



## **Orkla Investor Day**

London - 26 September 2013

# Welcome to Orkla's Investor Day

## Speakers



**Åge Korsvold**  
*President & CEO*  
*Orkla ASA*



**Atle Vidar Johansen**  
*EVP & CEO Orkla Foods*



**Bente Brevik**  
*CEO Orkla*  
*Foods Norge*



**Christer Åberg**  
*EVP & CEO Orkla*  
*Confectionery & Snacks*



**Stig Ebert Nilssen**  
*EVP & CEO Orkla*  
*Home & Personal*



**Tine Hammernes Leopold**  
*Group Commercial Director &*  
*CEO Home Markets Axellus*

# Agenda

---

13.00	Orkla Group	Åge Korsvold, President & CEO Orkla ASA
14.00	Orkla Foods	Atle Vidar Johansen, EVP & CEO Orkla Foods
	Orkla Foods Norge	Bente Brevik, CEO Orkla Foods Norge
15.00 - 15.30	Break	
15.30	Orkla Confectionery & Snacks	Christer Åberg, EVP & CEO Orkla Confectionery & Snacks
16.10	Orkla Home & Personal	Stig Ebert Nilssen, EVP & CEO Orkla Home & Personal
	Nutrilett	Tine Hammernes Leopold, Group Commercial Director & CEO Home Markets Axellus
16.50	Q&A and closing remarks	Åge Korsvold, President & CEO Orkla ASA
17.00	Drinks and canapés with the management	

# **Presentations**

Transforming Orkla into a Branded Consumer Goods business	Page 5
Orkla Foods	Page 33
Orkla Confectionery & Snacks	Page 75
Orkla Home & Personal	Page 94
Appendices Financial Performance	Page 136



## Transforming into a Branded Consumer Goods business

Åge Korsvold – President and CEO



# Agenda

1. Introduction
2. Market environment
3. How to drive value
4. Strategic priorities and financial targets

## Business overview

---

### CORE:

#### Branded Consumer Goods (BCG)

- Orkla Foods
- Orkla Confectionery & Snacks
- Orkla Home & Personal
- Orkla Food Ingredients
- Orkla International

### NON-CORE

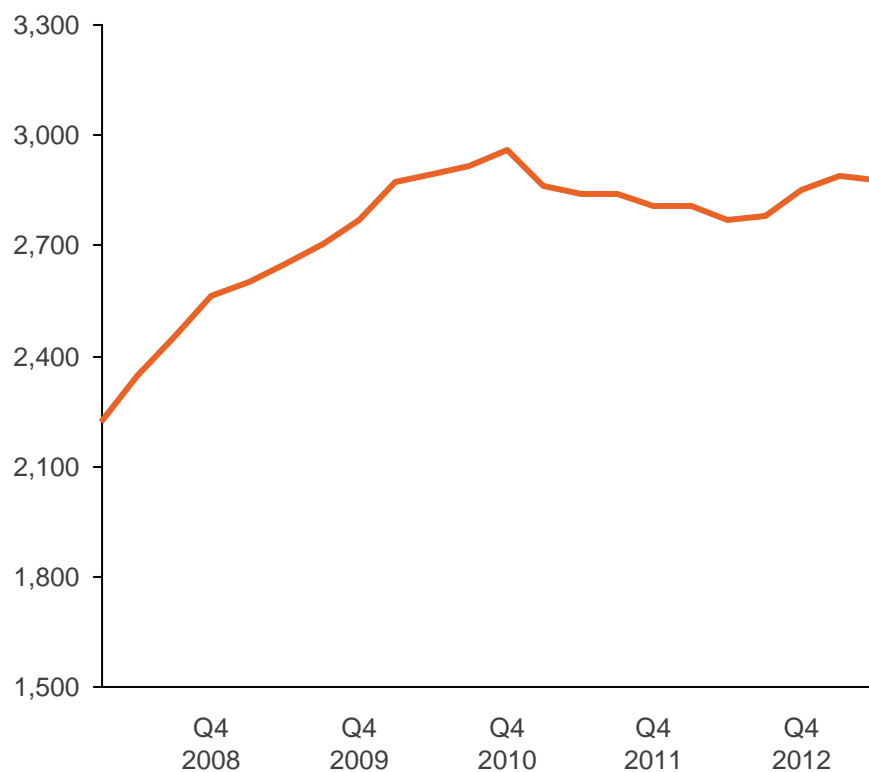
- Sapa JV (50%)
- Gränges (Sapa Heat Transfer)
- Hydro power
- Real estate
- Financial assets

### Associated company

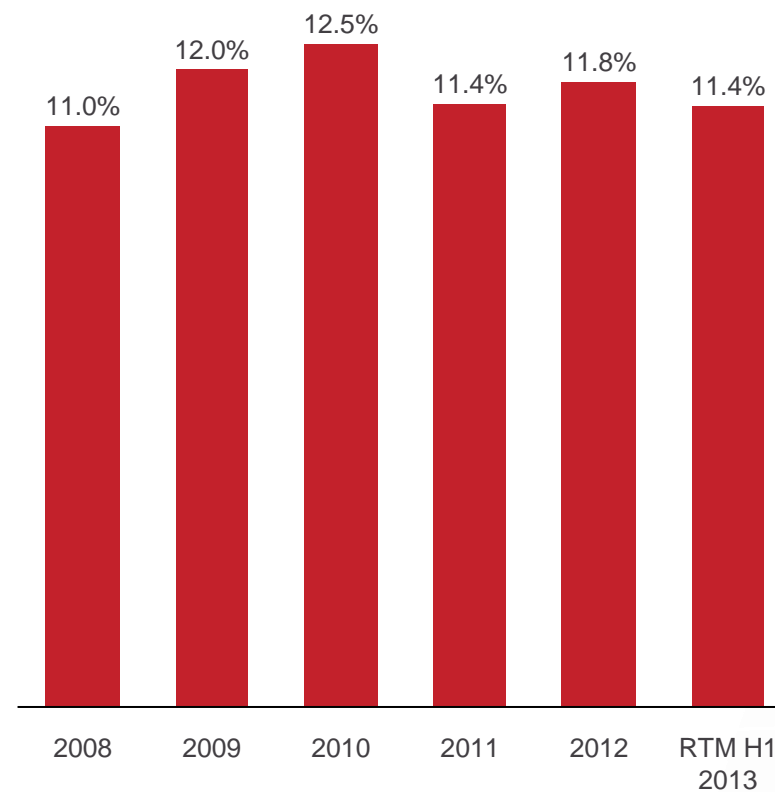
- Jotun (42.5%)

## Financial performance BCG

Rolling 12 months EBIT (adjusted)



EBIT (adjusted) margin<sup>1</sup>



# Orkla has sustainable competitive advantages in BCG

---

- ✓ Strong **local brands**
- ✓ Superior **local consumer insight**, skills and capacity
- ✓ **Local scale** and complete local value chains
- ✓ Ability to **attract** and develop the **best leaders**
- ✓ **Attractive buyer** of local businesses
- ✓ Strong **position in trade**

# Transforming Orkla is well under way

## Achievements (2012-2013)

## Strategic priorities (2013-2016)

Driving value  
in BCG

- New vision and strategy
- Unified branding
- New structure and management team
- Acquisitions of Rieber and Jordan

- Reducing complexity
- Extracting cost synergies and improve cash flow
- Driving organic growth
- Improving skill base

Divesting  
non-core

- Sapa JV established
- Sale of REC completed
- IPO and sale Borregaard completed
- Financial/share portfolio reduced

- Managing non-core for exit

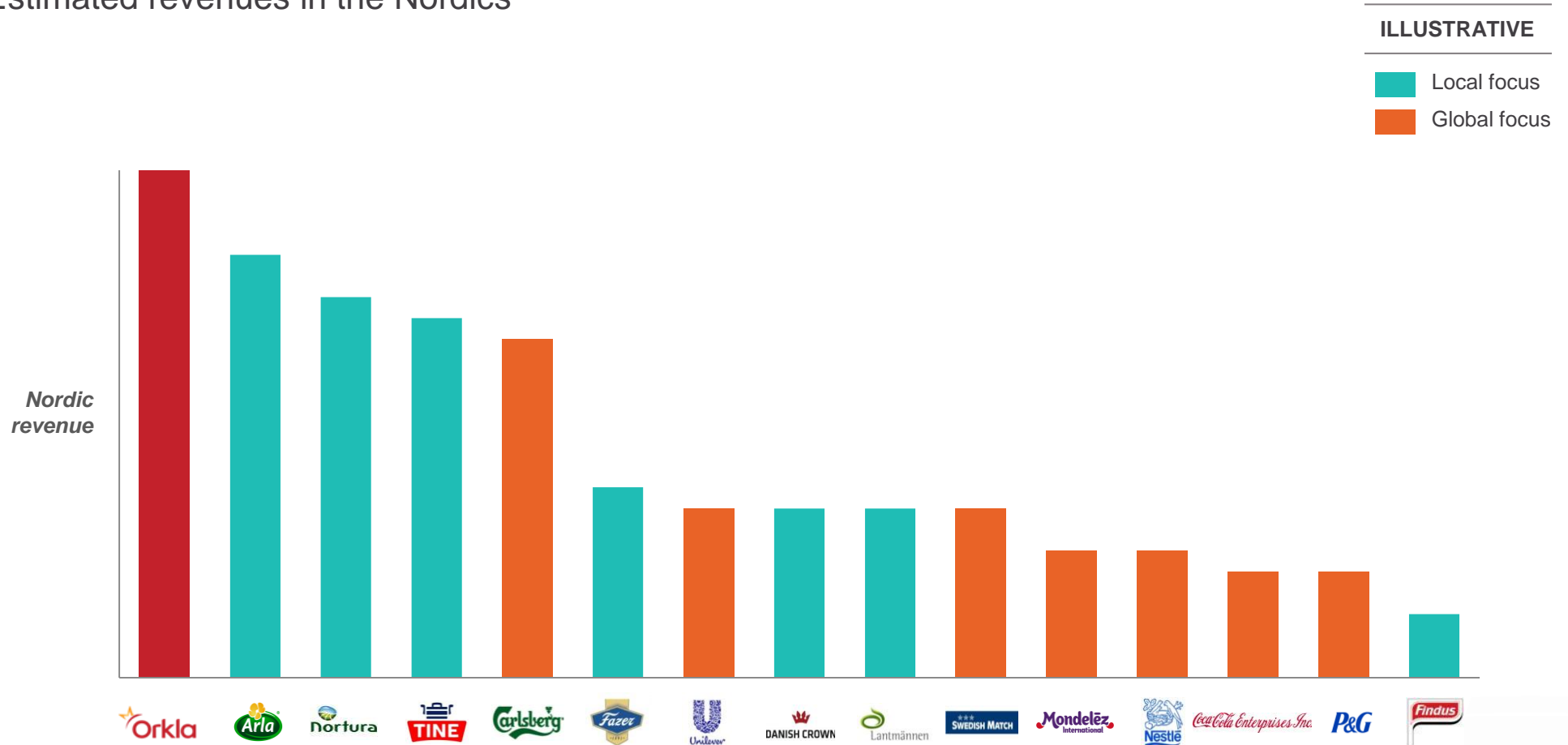
# Goals

---

- ❑ We will complete ongoing and future integration processes successfully
- ❑ We will achieve best-in-class margins and cash flows
- ❑ We will generate organic growth, gain market share and drive category growth
- ❑ We will have the best leaders that "live" our values and winning behaviors

# Orkla is the #1 BCG company in the Nordics...

Estimated revenues in the Nordics


















## 2. MARKET ENVIRONMENT

...with an unprecedented portfolio of strong market positions...  
and opportunities to grow further

Retail Market Share; RTM per July/September 2013

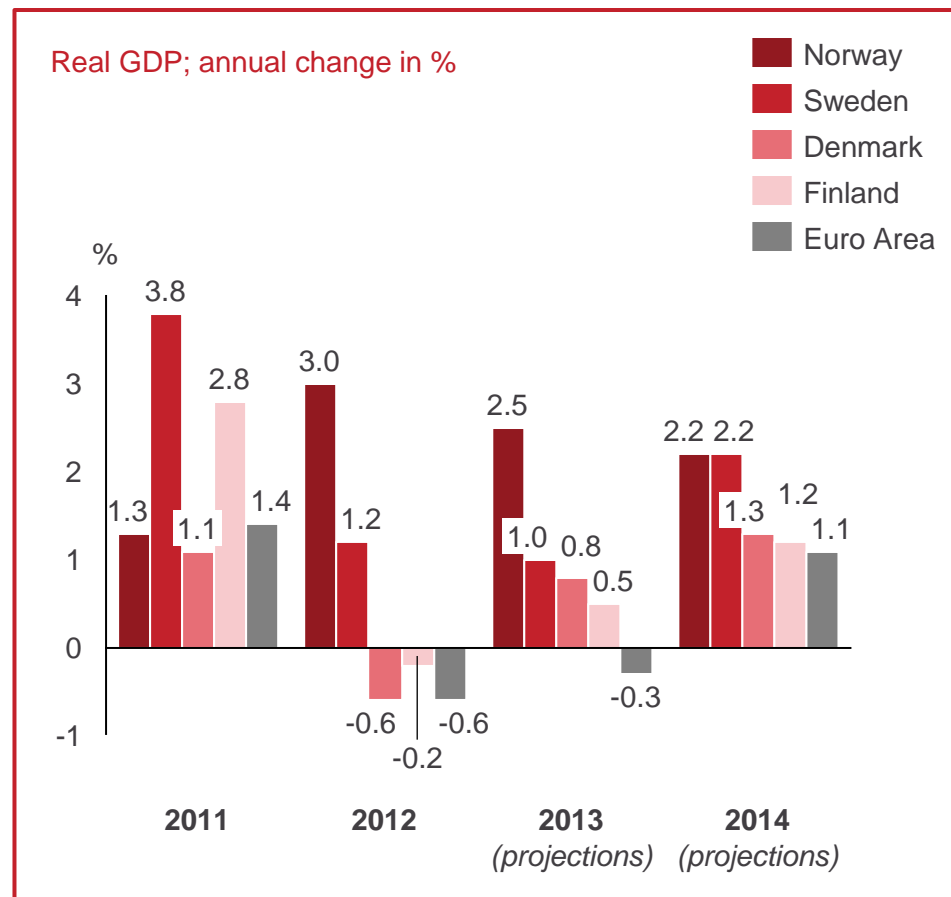
### Examples

	Fabrics cleaner
	Biscuits
	Confectionery
	Food supplements
	Textiles (grocery)
	Snacks
	Frozen pizza
	Ketchup
	Preserved vegetables
	Jam/marmalade
	Caviar (cod roe spread)

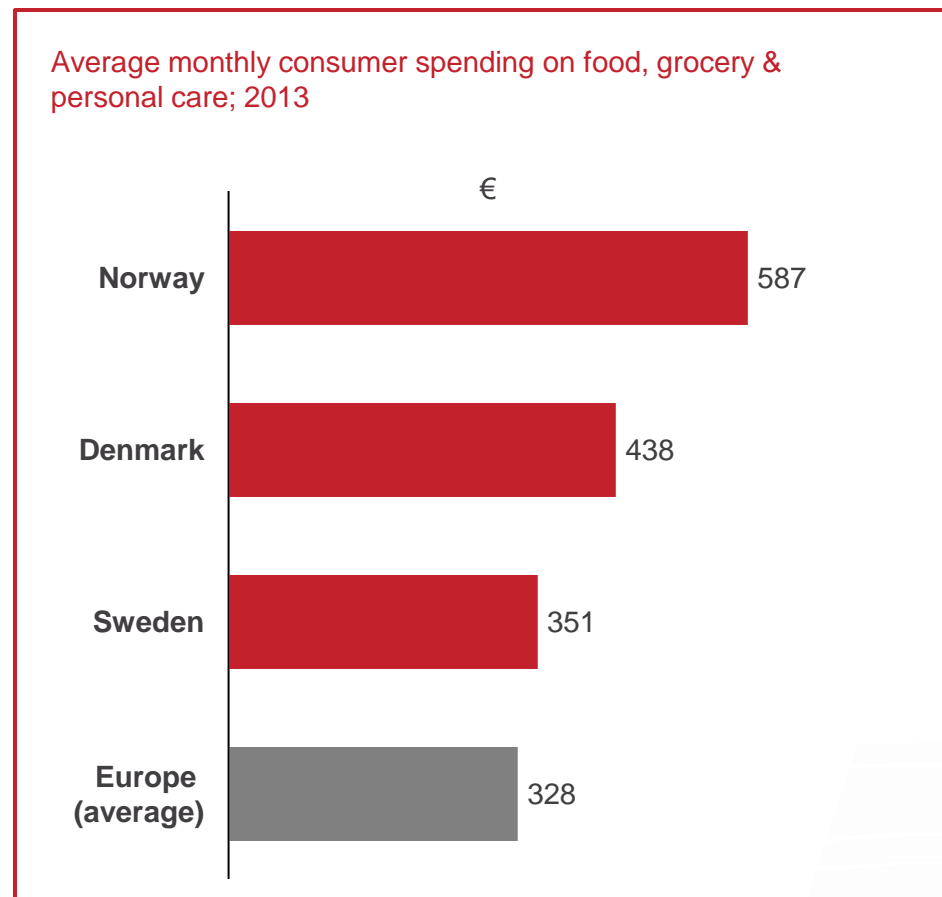
			
81%			
51%	38%		11%
30%			6%
77%	35%	49%	29%
78%	29%		
29%	36%	45%	47%
79%	36%		33%
78%	55%	43%	40%
81%	70%	52%	
53%	50%	43%	
	77%		#1

# Nordics – Attractive core markets

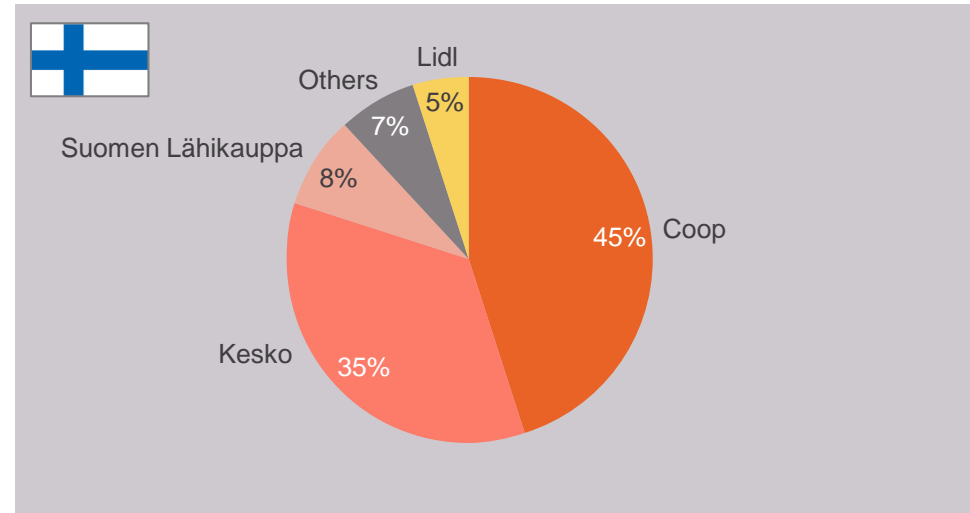
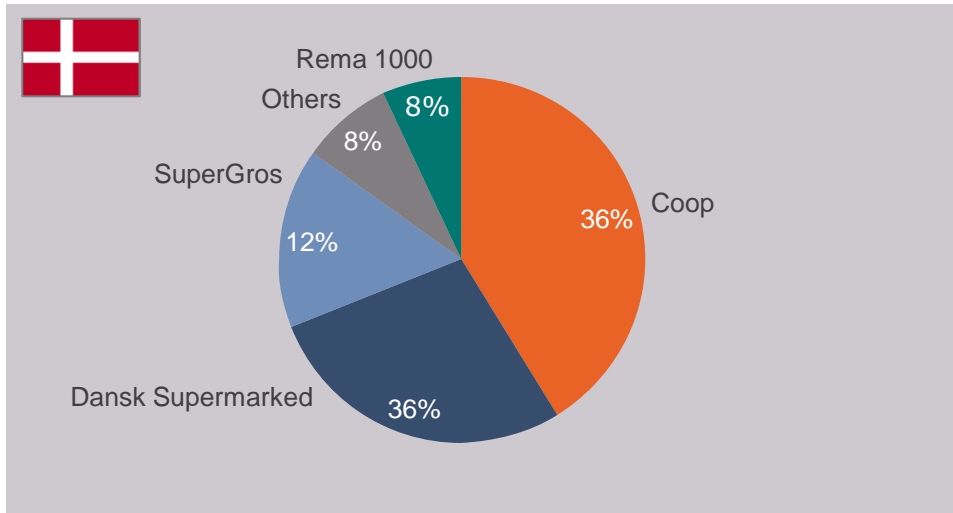
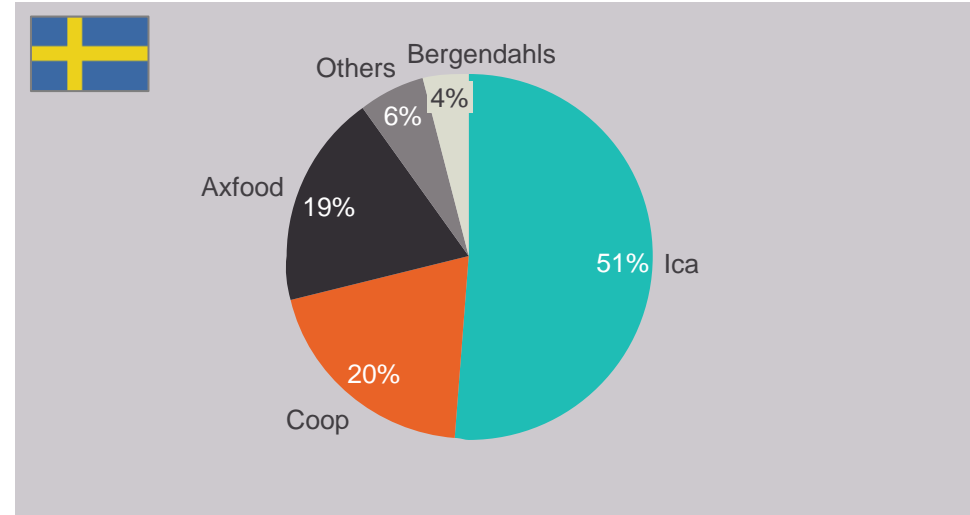
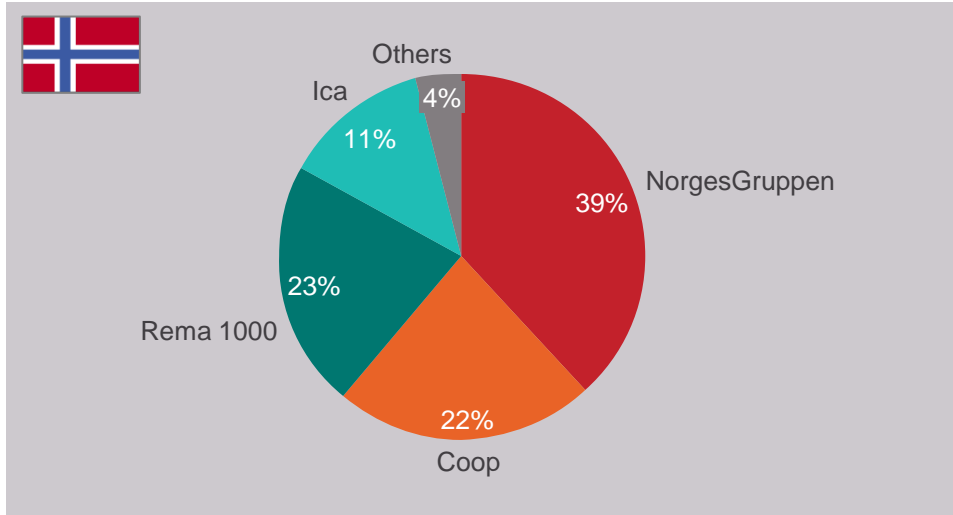
GDP growing at a stronger/faster rate than Europe...



... and consumer spending in Orkla's core categories is high

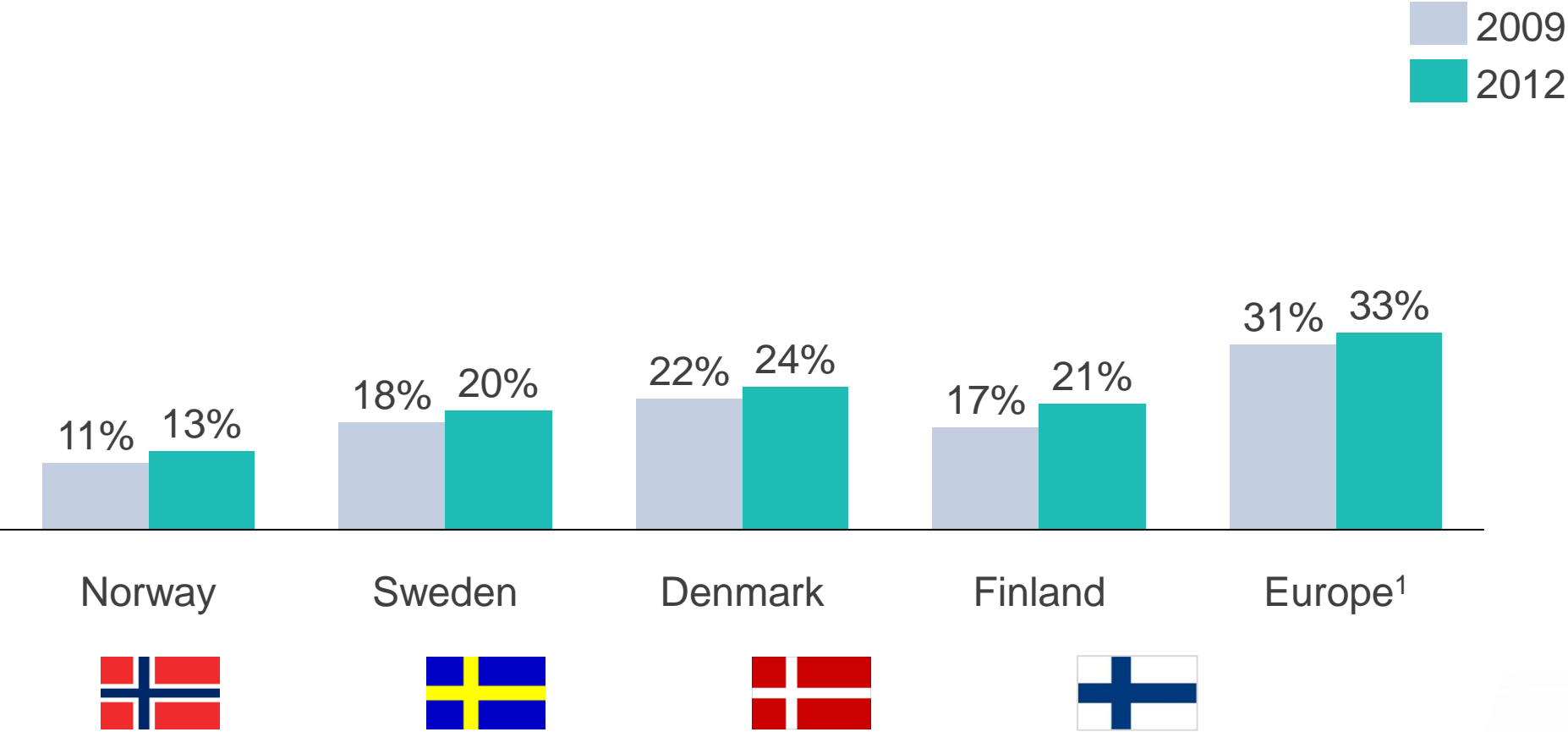


# Nordic retail markets – consolidated



# Private label penetration

Private Label market shares in the grocery trade

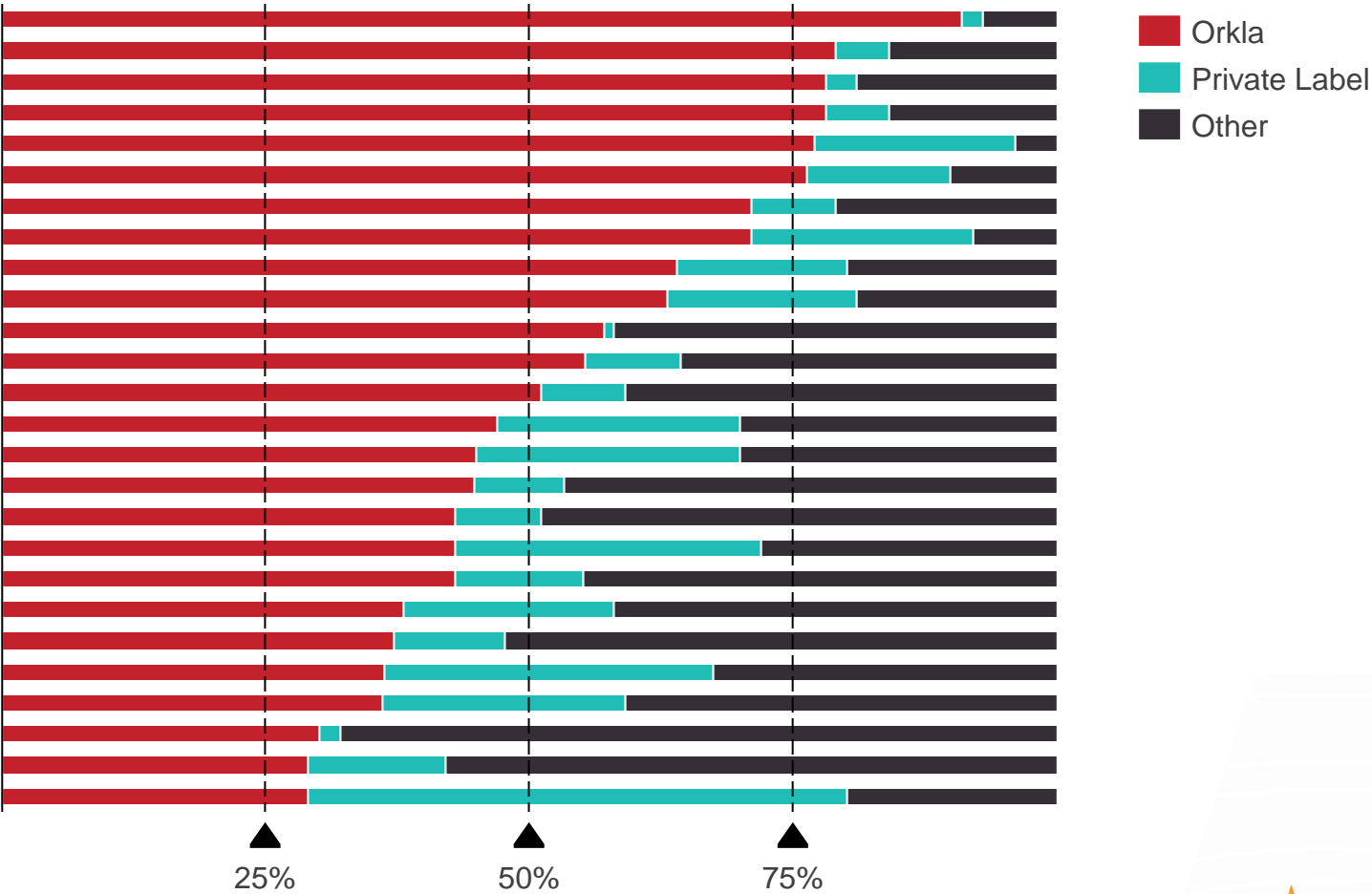


# Local scale is a reality

Retail Market Share; RTM per July/September

Examples

- Dry sauces (NO)
- Pizza (NO)
- Ketchup (NO)
- Textiles (NO)
- Caviar (SE)
- Savory pie (SE)
- Home care (NO)
- Pickles (NO)
- Herring and anchovis (SE)
- Pickles (SE)
- Food supplements (NO)
- Ketchup (SE)
- Biscuits (NO)
- Snacks (FI)
- Snacks (DK)
- Stir fry/cook-in (SE)
- Personal care (NO)
- Jam (DK)
- Ketchup (DK)
- Biscuits (SE)
- Dressing (SE)
- Pizza (SE)
- Snacks (SE)
- Confectionery (NO)
- Snacks (NO)
- Textiles (SE)



# Vision

---

**Improving everyday life with healthier and more enjoyable local brands**

## We drive value through four strategic pillars



The strongest brands  
and the best innovations



The preferred supplier  
to drive category growth



The most efficient consumer  
goods operation

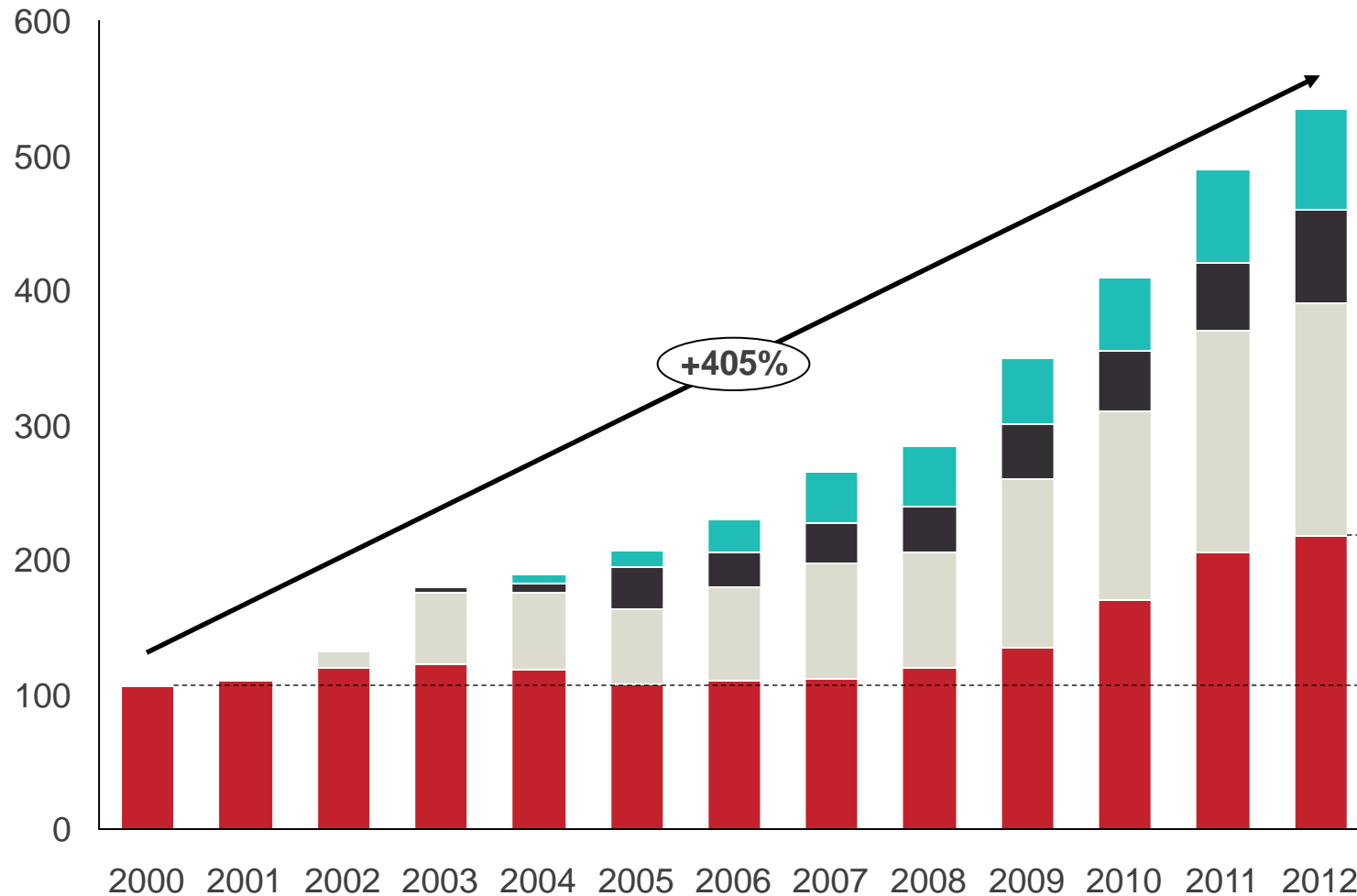


The best employees  
and leaders

# 1. Local Brands & Innovations

## Orkla has a proud history of innovation driven growth...

Example: fish spread in Norway; revenue NOK millions



# 1. Local Brands & Innovations

... by leveraging our advantages, we can do much better



Existing products BAD OUT	New products BAD OUT	Existing products GOOD IN	New products GOOD IN	NEW HEALTHY PRODUCTS
Reduce saturated fat, sugar, salt, etc. while keeping/improving taste	Reduce saturated fat, sugar, salt, etc. and secure taste preference	Rich on healthy ingredients, i.e. omega-3	Rich on healthy ingredients, i.e. fruits, berries, antioxidants	Reduce fat, sugar, salt, etc. while keeping/improving taste



### Driving growth through point-of-purchase execution



Building long-term relationship with customers

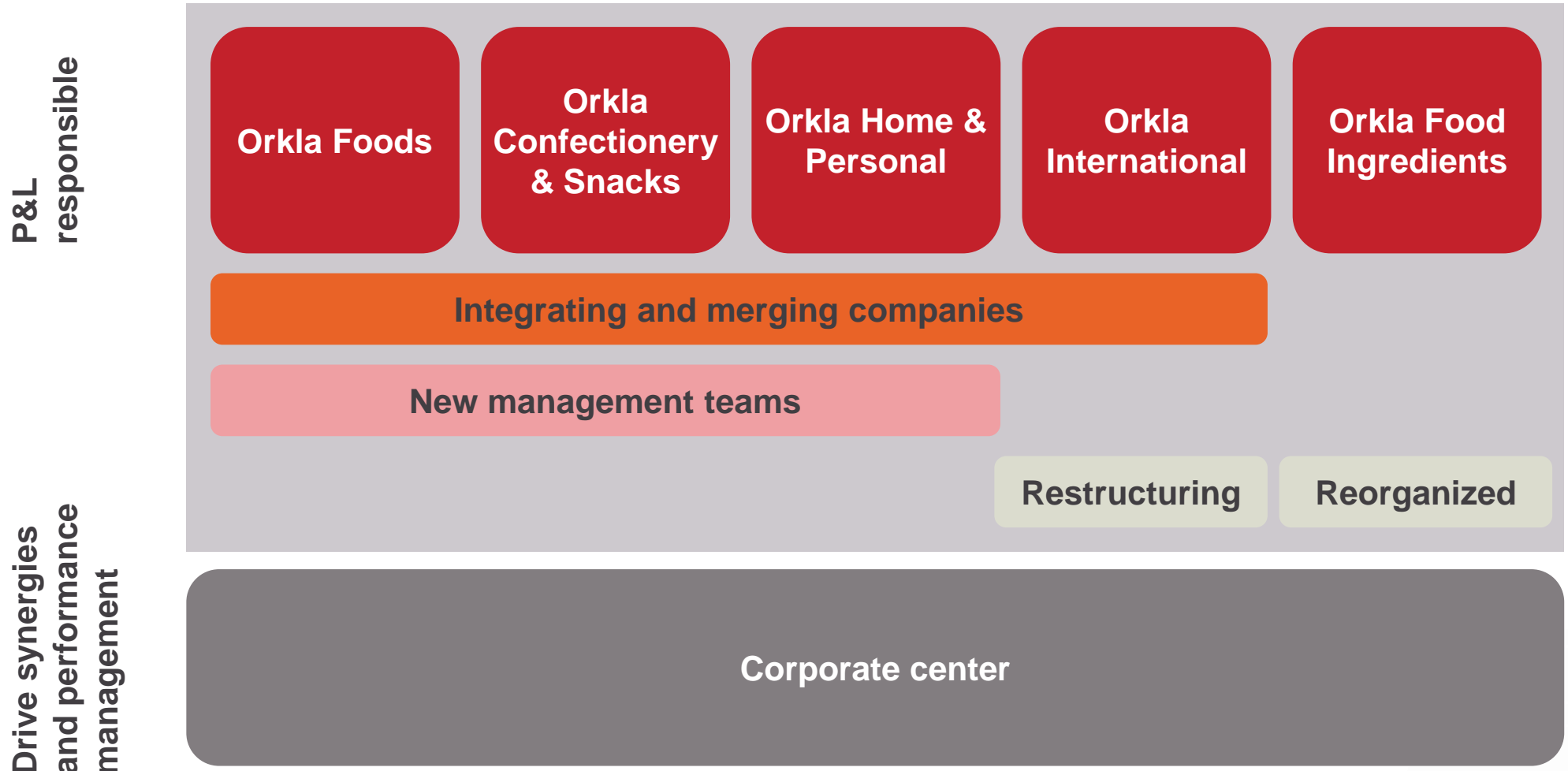


Largest and highest rated field sales force



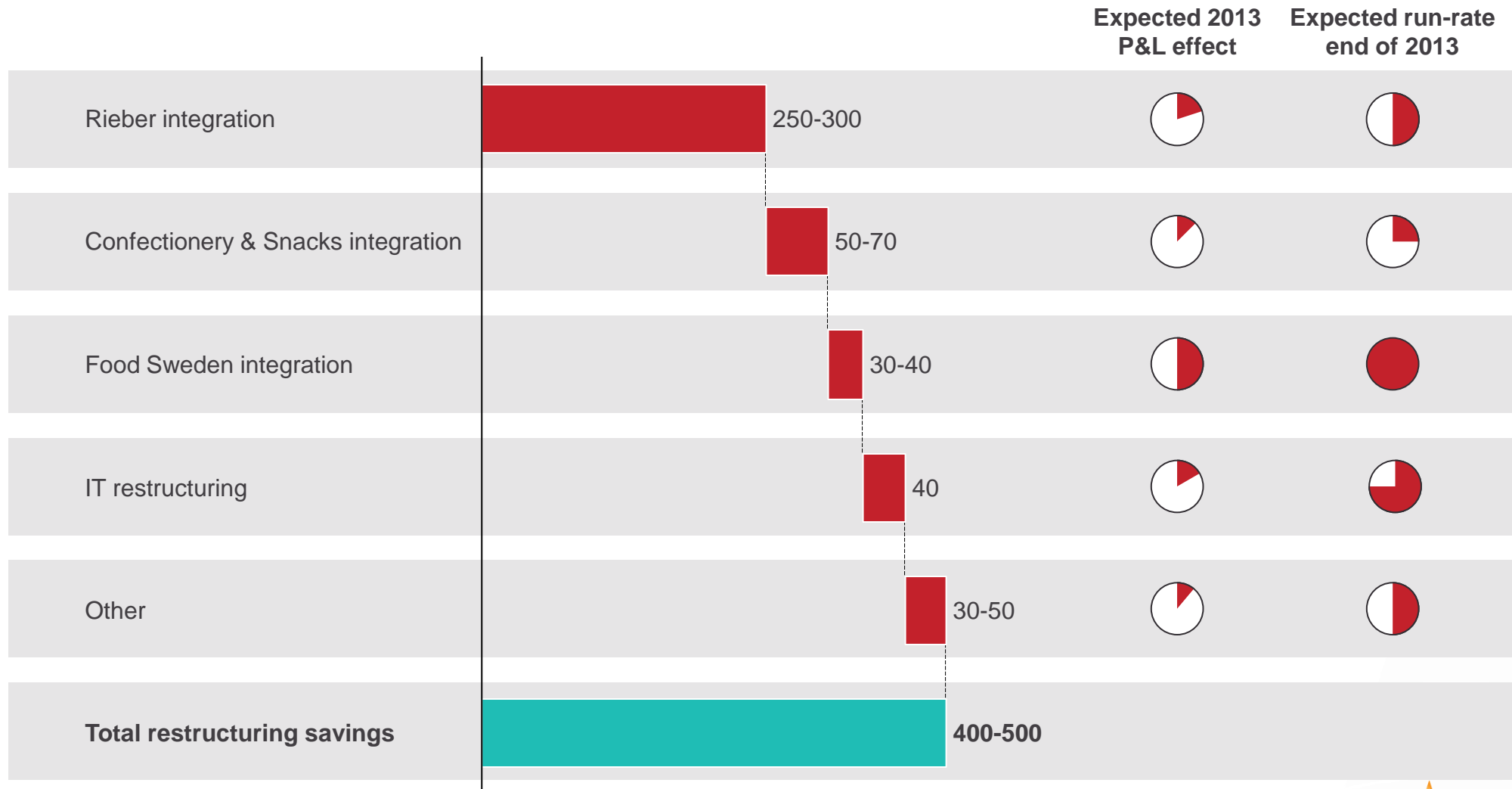
Improve effectiveness and efficiency through point-of-purchase excellence

## Capturing value with new BCG organization



## Restructuring synergies of NOK 400-500 announced

Estimated yearly effects from restructuring synergies, NOK millions



## Further cost improvements

### Continuous improvement

- Optimize business support
- Yearly continuous improvement of NOK ~150 million

### Procurement scale

- Centralize procurement spend (54% in 2014) and leverage on market procurement scale
  - Current base of NOK ~18 billion
- Increase yearly savings from 1.9% to 2.5%
  - 2014 effect of NOK 0.4 billion

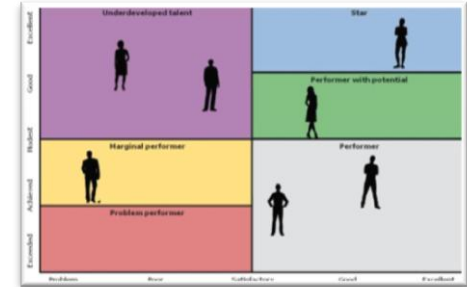
### Manufacturing efficiency

- Rationalize number of SKUs in portfolio
- Optimize manufacturing structure
- Design change and everyday efficiency improvements

### Leadership and winning behaviors

#### The right organization with the best leaders

- *Leadership*
- *Performance management and incentive programs*



#### Investment in people through extensive capability program

- *Talent management*
- *Orkla capability building*



***We will have the best leaders that "live" our values and winning behaviors***

### Strategic priorities going forward

---

#### Transform the BCG business

- Reduce complexity
- Extract cost synergies and improve cash flow
- Drive organic growth
- Improve skill base

#### Add on investments

- Strong balance sheet and financial flexibility
- Several attractive opportunities

#### Transformational transactions

- Not contemplated short term

#### Divestments

- To be reviewed

### Financial targets

	EBIT (adjusted) <sup>1</sup> margin R12M pr Q2	EBIT (adjusted) <sup>1</sup> margin 2015/2016	Organic revenue growth YTD pr Q2	Organic revenue growth From 2016
Orkla Foods	13.9%	> 15.0%	-1.1 <sup>2</sup> %	2-3%
Orkla Confectionery & Snacks	15.4%	> 16.5%	-3.6%	2-4%
Orkla Home & Personal	17.1%	> 17.5%	-2.2%	3-5%

# Orkla Food Ingredients

---

### Customers

- Primarily serves the bakery industry (B2B)
- 20% of NSV Nordic retail

### Structure

- Reorganized 1H 2013
  - Product BUs
  - Nordic Sales & Distribution

### Strategy

- Strengthen Scandinavian Core
- Strengthen position in mixes and improvers
- Build #1 position in selected CEE countries

### Financial goal

- ROCE 12.5% in 2014

### BCG activities outside Nordic

---

#### Baltic

- Baltic defined as home market (Nordic)

#### East-Europe

- Below critical mass
- Review strategic options

#### Russia

- Comprehensive restructuring ongoing
- Review strategic options mid 2014

#### India

- MTR is value accretive
- Represents optionality for Orkla longer term

## Allocation of capital and dividend policy

---

- Grow BCG in the Nordics organically, and through add-on investments
- Strong balance sheet and financial flexibility
- Remain an Investment Grade company (NIBD below 2.5-3\*EBITDA)
- Maintain dividend at NOK 2.50 per share during transition period

## To sum up

---

### How do we reduce costs and improve cash flows?

- Realize cost restructuring synergies
- Integrate smaller companies and add-ons
- Continuous improvements and optimize business support
- Centralize procurement
- Rationalize SKU's and optimize manufacturing structure
- Working Capital Improvements



***Will release financial resources***

### How do we grow?

- Innovate based on superior local insight
- Driving growth through point-of-purchase execution
- New categories in the Nordics
- Category growth in new channels



***Will require investments***



## Improving performance from increased local scale

Atle Vidar Johansen  
EVP & CEO, Orkla Foods



# Improving performance from increased local scale

---

- Building on unmatched market positions
- Reaching 2016 targets
- Achieving top line growth through improved innovation and scale

# Improving performance from increased local scale

---

- **Building on unmatched market positions**
- Reaching 2016 targets
- Achieving top line growth through improved innovation and scale

## Building on unmatched market positions

---

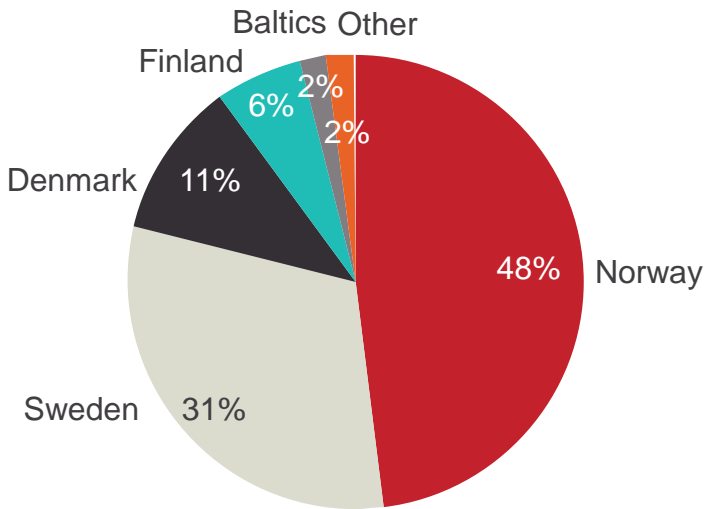
- Strong and well-known local brands with mainly #1 market positions
- Superior in serving the local consumer needs and preferences
- Local business model with significant scale advantage



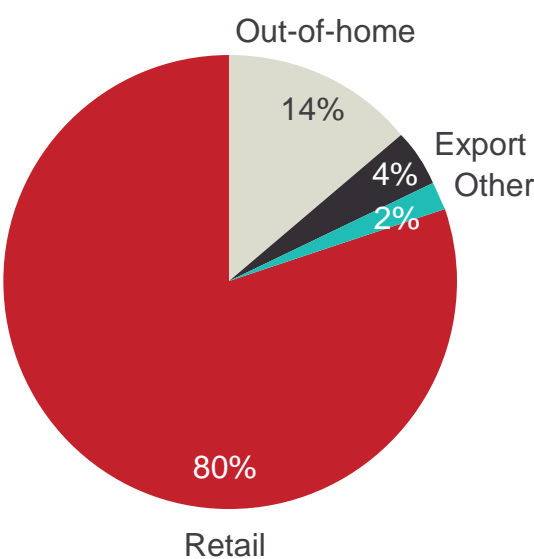
# A broad portfolio with 80% of revenues from Norway and Sweden

Revenues 2012, proforma incl. Rieber for the full year: NOK 10.7 billion

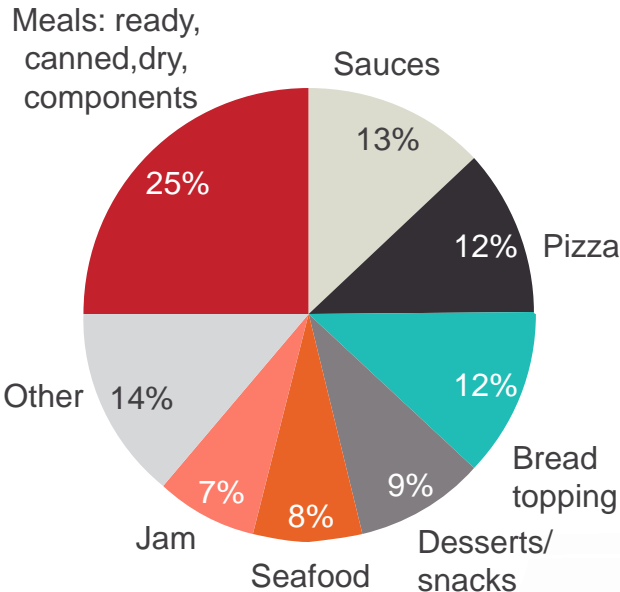
**Geographical  
sales split**



**Sales  
channel sales split**



**Category  
sales split**

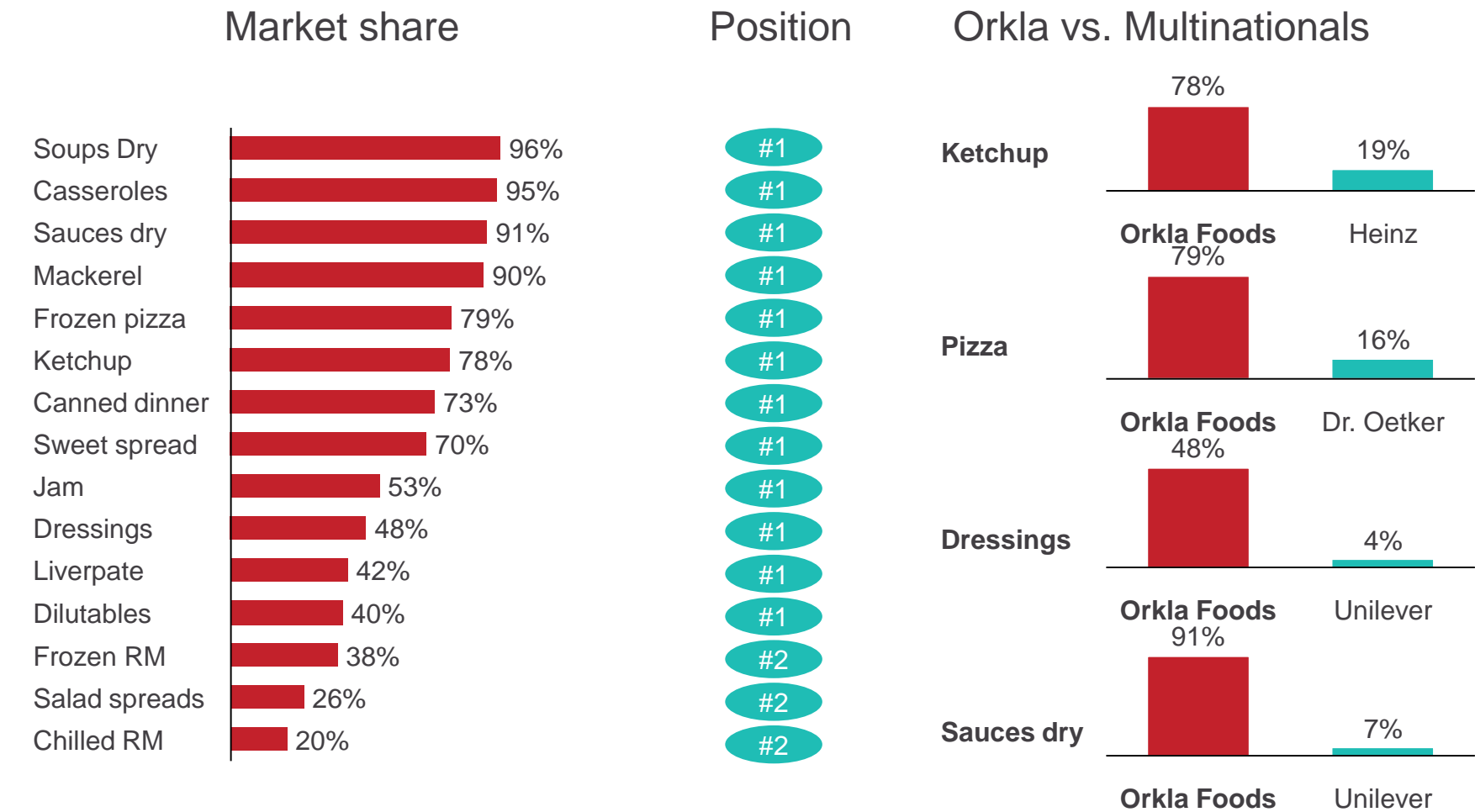


# Strong #1 brands with long heritage





# #1 market positions in Norway

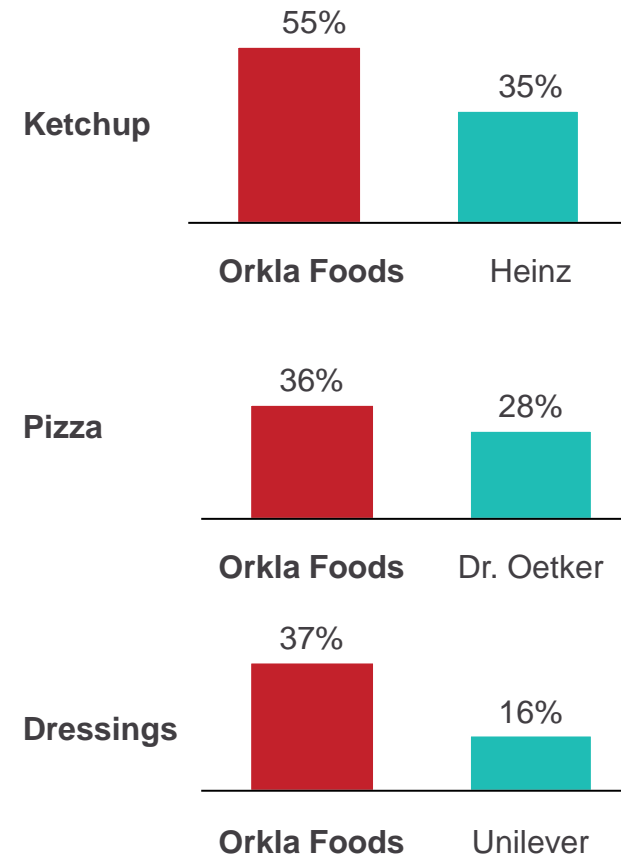




# #1 market positions in Sweden

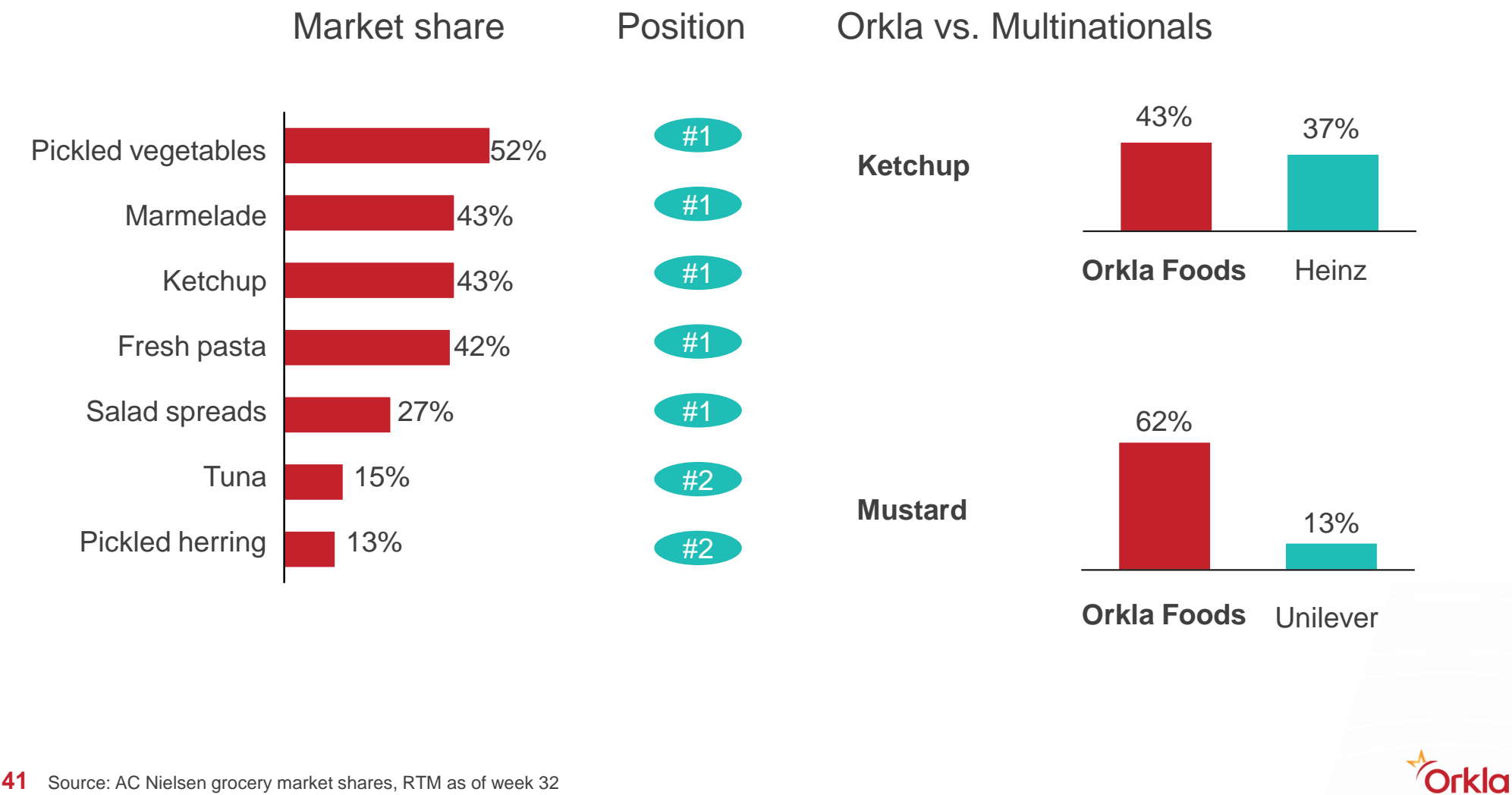


## Orkla vs. Multinationals



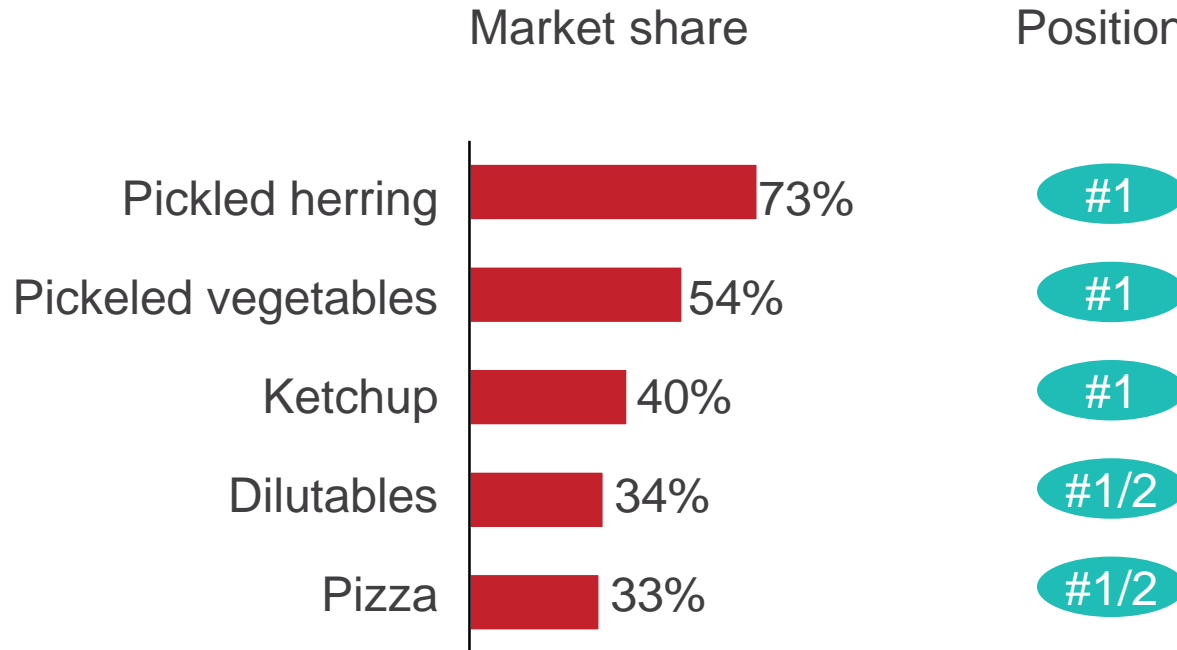


# Solid market positions in Denmark





## Solid market positions in Finland



# Local brands based on local insight are winners

Local  
brands



Local  
insight

- Superior local consumer understanding
- Superior trade and category understanding

Local  
scale

- Cost advantages and competitive strength in sales and advertising
- Attracting the best people
- Flexible local value chain

# Improving performance from increased local scale

---

- Building on unmatched market positions
- **Reaching 2016 targets**
- Achieving top line growth through improved innovation and scale

# Orkla Foods' targets for 2016

---

**Organic  
growth  
2-3 %**

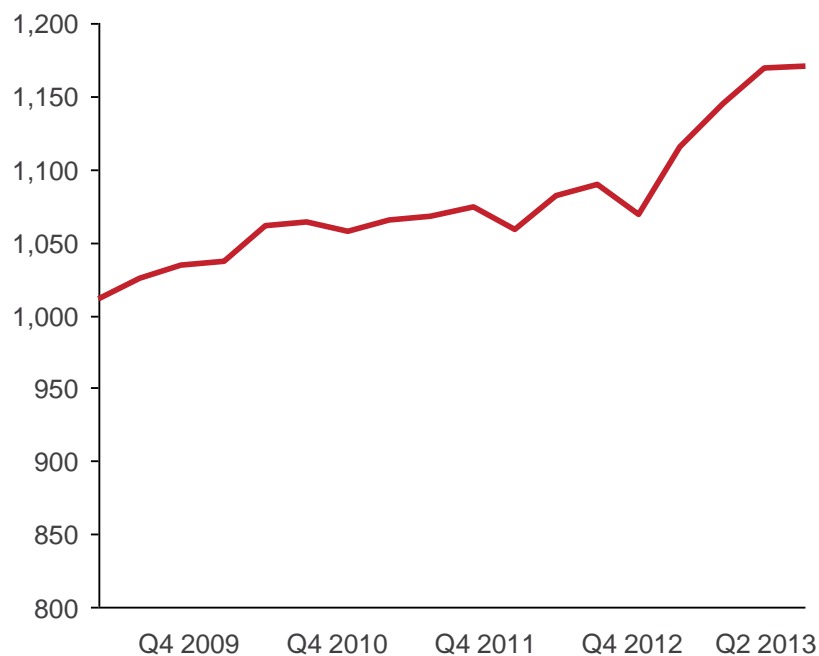
- Focus on growing core brands and categories
- Launch new products outside existing categories
- Increase cross-country innovations

**EBIT  
margin  
> 15 %**

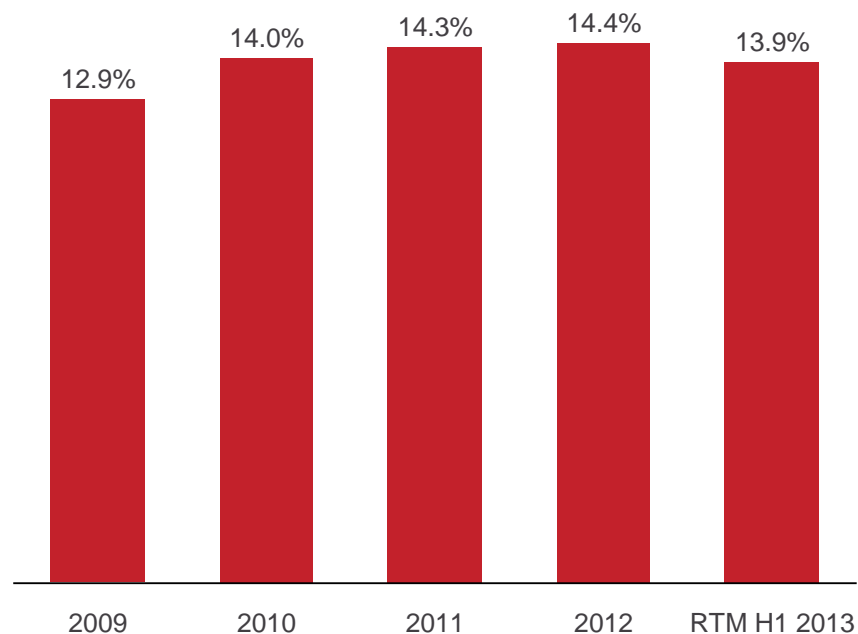
- Realise the full synergy potential from Rieber
- Improve cost efficiency throughout the value chain

# Track record of positive EBIT margin performance

RTM EBIT (adjusted)<sup>1</sup> in NOK million



EBIT margins (adjusted)<sup>2</sup>



•Consolidation of Rieber will lower EBIT margin by around 1.5 - 2% points

# Rieber & Søn and Orkla are a perfect match

---

- **Similar strategy and focus**
  - Strong positions
  - Local consumer insight and taste preferences
  - Multi-local model
- **Complementary**
  - Competence
  - Products and categories
  - Technology
- **Overlapping geographies**



## 2013: Restructuring to reach the 2016 targets

---

- Integrating the Nordic Rieber & Søn business units with the existing Orkla Foods companies
- Successfully merged Abba Seafood and Procordia
- Changed production structure for Orkla Foods Danmark
- Merged our two companies in Estonia and created a more efficient organisation structure in the Finnish-Baltic organisation

NOK  
250-300  
million<sup>1</sup>

NOK  
30-40  
million

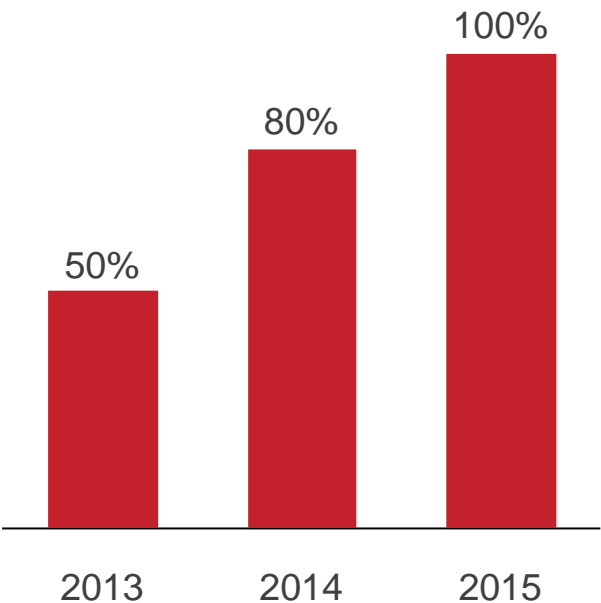
NOK  
10-15  
million

NOK 10  
million

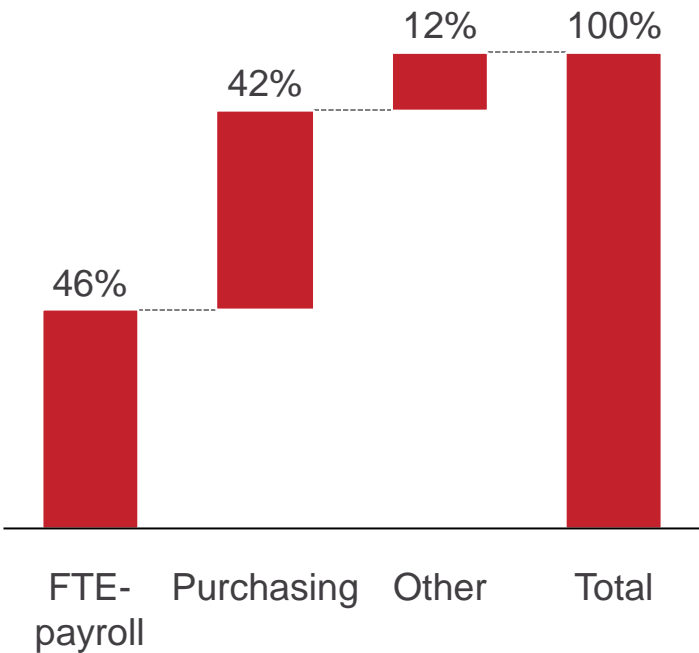
# Rieber: Realising cost synergies well on track

Expected cost synergies of MNOK 250-300<sup>1</sup>, whereof ~50% to be realized in 2013

Run-rate effect realized per end of year



Split cost synergies

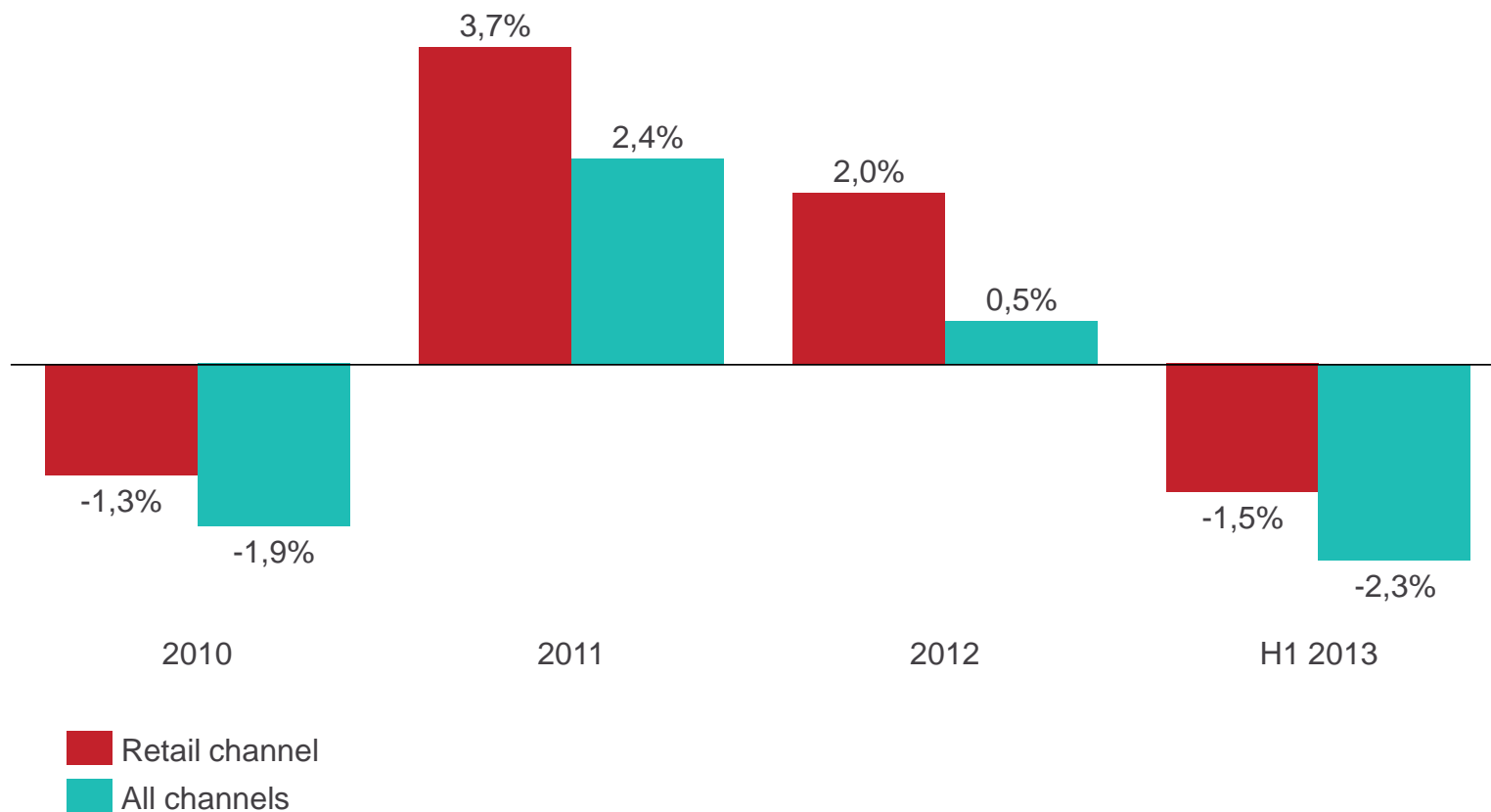


# Improving performance from increased local scale

---

- Building on unmatched market positions
- Reaching 2016 targets
- **Achieving top line growth through improved innovation and scale**

# Organic sales growth<sup>1</sup>



# Innovation is clearly the key growth driver

---

## Main trends in our markets

- Health/Nutrition
- Indulgence
- Convenience



## Product upgrades/improvements

- Taste
- Nutrition
- Packaging



Our innovation is always based on local consumer and category insight

# Two examples showing new growth platforms through innovation

## Abba Middagsklart!

- Helping consumers eat more fish

**Abba**  
*Middagsklart!*



## Pauluns

- The launch of a cross category health brand

**Pauluns**<sup>®</sup>  
Bara bra mat



# Focusing on local consumer insights

## Starting with local consumer insight...

- 7 of 10 Swedes want to increase their fish consumption
- Difficult to cook fish properly
- Necessary that all the family find it tasty

## ...developing products consumers prefer to buy

- ABBA Middagsklart! makes it easy to cook fish that everybody likes
- Focus on:
  1. Great taste
  2. Broad taste appeal
  3. Simplicity in use



# Rolling out successful launches

## Launch wave 1

- Just add salmon



## Launch wave 2

- Bigger pack size
- New taste variety



## Launch wave 3

- Just add cod



## Launch wave 4

- New varieties
- New geographies



# Resulting in ABBA Middagsklart generating additional revenue



## Launching of a new cross-category healthy brand

---

### Starting with local consumer insight...

- Sales of healthy food were increasing
- Shift from diet focus to other health benefits
- A larger group of consumers are willing to pay a higher price for these health benefits

### ...establishing a brand consumers prefer to buy

- Core of the brand – "Bara bra mat"
- Clear health benefit
- Building credibility and concept generation through famous nutrition expert
- All natural ingredients
- No added sugar – no sweeteners
- Great taste

## Creating a wide product range

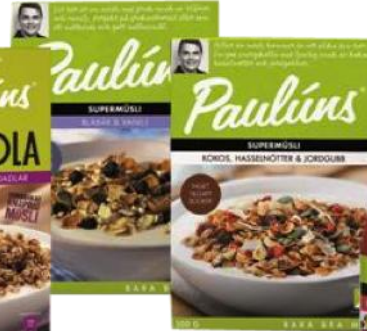
Cereals



Granola



Müsli



Juice

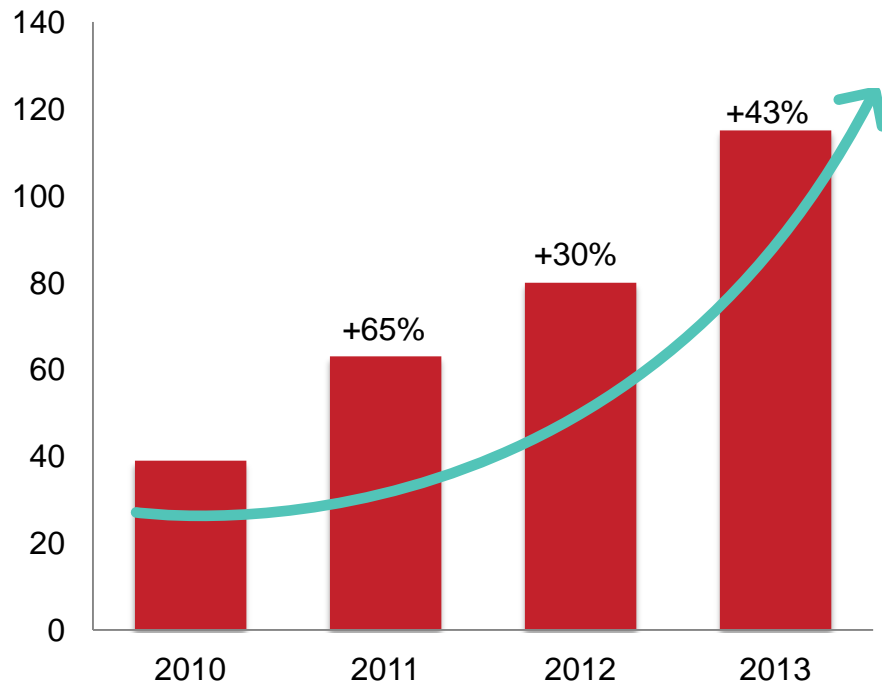


Porridge

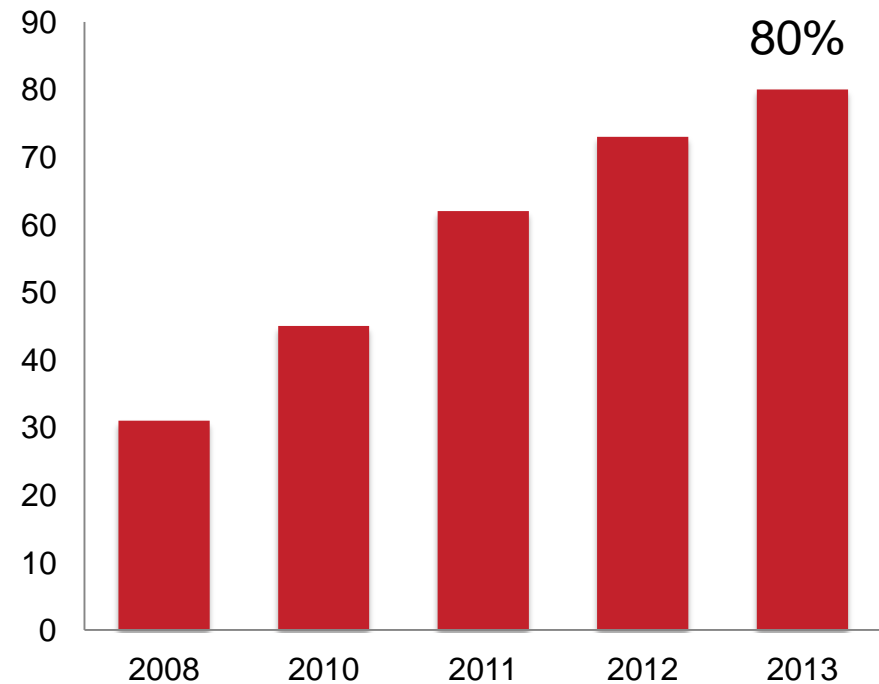
Coconut water

# Resulting in impressive value growth and high brand awareness

**Value growth, SEK million**



**Brand awareness, %**



# Returning Rieber to organic growth

---

- Growth has been negatively impacted by the long period of uncertainty

## **But we are now going to...**

- Focus on the core portfolio under the Toro brand
- Innovate from complementary competence and technologies
- Build on a management team with proven track record



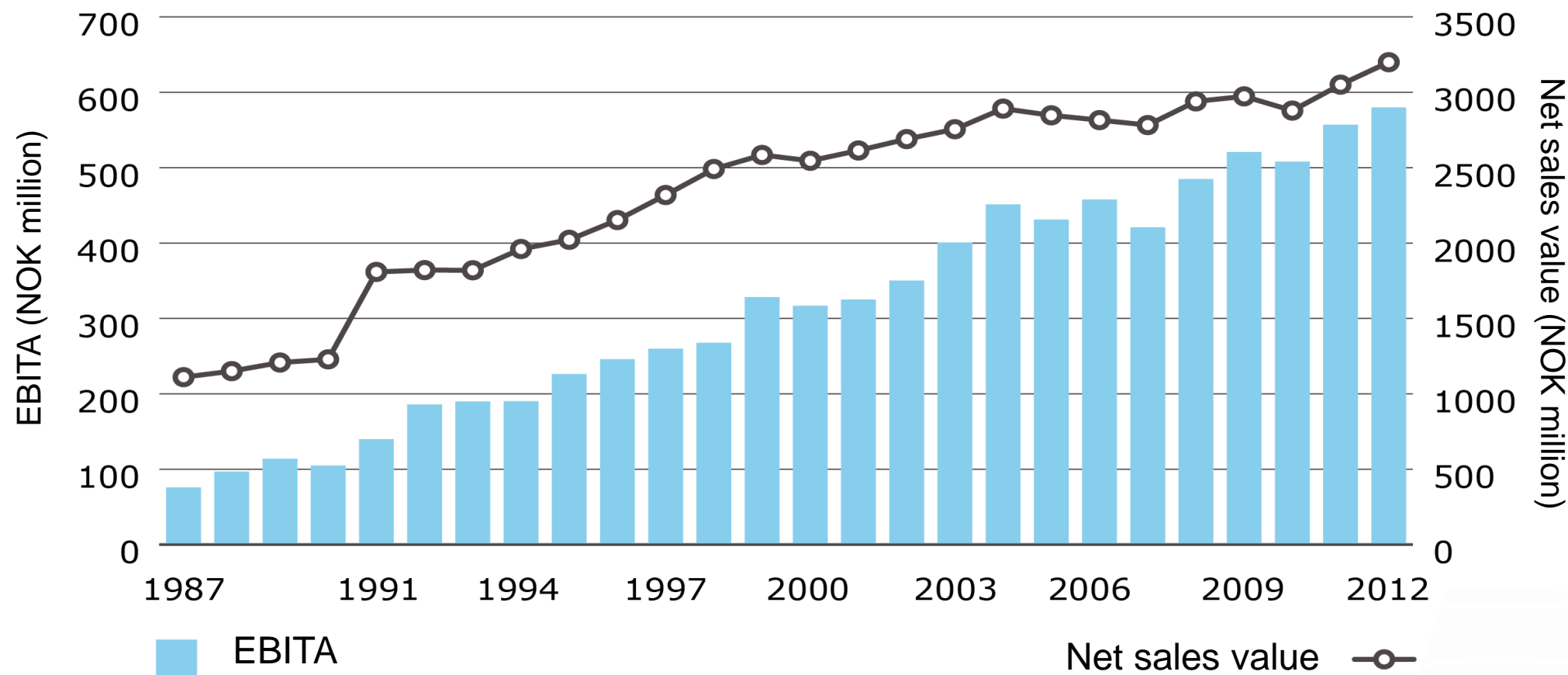
## **Achieving top line growth through improved innovation and scale**

Bente Brevik, CEO Orkla Foods Norge

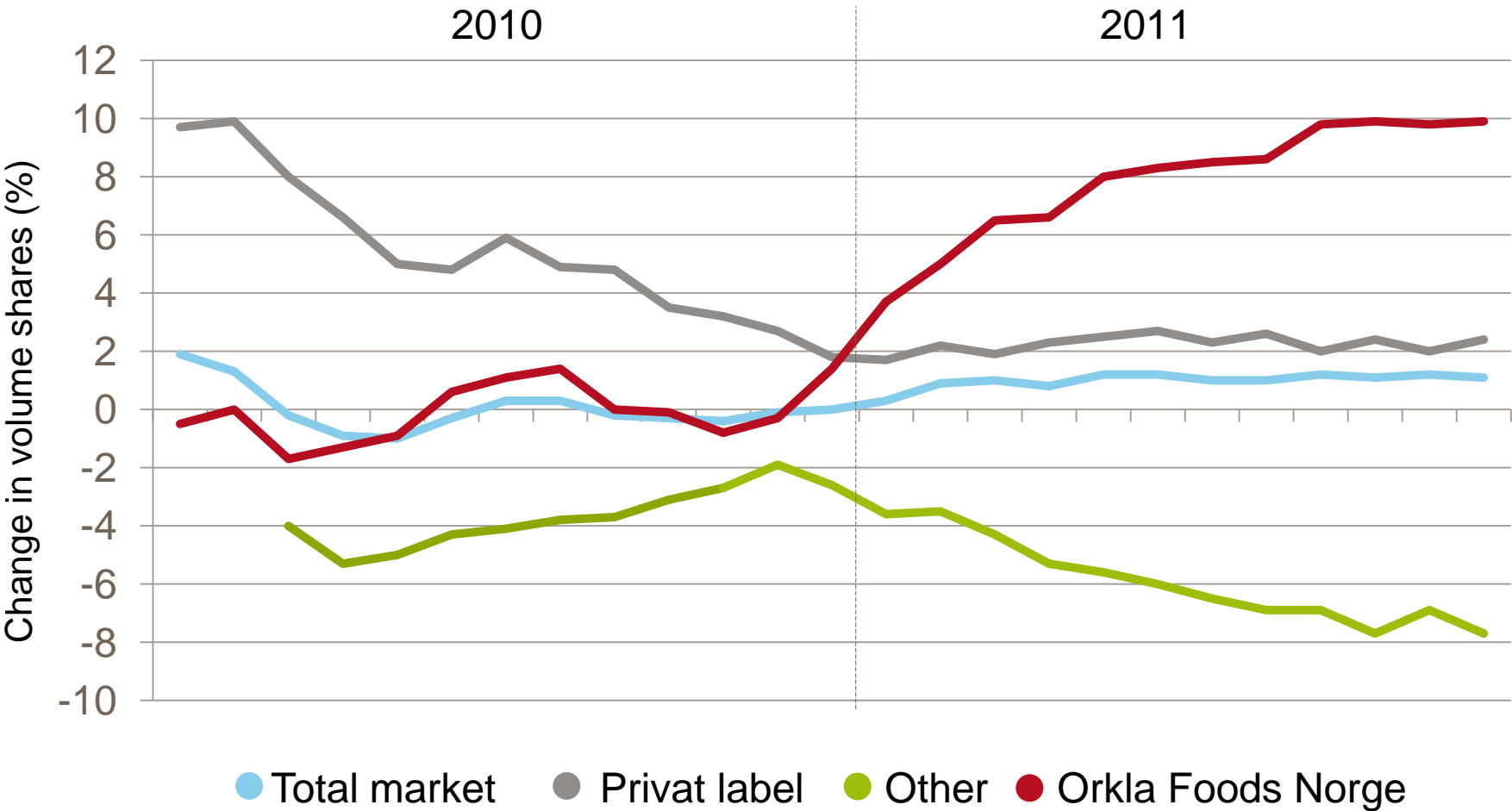




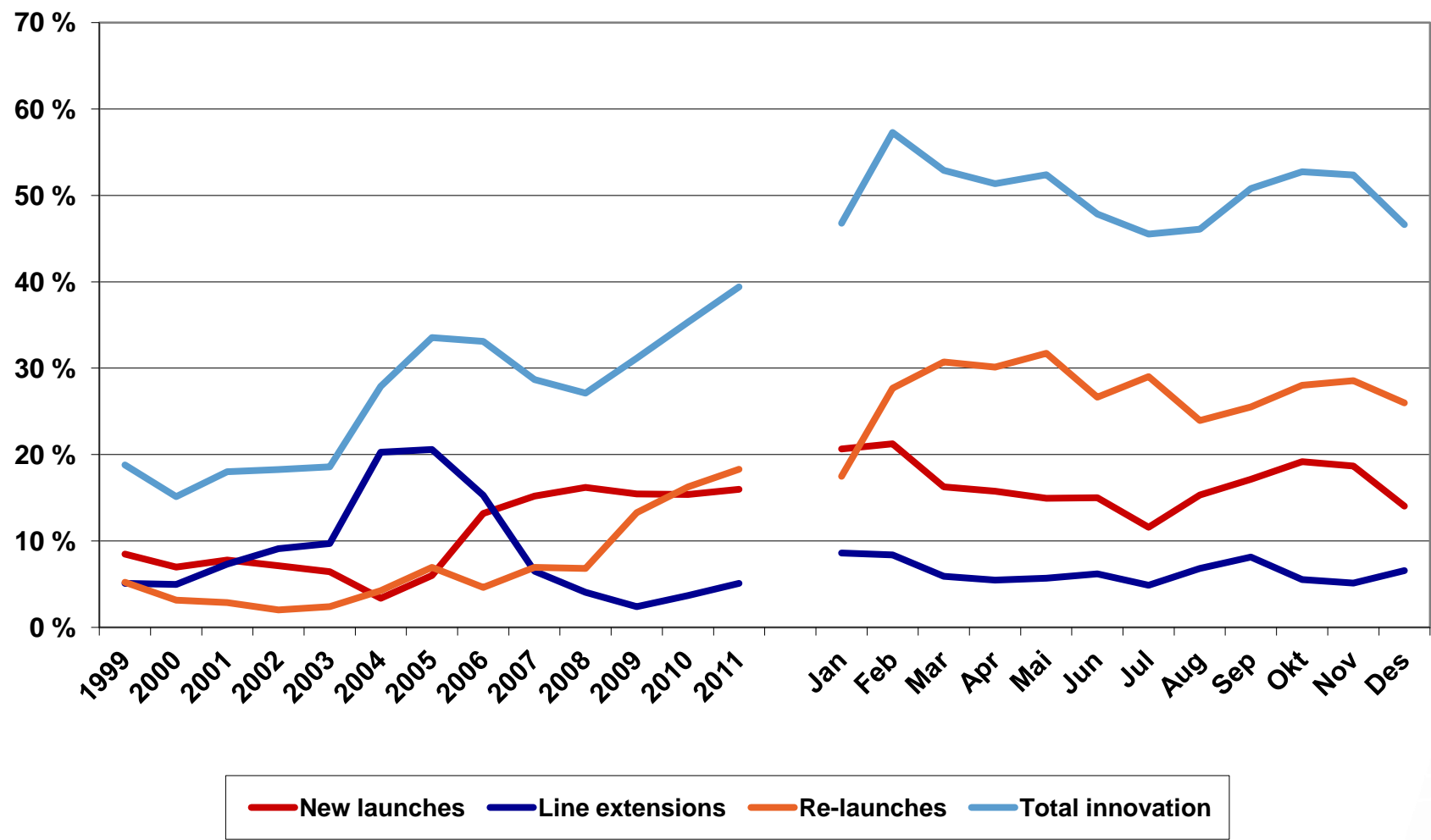
# Financial performance 1987 - 2012



# We are able to create volume growth



# Innovation is the core of what we do

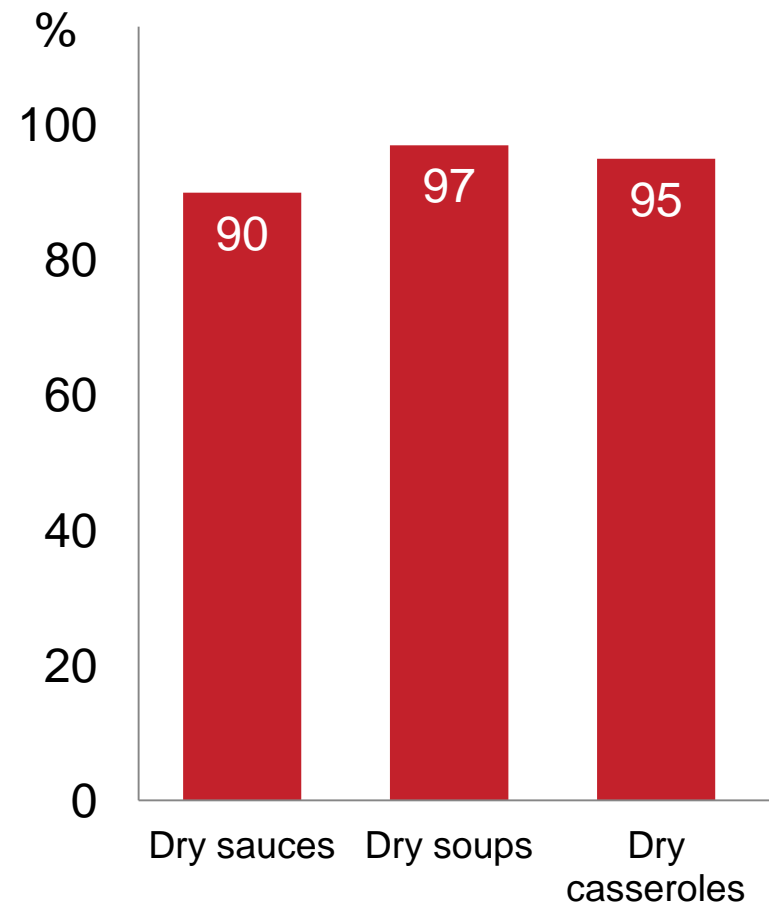




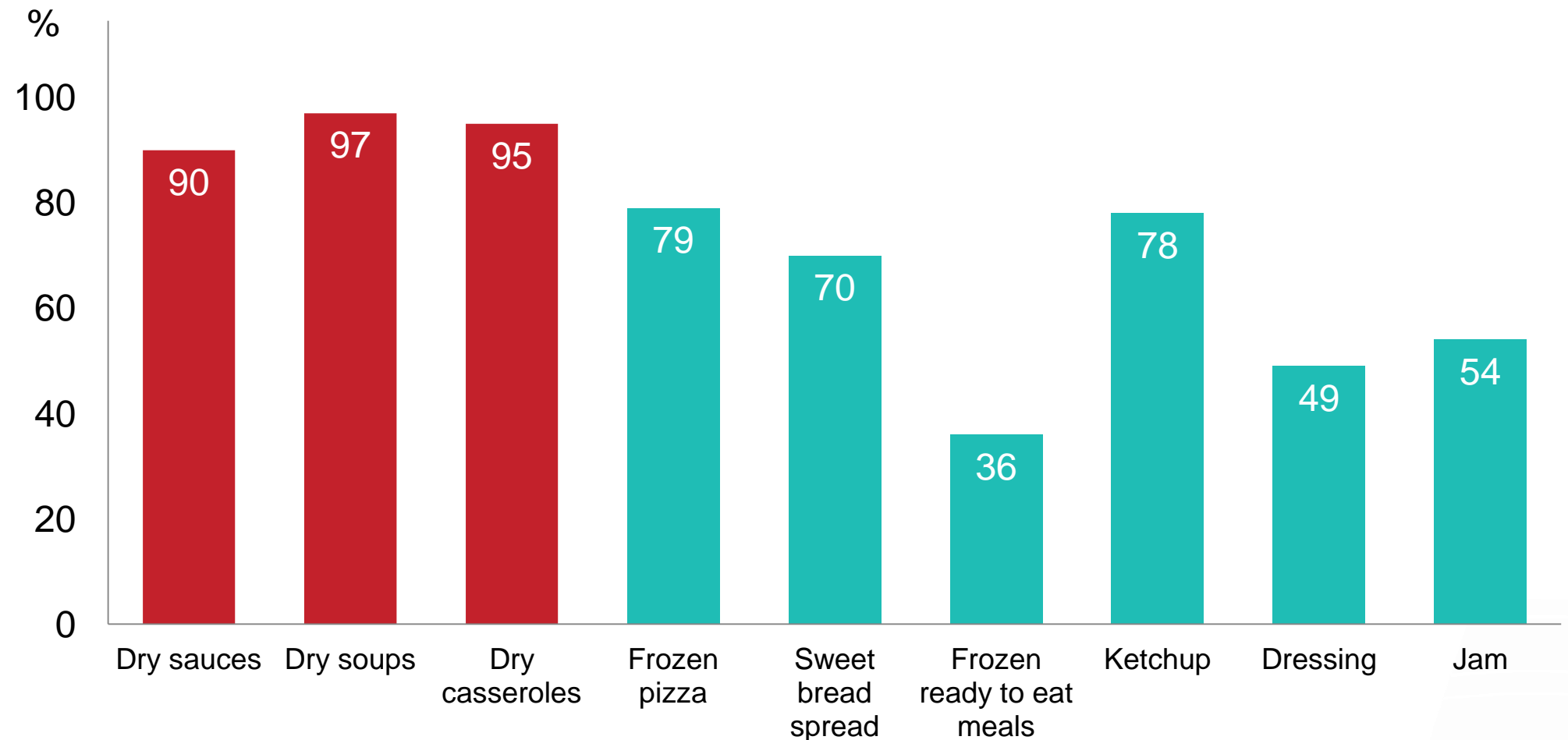
500 000 000

## Rieber's superior #1 market positions..

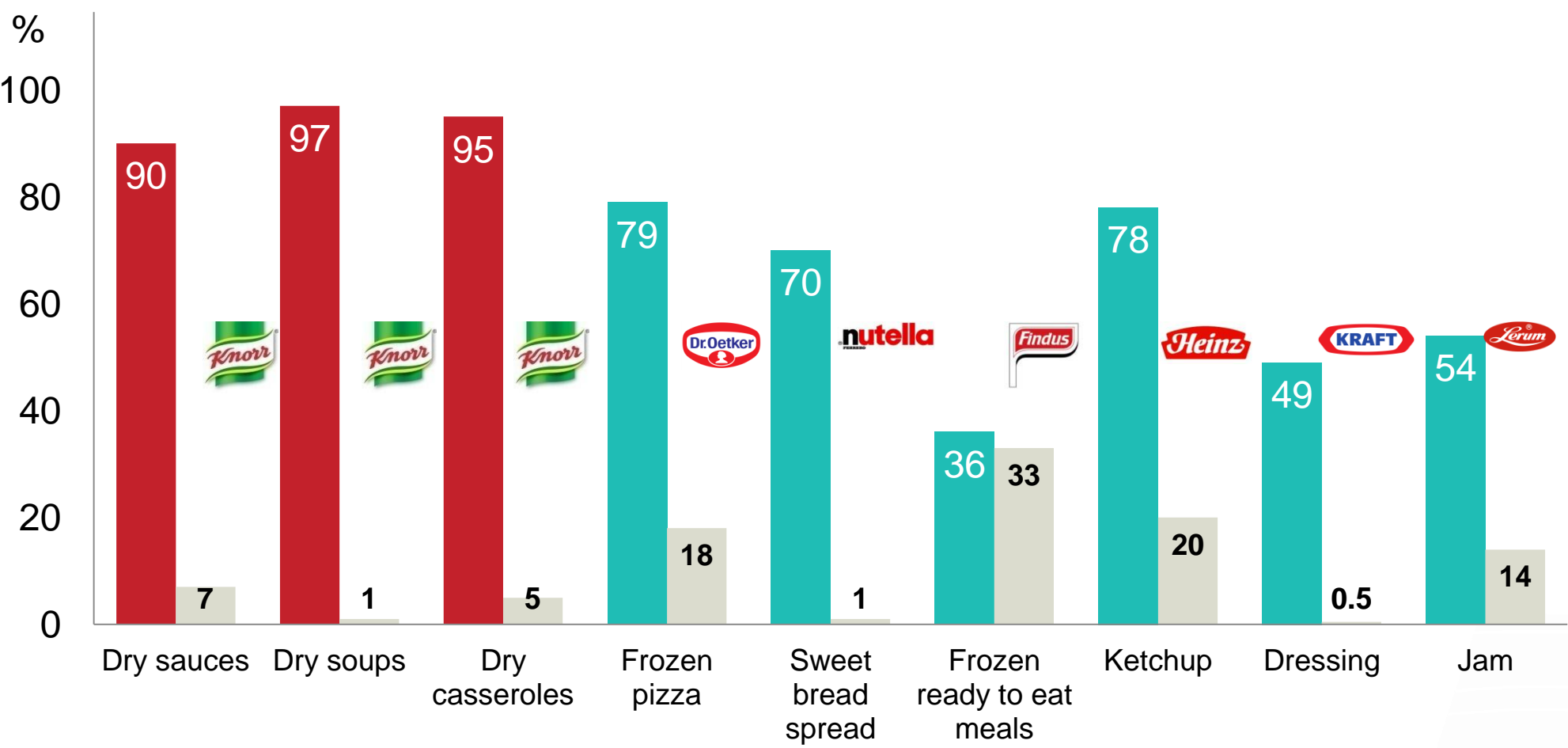
---



## ..are a perfect match with Orkla's #1 market positions



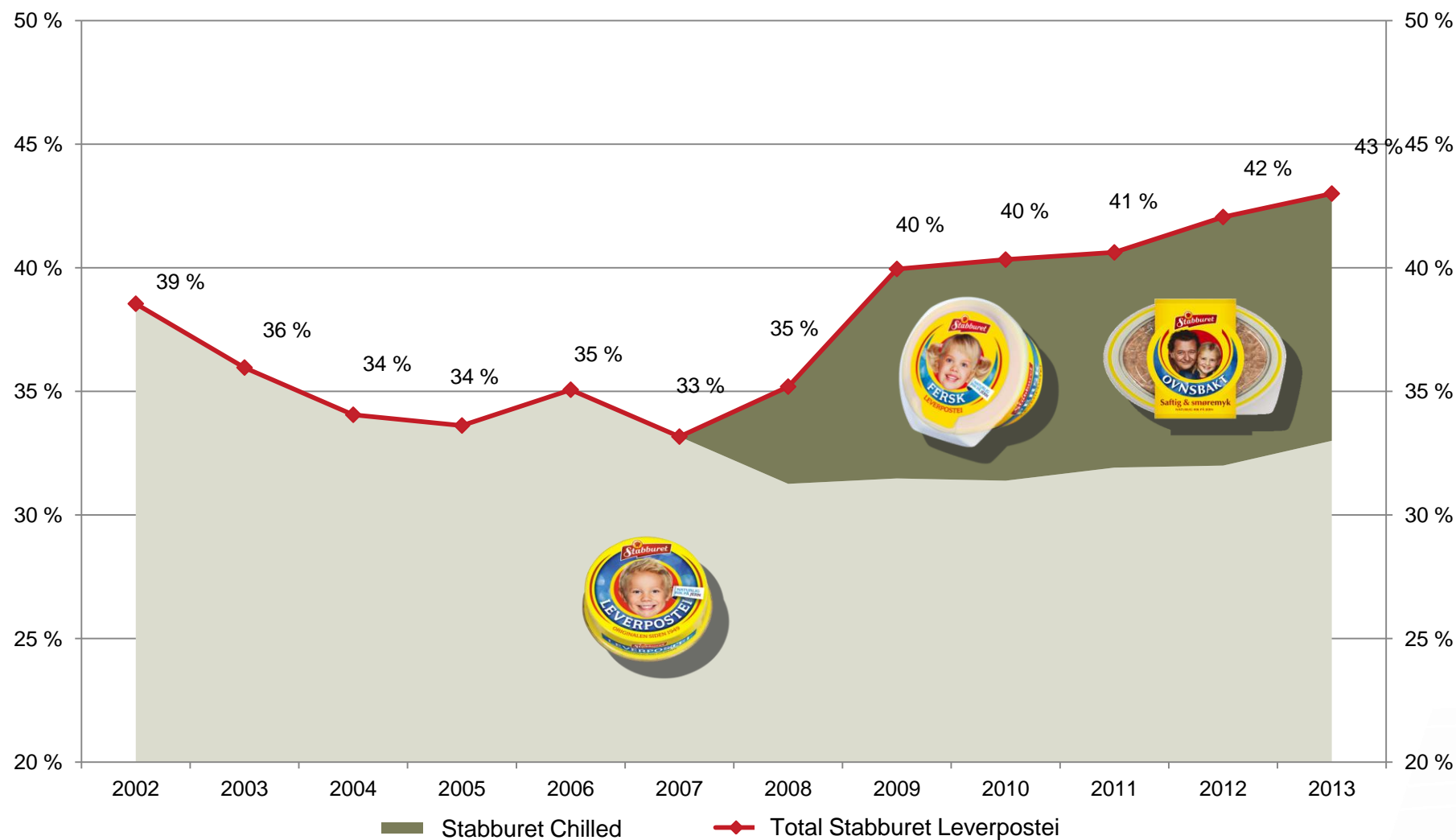
# Local brands and taste are the winners



-Mature markets don't exist



# Significant growth in market shares



# Income synergies..

..through sharing competencies and technologies





WAY

By  
Big One

DREAM TEAM!

TAKE AWAY

## Improving performance from increased local scale

---

- **Building on unmatched market positions**
- **Reaching 2016 targets**
- **Achieving top line growth through improved innovation and scale**



## **Turnaround case with significant potential**

Christer Åberg  
EVP & CEO, Orkla Confectionery & Snacks



## Turnaround case with significant potential

---

- Weakening results in recent years (especially 2013) – a turnaround case
- Fundamentally stable markets, leading market positions and strong heritage brands
- Potential to turnaround the business through clear revenue & cost initiatives

# One of the largest Nordic confectionery & snacks companies

Net revenue 2012: NOK 4.8 bn.

## Confectionery



**NOK 1.8 bn. (37 %)**

- Chocolate confectionery
- Sugar confectionery
- Pastilles & chewing gum

## Snacks



**NOK 2.2 bn. (46 %)**

- Potato chips
- Cheese snacks
- Nuts
- Special snacks

## Biscuits



**NOK 0.8 bn. (17 %)**

- Sweet biscuits
- Savory / food biscuits


# Norway and Sweden are the largest markets


Revenues (NOK bn.) per company and share of total Orkla C&S revenues


 NOK 2 bn. (41 %)


 Confectionery: NOK 1,200m


 Snacks: NOK 470m

 Biscuits: NOK 300m


 NOK 1.1 bn. (22 %)

 Snacks: NOK 630m

 Biscuits: NOK 440m

 NOK 0.6 bn. (12 %)


 Snacks: NOK 570m<sup>1</sup>


 NOK 0.8 bn. (17 %)


 Confectionery: NOK 350m


 Snacks: NOK 410m

 Biscuits: NOK 60m

 NOK 0.2 bn. (5 %)

 Confectionery: NOK 200m  
Biscuits & other: NOK 40m<sup>2</sup>

 NOK 0.1 bn. (2 %)

 Snacks: NOK 90m

# Local # 1 brands with long heritage – over 90 years

Top 5 brands (revenues) per category



## Confectionery

**Stratos** (1936)

- # 2 milk chocolate in NO



(1988)

- Unique sweet & salty combination



(2003)

- Family favorite mixed chocolate bags



(1970)

- # 1 throat lozenge in NO



(1965)

- Traditional sugar confectionery in NO



## Snacks

**KiMs** (1965)

- # 1 snacks brand in DK, # 2 in NO



(1967)

- # 1 snacks brand in SE



(1968)

- # 1 cheese snack in SE & NO



(1957)

- # 1 nut brand in NO



(1970)

- # 1 snacks brand in FIN



## Biscuits

**Ballerina** (1963)

- # 1 biscuit brand in SE



(1968)

- Leading filled biscuit in SE

**SAFARI** (1984)

- Family favorite cookie in NO

**Bixit** (1991)

- # 1 oat cookie in NO











(2002)

- Local chocolate cookie favorite

# Strong positions... but competition is increasing

Market share vs. nearest competitor and PL (largest markets)



Country	Orkla	Competitor	Private Label
 NO	30 %	35 % (Mondelez)	2 %
 EST (Kalev)	38 %	10 % (Fazer)	NA
 SE	36 %	18 % (Estrella)	23 %
 DK (KiMs)	45 %	8 % (Frito Lay)	25 %
 NO	29 %	32 % (Maarud)	13 %
 FIN	47 %	16 % (Estrella)	23 %
 SE	38 %	8 % (Mondelez)	20 %
 NO	51 %	19 % (Mondelez)	8 %



## 2 % stable market growth despite health trends

Retail volume ('000 tonnes) indulgence<sup>1</sup> categories, Nordic countries

### The 90's:



Low fat diets  
Bodies of supermodels like Kate Moss are worshiped

### The 00's:

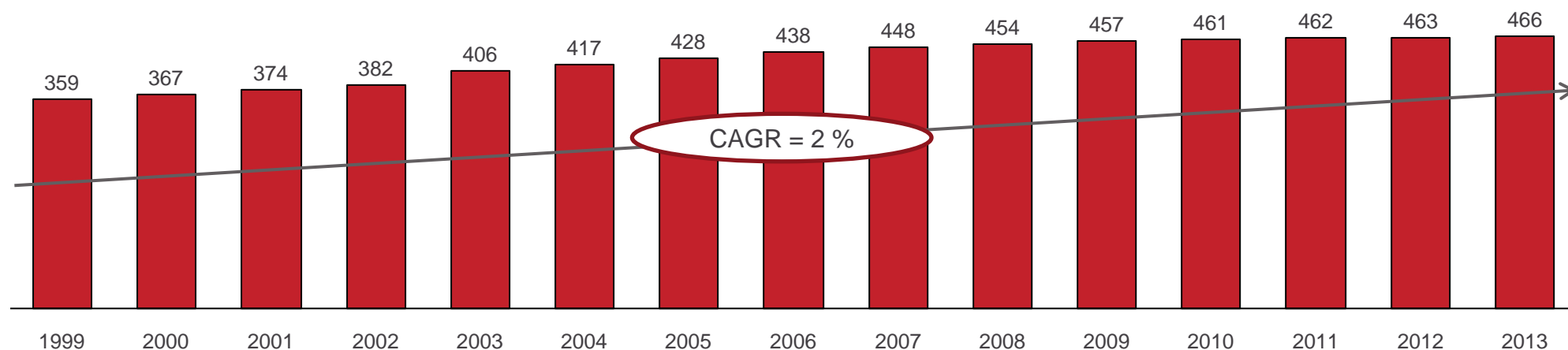


Glycemic Index  
Low Carb High Fat

### 2013:



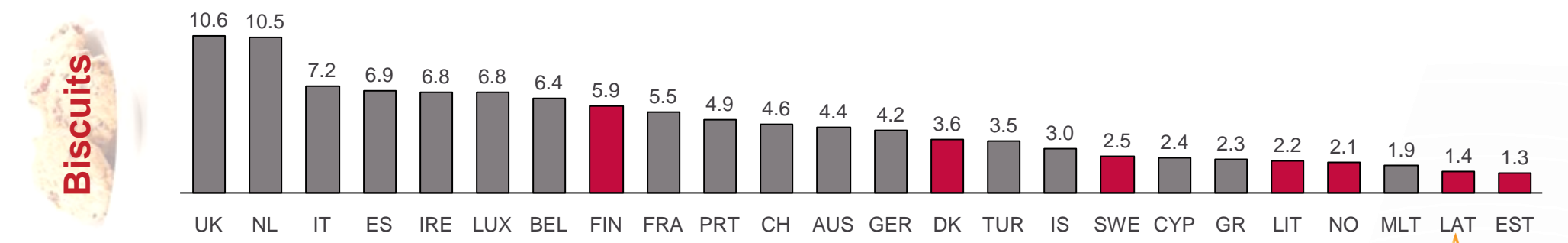
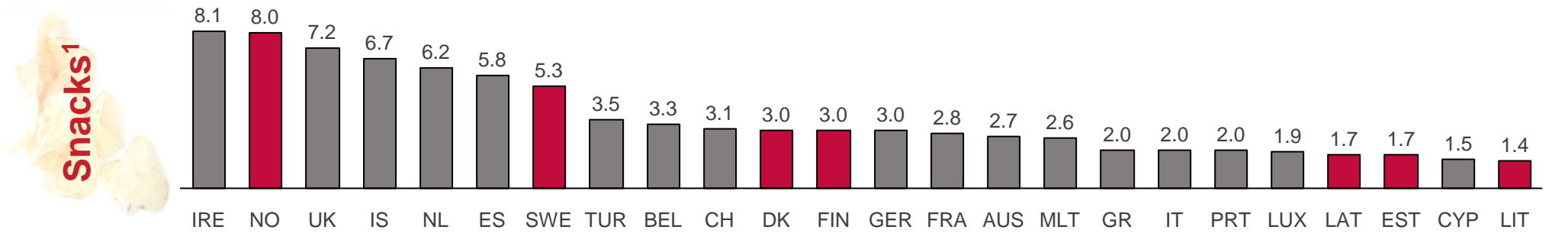
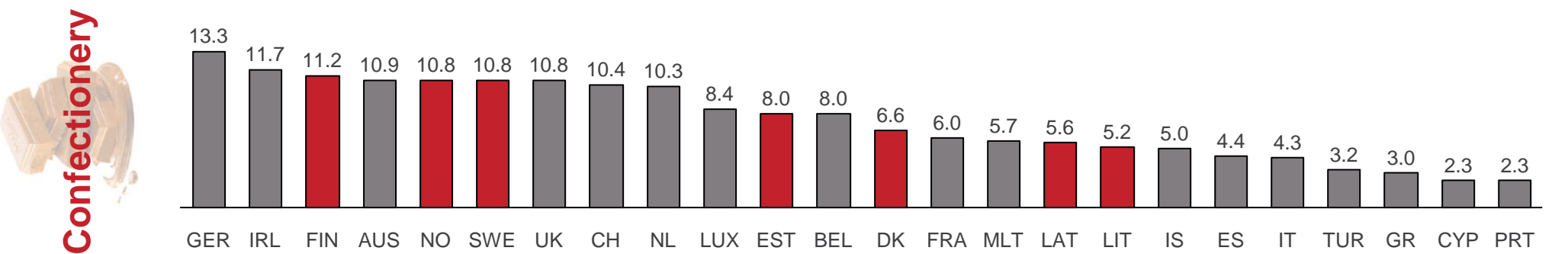
Clean Eating & Superfoods  
Less sugar & high protein  
“Strong is the new skinny”



- The confectionery, biscuits & snacks market as a whole has been stable in spite of health and diet trends
- These categories remain valued as a mean for indulgence
- Consumers are reluctant to accept any compromise with respect to taste and feel of these products

# Per capita consumption in the Nordics among the highest in Europe - but still potential to grow

Per capita consumption (kg) 2012  Orkla not present  Orkla home market



# Local brands based on deep consumer insight are winners

---

## Market characteristics

---

**Mainly local preferences**



**High brand recognition**



**Impulse categories**



## Orkla competitive advantages

---

### Deep local consumer understanding

- Local organizations & value chain that can easily meet local needs
- E.g. chocolate taste, snacks spices & salt levels

### Local # 1 brands with long heritage

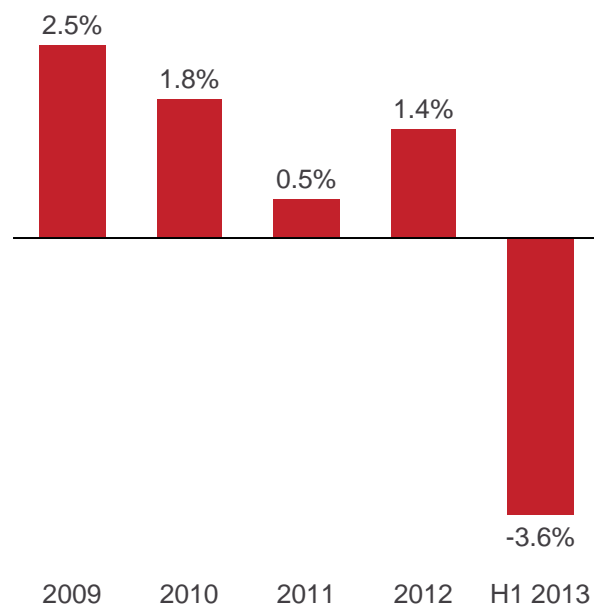
- Unprecedented portfolio of # 1 and # 2 market positions
- Brands that can be stretched across categories

### Unique scale on in-store execution

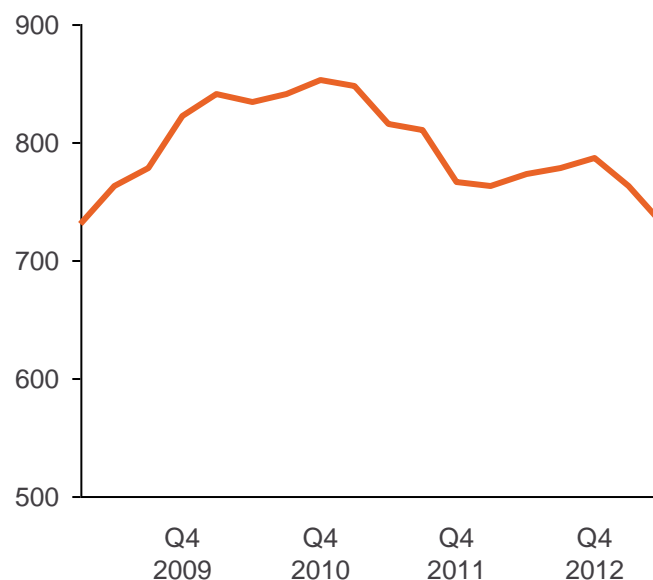
- Large and experienced sales & merchandising organization
- New structure will improve store coverage - but we can still be significantly more effective

# Weakened top and bottom line development in recent years

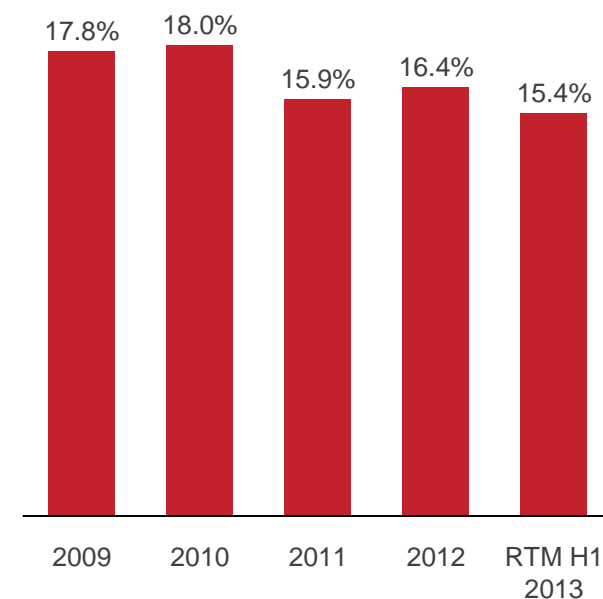
Organic sales growth<sup>1</sup>



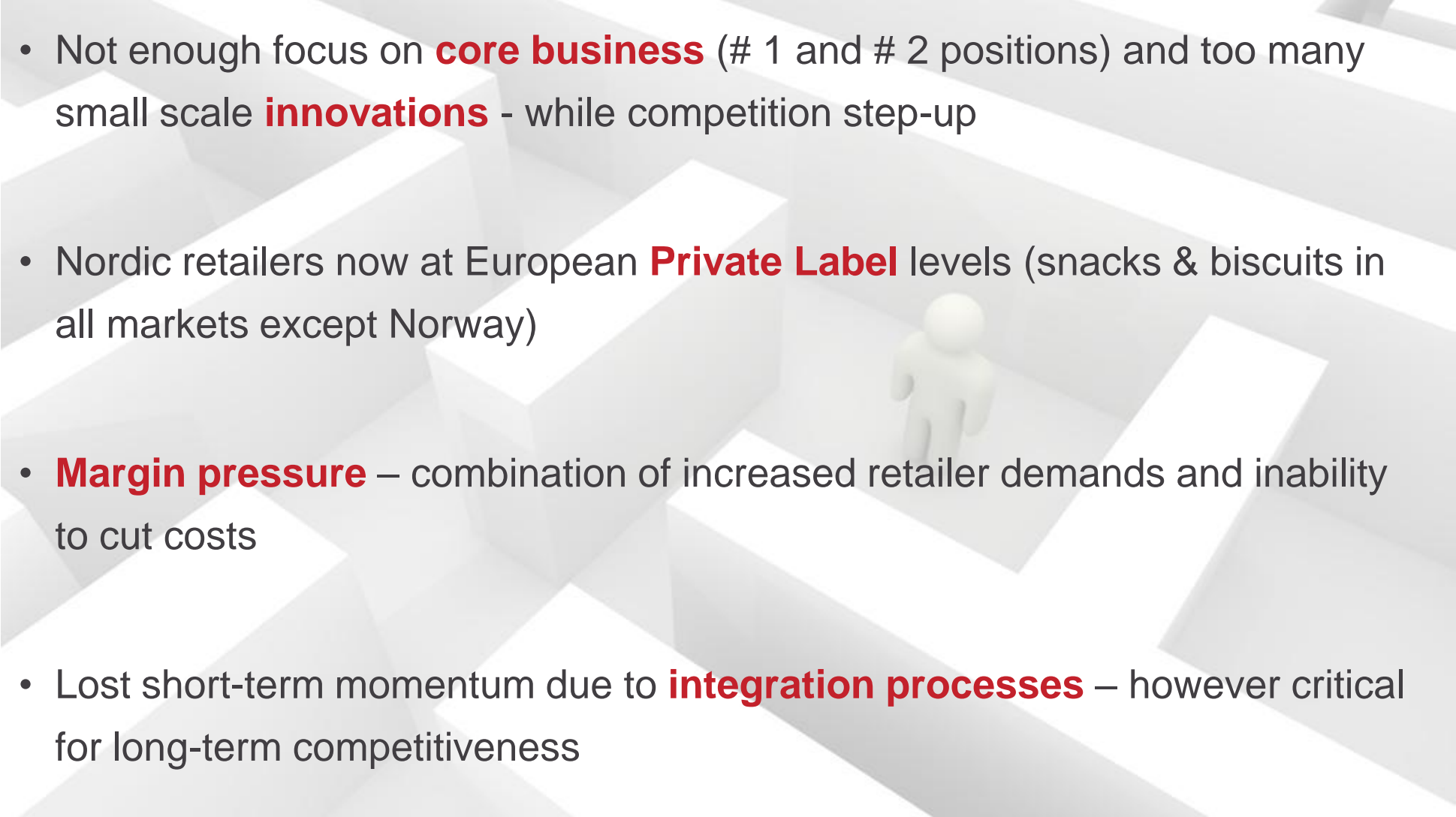
RTM EBIT (NOK million)



EBIT margin (adjusted)<sup>2</sup>



# What has caused this drop in results?


- 
- Not enough focus on **core business** (# 1 and # 2 positions) and too many small scale **innovations** - while competition step-up
  - Nordic retailers now at European **Private Label** levels (snacks & biscuits in all markets except Norway)
  - **Margin pressure** – combination of increased retailer demands and inability to cut costs
  - Lost short-term momentum due to **integration processes** – however critical for long-term competitiveness

# Reaching our targets 2016

---

**Organic growth**  
**2-4 %**

**EBIT margin**  
**> 16.5 %**

- 
- Turnaround will require clear revenue growth and cost reducing initiatives
  - Improvement will be gradual

# Growing the top line - Overall

## Must-Win Battles



**Regain focus  
on core**



## Actions

- Back to growth on our core business – local # 1 and # 2 positions
- Further focus on where and how we make brand investments
- Simplify brand portfolio and overall assortment



**Innovations that  
really matter**



- Increased cross-country & cross-category focus to transfer market insights into innovations across portfolio
- We have brands that can go across categories, e.g. Stratos



**Sales Execution  
Excellence**



- One strong face to the retailer (e.g. from 3 to 1 company in NO)
- Increase sales force leverage through improved performance
  - Already out-scaling competitors on size



**Winning  
organization**



- Creating one company per country
- Right leaders with right attitudes
- Strengthened and more cost effective organizations (all markets)

# Growing the top line – Innovation with focus on core

Example: Stratos – # 2 chocolate brand in Norway

- Core product: Milk chocolate with air bubbles
- Launched in 1936



**Different formats: Small & big bars, rolls, bags, mini bars etc.**



**Different taste variants: Crunchy, in mixed bags, white chocolate etc.**



**Across categories: May 1<sup>st</sup>: Stratos biscuits**



# Growing the top line - The Baltic markets

Three very different markets: Estonia, Latvia, Lithuania

- Different nationalities, languages, history, religions, national sports...
- Different taste preferences, cuisine etc.

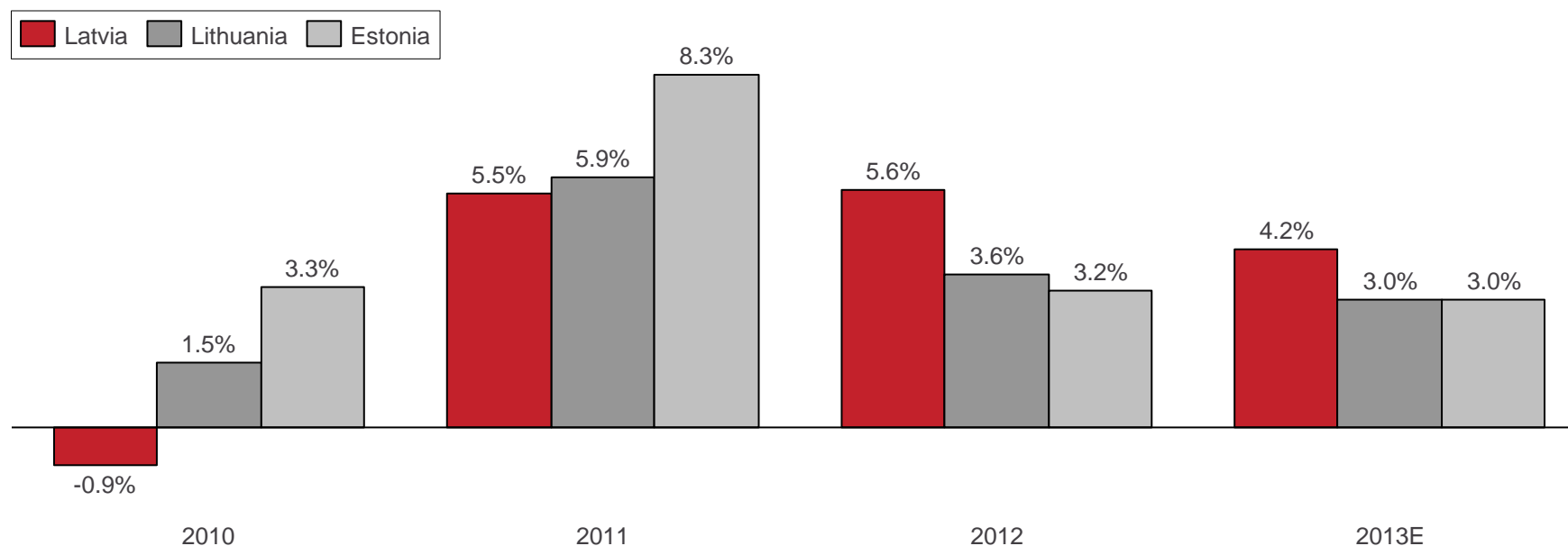
Orkla C&S's strength: Respond to local consumer and market specifics

- Consumers' trust and loyalty through market tailored products and tastes
- Market specific activities in trade and communication



# Growing the top line – Attractive Baltic economies

Real GDP growth (annual change, %)



- **Baltic economies among the fastest growing in EU**
- **Category growth above economic growth (5-7 % historic annual growth) and consumption per capita increasing – though still low compared to the Nordics**
- **Growth trend expected to continue**

## Growing the top line - Make Baltics really matter

---



- Net revenues (2012): NOK 240 million (+ 40 % 2010-12)
  - Key markets: Estonia
  - # 1 (38 % share) within confectionery (chocolate & sugar)
  - # 1 within biscuits (11 % share)
- 



- Net revenues (2012): NOK 85 million (+ 10 % 2010-12)
- Key markets: Latvia (home market), Estonia and Lithuania
- # 1 (44 % share) within snacks in Latvia, # 3 in Estonia and Lithuania

- **Low risk market with clearly above average growth potential**
- **Strategy: Cover white spaces with significant share**

# Cut costs by NOK 300 million in 2014-16

- Reduce **overhead costs** and improve **go-to-market edge** (2013-16)
  - Integration of companies in Norway, Sweden & Finland – from 7 to 3 (NOK 50-70 million)
  - Significant reduction of senior leadership & changes were required
- Improve **product cost & value** (2014-15)
  - Design-to-Value initiative – start with snacks in Sweden & Finland end 2013
  - Improved efficiency on raw material sourcing
- **Supply chain** restructuring & efficiency (2014-16)
  - Task force within biscuits in Kungälv
  - Optimization of snacks and chocolate supply chain
- Simplify **portfolio & brand structure** (2014-15)
  - Reduced # of SKUs
  - Harmonization across markets



# Turnaround case with significant potential

---

## Gradual improvements towards 2016 target

- 2-4 % organic growth
- >16.5 % EBIT margin

## Growing the top line

- Regain focus on our local core # 1 and # 2 positions
- Fewer and more focused innovations – further initiatives across categories
- One face to the retailer – increased importance as supplier
- The right leaders with the right attitudes

## Cut costs by at least NOK 300 million (2014-16)

- Overhead
- Portfolio and product costs
- Supply chain



## **Continuing to grow our local market leadership**

Stig Ebert Nilssen

EVP & CEO Orkla Home & Personal



## Continuing to grow our local market leadership

---

- #1 positions in the Nordic region
- Local winning concepts
- Strong platform for future growth
- Nutrilett: our fast growing slimming brand

# Continuing to grow our local market leadership

---

- **#1 positions in the Nordic region**
- Local winning concepts
- Strong platform for future growth
- Nutrilett: our fast growing slimming brand

# #1 positions in all product categories

- Stable markets
- Strong brand loyalty

- High margins
- Strong Nordic purchasing power











Personal Care

Home Care

Health

Textiles

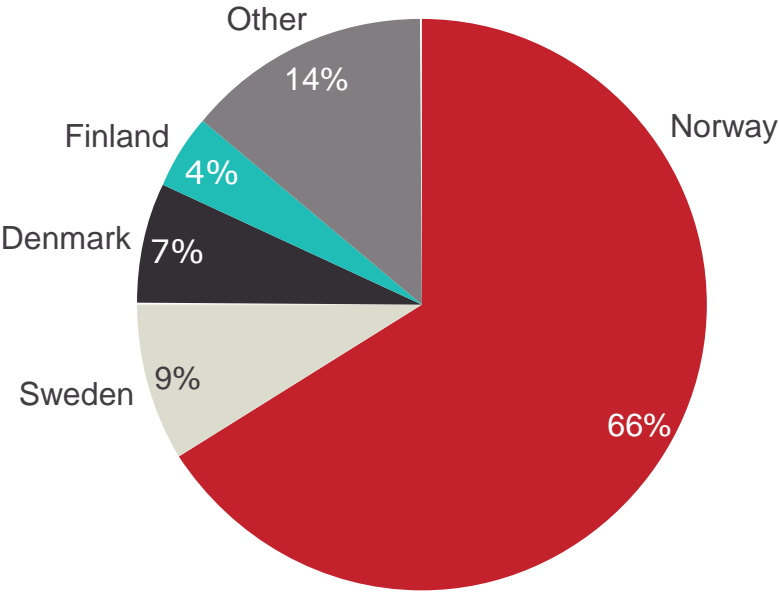
# Strong Nordic platforms for future growth

	Personal Care	Home Care	Health	Textiles
Sales channels:	<ul style="list-style-type: none"> <li>Grocery</li> <li>Pharmacy</li> </ul>	<ul style="list-style-type: none"> <li>Grocery</li> <li>B2B</li> <li>Home improvement retailers</li> </ul>	<ul style="list-style-type: none"> <li>Grocery</li> <li>Pharmacy</li> <li>Health shops</li> <li>DTC</li> <li>Convenience</li> <li>Sport / Fitness</li> <li>B2B</li> </ul>	<ul style="list-style-type: none"> <li>Grocery</li> </ul>
Home markets:				
Companies:				

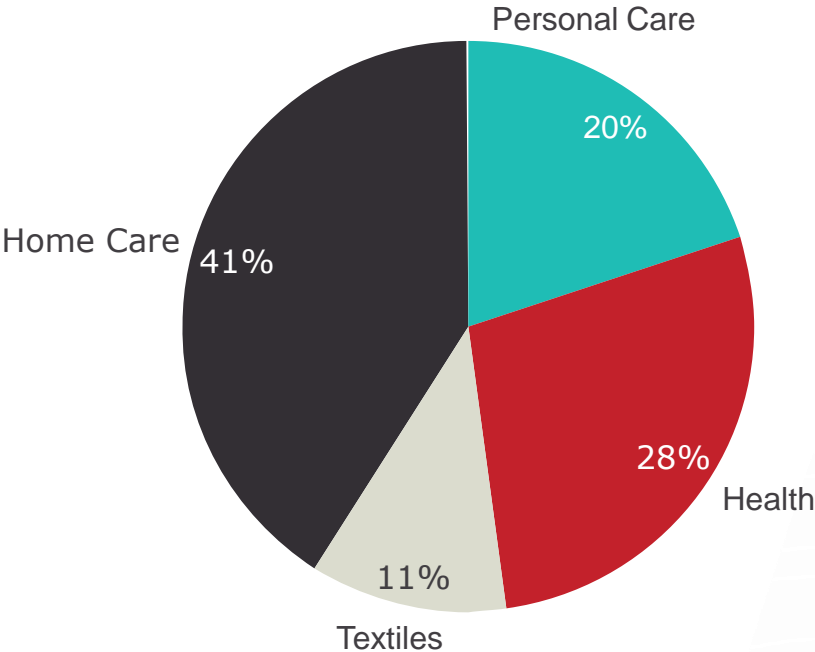
# Large categories with sales mainly in the Nordic market

Revenues 2012, proforma incl. Jordan: NOK 4,720 million

Geographical sales split:



Category sales split:



# #1 local brands with long heritage – going back 150 years



Jordan (1837)



Möllers (1854)



Dr. Greve (1899)



SanaSol (1933)



Blenda (1935)



Lano (1936)



Zalo (1952)



Pierre Robert (1956)



Omo (1961)



Sun (1966)



Jif (1977)



Gerimax (1981)



Nutrilett (1989)

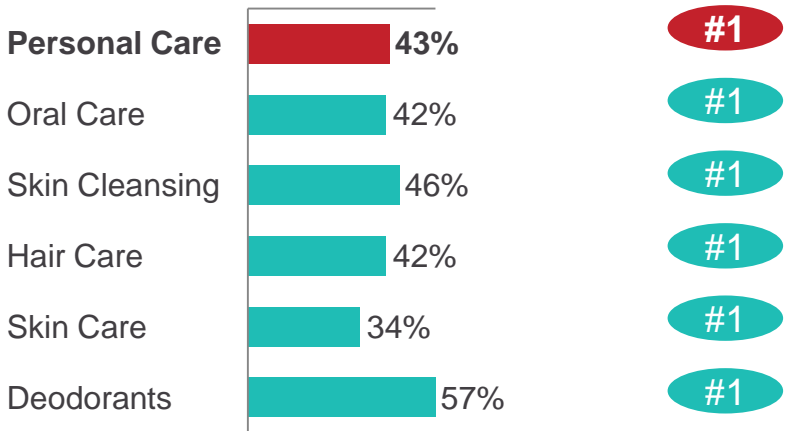
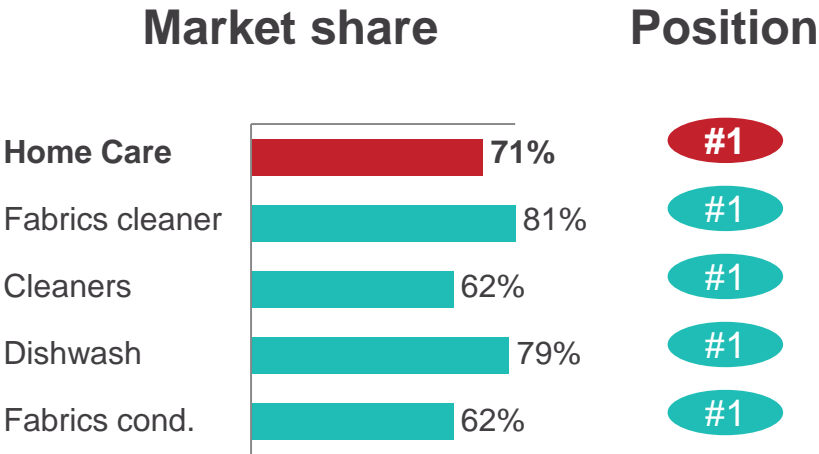


Maxim (1991)

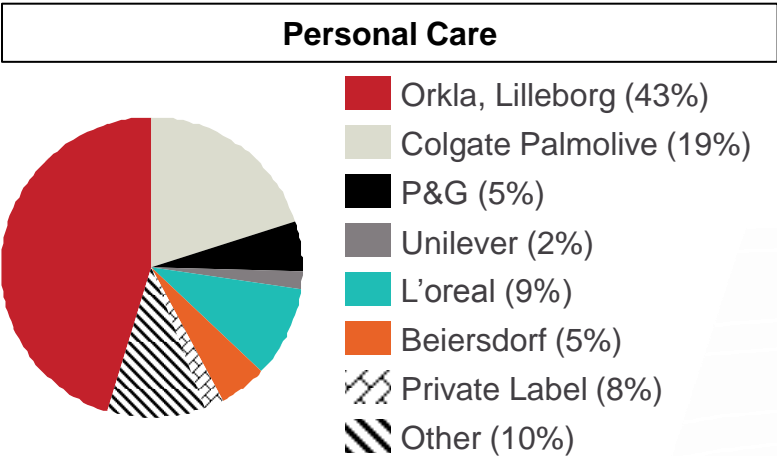
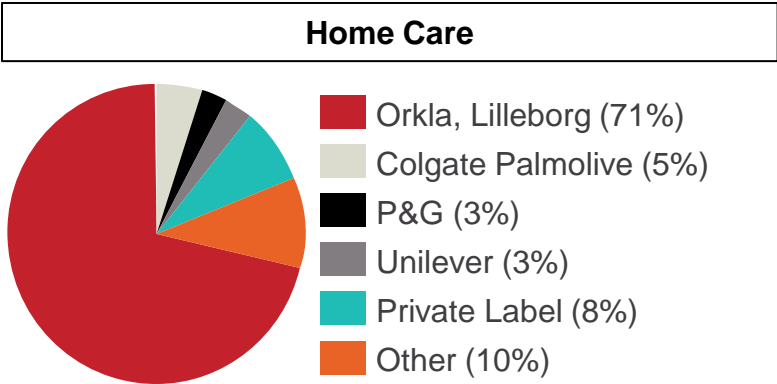


Define (2001)

# Unique home and personal care #1 positions in Norway

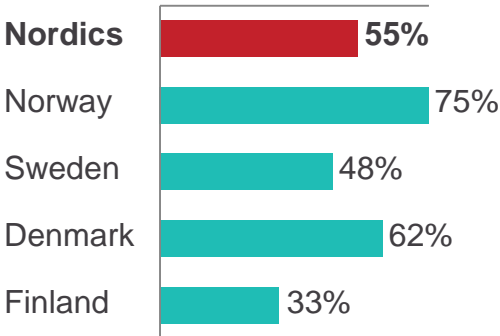


Orkla vs Competition



# #1 Nordic market positions in House Care

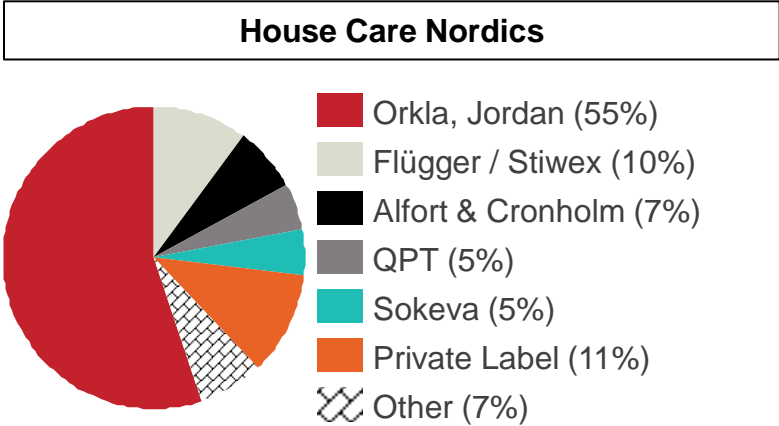
## Market share



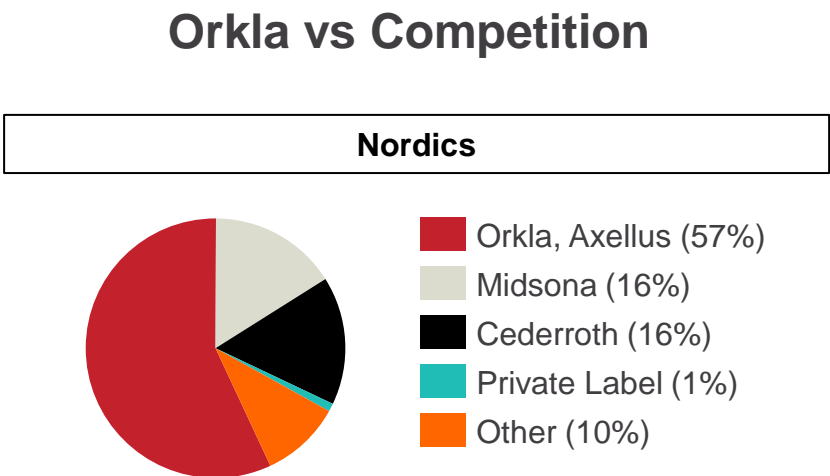
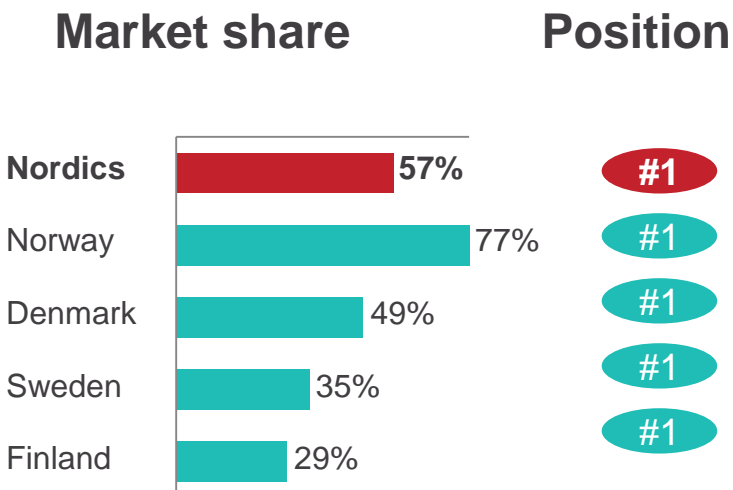
## Position



## Orkla vs Competition

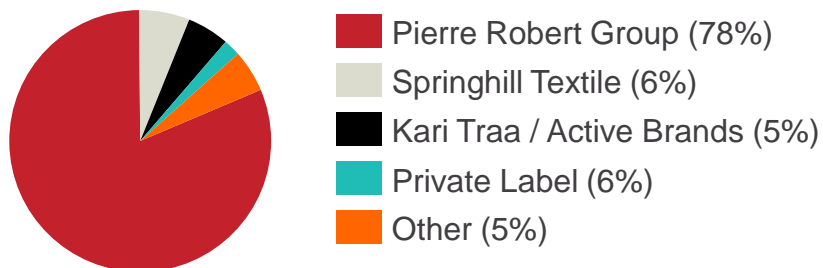


# #1 market positions in food supplements

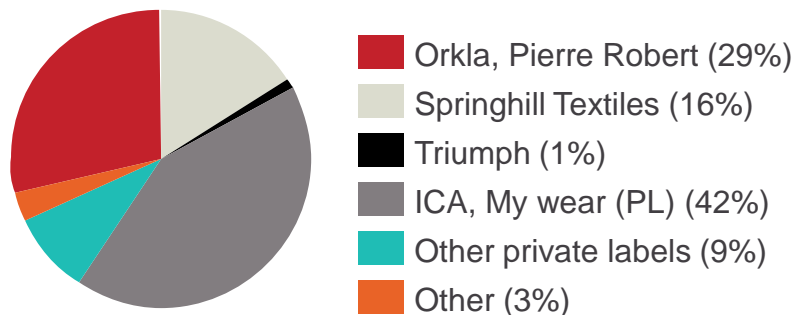


# Strong grocery positions in textiles

**Market shares Norway**



**Market shares Sweden**



# Local brands based on local insight are winners

Local brands



Local insight

- Better local consumer understanding
- Better trade and category understanding

Local scale

- Flexible local value chain
- Dominant in sales and advertising

# Continuing to grow our local market leadership

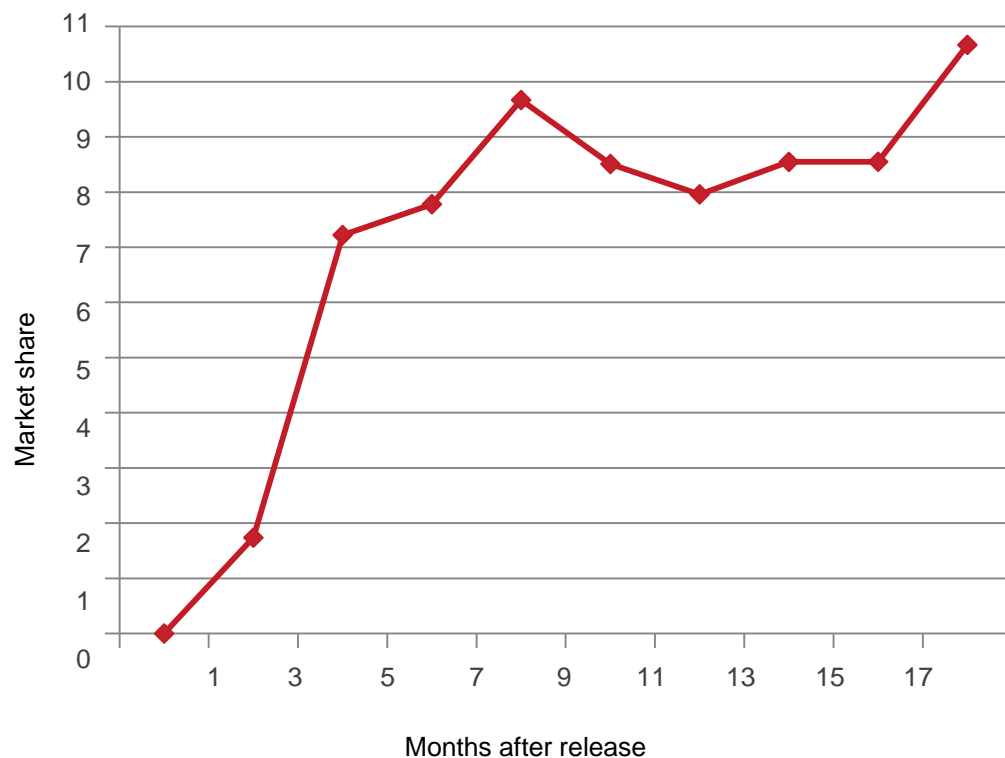
---

- #1 positions in the Nordic region
- **Local winning concepts**
- Strong platform for future growth
- Nutrilett: our fast growing slimming brand

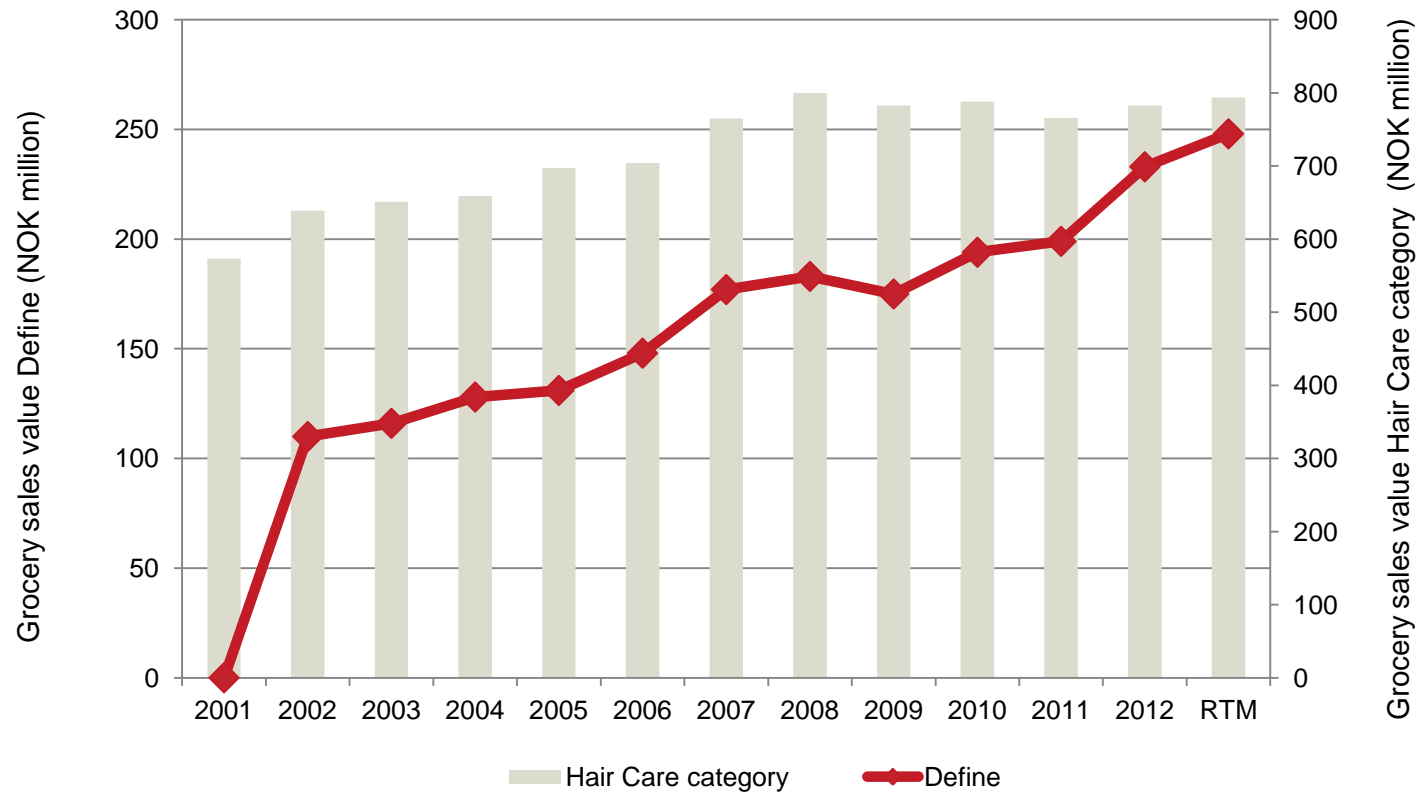
# Technology driven local innovation generating category growth

Insight targeted towards convenience trend

– self dissolving capsules with highly concentrated liquid detergent



# Strong market leadership for Define driven by innovations based on local insight

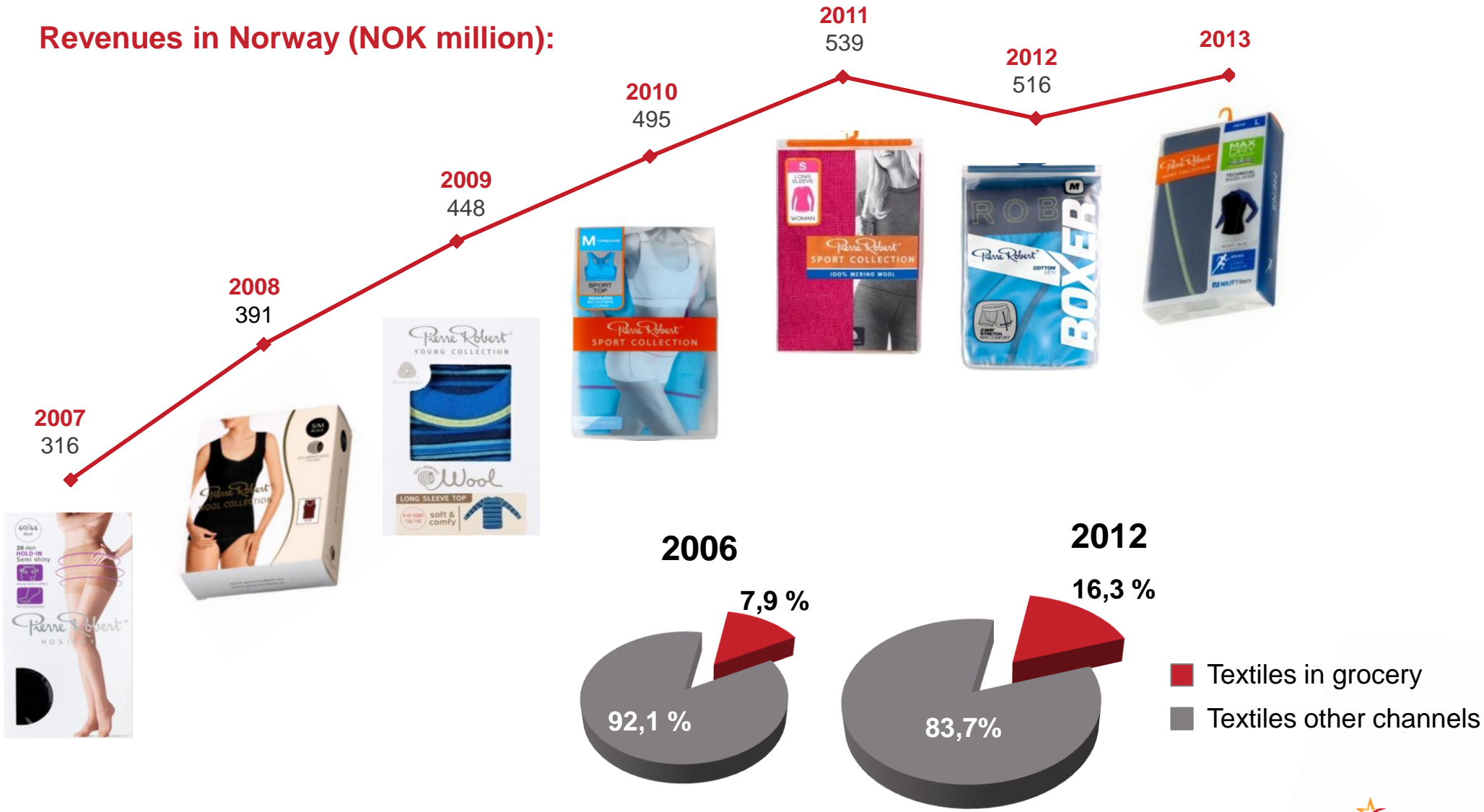


#1



# Increase grocery penetration by expanding the Textile category

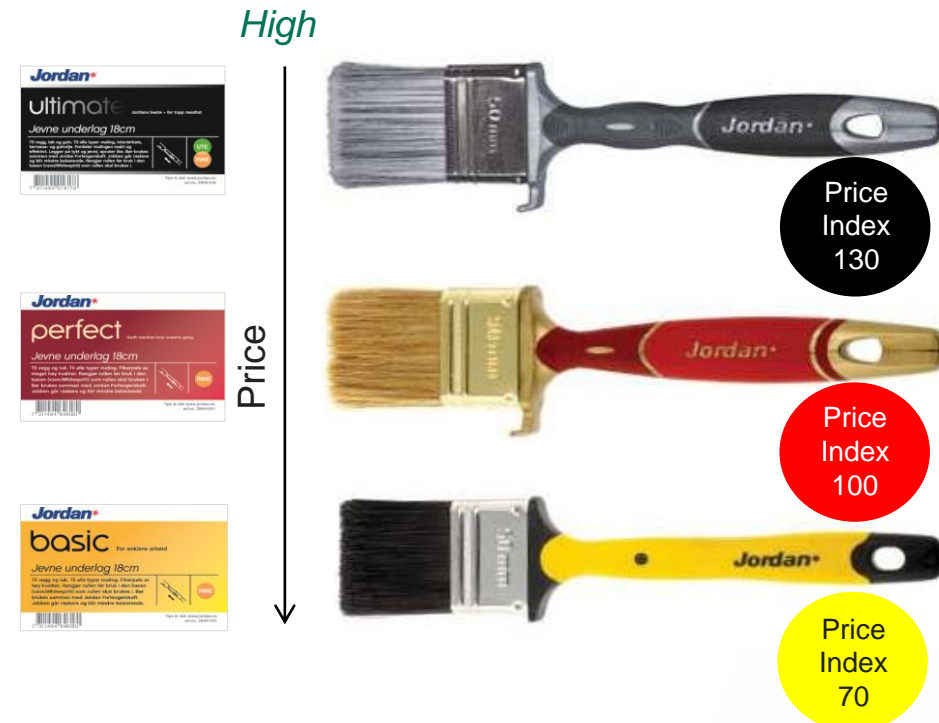
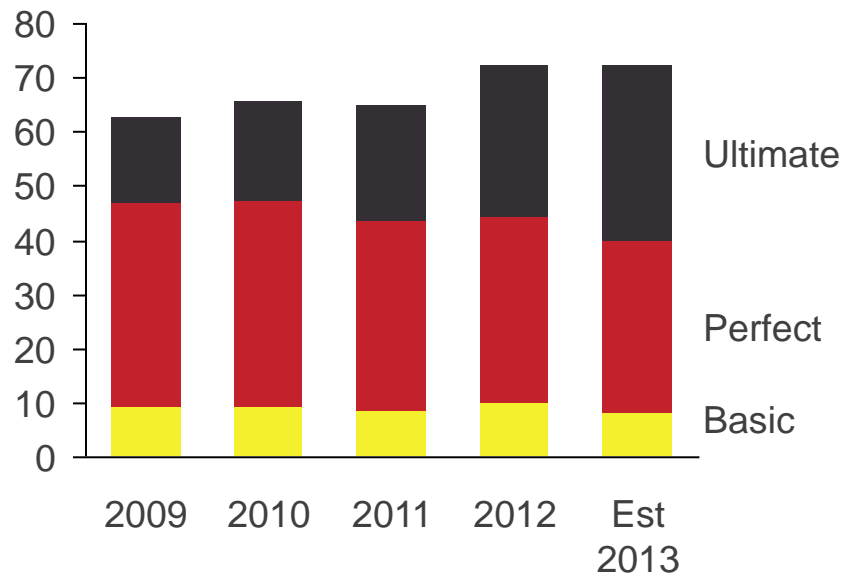
Revenues in Norway (NOK million):



# Revenue management - Growing a mature category by clearly differentiating price and quality offers

- 16% sales growth from 2009 – 2013
  - More than doubling sales for the Ultimate product

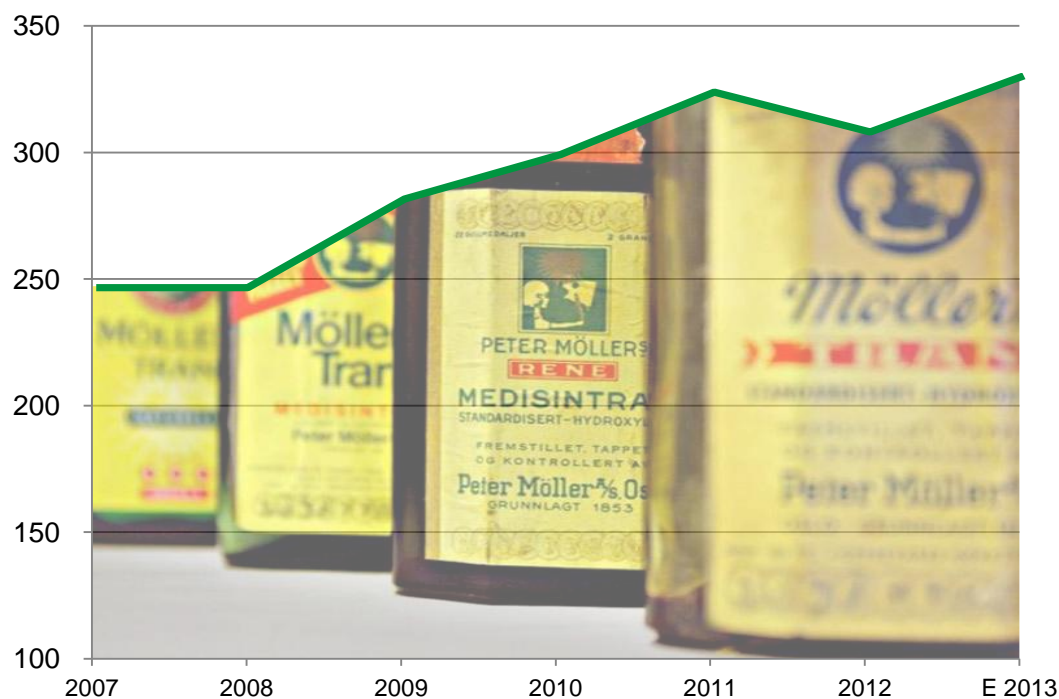
Revenues interior brushes (NOK million)



# Möller's cod liver oil – continuously upgrading an iconic brand

The leading health brand for 160 years

Revenues (NOK million)



# Tailor made local trade and consumer campaigns driving demand



# Continuing to grow our local market leadership

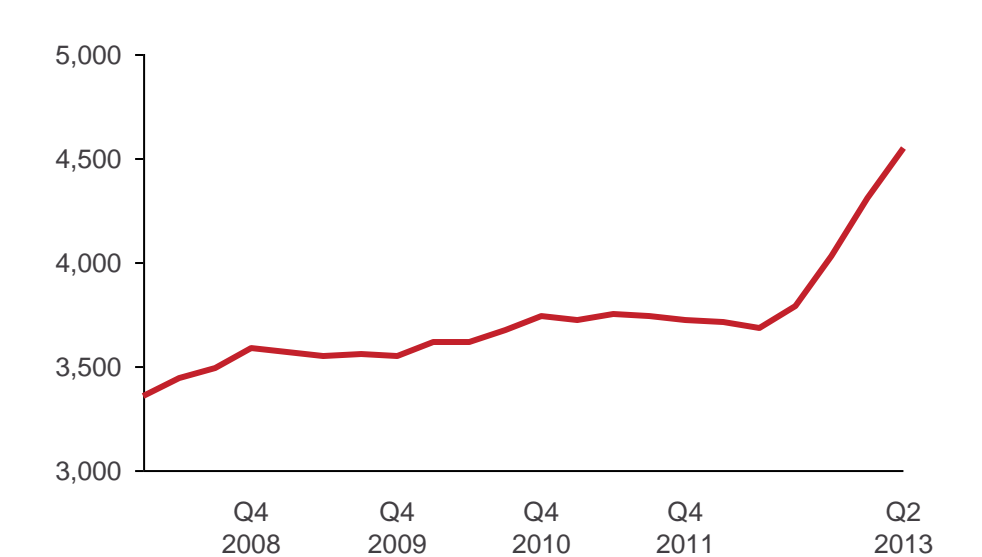
---

- #1 positions in the Nordic region
- Local winning concepts
- **Strong platform for future growth**
- Nutrilett: our fast growing slimming brand

# Significant growth possibilities

## Recent performance:

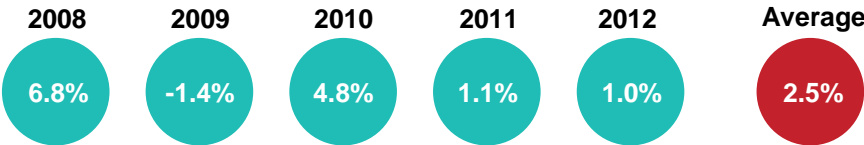
Rolling 12 months operating revenues (NOK million)



## Financial Target 2016:

**Organic growth  
3-5 %**

## Organic sales growth<sup>1</sup>

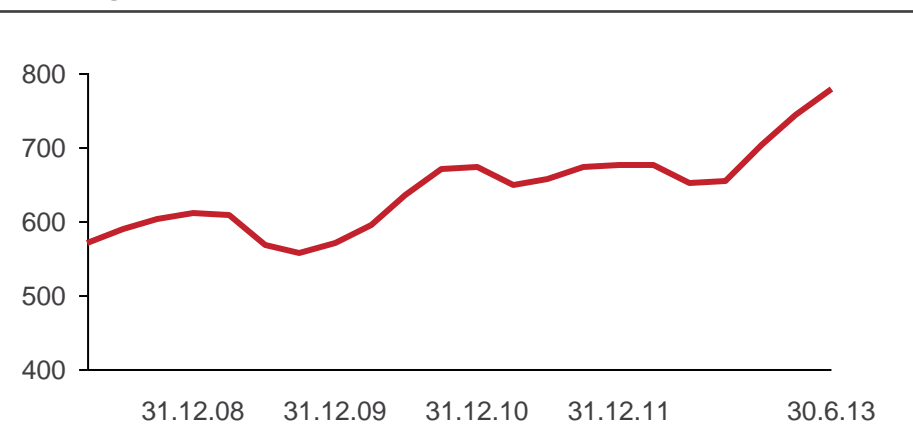


114 1. Adjusted for acquired and sold companies, currency translation effects and contract production to the process chemistry industry.

# Sustainable profitability

## Recent performance:

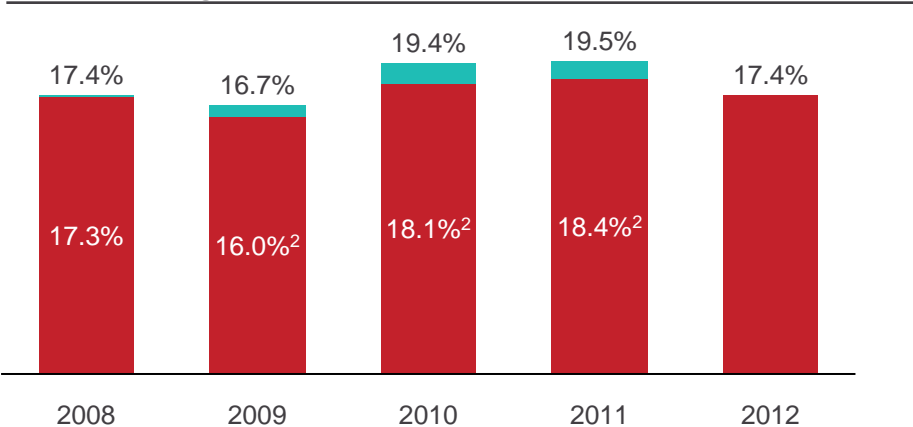
Rolling 12 months adjusted EBIT<sup>1</sup> (NOK million)



## Financial Target 2016:

**EBIT margin  
> 17.5 %**

EBIT margin (adjusted)<sup>1</sup>



115 1. Adjusted for other income and expenses  
2. Adjusted for contract production to the process chemistry industry.

## Well positioned for future growth

---

- Health, well being and beauty a sustainable macro trend
- Aging population wanting to stay young longer
- Nordic citizens in general having high disposable income and purchasing power
- High investments in home improvements
- Nordic consumer seeking premium products within household cleaning and detergents



## Our future priorities are:

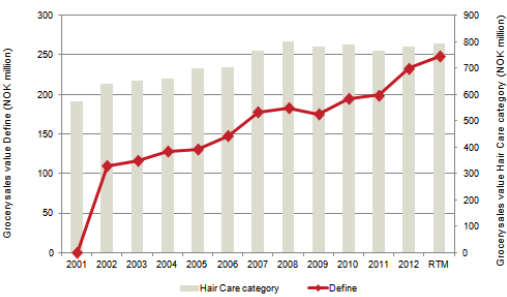
---

- Continue growing organically
- Expand into new markets and sales channels
- Further improve efficiencies and operational excellence

# Continue growing organically

- Grow core business through innovation – more of the best
- Improve sharing of best practices within Orkla and Home & Personal

Strong market leadership for Define driven by innovations based on local insight



15 Source: AC Nielsen (grocery) AUG 2013

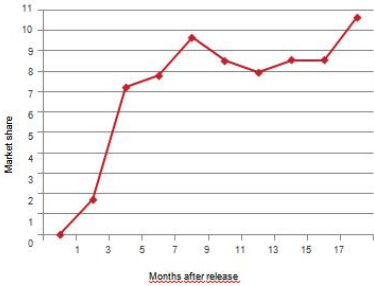
#1



Orkla

## Technology driven local innovation generating category growth

Insight targeted towards convenience trend  
– self dissolving capsules with highly concentrated liquid detergent

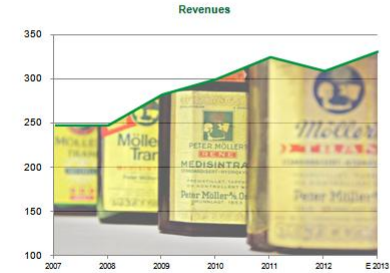


14 Source: AC Nielsen, 22.04.12-11.08.13, Total Norwegian grocery chains



## Möller's cod liver oil – (continously upgrading an iconic brand?)

























The leading health brand for 160 years







# Wide expansion possibilities

- Existing products into new markets
- Structural growth

Category presence per geography

































Category				
Home care				
Personal care				
Dietary supplements				
Textiles (grocery)				
Painting tools				




 STRONG #1, clearly larger than #2     GOOD #1 or #2, same size as #1 or #2     In the market     Not in the market

# Wide expansion possibilities

- Existing products into new sales channels

Category presence per sales channel

Category	Grocery	Pharmacy	Web shops	B2B	Home impr. retailers	Health shops	Conv-enience	Sport/ Fitness
Home care								
Personal care								
Health								
Textiles								

 Full presence
  Present
  Partly present
  Not present
  Most relevant growth potential

## Further improve efficiencies and operational excellence

---

- Complete **synergy** realization from acquisitions in 2012
- Continue **product portfolio** streamlining
- Increase cross **category / country** cooperation and synergies
- Further leverage on **existing cost base** – organic and structural
- Execute operational **value chain** initiatives
- Evaluate existing **organizational** structure

## Continuing to grow our local market leadership

---

- #1 positions in the Nordic region
- Local winning concepts
- Strong platform for future growth
- **Nutrilett: our fast growing slimming brand**

A close-up photograph of a woman's midsection. She is wearing a white top and a white lace-trimmed bottom. A pink measuring tape is wrapped around her waist, held by her hands. The tape shows measurements in both inches and centimeters. The background is white.

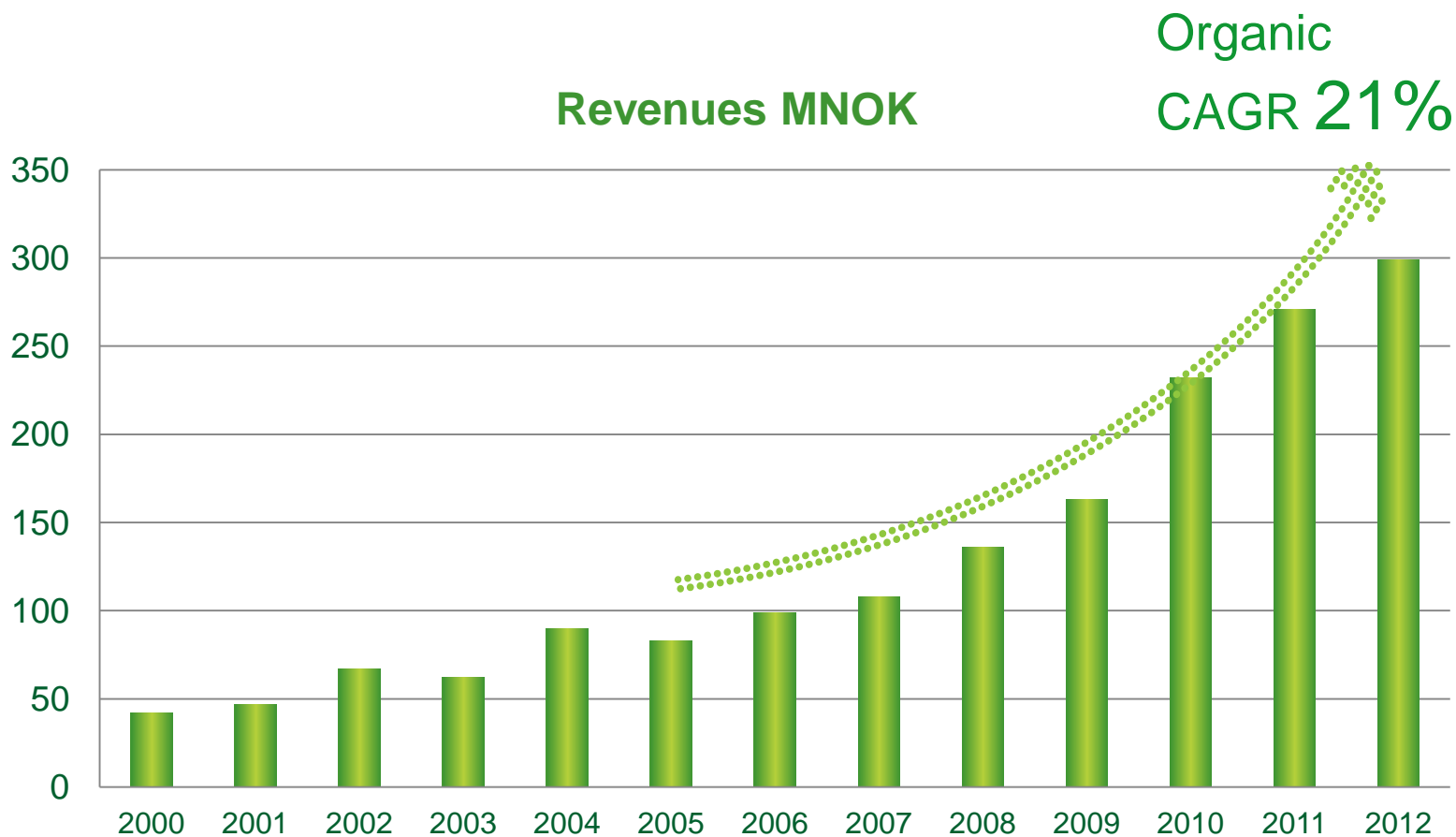
# Nutrilett<sup>®</sup>

Helps you reach your goals!

## Our fast growing slimming brand

Tine Hammernes Leopold  
Commercial Director & CEO Home markets  
Axellus Group

# Nutrilett is a long running success story

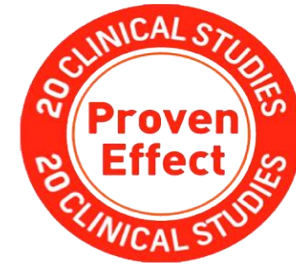


ORKLA acquired CollettPharma, of which Nutrilett was a brand in 2005. Organic CAGR for Nutrilett in the years following is 21%.

**Nutrilett®** Helps you reach your goals!

# Effective products based on science

The effect of Nutrilett powder diets has been proven, documented, and published in 20 clinical studies.



**Nutrilett®** Helps you reach your goals!

# Superior taste wins loyal consumers

Benchmark for taste:

Consumers prefer Nutrilett bars over competition

## Finland

62% of Finnish bar users prefer Nutrilett

## Norway

63% of Norwegian bar users prefer Nutrilett

## Sweden

46% of Swedish bar users prefer Nutrilett



Research conducted by Ipsos MMI as, March 2013. 500 interviews in a representative selection of the Norwegian, Danish, Swedish and Finnish internet population 18 years+.

**Nutrilett®** Helps you reach your goals!

# Continuous innovation increases value and volume

Superior products

Wide consumer group

High frequency



**Nutrilett®** Helps you reach your goals!

# Competitive edge in continuous improvements



# Profitable combination of scale and local presence

Synergy in brand building and insight

Economy of scale sourcing

Strong local sales and marketing teams

It works



Helps you reach your goals

Quick and convenient weightloss

**Nutrilett®**

*The weight loss expert*



Sweden



Norway



Finland



Denmark



Poland

**Nutrilett®** Helps you reach your goals!

# Acting fast on local consumer trends

Adapted to special  
**Danish**  
taste preference



Adapted to unique  
**Polish**  
consumer needs

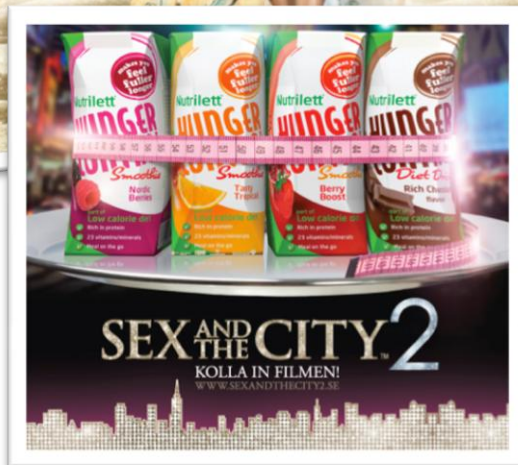


Adapted to new  
**Swedish**  
consumer trends



**Nutrilett®** Helps you reach your goals!

# Local scale drives large volumes



**Nutrilett®** Helps you reach your goals!

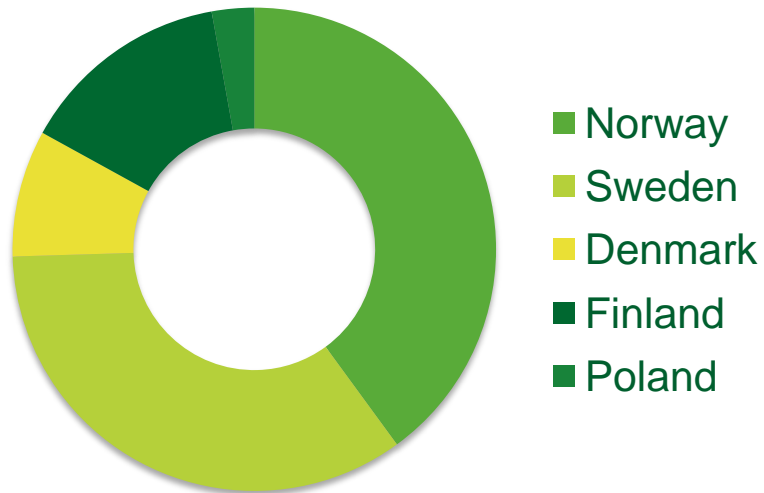
# Local scale drives large volumes



**Nutrilett®** Helps you reach your goals!

# Strong market leadership across the Nordics

Revenue split per market



Launched in Denmark and Poland in 2012

Market	Market shares	
Norway	78%*	# 1
Sweden	51%*	# 1
Finland	39%**	# 1
Denmark	20%**	# 2

\* YTD feb 2013    \*\* 2012 figures

# Orkla's competitive advantage secures future growth for Nutrilett



**Nutrilett®** Helps you reach your goals!

## Well positioned for future growth

---

- #1 positions in attractive Nordic markets
- Track record demonstrates ability to grow
  - further develop strong local capabilities and culture
- Utilize synergies to improve profitability
- Several attractive growth opportunities for the longer term
  - new markets and new channels
  - organic and structural



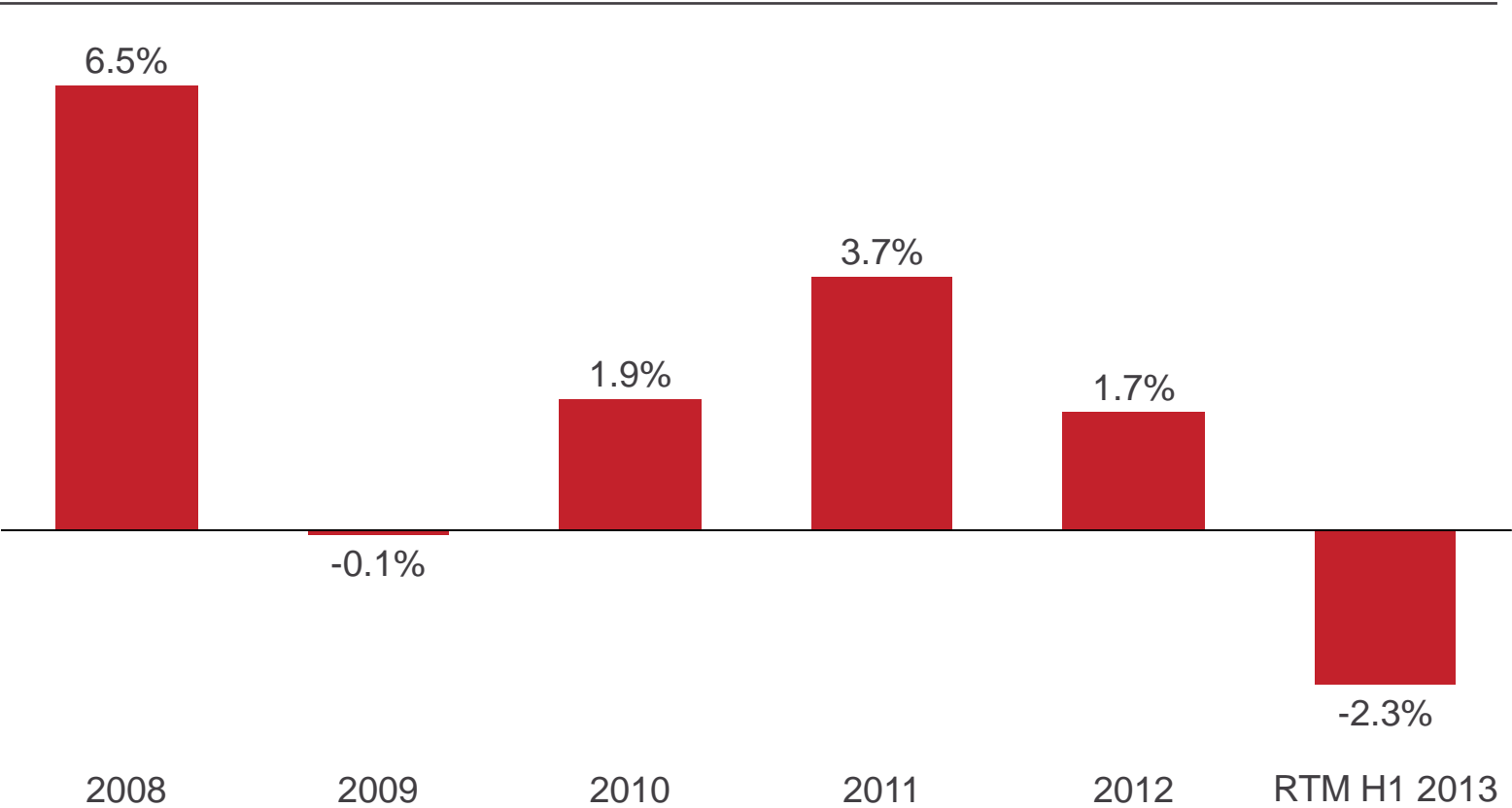
**Appendices**

**Financial Performance**

# Orkla Group - Branded Consumer Goods

Average organic sales growth\* of 3% the last 5 years, driven by price

## Organic sales growth<sup>1</sup>

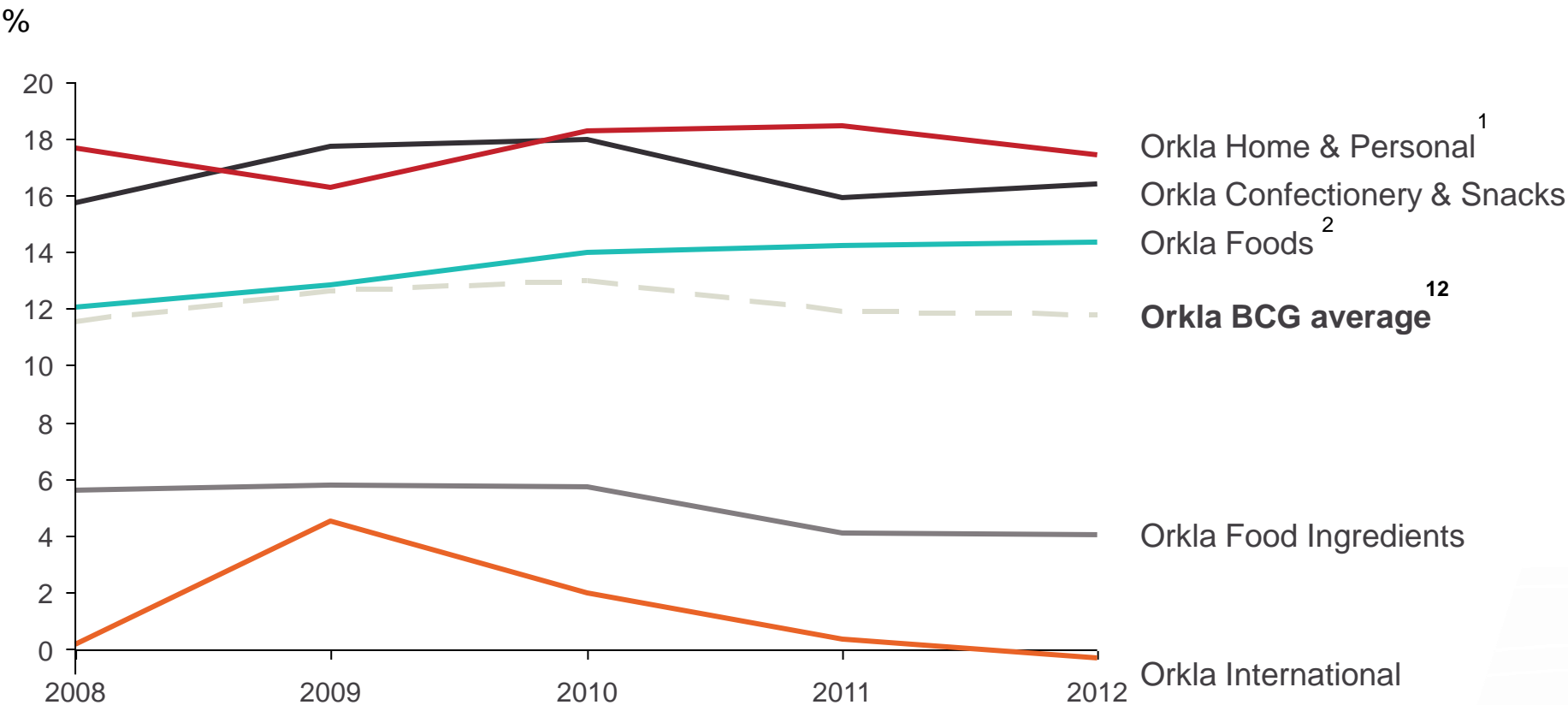


**137** 1. Adjusted for acquired and divested companies, currency translation effects and contract production to the process chemistry industry. Divested bakery business excluded for all years.

# Orkla Group - Branded Consumer Goods

Strong local brand positions, high margin level in the Nordics

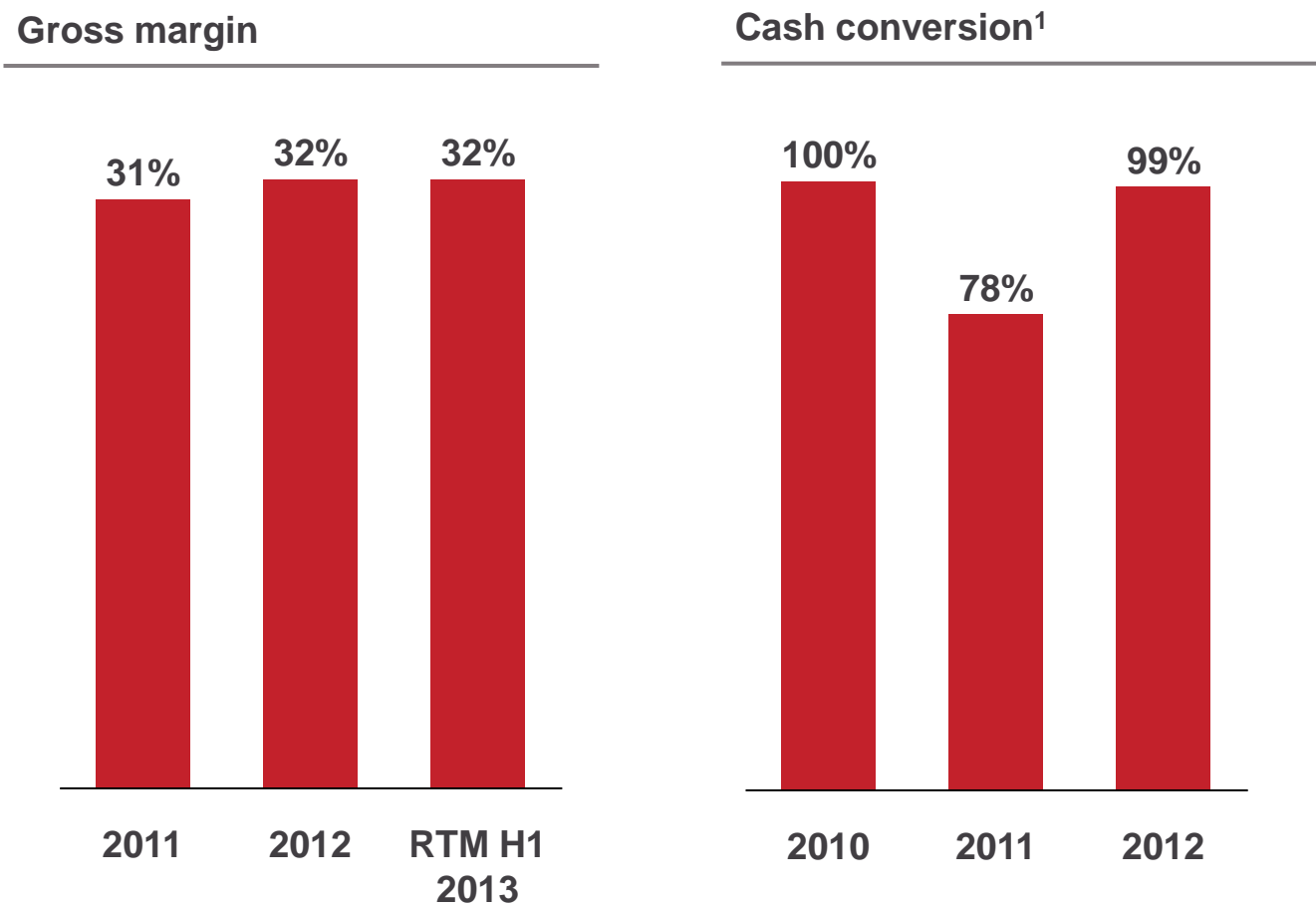
## EBIT margin (adjusted)



138 1 Presented ex. contract production to the process chemistry industry.

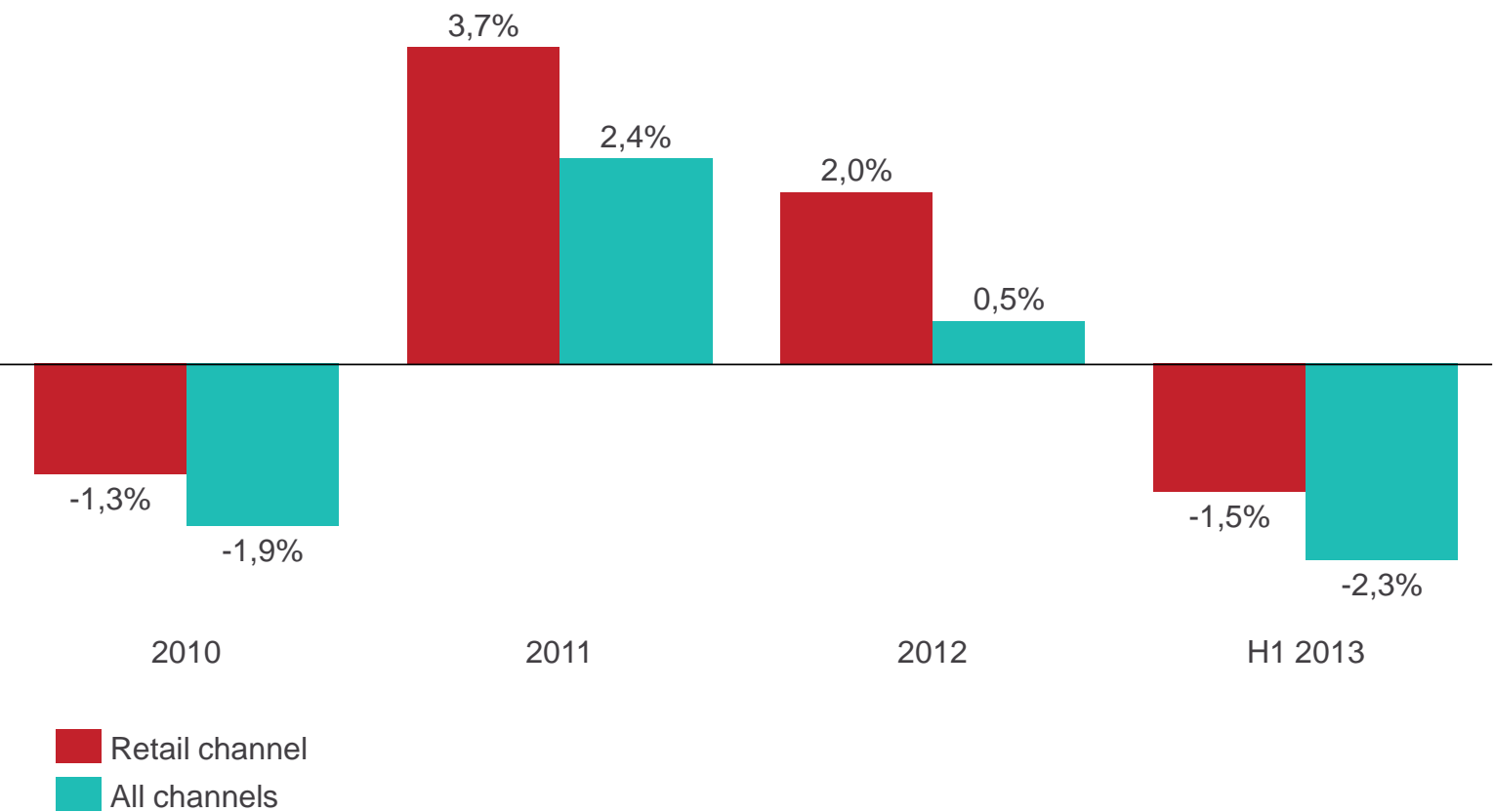
2 Divested bakery business excluded for all years.

# Orkla Group - Branded Consumer Goods



# Orkla Foods

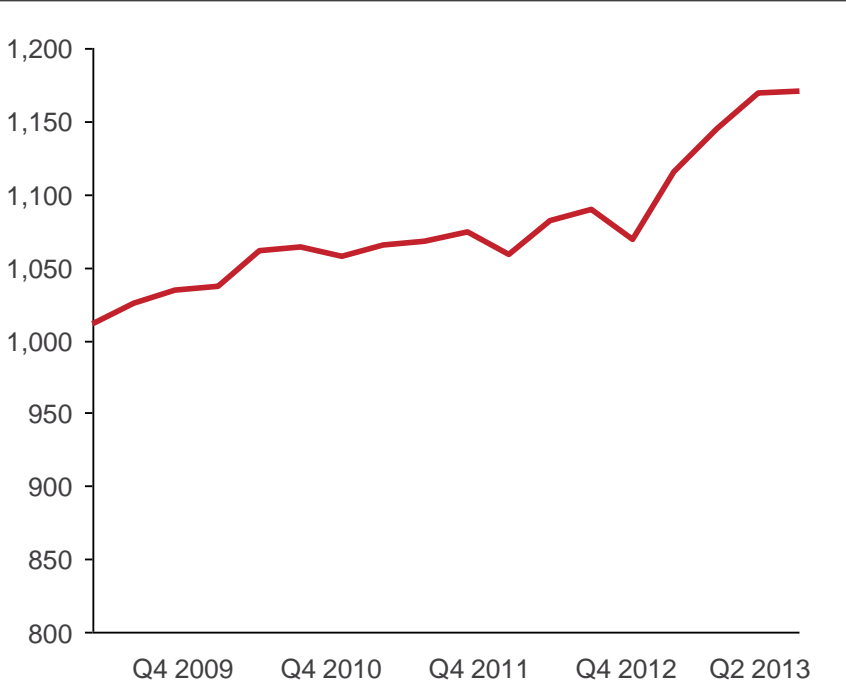
## Organic sales growth<sup>1</sup>



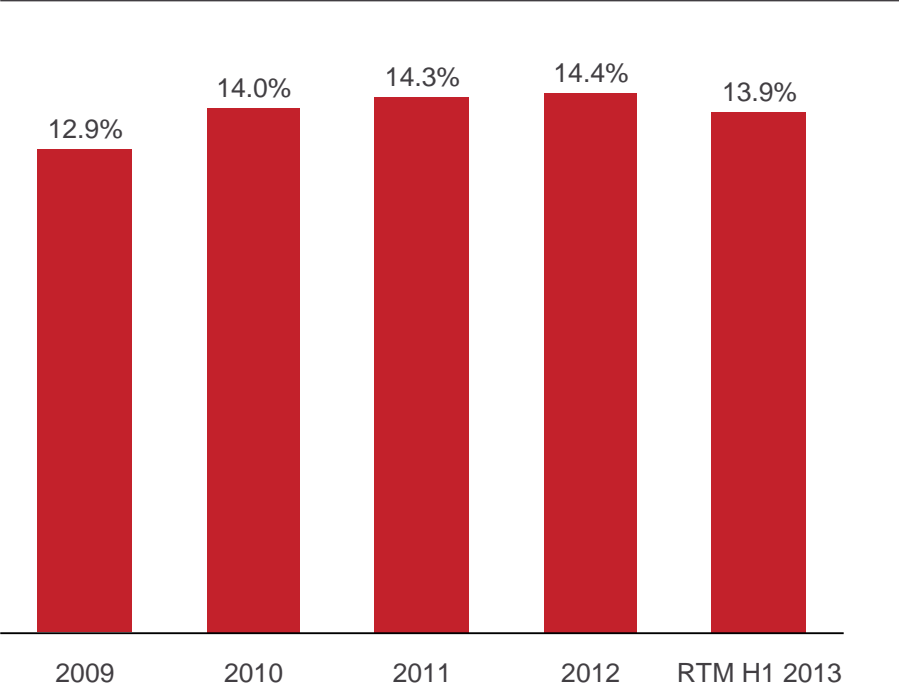
1. Adjusted for acquired and divested companies and currency translation effects. Divested bakery business excluded for all years.

# Orkla Foods

RTM EBIT (adjusted) in NOK million



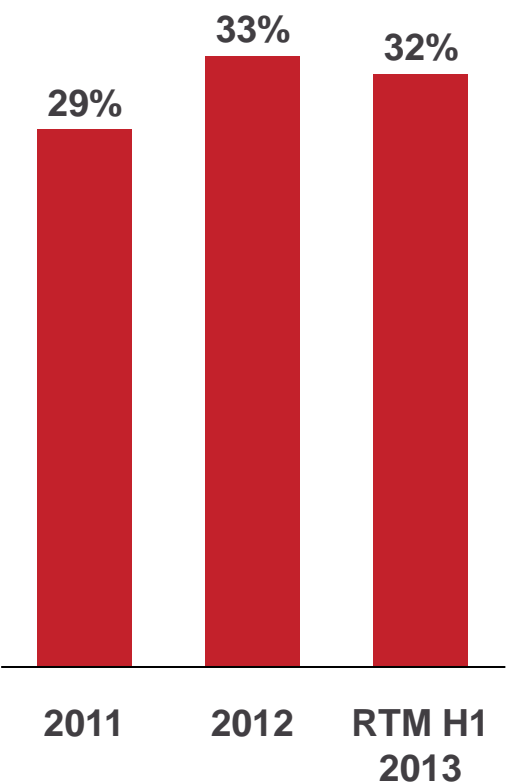
EBIT margins (adjusted)<sup>1</sup>



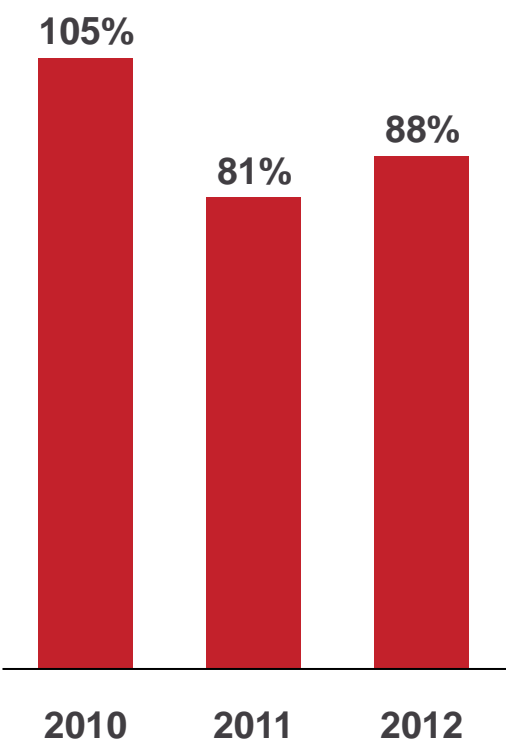
•Consolidation of Rieber will lower EBIT margin by around 1.5 - 2% points

# Orkla Foods

Gross margin

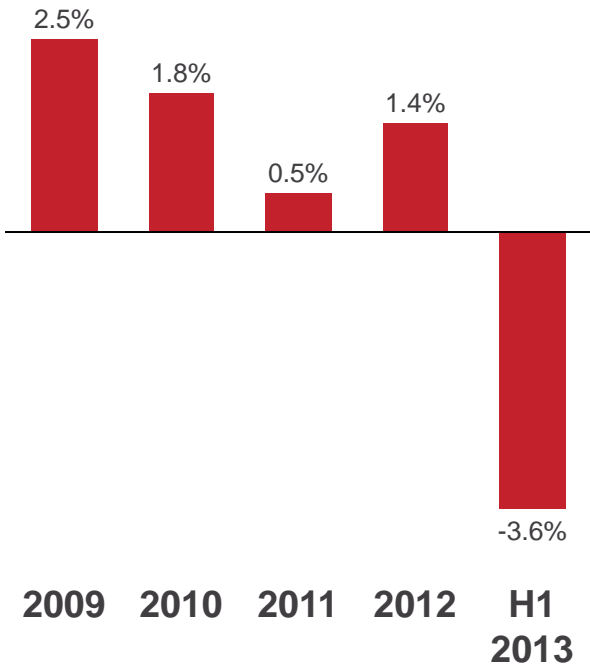


Cash conversion<sup>1</sup>

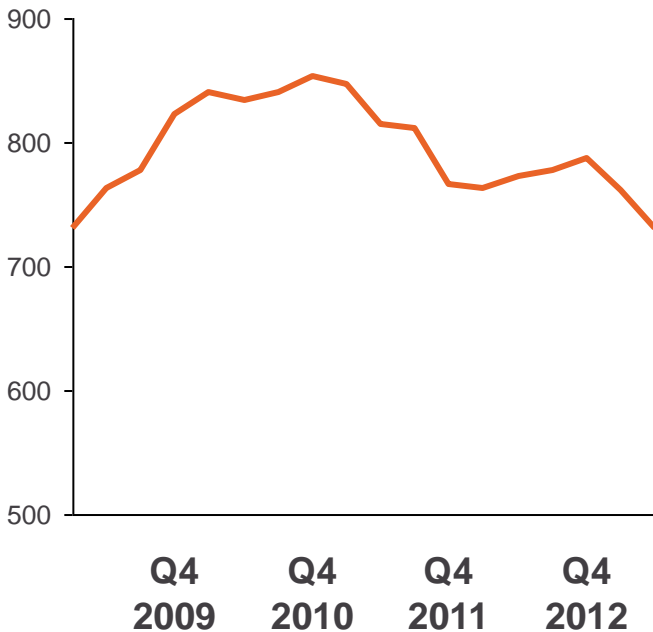


# Orkla Confectionery & Snacks

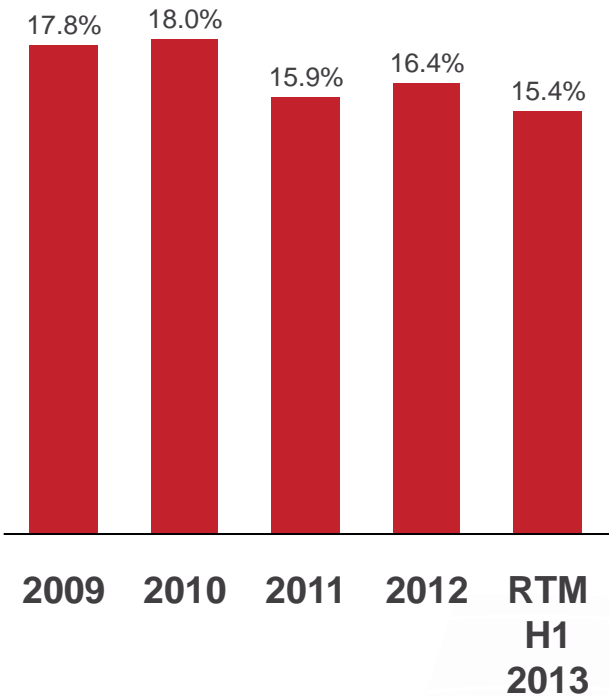
Organic sales growth<sup>1</sup>



RTM EBIT (NOK million)

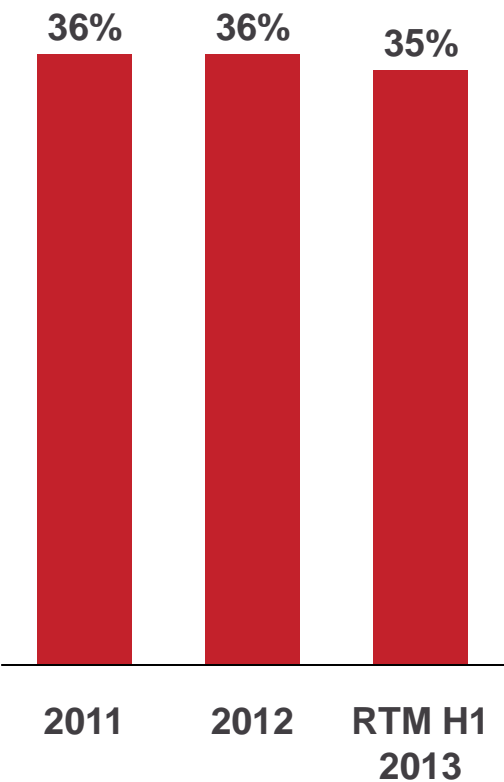


EBIT margin (adjusted)<sup>1</sup>

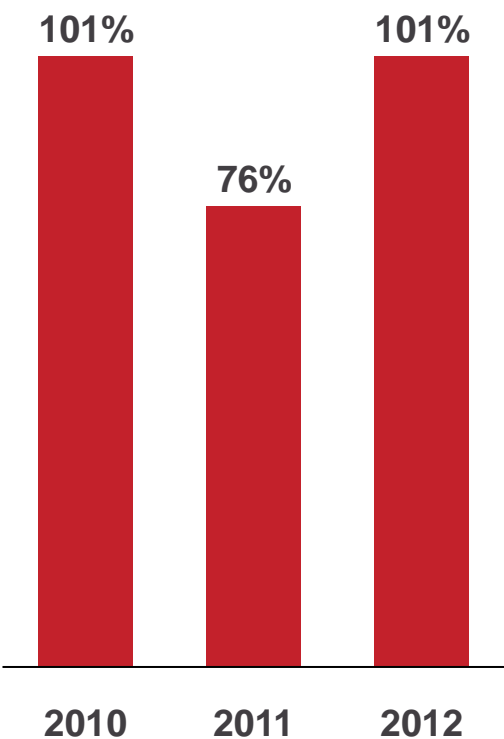


# Orkla Confectionery & Snacks

Gross margin



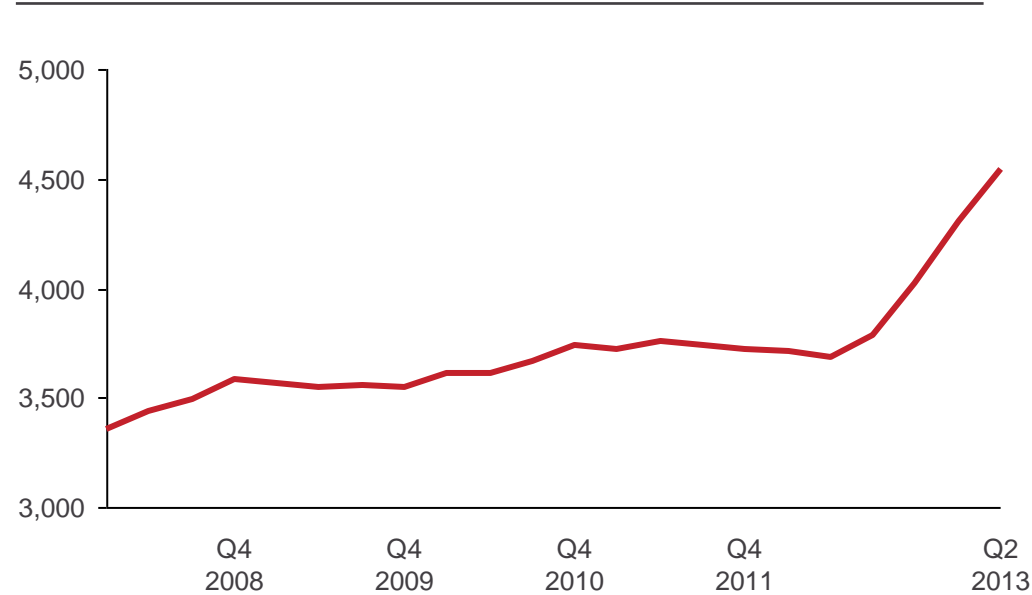
Cash conversion<sup>1</sup>



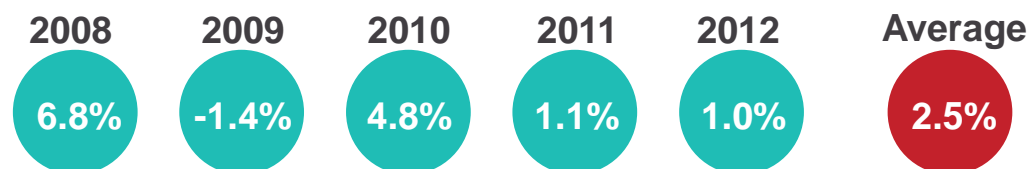
144 1. Cash flow from operations / EBIT (adjusted).

# Orkla Home & Personal

Rolling 12 months operating revenues (NOK million)



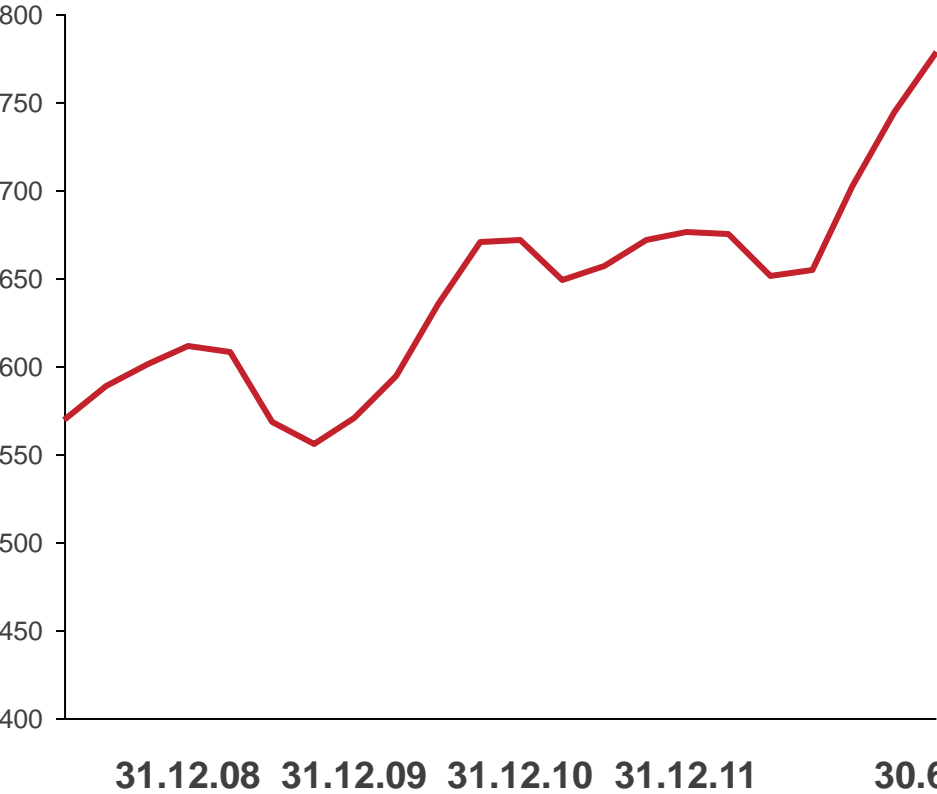
Organic sales growth<sup>1</sup>



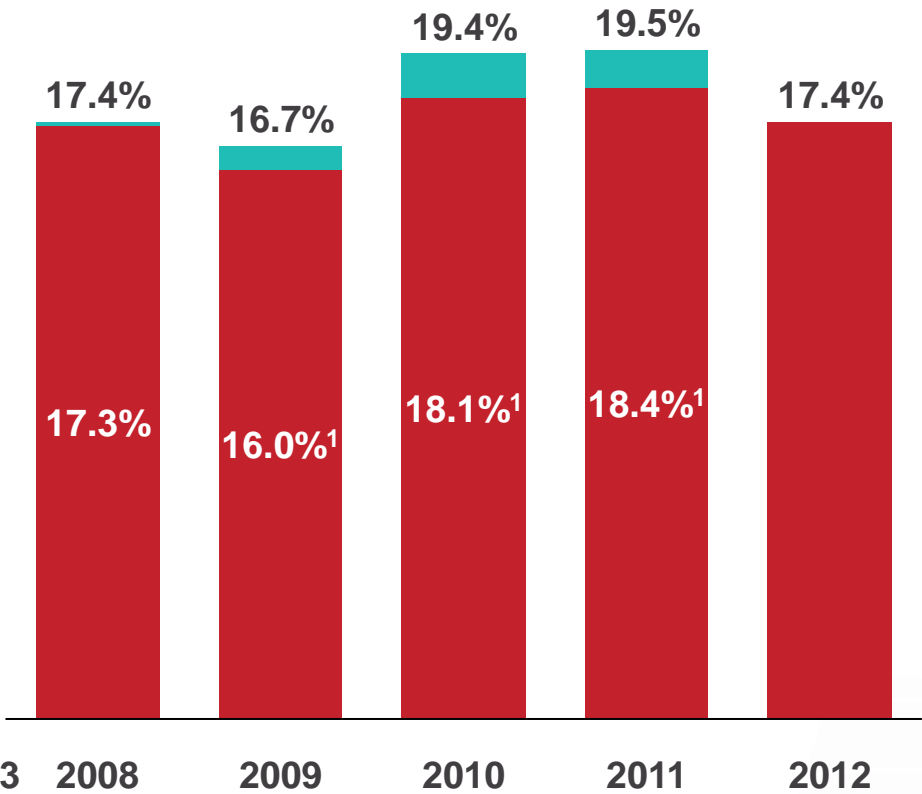
145 1. Adjusted for acquired and sold companies, currency translation effects and contract production to the process chemistry industry.

# Orkla Home & Personal

RTM adjusted EBIT<sup>1</sup> (NOK million)



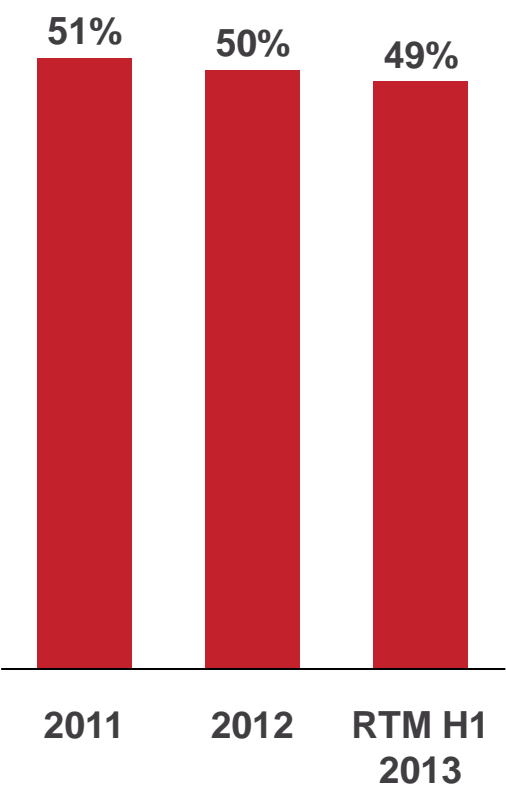
EBIT margin (adjusted)



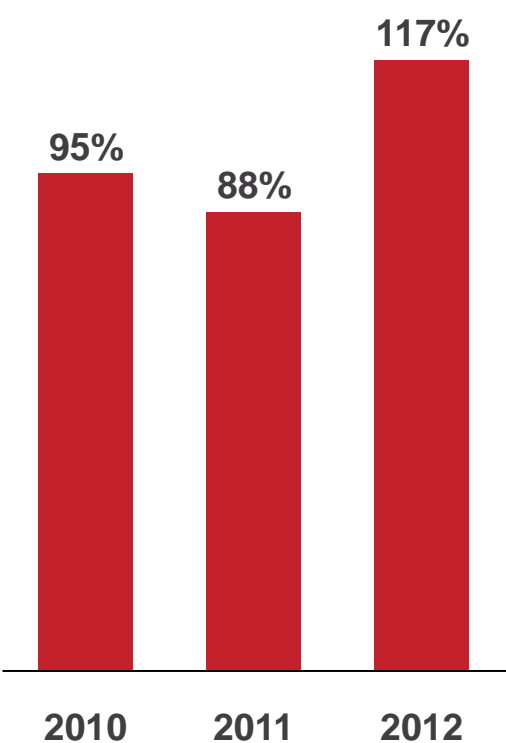
146 1. Adjusted for contract production to the process chemistry industry.

# Orkla Home & Personal

Gross margin



Cash conversion<sup>1</sup>



147 1. Cash flow from operations / EBIT (adjusted).



## **Orkla Investor Day**

London - 26 September 2013