Brand management and strategy

Aleksandra Kregar Brus
Brands Day, Izola, November 2011
<table>
<thead>
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<th>AGENDA</th>
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<tr>
<td>➢ Macro environment</td>
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  - Key markets
Riding waves

1985-2000
SECOND WAVE
INFLATION

2000-2020
FIRST WAVE
DEFLATION

after 2020
THIRD WAVE
TENSION

Dostop do poceni nabavnih virov
Dostop do domačih trgov
Lokalna konkurenca postaja globalna
2000’s

Oil prices

facebook

N1H1

AVATAR

Google
The biggest bill in the history
Europe FMCG overview

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Q4'08</th>
<th>Q1'09</th>
<th>Q2'09</th>
<th>Q3'09</th>
<th>Q4'09</th>
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<th>Q3'10</th>
<th>Q4'10</th>
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<tbody>
<tr>
<td>Nominal Value Growth</td>
<td>6.8%</td>
<td>3.2%</td>
<td>2.0%</td>
<td>4.7%</td>
<td>3.1%</td>
<td>1.7%</td>
<td>2.6%</td>
<td>2.9%</td>
<td>2.5%</td>
<td>1.2%</td>
<td>2.6%</td>
<td>1.1%</td>
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<tr>
<td>Unit value change</td>
<td>5.7%</td>
<td>1.5%</td>
<td>1.0%</td>
<td>4.1%</td>
<td>0.4%</td>
<td>1.7%</td>
<td>1.3%</td>
<td>1.6%</td>
<td>2.0%</td>
<td>0.9%</td>
<td>1.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Volume change</td>
<td>1.1%</td>
<td>2.0%</td>
<td>1.0%</td>
<td>0.6%</td>
<td>3.9%</td>
<td>0.4%</td>
<td>1.3%</td>
<td>0.5%</td>
<td>1.1%</td>
<td>1.4%</td>
<td>2.5%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Source: Nielsen
Croatia FMCG market

- Unit value change
- Volume change
- Nominal growth
AGENDA

- Macro environment
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- Global consumer trends
- Industry risk factors
- Importance of categories
- AG group position
  - Key categories
  - Key markets
EU FOOD IS BIG BUSINESS

Largest manufacturing in EU sector, ahead of car and chemical industries

Turnover
€ 836 billion

Leading employer in the EU

Employment
3.8 million people

Fragmented industry – SMEs 50% turnover

282,600 companies

Still insufficient R&D expenditure

R & D (% of food & drink)
0,24% in 2004

Shrinking share of EU exports in global markets

EU market share
of global export
Market
20%

Source: ciaa, 2010
INDUSTRY OUTLOOK

- **Mature industry** and among the most competitive sectors
- **High-tech industry** - improved competitiveness and force to inefficiency out of the supplier chain
- **Global industry** - internationalization and technology have revolutionized the way that growing food, as well as the way of transporting, processing, packaging, purchasing and cooking
- **Internationalization** is also driving need for more flexible manufacturing in terms of switching the products and increasing the output capacity
- Growing requirement to **bring products** to market within a **shorter time**
- **Consumer trends** and **lifestyle changes** force food manufacturers to plan their manufacturing processes around them
- Tough **raw materials environment**
AGENDA

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- AG brands
  - Key categories
  - Key markets
Porter industry analysis

- Threat of new entrance
- Bargaining power of suppliers
- Competitors
- Bargaining power of buyers
- Threat of substitutes
Regional benchmark

Sales in 2010 in mio EUR

** Gavrilović sales 2009
BUYERS
The bargaining power of the retailers increase due to regional consolidation

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Mercator 31,3%</td>
<td>Konzum 34,2%</td>
<td>Interex 13%</td>
<td>Delta Maxi 10,4%</td>
<td>Veroplus 6,3%</td>
</tr>
<tr>
<td></td>
<td>Spar 15,7%</td>
<td>Ultra Gros 12,4%</td>
<td>Konzum 11,6%</td>
<td>Mercator Rodić 6,5%</td>
<td>Tediko 6%</td>
</tr>
<tr>
<td></td>
<td>Tuš 13,4%</td>
<td>Schwartz Group 8,2%</td>
<td>Mercator 4,1%</td>
<td>Si Market (Simpo) 3%</td>
<td>Tinex 3,7%</td>
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<tr>
<td>TOP 3</td>
<td>Σ 60%</td>
<td>Σ 55%</td>
<td>Σ 30%</td>
<td>Σ 20%</td>
<td>Σ 16%</td>
</tr>
<tr>
<td>4</td>
<td>Aldi 4,2%</td>
<td>Mercator 6,3%</td>
<td>Tuš 2,3%</td>
<td>Super Vero 2,8%</td>
<td>Skopski Pazar 2,6%</td>
</tr>
<tr>
<td>5</td>
<td>E.Leclerc 2,2%</td>
<td>Kerum 4,4%</td>
<td>Delta Maxi 1,5%</td>
<td>Intermarche 2,3%</td>
<td>Migros Turk 1,5%</td>
</tr>
<tr>
<td>TOP 5</td>
<td>Σ 66%</td>
<td>Σ 66%</td>
<td>Σ 34%</td>
<td>Σ 25%</td>
<td>Σ 20%</td>
</tr>
</tbody>
</table>

Source: IGD 2010
From the age of the brand to the age of the retailer

source: Nielsen, 2008; GfK 2007
Private Labels growth

Source: GfK Consumer Tracking; Calculation based upon consumer basket including monitored product categories; Measure: value share (%); Period: 2008
The image of private labels has changed

from Me - too products
to High – end product concepts
New distribution channels

E-COMMERCE ➔ FAST HOME DELIVERY
SUPPLIERS
Raw materials became nightmare

» COGS represent more than 50% of sales for most food manufacturers

» structural changes in consumer buying patterns are creating the pressure to shrink the sourcing cycle

» uncontrolled risks: wars, tsunamies, hurricane,.....

» major raw materials on 24 hour market
CLIMATE CHANGE: Some like it hot

- competition between food and energy crops:
  - agricultural biotechnology became a significant commercial industry during the 1980s
  - By some estimates 70% of US food may contain ingredients that have been grown in GM methods

- growth of biofuels
SUBSTITUTES
Where to draw industry / category boundaries?

**CHOCOLATE & SWEET SPREADS**
- chocolate spread
- marmalade
- honey

**VEGETABLE & WELLNESS SPREADS**
- wellness spreads
- vegetable spreads
- tomato sauce

**DIARY & CHEESE SPREADS**
- sour cream

**MEAT & FISH PRODUCTS**
- frankfurters
- salami
- fish in tin
NEW ENTRANCE
Barriers to entry

» No major new manufacturing competitor has emerged

» Large major companies rarely in direct competition with small companies

» Small companies active in:
  ✔ Low value added areas
  ✔ Specialise in private label production
  ✔ Hard discount products
  ✔ Niche players
# AGENDA

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- Main industry highlights
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- Marketing function in AG
- AG group position
  - Key categories
  - Key markets
10 global mega-trends influencing shopper choices

Behavioral mega-trends:
- Health
- Convenience
- Sensory
- Individualism
- Connectivity
- Comfort

Demographic mega-trends:
- Age Complexity
- Gender Complexity
- Income Complexity
- Life-stage Complexity

Sources: Datamonitor trends
**Trend 1: Age complexity**

Kids growing up young
Adults acting younger

**Trend 2: Gender complexity**

The rise of egalitarian values towards women and homosexuals
The feminization of society and men

**Trend 3: Lifestage complexity**

Young adults (18-24 yrs.old) living arrangements are diverse

- US
- UK
- Sweden
- Spain
- Italy
- Germany
- France

- 20% living at home
- 40% living alone
- 60% cohabiting
- 80% house sharing

source: Datamonitor young adult living NCI report
**Trend 4: Income complexity**

Expanding class of consumers with greater expectations about:

- Quality of life
- Spending power

**Trend 5: Convenience**

- Consumers are becoming more prepared to buy time
- New approaches to eating:
Trend 6: Health / Phood

- Health is increasingly valued
- Ageing populations mean more health concerns
- Global rise of obesity – overweight population

Trend 7: Sensory

- Towards better and more exotic food and drink tastes
- Not only “do good”, but also make you “feel good”
Trend 10: Connectivity

» The growing importance of core values
» The fear of growing old alone
Consumers patterns are changing
New medias putting consumers in control
### Our brands on Facebook

<table>
<thead>
<tr>
<th>Brand</th>
<th>Facebook Fans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smoki</td>
<td>281,770 fans</td>
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<td>Čoko Smoki</td>
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<td>11,210 fans</td>
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<tr>
<td>Barcaffe</td>
<td>1,128 fans</td>
</tr>
<tr>
<td>Barcaffe za lepši dan</td>
<td>894 fans</td>
</tr>
<tr>
<td>Najlepše Želje</td>
<td>57,530 fans</td>
</tr>
<tr>
<td>Grand</td>
<td>263 fans</td>
</tr>
<tr>
<td>Grand Pleasure</td>
<td>571 fans</td>
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MAIN INDUSTRY RISK FACTORS

» The increased competition
» Lower priced private labels
» The consolidation of retailers
» Operations on foreign markets:
  ✓ Fluctuations in currency values
  ✓ Foreign currency exchange control
  ✓ Discriminatory fiscal policies
  ✓ Compliance with foreign laws
» Product recalls, product injuries or other legal claims
» New regulations
» Raw materials issues
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Marketing due diligence

- Macroeconomics & Industry
- Marketing "Traditional" Knowledge
- Finance
- Value Chain
- Risks
Marketing as a function in Atlantic Grupa

- Disciplined
- Broad
- Not self important
- Value oriented
- Understand finance
“Marketing is just advertising”
“Marketing is a black hole for money”
“Marketing is a cost”

% of possible cuts

- Marketing: %
- Training: %
- R&D: %
- IT: %
Marketing adds value

- ..... AS A CULTURE
- ..... AS A STRATEGY
- ..... AS TACTICS
MARKETING AS A CULTURE
Fatal attraction

Shareholders  Company boards  Marketing

Understand industry  Understand industry  Understand industry
Understand company  Understand company  Understand company
Understand marketing  Understand marketing  Understand marketing
It is all in the metrics, measures and data

**Profit:**
- EBIT
- EBITDA
- CM
- NOPAT
- COGS

**Capital:**
- WACC
- CE

**Ratios:**
- ROA
- ROE
- ROI
- ROS
- ROIC
- ROCE
What CEOs need from marketing?

- Role of Marketing
- Selected Business Model
- Strategic Planning & Forecasting
- Brand Strategies
- Culture
- Profit
- Remuneration
MARKETING AS STRATEGY
Tools for analysis
Measuring advertising –
how much AdEx for 1 kg sold is enough?

Barcaffé SOM Value growth
1,90%
2,60%
1,90%

Weighted distribution
100

Santana SOM Value growth
-0,50%
-0,40%
-0,20%

Weighted distribution
92

SOI
41%
100%
93%

ARGETA Volume in tonnes
Ovako Volume in tonnes
ARGETA AdEx per sold kg
Ovako AdEx per sold kg
Brand portfolio review

Tomato garden:

- Harvest now
- Never
- Latter
- Maybe latter

source: VBM and Ahile methods, J. Favaro, 2003
Profit pool lens
MARKETING AS TACTICS
Brands are value creators and not just profit seekers
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Atlantic’s greatest assets

- **Atlantic Culture**: aligning over **4,300** people from **12 countries**
- **Atlantic brands**: Products for every moment of **every day**, from **morning to night**
  and from **birth** to **old age**
Atlantic’s diverse portfolio

COFFEE
- Turkish
- Black cup
- White cup
- Espresso / HoReCa

SNACKS
- Savoury snacks
- Chocolate tablets
- Wafers & biscuits
- Bars
- Bombons

SAVOURY SPREADS
- Meat
- Fish

BEVERAGES
- Carbonated soft drinks
- Vitamin instant drinks
- Tea & functional tea
- Functional waters
- Bottled waters

SPORTS & FUNCTIONAL FOODS
- Sports food
- Food supplements

PERSONAL CARE
- Tooth paste
- Body creams / universal creams
- Lip balms

PHARMA
- Pharmacy chain
- Vitamins, minerals & food supplements

BABY FOOD
- Cereals
- Jars, tea
- Milk formula & juices

DISTRIBUTION
- Own brands
- External (principal) brands
Building *own* enduring brands
Millionaire brands contribute towards 55% of all sales

* Sales in 2010 in mio EUR
Atlantic brands among TOP Brands in the EX – YU region

According to market research company Valicon, 4 brands from Atlantic Grupa were found among TOP 25 Brands in the EX-Yu region.

Brand Strength research was taken in 2010 and represents a group of 22 million consumers in 7 countries (SLO, CRO, BiH, SER, MONT, MAC, KOS)
Coffee category

<table>
<thead>
<tr>
<th>CATEGORIES</th>
<th>KEY BRANDS</th>
<th>TOP MARKET POSITIONS (according to volume MS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Turkish coffee</td>
<td>• grand</td>
<td>• #1 Turkish (SLO, BiH, SER, MAC)</td>
</tr>
<tr>
<td>• Instant White cup</td>
<td>• barcafé</td>
<td>• #1 Instant White cup (SLO)</td>
</tr>
<tr>
<td>• Instant Black cup</td>
<td>• Bomito</td>
<td>• #2 Instant White cup (MAC)</td>
</tr>
<tr>
<td>• Espresso</td>
<td></td>
<td>• #3 Instant Black Cup (SLO)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• #1 Horeca (SLO, SER)</td>
</tr>
</tbody>
</table>
SUBCATEGORY SPLIT

Market size (Adriatic region) 2010: EUR639m

Adriatic region value, 2010

AG coffee value sales, 2010

Source: Retail Nielsen 2010
Market share & competition

- AG Market share (Value) 2010 on coffee market in Adriatic region: 31%
  - #1 Turkish (SLO, BiH, SER, MAC)
  - #1 Instant White cup (SLO)
  - #2 Instant White cup (MAC)
  - #3 Instant Black Cup (SLO)
  - #1 Horeca (SLO, SER)

- KEY COMPETITORS:
  - Turkish: Regional Players Strauss Adriatic, Franck
  - Instant: Domination of Multinational Players (Nescafe, Jacobs)
  - Espresso: Fragmented market with regional & national competition
Grand Kafa at a glance

Category:
Turkish coffee
Instant white cup
Instant black cup
Espresso

Brand:

Distribution channel:
Retail, HoReCa

Markets:
Croatia, Serbia, Montenegro,
Macedonia, EU
Wide portfolio for all tastes

Turkish coffee

Espresso coffee

Instant coffee

- Grand Kafa 3in1
- Grand Kafa 2in1
- Grand Kafa Cappuccino
- Grand Kafa Cappuccino Chocolate
- Grand Kafa Cappuccino Vanilla
- Grand Kafa Freeze
- Grand Kafa 2in1 Slim&Fit
- Grand Kafa Turboccino
Barcaffe at a glance

**Category:**
Turkish coffee
Instant white cup
Instant black cup
Espresso

**Brand:**

![Barcaffe Logo](image)

**Distribution channel:**
Retail, HoReCa (Classical HoReCa, Coffee to go)

**Markets:**
Slovenia, Croatia, Serbia, Kosovo, EU
Story about success

- When Barcaffè appeared (1970) there was great competition from other domestic producers. But consumers almost instantly recognised **quality** and **superior taste**.

- At the beginning, in 1970 we roasted about **30 tonnes of coffee per month**. Today, we roast the same amount in **one day**.

- Recognisable TV commercials and other activities lifted the brand to **no.1 position on coffee market**. Today, it has more than **70%** market share in Slovenia.
Barcaffe’s wide portfolio selection
Barcaffe winning two gold medals

- The International Institute of Coffee Tasters and the Centro Studi Assaggiatori (Italian Tasters), organise 'International Coffee Tasting', an international competition for single or mixed origin coffee, in beans, powder or single dose forms, for espresso, mocha or filter coffee in Italy in 2010.

- Barcaffe won two gold medals for Barcaffè Prestige 1000g and Barcaffè Filter 250g.
Bonito- leader in economy segment

- Bonito is an economy brand available on Serbian market
- With 10% market share it holds 4th position in Turkish segment on Serbian market
- Bonito is available in 3 different sizes: 100g, 200 and 500g
## Snacks category

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<th>TOP MARKET POSITIONS (according to volume MS)</th>
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<tbody>
<tr>
<td>• Flips</td>
<td><img src="image1" alt="Smoki" /></td>
<td>• #1 Flips (SLO, BiH, SER)</td>
</tr>
<tr>
<td>• Sticks</td>
<td><img src="image2" alt="Prima" /></td>
<td>• #2 Sticks (BiH, SER)</td>
</tr>
<tr>
<td>• Chocolate tablets</td>
<td><img src="image3" alt="Banatica" /></td>
<td>• #2 Choc.tables (SER)</td>
</tr>
<tr>
<td>• Bars</td>
<td><img src="image4" alt="Stark" /></td>
<td>• #3 Choc.tables (BiH)</td>
</tr>
<tr>
<td>• Wafers</td>
<td><img src="image5" alt="Sweeet" /></td>
<td>• #1 Bars (SER)</td>
</tr>
<tr>
<td>• Biscuits</td>
<td></td>
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</tbody>
</table>
CONFECTIONARY CATEGORY in ADRIATIC REGION

Market size: EUR449m, 2010

Value, 2010

- 69% for Chocolate tablets
- 31% for Countlines & IWW
Najlepše Želje’s (Štark’s) evolution

1922
Daniel S. Pechmajoue, French officer, made first chocolatte “Roda”, today known as “Menaž”

1966
Merger of “Soko” bakery and producer of chocolate and candies “Nada Stark”. New company was called „Soko-Nada Štark”

1975
New factory is opened at Kumodraškoj street-Voždovac.

2005
Grand kafa (DK Group) takeover Štark

Štark today
Štark’s wide snacks portfolio …
**Najlepše Želje at glance**

**Category:**
Confectionary
(Chocolate tablets)

**Brand:**

**Distribution channel:**
Retail

**Markets:**
Slovenia, Croatia, BIH, Macedonia, Serbia, Montenegro, EU
Najlepše Želje is a synonym for a true chocolate experience

- Najlepše želje chocolates are made from **exclusively natural ingredients** – cocoa, cocoa butter, milk and sugar
- Despite being on the market for almost five decades, it has always followed the trends.
- Within **top 3 market positions** on Serbian, Montenegro and BiH markets
From 1993 until today Najlepše Želje increased its sales by more than 5 times

2.670 tonnes
Najlepše Želje’s portfolio

Najlepše Želje - 8 different tastes of milk chocolate and 2 tastes of Dark Chocolate

Najlepše Želje Cherry

Najlepše Želje Mini - 5 different tastes of dark chocolate

Najlepše Želje Countlines - 5 different tastes of chocolate
NAJLEPŠE ŽELJE’S MARKET SHARE & COMPETITION

NAJLEPŠE ŽELJE’S VALUE MARKET SHARE, 2010

- in Serbia: 18%
- in Montenegro: 23%

KEY COMPETITORS REGION-WISE

- Milka
- Kraš (Dorina)
- Gorenjka (Slovenija)

- #2 Choc.tablets (SER)
- #3 Choc.tablets (BiH)
- #1 Bars (SER)
COMPETITORS LANDSCAPE
Bananica (Štark’s) evolution

**1922**
Daniel S. Pechmajoue, French officer, made first chocolatte “Roda”, today known as “Menaž”

**1938**
1st Bananica is was produced. Its founder Franjo Vaja was given 1,5 dinar reward from the government at the time as a reward for the new product on the market.

**1960**
First machine for automatic chocolate topping was acquired.

**1965**
Arrival of first MOGUL- casting machine. Before that everything was done by hands.

**Today...**
Bananica hasn’t changed ever since its first production 70 years ago
Bananica at a glance

**Category:**
Confectionary
(Chocolate bars)

**Brand:**

**Distribution channel:**
Retail

**Markets:**
Slovenia, Croatia, BIH, Macedonia, Serbia, Montenegro, EU
A lot of things has changed in last 50 years – Bananica hasn’t

- Tradition- Bananica is **one of the oldest Štark’s products**
- Unchanged through time. Bananica kept its **originality** ever since it was introduced into market.
- It is produced with **high-quality, natural ingredients**, covered with chocolate coating with a cocoa content of 54%, with the addition of agar-agar. **Agar-agar** is made from algae, used for gelling and gives the Bananica its well-known **foamy** structure.
From 1993 until today Bananica increased its sales nearly by 5 times.

2.443 tonnes
Štark wafers

- On the market for **more than 50 years**
- Generic name “**NAPOLITANKA**”
- Original taste
- Well known for its characteristic **purple colour**
Štark biscuits

- With a combination of tradition, carefully selected recipes and modern technology Štark biscuits were born
- On the market for more than 50 years
- Synonim for quality and tradition
- Distinctive red colour packaging
Smoki’s (Štark’s) evolution

1972
Smoki is born

2006
Package redesign + launch of 3 new flavours

2007
Choco Smoki launch

2009
Party pack launch
Smoki at a glance

Category:
Savoury snacks
(extruded snacks)

Brand:

Distribution channel:
Retail

Markets:
Slovenia, Croatia, BIH, Macedonia,
Serbia, Montenegro, EU
Smoki’s strong points

- Smoki is the **first flips produced in Southeastern Europe.**
- It has a **generic name**
- **Market leader** in flips segment in Adriatic region
- It’s made from **natural ingredients**
In 5 years Smoki more than doubled its sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Tons</th>
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<tbody>
<tr>
<td>2005</td>
<td>3045 t</td>
</tr>
<tr>
<td>2006</td>
<td>3605 t</td>
</tr>
<tr>
<td>2007</td>
<td>4175 t</td>
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<tr>
<td>2008</td>
<td>5000 t</td>
</tr>
<tr>
<td>2009</td>
<td>5623 t</td>
</tr>
<tr>
<td>2010</td>
<td>6425 t</td>
</tr>
</tbody>
</table>

+111%
Peanut, choco or party?
Did you know...?

Yearly sales of Smoki is bigger than 50 Olympic size swimming pools!

If there are an average of 120 flips per package, that means that in 2008 almost 14,5 billion Smoki pieces were produced – 3 for every citizen on the planet.
SNACKS CATEGORY in ADRIATIC REGION and SMOKI MARKET SHARE

- SNACKS CATEGORY MARKET SIZE IN ADRIATIC REGION (2010): EUR200m
- SMOKI VALUE MARKET SHARE (2010):
  - Slovenia: 38%
  - B&H: 34%
  - Serbia: 61%
  - Montenegro: 61%
- KEY COMPETITORS REGION WISE:
  - Clipsy
  - Max
  - Chio
  - Pombar
  - Kroki Kroket

- #1 Flips (SLO, BiH, SER)
- #2 Sticks (BiH, SER)
Prima- a synonym for savoury sticks

- Available on market for almost 40 years
- Top quality, **natural ingredients** gives consumer with exceptional experience
- Available in 4 different tastes and two sizes; 40g and 220g
Four great tastes for every day

**Prima salted snack**
Original taste

**Prima with peanut filling**
Prima sticks filled with peanut

**Prima Wholegrane**
Prima stick made from wholegrain

**Prima with tomato**
Prima sticks with tomato, olives and origano flavour
Savoury spreads category

<table>
<thead>
<tr>
<th>CATEGORIES</th>
<th>KEY BRANDS</th>
<th>TOP MARKET POSITIONS (according to volume MS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Meat spreads</td>
<td>• Argeta</td>
<td>• #1 Meat (SLO, BiH, MAC)</td>
</tr>
<tr>
<td>• Fish spreads</td>
<td>• Argeta Junior</td>
<td>• #2 Meat (SER)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• #1 Fish (SLO, CRO, BiH, SER, MAC)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• #2 total pate (Austria, Switzerland)</td>
</tr>
</tbody>
</table>
Argeta’s evolution

1957: The beginning
Pâté, before its current name was given, was packaged by the company known then as Droga in a lithographic container.

2001: Relocation of production
The need for greater production capacities became increasingly evident. As a result, pâté production was relocated in 2001 to the new facilities in Izola.

2005: A fresh sea breeze
Argeta Tuna pâté was launched on the market in 2005, and marked Argeta's entry in the fish spread segment.

2006: New factory
Owing to the increasing need for production capacities, a brand new factory was opened in Hadžići, close to Sarajevo in Bosnia and Herzegovina.

2007: New look
The Argeta brand was given a complete makeover, as we wrapped it in a new, more contemporary and rounder package.
Argeta at a glance

Category: savoury spreads

Category segments:
meat, fish

Brand:

Sub brands:

Distribution channel:
Retail

Markets:
Present on over 20 markets
MARKET SHARE AND KEY COMPETITORS

➤ MARKET SHARE, 2010:

- Slovenia: 41%
- B&H: 53%
- Macedonia: 39%
- Austria: 51%
- Swiss: 35%

➤ KEY COMPETITORS REGION-WISE:

- Gavrilović
- Ovako
- Carnex

- #1 Meat (SLO, BiH, MAC)
- #2 Meat (SER)
- #1 Fish (SLO, CRO, BiH, SER, MAC)
- #2 total pate (Austria, Switzerland)

Source: AcNielsen, BU savoury spreads
Argeta is a superbrand!

A brand with tradition
(1st production in 1957)

NOT a meat processing industry
Quality ingredients bought only for production of Argeta!

Modern production technology

Known for its outstanding quality and great taste
In last 15 years Argeta’s sales have multiplied by 10

3rd strongest FMCG brand in the region (after Coca-Cola & Milka)
Source: Valicon
Argeta goes from success to success
• In 2011 Argeta Wins a Gold Effie Award for Marketing Communications Effectiveness for its Argeta Junior campaign and a special award for the use of market research.
• In 2010 by a bronze Euro Effie for the Argeta Junior campaign becoming the first and so far the only Slovenian brand to win the prestigious EURO EFFIE award
• in 2008 Argeta won a silver Effie for the Argeta Tuna campaign
• In 2004 Argeta won a gold Effie for its campaign "Argeta – The Good Side of Bread“.
Superior taste Award

Argeta Tuna pâté has received the Superior Taste Award 2010, awarded by the International Taste & Quality Institute in Brussels. Food products from around the world compete for the Superior Taste Award. Among them, those with the most sophisticated taste are chosen by a jury consisting of 120 recognized chefs from 12 of Europe's most famous culinary associations.
## Soft drinks category

### CATEGORIES
- Cola
- Non cola
- Carbonated waters
- Still waters
- Vitamin Instant Drinks
- Food Additives
- On the go

### KEY BRANDS

#### Cola
- **Cockta**
- **CEDEVITA**
- **Donat**
- **TIHA**
- **MULTIVITA**
- **TEMEPEL**
- **KARADORDE**

### TOP MARKET POSITIONS (according to volume MS)
- #1 Vitamin Instant Drink (SLO, CRO)
- #2 Cola (SLO)
- #3 Cola (CRO, BiH)
- #2 Carb. waters (SLO)
- #3 Carb. Waters (CRO*)

*value MS
Cedevita’s evolution

1975
first Cedevita bottles launched on the market more than 30 years ago...

1995
mid-80’s Cedevita took on its recognisable orange colour and got its dark bottle made from opaque plastic...

2000
enters the new millennium in a modernized and “lighter” design

TODAY...
Cedevita received its last “facelift”...
Cedevita at a glance

**Category:**
Vitamin instant drinks (VID)
On-the-go
Candies
Tea

**Brand:**

**Sub brands:**

**Distribution channel:**
Retail, Horeca

**Markets:**
Slovenia, Croatia, BiH, Macedonia
Cedevita’s strong points

- **Established Croatian brand of instant vitamin drinks** specific by their ingredients with 9 of the most important vitamins.
- **A wide assortment of flavours** following consumers’ preferences: orange, lemon, mandarin, grapefruit, forest fruits, cranberry, red orange and lime.
- Cedevita has become a **synonym for instant drinks**
- Cedevita plays a leading role in its area both on the domestic market and the regional market (Slovenia, BiH and Macedonia).
- It has been on the market for **over 40 years**
Cedevita’s wide portfolio selection

- **A wide assortment of flavours** following consumers’ preferences: 8 flavours:
  - orange, lemon, mandarin, grapefruit, forest fruits, cranberry, red orange and lime.
- Cedevita is available to consumers in three channels: **Retail, HoReCa** and “On-the-go”.

**RETAIL**

**HORECA**

**GO!**
Cedevita – Croatian Superbrand

• Cedevita has won several awards:
  Hrvatska kvaliteta, Superbrand, Trusted brand

• It is one of the strongest FMCG brands in the region (Ex Yu)- 4th in CRO and 8th in the Ex Yu region
VOLUME MARKET SHARE 2010 & KEY COMPETITORS

- Volume market shares (Cedevita & CedevitaGO!) 2010, VIN segment
  - Croatia: 85%
  - Slovenia: 77%
  - Serbia: 78%

- KEY COMPETITORS
  - Directly in the category: Lerovita, Cevitana Juicyvita
  - From the wider perspective: cola drinks, flavoured water, juices, nectars…entire soft drinks universe
Cockta’s evolution

1953
In the early 1950's, the father of Cockta, Mr. Emerik Zelinka, created a refreshing drink made of excellent natural ingredients.

1983 - 1994
In the middle of the 1980's, Cockta saw a decrease in sales as a result of several factors: the emergence of similar products copying the original in the markets across the Yugoslav federation.

1996
In the mid 1990's, the production of bottling facilities of Cockta were taken over by the Slovenijavino company and sales began to increase.

2000
In 2000, the Kolinska food and drink company took over the Cockta brand and decided to remodel the brand's image (the design of the label, logo, the bottle itself).

TODAY...
Cockta underpinned by new marketing campaigns making it even more recognized and popular product among the young generation.
Cockta at a glance

Category:
Carbonated soft drinks (cola segment)

Brand:

Distribution channel:
Retail, Horeca

Markets:
Slovenia, BIH, Croatia, Macedonia, Serbia, Montenegro, Austria, Germany, Australia
Cockta volume market share 2010
(Off in ON premise, cola segment)

- COCTA VOLUME MARKET SHARE (2010):
  - Slovenia: 25%
  - Croatia: 6%
  - B&H: 7%

- KEY COMPETITORS IN GENERAL: cola drinks, water, juices, still drinks…entire soft drinks universe

Source: Canadean
What makes Cockta different?

• What makes Cockta different from other cola drinks? It is its unique and natural ingredients
• Cockta main ingredient comes from the dog rose berry. The other ingredients come from 11 different herbs, lemon and orange. It contains neither caffeine nor orthophosphoric acid.
• Cockta is a first Slovenian soft drink brand
• Most popular cola all over ex Yugoslavia
• Original recipe still in use
10 times more sales than in 1993

- 1993: 5 mio L
- 2010: 48.5 mio L

Sales have increased significantly from 5 mio L in 1993 to 48.5 mio L in 2010.
Cockta’s wide portfolio selection

- **COCKTA CLASSIC**
- **COCKTA LIGHT**
- **COCKTA LIMETA**
- **COCKTA RED ORANGE**
Competitors landscape

STILL DRINKS
- Water with juices
- Flavoured water
- Ice Tea
- Cedevita
- OFF in ON competition
- Wide range of products and taste

WATER
- Still and carbonated
- Healthy way of life
- ON and OFF

CSD
- World leading brands: Coca Cola, Pepsi, Fanta (AdEX, investments)
- PL and low price brands (price)
- Discounters (price/quality)

JUICES
- ON competition

BEER
- ON premises competition

RADLER
- In 2 categories
- Beer or CSD
- ON and OFF
Donat’s evolution

Medicinal water from Rogaška was first mentioned in written documents **1,000 years ago**. More than **400 years** have past since the first scientific analysis of Rogaška Water. For more than **300 years** the water in Rogaška has been bottled.

**1908**
Donat Mg was first discovered in 1908 when it boiled up from the depths of the earth in the midst of today’s health resort Rogaška Slatina, Slovenia.

**1930’s**
Rogaška bottling complex, around 1930

**1960’s**
Very soon the capacity of the spring was no longer sufficient - in 1967 Donat Mg as we know it today sprang from a new 606 m deep well

**TODAY...**
Donat Mg brand is exactly **103 years old**
Donat at a glance

**Category:**
Carbonated water (functional drinks)

**Brand:**

![Donat](image)

**Distribution channel:**
Retail

**Markets:**
17 countries
VALUE MARKET SHARE (carbonated) in 2010 and KEY COMPETITORS

- **VALUE MARKET SHARE (CARBONATED), 2010:**
  - Slovenia: 44%
  - Croatia: 10%

- **KEY COMPETITORS:**
  - Slovenia: Radenska
  - Croatia: Jamnica
  - B&H: Sarajevski Kiseljak, Vitrinka

Source: AC Nielsen, retail panel 2010
Donat’s strong points

- It is natural and completely safe.
- It has a high content of magnesium.
- It works always and without side effects.
- It works on several difficulties at the same time.
- You can drink it for lifetime.
- You can not get accustomed to
Donat sales close to record sales

- Donat reached its peak sales in 1987
- Because of the ExYu split in 90s it lost a lot of market
- In 2010 sales are expected to reach 1987 record quantities - 22,2 mio l
Portfolio selection
Sports and Functional Foods

• Multipower is a leading European producer in sports food.
• Production, R & D, marketing and sales of sports foods
• Due to the specific consumer group using these products, special distribution channels have been developed in fitness centres, sports shops, pharmacies and drugstores covering over 35,000 outlets across Europe.

<table>
<thead>
<tr>
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<th>TOP MARKET POSITIONS (according to volume MS)</th>
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</thead>
<tbody>
<tr>
<td>• Sports food &amp; supplements</td>
<td><img src="image1" alt="Multipower" /></td>
<td>• #1 (Germany, Sweden, Norway, Croatia, Serbia)</td>
</tr>
<tr>
<td></td>
<td><img src="image2" alt="Champ" /></td>
<td>• #2 (Great Britain, Austria, Italy)</td>
</tr>
<tr>
<td></td>
<td><img src="image3" alt="Multaben" /></td>
<td>• #3 (Spain, Rusia, Switzerland)</td>
</tr>
<tr>
<td></td>
<td><img src="image4" alt="MegaSlim" /></td>
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</tr>
</tbody>
</table>
Multipower at a glance

Category:
Sports nutrition

Brand:

Distribution channel:
fitness centers, sports shops, pharmacies and drugstores

Markets:
17 markets
Brand architecture

Category split 2010

Muscle 65%

Endurance 10%

Extreme Muscle 25%

Weight Management & Toning Range

Energy / Endurance Range

Muscle & Fitness

Bodybuilding and Xtream Range
Multipower’s strongpoints

- **German made**, certified by ISO 9001:2000
- Constant **innovations**
- **Product management** organised according to sales channels
- Continuous **education** of sales teams, partners and end consumers
- Focus on **special distribution channels**
Multipower-
Before, during or after training

✓ necessity for all persons in active training
✓ easy-to-digest
✓ high-value combinations of **proteins, amino acids & vitamins** with or without carbohydrates
✓ top-quality essential nutrients required for sports.
Brand concept

Powder shakes

Isotonic powder

RTD water

RTD milk

Energy gels

Tablets and Capsules

Ampules
### Pharma Division

- **Dietpharm** - Atlantic Grupa is the *leading* regional producer of *Vitamin Mineral Suplement* (VMS) marketed under the brand Dietpharm.

- **Fidifarm** - products in the field of *OTC* (over-the-counter) medications/preparations.

- **Farmacia** - with its 58 pharmacies is the *largest private chain of pharmacies in Croatia*

<table>
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</thead>
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<tr>
<td>• Vitamin Mineral Supplement (VMS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• OTC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Pharmacy chain</td>
<td><img src="image" alt="Dietpharm" /></td>
<td>• #1 VMS and OTC (CRO)</td>
</tr>
<tr>
<td></td>
<td><img src="image" alt="Fidifarm" /></td>
<td>• #1 pharmacy chain with 58 Pharmacy units (CRO)</td>
</tr>
<tr>
<td></td>
<td><img src="image" alt="farmacia" /></td>
<td></td>
</tr>
</tbody>
</table>
Dietpharm at a glance

**Category:**
Vitamin Mineral Supplement (VMS)
OTC

**Brands:**

- DIETPHARM
- FIDIFARM

**Distribution channel:**
Pharmacies, drugstores
Dietpharm’s strong points

- **Quality** raw material
- Production combining high technology and strict **Swiss and EU standards**
- In contrast to other, particularly American manufacturers, Dietpharm products **do not contain genetically modified ingredients**
- Finished product quality, stability, health and purity **certificates**
- **Quality control** certificates issued by official Croatian health care institutions;
- Marketing **exclusively** in pharmacies and drugstores.
Dietpharm offers a **range of 82 products** which can be further segmented into following categories:

- **Food supplements** (vitamins & minerals, supplements for joints, dietary supplements, wellness,...)
- **Antiseptics, analgesics** (anti-cough syrup, sore throat,...)
- **Painkillers** (premenstrual problems)
- **Digestion** (for better digestion, stomach acid)
OTC- Fidifarm

Products in the field of OTC (over-the-counter) medications are marketed under a brand name FIDIFARM

**Fidiprofen, Fibralgin**
Helps to relieve pain (headache, toothache, nerve inflammation......)

**Ulcodyne**
Helps at heartburn and poor digestion

**C 1000**
Is used in states of increased need for vitamin C
Farmacia

- With 58 pharmacies, Farmacia is the largest private pharmacy chain in Croatia
- R&D, production, marketing and sales of Vitamin Mineral Supplement (VMS) and OTC products
SUMMARY

Brand management on three key levels

• Local brands (Plidenta, Rosal, Farmacia...)

• Regional brands (Cockta, Grand kafa, Smoki, Najlepše želje...)

• International brands (Multipower, Argeta, Donat Mg...)
KEY OVERVIEW OF DIFFERENT FUTURE STRATEGIES FOR EACH BRANDS

- Coffee – HoReCa strengthening, brand stretching: dark roasted coffee, organic coffee..., pipeline renovations

- Najlepše Želje – brand stretching: for kids, dark chocolate, NŽ selection, development of HoReCa

- Smoki – brand stretching: Smoki Smokić (Smoki for kids), Čoko smoki (different flavours)...

- Argeta – new packaging: Argeta in tubes, new tastes...

- Cockta – HoReCa strengthening, new flavours
Thank you

Q & A