

# Interim Report

# Third quarter 2021

Johan Westman, CEO

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# Agenda

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- 04 Concluding remarks
- 05 Q&A



# Summary Q3 2021

All-time high operating profit despite demanding macro-economic climate

## Highlights

- Operating profit increased 12 percent at fixed foreign exchange rates
- Food Ingredients
  - As a result of our strategic initiatives, we prioritized high value-adding products which impacted our product mix. This resulted in a slight decline in volumes while operating profit per kilo increased 4 percent
- Chocolate & Confectionery Fats
  - Strong improvement in operating profit, +12 percent year-on-year, on the back of higher volumes
- Technical Products & Feed
  - Very strong profit development – operating profit +65 percent, driven by increased demand for natural ingredients and a solid performance in our crushing operations
- EPS amounted to SEK 1.80 (1.69)

## Growth and returns

**Volume**  
**583,000 MT**  
(+3%)

**Adjusted operating profit**  
**SEK 642 million**  
(+7% y/y, +12% y/y\*)

**Adjusted operating profit per kilo**  
**SEK 1.10**  
(up 3% y/y, up 8% y/y\*)

**ROCE**  
15.5%\*\*

\* Fixed FX

\*\* Rolling 12 months incl. IFRS 16 effect



# Key events

## Smallholder partnership with Nestlé and Musim Mas to address deforestation

- AAK has entered a partnership with Nestlé and palm oil corporation Musim Mas to address deforestation outside of palm oil concession areas in the Aceh province, Indonesia.
- A five-year program positively impacting some 1,000 independent smallholders.
- Aceh is a priority province as 87 percent of the Leuser Ecosystem, a protected area important for biodiversity and carbon storage, lies within its borders.



## Acquisition of lecithin business BIC Ingredients

- In the quarter, we acquired BIC Ingredients, the lecithin arm of BIC International Holding, strengthening our position in the European lecithin market.
- BIC Ingredients is based in the Netherlands and a supplier of non-GM speciality lecithin and lecithin compounds.

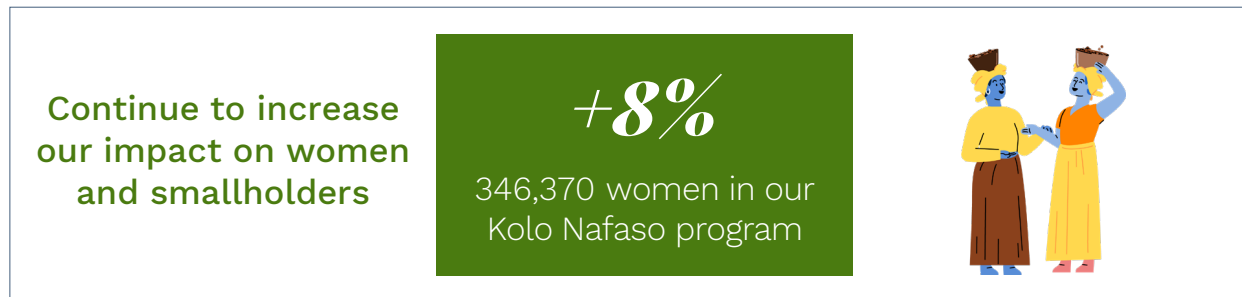


## Partnership on premium plant-based DHA for infant formula

- We announced a strategic partnership with Progress Biotech to supply the Dutch company's high-quality, algae-based DHA for infant formula.
- Algal DHA, which represents the purest form of DHA oil, was approved in the EU in May 2021.

# Making progress in sustainability

## Main KPIs, progress and priorities



## SUSTAINABLE DEVELOPMENT GOALS

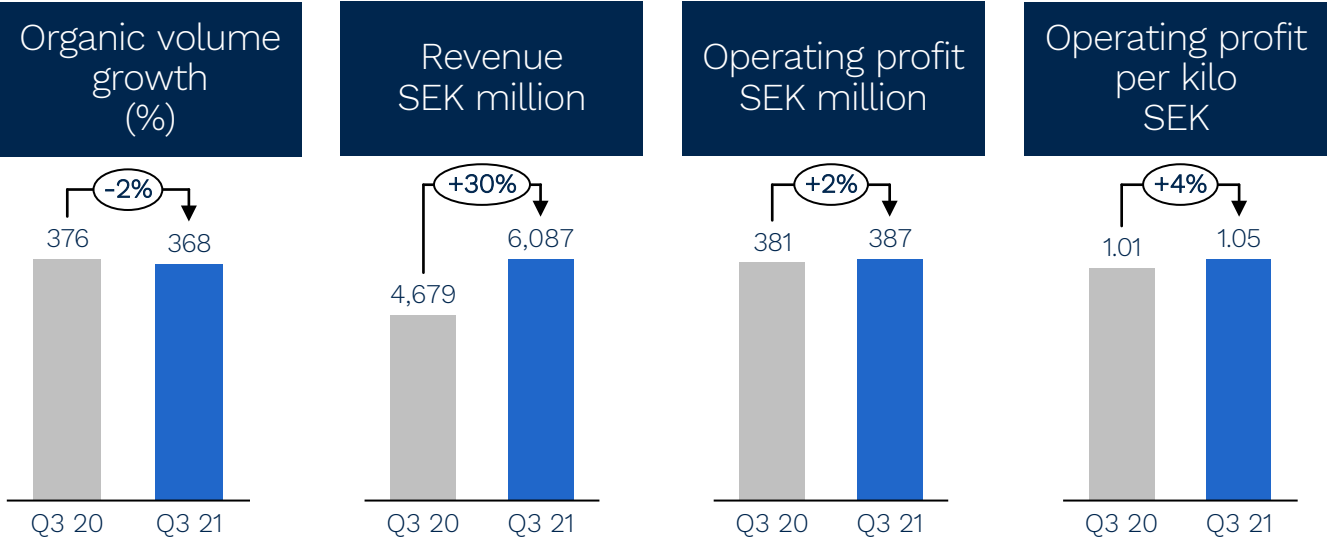


### Priorities

- Continue our strong supplier engagement to drive progress on verified deforestation-free
- Continue to scale our programs to empower smallholders and women to improve their livelihoods
- Established scope 3 baseline, working on SBT and implementation plans to drive progress accordingly
- Performed Human Rights Due Dilligence of our supply chains, turned insights into action plans for palm oil, and all other raw materials is next



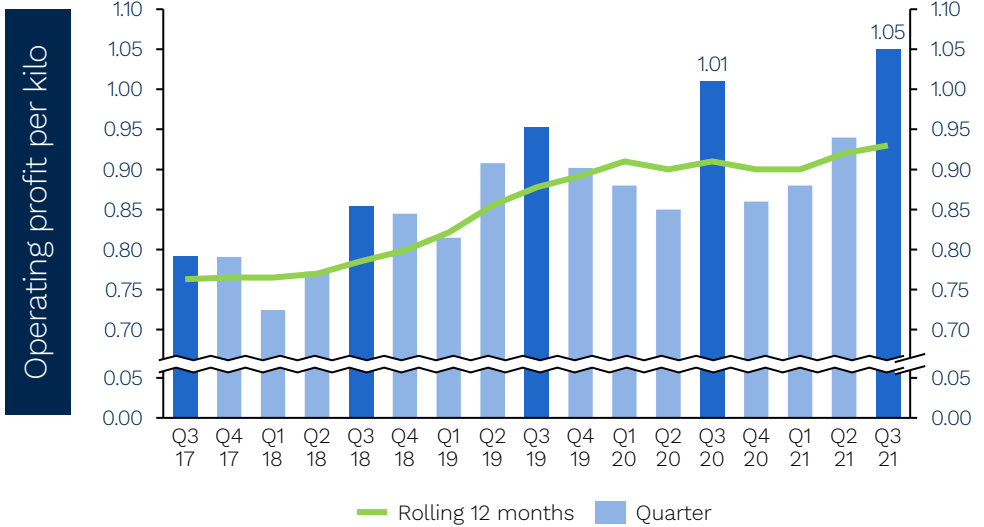
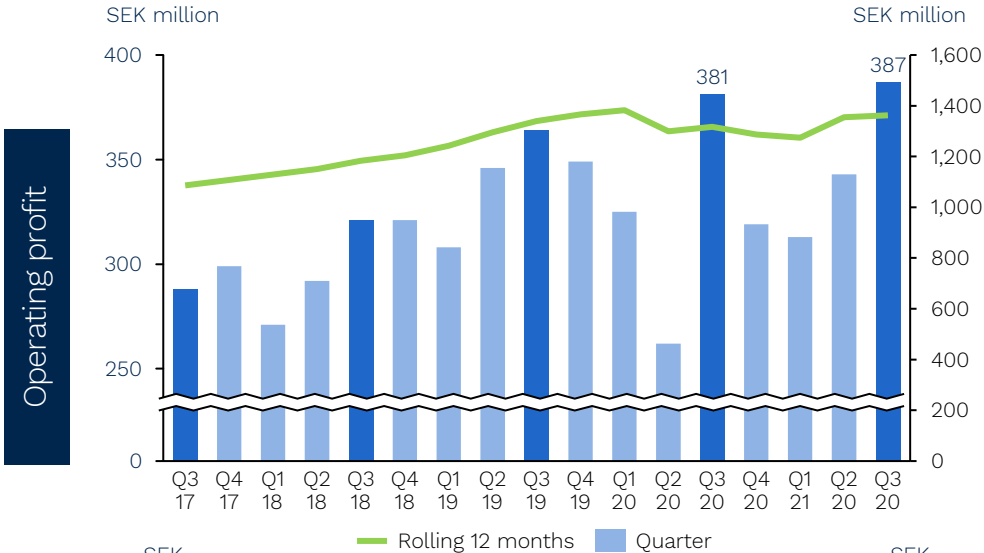
# Food Ingredients\*



## Business area development

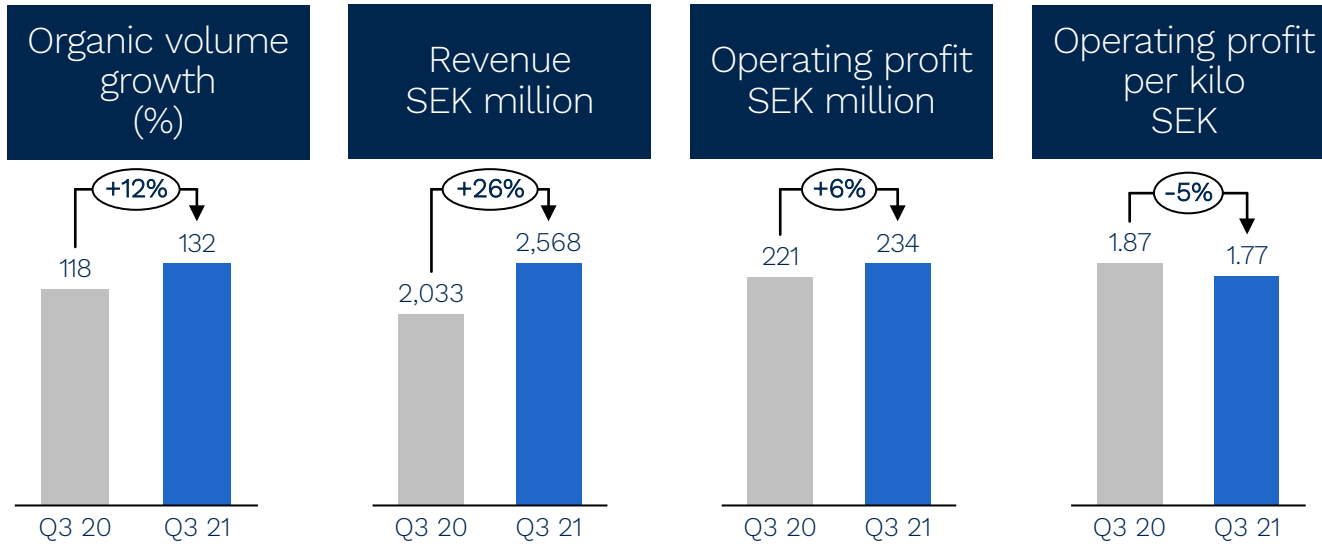
- Volumes declined following initiatives to prioritize high value-adding solutions. This had a positive impact on the operating profit per kilo, which grew 7 percent at fixed FX rates.
- Plant-based Foods continued its positive trend, reporting strong double-digit volume growth. Both plant-based meat and plant-based dairy solutions contributed.
- Special Nutrition volumes increased, driven by semi-speciality solutions in sub-segment Infant Nutrition.
- Volumes in Foodservice increased in all geographies, but especially Europe, although still not quite back at pre-pandemic levels.

\*All figures are excluding items affecting comparability





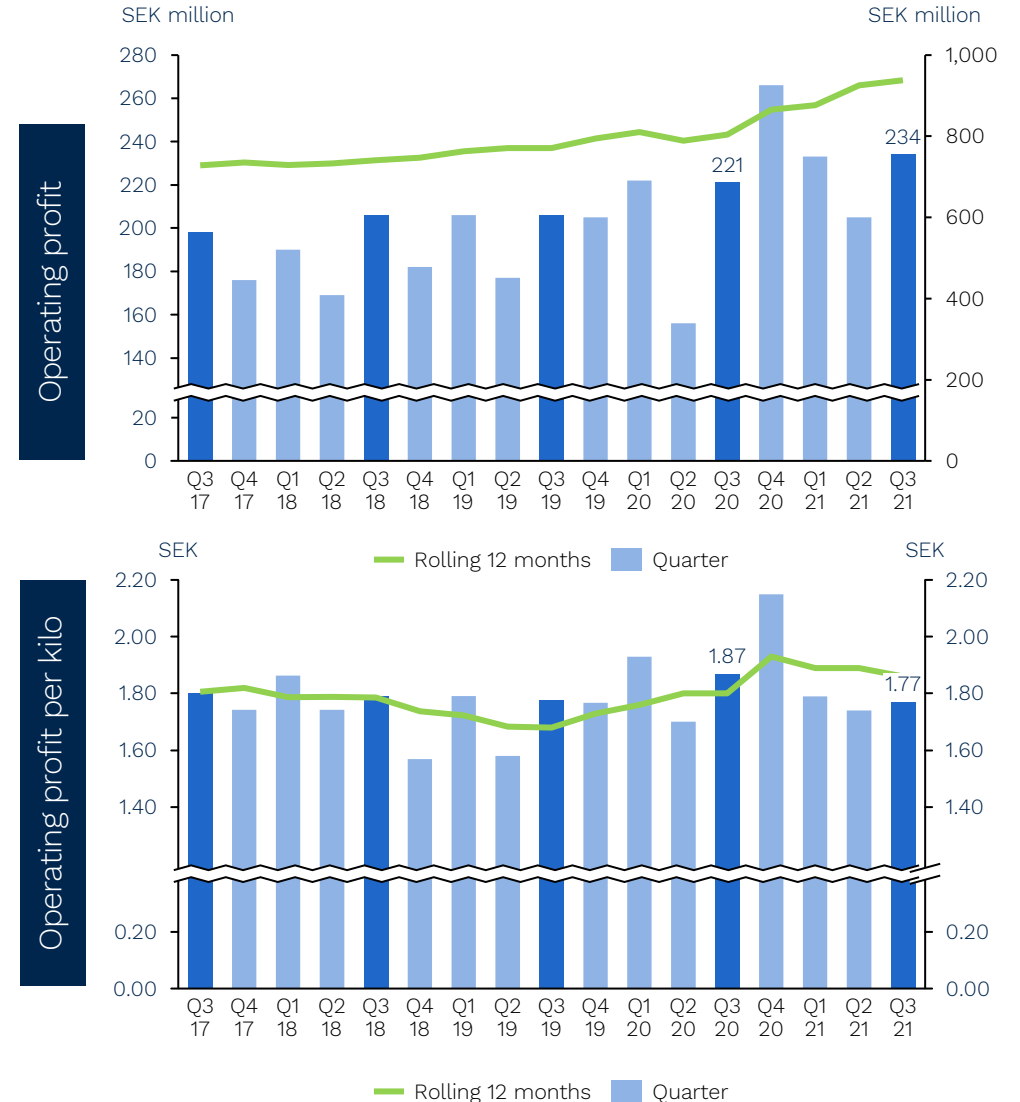
# Chocolate & Confectionery Fats\*



## Business area development

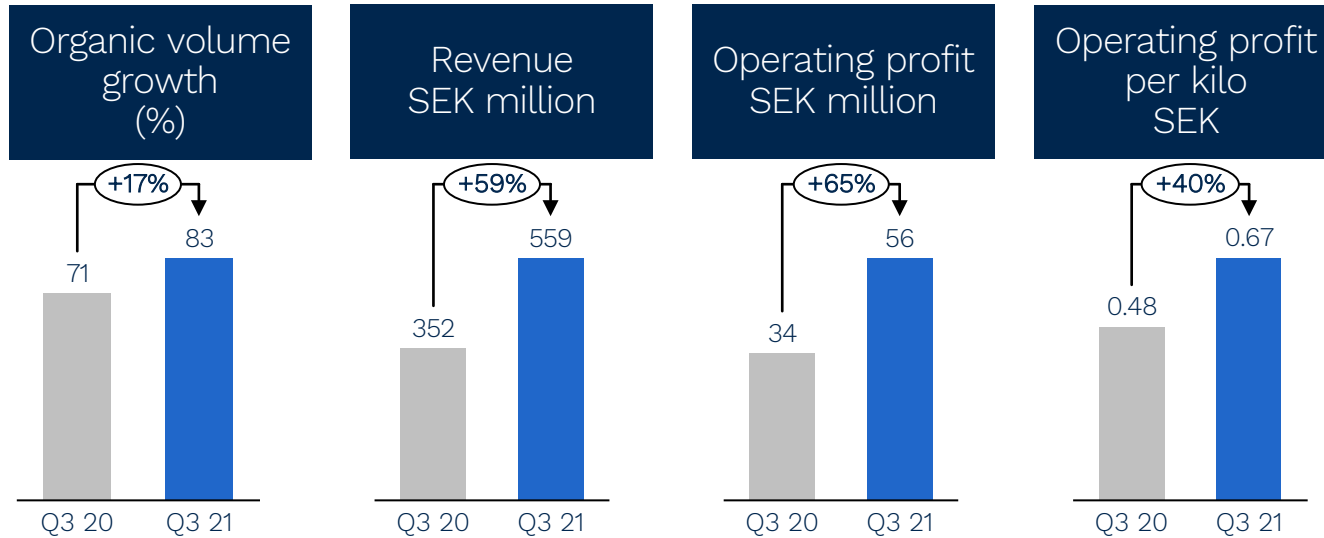
- Volumes grew 12 percent, driven by good market growth and our successful co-development approach.
- All regions reported strong volume growth, but it was particularly pronounced in South Latin America and Europe.
- There was strong demand for filling fats, but also for semi-speciality solutions.
- At fixed FX rates, operating profit per kilo grew 4 percent – supporting a 16 percent year-on-year growth in operating profit, on the back of higher volumes.

\*All figures are excluding items affecting comparability





# Technical Products & Feed\*



## Business area development

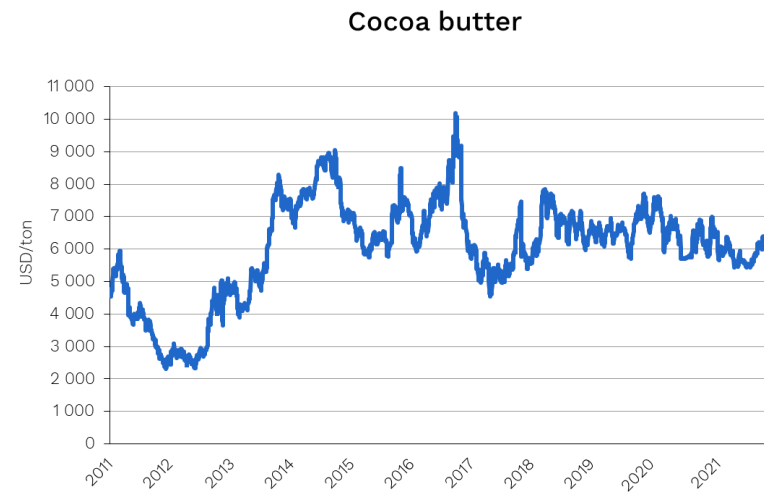
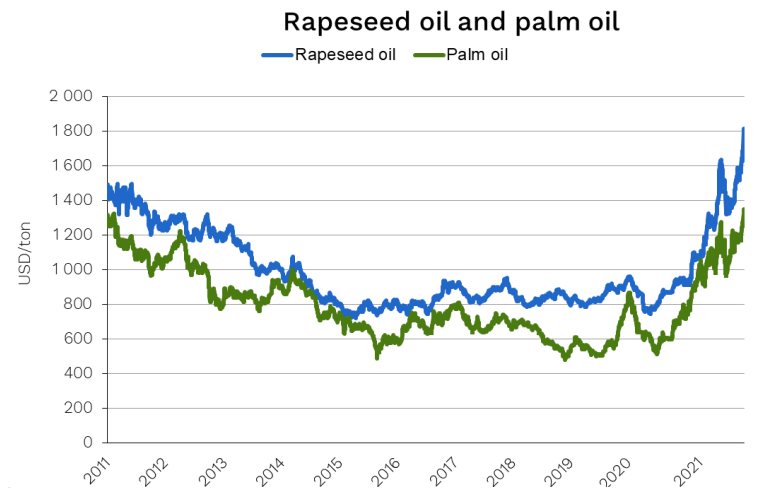
- Volumes increased 17 percent, driven by both feed and the fatty acids business.
- Demand for natural ingredients for technical products grew – linked to an increased focus on sustainability across different industry segments where our solutions can replace, for example, fossil-based ingredients in various products.
- Operating profit grew 65 percent, driven by the increased demand for natural ingredients, higher volumes in general, and a strong performance in our crushing operations.

\*All figures are excluding items affecting comparability





# Raw material prices

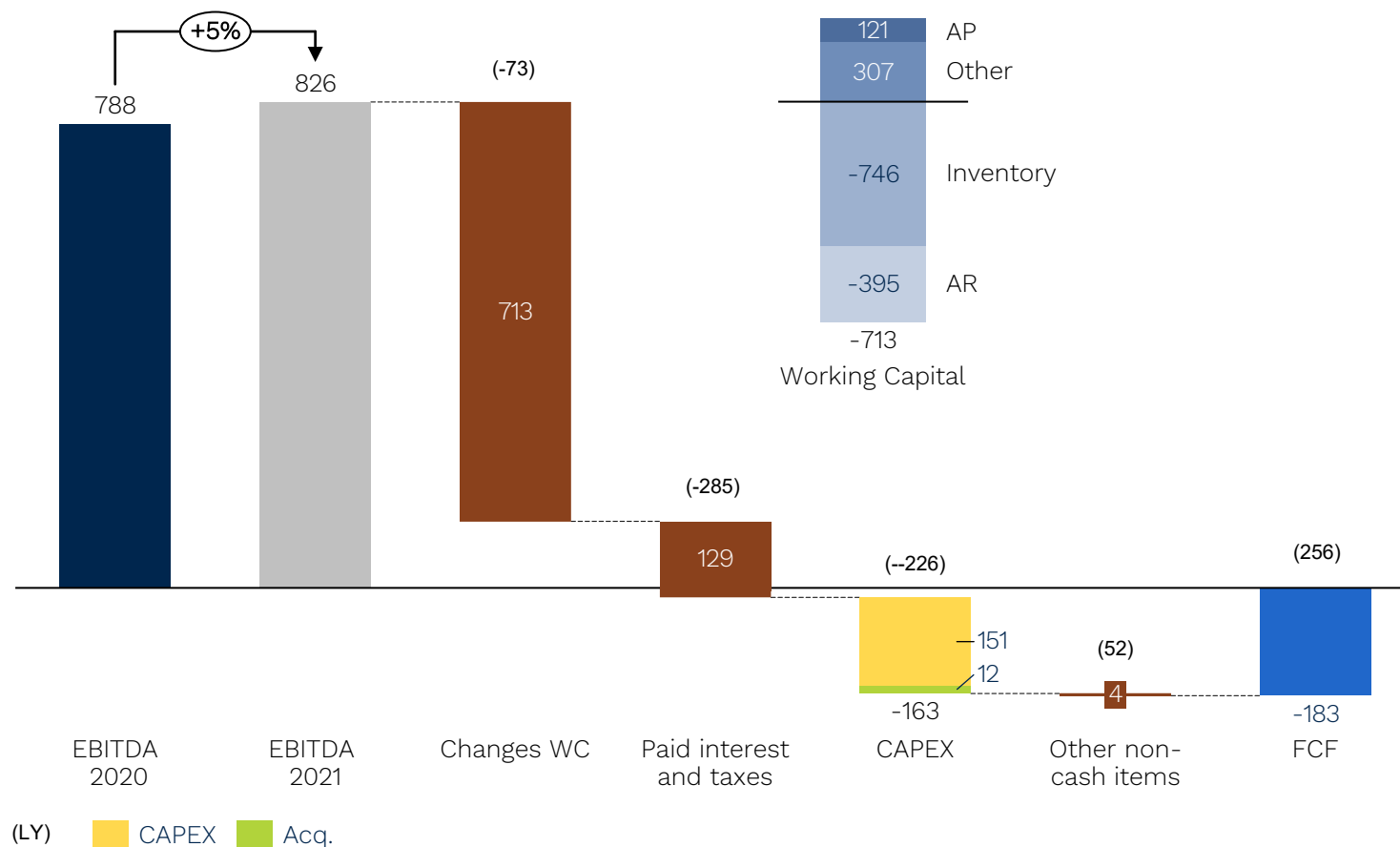


## Comments

- Price levels of palm oil and rapeseed oil are unusually high
- 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

# Q3 2021 cash flow impacted by higher raw material prices

## Cash flow Q3 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 as well as increased sales to customers with longer payment terms
- 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 rest of 2021 and into 2022

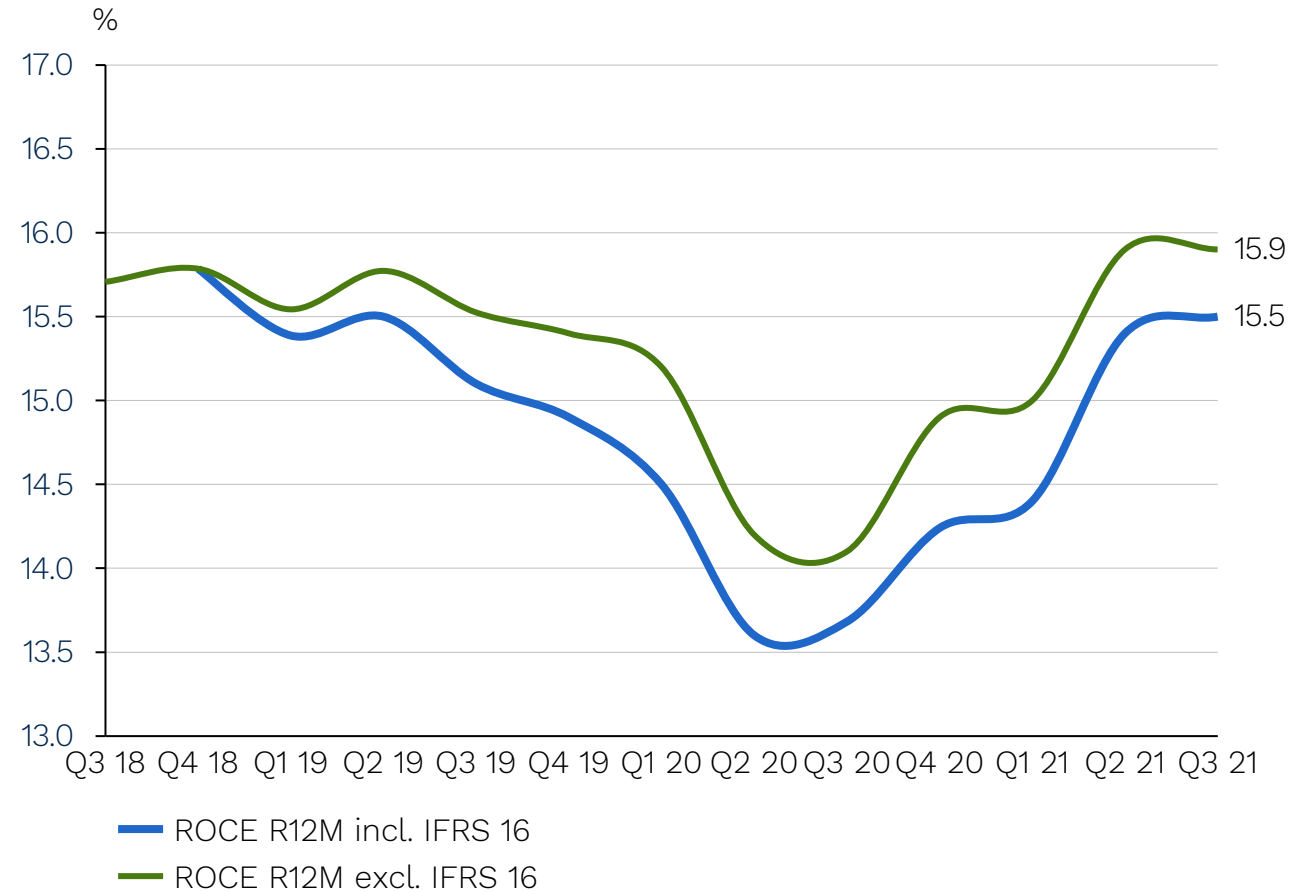
# Return on Capital Employed (ROCE)

Strong recovery despite continued volatility and uncertainty

**ROCE end Q3 2021\***  
**15.5%**

**EBIT LTM**  
**SEK 2,341**  
**million**

**Capital**  
**employed\***  
**SEK 15,087**  
**million**

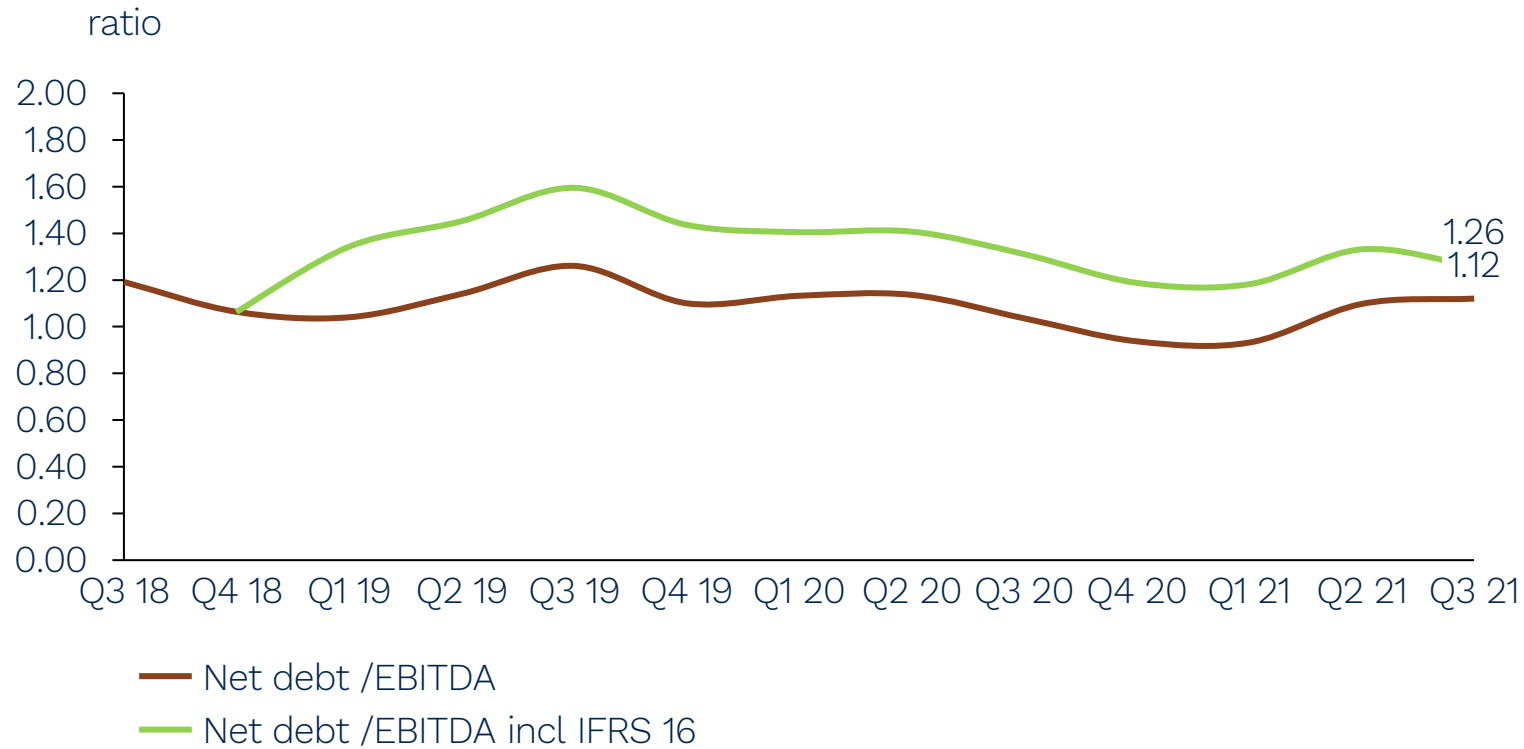


\* ROCE: Return on Capital Employed calculated on rolling 12 months

# Net debt/EBITDA

- Low net debt/EBITDA provides solid foundation for continued growth

## Net debt/EBITDA





# Welcome to AAK's 2021 Capital Market Day – November 23, Malmö, Sweden

A chance to meet face to face again



**Johan Westman**

President and CEO



**Tomas Bergendahl**

Chief Financial  
Officer



**Anne Mette Olesen**

Chief Strategy &  
Sustainability Officer



**Jakob Nybroe**

Sourcing Manager



**René Schou**

President Global  
Industries



**Karsten Nielsen**

Chief Technology  
Officer

Register by November 12 at [aak.com/cmd](https://aak.com/cmd)



## 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

November 23, 2021	Capital Market Day
February 4, 2022	Interim report fourth quarter 2021 and year-end report
April 27, 2022	Interim report first quarter 2022
May 18, 2022	Annual General Meeting



# Appendix

## Supplementary information



# KPI sheet

SEK million (unless otherwise stated)	Q3 2021	Q3 2020
<b>Income statement</b>		
Volumes, '000 MT	583	565
Operating profit	642	602
Operating profit excluding IAC	642	602
Profit for the period	464	436
Profit for the period excluding IAC	464	436
<b>Financial position</b>		
Total assets	25,197	22,145
Equity	11,142	10,519
Net working capital	6,861	6,134
Net debt	3,776	3,770
<b>Cash flow</b>		
EBITDA	826	788
Cash flow from operating activities	-20	482
Cash flow from investing activities	-163	-226
Free cash flow	-183	256
<b>Share data</b>		
Number of shares, thousand	258,495	254,391
Earnings per share, SEK <sup>1)</sup>	1.80	1.69
Earnings per share incl. dilution, SEK <sup>2)</sup>	1.79	1.68
Earnings per share incl. full dilution, SEK <sup>3)</sup>	1.79	1.65
Equity per share, SEK	42.93	41.10
Market value on closing date, SEK	188.75	167.15
<b>Other key ratios</b>		
Volume growth, percent	3	-1
Operating profit per kilo, SEK	1.10	1.07
Operating profit per kilo excluding IAC, SEK	1.10	1.07
Return on Capital Employed (R12 months), percent	15.5	13.7

- 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	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Net sales	9,214	7,064	25,011	20,636	27,934
Other operating income	46	28	137	302	364
Total operating income	9,260	7,092	25,148	20,938	28,298
Raw materials and supplies	-7,211	-5,063	-19,439	-15,170	-20,572
Other external expenses	-614	-662	-1,626	-1,805	-2,416
Cost for remuneration to employees	-607	-577	-1,866	-1,785	-2,334
Depreciation, amortization and impairment losses	-184	-186	-776	-574	-755
Other operating expenses	-2	-2	-11	-44	-54
Total operating expenses	-8,618	-6,490	-23,718	-19,378	-26,131
Operating profit (EBIT)	642	602	1,430	1,560	2,167
Interest income	2	1	5	5	7
Interest expense	-25	-27	-69	-88	-114
Other financial items	-3	0	-12	-13	-20
Total financial net	-26	-26	-76	-96	-127
Profit before tax	616	576	1,354	1,464	2,04
Income tax	-152	-140	-387	-322	-459
Profit for the period	464	436	967	1,142	1,581
Attributable to non-controlling interests	1	7	6	10	18
Attributable to the Parent Company's shareholders	463	429	961	1,132	1,563



# Condensed balance sheet

SEK million	30.09.2021	30.09.2020	31.12.2020
Total non-current assets	8,868	9,269	8,947
Inventory	8,207	6,257	6,569
Accounts receivables	4,765	3,699	3,336
Current receivables	2,358	1,777	2,226
Cash and cash equivalents	999	1,143	1,200
Total current assets	16,329	12,876	13,331
Total assets	25,197	22,145	22,278
Total equity including non-controlling interests	11,142	10,519	9,738
Liabilities to banks and credit institutions	1,595	3,214	2,087
Pension liabilities	244	263	278
Lease liabilities	468	676	617
Deferred tax liabilities	453	448	480
Non-interest-bearing liabilities	353	662	440
Total non-current liabilities	3,113	5,263	3,902
Liabilities to banks and credit institutions	2,335	635	1,565
Lease liabilities	125	118	117
Accounts payables	4,673	3,056	3,659
Other current liabilities	3,809	2,554	3,297
Total current liabilities	10,942	6,363	8,638
Total equity and liabilities	25,197	22,145	22,278



## FX exposure – negative translation impact of SEK 35 million in the quarter

	Average rate full-year 2020	Average rate YTD 2021	Movement vs SEK	Spot rate September 2021
USD	9.16	8.50	➔	8.76
EUR	10.47	10.16	➔	10.14
GBP	11.85	11.74	➔	11.80
MXN	0.43	0.42	➔	0.42



Everything we do is about  
**Making Better Happen™**