Infant Nutrition –
January to September

Volumes ('000 MT)

Operating profit (SEK million)

Operating profit per kilo (SEK)
The first 1,000 days

- Infant milk formula includes all essential nutrients and energy for infants to grow and develop normally.
- Vegetable oils and fats provide the essential building blocks for the body, including the brain and the eyes.
- Oils and fats account for 50% of the energy in the formula.
Global baby food retail value
Estimate 2014

- Global market: $61.8 billion
- Other baby food: $2.7 billion
- Dried baby food: $5.4 billion
- Prepared baby food: $8.9 billion
- Milk formula: $44.8 billion

Source: Euromonitor International, Sep 2014
Infant milk formula market
Estimate 2014

- 2.4 million MT/yr infant milk formula
- ~660,000 MT/yr oils & fats

Consolidated market:
- Top 4 companies have 57% share
- Top 10 companies have 73% share

- 29% global value share
- Local companies increasing share
- >100 brands in the market

Source: Euromonitor International, Sep 2014
China: new infant milk powder policy

August 2013
“Fonterra”
China FDA announced they will review the IMF production policy

December 2013
China FDA revised version of policy

May 2014
China FDA published the list of companies that passed the audit

September 2014
NZ companies got import licences back to China

Audit in China - integrated supply chain:
- Local toll-production stopped
- Local base-powder production stopped
- Local packing operation stopped

Outcome:
- China FDA approved 82 Infant Milk Formula producers
- They are approved for 2014-2017
- 1/3 of producers’ licenses not renewed
China market remains attractive

- Market growth remains attractive
- Market value is likely to grow faster than volume
- Future market consolidation expected
- E-commerce channel expanding

Source: Euromonitor International, Sep 2014
Go to market

AAK

The first choice for value-added vegetable oil solutions

Single oils
- Organic (approved by COFCC)
- MCT
- Low 3MCPD

Akonino®

The natural choice for healthy development

Customised oil blends
- The ideal combination
- Security from start to finish
- Specifications guaranteed

INFAT

A clinically-proven ingredient
- One step closer to human milk

INFAT is sold by Advanced Lipids a joint venture of AAK and Enzymotec.
AAK Customer case

Customer Pain:
- With Brand owner:
  - Food safety
  - Tailored fat composition
  - CSR
- With Toll producer:
  - Correct quality
  - Effective logistics solution
  - Product analysis

AAK co-development:
- With Brand owner:
  - Sourcing the raw materials
  - Global view on market
  - Developing an unique blend
- With Toll producer:
  - Regulatory and specifications
  - Logistics solution
  - Tailored service package
Expanding organic category

- Organic baby food market is strong in EU
- Fast growing in China and Asia
- AAK is the only company in Europe to have a certificate from COFCC to produce vegetable oils for organic infant milk formulas for China
- Akonino® Organic

Source: Mintel, November 2014
Average annual volume growth
2010-2016 (Euromonitor total milk formula volume growth)

Global growth rate:
+7% by volume

Source: Euromonitor International, Sep 2014
AAK increasing market share
AAK position for future growth

Category Growth Trends

- Economic growth and job creation
- Increase number of women in workforce
- Middle class and dual-income family emerge
- Increasing spend on premium nutrition

- Commitment on quality
- Continues investment in customer co-development
- Balanced portfolio to match customer needs:
  - Semi-speciality blends
  - Speciality blends
  - Speciality single oils
- Geographical development:
  - Malaysia
  - Brazil – greenfield
  - China – greenfield
  - Europe – preparing for customers’ capacity increases