



The Orkla Group

Strategic direction

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SEB Enskilda Nordic Seminar
Copenhagen, 8 January 2010



Agenda

■ Status

- Comprehensive actions – improved financials

■ Portfolio

- Active development to support value creation

■ Business units

- Clear strategic business plans defined to improve returns

This is Orkla

Established: 1654

Business Areas: 5

- Orkla Brands
- Orkla Aluminium Solutions
- Orkla Materials
- Orkla Associates
- Orkla Financial Investments



Operating revenues: NOK 55 billion*

- Norway 18 %
- Other Nordics 21 %
- Central & Eastern Europe 9 %
- Rest of Europe 31 %
- Asia 7 %
- North America 13 %
- Rest of world 1 %

Employees: 31 000

Market value: NOK 59 billion**

* Geo. breakdown of net sales at year-end 2008

** 31 Dec 2009



Orkla – Comprehensive actions – improved financials

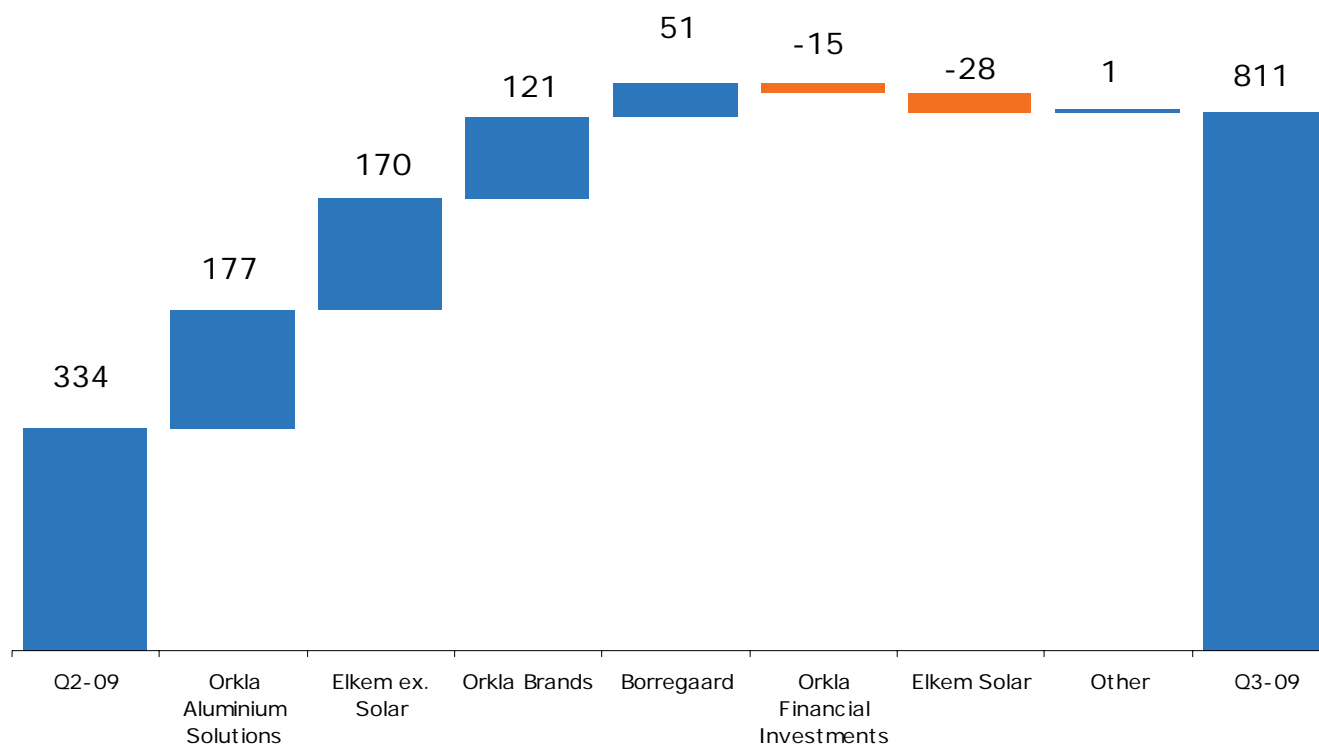
- Continued contribution from extensive action plans
- Important structural actions in 2009
 - Acquisition of Indalex
 - Sale of hydropower assets
 - Asset swap between Orkla and Alcoa
- Market outlook slightly firmer
 - Clear signs of stabilisation at a low level from mid-2009
 - Somewhat more positive underlying momentum in second half of 2009
 - Still uncertainty in economic trends

Highlights Q3-09

- Continued profit growth for Orkla Brands
- Positive EBITA for Orkla Aluminium Solutions in Q3
 - Comprehensive structural and cost-cutting measures
 - Successful integration of Indalex
- General weak market conditions for Orkla Materials
 - Capacity utilisation of 57 % in Q3 for Elkem silicon-related
 - Improved profit in Borregaard Chemicals due to favourable raw material prices and currency effects
- Challenging solar markets
 - REC; EBITDA at NOK 429 million in Q3
 - Elkem Solar; hot commissioning started mid October
- Return on Share Portfolio + 26.2 %

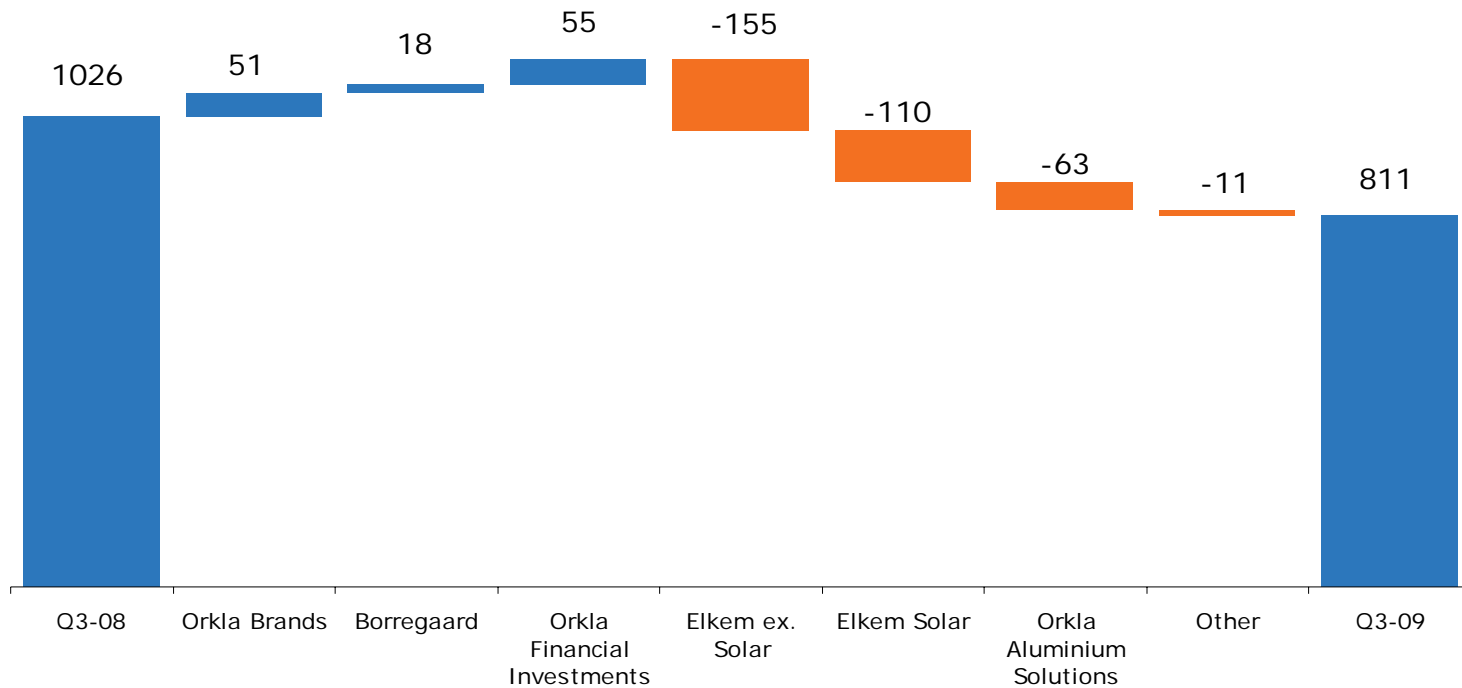
Improved profit vs. last quarter....

EBITA performance from Q2-09 to Q3-09
(figures in NOK million)



...however, still somewhat behind 2008

EBITA performance from Q3-08 to Q3-09
(figures in NOK million)



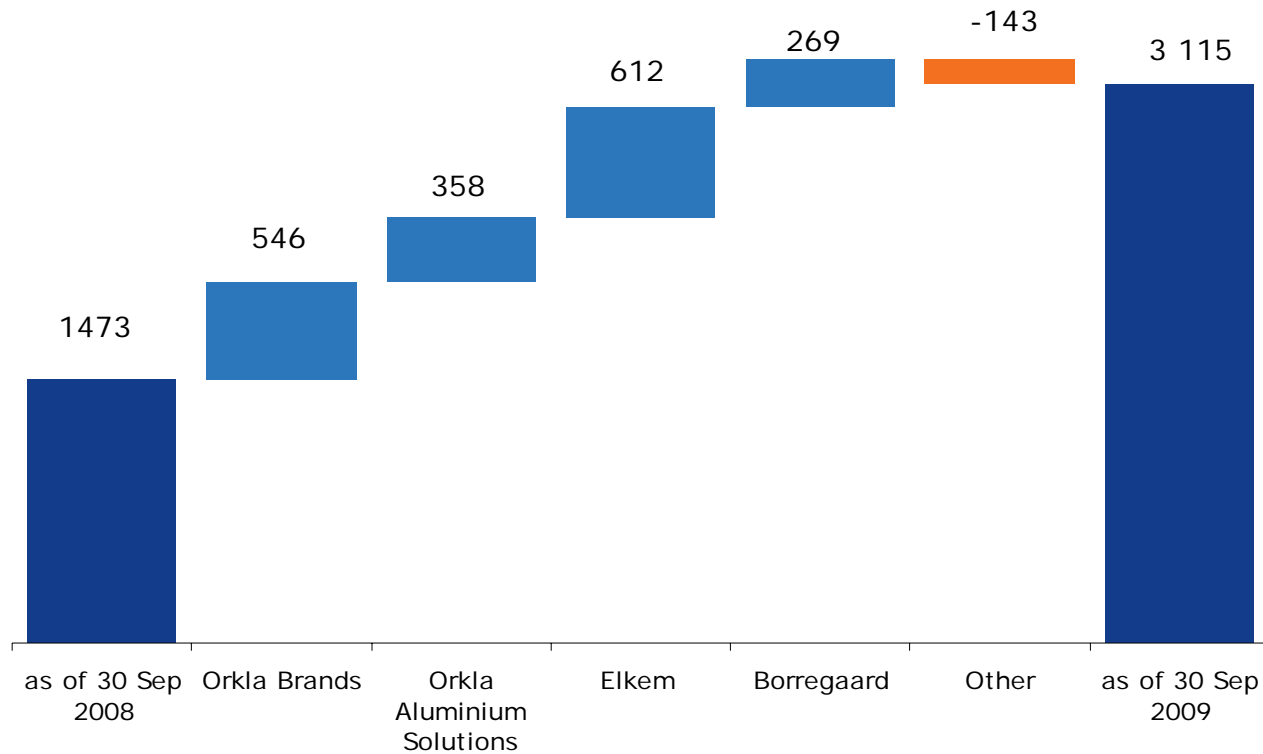
All figures in NOK million

Focus on short-term cash flow – comprehensive action plan pr. business area

- Orkla Brands – continuous improvement
 - Reinforced action plan
 - Restructuring of unprofitable entities
- Sapa is taking strong measures to operate on a cash neutral basis in 2009
 - Reduction of 2 200 FTEs, September year-on-year¹⁾
 - Several factories closed down
- Capacity in Elkem silicon-related adjusted to current market conditions
 - Planned capacity reduction of approx. 40 % in 2009
 - Periodic close-downs of furnaces throughout 2009
- Closure of Borregaard's Swiss operations
 - Capacity reduction of 1/3 in specialty cellulose

(1) Excluding Indalex

Strong cash flow from operations



* Cash flow from operations: Operating profit, amortisation, net replacement expenditures, change in net working capital

Orkla is well prepared for stormy weather

- A diversified portfolio reduces risk from business-specific volatility
 - Large share of cash flow from less cyclical areas
- Robust balance sheet and gearing^{*)}
 - equity ratio ~55 %
 - net gearing ~0.45
- Unutilised committed credit facilities cover instalments well into 2011
- No financial covenants
- Financial assets provide flexibility
 - Readiness to act on emerging opportunities

^{*)} Pro forma after spin out of hydropower assets

Orkla portfolio development

Multiple criteria being considered

- Value creation plan per business unit
 - Fits the overall strategy
 - Levers of differentiation in complex value chain
 - No 1 or strong no 2 position
 - Benefit from Orkla's skill base
 - ROCE > pre-tax WACC 10 %
- Balance in terms of
 - Cash flow vs. growth phase
 - Cyclicity
 - Capital intensity
 - Diversification
- Exploiting the frontier of opportunities
 - Timing
 - Opportunism
 - Deal flow
 - Darwinism

The Indalex acquisition

- Sapa to merge No 1 and No 2 players in North America through the acquisition of Indalex
- Market share in North America increased to 26 %
- Strong synergy-driven case
 - Production, logistics and shared services
- Successful integration process



Energy assets sold for NOK 6 billion

- Hydropower plants, with total annual power production of 1.7 TWh, sold for NOK 6 billion
- Gain on sale approx. NOK 3.5 billion
- Transactions to be closed in H1-2010 (Salten finalised Jan 4th)
- Elkem's power plants in Sauda and Borregaard's power plants in Sarpsborg retained



Part of Elkem's hydropower assets sold

Assets sold:

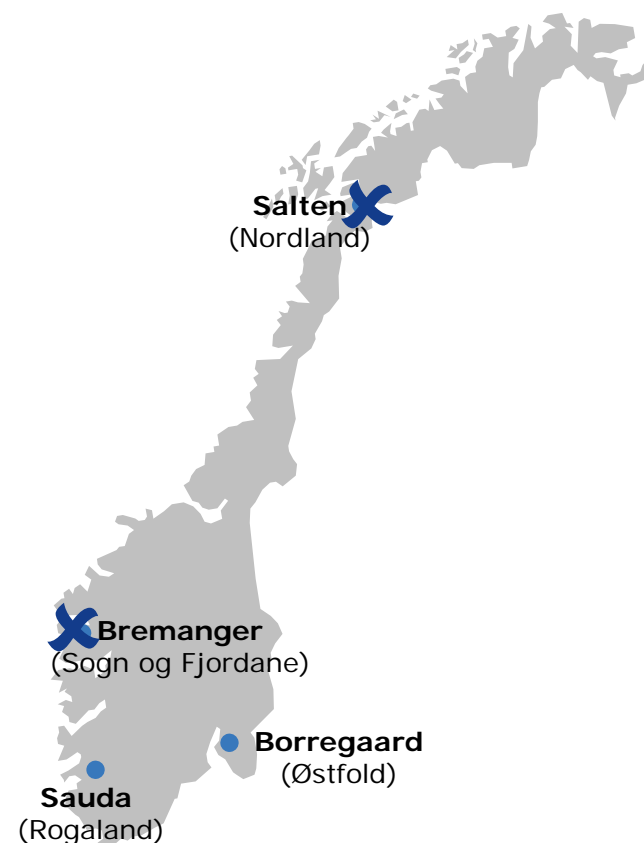
Plant	Capacity	Price
Salten	1.1 TWh	NOK 4,300 million
Bremanger	0.5 TWh owned 0.2 TWh leased	NOK 1,709 million -

Assets owned:

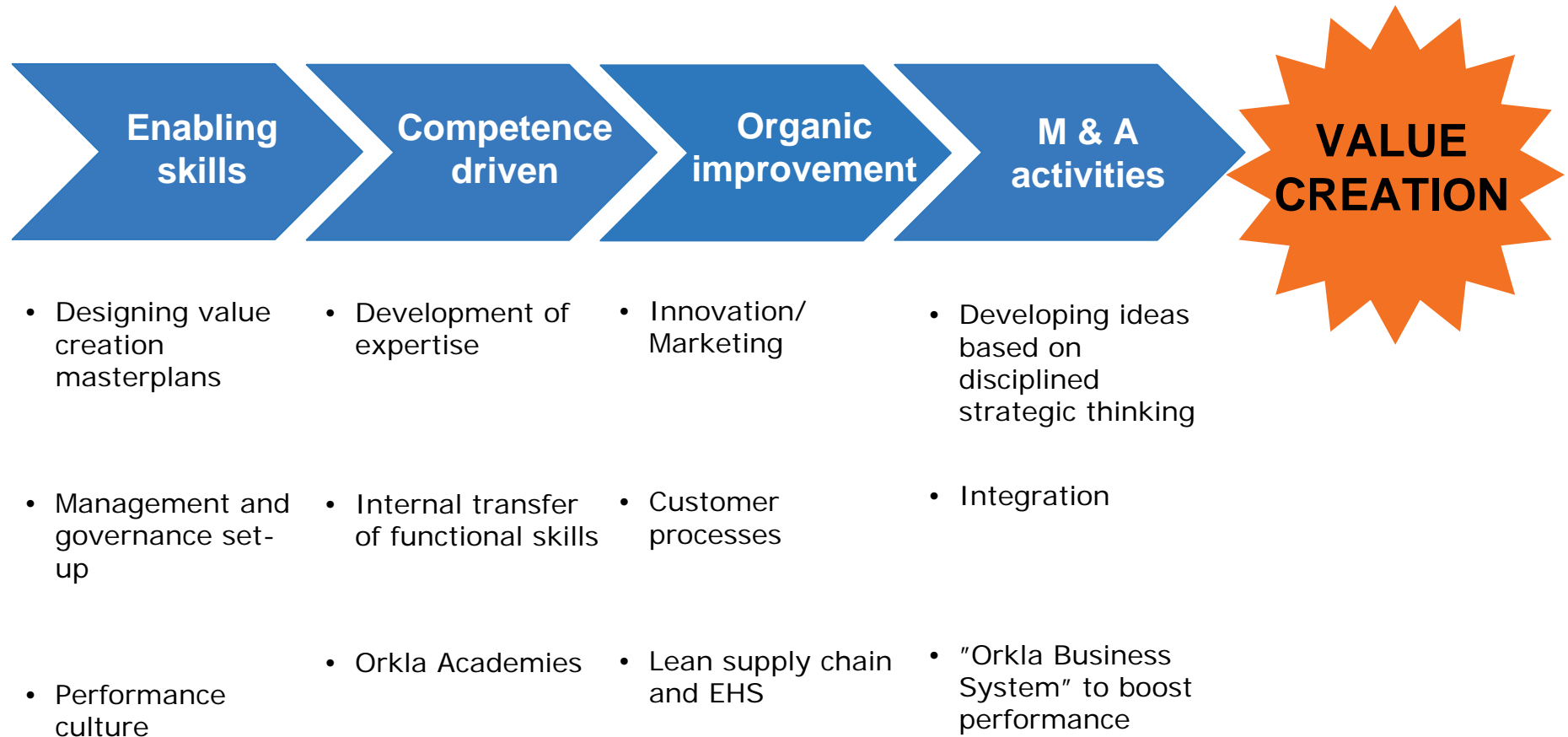
Plant	Capacity
Sauda ¹	2 TWh
Borregaard ²	0.6 TWh

1) Leased from Statkraft until 2030

2) Not part of reversion/lease regime



Orkla – leveraging active ownership skills



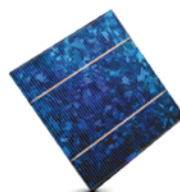
Value creation through M&A





<u>Year</u>	<u>Company</u>	<u>Industry</u>
1986	Borregaard	Chemicals
	- Lilleborg	Branded Consumer Goods
	- Stabburet	Branded Consumer Goods
	- Jotun (42.5 %)	Paints and coatings
1991	Nora Industrier	Branded Consumer Goods
	- Ringnes	
	- Nora Foods	
	- Nidar	
1995	Abba Seafood	Seafood
1995	Procordia Food	Food
1997	Pripps Ringnes 100 %	Beverages
2000	Carlsberg Breweries 40 %	Beverages
2000	Det Berlingske Officin	Printed newspapers
2005	Chips	Snacks
2005	Elkem/Elkem Solar	Metals/hydropower/solar energy
2005	Sapa	Aluminium extrusion
2007	Sapa/Alcoa JV	Aluminium extrusion
2007	REC (39.73 %)	Solar energy
2009	Sapa 100 %	Aluminium extrusion
2009	Indalex	Aluminium extrusion

Value creation through divestments

<u>Year</u>	<u>Company</u>	<u>Industry</u>
1991	Orkla real estate	Real estate
1995	Norgro	Animal feed
1995	Helly Hansen (50 %)	Clothing
1996	Abba in Denmark and in Germany	Seafood
1996	Frionor (51 %)	Frozen products
1996	Hansa	Beverages
1997	Ringstads Ferskvare	Fresh meat products
1999	Regal Mølle AS	Food ingredients/flour
1999	Viking Fottøy	Footwear
2000	Orkla Finans (Fondsmegling)	Investment bank
2001	Oyj Hartwall Abp (20 %)	Beverages
2003	Enskilda Securities (22.5 %)	Investment bank/broker
2004	Carlsberg Breweries (40 %)	Beverages
2004	Borregaard Hellefoss/Vafos	Book paper, mechanical pulp
2005	Denofa's extraction plant (X-Works)	Soya products for the feed industries
2006	Orkla Media	Printed newspapers and web-sites
2008	Hjemmet Mortensen (40 %)	Printed magazines
2009	Elkem Aluminium (50 %)	Primary Aluminium
2009	Energy Assets (Salten/Bremanger)	Hydro Power

The Orkla Group – leading positions



Brands	Aluminium Solutions	Solar Energy	Materials	Financial Investments
<p>The leading Nordic FMCG company - 80 % of revenues from #1 brands</p> <p>Growth ambitions outside the Nordics (Russia and India)</p> <p>42.5 % in Jotun, a leading paints and coatings company in selected segments</p>  	<p>The world's largest aluminium extrusion company</p> <p>Market leader in Europe and North America</p> <p>The world's leading producer of strip for heat exchangers to the automotive industry</p> 	<p>39.73% in REC, global #1 in solar grade silicon and also #2 globally in multi-crystalline silicon wafers, together with substantial downstream activities</p> <p>Technological frontrunner in production of solar grade silicon</p> <p>REC - chemical/FBR Elkem Solar - metallurgical</p>  	<p>Leading global producer of silicon metals and wood based chemicals</p> <p>A major player in the Nordic hydropower market</p>  	<p>One of the largest privately held Nordic equity portfolios</p> <p>Property development activities</p> <p>Financial services</p>  

Orkla exploits different ownership models:

Basis in industry

- Primarily seeks 100 % ownership
- Deployment of Orkla's skill base
- Control of structural development
- Source of cash flow that can be leveraged

Holding (~20-50 %)

- When 100 % ownership is not desirable or possible
- Industrial positions – active ownership

Investment (<20 %)

- Financial investments in order to create capital returns and industrial options

**For all models:
Seek "100 % ownership of key competencies"**

Orkla has employed the holding model primarily when 100 % ownership has not been possible or desirable

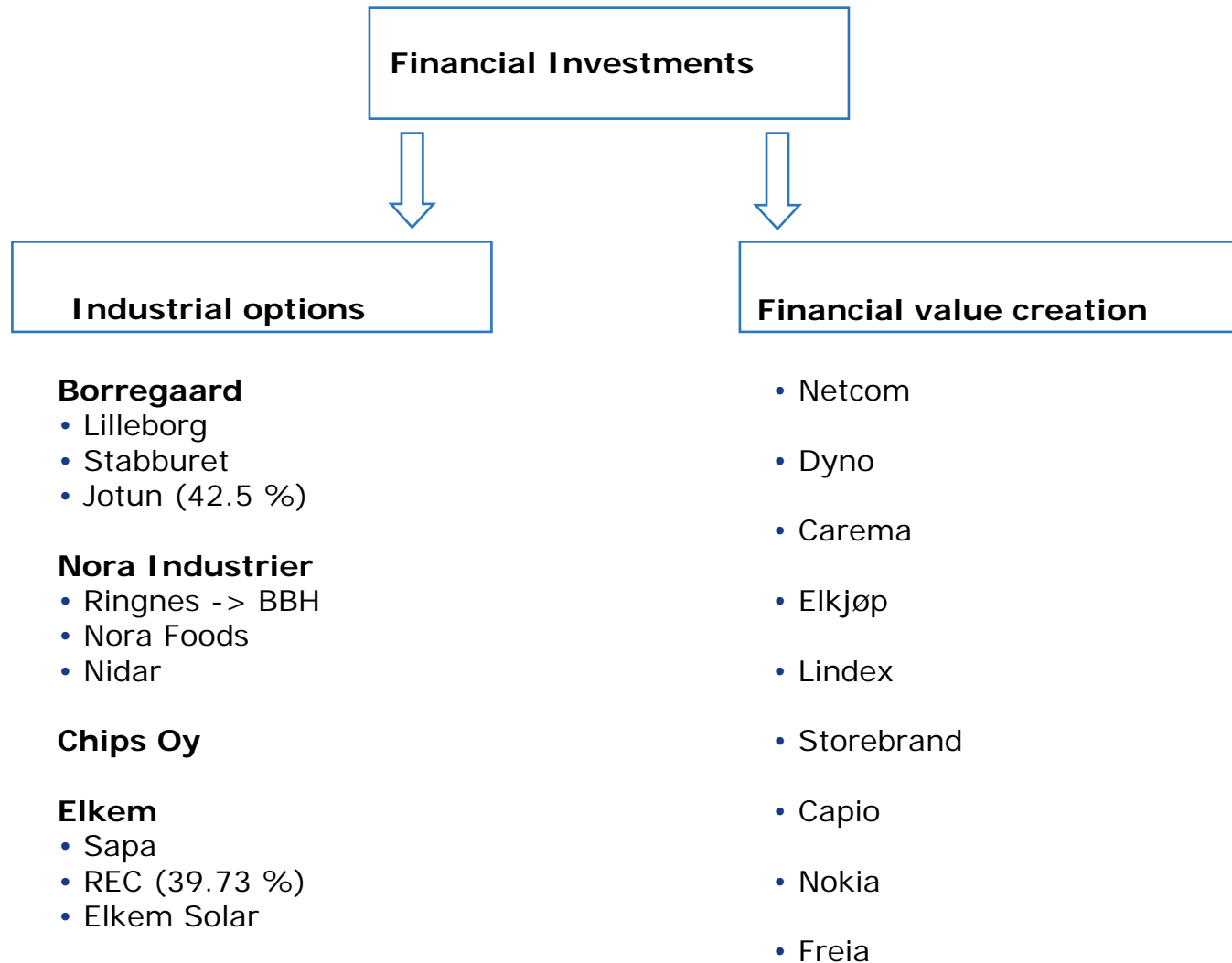
Holdings:

- REC (39.73 %)
- Jotun (42.5 %)
- Sapa/Alcoa (54 % → 100%)
- Chips Oy (20 % → JV → 100%)
- Dragsbæk (50 % → 67 %)

Exits:

- Elkem Aluminium ANS (50 % → exit 2009)
- Hjemmet Mortensen (40 % → exit 2008)
- Carlsberg (40 % → exit 2004)
- Hartwall (20 % → BBH → exit 2004)
- Enskilda Securities (22.5 % → exit 2003)

Engine for Orkla's development

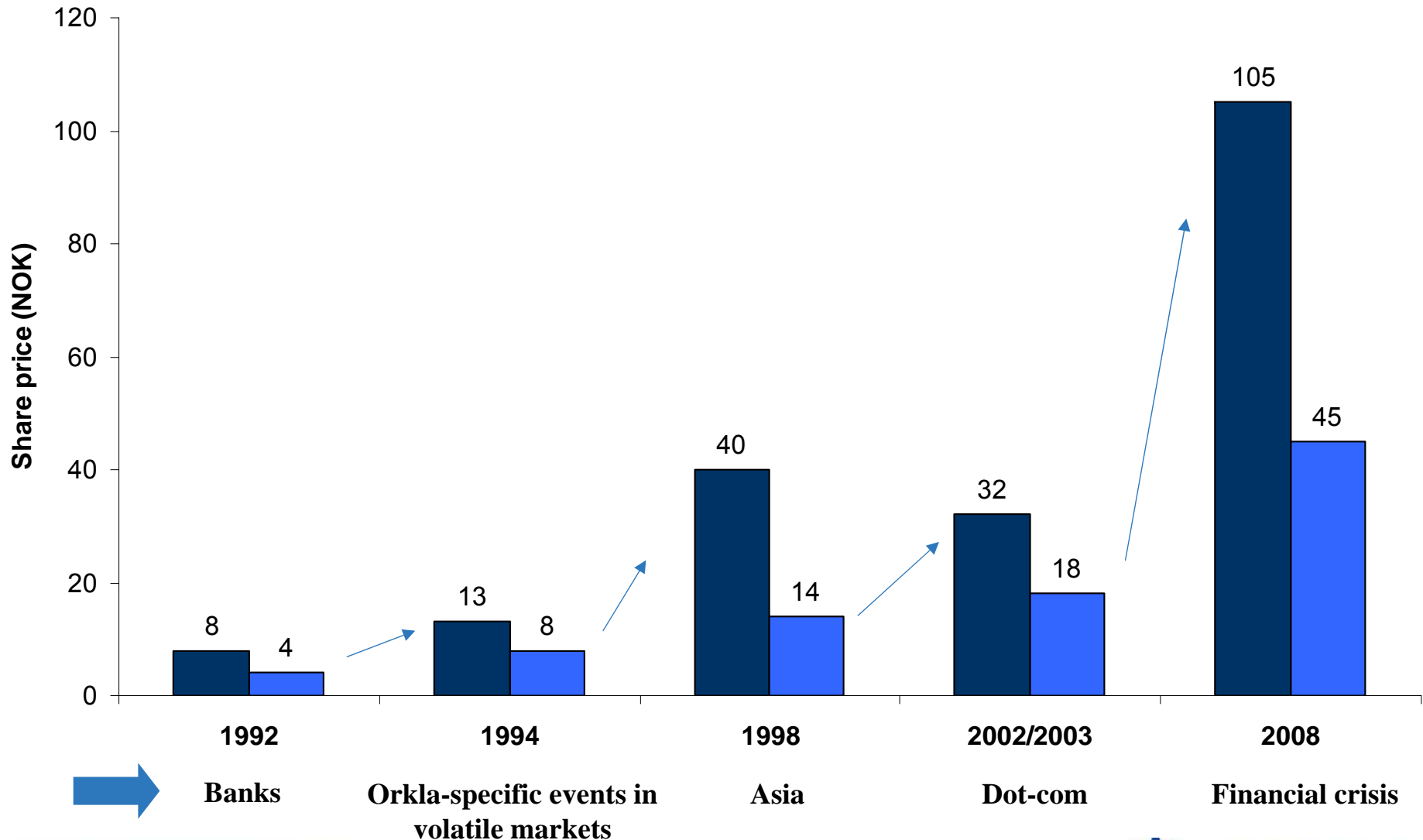


Orkla share performance 2001 - 2009



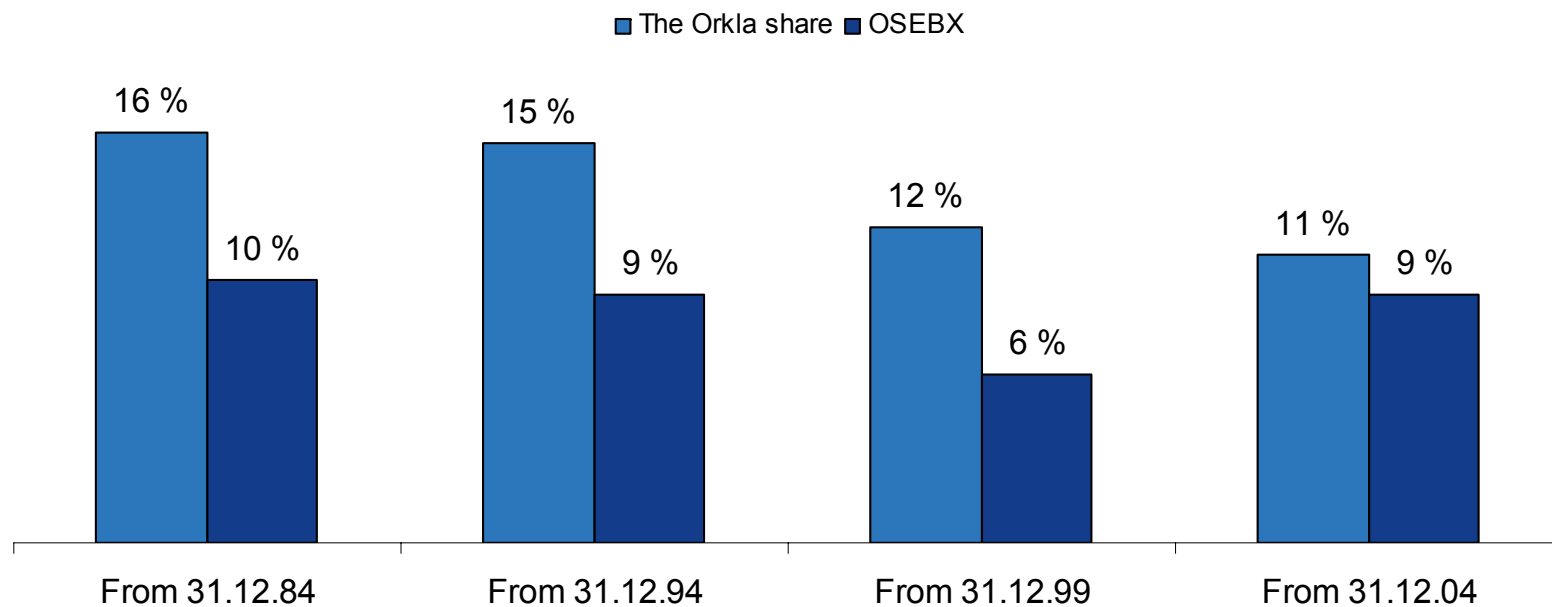
* 25.2.2003

Orkla's record of recovering after downturns



Orkla's long-term business model has worked

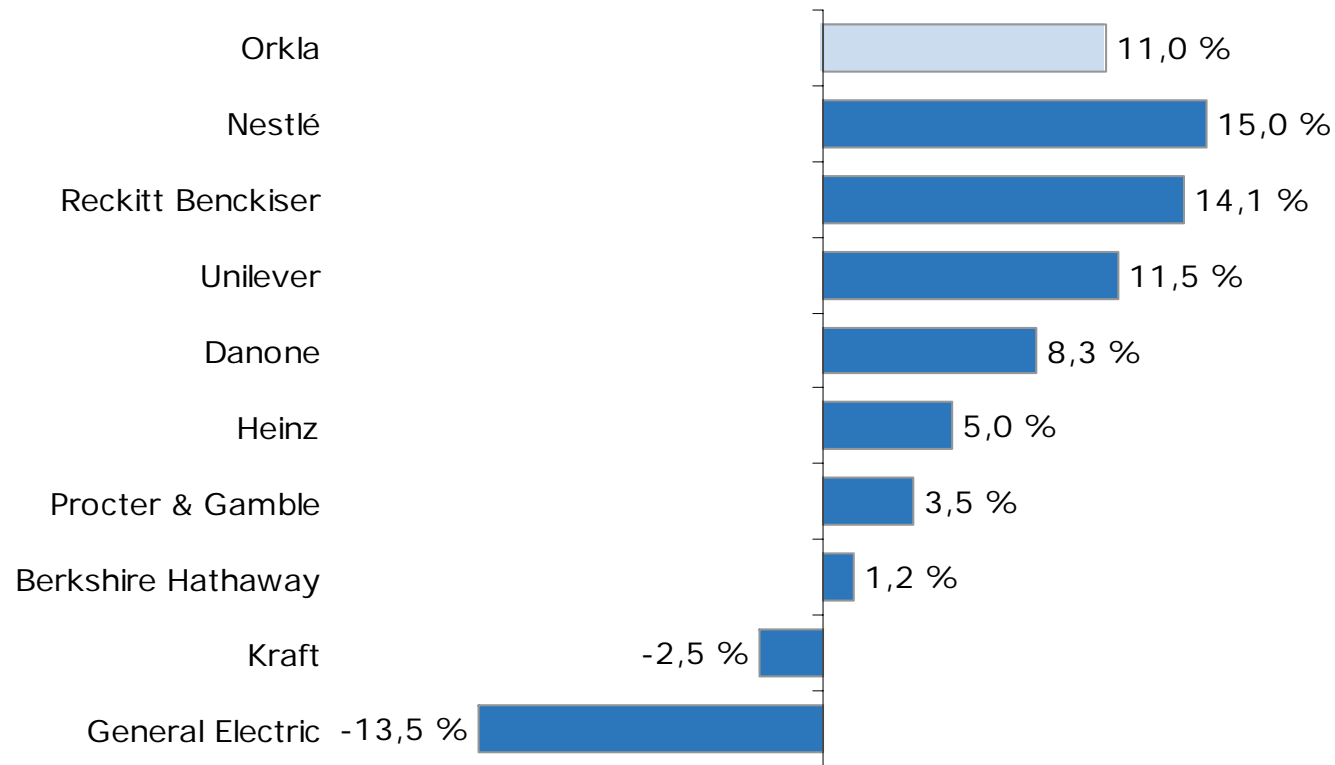
16 % compounded annual return last 25 years*



* Based on share price year-end 2009, dividend reinvested

Orkla share performance relative to peers last 5 years

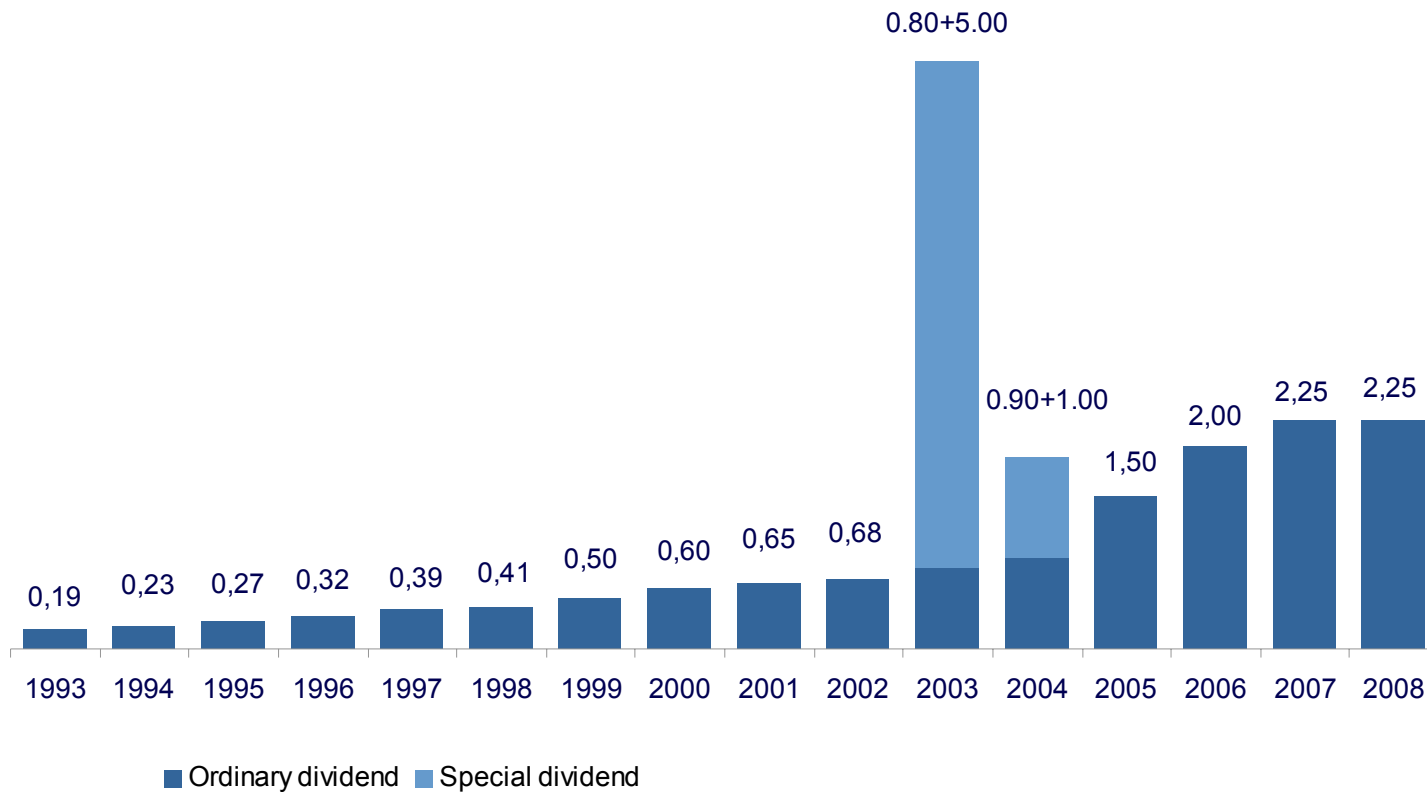
Annual return



30.12.2004-30.12.2009. Dividend assumed re-invested in the share. Return measured in companies' local currency.
Source: Bloomberg; Orkla IR

Dividend strategy –

NOK 18 billion returned to shareholders since 2004*



* Dividend (16.6) and share buy backs (1.3)



Direction of development

- | | | | | |
|--|---|---|---|--|
| <ul style="list-style-type: none"> • Organic and acquisitive growth in the Nordics, Baltics, Russia and India | <ul style="list-style-type: none"> • From profiles to value-added solutions • Expand all 3 business segments • ROCE 18 % | <ul style="list-style-type: none"> • Elkem Solar "on stream" • Portfolio development and optimisation | <p>REC</p> <ul style="list-style-type: none"> • Advancing industrial positions <p>Jotun</p> <ul style="list-style-type: none"> • Organic growth in Asia, ME and Nordics | <ul style="list-style-type: none"> • Cash-generator • Support Orkla's industrial development |
|--|---|---|---|--|

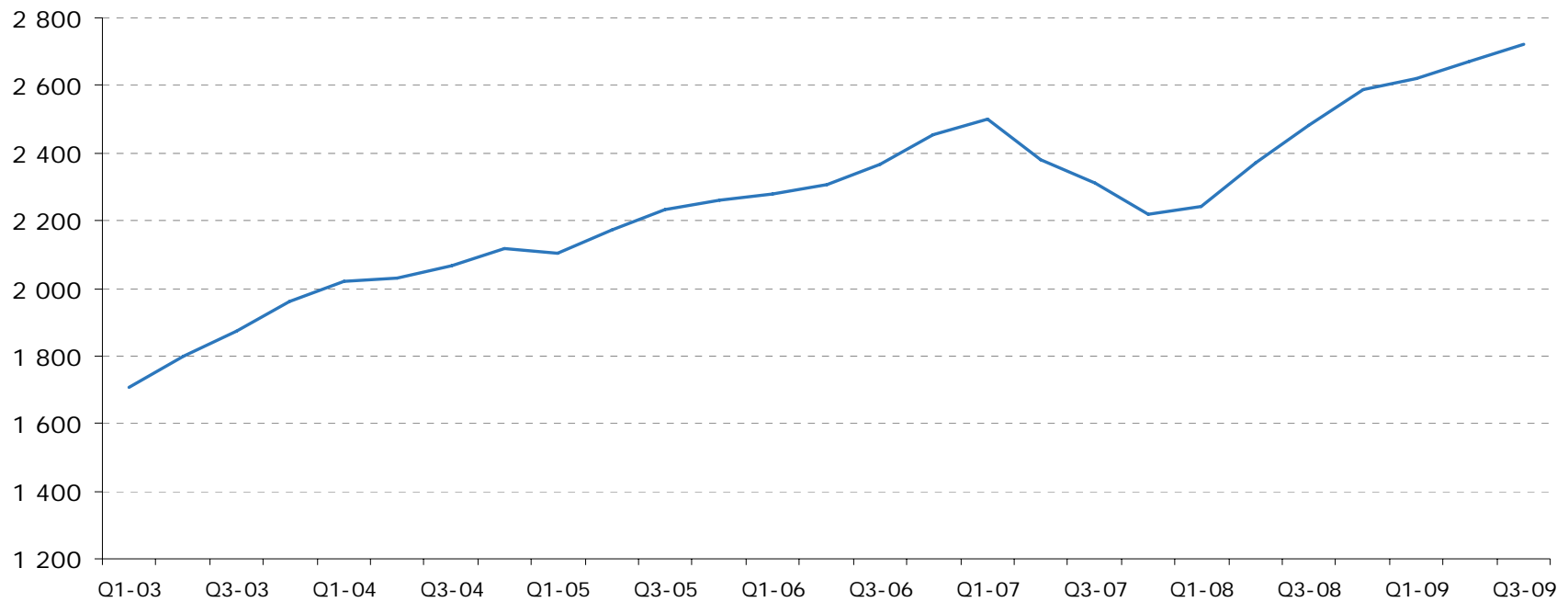




Orkla Brands

Orkla Brands – EBITA 12 month rolling

NOK million



80 % of turnover from No. 1 positions

Orkla Brands

Foods Nordic



Brands Nordic



Brands International



Food Ingredients



Private Label share relatively low in the Nordics, but increasing

<u>Country/Company</u>	<u>PL share of relevant categories</u>	<u>Change in PL-share</u>	
		<u>3-month trend</u>	<u>12-month trend</u>
Norway/Stabburet	13 %	unchanged	unchanged
Sweden/Procordia	18 %	+0.4 %-points	+1.0 %-points
Denmark/Beauvais	20 %	+1.9 %-points	+1.6 %-points

Source: ACNielsen

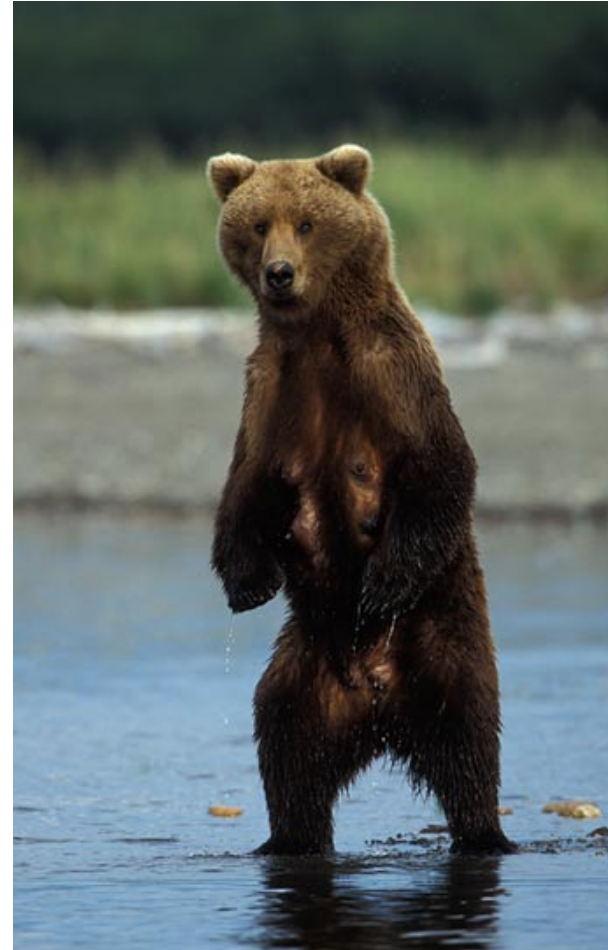
- Impact of recession
 - Nordic grocery market
 - Channel shift
 - Affordability
- PL share in the Nordics
 - Small market
 - Smaller assortments
 - Consumer preferences

Orkla Brands development planned in 2 stages:

- **2008-09:** Back on track
- **2010→:** Focus on growth

Getting back on track was the priority in 2008-09

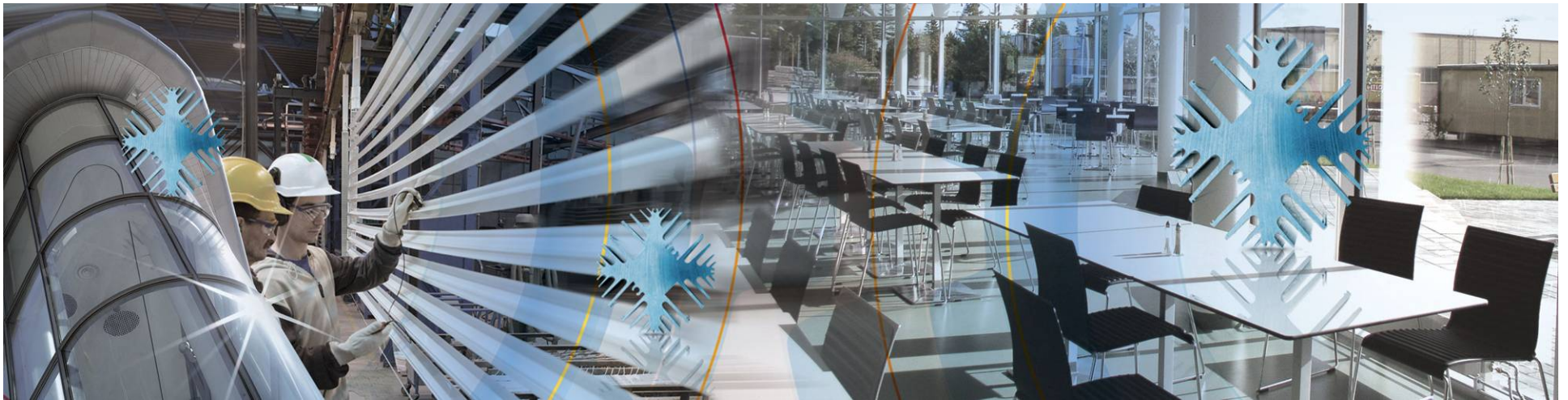
- Restoring margins
- Organisational and modus operandi improvements
- Less focus on structural growth
- Restructuring outside the Nordic area



2010→: Focusing on growth

- Defining clear growth directions in all business units
- Focus both on organic and structural growth
- Innovation most important lever
- Enhanced synergy capture in Orkla Brands





Orkla Aluminium Solutions – Sapa

The world leader in aluminium solutions

- Dedicated and focused provider of aluminium solutions
- Global presence and strong position on local markets
- Clearly defined value creation plan



The Sapa growth story

Sapa sales 1999
10.5 bn. NOK

Sapa sales 2008¹⁾
33 bn. NOK

2001–2004

2005

2007

2008

2009

- Elkem acquires 74% of Sapa for 4.0 bn NOK
- Orkla acquires remaining 26% for 1.6 bn NOK
- Merger of Sapa Profiles and Alcoa Extrusions
- Orkla has 55% interest in JV
- Orkla swaps Elkem Aluminium for Alcoa's 45% interest in JV
- Orkla acquires Indalex for approx. 0.6 bn. NOK
- Total cost of Sapa for Orkla is 6.2 bn. NOK plus value of the swap

Sapa has three core operations



Profiles

The world's leading producer of extruded profiles. Extensive value-added operations

Sales 2008: 25 504 MNOK

No of employees: 11 800

Market share: 16% in Europe and 26% in North America



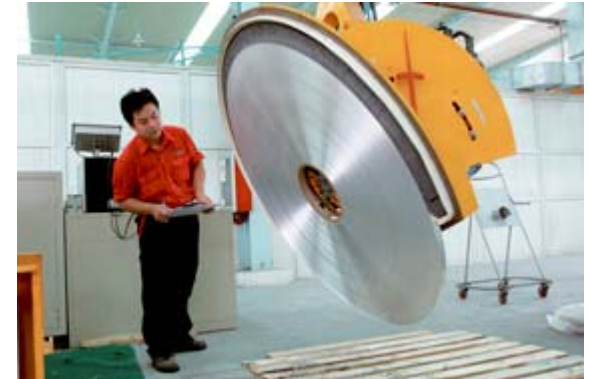
Building System

One of the three largest suppliers of profile-based building systems in Europe

Sales 2008: 3 015 MNOK

No of employees: 1 200

Market share: Up to 40% for specific markets in Europe



Heat Transfer

The world's leading producer of strip for heat exchangers to the automotive industry

Sales 2008: 3 894 MNOK

No of employees: 1 000

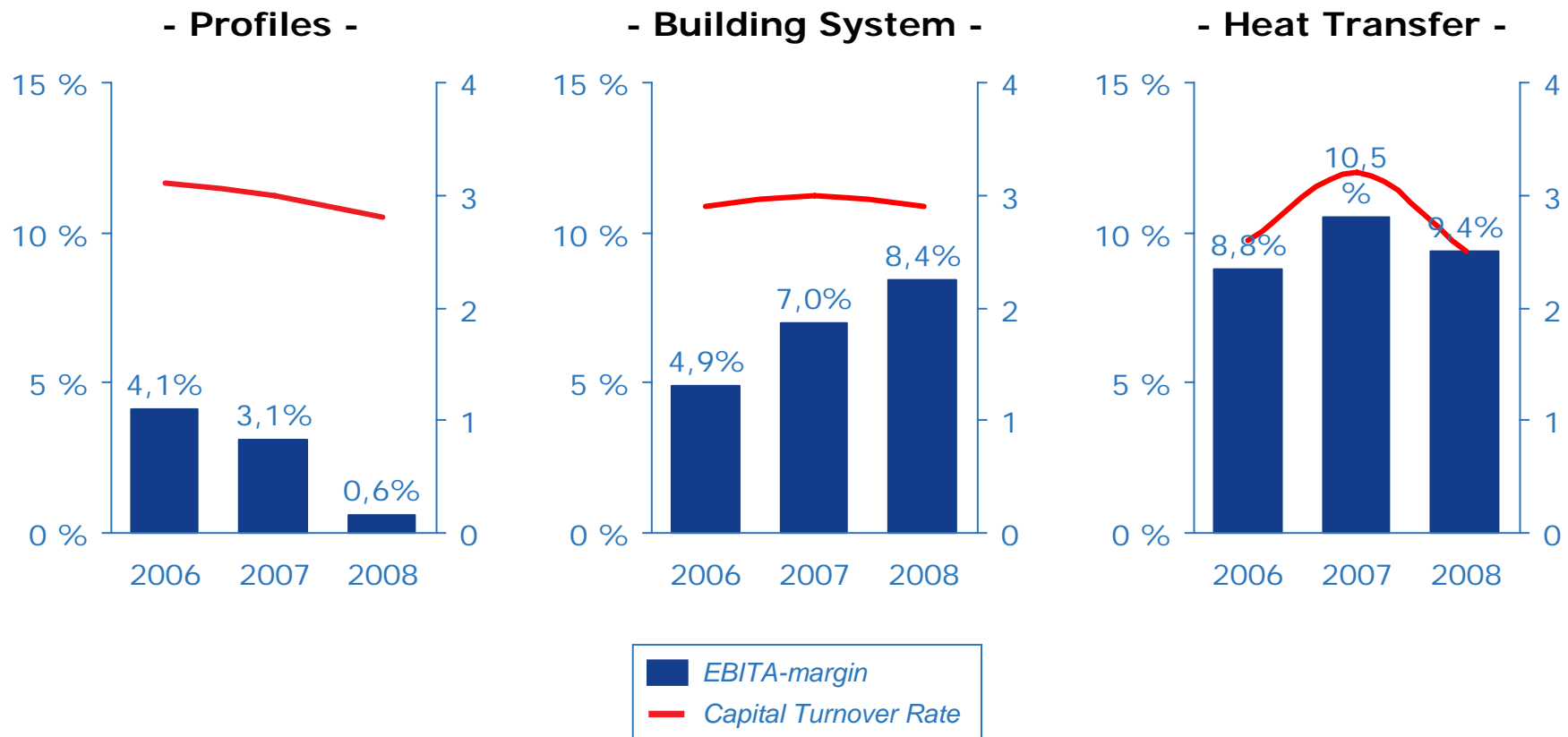
Market share: 17% worldwide

Sapa value creation plan

- Favourable Price/Sales ratio
- Applying the Orkla framework within
 - Enabling skills
 - Transfer of competence
 - Organic improvement
 - M&A
- Long-term mid-cycle ROCE target of 18 % vs Orkla's 10 % WACC
 - EBITA-margin 6 %
 - Capital turnover of 3

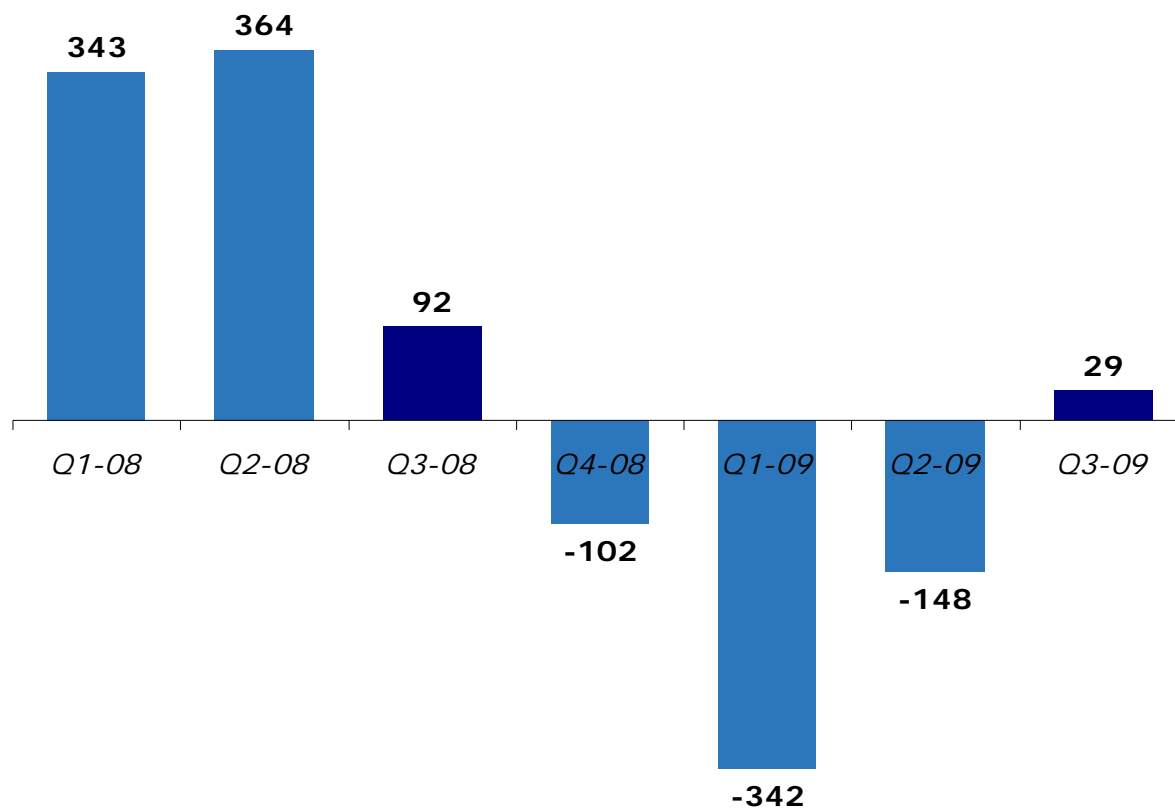
Targets remain firm: EBITA margin 6 % and ROCE of 18 % over a cycle

Sapa Group EBITA Margin And Capital Turnover Rate



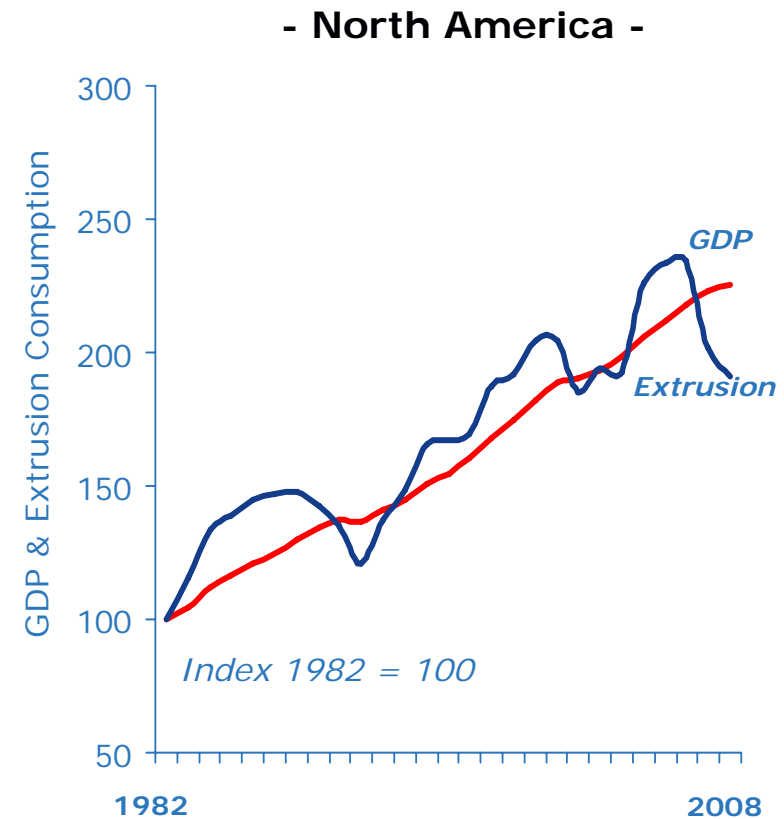
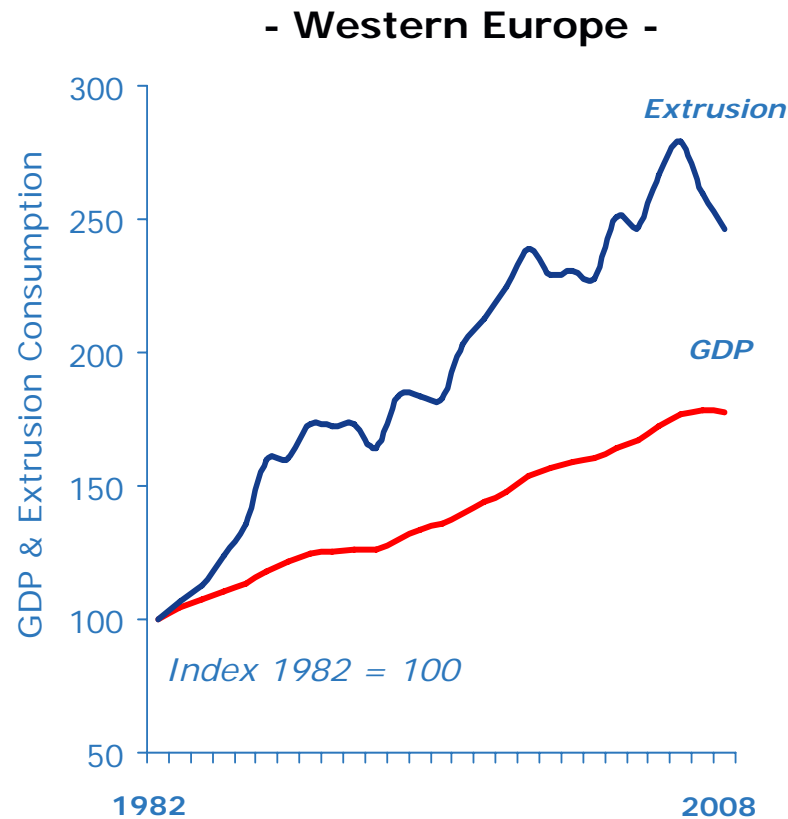
Sapa shows improvement

EBITA figures in NOK million



Consumption is growing with GDP

Development of GDP and Aluminium Extrusion Consumption

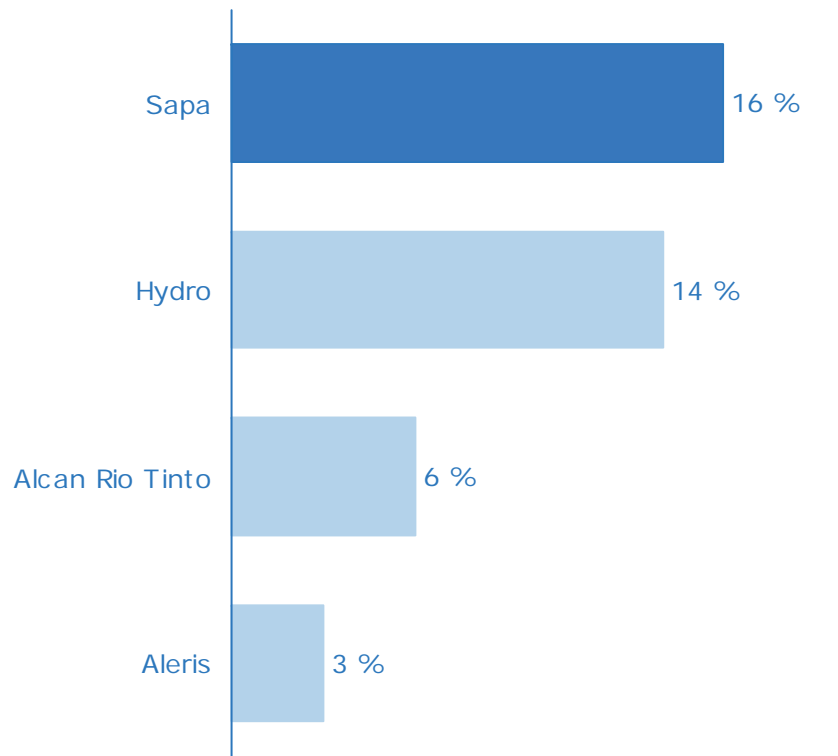


Sapa

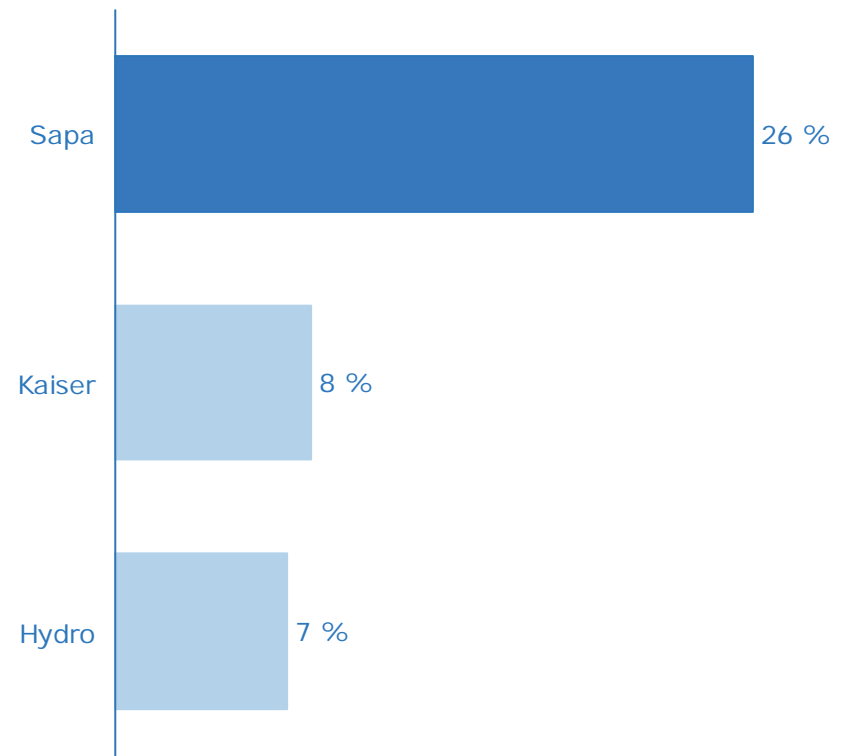
- the global leader in soft alloy extrusion

Market share full year 2008, updated Nov 2009

Europe

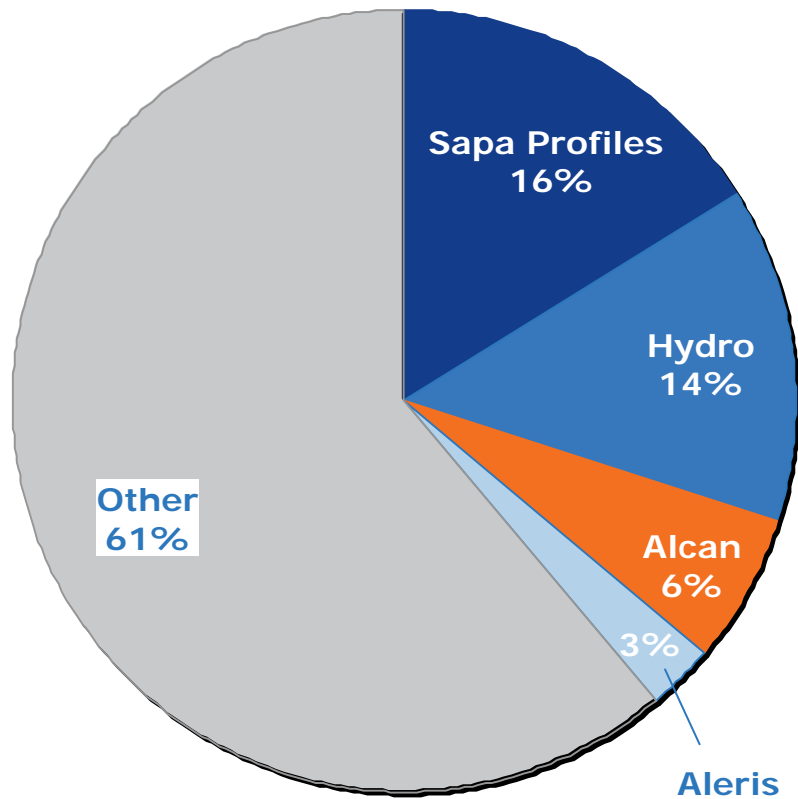


North America



The European extrusion market is highly fragmented

European Extrusion Market Shares

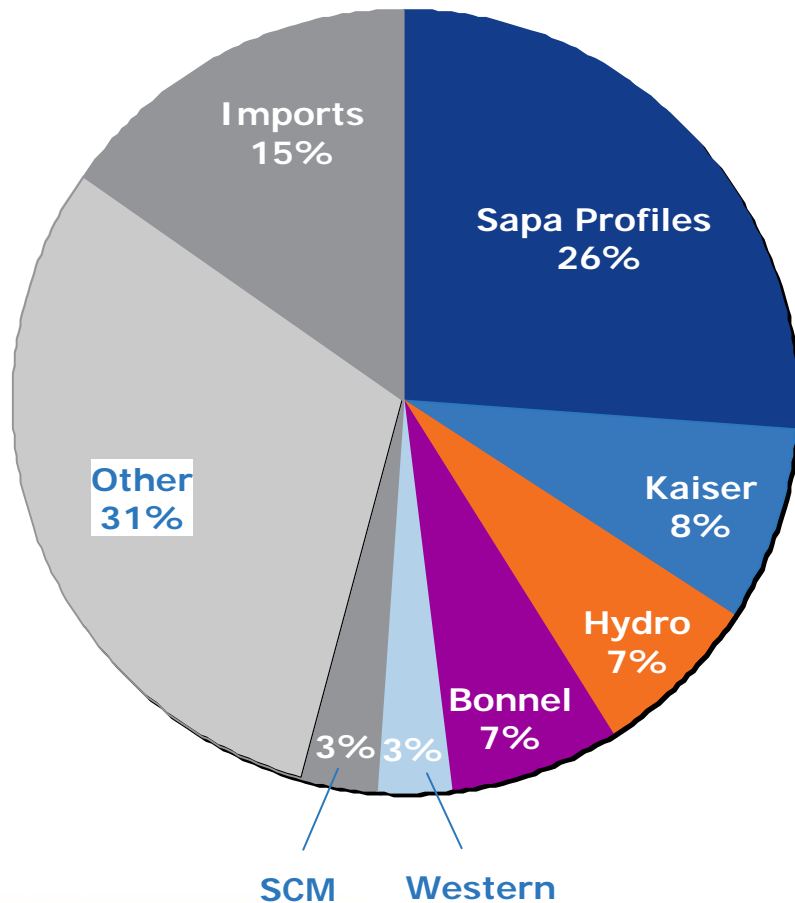


Sapa European Production Sites

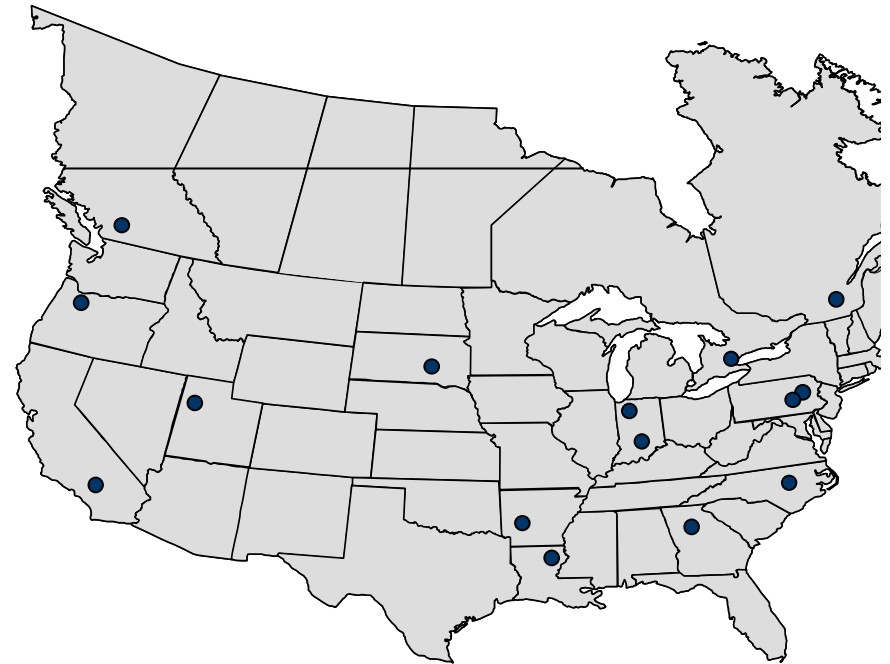


Sapa is a strong leader on the North American extrusion market

North American Extrusion Market Shares



Sapa North American Production Sites



Actions taken by Sapa to counter global recession

- Plant footprint optimisation
- Productivity improvement
- Cost and capital reduction
- Continued investments in market development and innovation
- Industry restructuring (Indalex)
- A number of selected add-ons, e.g. Haticon (solar, Germany) and Autocar (trailer systems, Italy)



Key focus in 2009 has been to reduce the break even levels

- In 2009 in total NOK 1.6 bn volume driven cost has been taken out to adjust to declining market volumes
- In addition, NOK 320 million of sustainable savings have been achieved until end of Q3 through;
 - Productivity improvements
 - Overhead reductions
 - Plant footprint optimisation
- Reduction of 2 200 FTEs September year-on-year¹⁾
- Potential of realising an additional NOK 160 million sustainable savings in Q4



World Class Purchasing



Sapa is...

- Using equivalent of 3% of world's primary aluminium
- The world's largest consumer of extrusion billets
- The world's largest buyer of extrusion dies
- Consuming transportation services worth NOK 2 billion p.a.



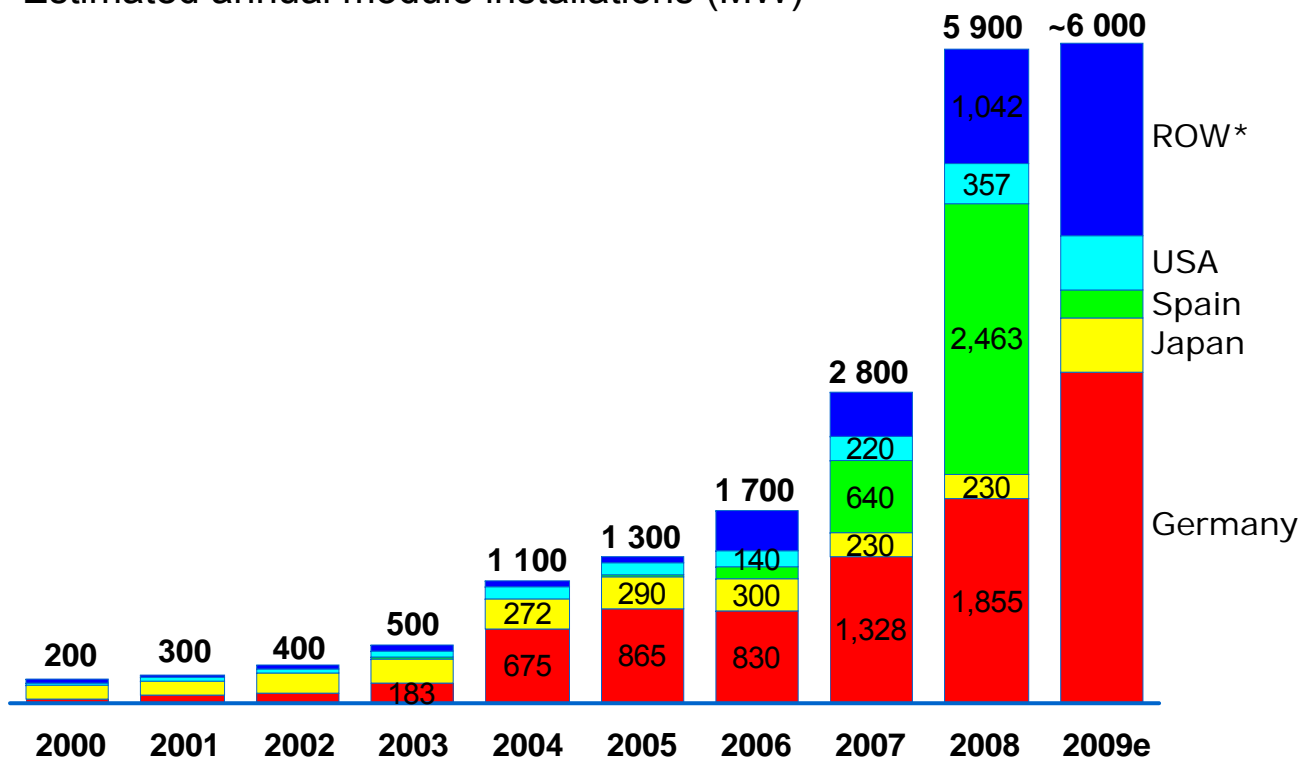


Solar

- REC (39.73 %) and Elkem Solar

Stable PV market 2009 vs 2008

Estimated annual module installations (MW)

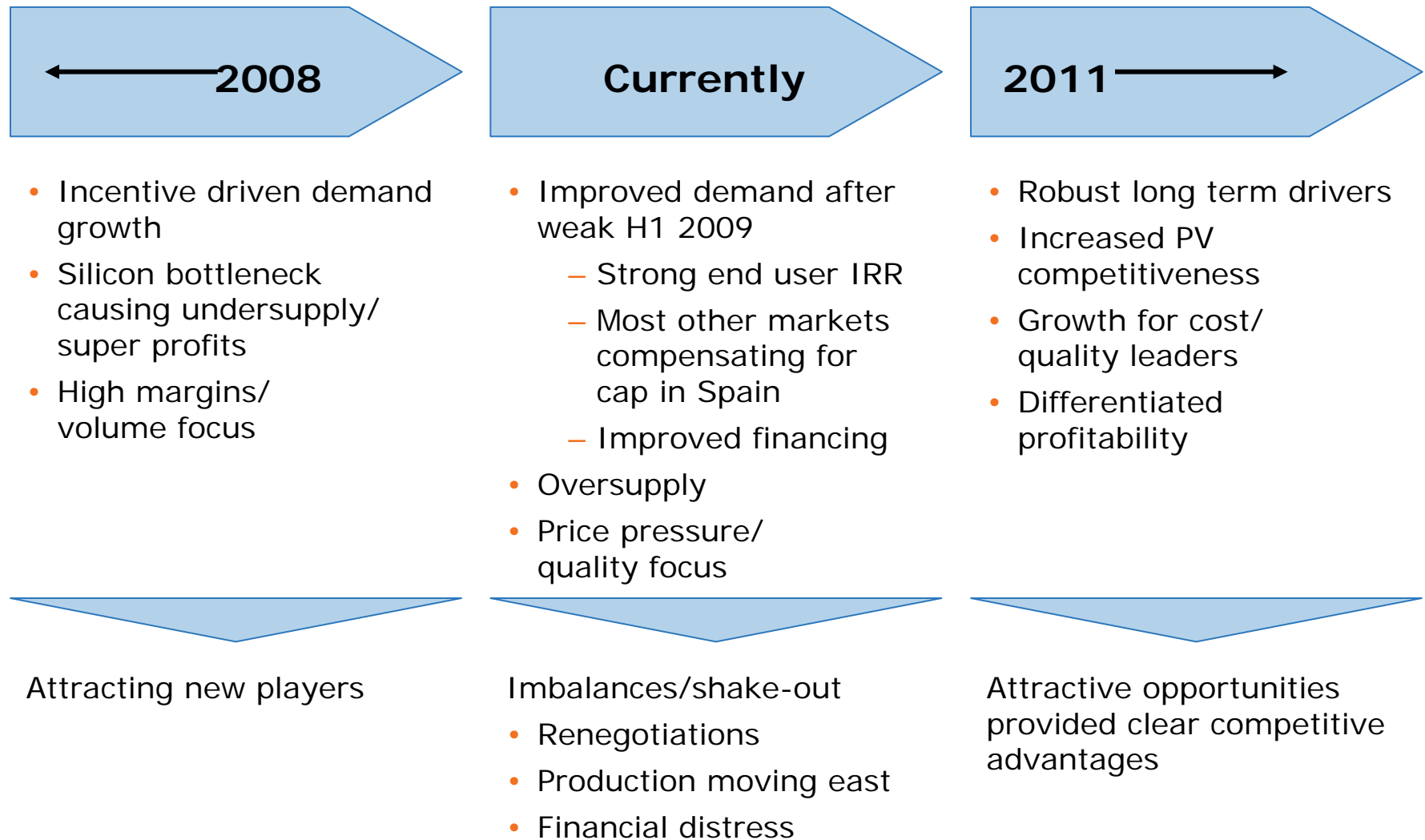


- Weak H1 due to financial crisis
- Strong H2 driven by increased end user return
- Significant volume growth in most markets
- Significant price pressure reducing revenue and profit pools

*Main markets include Italy, South Korea and France
 Source: SolarBuzz (SB), IEA, Photon, EPIA, own analyses

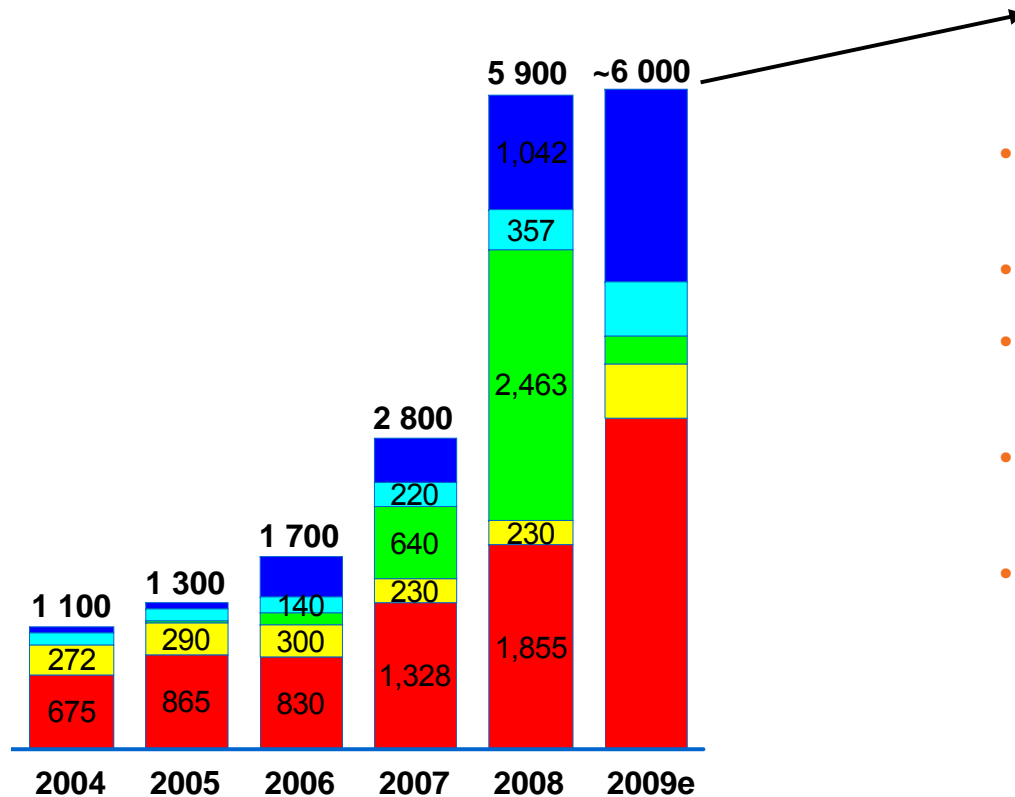


Anticipated shifts in the PV market



Long term drivers remain strong

Estimated annual module installations (MW)



- Economic growth and increased energy demand
- Environmental concerns
- Strong political support from current and new markets
- Continued cost reductions improve PV competitiveness
- However, continued cost reduction and political support will continue to be important for future growth

Source: SolarBuzz (SB), IEA, Photon, EPIA, own analyses

Elkem Solar: Ramp-up the main focus in 2010

- Production ramp-up
 - Successful restart in October after fire
 - Ramp-up according to revised plan
 - Targeting full capacity by end 2010
- Quality
 - Production according to customer specifications
 - Equivalent performance as polysilicon on key metrics (cell efficiency, yield*, degradation etc)
- Market
 - Continued dialogue with customers regarding 2010 deliveries
 - Market introduction more challenging due to oversupply

* Slightly lower ingot yield at 100% Elkem Solar Silicon due to thicker top cut

REC (39.73 %)

- Obtain technical and cost leadership within silicon with the FBR technology and be among the top players within wafers
- Finalise ongoing expansion projects (Moses Lake, Singapore, Herøya and Glomfjord), including a successful ramp-up to industrial scale
- Establish "world class operations" in all parts of the operations

Thank you for your attention!

