

10th June 2025

Subject: Disruption Root Cause and Mitigating Actions

Regarding recent supply disruptions of Nutricia Nutrison tube feed and ancillaries supply, impacting deliveries and ordering processes.

Root Cause of Disruption:

- Global demand outstripping existing production capacity, specifically sustained European demand increase 2020-2025 greater than anticipated forecasts. This has resulted in the primary supply point operating at 100% capacity
- Recent Global Nutrison tube feed recipe upgrade impacting operational efficiency creating supply shortages (March-August 2025)
- Third Party ancillary product supplier shortages (Kebomed, April 2025) exacerbated by increased ancillary demand due to increased levels of product and pack format changes

Structural Solution:

Recovery realised by end of August through significant capacity expansion via Nutricia Opole production site, increasing capacity for Tube Feeding by 30%.

€50m capital expenditure investment announced by Danone Group September 2023, first commercial productions have commenced, with planned ramp up to produce 7 products over 160 production hours per week (23/7) from August. To ensure safety and quality, the line capacity must come in slowly given the critical nature of the products.

Summary of Nutricia's Mitigating Actions:

Operations:

- **Upstream manufacturing protection of Paediatric Tube feed brands:** 99.1% order fulfilment of Paediatric Tube Feeds across Hospital & Homeward channels March-May.
- **Postponing planned factory maintenance:** Maintaining 24/7 operations within safety parameters.
- **Increase production on products produced outside affected factory lines:** 50% volume increase on 1.5L pack formats across impacted products April – September.
- **Expedited logistics routes:** 100% of inbound orders from source factory to UK utilising truck vs. boat transport saving 11 days transportation time.
- **Incremental customer service resources:** 15 FTE increase in Customer Service resource to support customer & patient calls, order management.

Homeward:

- **Supply prioritisation for Homeward patients:** On supply constrained products, diversion of all available product to Homeward Channel to minimise Homeward patient disruption and short notice of regimen changes.

- **Priority stock checking for Homeward patients on constrained products:** Minimise unnecessary product being issued to patients with sufficient inventory in their homes.
- **‘Alternative products’ system functionality for Homeward patient regimens:** HCPs can allocate an appropriate alternative product on the system for automatic substitution in the event of the primary product being unavailable. 10% of patients have an appropriate alternative entered on the system.
- **Sourcing alternative product for Homeward patients:** Additional procurement of alternative supplier products (Fresenius Kabi, Abbott, Nestle) in line with any patient regimen changes made to competitor alternatives (effective beginning April)

Hospital:

- **Sourcing alternative product for Hospitals:** Procurement of Fresenius Kabi alternative product made available at no additional cost to Hospitals (effective beginning April, until September recovery of Nutrison)
- **Implementation of Hospital order quotas:** Quotas implemented at Hospital level in line with historical baseline demand to support fair share of available product

Financial / Invoicing:

- **Alternative Product Pricing set up:**
 - Fresenius Kabi alternatives ordered by Hospitals via AAH Tamworth depot have been set in line with the equivalent price of Nutrison, to eliminate administration required by Trusts in claiming back costs incurred (effective end May)
 - Fresenius Kabi alternatives for Off-FP10 contracts have been set in line with the equivalent price of Nutrison, to reduce/eliminate administration required by Trusts in claiming back costs incurred (effective beginning May)
- **Credits process:** For additional costs incurred by Trusts prior to the alternative product pricing set up, or to claim for costs incurred on any non-Fresenius alternatives, there is a dedicated reimbursement email address and simple process flow which is being used regularly by NHS Trusts. Credits have been processed up to end April, with bulk credits issued in some instances to avoid additional administration

Further Planned Actions:

- **Systems innovation:** Further digital integration with NHS Digital to reduce HCP administration time managing Homeward patients. Patient application allowing for increased self-management and order visibility for patients
- **Improved Patient order management process:** Increasing back-order management lead times from 2 days prior to order to 6-16 days prior to order. Reducing short notice changes for HCPs and patients