

Press release, July 16, 2021

AAK's Interim report for the second quarter 2021 – record-high second quarter despite continued volatility and uncertainty

AAK Group

- Total volumes increased by 14 percent, to 550,000 MT (481,000).
- Operating profit, excluding items affecting comparability (adjusted operating profit) but including a negative currency translation impact of SEK 37 million, increased by 32 percent, reaching SEK 541 million (411).
- AAK reported an item affecting comparability (IAC) of SEK 304 million, related to the proposed optimization of the company's European bakery business. SEK 203 million of this has a non-cash flow impact.
- Profit for the period amounted to SEK 103 million (324). Excluding IAC and related tax effects, profit for the period amounted to SEK 389 million (294).
- Earnings per share amounted to SEK 0.39 (1.27). Excluding IAC and related tax effects, earnings per share amounted to SEK 1.51 (1.15).
- Cash flow from operating activities amounted to SEK 231 million (262).
- Return on Capital Employed (ROCE), R12M, was 15.4 percent (14.2 at December 31, 2020).

Business areas

- Food Ingredients – operating profit, excluding IAC, increased by 31 percent to SEK 343 million (262).
- Chocolate & Confectionery Fats – operating profit, excluding IAC, reached SEK 205 million (156), an increase by 31 percent.
- Technical Products & Feed – operating profit, excluding IAC, reached SEK 31 million (28), an increase of 11 percent.

CEO's comments

The second quarter showed strong volume as well as profit growth compared to the corresponding quarter last year which was significantly impacted by Covid-19. Both Chocolate & Confectionery Fats and Food Ingredients performed well, the latter supported by Foodservice which showed a strong recovery, although not yet back at pre-pandemic levels.

The pandemic still impacts our business negatively, especially in India and Turkey, while we have seen fast improvements in other geographies, such as the USA and parts of Europe.

We achieved a significantly higher operating profit compared to last year despite a material negative currency translation impact, highly volatile raw material prices, and continued global logistics and sea freight disturbances. At fixed foreign exchange rates, we increased our adjusted operating profit by 41 percent.

Business performance

Volumes for the Group increased significantly compared to last year, driven by speciality and semi-speciality solutions within Chocolate & Confectionery Fats as well as by Foodservice. There was also a good development for Bakery, while Technical Products & Feed reported lower volumes due to an extended maintenance stop.



Adjusted operating profit amounted to SEK 541 million (411), a record high for a second quarter, driven by volume growth and an increased productivity. Adjusted operating profit per kilo increased by 15 percent and reached SEK 0.98 (0.85). At fixed foreign exchange rates, adjusted operating profit per kilo increased by 24 percent.

Food Ingredients reported overall volume growth, mainly driven by Foodservice, Bakery and Plant-based Foods, particularly for meat alternative solutions. Special Nutrition volumes increased slightly. Cost absorption improved due to the volume growth, particularly within Foodservice, contributing to the business area's overall profitability.

Chocolate & Confectionery Fats reported strong volume growth, driven by our customer co-developed solutions. Demand in South Latin America and the USA was particularly good.

As for Technical Products & Feed, we saw strong profit growth despite lower volumes. The growth was mainly driven by good productivity and high utilization in our crushing operation.

Optimization of our European bakery business

We have initiated a formal consultation process regarding production consolidation to further optimize our European bakery business in line with our strategy. This to improve cost efficiency and increase competitiveness while continuing to support our customers with the same high level of dedication and service.

The proposed consolidation implies a transfer of production from Merksem, Belgium to our sites in Hull, United Kingdom and Zaandijk, the Netherlands, after which the site in Merksem would be closed.

Important sustainability initiatives

During the quarter, we signed a EUR 400 million sustainability-linked revolving credit facility, renewing an undrawn credit facility of the same amount. 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.

Built on Kolo Nafaso, our existing direct shea sourcing program in West Africa, we have created a public-private partnership with Mars, several leading NGOs, and an impact investment fund that will improve the livelihoods of women working in Ghana's shea supply chain.

Concluding remarks

After reporting a strong quarter there is still uncertainty and volatility in our markets. However, AAK has a robust foundation, a strong financial track record and a solid balance sheet, and we see a high level of business activity. The passion, drive and agility in our organization are strengths we build on going forward.

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™.

Press and analyst conference

The Interim report for the second quarter 2021 will be presented today, July 16, 2021 at 2 p.m. CET at a press and analyst conference. For participation, please see instructions under the Investor tab at the AAK website, www.aak.com.

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About AAK

Everything AAK does is about Making Better Happen™. We specialize 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. 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 3,900 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 150 years.