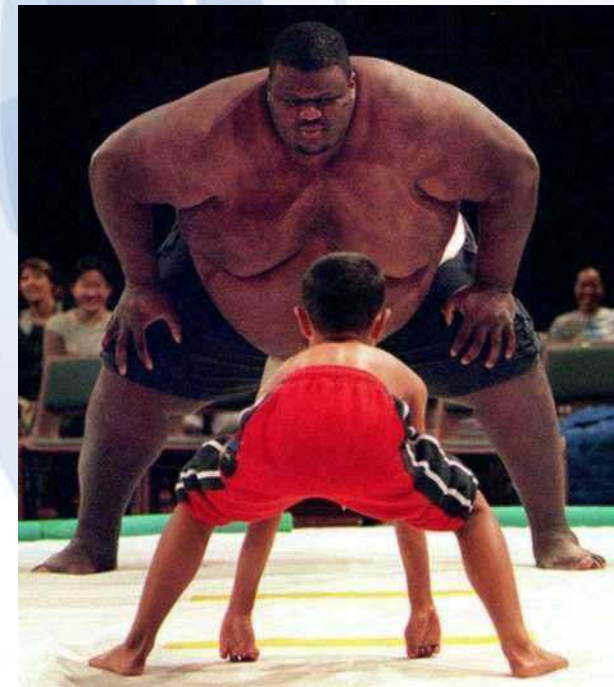




**ORKLA**  
Brands

# The strongest Brand Builder in the Nordic markets

Torkild Nordberg  
CEO Orkla Brands



# Growing through Multi-Local strength

- **We hold strong market positions** in an attractive Nordic market - delivering steady EBITA and cash flow growth
- **Our Multi-Local Model has proven** its strengths and will continue to form the basis of our strategy
- **Our growth strategy** is a combination of organic and structural (M&A) growth



# STRATEGIC DIRECTION

## THE LEADING NORDIC CONSUMER BRANDS GROUP

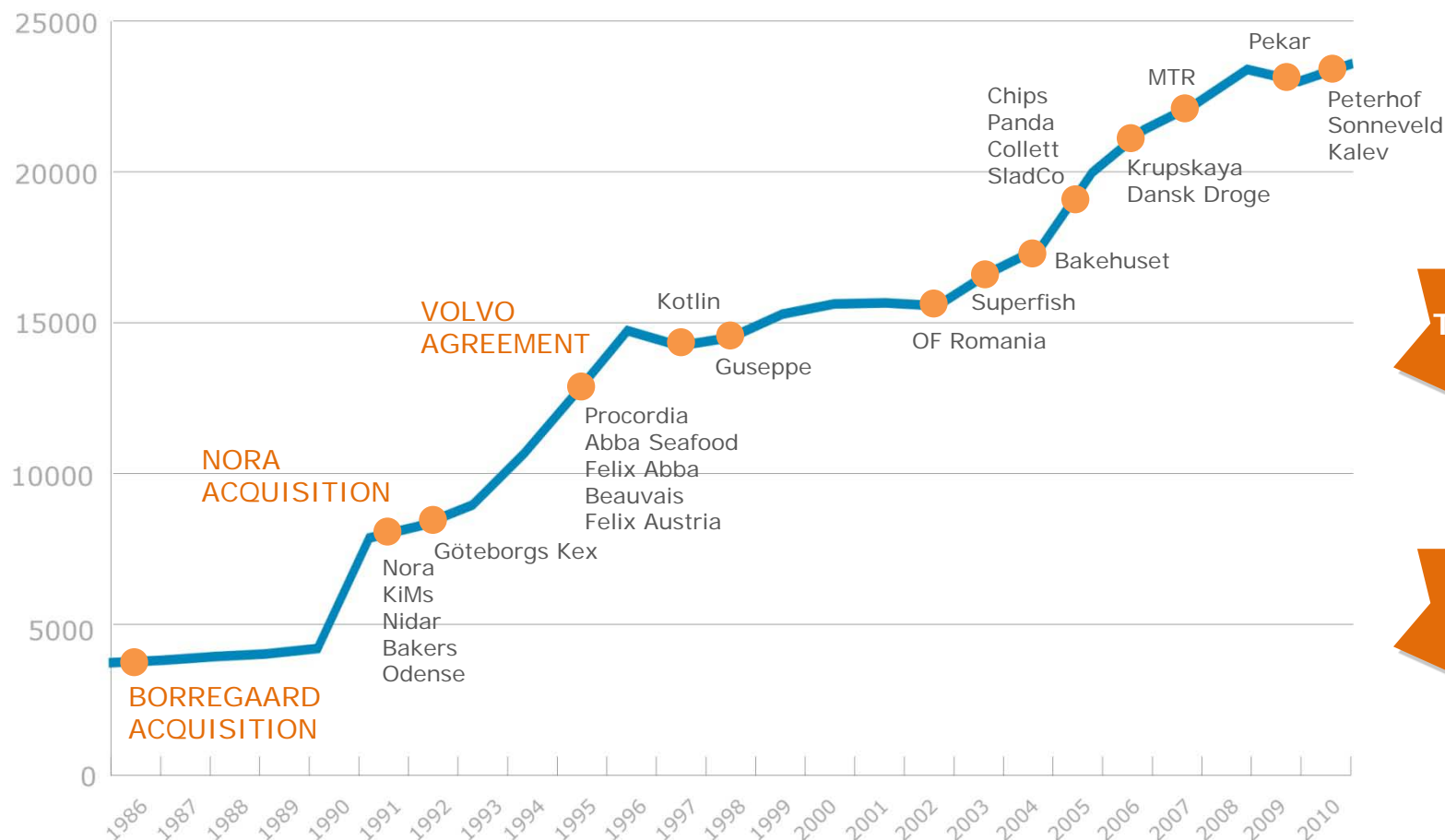
# Strategic and financial targets

- Annual **EBITA growth of 10%** through a balanced split between organic and structural growth
- Profitable **structural growth** through increased scale in existing geographies
- Create **category growth & achieve volume growth** that exceeds market growth
- Underlying **improvement in operating margin**
- Cash flow **in line with EBITA** (over time)

# 25 years of 8% revenue growth

Turnover, NOK million

 CAGR  
1986-2010



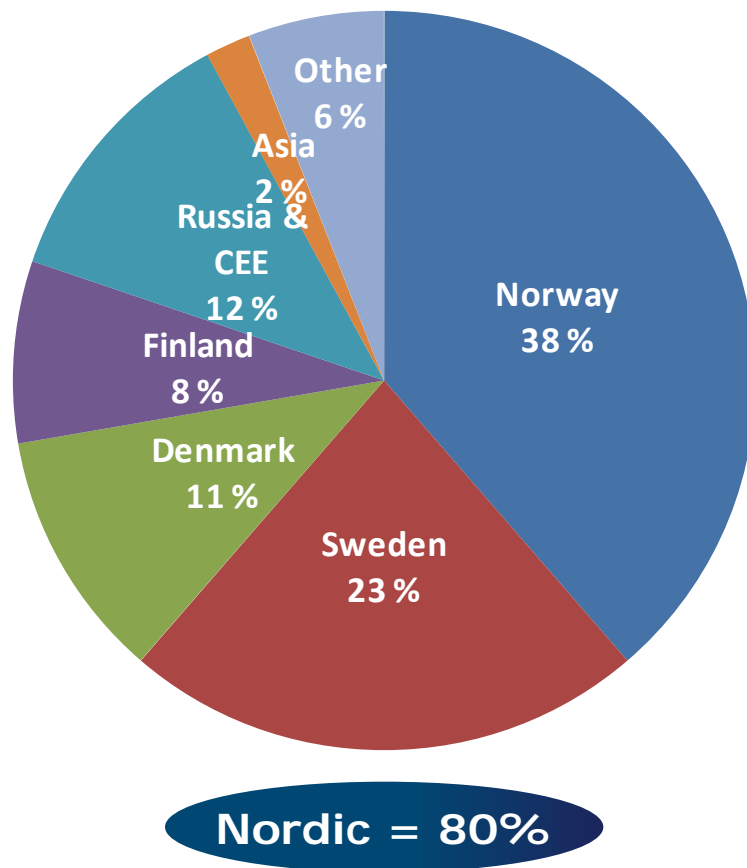
**Turnover:**  
+ 8%

**EBITA:**  
+ 12%

CAGR: Compound Annual Growth Rate

# Majority of turnover is derived through B2C in the Nordics

Share of turnover 2010



<u>Key figures (NOK million)</u>	<u>2010</u>
Turnover	23 627
EBITA	2 967
Man-years	13 918



# 80% of turnover from leading market positions



- Broad-based portfolio / **not** category focused
  - ~70% of turnover (retail) is from the 10 largest categories
- **No** global brands



# Leading local brands in Norway

Market shares

## Stabburet

80%



## Dr. Oetker

14%



## Lilleborg

78%



## P&G

6%



Source: ACNielsen



# Leading local brands in Sweden

Market shares

**Procordia**

55%



**Heinz**

33%



**Göteborgs Kex**

12%



**Kraft**

1%



Source: ACNielsen

# Leading local brands in Denmark & Estonia

Market shares

**KiMs**

47%



**Frito-Lay**

9%



**Kalev**

35%



**Mars**

6-7%



**Kraft**

3-4%

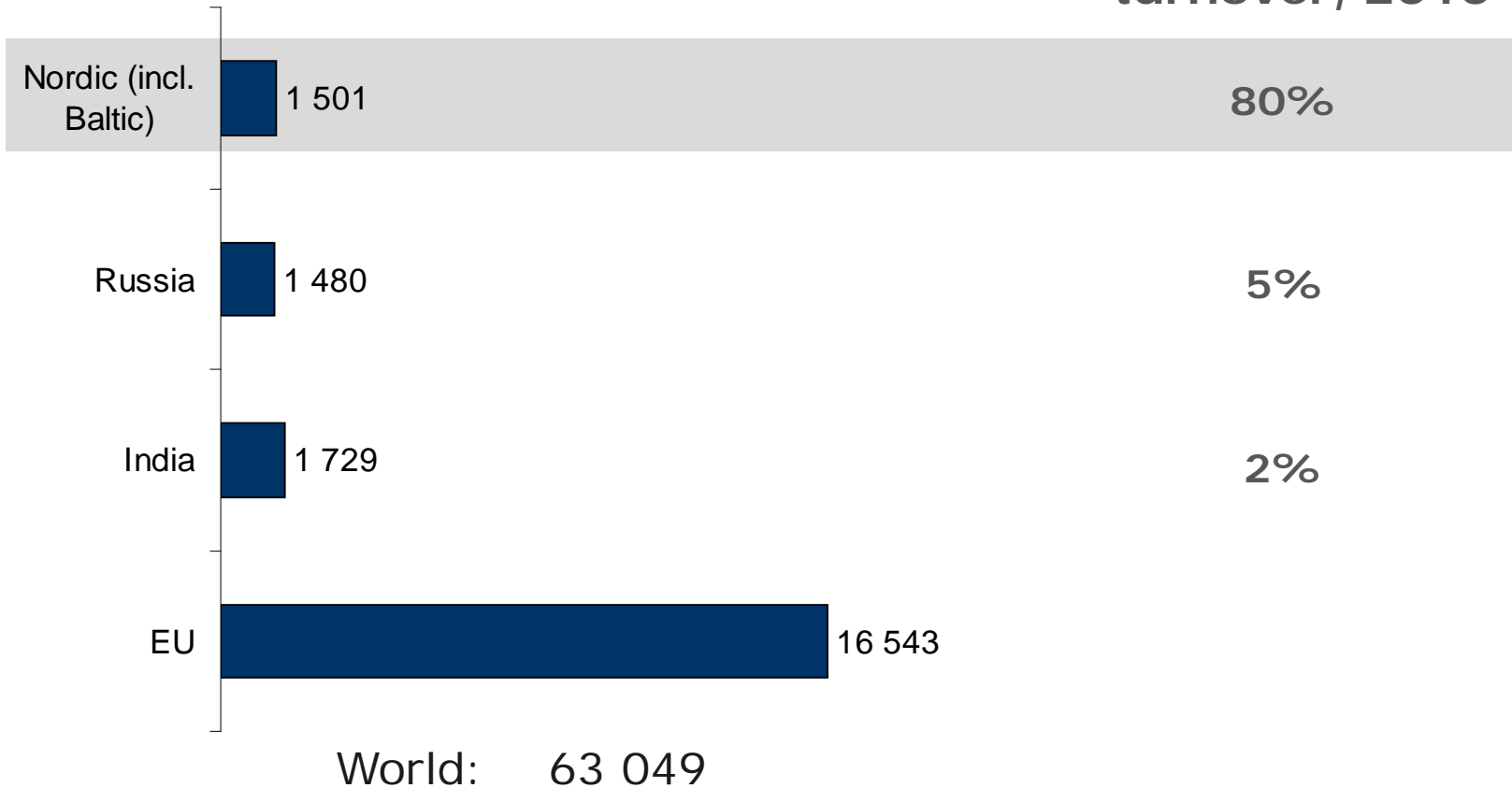


Source: ACNielsen

# We are well positioned in an attractive Nordic market

GDP 2010, USD billion

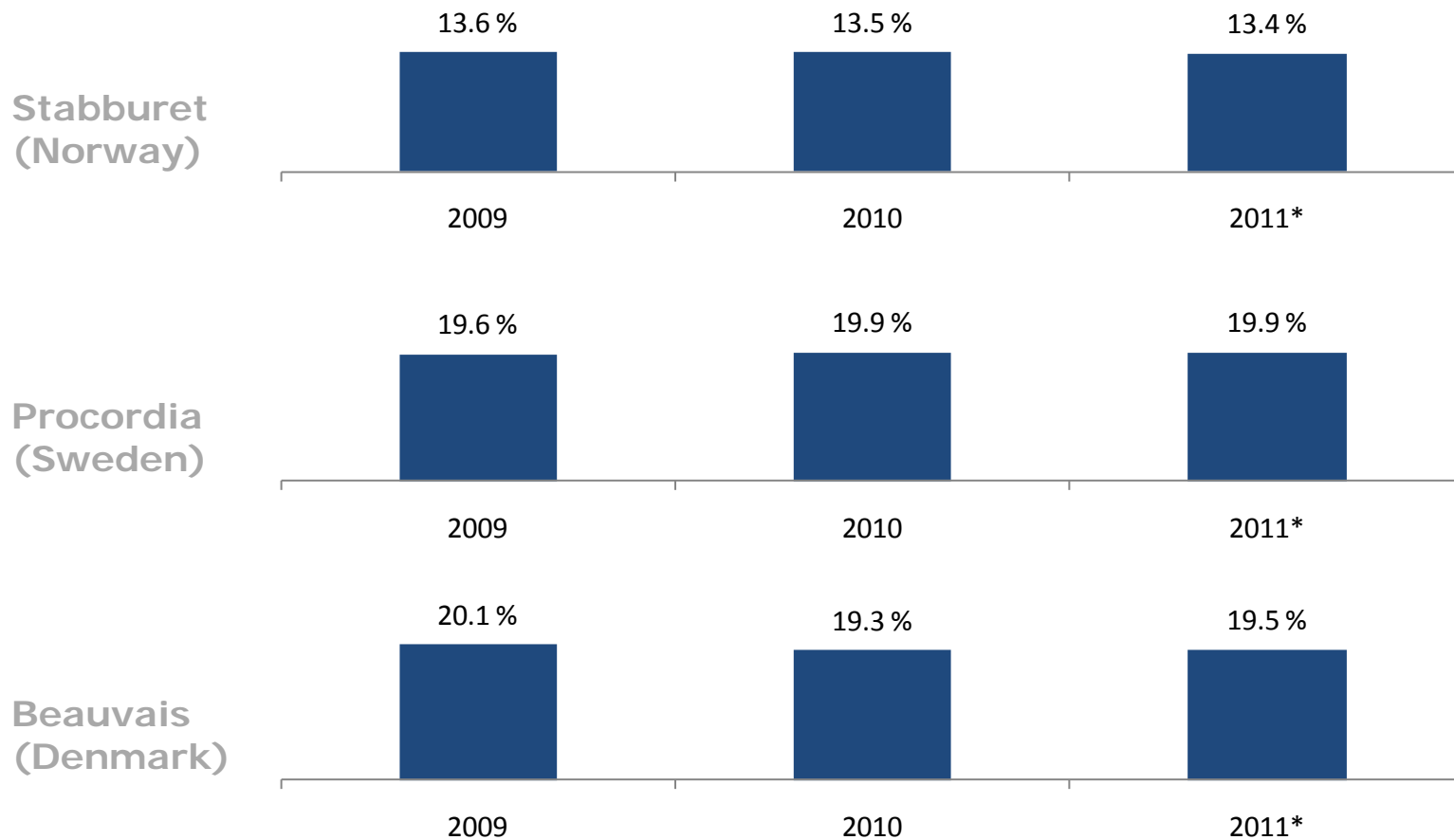
OB share of  
turnover, 2010



Source: World Bank and IMF

# Private Label share relatively moderate and stable in the Nordics

12 month PL share (value) in relevant categories

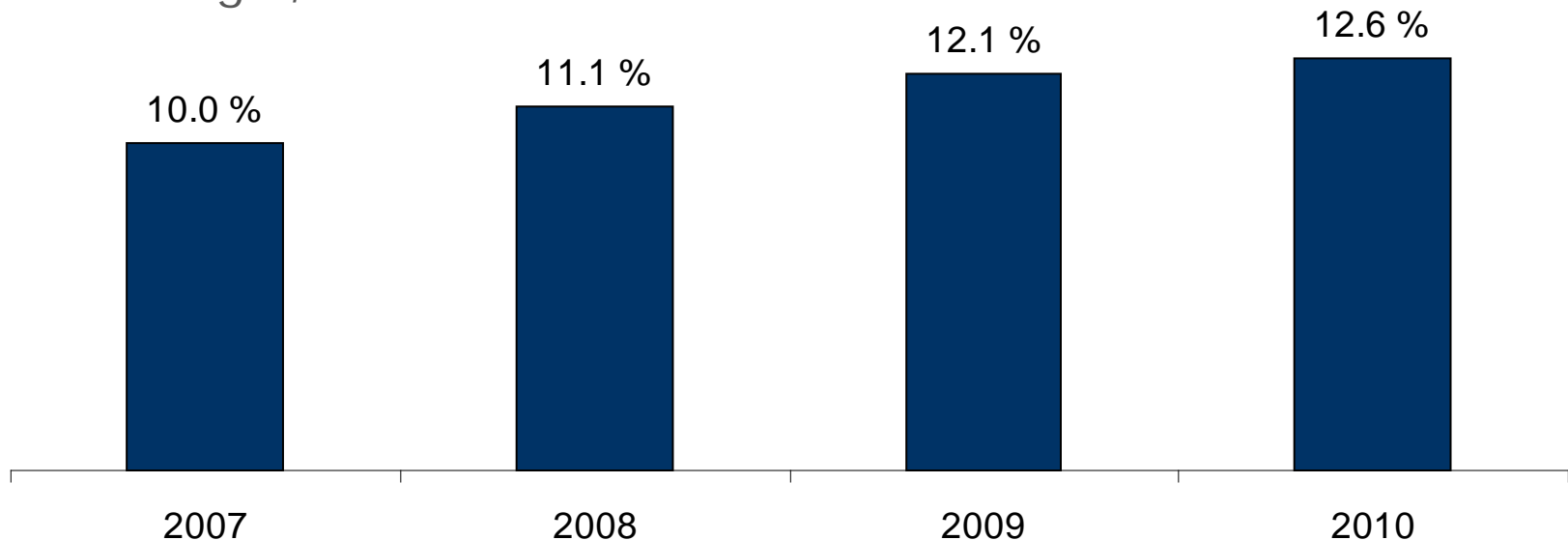


\* Rolling 12 months per week 28

Source: ACNielsen

# Strong local brand positions – high margin level

EBITA margin, Percent

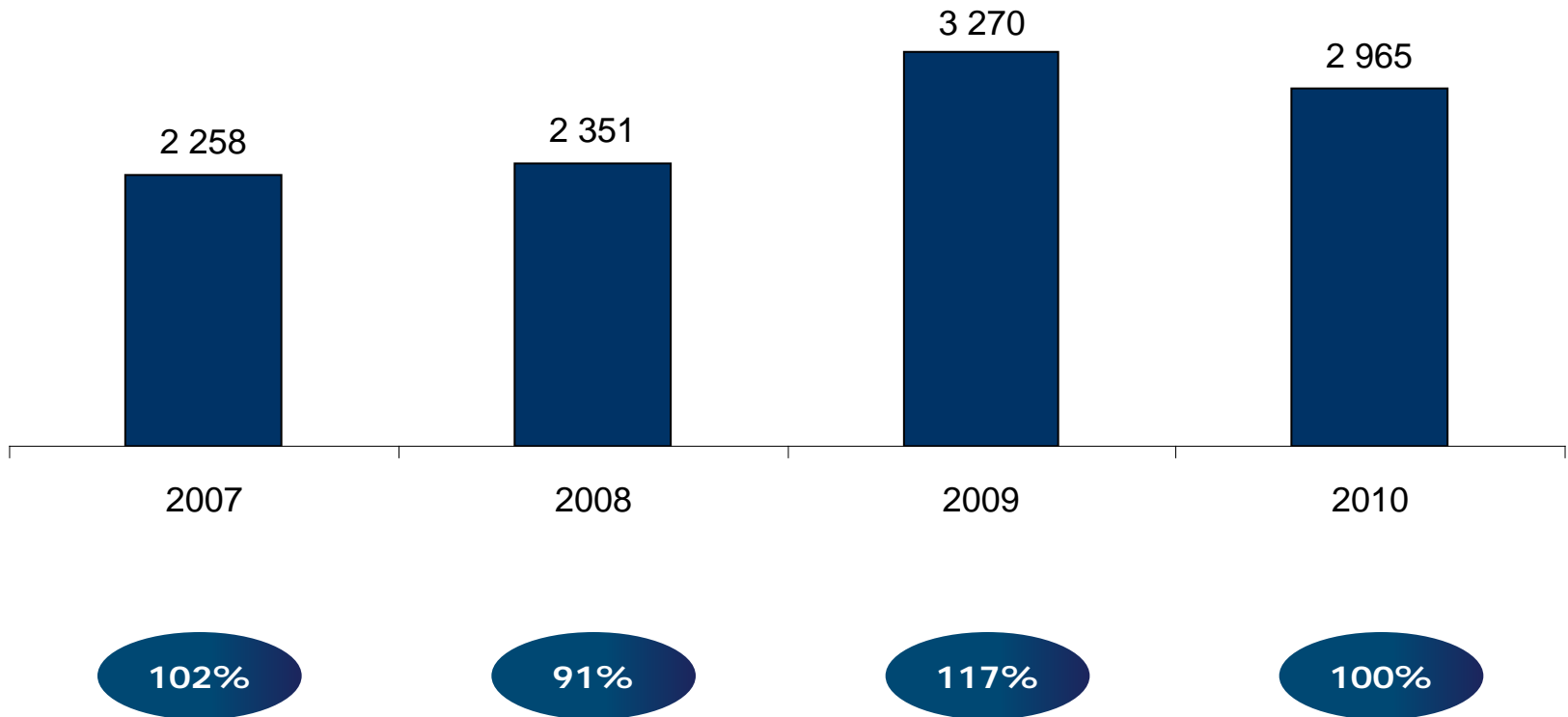


EBITA margin	2010
Orkla Foods Nordic	12.1 %
Orkla Brands Nordic	19.6 %
Orkla Brands International	2.0 %
Orkla Food Ingredients	5.9 %
<b>Orkla Brands</b>	<b>12.6 %</b>



# Solid cash flow over time

Cash flow, NOK million



Cash conversion = cash flow from operations before tax / EBITA

# Retailers value Orkla Brands companies



Among the best suppliers in Norway  
Ranked No. 1-5 by Remark



The best supplier in Sweden  
Awarded by the Movement chain barometer



Brand/Company of the year in Russia  
Awarded by EFFIE



## THE MULTI-LOCAL MODEL

### A KEY DIFFERENTIATOR

# Local scale is the core of our strategy



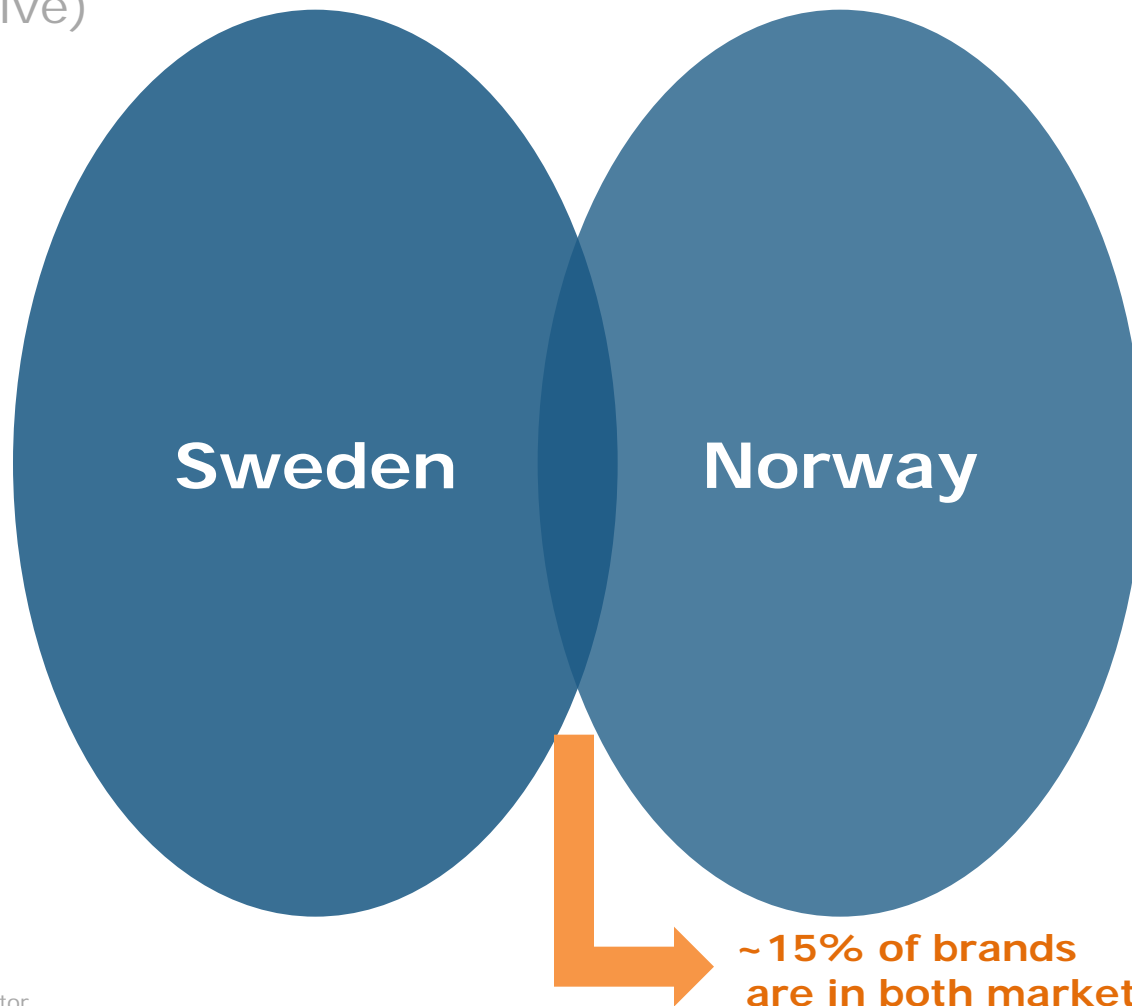
# The Multi-Local Model is uniquely positioned to...

- ...create competition barriers by satisfying local customer preferences
- ...create more value through innovation and synergy extraction than local firms can achieve alone



# Most markets are local, example: Chocolate in Norway & Sweden

(Illustrative)



Source: Euromonitor

# Characteristics for defining a relevant geographical market

- Local tastes and preferences
- Predominantly local assortments
- Locally based mass media
- Leadership network
- Could be national, regional or even purely local

# The business is innovation, sales and communication intensive - not capital intensive

Annual advertising cost:  
NOK 1.2 bn => profit & loss

Annual replacement  
investments:  
NOK 0.6 bn => balance sheet

→ Downstream scale is very important!



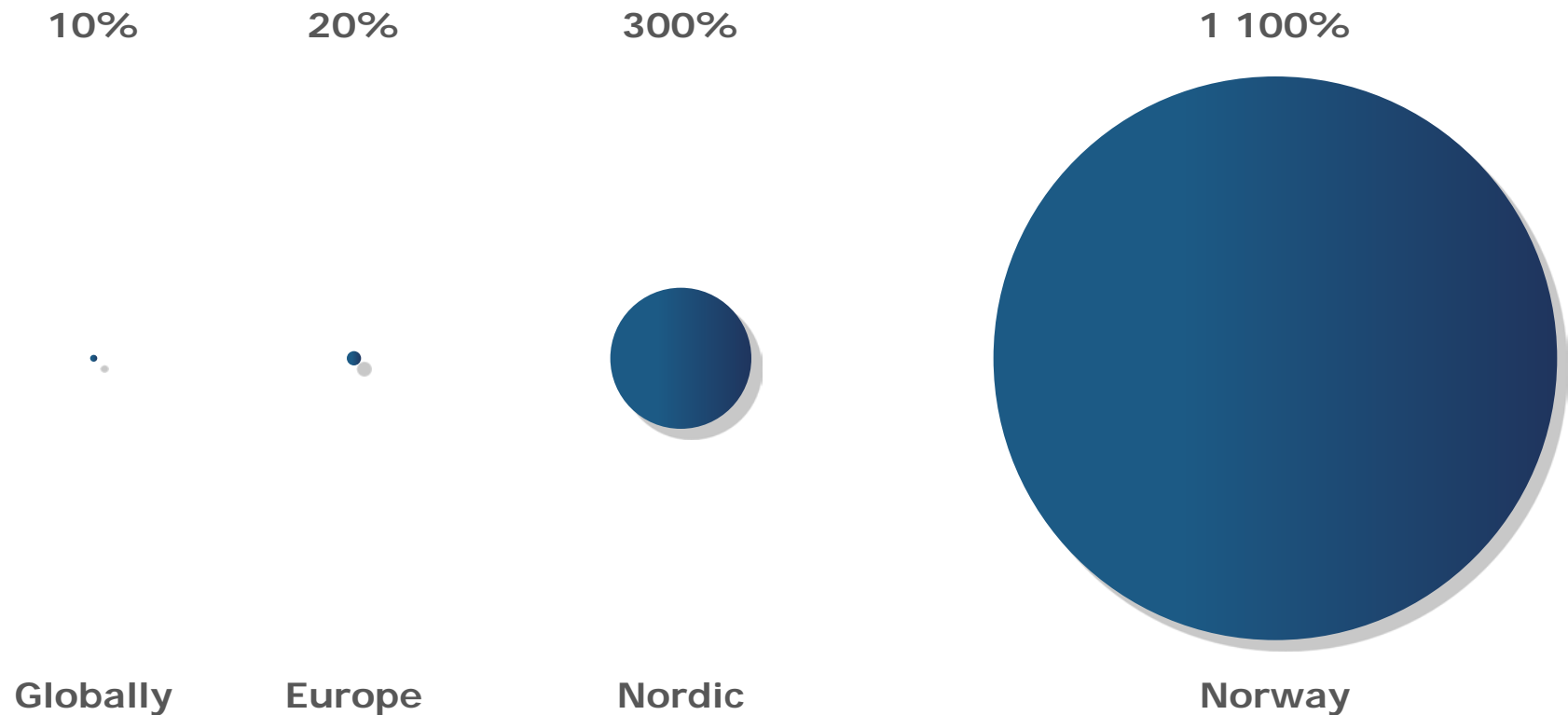
# General characteristics of competitors

- International or global in scope
- Far bigger than our own operations
- Focus on global power brands
- Pursuing a “race for scale” (primarily upstream)
- Centrally led, with local “go to market” organizations



# Orkla Brands is a small player globally, but a large player locally

Orkla Brands' size vs global players (Illustrative)



Source: Euromonitor 2009 (Retail value RSP for Nestlé, Kraft, P&G, Unilever, L'Oréal)



# Global scale is not everything

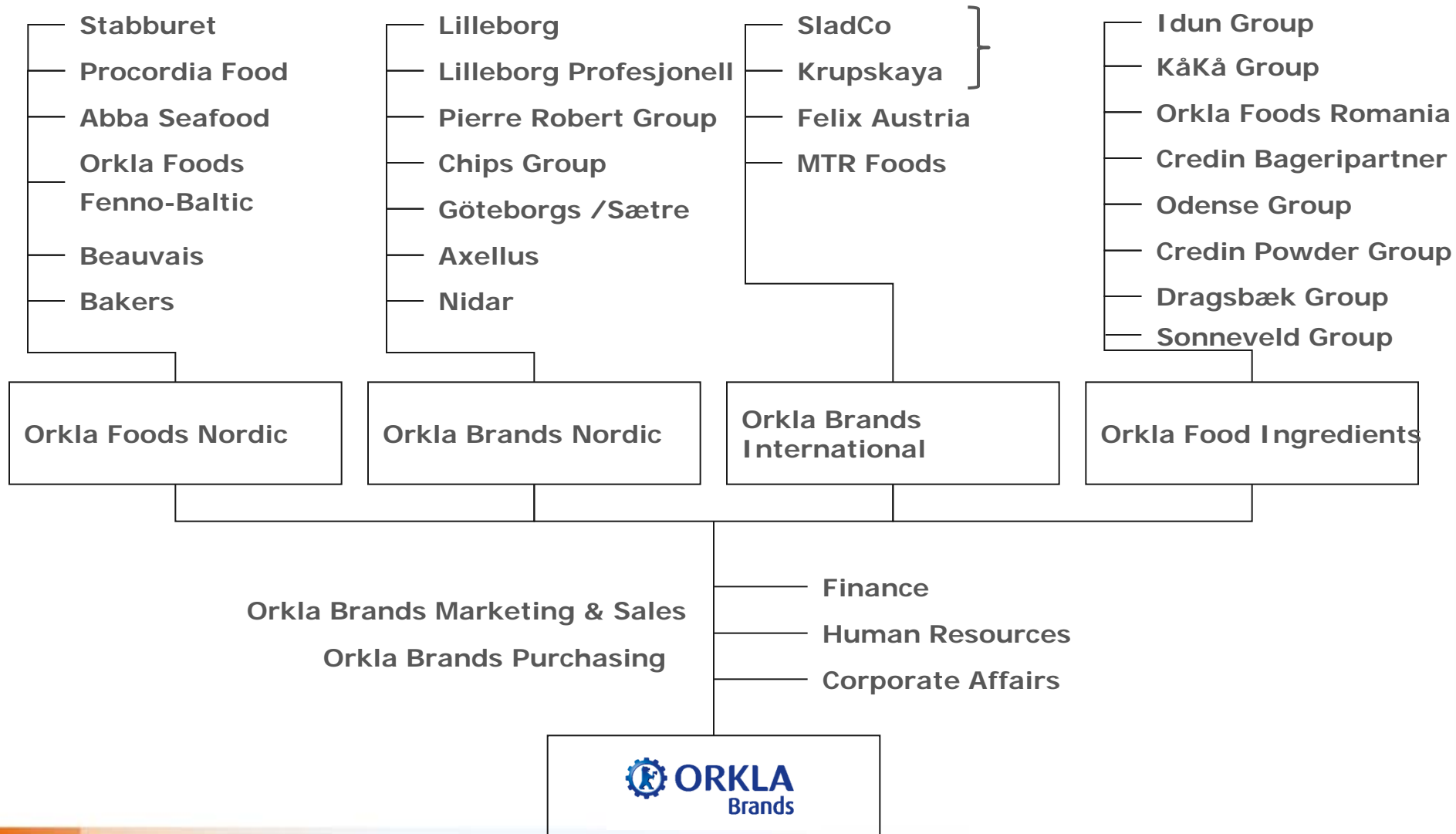


# Orkla Brands mission

*"Orkla Brands companies shall be **the leading suppliers of fast moving consumer brands and B2B offerings**, based on unmatched local strength; unique insight into consumer and customer needs, superior value creation, and a Multi-Local set-up"*



# Orkla Brands' Multi-Local Model: the companies are at the top



# The local CEO runs the business...


- Local, entrepreneurial freedom and profit responsibility
- Local: products, innovation, customer handling, value chain, etc.
- No central / global brands or central sourcing
- Few mandatories and “mechanical” requirements
- “HQ mentality” is to convince and challenge – not to make decisions



SANJAY SHARMA RUNS MTR IN BENGALURU

# ...and Orkla Brands takes out relevant synergies

- Synergies make Orkla Brands as a whole more valuable than the sum of the parts
- Synergies are an important part of value creation in our Multi-Local Model and a source of increasing competitiveness

- 
- 1) Leadership
  - 2) Competence
  - 3) Scale



# 1) Leadership and active ownership from Orkla Brands

- Agreement on strategy, (stretch) targets and actions/initiatives
- On-boarding and 1:1 meetings
- Leadership audits and business reviews
- Reporting focused on underlying trends
- Talent pool (mostly national)
- CEO forums and leadership programs

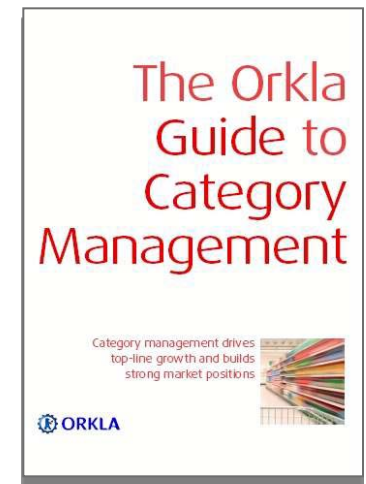
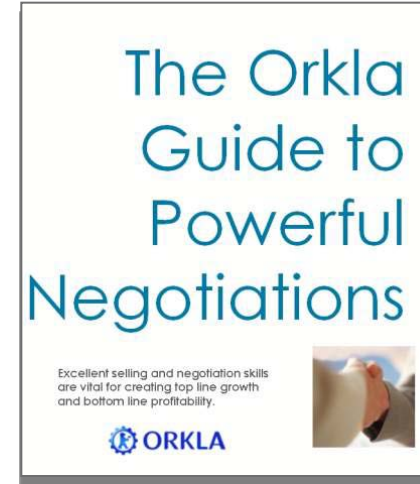
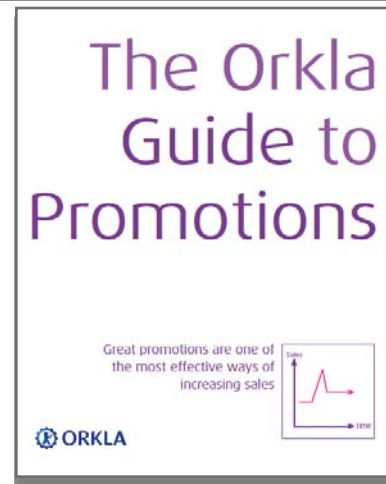
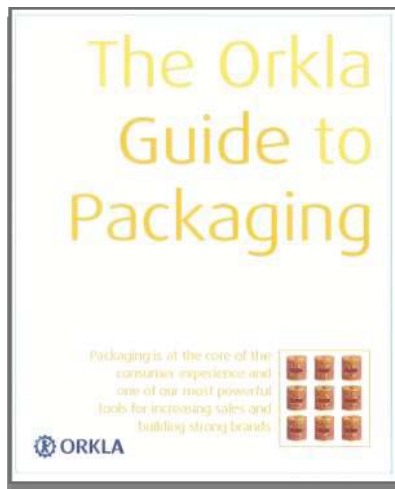
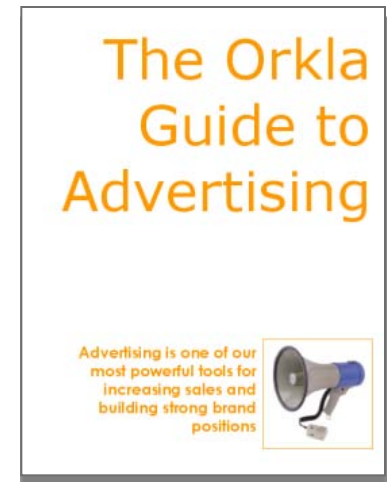
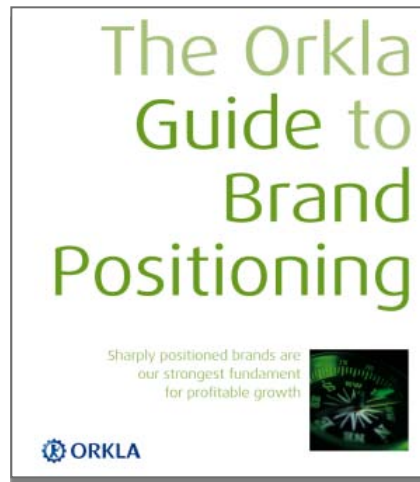
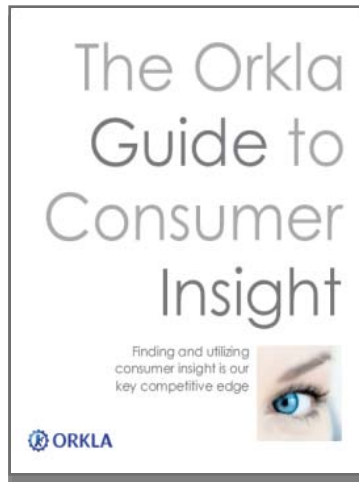


## 2) Competence synergies from Orkla Brands

- Tools and Guidelines across the value chain
- Functional forums
- Orkla Brands Academies
- Marketing and Sales specialists
- Best practice transfer
- Audits



# Examples of Guidelines: Marketing & Sales



### 3) Scale synergies from Orkla Brands

- Global purchasing; raw materials and packaging
- National purchasing of media
- Shared Service Centers
  - IT, payroll and accounting
- Recruitment
- Other centralized functions
  - Finance, Legal, M&A, Risk/Insurance, CSR



**ORKLA**  
Shared Services



**ORKLA**

# Our Multi-Local Model creates strong leadership and energy

" Employee Opinion Survey 2010"

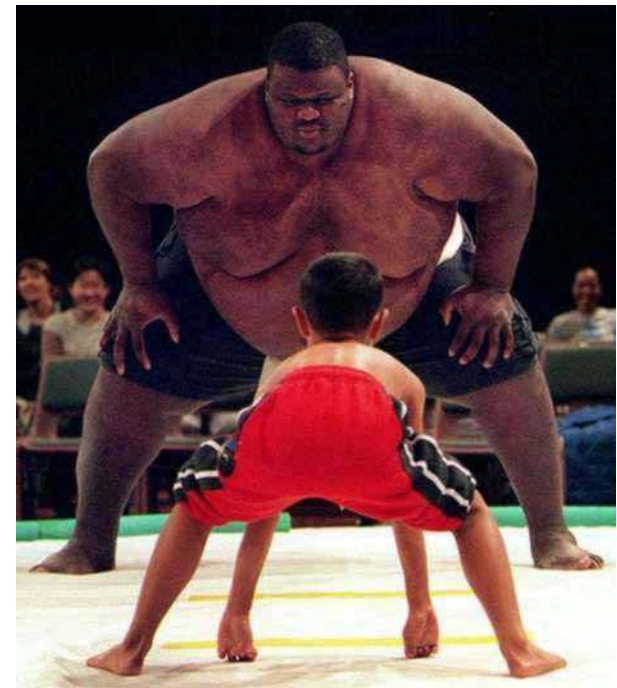
**CLC • Genesee**  
*Global Workforce Surveys and Analytics*

<b>Motivation and Engagement</b>	<b>Top globally !</b>
<b>Leadership &amp; Customer satisfaction</b>	<b>Better than global norm</b>
<b>Achievement Climate</b>	<b>Better than global norm</b>
<b>Career opportunities</b>	<b>Better than global norm</b>
<b>My boss / immediate leader</b>	<b>Better than global norm</b>
<b>Empowerment</b>	<b>Better than global norm</b>

**Developing people – creating value**

# Orkla Brands' competitive advantages

- Strong consumer loyalty to our local brands
- We always operate in home markets (Multi-Local Model)
- Attract and develop the best leaders through broad value chain exposure and career
- Complete local value chains
- Superior local consumer insight as a base for stronger innovation track record
- Strong position in trade
- Attractive buyer of locally based businesses







## GROWTH STRATEGY

# COMBINATION OF ORGANIC AND STRUCTURAL GROWTH



# Innovation is our key tool for creating organic growth

“Innovation is activities that offer the consumer better value, making the consumer willing to spend more and thereby increasing the value for the trade and ourselves”



$$\text{Value for consumer} = \frac{\text{Benefits (Functional + Emotional + Sensory)}}{\text{Price}}$$

# Most new launches in our markets fail

- Our profitability is dependent on a high failure rate
- If it was easy the profitability would equal the cost of capital
- Our strategy is to beat the market success rate by being closer to the consumers and their needs



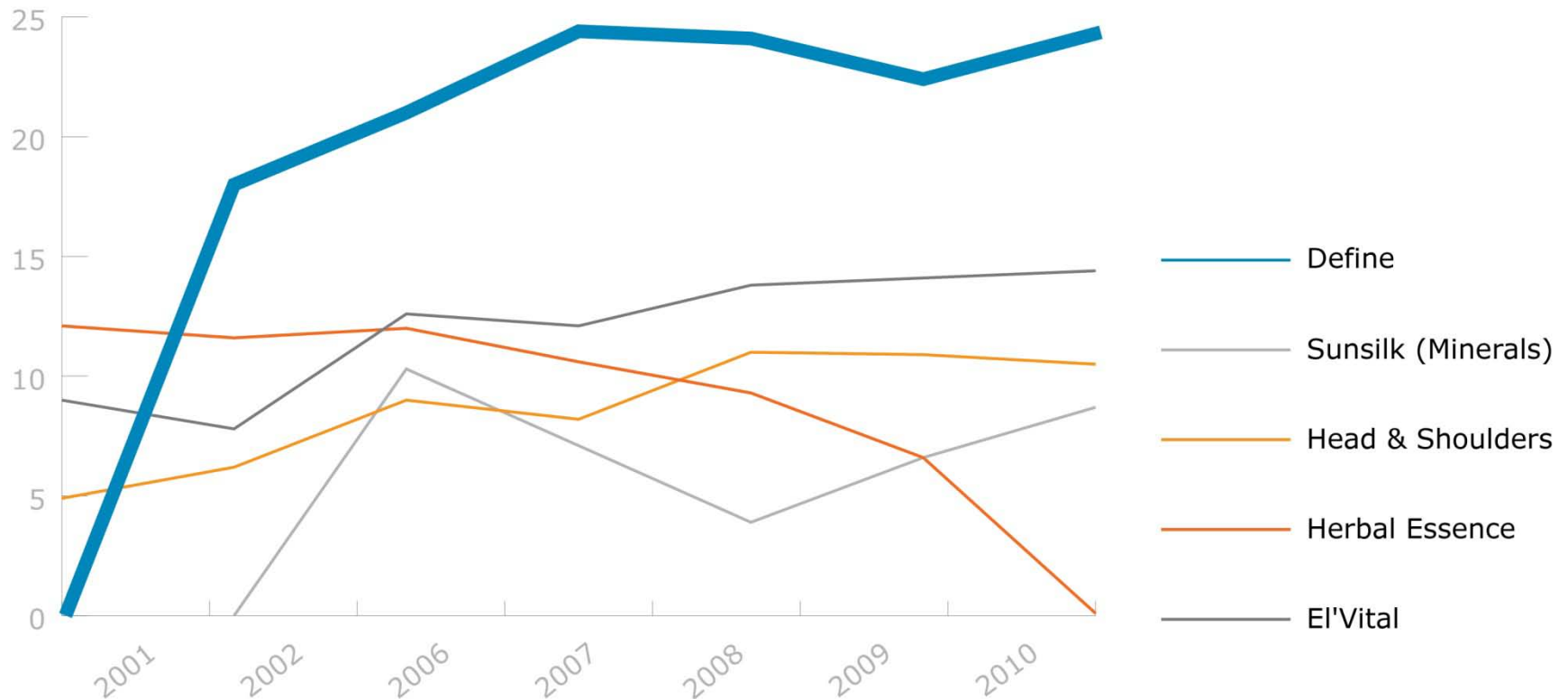
# How we became market leader in the most competitive market globally



4 SEP. 2011

# Define - market leader for 10 consecutive years

Market share, percent



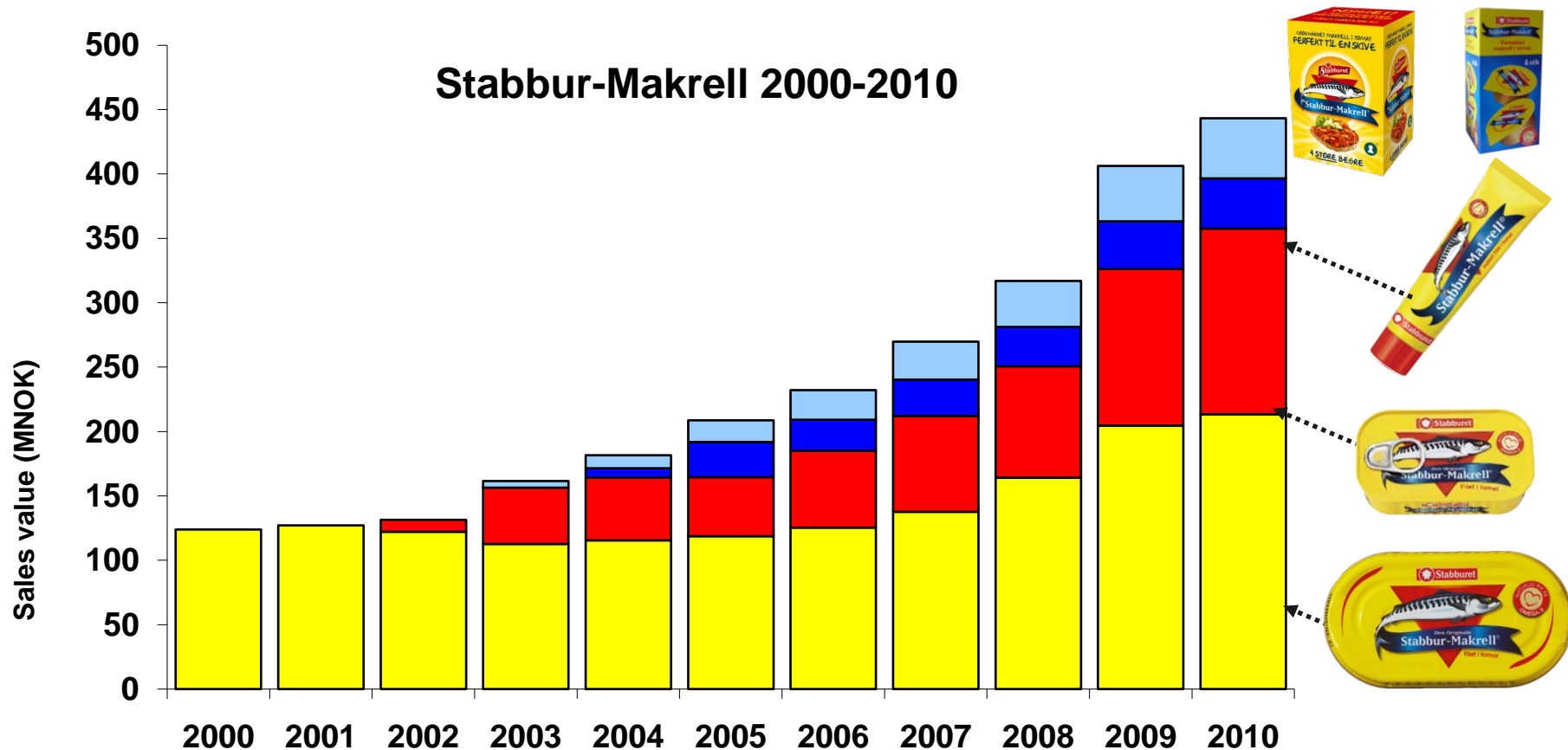
Source: ACNielsen

# Stabbur-Makrell: Local and distinctive product - with natural barriers to entry



**Market leader  
since launched  
in 1958!**

# Stabbur-Makrell: Category growth of NOK 300 million last 10 years



# Acquisitions > NOK 100 million, 2004-2010

Enterprise value, NOK million

• Chips	3 060
• Dansk Droge	928
• Sladco	713
• Collett Pharma	535
• Panda	494
• MTR	482
• Krupskaya	339
• Peterhof	263
• Kalev	257
• Bakehuset	257
• Sonneveld	217
• Brinkers Romania	153
• Pekar	122
• Ardealul Romania	112
• Saarionen (vegetables)	112
• Nutrilett (brand)	110

SUM 8 154



**KiMs**



**Sonneveld**  
share the ambition





# Geographical priorities for acquisitions

## Increase scale in existing geographies

- a) Norway, Sweden, Denmark and Finland
- b) Estonia, Latvia and Lithuania
- c) South-India and regions in Russia



# Product category search criteria

- **Localness**
  - Are there locally distinguishable preferences?
- **Size and growth dynamics**
  - Is the category sufficiently large/too large?
  - Is the category supported by key trends?
- **Synergy potential**
  - How can we add value to the category?
  - What synergies can we realize?
- **Competition**
  - What is the market structure like (international players)?

# Company search criteria

- It is easier to turn a “good” company into a “great” company than to transform a “weak” company into a “good” company
- We have few general preferences with regards to specific product category criteria - they must be assessed for each relevant geography

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