# Second quarter results 2013

Oslo, 18 July 2013

ÅGE KORSVOLD, PRESIDENT & CEO


# Agenda

Åge Korsvold, President & CEO
- Strategy and highlights

Terje Andersen, CFO
- Financial performance

Atle Vidar Johansen, CEO Orkla Foods
- Branded Consumer Goods

# Highlights Q2 2013

- Unsatisfactory financial performance for Branded Consumer Goods
- Restructuring of Branded Consumer Goods progressing as planned
- Divestment of non-core assets

# Financial performance Q2 2013

- Unsatisfactory financial performance for Branded Consumer Goods
  - Weak top line in June for the Nordic businesses
  - Lower sales and profit for Rieber
  - Challenging markets for snacks and biscuits
  - Weak performance in Russia
- Improvement for Home & Personal and Food Ingredients
- Remaining shares in Borregaard and REC sold
- Substantial focus on restructuring processes

# Ongoing transition

**Restructuring of Branded Consumer Goods**

- Merger of the Foods companies in each of the Nordic countries
  - Integration of Rieber proceeds as planned
- Merger of the Confectionery & Snacks companies in each of the Nordic countries
- New management team in Home & Personal
- New organization in place with experienced management teams

**Divestment of non-core assets**

- Sapa JV: Approval by European competition authorities
- Exclusive process with potential buyer of Heat Transfer terminated
- Financial holdings sold for NOK 2.1 billion in Q2
  - Remaining shares in Borregaard and REC sold

# Merger of the Foods companies in each of the Nordic countries

- Rieber & Søn has been merged with the existing food companies in Norway, Sweden and Denmark
  - Cost synergies of NOK 250-300 million when fully implemented
- The two existing food companies in Sweden merged in Q1
  - Annual cost synergies of NOK 30 million from 2014
- Management teams in Norway, Sweden and Denmark reduced from 7 to 3
- Operational from the beginning of Q3 2013

| Norway | Revenues (MNOK): | Sweden | Revenues (MNOK): | Denmark | Revenues (MNOK): |
|---|---|---|---|---|---|
| Stabburet | 3200 | Procordia – Sveriges godaste varumärken | 2700 | Beauvais – Siden 1850 | 600 |
| Rieber & Søn Norway | 2000 | Abba Seafood | 1100 | Rieber & Søn Denmark | 600 |
| | | Frödinge | 200 | | |

# Merger of the Confectionery & Snacks companies in each of the Nordic countries

- Potential annual cost synergies of NOK 50-70 million
- Management teams in Norway, Sweden and Finland reduced from 7 to 3
- Operational during Q3 2013

| Norway | Revenues (MNOK): | Sweden | Revenues (MNOK): | Finland | Revenues (MNOK): |
|---|---|---|---|---|---|
| Nidar | 1200 | OLW | 600 | Chips AB | 500 |
| KiMs | 500 | Göteborgs Kex | 400 | Panda | 370 |
| Sætre Kjeks | 300 | | | | |

# Orkla Brands Russia

- Weak performance and write-down of intangibles of NOK 0.4 billion
  - Remaining book value NOK 0.8 billion
- Ongoing restructuring activities
  - Reduce number of plants from 4 to 3
  - Further reduce complexity of product portfolio
  - Free up capital from sale of property in St. Petersburg
- Annual cost saving target NOK 60 million
  - Savings of NOK 30 million expected in 2013
- Restructuring completed in Q2 2014

# Sapa (part of future JV)

- Approval by European competition authorities
- Awaiting approval by Chinese competition authorities
- Stand-alone financing for new company secured
  - 5-year credit facility of EUR 700 million
- Write-down of goodwill in Sapa of NOK 1.2 billion

## Welcome to Orkla's

# Investor Day, London 26 September

### Programme

12.00 Registration and buffet lunch

13.00 Presentations, including:

**The Nordic Consumer Goods Champion**
*Åge Korsvold – President & CEO Orkla ASA*

**Orkla Foods**
*Atle Vidar Johansen – EVP & CEO Orkla Foods*

**Deep dive: Stabburet**
*Bente Brevik – CEO Stabburet*

**Orkla Confectionery & Snacks**
*Christer B. Åberg – EVP & CEO, Orkla Confectionery & Snacks*

**Orkla Home & Personal**
*Stig Ebert Nilssen – EVP & CEO, Orkla Home & Personal*

**Deep dive: Axellus**
*Tine Hammernes Leopold, Group Commercial Director & CEO Home Markets*

**Financial Targets**

Register for the event here

Åge Korsvold

Atle Vidar Johansen

Bente Brevik

Christer B. Åberg

Stig Ebert Nilssen

Tine Hammernes Leopold

Terje Andersen


# FINANCIAL PERFORMANCE

TERJE ANDERSEN, CFO

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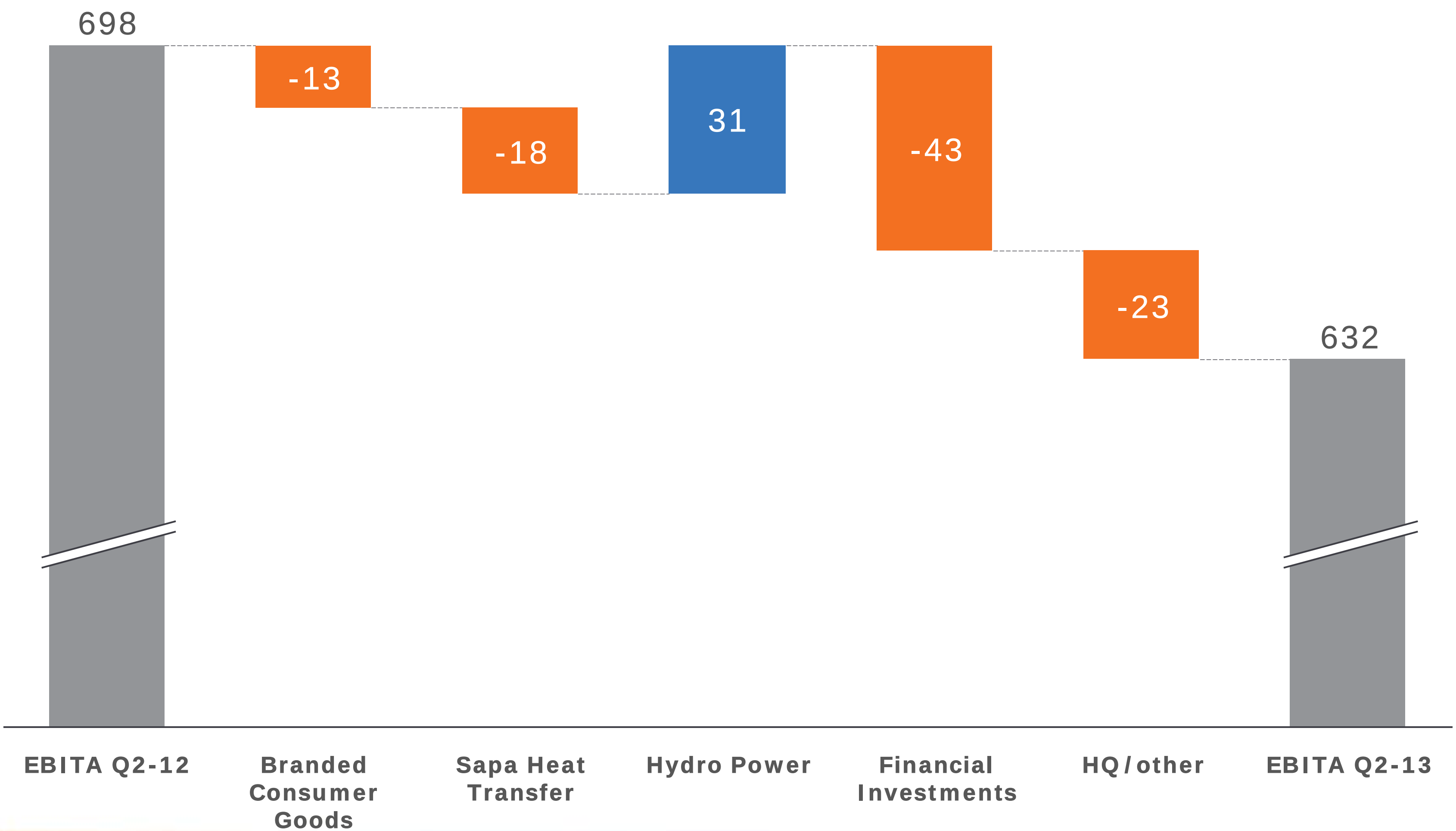
# Group income statement

Amounts in NOK million

| | Q2 2012 | Q2 2013 | H1 2012 | H1 2013 |
|---|---|---|---|---|
| **Operating revenues** | **7 213** | **7 905** | **14 282** | **15 124** |
| **EBITA** | **698** | **632** | **1 374** | **1 228** |
| Amortisation intangibles | -3 | -3 | -7 | -10 |
| Other income and expenses | -130 | -583 | -144 | -619 |
| **EBIT** | **565** | **46** | **1 223** | **599** |
| Profit/loss from associates | 120 | 130 | 279 | 225 |
| Dividends received | 122 | 120 | 174 | 240 |
| Gains, losses and write-downs shares and fin. assets | 231 | 352 | 658 | 573 |
| Financial items, net | - 100 | - 134 | - 242 | - 223 |
| **Profit/loss before taxes** | **938** | **514** | **2 092** | **1 414** |
| Taxes | -140 | -120 | -338 | -280 |
| **Profit/loss for the period continuing operations** | **798** | **394** | **1 754** | **1 134** |
| Profit/ loss from discontinued operations | - 488 | -1 119 | - 132 | -1 175 |
| **Profit/loss for the period** | **310** | **- 725** | **1 622** | **- 41** |
| **Earnings per share diluted (NOK)** | **0.3** | **-0.7** | **1.6** | **-0.1** |

# EBITA bridge Q2 2013



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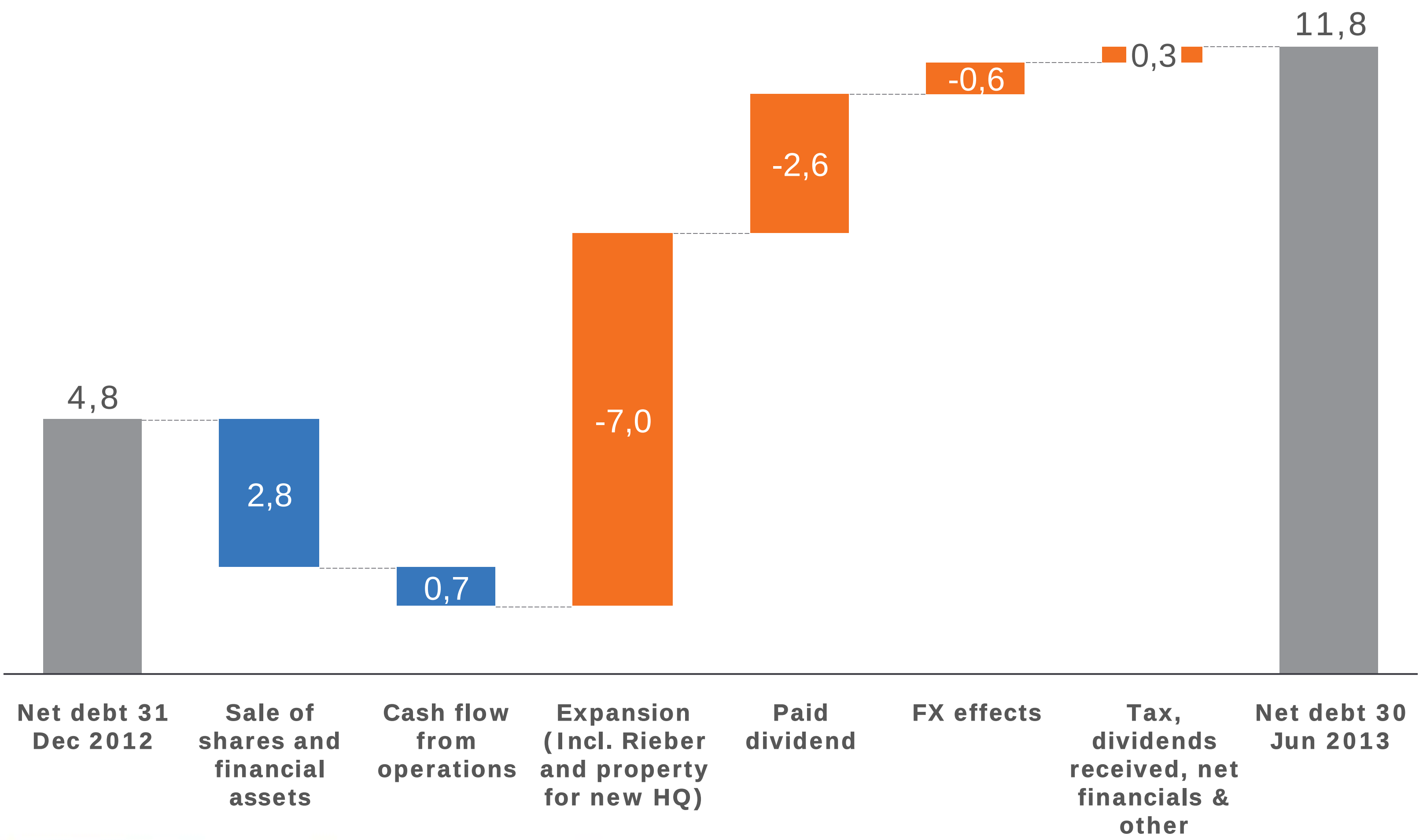
# Change in net debt first half 2013



# Sapa (part of future JV) - Discontinued operation

- Profit in Europe impacted by continued weak markets
  - Volumes down 4% compared to Q2-12
- Profit improvement for Profiles North America related to price increases
- Building System continues to be affected by the weak market
- Write-down of goodwill of NOK 1.2 billion

| Sapa JV | Q2-12 | Q2-13 |
|---|---|---|
| Operating revenues | 6 894 | 6 444 |
| EBITA | 161 | 163 |
| Other income and exp. | - 20 | -1 240 |

| EBITA margin (%)* | Q2-12 | Q2-13 |
|---|---|---|
| Profiles North America | 5.5 % | 6.6 % |
| Profiles Europe | 2.8 % | 2.1 % |

*Excl. Overhead costs

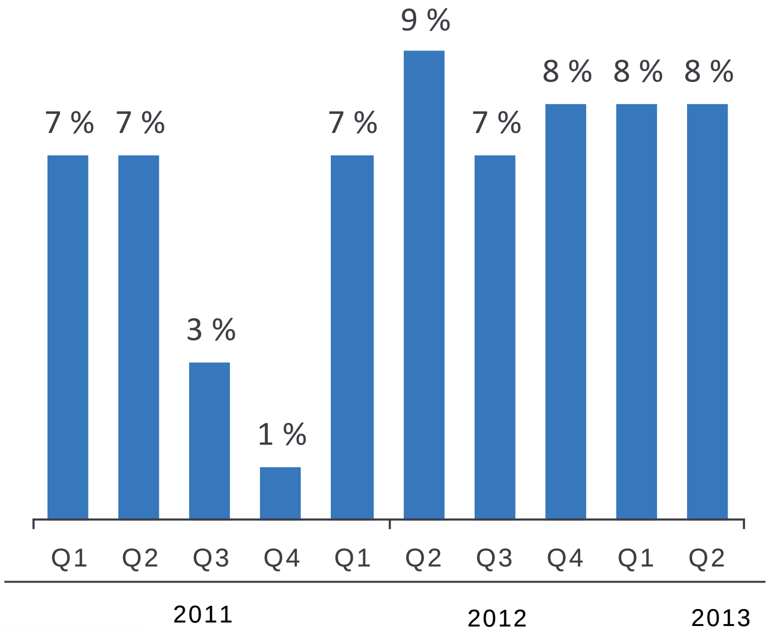
# Stable margins for Heat Transfer

- EBITA negatively affected by the Swedish operations
  - Increased metal premiums
  - Negative FX effects due to strong SEK
  - Measures in place to increase productivity

- Satisfactory performance in China and continued strong Asian markets

| Heat Transfer | Q2-12 | Q2-13 |
|---|---|---|
| Operating revenues | 1 102 | 1 058 |
| EBITA | 102 | 84 |

**EBITA margin performance:**





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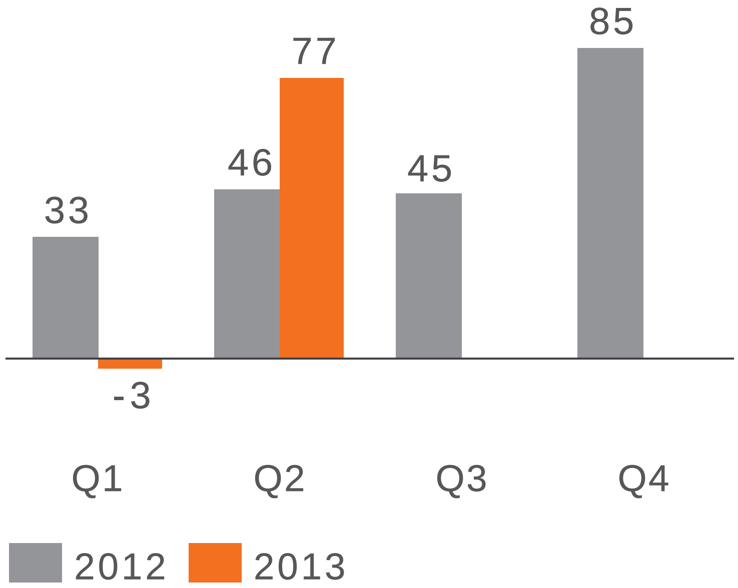
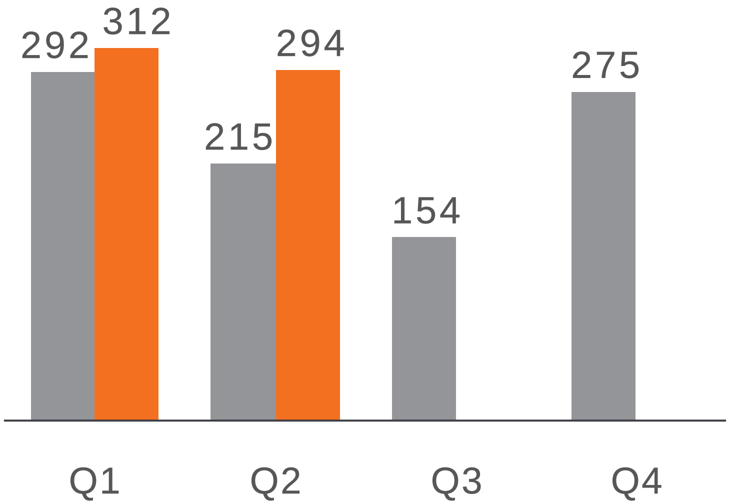
# Hydro Power
# - Lower production – Higher prices

- Profit growth partly ascribable to sale of real estate
- Production was 583 GWh in Q2 compared with 664 GWh last year

EBITA for Hydro Power (NOK million)




Spot prices (NordPool) (NOK/MWh)






*Developing people – creating value*

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# Jotun (42.5%)

- Weaker top line for marine, solid growth for other segments
- Cold weather in Scandinavia has contributed to lower sales in the region
- Improved profitability driven by higher gross margin
- Ongoing capacity investments in Russia, Brazil and China
- New market entries, including Myanmar, Bangladesh and Morocco

*Amounts in NOK million*

| Jotun | as of 30 Apr 2012 | as of 30 Apr 2013 | Change |
|---|---|---|---|
| Revenues | 3 653 | 3 901 | 7 % |
| EBIT | 432 | 517 | 20 % |




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# BRANDED CONSUMER GOODS

ATLE VIDAR JOHANSEN,
CEO ORKLA FOODS

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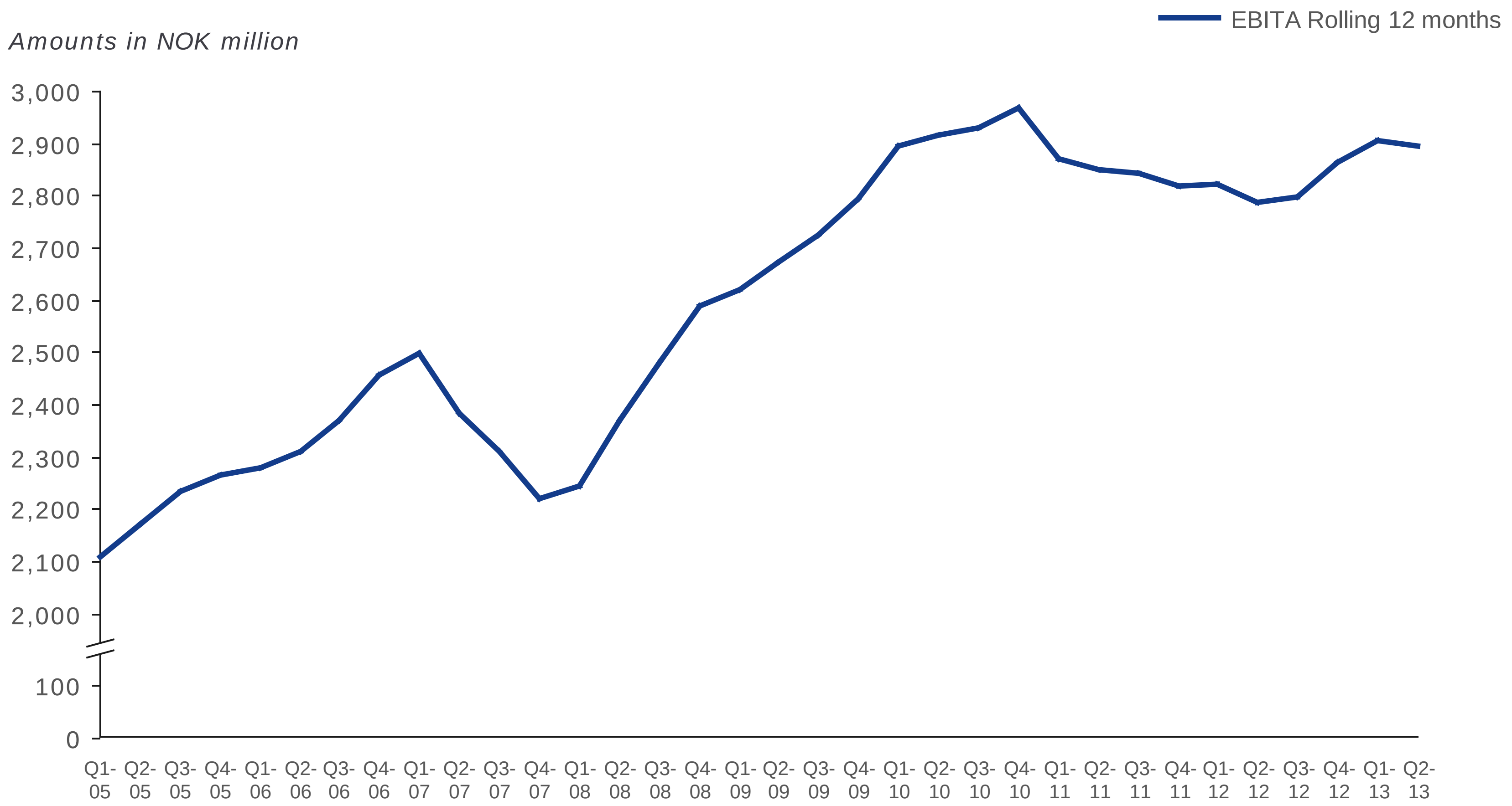
# Branded Consumer Goods



# Integration of Rieber

- Transaction closed on 26 April
- Operations in Norway, Sweden and Denmark fully integrated in the existing food companies in each country
- Man-year reductions carried out as planned and new management teams established
- Cost synergies estimated to be NOK 250-300 million when fully implemented
- Operations in Czech Republic, Poland and Russia continue as separate units within Orkla International

# Lower sales and profit for Rieber

- Sales decline of 10% year to date
- Proforma EBITA in the first half NOK 43 million, down NOK 8 million from 2012
  - Lower HQ cost partly offset the weak sales performance
- Rieber consolidated in Orkla from 1 May 2013
- Profit contribution from Rieber (May & June) was NOK 7 million
  - Seasonally lower profit in Q2

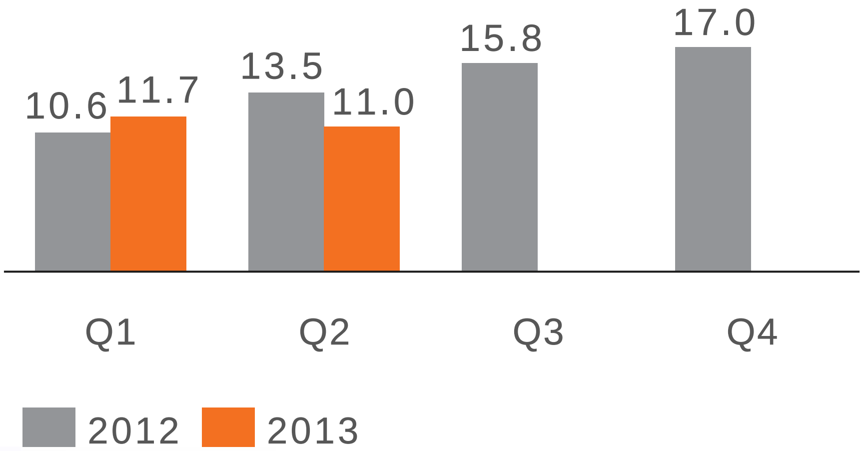
# Orkla Foods

- Unsatisfactory quarter
  - Weak performance for Rieber
  - Lower contribution from innovations in Stabburet, compared to a strong Q2-12
  - Somewhat lower market shares
- Successful integration and satisfactory performance in Sweden
- Margins diluted by Rieber
  - Margins reduced by 2.5%-p whereof 1.8%-p is related to Rieber

Key figures (NOK million)

| | Q2-12 | Q2-13 | H1-12 | H1-13 |
|---|---|---|---|---|
| **Operating revenues** | 1 938 | 2 382 | 3 836 | 4 306 |
| **Organic revenue growth ex. Rieber** | | -2.3 % | | -1.1 % |
| **Organic revenue growth incl. Rieber** | | -4.2 % | | -2.3 % |
| **EBITA** | 262 | 263 | 464 | 489 |

EBITA margin (%)



# Orkla Confectionery & Snacks

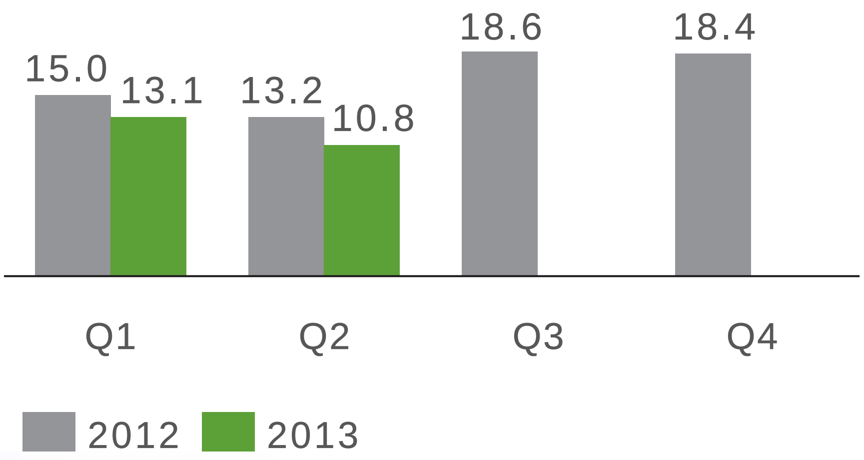
- Major restructuring process to establish C&S company in each of Norway, Sweden and Finland
  - Increased growth potential
  - Cost synergies

- Weak sales and profit performance
  - High activity and competition both from other brands and PL in snacks and biscuits
  - Lower contribution from innovations
  - Reduced market shares

Key figures (NOK million)

| | Q2-12 | Q2-13 | H1-12 | H1-13 |
|---|---|---|---|---|
| **Operating revenues** | 1 140 | 1 101 | 2 269 | 2 201 |
| **Organic revenue growth** | | -4.8 % | | -3.6 % |
| **EBITA** | 151 | 119 | 320 | 263 |

EBITA margin (%)



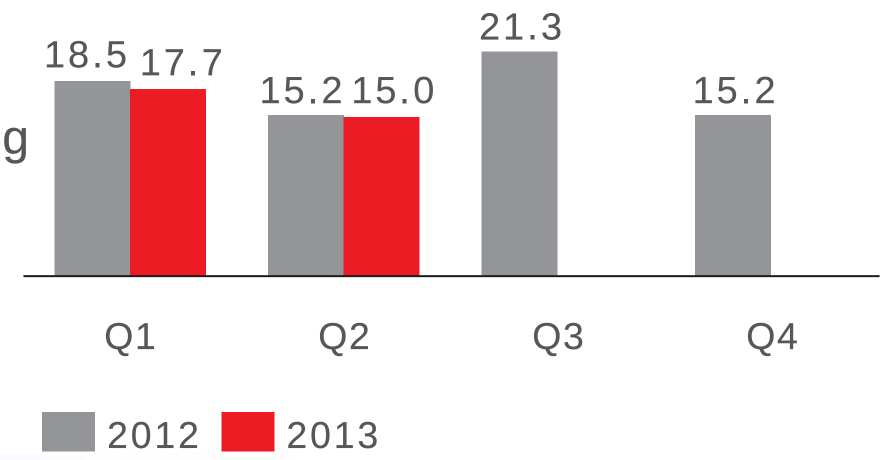
# Orkla Home & Personal

- Positive development in Lilleborg and Axellus
  - Profit growth
  - Increased market shares
- Underlying sales decline mainly related to Jordan House Care and Pierre Robert Group
- Successful integration of Jordan Personal & Home Care in Lilleborg

Key figures (NOK million)

| | Q2-12 | Q2-13 | H1-12 | H1-13 |
|---|---|---|---|---|
| **Operating revenues** | 863 | 1 097 | 1 788 | 2 308 |
| **Organic revenue growth** | | -4.8 % | | -2.2 % |
| **EBITA** | 131 | 165 | 302 | 379 |

EBITA margin (%)



# Orkla International

### Sales and profit decline in Russia

- Sales decline in both traditional and modern trade
- Write down of remaining intangibles, booked as other income and expenses
- Restructuring completed in Q2 2014

### Continued growth in India

- Growth for core categories driven by innovations
- Higher share of profit reinvested in advertising and building the organisation

### Other companies

- Positive development in Austria
- Operations in Czech Republic impacted by flooding in June

Key figures (NOK million)

| | Q2-12 | Q2-13 | H1-12 | H1-13 |
|---|---|---|---|---|
| **Operating revenues** | 471 | 584 | 923 | 990 |
| **Organic revenue growth** | | -8.3 % | | -7.1 % |
| **EBITA** | - 15 | - 40 | - 52 | - 82 |

Organic revenue growth

| | Q2-13 | H1-13 |
|---|---|---|
| **Orkla Brands Russia** | -22.7 % | -18.3 % |
| **India** | 13.9 % | 13.1 % |

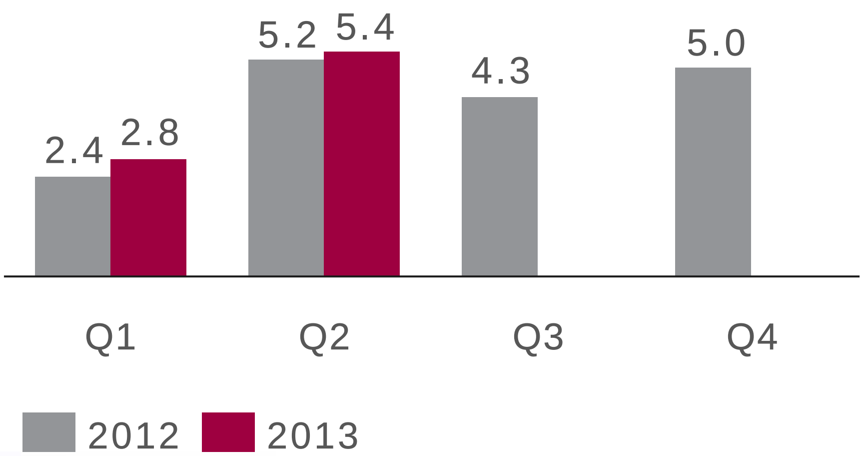
# Orkla Food Ingredients

- Good underlying improvement in the bakery segment in Norway and Denmark
- EBITA growth mainly related to acquired companies

Key figures (NOK million)

| | Q2-12 | Q2-13 | H1-12 | H1-13 |
|---|---|---|---|---|
| **Operating revenues** | 1 308 | 1 415 | 2 540 | 2 748 |
| **Organic revenue growth** | | 0.6 % | | 1.3 % |
| **EBITA** | 68 | 77 | 98 | 114 |

EBITA margin (%)





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# Q&A

- Åge Korsvold, President & CEO
- Terje Andersen, CFO
- Atle Vidar Johansen,
  CEO Orkla Foods

# APPENDICES

# Cash flow

| *Amounts in NOK million* | **Full year 2012** | **H1 2012** | **H1 2013** |
|---|---|---|---|
| Operating profit | 2 910 | 1 223 | 599 |
| Amortisation, depreciations and impairment charges | 969 | 476 | 901 |
| Changes in net working capital, etc. | 1 028 | 285 | - 477 |
| Net replacement expenditure | - 796 | - 384 | - 319 |
| **Cash flow from operations** | **4 111** | **1 600** | **704** |
| Financial items | - 372 | - 159 | - 217 |
| Taxes paid | - 995 | - 839 | - 380 |
| Dividends received | 456 | 391 | 349 |
| Discontinued operations and other payments | 333 | - 738 | - 194 |
| **Cash flow before capital transactions** | **3 533** | **255** | **262** |
| Paid dividends | -2 778 | -2 623 | -2 569 |
| Net sale/purchase of Orkla shares | - 416 | - 467 | 75 |
| **Cash flow before expansion** | **339** | **-2 835** | **-2 232** |
| Expansion investments | - 347 | - 155 | - 70 |
| Sale of companies/share of companies | 3 538 | 933 | 47 |
| Purchase of companies/share of companies | -1 617 | - 128 | -6 935 |
| Net sale/purchase of portfolio investments | 3 350 | 2 015 | 2 776 |
| | | | |
| **Net cash flow** | **5 263** | **- 170** | **-6 414** |
| | | | |
| Currency effects of net interest-bearing liabilities | 412 | 120 | - 559 |
| **Change in net interest-bearing liabilities** | **-5 675** | **50** | **6 973** |
| | | | |
| **Net interest-bearing liabilities** | **4 786** | **10 511** | **11 759** |

# Balance sheet

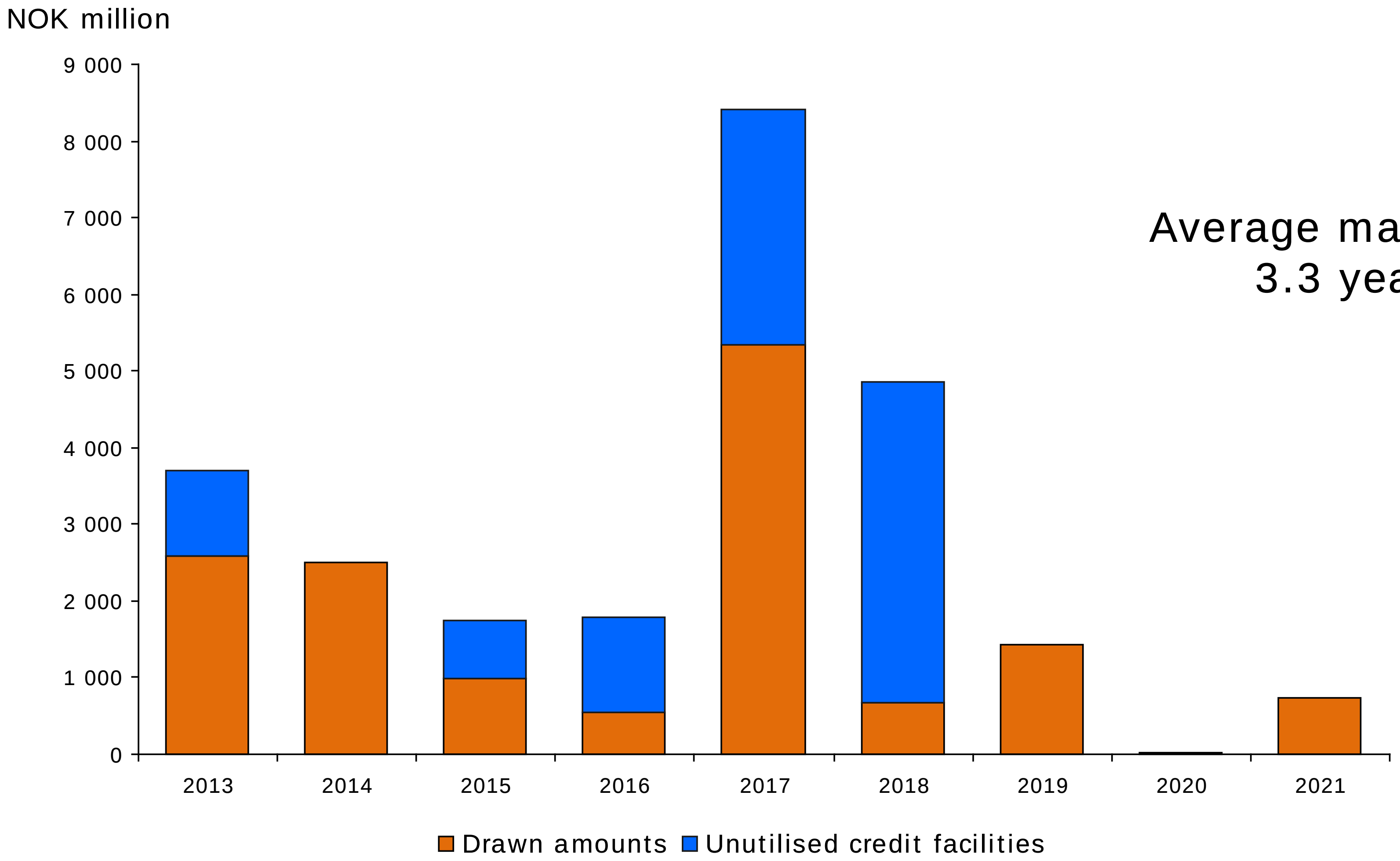
| Amounts in NOK million | 31.12.2012 | 30.6.2013 |
|---|---|---|
| Intangible assets | 10 069 | 15 054 |
| Property, plant and equipment | 9 601 | 12 048 |
| Financial assets | 3 686 | 3 505 |
| **Non-Current assets** | **23 356** | **30 607** |
| Assets in discontinued operations | 13 740 | 14 075 |
| Inventories | 4 243 | 4 981 |
| Receivables | 5 357 | 6 450 |
| Shares and financial assets | 3 601 | 1 056 |
| Cash and cash equivalents | 7 196 | 2 369 |
| **Current assets** | **34 137** | **28 931** |
| **Total assets** | **57 493** | **59 538** |
| Paid-in equity | 1 985 | 1 987 |
| Earned equity | 28 196 | 26 183 |
| Non-controlling interests | 258 | 255 |
| **Equity** | **30 439** | **28 425** |
| Provisions and other non-current liabilities | 3 380 | 4 000 |
| Non-current interest-bearing liabilities | 9 352 | 12 499 |
| Current interest-bearing liabilities | 3 460 | 2 340 |
| Liabilities in discontinued operations | 4 163 | 5 385 |
| Other current liabilities | 6 699 | 6 889 |
| **Equity and liabilities** | **57 493** | **59 538** |
| | | |
| Equity ratio | 52.9 % | 47.7 % |

# Net financial items

Amounts in NOK million

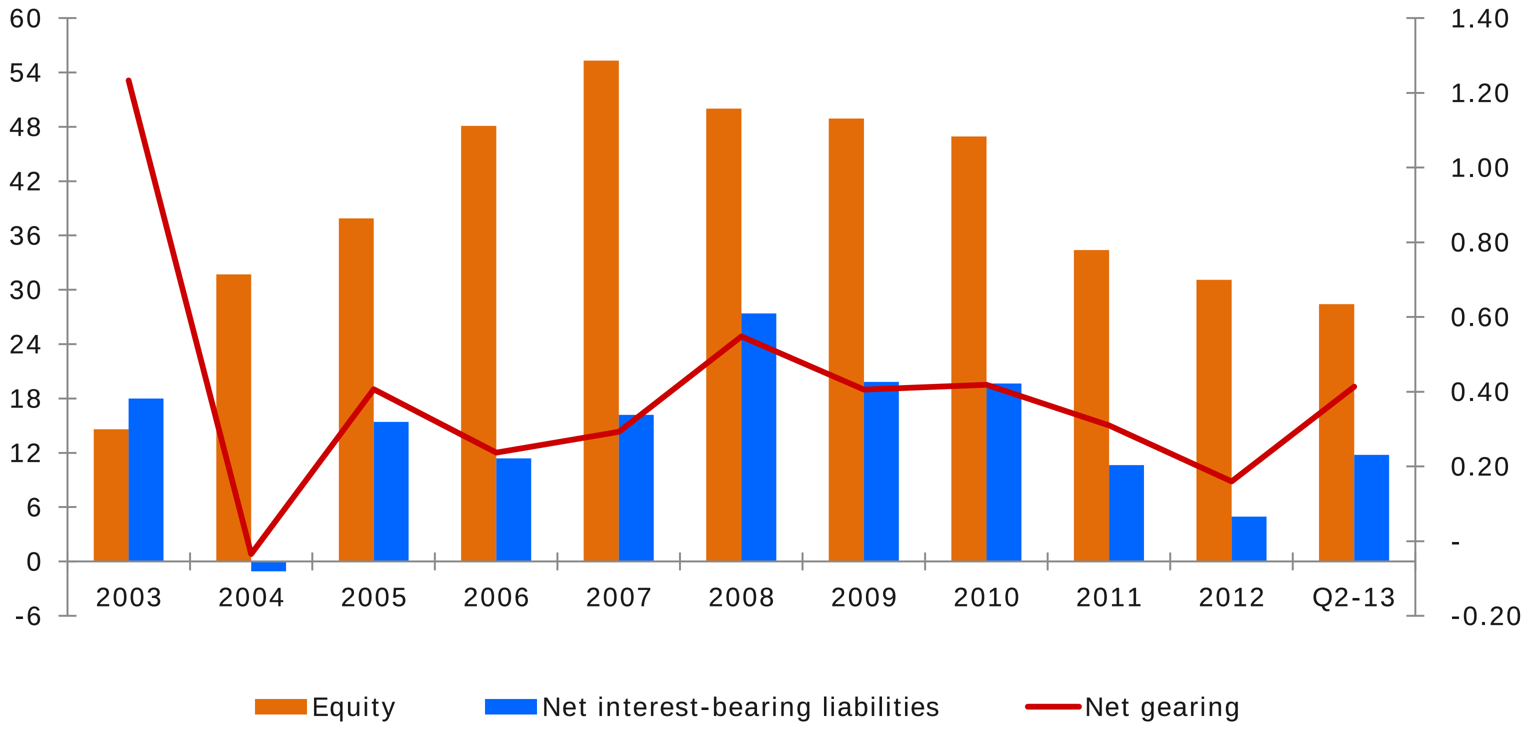
| | FY 2012 | Q2-12 | Q2-13 |
|---|---|---|---|
| Net interest expenses | -389 | -90 | -105 |
| Currency gain/loss | -18 | -12 | -4 |
| Other financial items, net | - 82 | 2 | -25 |
| **Net financial items** | **-489** | **-100** | **-134** |

# Debt maturity profile, Orkla Group

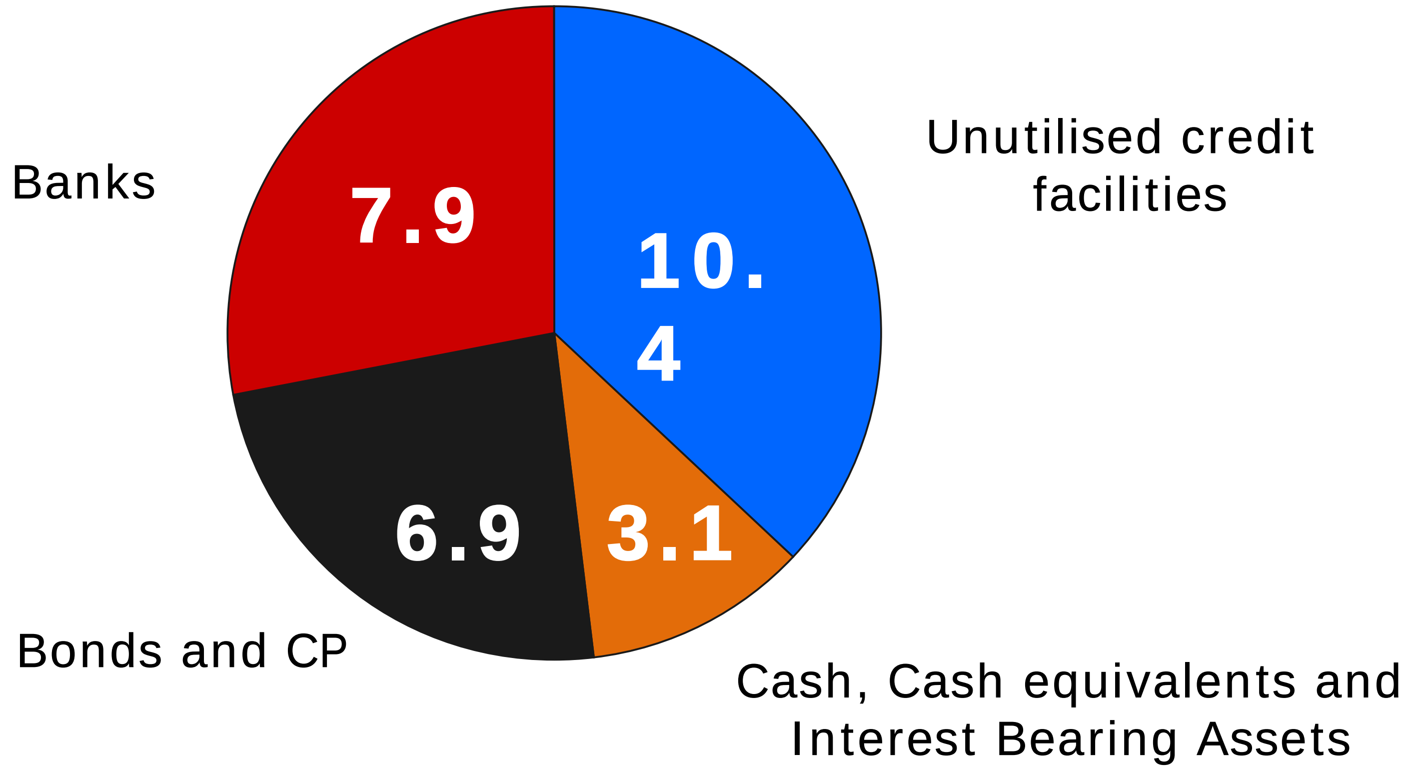



Average maturity
3.3 years

# Net gearing 0.41 as of Q2-13



# Funding sources




Figures in NOK billion