# Ekstraordinær generalforsamling

3. november 2011

# Strategic direction

**Bjørn M. Wiggen**
President and CEO Orkla ASA

# Agenda

- Key messages from Orkla Investor Day
- Proposed dividend by the Board of Directors

# Orkla Investor Day
# - Key strategic messages

- Growth by allocating capital within branded goods
- Orkla will divest its Share Portfolio
- Sapa – focusing on value enhancement through operational improvements
- A special dividend of NOK 5 per share is proposed by the Board of Directors

# Branded goods share of revenues significantly decreased since 2004

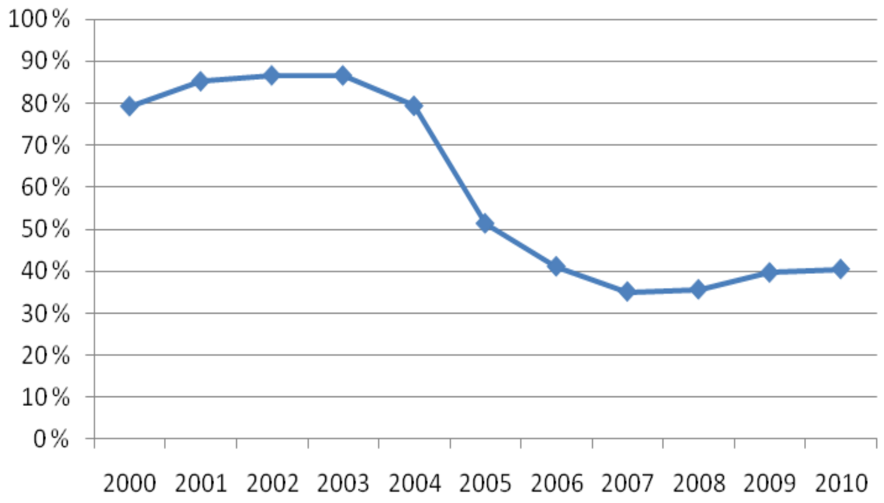
## 1986-2003: A strong branded goods-oriented profile

- Orkla/Borregaard merger
- Orkla/Nora merger
- Procordia acquisitions
- Orkla Breweries
- Orkla Media

## 2004-2010: Less focus on branded goods

- Sale of stake in Carlsberg Breweries
- Sale of Orkla Media
- Acquisitions of Elkem, REC and Sapa

SHARE OF ORKLA REVENUES FROM BRANDED GOODS



# Non-core assets divested in last 12 months

- Successful divestment of Elkem Silicon-related
  NOK 13 billion
- Net divestments in the Share portfolio
  NOK 4 billion
- Sale of Borregaard forests at favourable valuation
  NOK 1.7 billion

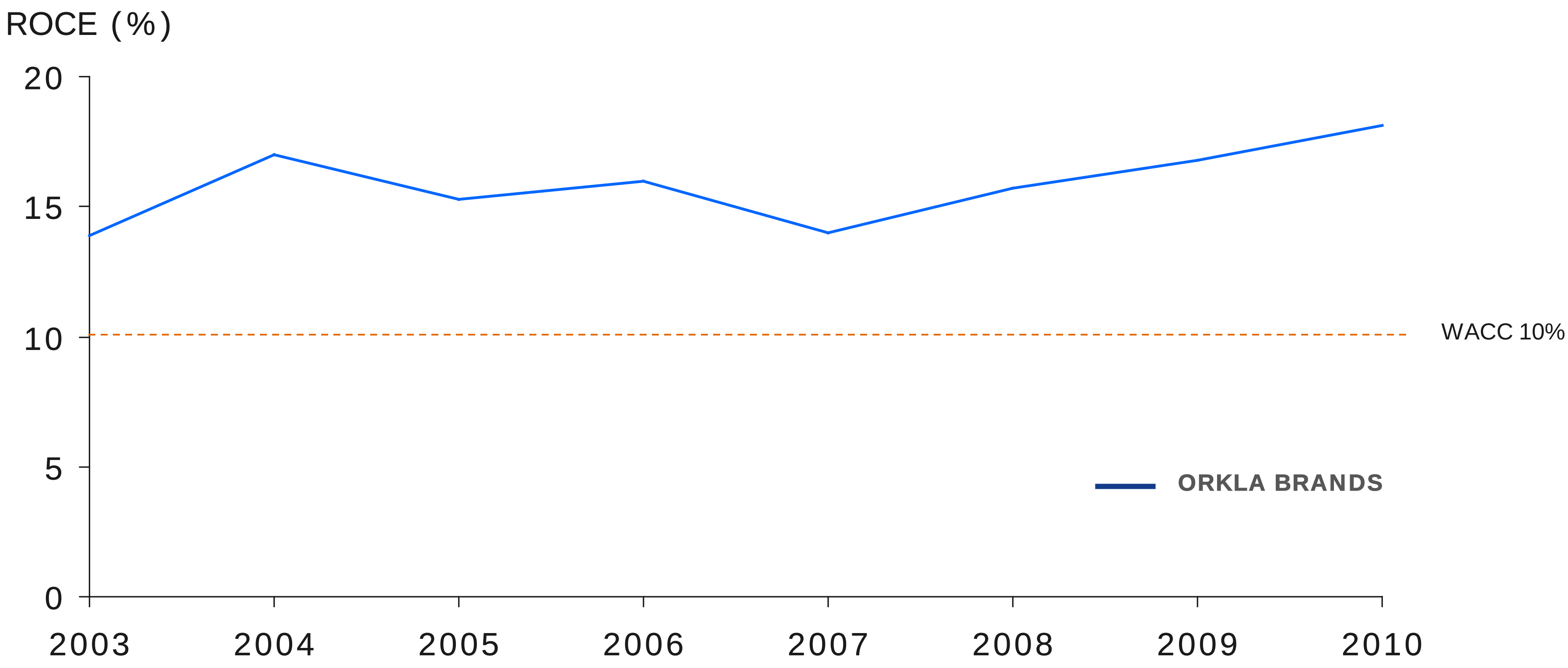


*Developing people –creating value*
ORKLA


## STRATEGIC DIRECTION

# GROWTH BY ALLOCATING CAPITAL WITHIN BRANDED GOODS

# Orkla's track record within Branded Goods



# Growth and capital allocation based on our core expertise within branded goods

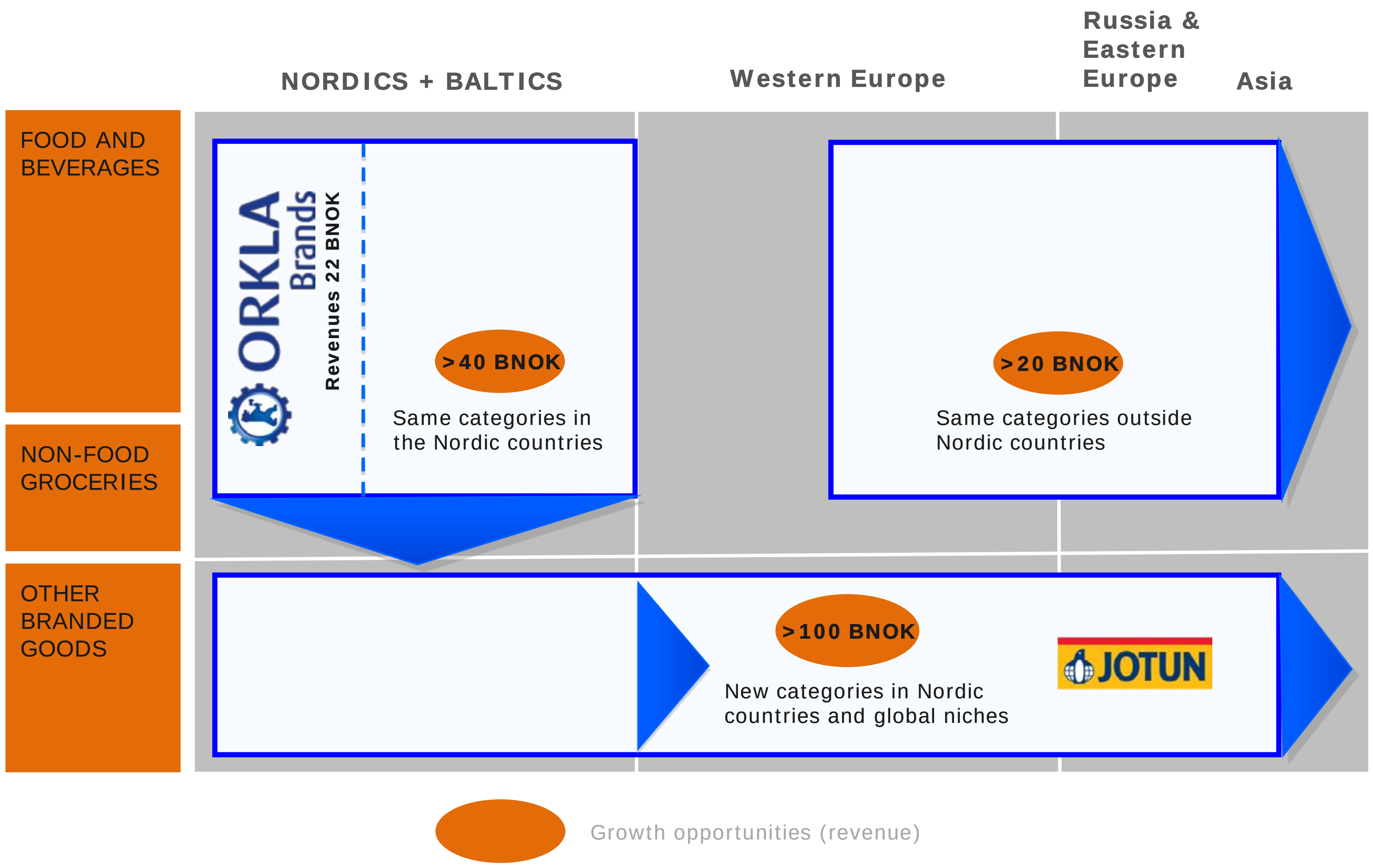
## Brand building

- Customer insight
- Brand development
- Sales management


## M&A skills and expertise

- Deal orientation
- Deal structure
- Post deal integration

# Clear growth opportunities in branded goods



# Assets outside our future growth scope

ORKLA Share Portfolio

REC

Borregaard

sapa:

# Orkla Share Portfolio

- Share Portfolio will be divested
- Different exit-routes to be considered
- Market value as of 30 Sep 2011 NOK 7.4 billion

  77% Listed

Borregaard

- Advanced Biorefinery and a global niche player
- Leading market positions in biochemicals like Lignin, Specialty Cellulose and Vanillin
- Strong markets and significant operational improvement in 2011
- Internal restructuring of assets underway to facilitate a structural solution

# REC

- 39.7% share in REC defined as a financial holding to Orkla
- Value potential in a world leading producer of polysilicon
- Orkla will support REC in their work on operational improvements and structural solutions

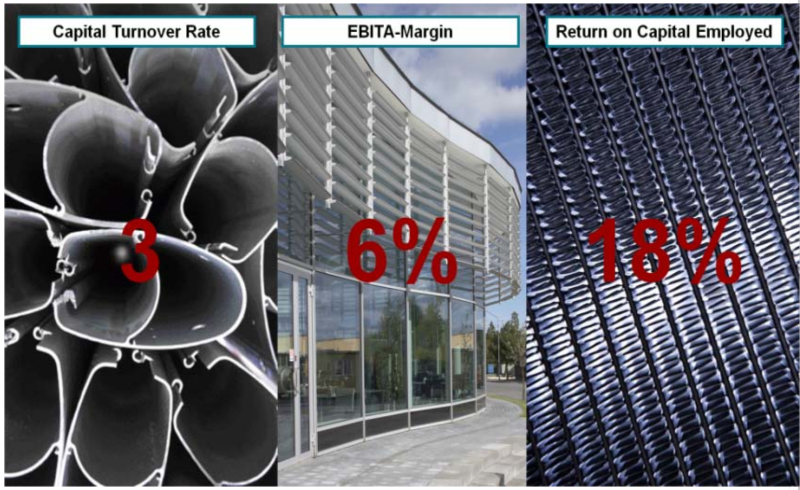
# Sapa – focusing on value enhancement through operational improvements

## Strategic priorities

- Strong focus on operational execution to reach financial targets
- Integrating our Asian operations
- Strengthening our organization

## Sapa is outside Orkla's long-term growth scope

- Limited capital allocation



# Orkla’s financial flexibility
# - proposed extraordinary dividend

# Cash flow as of 30 September 2011

| | 30.09.2011 | 30.09.2010 |
|---|---|---|
| **Industrial activitites:** | | |
| Operating profit | 2 399 | 2 555 |
| Amortisations, depreciations and write-downs | 1 582 | 1 369 |
| Changes in net working capital | -2 159 | -1 989 |
| Net replacement expenditure | - 956 | -1 014 |
| **Cash flow from operations** | **866** | **921** |
| Financial items, net | - 308 | - 398 |
| **Cash flow from Industrial activities** | **558** | **523** |
| **Cash flow from Financial Investments** | **506** | **697** |
| Taxes paid | - 523 | - 494 |
| Discontinued operations and other payments | - 501 | -1 069 |
| **Cash flow before capital transactions** | **40** | **- 343** |
| Paid dividends | -2 561 | -2 319 |
| Net purchases/sale of Orkla shares | - 171 | 22 |
| **Cash flow before expansion** | **-2 692** | **-2 640** |
| Expansion investment in Industrial activities | - 728 | - 353 |
| Sale of companies/shares of companies | 13 503 | 224 |
| Purchase of companies/share of companies | -1 038 | -2 619 |
| Net purchases/sale of portfolio investments | 2 475 | 1 178 |
| **Net cash flow** | **11 520** | **-4 210** |
| Currency effects of net interest-bearing liabilities | 72 | 75 |
| **Change in net interest-bearing liabilities** | **-11 592** | **4 135** |
| **Net interest-bearing liabilities** | **8 060** | **23 983** |

**Equity to total assets ratio:** **55.0 %**
**Net gearing:** **0.20**

# Strong financial flexibility and expansion capacity

**Current debt capacity NOK 20 – 25 billion**

- Unused credit lines NOK 13 billion
- Bilateral bank relations – no loan syndicates

**No financial covenants**

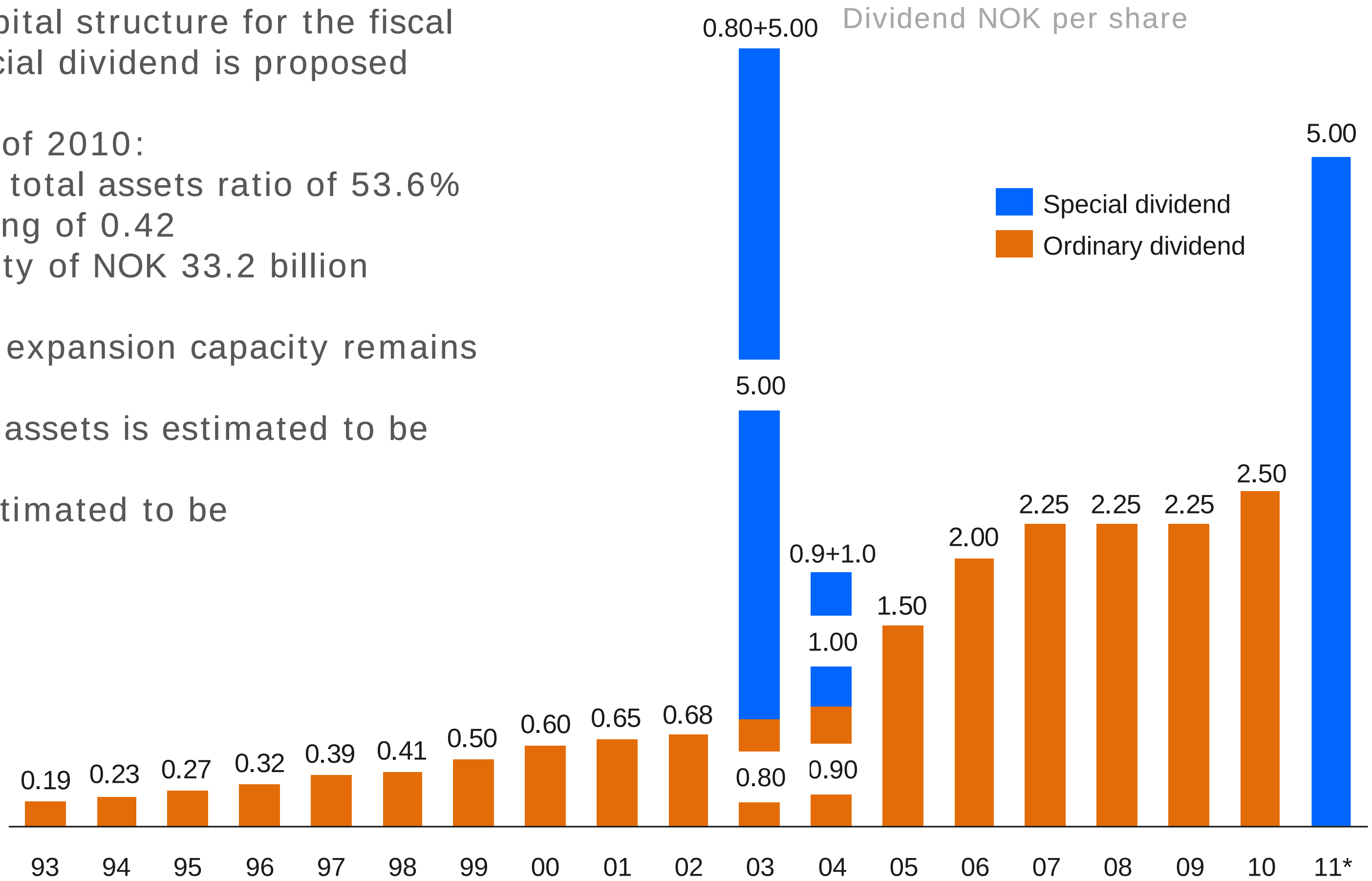
**Flexibility from re-allocation of assets**

# Return of capital to shareholders

- Dividend strategy focuses on predictability and stability with steady year-on-year dividend increase
- Share buy-backs aim at supplementing dividend
- Special dividend based on capital structure

# Orkla's Board of Directors proposes a special dividend of NOK 5 per share

- Based on Orkla's capital structure for the fiscal year of 2010, a special dividend is proposed
- Capital structure as of 2010:
  - Equity to total assets ratio of 53.6%
  - Net gearing of 0.42
  - Free equity of NOK 33.2 billion
- If approved, Orkla's expansion capacity remains strong
  - Equity to total assets is estimated to be around 51.6%
  - Net gearing estimated to be around 0.38




* Proposed special dividend

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# BEDRIFTSFORSAMLINGENS UTTALELSE

*”Orkla ASAs bedriftsforsamling har behandlet styrets forslag om utbetaling av et ekstraordinært utbytte på NOK 5 per aksje, unntatt aksjer i konsernets eie, og anbefaler forslaget for generalforsamlingen”*

# FORSLAG TIL VEDTAK

*"Generalforsamlingen vedtar å utdele et ekstraordinært utbytte på kroner 5 pr. aksje, unntatt aksjer i konsernets eie"*

# Ekstraordinær generalforsamling

3. november 2011