



## Fourth quarter results 2013

Åge Korsvold, President & CEO



# Agenda

1. Åge Korsvold, President & CEO  
Strategy and highlights
2. Terje Andersen, CFO  
Financial performance
3. Atle Vidar Johansen, CEO Orkla Foods  
Branded Consumer Goods

## Highlights Q4 2013

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- Sales growth due to acquisitions
- Weak underlying performance for BCG
- Realisation of cost synergies in Rieber according to plan
- Demanding market conditions in Russia, a structured sales process has been initiated
- Volume and profit growth for Gränges, strong cash flow from operations
- The Board of Directors proposes a dividend of NOK 2.50 per share for 2013

# Allocation of capital 2012 - 2013

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## Sale of non-core assets

- Sale of real estate, shares and financial assets **~NOK 7.8 billion**
- IPO of Borregaard and sale of remaining shares **~NOK 3 billion**
- Cash received upon closing of Sapa JV with Hydro **~NOK 1.8 billion**



*Freed-up financial resources*

## Investing in BCG businesses

- Acquisition of Rieber & Søn **~NOK 6.1 billion**
- Acquisition of Jordan **~NOK 1.1 billion**

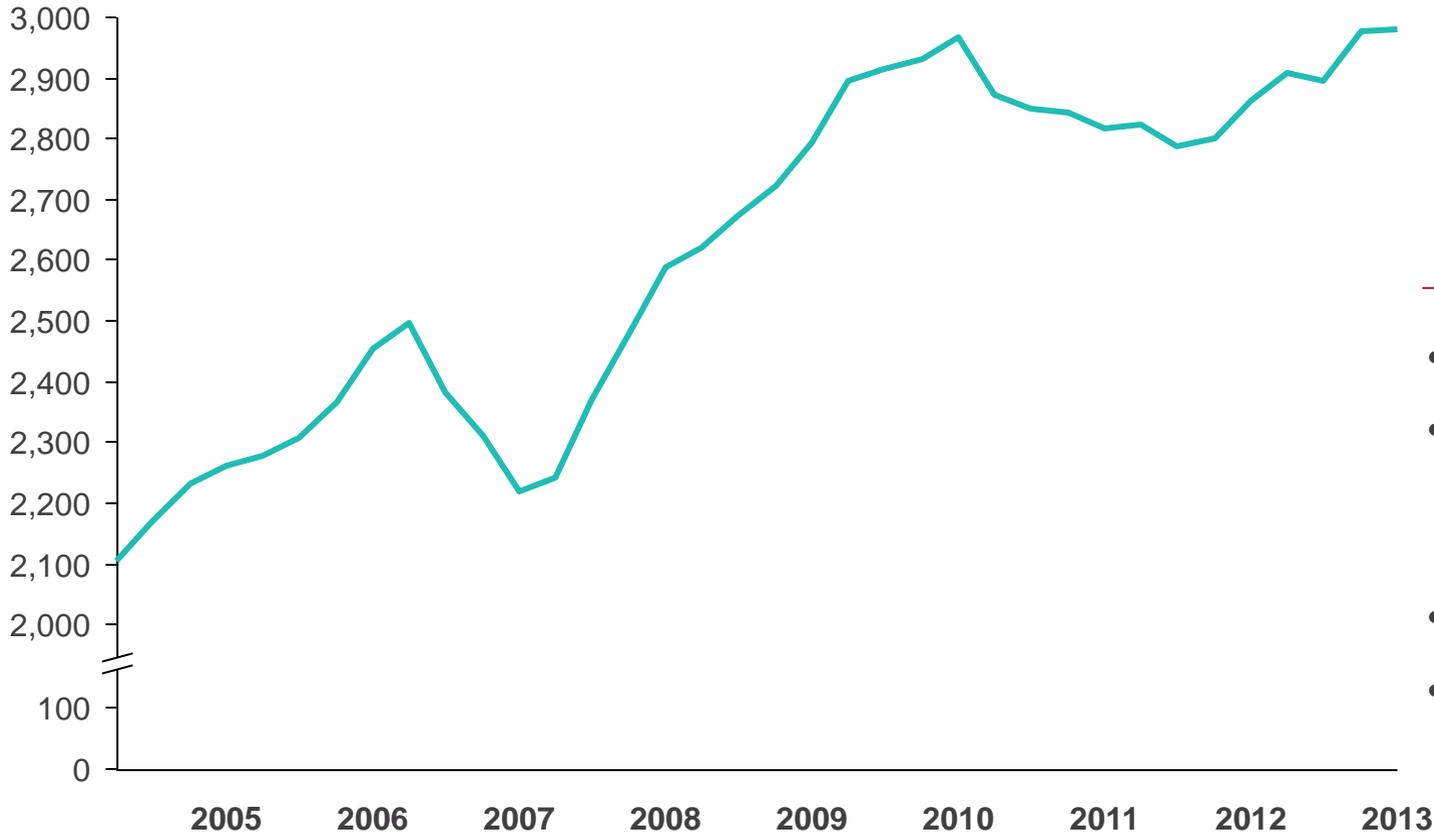


*Strengthened BCG platform*

Dividend of **NOK 5 billion** paid to shareholders

# Rolling 12 months EBITA for Branded Consumer Goods

Amounts in NOK millions



## Strategic priorities (2013-2016)

- Reducing complexity
- Extracting cost synergies and improving cash flow
- Driving organic growth
- Improving skill base

## Actions in 2013 to strengthen the BCG business

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- **Orkla Foods** companies in Norway, Sweden and Denmark merged from 7 to 3
  - Merger of the two existing food companies in Sweden
  - Integration of Rieber in Norway, Sweden and Denmark
- Comprehensive restructuring of **Orkla Confectionery & Snacks**
  - Companies in Norway, Sweden and Finland merged from 7 to 3
- Jordan integrated into **Orkla Home & Personal**
- Streamlining **support functions**

## Financial targets announced at Orkla's Investor Day 2013

	EBIT (adjusted) margin 2013	EBIT (adjusted) margin 2015/2016	Organic revenue growth 2013	Organic revenue growth From 2016
Orkla Foods	13.0%	> 15.0%	-4.2%	2-3%
Orkla Confectionery & Snacks	14.3%	> 16.5%	-3.1%	2-4%
Orkla Home & Personal	17.3%	> 17.5%	-1.5%	3-5%



# Financial Performance

Terje Andersen, CFO



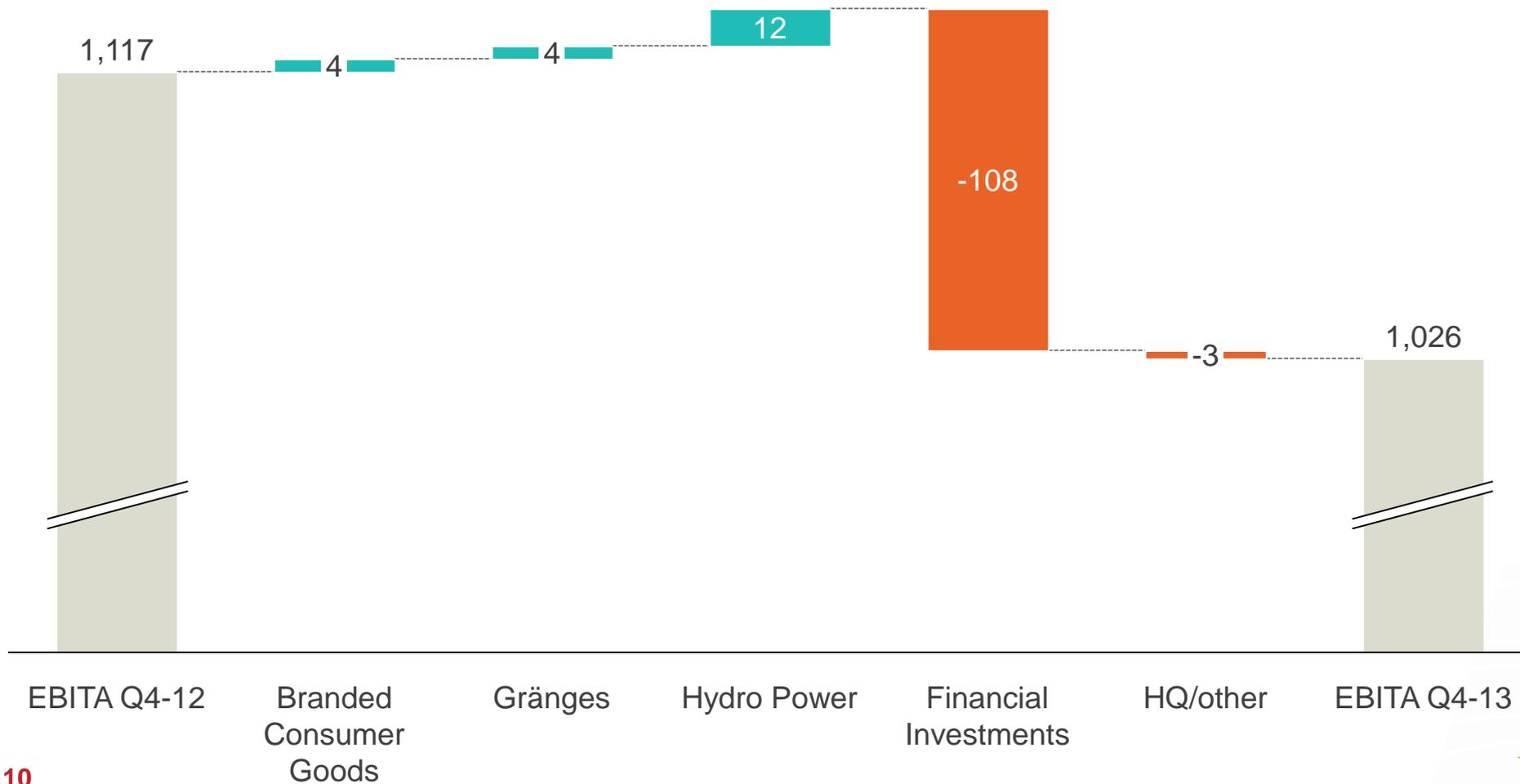
# Group income statement

Amounts in NOK millions

	Q4 2012	Q4 2013	FY 2012	FY 2013
<b>Operating revenues</b>	<b>8 421</b>	<b>9 478</b>	<b>29 896</b>	<b>33 045</b>
<b>EBITA</b>	<b>1 117</b>	<b>1 026</b>	<b>3 359</b>	<b>3 163</b>
Amortisation intangibles	-5	-7	-16	-21
Other income and expenses	-267	-13	-433	-860
<b>EBIT</b>	<b>845</b>	<b>1 006</b>	<b>2 910</b>	<b>2 282</b>
Profit/loss from associates and joint ventures	51	- 300	418	2
Dividends received	29	8	211	250
Gains, losses and write-downs shares and fin. assets	- 191	- 6	857	623
Financial items, net	- 110	- 139	- 489	- 493
<b>Profit/loss before taxes</b>	<b>624</b>	<b>569</b>	<b>3 907</b>	<b>2 664</b>
Taxes	-150	-232	-726	-692
<b>Profit/loss for the period continuing operations</b>	<b>474</b>	<b>337</b>	<b>3 181</b>	<b>1 972</b>
Profit/ loss from discontinued operations	- 310	0	-1 547	-1 225
<b>Profit/loss for the period</b>	<b>164</b>	<b>337</b>	<b>1 634</b>	<b>747</b>
<b>Earnings per share diluted (NOK)</b>	<b>0,2</b>	<b>0,3</b>	<b>1,6</b>	<b>0,7</b>

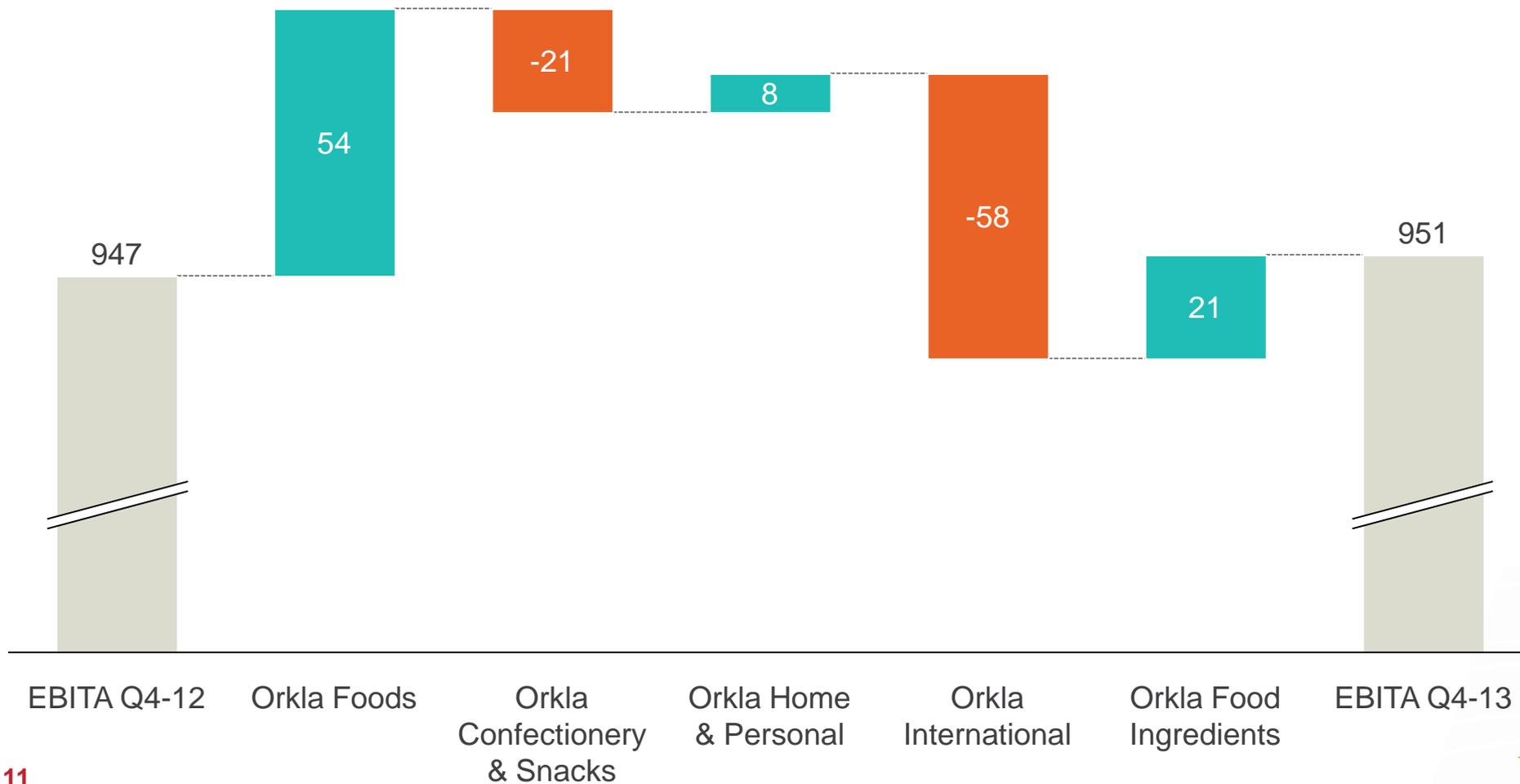
# EBITA bridge Q4 2013

Amounts in NOK millions



# EBITA bridge Q4 2013 – Branded Consumer Goods

Amounts in NOK millions

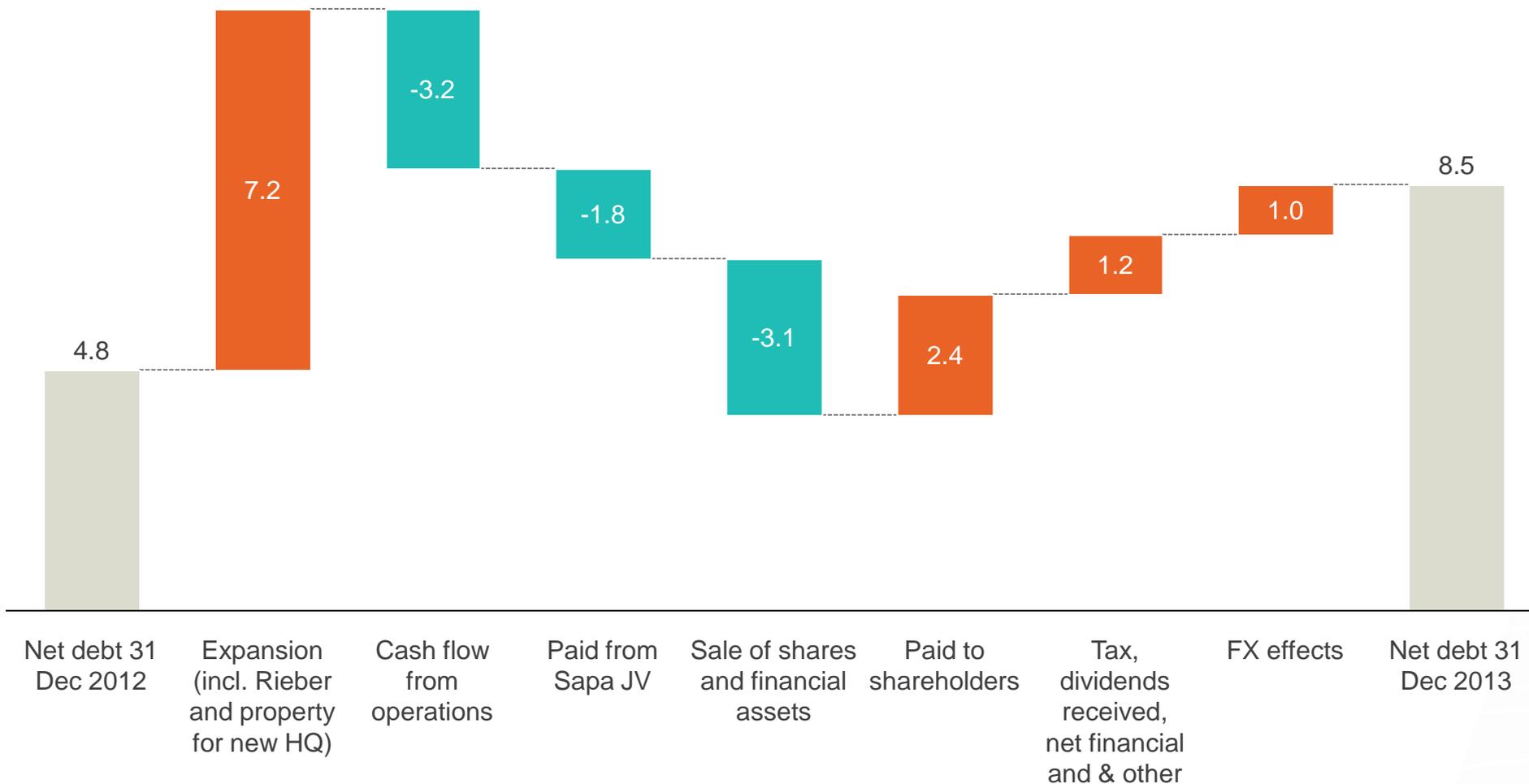


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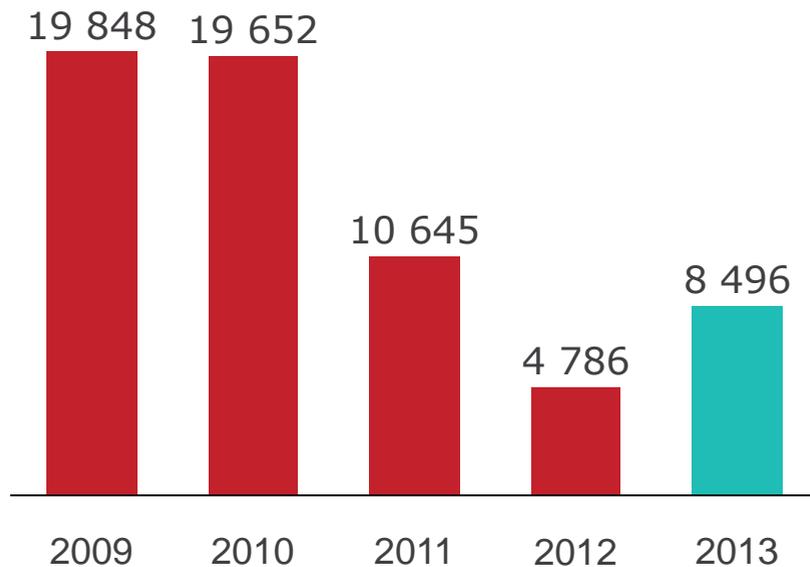
# Change in net debt 2013

Amounts in NOK millions

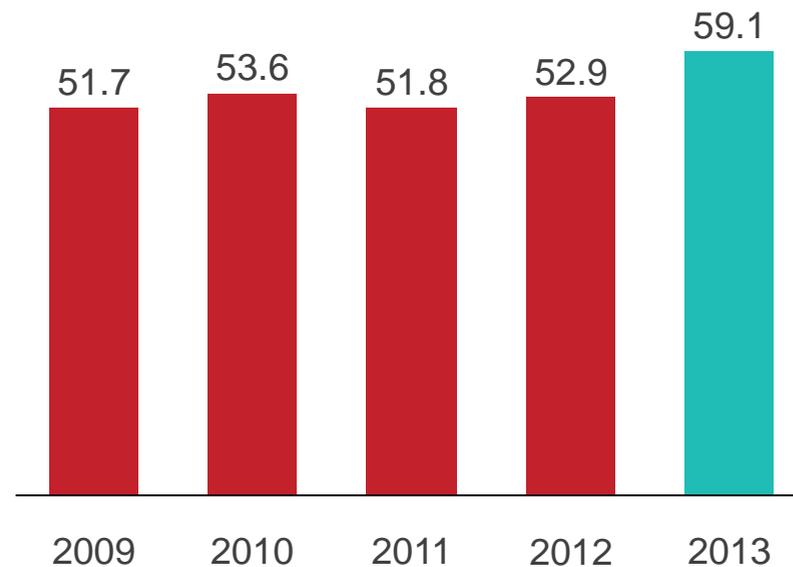


# Strong balance sheet and financial flexibility

Net interest-bearing liabilities (NOKm)

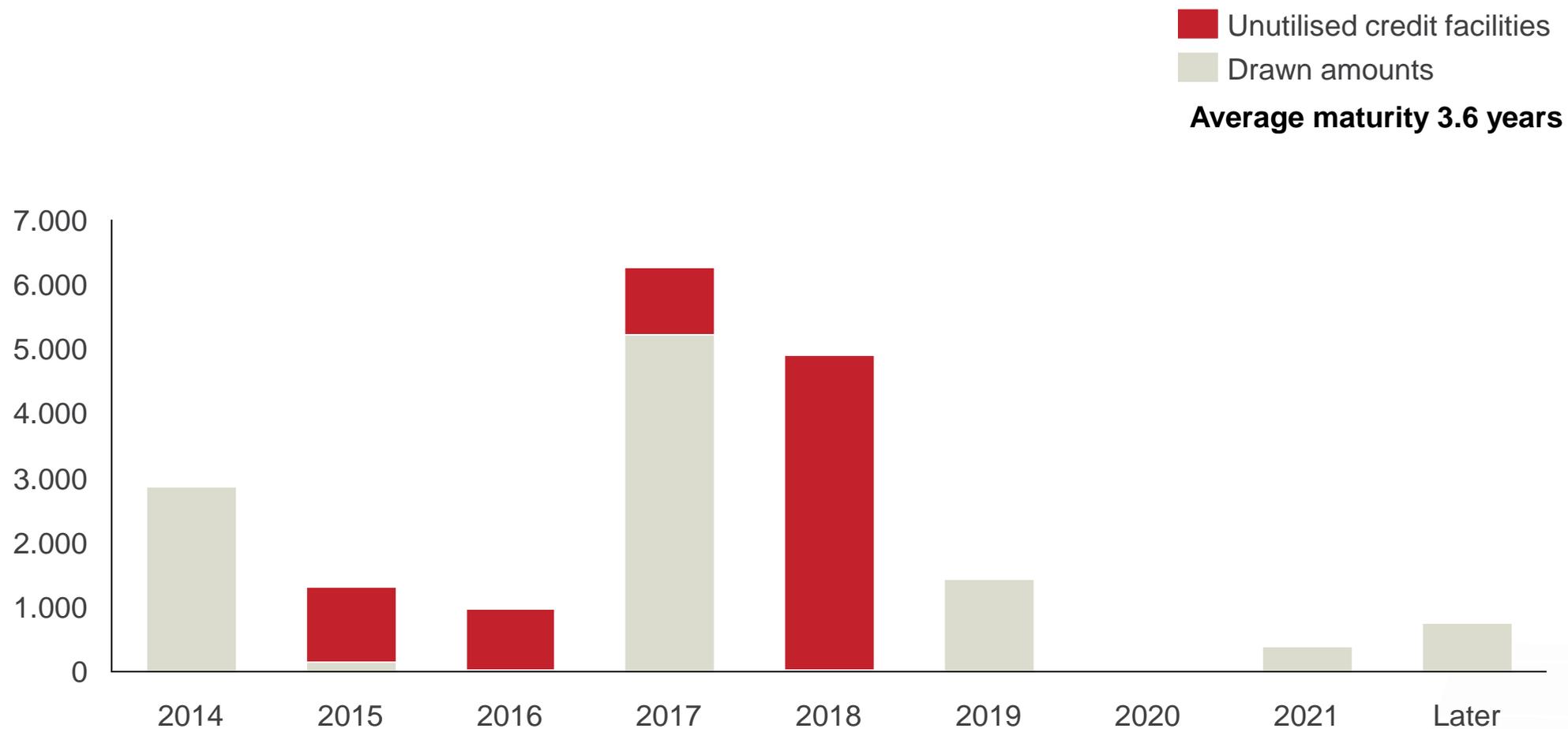


Equity ratio (%)



# Debt maturity profile

Amounts in NOK millions

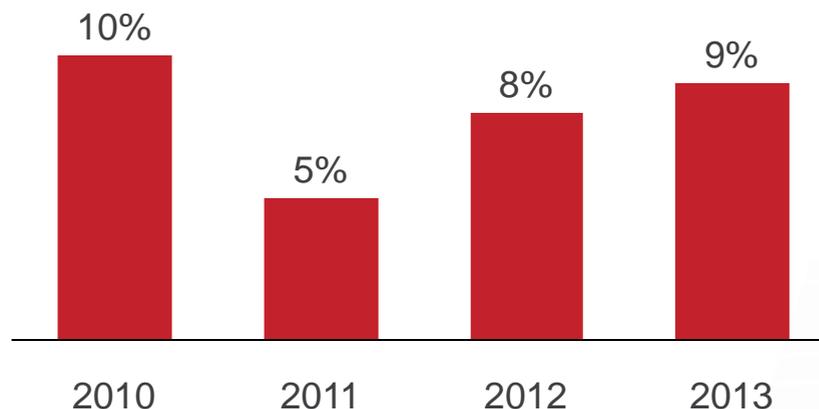


# Gränges – Continued profit improvement over last year

- Continued volume growth despite slow automotive market
- Strong SEK pressure earnings
- Operational efficiency improvements in both Sweden and China
- Restructuring in Sweden completed
- Cash flow from operations of NOK 432 million in 2013
  - Cash conversion of 128%
  - Reduction of working capital

Key figures	Q4-12	Q4-13	2012	2013
Operating revenues	943	940	3990	3958
EBITA	74	78	313	337

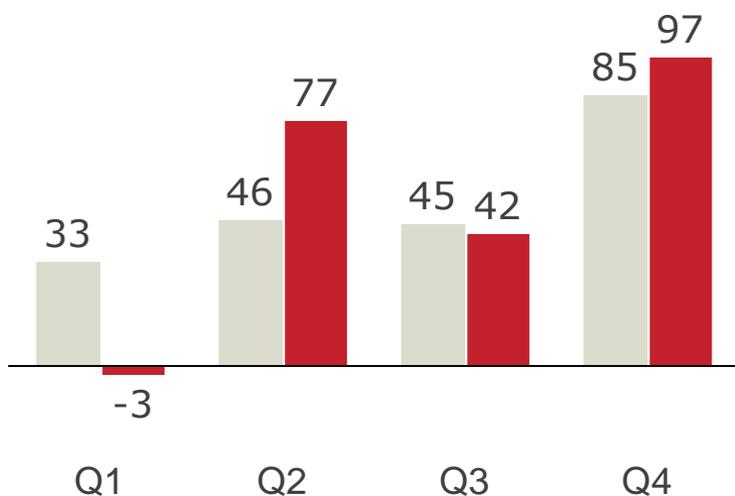
## EBITA margin performance:



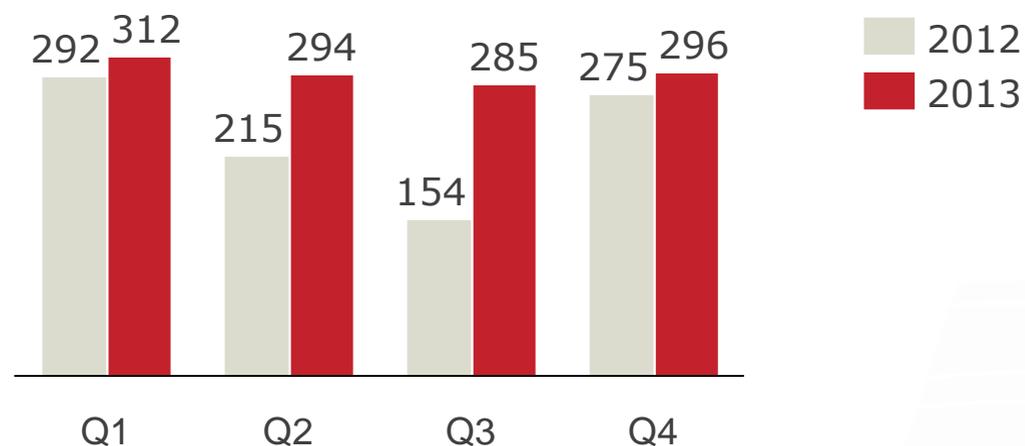
# Hydro Power – Lower production and higher prices in Q4

- EBITA of NOK 97 million in Q4 was positively affected by one-offs
- Spot prices were 8% higher in Q4 compared to Q4 2012
- Production was 650 GWh in Q4 compared with 696 GWh last year
  - Whereof 257 GWh in each quarter is contract production with no P&L effect

**EBITA (NOK million)**



**Spot prices (NordPool, NOK/MWh)**



## Jotun (42,5%)

- Solid growth in all segments except Marine
- The decline in Marine, which is due to the cyclical downturn in the shipbuilding industry, has now levelled off
- Higher gross margins following stable raw material prices and product mix management
- On-going plant investments in Russia, Brazil and China
- New market entries, including Myanmar, Bangladesh and Morocco

Key figures	As of 31/8 2012	As of 31/8 2013	Change
Operating revenues	7,686	8,174	6%
EBIT	886	1,050	19%



## Sapa (50/50 joint venture)

- Increased demand in North America
- Stable demand in Europe
  - Improved demand in automotive
  - Lower demand in building and construction
- Restructuring proceeds according to plan
  - Restructuring charges affects reported EBIT
- Underlying EBIT affected by charges related to impairment of inventories and accounts receivables
- Orkla's share of net profit after tax was NOK -312 million in Q4 2013
- Net debt NOK 1.8 billion as of 31 December 2013

100% basis	Pro forma Q4 2012	Q4 2013	Pro forma FY 2013
Operating revenues	9,654	10,132	42,270
Underlying EBIT	-142	-339	-87



## **Branded Consumer Goods**

Atle Vidar Johansen

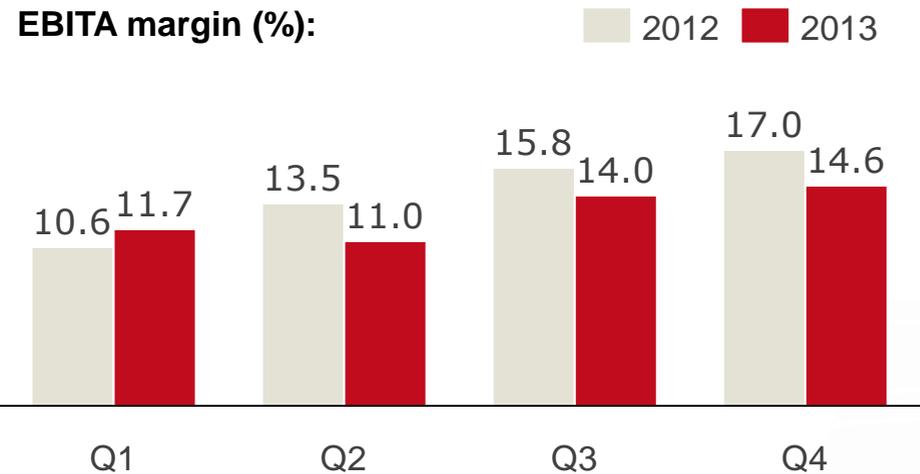
CEO Orkla Foods



# Orkla Foods

- Weaker sales performance in Norway
  - Demanding integration process
  - Lower contribution from innovations
- Satisfactory performance in Sweden, Finland and Baltics
- Somewhat weaker market shares

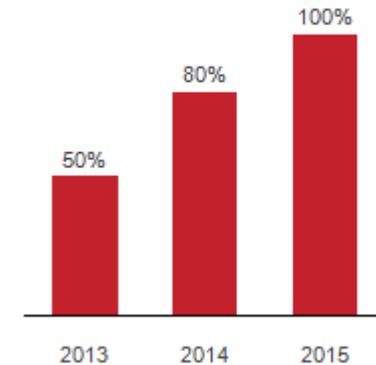
	Q4-12	Q4-13	2012	2013
Operating revenues	2,163	2,894	7,972	9,797
Organic revenue growth		-6.0%		-4.2%
EBITA	368	422	1,144	1,275
EBITA margin	17.0%	14.6%	14.4%	13.0%



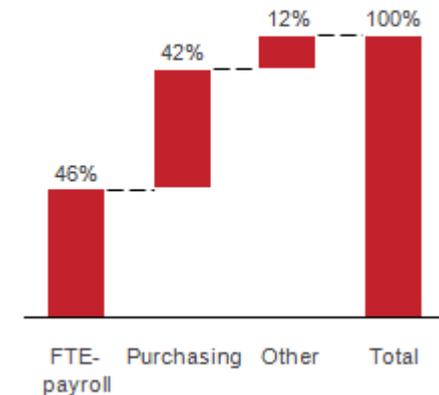
# Integration of Rieber according to plan

- Announced cost synergies of NOK 250-300 million
- Run-rate end at year end of more than NOK 150 million
  - P&L effect in Q4 of approximately NOK 30-35 million
- Organic revenue decline of 12.6% in the Nordics in Q4
  - Heavy loading in Q4 2012
  - Improvement in trend of sales to consumers

Run-rate effect realized per end of year



Split cost synergies



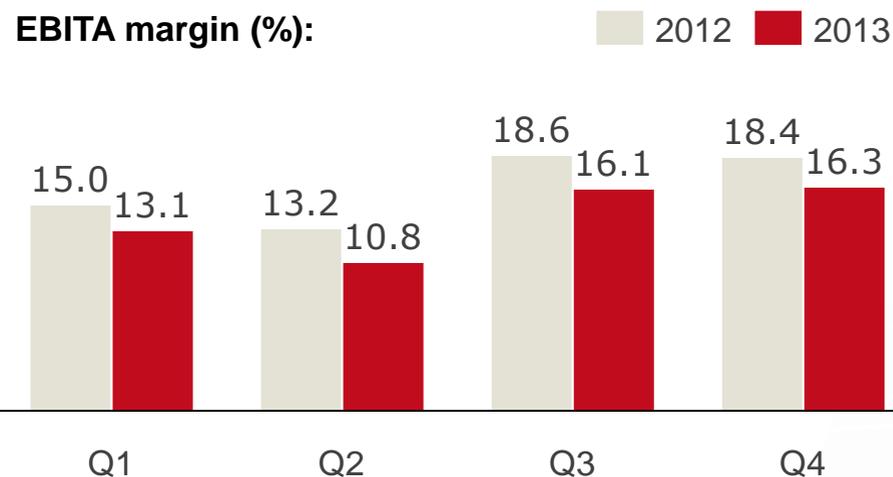
# Innovations in Orkla Foods



# Orkla Confectionery & Snacks

- Continued challenging market conditions in the Nordics
- Sales growth in Denmark and the Baltics
- Stable development in Sweden after negative trend earlier in 2013
- Somewhat weaker market shares in 2013

	Q4-12	Q4-13	2012	2013
Operating revenues	1,387	1,436	4,794	4,784
Organic revenue growth		-2.7%		-3.1%
EBITA	255	234	787	682
EBITA margin	18.4%	16.3%	16.4%	14.3%



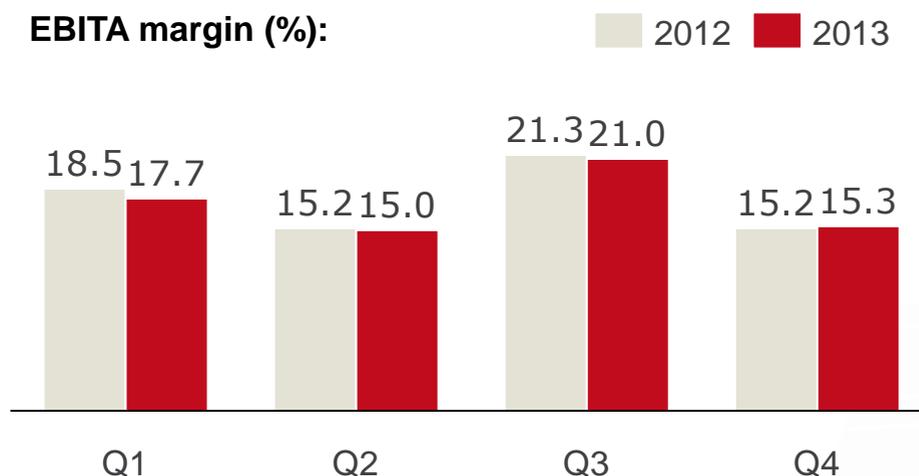
# Innovations in Orkla Confectionery & Snacks



# Orkla Home & Personal

- Underlying sales in Q4 somewhat higher than in Q4 2012
- Strong performance in Lilleborg
  - Successful integration of Jordan
- Stable development in Pierre Robert Group
- Lower sales from Axellus' export markets
- Stable market shares
- EBITA margins somewhat diluted due to acquisitions

	Q4-12	Q4-13	2012	2013
Operating revenues	1,221	1,270	4,025	4,770
Organic revenue growth		0.4 %		-1.5 %
EBITA	186	194	704	823
EBITA margin	15.2%	15.3%	17.5%	17.3%



# Innovations in Orkla Home & Personal



# Orkla International

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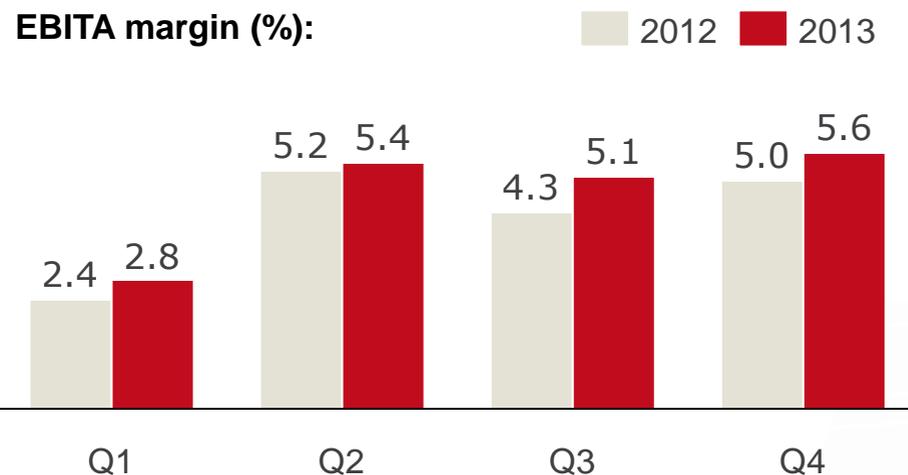
- Sales and profit decline in Orkla Brands Russia
  - Continued weak performance in Q4
  - Structured sales process initiated
- Organic sales growth of 12% in India
  - Growth driven by core categories breakfast mixes, Vermicelli and spice mixes
- Other markets
  - Positive development in Austria
  - Slow retail market in Czech Republic with increased promotional pressure

	Q4-12	Q4-13	2012	2013
Operating revenues	716	916	2,133	2,644
Organic revenue growth		-11.6%		-7.2%
EBITA	62	4	-5	-86

# Orkla Food Ingredients

- Organic sales growth
- Broad based EBITA improvement
- Positive effects from internal improvement projects

	Q4-12	Q4-13	2012	2013
Operating revenues	1,523	1,726	5,435	5,998
Organic revenue growth		2.2%		2.1%
EBITA	76	97	233	288
EBITA margin	5.0%	5.6%	4.3%	4.8%



# Key priorities for 2014

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- **Grow the top line**

- Strong innovation programmes
- More cross-market initiatives
- Improved in-store execution
- Improved positions in trade

- **Realise and extract more cost synergies**

- NOK 250 – 300 million from Rieber: ~80% run-rate end of 2014
- NOK 50 – 70 million from restructuring of Orkla Confectionery & Snacks: ~50% run-rate end of 2014
- Continue to drive purchasing efficiency and manufacturing productivity

# Q&A

Åge Korsvold, President & CEO

Terje Andersen, CFO

Atle Vidar Johansen, CEO Orkla Foods



## Appendices

# Cash flow

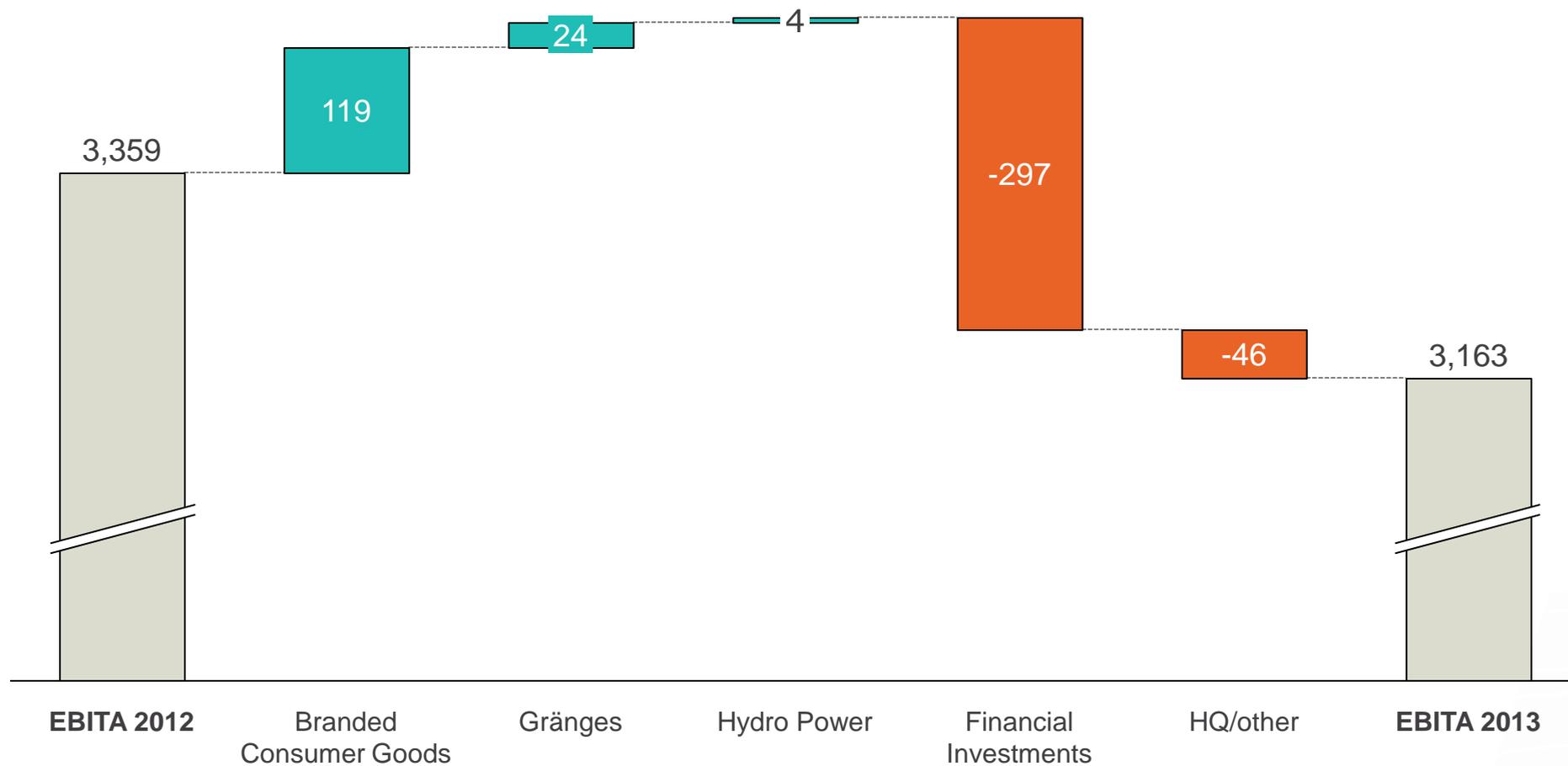
<i>Amounts in NOK million</i>	<b>2012</b>	<b>2013</b>
<b>Operating profit</b>	<b>2 635</b>	<b>2 307</b>
Amortisation, depreciation and write-downs	943	1 503
Change in net working capital	457	- 155
<b>Cash flow from operating act. bef. net replacement exp.</b>	<b>4 035</b>	<b>3 655</b>
Net replacement expenditures	- 701	- 880
<b>Cash flow from operations, industrial activities</b>	<b>3 334</b>	<b>2 775</b>
<b>Cash flow from Orkla Financial Investments</b>	<b>777</b>	<b>384</b>
Financial items paid	- 372	- 451
Taxes paid	- 995	- 766
Dividends received	456	481
Discontinued operations and other payments	333	- 371
<b>Cash flow before capital transactions</b>	<b>3 533</b>	<b>2 052</b>
Dividends paid	-2 778	-2 579
Net sale/purchase of Orkla shares	- 416	133
<b>Cash flow before expansion</b>	<b>339</b>	<b>- 394</b>
Expansion investments	- 347	- 180
Sold companies/share of companies	3 538	1 713
Acquired companies/share of companies	-1 617	-6 986
Net purchases/sales portfolio investments	3 350	3 090
<b>Net cash flow</b>	<b>5 263</b>	<b>-2 757</b>
Currency translations net interest-bearing debt	412	- 953
Change in net interest-bearing debt	-5 675	3 710
<b>Net interest-bearing debt</b>	<b>4 786</b>	<b>8 496</b>

# Balance sheet

<i>Amounts in NOK million</i>	<b>31.12.2012</b>	<b>31.12.2013</b>
Intangible assets	10 069	15 402
Property, plant and equipment	9 601	11 651
Investments in associates and joint ventures etc.	3 686	11 042
<b>Non-current assets</b>	<b>23 356</b>	<b>38 095</b>
Assets in discontinued operations	13 740	
Inventories	4 243	4 836
Receivables	5 357	6 328
Shares and financial assets	3 601	1 051
Cash and cash equivalents	7 196	1 805
<b>Current assets</b>	<b>34 137</b>	<b>14 020</b>
<b>Total assets</b>	<b>57 493</b>	<b>52 115</b>
Paid-in equity	1 985	1 989
Earned equity	28 196	28 490
Non-controlling interests	258	301
<b>Equity</b>	<b>30 439</b>	<b>30 780</b>
Provisions	3 380	3 369
Non-current interest-bearing liabilities	9 352	8 041
Current interest-bearing liabilities	3 460	2 837
Liabilities in discontinued operations	4 163	
Other current liabilities	6 699	7 088
<b>Equity and liabilities</b>	<b>57 493</b>	<b>52 115</b>

# EBITA bridge 2013

Amounts in NOK million



# EBITA bridge 2013 – Branded Consumer Goods

Amounts in NOK million

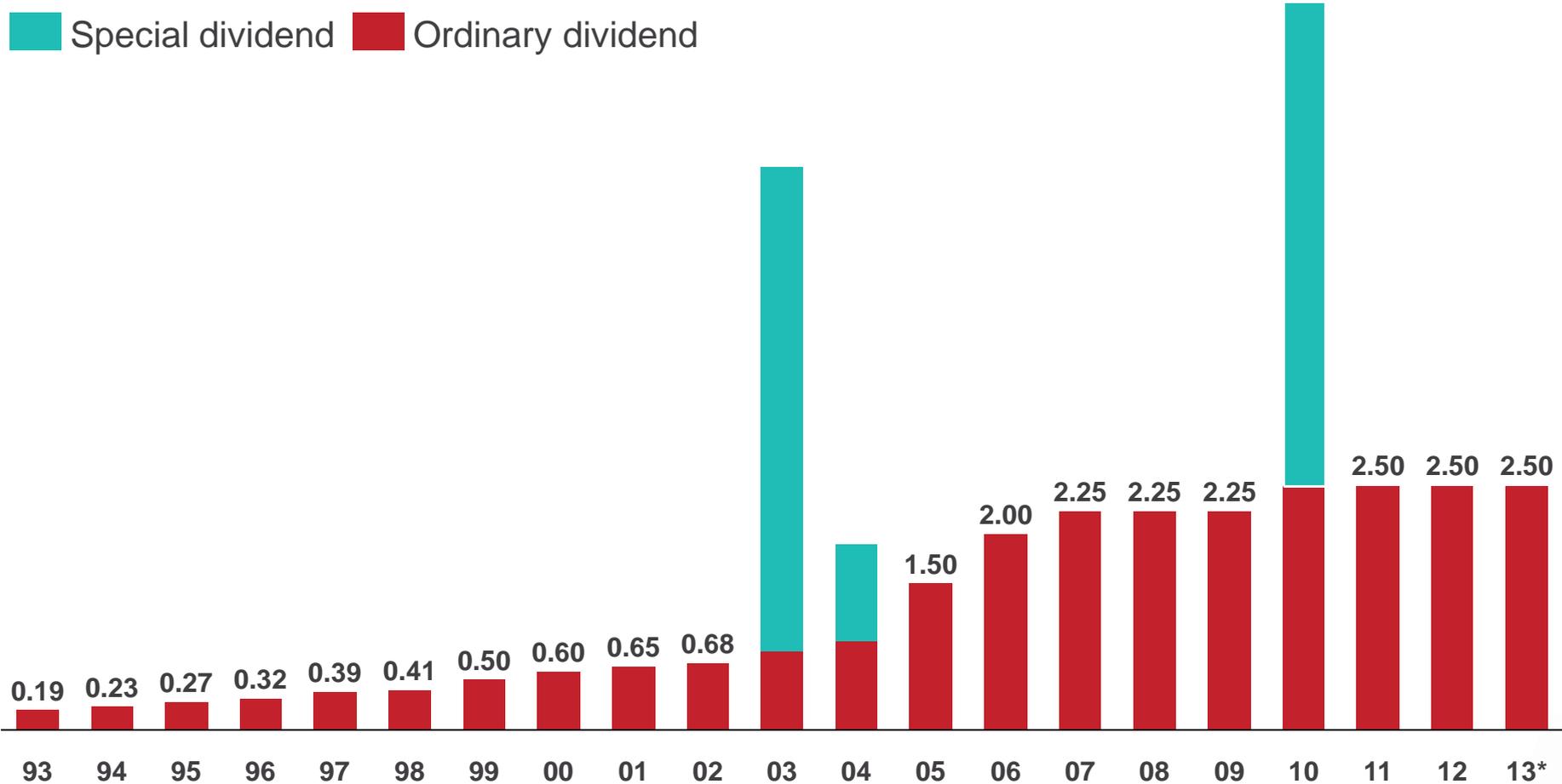


## Sapa (joint venture) – Pro-forma information (100%)

NOK million	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Sales volume (1000 tonnes)	343	311	346	360	346	314
Revenues	10 414	9 654	10 367	10 974	10 797	10 132
Underlying EBITDA <sup>1</sup>	365	154	304	508	328	-43
Underlying EBIT	76	-142	16	213	24	-339
Reported EBIT	-954	-618	-148	-1 096	-1 985	-787

# Historical dividends

Special dividend Ordinary dividend

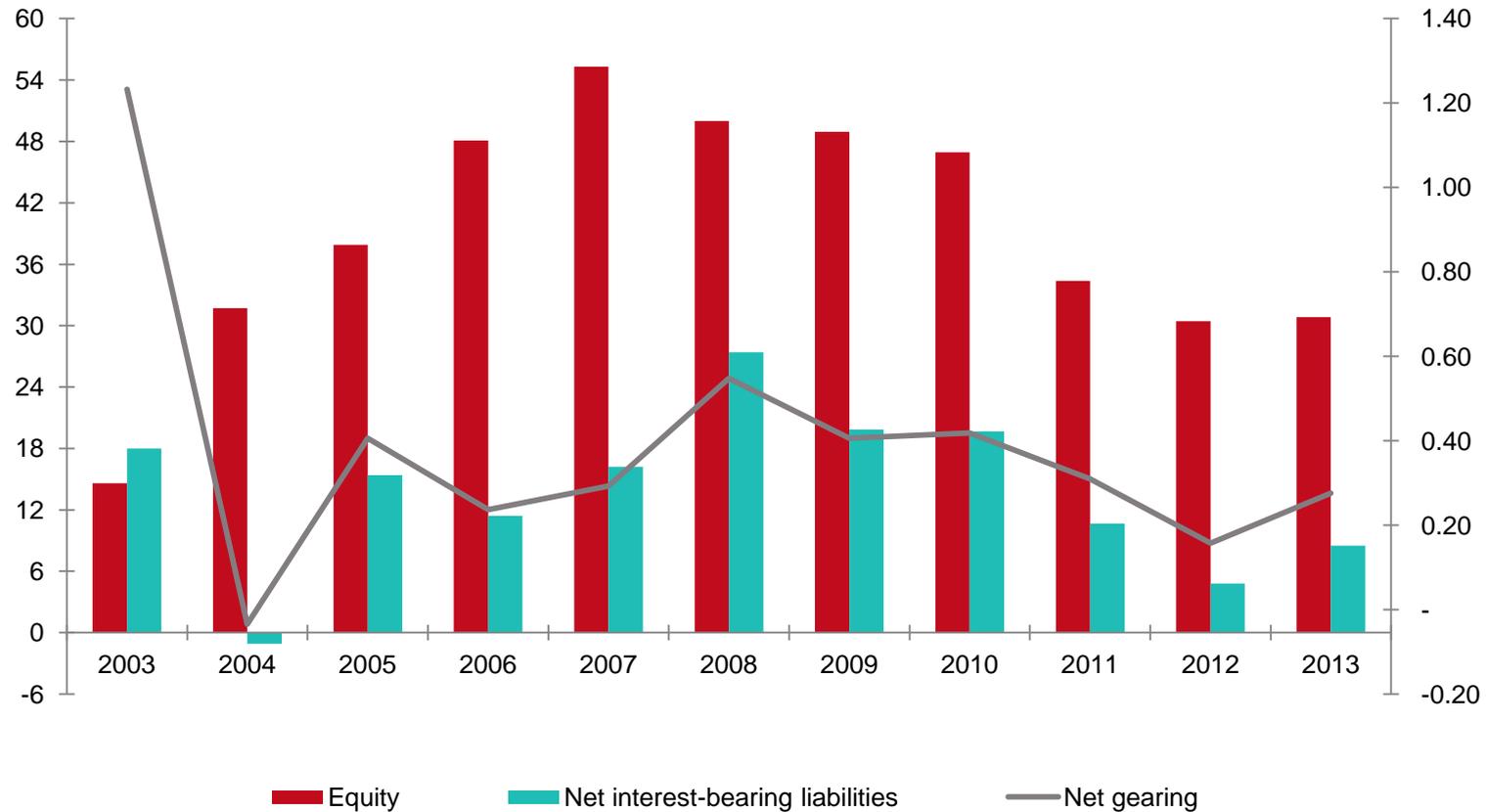


## Net financial items

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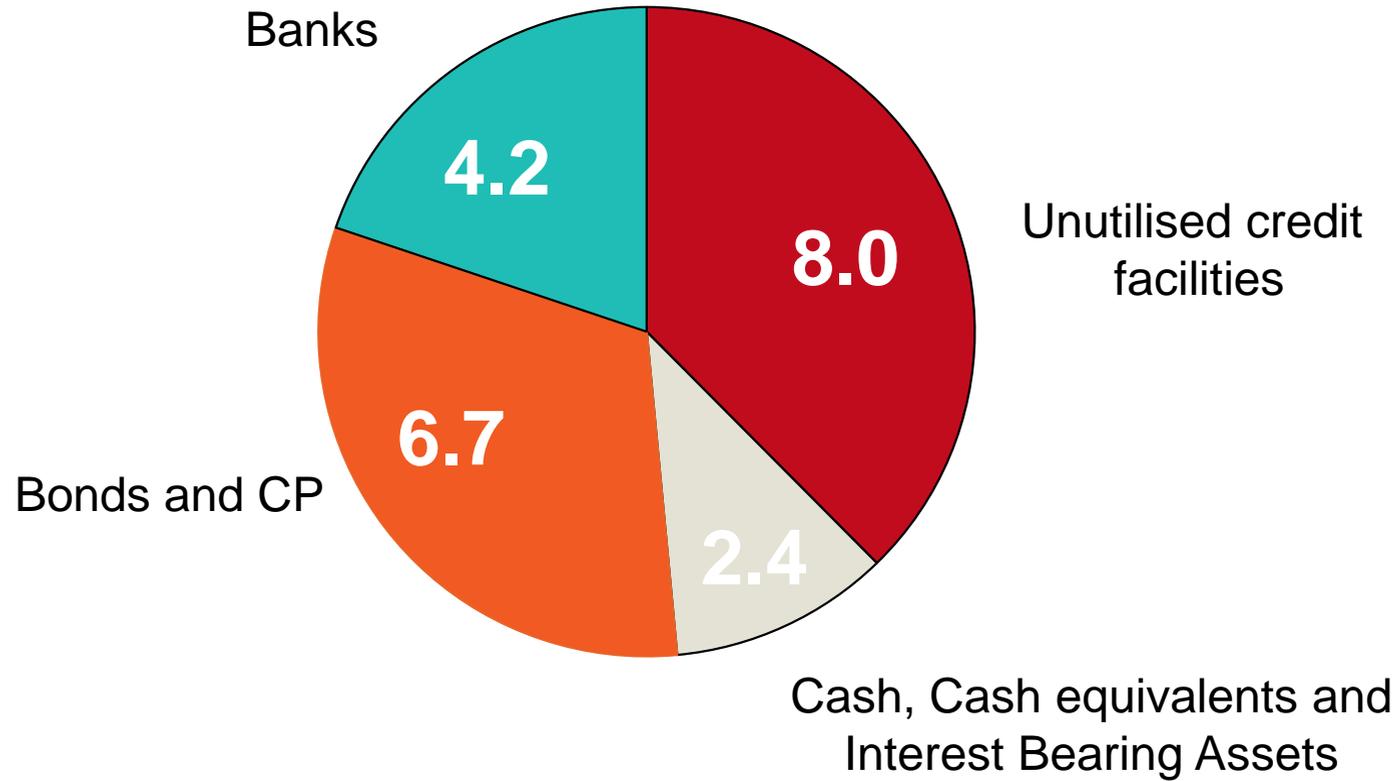
	FY 2013	Q4-12	Q4-13
Net interest expenses	-375	-78	-95
Currency gain/loss	-1	-5	1
Other financial items, net	-117	-27	-45
<b>Net financial items</b>	<b>-493</b>	<b>-110</b>	<b>-139</b>

# Net gearing 0.28 as of Q4-13



# Funding sources

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Figures in NOK billion