

# Interim Report **third quarter 2022**

Johan Westman, CEO

Tomas Bergendahl, CFO

# Agenda

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- 02 Key events
- 03 Business and financial update
- 04 Concluding remarks
- 05 Q&A



# Strong profit growth despite challenging macro-economic climate

## Highlights Q3 2022

- Volumes decreased by 4 percent while operating profit increased 5 percent at fixed foreign exchange rates.
  - Operating profit per kilo up 10 percent at fixed FX rates
- Food Ingredients
  - Volumes decreased by 4 percent, mainly as a result of our continued optimization effort in our Bakery business in Europe. Excluding Russia volumes decreased by 3 percent.
  - Operating profit grew by 4 percent at fixed FX rates, mainly driven by improved profitability in Special Nutrition and Bakery. Well-executed price and portfolio management impacted positively in the quarter.
- Chocolate & Confectionery Fats
  - Continued growth in volumes and operating profit at fixed FX – up 1 percent, respectively. Excluding Russia volumes increased by 11 percent, driven by good market growth and our successful co-development approach
- Technical Products & Feed
  - Strong development for operating profit, up 36 percent, mainly driven by improved profitability in natural ingredients.

## Growth and returns Q3 2022

**Volume**  
**559,000 MT**  
(-4%)

**Adjusted  
operating profit**  
**SEK 822 million**  
(+28% y/y, +5% y/y\*)

**Adjusted operating  
profit per kilo**  
**SEK 1.47**  
(+34% y/y, +10% y/y\*)

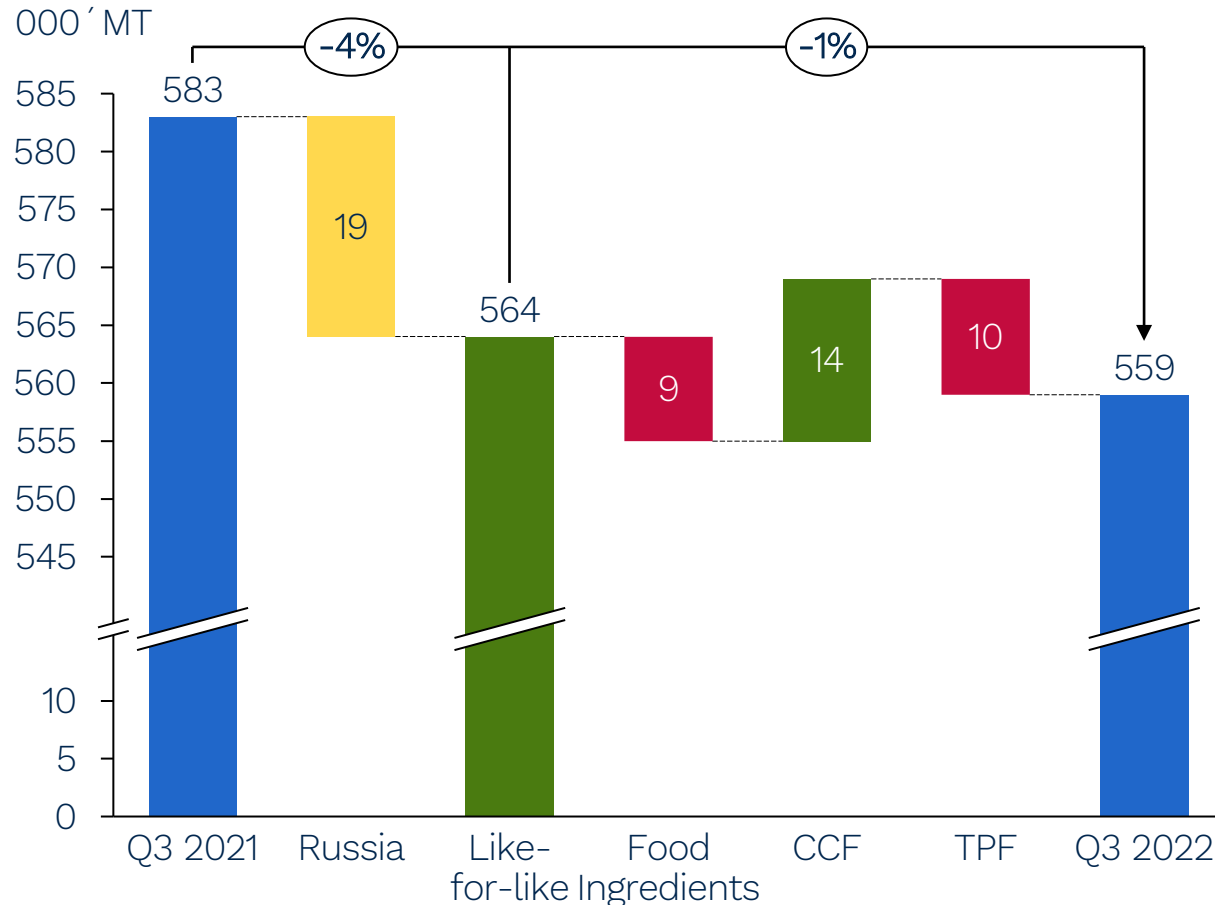
**ROCE**  
14.8%\*\*

\* Fixed FX

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

# Volumes impacted by Russia exit and portfolio management

## Volumes year-over-year Q3



## Volume development explained

- **Russia**
  - Consequence of exiting the Russian market
- **Food Ingredients**
  - Portfolio optimization in mature markets while growing in selected geographies
  - Candle waxes volume reduced from peak during Covid
- **Chocolate & Confectionery Fats**
  - Strong momentum leveraging our strong market position for high speciality solutions
- **TPF**
  - Internal use of bio-fuel to offset high energy prices
  - Lower Feed production



# Key events

## AAK invests in food tech company Green-On

- On July 15 AAK signed an investment made in Green-On, a Swedish food tech start-up
- Their concept is based on a so-called Power-to-X technology with the ambition to create oils and fats for food and other applications, directly from carbon dioxide, renewable energy, and water.

## AAK renews and issues bonds

- On July 15 AAK signed an agreement with Svensk Exportkredit to renew an existing bond for SEK 500 million. This bond has a duration of one year and carries a floating interest rate.
- AAK also issued two new bonds with Svensk Exportkredit for SEK 500 million each, with a duration of two and four years, respectively. Both carry a floating interest rate.
- AAK intends to sustainability-link these two bonds.

## AAK signed a green loan of SEK 500 million

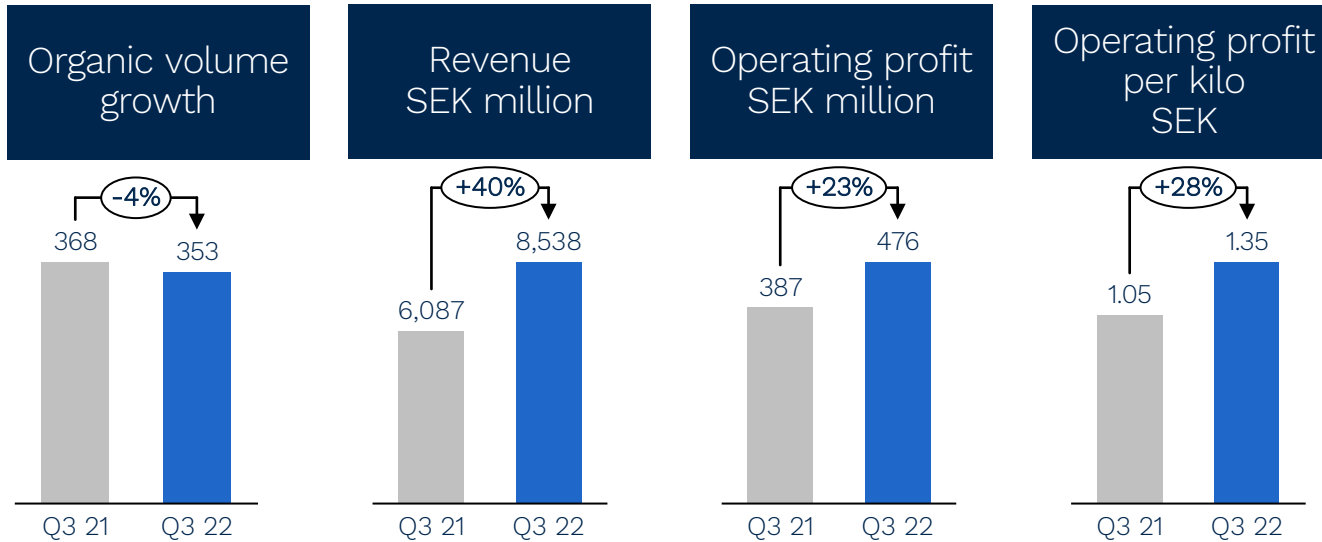
- On September 27 AAK signed a bilateral green loan of SEK 500 million structured by Mizuho Bank, Ltd with a duration of 3 years.
- The loan is closely linked to AAK's sustainability targets and commitment to accelerate its reduction of greenhouse gas emissions and will be used for the previously communicated investment in biomass boilers at the AAK production plant in Aarhus, Denmark.



*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 CO<sub>2</sub> emissions by approximately 90 percent.*

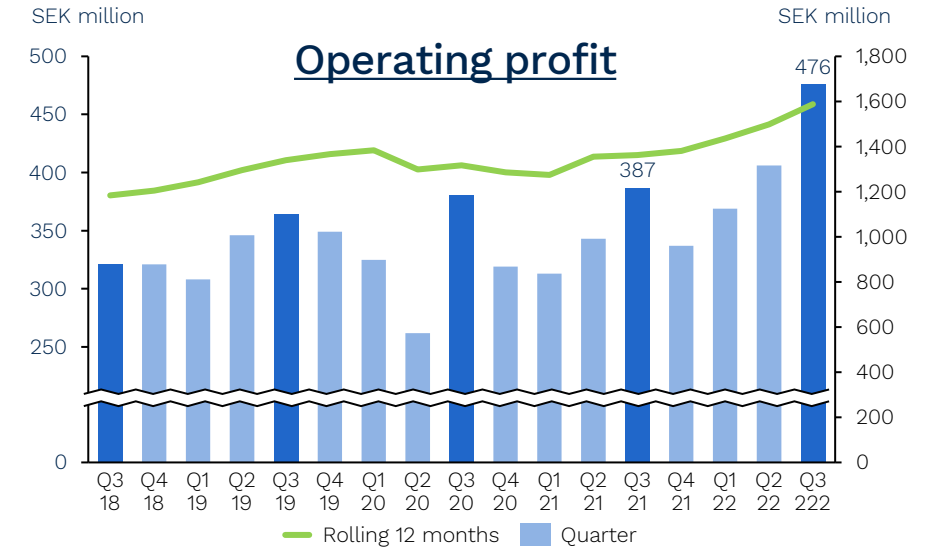


# Food Ingredients\*



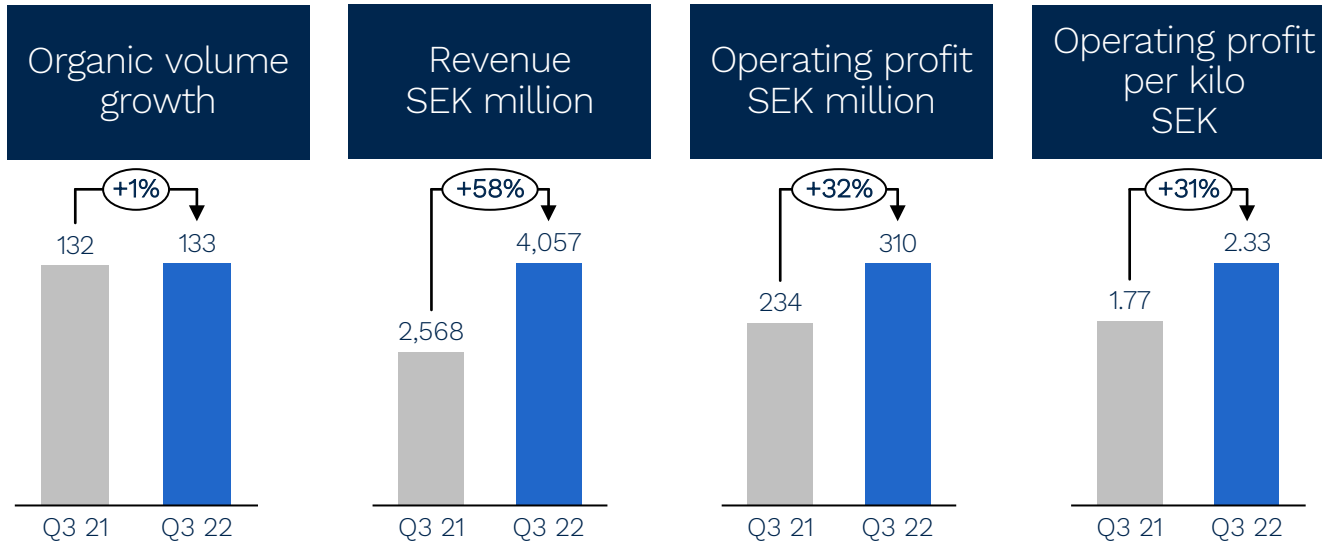
## Business area development

- Volumes decreased due to our continued effort to optimize the Bakery business in Europe, and the, as expected, negative impact by our exit from the Russian market. Excluding Russia, volumes decreased by 3 percent.
- Foodservice volumes were flat, growing in continental Europe while declining in the UK, partly driven by supply chain issues of non-oil input materials.
- Operating profit and operating profit per kilo grew by 4 and 9 percent, at fixed FX rates.
- Improved profitability in Special Nutrition and Bakery, our dedicated work with contract management, portfolio management and to some extent declining raw material prices, the latter specifically affecting Special Nutrition, contributed to the positive impact in the quarter.





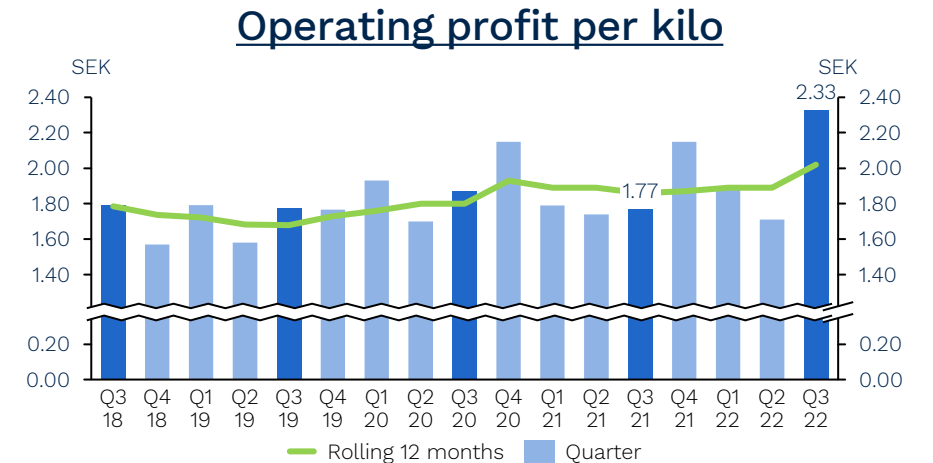
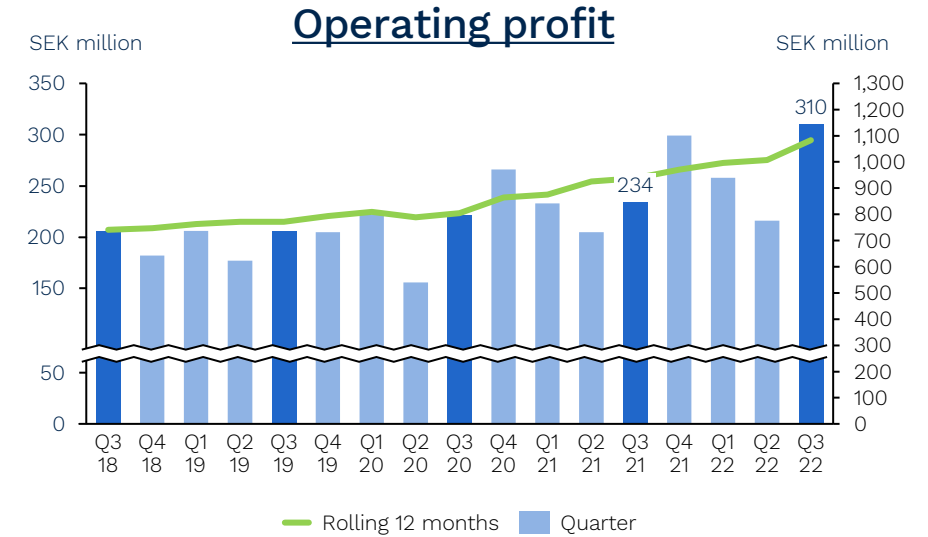
# Chocolate & Confectionery Fats\*



## Business area development

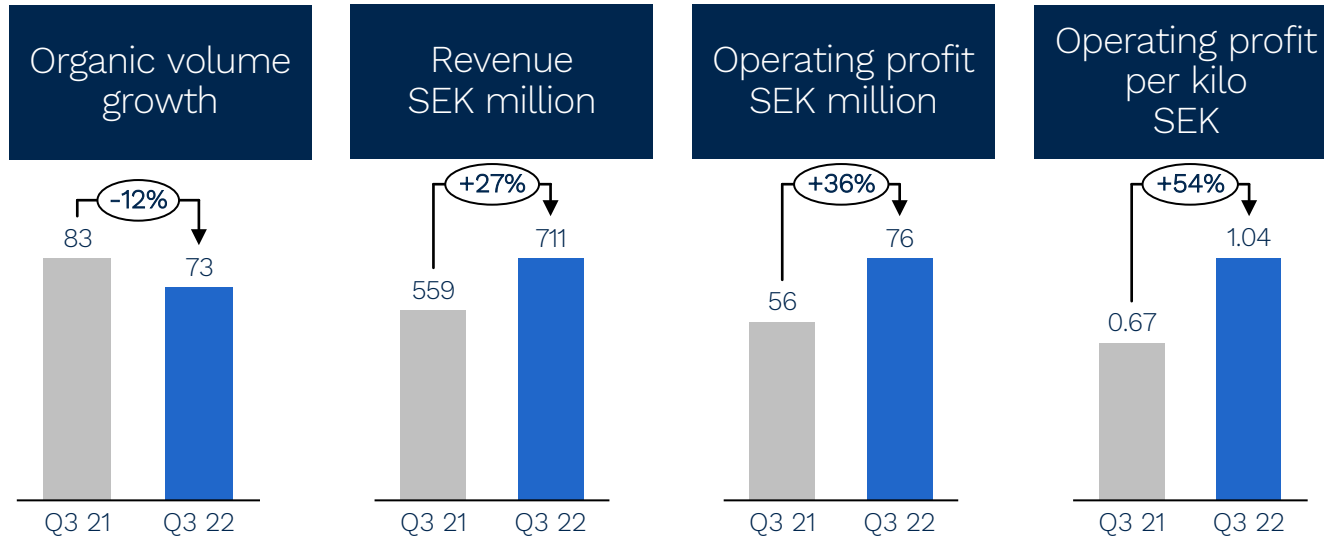
- Volumes increased by 1 percent, but increased 11 percent excluding Russia, driven by good market growth and our successful co-development approach.
  - Continued strong demand for speciality and semi-speciality solutions.
  - All regions performed well, except Europe where volumes decreased, driven by our decision to exit the Russian market. We are on track to gradually re-route some of the Russian volumes to other geographies.
- At fixed foreign exchange rates, operating profit and operating profit per kilo increased by 1 percent, respectively. Our decision to exit Russia negatively impacted the operating profit in the quarter by SEK 30 million compared to last year.

\*All figures are excluding items affecting comparability





# Technical Products & Feed\*

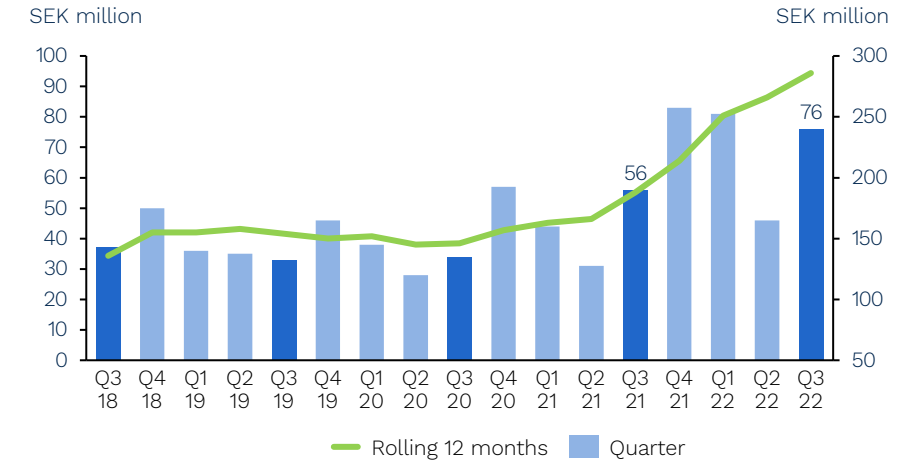


## Business area development

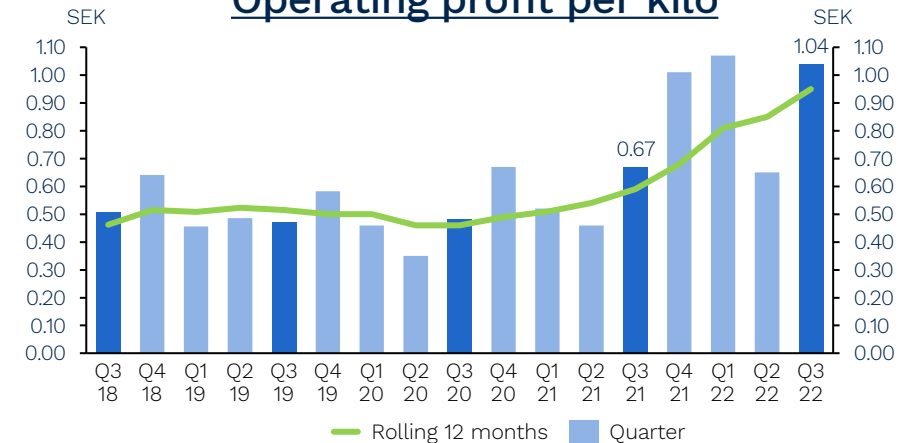
- Operating profit reached SEK 76 million (56), up 36 percent compared to last year.
  - This was mainly driven by improved profitability in natural ingredients through our dedicated work with contract and portfolio management, supported by operational improvements and favorable market conditions in our Feed business.
- Volumes decreased by 12 percent.
  - Volumes in our Feed business were slightly down, and fatty acids volumes decreased partly driven by temporary de-stocking for natural ingredients as well as internal use of biofuels, linked to the high energy prices.

\*All figures are excluding items affecting comparability

## Operating profit



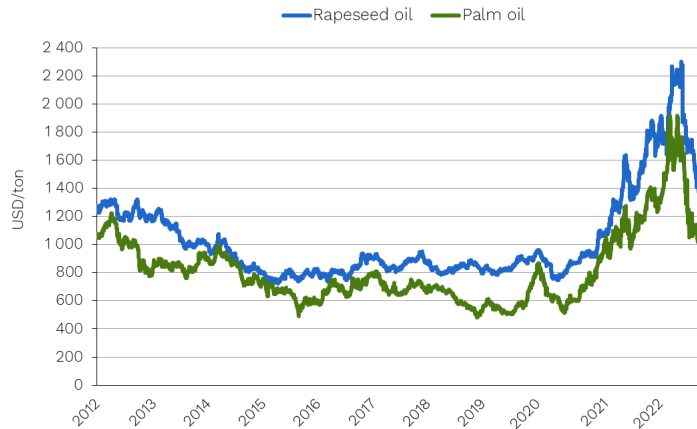
## Operating profit per kilo





# High level of uncertainty with regards to raw material prices – sharp decline in Q3

Rapeseed oil and palm oil



Cocoa butter

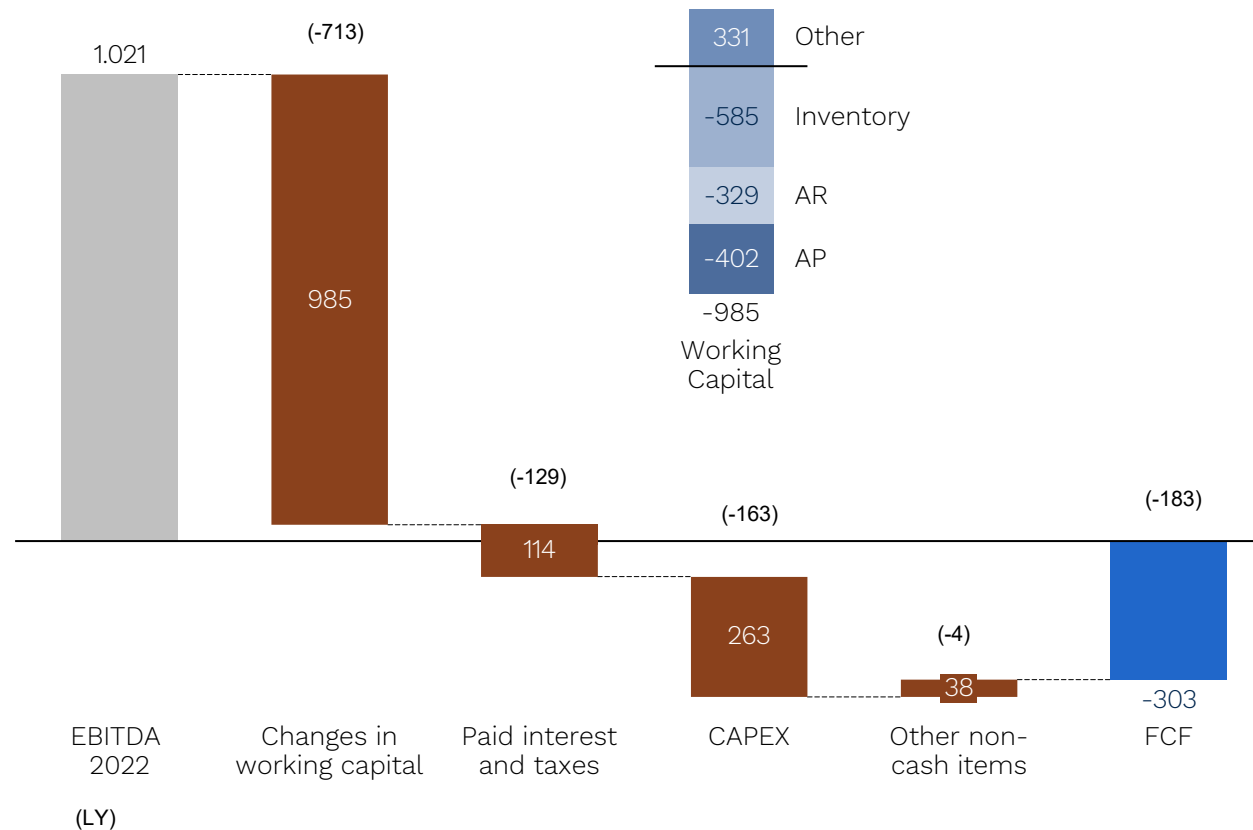


## Comments

- Price levels of palm oil and rapeseed oil increased significantly in the first half of 2022. Prices started to decline in June and has come down significantly during the third quarter
- High raw material prices impact working capital and capital employed.
- From the current elevated raw material price levels, a 10 percent change in all raw material prices will affect working capital by +/- SEK 700 million with a time lag of 6–9 months.

# Q3 2022 cash flow still impacted by the higher raw material prices from earlier this year

## Cash flow Q3 2022



## Comments

- Working capital was negatively affected by higher raw material prices. This had a negative effect on inventory and accounts receivables. Payables was negatively affected by seasonal sourcing patterns and timing of raw material purchases.
- CAPEX was related to regular maintenance and de-bottlenecking as well as the construction of the biomass boiler in Aarhus, Denmark.

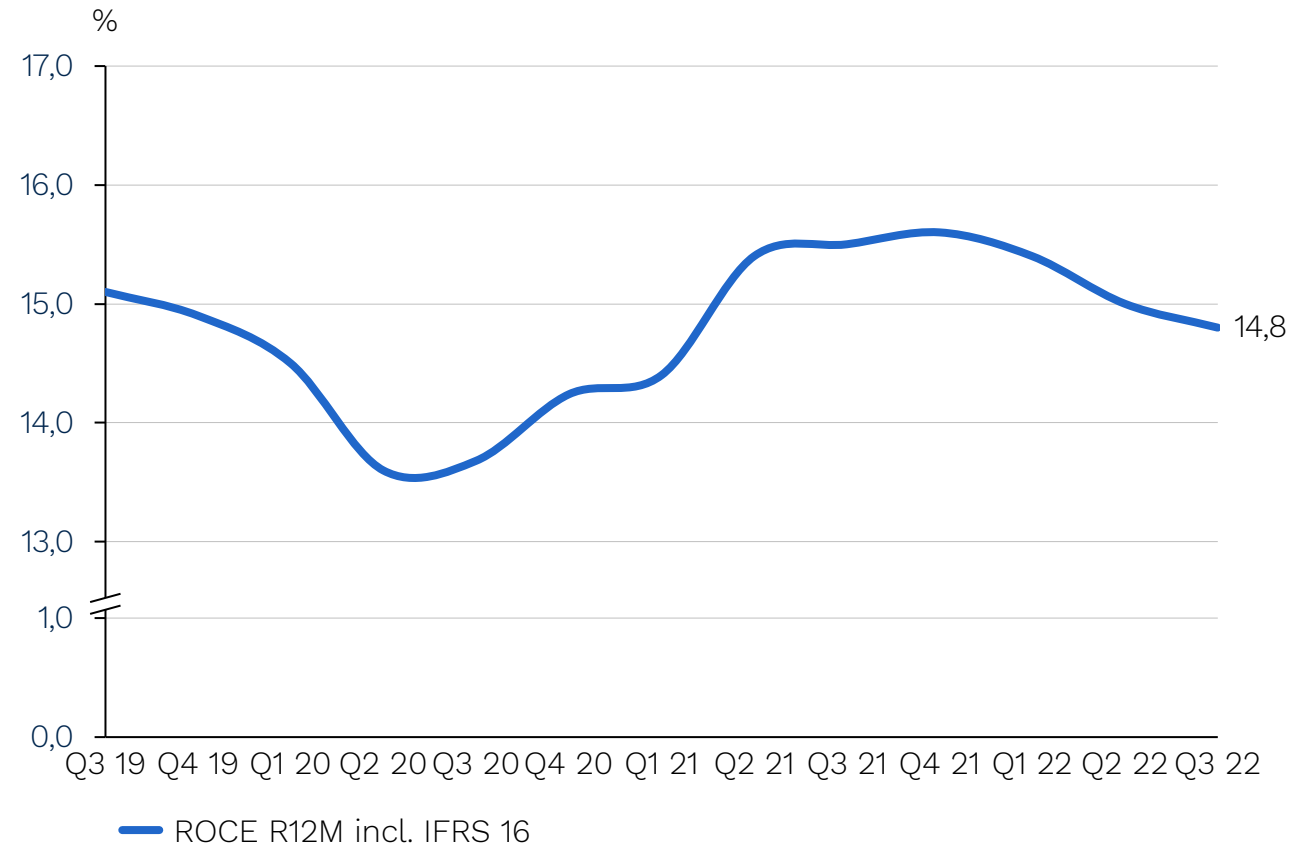
**With the recent development of raw material prices, we expect the negative effect on cash flow to continue in Q4 and to see a positive effect during the first half of 2023**

# Return on Capital Employed (ROCE) impacted by high raw material prices

**ROCE end Q3 2022\***  
**14.8%**

**EBIT LTM**  
**SEK 2,769**  
**million**

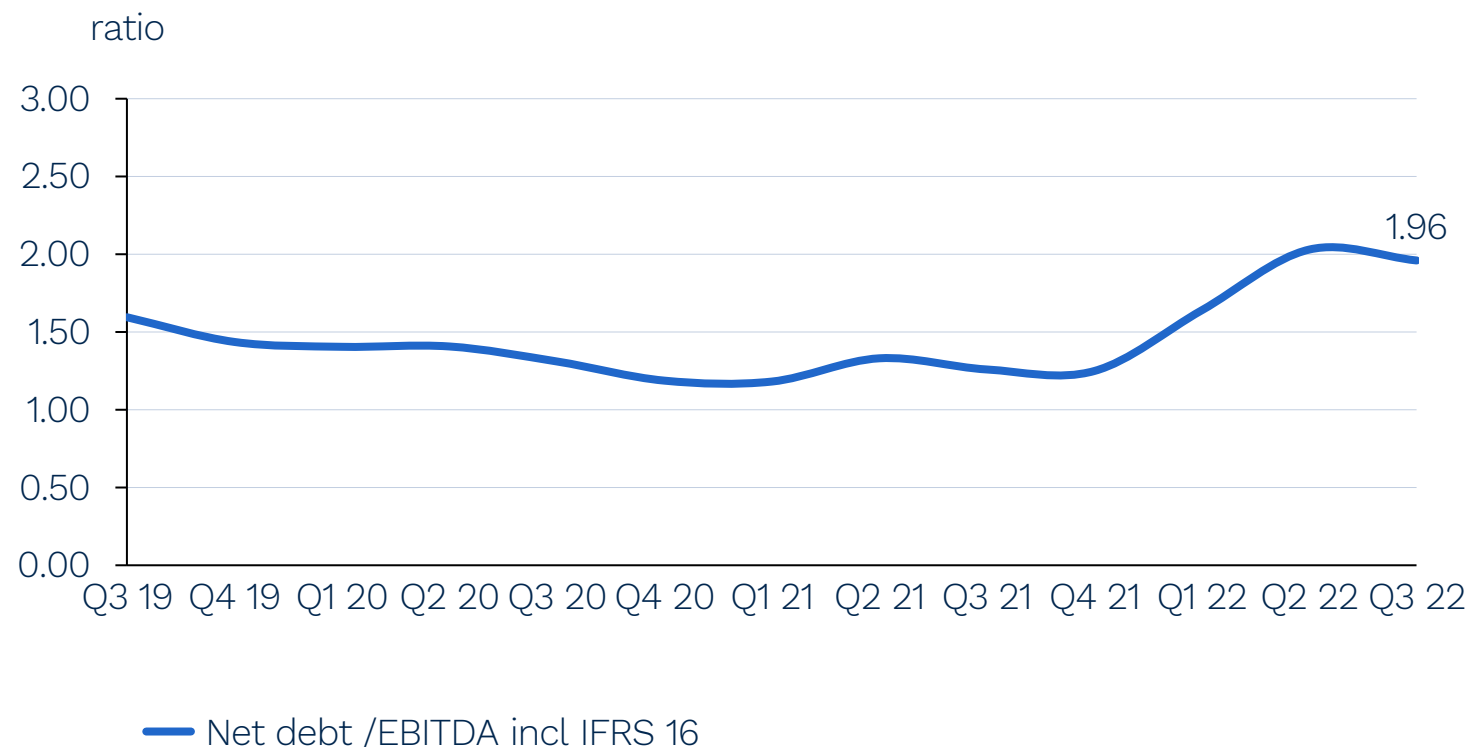
**Capital**  
**employed\***  
**SEK 18,708**  
**million**



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

Net debt/EBITDA still higher vs last year due to high raw material prices

## Net debt/EBITDA





# New Head of IR and Corporate Communications

**Carl Ahlgren**

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Oct 28, 2022





# Welcome to our Capital Market Day 2022

- **November 29** at **Grand Hôtel, Stockholm, Sweden**
- **Hybrid format**, welcoming participants online or in person
- The program starts at **11:30 a.m. CET** with registration and a light lunch. **Presentations will begin at 12:30 p.m. CET**. During the afternoon there will also be a short break and a Q&A session. The full event will **end no later than 5:00 p.m. CET**.
- **President and CEO Johan Westman** will, together with **Tomas Bergendahl, CFO**, and **other senior executives of AAK**, provide the financial market and media with information regarding **AAK's updated strategy and growth opportunities**, as well as **financial development**, and **progress made within selected focus areas**.
- At the end of the event, a **roundtable discussion with selected AAK executives and managers** will be held, **focusing on market trends, consumer behaviors, sustainability**, and implications thereof.

Register by November 22 at 10 a.m. CET at [aak.com/cmd](https://aak.com/cmd)



## Concluding remarks



- Despite the challenges and uncertainties that we faced throughout the third quarter, we continued to navigate well and delivered a strong result. As an important supplier of plant-based ingredients for food and technical products, we are well positioned to manage risks and deliver value – something we have proven in the past few years' very dynamic environment.
- Although we expect continued high inflationary pressure and a demanding macro-economic climate, we stay confident and 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 2022-2023

November 29, 2022	Capital Market Day
February 2, 2023	Interim report fourth quarter 2022 and year-end report
May 4, 2023	Interim report first quarter 2023
May 4, 2023	Annual General Meeting



# Appendix

## Supplementary information



## FX exposure – positive translation impact of SEK 148 million in the quarter

	Spot rate October 2022	Average rate Q3 2022	Average rate Q3 2021
USD	11.13	9.89	8.50
EUR	10.89	10.52	10.16
GBP	12.39	12.40	11.74
MXN	0.55	0.49	0.42

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