

Interim Report

Second quarter 2021

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Summary Q2 2021

Record-high second quarter despite continued volatility and uncertainty

Highlights

- Adjusted operating profit, excluding non-recurring items and at fixed FX, increased by 41 percent
- Food Ingredients
 - Strong volume growth driven by recovery in Foodservice and Bakery
 - Significant volume growth in Plant-based Foods, particularly for our plant-based meat solutions
 - Continued impact from the Covid-19 pandemic, mainly in Asia
- Chocolate & Confectionery Fats
 - Continued strong volume growth supported by all regions
 - Record-high operating profit for a second quarter
- Continued strong result in Technical Products & Feed, driven by our crushing operation and increased volumes in our fatty acids business
- EPS amounted to SEK 0.39 (1.27). Adjusted EPS, excluding items affecting comparability and related tax effects, amounted to SEK 1.51 (1.15).

Growth and returns

Volume
550,000 MT
(+14%)

**Adjusted
operating profit**
SEK 541 million
(+32% y/y, +41% y/y*)

**Adjusted operating
profit per kilo**
SEK 0.98
(up 15% y/y, up 24% y/y*)

ROCE
15.4%**

* Fixed FX

** Rolling 12 months incl. IFRS 16 effect

Key events

AAK partners with Mars in ten-year sustainable shea initiative

- AAK has 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.
- The WISH (Women in Shea) initiative is built on AAK's Kolo Nafaso program in West Africa, through which we source shea kernels directly from women collectors. Today, the program involves more than 320,000 women, but the positive impact it generates influences the livelihood of many more.



Important partnerships to meet the growing demand for plant-based alternatives

- During the quarter, we announced a new partnership with Vista Processed Foods Pvt Ltd, part of OSI group, to meet India's growing demand for plant-based meat alternatives. We will collaborate to create products from a variety of different plant proteins that meet the taste and texture preferences of Indian markets.
- We also announced an exclusive distribution agreement with Invita for plant-based food solutions to Australia and New Zealand – two of the world's fastest-growing markets when it comes to plant-based foods.

Sustainability-linked credit facility

- During the quarter, we signed a EUR 400 million revolving credit facility 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.

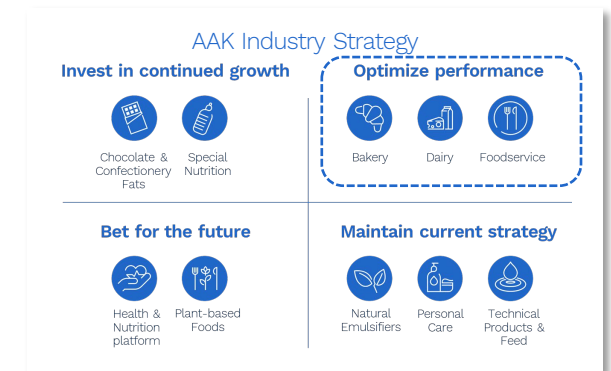
European bakery production consolidation

We have entered a formal consultation process with union delegates to carry out a production consolidation and subsequent closure of our site in Merksem, Belgium

- ✓ Proposed consolidation leads to a EUR 30 million (SEK 304 million) provision in the quarter, of which EUR 20 million (SEK 203 million) has a non-cash flow impact
- ✓ Proposed optimization would lead to annual cost reductions and productivity gains of approximately EUR 5 million (SEK 51 million), with full run rate expected by the end of 2022

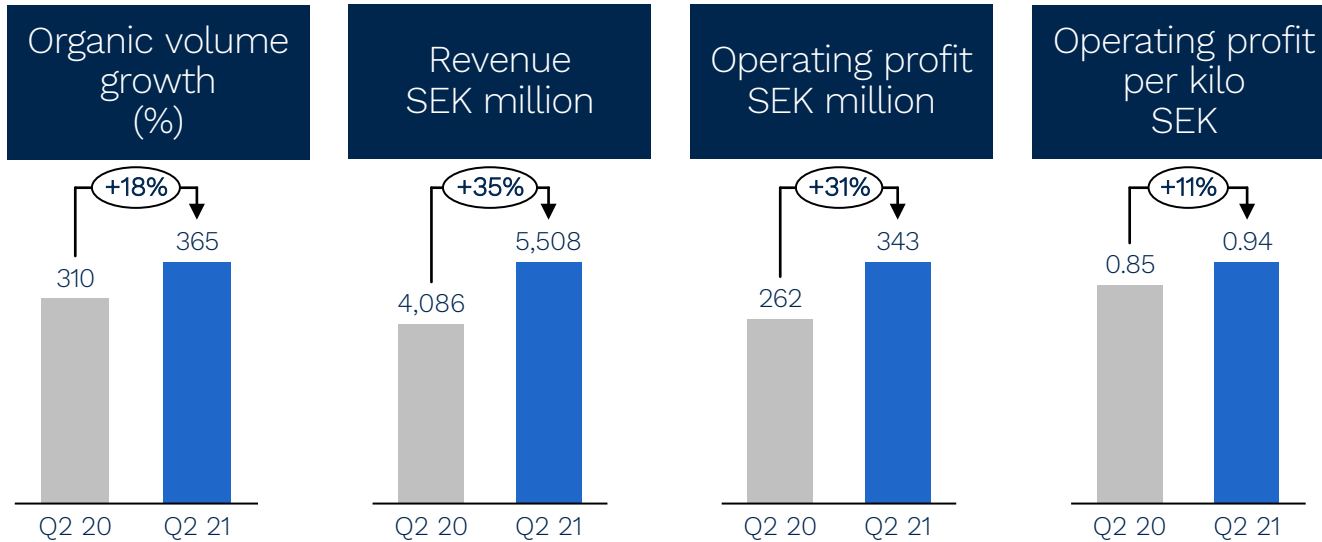
Strategic rationale

- ✓ We are optimizing our Bakery segment in line with our strategy
- ✓ We maintain our strong presence in European industrial bakery
- ✓ We will improve our cost structure and increase our competitiveness while continuing to support our customers with the same high level of dedication and service
- ✓ Successful implementation will propel AAK's continued EBIT growth journey





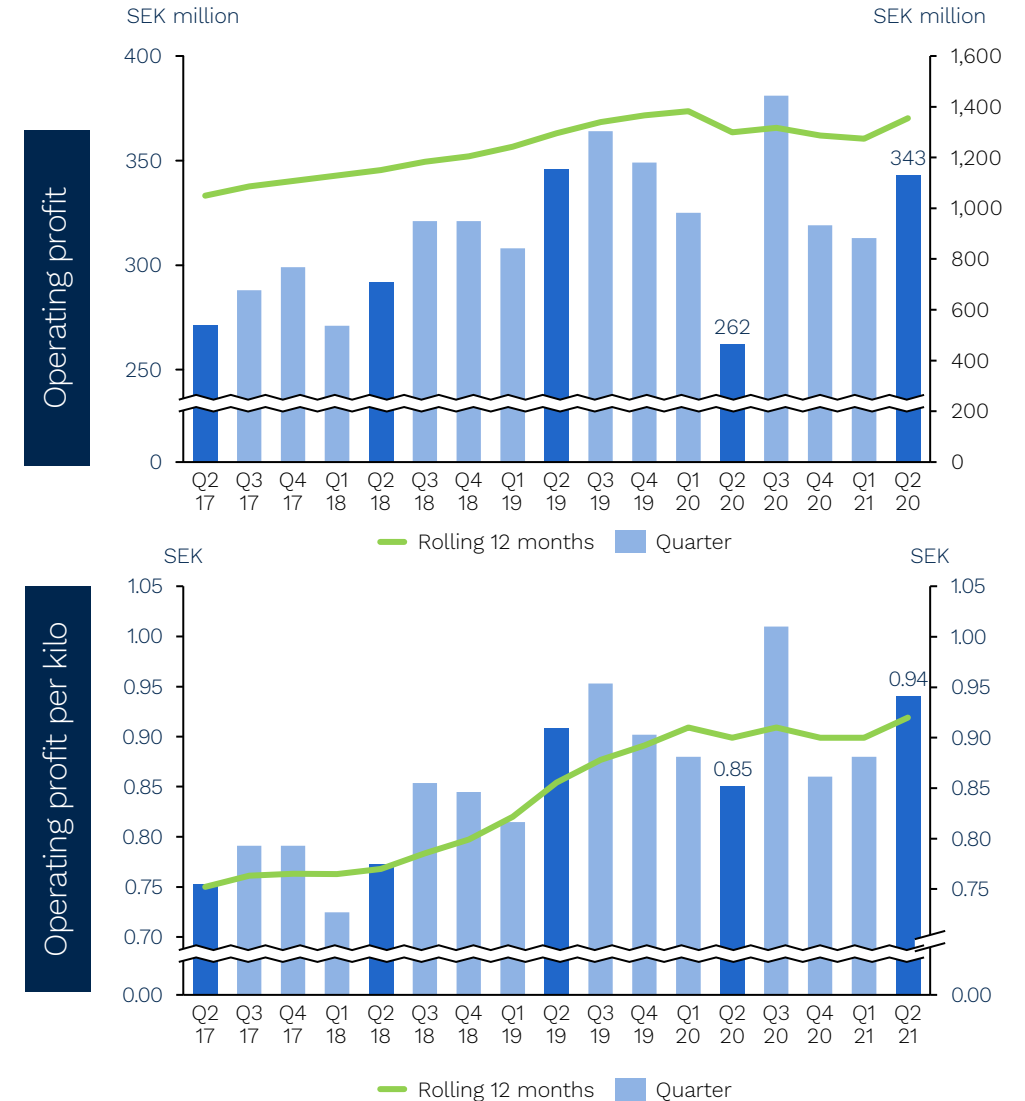
Food Ingredients*



Business area development

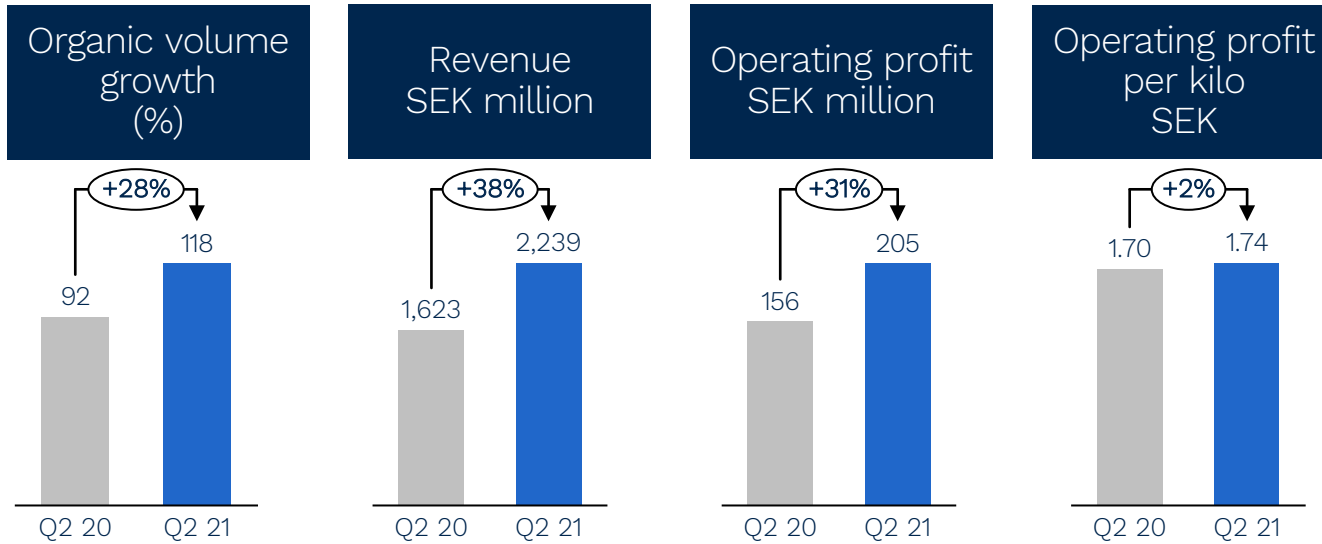
- Volumes for the business area increased substantially. Main contributors were Foodservice and Bakery which both recovered nicely due to eased pandemic-related restrictions and lockdowns
- Plant-based Foods continued its strong trend and reported double-digit volume growth, driven mainly by plant-based meat solutions
- Special Nutrition volumes increased slightly with growth for high-end solutions in sub-segment Infant Nutrition as well as for Medical and Senior Nutrition. Our semi-speciality solutions experienced lower demand in most regions.

*All figures are excluding items affecting comparability





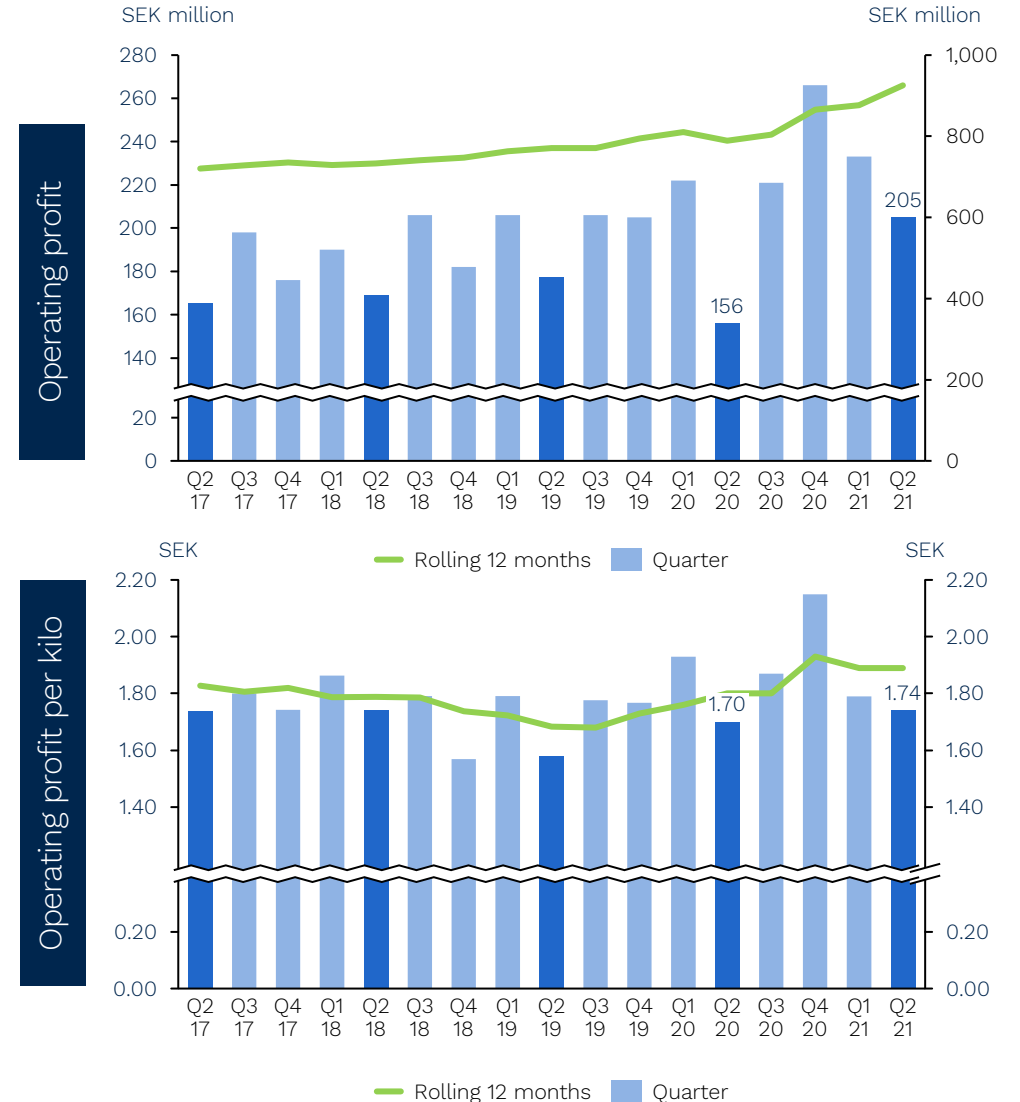
Chocolate & Confectionery Fats*



Business area development

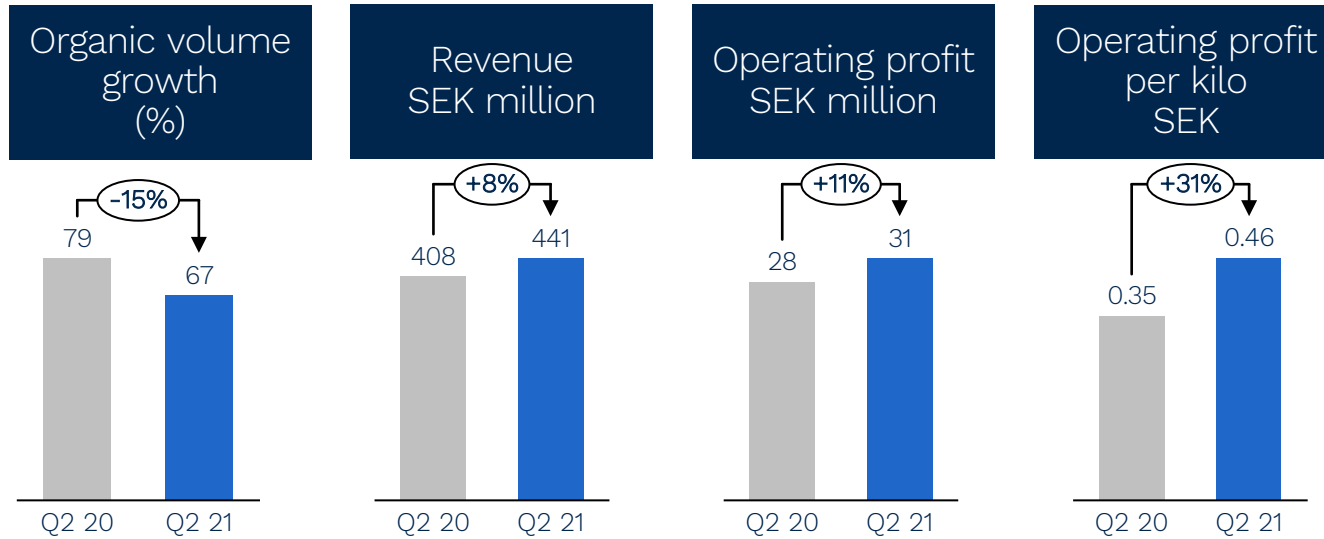
- Strong demand for our speciality solutions such as cocoa butter equivalents and filling fats, but also for our semi-speciality solutions
- All regions reported significant volume growth confirming our strong global market position
- The recent decline in raw material prices has increased the average duration of our contract portfolio due to customer decisions to lock in longer contracts
- The increase in operating profit was also supported by good cost control

*All figures are excluding items affecting comparability





Technical Products & Feed*



Business area development

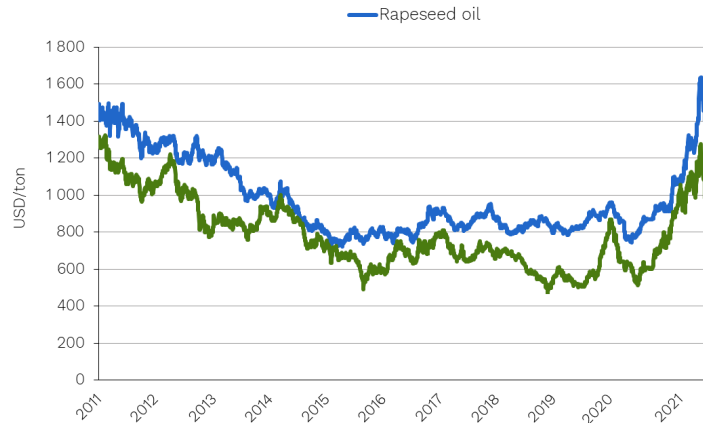
- Compared to the corresponding quarter in 2020, volumes were down, driven by lower feed volumes as a result of an extended maintenance stop. Volumes in our fatty acids business increased
- Operating profit grew due to a strong performance in our crushing operation as well as good cost control

*All figures are excluding items affecting comparability



Raw material prices

Rapeseed oil and palm oil



Cocoa butter

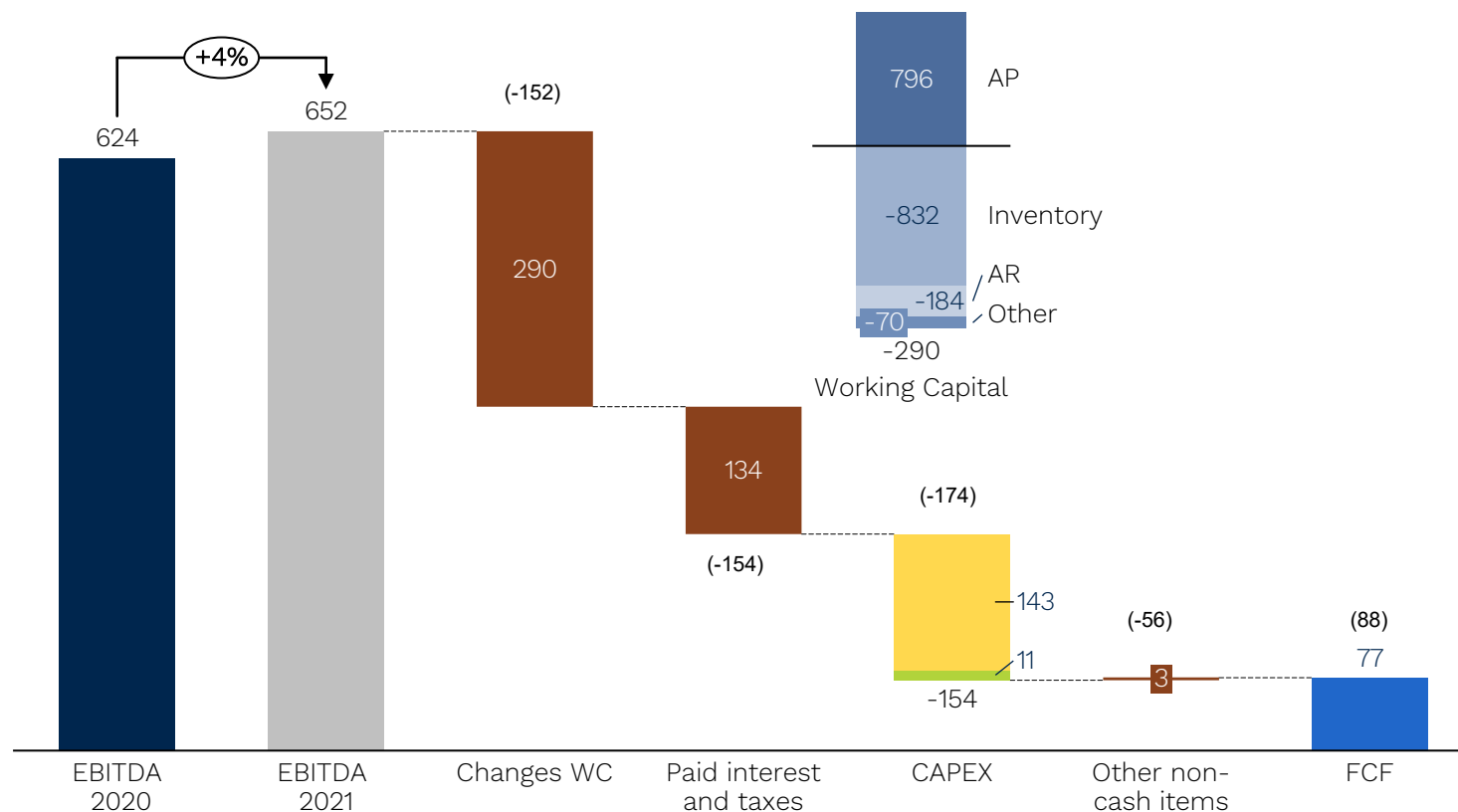


Comments

- Price levels of palm oil and rapeseed oil are unusually high, with levels not seen in many years
- High raw material prices impact working capital and capital employed
- A 10 percent change in all raw material prices will affect working capital by +/- SEK 350 million with a time lag of 6–9 months

Q2 2021 cash flow impacted by higher raw material prices

Cash flow Q2 2021



Comments

- Cash flow from inventory was negative due to higher raw material prices
- Accounts receivables cash flow was negative, driven by higher raw material prices. This was partly offset by seasonal effects on sales and strong cash management
- Accounts payables cash flow was positive, driven by increased raw material prices

With the current raw material prices, we expect a continued negative impact on working capital during the second half of 2021

(LY) CAPEX
Acq.

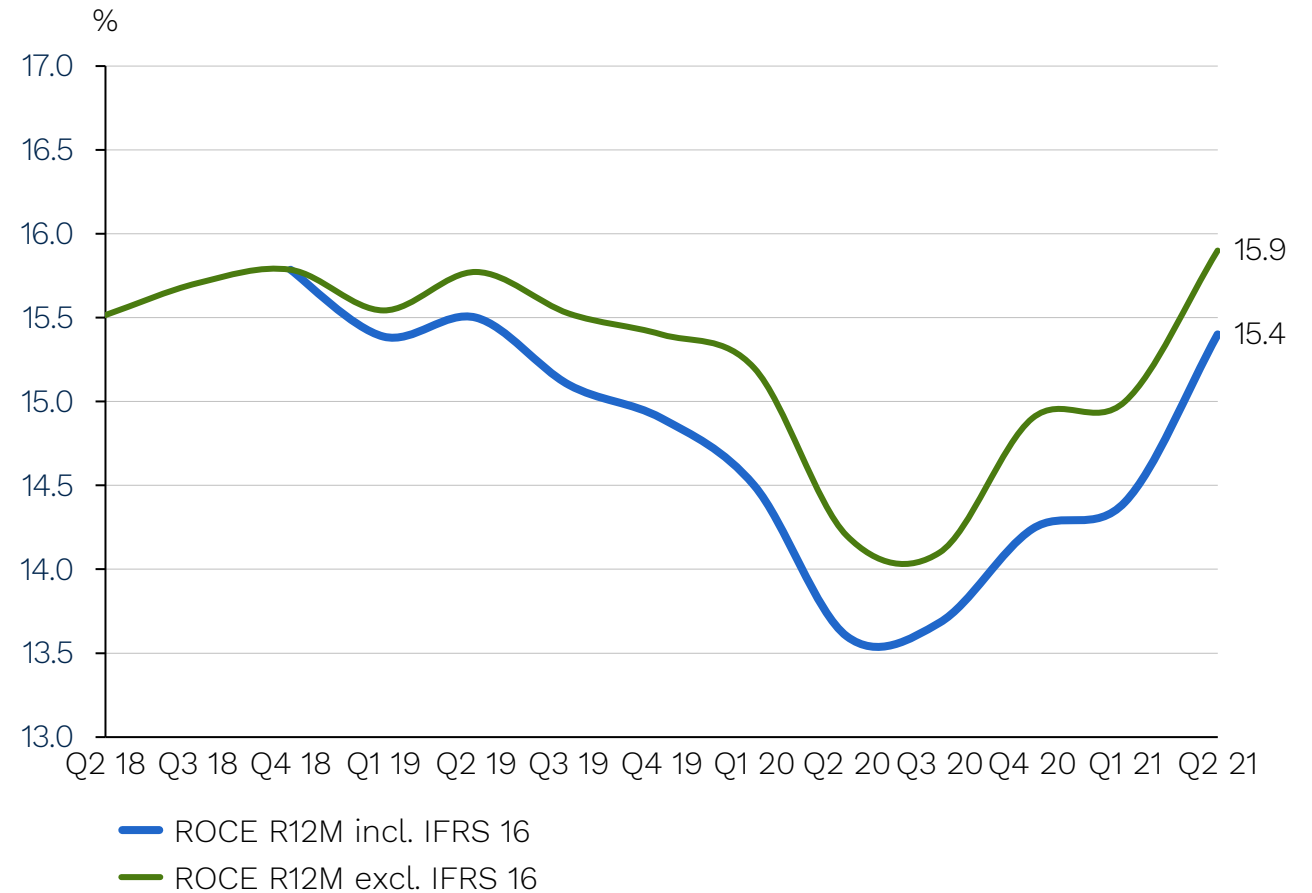
Return on Capital Employed (ROCE)

Strong recovery despite continued volatility and uncertainty

ROCE end Q1 2021*
15.4%

EBIT LTM
SEK 2,300
million

Capital
employed*
SEK 14,962
million

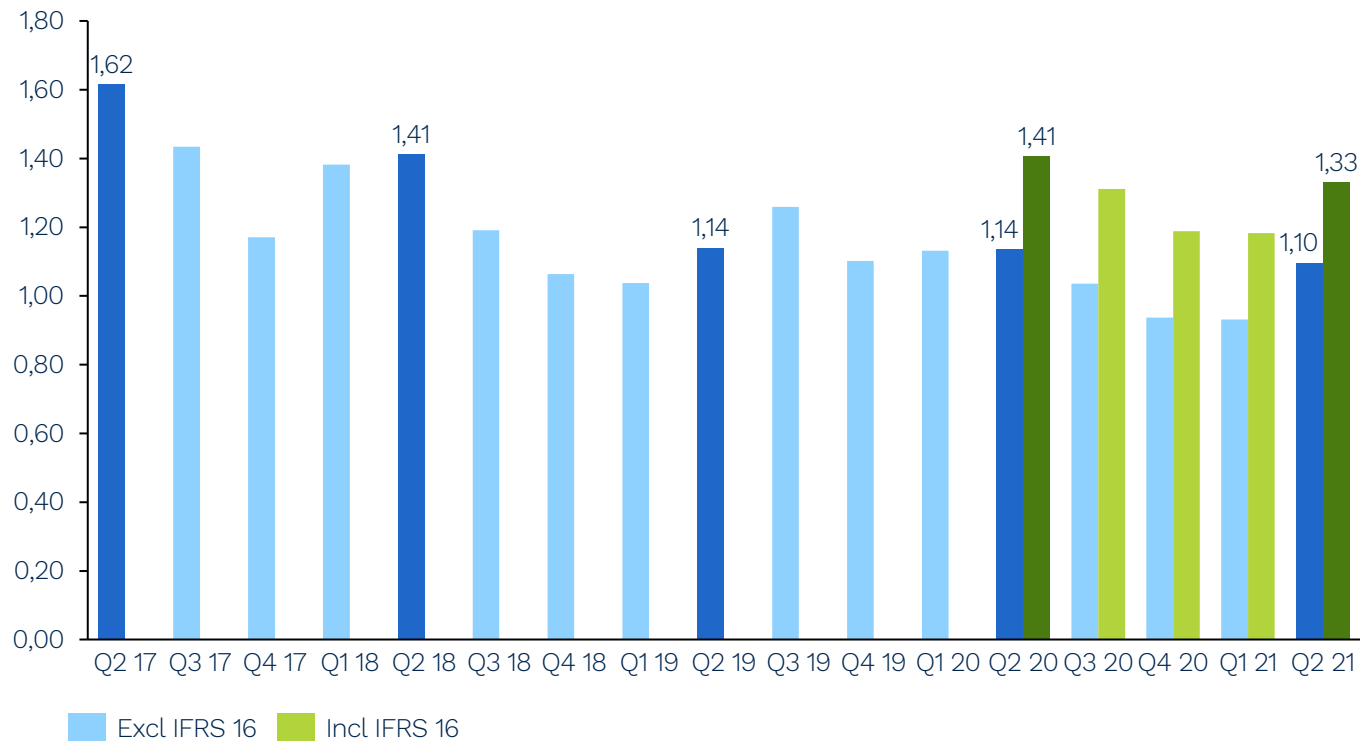


* ROCE: Return on Capital Employed calculated on rolling 12 months

Net debt/EBITDA

- Low net debt/EBITDA provides solid foundation for continued growth
- Increase in Q2 driven by dividend payment

Net debt/EBITDA



Concluding remarks



We offer plant-based, healthy, high value-adding oils and fats solutions based on our customer co-development approach. We continuously strengthen our portfolio of solutions that are good for both people and planet. 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™.

Q&A

Financial calendar

Financial calendar 2021–2022

October 29, 2021	Interim report third quarter 2021
November 23, 2021	Capital Market Day
February 4, 2022	Interim report fourth quarter 2021 and year-end report



Appendix

Supplementary information

KPI sheet

SEK million (unless otherwise stated)	Q2 2021	Q2 2020	Δ %
Income statement			
Volumes, '000 MT	550	481	14
Operating profit	237	417	-43
Operating profit excluding items affecting comparability	541	411	32
Profit for the period	103	324	-68
Financial position			
Total assets	23,715	21,725	9
Equity	10,198	10,183	0
Net working capital	6,140	6,064	1
Net debt	3,937	3,971	-1
Cash flow			
EBITDA	652	624	4
Cash flow from operating activities	231	262	-
Cash flow from investing activities	-154	-174	-
Free cash flow	77	88	-
Share data			
Number of shares, thousand	256,514	253,731	1
Earnings per share, SEK ⁹	0.39	1.27	-69
Earnings per share incl. dilution, SEK ²⁾	0.39	1.27	-69
Earnings per share incl. full dilution, SEK ³⁾	0.39	1.24	-69
Equity per share, SEK	39.59	39.80	-1
Market value on closing date, SEK	191.80	160.10	20
Other key ratios			
Volume growth, percent	14	-15	-
Operating profit per kilo, SEK	0.43	0.87	-51
Operating profit per kilo excluding items affecting comparability, SEK	0.98	0.85	15
Return on Capital Employed (R12 months), percent	15.4	13.7	12
Net debt / EBITDA, multiple	1.33	1.41	-6

- 1) Earnings per share are calculated based on weighted average number of outstanding shares.
- 2) Earnings per share are calculated based on weighted average number of outstanding shares including dilution from outstanding subscription warrants.
- 3) Earnings per share are calculated based on total number of average outstanding shares including a conversion of all outstanding subscription warrants to ordinary shares.

Condensed income statement

SEK million	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	Full year 2020
Net sales	8,188	6,117	15,797	13,572	27,934
Other operating income	45	234	91	274	364
Total operating income	8,233	6,351	15,888	13,846	28,298
Raw materials and supplies	-6,387	-4,599	-12,228	-10,107	-20,572
Other external expenses	-503	-491	-1,012	-1,143	-2,416
Cost for remuneration to employees	-686	-597	-1,259	-1,208	-2,334
Depreciation, amortization and impairment losses	-415	-207	-592	-387	-755
Other operating expenses	-5	-40	-9	-42	-54
Total operating expenses	-7,996	-5,934	-15,100	-12,887	-26,131
Operating profit (EBIT)	237	417	788	959	2,167
Interest income	2	2	3	4	7
Interest expense	-22	-30	-44	-61	-114
Other financial items	-5	-7	-9	-13	-20
Total financial net	-25	-35	-50	-70	-127
Profit before tax	212	382	738	889	2,040
Income tax	-109	-58	-235	-182	-459
Profit for the period	103	324	503	707	1,581
Attributable to non-controlling interests	3	1	5	3	18
Attributable to the Parent Company's shareholders	100	323	498	704	1,563

Condensed balance sheet

SEK million	30.06.2021	30.06.2020	31.12.2020
Total non-current assets	8,852	9,014	8,947
Inventory	7,423	6,085	6,569
Accounts receivables	4,356	3,325	3,336
Current receivables	1,945	2,163	2,226
Cash and cash equivalents	1,139	1,138	1,200
Total current assets	14,863	12,711	13,331
Total assets	23,715	21,725	22,278
Total equity including non-controlling interests	10,198	10,183	9,738
Liabilities to banks and credit institutions	2,097	3,530	2,087
Pension liabilities	253	229	278
Lease liabilities	564	660	617
Deferred tax liabilities	430	454	480
Non-interest-bearing liabilities	422	495	440
Total non-current liabilities	3,766	5,368	3,902
Liabilities to banks and credit institutions	2,003	1,094	1,565
Lease liabilities	130	108	117
Accounts payables	4,525	2,624	3,659
Other current liabilities	3,093	2,348	3,297
Total current liabilities	9,751	6,174	8,638
Total equity and liabilities	23,715	21,725	22,278

FX exposure – negative translation impact of SEK 37 million in the quarter

	Average rate full-year 2020	Average rate YTD 2021	Movement vs SEK	Spot rate June 2021
USD	9.16	8.43	➔	8.56
EUR	10.47	10.15	➔	10.15
GBP	11.85	11.68	➔	11.82
MXN	0.43	0.42	➔	0.43

Everything we do is about
Making Better Happen™