



Improving operational efficiency across our supply chain

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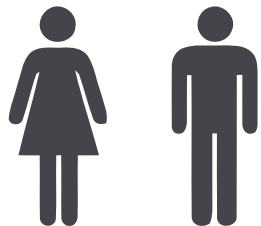
London, 11 September 2015



Orkla Supply Chain – a great opportunity

8
million

**CONSUMER UNITS
PRODUCED DAILY**



**SUPPLY CHAIN
EMPLOYEES**



FACTORIES



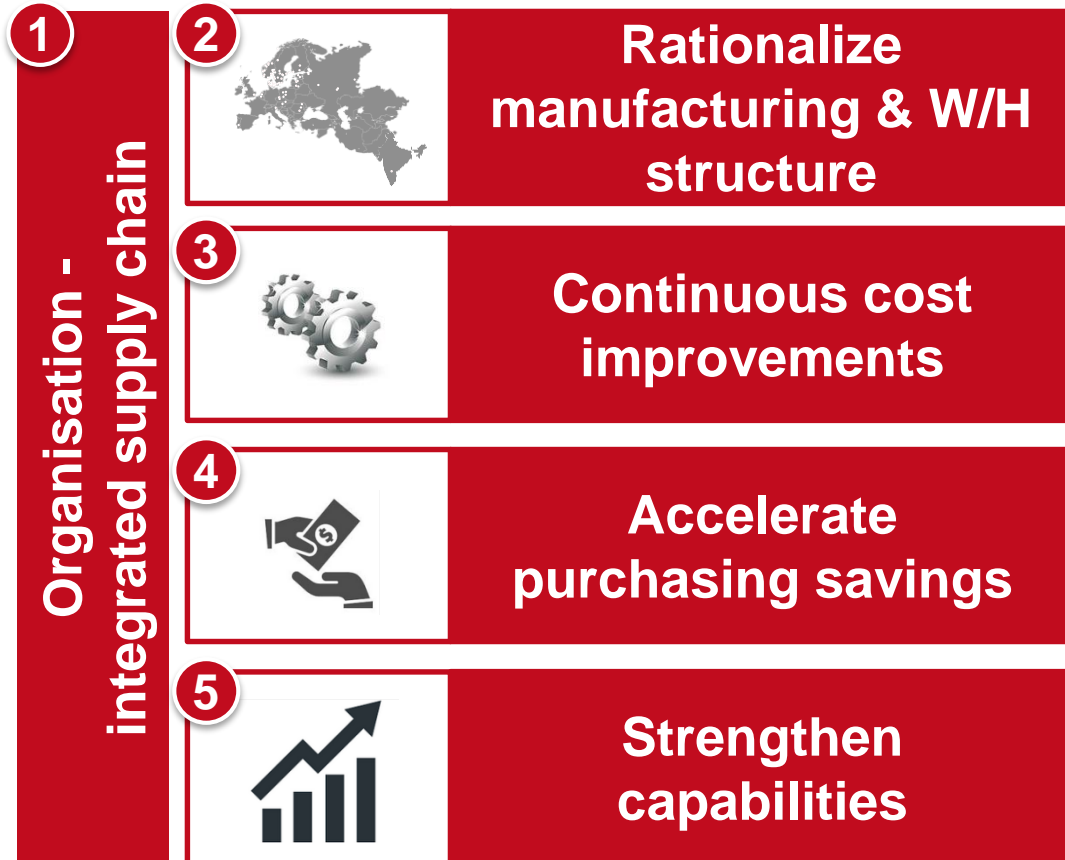
COST BASE (NOK BN)

5500

103

~24

Our priorities



*Improve our
competitive position
through **increased
efficiency** and
lower costs*

In 2014 Orkla started a supply chain transformation

2014
- Point of departure -

- Limited strategic direction for supply chain
- Low level of cross sourcing and cooperation
- Fragmented supply chain reporting

2015
- Gearing-up -

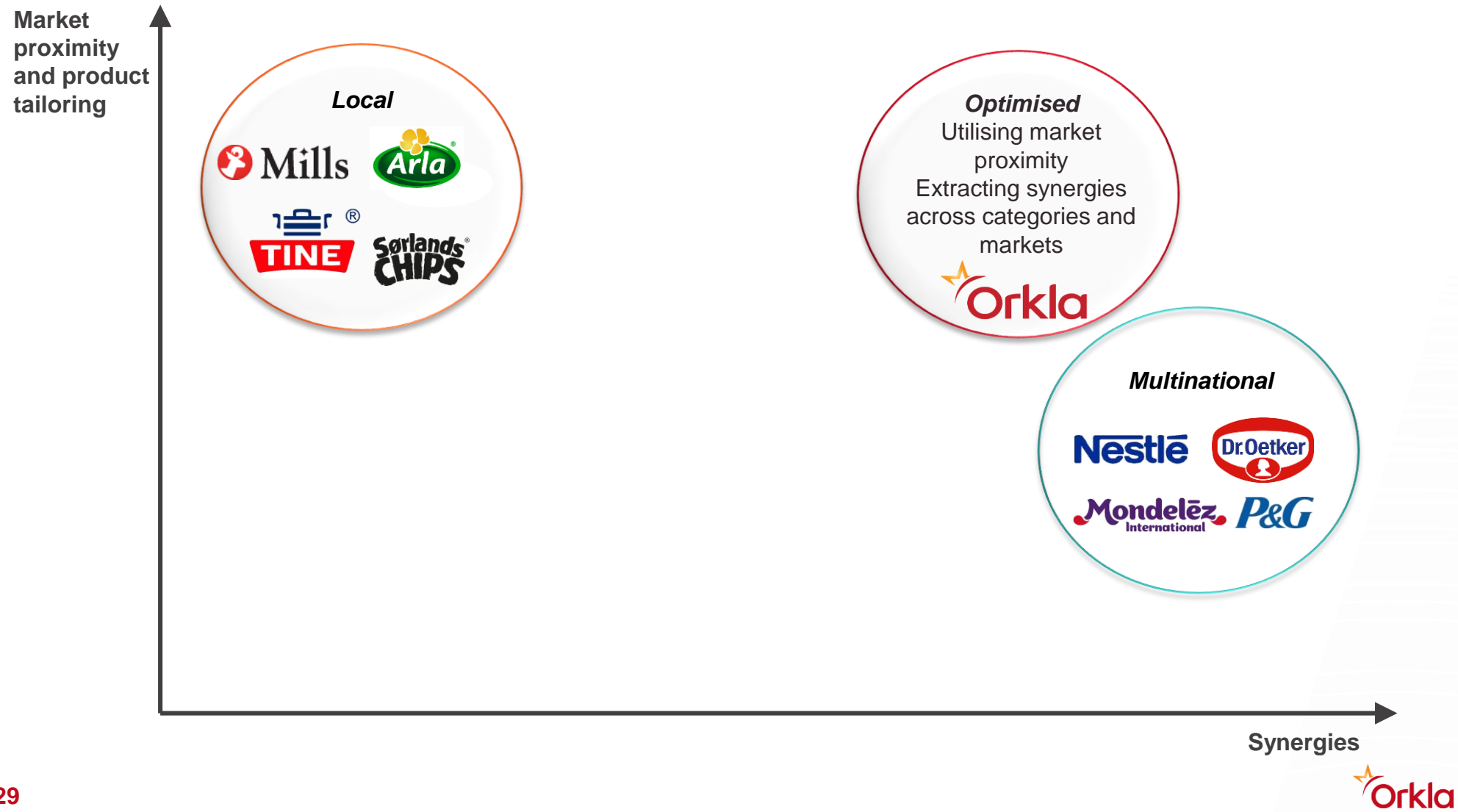
- New operating model - moving towards an integrated supply chain
- Delivering on continuous cost improvement projects (lean) and footprint programmes

2016-2018
- Executing -

- Drive supply chain performance improvements
- Strengthen and build our supply chain capabilities
- Accelerated value realization with a One Orkla Supply Chain

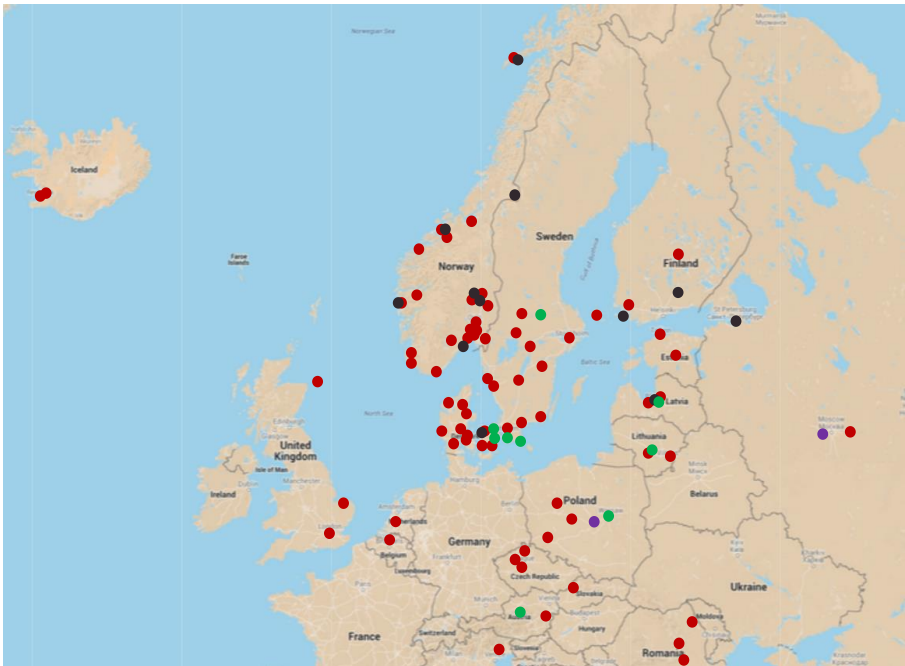


Our ambition is to combine our superior, local market insight with a higher pace and focus on extracting synergies



Orkla currently has a network of 103 factories

Factory footprint 2015



- Orkla plants since 2014
- Plants closed (5) or undergoing closure (7)
- 15 plants acquired
- 4 plants divested

Complexity has increased over time

- Acquisitions have added complexity
- Few structural changes made to enable operations across countries

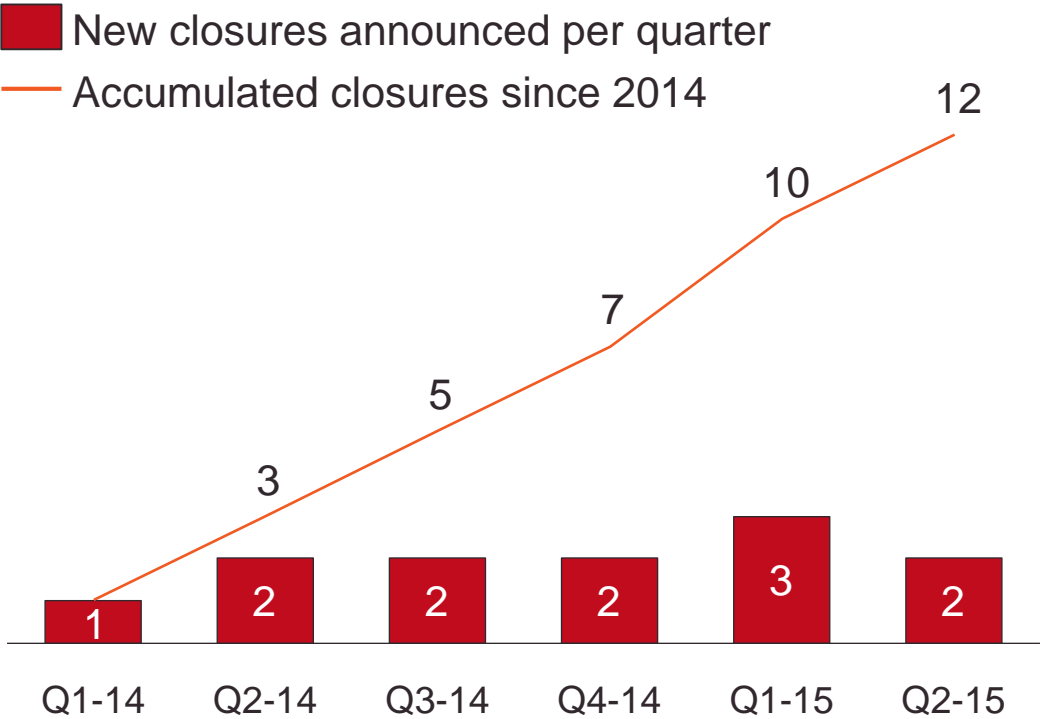


Our situation today

- Many small factories
- Several plants producing similar products
- Low level of cross country sourcing
- Underutilized production capacity
- Fragmented investments in new technology
- Significant cost differences between sites

We are rationalizing our production structure

Closures announced since 2014



Focus and scope will increase going forward

Rationalize production structure based on **One Orkla**:

- Category perspective (centres of excellence)
- Cross country sourcing
- Enable more efficient capital allocation

Consolidating herring production generated NOK ~15 million in EBIT improvement

PROJECT EXAMPLE: HERRING MANUFACTURING



- Consolidated herring production and reduced the manufacturing footprint
- ~80% fixed cost reduction
- SKU optimization
- Increased EBIT by NOK ~15 million

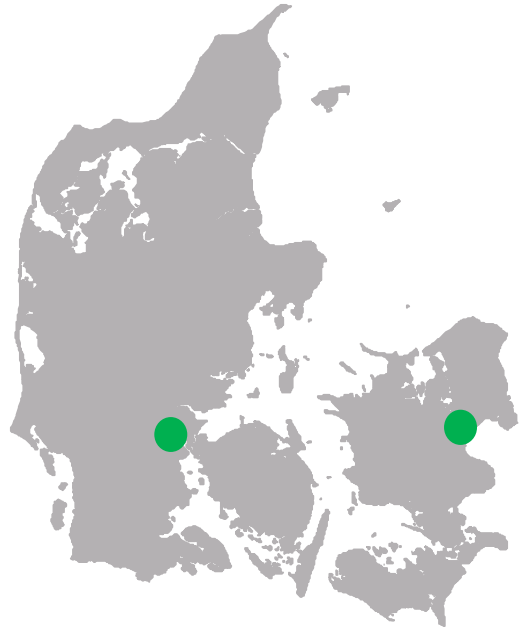
We are consolidating warehousing across business areas. In Denmark this yielded savings of NOK 17 million

PROJECT EXAMPLE: WAREHOUSING DENMARK

2014: 5 warehouses



2015: 2 warehouses



- We have consolidated the warehouse and distribution set-up across business areas in Denmark
- Estimated savings of NOK 17 million
- Similar projects initiated in Norway and Sweden

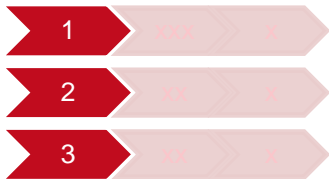
Increased pace of factory performance improvement projects since 2014

Focus: Increasing capabilities and reducing costs

Local and central resources working together



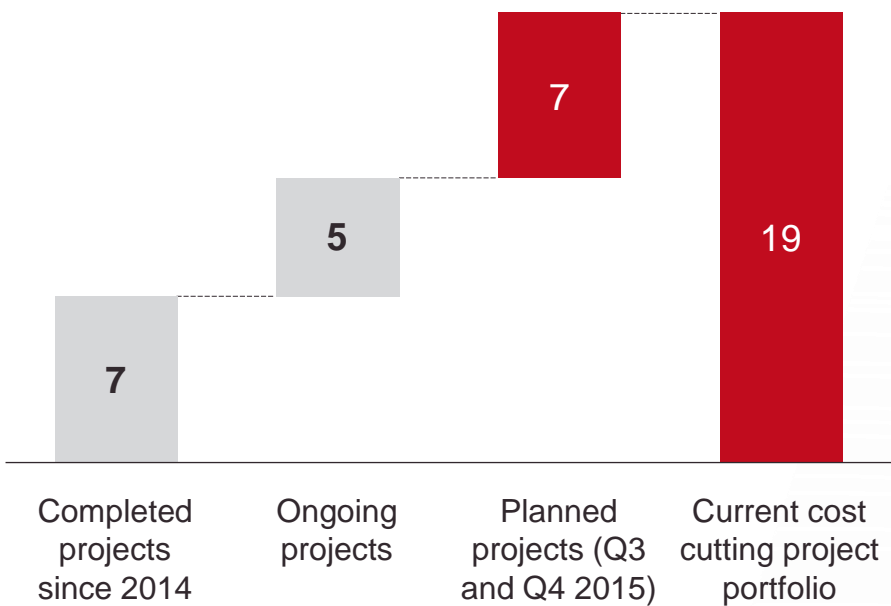
Standard tools and methodologies



Reduce costs and drive continuous improvements



Number of factory performance improvement projects



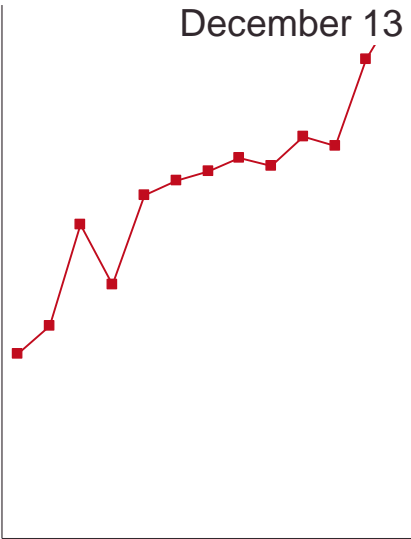
The focus and pace will increase going forward

Dedicated factory performance improvement projects deliver strong results

PROJECT EXAMPLE: TORO ARNA (Main category is dry products, e.g. soups)

Background: Declining productivity

Conversion Cost/KG (RTM)



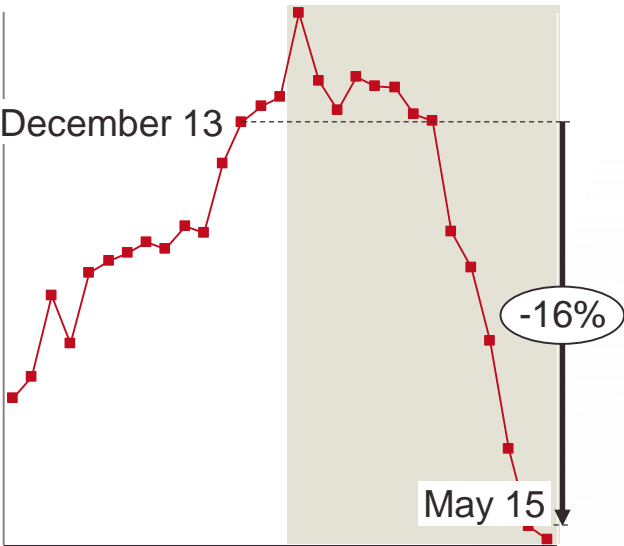
Actions

Turnaround with three main focus areas

- Top-down rebuild of organization and reporting lines
- Bottom-up adjustment of resources to demand
- Capability building to increase flexibility in workforce

16% reduction in conversion cost

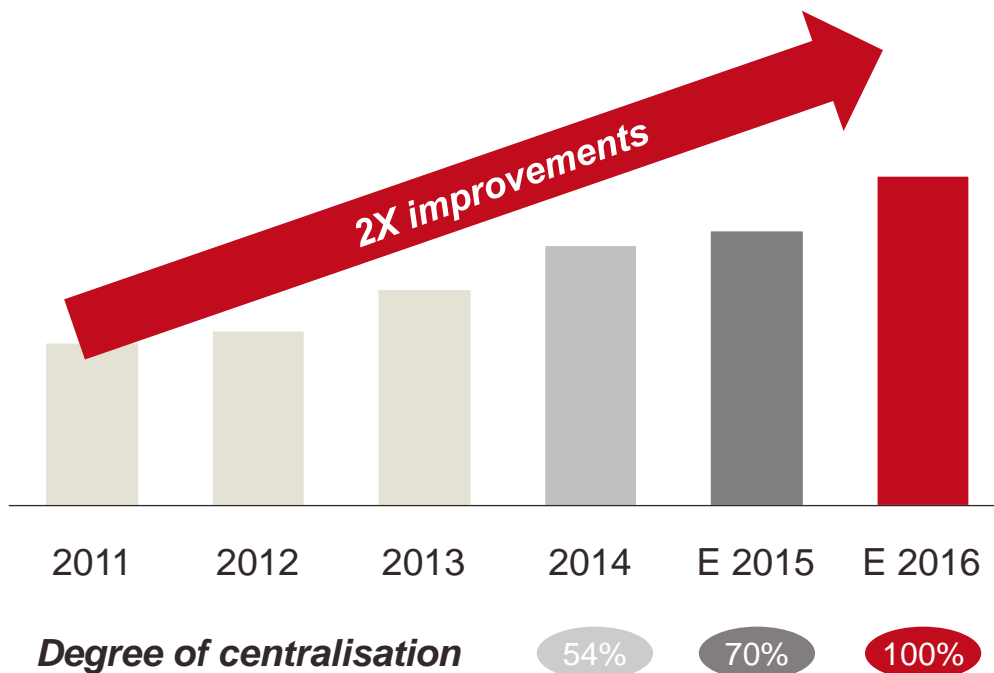
Conversion Cost/KG (RTM)



NOK 60 million¹
Reduction of ~50 FTEs

We are on a journey towards a more centralised set-up for procurement

Cost improvements doubled since 2011

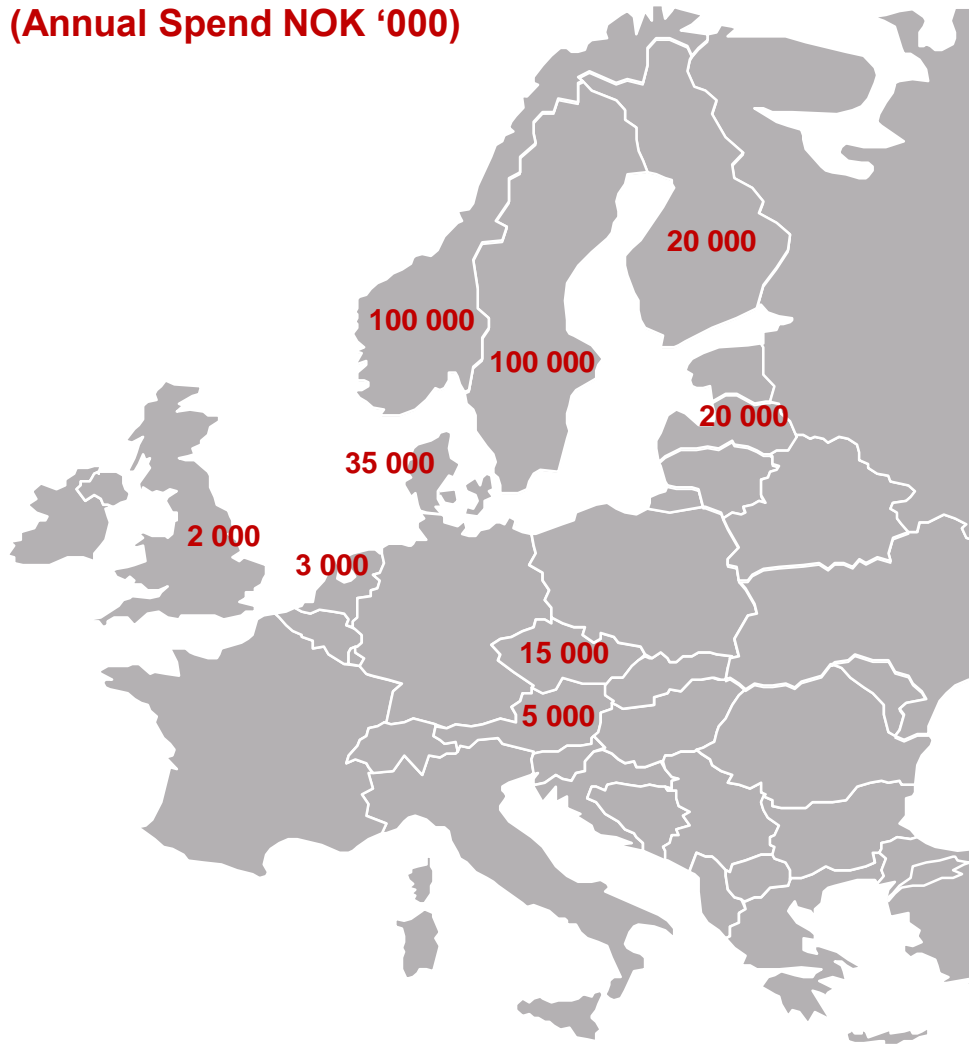


Role of Orkla Procurement

1. Provide a **strong category focus** and leverage scale
2. Ensure **best practice sourcing strategies**
3. Deliver improved results on **cost, price management and innovation**

Further centralization of procurement is based on successful consolidation of purchasing in many categories

(Annual Spend NOK '000)



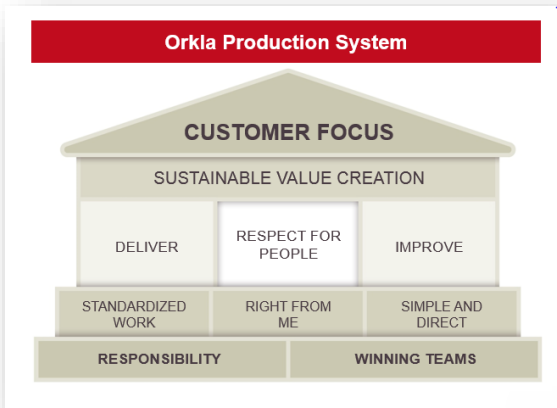
Example – Corrugated Packaging

- Total annual spend: NOK 300 million
- Number of Orkla companies buying: 30
- Centralized procurement with Pan-European framework agreements including bonus and cost improvement schemes
- Main supplier covering 80% of Orkla portfolio
- Cost improvement: NOK 30 million in EBIT effect (2015/2016)

By building capabilities and tracking performance we deliver everyday improvements with long-lasting effects

Build capabilities

- Implement Orkla Production System and training programmes
 - Set baseline requirements
 - Standardise way of working
 - Create and share best practices
- Instill pro-active management with clear requirements and expectations

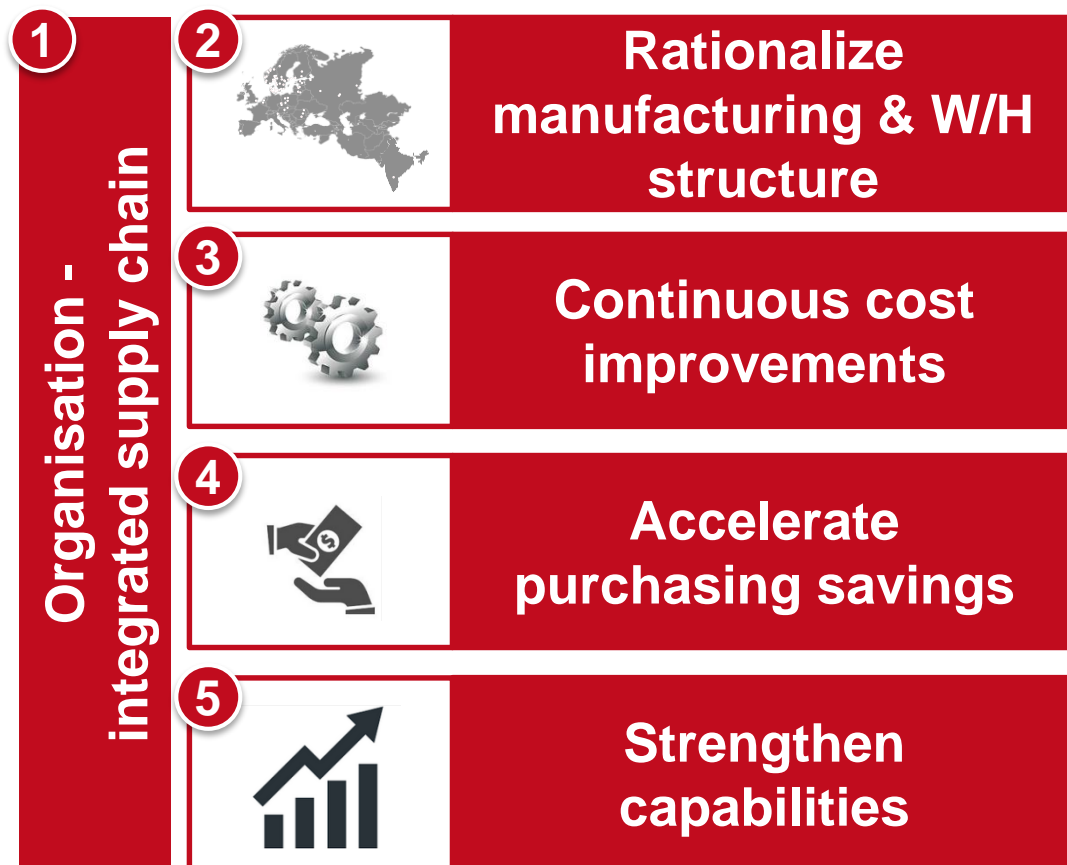


Harmonized tracking and measurement

- We are implementing
 - A shared set of KPIs for tracking performance and enabling internal benchmarking
 - One common tool to report, track and manage cost improvement initiatives
 - On-line shop floor control system to track and visualize real time line level performance



Our priorities going forward



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