

Press release, October 25, 2022

## AAK's interim report for the third quarter 2022 – strong profit growth despite challenging macro-economic climate

### AAK Group

- Total volumes decreased by 4 percent, to 559,000 MT (583,000).
- Operating profit, including a positive currency translation impact of SEK 148 million, increased by 28 percent, reaching SEK 822 million (642). At fixed foreign exchange rates, operating profit increased by 5 percent.
- Profit for the period amounted to SEK 611 million (464).
- Earnings per share amounted to SEK 2.36 (1.80).
- Cash flow from operating activities amounted to negative SEK 40 million (negative 20).
- Return on Capital Employed (ROCE), R12M, was 14.8 percent (15.6 at December 31, 2021)

### Business Areas

- Food Ingredients – operating profit increased by 23 percent to SEK 476 million (387).
- Chocolate & Confectionery Fats – operating profit increased by 32 percent to SEK 310 million (234).
- Technical Products & Feed – operating profit reached SEK 76 million (56), an increase by 36 percent.

### CEO's comments

Yet another quarter has passed where we see high inflation that affects the global economy. Russia's war against Ukraine continues, contributing to record-high energy, transport, and logistics costs, in addition to an already difficult macroeconomic environment. Despite the current challenges, I am happy to report that our Ukrainian business has resumed operations. As always, our colleagues' safety is our highest priority, especially in a transformative situation like this. At the same time, it is very encouraging to see our colleagues' determination and dedication under these challenging circumstances.

We are, despite high uncertainty and volatility, doing well. We have been able to manage the general price increases, and we have diligently worked with our product portfolio management successfully and effectively. During the quarter, raw material prices have declined from the record high levels seen during the year's first half. This is expected to have a positive effect on working capital and cash flow in the first half of next year.

Thanks to strong operational excellence we have delivered a strong third quarter in very challenging times. Operating profit grew by 28 percent, and operating profit per kilo increased by 34 percent, supported by a positive currency translation effect. All business areas contributed to the increase in operating profit. However, we see a slight decline in volumes during the quarter, down 4 percent versus last year. This is primarily a result of our exit from Russia and our optimization strategy for Bakery. Excluding Russia, volumes decreased by 1 percent.

### Business performance

Chocolate & Confectionery Fats reported a strong quarter, with volumes up by 1 percent and up by 11 percent excluding Russia. Volumes were particularly strong in Asia and South Latin America.



Operating profit grew by 32 percent as a result of a focused value optimization strategy while replacing the Russian volumes with new opportunities in other markets. We see increased consumer demand for chocolate and confectionery in various sub segments, and we are well positioned for the growing trend in Asia.

Food Ingredients delivered a solid quarter with operating profit up by 23 percent. The increase was mainly driven by Special Nutrition and Bakery due to effective contract- and product portfolio management. Volumes for the business area declined by 4 percent, mainly driven by our continued effort to optimize the Bakery business in Europe and our exit from the Russian market. Excluding Russia, the decline was 3 percent.

Technical Products & Feed delivered a strong quarter, with operating profit up 36 percent despite declining volumes for both Feed and Technical Products. The solid trend for replacing fossil ingredients continues, and we remain well-positioned to serve this market.

#### *Investing in new technologies*

In July we announced our investment in the food tech startup Green-On, to accelerate improved sustainability in future food applications. The concept is based on so-called Power-to-X technology. If scalable, this concept will produce a fat with functionalities needed in future food, and to a much lower environmental impact than any other known technology today, making it a perfect fit with AAK's strategy.

This is a result of AAK's partnership with Big Idea Ventures (BIV). Investing in new technologies through innovation and M&A is key to our commitment to lead sustainable food production and engage to transform the industry.

#### *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 recent very dynamic years.

Although we expect continued high inflationary pressure and a demanding macroeconomic 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™.

#### **Press and analyst conference**

The Interim report for the third quarter 2022 will be presented today, October 25, 2022, at 10.00 a.m. CET at a press and analyst conference. For participation, please see instructions under the Investor tab at the AAK website, [www.aak.com](http://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 4,000 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 more than 150 years.