

The logo for AAK, consisting of the letters 'AAK' in a bold, blue, sans-serif font. The letter 'A' is stylized with a small circle at the bottom right of its stem. The background is a photograph of a green field with yellow flowers under a blue sky with white clouds.

# AAK

AarhusKarlshamn

**Business Area  
Food Ingredients Continental Europe**

**Håkan Christensson, President**

# Food Ingredients Continental Europe



- Market position
  - Market leader in the Nordic area
  - Well established in Central & Eastern Europe
  - Strong speciality market player in mainland Europe
  - Driving player in niche segments
- A very R&D-driven business area
- Production platforms
  - Karlshamn, Sweden
  - Aarhus, Denmark
  - Zaandijk, Netherlands

# Food Ingredients Continental Europe



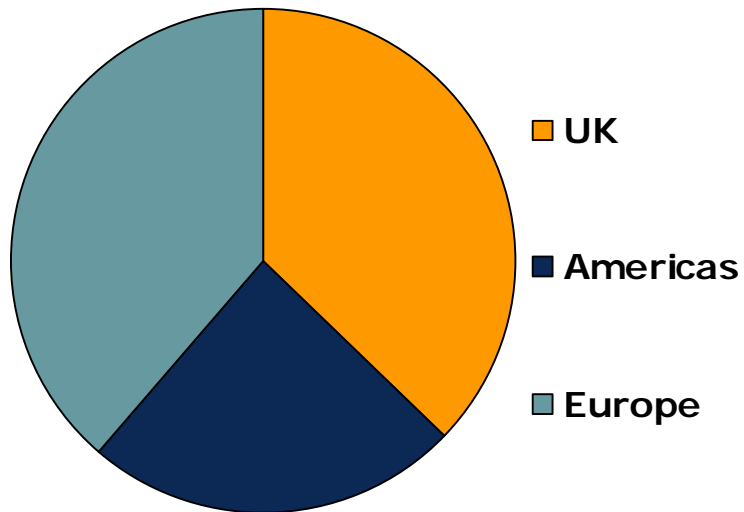
- **Market**

- Vegetable oil market for food in Europe 15 million tonnes
- 1-2% growth in the region
- Some geographical regions and product segments are growing faster

- **Competitors**

- ADM and Cargill for bulk oils
- Loders Croklaan and Fuji Oil for speciality and niche products
- Local players. 120 refineries in Europe.

# Food Ingredients Continental Europe



- **Regions**

- Total FI sales: 6bn. SEK
- 60% in UK/Nafta and 40% Europe
  - 55% of our European sales are to the Nordic area
  - The rest is to mainland Europe

- **Customers**

- Dairy industry
- Bakery industry
- Nutrition industry, e.g. baby foods
- Margarine industry
- Foodservice segment

# Food Ingredients Continental Europe

- Industry driving forces
  - Strong cost focus
  - Substitution of expensive solutions (e.g. milk fat)
  - Health
  - Low margins and high transportation costs make Food ingredients to local/regional business
  - Speciality products have a broader geographic scope.
  
- Bulk – Local
- Value-Added – Regional
- Speciality - Global





# Food Ingredients Continental Europe

## Product portfolio

### Bulk

- Standard oils like cooking oils, i.e. standard products with a large number of competitors.

### Value-Added

- Customised fat solutions for more advanced and demanding applications to fulfil customers' needs on
  - Functionality
  - Health aspects
  - Marketing aspects

### Speciality

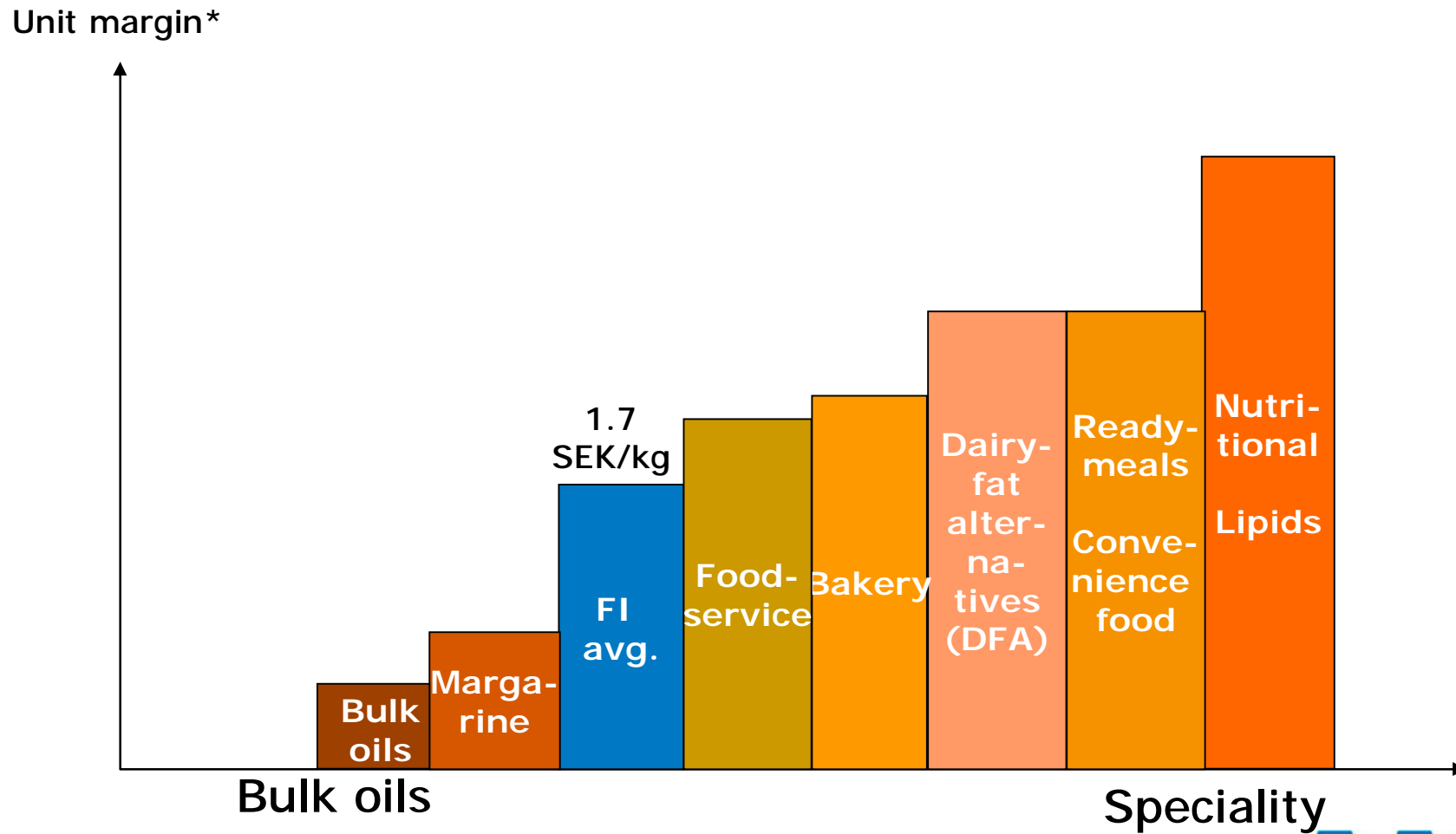
- Products with a high technological barrier.

# Food Ingredients Continental Europe



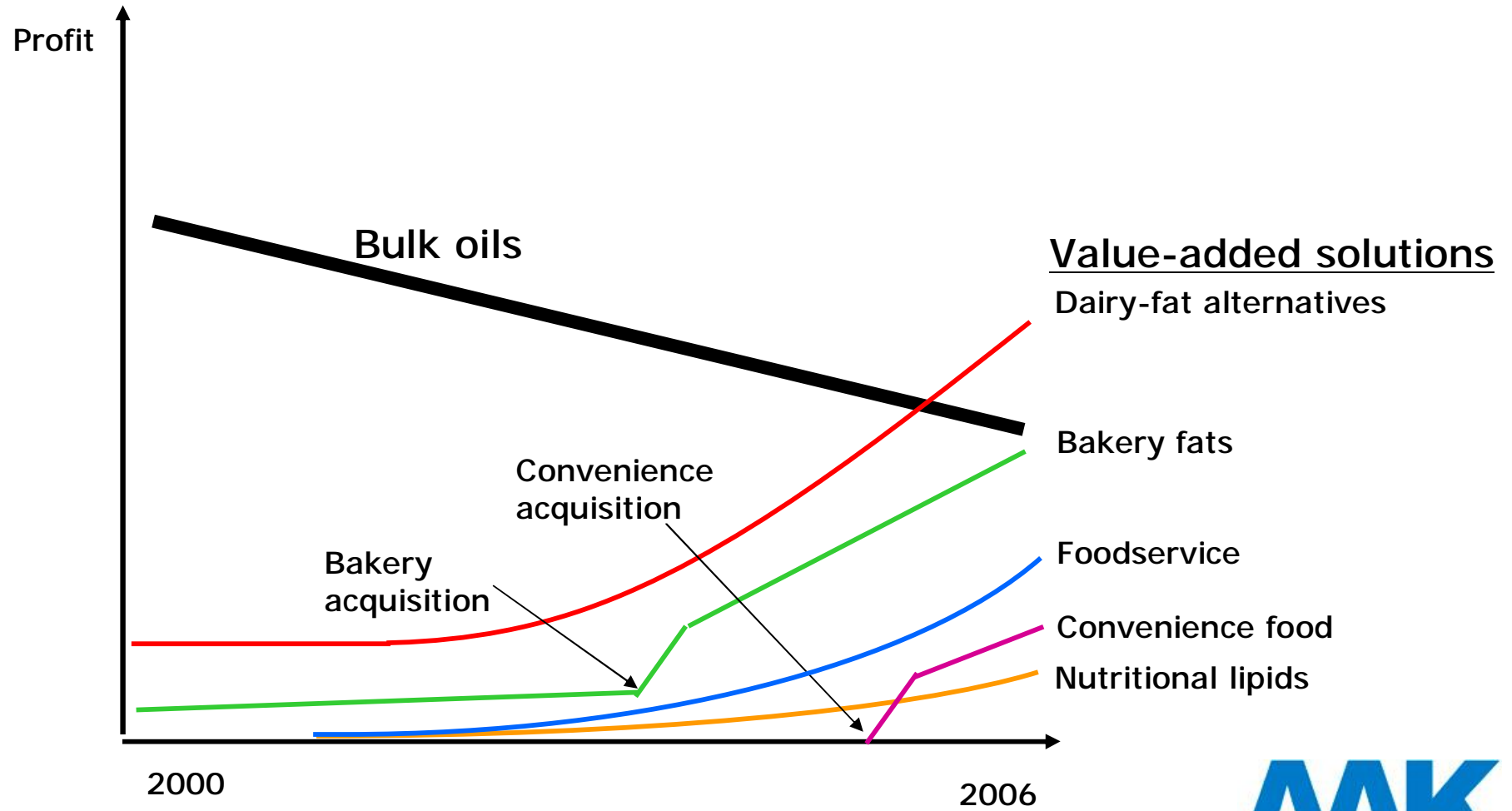
- Products range;
  - Wide range of everything from standard oils to advanced products with tailored properties.
- Products and applications
  - Dairy-fat alternatives (DFA)
    - Ø Solutions for butter blends, cream, ice cream
    - Ø Cheese
  - Bakery fats
    - Ø Full range of fats and margarine for fine bakery, bread
    - Ø Pumpable solutions
  - Nutrition
    - Ø Baby foods, omega 3 solutions, Cholesterol lowering - Vividol
  - Foodservice solutions

# Food Ingredients Continental Europe



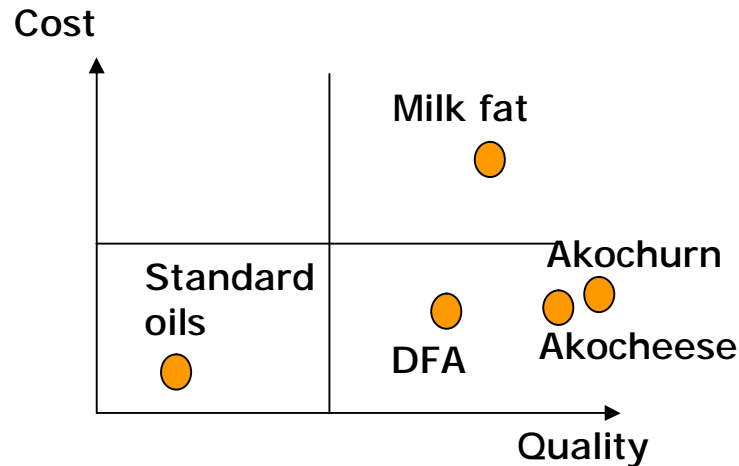
\* Unit margin = Gross contribution / volume.  
Source: Annual report 2005.

# Strategy: Driving product-mix towards value-added



# Food Ingredients Continental Europe

## Dairy Fat Alternative:



- Milk fat quantities in Europe 4 million MT (veg oil 15 m MT)
- Replace milk fat in dairy application
  - Cost
  - Health
  - Functionality
- Conservatism slow down the transition speed.
- Still a low proportion veg oils in dairy applications, <10%
- AAK leading player.





# Food Ingredients Continental Europe

## Success factors

- Market presence
- Customised
- Extensive know-how about application and fat functionality
- Product development skills
- Productivity

Capital Market Day, October 3, 2006

**AAK**  
AarhusKarlshamn



# Food Ingredients Continental Europe

New products launched;

- Akocrisp.
  - A pumpable fat for the bakery segment.
  - Total lower cost and healthier solutions
- Akochurn.
  - Replace milk fat with a vegetable fat alternative. Low-fat solution.
  - Total lower cost and healthier solutions

# The future



- Strong R&D portfolio
  - Healthier fats
  - Non-trans solutions
  - Pumpable solutions
- Commercialisation of innovations
- Geographical expansion
  - Central&Eastern Europe

Supported by the AAK merger