



# Orkla ASA

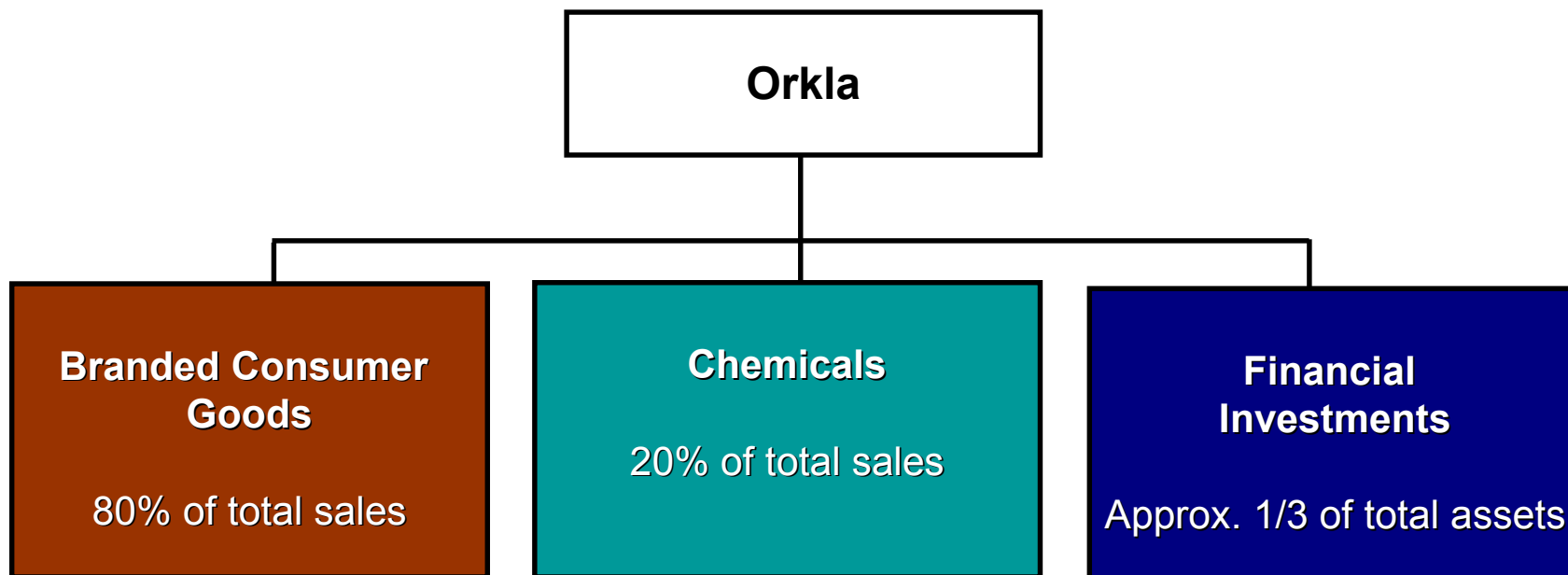
5 November 1999

Seminar

”Investing in Norway”

New York

# The Orkla Group



- Operating revenues NOK 31 billion/USD 4.1 billion
- Approximately 25,000 employees
- Norway's second largest listed company
  - Market cap approx. USD 3 billion

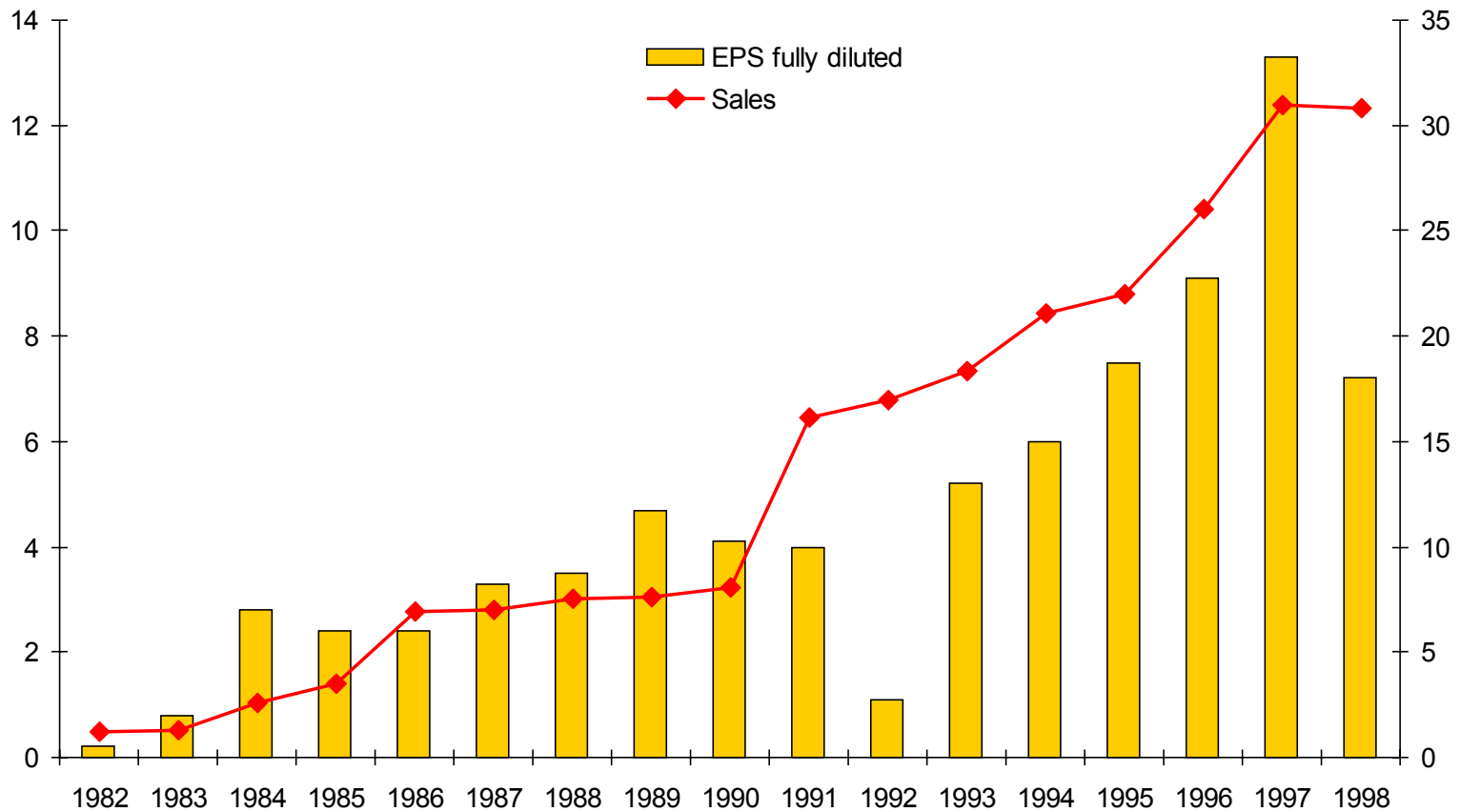
## Growth through acquisition and restructuring

- Mining operations established in 1654
- Industrial growth in Norway throughout the 1980s
  - Current structure and strategy established in 1986
- Industrial growth in the Nordic countries throughout the 1990s
- Basis for industrial growth established in Eastern Europe
- Substantial value creation from portfolio investments

# A history of strong growth

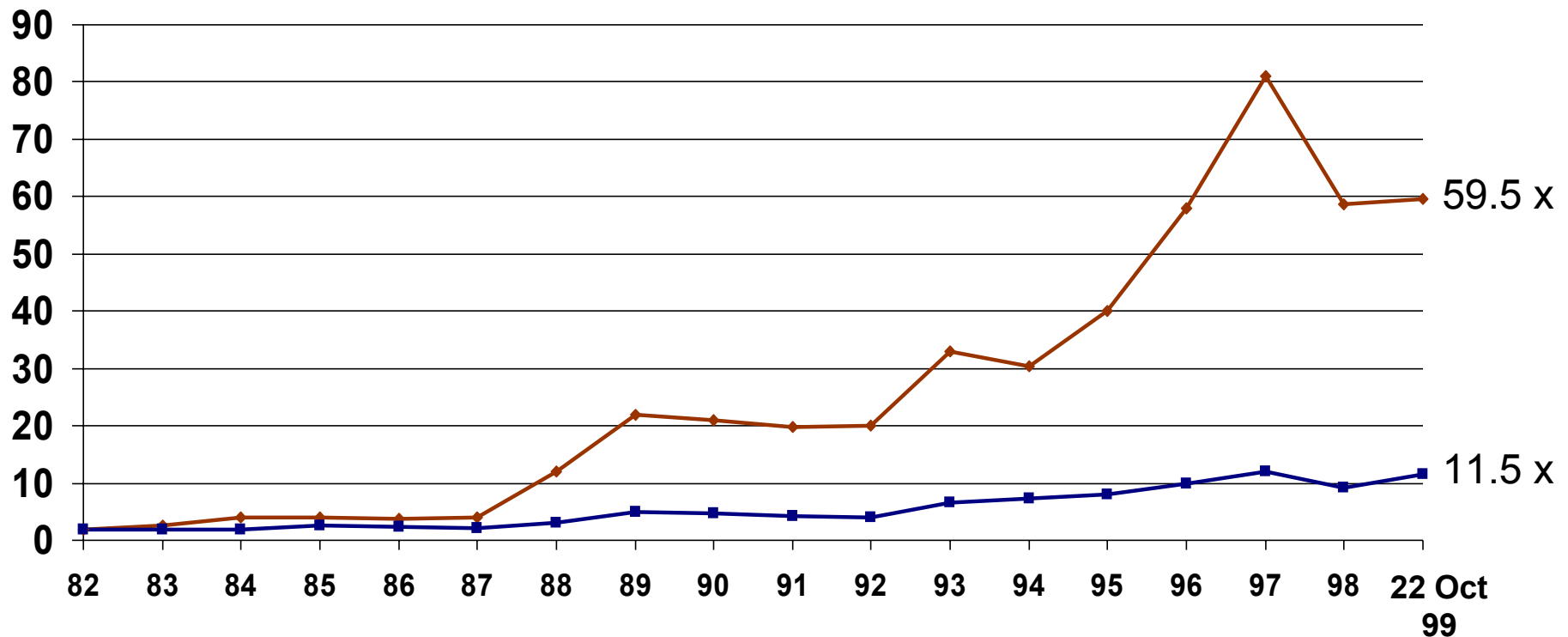
EPS (NOK)

Sales (NOK billion)



# Performance compared with the OSE index

—◆— Orkla (27.2% p.a.) —■— Oslo Stock Exchange All Share Index (15.5% p.a.)



One NOK invested on 31.12.82

# 1998: Setback for industrial operations

- Stagnating markets and insufficient on cost control
- Reduced profit in Russia due to devaluation of RUB
- Chemicals hit by Asian crisis

# Extensive cost cutting programmes initiated

- A wide range of projects in the Industry Area
- Target for cost savings more than NOK 1 billion
  - Bottom-line effect difficult to estimate
- Results of these actions now taking effect
- All projects will be completed by the end of 2001

# Key figures

NOK million	1 Jan - 31 Aug		Year
	1999	1998	1998
<b>Operating revenues</b>	<b>20 177</b>	20 271	<b>30 819</b>
<b>Operating profit</b>	<b>1 413</b>	1 215	<b>1 797</b>
<b>Profit before tax</b>	<b>1 560</b>	1886	<b>2 057</b>
- Industry Area	913	733	1 015
- Financial Investments	647	1 153	1 042
<b>EPS fully diluted (NOK)</b>	<b>5.8</b>	6.7	<b>7.2</b>
<b>Equity to total assets ratio</b>			
- Book	<b>34.5%</b>	34.5%	<b>34.3%</b>
- Incl. unrealised capital gains before tax	<b>42.6%</b>	40.3%	<b>40.6%</b>



# Specialty and fine chemicals for global niches

## Strategy

- Growth in customer-driven, highly processed products
- Strong positions in narrow, global niches
- Profitability improved through specialisation

# Chemicals

in NOK million

	1 Jan - 31 Aug		Year
	1999	1998	1998
<b>Operating revenues</b>	<b>3 692</b>	3 827	<b>5 777</b>
<b>Operating profit*</b>	<b>146</b>	311	402
<b>Operating margin*</b>	<b>4.0%</b>	8.1%	7.0%

\* Excluding non-recurring items

- Redesign programme in progress
  - Cost reductions and improved production yields and output
  - Effects expected from year 2000
- Signs of market improvement
- Last four months of 1999 expected to be better than 1998

## Long-term equity investor

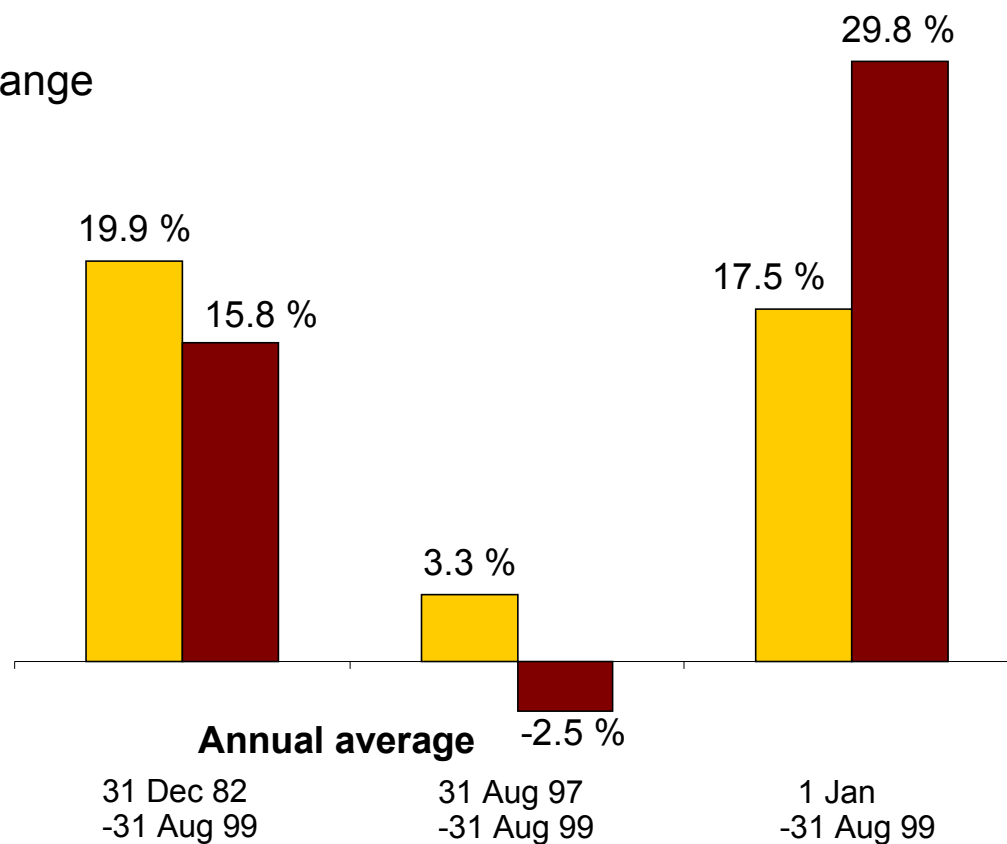
- Share portfolio accounts for 2-3% of the market value of the Oslo Stock Exchange (OSE)
- Value creation approx. NOK 8.5 billion since 1992
- Higher return over time than the OSE All Share Index

### Strategy

- Emphasis on research and analysis - long-term focus
- Primarily listed Nordic shares
- Unbalanced, concentrated portfolio

# Portfolio performance

- Orkla's portfolio
- Oslo Stock Exchange



# Portfolio - key figures

in NOK million

Market value

Net asset value

Unrealised gains before tax

Share of portfolio invested outside Norway

**31 Aug 99**

**31 Dec 98**

**Change 1999**

15 548

12 624

2 924

12 572

10 410

2 162

5 708

4 129

1 579

29%

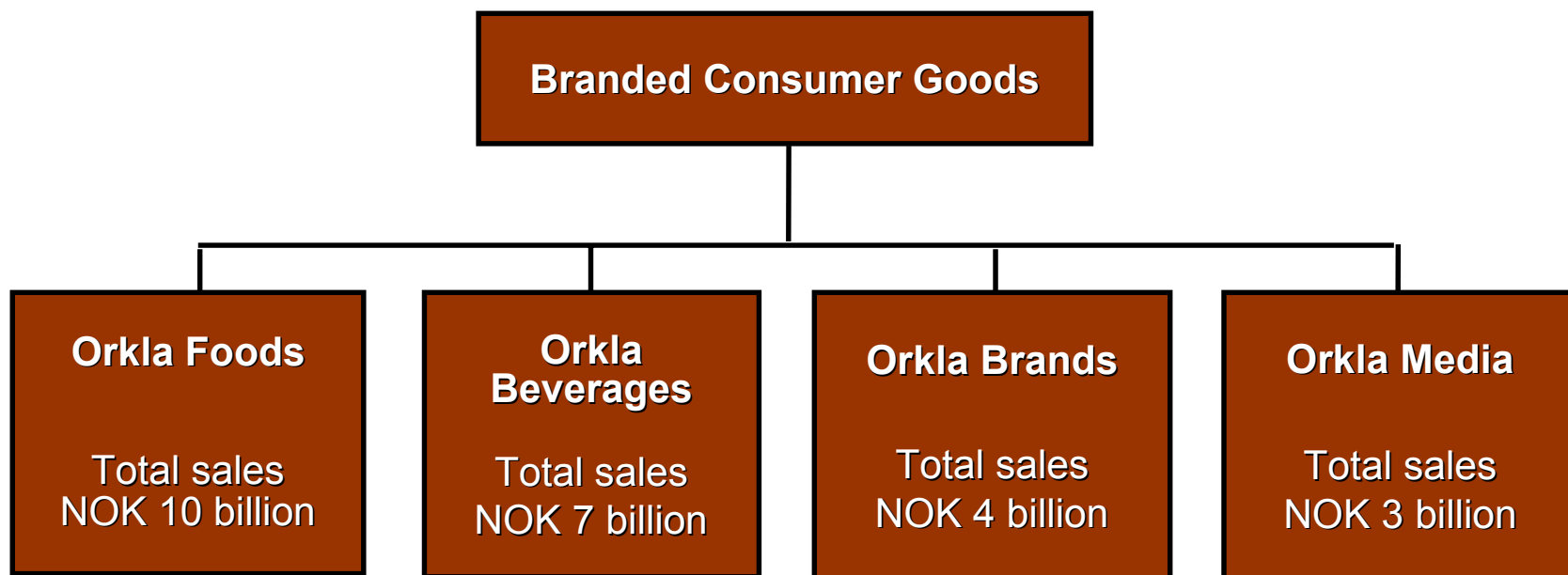
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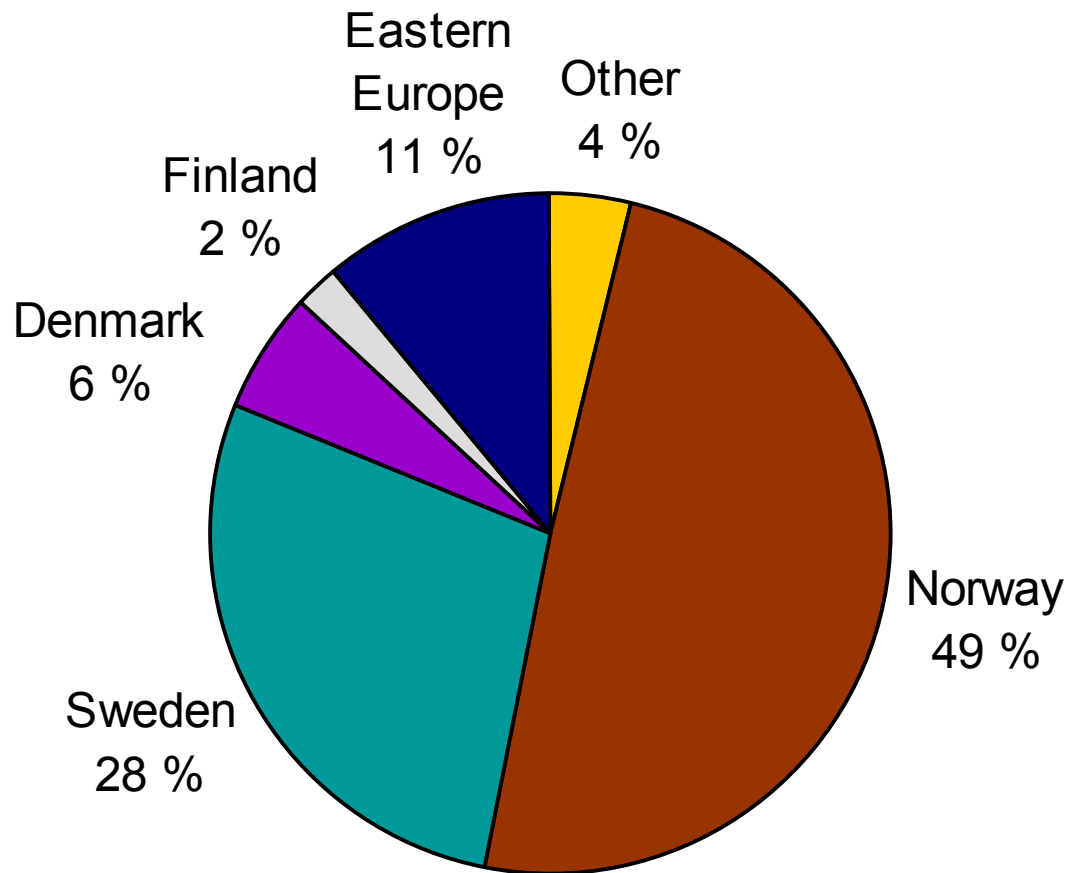
# Strategy

- Strengthen position as the leading Nordic FMCG supplier
- Further growth in Eastern Europe
- Focus on no. 1 and 2 positions
- Increase competitiveness by realising synergy gains
- Improve brand-building expertise

# Organisation



# Operating revenues by market



Operating revenues 1998 NOK 24,238 million



## Key figures

in NOK million	1 Jan - 31 Aug		Year
	1999	1998	1998
<b>Operating revenues</b>	<b>15 877</b>	15 864	<b>24 238</b>
<b>Operating profit*</b>	<b>1 150</b>	1 157	<b>1 751</b>
<b>Operating margin*</b>	<b>7.2%</b>	7.3%	<b>7.2%</b>

\* Excluding non-recurring items

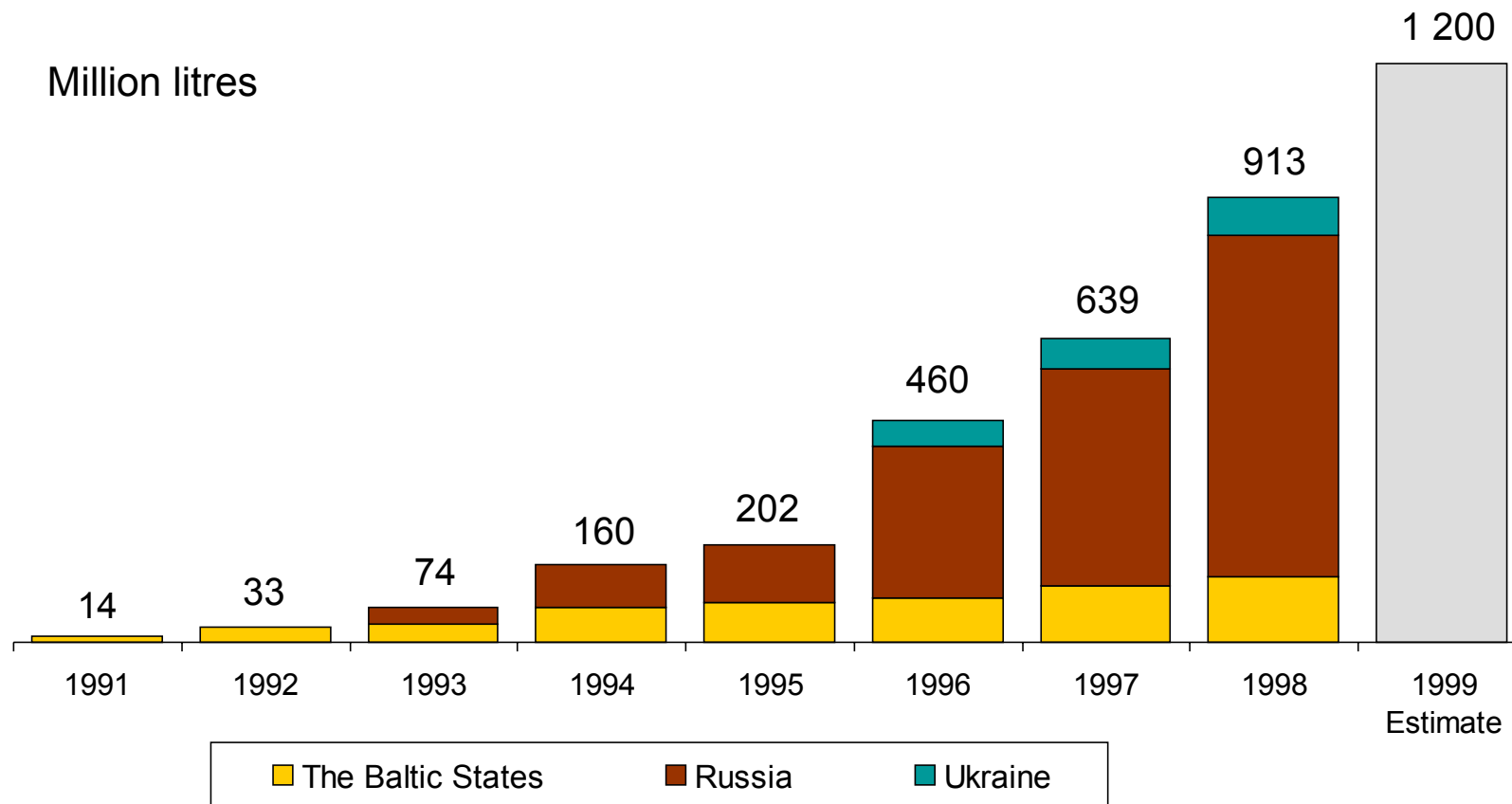
- Progress for food and beverages in the Nordic markets
- Positive underlying trend for Baltic Beverages Holding

## Leading Nordic supplier

- Approx. 90% of sales from no. 1 and strong no. 2 positions



## The leading brewer in the former USSR



## Market trends first eight months 1999\*

	Market growth	BBH growth	BBH market share	BBH market-position	Litres per capita
	1998-99	1998-99	1999**		Year 1998
<b>Russia</b>	26 %	37 %	21 %	# 1	23
<b>Ukraine</b>	14 %	23 %	14 %	# 2	12
<b>The Baltic States</b>	24 %	41 %	40-50%	# 1	40

\* Based on estimated figures for imported beer in August

\*\* Average market share for all breweries controlled by BBH on Aug 31

# Baltic Beverages Holding

in NOK million

	1 Jan - 31 Aug 1999	1998	Year 1998	1997
<b>Operating income (50%)</b>	<b>1 051</b>	1 330	<b>1715</b>	1263
<b>Operating profit (50%) *</b>	<b>312</b>	515	<b>567</b>	451
<b>Operating margin *</b>	<b>29.7%</b>	38.7%	<b>33.1%</b>	35.7%
 Average RUB/USD exchange rate	 <b>24</b>	 6	 <b>10</b>	 6

\* Excluding goodwill amortisation

## Strategy

- Acquire majority interests in strong, locally managed breweries
- Support from BBH for quality improvements, marketing, sales and distribution
- Focus on mainstream quality segment and local brands
- Volume growth through capacity expansion and acquisitions

## Our objective is to maximise shareholder's value

- Focus on profitable growth
  - Earnings per share
  - Return on investments
- Focus on company culture emphasising:
  - Quality, efficiency and continuous improvement
  - Development of key expertise and market orientation
  - Long-term outlook and strategic loyalty
- Focus on concentration of resources to most successful business areas