

# Interim Report

# Second quarter 2023

Johan Westman, CEO

Tomas Bergendahl, CFO

# Agenda

- 1) Highlights Q2
- 2) Selected key events
- 3) Business & financial update
- 4) Concluding remarks
- 5) Q&A



# Forward-looking statements

This presentation includes forward-looking statements that are subject to risks and uncertainties, including those pertaining to the anticipated benefits to be realized from the proposals described herein.

This presentation contains a number of forward-looking statements including, in particular, statements about future events, future financial performances, plans, strategies, expectations, prospects, competitive environment, regulation and supply and demand. AAK has based these forward-looking statements on its views with respect to future events and financial performance. Actual financial performance of the entities described herein could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated.

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# Continued strong performance driven by margin expansion

## Highlights Q2 2023

- Operating profit, excl. IAC, increased 36 percent at fixed foreign exchange rates.
- Operating profit per kilo, excl. IAC, increased 49 percent at fixed FX rates, with all three business areas improving margins.
- Volumes declined, largely due to the ongoing optimization program in Bakery, the controlled exit from Russia and weaker consumer demand. Excluding Russia, volumes declined by 7 percent mainly due to Chocolate & Confectionery Fats.
- Strong cash flow, driven by increased earnings and a positive working capital effect of lower raw material prices.
- Continued deleveraging on strong profit growth, lower raw material prices and a reduced debt level.
- Strong ROCE at 15.9 percent mainly driven by increased operating profit and lower working capital.

## Growth and returns Q2 2023

**Volume**  
**505,000 MT**  
(-9%)

**Operating profit**  
**SEK 880 million**  
(+41% y/y, +36% y/y<sup>1</sup>)<sup>2</sup>

**Operating profit per kilo**  
**SEK 1.74**  
(+54% y/y, +49% y/y<sup>1</sup>)<sup>2</sup>

**Operating cash flow**  
**SEK 1,645 million**

**Net debt/EBITDA**  
**1.01**

**ROCE**  
**15.9%<sup>3</sup>**

<sup>1</sup> Fixed FX

<sup>2</sup> Excluding items affecting comparability (IAC), Q2 2022: negative SEK 350 million

<sup>3</sup> Rolling 12 months



# Selected key events

## Investing for the future of foods

- AAK is committed to investing in the advancement of alternative ingredients, recognizing their importance in the evolving food industry.
- In line with this commitment, we have made strategic investments in Big Idea Venture's Protein Fund II, following our investment in the first fund.
- This investment, together with the investment into the first fund as well as the recent inauguration of a Plant-based Foods Innovation Center in the Netherlands, highlight AAK's dedication to fostering innovation and driving sustainable growth within the food and ingredients sector.

## Improving the transparency of Scope 3 emission data

- As part of our ongoing commitment to the Science Based Target initiative, we are implementing a cutting-edge climate performance platform designed to measure the environmental impact of rapeseed.
- Rapeseed production constitutes a relevant share of AAK's Scope 3 emissions, which primarily arise during the crop's cultivation phase.
- By utilizing this innovative platform, we aim to enhance transparency, enable informed decision-making, and drive collective action toward achieving our sustainability goals.

## Engagement for a more sustainable supply of palm

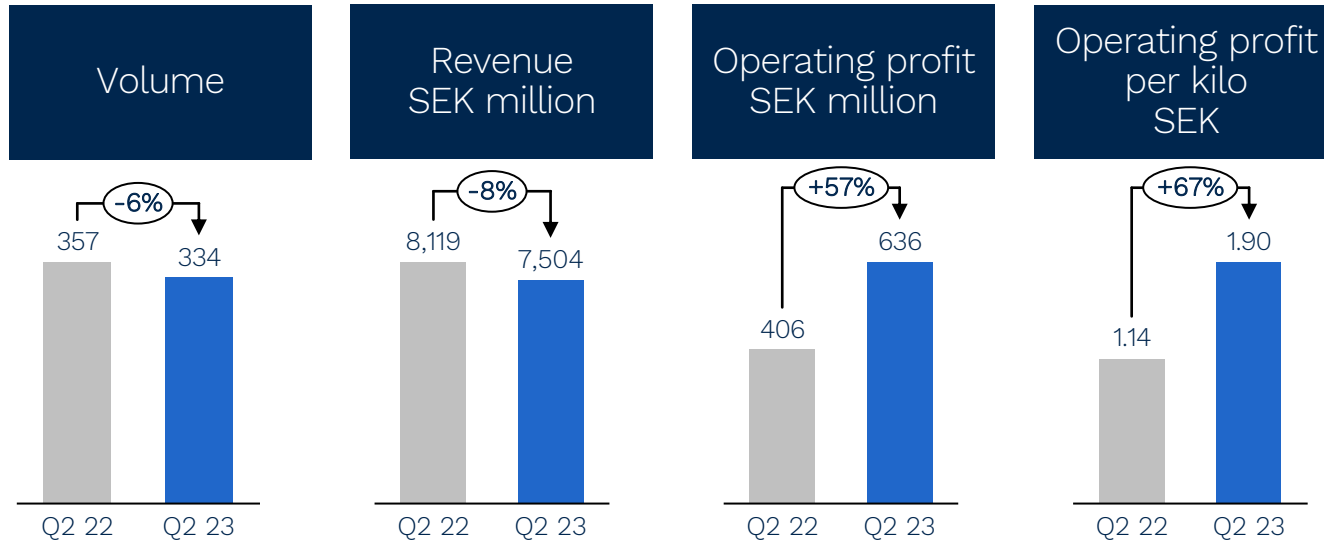
- Palm oil plays a significant role in feeding the world and providing sustainable nutrition to populations around the globe. While deforestation remains a challenge, including the use of protected areas for farming. AAK does not accept cultivation in protected areas and we are firmly committed to continue to drive a sustainable supply of palm. The solution is to stay actively engaged in the supply chain in order to eliminate deforestation.
- Plant-based foods require less arable land; rapeseed oil: 1,2 m<sup>2</sup>, palm oil: 0,3 m<sup>2</sup>, beef: 119,5 m<sup>2</sup> per 1,000 kcal.<sup>1</sup>
- Plant-based foods also has a lower CO<sub>2</sub> footprint; rapeseed oil: 0,4 kg CO<sub>2</sub>eq, palm oil: 0,8 kg CO<sub>2</sub>eq, beef: 36.4 kg CO<sub>2</sub>eq per 1,000 kcal.<sup>1</sup>



<sup>1</sup>Poore, J., & Nemecek, T. (2018). Reducing food's environmental impacts through producers and consumers.

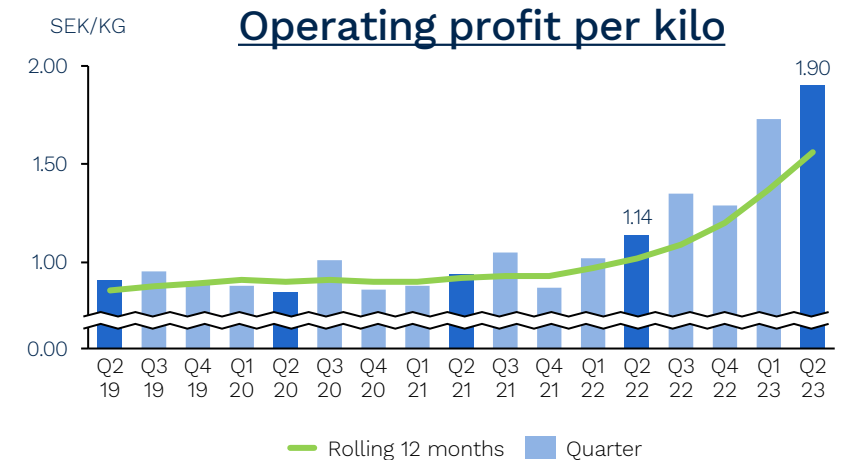
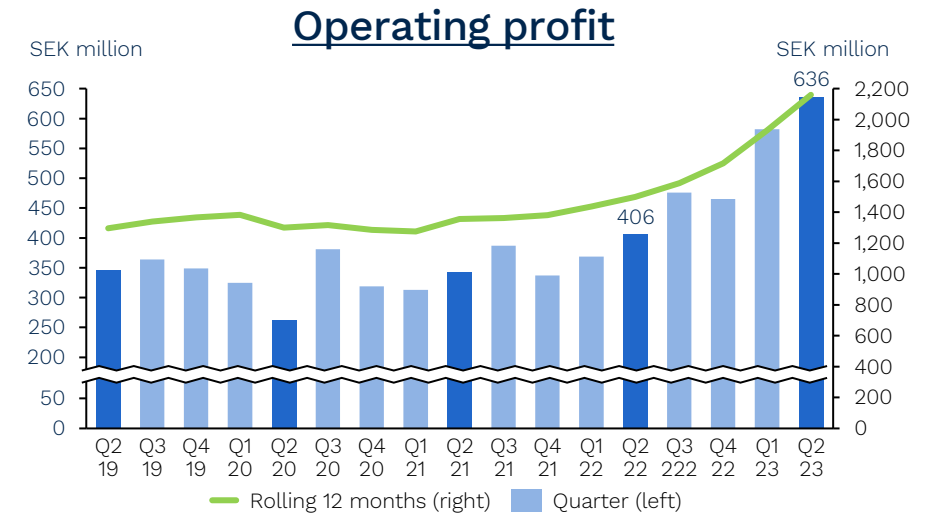


# Food Ingredients



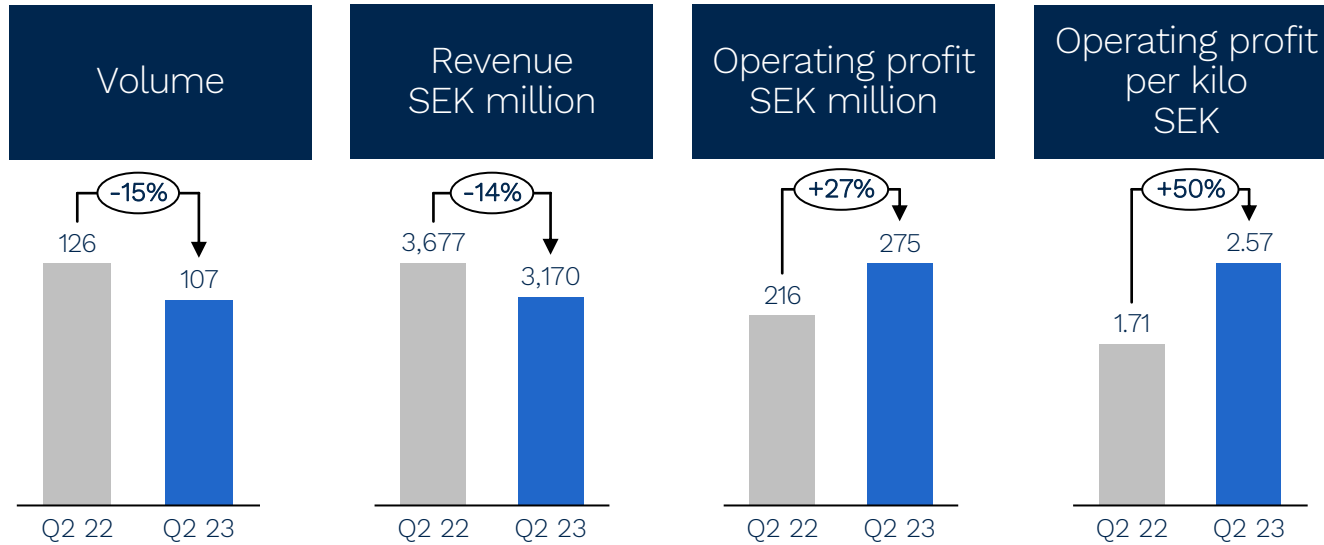
## Business area development

- Volumes decreased by 6 percent, largely due to the optimization program in Bakery, the controlled exit Russia and weaker consumer demand. Adjusting for Russia, first-quarter volumes in Food Ingredients declined by 5 percent.
- Operating profit and operating profit per kilo grew by 53 and 63 percent respectively at fixed FX rates. The growth was broad-based and primarily driven by Bakery, Special Nutrition and Dairy.
- The result was driven by our continued focus on speciality solutions, productivity improvements, and to some extent, favorable year-over-year market conditions and price management.



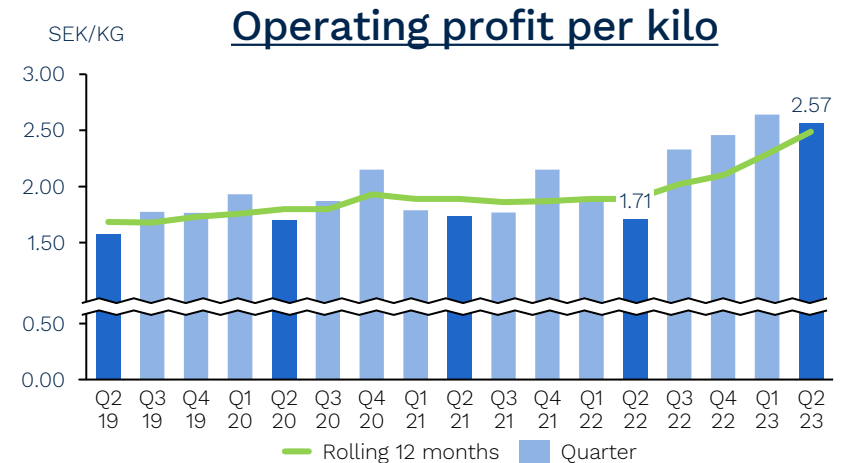
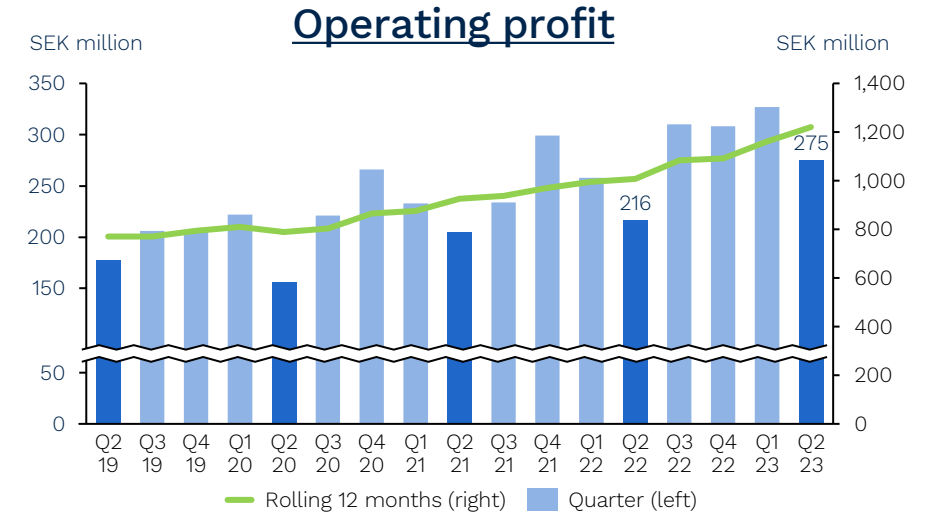


# Chocolate & Confectionery Fats



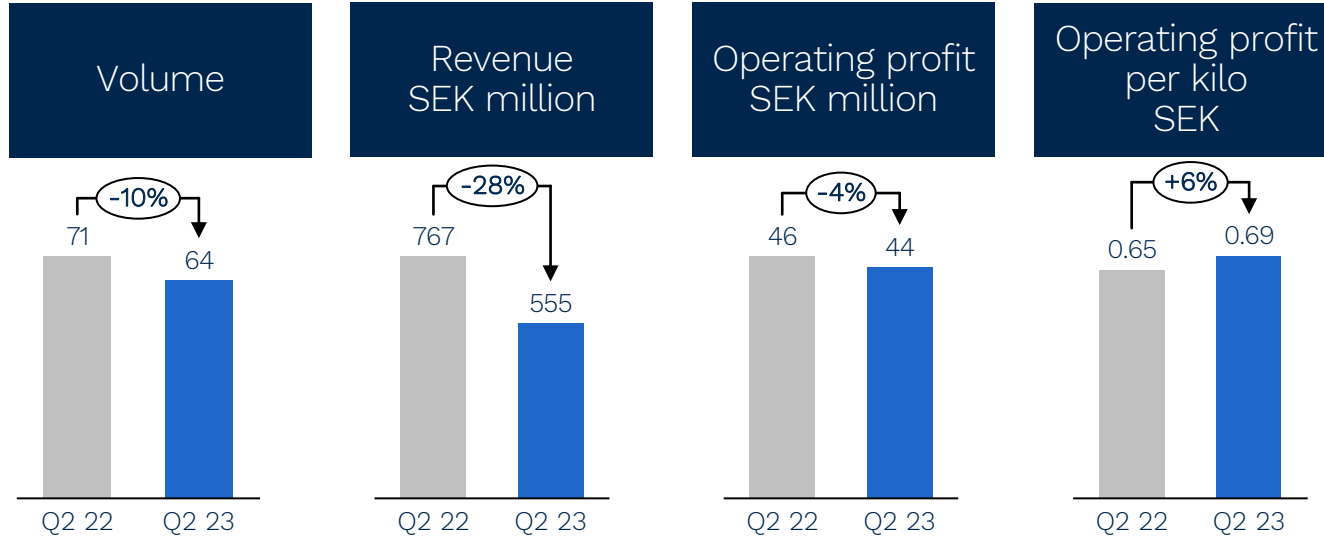
## Business area development

- Second quarter volumes decreased by 15 percent year-over-year, mainly due to soft consumer demand, our withdrawal from the Russian market, and the negative effects following the February earthquake in Turkey. Excluding Russia, volumes decreased by 11 percent.
- At fixed foreign exchange rates, operating profit and operating profit per kilo increased by 18 and 39 percent, respectively.
- The strong margin development was driven by a continued focus on speciality solutions, productivity improvements, as well as, favorable year-over-year market conditions and price management.



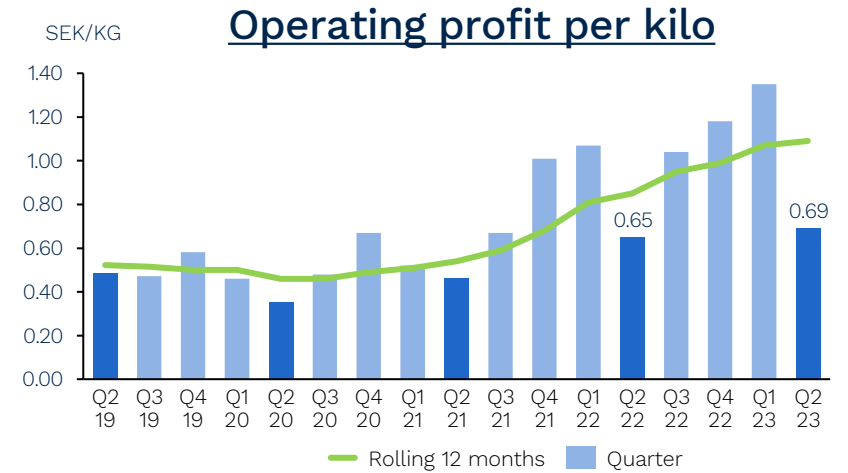


# Technical Products & Feed



## Business area development

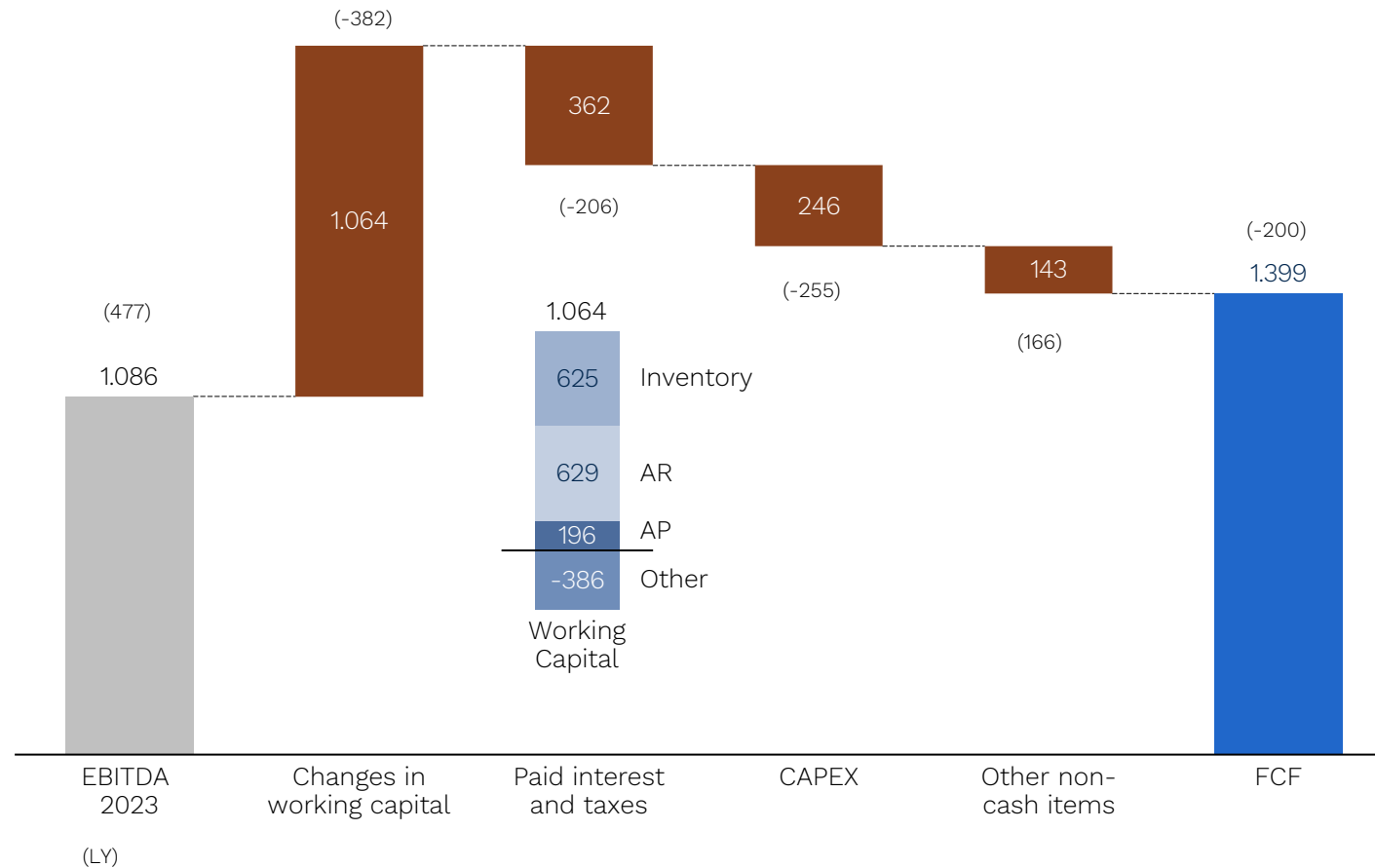
- Volumes in the second quarter decreased by 10 percent compared to the second quarter of 2022.
  - The decrease was driven by Technical Products.
  - Feed volumes were roughly flat year-over-year.
- Operating profit per kilo increased by 6 percent driven by an improved profit margin in Feed and crushing operations. Operating profit decreased by 4 percent mainly driven by the lower volumes in Technical Products.





# Strong cash flow on the back of increased earnings and reduced working capital

## Cash flow Q2 2023



## Comments

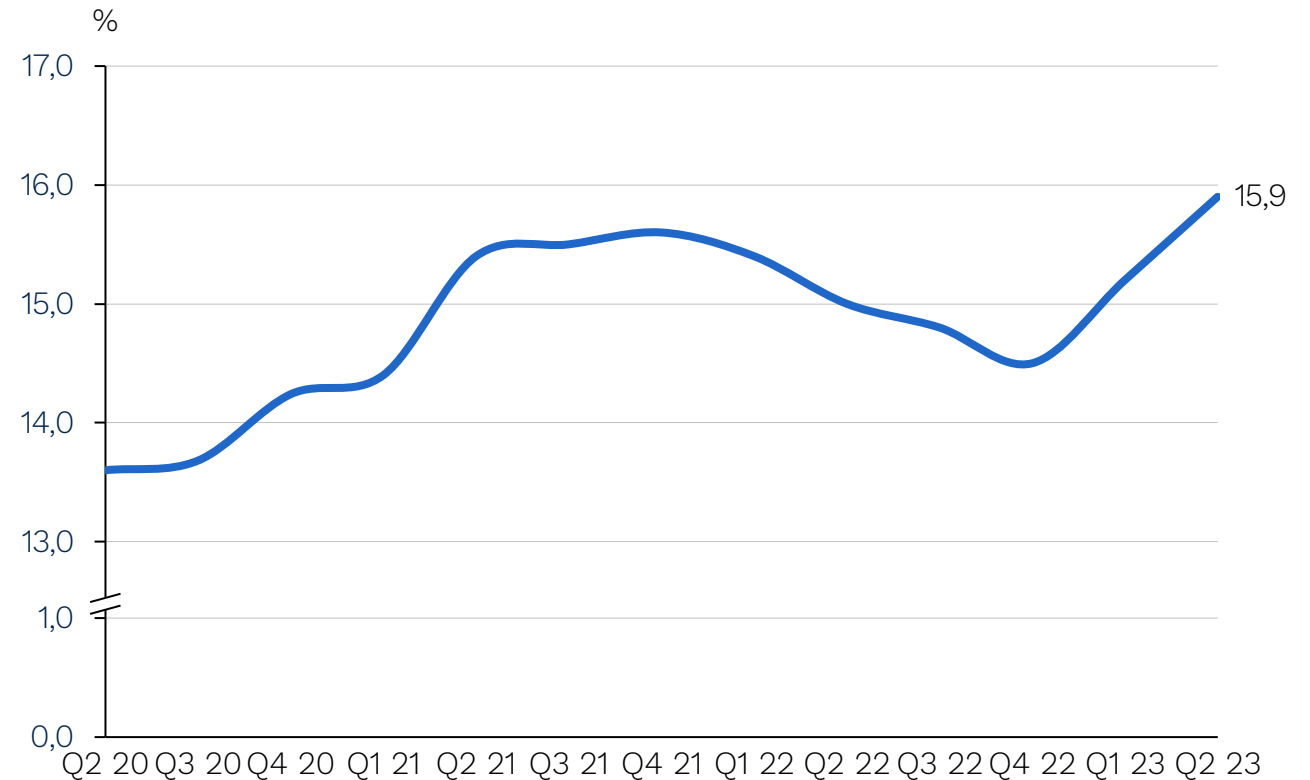
- Working capital was positively affected by lower raw material prices. This had a positive effect on inventory and accounts receivables.
- The positive cash flow from accounts payables is mainly related to timing of raw material sourcing. In the first half year payables had a negative cashflow driven by the lower raw material prices.

# Return on Capital Employed (ROCE) increase on strong operating profit and lower working capital due to raw material prices

**ROCE end Q2 2023\***  
**15.9%**

**EBIT LTM**  
**SEK 3,432**  
**million**

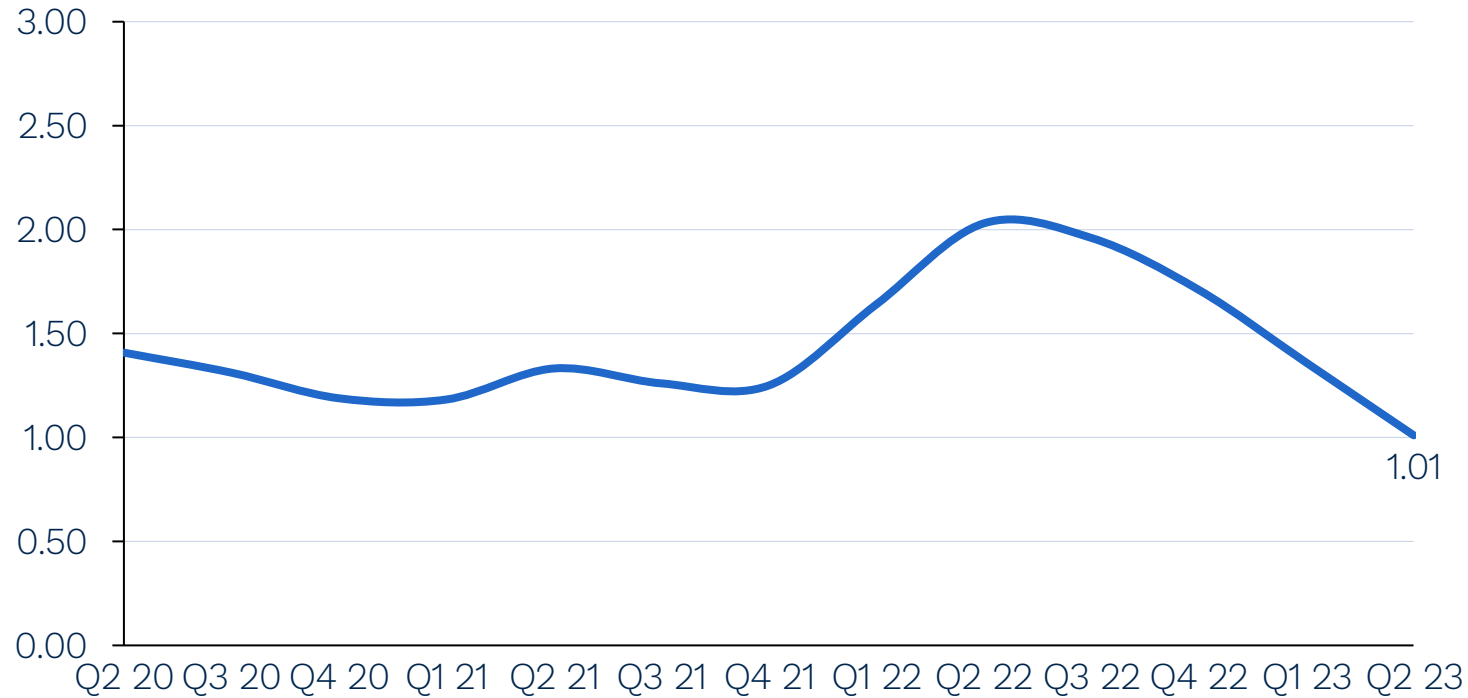
**Capital employed\***  
**SEK 21,575**  
**million**



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

# Net debt/EBITDA decline on strong profit growth and lower raw material prices

## Net debt/EBITDA



## Concluding remarks



- Continued strong performance, driven by margin expansion.
- Strong operating profit growth driven by higher sales of speciality solutions, productivity improvements and price management.
- Volumes declined, mainly due to the optimization program in Bakery, the controlled exit from Russia and weaker consumer demand.
- Solid financials with strong cash flow, reduced leverage and improved ROCE.
- On track towards compliance with the EU deforestation regulation.
- Mindful of the challenges ahead but remain prudently optimistic about our ability to deliver.

# Q&A



# Financial calendar

## Financial calendar 2023

October 25, 2023	Interim report 9M, 2023
February 7, 2024	Interim report 12M, 2023



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