



Insight

AAK Magazine

The Co-Development Company

#2, May 2016

AAK growth markets – a closer look, pages 3–11

Customer Co-Development from east to west, pages 12–13

Lead generation through innovation awards, page 15

**AAK**

Dear readers,

A warm welcome to AAK's customer magazine *Insight*. In this second issue we will take a closer look at some of the growth markets that AAK has recognized as particularly interesting.

When we launched AAKtion, our company program for 2014–2016, expansion in growth markets was identified as a strategic cornerstone. Since then, we have not only initiated two major greenfield projects in Brazil and China, we have also made several interesting joint ventures and acquisitions, among them in India and Colombia.

To find out what the market landscapes look like in some of these regions, we have talked to our local AAK representatives in Brazil, India and Russia. Although there are many challenges in these markets, be they economic or political, we are confident that our unique customer co-development approach together with our strong reputation and high credibility, will help us to be successful in these potential markets.

Innovation – another key priority area

Aside from expanding in growth markets, innovation is another priority area within AAKtion. Our focus within innovation is to broaden our customer offering by developing attractive service solutions, as we see an increasing interest in the market for these kinds of solutions.

This priority area also includes a strong focus on our long-term R&D portfolio, something that really has proved its worth recently. In December of last year, two very strong AAK launches, TROPICAO™ and Akopastry HP, were awarded best confectionery innovation and best bakery innovation at Food ingredients Europe, the global meeting place for all stakeholders in the food ingredient industry. In this issue we discuss the great interest and the many potential leads that these innovation awards have created.

The Co-Development Company

We also give concrete examples of what it means to be the Co-Development Company. We have asked customers and colleagues from different parts of the organization to share some of their recent co-development stories, and to explain how our customer value propositions for health and reduced costs have helped our customers improve and grow their businesses.

If you have any comments or questions about the content of the magazine or if you have suggestions for future articles of *Insight*, please don't hesitate to talk to your AAK representative or contact us via insight@aak.com.

Wishing you an insightful reading.

Arne Frank
CEO and President



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Expanding AAK's global footprint

Expansion in growth markets has been identified as a strategic cornerstone in AAK's company program AAKtion. This has resulted in, among other things, the construction of a new factory in Brazil, a strategic joint venture in India, and an essential refocusing plan for the large market in Russia. *Insight* met up with Gerardo Garza, Torben Friis Lange and Jan Lenferink, AAK Presidents for South Latin America, Asia and Europe respectively, to discuss the importance and the potential of growth markets.

Brazil, India and Russia – what is it that makes these markets so interesting to AAK?


Gerardo: With a management ambition to achieve 70 percent growth coming from medium- and fast-growing markets, South America is key. The region is interesting for AAK's market coverage for several reasons – the broadening of geographies and categories, and in order to strengthen our customers' reach, to name a few. Brazil in particular has an enormous potential for AAK, both in terms of volumes and value.

Torben: The demand for edible oils in India has shown a steady growth which has been driven by improvements in per capita consumption, which in turn is attributable to rising income levels and higher living standards. Considering that the current per capita consumption level in India is lower than the global average there is a huge potential for growth.

Jan: Russia is a large market for edible oil solutions with a well-established confectionery industry, a bakery segment under constant development, and an emerging dairy business. All three industries are driven by large multinationals and national companies, and there is a high interest in becoming less dependent on imports and more focused on local food production. Herein lies the growth opportunity for AAK.

What is the potential in your market and within what particular segments?

Gerardo: The potential in South America is quite significant for AAK. Besides the chocolate and confectionery segment, where we hold an indisputable leading position, we have great opportunities to develop and capture market shares within segments such as bakery, dairy, infant nutrition and foodservice.



Jan Lenferink



Gerardo Garza
López de Hereida



Torben Friis Lange

Torben: India obviously holds a huge potential. We see a great match between our customers' need for differentiated consumer products and our co-development approach. One thing to keep in mind though is that India has very strict regulations governing the formulation and production. However, through AAK KAMANI, we are well aware of these regulations. Our focus going forward will be within bakery, confectionery, frozen desserts, culinary, infant nutrition, and nutraceuticals.

Jan: In Russia, the CCF category offers growth opportunities in affordable CBE and CBR solutions for chocolate and candies as well as for the growing segment of glazed bakery products. Filling fats that are able to deliver new functionalities and textures with the right organoleptic properties are also attractive to develop. However, we have of course the ambition to broaden and expand our base by acquiring new customers within all of our main industries.

What impact does the current situation in Russia have on AAK's growth opportunities?

Jan: The conflict between Ukraine and Russia has had, and still has, a huge impact on our business in Russia. The effects of the embargo together with significantly dropped oil prices resulted in a profound rouble devaluation which led to a significant price increase for ingredients across many industries. On top of that, a double-digit inflation has put pressure on consumers' purchasing power and consumption has dropped. However, we remain very confident in these markets and in our winning strategy. Our superior application knowledge and innovation capabilities combined with a closeness to our customers and their opportunities will allow for strong growth momentum.

Gerardo, what impact does the current financial situation in Brazil have on AAK's investment and growth opportunities there?

Gerardo: In the short term the situation is quite challenging given the GDP we saw in 2015 and the forecasts for this year and the next. Also, most of the key economic indicators, such as inflation, unemployment and consumers' expenditure, show negative trends. Despite all this, Brazil continues to be the world's fourth largest chocolate manufacturer, the world's third largest biscuit manufacturer and the world's third largest market for cosmetics and personal care. In addition, most of the leading global and regional players have a strong presence in South America. All these opportunities in the market remain, which makes us confident in achieving our targets.

How will AAK position itself in South America?

Gerardo: With our co-development approach and our full capabilities in place, AAK clearly responds to the key trends and drivers in the challenging market environment of South America. This holds true not only for customers looking for productivity, efficiency and savings, formula optimization, new product development and sustainable solutions, but also for consumers looking for health and wellness, nutrition and functionality, affordability, convenience and sustainability.

Torben, what are the biggest challenges when entering a new market such as the Indian, and how will AAK position itself in the region?

Torben: Although a new market to AAK we believe that we, through our innovative partnership AAK KAMANI, have a very good and close dialogue with the market and the local key players. AAK KAMANI has a unique opportunity to capitalize on growth opportunities going forward, given its strong application focus, a deep understanding of the needs in the market, and a close relationship with customers. Furthermore, in India we have a very well-functioning Customer Innovation Center and we truly believe that working close to our customers is the way forward.

What will the nearest future for AAK look like in your region?

Gerardo: We will consolidate our position as the supplier of choice when talking about innovation and value-adding vegetable oil solutions, and we will deliver upon our promise as the co-development company. We will furthermore achieve an aggressive sales volume growth, capturing our fair market share, while still maintaining our leading position in the market.

Torben: We believe the predicted GDP growth in India will provide additional opportunities and an increased spending power within the industrial and the artisanal food categories. AAK KAMANI plays a leading role in the industry, and we will seek to engage with all relevant opportunities on a national level.

Jan: AAK has a strong reputation and high credibility with our customers in the Russian market. We undoubtedly can stay ahead of the competition simply by acting faster, offer new innovative solutions and strengthen our collaboration in order to deliver more value to our customers, constantly bringing the co-development company alive.



AAK to open its state-of-the-art factory in Brazil

Two years ago, AAK announced that it would construct a new speciality and semi-speciality edible oils factory in Jundiaí, Brazil. Although the company already had a well-established business in Uruguay, particularly within Chocolate & Confectionery, increased production capabilities in the strategically important South American market were necessary for AAK to pursue its global growth strategy. The opening of the plant, which is sure to be a point of reference in the regional market, is confirmed for next month.

With the Jundiaí plant in operation, AAK will take a major step forward in its global growth strategy and it will bring the company closer to its customers in yet another key market. The fully automated, multi-oil and multi-process plant, which will have an initial production capacity of 100,000 MT per year, opens up various business possibilities in a wide range of applications, and will further strengthen AAK's position as a very important supplier of vegetable oils and fats in the Brazilian market.

Ten years ago, AAK began operating with its Cocoa Butter Alternatives line in the region and today the company is a leader within that market. Based on that experience, AAK will not only maintain the level of excellence in its existing products and services but also expand its operations in other markets.

All the processes needed to produce oil, including deodorization, fractionation, hydrogenation and interesterification, will be present in the new unit, always using the best technology in each stage of the process.

The plant has been constructed to ensure that food safety standards are met and that the risk of cross contamination is eliminated.

The infrastructure and layout of the new plant has been designed to provide the best prerequisites for AAK's customers and it includes, among other things, a state-of-the-art Customer Innovation Center.



AAK's new plant in Brazil

- ◆ Located in Jundiaí, São Paulo
- ◆ Annual production capacity of 100,000 MT
- ◆ Temperature-controlled warehouse
- ◆ Food safety standards and certifications:
 - Completely closed building, access controlled
 - ISO 9001, FSSC 22000, Sedex, RSPO



Growth markets – a closer look

South America: A region of great challenges and opportunities

Local currency devaluation, high inflation and increasing unemployment are all part of the political and economic reality present in the major markets of South America today. It is in this reality that AAK traces its Go to Market-strategy, evaluating the many market opportunities and following the main consumer trends. But what does the market landscape in South America look like and what potential does it carry? *Insight* asked representatives of AAK Brazil to find out.

Companies that stand out in adverse times are those who know their consumers very well, who can communicate benefits, develop new uses and applications, and deliver with excellence. AAK would like to think of itself in such a way, which is why it has chosen to invest heavily in South America. Two years ago, the company decided to construct a new speciality and semi-speciality edible oils factory in Jundiaí, Brazil in order to increase its global footprint and bring the company even closer to some of its key customers.

“With this expanded presence in South America, we aim to increase our market share significantly in the focus markets within the next three years”, says Niall Sands, Sales Director at AAK Brazil. “This will be achieved with new capabilities and a strong positioning in specific segments as outlined in our Go to Market-strategy.”

In a globalized world, trends such as convenience, on the go-products, health and wellness, and indulgence are making their ways into growth markets as well, although in a much more tentative way.

“South American consumers have started to ask for value-added products with extra benefits, alternative product brands, and, of course, attractive prices”, says Niall Sands.

Exciting opportunities for AAK

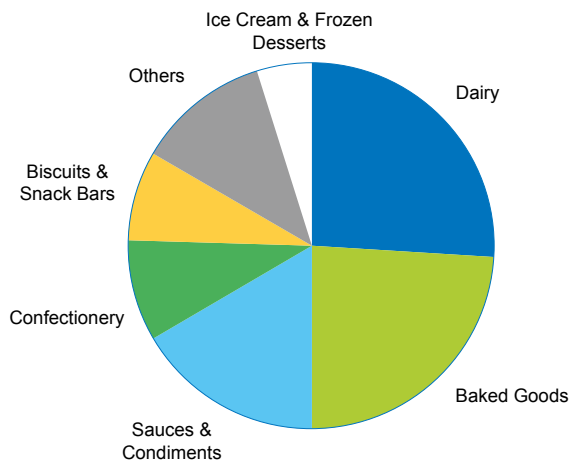
AAK has already today a leading position in the South American market when it comes to Chocolate & Confectionery but the opening of the plant in Jundiaí, with an initial production capacity of 100,000 MT per year, provides exciting opportunities for the Sales and Customer Innovation teams to diversify the existing business into new end-use markets, geographies and channels.

“Our teams have been working frantically over the last couple of months in order to create awareness, assess global and regional customers’ key needs and challenges, as well as generating an extensive opportunity pipeline”, says Rossana Cabral, Market Development Manager at AAK Brazil.

According to the market research company Euromonitor, the South American market for packaged foods is a significant one with approximately USD 150 billion of retail sales, driven by categories dairy, bakery, confectionery, sauces and condiments, and biscuits and snack bars. Brazil and Argentina are by far the biggest markets, followed by Chile and Peru.

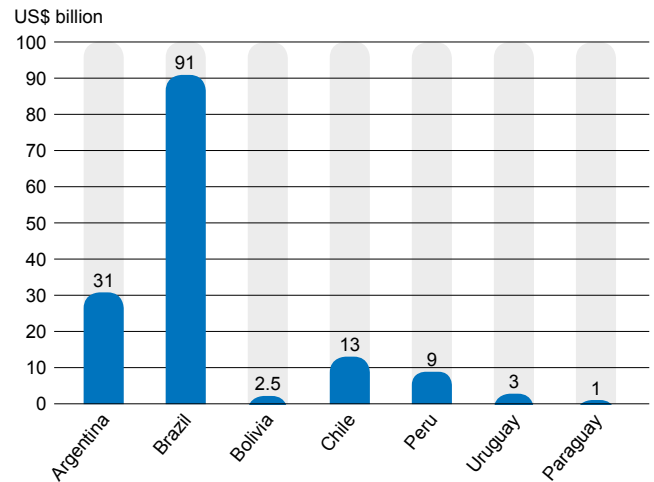
“Given the breadth of the AAK portfolio from a technology and applications perspective, this key market offers us a great opportunity to grow our business using our unique co-development approach with which we collaborate with

Market Landscape – by category



Source: Euromonitor

Market Landscape – by country



Source: Euromonitor

our customers from idea to product launch”, says Rossana Cabral. “We will diversify our business into new channels and markets but will continue to drive our business forward within Chocolate & Confectionery.”

The successful global launch of AAK’s innovative TROPICAO™ solution will of course play a significant part in AAK’s future as the award-winning solution will be brought to customers in the sunny, hot climates of South America.

Collaboration with customers

To support AAK’s co-development approach, the new Jundiaí plant will offer a comprehensive customer experience includ-

ing a state-of-the-art, 400 m² Customer Innovation Center with fully equipped application laboratories for the Bakery, Dairy and Chocolate & Confectionery segments. The center will also include extensive sensory and testing facilities to offer a complete customized solution for AAK customers’ exclusive use.

“It is of course with great enthusiasm and encouragement we enter the next stage of AAK’s journey here in South America”, says Rossana Cabral. “We really can’t wait to meet our customers and support them in achieving their goals.”

Demand exists for healthier bread in Brazil

Chris Brockman, Research Manager, Food & Drink, EMEA Region Mintel

Health issues continue to dominate the agenda in Brazil. Some Brazilians certainly appear to be becoming more health conscious in choice of food. According to Mintel’s Healthy Eating Trends – Brazil report, almost a third of Brazilian consumers of healthy products say that they have changed their diet due to health conditions and that – perhaps for this reason – they wish to see more options for healthy food at the supermarket.

Given that bread was strongly tarnished with the ‘processed food’ tag in the 2014 Dietary Guidelines and consumer media content about bread often focuses on diet trends that recommend avoiding it, there is plenty of work for packaged bread brands to do in order to win over health-

aware consumers. This is especially the case given that the majority of Brazilian consumers still buy their daily bread fresh and unpackaged from local bakeries.

Brazilian packaged bread products are arguably not doing enough to promote health and naturalness in their offering. The focus of claims on new launches is dominated by allergen-free (largely gluten-free because legislation in Brazil requires producers to disclose the gluten status of their products). Other more compelling claims, which are being used successfully in more developed packaged bread markets, such as wholegrain, high fibre, organic, high protein and especially no additive/preservative claims are less present.

MINTEL

India: An emerging market with great potential

Driven by improvements in per capita consumption, the demand for edible oils in India is on the increase. With the current per capita consumption level in the country still below the global average there is great potential for growth. Newly established AAK KAMANI, with its co-development approach, strong team, and unique value-adding solutions, is ready to service the fast-growing market of India.

When AAK in September of 2015 acquired 51 percent of the shares of Kamani Oil Industries Pvt Ltd., the enormous potential of the Indian market was, of course, of particular interest. But of equal importance was the fact that Kamani's customer and market approach, with great focus on technical expertise and customer co-development, was very similar to AAK's. With its long and customer-oriented commitments Kamani had positioned itself as a leading supplier of speciality and semi-speciality oils and fats to the major food processing industries in India.

"There is no doubt that our partnership with AAK significantly enhance the capabilities in the Indian market", says Prakash Chawla, CEO, AAK KAMANI. "By developing unique value-adding solutions together with our customers, we enable them to launch superior food products."

In addition to the increase in edible oils consumption (currently around 19 million MT, a figure that is expected to reach 26 million MT by 2025) there is also a growing demand for healthier oils among consumers in India. Health is therefore a primary focus for manufacturers and trans-free products are being marketed by many companies.


"Edible oils are an integral part of the traditional Indian diet, and health and nutrition has as of late become major aspects in everyone's lives", says Prakash Chawla. "At AAK KAMANI, we offer a whole range of trans-free products for different applications such as bakery, culinary, confectionery, frozen desserts, nutraceuticals, and infant nutrition."

State-of-the-art facilities

To cater to the needs of a growing global food market and to better serve its customers, AAK KAMANI has a world-class vegetable oil processing unit at its disposal. The manufacturing facility, which is certified according to FSSC 22000, ensures flexibility and quality as well as an optimum production capacity with minimum wastage and a deep respect for the environment and food safety.

In addition, AAK KAMANI last year obtained a GMP certification from the local FDA to manufacture pharmaceutical grade oils. The facility is equipped with strict quality control measures to meet rigorous





global quality norms of physical, chemical and microbiological parameters. The certification assures AAK KAMANI's customers about the integrity of the company's manufacturing process as well as of its compliance with the stringent FDA regulations.

Growth trends within most segments

One of the fastest growing food categories in India is ice cream and frozen desserts. The industry is growing at the rate of 17 percent value-wise, with a huge market potential. AAK KAMANI manufactures a wide range of trans-free vegetable fats to the industry, providing its customers with not only healthier but also less expensive alternatives to dairy fats, without compromising on taste.

The chocolate and confectionery category is also expected to grow within the next couple of years, mainly due to consumer preferences, rising disposable incomes and changes of lifestyle.

"In 2015, sales within chocolate and confectionery in India nearly reached USD 1.9 billion value-wise and it is expected to reach USD 3.3 billion by 2020", says Dr. K.D. Yadav, Senior Vice President, AAK KAMANI.

The Indian bakery industry has witnessed a phenomenal growth during the past years. The industry, which is currently dominated by the artisanal sector, is mainly comprised of bread, cakes, biscuits and cookies, where bread and biscuits

account for more than 80 percent of the total bakery products in the country, with cakes and pastries rapidly catching up.

The market within infant nutrition is also experiencing growth, mainly driven by an increasing female working population, urbanization, a rising trend of nuclear families, and above all, convenience.

"AAK KAMANI supplies a wide range of vegetable oils for infant nutrition", says Dr. K.D. Yadav. "These infant grade oils meet the stringent global quality standards and are manufactured under rigid quality control to ensure product safety. We also develop and supply tailor-made oil blends in line with our customers' requirements."

Combined with the state-of-the-art manufacturing facilities and its customer co-development approach, all these very promising growth trends leaves AAK KAMANI's CEO Prakash Chawla full of hope for the future.

"With a continued focus on quality, health, food safety, innovation and strong customer engagement coupled with our world-class facilities and workforce, we have all the prerequisites to succeed in the fast-growing markets of India."

Single-sourced chocolate grows in popularity in India's developing chocolate market

MINTEL

Marcia Mogelonsky, Director of Insight Mintel Food and Drink

In contrast to developed markets, there have in emerging markets been increases in volume sales of chocolate: in India growing by 14 percent, whilst per capita consumption grew by 13 percent between 2014 and 2015.

Today, Africa produces the lion's share of the world's cocoa but cocoa is found in a number of other countries: the crop grows in the zone that ranges from 20 degrees south of the equator to 20 degrees north of the equator. And, as consumers become more interested in cocoa content, cocoa sources, and authenticity, they are starting to investigate

options beyond Africa, presenting opportunities for cocoa growers in Asia, Latin America and the Caribbean.

The growing interest in cocoa from small or unusual sources, is notable as cocoa from Oceania appears in India and products from the Caribbean become more popular in Europe.

As single origin chocolate becomes more popular with consumers, it is likely that a selling point will be a product's exclusivity. Cocoa considered to be "rare" or "heirloom" will fetch significantly higher prices.

Growth markets – a closer look

Russia: Sanctions spur local production

The past year in Russia saw a 13 percent official inflation and a double-digit rouble devaluation. International sanctions have put investments on hold as focus has been on securing existing businesses rather than planning future expansions. The economic situation has weakened Russian consumers' spending power while the embargo has opened up possibilities for local producers and non-EU countries. AAK's General Manager in Russia, Vadim Dzyavoruk, explains how the enormous potential in a vast, growing market could be utilized.

With an up-and-coming dairy industry, a bakery segment under constant development, and a well-established chocolate and confectionery industry, there is undeniably great potential in the Russian market for edible oil solutions.

The chocolate and confectionery industry in particular offers great growth opportunities despite the region's current economic situation.

The industry saw a 25 percent decline in 2015. Russian consumers' purchasing power is under pressure which has resulted in an increased interest in mid- and lower-priced products.

"In a situation like this, consumers become more rational moving purchases towards less expensive candies and even biscuits", says Vadim Dzyavoruk, General Manager AAK Russia. "Chocolate coated biscuits was actually the fastest-growing product group in 2015 with a 13 percent growth as it has become an affordable alternative to confectionery products."

The confectionery industry, as well as the dairy and bakery industries, are driven by large multinational corporations and there is a great interest in becoming less dependent on imports and more focused on local production. Herein AAK sees important growth opportunities.

"Our customization plant in Saint Petersburg is very supportive of CBE projects", says Vadim Dzyavoruk. "At AAK we want to increase the number of co-development projects focusing on solving problems concerning shelf life and quality, and we want to promote affordable solutions within CBE, CBR and filling fats to existing as well as to new customers."

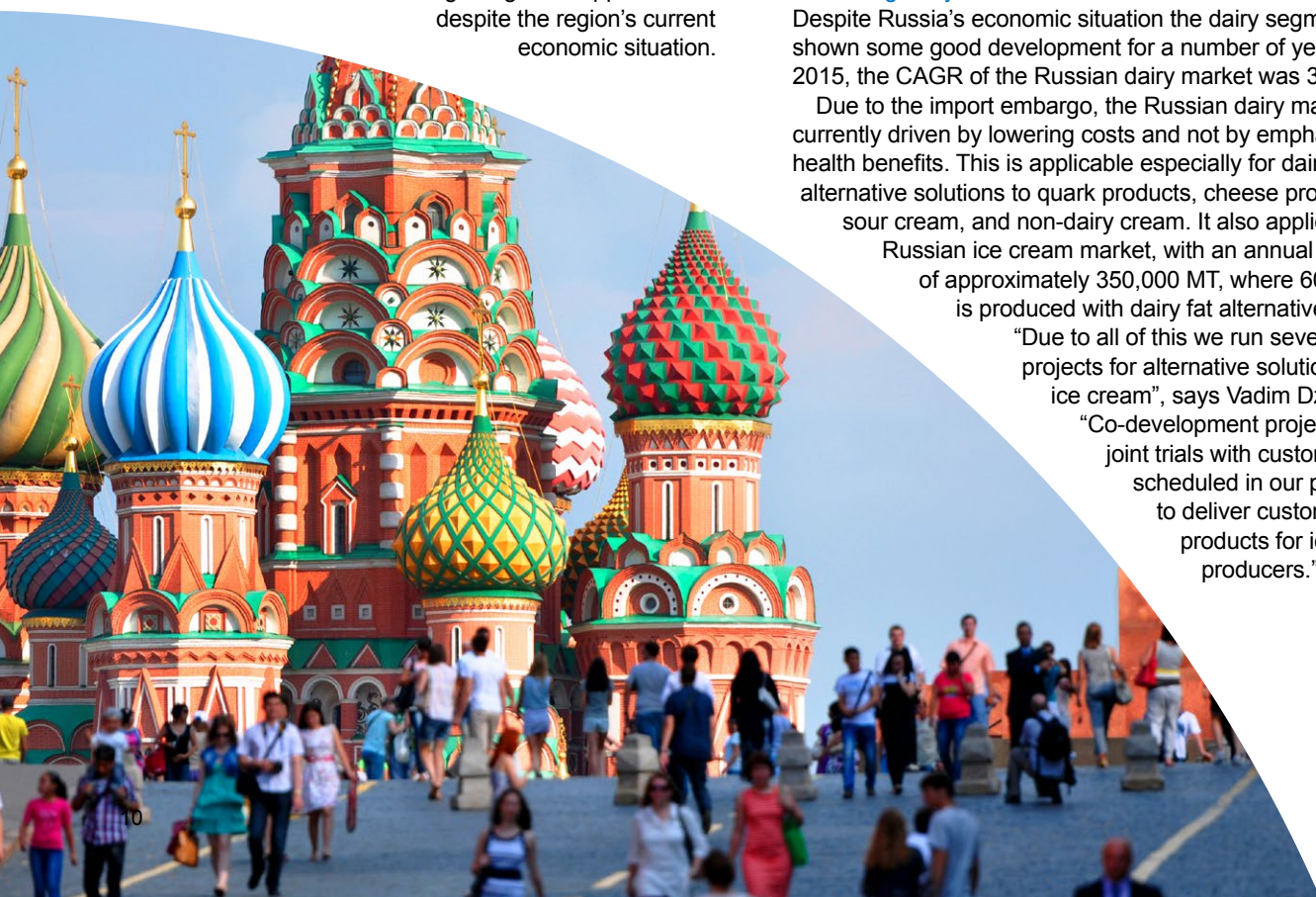
Promising dairy market

Despite Russia's economic situation the dairy segment has shown some good development for a number of years. In 2015, the CAGR of the Russian dairy market was 3 percent.

Due to the import embargo, the Russian dairy market is currently driven by lowering costs and not by emphasizing health benefits. This is applicable especially for dairy fat alternative solutions to quark products, cheese products, sour cream, and non-dairy cream. It also applies to the Russian ice cream market, with an annual volume of approximately 350,000 MT, where 60 percent is produced with dairy fat alternatives.

"Due to all of this we run several projects for alternative solutions for ice cream", says Vadim Dzyavoruk.

"Co-development projects and joint trials with customers are scheduled in our pilot plants to deliver customized products for ice cream producers."





Many bakery opportunities

Bakery is another segment under constant development and with many opportunities. As mentioned before, chocolate coated biscuits have recently become popular in Russia as it is an affordable alternative to more expensive confectionery products.

Also, the health trend in Russia is, just as in other parts of the world, on the rise and could stimulate consumers to choose bakery products made with healthier solutions, which poses another good opportunity for a company like AAK.

So, in spite of international sanctions and a tough economic situation, there are great growth opportunities in the Russian market for edible oil solutions. AAK has a good reputation and high credibility with customers in the Russian market, and this is something that Vadim Dzyavoruk wants to utilize.

“Going forward, we will further strengthen our customer relations and add even more value to the collaborations. We will furthermore increase the quality and the quantity of our pipeline with new co-development projects following market needs across categories.”

New cheeses aim to meet demands in Russia

Caroline Roux, Research Manager Food and Drink at Mintel



The Russian government has prolonged a ban on cheese imports from the EU and the US after sanctions on the country were extended. The import embargo has also affected Russian consumers, who have developed a taste for Western cheese in recent years.

The ban has certainly been a boon for the domestic cheese industry. This has also led to a significant rise in product development as local brands rush to fill the gap left by multinationals. Mintel research shows that cheese innovation actually increased by 47 percent year-on-year in Russia during 2014, with product numbers in the first seven months of 2015 set to surpass even this high.

One of the most interesting impacts of the ban has been the rise of faux-European cheeses by domestic producers, who have been called on to curdle their own versions to meet demand for continental cheeses. Many smaller farms had already been trying to recreate European-style fine

cheeses for the budding Russian artisanal movement in the years preceding the sanctions, making them well-positioned when they were suddenly introduced.

The embargo has also created opportunities for brands from non-EU countries to establish supply in a vast, growing market. Retailers have seen imports to Russia fall sharply, but are still importing from countries not affected by the ban, including Belarus, Serbia and Switzerland.

A number of Serbian producers have launched feta cheeses on the retail market in recent months, while Belarusian dairies have experimented with a variety of types, including ricotta. Launches of the Georgian delicacy Suluguni, which has a similar appearance to mozzarella but with a stronger flavour, have also grown significantly in the last 12 months, with many brands suggesting it as an alternative to mozzarella on pizza.



AAK – The Co-Development Company

The Co-Development Company. What is really in that brand promise from AAK? In a simplified way you could say that AAK collaborates with its customers – from idea to product launch – in order to create value-adding solutions. But how does it work? *Insight* asked some of AAK's teams around the world to share some recent successful co-development stories.



Customer Co-Development in Mexico

Cost-effective innovation for a “no cholesterol” dairy product

At AAK Mexico, we often organize workshops for our customers during which we have the opportunity to work closely with many of their different departments, such as R&D, Marketing, Production and Quality. At a recent workshop session we identified that a customer needed to enter new markets with one of its dairy products. In order to gain market shares the customer had to do something different without increasing costs.

To meet our customer's challenge we started to work on a differentiated fat called Akofluid D17 which would give the final product healthy properties, without interfering with the flavor profile. Akofluid D17 is low in trans and saturated fats and the product could in Mexico be labeled with “No cholesterol”. This way, the purchasing decision of the end consumer was not only driven by price but also by healthy benefits.

Many trials were conducted at AAK's pilot plants in order to make our customer's product. We offered an integral solution and shipped our Akofluid D17 in a cost-efficient and environmentally-friendly manner.

Our customer's product has now been launched with increased sales and a growth in the forecast.

José Concepción Hernández Raya
Frying and Dairy solutions Manager, AAK Mexico

Customer Co-Development in Sweden

CEO at Nyåkers: “With AAK, our products have higher quality at a lower cost”

AB Nyåkers Pepparkakor is a family-owned business located in the Northern part of Sweden and the world's second largest producer of ginger breads, the company's main focus product. Besides ginger breads, other short breads of different varieties can be found in the company's portfolio. About 35 percent of Nyåkers' production is exported, mainly to Europe, the U.S., the Middle East and Japan.

In 2014, AAK and Nyåkers started a project together aiming at improving efficiency by simplifying the stock keeping, optimizing the ingredients used and improving the working environment. The cooperation has developed well over the years with new exciting projects in the pipeline.

“Our cooperation with AAK is characterized by value creation and high customer service”, says Christoffer Sai Öhberg, CEO at Nyåkers. “Since AAK started supplying to us, our products have higher quality at a lower cost. In addition, our ability to innovate has increased.”

Christoffer Sai Öhberg cites the professional reply to various requests as one of the main reasons for choosing to work with AAK.

“AAK has high integrity, responsiveness and transparency. They're always awake, always ready, always hungry. They represent the change that the industry has needed for so long.”



The fact that AAK is present in emerging markets and close to end consumers is also of value to Nyåkers. The company's latest launch in the export markets is a range of flavored ginger breads which have shown to be popular in the U.S.

The company has a clear strategy to be in the premium segment with products of highest quality and to never compromise on taste. To achieve this, Nyåkers only use the best ingredients available.

“Nyåkers demands a lot from us as a supplier, but the success of their products in the market is great proof that our targeted work with continuous improvements in close cooperation with our customers is the right way forward”, says Johan Malm, AAK's sales representative for Nyåkers. “This is exactly how we achieve long-lasting results together with our customers.”

*Ted Fyke
Regional Sales Director, Nordic & Baltics*



Customer Co-Development in China

AKOSNAC Y – a cost-efficient and healthier popcorn solution

Popcorn is a very popular snack food in China. Many popcorn manufacturers in China use coconut oil in their production which isn't ideal since coconut oil prices tend to fluctuate and are quite high at times. Furthermore, coconut oil has a high content of saturated fatty acids (SFA 90%), which is why manufacturers, focusing on cost efficiency and health, have started to look for alternatives.

To support the manufacturers, we have developed a new solution called AKOSNAC Y. The solution, which is blended vegetable oils, has reduced SFA by 40% compared to traditional coconut oil, while still ensuring the flavour. The solution is in full compliance with national food legislation.

AKOSNAC Y has a higher performance in colour and flavour than traditional coconut oil and can be added into popcorn recipes with the same proportions as simple refined oil. In addition, AKOSNAC Y is much more price stable compared to coconut oil.

Another customer challenge, particularly in colder weather, is that coconut oil must be put into a tank and melted from solid to liquid prior to production. This causes a lot of waste, bad odour and an increased peroxide value in the procedure.

After discussions with representatives from production, supply chain and R&D, we eliminated these negative side effects by creating a 20 liter pail tin package which could be heated by a gas cooker in a very short time, melting the fat to a liquid. The result – no bad odour and an ensured quality, no tank installation required and lots of manual costs saved.

Our customer is very satisfied with AKOSNAC Y and many new customers have shown interest in our solution.

*Alva Zhang
Marketing and Business Development Manager, AAK China*

Innovation awards create great sales leads



Food ingredients

EUROPE
INNOVATION
AWARDS 2015

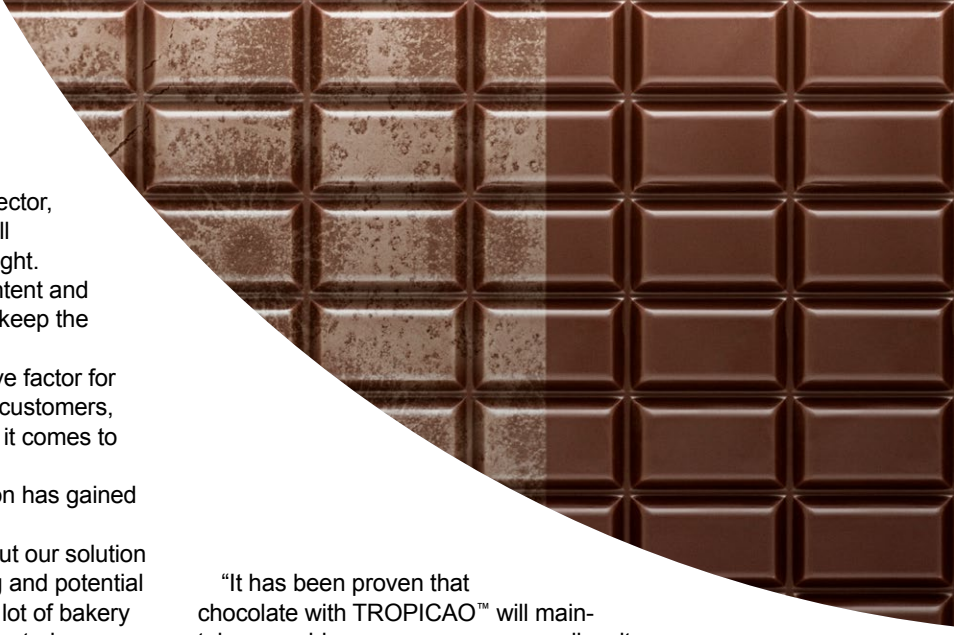
WINNER

Winning two prestigious awards at the Food ingredients Innovation Awards in December was, of course, a great recognition of AAK's unique solutions to the bakery and confectionery industries as well as of its teams behind the innovations. But more importantly, the innovative solutions have created great interest and many potential leads for AAK.

Launched in 1986, Food ingredients Europe (FiE) is the global meeting place for all stakeholders in the food ingredients industry. When held in Paris, France in December of last year, the FiE Innovation Awards jury handed out nine different awards to recognize innovative companies in the European food ingredient industry. AAK was awarded best confectionery innovation for its revolutionary chocolate solution TROPICAO™, and best bakery innovation for Akopastry HP.

Akopastry HP, which is actually two separate solutions (Akopastry HP 400 and 200), has been developed for industrial puff pastry manufacturers and show significant cost efficiency. In addition, products with Akopastry HP show an improved structure of the pastry as well as an improved nutritional profile.





"The concept can be used in two different ways", says Mats Persson, AAK Marketing Director, Bakery. "With Akopastry HP 400, you reduce all of the raw materials while retaining the puff height. With Akopastry HP 200, you reduce the fat content and compensate with other raw materials, and still keep the same puff height and weight."

Cost efficiency is a very important competitive factor for many bakery producers, especially since their customers, mainly the retailers, are very demanding when it comes to pricing of bakery products.

After winning the award at FiE, AAK's solution has gained further interest within the bakery industry.

"We have been asked a lot of questions about our solution and it has now been presented to both existing and potential puff pastry customers", says Mats Persson. "A lot of bakery media have also noticed the concept and presented our solutions in their publications. Our next step is to present Akopastry to existing as well as potential customers outside of Europe where the concept should be at least as interesting as in Europe."

Enormous interest in chocolate solution

AAK's TROPICAO™ solution has been developed to overcome heat-related bloom, the most frequent reason for chocolate quality complaints in hot climates. With AAK's innovative solution, chocolate manufacturers in hot climate markets such as Latin America, Asia and the Middle East are able to produce bloom-stable chocolate and still maintain the chocolate's sensorial properties.

"It has been proven that chocolate with TROPICAO™ will maintain a non-bloom appearance as well as its sensory attributes when exposed to temperatures up to 37°C (98.6°F)", says René Schou, AAK Marketing Director, Chocolate & Confectionery Fats.

When TROPICAO™ was launched in September 2015, a lot of chocolate manufacturers around the world showed great interest in the solution. After winning the FiE award in December, that interest has increased significantly.

"We have seen an enormous interest for the TROPICAO™ concept and our pipeline of customer projects with the solution is building up with a speed never seen before", says René Schou. "We have our first customer up and running with TROPICAO™ already, which confirms the greatness and reliability of the solution."

Update from AAK

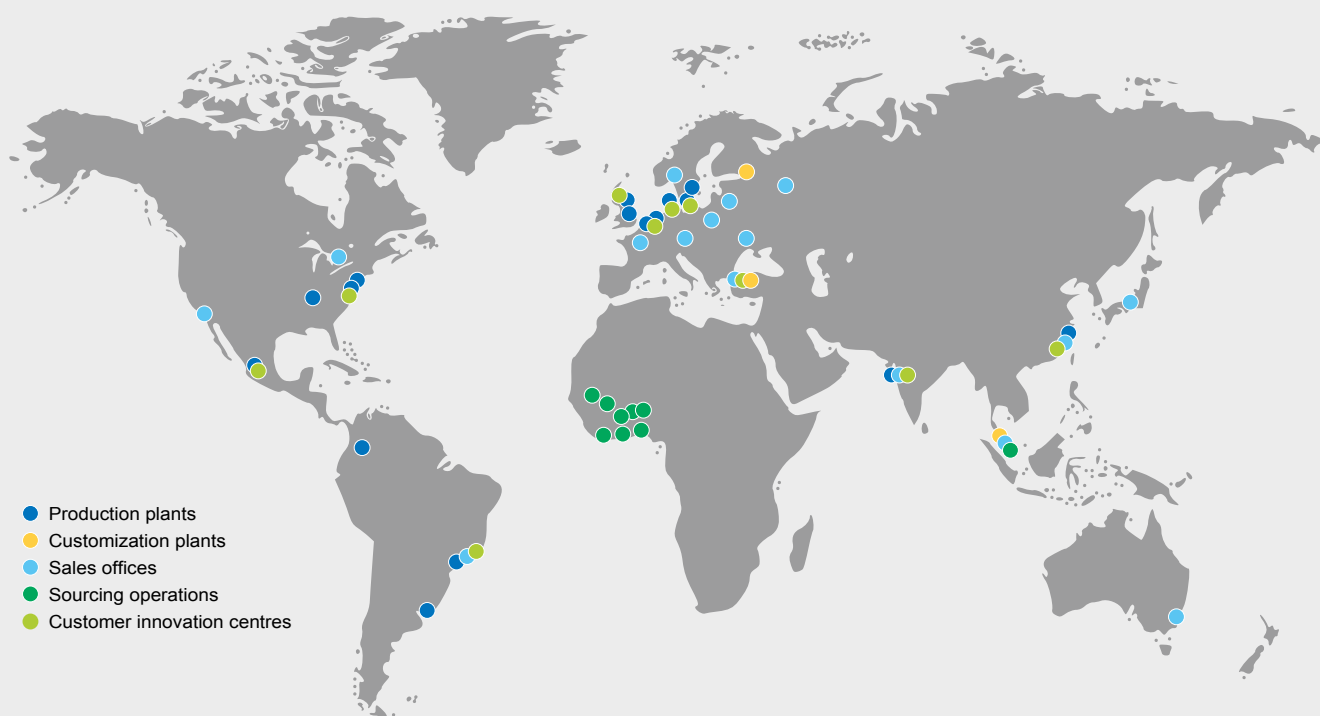
- AAK has acquired the assets and activities of Belgian company TLC, previously part of the BNLfood Group. TLC, with its base in Bastogne, Belgium, has been a customer to AAK for many years and is specialized in extracting phospholipids from egg yolk. These phospholipids have been supplied to the nutrition market under the brand OvoLife.

Phospholipids extracted from egg yolk offer additional benefits when included in nutrition formulas and reinforce functions of the brain, the eyes and the immune system at all life stages. By blending these phospholipids with Akonino®, AAK's solution for infant formulas, AAK will be able to extend its product range within the infant nutrition market and the nutrition markets in general, with new advanced customer co-developed products. The new products containing extracted egg yolk phospholipids will be branded Akonino® PL.

Egg phospholipids are important ingredients in nutrition formulas and the investment will help AAK to expand its infant nutrition portfolio.

Today, Akonino® PL is only sold in Europe but AAK's ambition is to expand sales outside of Europe during the coming years, with focus on Asia.





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AAK's proven expertise is based on 140 years of experience within oils & fats. With our headquarters in Malmö, Sweden, 19 production facilities and customization plants, and sales offices in over 25 countries, our more than 2,700 employees are dedicated to providing innovative value-adding solutions to our customers.

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