



Orkla Foods and Orkla Brands Nordic markets

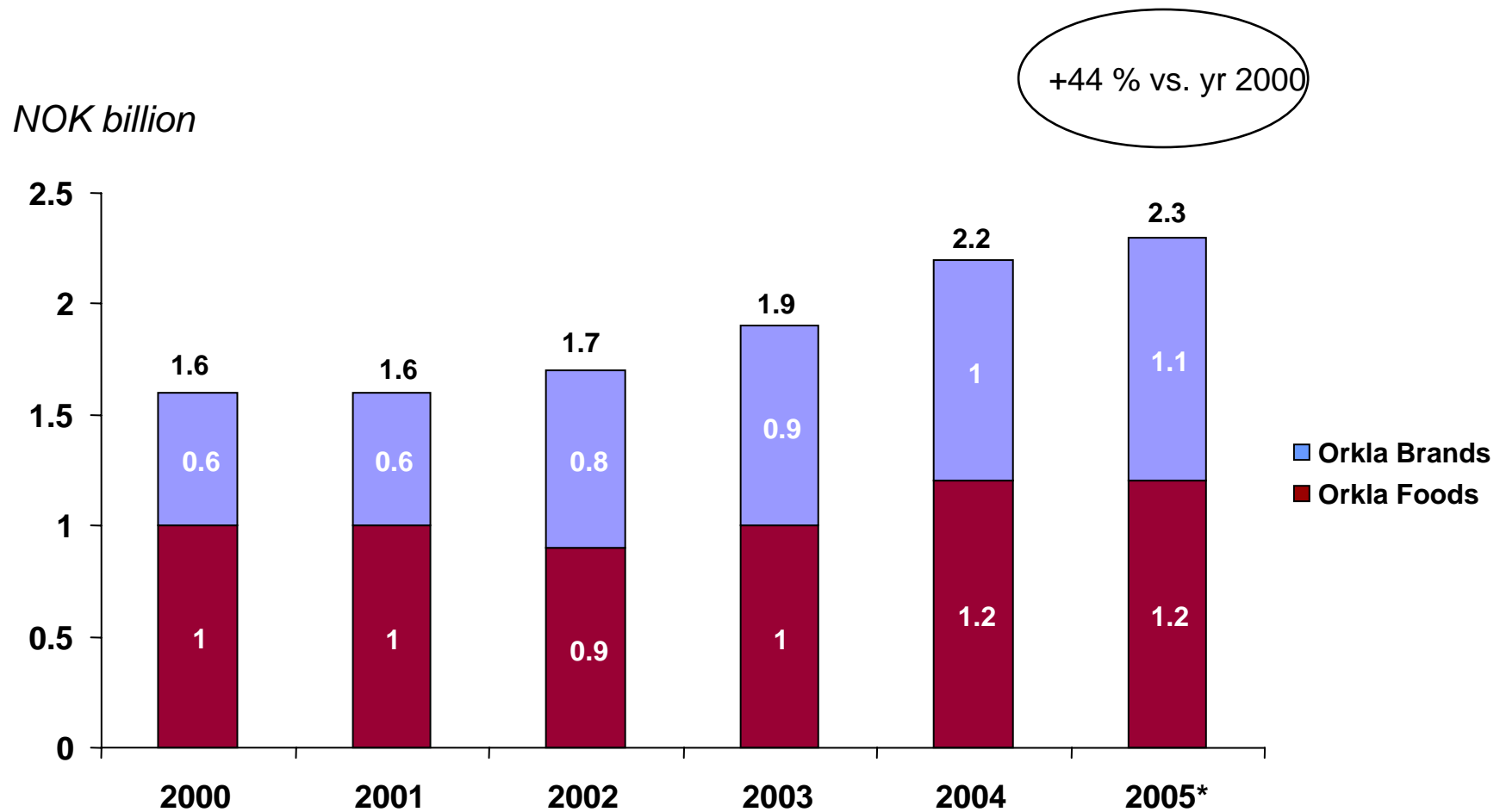
Torkild Nordberg
Managing Director, Orkla Brands



Agenda

- ◆ Recent performance
- ◆ Nordic Business environment
- ◆ Orkla's set-up and competitive advantages
- ◆ Orkla's value creation model
- ◆ Innovation strategy
- ◆ Case: JIF Household Cleaning
- ◆ Summing up

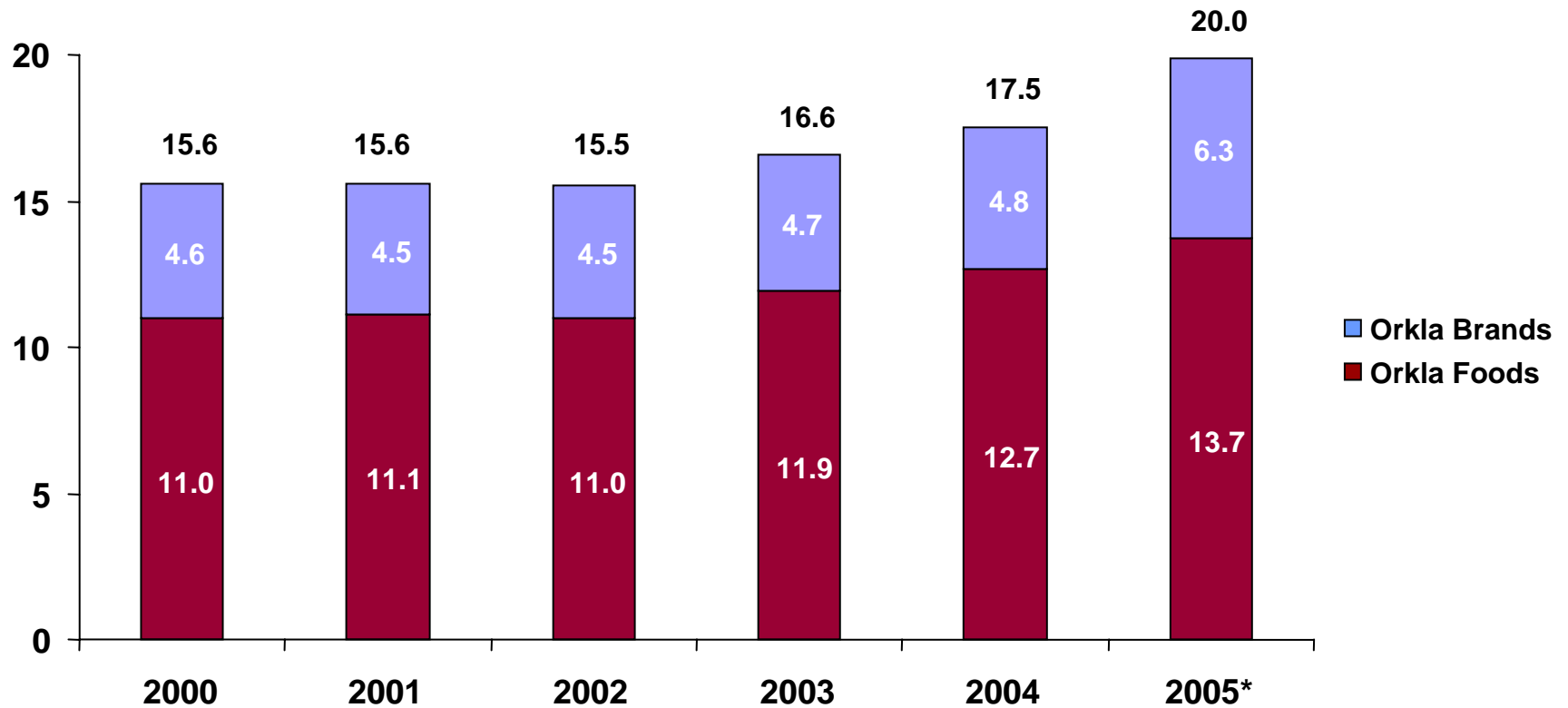
EBITA: Orkla Foods + Orkla Brands



*Pro forma RTM per Q3-05

Top line: Orkla Foods + Orkla Brands

NOK billion



*Pro forma RTM per Q3-05

The Nordic Branded Consumer Goods Market

- ◆ An attractive market
 - High GDP per capita and higher growth than for EU
- ◆ All major international competitors present
- ◆ Global standard for cost, quality, speed and innovation rate
- ◆ Strong focus on scale advantages throughout the value chain
- ◆ Centralised units and predominantly sales operations locally
- ◆ Fewer, bigger brands
- ◆ Nordic retailing is very concentrated, international and centralised
- ◆ "Lidl Monday" in Europe is hitting our area
- ◆ Very aggressive Private Label moves last 2 years

Another important aspect of the Nordic Branded Consumer Goods Market

A **recipient** of central European
development and sourcing

Orkla's Nordic set-up – A different animal?

- ◆ Brand and category leadership
- ◆ Ownership of brands
- ◆ Orkla's unique local value chain set-up
- ◆ Unique local innovation capability

Orkla - A different animal

Strategic elements

Local set-up

Strategy

Innovation

Marketing

Sales

R&D

Production

International players

Sales

Central

Central

Central

Mainly local

Central

Central

Orkla companies

Complete value chain

Local

Local + central

Local + central

Mainly local

Local

Local + central

Competitive advantages

- ◆ Strong market positions
 - Strong consumer loyalty to our brands
 - Predominantly no. 1 positions (80 % of sales)
 - Strong, preferred position in the retail trade
- ◆ Strong local knowledge
 - Consumer insights and closeness to markets
 - Local innovation capability
 - Local value chains
- ◆ Continuous improvement culture

Challenges

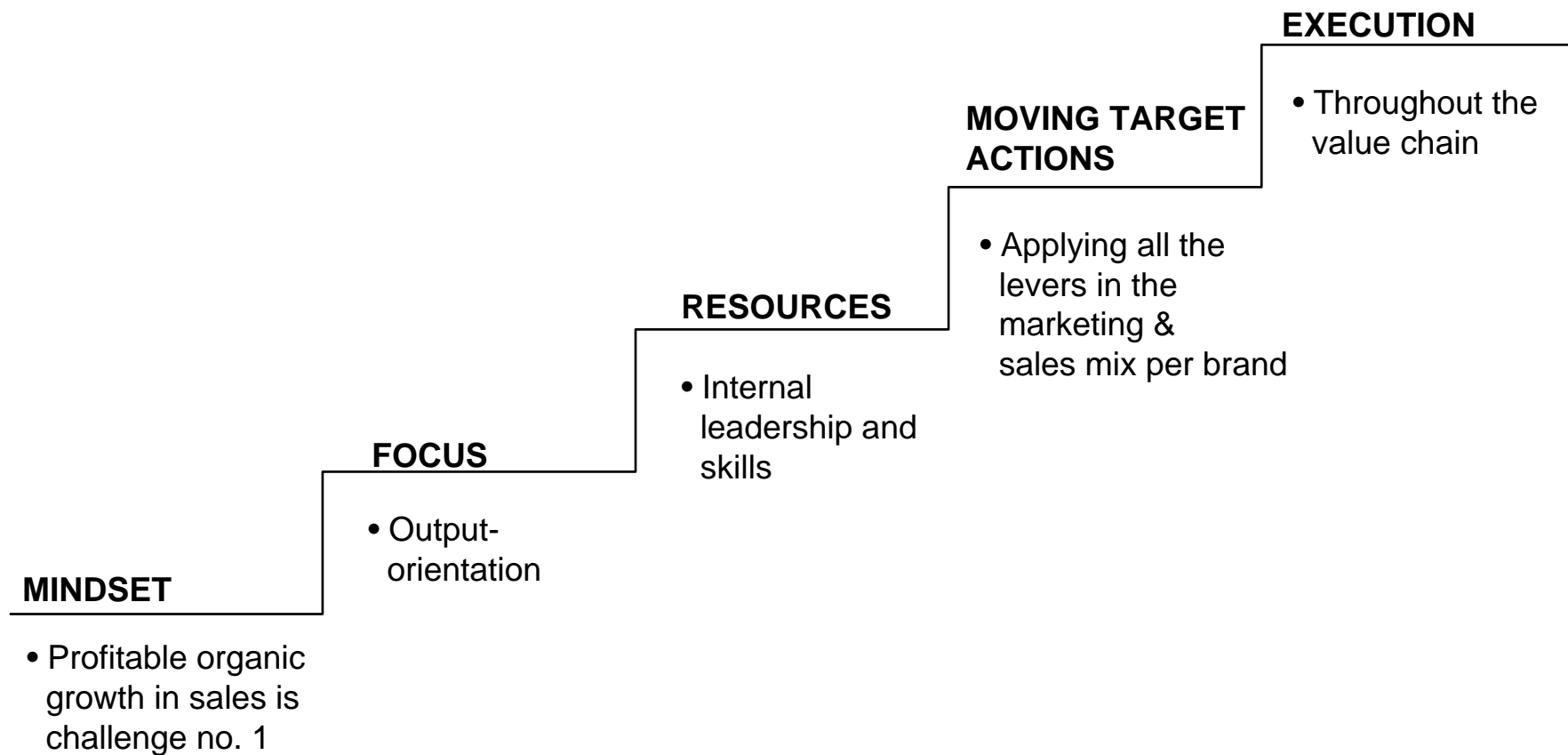
- ◆ Top line growth
 - Organic
 - Structural (more Nordic/North-European categories)
- ◆ Pressure on prices
 - Private labels/hard discounters
 - Retail trade's increased negotiating strength
- ◆ Competitive strength in sourcing (purchasing/production)

Value creation model

Leading marketer of branded consumer goods



Key success factors for organic top line growth



We are pursuing a simple market strategy

1. Innovation and continuous improvement of our consumer offer; "Moving target"
2. Constant improvement of our trade offering and increased "sales push"
3. Securing competitive input costs and internal cost levels vs. global competitors

The Consumers value equation for brands and products

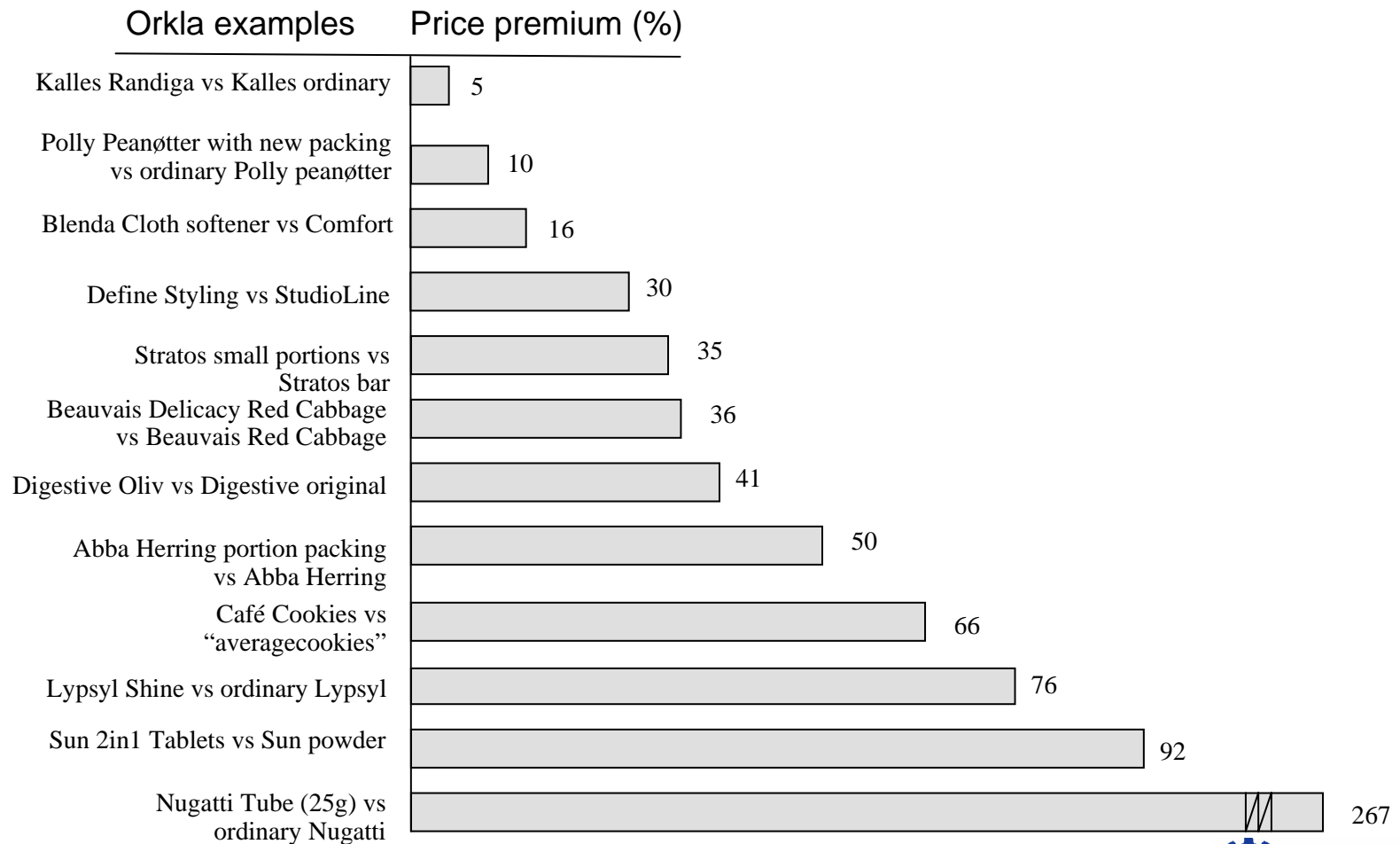
$$\text{Value} = \frac{\text{Functional} + \text{Taste} + \text{Emotional benefits}}{\text{Price}}$$

”Working on the denominator will not add value over time”

Innovation – An Orkla definition

“Increasing the value of Orkla brands for
all stakeholders: the Consumer,
the Trade and ourselves”

True innovations are rewarded



Example: Moving Jif (Cif) from a low abrasive cream to a "House Cleaning" Brand

- ♦ Jif / Cif was launched as a low abrasive cream in 1970's
- ♦ Since then a number of new chemical cleaning products has been launched under the brand
- ♦ In 1998 we asked ourselves the basic question:

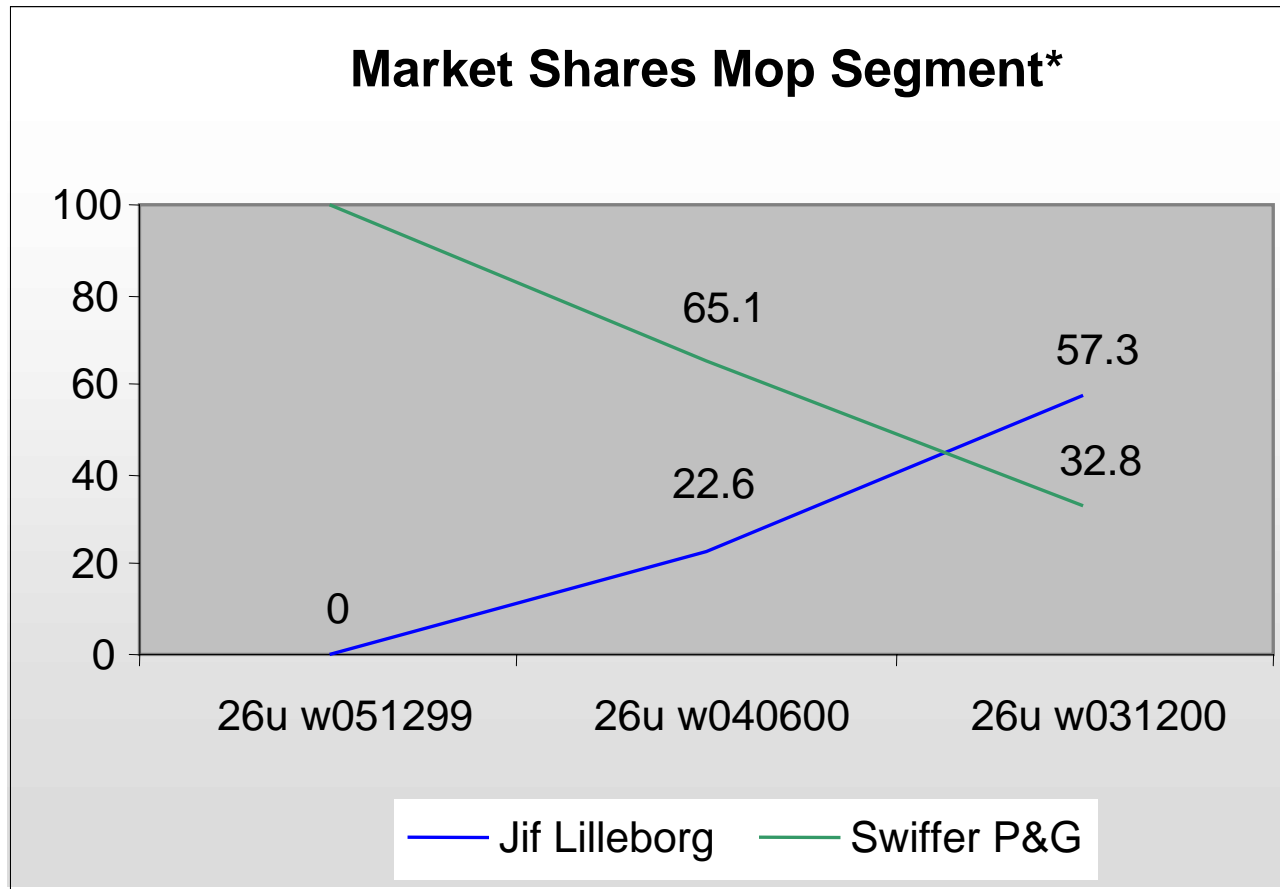
“Was Jif extendable into Household Cleaning Tools“?

We launched Jif Mop “Starter Kit” in 2000



- ♦ Launched: February 2000 - 5 months after P&G's global success "Swiffer"
- ♦ **Teaching** the consumers how to use a mop was very important
- ♦ Jif Mop concept was based on heavily consumer research and close cooperation with our Professional Cleaning business
- ♦ **Product benefits;**
 - More solid than Swiffer (longer and thicker handle and a bigger mop plate for more effective cleaning)
 - Easy to switch between dry and wet cleaning
 - Professional look and attractive design
- ♦ Consumer price: NOK 179 = EUR 22 (Premium to Swiffer)

Market leader during its first year on the market



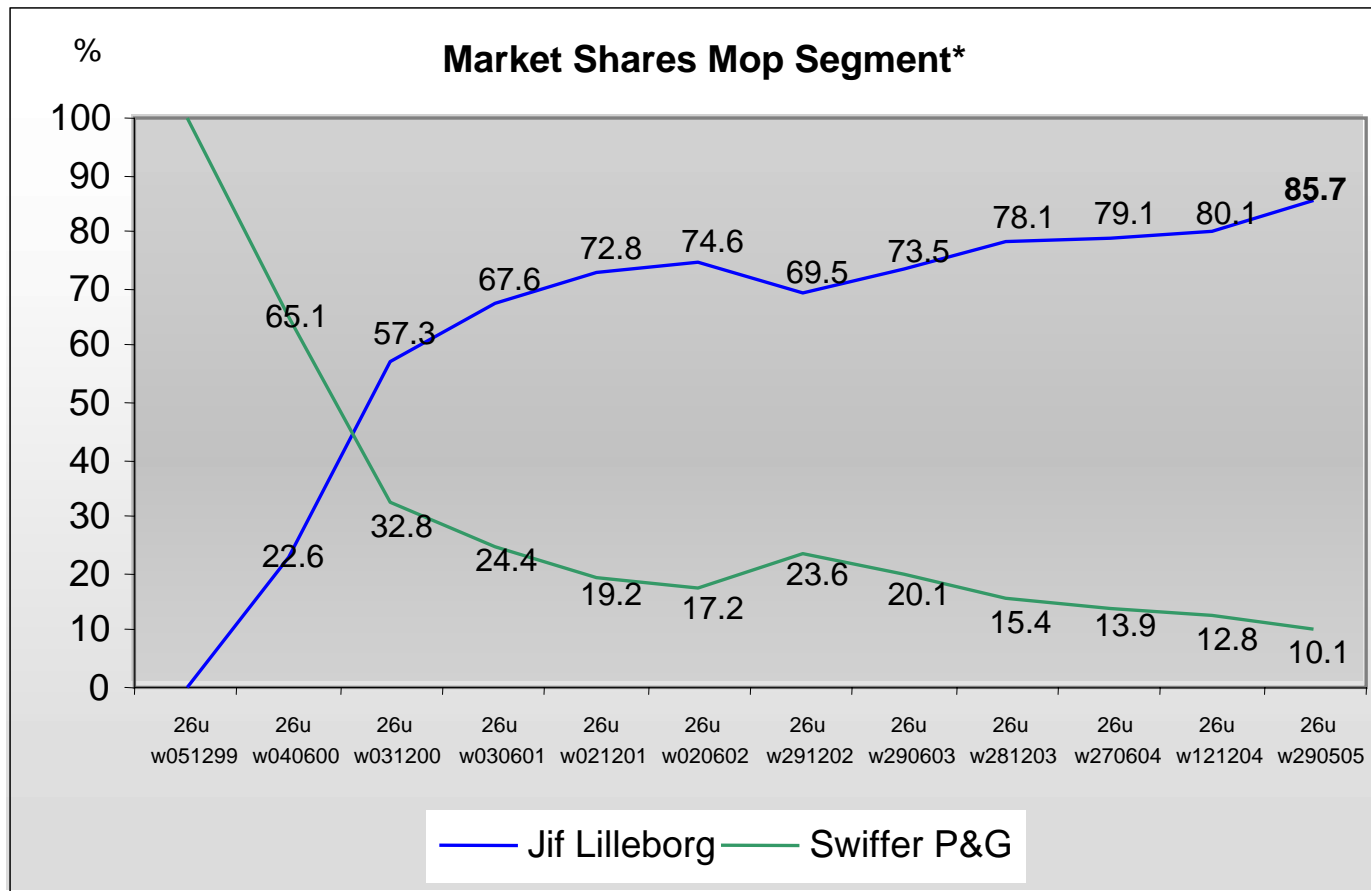
*AC Nielsen

Jif Mop Starter Kit - Relaunch



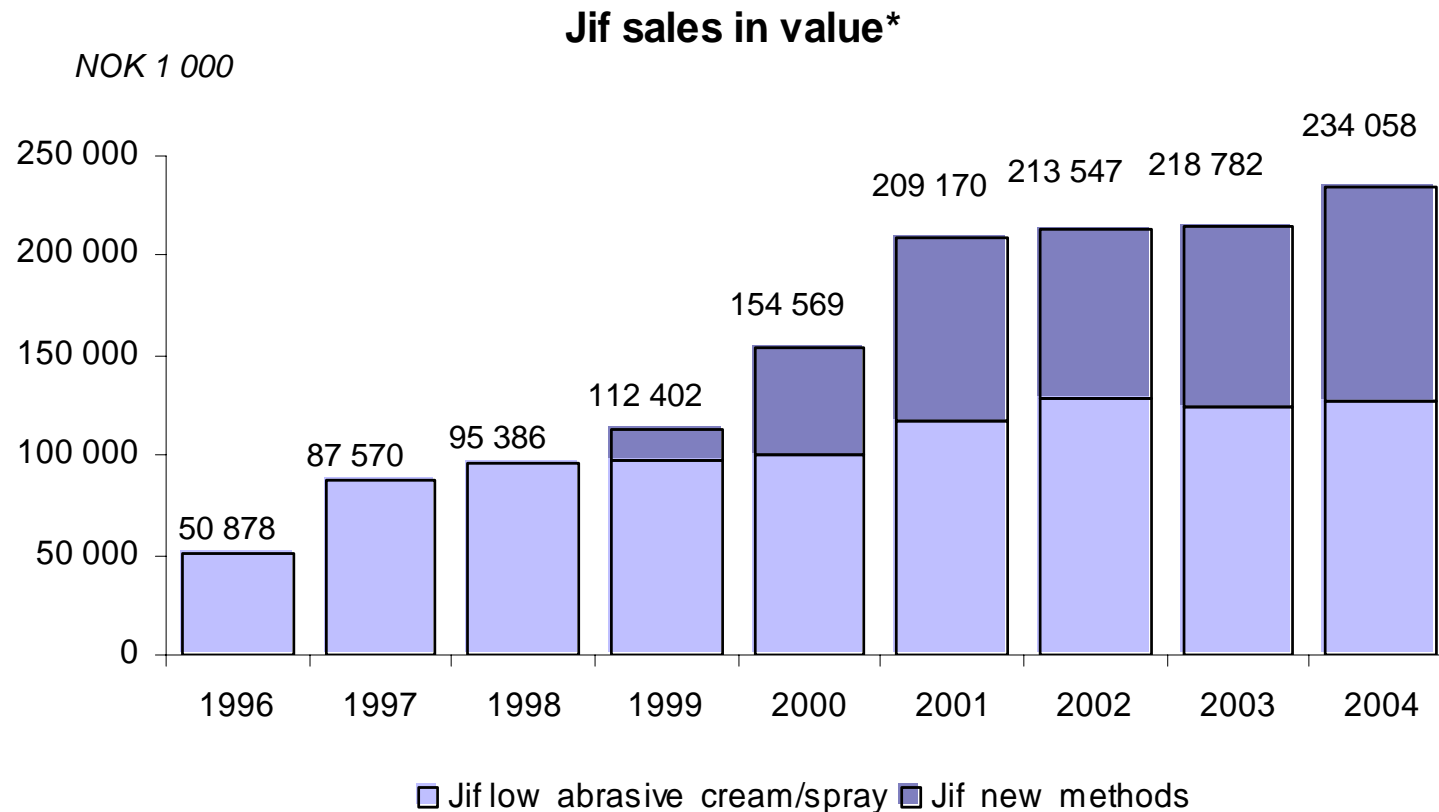
- ◆ Re-launched: February 2003
- ◆ Background
 - Create growth through attracting new consumers and convince existing Jif Mop owners to invest in the new Jif Mop
- ◆ Product benefits;
 - 180 cm adjustable and solid handle with a good grip
 - More easy to switch between dry and wet cleaning
 - A new an even more professional and attractive design
- ◆ Consumer price: NOK 249 = EUR 31.2

86 % market share in the Mop segment



*AC Nielsen

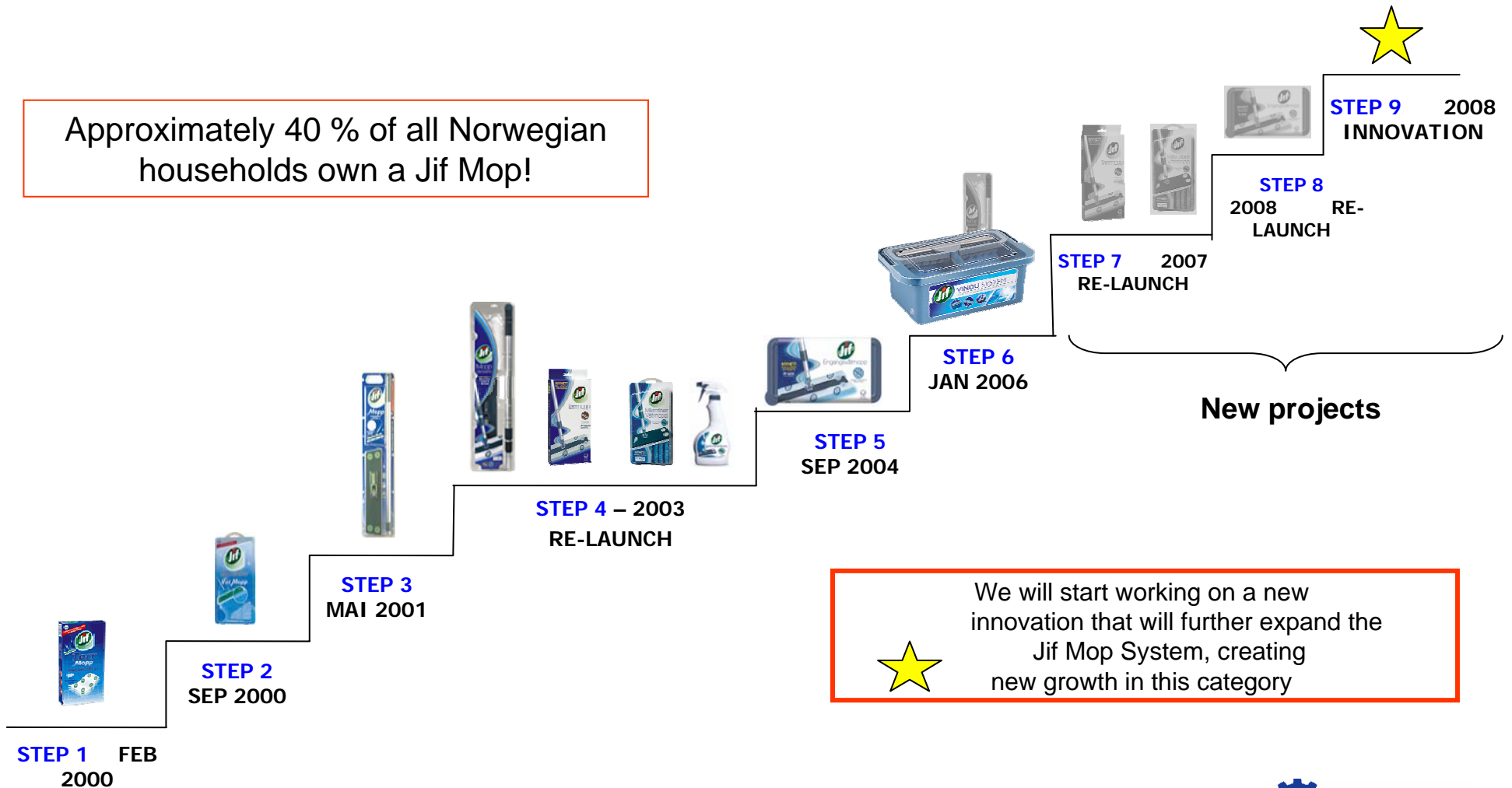
Jif's turnover is sustainably **doubled** by the launch!



* AC Nielsen, 1996-2004

Jif's next steps are ready for launch...

Approximately 40 % of all Norwegian households own a Jif Mop!

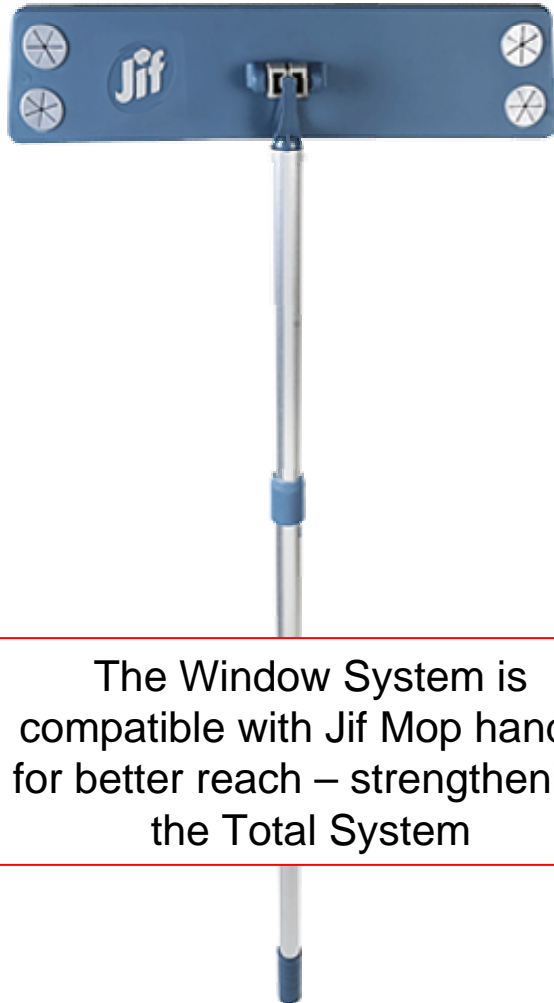


We will start working on a new innovation that will further expand the Jif Mop System, creating new growth in this category

Launch of Jif Window System Q1 2006



A complete solution with professional quality



The Window System is compatible with Jif Mop handle for better reach – strengthening the Total System



Summing up...

- ◆ The Nordic FMCG market is a very attractive market
- ◆ Orkla possesses strong market and brands positions across the area
- ◆ Strong local knowledge
 - Orkla's set-up is increasingly unique
 - The local market and innovation approach seems to work
- ◆ We aggressively exploit our local strength for growth
- ◆ There is still significant room for further improvements across the whole value chain
- ◆ Growth through innovation is our main focus



Orkla Foods International

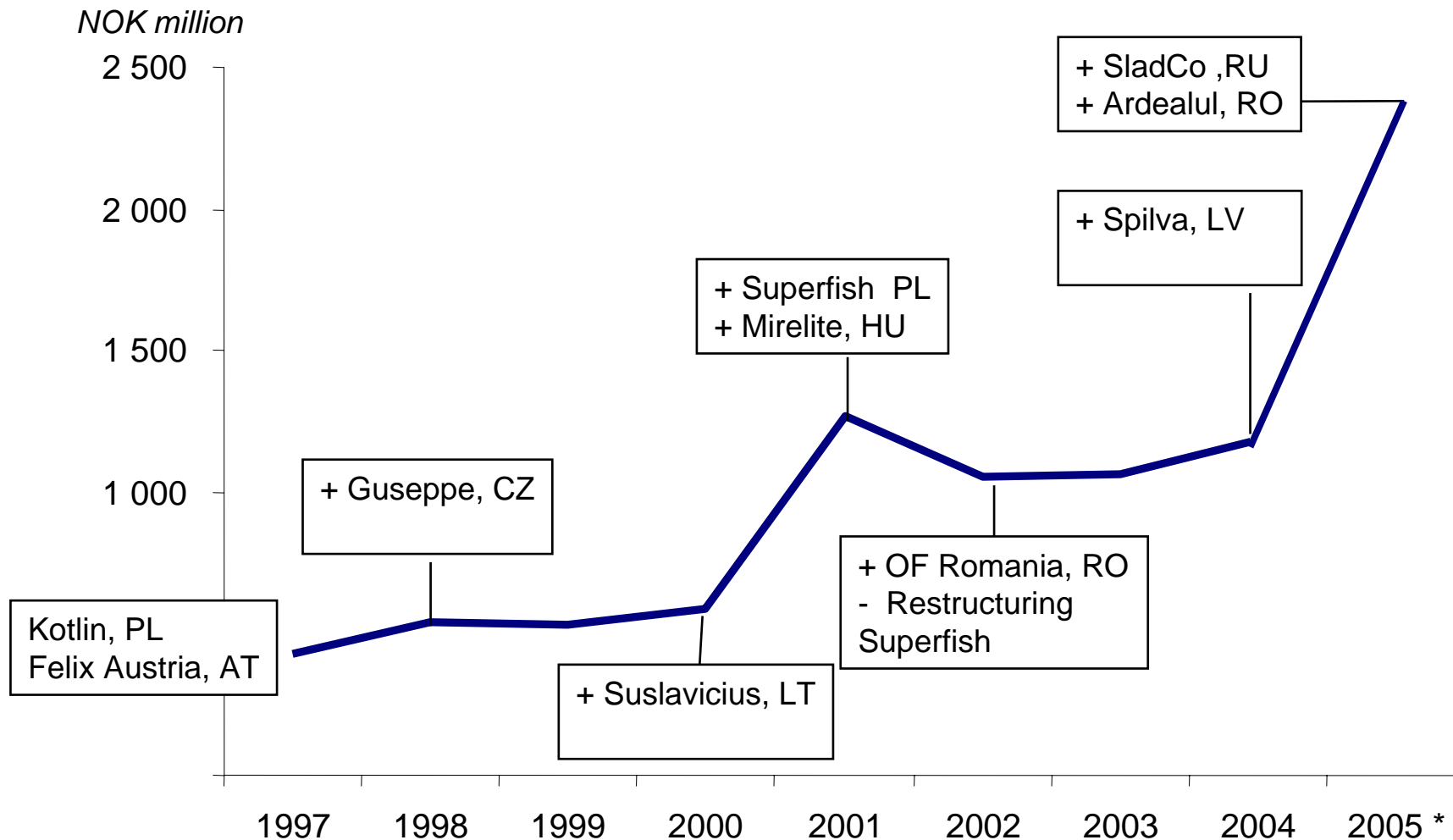
Atle Vidar Johansen
Managing Director, Orkla Foods



Orkla Foods International's business model

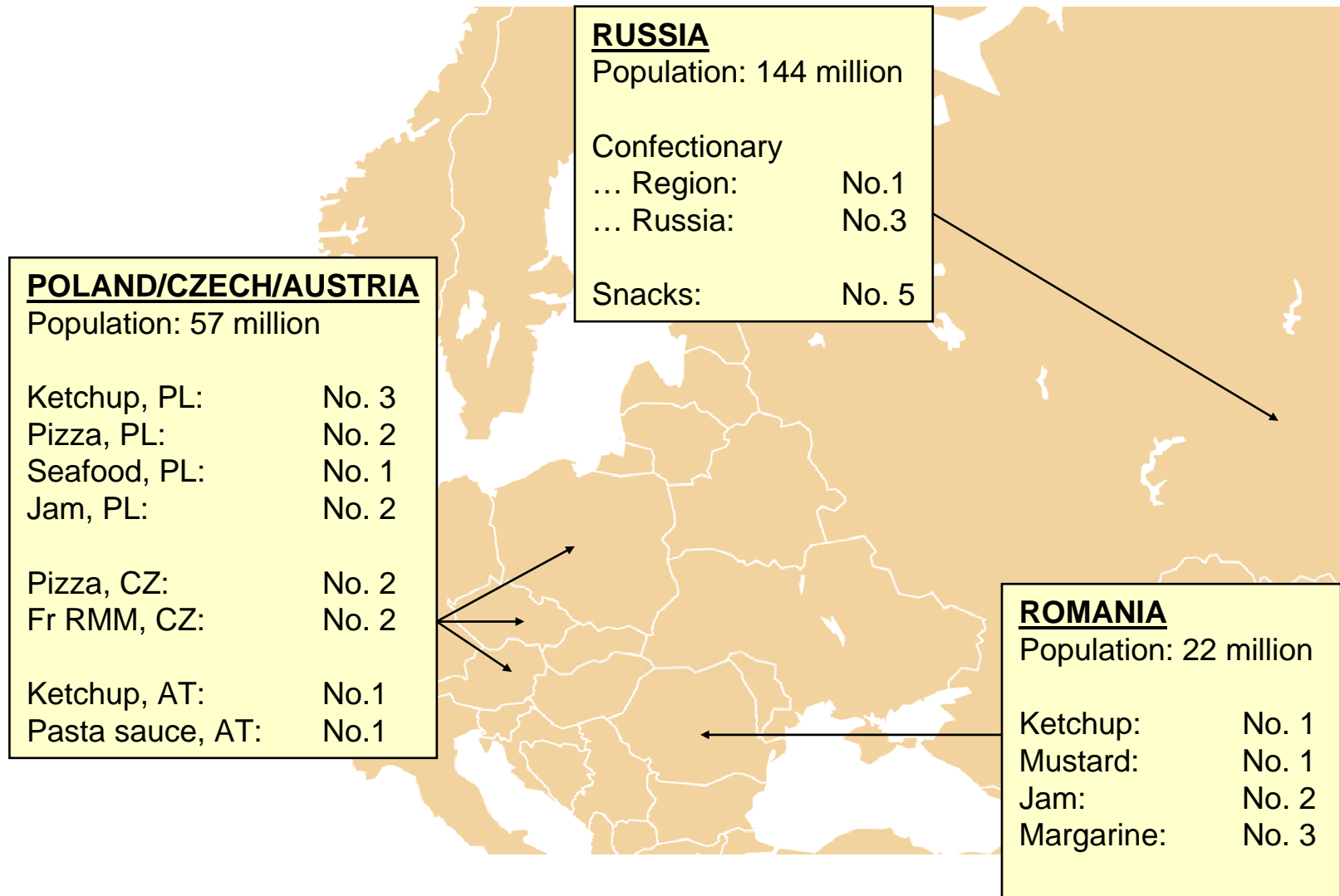
- ◆ Orkla Foods International shall be a major supplier of branded consumer food products in Central and Eastern Europe
 - Broad-based business systems
 - Strong market position (no.1 or 2)
 - Strong management teams and organisations
- ◆ We have a multi-local approach
 - Local management, local brands, local taste.
 - Normative way of working with the main value drivers
- ◆ Main value drivers
 - Growing the existing platform
 - New acquisitions

Operating revenues 1997-2005



*Pro forma RTM per Q3-05

Market areas and market positions



Important brands

FELIX

Kotlin

wieSana

Слад&Ко

FRESH
LIGHT

SuperFish

BUNĂȚĂȚI
DE LA
BUNICA

Мамышок

Guseppe

ТОМІ

**Счастливый
день**

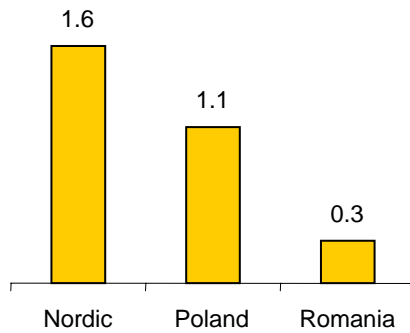
 **ARDEALUL**[®]

 **ORKLA**

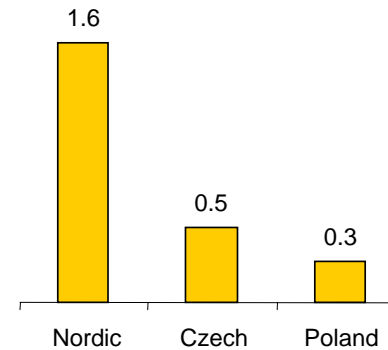
Consumption in selected categories

Kilo/per capita/year

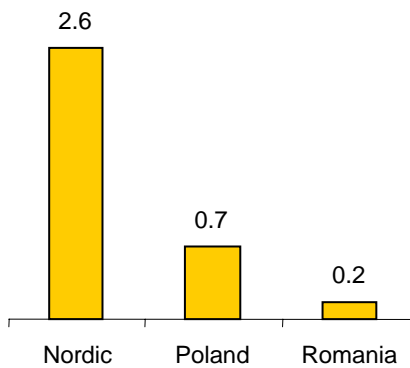
Ketchup



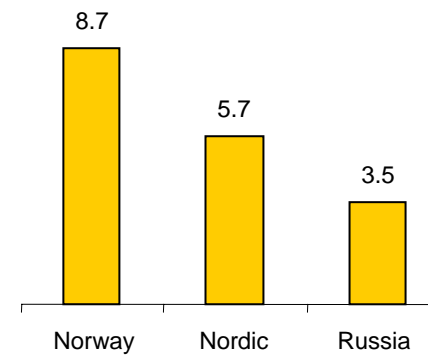
Frozen pizza



Jam and marmalade

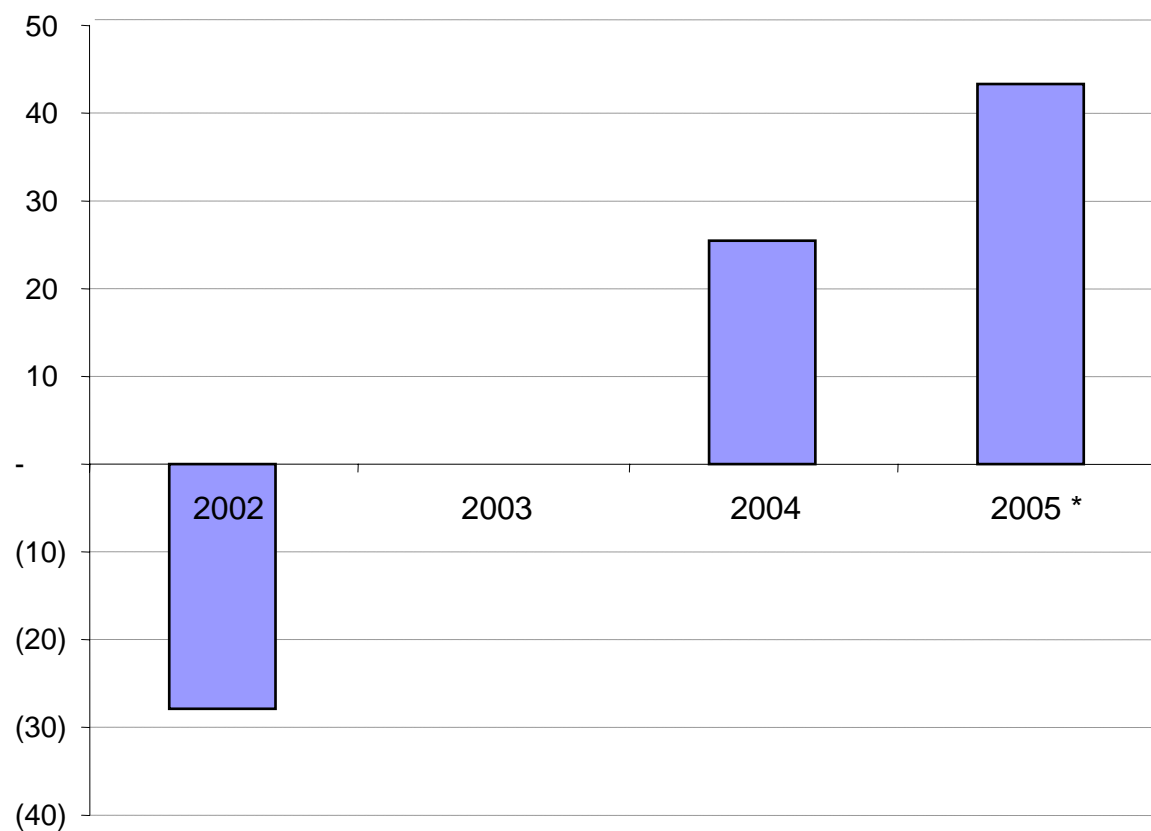


Chocolate



EBITA development

NOK million



*Pro forma RTM per Q3-05

Going forward

- ◆ Continue revenue growth
 - Organic
 - Market growth / Top line activities
 - Acquisitions
 - Strengthening the local operations
 - Geographic expansion – CEE/CIS

- ◆ Increasing cost competitiveness
 - Production efficiency programmes
 - Purchasing efficiency

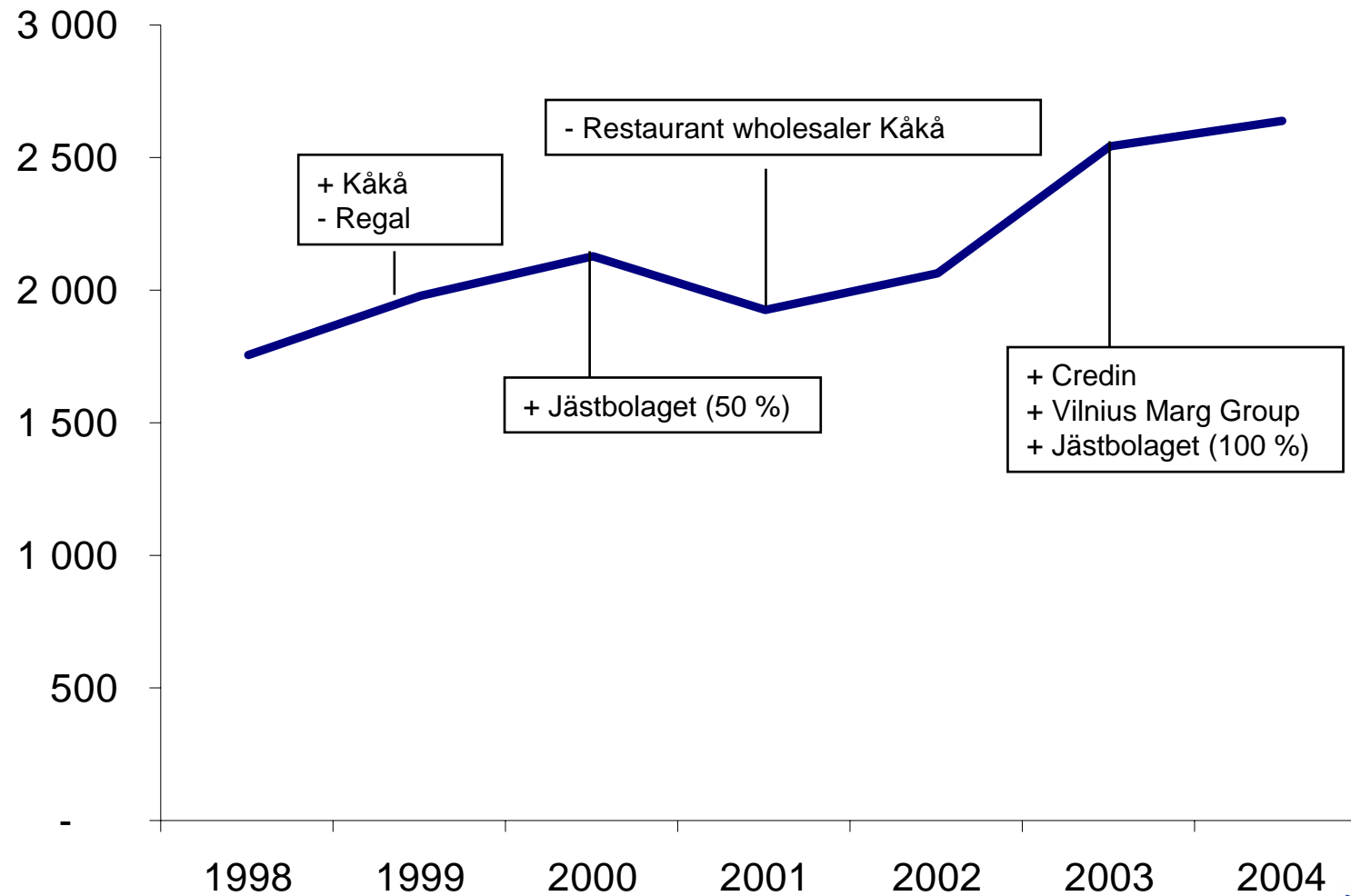
Orkla Food Ingredients

Orkla Food Ingredients' business model

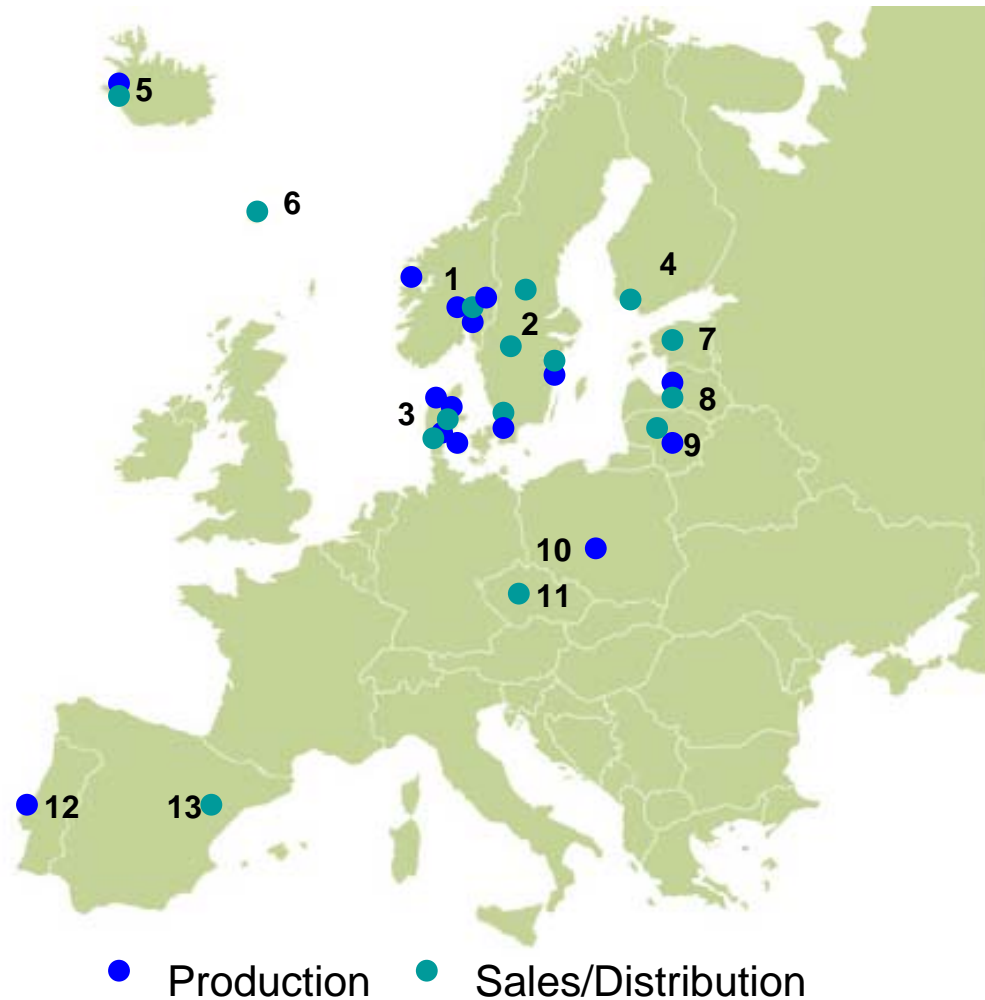
- ◆ Orkla Food Ingredients shall be a leading developer, producer, marketer and distributor of baking ingredients.
- ◆ We control the entire value chain; develop, produce, market, sell and distribute.
 - **Competitive advantages and expertise**
- ◆ We are based on strong and focused national market organisations
 - **Customer and end-user insight**
- ◆ We establish our production on scale, efficiency and product expertise
 - **Cost and price competitiveness**

Operating revenues 1998 - 2004

NOK million

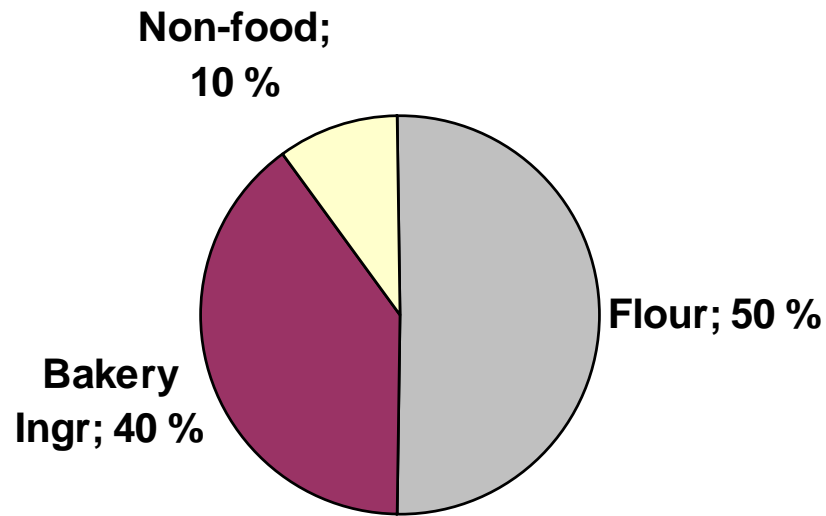


Orkla Food Ingredients 2005



1. Idun, Oslo, Bergen, Rakkestad
2. KåKå, Lomma, Ørebro, Stockholm
Jästbolaget, Stockholm
Candeco, Malmö
Nimatopal, Dalajärna
3. Odense Marcipan, Odense
Dragsbæk, Thisted og Randers
Credin, Juelsminde
Credin Bageripartner, Vejle
Bæchs, Hobro
4. Credin, Åbo
5. Kjarnavørur, Reykjavik
Inbak, Reykjavik
6. Vita Margarin, Faroes
7. Nordic Yeast Estii, Tallin
8. Rigas Raugs, Riga
LaNordija, Riga
9. MiNordija, Kaunas
VMG, Vilnius
10. Credin, Wroclaw
11. Sedba Baking, Praha
12. Credin, Lisboa
13. Credin, Barcelona

The Scandinavian market place for Orkla Foods Ingredients



Sales value (excl. flour) : ~NOK 3.5 billion

- ◆ Orkla Food Ingredients produces margarine, marzipan, yeast, improvers and mixes.
- ◆ Orkla Food Ingredients markets and distributes a broad range of products (excluding flour) through our market companies.
- ◆ Operates in four distribution channels:
 - Bakery
 - Industry
 - HoReCa
 - Retail

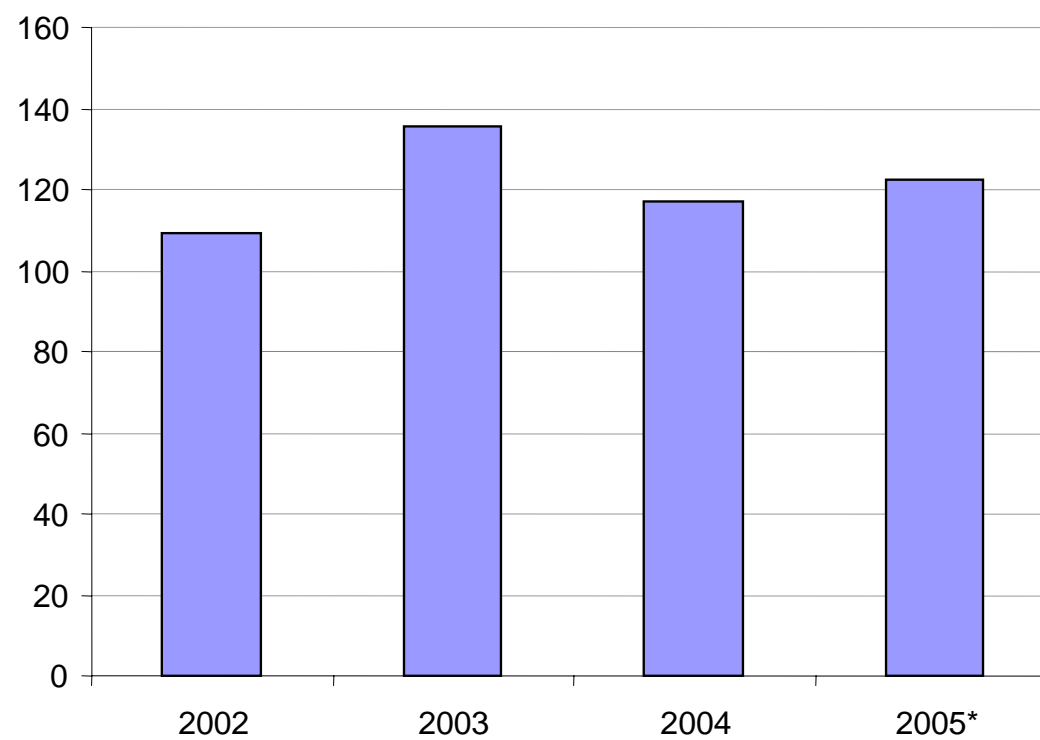
Strong market positions

	Norway	Sweden	Denmark	Baltic
Margarine	1	1	1	1
Marzipan	2	1	1	-
Improvers and mixes	1	1	1	-
Yeast	1	1	-	1
Total	1	1	1	

Overall market share in Scandinavia is about 50 %

EBITA development 2002-2005

NOK million



*Pro forma RTM per Q3-05

Status and going forward

- ◆ A competitive and market leading Scandinavian business system is established over the last 5 years
- ◆ We will continue to grow
 - Develop value-added solutions for our customers
 - Successful products and concepts in new channels and markets
 - Successful products and concepts in new markets
 - Stronger initiatives in CEE



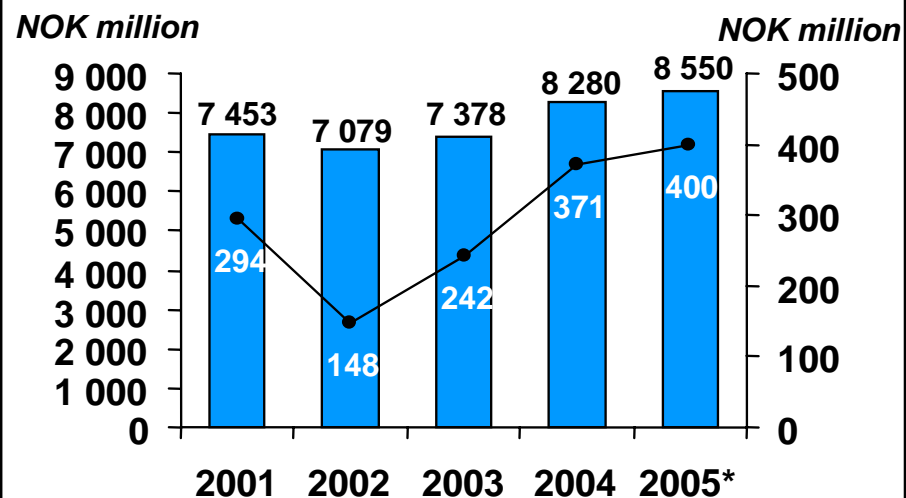
Orkla Media

Bjørn M. Wigen
Managing Director, Orkla Media



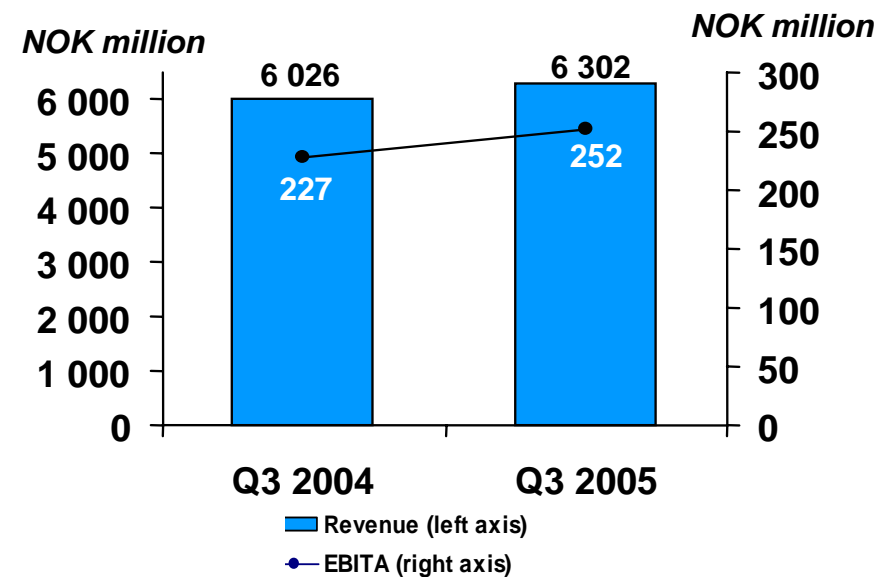
Continuously improved profitability since 2002

Orkla Media 2001 - 2004

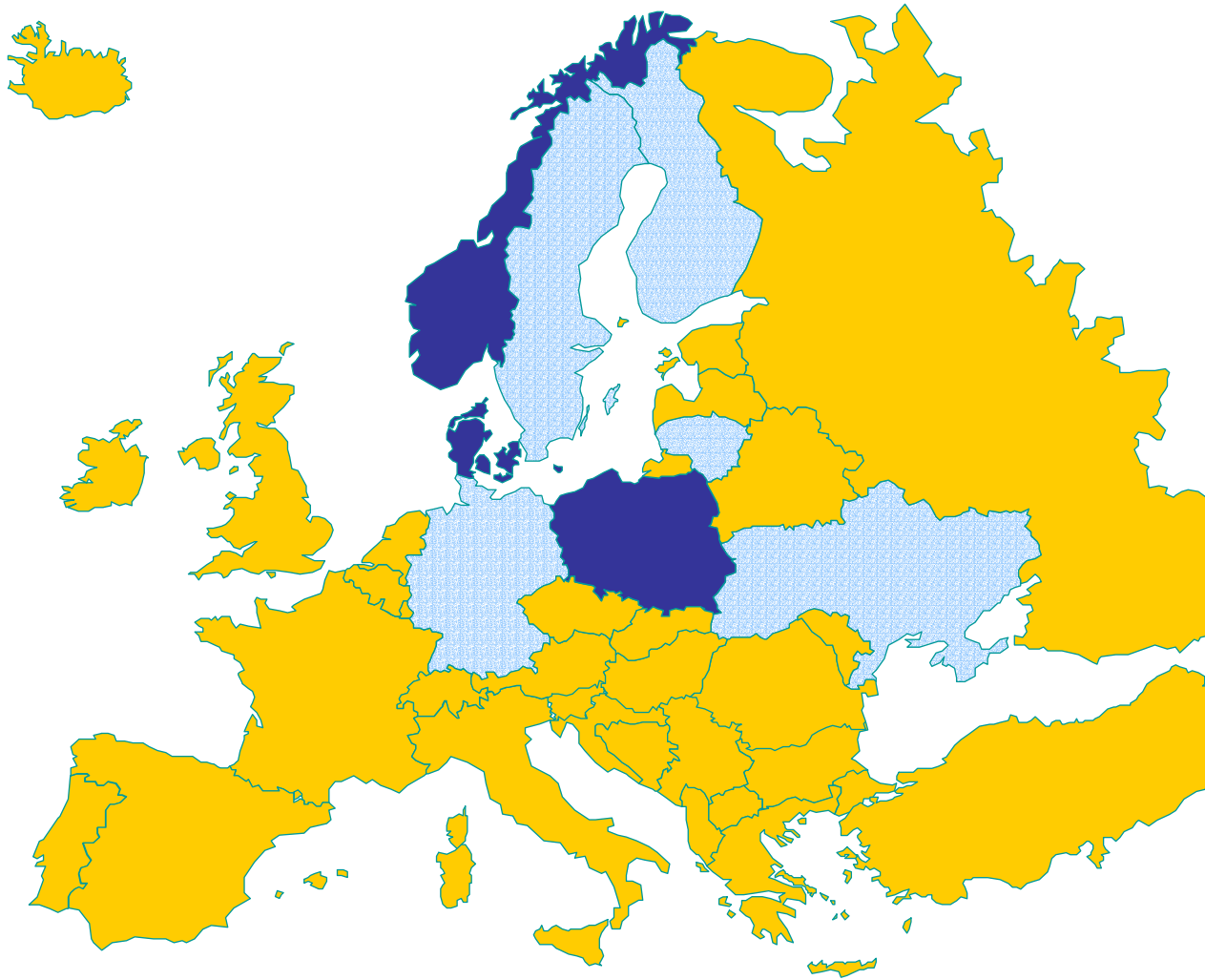


*Pro forma RTM per Q3-05

Orkla Media per Q3 2005 and Q3 2004



Four strong positions



National and Local Newspapers Denmark

The Berlingske Group

-Revenues: NOK 3 790 million
-Market share: 31 %

Local Newspapers Norway

Newspapers Norway

-Revenues: NOK 2 261 million
-Market share: 15 %

National and Local Newspapers Poland

Presspublica (Rzeczpospolita) and Orkla Press Polska

-Revenues: NOK 1 039 million
-Market share: 21 %

Magazines Norway

Hjemmet Mortensen

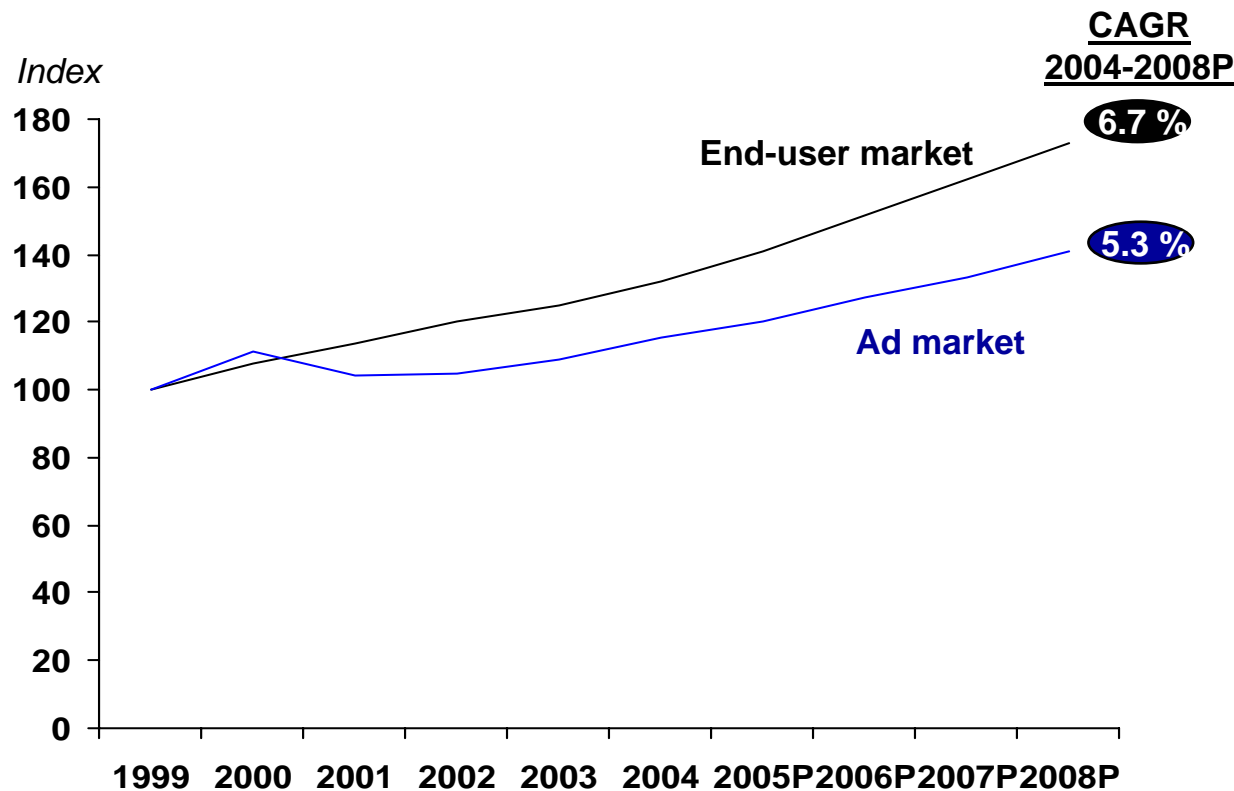
-Revenues: NOK 636 million
-Market share: 50 %



All figures are from 2004

The media industry is experiencing strong growth

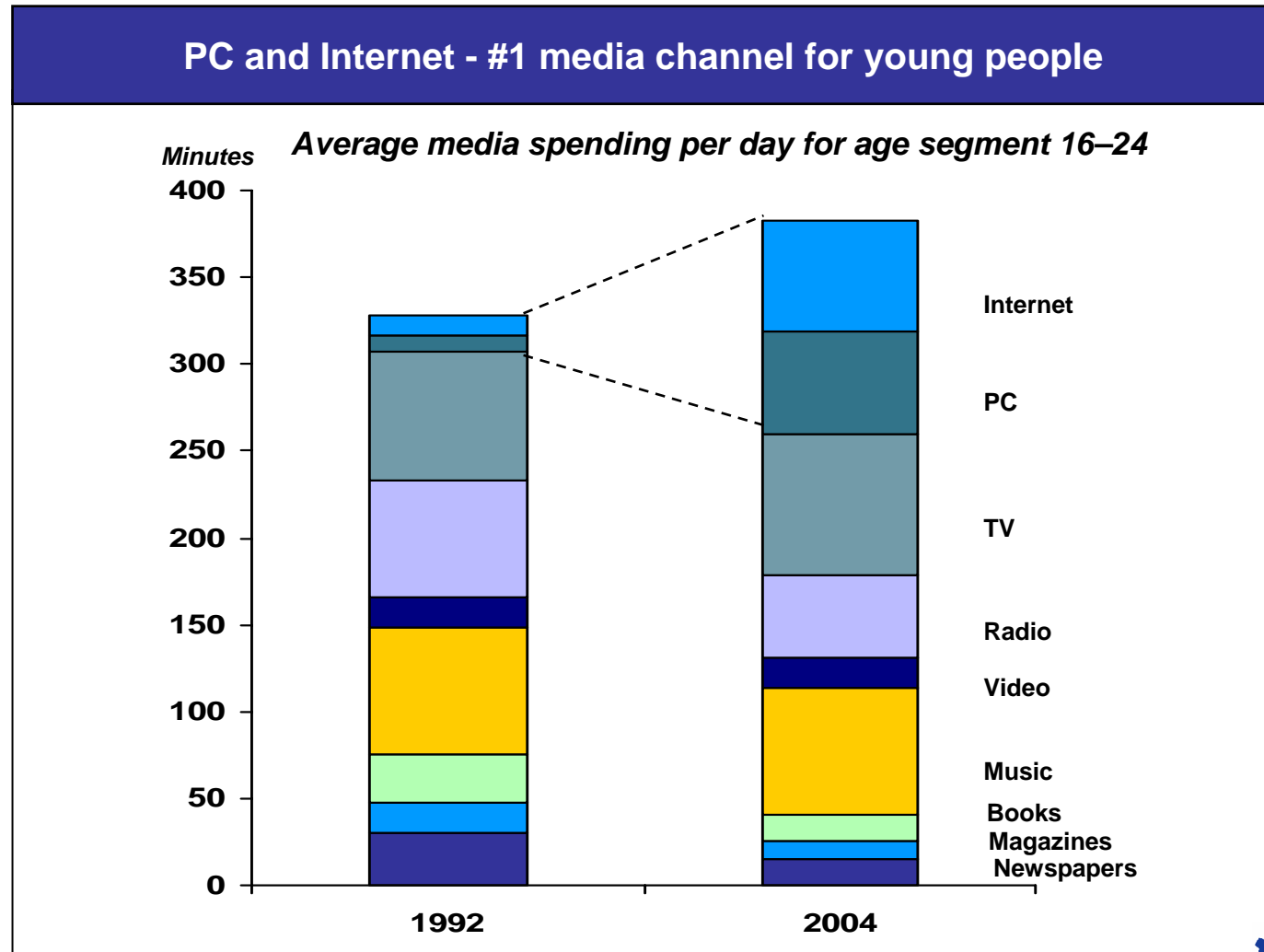
Growth for end-user and ad market, 1999-2008P (global):



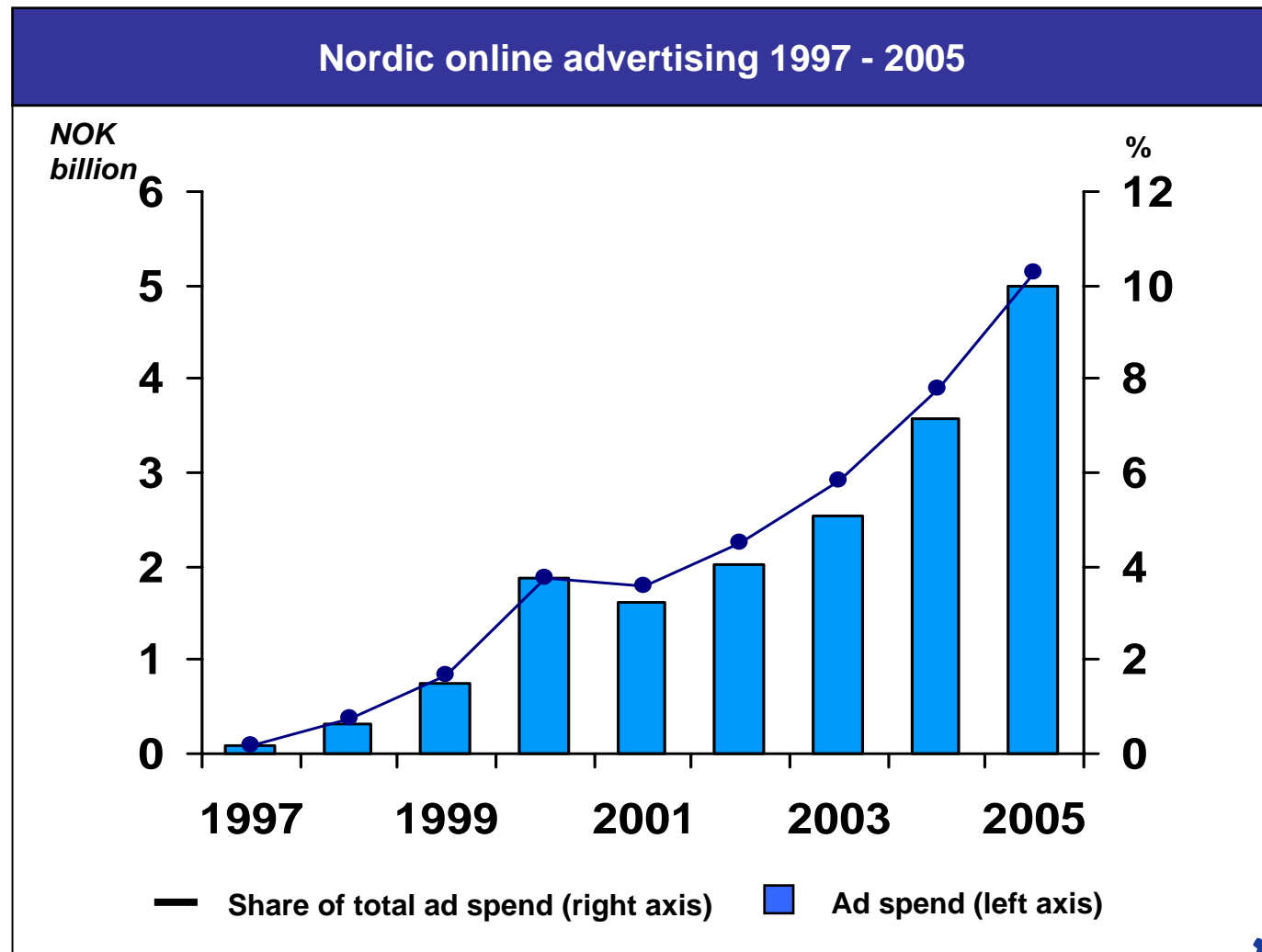
The growth is fuelled by several underlying trends:

- People have more leisure time
 - Increased buying power and willingness to spend more on entertainment
 - New technology enables the offers to be less time- and place dependent
- ▼
- Total media consumption is increasing
 - Greater willingness to pay for premium content

Changes in media consumption



Consequent shift in advertising spending



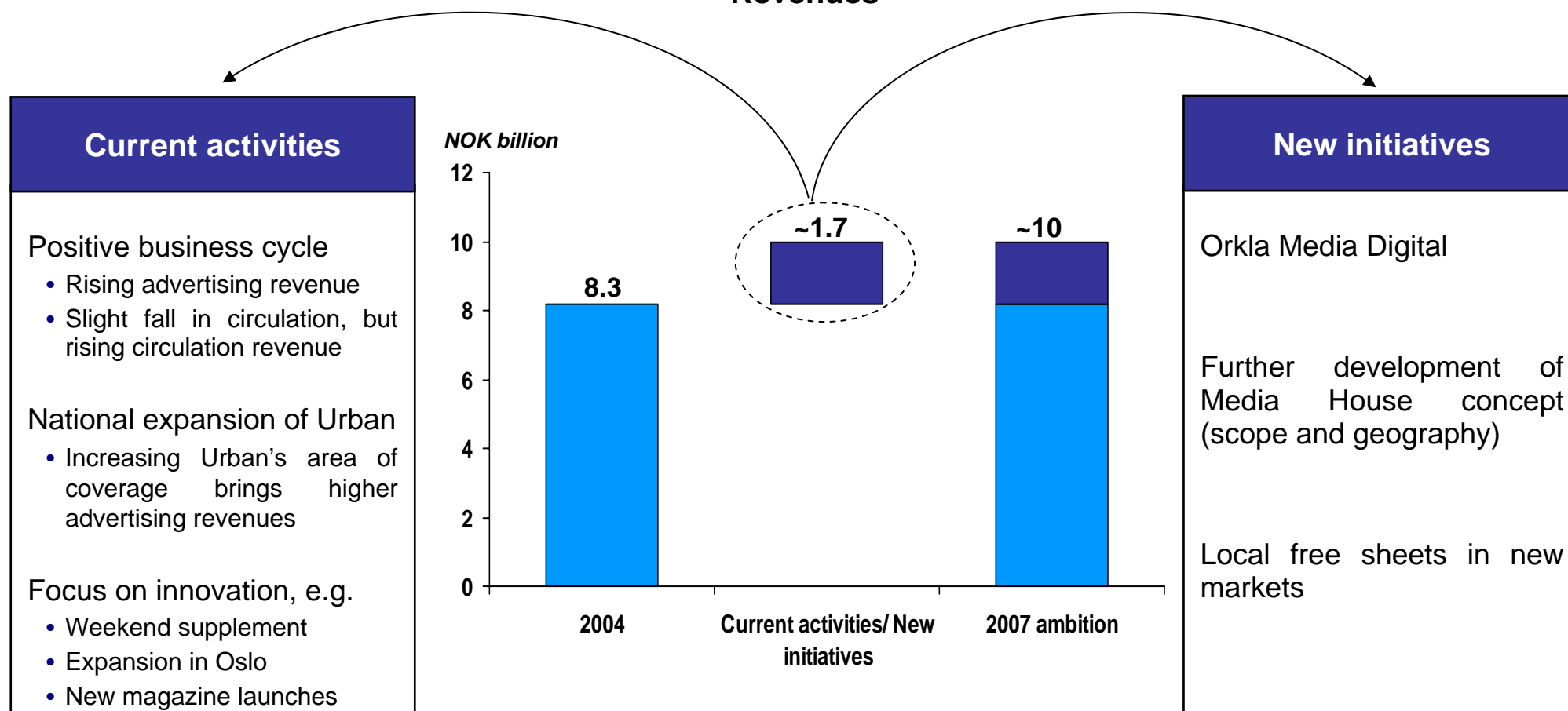
Orkla Media's vision:



NOK 10 billion turnover in 2007

- Increased focus on top line growth

Revenues



NOK 300 - 400 million in productivity improvements and cost reductions

Established projects

Established projects are mainly related to the turn-around in Berlingske, and include:

Project “2x100”

- Program of cost reductions of DKK 200 million in the Berlingske Group

Repositioning of B.T.

- Positioning B.T. to take a broader part of the newspaper market

Restructuring of Direct Marketing

- Building a unified organisation in Sweden and restructuring of production and fulfilment

Potential NOK 150 million in 2006-2008

New initiatives

Project “Effective Organisation” in Orkla Media Norway

- Cost reduction potential will be assessed during October–December 2005

Redesign project in the printing operations

- Established in Denmark (Trykkompagniet) and will be rolled out throughout the Group

Cost reduction from purchasing initiatives

- Centralisation of purchasing and increased competence

Further cost efficiency improvement through international shared services centres

- From national to cross border

Potential NOK 150 - 250 million in 2008



Growth in new markets and in new and growing media channels

1

Growth based on existing positions

2

Continued consolidation in print and acquisitions into new media

3

Structural initiatives in the media market

1

Growth based on existing positions

Opportunities in existing positions:

Media houses

Free commuter paper

Local free sheet

Online classifieds

Main focal areas for concept development:

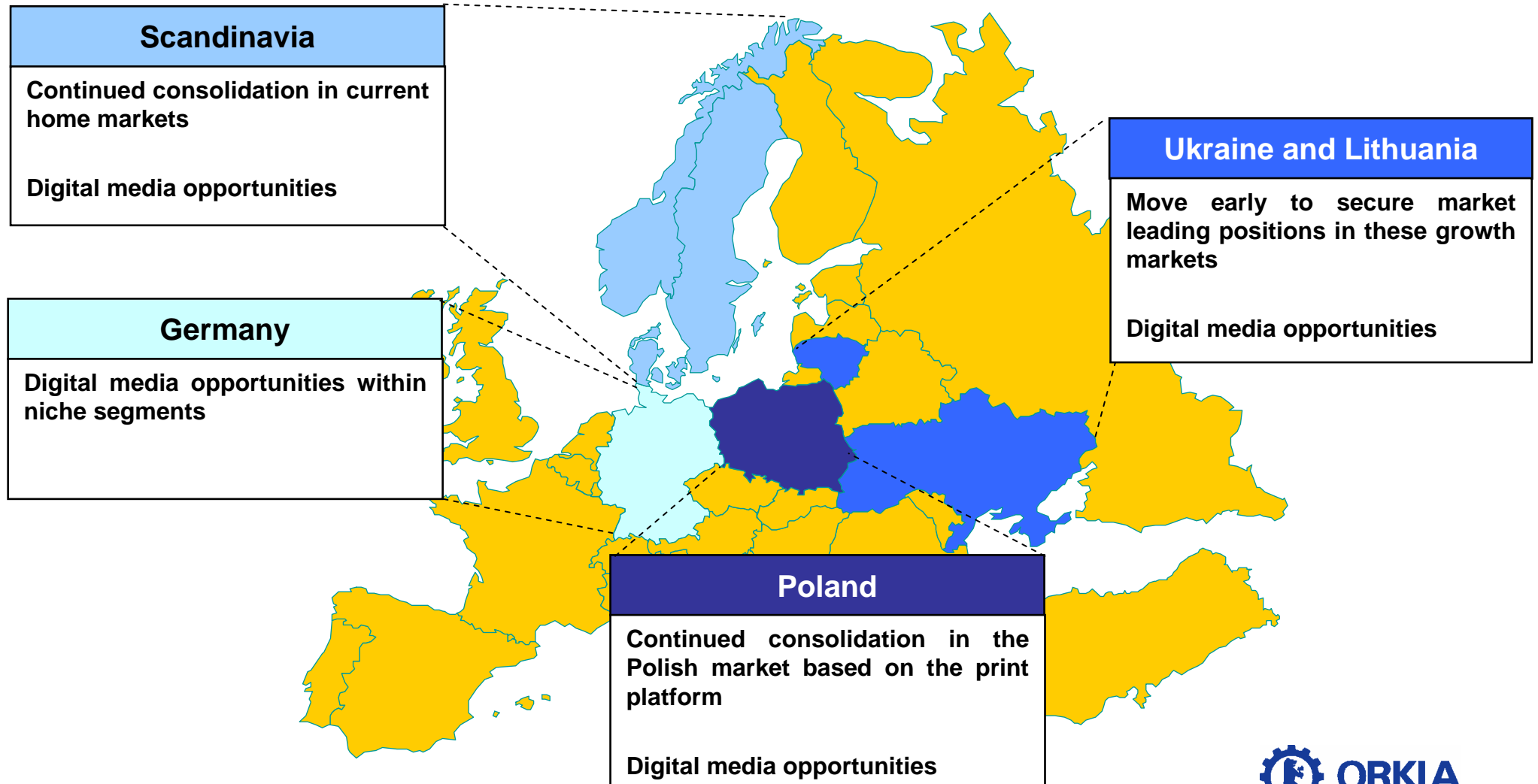
Digital search/
directory

Online national
newspaper

Niche verticals

2

Continued consolidation in print and acquisitions into new media



Structural initiatives in the media market

Orkla Media have strong positions in the print segments and are moving into the digital media market.

In seeking growth opportunities and positions in new markets, Orkla might explore potential structural opportunities in order to gain:

- ♦ additional positions in existing markets
- ♦ access to new markets
- ♦ diversification of Orkla Media's portfolio
- ♦ large scale efficiency gains
- ♦ a broader base for action in the European media market

From high to higher

