



Building Long Term Value

Orkla ASA

CEO Finn Jebsen

AFA-klubben, 17 June 2004

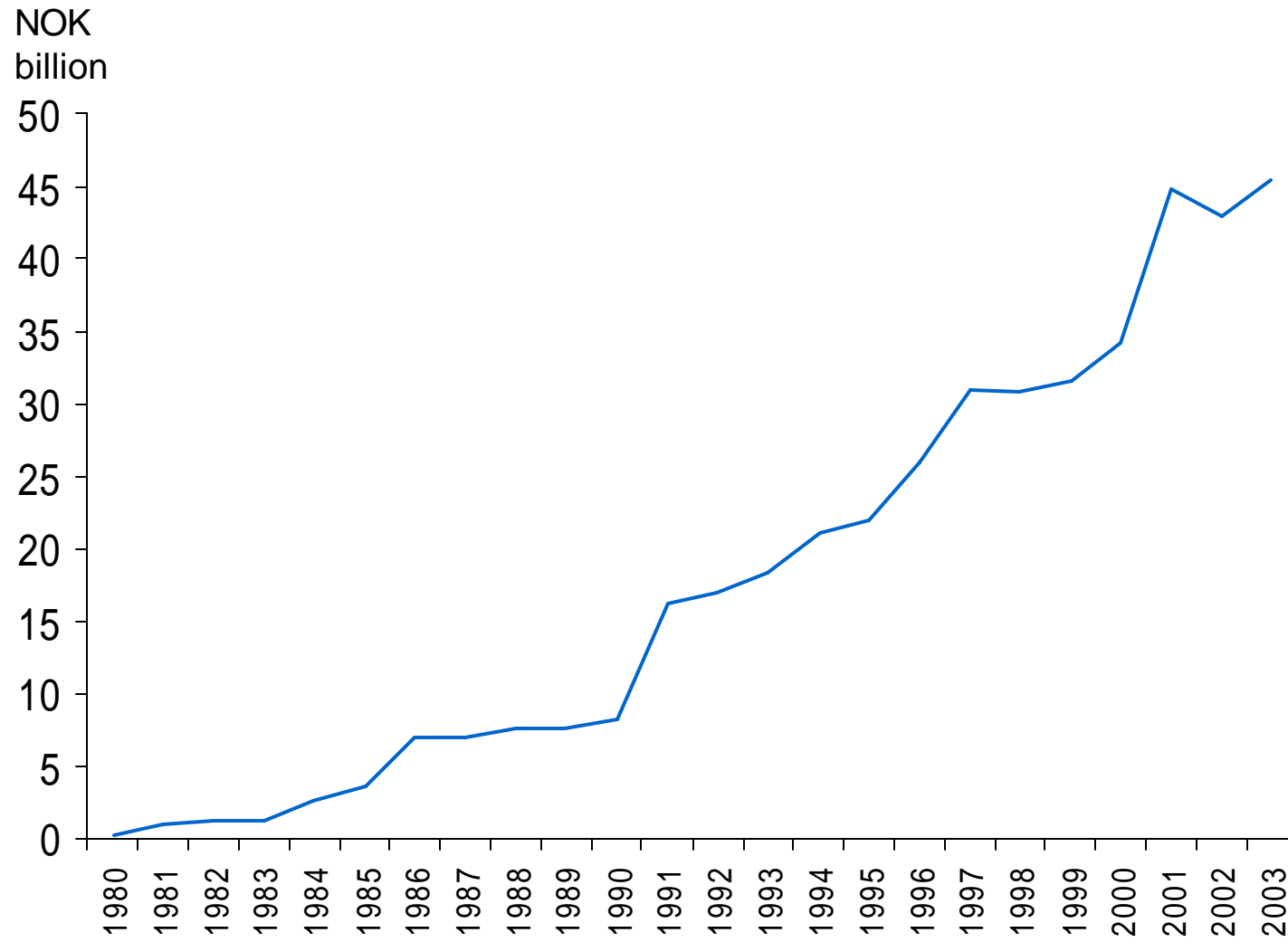


Agenda

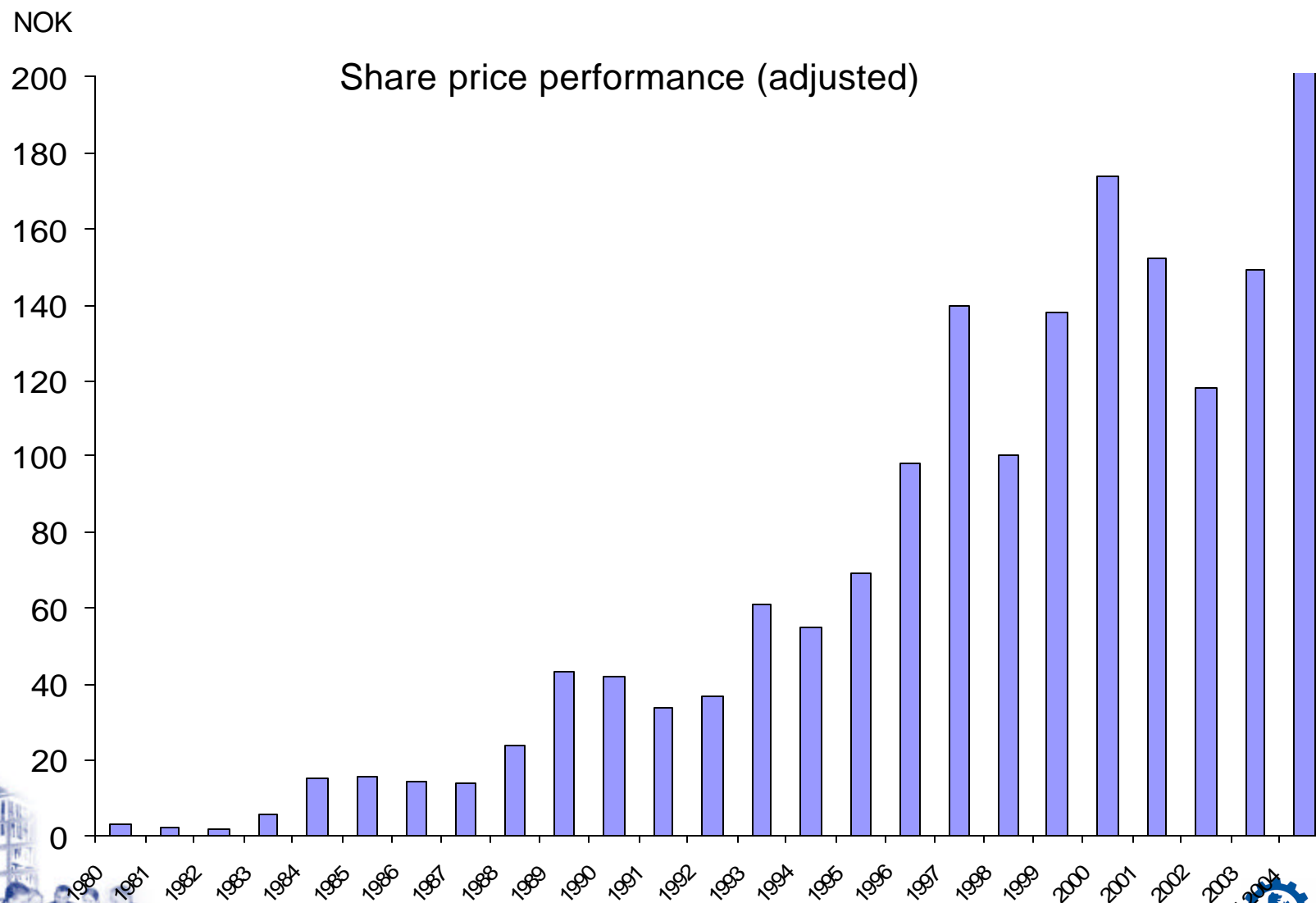
- ◆ Historical value creation
- ◆ Strategy built on sustainable competitive advantage
- ◆ Building operational excellence
- ◆ Growth and diversification
- ◆ Valuation vs. Value creation



Successful transition – growth in turnover 1980-2003

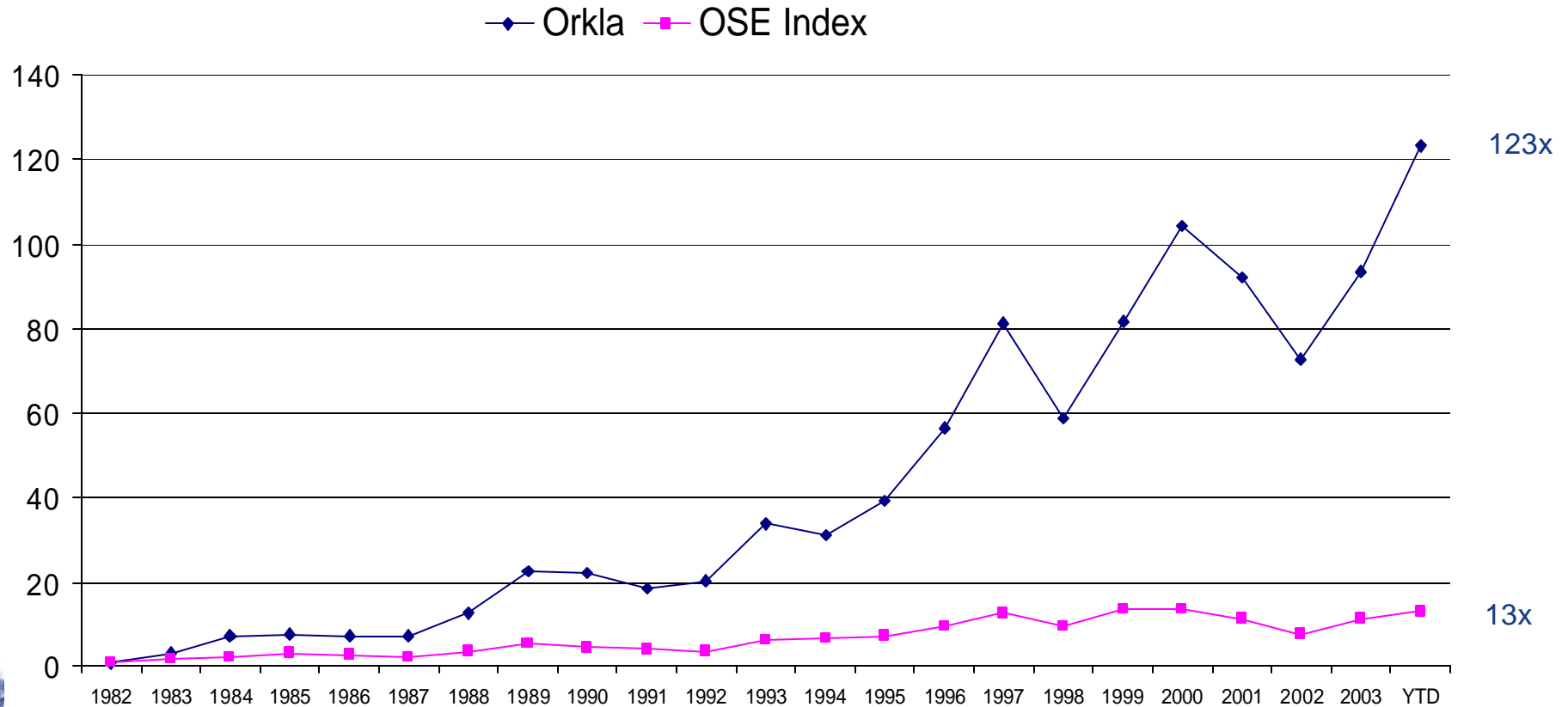


Successful transition – good value growth for shareholders



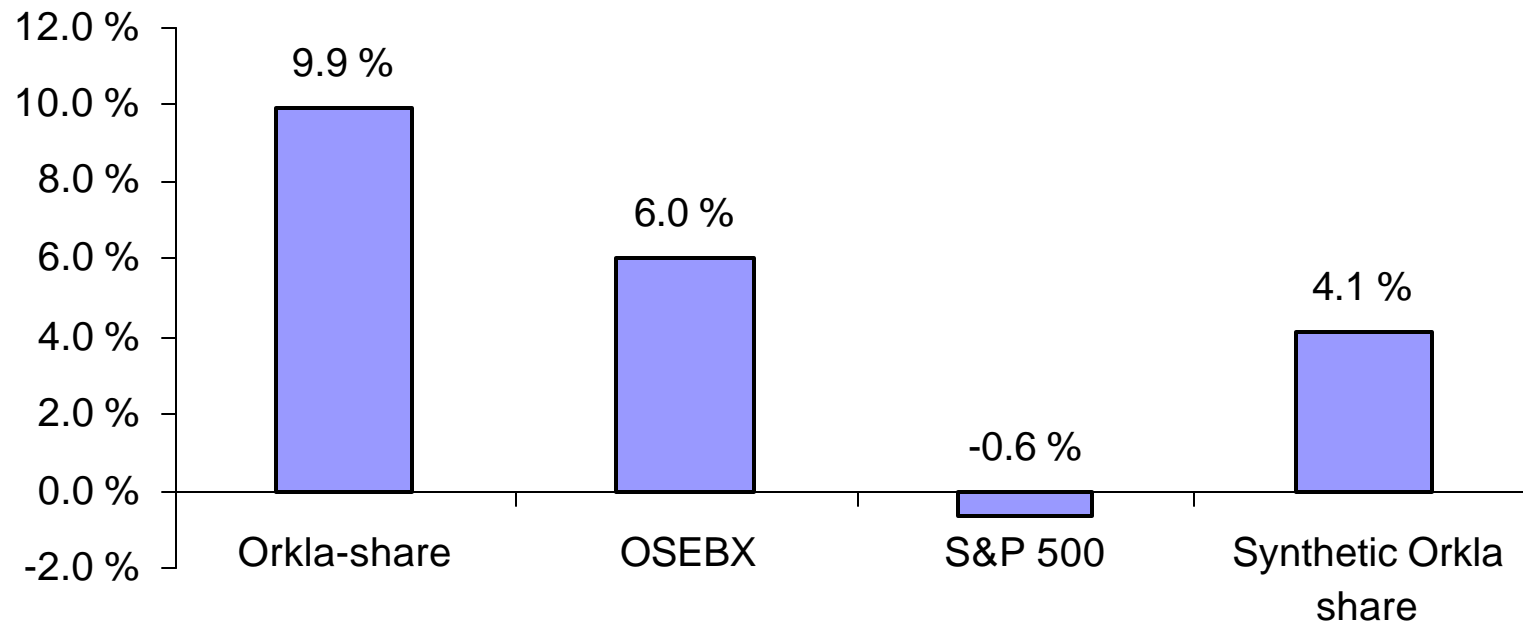
Orkla has created substantial shareholder value

Value of NOK 1 invested 31.12.82

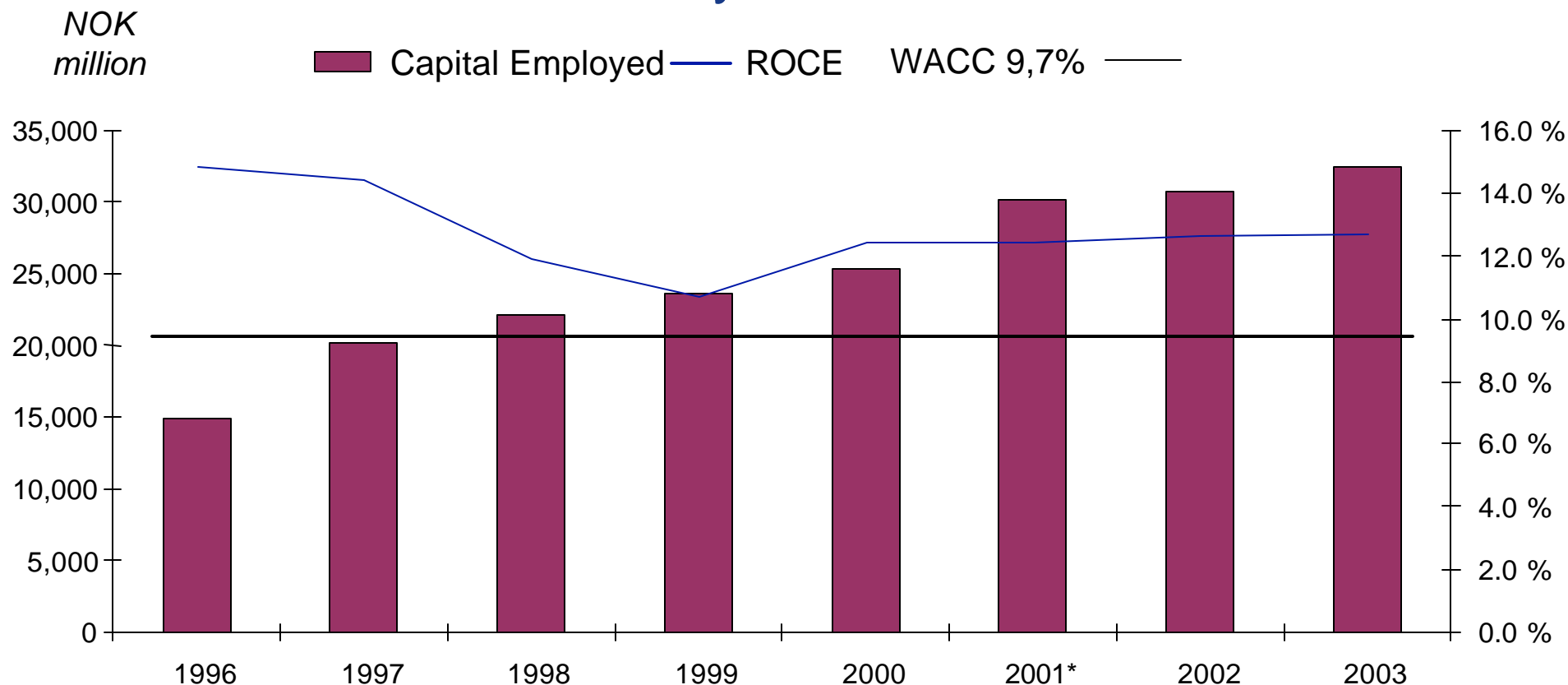


Good return also in a 5-year perspective

Annual return 1999-2003



Industry ROCE has consistently been higher than today's WACC



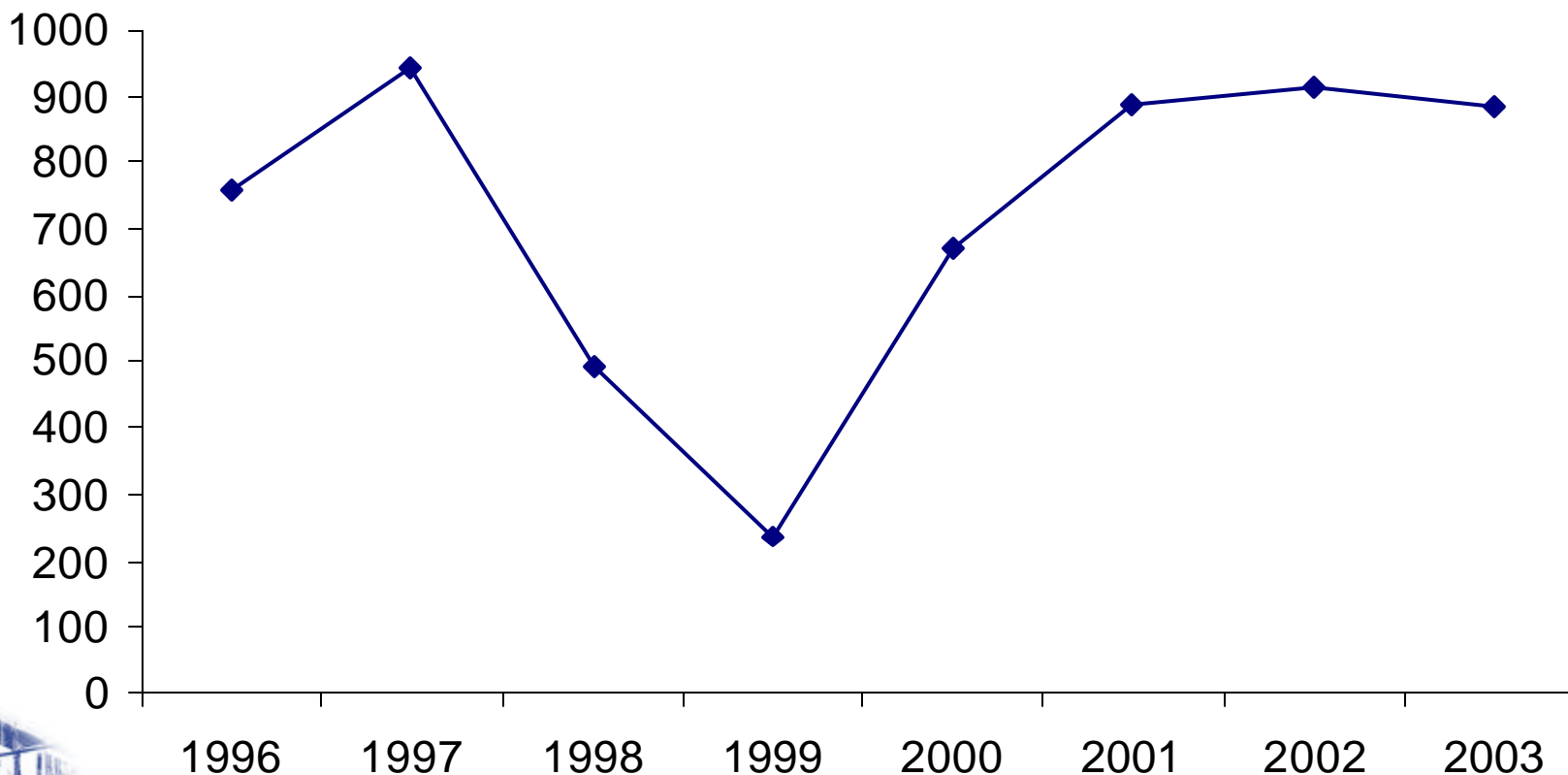
Figures before tax

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



Industry return has consistently been higher than cost of capital*

Mill. NOK



*WACC (9,7%) x Capital Employed

Figures before tax

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



Case: Orkla Beverages

1992

100%



Value 2,5 - 3
(NOK bill)

2004

40%



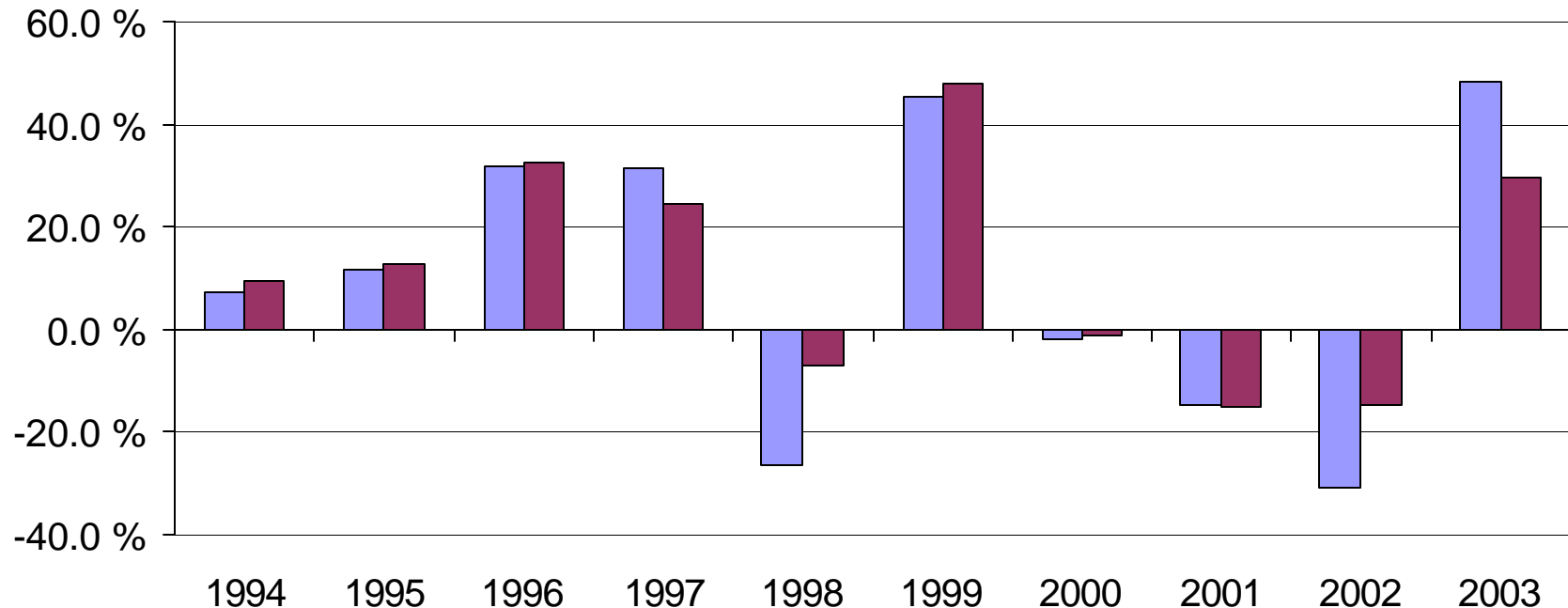
Net invest 2,5

17,5



The investment portfolio has done better than the OSE Index in 7 out of the last 10 years

Year-by-year portfolio returns



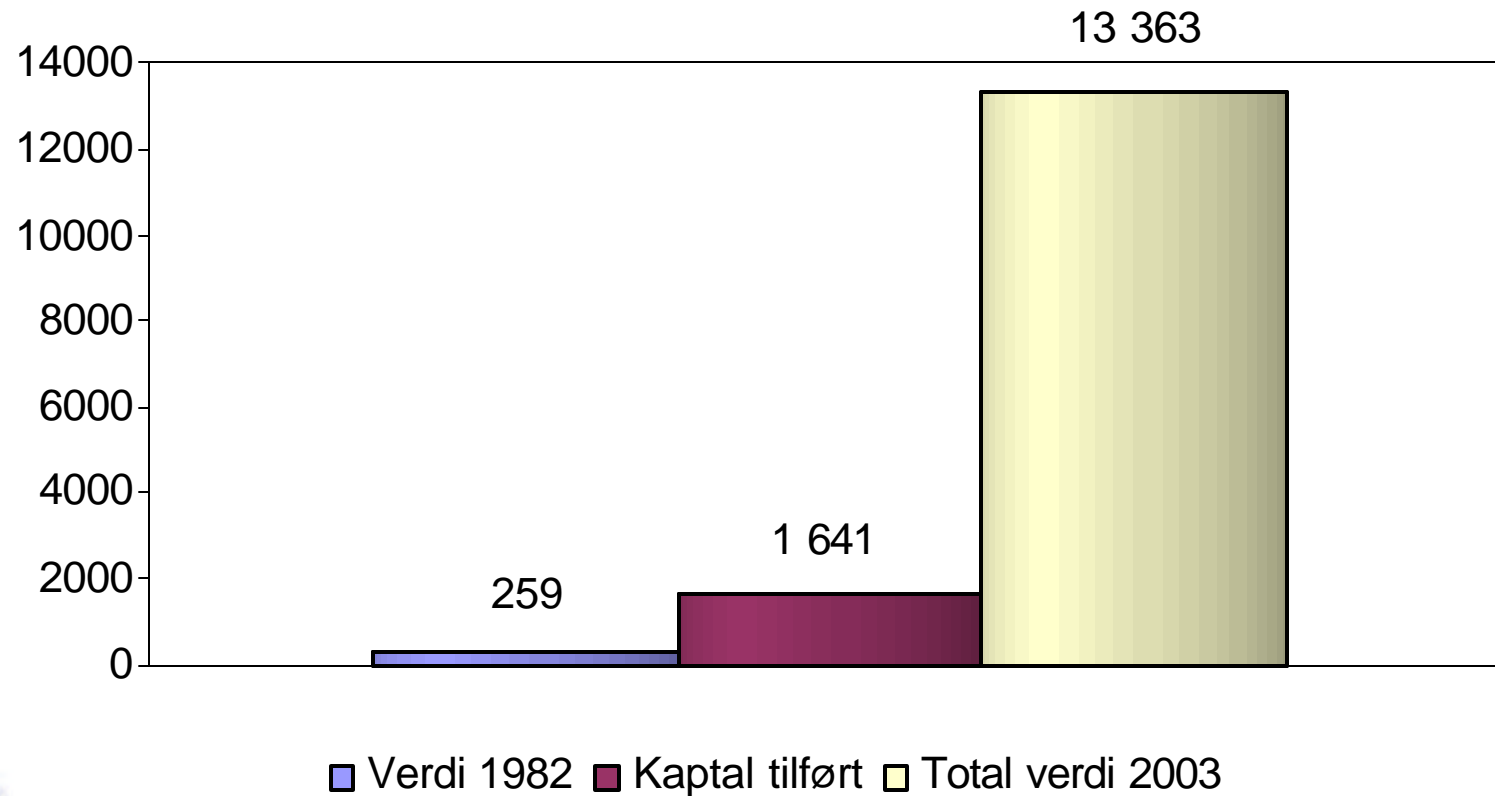
■ OSE Index ■ Orkla's Investments

CAGR Orkla's portfolio : 10 %

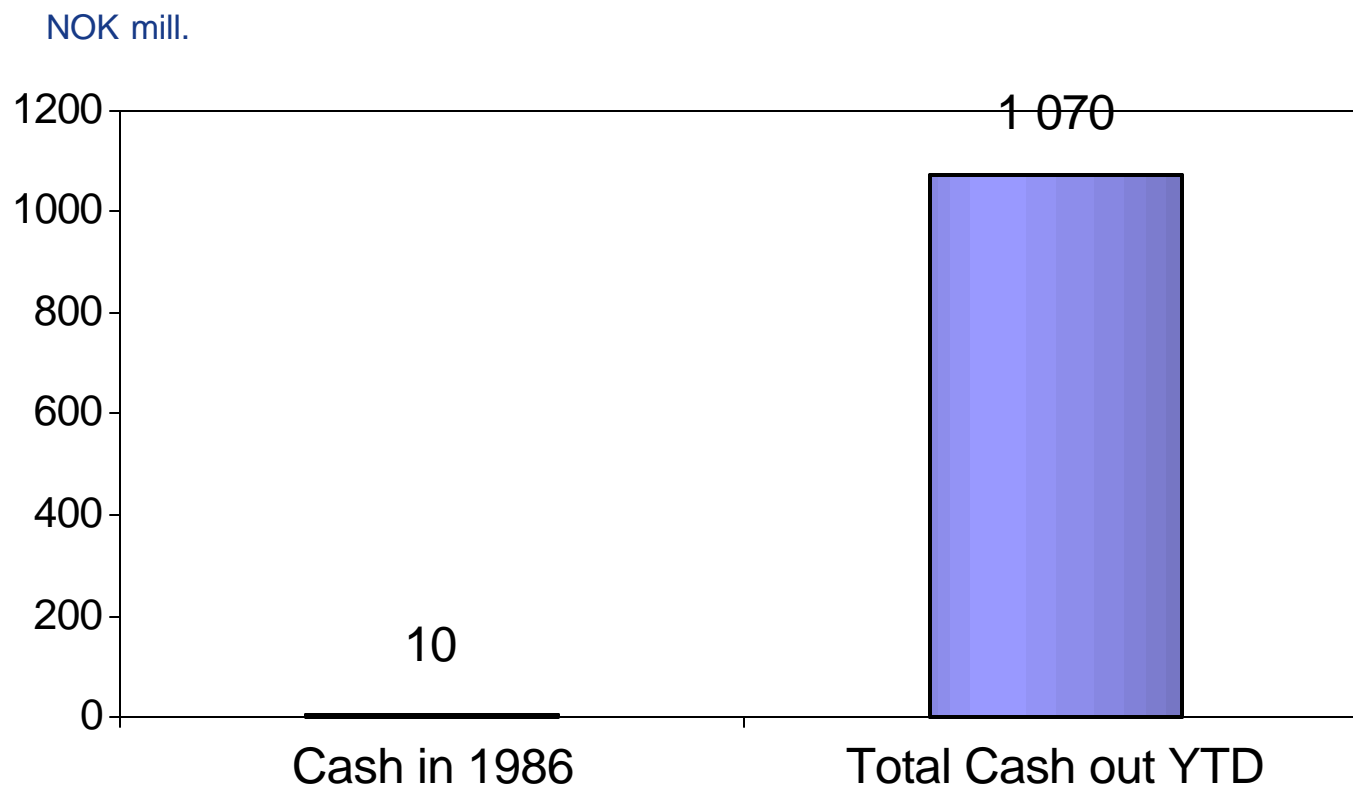
CAGR OSE : 6 %



The investment portfolio has created long term shareholder value



Case: Value creation in stock broking (1986 – 2003)



Agenda

- ◆ Historical value creation
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- ◆ Valuation vs. Value creation



VISION

Orkla will create superior values to the benefit of our shareholders, employees and the communities in which we operate

We shall operate better and grow faster than our competitors

Our 3 most important competitive advantages:

- A broad competence base giving a broad frontier of opportunities
- A competent and motivated workforce in a demanding organisation with a sound culture
- Differentiated products obtaining preferences and loyalty



Orkla's strategy

- ◆ **To strengthen our competitive advantage through**
 - Specialized products
 - Strong market positions
 - Competent organization and healthy company culture
- ◆ **And with continued focus on**
 - Operational excellence
 - And continued structural growth



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Long-term value creation through operational excellence.....

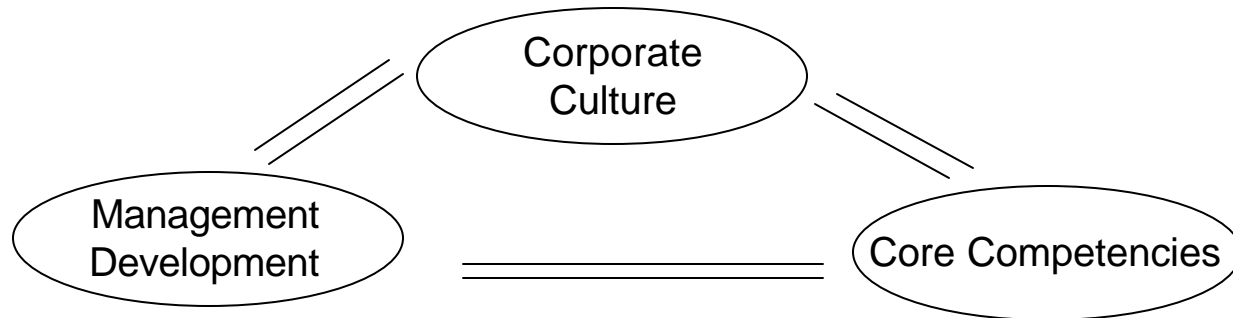
- ◆ **High-quality of organisation**
 - Attitudes: Commercial culture
 - Skills: Core competencies
 - Management: Talent and training

- ◆ **Organic top-line and margin growth**
 - Differentiated products
 - Innovation
 - Efficient advertising/Customer franchise

- ◆ **Continuous improvements**
 - Cost-cutting
 - Quality enhancement



Creating competitive advantage by building a strong organisation



Improving capabilities along the value chain



Orkla Purchasing school

Orkla School of Manufacturing Excellence

Orkla Brand School

Orkla School of
Sales Management

Orkla School of B2B



Developing capability in Orkla



Common course activities at Orkla :

- ◆ Oriented towards the central elements in the value chain
- ◆ Normative and tools based in our core areas. "This is the Orkla way"
- ◆ Concentrating on the areas where it is important to offer own programs
- ◆ General knowledge are bought externally



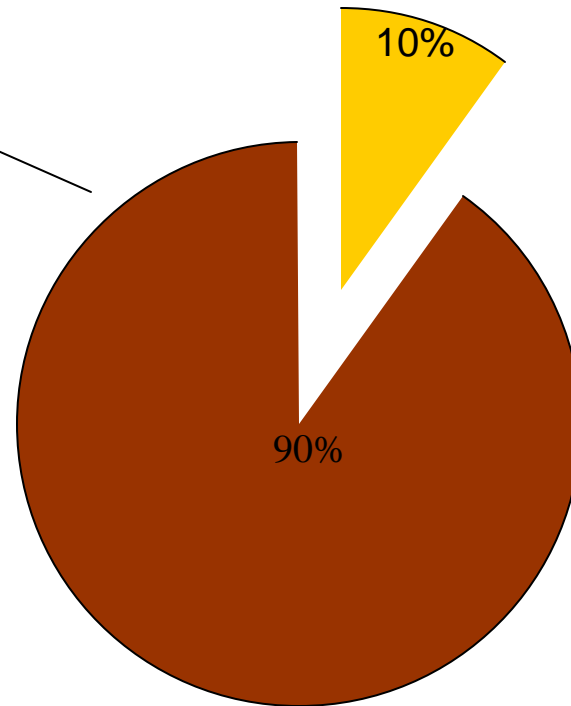
Breakdown of importance

Systematic
“on-the-job training”

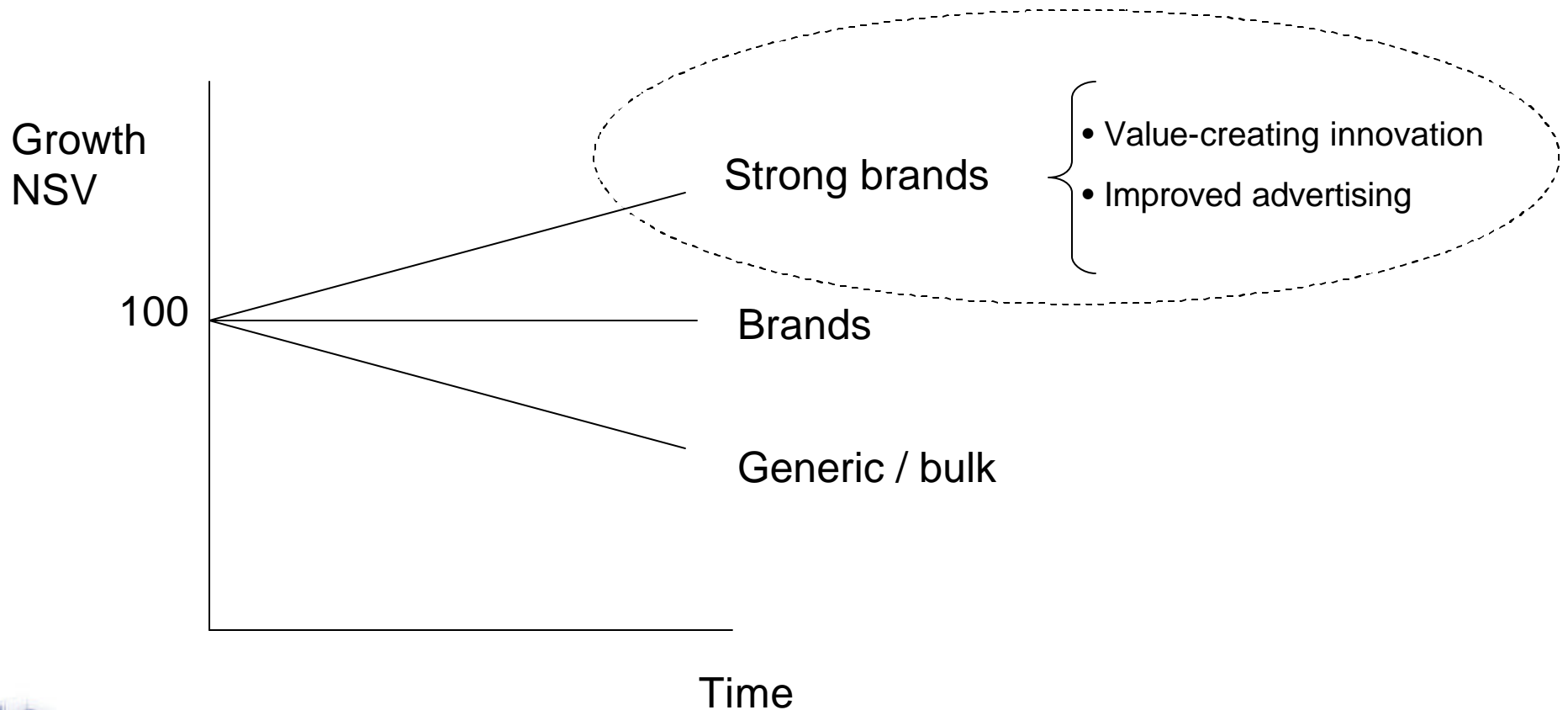
- Coaching
- Practise what is taught

Common course activities

- Teaching the standards



Improvement through organic top line growth



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

Case: Grandiosa

Starting point

2001

2002

2002

2004



Original product



Small portion



New flavour:
"Mild Taco"



Line extension:
Pizzas as toasts



New flavour:
Pizza election



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

Case: Laban

Starting point

2001

2003

2004



Original product



Laban women



Small portion



New flavour



Improvement through cost saving programmes

- ◆ Continuous improvement
 - Step-by-step changes and daily improvements
 - Focus in all business areas
- ◆ Redesign
 - Significant improvement programmes within current structure
 - Changes in processes and down-scaling of staff
- ◆ Structural projects
 - Efficient production – increased capacity utilisation
 - Closure of plants and transfer of production



Examples of cost reduction programmes in Orkla

		Man-years reduced	Man-years reduced in %
Berlingske	01-03	650	21 %
Orkla Foods	03-04	1,000	15 %
•Abba		140	24 %
Borregaard	00-02	205	16 %



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Acquisitive growth at Orkla

- ◆ **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



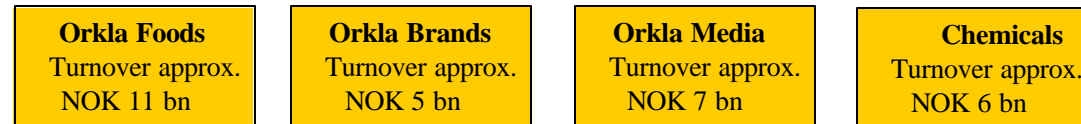
Broad competence and business base create many opportunities

Expertise

Differentiated
products

- No. 1 or 2

Geography



Expertise

Differentiated
products

- No. 1 or 2

Geography

Financial investment expertise

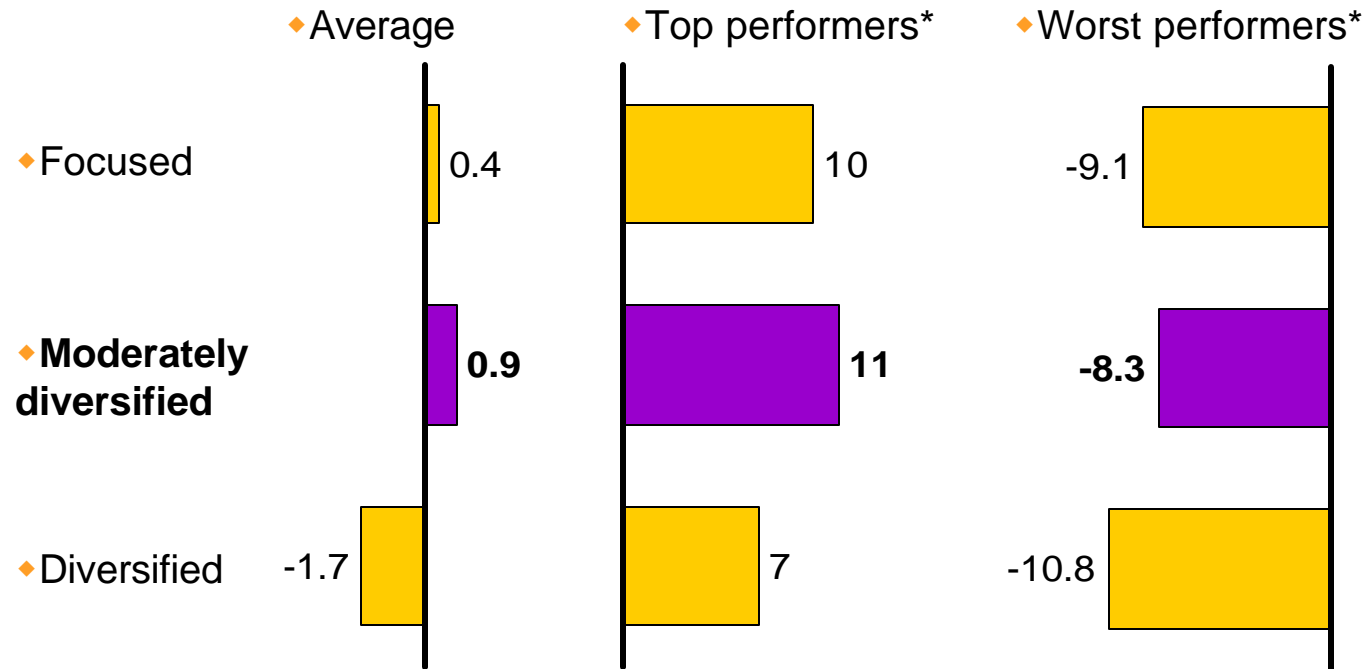


Research indicates that moderate diversification is a successful strategy

TRS CAGR 1990–2003 in percent

♦ EUROPE

Average annual excess returns versus industry



* Top performers: companies within 1st quartile in adjusted TRS; worst performers: companies within 4th quartile in adjusted TRS

Note: Total number of companies in the sample = 272, Highly diversified (top 30% companies), focused (bottom 30% companies)

Source: Worldscoop, Datastream, McKinsey analysis



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

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- Quality enhancement

Acquisitive growth

Based on core competencies

- Branded consumer goods
- Specialised wood-based chemicals products

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Exploiting two-legged structure

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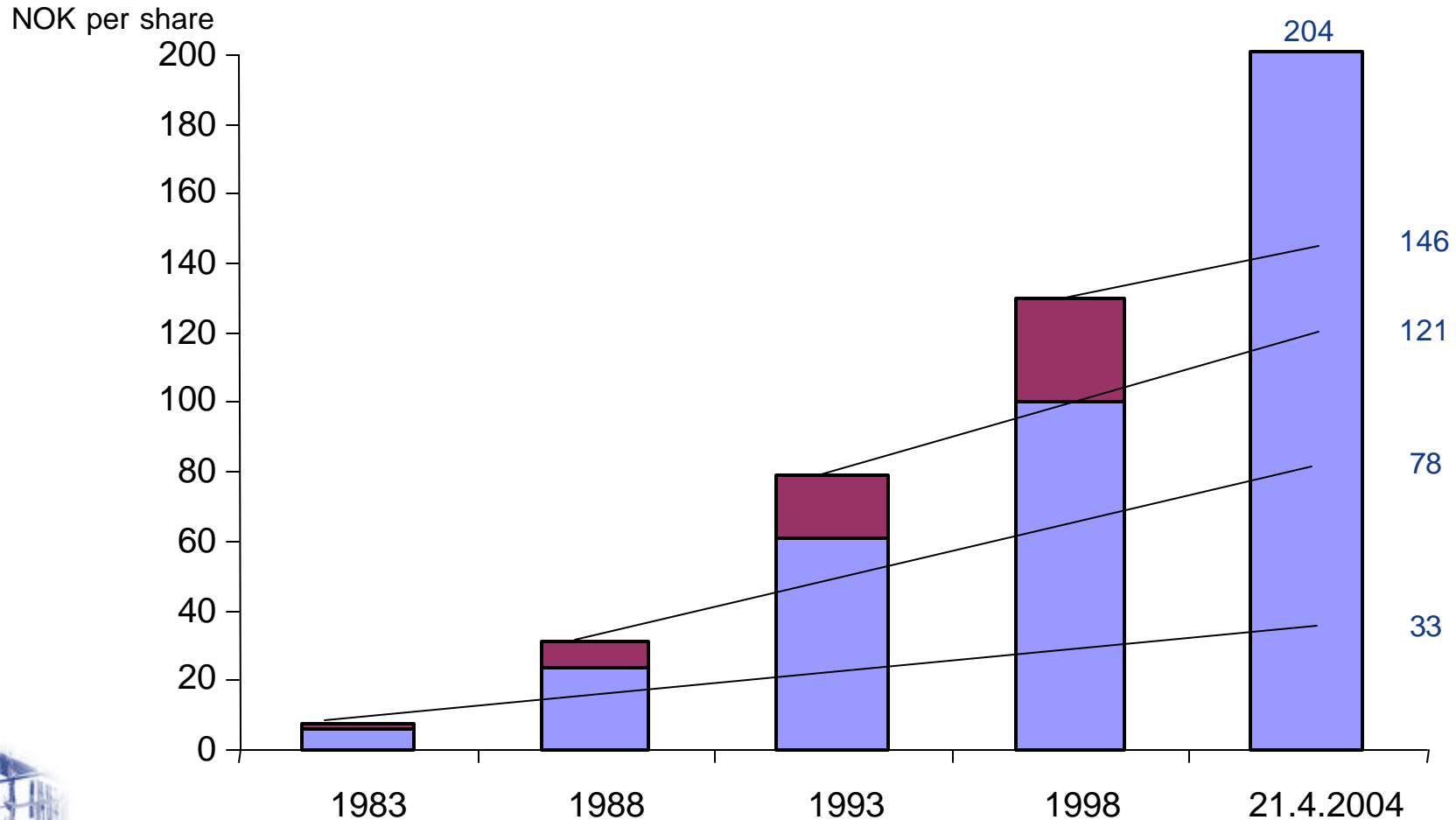
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Long term investing is all about identifying
value creation



The Orkla case – Long term value creation outperform short term valuation issues*



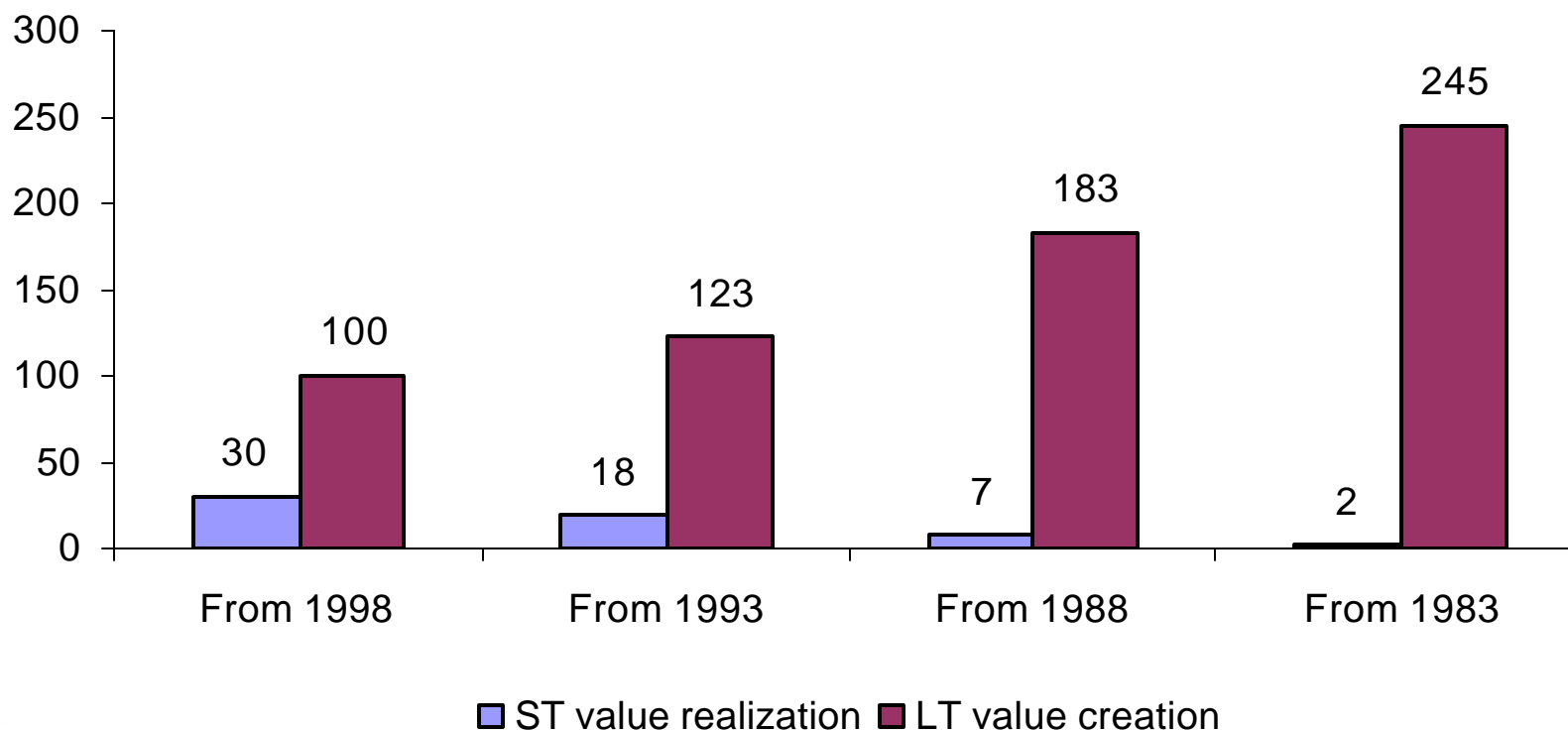
*30% discount realization and reinvested in OSE



The Orkla case – Long term value creation outperform short term valuation issues*

Value creation

NOK per share



*30% discount realization and reinvested in Oslo Børs index

Dividend reinvested, periods YTD = 07.05.04

35



Long term investing is all about identifying
value creation,
and not about short term valuation issues

