



ORKLA

Long-term value creation

20 February 2003



Agenda

Performance and
strategic direction

Strong organisations

Operational excellence

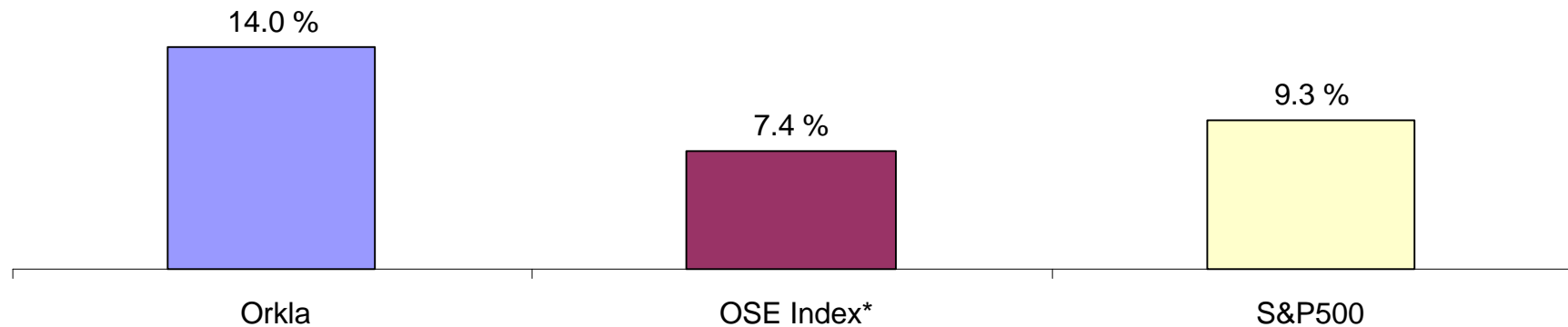
Growth

- ◆ Performance (share, industry, portfolio)
- ◆ Shareholder issues
- ◆ Position for future value creation



10 year share price performance: Orkla has outperformed

Annual return as of 31 December 2002 if invested 1 Jan 1993



*) TOTX 1993-2001, OSEBX 2002

All figures in local currencies

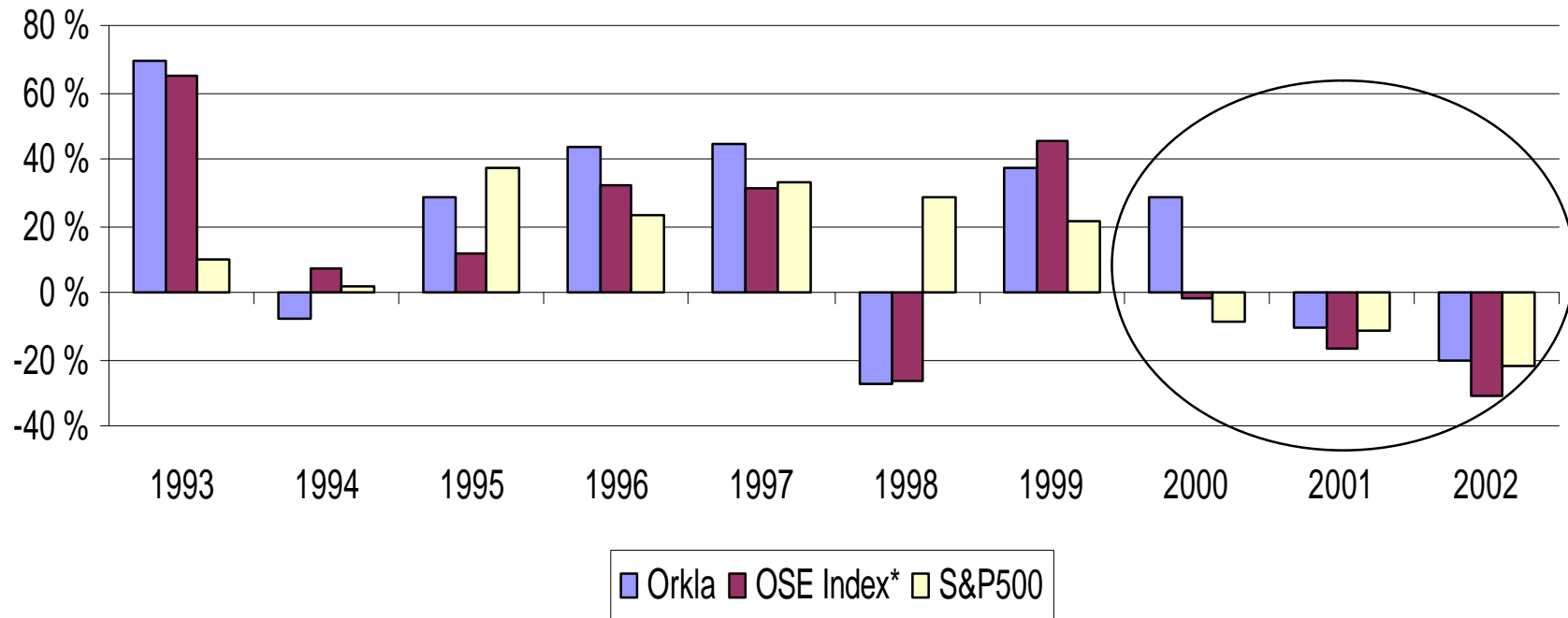
Calculations based on monthly figures, dividends reinvested at end of month of payout

Source: Bloomberg



Orkla has done better than indices in 7 out of 10 years

Year-by-year share price performance



*) TOTX 1993-2001, OSEBX 2002

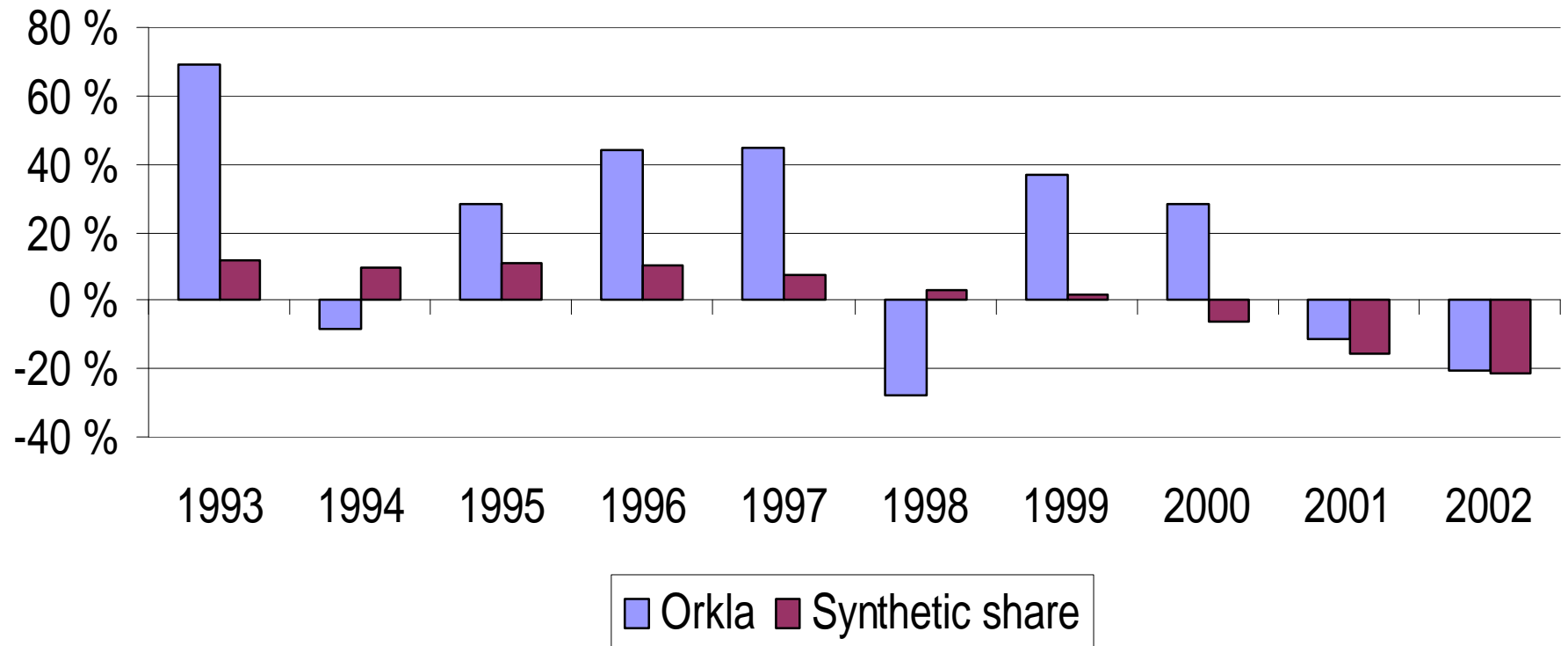
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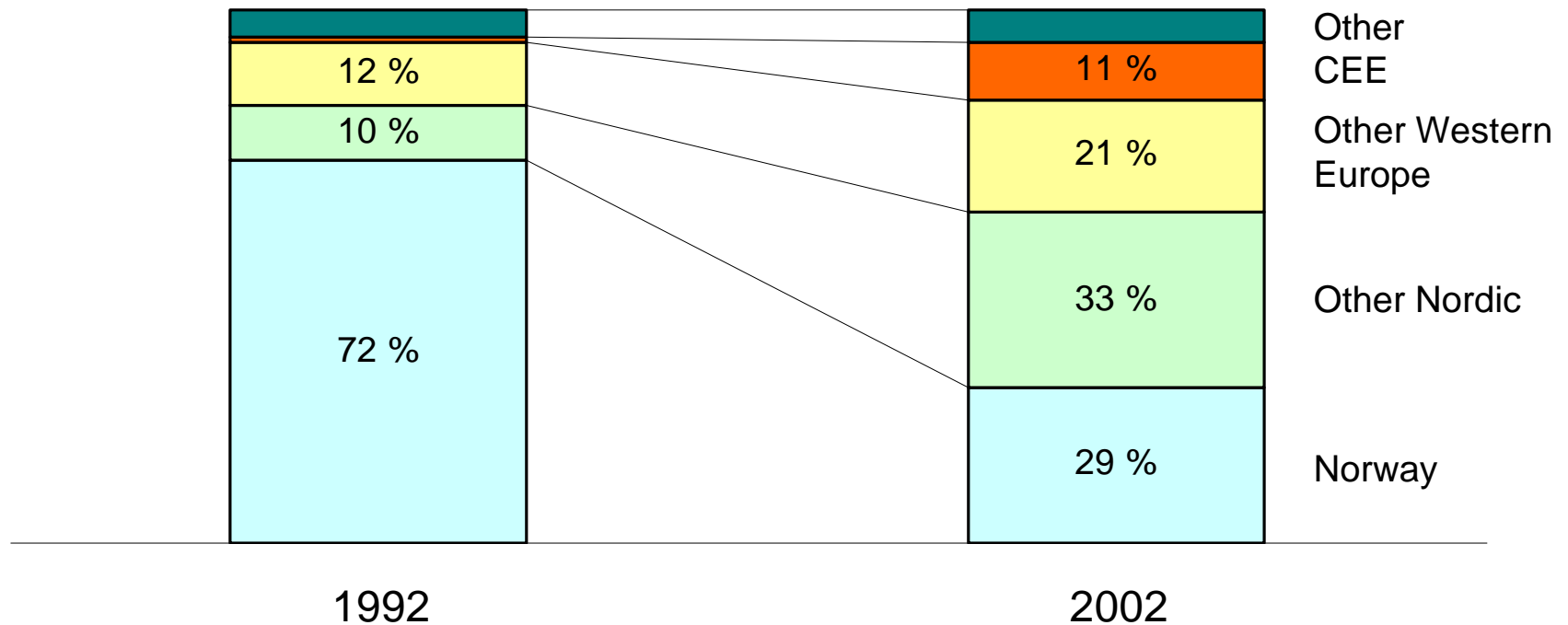
Orkla has outperformed a synthetic Orkla-share in 8 out of the 10 last years



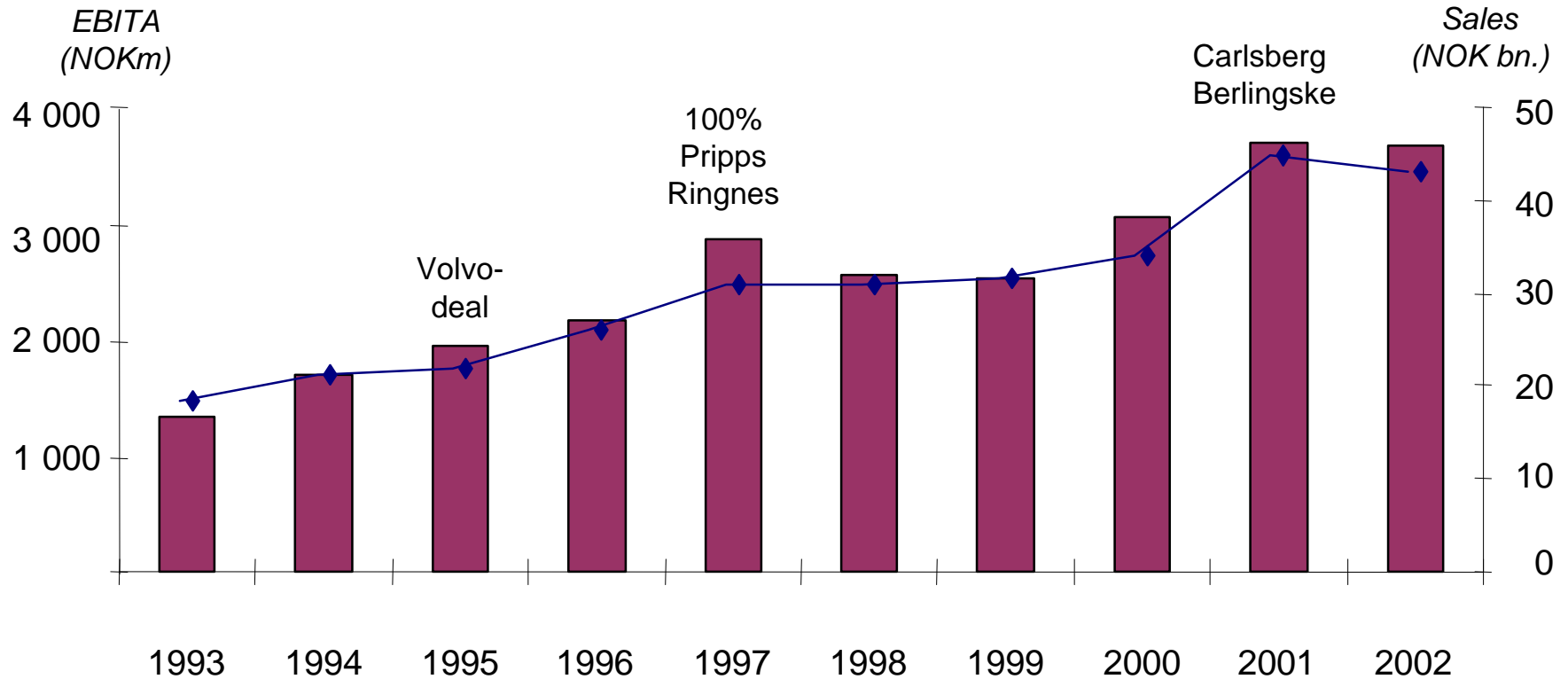
Synthetic share: Weighted with FTSE 300 Foods, Household & Personal Care, Beverage, Media and Chemicals Industry indices and OSEBX. Dividends reinvested.



10 years of structural growth have made Orkla a Nordic/international company



Industrial growth has been strong and profitable

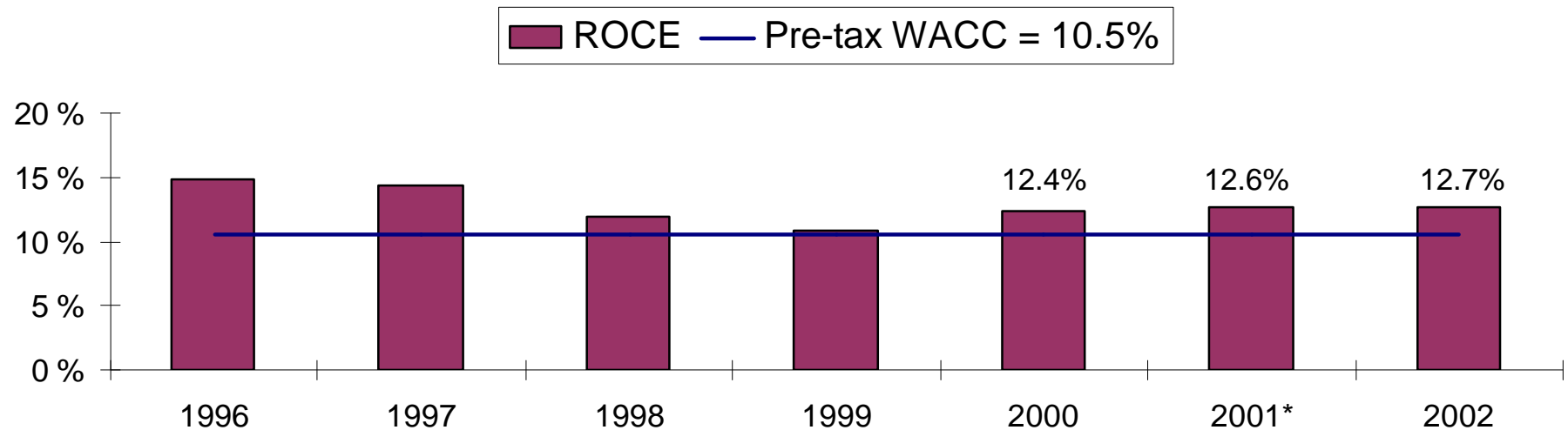


CAGR	EBITA	Sales
93-02	11.9 %	10.0 %
98-02	9.4 %	8.7 %
00-02	9.6 %	12.3 %

EBITA
 Sales



Industry ROCE has consistently been higher than today's WACC



Figures before tax

*) Excluding gain on sale of Hartwall-stake (NOKm 1,275)



Current industrial performance

Most businesses are doing well, but we have some challenges:

Performing satisfactorily

- ◆ Nordic operations in Foods, Carlsberg Breweries and Brands
- ◆ BBH
- ◆ Chemicals

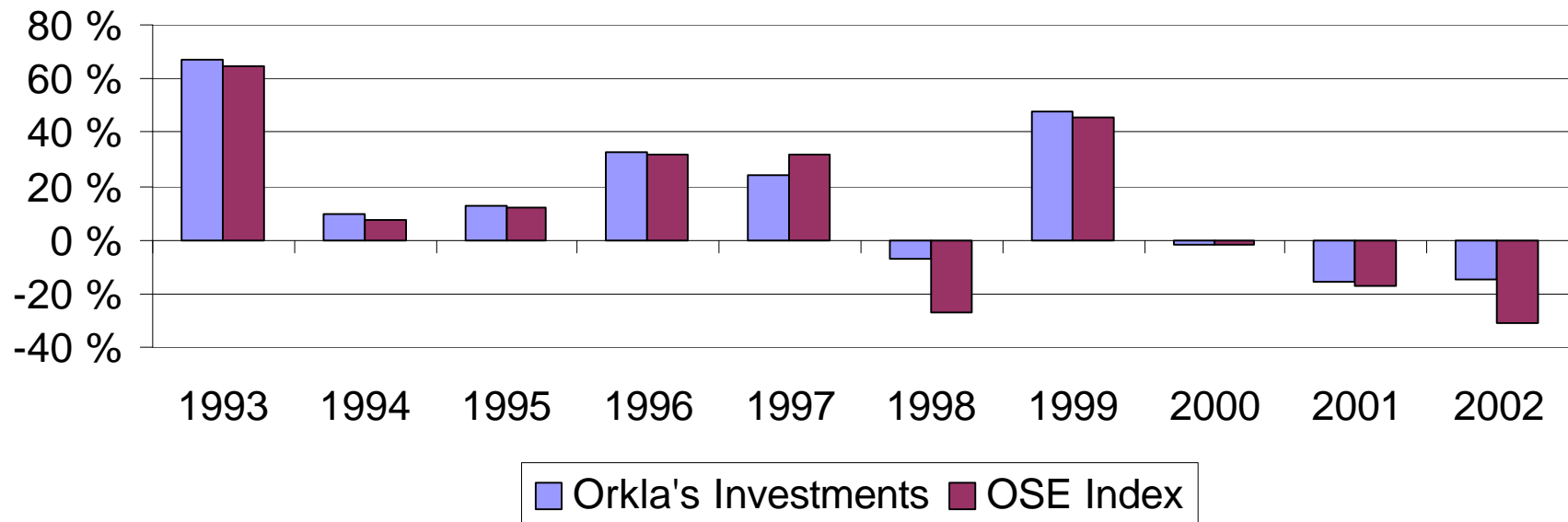
Current challenges

- ◆ Improve performance of underachievers
 - Media in Denmark and Poland
 - Seafood operations in Poland
 - Beverages in Turkey



The investment portfolio has done better than the OSE Index in 9 out of the last 10 years

Year-by-year portfolio returns

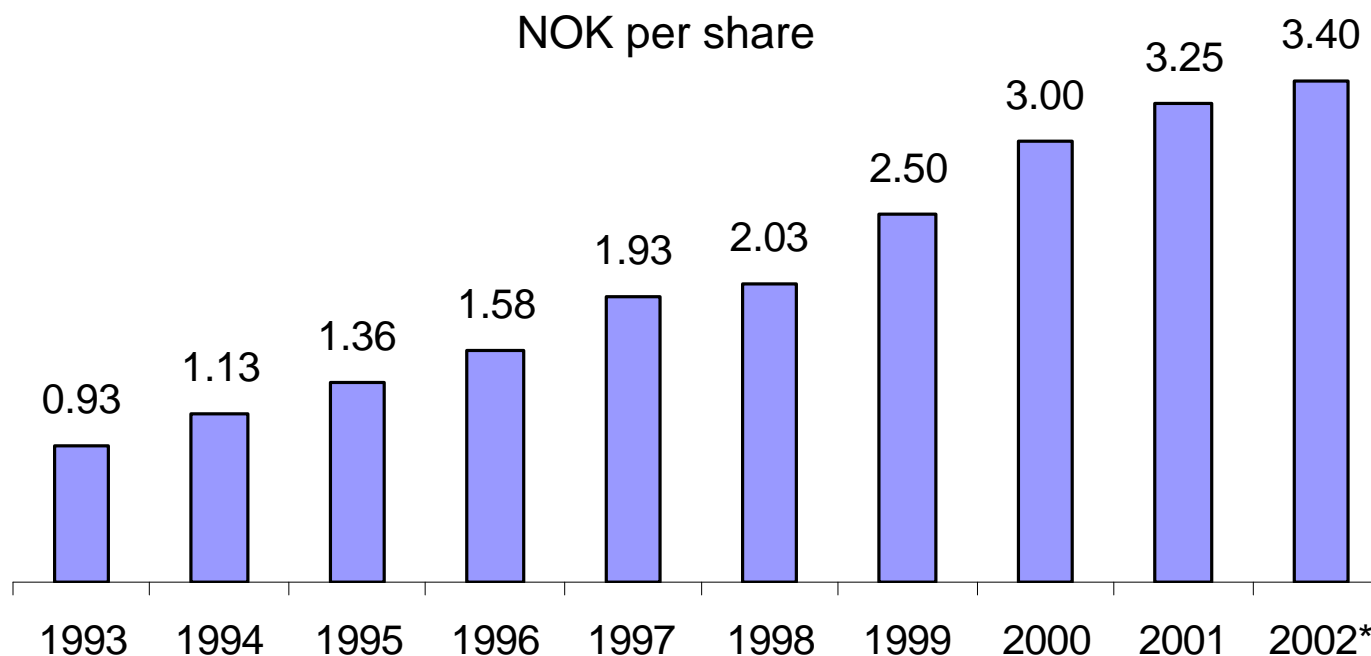


Summing up performance

- ◆ The Orkla share has performed better than relevant indices, both in the short and long term
- ◆ Industrial development is on average satisfactory, but has potential for improvements
- ◆ Orkla has a strong platform for further growth and value creation
 - Most products hold leading market positions
 - Orkla has the expertise to exploit and improve these positions



Orkla's dividend policy



- ◆ Shareholders should have a stable, steady increase in dividends, provided that the underlying development of the business is satisfactory



Share buy-backs: Bottom-fishing strategy

	1999	2000	2001	2002
Shares bought	2 672 300	508 600	750 000	2 631 200
Average price paid	117.99	128.00	136.39	137.45
Buy-back portion	1.3 %	0.2 %	0.4 %	1.2 %
Number of transactions	6	1	2	12
Shares cancelled				1.3 %



Orkla complies with principles of good corporate governance

- ◆ One share = one vote
- ◆ Independent election committees recommend candidates for both the Board of Directors and the Corporate Assembly
- ◆ No Orkla executives are members of the Board of Directors / All Board members are independent
- ◆ Orkla's auditor has few other assignments for the company
- ◆ Long-term bonus systems are determined by the Board and charged as payroll expenses
 - Bonus bank (EVA-related)
 - Bonus options 3-6 years
- ◆ High visibility accounting (well above average disclosure)
 - Few and disclosed off-balance sheet items



Orkla's vision

Orkla aims to create superior value
to the benefit of our shareholders,
employees and the societies in which
we operate

We will operate better and grow
faster than our competitors

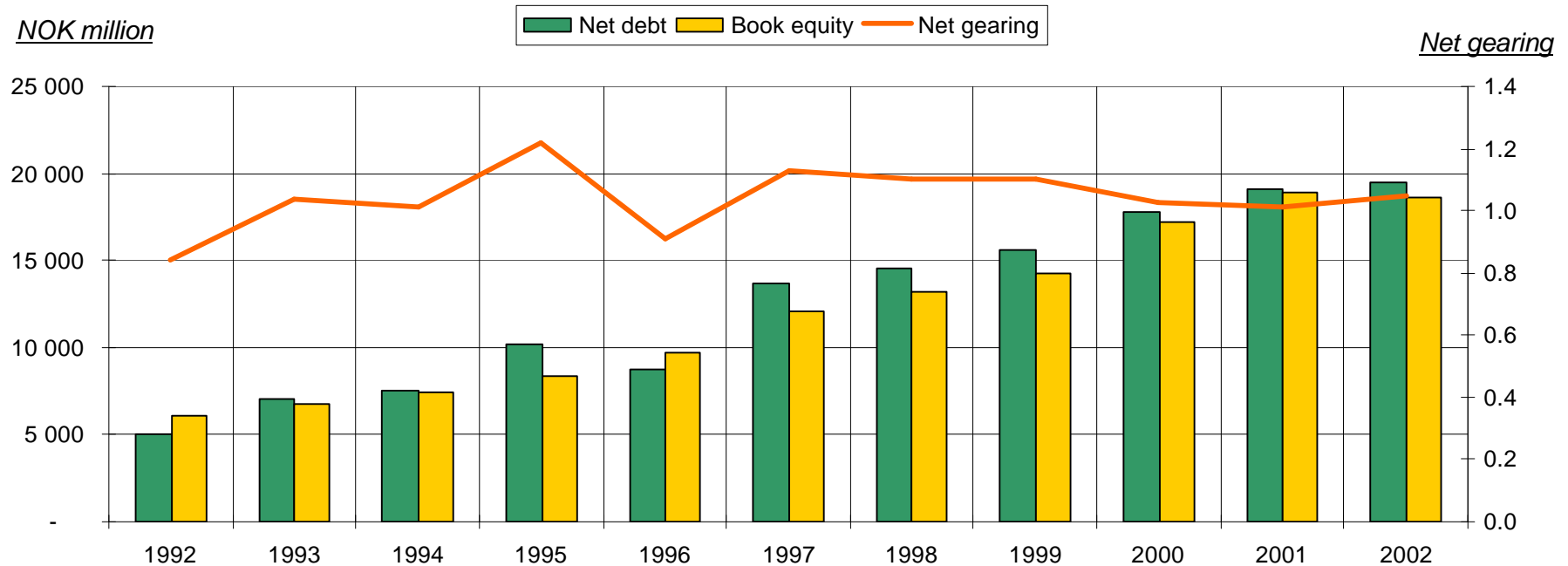


Orkla's operational goal

- ◆ The Orkla share is to yield an annual return that is 25% higher than that of the Oslo Stock Exchange on a rolling five-year basis
 - e.g. OSEBX = 10% p.a. ? Orkla = 12.5% p.a.
- ◆ Industrial activities: Growth and continuous improvements are to add economic value each year
 - Return on existing and new activities above WACC – target 14-15%
- ◆ The portfolio is to yield an annual return that is 2 percentage points higher than the Oslo Stock Exchange Benchmark Index on a rolling three-year basis



Orkla has financial capacity for future growth



- ◆ Sound capital structure
 - Strong cash flow from operations: NOK 6.1 billion in 2002



Strategic Direction: Industrial growth

Priorities

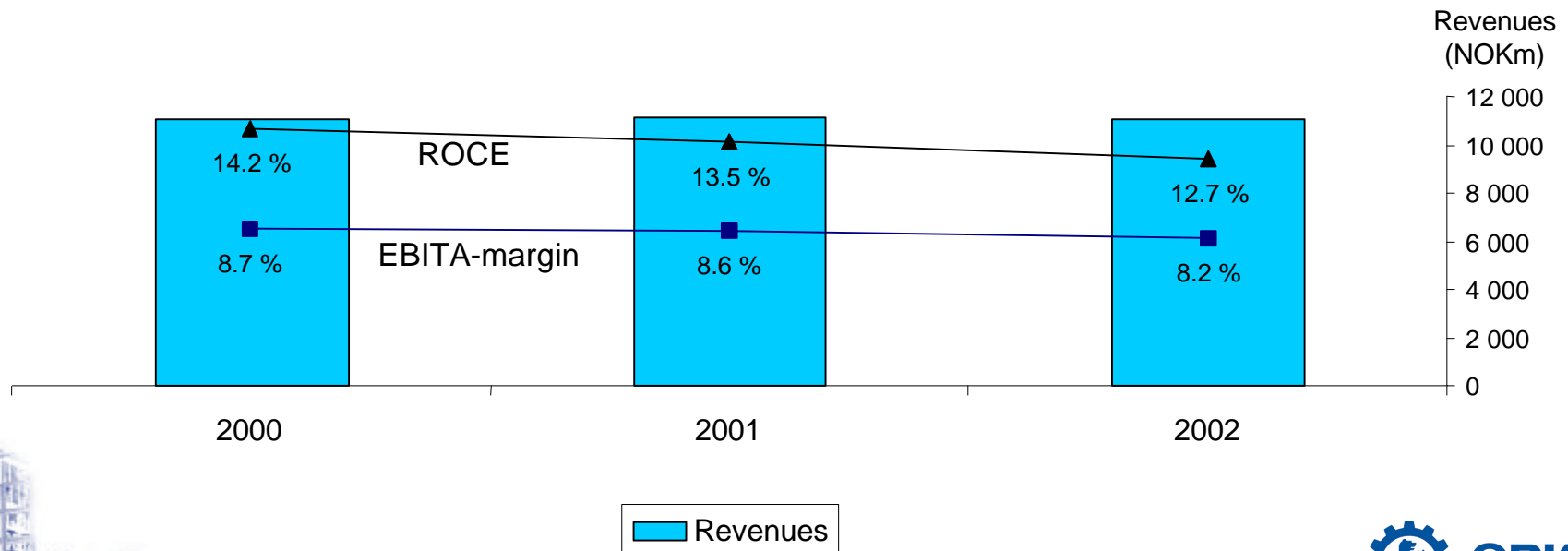
- ◆ Branded Consumer Goods highest priority
 - Focus on growth and internationalisation
- ◆ Continued specialisation and concentration for Chemicals
 - Longer term: Open to value-creating structural solutions
- ◆ Limited allocation of new capital to the financial portfolio



Orkla Foods: Nordic satisfactory, CEE in build-up phase



- ◆ Nordic FMCG: Strong brands and market positions
 - Satisfactory profitability, ROCE approximately 15% in 2002 (for Nordic FMCG)
 - Ambitions for growth and improved profitability
- ◆ Orkla Food Ingredients: Nordic market leader



Direction of development



Nordic region

- ◆ Consolidate and rationalise
- ◆ Innovation and organic growth
- ◆ Growth through acquisitions

Central and Eastern Europe

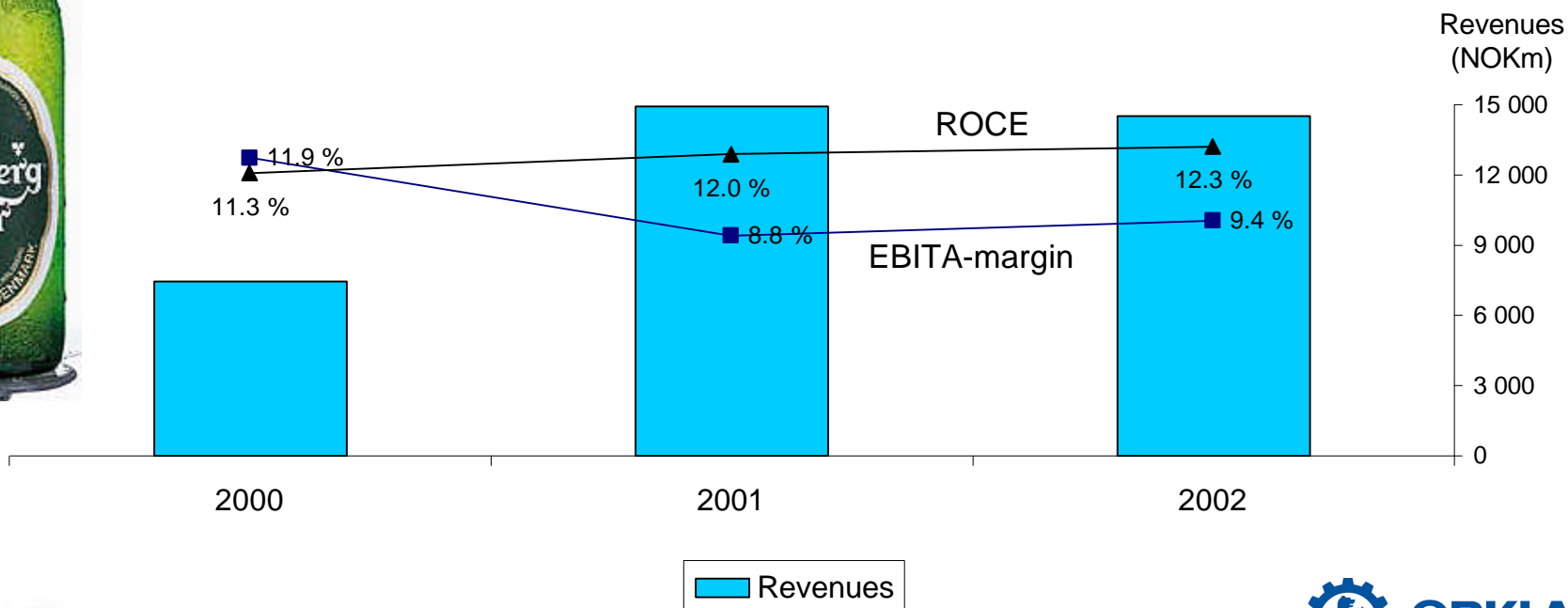
- ◆ Establish a solid and profitable platform
- ◆ Consolidate present position
- ◆ Further acquisitions
- ◆ Will take time



Orkla Beverages: From PR to CB - strong value creation



- ◆ A strong international brand
- ◆ Numerous strong local positions and brands
- ◆ Sound progress in 2002 (EBITA +21% in DKK)



Direction of development



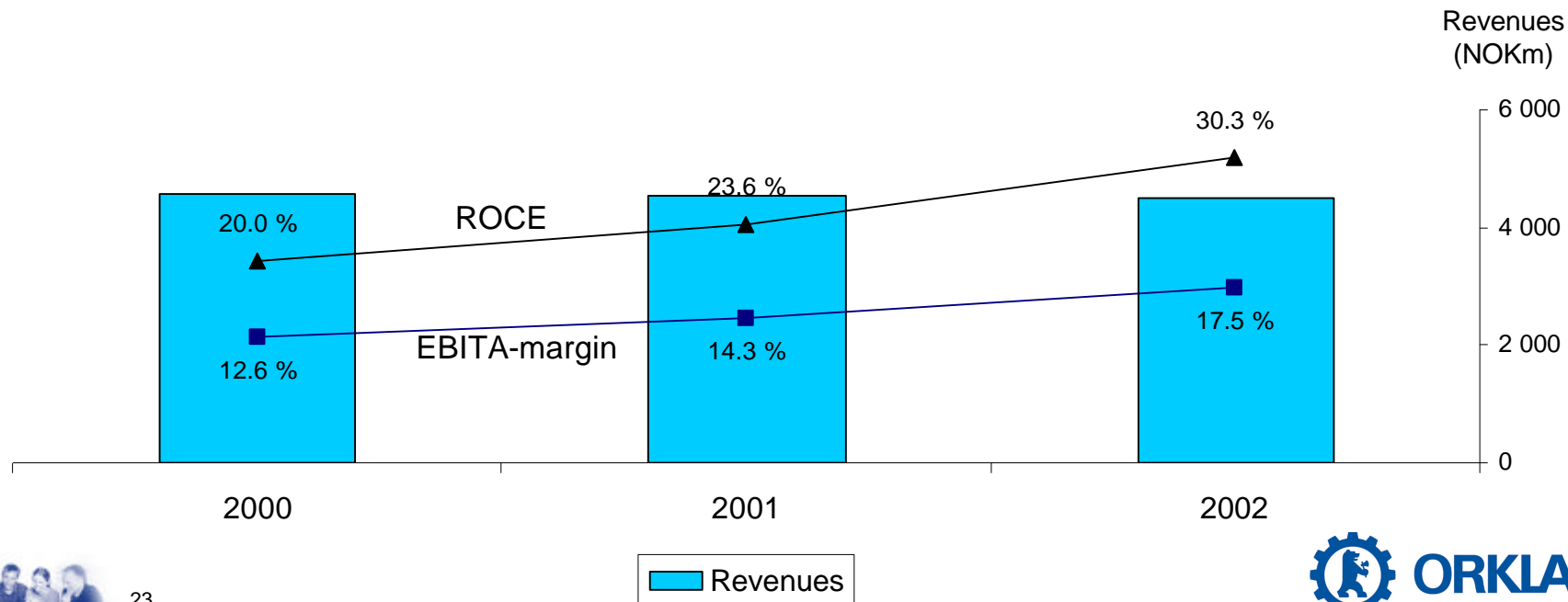
- ◆ Further develop “Carlsberg” as a global premium brand
 - Target: Annual growth of 8% (6% in 2002)
- ◆ Rationalise and consolidate weaker positions
- ◆ Continued growth at BBH, and growth/acquisitions in CEE
- ◆ Participate in industry consolidation, but only if value-creating



Orkla Brands: Excellent profitability, strong cash flow



- ◆ Strong brands and positions
- ◆ Successful innovation ability



Direction of development: More of the same



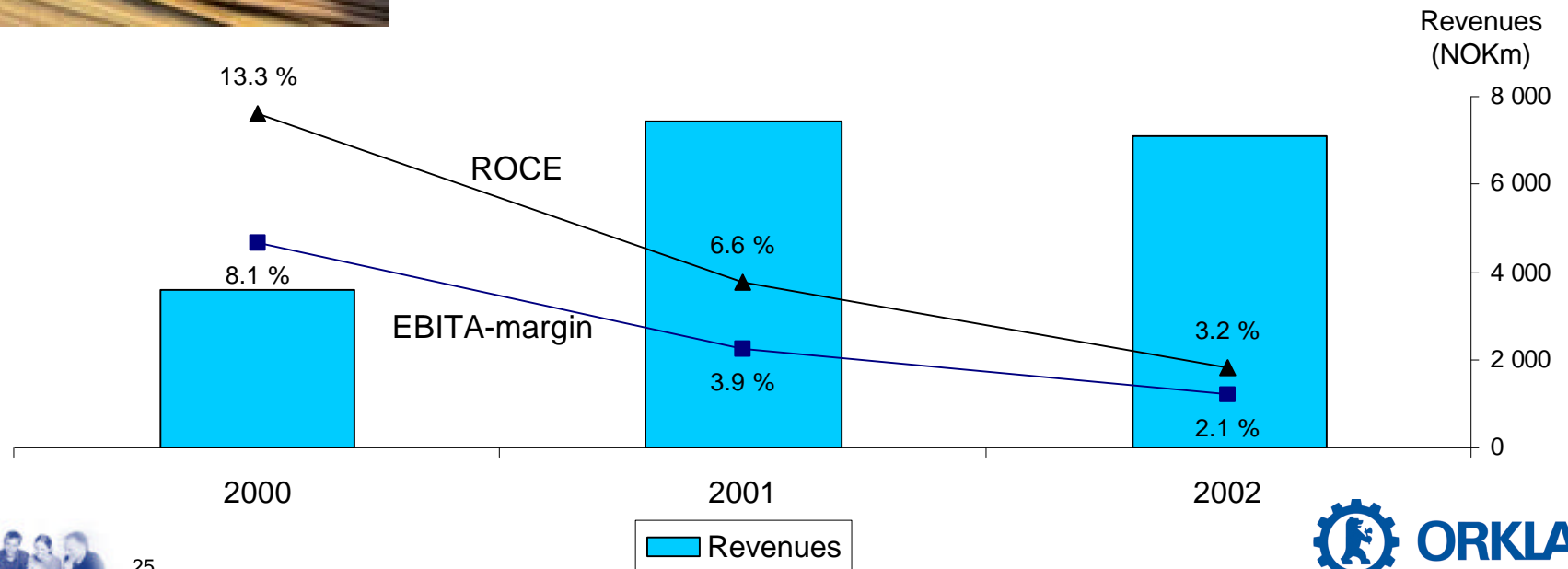
- ◆ Maintain profitability and organic growth through innovation
- ◆ Further develop Nordic platforms



Orkla Media: Challenging environment



- ◆ Strong market positions in Norway, Denmark and Poland
- ◆ Weak profitability in Denmark and Poland
 - Drop in advertising markets
 - Urban vs. Metro
- ◆ ROCE 3.2% in 2002 (for Media in total)



Direction of development: Turnaround



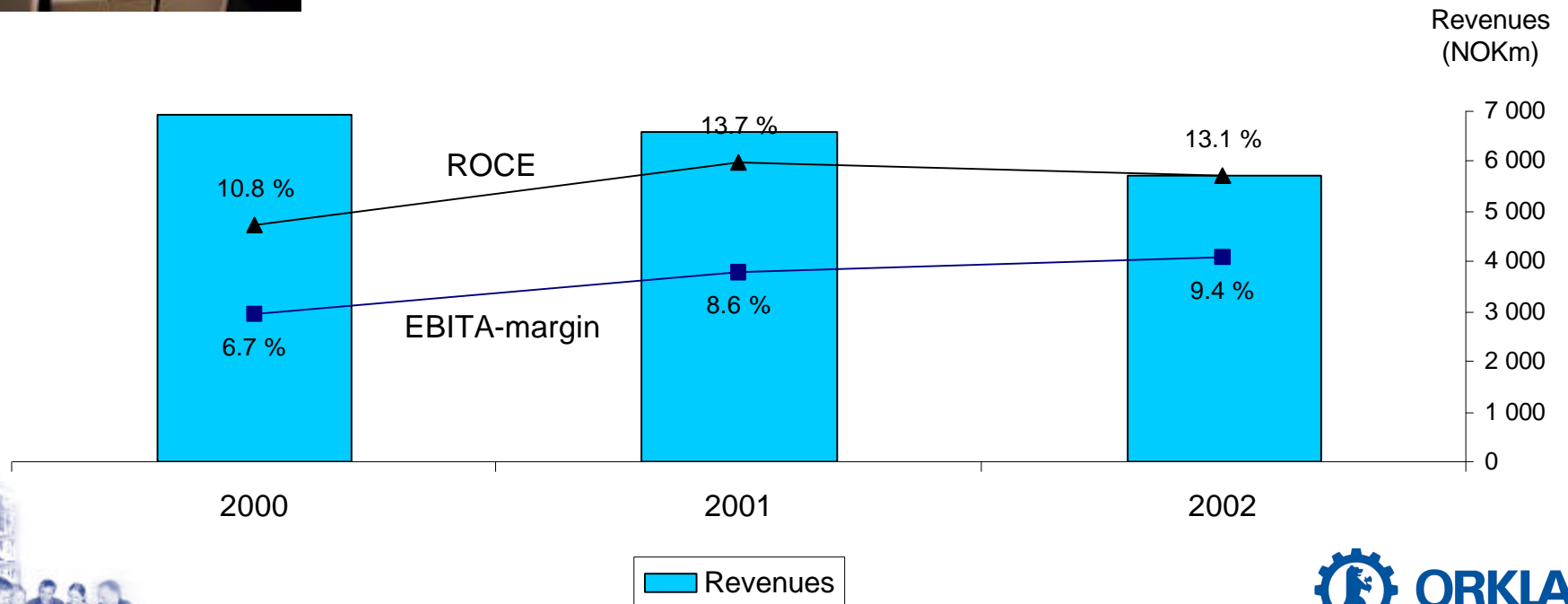
- ◆ Major task in coming years: Improve existing operations
 - Continued cost-cutting and consolidation
 - Co-operation with others when profitable
- ◆ Target Berlingske: EBITA = DKK 200-250 million in 2005/2006
- ◆ Product development



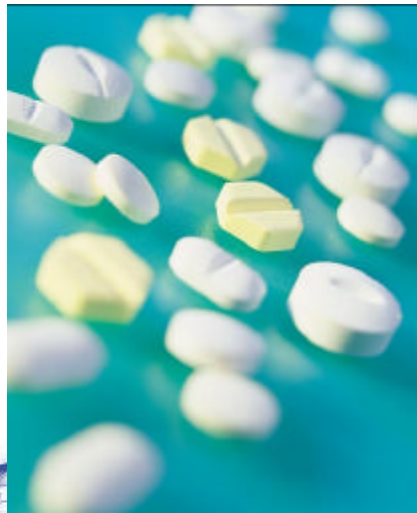
Chemicals: Specialisation and improved profitability



- ◆ Leading global positions in specialised wood-based chemical products
- ◆ Positions of varying quality in fine chemicals
- ◆ Divesting non-core activities



Direction of development: Dual track



- ◆ Continued concentration on differentiated positions that can be further developed and specialised
 - Grow within wood-based chemicals
- ◆ Divest positions where we are not - or cannot become - market leaders and achieve satisfactory returns
 - Examples so far:
 - Power utilities
 - Ethanol-based products
 - Steel drums
 - Polymers
 - Paper pulp



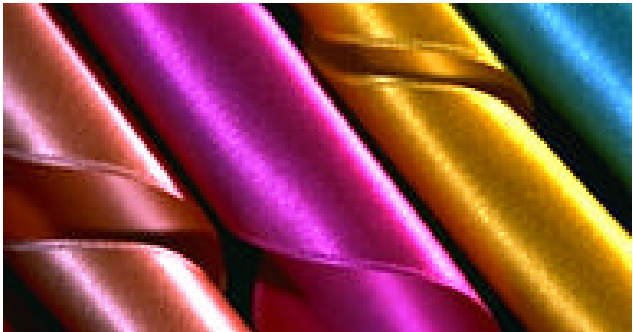
Lignin

Borregaard LignoTech



Speciality cellulose

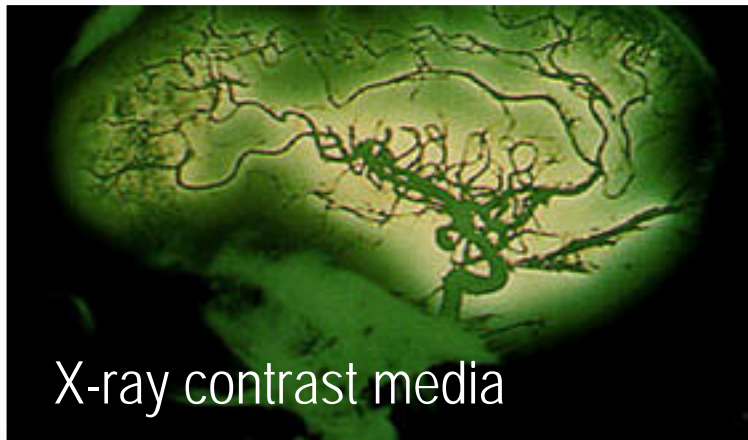
Borregaard ChemCell



- Pharmaceutical ingredients
- Food ingredients
- Cosmetics
- Construction materials
- High performance polymers

Fine chemicals

Borregaard Synthesis



Financial Investments: Better than benchmarks



- ◆ Portfolio market value approx. NOK 12 billion
 - Plus real estate and forestry assets NOK 1.5 billion
- ◆ Long-term superior returns compared with indices
- ◆ Synergies with Industry area
- ◆ Own research with focus on identifying value-creating companies rather than valuation only



Financial Investments: Direction of development



- ◆ Limited allocation of new capital to the portfolio
- ◆ Unbalanced portfolio
- ◆ Long-term perspective
- ◆ Nordic focus
- ◆ Increased degree of concentration
- ◆ Adds financial flexibility and strength



Orkla in 3-5 years

- ◆ A larger and more profitable company
- ◆ More concentrated on branded consumer goods
- ◆ Relatively smaller investment portfolio



Agenda

Performance and
strategic direction

Strong organisations

Operational excellence

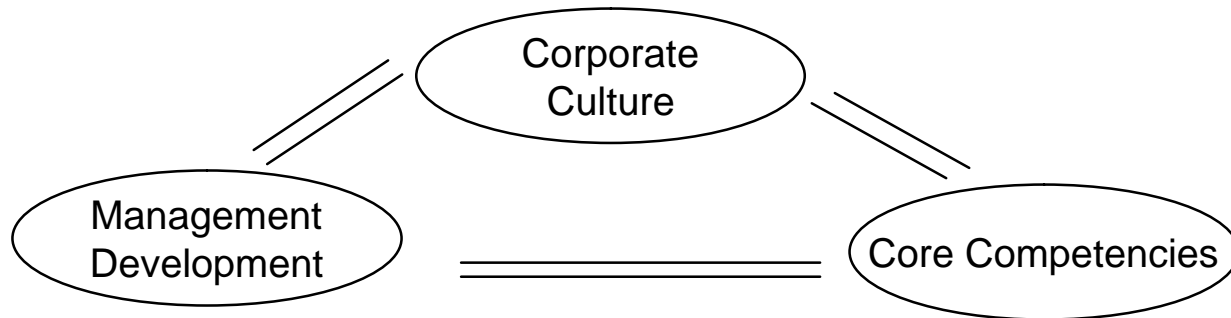
Growth

Building competitive advantage through

- ◆ Commercial culture
- ◆ Core competencies
- ◆ Management development



Creating competitive advantage by building a strong organisation



QUALITY OF OPERATIONS	
• Brand building	
• Innovation	
• Customer relations	
• Productivity	$\frac{\text{Output}}{\text{Input}}$ 

STRUCTURAL GROWTH	
• 1986	Borregaard
• 1991	Nora
• 1995	Procordia/Abba
• 1997	Pripps Ringnes 100%
• 2000	Carlsberg Breweries 40% Berlingske



Strong programmes for corporate culture and competence development

The Competence Board

- CEO (Chairman)
- Other members of the Executive Board
- Managing Directors of the Business Units
- Director of Human Resources

Function

Corporate culture

Management

Marketing

Sales

Logistics/Production

Procurement



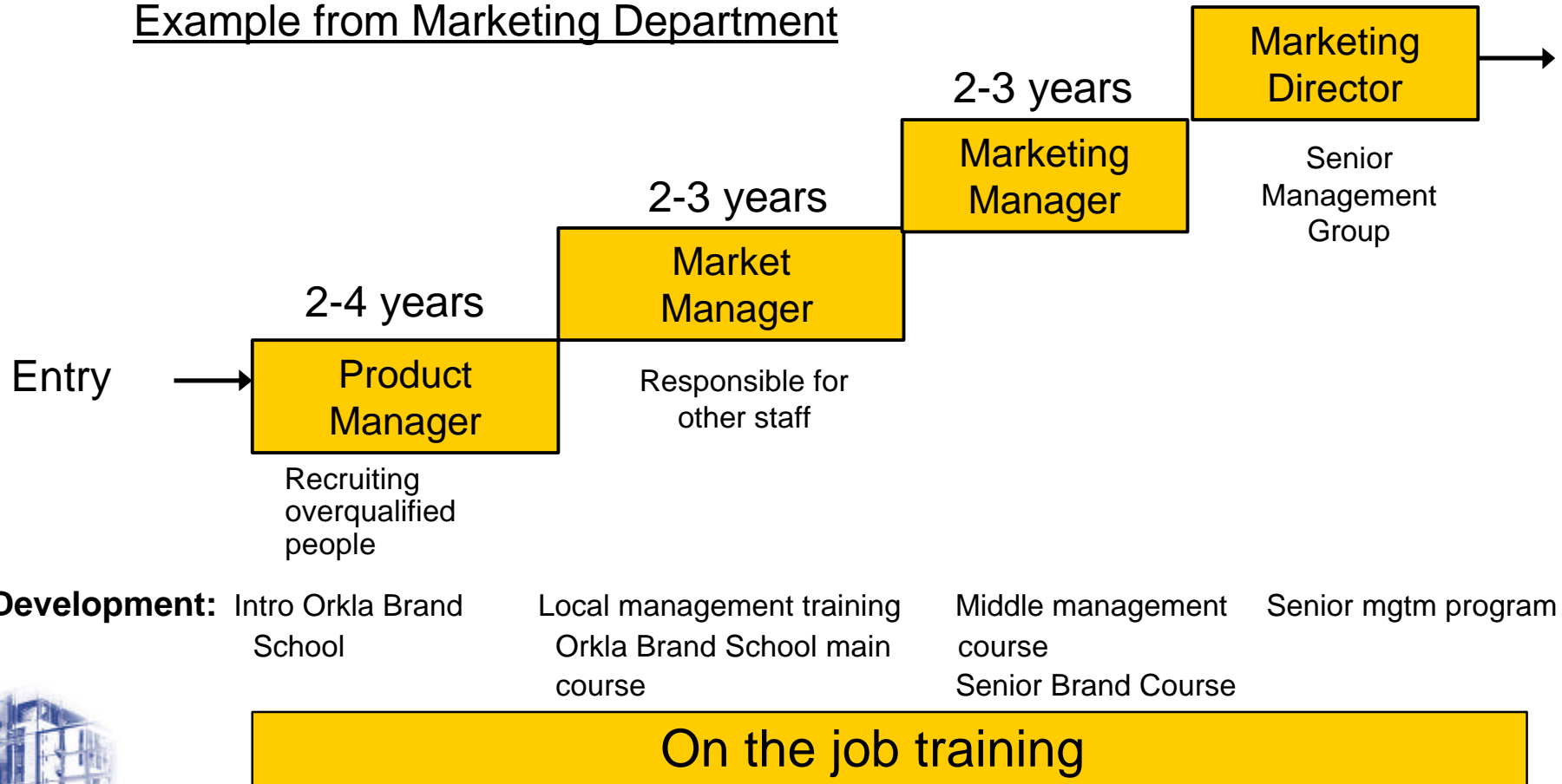
The purpose of Orkla's culture is to create competitive edge through attitudes

"In"	"Out"
Long-term view	Ad-hoc strategies
Improvement-oriented	Status quo-tyranny
Facts-based management	Glossing over – belief in myths
Business-oriented	Civil-servant culture
Normative competence	Unsystematic learning



Creating competitive advantage by systematically developing core competences

Example from Marketing Department



Agenda

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Growth

- ◆ Top-line growth
- ◆ Cost improvements



Differentiated products are fundamental to growth in revenues and profitability

- Innovation:**
- ◆ Long-term platform for further innovation
 - Establishing preferences and loyalty
 - Increasing willingness to pay premium price

- Brand building:**
- ◆ Long-term pruning of brands and excellent advertising

Goal: Leading market positions

Orkla will exit categories in which differentiation is difficult



Orkla Foods and Brands - more than 80% of turnover from no 1 positions

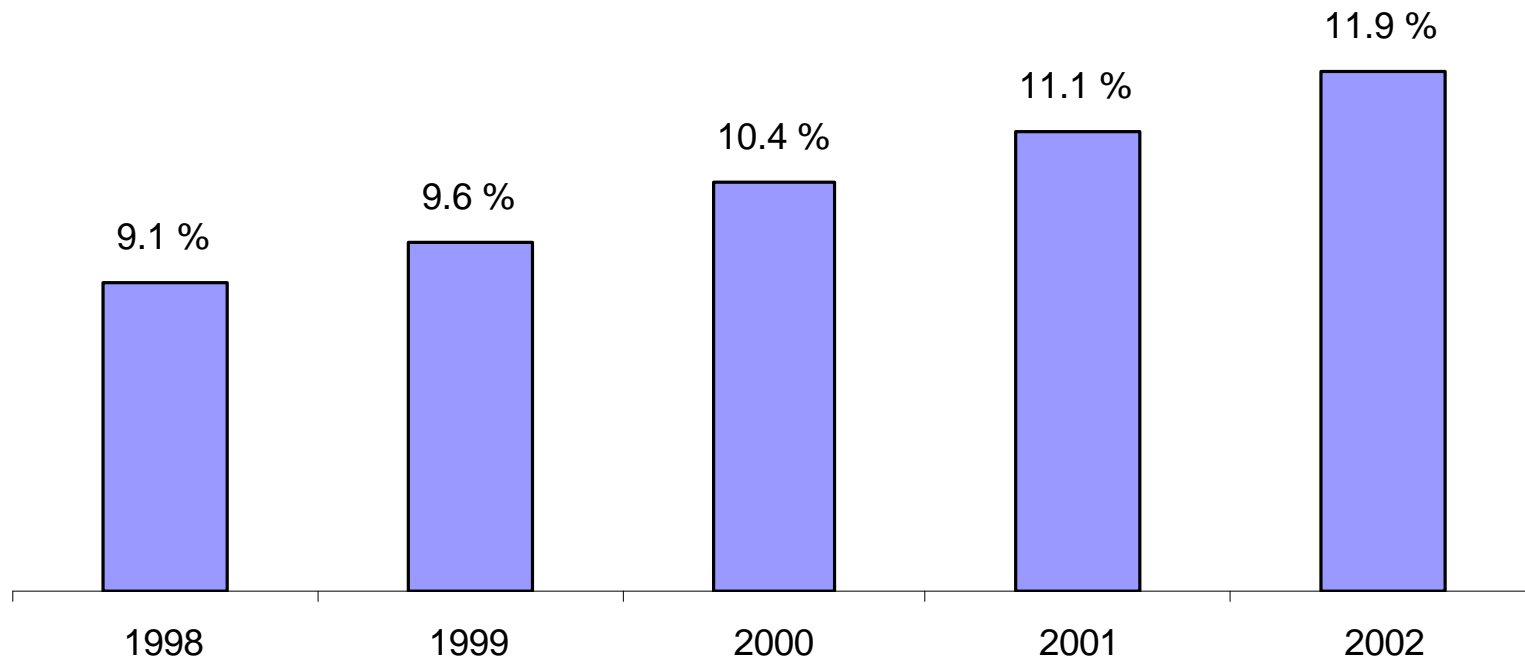
Positions - examples

	<u>N</u>	<u>S</u>	<u>DK</u>	<u>FIN</u>
▪ Frozen pizza	1	1	-	1
▪ Ketchup	1	1	1	1
▪ Dressings	1	1	-	2
▪ Pickled vegetables	1	1	1	1
▪ Jam/Marmalade	1	1	1	-
▪ Kaviar (fish roe spread)	3	1	1	1
▪ Marzipan	1	1	1	1
▪ Detergents	1	-	-	-
▪ Personal Care	1	-	-	-
▪ Biscuits	1	1	-	3
▪ Confectionery	1	-	-	-
▪ Cod Liver Oil	1	-	3	1
▪ Household Textiles	1	1	-	3
▪ Snacks (40%)	2	1	1	-

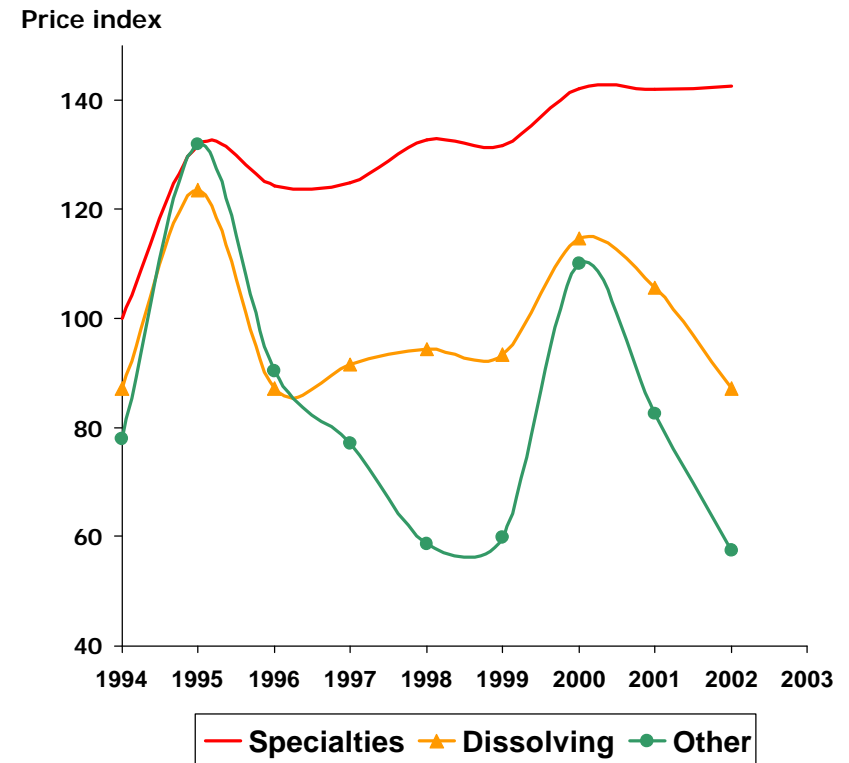
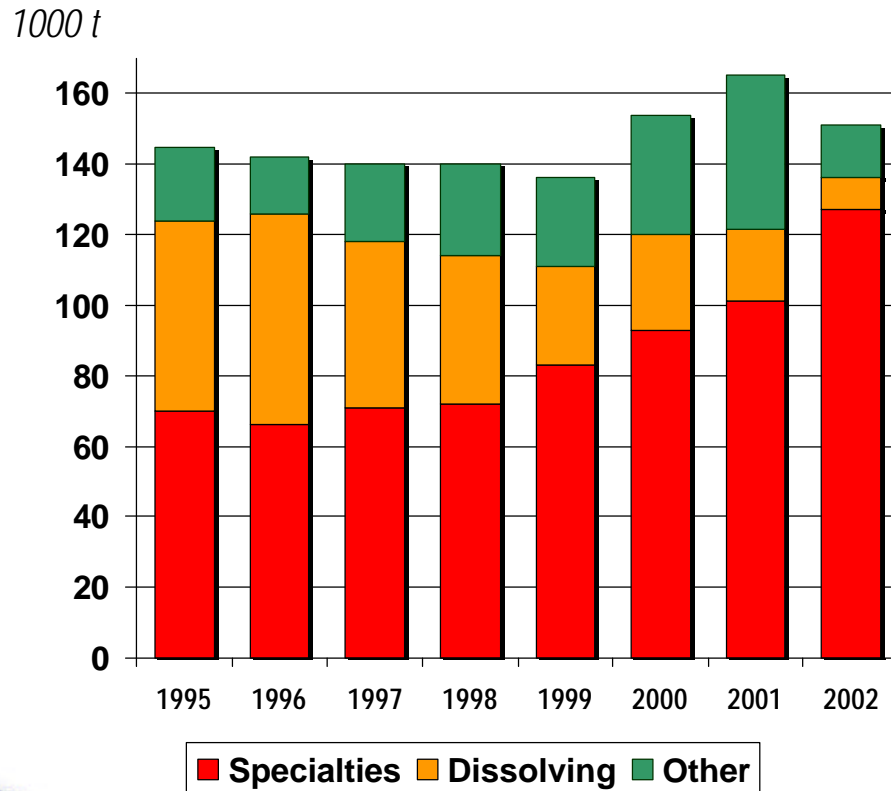


Example: Nordic Foods and Brands – differentiated products are important for improving operating margin

EBITA-margin for Nordic Foods and Brands



Example: ChemCell – improved prices and profitability through specialisation



Examples of product categories Orkla has exited due to lack of differentiation opportunities

- ◆ Frozen vegetables
- ◆ Chilled meat
- ◆ Flour
- ◆ Ethanol based products
- ◆ Paper pulp
- ◆ Polymers



Innovation – Orkla’s key competitive strength in Branded Consumer Goods

DEFINE
YOUR HAIR-YOUR WAY



Strong brands create a platform for continued development of "new" products

Starting point

2001

2002

2002



Original product



Small portion



New flavour:
"Mild Taco"



Line extension:
Pizzas as toasts

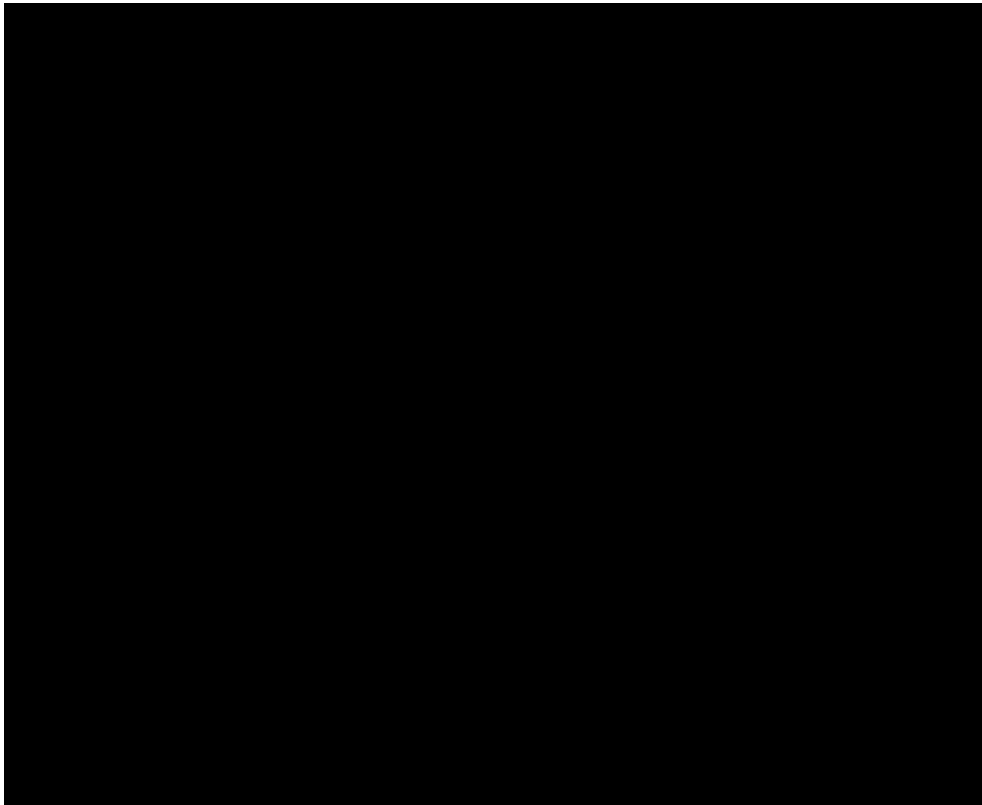


Good advertising is critical to the success of innovations

- ◆ Focuses on the brand
- ◆ Concentrates on the brand's principal advantages; functional as well as emotional
- ◆ Captures viewers' attention
- ◆ Has a simple message (understandable on first viewing)
- ◆ Triggers a purchase - creates a desire to try the product
- ◆ Is remembered - including which brand was being advertised









Orkla's platform for further profitable top-line growth

- ◆ Leading in local consumer understanding
- ◆ Significant base of no. 1 positions
- ◆ Substantial expertise in innovation and advertising
- ◆ Well developed normative tools that have proved their effectiveness
- ◆ Extensive use of resources for income-generating measures



Orkla's tool for continuous improvement of production efficiency: E100

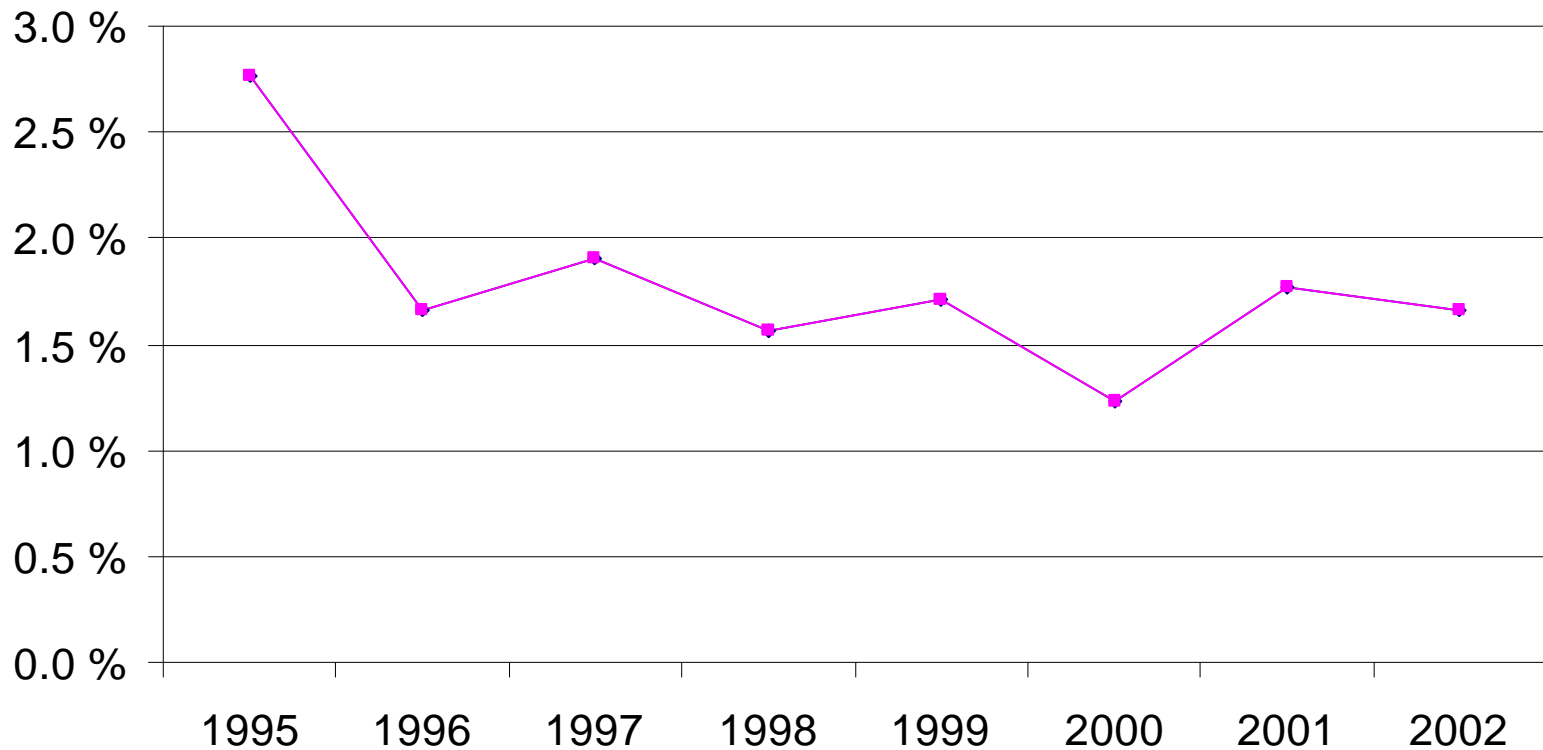
- ◆ The E100 improvement programme initiated at Stabburet in 1994
- ◆ Further developed into a world class tool
- ◆ Counteracts inflation pressure on existing products - creates a stable platform for growth through innovation

Recognised as best practice within Orkla - now to be rolled out in rest of Group, starting with Orkla Foods



Example Stabburet: Annual improvement in cost efficiency

% of COGS



Orkla's tool for step change improvement: Redesign

The goal is to upgrade cost efficiency of underperforming areas

- ◆ Produces lasting improvement
 - Eliminates activities that do not create value
 - Simplifies the organisation
 - Introduces new working methods and specific targets
- ◆ Coherent improvement programme, example Chemicals in Sarpsborg, Norway
 - Workforce reduction: 205 man-years
 - Cost savings: NOK 200 million
 - To be continued in connection with the integration of Atisholz

Similar programmes are currently being carried out in other parts of the Group (Biscuits Sweden, Procordia Food, Abba Seafood)



Special improvement programmes are necessary after acquisitions or significant market changes: Berlingske

External changes:

- ◆ 28% drop in advertising market since 2000
- ◆ Competition from free newspaper Metro Xpress

Actions:

- ◆ New organisational structure
- ◆ Editorial redirection of newspapers
- ◆ New printing plant structure and conversion of main printing plant
- ◆ Standardisation/centralisation of service functions
- ◆ Launch of Urban to counter Metro

Status at 31.12.02

- ◆ Workforce cuts: 529 man-years or 17% since 2000



Examples of cost reduction programmes from 2000

Unit and time period	Measure	Man-years reduced	Man-years reduced in % of total
Chemicals Norway 00-02	Improving productivity	205	16%
Media Poland 00-02	Improving productivity and distribution	278	15%
Media Norway 00-02	Improving productivity and distribution	110	7%
Kotlin Poland 00-02	Improving productivity and distribution	198	50%
Biscuits 01-02	Moving production from Norway from Sweden and improving productivity	163	25%
Berlingske 01-02	Several efficiency improvement measures	529	17%
CB Sweden 02	Realise merger effects	283	12%
CB Switzerland 02	Improving productivity and distribution	302	12%
Superfish Poland 02	Lay-offs and closing down plants	500	30%



Summary: Programmes to improve cost effectiveness

Orkla has established two world class efficiency improvement tools that are being introduced throughout the Group

- ◆ E-100 Continuous efficiency improvement
- ◆ Redesign Step change efficiency improvement

Furthermore, projects are tailored to meet specific needs

- ◆ Post-acquisition integration: Atisholz
- ◆ Changes in operating parameters: Berlingske



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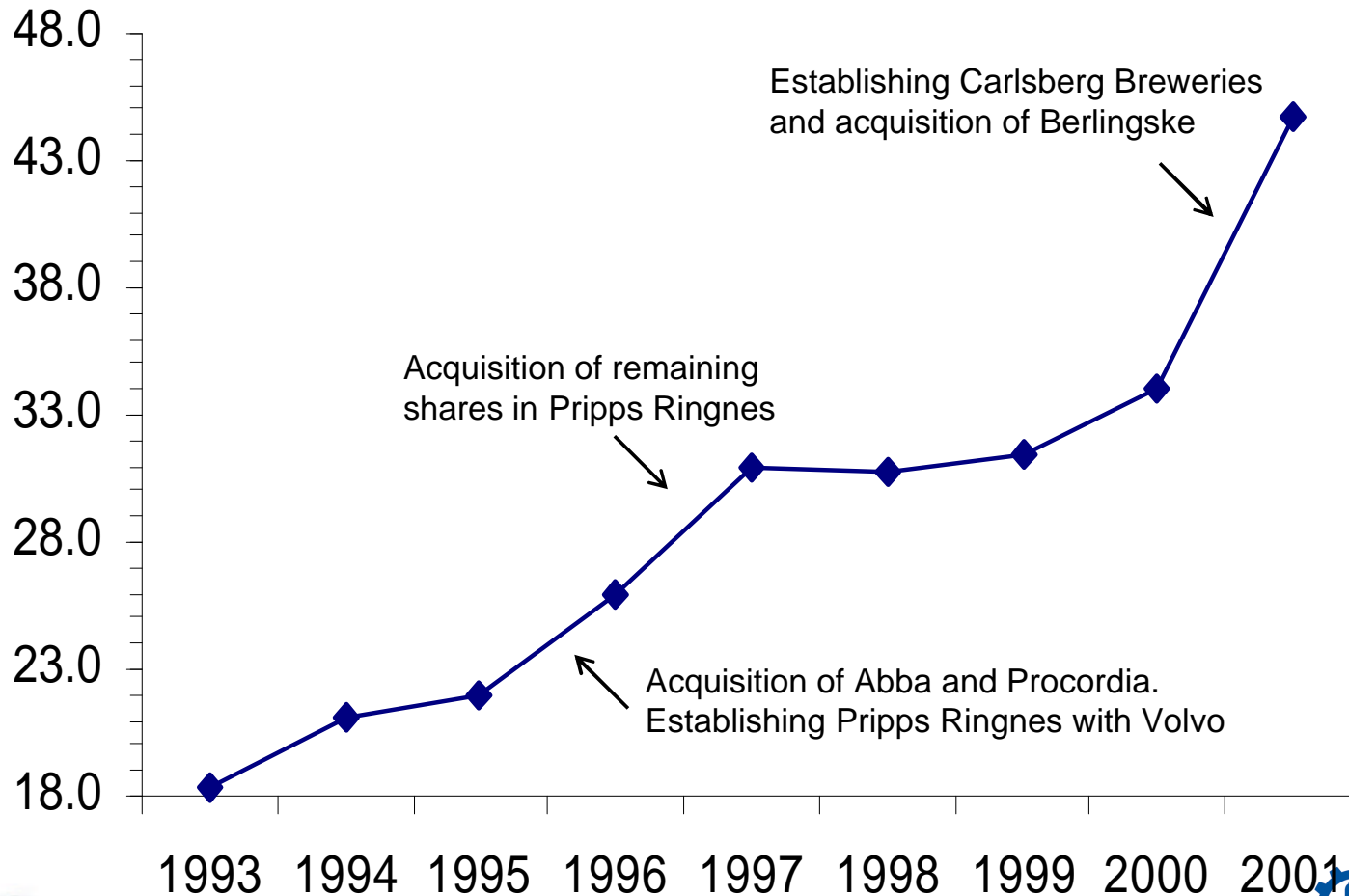
Growth

- ◆ Frontier of opportunities
- ◆ The Nordic region as home market
- ◆ Building a platform for growth in Eastern Europe



Structural development: Important contributor to profitable growth

Revenues
(NOK billion)



Broad competence and business base create many opportunities

Expertise

Differentiated products

- No. 1 or 2

Geography



Expertise

Differentiated products

- No. 1 or 2

Geography



Example: Ringnes

1992



- ◆ National brewery in Norway
- ◆ Cartel background
- ◆ No international strength (brand, expertise, etc)
- ◆ Operating profit NOK 219 m (8%)

2002



- ◆ World's 5-6th largest brewery group
- ◆ Strong international brand
- ◆ Good growth potential

Value
(NOK billion)

2,5 - 3

Net investment 2,5

~ 14-15



Orkla's willingness to enter into joint ventures broadens the frontier of opportunities

- ◆ In principle, we wish to own 100% of companies
- ◆ We can accept JVs where this creates values that would not otherwise be realisable
- ◆ JV are primarily financed with own funds, and shareholder agreements ensure that cash is not locked in

But,

- ◆ We will protect our cash flow and our reputation as an industrial company
- ◆ Limited possibilities of creating large JVs which include entire business areas that are currently part of the Orkla Group



Acquisition criteria designed to create value

- ◆ Expected return above pre-tax WACC 10.5%
- ◆ Within prioritised geography/product areas
- ◆ Differentiated products with potential for market leadership
- ◆ Strong local management
- ◆ Clear development plan / list of specific value-adding actions in areas where Orkla has credible execution capacity in the local market



Orkla: Long-term value creation through

Operational excellence

High-quality of organisation

- Attitudes: Commercial culture
- Skills: Core competencies
- Management: Talent and training

Organic top-line and margin growth

- Differentiated products
- Innovation

Continuous improvements

- Cost-cutting
- Quality enhancement

Acquisitive growth

Based on core competencies

- Branded consumer goods
- Specialised wood-based chemicals products

Exploiting frontier of opportunities

- Commercial opportunism
- Gives growth advantages

Exploiting two-legged structure

- Positioning opportunities
- Flexible reserve of capital





ORKLA

