



# **Fourth quarter results 2012**

**Oslo, 7 February 2013**

**ÅGE KORSVOLD, PRESIDENT & CEO**





# Orkla's transformation to a Branded Consumer Goods company

2011

**New strategic direction  
to grow within  
Branded Consumer Goods**



2012

**Major actions executed to  
implement strategy**



2013

**Organise and act as a  
Branded Consumer  
Goods company**



# Corporate structure



# Orkla Growth Strategy

Targets: Organic growth 3-5 % and margin improvement

## Local Brands & Innovations

The strongest local brands & the best innovations



## Customers & Marketplace

The preferred supplier to drive category growth



## Operations & Efficiency

The most efficient consumer goods operation



## People & Leadership

The best employees & leaders



Extract synergies across business units

# 2013 priorities: Execution

- Successful integration of Rieber
- Complete transactions and execute the JV with Hydro
- Merge the Swedish food companies Procordia and Abba Seafood
- Strengthen support functions to facilitate growth and synergies across business areas

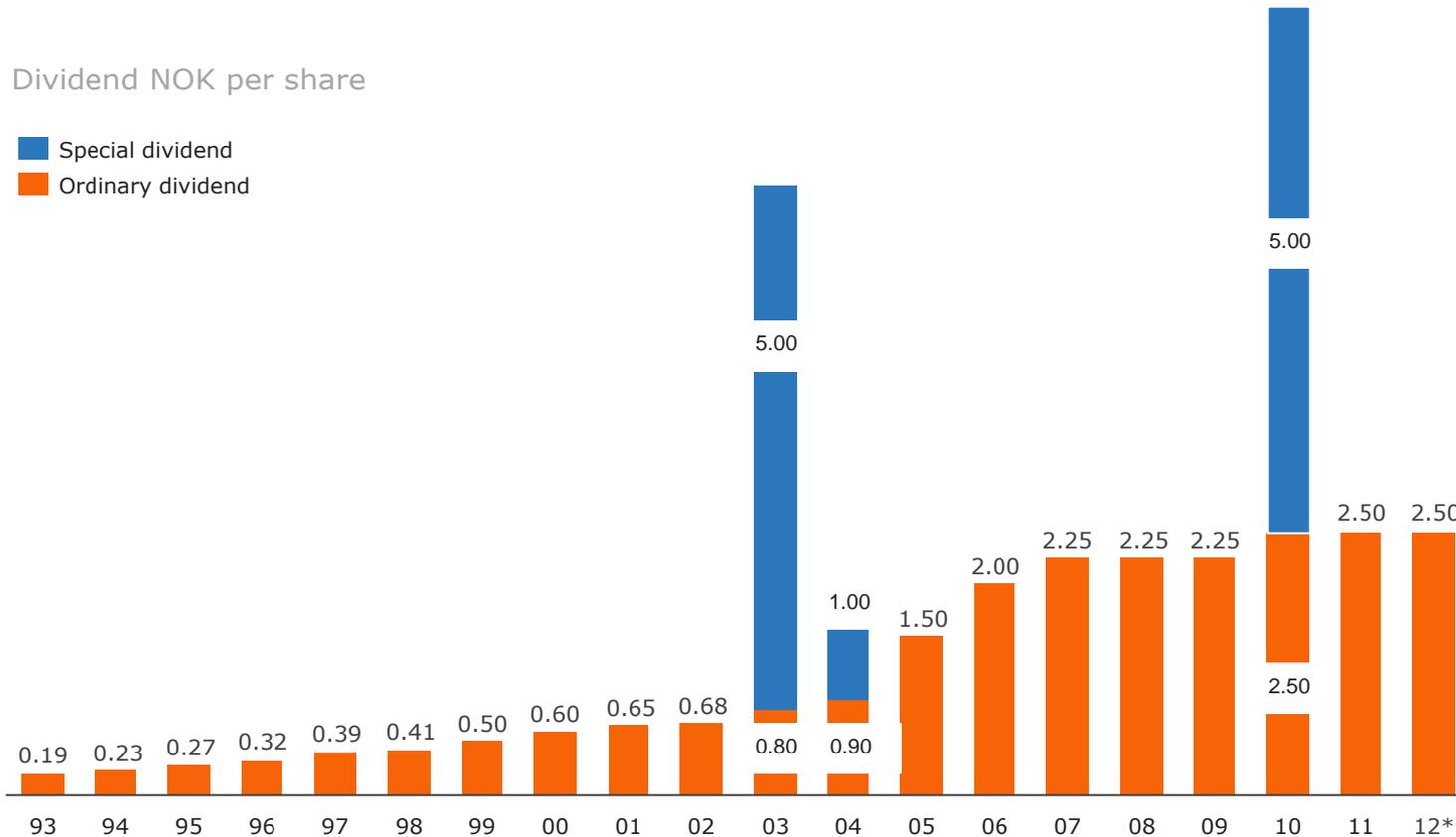
# Allocation of capital and dividend policy

- Grow Branded Consumer Goods
- Remain an Investment Grade company
- Long term dividend capacity depends on future profit and size of the Branded Consumer Goods area
- In the transformation period the Board intends to keep dividend at NOK 2.50 supported by profit and cash flow from non-core assets

# A dividend of NOK 2.50 per share is proposed by the Board of Directors

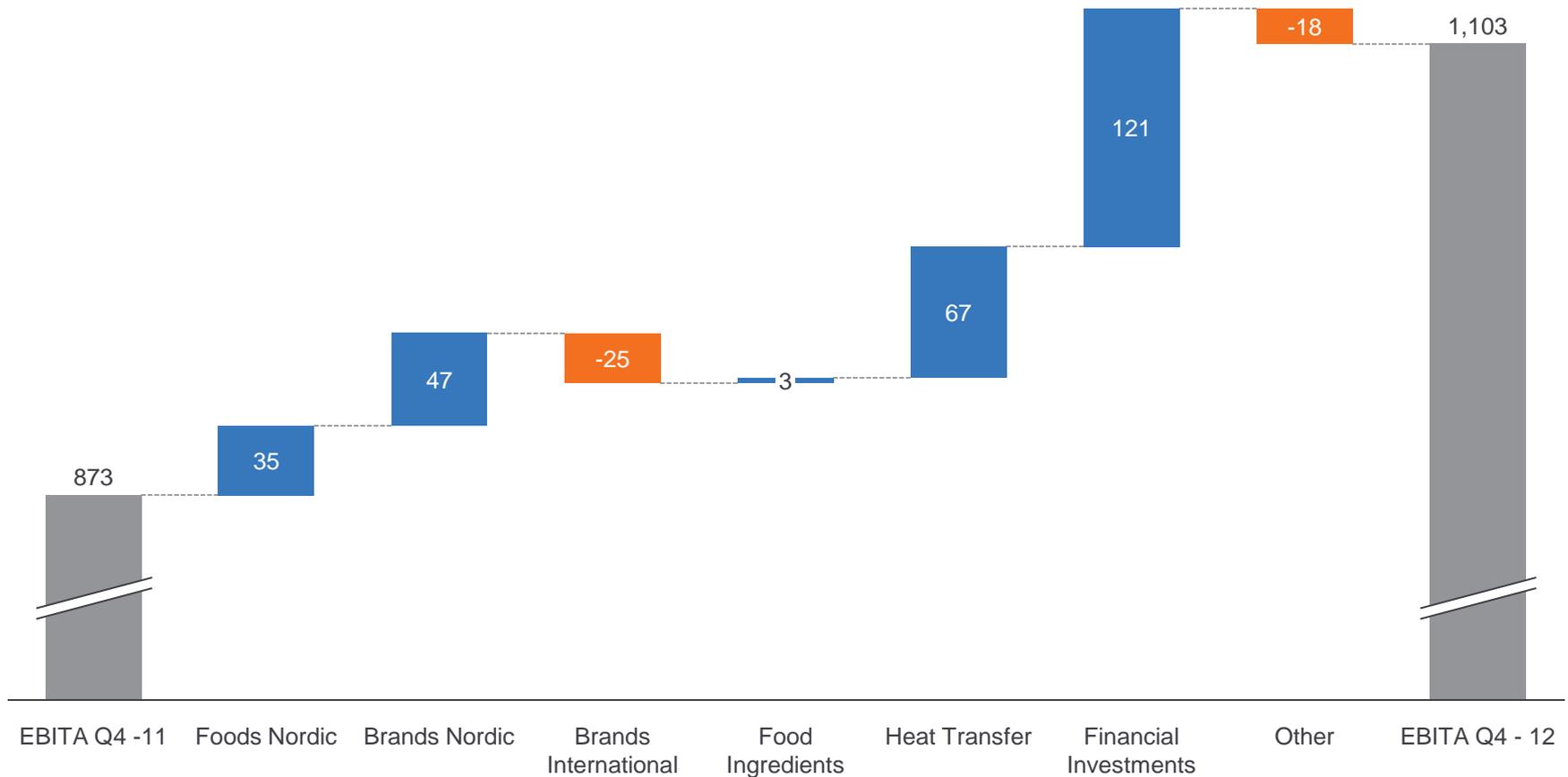
Dividend NOK per share

- Special dividend
- Ordinary dividend



\*Proposed by the Board of Directors

# Profit growth in the quarter





# FINANCIAL PERFORMANCE

**TERJE ANDERSEN, CFO**

# Structural accounting changes

Borregaard IPO

**Result as of 30 September and net gain from IPO presented as discontinued operations. Remaining 19% presented as financial holding.**

Sapa  
(Part of future JV)

**Net result after tax presented as discontinued operations. After closing, 50% holding presented as an associated company.**

REC

**Restated. Share of 15.6% presented as financial holding.**

Acquisition of  
Jordan

**Consolidated from 1 September.**

Acquisition of  
Rieber

**No accounting consequence in 2012.**

# Group income statement

Amounts in NOK million

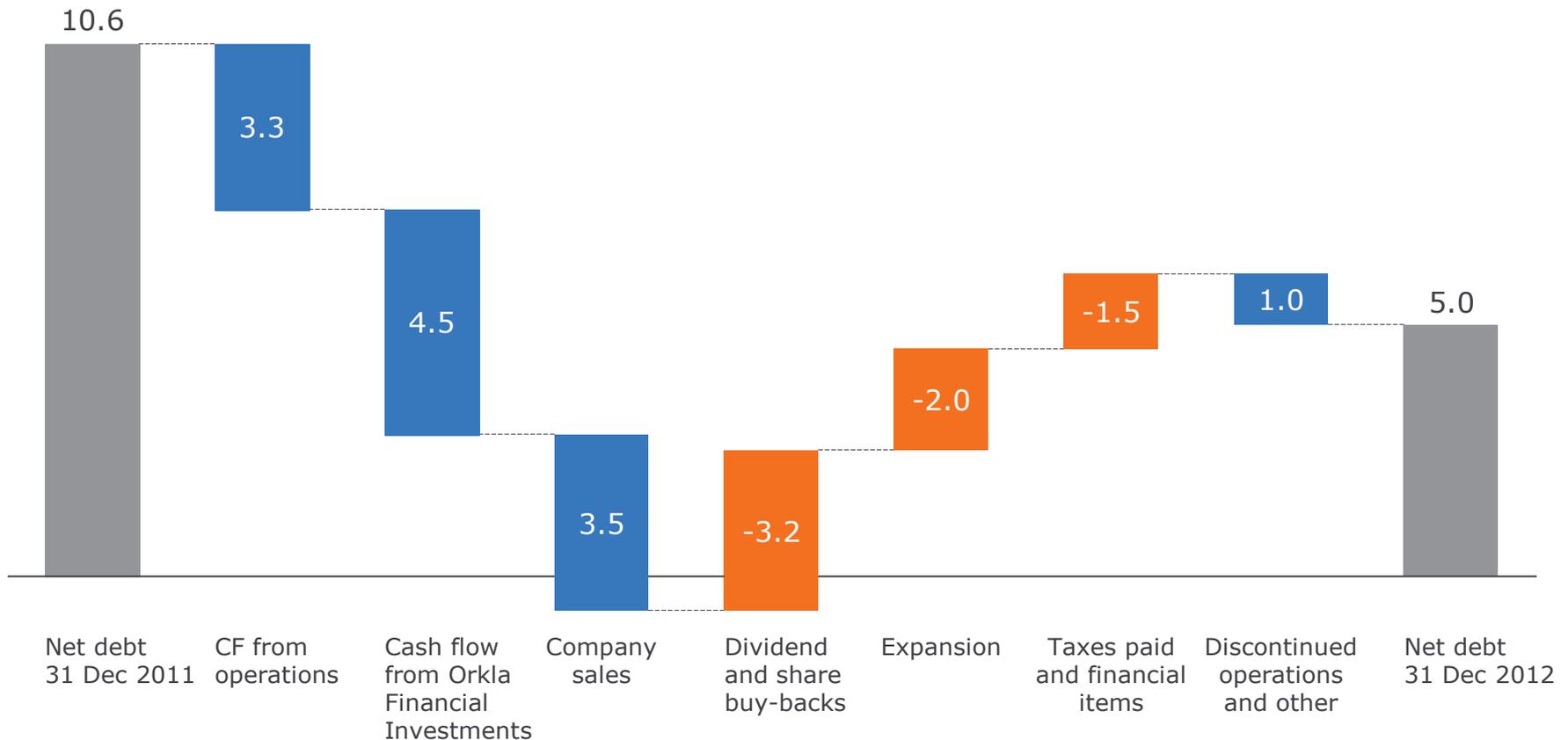
Q4 2011		Q4 2012			2011*	2011	2012
<b>8 124</b>	<b>8 457</b>	<b>Operating revenues</b>			<b>61 009</b>	<b>30 158</b>	<b>30 001</b>
<b>873</b>	<b>1 103</b>	<b>EBITA</b>			<b>4 041</b>	<b>2 872</b>	<b>3 295</b>
-11	-5	Amortisation intangibles			-55	-17	-16
-342	-244	Other income and expenses			-1041	-375	-433
<b>520</b>	<b>854</b>	<b>EBIT</b>			<b>2 945</b>	<b>2 480</b>	<b>2 846</b>
59	47	Profit/loss from associates			-5 505	263	414
97	29	Dividends received			440	440	211
729	- 191	Gains, losses and write-downs shares and fin. assets			1 643	1 643	857
- 88	- 101	Financial items, net			- 446	- 400	- 455
<b>1 317</b>	<b>638</b>	<b>Profit/loss before taxes</b>			<b>- 923</b>	<b>4 426</b>	<b>3 873</b>
-27	-137	Taxes			-1018	-651	-707
<b>1 290</b>	<b>501</b>	<b>Profit/loss for the period continuing operations</b>			<b>-1 941</b>	<b>3 775</b>	<b>3 166</b>
-1 036	- 362	Profit/ loss from discontinued operations			1 213	-4 503	-1 583
<b>254</b>	<b>139</b>	<b>Profit/loss for the period</b>			<b>- 728</b>	<b>- 728</b>	<b>1 583</b>
<b>0.2</b>	<b>0.2</b>	<b>Earnings per share diluted (NOK)</b>			<b>-0.8</b>	<b>-0.8</b>	<b>1.6</b>

\* As reported in 2011



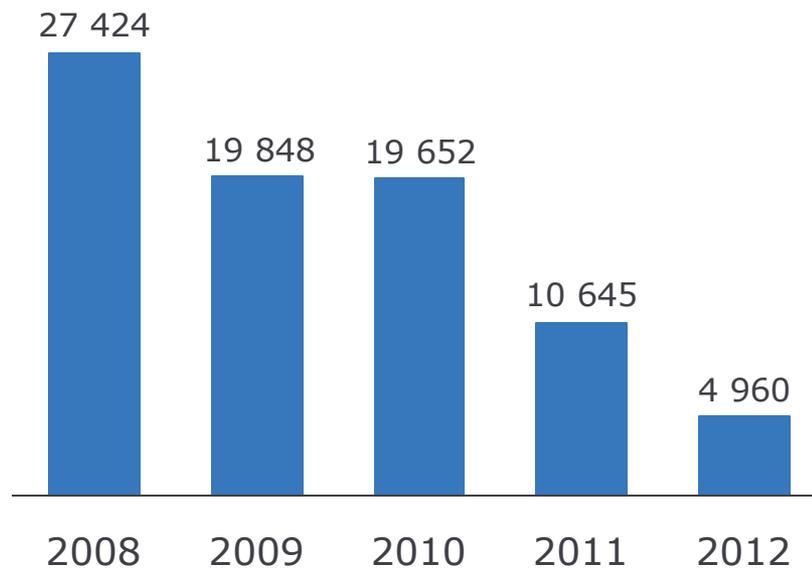
# Net debt reduced by NOK 6 billion in 2012

Amounts in NOK billion

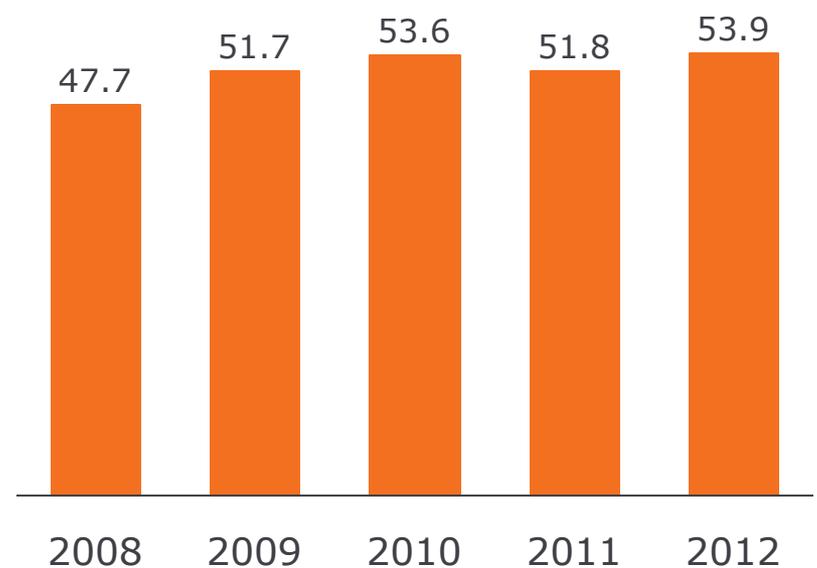


# Strong balance sheet and financial flexibility

Net interest-bearing liabilities (NOKm)



Equity ratio (%)



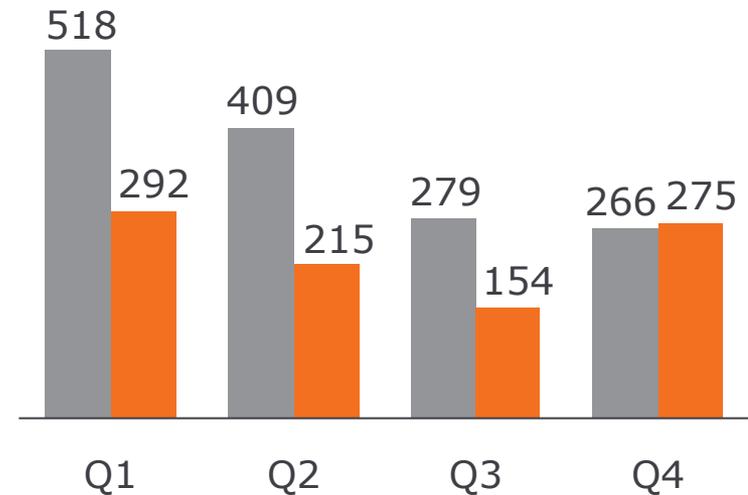
# Hydro Power

- Production was 696 GWh in Q4 compared with 766 GWh last year
- Q1 will be affected by a planned maintenance stop (60 GWh)

EBITA for Hydro Power (NOK million)



Spot prices (NordPool) (NOK/MWh)

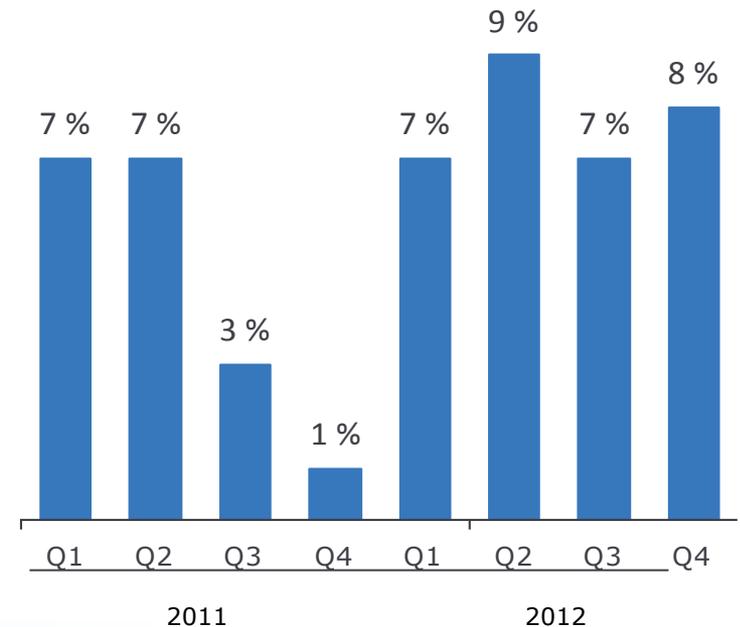


# Profit improvement for Heat Transfer

Heat Transfer	Q4-11	Q4-12	2011	2012
Operating revenues	890	943	3 908	3 990
EBITA	6	73	179	309

- Improvement programme in Sweden benefits EBITA development, despite declining European markets
  - Cost optimisation and productivity improvements
  - Price adjustments
- Continued stable volume growth drives EBITA improvement in Shanghai

**EBITA margin performance:**



# Sapa (part of future JV)

## - Discontinued operation

- Further decline in European markets continues to impact Profiles Europe and Building System
  - Volumes down 11% compared with Q4-11
  - Further restructuring initiated
- Market growth and share gain in Profiles North America
  - Volumes up 8% compared with Q4-11
- Cash flow from operations was NOK 195 million in 2012

Sapa JV	Q4-11	Q4-12	2011	2012
Operating revenues	6 169	5 670	27 057	25 372
EBITA	107	- 72	631	233
Other income and exp.	- 82	- 282	- 664	-1 752

EBITA margin (%)	2011	2012
Profiles North America	4.0 %	4.6 %
Profiles Europe	2.0 %	0.7 %

# Jotun (42.5%)

## Strong financial performance in 2012

- Double digit EBITA growth and improved cash flow
- Reduced revenues from Marine segment due to cyclical downturn in the industry
- New factories in Norway and China opened in 2012
- Expansion programme continues with new factories in Brazil, USA and Russia

Amounts in NOK million

Jotun	as of 31 Aug 2011	as of 31 Aug 2012	Change
Revenues	7 039	7 686	9 %
EBIT	754	886	18 %



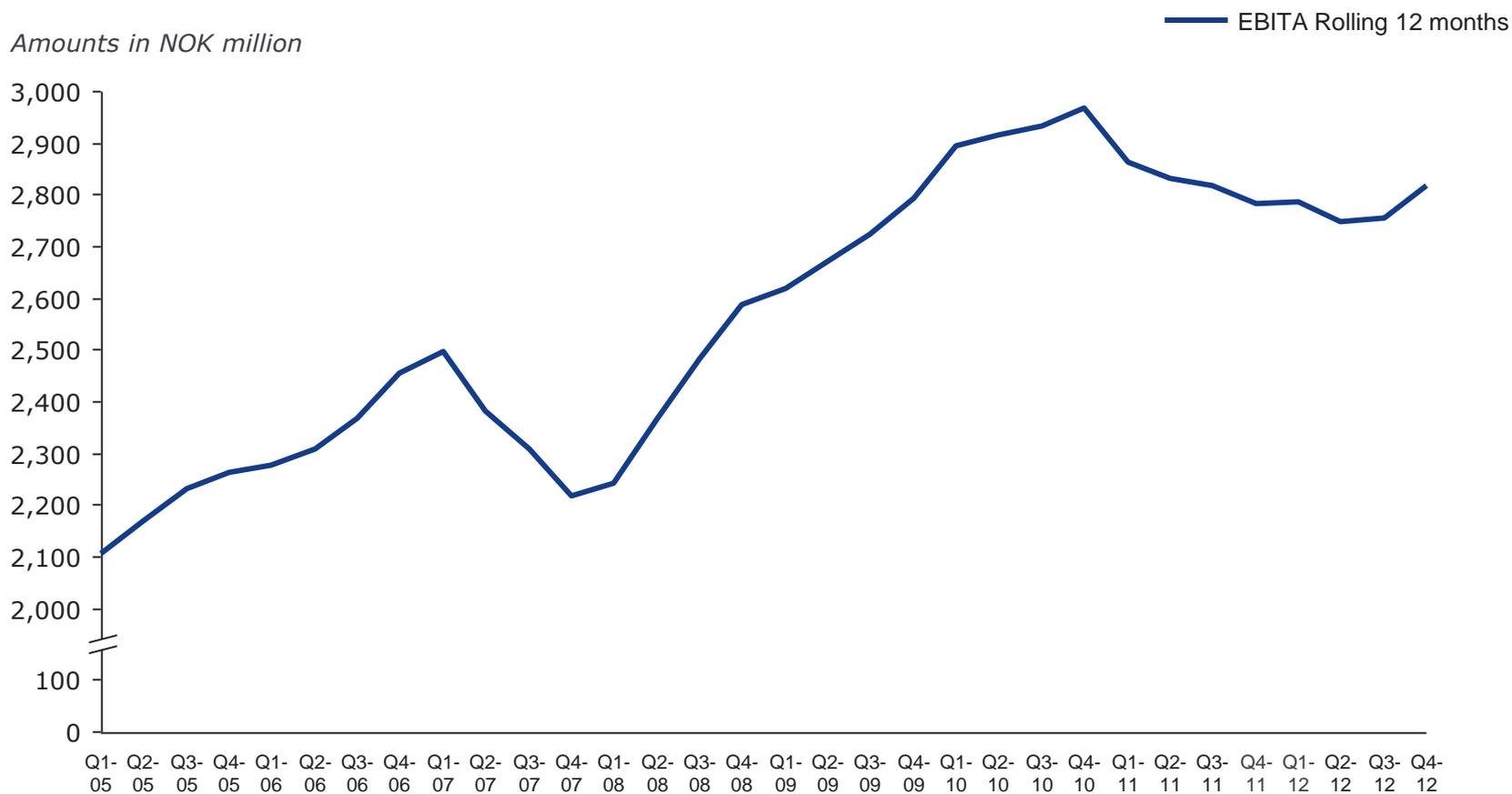


# BRANDED CONSUMER GOODS

**JAN OVE RIVENES, CEO  
ORKLA HOME & PERSONAL**

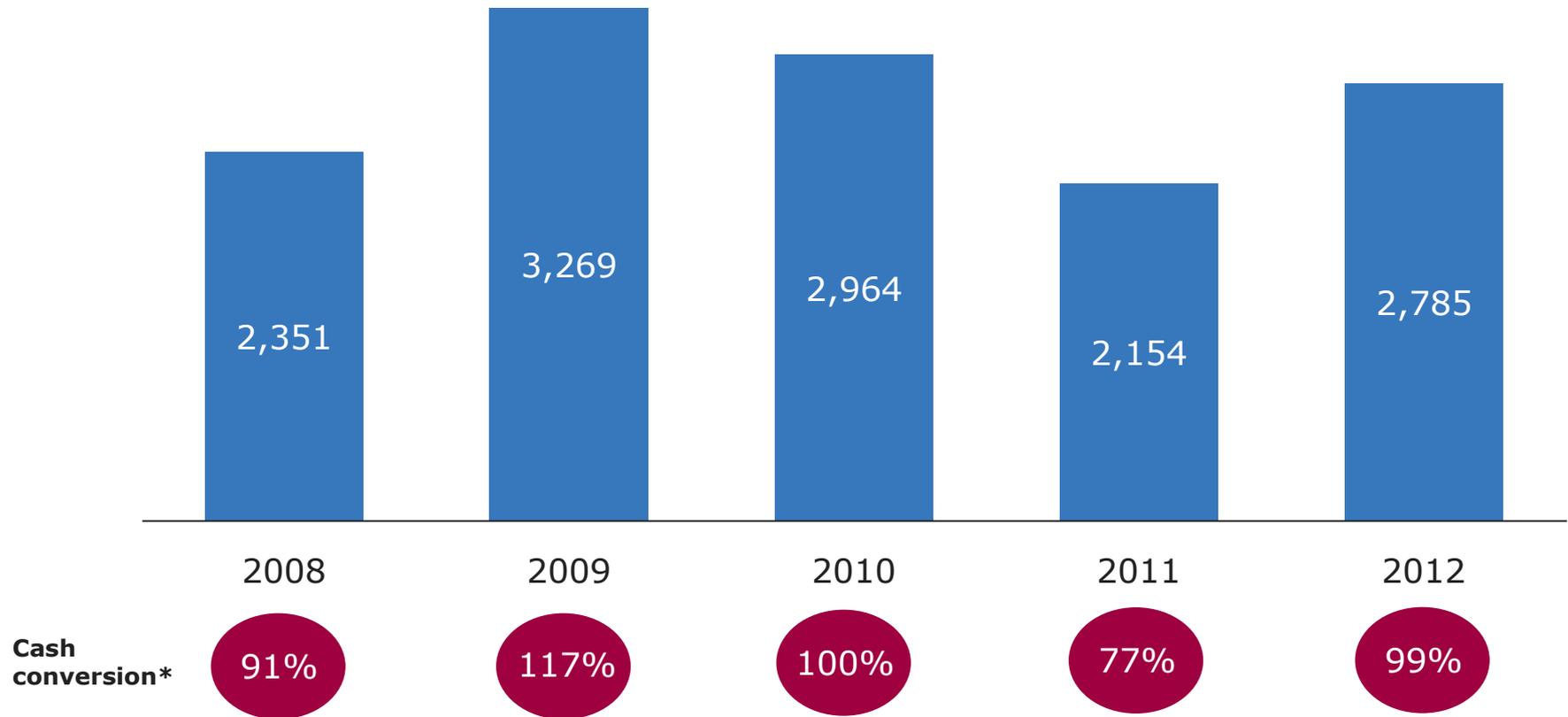
# Branded Consumer Goods

## Profit growth in the quarter



# Branded Consumer Goods

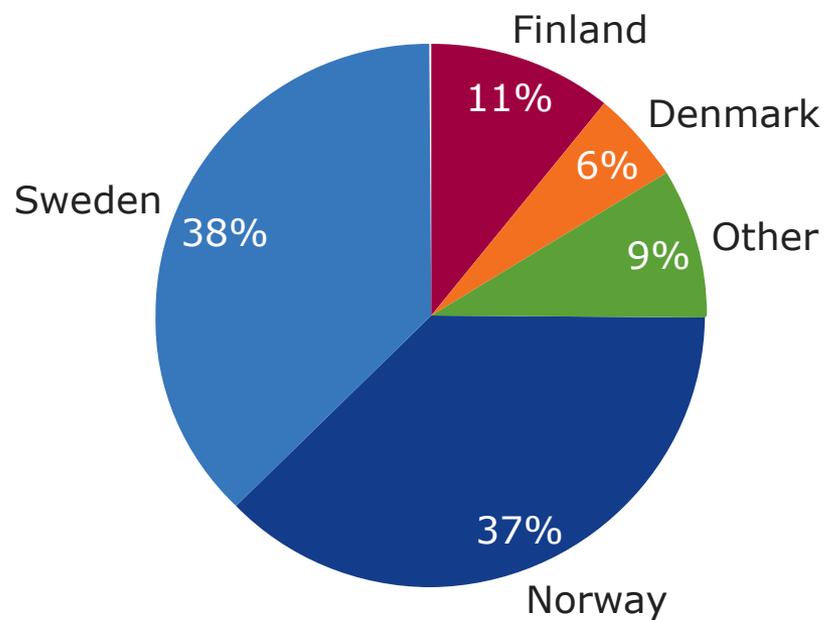
## Solid cash flow over time



\*Cash flow from operations before tax / EBITA

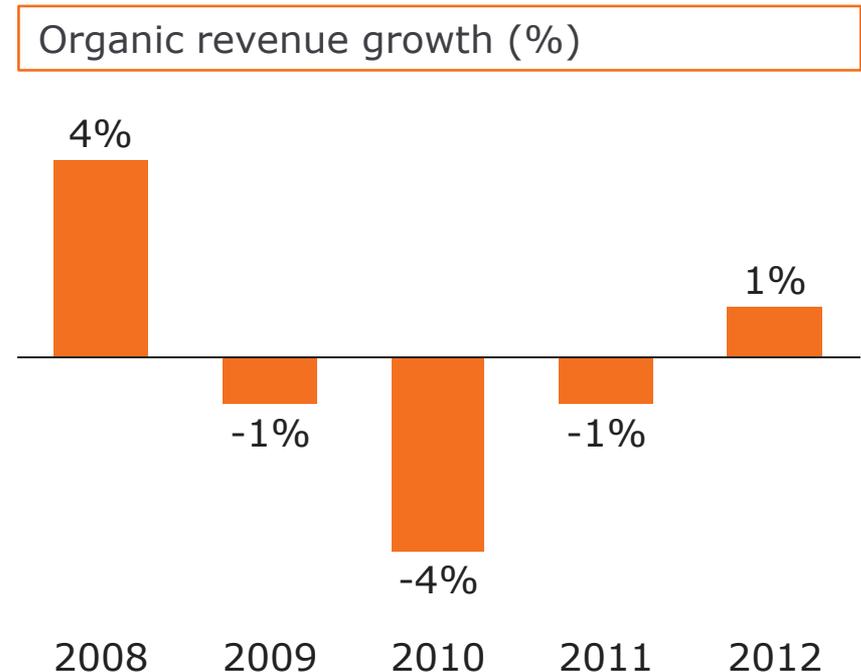
# Orkla Foods Nordic

Revenues 2012:



# Orkla Foods Nordic Sales growth in 2012

- Organic sales growth of 1% in 2012
  - 3% when adjusted for loss of contract production after Q4 2011
- Sales growth in the grocery channel in Q4
  - Strong innovation programme in Stabburet and Abba Seafood
- Market shares slightly improved



# Orkla Foods Nordic

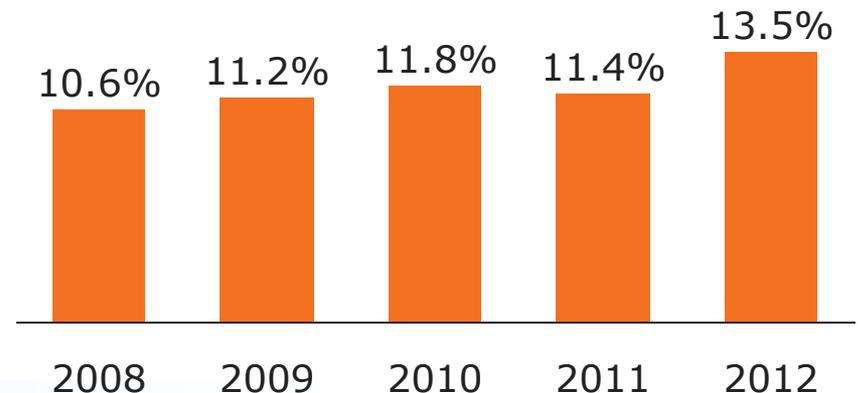
## Broad based profit improvement

- 10% EBITA growth in Q4
- Improved EBITA-margin in Q4
  - Underlying 2012 EBITA-margin increase of 50 basis points
- Improve operational structure
  - Integration of Rieber
  - One food company in Sweden

Key figures (NOK million)

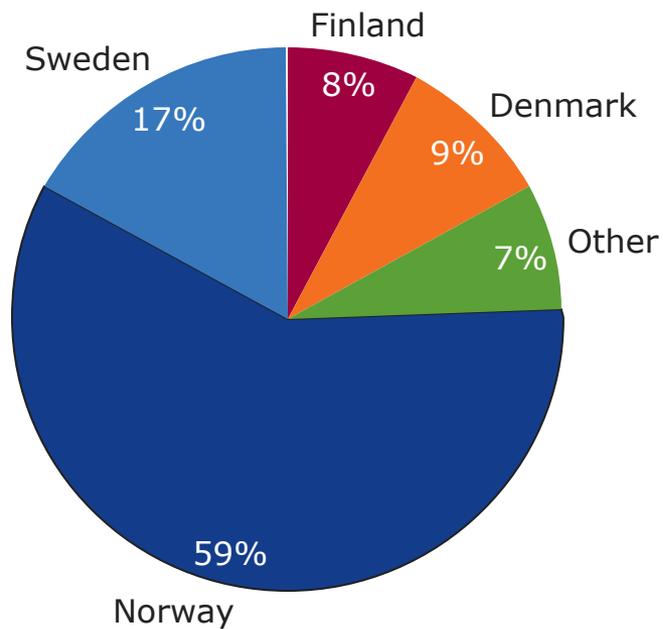
	Q4-11	Q4-12	2011	2012
<b>Operating revenues</b>	2 650	2 378	9 496	8 569
<b>EBITA</b>	357	392	1 082	1 161
<b>EBITA margin</b>	13.5 %	16.5 %	11.4 %	13.5 %

EBITA margin (%)



# Orkla Brands Nordic

Revenues:



## Snacks & confectionery



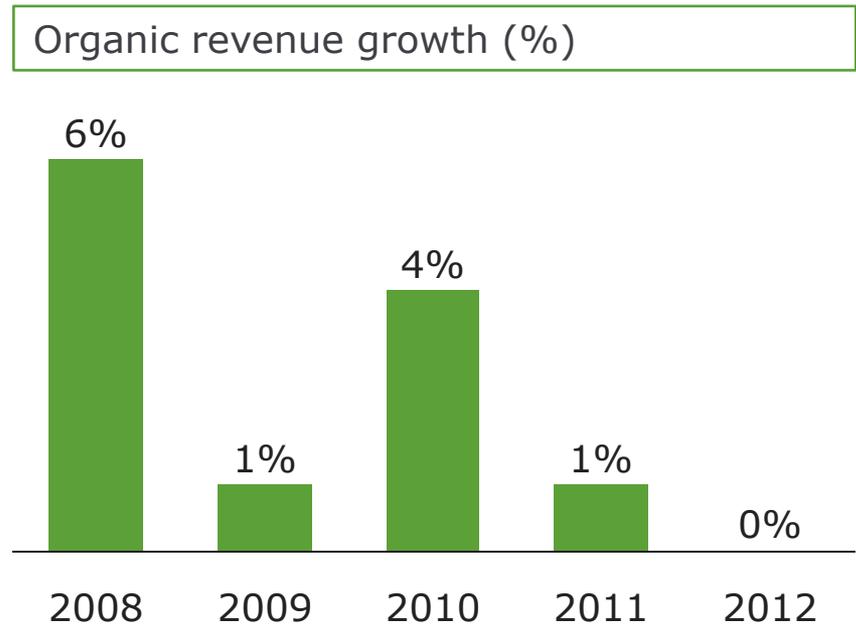
## Home & Personal



# Orkla Brands Nordic

## Stable sales development

- Underlying revenue improvement of 2% in Q4
  - 1% in 2012 when adjusted for loss of contract production after Q3 2011
- Strong sales and profit growth in home and personal care and confectionary
  - Still weak performance for biscuits
- Mixed development in market shares



# Profit growth for Orkla Brands Nordic

- EBITA growth of 13% to NOK 408 million in Q4
- Jordan developing according to plan
- Stable underlying margin development in 2012

Key figures (NOK million)

	Q4-11	Q4-12	2011	2012
<b>Operating revenues</b>	2 133	2 388	7 928	8 213
<b>EBITA</b>	361	408	1 464	1 435
<b>EBITA margin</b>	16.9 %	17.1 %	18.5 %	17.5 %

EBITA margin (%)



# Orkla Brands International

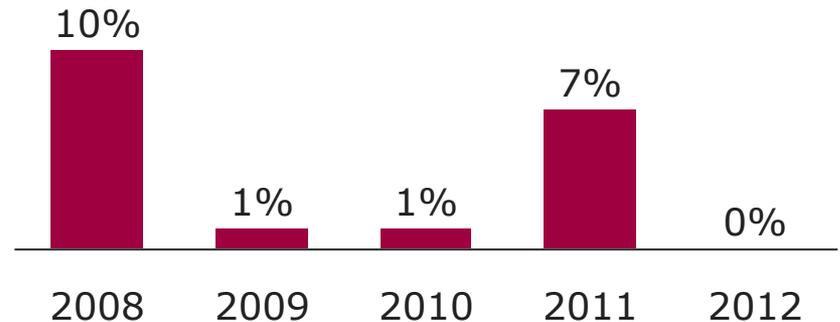
## Profit decline in Russia

- Market shift from local distributors to national retailers
- Restructuring of production
- Concentration of product portfolio

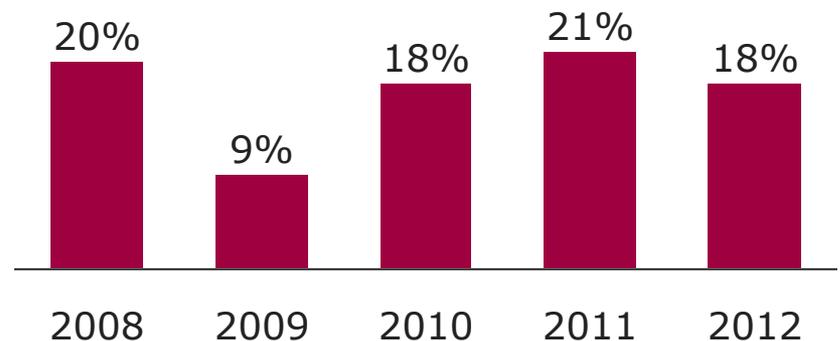
## Solid sales growth in India

- Sales growth in MTR, driven by both volume and price
- Higher share of profit reinvested in advertising and building the organisation

Organic revenue growth Russia (%)



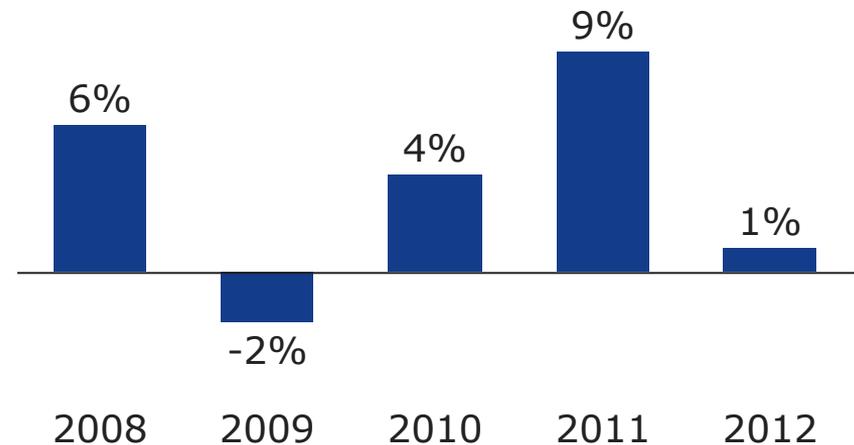
Organic revenue growth India (%)



# Orkla Food Ingredients

- Underlying sales growth both in Q4 and for the full year
- Fourth quarter EBITA amounted to NOK 74 million (NOK 71 million)
- Increased raw material cost compensated for by raising prices

Organic revenue growth (%)



Key figures (NOK million)

	Q4-11	Q4-12	2011	2012
<b>Operating revenues</b>	1 457	1 523	5 392	5 435
<b>EBITA</b>	71	74	230	228
<b>EBITA margin</b>	4.9 %	4.9 %	4.3 %	4.2 %

# Examples of innovations Q1 2013





## Q&A

- Åge Korsvold, President & CEO
- Terje Andersen, CFO
- Jan Ove Rivenes,  
CEO Orkla Home & Personal
- Atle Vidar Johansen,  
CEO Orkla Foods

# APPENDICES

# Cash flow as of 31 December

<i>Amounts in NOK million</i>	<b>2011</b>	<b>2012</b>
<b>Cash flow Industrial Activities:</b>		
Operating profit	2 558	2 566
Profit/ loss from discontinued operations	465	
Amortisation, depreciations and impairment ch	2 088	943
Changes in net working capital, etc.	-1 094	526
Net replacement expenditure	-1 557	- 700
<b>Cash flow from operations</b>	<b>2 460</b>	<b>3 335</b>
Financial items, net	- 488	- 469
<b>Cash flow Industrial Activities</b>	<b>1 972</b>	<b>2 866</b>
<b>Cash flow from Orkla Financial Investments</b>	<b>66</b>	<b>1 120</b>
Taxes paid	- 603	- 995
Discontinued operations and other payments	- 509	552
<b>Cash flow before capital transactions</b>	<b>926</b>	<b>3 543</b>
Paid dividends	-7 436	-2 778
Net sale/purchase of Orkla shares	- 109	- 416
<b>Cash flow before expansion</b>	<b>-6 619</b>	<b>349</b>
Expansion Industrial Activities	- 906	- 347
Sale of companies/share of companies	13 503	3 538
Purchase of companies/share of companies	-1 498	-1 617
Net sale/purchase of portfolio investments	4 494	3 350
<b>Net cash flow</b>	<b>8 974</b>	<b>5 273</b>
Currency effects of net interest-bearing liabilities	33	412
<b>Change in net interest-bearing liabilities</b>	<b>-9 007</b>	<b>-5 685</b>
<b>Net interest-bearing liabilities</b>	<b>10 645</b>	<b>4 960</b>

# Balance sheet as of 31 December

<i>Amounts in NOK million</i>	<b>31.12.2011</b>	<b>31.12.2012</b>
Intangible assets	12 801	10 069
Property, plant and equipment	18 058	9 929
Financial assets	5 682	3 630
<b>Non-Current assets</b>	<b>36 541</b>	<b>23 628</b>
Assets in discontinued operations	391	13 740
Inventories	8 047	4 243
Receivables	10 462	5 273
Shares and financial assets	5 502	3 601
Cash and cash equivalents	5 453	7 201
<b>Current assets</b>	<b>29 855</b>	<b>34 058</b>
<b>Total assets</b>	<b>66 396</b>	<b>57 686</b>
Paid-in equity	1 997	1 985
Earned equity	32 109	28 839
Non-controlling interests	280	258
<b>Equity</b>	<b>34 386</b>	<b>31 082</b>
Provisions and other non-current liabilities	3 165	3 107
Non-current interest-bearing liabilities	15 488	9 531
Current interest-bearing liabilities	1 472	3 460
Liabilities in discontinued operations	177	3 793
Other current liabilities	11 708	6 713
<b>Equity and liabilities</b>	<b>66 396</b>	<b>57 686</b>
Equity ratio	51.8 %	53.9 %

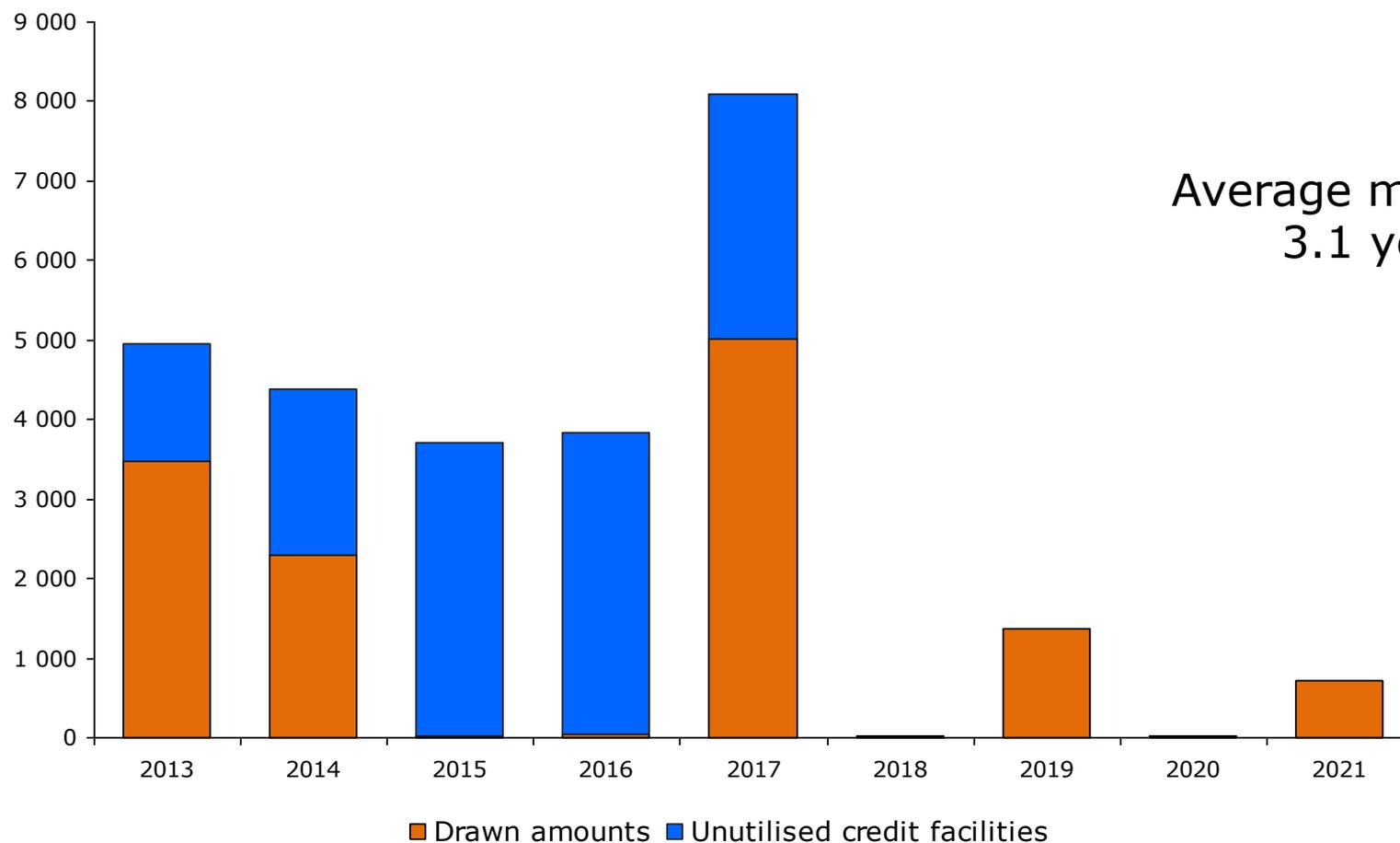
# Net financial items

Amounts in NOK million

	Q4-11	Q4-12	Full year 2012
Net interest expenses	-76	-81	-399
Currency gain/loss	-5	-5	-18
Other financial items, net	- 7	-15	- 38
<b>Net financial items</b>	<b>-88</b>	<b>-101</b>	<b>-455</b>

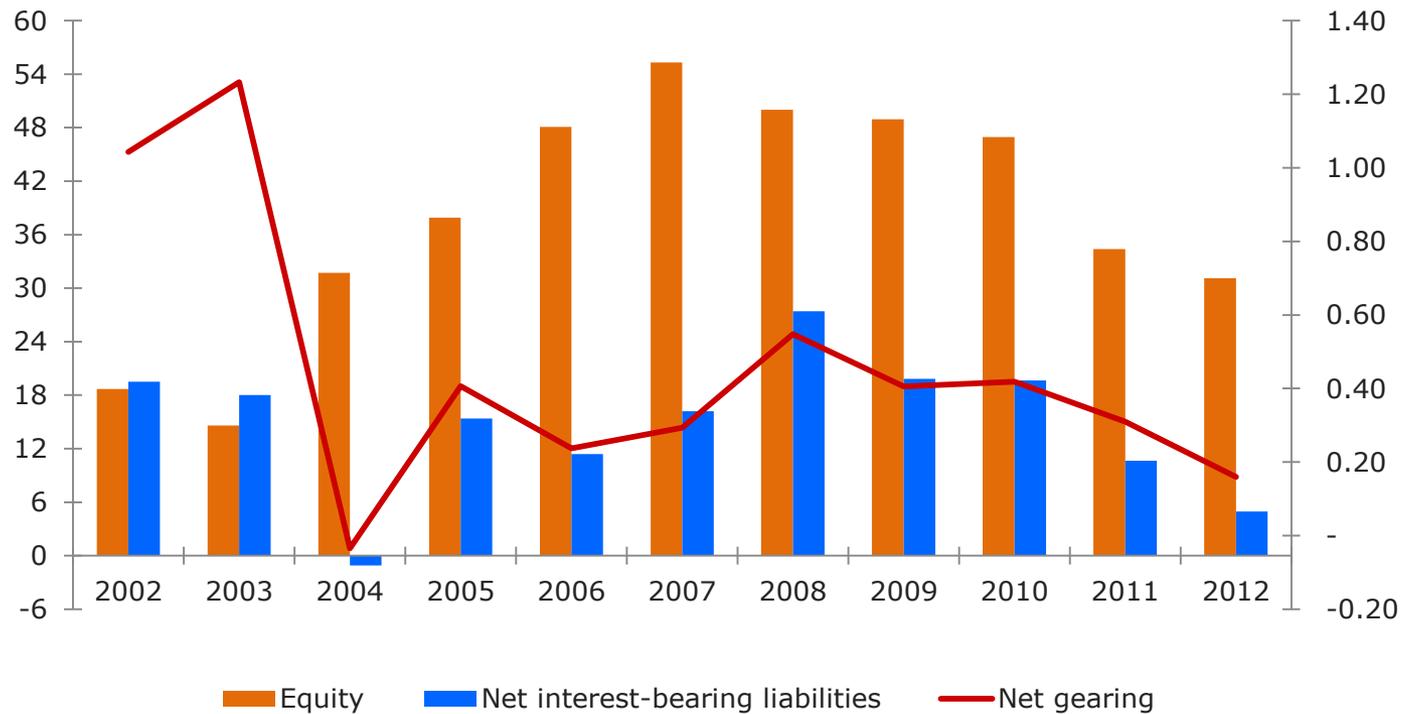
# Debt maturity profile, Orkla Group

NOK million

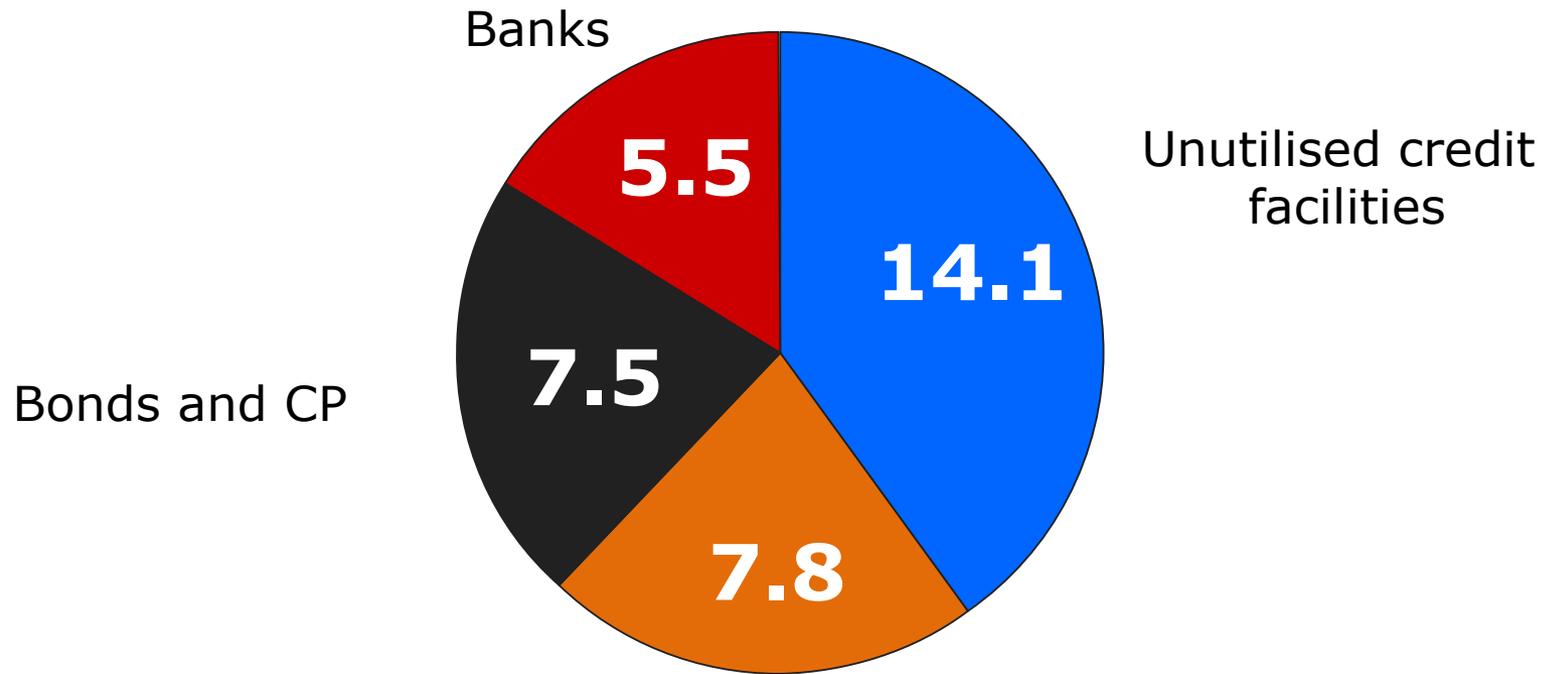


Gross Interest-bearing liabilities and Unutilised credit facilities, ref. Note 29 in the Annual Report

# Net gearing 0.16 as of Q4-12



# Funding sources



Figures in NOK billion

Cash, Cash equivalents and Interest Bearing Assets