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China update



Agenda

- ◆ Macroeconomic Landscape
- ◆ Market Landscape – Product Categories
- ◆ AAK China – the Way Forward
- ◆ Play to Win
- ◆ AAK China Capabilities
- ◆ AAK Brand promise and the Chinese market
- ◆ Adapt to local taste and culture
- ◆ Production plant status 2016



Macroeconomic Landscape

- ◆ This is not indented as a macroeconomic presentation, but...
- ◆ China, with a population of 1.3 billion and being the second largest economy, is increasingly playing an important and influential role in the global economy
- ◆ The Chinese economy has faced some downward pressure but also shown a number of positive signs

Source: IMF October 2015



Macroeconomic Landscape

- ◆ Labor market conditions remained healthy with 8.41 million new jobs created in China's urban areas between January and July 2015, which was 84.1 percent of the annual target
- ◆ Consumption continued to grow steadily. Retail sales grew by a year-on-year rate of 10.8 percent in August, up 0.3 percentage points since July
- ◆ Between January and August, nationwide online retail sales posted a cumulative year-on-year increase of 35.6 percent

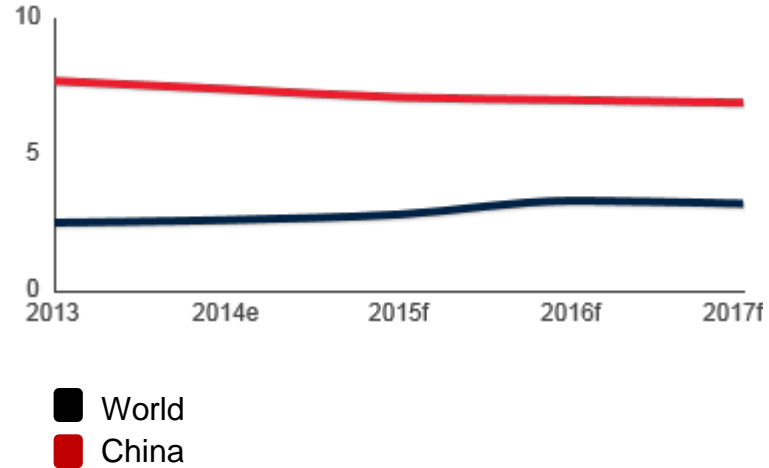
Source: IMF October 2015

Macroeconomic Landscape

💧 China GDP growth (%)



Real GDP growth (%)



Source: World Bank October 2015

Market Landscape

Product Categories Growth Forecast, next five years



Chocolate
confectionery

4.9%

8.0%



Baked Goods

7.0%

7.7%



Dairy

9.4%

9.8%



Ice cream and
frozen dessert

3%

5%



Infant Nutrition

13.2%

14.9%



Volume growth 2015



CAGR 2015-2020

Source: Euromonitor

Market Landscape – Asia

	Bakery	Dairy	Infant Nutrition	Food Service	Frying	CCF
CHINA						
INDIA						
TURKEY						
JAPAN						
MIDDLE EAST						
OTHER						

Market Potential: High Medium Low/Not Significant

Focus for AAK:

Source: Euromonitor, AAK analysis

Market Landscape – Asia

Customers

	Global	Regional	Local
CHINA	Strong Position	Medium Position	Medium Position
INDIA	Strong Position	Strong Position	Strong Position
TURKEY	Strong Position	Strong Position	Medium Position
JAPAN	Strong Position	Medium Position	Strong Position
MIDDLE EAST	Medium Position	Medium Position	Strong Position
OTHER	Strong Position	Medium Position	Medium Position

AAK CAGR 2013 – 15:

20%

2%

8%

Strong Position Medium Position Low Position/Not Significant

Source: AAK analysis, Industry insights



Play to Win

- ◆ Focus on Global and National/Segment leaders
- ◆ Innovation with speed based on AAK's brand and reputation on quality...
 - ◆ Key Customer priority
 - ◆ Delivering value-adding solutions
 - ◆ Strong concepts
- ◆ With a focus on Specialities as the market expands for higher quality products
- ◆ With a Chinese production base and supply chain
- ◆ With technical capabilities and know-how

Performance Asia YTD

Organic volume
growth

+ 6%

EBIT
Improvement

**Underlying strong improvement
offset by expansion in China**

AAK China – the Way Forward

+ 30 employees in Shanghai



Started with
one man



New General Manager
Mr. Weiyu Fan
August 2015

2011

2014

2015

2016

AAK

AAK Innovation
Center Shanghai
opened



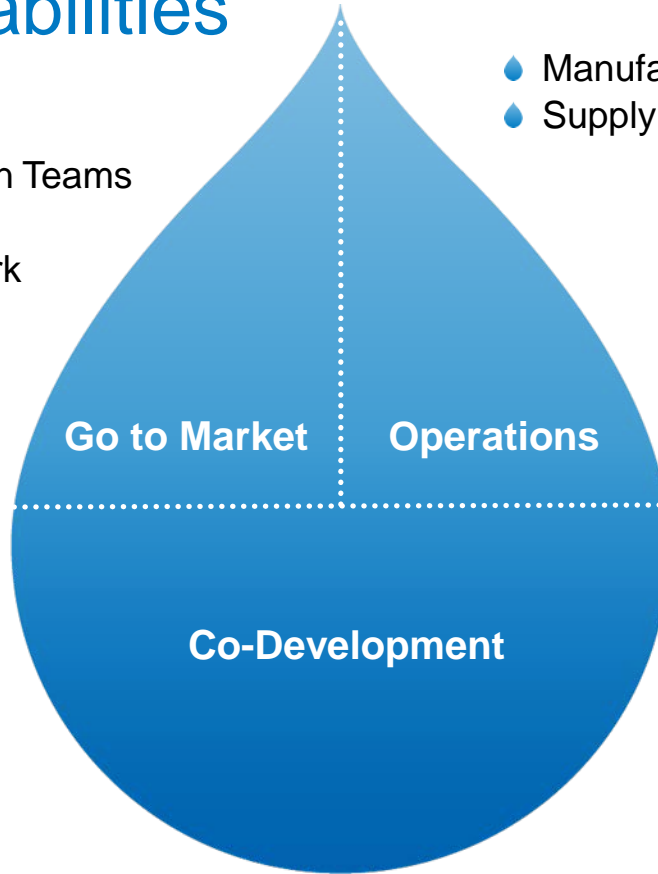
Production Plant
in Zhangjiagang

AAK China Capabilities

- ◆ Sales & Customer Innovation Teams
- ◆ AAK Academy
- ◆ Agents & Distributors network

- ◆ Innovation Center
 - ◆ Dairy
 - ◆ Bakery
 - ◆ CCF
- ◆ Customer Co-Development
- ◆ Local product development

- ◆ Manufacturing Site (2016)
- ◆ Supply Chain



AAK Brand promise and the Chinese market

- With our Innovation center in Shanghai we have demonstrated a strong focus on innovation and adaptation of technology and know-how to integrate with customers in China



AAK Brand promise and the Chinese market



AAK in China – *adapt to local taste and culture*

- ◆ Assumption – Western products are more trendy, of better quality and more safe to eat
- ◆ Shift – international producers adapt to Chinese taste and culture
- ◆ Top five players in chocolate confectionery in China all remain international companies
- ◆ Market promotion, consumer experience, the operation of flagship stores and more localized product flavors seem to be the most common strategies adopted by the most successful chocolate confectionery manufacturers in China

“With more money to spend, Chinese consumers are becoming more sophisticated, demanding a greater variety of products and better quality at affordable prices” 2010 Booz & Company

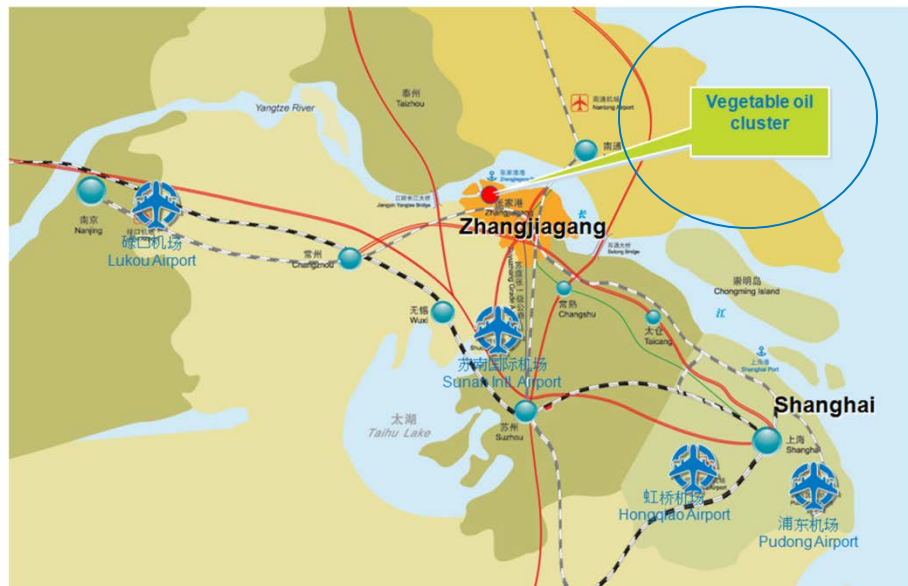




Lead generation through Co-Development

- ◆ Customer Innovation days
- ◆ AAK Academy™
 - ◆ Generic
 - ◆ Segment / Application focus
 - ◆ Customer
- ◆ Technical seminars / meetings / publications
- ◆ Food trade Expos and industry events
- ◆ Actively involved in Industry associations (Segment specific)
- ◆ Local initiatives to support global launches and China specific local launches

China Capabilities – Location Zhangjiagang, Jiangsu Province



- ◆ Zhangjiagang
 - ◆ City part of Jiangsu Province
 - ◆ Total population is 1,3 million
 - ◆ Located 150 km northwest of Shanghai
 - ◆ No 1 import hub for vegetable oils in China
 - ◆ Largest oils and grains trading and logistic center in eastern China



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