörling AB, cannot be considered to be independent in relation to AAK's major shareholders in the Company in accordance with the Code. The other three members elected by the Annual General Meeting, Georg Brunstam, Marianne Kirkegaard and Patrik Andersson, are independent in relation to AAK,

the Company management and the Company's major shareholders in accordance with the Code.

The Board therefore fulfills the requirement of the Code that at least two Board members who are independent of the Company and the Company management shall also be independent of the Company's major shareholders. Mikael Ekdahl, lawyer, acts as secretary to the Board. The application and result of the diversity policy are described on the Company's website in the Nomination Committee's reasoned statement regarding proposals to the Board of AAK AB.

CORPORATE GOVERNANCE



Working practices

The Board's working practices, containing instructions for the division of work between the Board and the CEO and for financial reporting, are updated and adopted annually. Board meetings consider the financial reporting and monitoring of day-to-day business operations and profitability trends, as well as goals, strategies for the business operation, acquisitions and significant investments, and matters relating to capital structure. Business area managers and other senior executives report on business plans and strategic issues on a continual basis.

Remuneration and audit issues are prepared within the respective committees. The Board holds a statutory meeting immediately after the Annual General Meeting. At this meeting, the Board's working practices are also adopted, as are the instructions to the CEO and the Committees and other internal management instruments. The current Board held its statutory meeting on May 7, 2021, at which all members were in attendance.

Chairman of the Board

At the Annual General Meeting held on May 7, 2021, Georg Brunstam was re-elected Chairman of the Board. The role of the Chairman of the Board is to lead the work of the Board and ensure the Board fulfills its tasks. The Chairman shall monitor the progress of the business in dialogue with the CEO, and is responsible for ensuring the other members continuously receive the information required to carry out the work on the Board, maintaining the required quality and in accordance with the Swedish Companies Act and other applicable laws and ordinances, the Articles of Association, and the working practices of the Board. The Chairman is responsible for ensuring the Board constantly develops its knowledge about the Company,

that an evaluation of the Board's work is carried out and that the Nomination Committee is provided with this evaluation. The Chairman shall also participate in evaluation and development issues relating to senior executives in the Group.

The work of the Board in 2021

The Board held nine meetings during the year. Business area managers have reported on the goals and business strategies of the business areas. The Board has handled issues relating to strategy, staffing and organization. Decisions have been made relating to investments and acquisitions. Other areas handled have been the Group's work on the supply of raw materials, risk management and the Company's strategy for capital structure and borrowing.

Attendance at Board and Committee meetings in 2021

| Member | Board of Directors | Audit Committee | Remuneration Committee |
|-------------------------|--------------------|-----------------|------------------------|
| Number of meetings | 9 | 4 | 3 |
| Georg Brunstam | 9 | | 3 |
| Patrik Andersson | 8 | 2 | |
| Bengt Baron | 3 | 2 | |
| Marianne Kirkegaard | 9 | | |
| Gun Nilsson | 9 | 4 | |
| Märta Schörling Andreen | 9 | 4 | 3 |
| Leif Håkansson | 9 | | |
| Lena Nilsson | 9 | | |

Information about the members of the Board can be found on pages 46–47.

Fees to Board members

According to the decision of the Annual General Meeting, the total fees to the Board amounted to SEK 3,095,000, to be allocated between the members as follows: SEK 930,000 to the Chairman and SEK 410,000 to each of the other members elected at the Annual General Meeting who are not employed by the Company. The Chairman of the Audit Committee received SEK 250,000 and the members SEK 125,000 each. The Chairman of the Remuneration Committee received SEK 100,000 and the member SEK 50,000. The secretary to the Board and employee representatives to the Board do not receive any compensation other than for costs in connection with their participation in Board activities. For further information about remuneration to members of the Board, please see page 84.

Evaluation of the CEO

The Board continuously evaluates the work and competence of the CEO and the Company's management team. This is discussed at least once a year without representatives of the Company management being present.

Guidelines for remuneration of senior executives

The 2021 Annual General Meeting approved the principles for the remuneration of senior executives. The principles for the remuneration of AAK's senior executives are designed to ensure, from an international perspective, that AAK can offer compensation that is competitive and at the prevailing market level to attract and retain qualified people. The total remuneration package paid to senior executives shall

consist of fixed basic salary, annual variable salary, pension, company car, and severance payment. The fixed salary shall be individually differentiated on the basis of responsibility and performance, and shall be set on market principles and revised annually. In addition to annual salary, senior executives shall also receive a variable salary, which shall have a pre-set ceiling and be based on the outcome in relation to goals set annually. The goals shall be related to the company's performance and shall also be able to be linked to individual areas of responsibility. ESG targets is a qualifier for the Executive Committee's remuneration. The annual variable portion must not exceed 110 percent of the fixed salary. In addition to the variable salary mentioned, share or share-price related incentive programs may be added as determined from time to time by the Annual General Meeting. The right to a pension for senior executives shall apply from the age of 60 at the earliest. Pension plans for senior executives shall primarily be defined benefit plans. In the event of termination of employment by the Company, the notice period for the CEO and other senior executives shall be twelve months, and they shall be entitled to receive severance pay with a pre-determined ceiling corresponding to twelve months' salary. For termination of employment by the employee, a notice period of six months shall normally apply and no severance pay shall be payable. These guidelines will cover those persons who are in Group management positions during the period of time in which the guidelines apply. The guidelines apply to agreements entered into after a resolution by the Annual General Meeting, and in the event that changes are made to existing agreements

after this point in time. The Board will be entitled to diverge from the guidelines if there are particular reasons to do so in an individual case.

Board committees

Audit and remuneration issues within the Board are handled in committees, whose task it is to prepare issues arising and submit proposals for decisions to the Board. The tasks and working practices of the committees are determined by the Board in written instructions, which constitute part of the Board's working practices.

Remuneration Committee

In accordance with the Board's working practices, issues of remuneration to the CEO and senior executives shall be prepared by the Remuneration Committee. The Remuneration Committee prepares and presents proposals to the Board relating to remuneration to the CEO and other senior executives. The final task of the Remuneration Committee is to monitor and evaluate the ongoing programs for variable remuneration of the company management team, and programs terminated during the year, as well as the application of the guidelines for the remuneration of senior executives and the current remuneration structure and remuneration levels in the Company. During 2021, the members of the Remuneration Committee were Georg Brunstam (Chairman) and Märta Schörling Andreen. The recommendations of the Remuneration Committee to the Board include principles for remuneration, the relationship between fixed and variable salary, conditions for pensions and severance pay, and other benefits payable to the management. Remuneration to

the CEO of the Group has been decided by the Board on the basis of the recommendations of the Remuneration Committee. Remuneration to other senior executives has been decided by the Chief Executive Officer in consultation with the Remuneration Committee. For further information, see page 84. During 2021, the Remuneration Committee met on three occasions, on which both members attended. Current guidelines for remuneration to senior executives can be found in Note 8. The Board's proposal for new guidelines will be put to the Annual General Meeting in 2022 for a decision.

Audit Committee

During 2021, the members of the Audit Committee were Gun Nilsson (Chair), Märta Schörling Andreen and Patrik Andersson. The Audit Committee held four meetings during the year, which the Company's external auditors and representatives of the management team attended. Areas dealt with by the Audit Committee are primarily related to planning, scope and follow-up of the audit for the year. Other issues dealt with include risk management, integration and systematics of Group procedures, coordination of insurance issues, corporate governance, internal control, accounting rules, development of the global finance function, financing operations, and other issues that the Board has requested the Audit Committee to prepare. Under the provisions of Chap. 8, Section 49 a, of the Swedish Companies Act (2005:551), at least one member of the Audit Committee must be independent in relation to major shareholders in the Company, and have expertise in accounting or auditing, and the Company fulfills this requirement of the Code.

External auditors

AAK's auditors are appointed by the Annual General Meeting. At the Annual General Meeting in 2021, the audit company KPMG AB was elected as auditors up to and including the Annual General Meeting in 2022. Jonas Nihlberg, Authorized Public Accountant, was appointed auditor in charge. Jonas Nihlberg also has auditing engagements in companies including Hansa Biopharma AB and NIBE Industrier AB. All services requested in addition to the statutory audit are tested separately to ensure there is no conflict arising involving independence or disqualification.

Operational management

It is the task of the CEO to lead operations in accordance with the guidelines and instructions of the Board. In conjunction with this, the CEO shall use the required control systems to ensure the company complies with applicable laws and regulations. The CEO reports to the Board meetings and shall ensure the Board receives as much factual, detailed and relevant information as is required for the Board to reach well-informed decisions. The CEO also maintains continual dialogue with the Chairman of the Board and keeps him informed of the development and financial position of the Company and the Group.

AAK's Group management team consists of eleven persons from five countries: the CEO, Chief Financial Officer (CFO) who is also responsible for Mergers & Acquisitions, Corporate Communications, IR, Global IT and Legal, Chief Strategy & Sustainability Officer, who is also responsible for People and Corporate Branding, President Global Operations, Chief Technology Officer (CTO), President Global Industries and President

Global Sourcing & Trading, as well as four persons in charge of business areas/regions/industries. The Group management team meets every other month and deals with the Group's financial development, investments, synergy and productivity projects, acquisitions, Group-wide development projects, leadership and competence supply, and other strategic issues. The meetings are chaired by the CEO, who make decisions in consultation with the other members of the Group management team. The Group has a small number of Group employees, who are responsible for Group-wide activities, such as financial performance, tax, IT, internal control, strategy, communication, investor relations, and legal issues. The CEO and Group management team are presented on pages 48–49. For remuneration principles and salaries and other fees paid to the CEO and Group management team, please see Note 8.

AAK's business areas are Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. The head of each business area are responsible for goals, strategies, product development and day-to-day business issues, as well as for profit, cash flow and balance sheets for the unit in question. The business areas in turn are organized into different sectors with responsibility for day-to-day business issues. Direction is exercised through internal boards, which meet four times a year. AAK's CEO chairs the meetings. Other executives are co-opted as necessary. In all countries where AAK has subsidiaries, a Country Manager has legal charge of operations. The Country Manager's task is to represent AAK vis-à-vis public authorities in the country, to coordinate operations on the ground, organization and Group-wide procedures/projects, and to ensure that Group-wide guidelines are complied

with. For each such country, one member of the Group management team has been appointed to have overall responsibility for operations. This person is the superior of the Country Manager, and in most cases acts as Chairman of the local legal board.

The Board's description of internal control and risk management relating to financial reporting

The Board is responsible for AAK's internal control, the overall purpose of which is to protect the owners' investments and the Company's assets. The Board shall provide a description of how internal control and risk management relating to financial reporting are organized in a separate section of this Corporate Governance Report. Internal control relating to financial reporting is a process involving the Board, the company management team and personnel.

The process has been designed to ensure the reliability of external reporting. According to the commonly accepted framework established for this purpose, internal control is usually described from five different aspects, which are described below. The control environment forms the basis for internal management and control. Risk assessment and risk management mean that the management is aware of and has itself assessed and analyzed risks and threats to operations.

Control activities are the measures and procedures designed by the management to prevent errors from arising and for discovering and correcting errors that do arise. In order for individual tasks to be carried out in a satisfactory manner, the personnel in an organization need to have access to current and

relevant information. The final module of the model relates to follow-up of internal management and the design and effectiveness of controls.

Control environment

AAK's organization is designed to facilitate quick decision-making. Operational decisions are therefore made at business area or subsidiary level, while decisions about strategies, acquisitions and overriding financial issues are taken by the company's Board and Group management team. The organization is characterized by clear division of responsibilities and effective and established management and control systems, covering all units within AAK.

The basis for the internal control relating to financial reporting consists of an overall control environment in which the organization, decision-making routes, authorities, and responsibilities have been documented and communicated in management documents, such as AAK's financial policy, raw material purchasing policy, the manual on financial reporting, and the authorization rules set by the CEO. AAK's finance functions are integrated through a joint consolidation system and joint accounting instructions. The Group's finance unit works closely and effectively with the controllers of subsidiaries in relation to year-end financial statements and reporting.

As a supplement to the internal control, under a specific plan, an annual audit of some units in the Group is carried out on a rotating basis by the Group's central Finance Department, in collaboration with an independent international accounting firm. AAK has decided not to set up a separate review function

(internal audit), as the functions mentioned above fulfill this task well. All of AAK's subsidiaries report on a monthly basis. These reports form the basis for the Group's consolidated financial reporting. Each legal unit has a controller who is responsible for the financial management of each business area, and for ensuring the financial reports are correct, complete and delivered in time for consolidated reporting.

Risk assessment and risk management

Through its international presence, the AAK Group is exposed to a number of different risks. Risk management within the Group is run in accordance with fixed policies and procedures, which are reviewed annually by AAK's Board. Risks relating to commodities are managed using the Group's raw material purchasing policy. Risks relating to currency, interest and liquidity are mainly governed by AAK's finance policy. The Group's credit policy directs the management of credit and contract risks. Effective risk management unites operational business development with the requirements of owners and other stakeholders for improvements in control and long-term value. Risk management aims to minimize risks, but also to ensure that opportunities are utilized in the best possible way. Risk management covers the following areas of risk: strategic risks relating to the market and sector, commercial, operational and financial risks, compliance with external and internal regulatory frameworks, and financial reporting. The main components of risk assessment and management are identification, evaluation, management, reporting, follow-up and control. For further information about AAK's risk management, please see Note 3.

Control activities

The risks identified relating to financial reporting are handled via the company's control activities. These control activities aim to prevent, identify and correct errors and discrepancies. Control activities take the form of manual controls, such as reconciliation and stocktaking, automatic controls via the IT systems and general controls of the underlying IT environment. Detailed financial analyses of the result and follow-up against budgets and forecasts supplement the operation-specific controls and provide overall confirmation of the quality of the reporting.

Information and communication

To ensure the completeness and accuracy of its financial reporting, the Group has adopted guidelines for information and communication aimed at ensuring relevant and significant exchange of information within business operations, both within each unit and to and from Group management and the Board. Policies, handbooks and working practices relating to the financial process are communicated between the management and employees, and are available in electronic format and/or printed format. The Board receives regular feedback on internal control from the Audit Committee. To ensure that external information is correct and complete, AAK has a communication policy adopted by the Board, which states what is to be communicated, by whom and in what way.

Follow-up

The effectiveness of the process for risk assessment and execution of control activities is followed up continuously. The follow-up covers both formal and informal procedures, which are used by those responsible at each level. The procedures include follow-up of results against budgets and plans, analyses and key figures. The Board receives monthly reports about the Group's financial position and development. The Company's financial situation is discussed at each Board meeting, and the management team analyzes the financial reporting at detailed level on a monthly basis.

At Audit Committee meetings, the Committee follows up the financial reporting and receives reports from the auditors about their observations.

Policy documents

AAK has a number of policies for the operations of the Group and its employees. These include:

Ethics policy

Ethical guidelines for the Group have been drawn up with the aim of clarifying the Group's fundamental approach to ethical issues, both within the Group and externally with regard to customers and suppliers.

Finance policy

The Group's finance function works in accordance with instructions adopted by the Board, which provide a framework for how the Group's operations shall be financed, and for how, for example, currency and interest risks are to be handled.

Communication policy

The Group's communication policy is a document describing the Group's general principles for the publication of information.

Environmental policy

The Group's environmental policy provides guidelines for environmental work within the Group.

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on May 18, 2022 for adoption.

The Board of Directors and the Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with IFRS International Accounting Standards, as adopted by the EU, and provide a true and fair view of the Group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting practices and provide a true and fair view of the Parent's financial position and results.

The Directors' Report for the Group and Parent provides a true and fair view of the development of the business operations, financial position and results of the Group and Parent and describes the significant risks and uncertainty factors facing the Parent and the companies belonging to the Group.

Malmö, April 19, 2022

Georg Brunstam
Chairman of the Board

Johan Westman
President and CEO

Märta Schörling Andreen
Board member

Marianne Kirkegaard
Board member

Gun Nilsson
Board member

Patrik Andersson
Board member

David Alfredsson
Employee representative

Lena Nilsson
Employee representative

Our auditor's report was submitted on April 20, 2022
KPMG AB

Jonas Nihlberg
Authorized Public Accountant
Auditor in charge

Auditor's report

To the general meeting of the shareholders of AAK AB (publ.), corp. id 556669-2850

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AAK AB (publ.) for the year 2021, except for the corporate governance statement on pages 112–119. The annual accounts and consolidated accounts of the company are included on pages 41–120 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Parent company as of December 31, 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover

the corporate governance statement on pages 112–119. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent company and the Group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent company's Audit Committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section.

We are independent of the Parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other matter

The audit of the annual accounts for year 2020 was performed by another auditor who submitted an auditor's report dated April 14, 2021, with unmodified opinions in the report on the annual accounts and consolidated accounts.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Market valuation of inventory and accounting of open sales and purchase contracts

See disclosure 3 and accounting principles on page 71 in the annual account and consolidated accounts for detailed information and description of the matter.

| Description of key audit matter | Response in the audit |
|---|--|
| <p>The Group is exposed to commodity price risks and uses derivative financial instruments to manage these risks. The Group applies fair value hedge accounting for derivatives that are used to hedge price risks in raw materials held as inventories. This means that a change in the market price of raw materials impact both the value of the hedging instruments (derivatives) and the valuation of inventory. Open sales and purchase contracts are also measured at fair value through the use of the fair value option in IFRS 9.</p> <p>As such, the Group's raw material purchasing process is complex and fluctuations in the market price of raw materials can have a significant impact on the financial information. An incorrect valuation of inventory or derivatives would have a direct impact on the Group's costs and earnings.</p> | <p>To verify that inventory is valued at market price and that open sales and purchase contracts are remeasured at market value in accordance with the Group's accounting policies, we have gained an understanding of, and tested, the internal control aimed at managing the risk exposure in inventory and open contracts. We have also tested the Group's internal controls for measuring inventory and open contracts at fair value.</p> <p>Furthermore, we have performed random sample tests to ensure the existence of sales and purchase contracts and used market prices in the valuation of inventory and the open contracts.</p> <p>We have also assessed the appropriateness of the disclosures presented in the annual report.</p> |

Other information than the annual accounts and consolidated accounts

This document contains other information than the annual accounts and consolidated accounts and can be found on pages 1-40 and 128-130. The other information also includes the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to

the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of AAK AB (publ.) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section. We are independent of the Parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the

Group's type of operations, size and risks place on the size of the Parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Chief Executive Officer have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for AAK AB (publ.) for year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #TY7oDZXUnOzaHkE= has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of AAK AB (publ.) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Chief Executive Officer determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Chief Executive Officer, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Chief Executive Officer.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 112–119 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6 Section 6 the second paragraph points 2-6 of the Annual Accounts Act, and Chapter 7 Section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 227, 201 22, Malmö, was appointed auditor of AAK AB (publ.) by the general meeting of the shareholders on May 7, 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2021.

Malmö, April 20, 2022

KPMG AB
Jonas Nihlberg
Authorized Public Accountant

Financial calendar and Annual General Meeting

Reporting schedule

AAK AB (publ.) will provide financial information for the 2022 financial year on the following occasions:

- The interim report for the first quarter will be published on April 27.
- The interim report for the second quarter will be published on July 19.
- The interim report for the third quarter will be published on October 25.
- The fourth quarter and year-end report 2022 will be published in January/February 2023.

Reports and press releases are available in English and Swedish and can be ordered from:

AAK AB (publ.)
Corporate Communications
Skrivaregatan 9
215 32 Malmö, Sweden
Telephone: +46 (0)40-627 83 00
Email: comm@aak.com

More information about AAK is available on the company's website: www.aak.com

Annual General Meeting

AAK AB's Annual General Meeting will take place on Wednesday, May 18, 2022 in Malmö.

Notice of Annual General Meeting

Notice of the Annual General Meeting is published in Post- och Inrikes Tidningar and on the company's website, including a full agenda. An advertisement regarding the Annual General Meeting being convened will be published in Svenska Dagbladet.

Alternative Performance Measures (APMs) and other financial definitions

AAK presents Alternative Performance Measures (APMs) that are not defined in the financial reporting framework IFRS. APMs are used as guidance to the Group's management and external stakeholders in their analysis of the Group's operations and are considered as a supplement to the financial statements prepared in accordance with IFRS. AAK uses the following APMs:

Organic volume growth, EBITDA, Operating profit excluding items affecting comparability (IAC), Return on Capital Employed (ROCE), Net working capital, Net debt, Net debt/EBITDA and Equity/asset ratio. See pages 108–111 for calculations. See definitions of the APMs and other performance measures below.

Cash and cash equivalents

Cash and bank balances and short-term investments with a maturity of less than three months.

Capital employed

Total assets less cash and cash equivalents, other interest-bearing receivables, non-interest-bearing operating liabilities, but excluding deferred tax.

Direct yield

Dividend per share in relation to the share price at the reporting date. Expressed in percent.

Dividend pay-out ratio

Dividend in relation to the net profit for the year. Expressed in percent.

Earnings per share

Net profit for the year attributable to the Parent company shareholders divided by the average number of shares on the reporting date.

EBITDA

Earnings before interest, tax, depreciation and amortization.

Equity/assets ratio

Equity including non-controlling interests in relation to total assets. Expressed in percent.

Equity per share

Equity excluding non-controlling interests divided by the average number of shares on the reporting date.

Net debt

Interest-bearing liabilities (incl. pension liabilities and financial leases) less Cash and cash equivalents and other current interest-bearing receivables.

Net debt/EBITDA

Net debt in relation to EBITDA calculated on a rolling 12 months basis. Expressed as a multiple of EBITDA.

Net working capital

Non-interest-bearing current assets less non-interest-bearing current liabilities.

Operating profit excluding items affecting comparability (IAC)

Operating profit excluding acquisition and restructuring costs and other items affecting comparability.

Organic volume growth

Total volume growth excluding effects of acquisitions/disposals. Expressed in percent.

Return on Capital employed (ROCE)

Operating profit excl. items affecting comparability in relation to average capital employed, calculated on a rolling 12 months basis. Expressed in percent.

Share price/equity

Share price in relation to equity per share.

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Everything we do is about Making Better Happen™

AAK specializes in plant-based oils that are the value-adding ingredients in many of the products people love to consume. We make these products better tasting, healthier, and more sustainable. We enhance their sensory experience – by giving the silkier mouthfeel in premium chocolate, the juicier texture in a plant-based burger, and the puffier appearance in a lower-fat pastry.

We can also optimize their production by substituting existing ingredients with plant-based equivalents that give better efficiency. AAK's value-adding solutions enable our customers to be successful in a better way.

At the heart of AAK's offer is Customer Co-Development, combining our desire to understand what better means for each customer, with the unique flexibility of our production assets, and a deep knowledge of many products and industries, including Chocolate & Confectionery, Bakery, Dairy, Plant-based Foods, Special Nutrition, Food-service, and Personal Care. Our 4,000 employees support our close collaboration with customers through 25 regional sales offices, 15 dedicated Customer Innovation Centers, and with the support of more than 20 production facilities.

Listed on Nasdaq Stockholm and with our headquarters in Malmö, Sweden, AAK has been Making Better Happen™ for more than 150 years.



Explore more at
www.aak.com

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