

The background is a collage of four horizontal panels. The top panel shows a low-angle shot of tall, thin trees against a blue sky. The second panel shows a close-up of white liquid splashing. The third panel shows a microscopic view of several large, circular, light-colored cells or droplets. The fourth panel shows a close-up of golden liquid being poured into a glass. The bottom panel is a dark blue band containing the main title and a faint image of two people in profile.

CREATING CUSTOMER VALUE

TETRA LAVAL 2014/2015

TETRA LAVAL

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CREATING CUSTOMER VALUE

The Tetra Laval industry groups have developed a strong competence and experience within their respective markets over many decades, providing customers with solutions that accelerate their business development and solves their problems. Thousands of employees around the world at Tetra Pak, Sidel and DeLaval share a single mission: To identify customer needs and develop sustainable solutions faster and better than anyone else.

Investing in product development is a prerequisite for making customers successful in their marketplaces. This is the case with Tetra Evero Aseptic, the world's first aseptic carton bottle for milk, Sidel Matrix™ – the latest generation of PET bottling equipment, and new automated milking systems and animal welfare products from DeLaval. We develop products, systems and services that make use of our latest technologies and advanced research, and that are easy to implement, maintain, and adapt to changing business contexts.

Creating value to customers goes beyond the products we offer. All our efforts are directed to creating customer value and cementing our role as a true partner to our customers. Whether we are exploring new inventions together or planning a new customer production site. We must always show what value we can add to the equation, for instance, by discovering or implementing customer and consumer insights. Creating value for customers is our way of staying ahead of very vigorous competition.

CREATING CUSTOMER VALUE is the very foundation for the three industry groups in Tetra Laval. For many decades they have developed their experience and thorough competence in how to best serve customers within their respective markets. Common to Tetra Pak, Sidel and DeLaval is their focus on innovation – to be at the technological forefront and deliver new, exciting products and sustainable solutions that make their customers more successful and competitive. Below you will find examples of how these industry groups have created true added value for their customers.

SIDEL SIGNIFICANT COST AND ENERGY SAVINGS FOR COCA-COLA REFRESHMENTS

By implementing its ECO Booster™ service, Sidel has helped Midwest Coca-Cola in Minnesota, an operating unit of Coca-Cola Refreshments, to make significant reductions in both the blowing pressure and the electricity usage of four SBO blow moulding machines. Across 10 different bottle formats, the average reduction in blowing pressure was 45.9 per cent and the average reduction in oven energy consumption was 22.3 per cent. At the start of the ECO Booster service, on-site production conditions are fully measured and analysed by specialists from the recently created Sidel Services™ business unit and thereafter a plan of action is proposed and implemented.



TETRA PAK SUSTAINABLE PACKAGING

Tetra Pak has introduced the world's first carton package made entirely from plant-based, renewable materials: the Tetra Rex® Bio-based. The carton uses low-density polyethylene (LDPE) films and high-density polyethylene (HDPE) closures that are derived from sugar cane, rather than oil or gas.

TETRA PAK PACKAGE INNOVATIONS FOR APPEAL AND EFFICIENCY

Two new optional packaging shapes, the Slim Leaf and the Base Crystal, were launched in 2014 to offer customers a fresh branding opportunity, increased product differentiation and stronger consumer appeal. They can both be produced through a low-investment optional upgrade kit installed on a customer's existing filling line and distribution equipment. They also maintain transportation efficiency, and have improved package shape integrity. Tetra Pak launched Leaf in the Middle East, and Crystal in Pakistan.



TETRA PAK FORTIFIED UHT YOGURT IN ECUADOR

Ecuador has one of the highest rates of malnutrition in Latin America. With support from GAIN, the Global Alliance for Improved Nutrition, a new product has been launched to address children's need of sufficient nutrition; LeNutrit, a low-sugar UHT yoghurt made with milk and whey, and fortified with vitamins and minerals. It is packed in Tetra Classic Aseptic® 100ml pack, a low-cost solution that meets the necessary food safety requirements.



SIDEL **BIGGEST SIDEL COMBI EVER FOR CARBONATED SOFT DRINKS**

The giant Argentinian beverage producer, Refres Now, has invested in the biggest Sidel Combi ever built for filling carbonated soft drinks and in doing so has achieved a reduction in energy consumption of some 17 per cent, as well as significantly improved bottle stability. Part of a complete line, the Sidel Combi was installed at the company's bottling plant at La Matanza as a high-tech solution for bottling family-pack sizes, which are in great demand in Argentina.



DELAVAL **NEW FEEDING SYSTEMS LAUNCHED IN GREAT BRITAIN AND IRELAND**

Feeding systems are not yet common in Great Britain and Ireland, where dairy farmers often feed animals with a feeding wagon or a silage clamp. DeLaval has now introduced a new pathway to dairy farm efficiency, with the launch at the annual Livestock event in Birmingham of the customisable DeLaval Optimat and DeLaval Optifeed feeding systems. Optimat components, which are the main components of the Optifeed system, have been shown to increase milk production, reduce feed waste, and reduce workload, as proved in customer trials at the Debelgaard farm in Denmark.

DELAVAL **TRAINING FARM ENTREPRENEURS IN INDIA**

DeLaval has organised a special six-day residential training programme for 43 dairy farming entrepreneurs from all parts of India. The first session in July offered 43 people training and practical farm visits with successful dairy farmers. The programme was carried out in collaboration with the Krishi Vigyan Kendra farm science centre in Baramati, and aims to share knowledge about new technologies on commercial dairy farms. India must increase milk production as it is expected to be the world's most populated country by 2030.

TETRA PAK **PACKING PREMIUM WALNUT DRINKS IN CHINA**

In August 2014, drinks producer Wahaha launched its new premium walnut beverage in TBA 250 Edge with Helicap. Wahaha thus became the first company in China to sell walnut drink in cartons. Metallised film was used in the carton's design, to ensure strong associations with walnut drink's tin-can heritage, while also creating a premium quality image for the brand. The effect of this modern look and excellent functionality are expected to appeal to city dwellers' pursuit of nutrition, health and individuality.



SIDEL **FIRST SIDEL MATRIX™ SYSTEM INSTALLED IN AFRICA**

The first Sidel Matrix system to be installed in Africa, for leading producer Coca-Cola SABCO (South African Bottling Company), has already achieved 95 per cent line efficiency in its validation trials for a two-litre bottle. The innovative solution, originally launched by Sidel in 2013, is now installed in the major urban centre of Polokwane, South Africa and is gaining a foothold in many other countries throughout the world.

DELAVAL **DELAVAL WINS BRAZILIAN AGROLEITE TROPHY... FOR THE NINTH TIME**

In August, DeLaval won the Agroleite Trophy for the best milking equipment category over two other dairy farming sector companies. This is the ninth time DeLaval has won this prestigious award. Agroleite is the largest and best-known dairy farming exhibition in Brazil, and this trophy is the most important and coveted trophy in the Brazilian dairy sector.



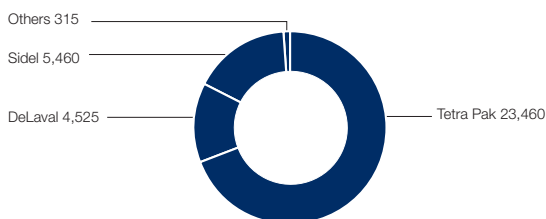
The Tetra Laval Group consists of three industry groups, Tetra Pak, Sidel and DeLaval, all focused on technologies for the efficient production, packaging and distribution of food.

The head of each industry group has operational management and operational capital responsibility for their respective industry group and reports directly to the Tetra Laval Group Board. The Group Board is responsible for the overall strategy of the Group and for controlling and supervising all of its business operations.

The chairman ensures the implementation of the Group Board decision and the implementation of strategy and policy for the group.

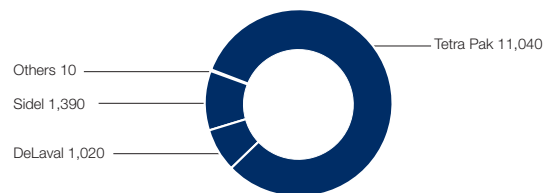
NUMBER OF EMPLOYEES, DECEMBER 2014

Tetra Laval Group 33,760



NET SALES 2014, IN MIO EURO

Tetra Laval Group 13,455



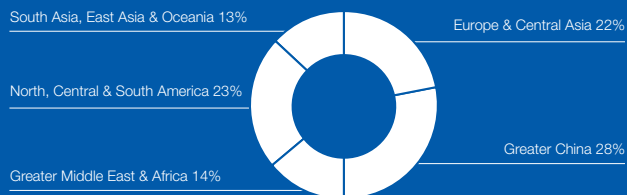


PROTECTS WHAT'S GOOD

Tetra Pak is the world leader in liquid food processing and packaging. The business of the company includes much more than the packaging of liquid food products. We also provide a range of processing and packaging equipment for use with a broad array of products, from ice cream and cheese to dry foods, fruit, vegetables and pet food. By developing packages that don't require refrigeration and preserves the nutritional value and the taste of products, the distribution of such food products to consumers has been greatly facilitated.

TETRA PAK ORDER INTAKE BY GEOGRAPHY, 2014

Packaging machines and Distribution equipment



TETRA PAK SALES SPLIT BY MARKET SEGMENT, 2014

Of 78,223.5 million litres of products:



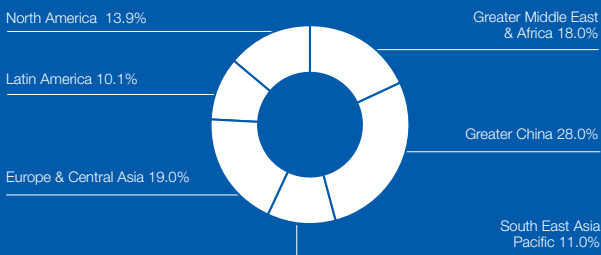


■ Markets served

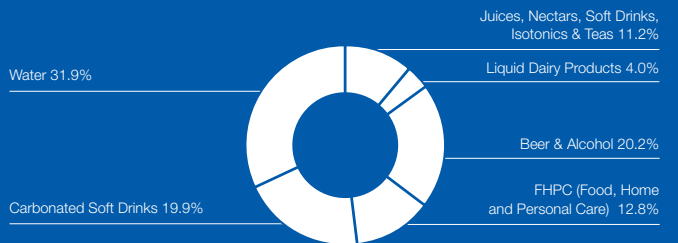
A BETTER MATCH FOR SUSTAINABLE LIQUID PACKAGING

Sidel provides packages for beverages enjoyed by consumers all around the world. Our purpose is to help brands protect the product inside, preserve the planet outside and touch the lives of millions of people every day. We do so by offering complete and modular PET packaging solutions, including people, services and equipment. Each of our more than 5,000 employees, representing over 60 different nationalities and spread over five continents, is committed to creating the optimum liquid-packaging solution. We call it A Better Match – for our world, our customers and ourselves.

SIDEL SPLIT OF EQUIPMENT ORDER INTAKE BY GEOGRAPHY, 2014



SIDEL SPLIT OF EQUIPMENT ORDER INTAKE BY MARKET SEGMENT, 2014



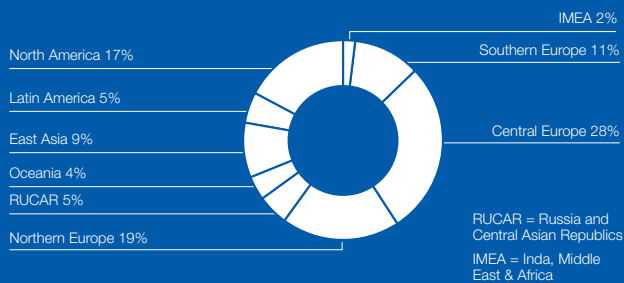


■ Markets served

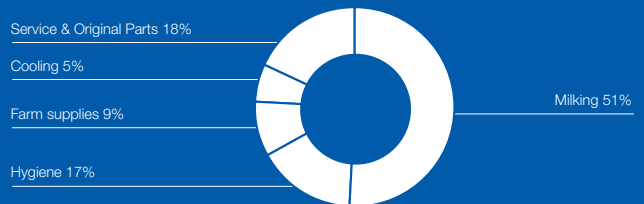
WE MAKE SUSTAINABLE FOOD PRODUCTION POSSIBLE

DeLaval is a full-service supplier to dairy farmers. The company develops, manufactures and markets equipment and complete systems for milk production and animal husbandry worldwide. Service and sales of a wide range of accessories are also key aspects of DeLaval's operations. The company supplies highly efficient system solutions for milking, herd management, animal traffic control, feeding, cooling, manure handling, ventilation and energy recovery.

DELAVAL SALES SPLIT BY GEOGRAPHY, 2014



DELAVAL SALES SPLIT BY MARKET SEGMENT, 2014



Positive achievements in a challenging business environment



2014 can certainly be classified as a very challenging year for the Tetra Laval Group. There was intense competition in all markets. Foreign exchange movements were unusually frequent and significant, and the global economic recovery was slower than expected. Nevertheless, the industry groups of Tetra Laval adapted to this difficult situation and people worked diligently on doing the right things. Because of

these efforts, 2014 turned out better for the Group than we anticipated earlier in the year. All in all, the Group increased net sales by 2 per cent to €13,455 million. Price pressure and competition forced Tetra Laval industry groups to improve efficiency by taking actions to reduce costs and to adapt our organisation and our manufacturing footprint to the changing demands of the market. These efforts gave the Group a stable

return on sales and a satisfactory cash flow. I would like to take the opportunity to express my gratitude for all the outstanding achievements by our employees – it was a great effort.

SOLID RESULTS BY TETRA PAK

Tetra Pak achieved a great deal in 2014. Tetra Pak coped with the declining market for packaging material and still managed to deliver 180 billion packages, which was slightly higher than the year before. The strong demand for the new advanced formats of Tetra Pak's packages was gratifying and this segment grew by about 30 per cent. Processing Solutions enjoyed strong growth – 60 per cent of sales is now outside the traditional liquid milk segments, with a favourable demand for processing equipment for cheese, milk powder and ice cream. Processing Solutions also added specialist competence through its strategic acquisition of the Swiss company Miteco. Technical Services reported double-digit growth with a strong demand for service contracts and guaranteed performance to secure improved efficiency in the customers' processes. Overall, Tetra Pak increased its net sales by 1.7 per cent compared to 2013.

Reducing the number of market clusters from ten to five was an important 2014 initiative to reduce complexity and cost while adapting to the changing customer base. Many of Tetra Pak's customers are consolidating within their segment of the food chain and prefer to have a single, central interface with their suppliers; this fits our new cluster organisation well. Finally, Tetra Pak continued to work on its manufacturing footprint, relocating production capacity outside Europe.

SIDEL OPERATED IN A DIFFICULT MARKET

Sidel operated under difficult market conditions with a lower demand for capital equipment than expected. While equipment sales were flat, Sidel improved its service performance and aftermarket sales grew by 4.5 per cent. Overall, net sales were flat for Sidel in 2014. The roll-out of the Sidel Matrix™ – our latest generation of PET bottling equipment based on a modular platform – continued with many positive reactions from customers. From a long-term perspective this modular design will be an important factor in the market and we have high expectations for commercial developments. Lower demand for capital equipment in certain markets was partly offset by the strong development of Sidel in China during the year. Having production locally, Sidel can operate close to its customers and supply them with high-quality, state-of-the-art machines – much appreciated by the Chinese customers.

OUTSTANDING RESULTS BY DELAVAL

DeLaval had an outstanding year with very strong fundamentals in all parts of its business. Net sales grew by 7.5 per cent, of which sales of capital equipment grew by 9 per cent and aftermarket products and service by 8 per cent. The strong sales development as well as the company's cost efficiency initiatives contributed to a good return on sales. DeLaval has also managed to develop a strong product portfolio and thus achieved a good balance with about 50 per cent of sales in capital equipment and 50 per cent in aftermarket operations. In 2014 DeLaval demonstrated that it has greatly improved its supply chain operation and performance.

MODEST GROWTH IN MAIN MARKETS

Growth was modest in China due to competitive pressure, although Sidel performed well there. The Brazilian

market is affected by a general recession but the Group had a good result there as we produce goods within the country. The geopolitical situation in Russia and Ukraine affected the Group's performance negatively. This was also true, with the effects of the unrest in the Greater Middle East. In North America Tetra Pak and DeLaval had satisfactory developments, as well as in Oceania.

TLI – STRONG SUPPORT TO THE BOARD AND THE INDUSTRY GROUPS

TLI – Tetra Laval International had a busy year, amongst other things playing a key role in managing currency exchange and hedging for commodity costs. TLI also supported the remuneration committee of the Tetra Laval Board in setting performance measures for the key indicators of cash flow and return on sales, and moreover to assist them in preparation of incentive programmes and budget guidelines. Additionally, TLI helped the Board to increase visibility of returns on investment of the industry groups, such as with capital expenditure, R&D spending and restructuring projects. Other important responsibilities of TLI were the biannual update of the corporate governance framework and the review of the risk management analysis, which identifies and assesses different kinds of risks, from financial and currency risks to geopolitical and cyber risks.

CUSTOMER VALUE GOES TO OUR ROOTS

This year's theme – creating customer value – goes to the very roots of the Group. For some 60 plus years we have always strived to provide value to our customers. To perfect and always improve our offer and our support to customers is a common part of the Group culture. You will read of a number of good examples of R&D for each industry group further on in this report. Sidel has invested resources in developing the Predis™ filling line, which through its dry sterilization technology saves bottle rinsing and requires less

chemicals. This benefits both our customers and the environment. DeLaval is currently working on the next generation of robotic milking equipment, which will improve dairy farm efficiency and working conditions on the farm. Tetra Pak is focusing on processing speed, sustainability and how to reduce waste, again saving costs and reducing our customers' environmental footprint.

CAUTIOUSLY OPTIMISTIC FOR 2015

I am cautiously optimistic for 2015, despite numerous political and economic uncertainties around the globe. We have the opportunity to continue modest growth and to perform reasonably well, based on the many important initiatives that have been taken within the Group. Many of them involve the competitiveness programmes being carried out in all industry groups. Others deal with restructuring, adjustment of the manufacturing footprint, and reduction of allocated costs, supply chain improvements and capacity utilization. We shall continue with our sustainability efforts, with launching new products such as Sidel's new labellers, DeLaval's smart farming concepts and Tetra Pak's roll-out of new advanced packaging formats. All in all, 2015 should be another solid year for the Group.

Larry G. Pillard

01.



02.



03.



04.



05.



06.



07.



08.



09.



10.



11.



01. Larry G. Pillard

Chairman of the Board since 1 January 2003. Larry Pillard joined the Board as non-executive Board Member in 2001. He was previously Chief Executive of the Tate & Lyle Group since November 1996. He joined the British based sugar, cereal sweetener and starch company in 1992 as President and Chief Executive Officer of A E Staley Manufacturing Company, the subsidiary responsible for all starch operations in North America. Prior to Tate & Lyle he was with Cargill Inc for 23 years.

02. Kirsten Rausing

An alternate Board Member since 1985 and a non-executive Board Member since 1991. Kirsten Rausing is a Member of the Jockey Club and a Director of the British Bloodstock Agency. She is a former Trustee of the Animal Health Trust and former Director of the British National Stud and Jockey Club Estates Ltd. In addition, Ms. Rausing is the past Chairman of the European Federation of Thoroughbred Breeders' Associations (Paris) and of the E.F.T.B.A. Veterinary Commission, as well as a past Chairman of Thoroughbred Breeders Association of Great Britain. She was appointed a Trustee of the newly formed Racing Foundation (UK) in 2012; this Foundation will handle the proceeds of the British Government's sale of the Totalisator Board.

03. Finn Rausing

A non-executive Board Member of the Tetra Pak Group Board from 1985 to 1989 and of the Tetra Laval Group Board from 1995. Finn Rausing, who is the Chairman of the Audit Committee of the Tetra Laval Group Board, is also a Board Member of Alfa Laval AB, EQT Holdings AB, DeLaval Holding AB and Swede Ship Marine AB. Mr. Rausing is also Chairman of the Stockholm Institute of Transition Economics (SITE).

04. Jörn Rausing

A non-executive Board Member of the Tetra Laval Group Board since 1991 (an alternate Board Member of the Tetra Pak Group Board since 1985). Jörn Rausing is also a Board Member of Alfa Laval AB and DeLaval Holding AB and of Ocado Ltd. He is the Tetra Laval Group's head of Mergers and Acquisitions. He is also the Chairman of the Remuneration Committee of the Tetra Laval Group Board.

05. Paul Skinner

A non-executive Board Member since 2005. Paul Skinner was previously a Group Managing Director of Royal Dutch Shell plc and Chairman of Rio Tinto plc. He was later Chairman of Infrastructure UK, a division of HM Treasury and is currently Chairman of Defence Equipment and Support in the UK Ministry of Defence. He is also a non-executive Director of Standard Chartered plc and Air Liquide S.A. and a Member of the Public Interest Body of Price-waterhouseCoopers LLP.

06. Dr. Jürgen Weber

A non-executive Board Member since 2003. Dr. Jürgen Weber was Chairman of the Supervisory Board of Deutsche Lufthansa AG in 2003 to 2013 after having served the company as Chairman of the Board of Management for twelve years. He is Chairman of the Supervisory Board of Willy Bogner GmbH & Co. KGaA, and Member of the Supervisory board of Lufthansa Technik, both based in Germany. Retired in December 2014.

07. Dr. Bernd Pischetsrieder

A non-executive Board Member since 1999. Dr. Bernd Pischetsrieder has been Chairman of the Board of Management of Volkswagen AG from 2002 to 2006. He has been Chairman of the Board of Directors of Scania AB, Sweden from 2002 to 2007. He is Chairman of the Supervisory Board of Münchener Rückversicherungs-Gesellschaft, Aktiengesellschaft in München. Dr. Pischetsrieder is a member of the Supervisory Board of Daimler AG since April 2014.

08. Lars Renström

A non-executive Board Member since June 2013. Lars Renström is President and CEO of the Alfa Laval Group since 2004. He has previously held positions as President and CEO of Seco Tools, President and head of Atlas Copco's Rock Drilling Tools division and head of Ericsson's Telecom Cables Division. He is currently also Chairman of the Board of Assa Abloy AB.

09. Sir Keith Whitson

A non-executive Board Member since 2005. Sir Keith Whitson is retired Group Chief Executive of HSBC Holdings plc. He also served as a non-executive Director of the Financial Services Authority in London from 1998 to 2003. During his career with HSBC he worked in Hong Kong, USA, Germany, Malaysia, Indonesia and the United Kingdom. Retired in December 2014.

10. Jorma Ollila

A non-executive Board Member since January 2013. Jorma Ollila is Chairman of Royal Dutch Shell plc since 2006 and Chairman of Outokumpu since 2013. He was Chairman of the Board of Directors of Nokia 2006-2012, Chairman and CEO, Chairman of the Board of Directors and Group Executive Board of Nokia Corporation 1999-2006, President and CEO, Chairman of the Group Executive Board of Nokia Corporation 1992-1999. He is Vice Chairman of the Board of Directors of Otava Books and Magazines Group and Member of the Board of Directors of the University of Helsinki, Chairman of the Boards of Directors and the Supervisory Boards of the Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA. He is Advisory Partner of Perella Weinberg Partners as of 2014.

11. Paul Conway

A non-executive Board Member since 2014. Paul is the vice chairman of Cargill. He was elected to Cargill's board of Directors in 2008. Paul joined Cargill in 1979 and held a number of merchandising roles in the UK, US and Switzerland. Paul became Cargill Senior vice president and member of its Corporate Leadership team in 2006. Paul is also a director of the US-China and US-India Business Council.

A supervisory board to all Tetra Laval units

The three Tetra Laval industry groups have operations and representatives in more than 170 countries. It is a decentralised organisation but with clear rules and guidelines. The framework for Corporate Governance establishes the Board's requirements and expectations for the industry groups, and communicates governance guidelines throughout the organisation. The Tetra Laval Group Board has six primary areas of responsibility.

- Development and definition of overall strategies and policies.
- The appointment and succession planning of senior management.
- Corporate governance.
- Financial and operational control. An Audit Committee and a Remuneration Committee support the Board in these functions.
- The Board defines financial targets for the Group's different operations and for total resource allocation within the industry groups.

The Tetra Laval Group Board schedules four regular meetings each year and when circumstances require, additional meetings are held.



Dairy Hubs create customer value

Nearly a billion people earn their livelihoods on small dairy farms in developing countries, keeping just a few animals. But only a small portion of the milk produced on these farms is collected, processed and packaged – due to lack of infrastructure, cooling and processing capabilities. By setting up Dairy Hubs, a supply of locally produced milk of high quality can be secured for large dairy processors, and at the same time create possibilities for smallholder farmers to develop sustainable milk production. The PRAN Dairy in Bangladesh is a good example.

Food for Development Office, a joint initiative between Tetra Pak and DeLaval, has developed the Dairy Hub concept to help customers in developing countries to access more locally produced milk and better quality milk. The overall aim of running a Dairy Hub project is to secure long-term supply of locally produced quality milk without increasing the cost of collecting the milk.

BETTER CONTROL OF THE MILK SUPPLY CHAIN

The concept rests upon the idea of linking farmers in a selected area to a dedicated dairy processor, and to transfer know-how to the farmers. By setting up sufficient infrastructure with appropriate cooling facilities, implementing new know-how, offering the farmers advisory services and the commitment to collect their milk twice a day, the supply of locally produced quality milk will increase and the dairy processor will have better control over the milk supply chain.

“By participating in a Dairy Hub project, dairy farmers get education,

healthier animals and a regular and increased income. And at the same time, public access to safe and affordable milk will be increased,” explains Morgan Tinnberg, International Dairy Expert at Tetra Laval.

DAIRY FARMERS IN BANGLADESH – POTENTIAL FOR CHANGE

Almost all the dairy farmers in Bangladesh are traditional smallholder farmers with little or no access to education, technical services or the commercial market. Yields are low, around 3.6 litres of milk per day per cow, and loose milk is sold directly to consumers at markets, with no guarantee of quality or hygiene. So major Tetra Pak customers, such as PRAN Dairy, have typically used imported milk powder for industrial processing.

“Since we started the first Dairy Hub in 2010, we have decreased our dependence on imported milk powder. This is great for PRAN but it is also good for the thousands of farmers that we now regularly buy milk from,” says Anisur Rahman, PRAN’s Chief Operating Officer.

SUPPORT TO PRAN

Tetra Pak and Tetra Laval’s Food for Development Office joined forces to help PRAN Dairy expand its local collection. So far they helped set up two Dairy Hubs – the first opened in September 2010 in Chatmohar, Pabna district, and the second was established a year later in Natore district.

“With the help of Tetra Laval we have introduced a new way of working with our suppliers, the smallholder farmers. Despite all the investments we have made in milk collection and training, our cost for collecting a litre of milk has decreased. And at the same time farmers’ incomes have increased. The Dairy Hub model is really a win-win concept,” says Rahman.

Through the Dairy Hubs, the average daily milk production per cow has increased dramatically in the two districts, and there has been a ten-fold increase in the number of farmers moving from producing milk for family consumption to commercial milk production as a source of income.

TETRA PAK

Customer value goes back to the roots

Creating customer value goes back to the roots of our company. Tetra Pak's founder, Ruben Rausing, stated early on that a package should save more than it costs. This translates both to savings for the environment and for our customers. At Tetra Pak it has always been important that we conduct our business in a sustainable manner, taking full social and environmental responsibility. But of course, for our customers we are also creating value by having the broadest product portfolio in the industry, constantly driving innovation to improve our customers' competitiveness. We supply hundreds of different types of carton packaging that suit the needs of our customers. We also develop our own state-of-the-art processing solutions and we design and service complete plants for the food industry. Additionally, customers can always rely on our service and maintenance for improved line performance, less waste and increased capacity. Creating customer value is our way of staying ahead of the competition.



PRODUCTS

At Tetra Pak we specialise in providing complete solutions for the processing, packaging and distribution of food products. Our products are specifically designed to be as economical with resources as possible. Dairy products, juices and nectars, ice cream, cheese, dry foods, fruits, vegetables and pet food are examples of products that can be processed or packaged using Tetra Pak lines. We focus on keeping the consumption of all raw materials and energy to a minimum during both the manufacturing process and distribution.

Our products are divided into several categories:

- Packages
- Processing equipment
- Filling machines
- Distribution equipment
- Service products

FOOD FOR DEVELOPMENT

Tetra Laval Food for Development drives development of the entire dairy and food value chain through cooperation with customers, governments, development agencies, funding organisations and NGOs all over the world. In specific, we help governments worldwide to implement school milk and school feeding programmes to ensure that children get access to safe food and education. We also work with dairy farming development, helping local dairy processors to access more and better locally produced milk while helping small holder farmers to move from subsistence farming to running milk production as a profitable business.

In 2014, 66 million children in almost 60 countries received milk or other nutritious drinks in Tetra Pak packages in their schools during the year. A number of countries expanded their programmes during 2014, e.g. Vietnam, South Africa, Dominican Republic and Russia.

School feeding programmes can have a considerable impact on the local community and economy. Not only do they improve the health and learning capabilities of children, they often act as a catalyst for agricultural and economic development.



COUNTRIES SERVED

>175

NET SALES 2014

11,040

MILLION EURO

NUMBER OF EMPLOYEES DECEMBER 2014

23,460

TECHNICAL TRAINING CENTRES

15

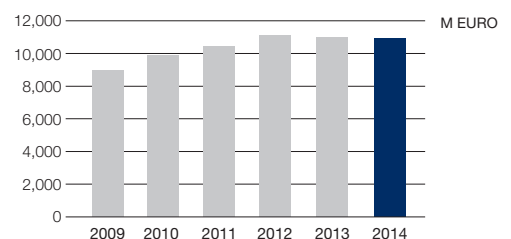
DEDICATED R&D UNITS

6

OWNED & OPERATED PRODUCTION PLANTS

57

TETRA PAK SALES 2009 – 2014



MARKETS & CUSTOMERS

Tetra Pak operates in more than 170 countries around the globe, employing more than 23,000 people. Our customers come from different parts of the food industry, such as the dairy, cheese, ice cream, beverage and prepared food sectors.

R&D

Our customers need faster, better and cheaper developments to reduce their operational costs and to increase performance in order to remain competitive. We invest in technology and new products in response to customer needs, consumer preference and market dynamics.

ENVIRONMENTAL SUSTAINABILITY

We are committed to running our business in an environmentally sound and sustainable way. We set goals for continuous improvement in our development, sourcing, manufacturing, and transportation activities. As part of that commitment, we take a long-term and lifecycle view, continually improving environmental performance, communicating openly with our stakeholders and reporting regularly on our performance. One of our environmental ambitions is to continuously increase the use of renewable materials in our packages – materials from natural resources that grow back when properly managed, such as wood and sugarcane. In 2014, we achieved the milestone of launching the world's first fully renewable carton – the Tetra Rex® Bio-based package for chilled milk.

GLOBAL COMPACT

We are a member of the UN Global compact, which brings together companies, UN agencies, labour and civil society to support ten principles in the areas of human rights, labour, the environment and anti-corruption. We also cooperate with NGOs such as WWF and FSC on forestry and climate change issues, and the Global Alliance for Improved Nutrition (GAIN).



OUR BRAND

Since operations began in 1952, the Tetra Pak brand has grown to become a powerful global asset, delivering solid value to both our company and our customers.

Our brand is founded on a promise: PROTECT WHAT'S GOOD. At its core, that's about protecting food ... which has long been the very heart of our business agenda. But it goes further; it is also about protecting people: our employees, the communities in which we operate, and society as a whole. And it is about protecting futures; by developing the products and services that will support the future growth of our customers; by acting and operating in ways that best protect the future of our planet; and by delivering outstanding performance at lower comparable cost than anyone else in the industry, to ensure the future success of Tetra Pak.



02



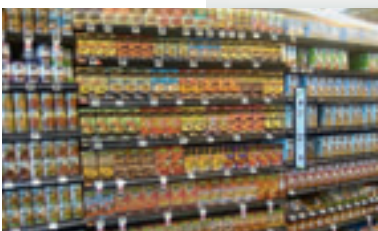
04



01



05



06



06



2014/2015

01. JEDDAH AND IZMIR FACTORIES RECEIVE AWARDS FOR TOTAL PRODUCTIVE MAINTENANCE ACHIEVEMENT

The Tetra Pak factory in Jeddah, Saudi Arabia received a 2014 Japanese Institute of Plant Maintenance (JIPM) Special Award for reducing its waste by 50 per cent during the past three years. The Tetra Pak factory in Izmir, Turkey received the same award – becoming the sixth Tetra Pak factory to do so – for reducing waste by 70 per cent and doubling productivity while tripling its installed capacity since 2008. JIPM is an independent organisation that assesses factories on their reduction of risks and improvements in operational efficiency. Winning these awards requires a breakthrough in a high-business-impact activity.

02. ASEPTIC PACKAGING SOLUTION THAT HANGS AROUND

Our Tetra Fino® Aseptic chain, commercially released in 2014, takes packaging to new heights. This new package format is produced in a perforated chain of 4 or 6 packages, which can be hung and displayed vertically. The cartons can then be removed and sold individually. The new chain format can utilise unconventional display space – above a counter or under a street umbrella – giving customers brand protection at the lowest possible price.

03. NEW COMPETENCE IN CARBONATED DRINKS THANKS TO MITECO ACQUISITION

Tetra Pak® acquired Miteco – a leading provider of production solutions for carbonated soft drinks – in early 2014. This not only strengthens Tetra Pak's own processing capabilities in this important area, but also helps Miteco reach a wider global audience with its range of specialist

products and services. As Guillermo Fernandez, Sales and Operations Director of Miteco explains: "Tetra Pak's global presence, plus the combined knowledge and skills of our two companies, promise improved solutions and better services for both current and future customers worldwide."

04. SCHOOL LUNCHES ON A MAMMOTH SCALE

A charity organization run by monks in India, Akshaya Patra, conducted recipe trials at our Product Development Centre in Lund using Tetra Albatch, a gentle food processor suitable for low to high-viscosity products. The test meals were rice and dhal-based dishes mixed with vegetables and seasonings. These successful trials resulted in the customer signing up to buy six Tetra Albatch units for their operation. The charity currently serves 1.4 million free school meals a day around India, encouraging more parents to send their children to school instead of to work. Aksaya Patra's goal is to be able to serve 5 million meals by 2020.

05. US SOUPS MOVING FROM CANS TO CARTONS

Soup manufacturers in the US are looking for methods to attract the millennial consumer, a demographic group that has been rejecting traditional soup formulations and packaging, usually in metal tins. Tetra Recart offers the perfect platform for extending market share in this large food category. It offers safety, sustainability, convenience and naturalness – incorporating all the values that millennial consumers embrace. Given its success thus far in rejuvenating the soup category in the US, Tetra Recart expects continued good growth and category penetration.

06. TOPPING THE COMPETITION IN ENVIRONMENTAL INNOVATION

At the 2014 World Beverage Innovation Awards ceremony in Germany, Tetra Pak received top honours for two new products that help address the ever-rising expectations of today's environmentally conscious consumer.

Tetra Top with Separable Top took first place in the Best Carton category, with judges applauding a product that combines the convenience of a bottle and environmental profile of a carton with a contemporary look and feel. The plastic top separates from the sleeve with a press of the thumb – facilitating sorting and recycling.

In the Best Closure category, Tetra Pak's bio-based caps were recognised for their innovative use of high density polyethylene derived from sugar cane, instead of traditional fossil-based materials. Global delivery of these renewable caps reached 2.0 billion in 2014, an 81 per cent increase over 2013, marking another major step towards Tetra Pak's ambition of developing the industry's first fully renewable package.

Solid performance in a challenging year

We knew 2014 would be a tough year for Tetra Pak. We were not wrong. Rising competition, plus a further softening of global GDP, left us short of our net sales target, ending the year on €10.9 billion; 1.7 per cent above 2013.

Against this backdrop, however, we saw clear evidence that our business strategy is working. Good growth in technical sales, which topped €1 billion for the first time in the company's history, as well as in processing equipment and packaging equipment, helped compensate a flat sales year in packaging material. Just as significantly, our focused efforts to drive greater efficiency and cost discipline across the company meant that both profitability and cash flow were strong, ending the year above budget and fully in line with our long-term ambitions.

In a year of considerable change and significant challenge, the results we have achieved stand as a tribute to the commitment, hard work and focus of our 23,460 employees worldwide; I take this opportunity to thank colleagues across the whole

company for their outstanding contribution and professionalism.

PACKAGING SOLUTIONS

Our Packaging Solutions business faced particularly fierce headwinds; competition intensified, core categories declined, and political and religious unrest stifled demand in several important growth countries. Net sales was €9.4 billion, just 0.9 per cent higher than in 2013.

Packaging material volume touched 180 billion packs, slightly ahead of the 178 billion packs sold in 2013, falling short in all five of our newly-defined geographic clusters.

Capital equipment sales revenues increased 6.4 per cent year-on-year, as price increases, plus a continued shift toward higher specification equipment, more than offset lower volume.

And Technical Service (TS) had another strong year, increasing revenues by 10.9 per cent compared with 2013. Almost 30 per cent of TS sales now comes from service contracts, as more

and more customers recognise the value of proactive maintenance, stable performance and predictable costs.

PROCESSING SOLUTIONS

In contrast to our Packaging Solutions business, Processing Solutions had another year of good growth, with particularly strong demand in the milk powder and cheese processing sectors. Net sales increased by almost 7 per cent year-on-year, driven by double digit improvements in South Asia, East Asia & Oceania and in Greater China, and buoyed by our first quarter acquisition of Switzerland-based Miteco, the world leader in production solutions for carbonated soft drinks.

Technical Sales & Service was particularly strong, up almost 13 per cent compared with 2013, while new sales growth was dampened by slower demand from global accounts and a number of project delays. Nevertheless, order backlog remained strong through the year, closing on a record high, some 20 per cent more than at the end of 2013.

We also reaped benefit from our 2013 acquisition of Danish filtration technology specialist, DSS Silkeborg, whose expertise and reputation played a key role in securing the largest Processing order in Tetra Pak's history, a dairy and whey powder plant in Germany.

COMPETITIVE LANDSCAPE

On the competitive front, the year saw further growth by non-system suppliers of carton packaging material.

Meanwhile the plastics industry continued to make progress with technologies designed to enhance product flexibility, differentiation and

“In a year of considerable change and significant challenge, the results we have achieved stand as a tribute to the commitment, hard work and focus of our 23,460 employees worldwide; I take this opportunity to thank all colleagues across the whole company for their outstanding contribution and professionalism.”

“We have continued to drive a competitiveness agenda built around three fundamental elements: streamlining our industrial base, optimising our organisational structure and maintaining an outstanding portfolio of right-priced products. Our aim is simple: to ensure the solutions we provide our customers generate greater value for their business, at lower comparable cost, than anything our competitors can offer.”

cost, with further light-weighting of products for specific drink categories.

In response we have continued to drive a competitiveness agenda built around three fundamental elements: streamlining our industrial base, optimising our organisational structure and maintaining an outstanding portfolio of right-priced products. Our aim is simple: to ensure the solutions we provide our customers generate greater value for their business, at lower comparable cost, than anything our competitors can offer.

DELIVERING VALUE

Of course, that alone will not bring success; it is essential that our customers recognise and appreciate the full monetary value of the products and services we are offering, so they can make a true, like-for-like comparison with potential alternatives. Our Value Selling programme, launched at the end of 2013, seeks to make that happen, by providing tools and processes to help our sales teams quantify the total value that we deliver to a customer. By year end, the programme had been rolled out across the company, with many success stories directly attributable to the approach, which places the customers' needs at the very heart of the selling process.

That same mantra, applied to our research and development process, saw the launch of a range of new



processing and packaging products during 2014, designed to support our customers' sustainable growth ambitions. One of the highlights in this regard was the introduction of Tetra Rex® Bio-based, the world's first carton package made entirely from plant-based materials, combining paperboard with plastics derived from sugar cane, rather than oil or gas.

More broadly, our innovation pipeline continued to deliver processing and packaging solutions to meet our customers' needs in ways that minimise environmental impact, and lower costs, by optimising energy use, reducing water consumption and cutting waste

For Packaging Solutions specifically, 2014 saw a continued migration by customers to our newer, advanced format packaging, which now accounts for 29 per cent of our total volume in litres, up six percentage points from 2013. Most of this growth occurred within the family pack segment, where Tetra Brik® Aseptic (TBA) Slim and TBA Edge, each with new generation openings, saw annual sales climb 42 per cent and 55 per cent respectively. In portion packs, Tetra Prisma® Aseptic continues to set the pace, with year-on-year growth of more than 38 per cent, or 2.1 billion packages.

RATIONALISE AND REORGANISE

On the other elements of our competitiveness agenda, we made good progress in driving greater effectiveness

and efficiency across our operations.

We announced the closure of our packaging material production facilities in Moerdijk, the Netherlands and Lund, Sweden, as part of our on-going effort to improve production efficiency in the face of falling demand for beverage cartons across Europe. We also restructured our global packaging and processing businesses around five geographic clusters, rather than the previous 10-cluster model, improving effectiveness and reducing costs, while enhancing the service we deliver to our customers. In addition, we saw a further reduction of non-allocated expenses in 2014, which fell to 15.4 per cent of net sales, down from 16.1 per cent the year before.

ENVIRONMENTAL PROGRESS

On the environmental front, 2014 was marked by continued progress in our recycling efforts. 651,000 tonnes of used beverage cartons were recycled during the year, up from 623,000 tonnes in 2013, representing about 26 per cent of our total global sales.

We also secured Forestry Stewardship Council™ (FSC™) Chain of Custody certification for the last of our 92 market companies and converting factories worldwide, meaning we can now deliver FSC-labelled packages from anywhere across the globe. In 2014, 44 billion Tetra Pak packages were sold bearing the FSC label, 38 per cent higher than in 2013.

And we took further steps towards our climate emissions goal. Data for 2013, which was validated mid-way through last year, showed CO₂ emissions across all parts of our value chain down 8 per cent from our 2010 baseline, despite a 7 per cent increase in production.

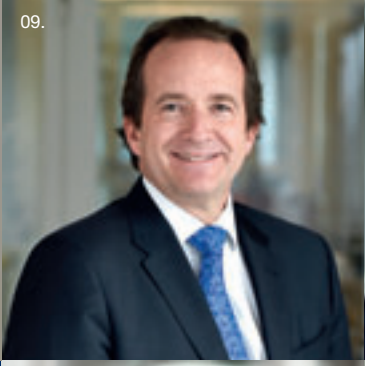
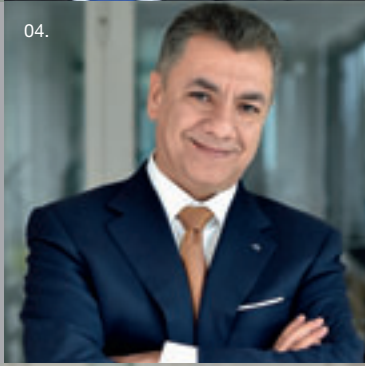
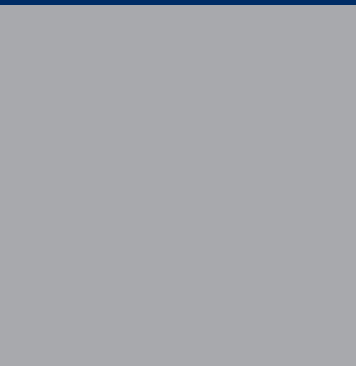
PROGRESS IN 2015

As we move through 2015, we are confident that our strategic direction will continue to strengthen our business model and bring us further success in both our packaging and processing businesses. Our focus, as always, will be on creating customer value, by helping to ensure they are well-placed to capitalise on the many opportunities we see on their horizons.

2015 will undoubtedly be another demanding year. But it will also, I am sure, be one of considerable success and notable achievement as we continue to build a strong, exciting and socially responsible company that will deliver sustainable, profitable growth through the years to come.

Dennis Jönsson

“On the environmental front, 2014 was marked by continued progress in our recycling efforts. 651,000 tonnes of used beverage cartons were recycled during the year, up from 623,000 tonnes in 2013, representing about 26 per cent of our total global sales.”



- 01. **Dennis Jönsson**
President & CEO
- 02. **Chris Huntley**
Corporate Communications
- 03. **Michael Grosse**
Development & Service Operations
- 04. **Amar Zahid**
Greater Middle East & Africa
- 05. **Bruce Burrows**
Finance & Business Transformation
- 06. **Tim High**
Processing Solutions
- 07. **Phil Read**
Human Resources
- 08. **Pál Lunning**
General Counsel
- 09. **Adolfo Orive**
North, Central & South America
- 10. **Steve Yin**
Greater China
- 11. **Sam Strömerstén**
Supply Chain Operations
- 12. **Charles Brand**
Product Management & Commercial Operations
- 13. **Charles Héaulmé**
Europe & Central Asia
- 14. **Michael Zacka**
South Asia, East Asia & Oceania



VISION

We commit to making food safe and available, everywhere

MISSION

We work for and with our customers to provide preferred processing and packaging solutions for food. We apply our commitment to innovation, our understanding of consumer needs and our relationships with suppliers to deliver these solutions, wherever and whenever food is consumed. We believe in responsible industry leadership, creating profitable growth in harmony with environmental sustainability and good corporate citizenship.



CORE VALUES

There are four values that guide the company's 23,500-plus employees in their day-to-day business:

- Customer Focus & Long-Term View
- Quality & Innovation
- Freedom & Responsibility
- Partnership & Fun

Customer Focus & Long Term View

We ensure we add value and inspire our customers because we recognise that they come to us by choice. We dare to lead with a focus beyond tomorrow and take opportunities to learn and grow.

Quality & Innovation

We do not compromise on quality. We relentlessly drive for better, fit-for-purpose solutions and breakthrough innovations.

Freedom & Responsibility

We have the freedom to take the initiative and act decisively in the best interests of Tetra Pak and our customers. We take responsibility for our actions and contribute to the communities in which we operate.

Partnership & Fun

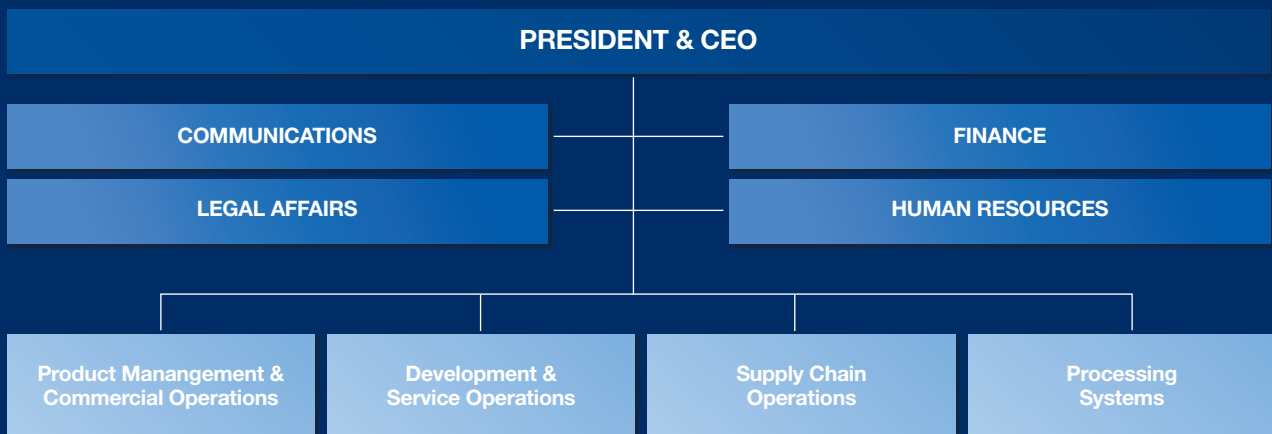
We respect and rely on one another and all our stakeholders for exceptional results. We enjoy working together and celebrating our achievements.



STRATEGIC PRIORITIES



ORGANISATION



TOP TEN MARKETS IN PACKAGING

Based on 179.9 billion packages sold in 2014

1. CHINA
2. BRAZIL
3. USA
4. RUSSIA
5. MEXICO
6. THAILAND
7. SPAIN
8. JAPAN
9. PAKISTAN
10. VIETNAM

FILLING MACHINES IN PRODUCTION BY GEOGRAPHY, 2014

Total 8,875



DISTRIBUTION EQUIPMENT IN PRODUCTION BY GEOGRAPHY, 2014

Total 19,167



The Tetra Pak market

THE PACKAGING MARKET

Last year, consumers across the world purchased more than 1,200 billion litres of packaged liquid food, around 3.2 per cent higher than in 2013. Of the total volume sold, water accounted for 26 per cent, carbonated soft drinks for 18 per cent, and liquid dairy products about the same.

Tetra Pak’s own packaging material sales last year totalled 180 billion cartons, or 78 billion litres equivalent, up 1 per cent and 0.3 per cent respectively on 2013. Today, Tetra Pak cartons account for around 6 per cent of the global packaged liquid food market.

Tetra Pak’s packaging customers are involved in many different sectors of the food industry, including dairy, soft drinks, soy products, wine, juices and prepared food. They are made up of a variety of international, regional and local companies.

Among the largest geographical markets for Packaging Solutions at Tetra Pak are China, Brazil, Russia, the USA and Mexico.

THE PROCESSING MARKET

The processing market for Tetra Pak’s equipment and solutions consists of

the following categories: dairy, beverage, cheese, ice cream, prepared food and cosmetics. Within these categories Tetra Pak provides processing lines including equipment, engineering, design, installation, project management and services.

Tetra Pak deals with multinational and local food producers of various sizes, supplying many of them with integrated processing and packaging solutions. The company’s largest geographical markets for Processing Solutions are China, the USA, Brazil, the Netherlands and New Zealand.

A NEW LANDSCAPE BY 2030

The packaging and processing markets will experience some significant changes driven by three main forces:

- Demographics
- Economy
- Environment and sustainability

DEMOGRAPHICS:

- The global population will reach 8.4 billion based on the current rate of growth
- Over 60 per cent of the world’s inhabitants are expected to be urban dwellers

- Close to 1.1 billion, approximately 13 per cent, of the world’s population will be aged above 65 years
- Smart and wireless technologies will continue to evolve, backed by rising internet penetration. This will lead to a series of changes in consumer behaviour

ECONOMY:

- Growth will come from economies beyond BRIC, signalling a shift in economic power
- Developing markets will be far more sophisticated, bringing new challenges and opportunities to the food industry
- The global population of middle class consumers will expand to 4.9 billion with the emerging middle class in developing markets
- Globalisation will continue, with a projection of approximately 5 per cent annual growth in global trade. New free trade zones are expected to emerge

ENVIRONMENT AND SUSTAINABILITY

- Important natural resources will be under even greater threat, including water and forests

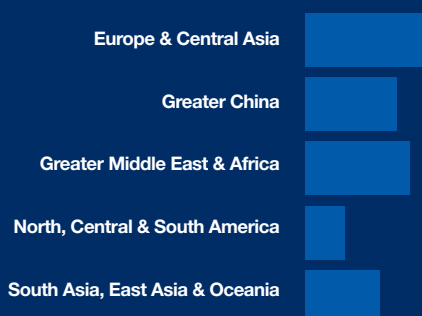
TOP TEN MARKETS IN PROCESSING

Total Processing net sales €1,523.9 million

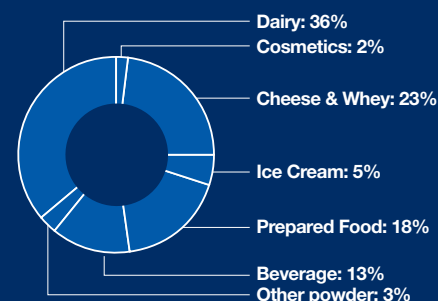
1. CHINA
2. USA
3. NEW ZEALAND
4. BRAZIL
5. NETHERLANDS
6. RUSSIA
7. GERMANY
8. FRANCE
9. MEXICO
10. JAPAN

BRANDED PROCESSING UNITS DELIVERED BY GEOGRAPHY, 2014

of 1,847 units



TETRA PAK PROCESSING SOLUTIONS ORDER INTAKE BY CATEGORY, 2014



- Government focus and industry self-regulation on resource management and certifications will continue to grow
- Environmental innovations will continue, with a focus on reducing the environmental footprint

PACKAGING INDUSTRY MEGATRENDS

These changes in the markets have direct implications for the food packaging and processing value chain. Tetra Pak has identified six megatrends which will affect the business environment for the packaging industry during the next decade:

- The opening up of the packaging industry market; with new business models and more packaging solutions
- The increasing scarcity of usable natural resources and land, coupled with the rising demand for food packaging; bringing higher costs and a sharper focus on waste reduction
- The acceleration of environmental innovations for the purpose of positioning and differentiation

- The increasing importance of product differentiation (formulations, textures, ingredients, etc.), package differentiation (sizes, shapes, materials, etc.) and complete product information, driven by consumer demand
- The ever-greater strength of modern retailers and the continued consolidation of food manufacturers
- The rising demand for food safety, product quality and nutritional value, driven by authenticity and health concerns

CONSUMER TRENDS

Some of the key consumer trends that we see in markets across the globe today are:

CONSCIOUS SPENDING

With the economic downturn, consumers have become more value-driven, resourceful, information savvy, and more likely to scrutinize the labels before they purchase. They consider their choices carefully, looking for maximum value.

FOOD FOR HEALTH

Consumers are increasingly health conscious and focus more on preven-

tion. They understand the importance of a healthy diet on overall wellbeing and they are either planning or trying to keep fit.

SAFE CHOICE

Food safety is a global issue that concerns consumers everywhere.

GREEN WORRIERS

Environmental awareness is increasing around the world. The majority of consumers are concerned by both local issues such as pollution and the wider impact of climate change.

ENGAGED EXPERIENCE

Consumers increasingly recognize the importance of the total experience brought by a product, including the look, feel and functionality of the package.

24/7 LIFESTYLE

The demand for convenience and simplification is as intense as ever, as consumers live with an increasingly mobile lifestyle, driven in many cases by technological advances.

Sources: Global Consumer Trends 2014; Tetra Pak.

Small island nation features a global dairy exporter

Ask the average person what New Zealand stands for and it's a safe bet they'll mention wool, sheep and the Lord of the Rings. And while these three items have entered the global consciousness, they would be overlooking the most significant item of all: milk.

New Zealand is the world's largest exporter of dairy products – with 30 per cent of total world exports*.

FONTERRA – AN EXPORT GIANT WITH GROWTH AMBITIONS

Crowning their dairy industry is Fonterra, a farmer-owned cooperative that is the world's largest milk producer, at 18 billion litres annually, 95 per cent of which is exported.

A quarter of its €15 billion annual sales comes from China, the market with the fastest-growing dairy appetites in the world. Demand for milk and dairy produce is rocketing and is projected to double by 2025.

Fonterra continues to pursue growth abroad. The cooperative has invested heavily in its own milk supply chain in China. Two farms have been built so far and another three are under construction.

Fonterra aims to reach 30 billion litres of milk production from five or six high quality global milk pools by 2025. And Tetra Pak aims to be a significant partner to Fonterra for both dairy processing and packaging in this huge expansion.

HARD WORK REWARDED

Tetra Pak's relationship with Fonterra dates back to 2001 when the cooperative was first formed. Tetra Pak became the sole supplier of their ambient milk packaging, and helped build and maintain their expanding cheese and powder plants.

After delays in one major installation, however, the relationship became strained and Fonterra turned to alternative suppliers.

"We were told that we had not been listening hard enough to their needs, and we were too fragmented," recalls Chris Morgan, Tetra Pak Processing Director & Market Area Leader Oceania. "Fonterra wanted one window into their business to help them achieve their global aspirations. So in 2012 we created a new integrated Key Account team, covering both processing and packaging, that could speak with one voice."

A team under Greg Fahey, Processing International Key Account Director, was instrumental in creating and executing the early account plans, involving competitive solutions specifi-

cally tailored to Fonterra's core needs of quality, efficiency and safety.

"We listened to the customer, and aligned as a team," adds Morgan. "We focused on doing the small things very well. Quality builds trust, and trust translates to improved cooperation."

The turnaround was dramatic. Within a year, the relationship with Fonterra was on a new footing, and sales to Fonterra in Oceania rebounded strongly. So eye-catching was the improvement that Fonterra named Tetra Pak New Zealand its Supreme Vendor at a global awards ceremony in 2014. Morgan and his team also picked up Tetra Pak's internal global Customer Excellence Award 2014 for turning the situation into an extraordinary opportunity.

A GLOBAL FUTURE IN SIGHT

Fonterra is looking to extend its international reach and its brand, while increasing returns from milk and expanding its presence in a variety of growth segments, including commodity and ingredient sales, paediatrics and food services. To further these ends, Fonterra and Tetra Pak New Zealand formed a Global Governance Group to identify and drive business opportunities for both parties based on a culture of collaboration, idea generation and resource prioritisation, forging an even stronger partnership between the two parties.



Environmental Benchmarking Service reduces climate impact and costs for customers

Tetra Pak has launched a new Environmental Benchmarking Service to help food and beverage companies assess the environmental performance of their production operations, and identify opportunities for improvement. While the main thrust of the service is to reduce environmental impact and lower costs, it also delivers an important secondary benefit: demonstrating a customer's environmental leadership in ways that can differentiate the company, and its products, in the eyes of consumers.

As the retail industry comes under ever-greater pressure from consumers to upgrade their green credentials, and governments introduce wider and tougher regulations, the focus on our customers' environmental performance will sharpen significantly.

HOW DOES AN EBS WORK?

The service provides an audit of an entire plant, including both the processing and packaging lines, assessing performance in areas such as water efficiency, waste water treatment, energy efficiency, product yield and waste, and carbon footprint. Based on this audit, the Tetra Pak Technical Service team then provides specific recommendations on opportunities for improvement, helping customers not only to reduce their environmental impact, but also to lower their costs.

EARLY RESULTS ARE PROMISING

Pilot projects have been carried out in the USA and in Europe, delivering average costs savings of around 20 per cent.

For example, Pacific Foods, an Oregon, US-based producer of organic foods and beverages, has a complex situation, producing a large number and broad variety of soups, broths, oat

drinks, cream, black tea, and juices – in many different sizes and shapes.

They have a very active sustainability profile, sourcing only locally produced organic ingredients, ensuring ethical and sustainable farming practices, and continuously working on reducing their carbon footprint. Now, with Tetra Pak's assistance, they have identified further opportunities to improve their environmental performance and reduce costs.

Tetra Pak Technical Service engineers examined many functions of their processing lines, including heating, cooling, steam, compressed air and cleaning. What they discovered and documented were opportunities to reduce Pacific Foods' carbon footprint by approximately 3,500 tonnes of CO₂ and to cut water consumption by some 27 million litres (7 million US gallons), every year.

These reductions have led to savings of about \$670,000 a year.

"We strive to optimize environmental performance throughout our organization, whether conserving energy and reducing greenhouse gas emissions or minimising our water footprint," says Rory Schmick, Director of Sustainability and Environmental Affairs at Pacific

Foods. "We are always on the lookout for ways to innovate and improve. The Environmental Benchmarking Service identified concrete opportunities to enhance performance and reduce environmental impact throughout our facilities. Tetra Pak's deep knowledge in the industry makes the service really work."

Johan Nilsson, Vice President of Tetra Pak Technical Service, sees tremendous potential for the service: "Environmental performance is rising ever-higher on the agenda of our customers. They are constantly looking for solutions to lower their carbon footprint while reducing operational costs," he explains. "Tetra Pak has delivered more than 150 operational improvement projects for customers over the past ten years. Now, we are transforming the insights and know-how gained from these projects into a service that helps customers assess their own environmental performance against recognised best practice, helping them to achieve sustainable improvements in both their environmental profile and their costs."



Optimising energy costs in juice processing

Research carried out by Tetra Pak in 2014 suggests many juice producers may be over-pasteurising their drinking juices – wasting energy, money and time in the process. Based on these findings, the company has revised a number of its recommendations for beverage pasteurisation, and launched a Performance Assessment service to help customers optimise production against many different parameters.

The established practice among fruit juice manufacturers and bottlers is to pasteurise twice – quickly after juice extraction and again before packaging into containers. The second pasteurisation is intended to destroy microorganisms that may have contaminated the fruit juice when being transferred from bulk storage or when reconstituted from concentrate.

But how much heat does it take to destroy harmful microorganisms,

without being wasteful? A research group formed by Tetra Pak suspected that it was possible to reduce the energy consumption in the second pasteurisation process, and set out on a complex quest for the answer.

COST SAVINGS UP TO 19 PER CENT

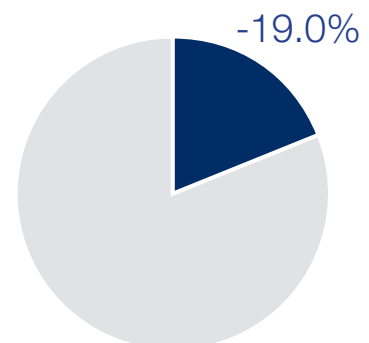
From controlled studies in laboratories and in beverage plants, the Tetra Pak group tested juice pasteurised at different heat treatment levels. In one

test series with apple juice, they discovered that temperatures for the second pasteurisation process can be lowered from 95°C to 80°C – without affecting either the safety or commercial sterility of the product.

The group's findings, which are supported by detailed microbial analysis, have resulted in a new pasteurisation process for high-acid juices. This process has tremendous implications for cost-efficiency and the environment; by reducing the pasteurisation temperature from 95°C to 80°C, producers can cut energy consumption by 19 per cent and the carbon footprint by about 20 per cent. The new process has two international patents pending.

“These differences in performance are especially important for older equipment lines,” says Peter Jensinger, Product Manager Heat & Storage at Tetra Pak Processing. “Since they are less energy-efficient to begin with, the savings can really mount up.”

ENERGY CONSUMPTION SAVINGS





The group further verified the findings in a larger scale test conducted together with a Tetra Pak customer at their juice plant in Helsinki, Finland. A batch of 4,000 litres of orange juice was pasteurised with a heat treatment equivalent to 80°C. Again, commercial sterility was achieved for the batch.

MORE FLEXIBLE EQUIPMENT DESIGN

The research group also examined the effect of changing the temperature differential (dT), which is the difference between the target temperature of the juice and the temperature of the heating water, which circulates separately in the heat exchanger. A Tetra Pak heat exchanger used in juice processing is normally designed with a dT of 3-5°C. For juice made from concentrate, they found that increasing the dT up to 25°C did not affect product quality. This is good news for producers, since a wider acceptable dT range means that the same heat exchanger can be designed to handle many different products with different viscosities and different product capacities. This can also lead to reduced equipment expenditures in some cases.

QUALITY ALSO RETAINED AFTER USING LESS HEAT

In addition to confirming the safety aspects of reduced heat treatment, the group also confirmed that there was no effect on juice quality. Three parameters

of orange juice made from concentrate – taste, vitamin C content and visual appearance – were evaluated both immediately after the second pasteurisation and after six months of storage at room temperature. A trained taste test panel was not able to detect any difference in taste between juice that had undergone the mildest and the toughest heat treatment.

Additional lab testing after 3.5 months and 7 months of storage showed a normal reduction of vitamin C. But there was no difference between the samples processed at 80°C or 95°C, and no difference between the samples produced with a dT of 3°C or 25°C. All testing was carried out in Sweden and Finland, and commercial testing is now underway in Denmark and South Africa.

PERFORMANCE ASSESSMENT SERVICE HELPS CUSTOMERS ACHIEVE BETTER PERFORMANCE

Optimising pasteurisation for juice beverages is just one aspect of controlling performance and quality – there are other methods. This is why Tetra Pak offers a full-scale Performance Assessment, where a customer's food or beverage line – or a whole plant – is analysed for parameters such as energy usage, water consumption, production schedules, product losses or the amount of chemicals used for cleaning.

A Performance Assessment could

lead to recommendations for a customer to change pasteurisation temperatures, rebuild a heat exchanger, change a cleaning parameter or upgrade to newer equipment models. In some cases, customers want to determine if new products with different characteristics can be produced on an existing line, or how a given process can be optimised.

“While many customers and food specialists have shown a great interest in our new pasteurisation recommendations, the beverage industry won't be changing their technical practices overnight,” comments Jensinger. “There can be no sudden switches in processing parameters, and producers tend to look to government safety bodies for approvals, before changing well-established practices. That's why we are taking the big picture, continuing to gather performance data and looking at pasteurisation in its larger performance perspective.”

By combining cutting-edge laboratory research with innovative engineering and its Performance Assessment service, Tetra Pak is once again putting its knowledge to good use in the demanding business of safe food processing.



New printing quality helps brands stand out on the shelf

Customers worldwide are continuously looking for innovation in any area that can enhance their consumer brands, and differentiate them where it counts the most – on the store shelf. Tetra Pak's latest answer is Tetra Pak® Select, a new Flexographic printing product that enhances colour, clarity and other print qualities, leading to carton packaging with a more distinctive and appealing visual appearance.

Tetra Pak® Select is the first tangible result of projects, focusing on printing innovation. By adjusting a multitude of parameters, such as repro, screening technology and plate making, the printing development team came up with a solution that significantly improves quality on several dimensions.

"There was no single game-changing breakthrough," explains Marcus Rehberger, Technology Specialist in the Printing Group. "Rather, we exploited a host of smaller improvements in the existing technology, which together amounted to a significant net improvement."

Tetra Pak Select enables several new features, such as fade-outs, the mixing of process and spot colours,

higher print density and higher resolution. Although consumers might not be able to put their finger on exactly what the difference is, a package printed with Tetra Pak Select gives an overall impression of quality. Other printing methods that are known to produce comparable results – such as Offset, UV-Flexo or Rotogravure printing – cost a great deal more.

EVERY MARKET AND EVERY PACKAGE – WITH MINIMAL CHANGES

The great news for customers is that Tetra Pak Select can be produced on the existing printing presses in Tetra Pak's converting factories world-

wide. Tetra Pak Select can also be applied to the entire Tetra Pak packaging portfolio, enabling customers to communicate their brands uniformly across multiple packages and regions. The installation process is also relatively easy, requiring only minor adjustments to the equipment and processes installed in Tetra Pak's facilities.

The response from customers has been extremely positive, as evidenced by Alpro, Europe's leading producer of soy-based food products and one of a growing number of customers to have its packages printed using the new technology.

“At Alpro, we are continuously looking for innovation that will support our products and processes,” says Pascal Lefever, International Category Manager. “This new printing technology is helping to differentiate our brands in stores, creating eye-catching package designs that strongly communicate our message of quality plant-based products.”

“Some of our customers were so impressed by early examples of Tetra Pak Select, that they asked if it was possible to convert production ahead of schedule,” says programme manager, Alessandro Zardini. “We printed almost 400 million Tetra Pak Select packages in 2014 and have now started global deployment.”

SMALL CHANGES ADDING UP TO A BIG DIFFERENCE

“The thing that makes Tetra Pak Select such a great proposition is that it provides higher quality at a reasonable cost and can be delivered across our installed base, in any region of the world. Training is minimal too,” explains Ashkan Danaei, who was Select’s product manager throughout development.

The increased quality comes down to two things. “Ink density is greater,” says Danaei. “That makes colours stronger and so products stand out on the shelf. Up close, contrast is far higher, so images are photo-realistic.”

These enhancements mean that brands can benefit from richer, more complex designs: like those already introduced by Alpro, with more to come during the year ahead.

LONG, HARD PATH ENGAGED MANY MINDS

When Zardini looks back at Tetra Pak Select’s development history over 2013–2014, he recalls the difficult stages: “We had solutions that worked in the lab; but doing the same on an industrial scale was far harder.”

He assembled a 25-strong task force from across the business, including Packaging Material, Supply Chain Operations and Marketing & Product Management. They gathered in Gornij Milanovac, Serbia and immediately set to work.

An incredible team spirit developed – one that Zardini never experienced before. It extended beyond the task force to suppliers and to the factory team, which was helping test the new technology while running its own normal full workload.

“I remember about 11.30pm one night seeing one of the factory staff waiting around,” recalls Zardini. “So I told him he should go home. He refused. ‘What if you need something before morning?’ he asked me.”

Field testing commenced in early 2014 and the team started to roll out the solution from Gornij to other sites: first Limburg in Germany and then Arganda in Spain. A knowledge transfer process was introduced, involving intense workshop sessions at the Gornij site.

“So far all of our customer trials have been in Europe, where the product has been developed,” says Marco Mezzacasa, Product Manager. “The next stage is to ramp up production worldwide – offering customers in other parts of the world the same step up in quality. It’s an exciting prospect.”



Partnering with customer on line performance at Ultrajaya

Since 2012, Tetra Pak has conducted the maintenance on the 16 Tetra Pak filling lines at Ultrajaya in Indonesia – maintenance that would normally be the customer’s responsibility. Our Operational Maintenance Service (OMS) has resulted in improved line performance, less waste and increased capacity, which has helped Ultrajaya stay ahead in this growing market.

Ultrajaya, the first and largest producer of UHT milk products in Indonesia, was struggling with staff turnover, which created challenges in performing basic maintenance adequately. This led to line performance issues and high waste levels, adding pressure to meeting the growing consumer demand for their products.

Tetra Pak, which has a strong technical relationship with Ultrajaya through service agreements and an on-site parts supply, took a constructive approach together with Ultrajaya to come up with a solution to solve their situation – Operational Maintenance Service (OMS).

SECURE THE BASICS TO SECURE RESULTS

OMS at Ultrajaya includes all basic maintenance activities, production support (coaching and support of operators, basic troubleshooting), and people management for 16 Tetra Pak lines. The OMS team, which is hired and managed by Tetra Pak, consists of 32 people – work manager, shift leads and technicians – providing 24/7 support in three shifts.

OMS is not just about machines. People management and competence development are essential elements. The work manager and shift leads understand what the equipment needs, and what it is expected to produce. They actively coach and support the OMS team to achieve results. In addition, Tetra Pak recruits and trains all

technicians before they start in the OMS team and continually evaluates their development.

All technicians have clear roles and responsibilities, including development goals and targets. Technicians are allocated to specific lines where they have strong focus on performance and issue management. Measurements such as line machine mechanical efficiency, the mean time between failures, the amount of waste as well as production time utilization are monitored and documented daily. This information is then clearly communicated and discussed within the teams to ensure motivation and correct actions.

With basic maintenance in place through OMS, Tetra Pak engineers are better-equipped to focus on more advanced maintenance activities and how to best perform them. In addition, more effort can be put into continuous improvements, such as root cause analysis and quality-related activities.

SUSTAINABLE SUCCESS

The impact of OMS on line performance and waste at Ultrajaya was immediate and, more important, it was sustainable. Compared to 2012 levels, line performance has improved by 5 per cent and waste has decreased by 16 per cent.

“We reached the improvements and growth targets within a time frame that would not have been possible without OMS,” says Sabana Prawirawidjaja,

President Director, Ultrajaya. “We now run a more effective operation, by increasing capacity through better efficiency and by having time to focus on the tasks we want to prioritize, such as production planning, logistics and warehouse management.”

Based on the outstanding results achieved to date, Ultrajaya and Tetra Pak are now exploring ways to expand the scope of OMS within its facilities.





Pursuing excellence by sharing knowledge

As part of a six-year partnership, Tetra Pak® Expert Services is helping Bright Dairy in China pursue excellence – with a focus on reducing operational costs, improving operational performance and promoting a continuous improvement philosophy – by implementing World Class Manufacturing (WCM) within its dairy plants.

WCM is a methodology for continuous improvement and management built on worker participation and waste reduction. Tetra Pak has deep knowledge of WCM because it has implemented it in the company's own converting plants worldwide, picking up four Total Productive Maintenance awards from the Japan Institute of Plant Maintenance, a highly reputed certifying body, in the process. Through Expert Services, Tetra Pak uses its experience and deep understanding of liquid food packaging, as well as WCM practices, to help customers implement improvement programs in their plants.

"World manufacture management system is the 'GPS' for Bright Dairy on the path to operational excellence," says BenHeng Guo, President of Bright Dairy. "Bright Dairy's goal is *pursue excellence*; the implementation of WCM will help bring Bright closer to achieving this ambition."

A STAR IS BORN

Tetra Pak has implemented more than 150 improvement projects for various customers, with Bright Dairy leading the way in terms of the number it has completed. Since 2008, Bright Dairy

has launched eight operational improvement projects with remarkable results. The average Overall Equipment Efficiency (OEE) has increased 5 per cent, and the average cost reduction per project exceeds CNY 1 million.

Tetra Pak experts have worked together with Bright Dairy at several of its plants to implement Focused Improvement (FI) and Continuous Improvement (CI) projects in preparation for an even more advance operational regime: Operating Cost Guarantee (OCG). FI and CI optimise performance and reduce operational cost for a specific machine or line, while OCG takes a whole-plant perspective to improve overall equipment effectiveness and decrease operational costs.

ON THE ROAD TO WORLD-CLASS

Tetra Pak and Bright Dairy worked together at Yongan, Tianjin and four other plants with the implementation of FI projects, achieving an overall operating cost reduction greater than 10 per cent.

By 2010, several plants had moved on from implementing FI projects to implementing CI projects. At the Fengxian plant, Tetra Pak experts identified three improvement opportu-

nities: reducing changeover time when switching a machine from producing one product to another; product waste; and overfilling. Implementing the corresponding solutions required Tetra Pak to train more than 100 Bright Dairy employees in process changes and WCM methodology in order to make WCM part of their daily work.

With a solid FI and CI foundation, the Tianjin and Dezhou plants started OCG projects in 2014; other plants are expected to start OCG projects in 2015. Tetra Pak is a solid partner in helping Bright Dairy realise their WCM ambitions in all areas. Bright Dairy is determined to pursue "zero failures", "zero defects" and "zero accidents" as the goal to implementing WCM and ultimately, receiving JIPM recognition.

Sustainable packaging just got sweeter



Tetra Pak has introduced the world's first carton package made entirely from plant-based, renewable materials: the Tetra Rex® Bio-based.

The carton uses low-density polyethylene (LDPE) films and high-density polyethylene (HDPE) closures that are derived from sugar cane, rather than oil or gas. The third material is paperboard certified by the Forest Stewardship Council™, which originates from forests

that adopt environmentally appropriate, socially beneficial and economically viable management practices. All materials are traceable to their origins.

This fully renewable carton marks an important milestone in Tetra Pak's long-stated commitment to drive ever-stronger environmental performance across all parts of its portfolio and operations.

Tetra Pak customers running the standard 1-litre Tetra Rex with Twist-Cap OSO 34 can use the bio-based materials without any additional investment or modification to their existing filling machines.

FULLY RENEWABLE AND ALREADY ON THE SHELVES

Finnish dairy producer Valio recently became the first company in the world to sell products to consumers in the fully-renewable Tetra Rex cartons, with products reaching retail shops in Finland in early January, 2015.

Valio trialled the package with Valio Eila® lactose-free semi-skimmed milk drink in retail outlets across Finland until mid-March, and is now using consumer feedback to determine whether to adopt the cartons more broadly across its chilled product range.

“Valio is committed to increasing the share of renewable resources in its packaging material,” says Elli Siltala, Marketing Director at Valio. “We share a common vision of innovation and environmental responsibility with Tetra Pak and we are proud to be the first in the world to make our products available in a fully renewable carton package.”

The products are produced at Valio's Jyväskylä dairy, using a standard Tetra Pak TR/28 filling machine.

“To finally see fully renewable packages on shop shelves is a fantastic feeling... and bears testimony to the focused efforts of the many customers, suppliers and Tetra Pak employees involved in making this a reality,” says Charles Brand, Executive Vice President of Product Management & Commercial Operations for Tetra Pak. “We have been gradually increasing the use of renewable materials in our packages over the years, and that work will continue, as we look for ways to extend the fully-renewable concept to other parts of our portfolio without compromising safety, quality or functionality.”

The Tetra Rex Bio-based fully renewable package can be identified by the words “Bio-based” printed on the gable of the package.



COCA-COLA WINS TOP BRAZILIAN PACKAGING AWARD FOR BIO-BASED PLASTIC

On the other side of the globe, in Brazil, Coca-Cola's Del Valle Reserva brand of juice won the Technology in Beverage Packaging prize at the 2014 Brazilian Packaging Association Awards, in recognition of being the first brand to use Tetra Pak cartons with bio-based low-density polyethylene (LDPE) films derived from sugar cane. Tetra Pak Brazil has since introduced bio-based LDPE cartons to all its 150 sourcing customers, a total of more than 13 billion packs every year.

SIDEL

Creating value at every step of the supply chain

At Sidel, we direct all our efforts to add value to our customers' liquid products, packaging, production and business – throughout their entire supply chains. With over 165 years of expertise, Sidel understands the unique needs of beverage producers and are able to help meet them. We assist our customers by protecting the safety and quality of their beverages. We optimise the design and function of the bottles. We provide flexibility and reliability in our customers' production. We support them in reducing energy consumption to improve sustainability and to optimise costs. With the complete PET solutions for liquid packaging, Sidel can help beverage producers to adapt to the changing and increasing demands of the industry, by creating a true value combination: A Better Match.



WORK WITH US AND GET A BETTER MATCH

Sidel is responsible for helping to package beverages enjoyed by consumers all around the world. Our purpose is to help brands protect the product inside, preserve the planet outside and touch the lives of millions of people every day. We do so by offering complete and modular PET packaging solutions, including people, services and equipment. Each of our more than 5,000 employees, representing over 60 different nationalities and spread over five continents, is committed to creating the optimum liquid packaging solution. We call it A Better Match – for our world, our customers and ourselves.

SOLUTIONS

Faced with numerous challenges, future success for beverage producers will depend on the ability of production facilities to address and meet pressing challenges quickly and flexibly at the same time. Sidel helps beverage producers adapt to fast-changing and increasingly competitive markets by creating value in five key areas: product quality, flexibility, reliability, brand impact and cost optimisation. A changing world needs a flexible solution. PET in all its forms provides the flexibility to meet the demands of today and tomorrow. It has all the qualities necessary to meet the diverse needs arising from global and consumer trends. Sidel has the equipment, services and people to create sustainable PET liquid packaging solutions for beverage products around the globe. We do so using a modular approach that enables our solutions to be easily adapted to market developments and future technology.



COUNTRIES SERVED

> 190

NET SALES 2014

1,390
MILLION EURO

NUMBER OF EMPLOYEES DECEMBER 2014

5,460

TRAINING CENTRES

7

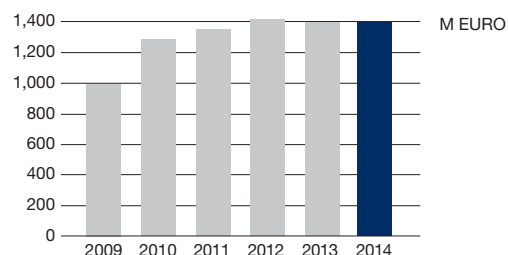
RESEARCH CENTRES

8

OFFICES

50

SIDEL SALES 2009 – 2014



MARKETS & CUSTOMERS

Sidel has over 165 years of industrial experience. With 30,000 machines installed in more than 190 nations, we have been helping producers fill beverage bottles for over 80 years, blow them for more than 50 and label them for more than 35. We have 40 years of aseptic packaging expertise, and were one of the first companies to introduce PET bottles to the beverage industry over 30 years ago.

No matter if it is water; carbonated soft drinks (CSD); juices, nectars, soft drinks, isotonic and teas (JNSDIT); liquid dairy products (LDP) or beer, we provide innovative PET solutions that are designed to meet the changing needs of beverage producers, brand owners and bottlers worldwide, helping create value across their supply chains from concept to consumer.



R&D

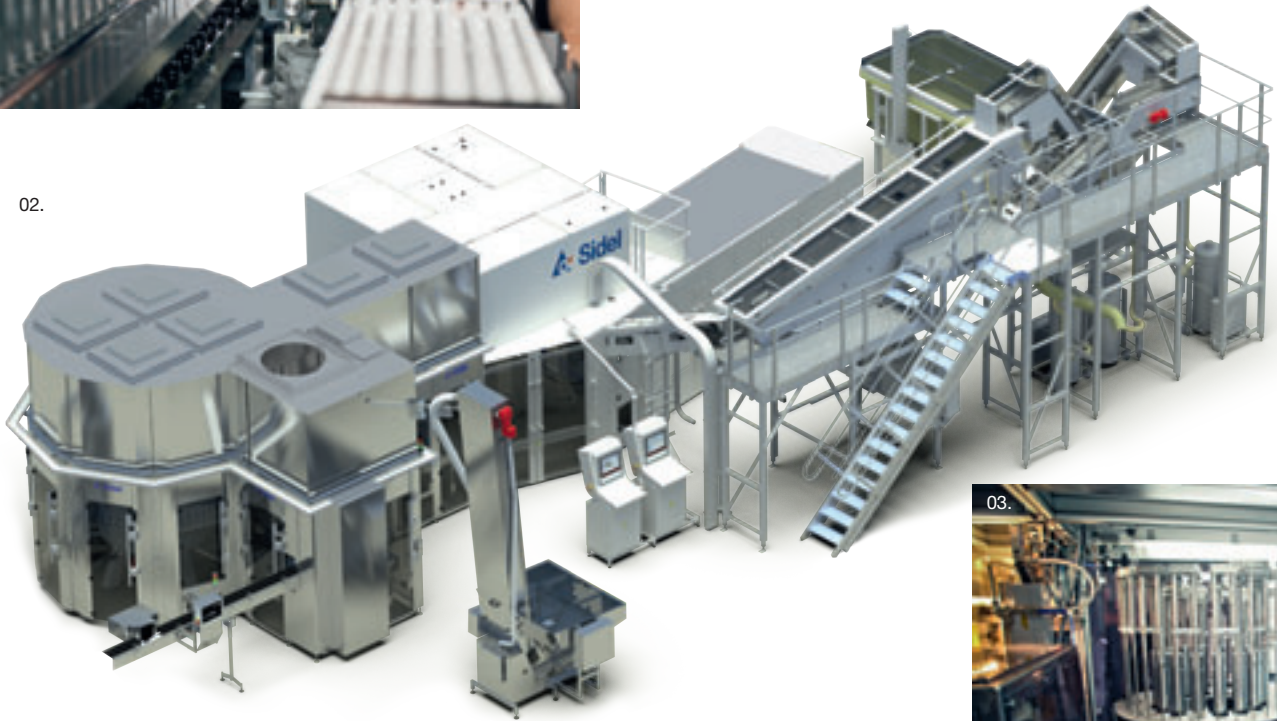
Sidel is a pioneer in PET solutions for liquid packaging. Our innovations include the Combi, facilitating PET bottle blowing, filling and capping in one machine; Predis™, a revolutionary dry preform decontamination solution to enhance hygiene without using water and very few chemicals; and the new Sidel Matrix™ system, with which we challenge the conventions of PET production in order to meet the requirements of liquid producers everywhere - even better than before. We have also been responsible for a series of PET packaging innovations that tells the evolution of the entire beverage packaging industry as we know it

today. This includes the world's first PET bottle for beverages (in 1980, for carbonated soft drinks), the world's first PET bottle for still water (1985), the world's lightest PET bottle for still water with a top load of over 30 kilograms (RightWeight™), and the world's first pasteurisable lightweight PET bottle for beer with a non-petaloid base. This history of innovation continues today with partnerships on game-changing technology such as LiquiForm™ and the launch of our new Sidel Services™ business unit, dedicated to creating value throughout the life cycle of our customers' equipment.

01.



02.



03.



07.



04.



05.



06.



2014/2015

01. NEW SERVICES CREATE GREATER VALUE FOR BEVERAGE PRODUCERS WORLDWIDE

Sidel has created a new services business unit that aims to deliver greater value to the beverage products, installed Sidel equipment and to the bottom line of beverage producers globally. Called Sidel Services™, the new unit is split into six teams: Maintenance, Line Improvement, Training, Spare Parts & Logistics, Line Conversions & Moulds, and Packaging. The teams, which consist of experts located all over the world, are all focused on increasing value in five key areas: product quality, efficiency, flexibility, cost optimisation and brand support.

02. 150TH SIDEL COMBI MANUFACTURED IN CHINA

Sidel has supplied its 150th Combi system manufactured in China to a leading beverage producer in the country. Suitable for all liquids packaged in PET bottles, Sidel's Combi systems combine blow moulding, filling and capping into a single enclosure in one integrated piece of equipment. It is now more than six years since Sidel started manufacturing in Beijing, at one of the most advanced factories in the beverage industry. Over that time the factory has become a critical platform for driving quality and excellence in the Chinese beverage industry, providing a strong local presence to Sidel's global experience in PET solutions for liquid packaging. The supply of the 150th Combi demonstrates this engineering expertise and also the role that the Sidel Combi continues to play in meeting the increasing demand for PET solutions that provide excellent performance and uncompromised product safety.

03. RECORD YEAR FOR SIDEL'S DRY PREFORM DECONTAMINATION TECHNOLOGY

2014 has proven to be a record year for sales of Sidel's Predis™ dry preform

decontamination technology. Compared to the 2013 figures, worldwide sales for the year practically doubled. In achieving this growth, Predis has helped produce beverages safely while reducing the costs and improving the environmental performance of the bottlers who have invested in it. With more than 19 billion safe bottles produced worldwide to date and more than 90 production lines equipped with dry preform decontamination, Sidel has achieved a high level of customer satisfaction around the world.

04. THE FASTEST PET BOTTLING LINE FROM SIDEL IN THE WORLD

Health Water Bottling Company (HWB), a leading bottled water supplier in Saudi Arabia, which produces water under the Nova brand, has recently acquired a complete PET line from Sidel. To help meet the growing demand for bottled water in the Saudi Arabian market, the line will boast one of the fastest turnover rates in the world. With the new technologically advanced line, which embraces the latest generation of equipment with the Sidel Matrix™ system, HWB will be producing PET water bottles in 330 ml and 600 ml formats at a speed of 134,000 bottles an hour.

05. SIDEL HELPS MEXICAN PHARMACY STORE CHAIN INCREASE SALES BY 30 PER CENT

After establishing its own production facility and creating its own distinctive brand, Farmacias Guadalajara saw a 30 per cent increase in sales of bottled water with the help of Sidel. Its new bottle design, developed in collaboration with Sidel's experienced packaging team, part of the Sidel Services business unit, also reduced the amount of PET used to produce the bottle by 30 per cent. This has brought significant cost savings as well as the environmental benefits associated with less raw material use.

06. THE FIRST COMPLETE ASEPTIC PRODUCTION LINE FROM SIDEL IN THAILAND

Sidel has installed its first complete aseptic production line in Thailand. The installation was for a new company set-up to serve the whole of Southeast Asia. When Thai businessman, Pongsakorn Pongsak established the General Beverage Company in his home country, he was entering the beverage industry for the first time. In doing so, he turned to Sidel for the first time too, for the supply of an entire aseptic PET packaging line. The General Beverage Company wanted a supplier able to offer a complete safe and flexible solution ready to produce broad ranges of high-grade beverages such as coffee, tea, milk and fruit juices. The plant, which is situated in Bangkok only 60 km from Sidel's local office, is being built at a cost of nearly €120 million (\$160 million).

07. SIDEL STARLITE™ PET BOTTLE BASE NOW AVAILABLE FOR CARBONATED SOFT DRINKS

Sidel StarLite™ has a uniquely shaped base that increases the overall resistance and stability of PET bottles. It can also reduce the amount of PET material needed to produce the finished bottle, allowing for reduced wall thickness for an optimum strength-to-weight ratio. The result is a bottle that uses less raw materials and therefore weighs less, requiring less energy to produce, yet delivering better pallet stability and improved bottle integrity throughout the entire supply chain. Several Sidel customers have trialled the StarLite bottle base for carbonated soft drinks and have already achieved impressive results, including other significant improvements such as greater resistance to stress cracking.

Significant achievements in 2014

In 2014, Sidel made several strategically important achievements towards strengthening its market position. We continued to roll out Sidel Matrix™ – our latest generation of PET packaging equipment based on a modular platform. We have received many positive reactions from our customers, particularly in how the flexibility of the machines results in shorter set-up times and lower operational costs. We also launched our new Sidel Services™ organisation to better create ongoing value for beverage producers throughout the lifetime of their production equipment.

Another important achievement was our expansion in China. Sidel doubled its sales in the Chinese market and captured market share. We have followed our long-term strategy of having a strong presence in China and working closely with our customers there. We have put a lot of effort into establishing an efficient factory and management capability, able to secure reliable delivery of high-quality equipment and services. Finally, I would like to point out the establishment of Gebo Cermex,

which offers complete production lines as well as stand-alone filling equipment for the can and glass markets. Despite a difficult market, Gebo Cermex has managed to reach its sales targets and has achieved a positive reception among customers.

PRICE PRESSURE AND SLOWER GROWTH

On the negative side, the market for equipment has continued to suffer from severe price pressure.

In addition, while underlying demand for PET bottles continues to grow strongly, fewer machines are needed to cover this demand as we continue to innovate and improve equipment performance.

As this will result in slower growth for equipment demand, Sidel has reduced its structure costs to improve profitability and to make room for investment in growth areas such as services. Fortunately, beverage producers around the world are seeing the benefits of taking a proactive and holistic services approach and there are plenty

of opportunities in this area.

Despite order intake for PET equipment actually growing significantly during the year, net sales were flat in 2014, reaching €1.4 billion. We see significant potential to improve profitability in the coming years as these costs subside and we begin taking full advantage of the standardisation opportunities enabled by the modular architecture of our new equipment platform.

GOOD GROWTH IN CHINA AND AFRICA & MIDDLE EAST

Besides our exceptionally positive development in China, Sidel also enjoyed good growth in Africa and the Middle East. Sidel gained market share in these dynamic markets, particularly in the equipment business, supported by our new zone organisation with the regional head office in Dubai. In Asia we faced a cyclical downturn, although we are confident that the long-term underlying growth trend remains in this area. In the US we grew significantly, with several important new reference deals for the Sidel Matrix programme. Although the US is a stable and mature market, with a well-developed service segment, there are also signs that customers there are starting to renew the installed equipment base, which is promising for 2015. The market in Brazil suffered from the national recession, which negatively affected our equipment sales. On the other hand, the development of the European market was stable during the year and we are gradually strengthening our position in this region with the build out of our new zone headquarters in Frankfurt.

“We have followed our long-term strategy of having a strong presence in China and working closely with our customers there.”

“Sidel invests heavily in R&D. Our Sidel Matrix™ platform represents the very latest PET packaging technology. Our Intelliblower™ self-regulation blowing technology, for example, can produce much more consistent bottle quality and strength by actively controlling PET material distribution during the blowing process. This leads to higher quality and increased lightweighting potential, allowing more innovative packages while reducing our customers’ operating costs.”

STRONG FOCUS ON R&D

Sidel invests heavily in R&D. Our Sidel Matrix platform represents the very latest PET packaging technology. Our Intelliblower™ self-regulation blowing technology, for example, can produce much more consistent bottle quality and strength by actively controlling PET material distribution during the blowing process. This leads to higher quality and increased lightweighting potential, allowing more innovative packages while reducing our customers’ operating costs.

Labels are one of the most dynamic and changeable packaging elements, helping to engage the attention of beverage consumers around the world. We are therefore proud to have developed a very attractive range of bottle labellers that will help optimise brand impact, boost productivity and reduce cost.

The Sidel Matrix range also brings several advantages from a sustainability perspective. Our Sidel Matrix blowers come with Ecovens that reduce energy consumption by up to 45 per cent, require approximately 15 per cent less heating time and reduce air consumption by as much as 30 per cent. Our Sidel Matrix fillers use up to 30 per cent less electricity due to servomotors



that use less energy than traditional drive systems. Our Sidel Matrix labellers reduce energy consumption by up to 30 per cent as motors are now directly connected to all moving parts, while also giving the possibility to use labels that are up to one-third thinner than before.

Another good example of technology-based differentiation is the development of our Predis™ dry preform decontamination technology, which uses no water and almost no chemicals. 2014 proved a record year for sales of Predis technology, building on the great track record we have developed over the previous five years.

An example of Sidel's investment in future breakthrough technologies is LiquiForm™. This technology combines the bottle forming and filling process into a single step. LiquiForm eliminates the need for the filler carousel and the air compressor while significantly reducing cost and waste.

We are now working with other partners to commercialise this technology and introduce it to the market in the years to come.

UNDISPUTED LEADER IN PET TECHNOLOGY

“Creating customer value” is the theme of this year's brochure. For Sidel, customer value lies at the heart of our whole operation. We are the undisputed leader

in PET bottling technology in the world. We have a strong commitment to always seeking new ways to improve our customers' results. That is why we have invested substantial resources into the next generation of PET packaging machines, which can increase our customers' flexibility, and support them with new innovative packaging solutions – solutions that reduce total costs of ownership, are sustainable and that enable them to differentiate their products from others on the shelves.

INCREASED CUSTOMER VALUE THROUGH OUR ZONES AND KEY ACCOUNT MANAGEMENT

For us “creating customer value” also specifically, means working closely with our customers. To complete the build out of our global zone coverage we have established two new zones: Europe & Central Asia with a head office in Frankfurt, and Greater Middle East & Africa with a head office in Dubai. The improved customer proximity resulting from building competence in these two new offices is already clearly bringing results. In addition, we have a new organisation in place for key account management, operating both on a central level and through our six commercial zones worldwide. The implication of these efforts is that we can better support

our customers at various levels in their organisations through individual partnership programmes.

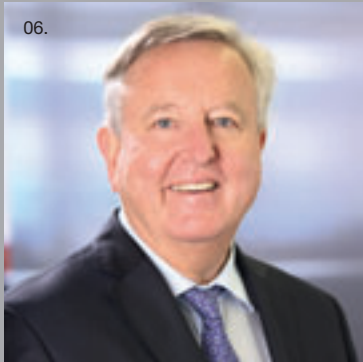
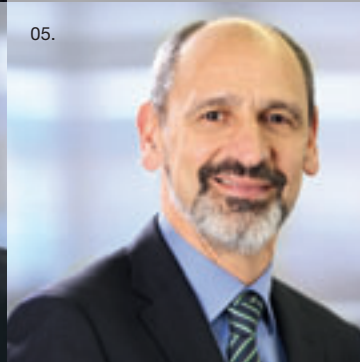
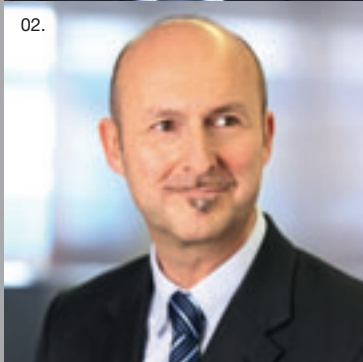
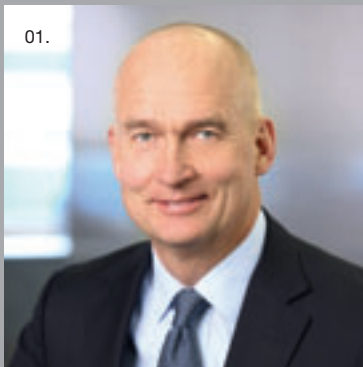
2015 – MANY INITIATIVES FOR IMPROVED PERFORMANCE

I am cautiously optimistic about 2015. In an environment of modest growth, we must continue to focus on efficiency improvements and cost control. We will continue to broaden and deepen our aftermarket service portfolio, including maintenance contracts, spare parts and logistics, line auditing and improvements, training, line conversions and packaging development. We have reinforced our Sidel Services organisation and we will increase our presence on customer sites to help them optimise their production processes. Another focus for 2015 will be to complete the launch of the Sidel Matrix system, as well as supporting the sales of our new standalone labellers.

In conclusion, I would like to thank our hard-working employees for their extraordinary achievements during 2014, as well as our customers for our very rewarding collaboration and partnerships. With Sidel's strong commitment to PET packaging for the beverage industry, I am convinced that 2015 will be a successful year for our company.

Mart Tiismann

“Creating customer value” is the theme of this year's brochure. For Sidel, customer value lies at the heart of our whole operation. We are the undisputed leader in PET bottling technology in the world.



- 01. **Mart Tiismann**
President & CEO
- 02. **Roberto Bettini**
Human Resources
- 03. **Nicholas Bloch**
Corporate Communications
- 04. **Christer Carling**
Legal Affairs
- 05. **Sid Johari**
Industrial Operations
- 06. **Peter Logan**
Market Operations
- 07. **Anders Wester**
Finance & Strategic Planning

VISION

We commit to being the most innovative, responsive and reliable partner, providing sustainable solutions for the beverage industry.

STRATEGIC PRIORITIES

Populations are increasing. So too are natural resources restrictions and urbanisation. Such changes are placing unprecedented pressure on our planet and increasing the demand for safe, clean and high-quality beverages. At Sidel we are thinking ahead and adapting our equipment and services so that they fit to the needs of beverage producers both

now and in the future.

Sidel helps beverage producers adapt to fast-changing and increasingly competitive markets by creating value in five key areas: product quality, flexibility, reliability, brand impact and cost optimisation. Sidel has the equipment, services and people to create sustainable PET liquid packaging solutions that

deliver this value combination for beverage producers, brand owners and bottlers around the globe. We call it A Better Match.

To always be able to deliver on our promise to be A Better Match, Sidel's strategy is to transform Sidel along the strategic axes of Customer Proximity, Technology Leadership and Operational Excellence.

THE POWER OF PET

PET is already the packaging material of choice for many beverage categories, and is increasingly becoming so for others. Plus it has all the qualities necessary to meet the diverse needs arising from global and consumer trends.

PET is tough, shatterproof and versatile. It allows beverage producers to create nearly any bottle shape or size using fewer raw materials with

consistent results. Its design flexibility enables beverage producers to meet the needs and preferences of consumers with great brand recognition potential. It is also easy to store, carry, clean and re-seal.

PET also protects the safety and quality of beverages across the supply chain with excellent barrier material properties and extended shelf lives. As a sustainable liquid packaging

solution, it is also 100 per cent recyclable and is evolving into even more environmentally-friendly forms, including recycled PET (R-PET) and plant-based PET (Bio-PET).

All of these great characteristics are why PET is increasingly becoming a packaging material of choice, and why Sidel is strategically focused to benefit from its growth within the beverage industry worldwide.



CORE VALUES

Passion lies at the core of our values and is applied to every aspect of our work – from our desire to create the best solutions to the respect we have for our colleagues, our workplace and the environment.

LISTEN & UNDERSTAND

We listen – to our customers, suppliers and colleagues so that we can understand and anticipate their unique needs.

We allow for an open, transparent and flexible work environment where we are equally involved and passionate

about our work, continuously developing our skills. We co-operate on all levels to ensure that we provide the quality of work that our customers can rely on and that we are proud of.

CHALLENGE & INNOVATE

We challenge the limits of technology in order to provide the best possible solutions.

Together we have the creative mindset that sets us apart from our competitors – and gives us the flexibility and urgency to design innovative and adaptable solutions. At Sidel, there's

room for everybody's input, but once a decision is made, we unite our efforts and move together in one common direction.

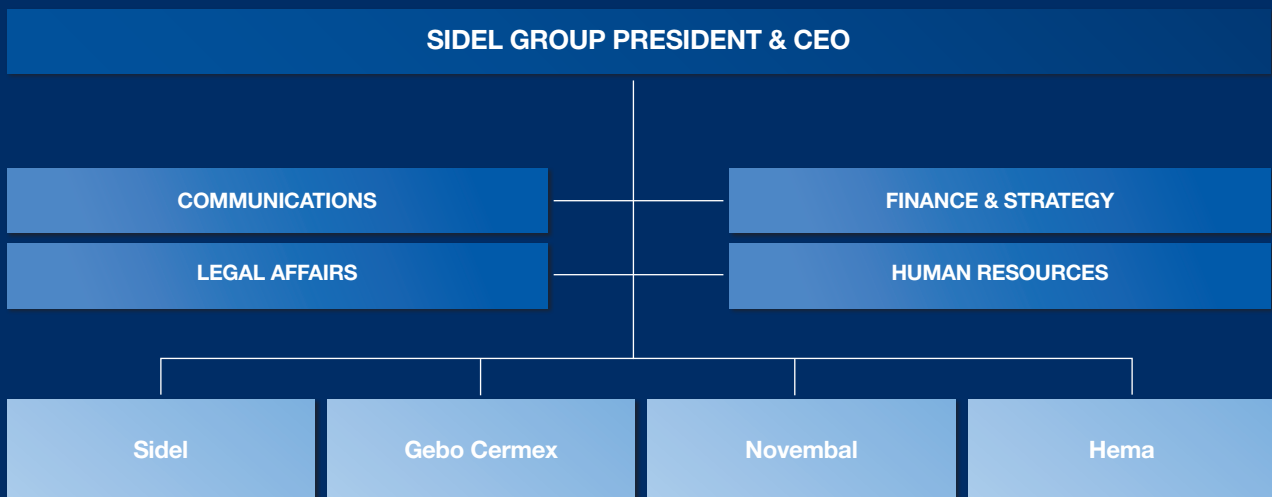
DELIVER & OPTIMISE

We follow through on our commitments to our customers, to our suppliers and to our colleagues. We are consistent, straightforward and honest, and always act with the highest level of integrity in everything we do. We are passionate about learning at all times in order to optimise our processes and achieve excellence.

ORGANISATION

Sidel's organisational structure and geographic presence is designed with its customers in mind. Through this market approach, Sidel combines global competences with local proximity around the world, enabling highly reliable and re-

sponsive customer service and support. To meet and even anticipate customers' needs and demands, Sidel's industrial organisation ensures that they are continually focused on product development and expanding their product portfolio.



Growth on the horizon: beverage market overview

China leads increasing demand for packaged beverages, as Asian markets follow the trend for healthier drinks.

Sidel's business is to serve the global market for beverage packaging, covering all main categories such as water; carbonated soft drinks (CSD); juices, nectars, soft drinks, isotonic and teas (JNSDIT); liquid dairy products (LDP); and beer. PET is increasingly becoming a packaging material of choice due to its inherent characteristics: it is light, strong, safe, hot-fillable, flexible, easily recyclable, re-sealable, transparent and low cost. As a result, PET is gradually taking over from other traditional packaging materials such as can and glass. The growth rate worldwide for packaging units,

for example, is expected to be five per cent per year for PET, with metal/can at three per cent and glass at two.

With a long history and a strong expertise in PET solutions for liquid packaging, Sidel's core focus is to offer innovative and reliable solutions with a presence in all major geographical markets. Its addressable equipment market is over €2.3 billion. Three main suppliers, including Sidel, lead the industry and capture a large share of the equipment market.

The growth in packages is itself driven by positive macroeconomic trends including population growth,

expansion of the middle class in emerging markets, and increasing global prosperity, and is expected to continue to grow at a healthy rate. More than 70 per cent of the increase in consumption of PET packaged beverages in the next four years is expected to come from Asia, with a projected annual growth for packaging units of eight per cent. Greater China will drive most of this growth.

Within the PET segment, water is the biggest beverage category, followed by CSD and JNSDIT. Water will drive more than half of the additional consumption in the next four years.

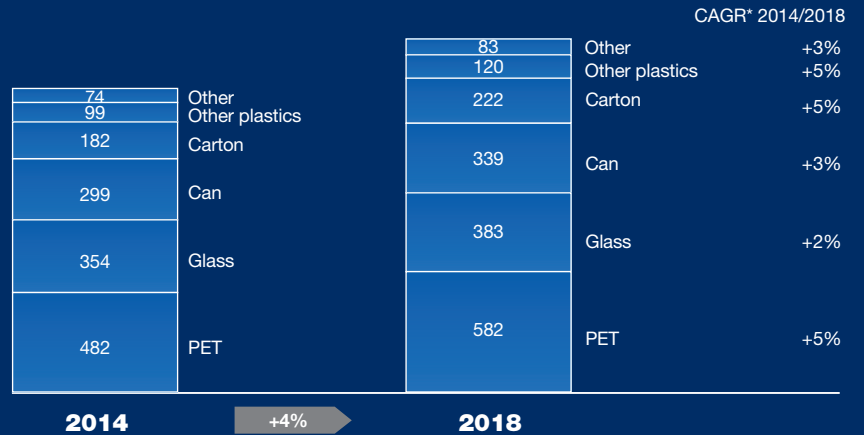




JNSDIT and LDP are also becoming increasingly popular, with significant trends towards healthy products driving demand for high-technology aseptic or hotfill solutions. Water usually presents different challenges, requiring super-light PET containers and high-speed lines. All those drivers give Sidel the opportunity to differentiate itself by proposing advanced solutions.

Can and glass markets are covered by the Gebo Cermex business, one of the world leaders in line engineering.

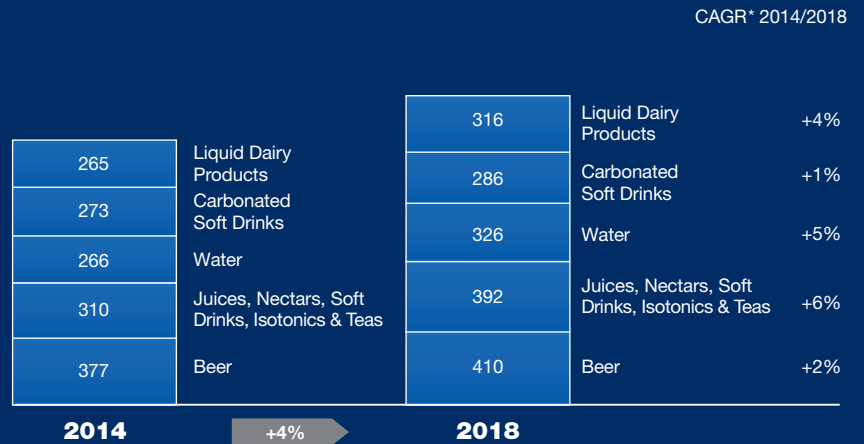
WORLDWIDE PACKAGING MATERIALS TRENDS 2014 – 2018



Total in bn units | Source: Euromonitor 2014

* Compound Annual Growth Rate

WORLDWIDE CATEGORIES TRENDS 2014 – 2018



Total in bn units | Source: Euromonitor 2014

* Compound Annual Growth Rate



Mineral Quantum in Romania makes substantial savings by using Sidel's line improvement services

Romanian customer Mineral Quantum has achieved substantial savings by taking advantage of Sidel's line improvement services. Through Sidel's offer Mineral Quantum has modified and upgraded its existing PET bottling lines, leading to savings of 45 per cent in the consumption of electricity, 20 per cent in the use of compressed air and significant reductions in the use of raw PET.

Under the 'Spring Harghita' brand name, Mineral Quantum bottles natural mineral water and partially carbonated natural mineral water from the volcanic mountain range. The company operates three production lines from Sidel. The Romanian company has a daily production capacity in PET formats ranging from 0.5 litres to 5 litres – totalling over 1 million litres. With such a significant production output, Mineral Quantum was interested in identifying potential savings.

LINE IMPROVEMENT SERVICES

Sidel's line improvement services are designed for customers with existing lines to take advantage of the latest breakthroughs in packaging technology. Upgrades involve improvements to existing functions that leverage the latest technological advances, while options are about adding new functionalities. In addition to tailored solutions, Sidel Services™ offers several standard upgrades to meet customers'

needs in terms of performance, hygiene and safety, flexibility, maintenance, functionality and savings.

As a result of the discussions between the companies, Mineral Quantum decided to replace existing ovens in its production lines with the more economical Ecoven to reduce power consumption. In addition, Mineral Quantum adapted the existing PET bottle design of all the products and formats to reduce the use of raw material.

Technical Manager Gabor Karikas commented, "We decided to work with Sidel in order to continue our collaboration with experienced people. Thanks to our continued contact with Sidel's Customer Services Manager – and our participation in the Value Creation Day in Poiana Brasov – we decided to develop our 'Short Neck Project'".

NECK SHORTENING TECHNOLOGY

Neck shortening in the design of the PET bottles is a valuable technology that reduces material in preforms,

bottles and caps.

The savings achieved through the changes to the Mineral Quantum production lines were substantial. In addition to the cost savings from using less material, the reduction of raw materials and waste also had a positive environmental impact. During the changeover in the design of the bottle necks, the simultaneous installation of a highly efficient Sidel Ecoven in each of the three production lines reduced oven consumption of electricity by 45 per cent – while maintaining full production capability.



PET for liquid dairy products: Creates value for both producers and consumers

The consumption of liquid dairy products is growing, mainly in emerging markets, but also in mature markets with the introduction of new value-added products. Today's consumers expect convenience, the highest level of product integrity and a unique brand experience. The PET bottle satisfies all three expectations and is a good example of how the company can create value, both for its customers and the consumers.

White milk remains the most important product in the liquid dairy products category representing approximately 70 per cent of all consumption. Liquid dairy products already account for one-fifth of worldwide beverage sales, a figure that is expected to grow by a further 5 per cent by 2016. PET currently accounts for 2 per cent of packaged liquid dairy beverages, but is forecasted to increase to 5 per cent by 2016, outstripping the growth forecasts for both carton and high-density polyethylene (HDPE).

FACTORS THAT DRIVE GROWTH

Much of the growth of liquid dairy products is attributable to emerging markets, with countries such as Brazil, India, China and the Middle East contributing significantly. A consequence of increases in disposable income is a rapid – and still growing – transition from raw to processed milk products. The main developed markets are more mature, with existing high levels of milk consumption. Growth in these countries is being driven by introducing new products, such as flavoured milk drinks and soy beverages. A particularly notable trend is the demand for enriched dairy products with healthy functionalities.

"In the more mature markets of the developed world, current consumer trends relating to health, different tastes, convenience and value for money still present niche growth opportunities," says Jean-Pierre Orange, Business

Development Director for Sensitive Products at Sidel.

MANY REASONS TO ADOPT PET

In meeting this growth in demand for liquid dairy products, opportunities are constantly being explored in packaging, seeking to protect product integrity, while also helping to stimulate sales through eye-catching look and feel. The packaging has to meet the stringent requirements of food safety standards and it also offers excellent opportunities for brand differentiation of liquid dairy products, both in products stored at ambient temperatures and for those requiring refrigeration. The challenge is to create innovative, attractive and functional packaging that is still cost-effective to produce.

The reasons for increasingly adopting PET packaging for liquid dairy products are numerous, many of them being the same as those for its growth in other beverage sectors. It is user-friendly, shatterproof, re-sealable and – importantly in a world where sustainable production is an ever increasing focus – 100 per cent recyclable. It also offers freedom in bottle design, with the material's transparency providing the potential to truly showcase the product.

Jean-Pierre Orange explains: "Perhaps most significantly, PET benefits from great physical product and food barrier protection. PET bottles ensure dairy products retain their fresh taste and



vitamin content. This is particularly important for liquid dairy products where product quality can be easily compromised by the effects of light, oxygen and temperature. This contributes to an extended shelf life and safety throughout the supply chain". Sidel has now supplied packaging solutions to over 100 producers of fresh, ESL (Extended Shelf Life) and UHT (Ultra High Temperature) liquid dairy products worldwide.

Sidel Intelliblower™ gives better PET bottle quality and brand value



Sidel has developed Intelliblower™ technology, which brings control and self-regulation to the blow moulding process. The patented technology gives greater accuracy in distribution of material during the production of PET bottles, with the elimination of inconsistencies, resulting in improved quality regardless of bottle weight. Ultimately, it creates higher brand value for the customers.

The look and feel of the bottle is what ultimately affects how customers perceive a brand. That's why Sidel Matrix™ blowers strive to create the very highest PET bottle quality and performance.

The Intelliblower™ is leading the way in blow moulding performance with its unique and patented blowing process control and self-regulation.

PROBLEMS WITH LENGTHY PROCESS AND LESS EFFICIENCY

Until recently, PET bottle blowing quality control involved frequent sampling and laboratory testing of bottles, followed by manual process adjustments. This lengthy process reduces line efficiency considerably, because a certain quantity of out-of-tolerance bottles could be produced anyway.

Moreover, as bottles get lighter, the blow moulding process is becoming increasingly important, as poor or irregular material distribution negatively affects quality on the entire production line and can even lead to total production shutdown.

ADVANTAGES OF PROCESS CONTROL AND SELF-REGULATION

With Sidel Intelliblower's self-regulation feature, bottle quality and strength are consistent regardless of bottle weight. By controlling parameters in the pre-blow phase that strongly impact final material distribution instead of just focusing on heat regulation, the Intelliblower uses PET material optimally and cost-efficiently.

The process regulation is managed in a responsive way by using decentralised and more responsive automation that allows faster and better exchange of information. The Intelliblower system automatically detects and corrects process deviations on each bottle being blown. This self-regulation feature means higher bottle quality for producers, with far less sampling, testing and adjusting. Put simply, beverage producers will benefit from greater package consistency and better brand value as a consequence.



Sidel launches unique new beer bottle: It looks like glass but it's PET

Sidel has launched the world's first-ever pasteurisable lightweight PET bottle for beer with a non-petaloid base. Through its base design and the use of a crown cap, the bottle looks like a glass bottle, but has all the advantages of PET. These include the lightweight, increased mechanical properties and safety that PET offers. For instance, the new bottle weighs only 28 grams, which is up to 86 per cent less than an average glass bottle of the same size. Currently Sidel is in discussions with some of the world's leading beer producers on how to bring the benefits of PET to beer using the new bottle design and packaging technology.

"We want to help beer producers with a bottle that is more attractive to the next generation of beer consumers, who want their drinks packaging to be more sustainable, convenient and user-friendly," says Christophe Bunel, Head of Packaging Care at Sidel.

MISCONCEPTIONS ABOUT BEER IN PET

For many years there have been misconceptions about beer in PET. For example, some mistakenly think beer in PET gets warmer quicker. Sidel's studies show that its PET beer bottles keep beer cold just as long as a glass bottle, but with much thinner walls and therefore much less material weight. Taste is also another misconception, with some consumers falsely believing beer tastes better, for example, from cans instead of PET bottles.

In order to address these misconceptions Sidel carried out several tests with the new bottle. They included advanced packaging optimisation and qualification tests to evaluate bottle stability, liquid quality protection and rigidity. Sidel also conducted full industrial production tests to prove the bottle's performance.

SIX-MONTH SHELF LIFE WITH SIDEL'S TECHNOLOGY

Packaging beer requires in-depth understanding of how the liquid behaves in the bottle. For instance, it is critical to

prevent oxygen entering and carbon dioxide escaping the package. The new bottle design achieves this through various technologies, such as single-layer material blends and Sidel's proprietary Actis™ gas barrier. As a result, the bottle protects the beer for up to six months shelf life.

SIGNIFICANT MARKET POTENTIAL

Today around five billion PET packaging units of beer are sold a year, which is around two per cent of the global market, with glass and can being the most widely used materials. This was a similar situation with many other food and beverage products like juices, water and carbonated soft drinks, which have since shifted from other packaging materials to PET. This is natural considering all the benefits of PET, including its safety, strength, flexibility, lighter weight, recyclability, design flexibility and greater convenience. The new bottle uses a "champagne" base that is often found on glass beer bottles. In addition, the new bottle has a crown closure that resembles those closures typically found on premium beers.

"Consumers are increasingly becoming more aware of the benefits of PET, because they experience it as the preferred packaging material of choice in other food and beverage areas in their life," adds Bunel. "So to help producers and consumers alike make the transition we wanted a

bottle that looked like glass, but has all the benefits of PET."

Sidel is now in contact with some of the world's leading beer producers on how they can take advantage of the new PET bottle for beer. The bottle itself can be produced using all Sidel PET packaging solutions suitable for beer, including its beer fillers and the new range of Sidel Matrix™ blowers and labellers.



Sidel's labelling solutions meet the need for brand building

Today labels are an important interface for brand building. An eye-catching label can give companies an opportunity to differentiate their products on the supermarket shelf. It is one of the most dynamic and most flexible product packaging elements and a prime consideration for beverage producers. Besides brand building, greater focus on sustainability and the need for product personalisation are other important trends in labelling today. Sidel has adapted its offer to the changing demands of the market and has the expertise to meet customers' needs for different labelling options such as sleeves, roll-fed, pressure-sensitive or pre-cut labels.

The label is becoming increasingly important for brand recognition and is much more than the location for the product name and information; it is one of the main interfaces for communication with the consumer. High-end solutions such as sleeve labelling or pressure-sensitive labelling are becoming popular, especially in mature markets.

"A sleeve label creates more space for consumer information and is easier to customise to attract consumer attention. Sleeve labels allow the use of graphics with more depth, which adds to the visual appeal of a product," says Raffaele Pace, Labelling Product Manager at Sidel.

A BIG POTENTIAL FOR PRODUCT CUSTOMISATION

Sidel has invested heavily in sleeve labelling since 2005 to be able to meet customer demand. The unique patented

Sidel Rollsleeve™ is designed to provide great potential for product customisation. It can also switch from sleeved bottles to roll-fed wrap-around labelled bottles using classic hot-melt applications, giving customers the flexibility they need on the same line.

"The idea behind Rollsleeve was to combine the simplicity of consolidated roll-fed technology with an innovative shrink sleeve process for high-speed applications in a single machine," says Pace.

"The labeller also offers significant material and costs savings, quick return on investment, flexibility and labelling quality."

TOP PERFORMANCE BY SIDEL MATRIX™

Roll-fed labelling is still the most common labelling technology on the market, accounting for about 40 per cent of all labels. To better serve this strong de-



mand Sidel has renewed its portfolio. The latest roll-fed labeller generation, the Sidel Matrix™ SL 70, is faster than ever and more in tune with the environmental concerns of customers. For example, it requires much less glue and is also very flexible. It can use all roll-fed labels available on the market, as well as label very lightweight bottles, and benefits from an outstanding uptime and productivity, reaching up to 99.5 per cent availability.

SUSTAINABILITY FOCUS ON LABELLING

Among the current trends in labelling today are a greater focus on sustainability and personalisation of products. As sustainability becomes an increasingly important consideration for retailers and consumers in the decision-making process, producers seek solutions that minimise environmental impact while maximising efficiency, decreasing costs and ensuring reliable performance.

"By reducing label thicknesses our customers can cut the amount of resources needed in the labelling process. Label producers are also working to ensure that labels do not affect PET recycling," says Pace.



New services responding to customers' needs to create more value



Sidel has set up a new services business unit, “Sidel Services™”, which aims to deliver greater value to beverage products, installed Sidel equipment and the bottom line of beverage producers globally. The new unit was created after listening to the needs of hundreds of customers who participated in Sidel’s annual customer survey.

Sidel conducts an annual survey of more than 1,000 individuals representing hundreds of customers worldwide. According to the responses the realities of the current business environment, with issues such as increasing regulation, economic volatility and rising raw material prices, have a direct effect on beverage production lines.

“The survey also illustrated very clearly the need for manufacturers to maintain a continuous focus on increasing production efficiency and reducing waste,” says Dag Gronevik, Sidel’s Vice President for Services. “At the same time they need to be flexible enough to keep up with the ever-changing consumer demands and increasing rates of technology and packaging innovation.”

NEW SERVICE OFFER AS A RESPONSE TO THE SURVEY

Following an in-depth analysis of all customer survey responses, Sidel has reorganised its services operations into six teams around the globe and developed an attractive offer. It is designed to help customers add value to their equipment, their beverage products and their bottom line, by achieving more product quality, efficiency, flexibility, cost optimisation and brand support. From reducing downtime to quick line conversions or designing innovative packaging solutions, Sidel Services can help beverage manufacturers and bottlers get more from their investment and lower their total cost of ownership (TCO).

“For us it’s all about giving customers a little bit more, and by setting up Sidel Services we feel we are in a much

stronger position to do so in this important part of the beverage production equation,” says Gronevik.

TOTAL COST OF OWNERSHIP IS KEY

To drive down costs is a key focus for the industry, balancing that with business growth. So beverage manufacturers are looking for production equipment that can deliver with a reduced TCO and need an effective service operation that can support this.

“It is about adopting a holistic approach to beverage production, recognising all the different elements that contribute to costs and business growth, and addressing them accordingly as a whole,” continues Gronevik. “This is why service is increasingly one of the main decision criteria for producers when it comes to purchasing new equipment and installing new lines for their products.”

TWO IMPORTANT INITIATIVES FOR CUSTOMERS

Besides the reorganisation and the new offer, Sidel has implemented two important practical changes for its customers: new spare parts logistics and technical support initiatives for faster response to customers’ demands. These changes, which were rolled out in 2014, will enable customers to have better access to the people and spare parts they need, so they can avoid costly downtime and enjoy more productive uptime.

ALREADY MANY BENEFITS FOR CUSTOMERS

There are already many examples of how customers have benefited from the new services offered by Sidel. PepsiCo in Germany enjoyed a 19 per cent reduction in energy use at one of its plants, while Brazil-based Spaipa had a 122 per cent production increase, both following the introduction of Sidel Services™ initiatives.

Our commitment to creating a more sustainable future

As a leading solutions provider in the beverage packaging industry, environmental issues are an important focus both for us, and for our customers. Our business is built with the aim to conserve the planet's resources in an ethical and socially responsible manner.

CRUCIAL INDUSTRY CHALLENGES

By 2030 forecasts suggest demands on our planet for energy will increase by 50 per cent, food by 50 per cent and water by 30 per cent. This means food and drink handling must play a central role in increasing sustainable practices.

ANCHORED THROUGHOUT OUR ORGANISATION

We take sustainability into account on all our projects. We integrate environmental considerations into management decisions, investments, policies, programmes and practices across our business.

CONTINUOUSLY IMPROVED

We strive for continuous improvement to sustainability issues in our development, sourcing, manufacturing and transportation activities. All our solutions are designed to deliver the highest possible level of resource savings.

Here are some examples of how we help beverage producers increase their resource savings:

- Minimum energy, air, chemicals and water usage is ensured with the new eco-responsible solution Sidel Matrix™:
 - Blowers use up to 45 per cent less energy in the oven and 35 per cent less energy for air compression
 - The filling machines reduce energy by up to 30 per cent by using servomotors instead of traditional drive systems

- The labellers cut electrical consumption by up to 40 per cent

- Sensitive products such as juices, teas and liquid dairy products can be packaged aseptically, using no water and almost no chemicals thanks to our innovative Predis™ dry preform decontamination solution.
- Eco-friendly recycled material and 100 per cent solvent-free, the Sidel Roll sleeve labeller is a labelling solution for now and the future.
- Raw material savings along with carbon footprint reduction in transportation is possible without compromising consumer appeal through the Right-Weight™ approach to bottle design.

- Energy savings can be achieved by up to 45 per cent on existing lines by installing ECO oven onto the blower and by 15 per cent on existing blowers by installing ECO lamps.

IMPROVING PRODUCTS' ENVIRONMENTAL PERFORMANCE

In order to determine the easiest, most affordable and necessary steps to improve a beverage product's environmental performance, it is essential to consider the entire packaging equation. We use Lifecycle Analysis (LCA) for this purpose.

LCA follows the product right up to the completion of its lifecycle and takes into account its carbon footprint. This includes design to specification, cost, recycling, environmental impact and

performance. It covers the whole package – all primary, secondary and tertiary packages – and accounts for weight and composition, the manufacturing process, handling and transport, as well as food safety.

We have helped beverage producers worldwide with their own LCA calculations to ensure they achieve the most sustainable liquid packaging solution.

MINIMISING CARBON FOOTPRINT

Committed to protecting the environment in everything we do, we are investing at all of our sites so that we can gradually implement initiatives that will allow us to better manage

“At our 26 production sites in 13 countries around the world, we have an obligation to minimise our environmental footprint.”

natural resources. Our goal is to eventually use solutions based on renewable energies.

These are just some of our site improvements:

We have evaluated our carbon footprint at our manufacturing site in Octeville, France, as a starting point to improving sustainability at all our sites around the world.

To better manage energy at our sites, our sustainability programme 'Reduce, Reuse & Recycle' is being established globally.

Three of our production sites have been certified with ISO 14001 focused on Environmental Management Systems.

DELAVAL

Always at the forefront of innovation

With its 130 years of experience, DeLaval has established a leading position within the dairy industry, supporting dairy farmers all over the world. Our Sustainable Dairy Farming initiative is a good example of how we create customer value by contributing to the production of more quality food, for more people with less impact on the environment. We have always been in the forefront of innovating products and solutions for our customers, such as the DeLaval VMS™ voluntary milking system, the state-of-the-art DeLaval AMR™ automatic rotary milking solution, Herd Navigator™, our advanced milk analysis tool or our DeLaval InService™ Remote – which uses sensors to monitor milking equipment. We work tirelessly to continuously create and expand the range of DeLaval products and services, in order to always be an attractive partner to our customers.

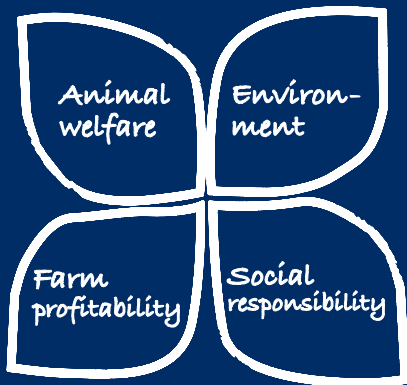


SOLUTIONS

DeLaval offers automatic and conventional milking systems, cooling and feeding systems, effluent & housing systems and farm management support systems. DeLaval customers can also choose from a wide range of services and consumables which are grouped in four portfolios: liners & tubes, farm supplies, services & original parts, and milk quality & animal health.

SUSTAINABLE DAIRY FARMING

Our goal is to reduce the environmental footprint of farms, while improving milk production, farm profitability and the well-being of the people and animals involved. We believe the goal of Sustainable Dairy Farming can be achieved by supporting dairy farmers with smart technology and services to continuously increase resource efficiency on farm. To put it another way, we support them to do more with less.



COUNTRIES SERVED

>100

NET SALES 2014

1,020

MILLION EURO

NUMBER OF EMPLOYEES DECEMBER 2014

4,525

R&D UNITS

7

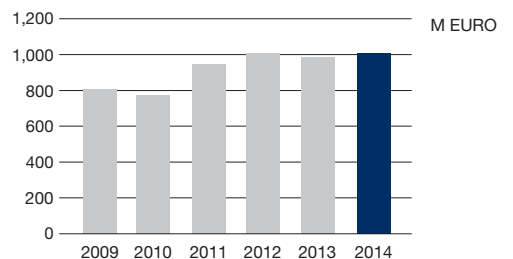
NUMBER OF FACTORIES

18

SALES OFFICES

35

DELAVAL SALES 2009 – 2014



RESEARCH AND INNOVATION

Research and innovation are central to the continued success of DeLaval supporting our customers and we have seven R&D centres across the globe. We work closely with a worldwide network of farmers, academics, dedicated research facilities, scientists, sales teams and authorised dealers.

OUR CUSTOMERS

More and more dairy farmers are turning to technology to ensure they can optimise their milk production and cows' well-being. At DeLaval, we add value by meeting and exceeding our customers' requirements on quality, productivity and safety. We design, manufacture and supply integrated milking solutions with the needs of dairy farmers in mind. At all times. We serve customers in more than 100 countries around the globe.



OUR BRAND

DeLaval is a world leader in the dairy farming industry, providing integrated milking solutions designed to improve dairy farmers' production, animal welfare and overall quality of life.

FOOD FOR DEVELOPMENT

We provide expertise and experience to enable Tetra Pak and DeLaval customers, as well as governments and community-based organisations, to provide milk to children and communities in developing countries around the world. We initiate long-term business development projects to encourage demand for locally produced dairy products and transform subsistence smallholders into commercially viable farmers.

01



02



04



05



04



07



2014/2015

EUROTIER A SHOWCASE FOR DELAVAL INNOVATIONS

At EuroTier 2014 – the world’s leading trade fair for animal production – we presented many innovations in a wide range of categories, each contributing towards more efficient and profitable dairy herd management.

01. THE DELAVAL CELL COUNTER ICC: A TRUE TIME-SAVER

The DeLaval cell counter ICC is a device which, along with a cassette and an iPhone or iPod touch app, measures somatic cell count (SCC) in milk easily and quickly – in just 45 seconds as opposed to taking days! It’s a first-of-its-kind tool that allows farmers to make fast decisions about herd management, as well as save time and money, and will be generally available in 2015. It’s also a great add-on to our DeLaval online cell counter OCC for VMS™, which won the technological innovations prize at the GandAgro Fair in Spain.

02. FIRST AUTOMATIC BODY CONDITION SCORING SYSTEM

Our DeLaval body condition scoring BCS is the first system to automatically generate body condition scores for cows. The analysis of a 3D image of a cow helps farmers determine if a cow is at risk of not having a peak milk yield and if feeding efficiency has been optimised, among other things.

03. LED BARN LIGHTING THAT INCREASES MILK PRODUCTION

Another innovation that we presented at EuroTier 2014 was the DeLaval cow LED CL6000/CL9000. This LED barn light leads to a 75 per cent reduction in energy costs while increasing milk production by 7–10 per cent, because its wavelengths and light distribution are adapted to cows. And because of LED durability, it also cuts maintenance costs significantly, by about 65 per cent.

04. ...AND A FLOOD OF OTHER INNOVATIONS

We launched several other innovations at EuroTier 2014, including the DeLaval adaptive flow controlled cooling AFCC – which allows for cooling capacity to be adjusted to the volume of milk in the tank, the DeLaval mini swinging brush MSB, the DeLaval MidiLine™ ML3100 and swingarm MSA30 and the DeLaval milking point MP170.

05. NEW FEEDING SYSTEMS LAUNCHED IN GREAT BRITAIN AND IRELAND

Feeding systems are not yet common in Great Britain and Ireland, where dairy farmers often feed animals with a feeding wagon or a silage clamp. DeLaval has now introduced a new pathway to dairy farm efficiency, with the launching at the annual Livestock event in Birmingham of the customisable DeLaval Optimat™ and DeLaval Optifeed™ feeding systems. Optimat™ components, which are the main components of the Optifeed system, have been shown to increase milk production, reduce feed waste, and reduce workload, as proved in customer trials at the Debelgaard farm in Denmark.

06. DELAVAL WINS BRAZILIAN AGROLEITE TROPHY... FOR THE NINTH TIME

In August, DeLaval won the Agroleite Trophy for the best milking equipment category over two other dairy farming sector companies. This is the ninth time DeLaval has won this prestigious award. Agroleite is the largest and best-known dairy farming exhibition in Brazil, and this trophy is the most important and coveted trophy in the Brazilian dairy sector.

07. HERD NAVIGATOR™ BEST PRODUCT AT AGROFARM 2014

Herd Navigator™, our advanced milk analysis tool that allows dairy farmers to detect which cows really need attention and recommends what action to take, won the Best Product Award at AgroFarm 2014 in Moscow, Russia. This award is given “for products that have the most positive impact on Russian livestock farms and those that increase competitiveness of animal production in Russia. Particular attention is paid to the relation between investment volume and economic benefits of these products.” The Herd Navigator™ system is designed to be easy to use together with a voluntary milking system (VMS) or parlour. Combining cutting-edge science with advanced technology, Herd Navigator™ automatically takes milk samples during the milking process and analyses them for four different parameters: Ketosis, fertility and mastitis. This in turn provides decisive information regarding reproduction, udder health, energy balance and feeding. Our experience has shown that dairy farmers can earn approximately an additional €250 per cow per year on average, depending on how they act on the advice that Herd Navigator™ provides. Herd Navigator™ helps avoid some veterinary costs, reduces antibiotic use, and reduces the calving interval and involuntary culling rate because of improved cow health and pregnancy rates. These factors also contribute to reducing the herd’s environmental impact.

A year of strong growth

Overall, 2014 was a very positive year for DeLaval. We grew faster than the market with an 8.7 per cent year-on-year increase in sales. Our previous years of investment and restructuring are now coming to fruition and we expect to see that trend to be prolonged into 2015 as we continue to leverage on our global footprint.

Net sales amounted to €1,020 million in prevailing currencies. We experienced strong growth in every market we are active in. The 2014 return on sales is the biggest year-on-year improvement that DeLaval has had in more than 10 years.

Farmers were hampered by the decreasing milk prices towards the end of the year. The Ukraine crisis and lower Chinese milk imports have also had a negative effect. But the underlying worldwide demand for milk remains strong.

CUSTOMER EXCELLENCE

Customer focus has always been at the core of everything we do at DeLaval.

More and more competitors are launching individual stand-alone products while our ambition and strategy is to present a more holistic picture, carried out through research and an ongoing dialogue with our customers.

By adopting this strategy, we continue to be better equipped to give recommendations to our customers. Our solutions make it easier for them to become more profitable, whether you have a herd of 50 cows or 5,000.

SOFTWARE AND SERVICES INNOVATIONS TO THE FORE

2014 proved no exception as we continue to launch new products and services. Several DeLaval innovations were launched on the market in 2014, this year they were mainly on the software and services side. Our Research and Development department continuously looks to find smarter solutions for our customers.

DeLaval InService™ Remote won a silver medal at EuroTier. The solution monitors equipment remotely ensuring



“Our sustainability model is not just based on environmental impact but animal welfare, social responsibility and farm profitability. Sustainability is an integrated part of our business. Many of our recent innovations show how we are working in this regard.”

“Customer focus has always been at the core of everything we do at DeLaval. More and more competitors are launching individual stand-alone products while our ambition and strategy is to present a more holistic picture, carried out through research and an ongoing dialogue with our customers. By adopting this strategy, we continue to be better equipped to give recommendations to our customers.”

a more streamlined infrastructure for our customers. DeLaval body condition scoring BCS was also shown at EuroTier and will be launched in 2015. The solution allows for automated body condition scoring of the cow which is fed into DeLaval DelPro™ Farm Manager. Not only does this save time for the farmer as he/she receives the scorings automatically as opposed to having to carry it out manually and the level of accurateness is much higher.

SUSTAINABILITY MODEL MATCHING CUSTOMER REQUIREMENTS

The ambition to live up to our vision of making sustainable food production possible is materializing more and more and can be seen in the products and solutions we are taking to the market.

We have carried out several initiatives internally. For example, our factory in Drongen, Belgium has reduced its electricity consumption by 10 per cent by introducing Light Catchers, which make use of natural light and reduce the lighting costs in the factory. The biggest productivity gains however can be made on the farm. Our sustainability model is not just based on environmental impact but animal



welfare, social responsibility and farm profitability. Sustainability is an integrated part of our business.

Many of our recent innovations show how we are working in this regard.

Our advanced analysis system Herd Navigator™ safeguards animal health and improves reproduction as

well as productivity. DeLaval reduced temperature detergent RTD reduces energy consumption for cleaning and DeLaval Clover™ liner protects teat health, increases productivity and lasts longer.

We have conducted more research into the area of cow longevity including a conference in China during November 2014 where leading scientists and experts shared insights into cow comfort for farmers and discussed how they can best manage their herds in a healthy and sustainable way. We have been at the forefront of educating and informing on the sustainability and profitability of extending a cow's productive lifetime. We will continue with those efforts in the years ahead.

We also see that larger sustainability gains can be made by tackling the issue of food waste; by ensuring that all feed and food that is produced in the value chain is consumed. We will be exploring several possibilities in 2015 in this area. On the farm, we have solutions liked DeLaval Optimat™, an automated feeding system that minimises waste and reduces costs.

POSITIVE OUTLOOK

The coming year may see bigger regional market differences than in 2014. Europe is likely to experience a rather

hesitant start due to milk prices but will hopefully stabilise in the latter part of the year.

The changes to the Common Agricultural Policy (CAP) and lifting of milk quotas also make the European situation somewhat uncertain in the early part of the year. We hope that any lack of clarity will be removed soon after the changes take effect.

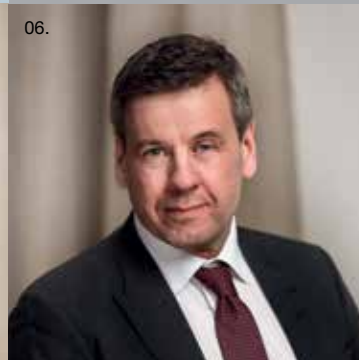
Sanctions in Russia add to concerns for Europe and again we express hope that the Russia Ukraine crisis can be resolved not just for the farmers in Europe but for all individuals in the region.

Globally, we are seeing a cautious upturn in pricing making the second half of the year look better than the first.

The outstanding performance of our dedicated and skilful employees added to our continued close cooperation with our customers gives me every confidence that the strong growth we have witnessed in 2014 will continue in the coming year.

Joakim Rosengren

“We also see that larger sustainability gains can be made by tackling the issue of food waste; by ensuring that all feed and food that is produced in the value chain is consumed. We will be exploring several possibilities in 2015 in this area. On the farm, we have solutions liked DeLaval Optimat™, an automated feeding system that minimises waste and reduces costs.”



- 01. **Joakim Rosengren**
President & CEO
- 02. **Magnus Berg**
Supply Chain
- 03. **Jonas Hällman**
Business area Milking Systems
- 04. **Lars Johansson**
Corporate Communications
- 05. **Mikael Landberg**
Human Resources
- 06. **Johan Ledel**
Group Finance & IS
- 07. **Paul Löfgren**
Group Marketing & Sales
- 08. **Tim Nicolai**
Business area Aftermarket,
Services & Barn Environment
- 09. **Johan Swahn**
Legal Affairs

VISION

We make sustainable food production possible

STRATEGIC PRIORITIES

- Profitable growth in geographies
- Number one in farm management
- Aggressively growing consumables and service businesses
- Operational excellence driving cost and quality leadership



MISSION

We team up with customers for results that last. From our leading position in dairy farming, we innovate and expand in new segments and new geographies. We provide integrated solutions and ensure that everywhere we do business, we lead. We exist for the customer, around the clock.

CORE VALUES

PASSION

- We share a passion for delivering customer value.
- We are proud of our heritage and our success.
- From our leading position in dairy farming, we expand our business with passion.
- This passion distinguishes us from other companies.

PEOPLE

- We have the ability and are trusted to make decisions within our area of responsibility.
- We build our success on competence and constantly invest in personal development.

- We share our knowledge, support each other and enjoy being part of a team.
- We encourage diversity and appreciate the creativity that comes from a mix of cultures, gender, sexual orientation, religions, experiences and personalities.
- We are part of a global network.

PROFESSIONALS

- We deliver quality in everything we do.
- We have clear responsibilities and fulfil our commitments.
- We listen, learn, innovate and constantly improve.

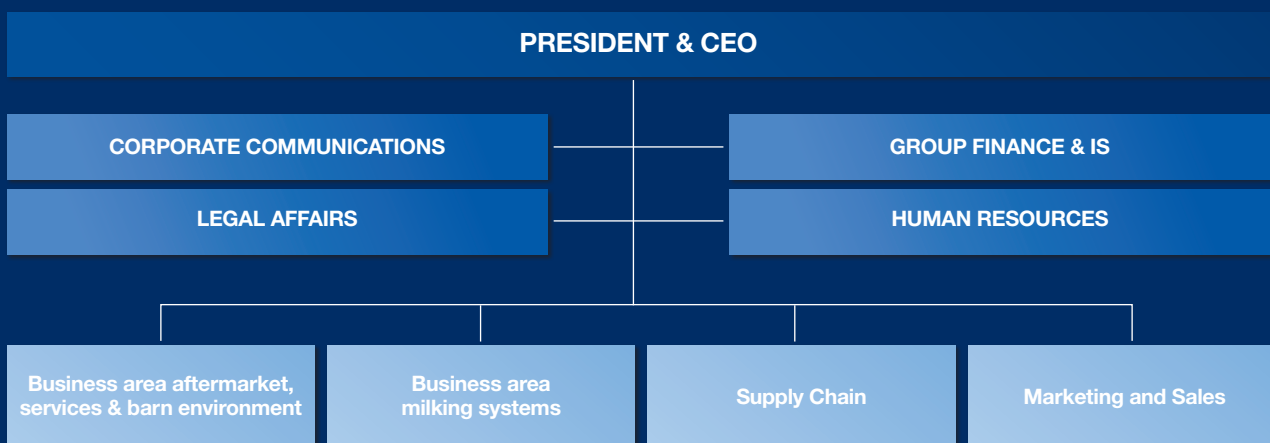
- We are proud of who we are and humbly reflect this through our attitude and behaviour.

- We stay true to our values.

PARTNERSHIPS

- Our customers, their needs and expectations, are the starting point for everything we do.
- Our dealers are business partners with whom we jointly deliver customer values.
- DeLaval employees, our dealers and customers partner for long-term business results.

ORGANISATION



Supply, demand and trade for dairy products

World milk deliveries in 2014 grew 3.1 per cent¹. While Asia accounted for most of the increase, production increased in all regions. Output in China showed modest or no increase as a shortage of forage and high beef prices caused dairy cattle slaughter rates to rise. Rising incomes and firm regional and international demand have favoured dairy production growth in several countries in Latin America. Milk output in the US grew by 2.4 per cent. EU milk production grew strongly by 4.1 per cent stimulated by favourable milk prices and reduced feed costs. Milk production in Russia slowed in 2014 as poor profitability caused further contraction in local dairy herds. New Zealand's milk production finished 2014 with an increase of 8 per cent at a record level of 22 million tonnes.

Lower prices will see producers in many export regions reduce volumes in 1H 2015. Reduced prices will exert margin pressure on EU dairy farmers where milk production is expected to grow by 1.7–2.3 per cent during 2015. USDA estimates the 2015 growth rate in the US will reach 2.6 per cent² at best. Production in New Zealand is estimated to grow by 1.6 per cent in calendar year 2015 reflecting the impact of dry weather on production in recent months. All in all, global milk production is expected to grow 2.3 per cent in 2015.

Overall export development of the six biggest contributors to world trade in dairy products was characterized by strong, above average growth during the first six months of 2014. However, in the second half of 2014 the growth in trade was curbed to a certain extent by the negative impact

of the Russian ban on dairy imports and reduced purchasing from China. Asia remains the main centre for rising international demand. The recent fall in international prices may stimulate import demand in Africa as a whole.

COMPETITION

The total market in 2014 grew by 6.8 per cent over 2013 figures, which was driven by high farm profitability levels and favourable climate conditions in key milk production regions. In 2014, DeLaval has further increased its global market share. The competitive environment has intensified significantly in recent years. Market consolidation continued – driven by acquisitions, joint ventures and distribution agreements done by key market players.

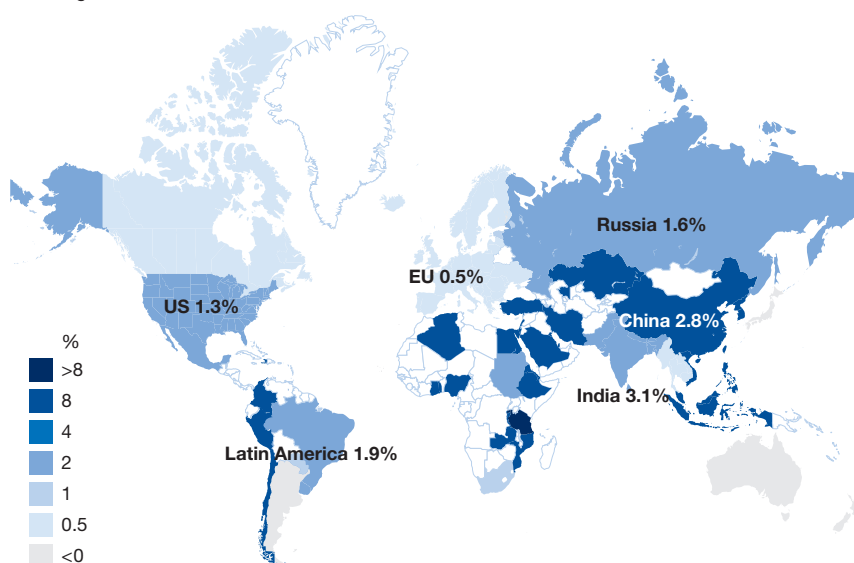
SUPPLY AND DEMAND LONG TERM OUTLOOK

'World demand for dairy products is expected to increase 2.2–2.3 per cent (CAGR) between 2015 and 2018³. Significant growth in consumption of dairy products is expected in India, China, the Middle East, other Asian countries and Africa. It is not just population growth that is driving demand. The main driver is a change in consumption patterns towards a diet containing a higher intake of dairy proteins, a development which is directly linked to the increase in the number of urban middle-class households.

China is expected to maintain its position as the world's largest importer of dairy commodities, accounting for close to 20 per cent of world imports.

LONG TERM – GLOBAL MILK DEMAND 2020

Strong demand sustained CAGR* 2.0%



*CAGR = Compound Annual Growth Rate

State support for large-scale farms and the development of Chinese self-sufficiency in milk and dairy products is a main determinant of the future price development of world dairy markets. While Russia's dairy trade ban has been highly disruptive to the dairy market in 2014, it likely will not change dairy's global supply and demand balance over the long run.

Even though the supply of milk is set to increase during the next decade, it will not match the rise in demand. Growing demand, fuelled mainly by population growth, rising prosperity and urbanisation in Africa, Asia and Latin America, will likely outstrip supply, creating a deficit that will almost inevitably be met by rising dairy prices. This continued demand is in turn driving investments in milk production and processing capacity.

World milk production is projected to increase by 74 million tons during the period 2015–2018 – the majority of which is anticipated to come from developing countries.⁴ The average growth rate for the projection period is estimated at 2.1–2.2 per cent

which is in line with what has been witnessed in the last decade.

The abolishment of the milk quotas in the EU is expected to result in a modest growth of the European milk production as the low milk price forecasts for 2015 will not immediately encourage an increase in milk production. EU production is expected to become increasingly concentrated in regions with lower production costs and where farmers and dairies have invested most in additional capacity such as Denmark, Germany, Ireland, France, the Netherlands, Poland and the United Kingdom.

Further genetic improvements are expected in the EU-15, but the main driver for higher yields in these countries will be the increasing number of milking robots. The fall in the number of dairy cows, meanwhile, which was also strongly linked to restructuring in the EU-13, will continue.

The sustainability of our customers' operations can be improved even if they become more productive. This requires investments in larger farms, improving management skills and the procedures

and systems used to monitor and control their operations. The operations include the use and maintenance of the milking systems, the animals' health and reproduction, and the systems for feeding and manure handling.

The Margin Protection Program (MPP) in the US is a new and unique safety net program designed to provide dairy producers with indemnity payments when actual dairy margins are below the margin coverage levels the producer chooses on an annual basis. Its focus is to protect farm equity by guarding against destructively low margins, not to guarantee a profit to individual producers, and will help farmers manage volatility in margins and improve confidence.

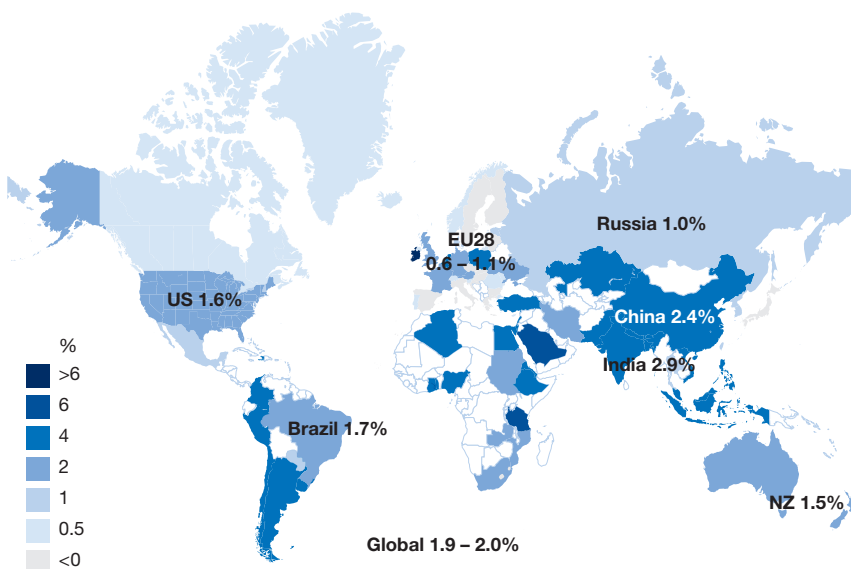
FEED AND MILK PRICE VOLATILITY AND OUTLOOK

The majority of milk producers are impacted by both feed cost and milk price volatility. Higher and more volatile prices for key industry inputs, such as feed and fertilizer, energy, labour and land, can be expected in the future driven not only by growing market demand but also by resource constraints (exacerbated by climate change) and other market trends. The ability to lower input costs during periods of abundant global supply will be a distinct advantage for dairy farmers going forward.

Despite decreases in milk prices, 2014 was, on average, a relatively good milk price year for farmers, due to the high prices in the first half of the year. Dairy farmers in most regions have now seen substantial price reductions, as commodity price falls have been passed back to the farm gate. This fall in producer milk price could possibly be reversed by an increase in demand and/or less supply.

GROWTH IN MILK PRODUCTION 2020

Long term growth in milk production CAGR* 2.0%



*CAGR = Compound Annual Growth Rate

1) IFCN, based on milk production/deliveries recalculated into ECM (Energy Corrected Milk), lead year adjusted
 2) USDA World Agricultural Supply and Demand Estimates, February 2015
 3) FAO/OECD Agricultural Outlook 2014–2023, DeLaval internal estimates
 4) FAO/OECD Agricultural Outlook 2014–2023

Sharing expertise with customers on cow longevity

Increasing cow longevity can significantly improve the profitability of each animal, while avoiding the considerable costs of replacement. Improving the lifetime productivity of cows is an even more important step towards realising our vision of making sustainable food production possible. For these reasons, we promote cow longevity and good productivity to our customers by sharing our knowledge and expertise in this area.

There is a strong correlation between the first few months of a calf's life and its future as a dairy cow. In addition, cows are often removed from a herd all too quickly; the average lifetime of a dairy cow in intensive today is around 5 years, half of which is productive.

According to Mike Van Amburgh in the Department of Animal Science at Cornell University, maintaining a positive growth rate in a calf can increase milk yield by 22 per cent in its future years; milk yield is affected by a cow's genetic composition (20–30 per cent) and environment (70–80 per cent).

"Every year, around 35 per cent of the cows in a herd are replaced," says Charlotte Hallén Sandgren, Dairy Development Director at DeLaval International AB. "Of these, 70–80 per cent are involuntarily culled due to health, predominantly mastitis and lameness, or fertility problems."

HEALTHY COWS FOR HEALTHY BUSINESS

Involuntary culling of cows early in lactation is expensive, on the order of €900 (\$1000) per cow, according to Albert

de Vries from the Department of Animal Sciences at the University of Florida. Keeping the cows in the herd for another healthy lactation would increase the average lifetime productivity per day by approximately 13 per cent, which corresponds to an increase in profitability of €120 (\$130) per cow in the herd per year. It is estimated that preventing lameness alone, through better observation and reducing queue times at milking, could save around €220 (\$250) per case.

DELAVAL ACTIVELY PROMOTING ADVANCED KNOWLEDGE

To promote cow longevity and life time productivity, we offer a product range dedicated to calf rearing; guides and papers on the subject online; and we publish a calf care booklet. These offer practical advice on calf management and improving lifetime productivity. Active promotion is also important; as one of many examples in November we hosted the DeLaval 2014 Cow Longevity Conference in Beijing, China.

Improving cow long longevity and yielding more quality milk is vital to

dairy farmers in China since most cows have been imported from Australia, New Zealand and Uruguay, which have a limited supply. At the Beijing conference, renowned scientists and experts shared insights into cow comfort and how farmers can best manage their herds in a healthy and sustainable way. They also presented the economic benefits of cow longevity, hoof care, mastitis prevention, fertility, heat stress treatment, and calf management.

But this is just the beginning. We will be carrying out many more communication activities to continually strengthen the DeLaval Cow Longevity concept worldwide.



DeLaval InService Remote™

Pushing tech boundaries on dairy farms



We are proud of being at the forefront of bringing the Internet of Everything (IoE) and Machine-to-Machine (M2M) to the dairy industry via our DeLaval InService Remote™.

This system uses sensors to monitor milking solution equipment, and aims to ensure that the vacuum level is correct and that every pulsation is optimal around the clock. It does so by analysing data and sending alarms and/or notifications to a cloud service whenever any decreasing performance or incorrect vacuum level or pulsation is detected. Transferring data like this to a cloud service means that farmers can detect whenever there is a deviation via a desktop, tablet or smart phone, wherever they happen to be. And if DeLaval is contracted to take total responsibility for asset management, we can detect situations requiring attention from a remote location and take appropriate action, depending on the nature of the service agreement. In cases where we are in charge of total asset management – which many customers are turning to us to handle – we would take full responsibility for the functionality of the equipment and notify our service organisation to take action. And ideally, this would occur before the customer notices anything at all.

INDUSTRY RECOGNITION

In November, our DeLaval InService Remote™ won a Silver Medal for innovations at EuroTier 2014. Organised by the German Agricultural Society (DLG), EuroTier is the world's leading trade fair for animal production and the largest innovations marketplace for professional animal husbandry machinery, installations and farm inputs. These medals are awarded to products with substantially improved

functions and “economic significance for practice, work performance, work quality and operational reliability”, by a jury of independent experts from the scientific, research and consultant community, as well as progressive farmers.

DeLaval InService Remote was awarded a Silver Medal for its contribution to bringing technology to the forefront in the dairy industry. Criteria for award selection also included significant features such as optimising labour management, facilitating work safety and driving down energy costs. Of the 270 innovations submitted by 156 exhibitors from across 19 countries, only 15 received a Silver Medal.

DIRECT BENEFITS TO FARM OPERATIONS

There are many customer benefits to our DeLaval InService Remote. By maintaining the correct vacuum and

pulsation levels, customers can increase yield and production rate while maintaining their cows' good udder health and reducing veterinary costs. Plus, farmers can add additional sensors when these are launched in the future because the system is modular. All of this means that farmers implementing this latest technology can accelerate their business development and adapt to the future of dairy farming, which is definitely in the digital world now.

Currently, DeLaval InService Remote is installed at Hamra Gärd, our demonstration farm in Sweden, and we are now gearing up to let external customers use the system. A roll-out is planned for the autumn of 2015 in selected countries, and we will provide support to customers and dealers as they learn about this advanced technology. Additional countries and functionality will follow in the coming years.



DeLaval AMR™ – the automatic milking system that helps farmers grow their businesses

DeLaval is proud to be the only company in the world offering an automatic rotary milking system commercially, and our system is certainly catching on.

The DeLaval AMR™ (Automatic Milking Rotary) is a state-of-the-art automatic milking solution for larger herds, those of 300 or more cows. And while it may look like a normal rotary, it is anything but: the heart of the system is a computer that controls up to five robotic arms that perform everything – teat preparation, milk cup attachment, milking and teat spraying. The next step of automation for large-scale dairy farming has definitely arrived.

DeLaval more than doubled its sales of automatic milking rotary systems during the first six months of 2014 and ten installations were up and running by the January 2015. This included the December launch of our DeLaval AMR at Finnmilk, Finland's largest dairy farm. Now there are a total of ten systems installed in four countries. We are starting to see interest in AMR growing particularly in Germany, Scandinavia, and Southern Europe, as well as Japan and Australia. Equally worth noting is that interest in the AMR is coming not just from larger industrial farms, but also

from bigger family farms.

The reasons for this success are clear. The DeLaval AMR makes a fundamental difference in the everyday rhythm of dairy operations.

IMPROVED LIFESTYLES FOR BOTH ANIMALS AND PEOPLE

The DeLaval AMR helps managers of larger herds grow their businesses by driving greater efficiency, productivity and business sustainability. Using it leads to better animal welfare, better milk quality, more milk per cow, lower milk production costs and reduced labour requirements. Depending on management strategies, our DeLaval AMR can milk 20 cows at a time and between 500 and 700 cows per day. This is the equivalent of 6 million kg milk or more per year. In a barn environment, milking cows automatically with the DeLaval AMR means that one person can supervise the milking and handle all activities around the installation, including cow traffic and cubical cleaning. If time allows, they can also carry out



some herd management activities or other tasks. By reducing the intense activities around milking, our DeLaval AMR improves a dairy operator's overall lifestyle in running a dairy farm. This improvement in lifestyle and lower labour costs are the main reasons farmers have been turning to our DeLaval AMR.

Another big advantage of this system is its flexibility. The DeLaval AMR is scalable so that it can expand as a business grows; farmers can start out with two robotic arms and build up to the full five arms over time. Plus, it is the only system of its kind that can be used as a voluntary or batch automatic system and it suits all types of farming operations, from free stalls and loose housing to pasture-based dairying.



DeLaval Clover™ liner

Smart design with huge impact for customers



After 130 years in the dairy industry, we can confidently say that we know what's required to achieve excellent milk quality. We are also constantly investing in research and product development to address present day challenges.

INGENUITY AT ITS BEST

Our DeLaval Clover™ liner is a clear example of how even small changes resulting from innovative thinking can deliver huge results. In a product category that typically includes three shapes in design – triangle, square, and round – DeLaval's Clover liner offers a new fourth option that is similar to the popular, triangle-shaped liners. But it has a few crucial differences that make it a breakthrough design. Contrasting with traditional liners, our DeLaval Clover liner's thin, concave side walls and smooth, rounded corners deliver a firm, full-contact, yet gentle grip of the teat throughout the milking cycle.

As a testament to its ingenuity, the liner won the Innovation of the Year award in the milking technology category at the Deutscher Landwirtschaftsverlag (DLV) ceremony at EuroTier 2014. One of the main criteria for winning the award was the fact that it is a true example of form following function. The Clover liner is patented in the US, with other patents pending.

"We are very honoured to win this acclaimed award," says Jean-Jacques Dreier, Portfolio Director, Liners and Tubes at DeLaval. "It is great to be accredited by DLV for our continued commitment to delivering products that enhance animal welfare and increase productivity for our customers."

A WEALTH OF CUSTOMER BENEFITS

In dairy farming, a comfortable and healthy cow is typically a more productive cow. Our DeLaval Clover liner's

design ensures that the liner stays in the proper milking position and provides excellent massage, offering cows maximum comfort. It also provides a low, stable mouthpiece vacuum and avoids typical clogging and hygiene issues, thus further contributing to improved teat health. And when teat health is improved, mastitis cases are reduced. Mastitis is a pressing concern for dairy farmers all over the world and one of our top priorities. This has been recognised by dairy farmers using the liner and by a study at Kiel University in Germany, which showed that the DeLaval Clover liner reduces subclinical mastitis by 12 per cent.

"We are pleased with the results of this study since by reducing the number of subclinical mastitis cases so dramatically brings with it considerable cost savings for our customers," says Dreier. "The estimated cost of an individual subclinical mastitis case, which includes milk losses, premature culling, etc., is according to research €95 in Europe. By using the DeLaval Clover liner our customers can save approximately €2800 annually on a healthy 100-cow herd, in relation to the reduced subclinical mastitis".

Dairy farmers using the liner also noticed how the liner reduced or eliminated hyperkeratosis at the teat ends, was quickly adapted to by the cows, resulted in more relaxed cows, increased milking speed, and increased milk yield.

Andrew Butler and his family at Lower Barker Farm in Preston, UK, trialled the Clover liners in their Harmony™ clusters for just six months,

and noticed that the milking times of their 380-strong herd decrease by at least 15 minutes, without compromising milk yield. They also noticed a considerable reduction in somatic cell count and incidence of mastitis – going from 2-3 per week to about 1 every 3 weeks – and reduced veterinary bills accordingly.

CURRENT AND FUTURE USE

More than 500,000 cows worldwide are currently being milked with the liner. This incredible success of DeLaval Clover liner means that the team at DeLaval are doing more research and development to continue improving and developing it.

"This liner has beaten all our expectations so far," says Dreier. "We had to increase production capacity after it hit the market as the demand was beyond our forecasts. We will extend the assortment and adapt it and will have new variations of the liner launched in 2015, so watch this space."

MADE TO FIT

The DeLaval Clover liner comes in sizes appropriate for a variety of teat and udder sizes. It can be used along with DeLaval Harmony cluster, which we introduced 20 years ago and has since gained a strong reputation for its very high performance and being one of the most hygienic.

DeLaval VMS™ making its mark globally

Our customisable voluntary milking system, DeLaval VMS™, is a form of automatic milking system in which the extraction of milk occurs without human labour and where the cows themselves decide when they want to be milked – voluntarily.



Automatic milking systems are designed to make dairy farms more efficient and profitable – VMS™ farmers report average milk yields of 2,500 litres per day per station – and the act of milking cows less labour-intensive. Since its inception in the 1990's, more than 12,000 DeLaval VMS systems are now available worldwide with over 2,000 operating in Germany alone.

There have been quite a few news-worthy DeLaval VMS events this past

year. For starters, two of the four finalists in the annual Dairy Farmers of Canada Sustainability Awards were DeLaval VMS customers, while ten VMS farms across the US Midwest opened their doors to allow the public in, as part of the Smart Farming Open House Event hosted by DeLaval USA. Then there was the news that 12 months after the installation of the first DeLaval VMS in South America, the system has become synonymous with better

quality of life among milk producers in Brazil. But the following developments were definitely the biggest news of all.

WORLD'S LARGEST DAIRY OPERATION USES DELAVAL

In 2014, the world's largest robotic milking installation, for free cow traffic under one roof, started operating in New Zealand. Boasting 24 new DeLaval VMS voluntary milking system robots, each of which can milk 60-65 cows, our DeLaval on-line cell counter OCC and our Herd Navigator™ system, the van Leeuwen dairy farm in South Canterbury went from milking zero to 750 cows in just seven days and using only half the space available. Now running at full capacity, 1,500 cows are voluntarily milking and producing 1.2 million milk solids daily. There are a remarkable 2.5 kilometres of milk lines alone in the barn.

The van Leeuwens were particularly attracted to the DeLaval VMS due to the Herd Navigator technology – an advanced milk analysis tool that detects which cows probably need attention and what actions to take – saying that the information made available would help them make crucial decisions about their animals.

The advantages of this installation have been immense. For starters, this set-up means that there will be at least one VMS able to milk 24/7 at any given time. And in addition to more efficient milking, there are cost-efficiencies such as lower labour costs and energy savings. These come from solutions such as the



centralised vacuum system – the first in Oceania – that uses just three pumps and a single central vacuum to transport the milk from all 24 milking robots.

The milk is also cooled on its way to the tanks and a heat recovery system uses the warmed cooling water to clean the milking robots.

Finally, using VMS gives farmers like the van Leeuwens time and flexibility since both farmers and cows have some freedom to decide what to do and when they want to do it. No longer bound to milking the cows twice a day, farmers can focus on improving areas such as environmental sustainability and herd management. Or simply the quality of life on the farm.

The total cost of setting up the operation was \$22 million (including the land), with an average cost of production of just under \$4.50/kgMS.

BENEFITS FOR COWS AND PEOPLE

Another example comes from Canada, where Gerhard and Heather Ritzema in Seaforth, Ontario, used to milk their herd of cows three times a day, starting early in the morning whether their cows were ready or not. This meant they needed dependable staff, and it was difficult for both of them to be away from the farm at the same time.

With DeLaval's VMS robotised milking system, they now work smarter, not harder. The cows have learnt to milk when they are ready and are encouraged to enter the robotised milking parlour by receiving a tasty snack when they are in position. Seven or eight minutes later, the job is complete and the cow exits the stall. After every milking a mini-lab built into the machine tests the enzymes in the cow's milk to make sure that all's well and the animal is in good health.

If a cow is showing early signs of sickness or is ready to become pregnant, the system will alert the Ritzemas by text message. The end result? Staff costs have been reduced by about a third, and the couple have earned themselves more freedom in their daily schedule.

DELAVAL CHOSEN FOR SOUTHERN EUROPE'S LARGEST ROBOTIC MILKING SYSTEM

In May 2014, DeLaval was confirmed as the robotic milking system supplier to the Teixeira dairy farm in Portugal. The owner chose DeLaval because he liked the robotic milking arm on our VMS over competitors' versions, and was impressed by the VMS milking routine, feed-first cow traffic, and quality service provided by Harker, the DeLaval dealer in Portugal. The farm milks 600 cows and a total of six milking robots have been installed, with another four planned.

FIRST DELAVAL VMS™ IN CHINA IS NOW OPERATIONAL

Since August 2014, two DeLaval VMS Supra models – including both VMS and OCC – have been operating at the prestigious Beijing Dairy Cattle Centre farm, a major player in dairy development in the country. This marks the reaching of an important milestone for robotic milking in China.

These are our first commercially sold and operational milking robots in the country. Only one other voluntary milking system is in operation in China, a 2009 donation to a customer affected by the 2008 earthquake in Sichuan province.

"We look forward to making this the start of a successful journey in automatic milking in this dynamic and promising dairy farming market," says René Kolbach, Solution Manager VMS & InService.

And what a promising market it is; there is a growing consumer demand for high quality dairy products, the highest milk prices in the world, and low labour costs, according to Milk Quality in China, a study by Lior Yaron, Director Global Customer Project Support at DeLaval. According to his research, the Chinese government considers milk to be an important part of the young person's diet, and this, combined with the increasing western influence, is bringing an 8–10 per cent yearly increase in dairy production. Production in China is changing rapidly and it is expected to continue doing so in the near future.



Teat disinfectants with germicides naturally present in milk

Udder health is important to animal well-being, milk quality and productivity. Globally, there is an increased scrutiny of residues in food, and dairy products are no exception. China, in fact, is even banning materials that are used at levels accepted as safe by the FDA and other authorities. DeLaval is addressing these concerns by introducing new teat disinfectants to the market, based on germicides that are naturally present in milk, and that have proven low-residue characteristics.

In North America, Europe and South America we will continue to expand our offering of the hydrogen peroxide based Prima™ line of teat dips. In addition to the current sprayable products, we are developing high viscosity products which improve teat conditioning properties and provide longer contact time for germicidal effect. Prima™ HV is developed for South America, and Prima One Surgras for Europe. Hydrogen peroxide is naturally present in milk and further breaks down to oxygen and water.

We have introduced our LactiSyn™ technology and an expanded family of lactic acid base products. Lactisan™, a concentrated, sprayable product offers

all the bacteria-killing required for an effective teat disinfectant. And because it is a concentrate that dilutes with drinking water, it requires less freight and packaging, helping farmers with their bottom lines. Lactisan contains lactic acid, which is found naturally in milk, along with a special surfactant that quickly breaks down the walls of bacteria, leaving them defenceless against the lactic acid. The result is a formula with a broad-spectrum germicidal effect.

We have also made a new, long-lasting and ready-to-use, lactic acid barrier teat dip available to dairy farmers in Europe, Russia, Brazil and in the US. LactiFence™, which creates a long-lasting elastic film that helps prevent bacteria from entering the teat canal, provides an unprecedented level of protection against mastitis, even in challenging warm and humid conditions. Given that proper udder hygiene avoids costs and mastitis-related losses, quick and quality protection is always important to herd health. According to Carlos Eduardo Guedes, a farmer from Sao Paulo and DeLaval customer who was involved in the LactiFence trial: "The first thing we noticed was that the

condition of the teats improved very fast on average."

DeLaval will continue to develop improved iodine-based teat dips utilising our patented low-iodine technologies: I-Tech II™, IodoZyme™, and Fortex™. Iodine is a proven effective germicide for teat health applications, and is an essential human and dairy cow nutrient. With our low-iodine technology we can maximise efficacy and udder health improvement, while minimising the risk of iodine residues. Efficacy and residue results are well support by independent studies from leading universities, including Cornell.



Tetra Laval International

Tetra Laval International (TLI) focuses on security, assurance, transparency and accountability in its role as the financial support and control function for the Board. This is evident whether financing the Group, ensuring secure cash management, mitigating the impact of financial market risks on business performance or delivering financial reports and rigorous assurance on internal controls to the Board.

Some of the key issues that TLI dealt with during 2014 were:

- Supporting the Board in shaping strategy and future performance, and scrutinizing execution.
- Supporting the industry groups' management in their restructuring initiatives.
- Focusing on mitigating the Group's financial risks; robust hedging programs put in

place have enabled to limit the short-term impacts of the increasingly volatile currency and commodities markets and manage the long term financing costs of the Group.

- Maintaining tight controls over cash and financing throughout the Group.
- Continuing to manage a number of Group insurance programs and related claims. Employee benefit insurances are now being pooled to achieve further synergies in this area.

Driving the rollout across the Group of the third generation of the Group's internal risk management procedures

- Continuing to support the Board by ensuring they receive regular financial performance covering all parts of the Group.

The focus for 2015 will be among other things:

- Roll out of updated Group Finance & Control policies to remain up-to-date with fast evolving regulatory environment, with significant enhancements in the areas of risk management (include explicit statement of risk appetite and identification of emerging risks), and with the ever increasing need to reinforce data security and information management.
- Transform current internal audit activities to be in line with ever more demanding best practices and to provide more extensive and high quality assurance to the Group Board.
- Deliver critical review of the allocation of capital to Capex, customer equipment financing and R&D.
- Work for the Board and Group Management in their efforts to preserve competitiveness on a global scale.

TETRA LAVAL INTERNATIONAL MANAGEMENT

01. **Martyn Zedgitt**
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02. **Marc Häfliger**
Operations & Administration
03. **Robert Norris**
Group Financial Planning & Reporting
04. **Jörn Rausing**
Mergers & Acquisitions
05. **Antoine Jomini**
Audit
06. **Robert Swan**
Finance



TETRA LAVAL GROUP SUPPORT FUNCTIONS

01. **Phil Read**
Group Human Resources Officer
02. **Jörgen Haglund**
Group Communications Officer
03. **Thomas Andersson**
Group General Counsel



These functions are responsible for their respective area throughout the Tetra Laval group.

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