



Press release, July 19, 2023

AAK's Interim report for the second quarter 2023

Continued strong performance driven by margin expansion

AAK Group

- Total volumes decreased by 9 percent to 505,000 MT (554,000). Excluding the Russian market, volumes declined by 7 percent.
- Operating profit excluding items affecting comparability, including a positive currency translation impact of SEK 34 million, increased by 41 percent, reaching SEK 880 million (624). At fixed foreign exchange rates, operating profit excluding items affecting comparability increased by 36 percent.
- Profit for the period totaled SEK 615 million (160).
- Earnings per share equaled SEK 2.36 (0.60).
- Cash flow from operating activities amounted to SEK 1,645 million (55).
- Return on Capital Employed (ROCE), R12M, was 15.9 percent (14.5 on December 31, 2022).

Business areas

- Food ingredients operating profit increased by 57 percent to SEK 636 million (406).
- Chocolate & Confectionery Fats operating profit reached SEK 275 million (216), an increase of 27 percent.
- Technical Products & Feed operating profit totaled SEK 44 million (46), a 4 percent decrease compared to last year.

CEO's comments

I am pleased to report that we delivered a strong result in the second quarter, including a strong cash flow and an improved Return on Capital Employed. This accomplishment is a testament to the dedication and hard work of our teams, continued margin expansion compared to last year, and the resilience of our diversified portfolio of plant-derived oils and fats.

Business performance

Operating profit, excluding items affecting comparability, grew 41 percent compared to the same period last year, driven by higher sales of speciality solutions, productivity improvements and price management, resulting in an improved profit margin. Adjusting for the positive effects from currency conversions, operating profit grew 36 percent compared to the second quarter of last year.

Volumes declined, mainly due to the ongoing optimization program in Bakery and the controlled exit from the Russian market. Additionally, we experienced a weaker year-over-year consumer demand, likely due to inflationary pressure, especially within Chocolate & Confectionery Fats and Food Ingredients. Excluding Russia, volumes declined 7 percent in the second quarter compared to the second quarter of 2022, mainly driven by Chocolate & Confectionery Fats.

Looking across the three business areas, the strong result stemmed from impressive growth in operating profit, especially within Food Ingredients and Chocolate & Confectionery Fats. This performance can be attributed to the expansion of margins, which was a direct result of higher sales of specialty solutions, internal productivity improvements, as well as, price management. These factors demonstrate our capability to enhance profitability, even in the face of reduced volumes. Performance Technical Products & Feed was somewhat weaker. Volumes fell by around 10 percent while operating profit was only marginally lower than the previous year.



The operating cash flow was strong, driven by improved profitability and a positive working capital effect of lower raw material prices.

Investing in the development of alternative fats

AAK is dedicated to reducing the environmental impact of foods by exploring the potential of existing plant-based oils and fats solutions. We are also actively pursuing new and alternative methods of food production, including fats. One example is our recent strategic investment in Big Idea Venture's New Protein Fund II. This marks our second investment with Big Idea Venture and emphasizes our ongoing dedication to fostering innovation.

Complying with the EU deforestation regulation

The EU Deforestation Regulation, set to be implemented by the end of 2024, represents a significant and commendable effort to address the import of products associated with deforestation and forest degradation. Through a thorough examination of our supply chain, we have identified areas where improvements can be made to ensure compliance without a material impact on AAK, our customers, or our partners. To align with this regulation, we have devised a comprehensive plan that includes a series of targeted adjustments to our supply chain such as reformulations, increased processing in the EU, and supplier engagement. With the industry, the next step is to identify the right data management system to collect and store the required geolocations.

Concluding remarks

I am proud of the accomplishments we have achieved in the second quarter and the positive momentum we have generated. Our strong financial performance, coupled with our customer-centric approach and relentless pursuit of innovation, positions us favorably for the future. While we remain mindful of the challenges ahead, we are prudently optimistic about our ability to sustain our growth and create long-term value for all stakeholders.

Johan Westman, President and CEO

Conference call

The Interim report for the second quarter of 2023 will be presented today, July 19, 2023 at 10 a.m. CET. For participation, please see instructions under the investor tab on the AAK website, www.aak.com.

For more information, please contact:

Carl Ahlgren
Head of IR & Corporate Communications
Mobile: +46 706 81 07 34
E-mail: carl.ahlgren@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 the products people love to consume. We make these products better tasting, healthier, and more sustainable. At the heart of AAK's offering is Customer Co-Development, combining our desire to understand what better means for each customer with the unique flexibility of our production assets and deep knowledge across products and industries. 4,000 employees support our close collaboration with customers through 25 regional sales offices, 15 dedicated Customer Innovation Centers and 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.