



THE MARKET

Biscuits and snacks are two of life's little pleasures. We offer them to our friends when they pop in for a visit, or we treat ourselves to a nibble on a quiet night in.

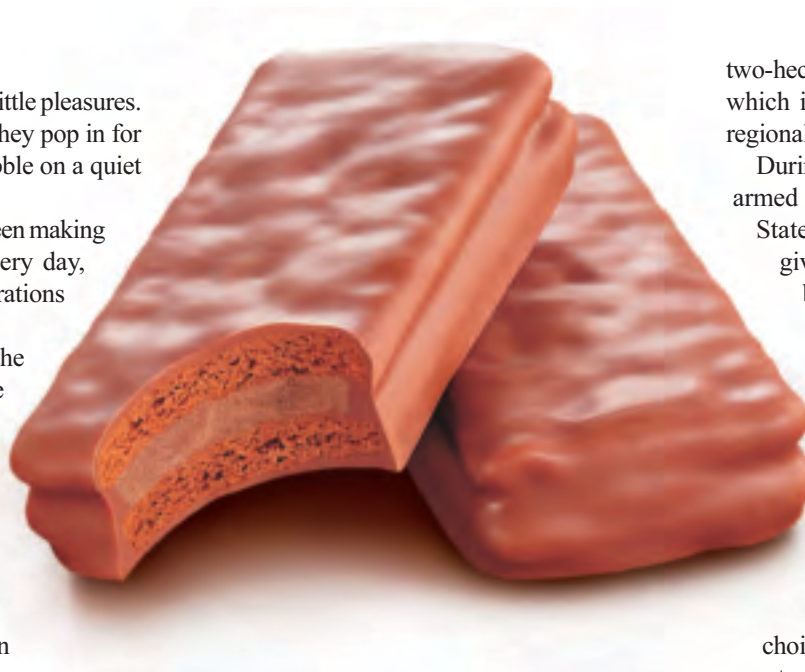
For over 140 years, Arnott's has been making great food that everyone loves, every day, and will continue to do so for generations to come.

Arnott's is the market leader of the Australian biscuit category and the number two player in the Australian snack foods category. Arnott's grows the biscuit category through product and flavour innovation, and by offering consumers great tasting food to suit any occasion.

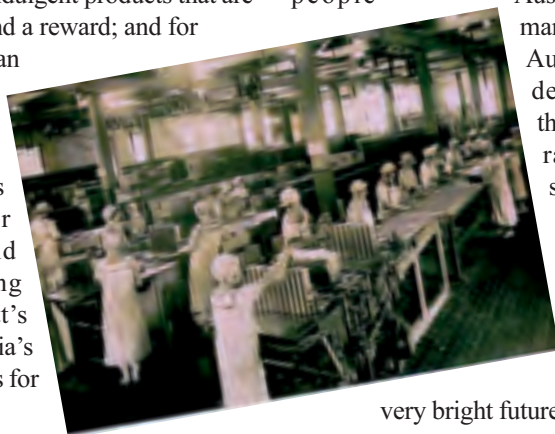
As the palate of the Australian population evolves, Arnott's has anticipated emerging trends and created a range of biscuits and snack foods that cater to consumer tastes.

Trends currently affecting the market include increasing demand for products that are 'better for you'; for premium and indulgent products that are eaten as a special treat and a reward; and for convenient snacks that can be eaten on-the-go.

Anticipating and responding to trends is Arnott's strength. With its product and flavour innovation, and commitment to making delicious foods, Arnott's has been one of Australia's favourite food companies for over a century.



Since Scottish baker William Arnott began selling pies to ships docking in Newcastle in 1865, Arnott's has grown steadily, with more than 50,000 Australians working for Arnott's over the past century. Today, Arnott's employs more than 4,000 people



very bright future.

Australia-wide, operates six manufacturing facilities in Australia and in the past decade has spent more than \$3 billion purchasing raw ingredients and services from local farmers and businesses to make its biscuits and snack foods. Arnott's is one of the largest food companies in the Asia Pacific region, with a

ACHIEVEMENTS

Millions of Australians have grown up with Arnott's over the past 142 years. For them, Arnott's is more than a biscuit company – it's a piece of Australia's history and a national icon. The famous parrot trademark has a place in 97 per cent of Australian households, and the leading Arnott's chocolate biscuit brand, Tim Tam, is a particular favourite, with more than 400 million Tim Tam biscuits consumed every year!

In 2002, Arnott's acquired Snack Brands Australia, and added a number of Australia's favourite snack brands to its portfolio including Cheezels, Thins and CC's.

HISTORY

In 1865, William Arnott opened a biscuit bakery in Hunter Street, Newcastle, baking pies and biscuits to sell to coal ships that docked at the port. In 1877, the bakery moved to new premises and within three years employed 50 people and produced 1.5 tonnes of biscuits daily. By the following decade, Arnott's was distributing to Sydney. In 1892 it began its first major advertising campaign, inviting parents to submit photographs of healthy children fed on Arnott's biscuits. The campaign, 'Living Pictures', ran for more than 60 years.

Demand for Arnott's biscuits grew rapidly, and in 1908 the company opened a new bakery on a

two-hectare site at Homebush in Sydney, part of which is still occupied by Arnott's Asia Pacific regional headquarters.

During World War II, Arnott's helped feed the armed forces of both Australia and the United States, producing a range of sweet, energy-giving biscuits for the army and thick, dry biscuits for the navy that would keep for months at sea. Production of biscuits for civilian consumption was severely restricted, with just 19 varieties offered.

In 1992, the Campbell Soup Company launched a takeover bid for Arnott's, and in 1997, Arnott's became a wholly owned subsidiary.

THE PRODUCT

Arnott's offers consumers greater choice than ever before, with a large range of sweet and savoury biscuits and crackers, and salty snack foods. The products span a number of segments including Adult Indulgence, Family Favourites and Better for You. Arnott's exports continue to grow, with Australian-made biscuits now being shipped to more than 40 countries around the world including Japan, Canada, United Kingdom, Indonesia, Tahiti and New Zealand.

In Australia, the Arnott's name is synonymous with quality. Its best-selling chocolate biscuit varieties, Tim Tam and Mint Slice biscuits, are market leaders in the adult indulgence segment of the biscuit category, while the Scotch Finger, Vita-



Weat, Jatz and Savoy crackers and many others remain firm family favourites.

Arnott's Shapes is the biggest Arnott's brand, with annual sales of \$120 million – that's over 60 million packs of Shapes sold a year!

All Arnott's products are made using the finest ingredients. Wherever possible, Arnott's supports local growers each year buying: 80,000 tonnes of potatoes from Victoria, Queensland and New South Wales; 60,000 tonnes of flour and grains from areas including the Darling Downs, Moree, Riverina and South Australia; 27,000 tonnes of sugar from far North Queensland; 6,200 tonnes of dairy products from Victoria; and 225 tonnes of canola oil sourced from canola crops in Western New South Wales.

Some farmers, like those in the Riverina growing soft wheat, can sell their entire crops to Arnott's.

Arnott's is the largest user of 'soft' flour in Australia and has supported the wheat industry by assisting to develop strains of wheat which produce high yields and are resistant to drought and disease.

RECENT DEVELOPMENTS

In 2006 Australia celebrated the 100th anniversary of the first federally registered trade mark. To recognise this milestone, IP Australia, the Australian Government agency responsible for administering registered IP rights including trade marks, asked Australians to vote for their favourite trade mark. Arnott's was nominated as one of the top ten!

Arnott's has been a big part of every Aussie's life and the parrot is one of Australia's most recognised and loved brands. For 100 years, it has stood for the company's commitment that 'there is no substitute for quality'.

In 1907 Arnott's registered the logo of a parrot eating a biscuit. Legend has it that William Arnott's daughter-in-law, Mrs Leslie Arnott, first drew the bird that appears on everything from biscuit tins to advertising. The parrot has a strong affinity with Australians and today, no-one questions what a parrot has to do with biscuits.

According to the 2006 Brand Asset study by advertising agency George Patterson, Tim Tam was named the nation's third top brand behind Vegemite and the ABC, which isn't surprising given Australians eat more than 400 million Tim Tam biscuits every year!

This was exciting news for Arnott's as it not only confirmed Tim Tam's status as Australia's favourite chocolate biscuit, but highlighted that Australians continue to embrace Tim Tam as one of their favourite brands.

Tim Tam is the highest selling biscuit per capita in the world, generating more than \$100m in sales annually. Tim Tam is in every second household in Australia so it's no wonder 40 per cent of people hide their packet of Tim Tam biscuits from friends and family!

In 2006, Arnott's Tim Tam launched a limited edition product to coincide



with Breast Cancer Awareness month in October. Australians fell in love with Tim Tam Pink Wish, which successfully raised more than \$160,000 for research projects funded by the National Breast Cancer Foundation (NBCF).

In 2007, Tim Tam Pink Wish is back and as a Platinum Partner of the NBCF, Arnott's is aiming to raise even more! Arnott's will donate ten cents to



the NBCF for every packet of Tim Tam Pink Wish sold, which is expected to raise more than \$300,000 for breast cancer research.

Arnott's Tim Tam Pink Wish is a delicious strawberry cream and fudge-filled biscuit that



everyone can enjoy guilt-free, because the more packets sold, the more money raised to help find a prevention and cure for breast cancer.

In 2007, Arnott's Snack Right was Australia's first and only sweet biscuit brand to earn the Heart Foundation's Tick of approval. In order to earn the Tick and be recognised as a healthier biscuit choice for Australian consumers, Arnott's Snack Right passed independent tests and met the Heart Foundation's strict nutrition standards.

Arnott's is committed to providing better snacking choices for Australians and Arnott's Snack Right is an example of a healthier alternative that doesn't compromise on taste. This is also recognised by the Heart Foundation Tick, which is the leading guide to help people make better food choices quickly and easily.

PROMOTION

Innovation underpins Arnott's products and marketing. Arnott's invests in advertising not only new products but old favourites as well, a tradition that started with the long running advertising



campaign, 'Living Pictures'.

New products are promoted through an integrated combination of advertising, in-store promotions, public relations and sampling, to name but a few channels of communication. This allows consumers to hear about products in a number of different ways, and to try before they buy!

In 2007, the Arnott's Win a Diamond Ring promotion celebrated its ninth year. The promotion offered consumers the chance to win a diamond a day for 30 days with the major prize of an AU\$15,000 diamond ring.

A favourite with consumers are the Arnott's Christmas tins. Few companies can create a market specifically for their own brand packaging, but Arnott's has done exactly that each Christmas for over 100 years by releasing a range of special commemorative biscuit tins. The company's instantly identifiable parrot logo and characteristic bright red colouring lift brand recall, and its elegant packaging adds weight to the company's famous motto, "There is No Substitute for Quality".

BRAND VALUES

Arnott's continues to live by the motto introduced by William Arnott in 1906, "There is No Substitute for Quality". The biscuits are made from high quality ingredients and Arnott's employs some of the best bakers and food experts in the country. Arnott's offers its people the opportunity to work in a company that is vibrant, exciting and committed to continued growth in Australia and overseas.

But most of all, Arnott's is committed to continuing to provide Australians with delicious food that can be enjoyed every day.

THINGS YOU DIDN'T KNOW ABOUT ARNOTT'S

- Arnott's famous Milk Arrowroot was first made in 1888.
- In the Australian War Memorial, Canberra, there is an Arnott's biscuit tin on which is a handwritten message from a World War I soldier to his loved ones.
- How did the SAO get its name? Some believe it's the name of a ship that sailed into Newcastle, others that it stands for 'Salvation Army Officer' - a reference to William Arnott's son, Arthur, who was a committed Salvo.
- In 2006 SAO and Iced Vo Vo celebrated their 100th birthday!
- Shapes were first baked in Victoria in the 1950s. Back then they were made to look like chips! The wastage was too high, however, and in 1974, Arnott's changed the design to the Shapes we eat today.
- Five hundred packets of Arnott's biscuits are sold every minute.
- More than five billion holes are punched in Arnott's Jatz and Savoy per year.