



## Third quarter results 2014

30 October 2014

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO



# Highlights Q3 2014

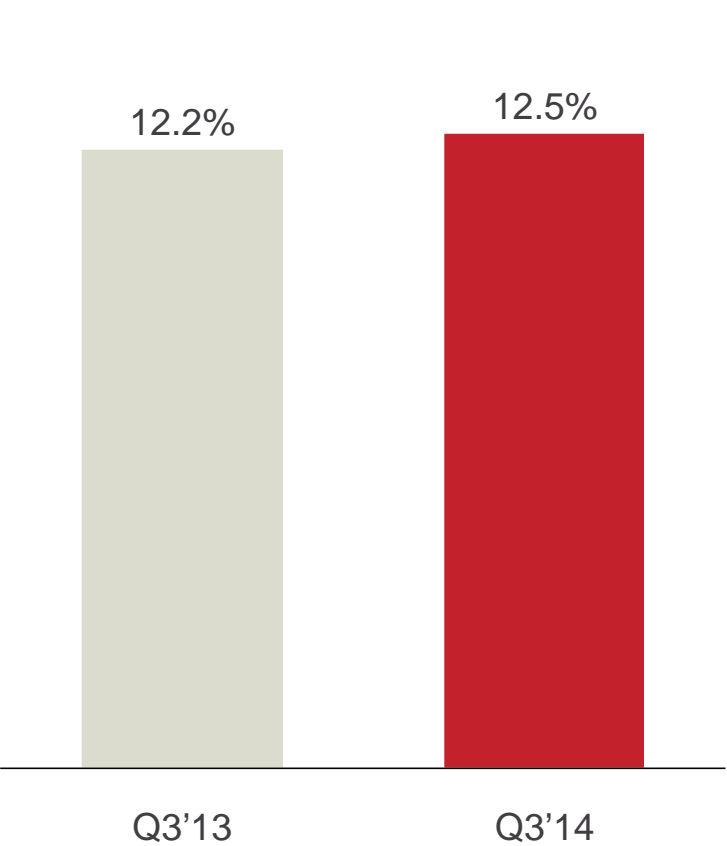
## Improving operations and delivering on strategy

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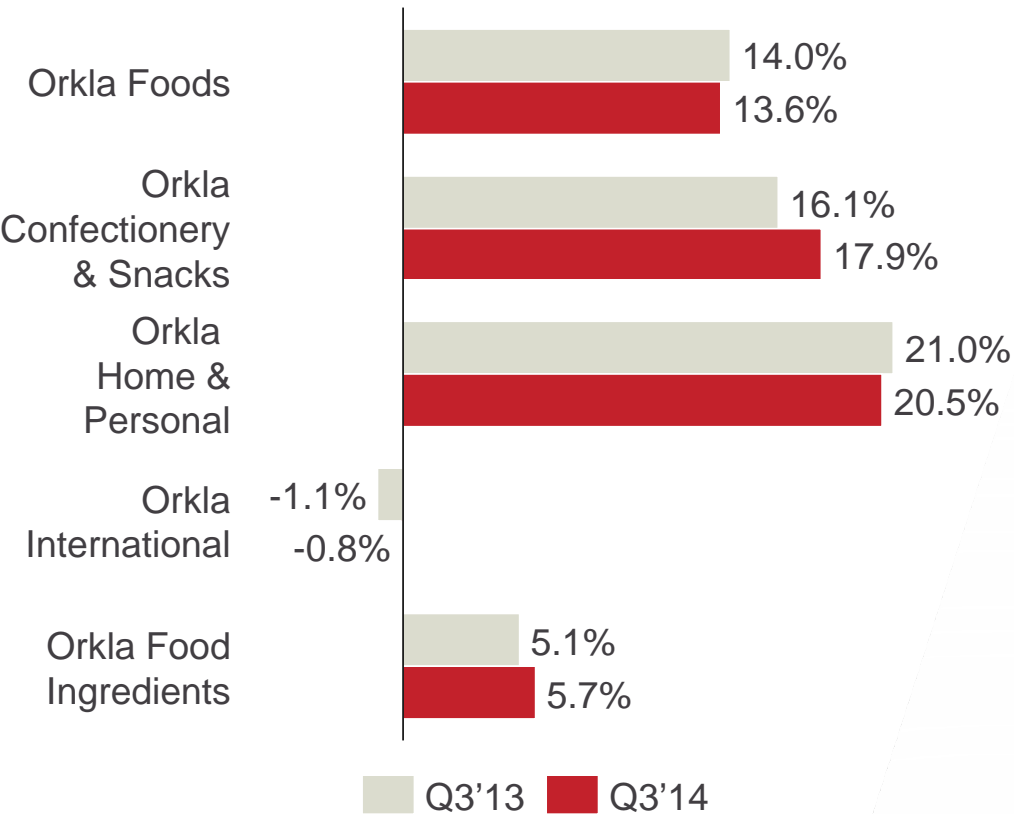
- Group EBITA improved by 5% to NOK 860 million compared to Q3'13
- Improving operations in Branded Consumer Goods
  - Organic growth in BCG of 0.4%
  - BCG operating margin improved by 0.3 percentage points
  - Strong quarter with both top-line and margin improvements for Orkla Confectionery & Snacks
  - Reduction in EBITA for Orkla Foods mainly driven by negative top-line development
- Delivering on strategy
  - Successful IPO of Gränges
  - Acquisition of NP Foods in Latvia
  - Sale of Delecta in Poland completed
- Group EPS of NOK 0.51 (0.43 in Q3 2013)

# Improved EBITA margin driven by Orkla Confectionery & Snacks

EBITA margin BCG

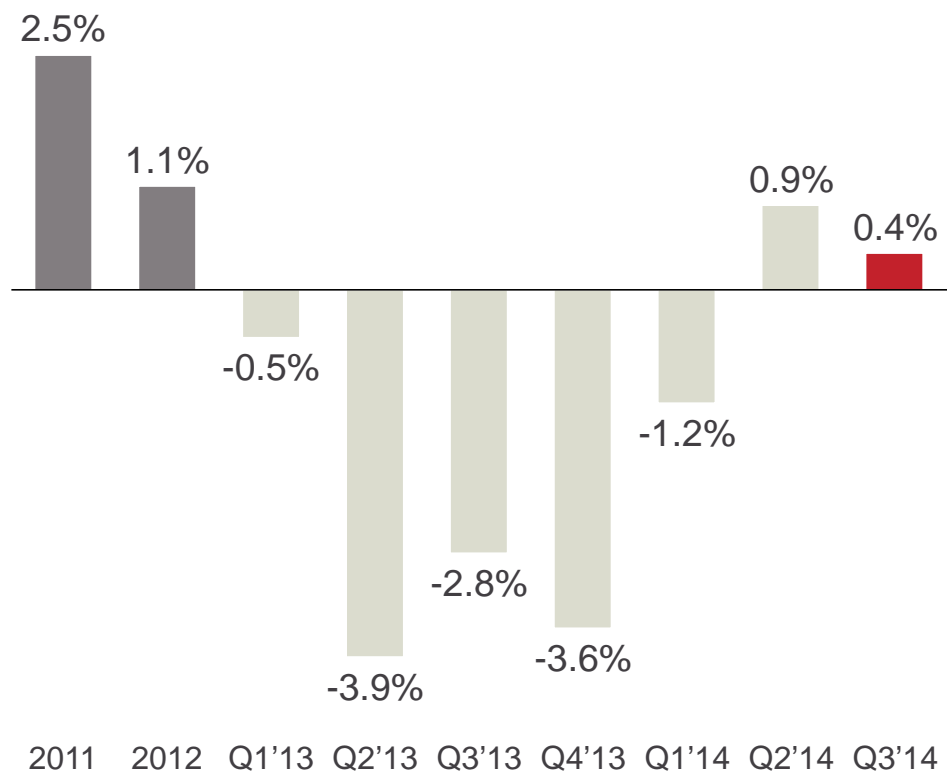


EBITA margin BCG per business area

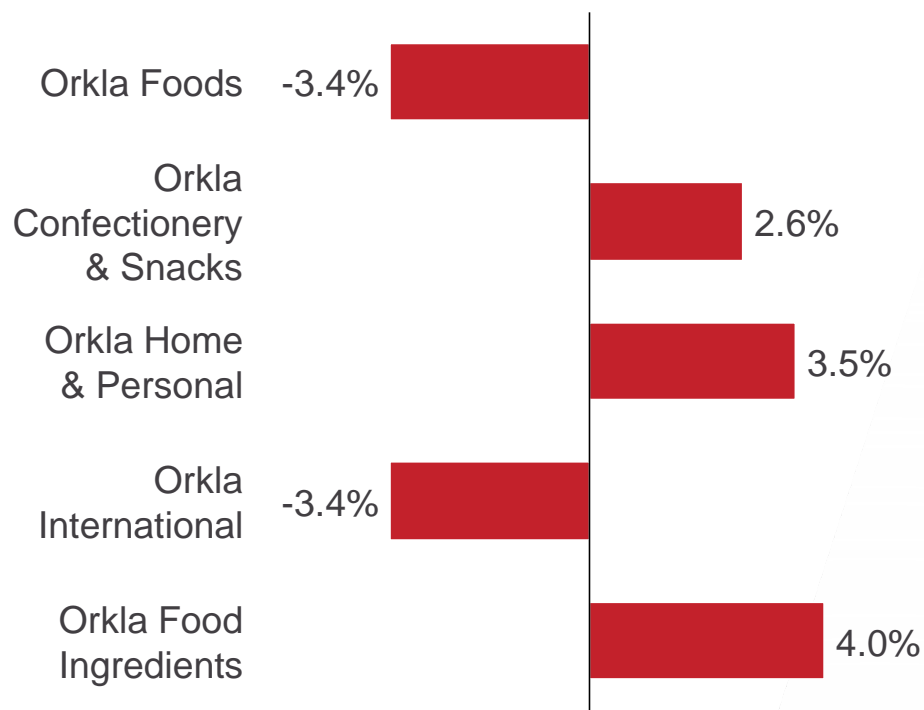


# Positive growth in BCG despite challenges in Orkla Foods

Organic growth<sup>1</sup> BCG



Organic growth<sup>1</sup> BCG per business area in Q3



4 1 Reported growth adjusted for FX, Easter, M&A and timing of selling days

# Solid quarter for Orkla Confectionery & Snacks, challenging in Orkla Foods

## Orkla Confectionery & Snacks

### Status

- Improved EBITA margin
  - Top-line, realization of synergies from restructuring
- Positive organic growth
  - Innovations, improved field sales execution, increased promotions

### Activities

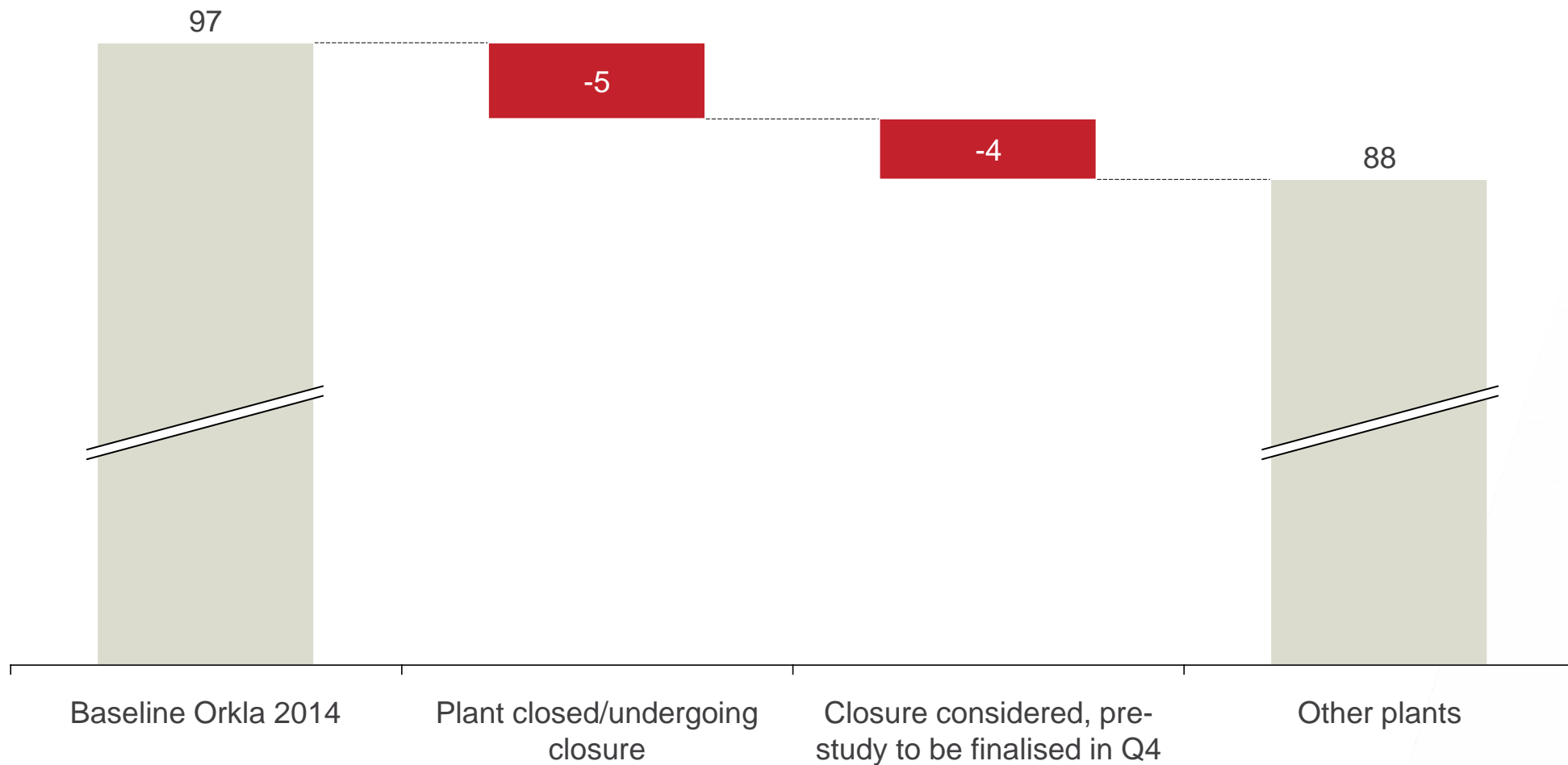
- EBITA margin
  - Delivering on cost initiatives
- Organic growth
  - Continued strong innovation programme

## Orkla Foods

- Reduced EBITA margin
  - Top-line, FX, fixed costs
- Negative organic growth
  - Fewer innovations / promotions

- EBITA margin
  - Delivering on cost initiatives. New initiatives will be initiated
- Organic growth
  - Stronger innovations, more promotions

## YTD: Nine plants under closure or planned to be closed





# Examples of innovations and relaunches in Q3

**PR Sport Young**



**Pierre Robert®**  
**SPORT YOUNG**

**GIRLS**  
13-14 Years  
158/164

**SUPER-UNDERTØY**

**SPORTY NAVY**

top + long  
DRY COMFORT

**GIRLS**  
SUPER-UNDERTØY

Soft, seamless base-layer for active youngsters

# Examples of innovations and relaunches in Q3

## Abba Fisksoppa



A healthy and convenient meal – easy to prepare and ready to eat



# Examples of innovations and relaunches in Q3



# Examples of innovations and relaunches in Q3

## Chicken soup



Tasty chicken soup with  
noodles



# Examples of innovations and relaunches in Q3



# Gränges – A successful IPO despite challenging markets

- Strong operational improvement from Q1 2013 to Q2 2014
  - Increase in EBITA margin by 3%-points to 11%
  - Strong cash generation ahead of IPO
- Gränges well received by investor community, successfully listed on NASDAQ 10 October despite challenging markets
  - Offering price was set within the initial range at SEK 42.50 per share
  - Market capitalisation: approx. SEK 3.2 billion
  - Orkla ownership after completion of offering: 31% – 40%<sup>1</sup>



# The acquisition of NP Foods will significantly strengthen Orkla's positions in the Baltic markets

*Amounts in NOK million*

- NP Foods is a leading Latvian confectionery & biscuits player
  - Sales 2013: NOK ~600m<sup>1</sup>
- NP Foods holds #1 positions within:
  - Chocolate & sugar confectionery in Latvia
  - Biscuits in Latvia and Lithuania
- Laima is an iconic confectionery brand
- Other key brands include:

*Laima*

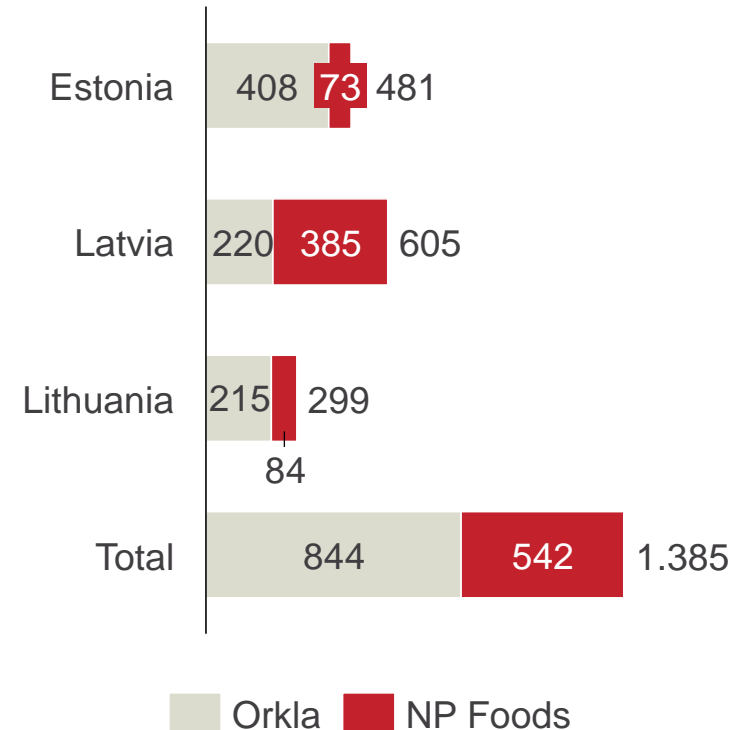


*Selga*



**Pedro**

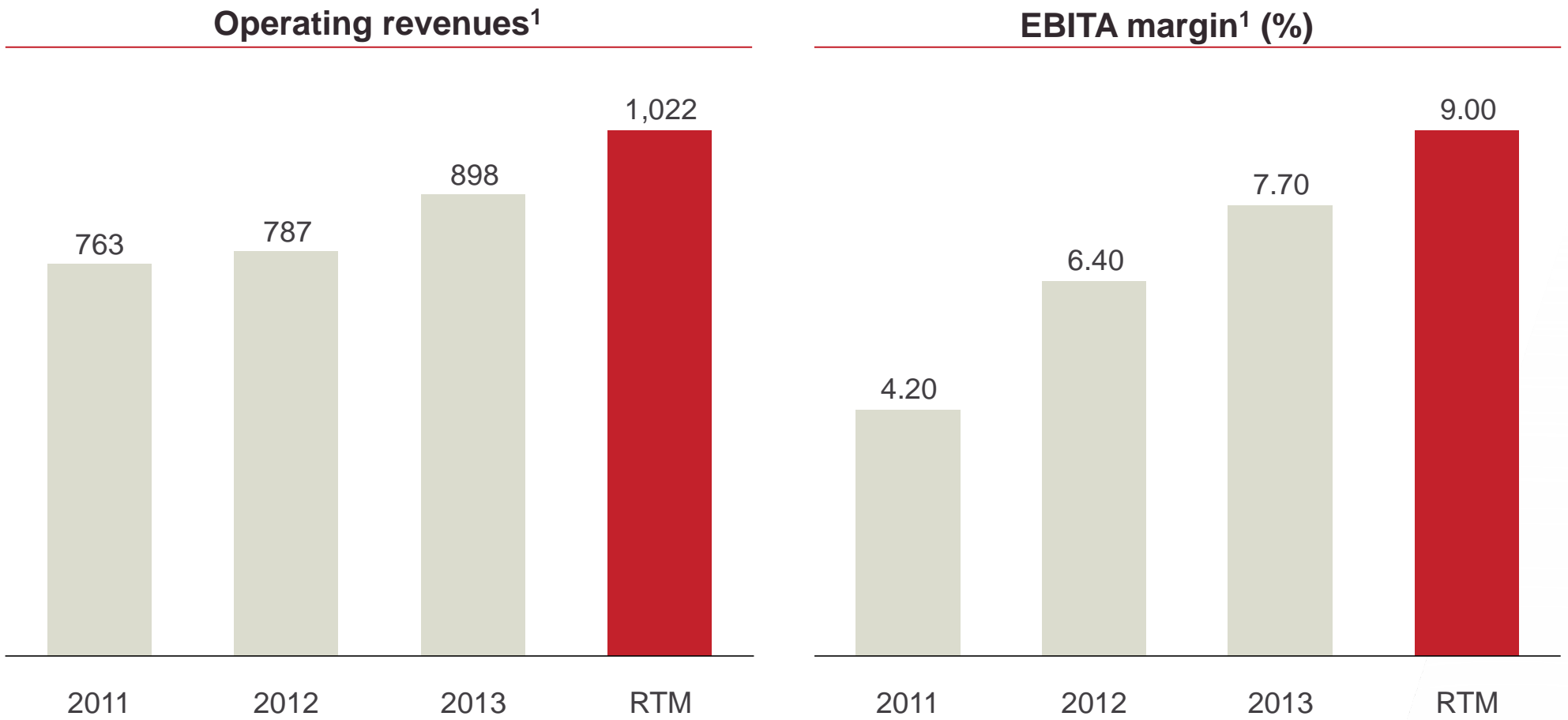
## Revenues by country (2013A)<sup>2</sup>





# Strong revenue and margin growth for Orkla companies located in the Baltic region

Amounts in NOK million

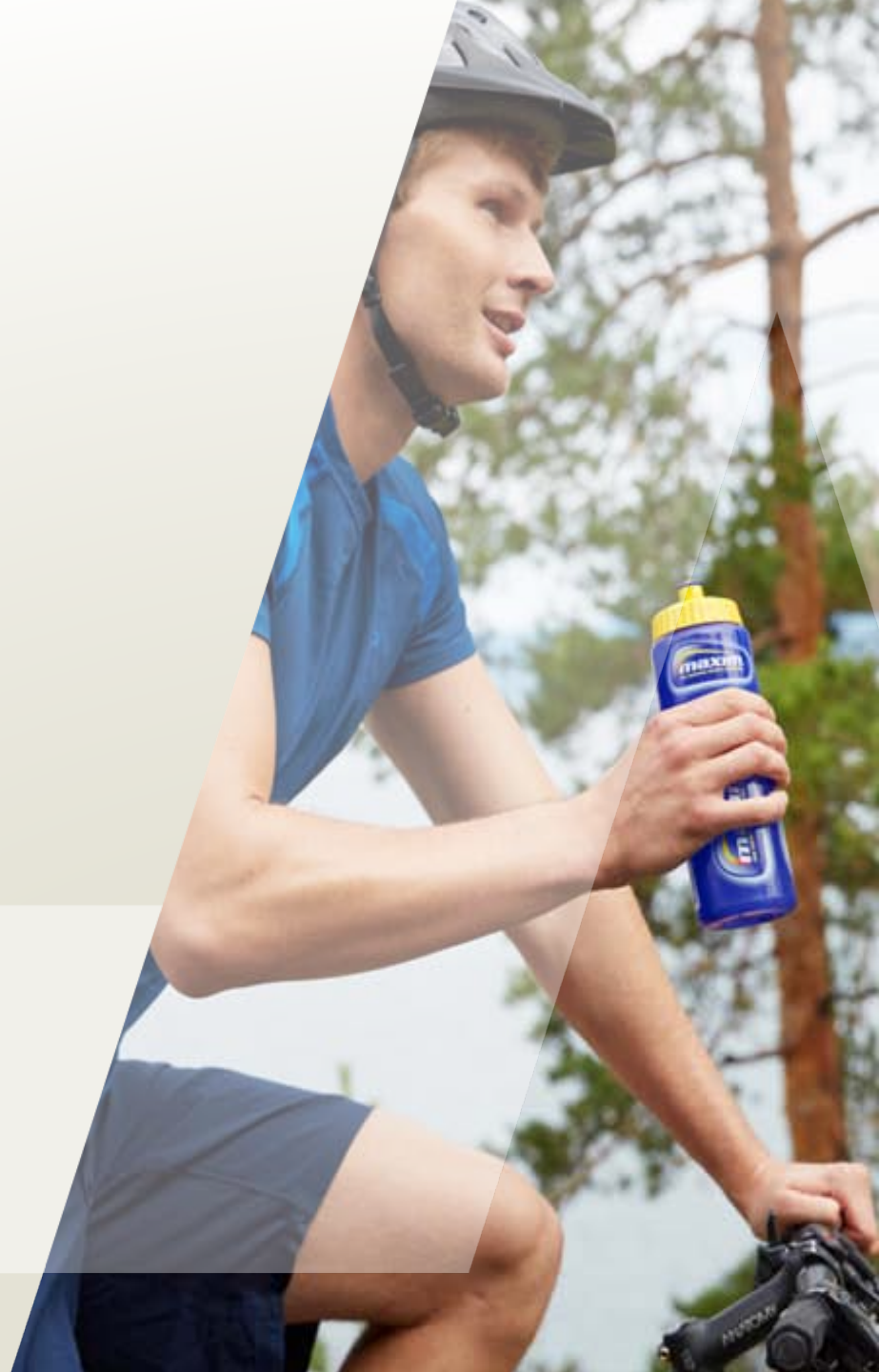


14 1 Operating revenues and EBITA of Orkla companies with operations in the Baltic region also include revenues outside this region



# Financial Performance

Jens Bjørn Staff, CFO



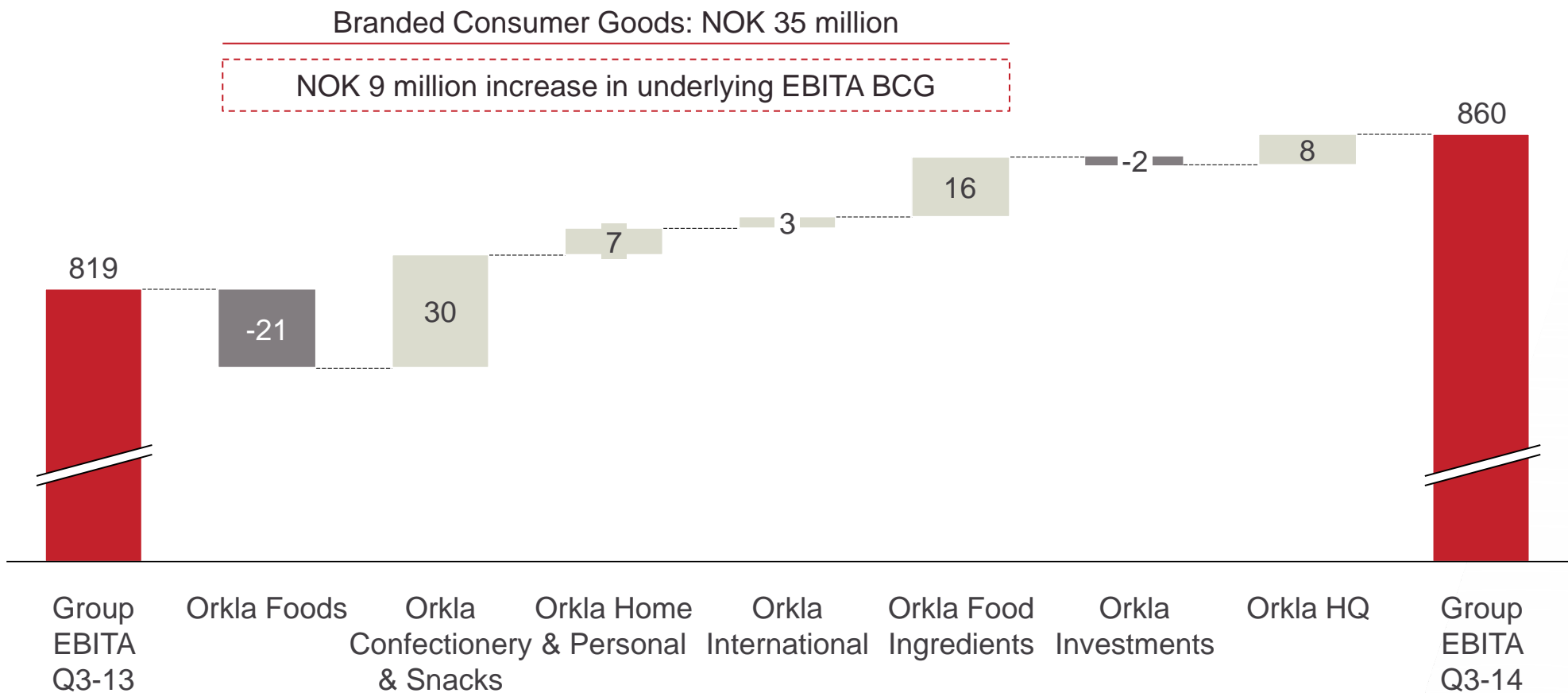
# Group EBITA improved by 5% to NOK 860 million in Q3

*Amounts in NOK million*

Key figures	Q3-13	Q3-14	YTD-13	YTD-14
Operating revenues	7,508	7,487	20,604	22,095
<b>EBITA</b>	<b>819</b>	<b>860</b>	<b>1,878</b>	<b>2,112</b>
Other income and expenses	-193	-47	-780	-7
<b>EBIT</b>	<b>622</b>	<b>807</b>	<b>1,084</b>	<b>2,090</b>
Profit/loss from associates and JV	76	126	299	373
Net financials and other	-67	-62	536	-231
<b>Profit/loss before tax<sup>1</sup></b>	<b>631</b>	<b>871</b>	<b>1,919</b>	<b>2,232</b>
Discontinued operations <sup>2</sup>	-12	-119	-1,092	37
<b>EPS (NOK)</b>	<b>0.43</b>	<b>0.51</b>	<b>0.36</b>	<b>1.69</b>

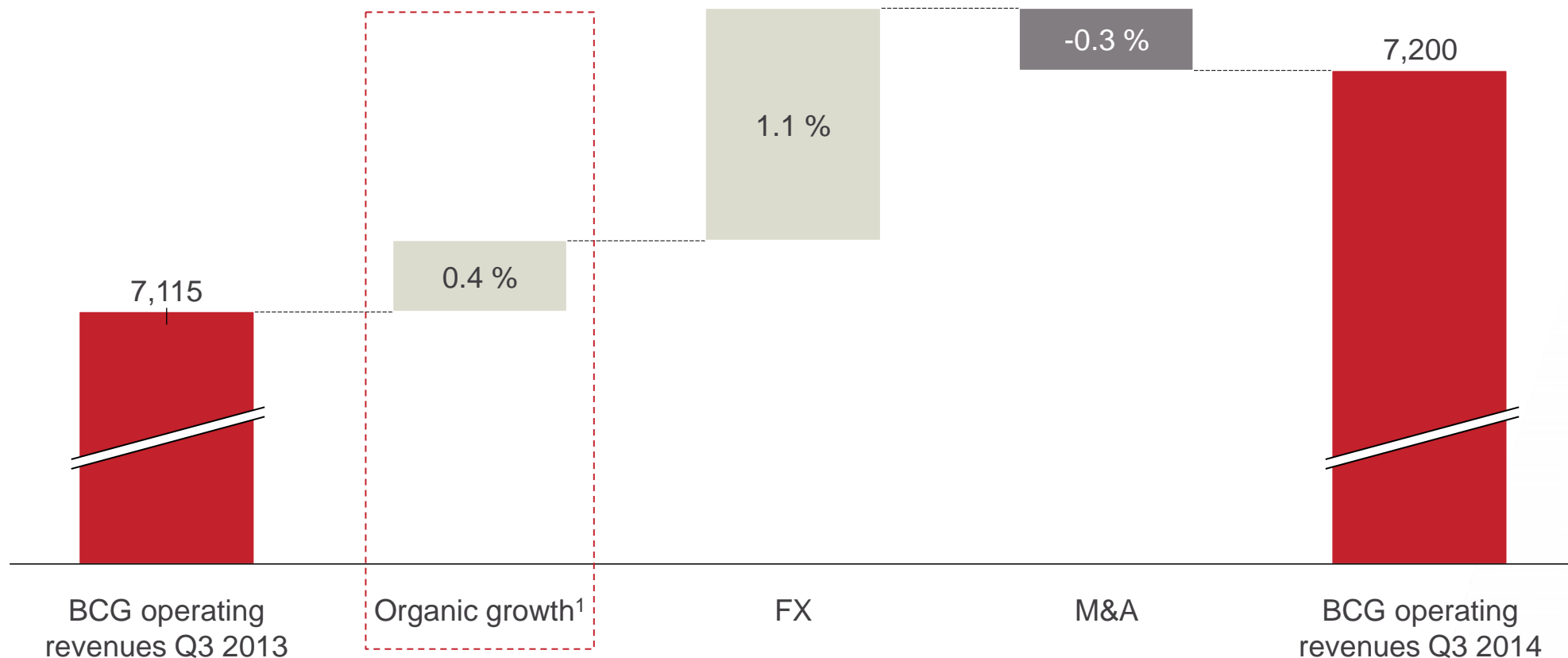
# EBITA improvement driven by Orkla Confectionery & Snacks and Orkla Food Ingredients

Amounts in NOK million



## 1.2% revenue growth, 0.4% organic growth in BCG

Amounts in NOK million



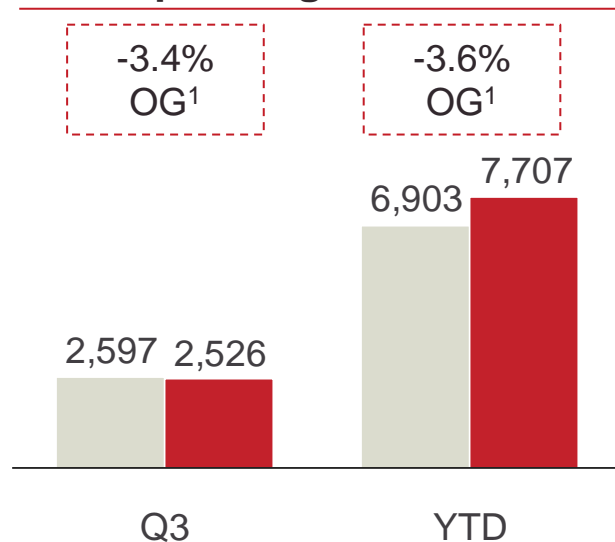


# Orkla Foods – Key financials

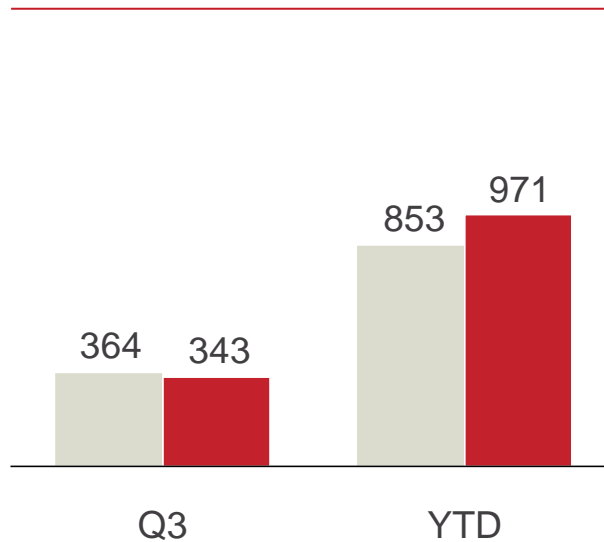
Amounts in NOK million

2013 2014

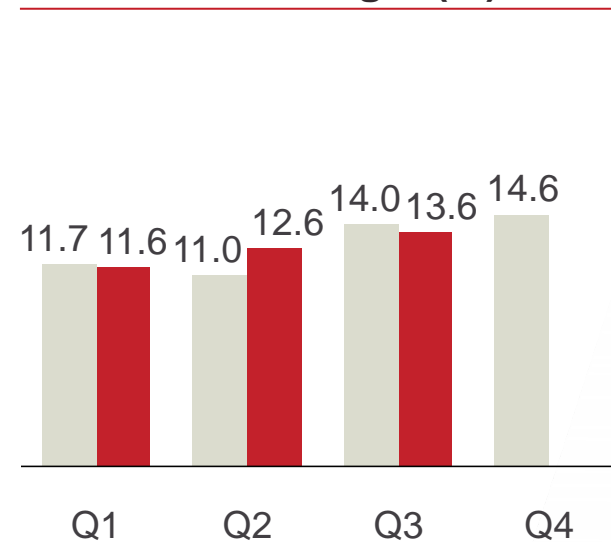
## Operating revenues



## EBITA



## EBITA margin (%)

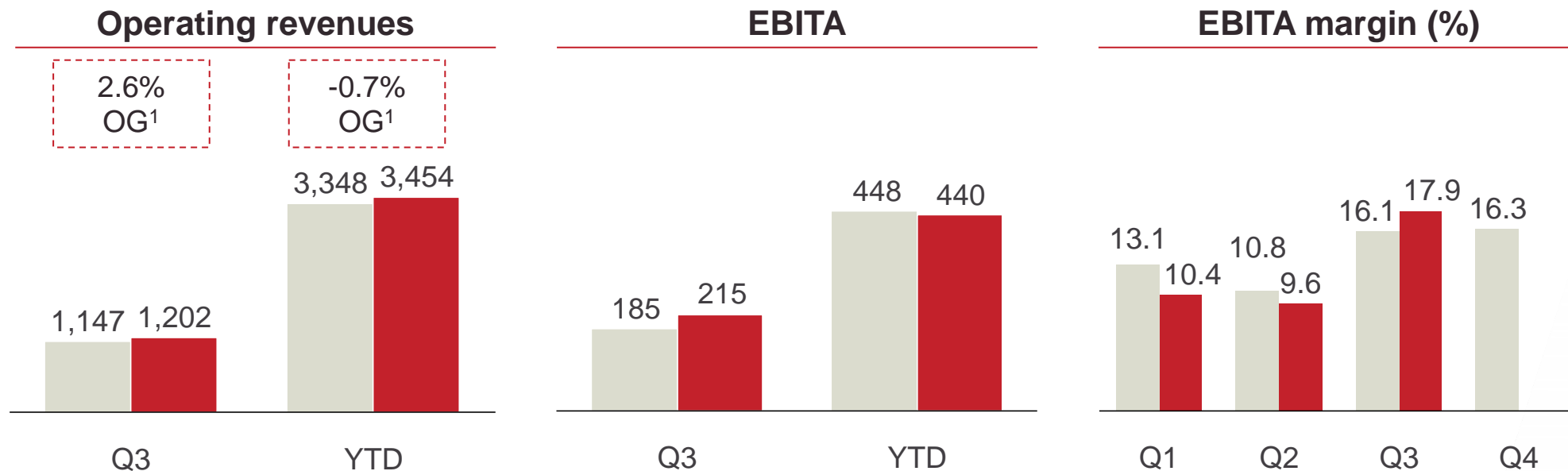


- Top-line development still challenging in Norway and Denmark
- Satisfactory growth in Sweden, Finland and the Baltics
- Q3 EBITA and margin affected by a weaker Swedish Krona and increased operational costs related to restructuring of both sales force and production
- Cost synergies from the integration of Rieber & Søn and the merger of Abba and Procordia are being realised according to plan

# Orkla Confectionery & Snacks – Key financials

Amounts in NOK million

2013 2014



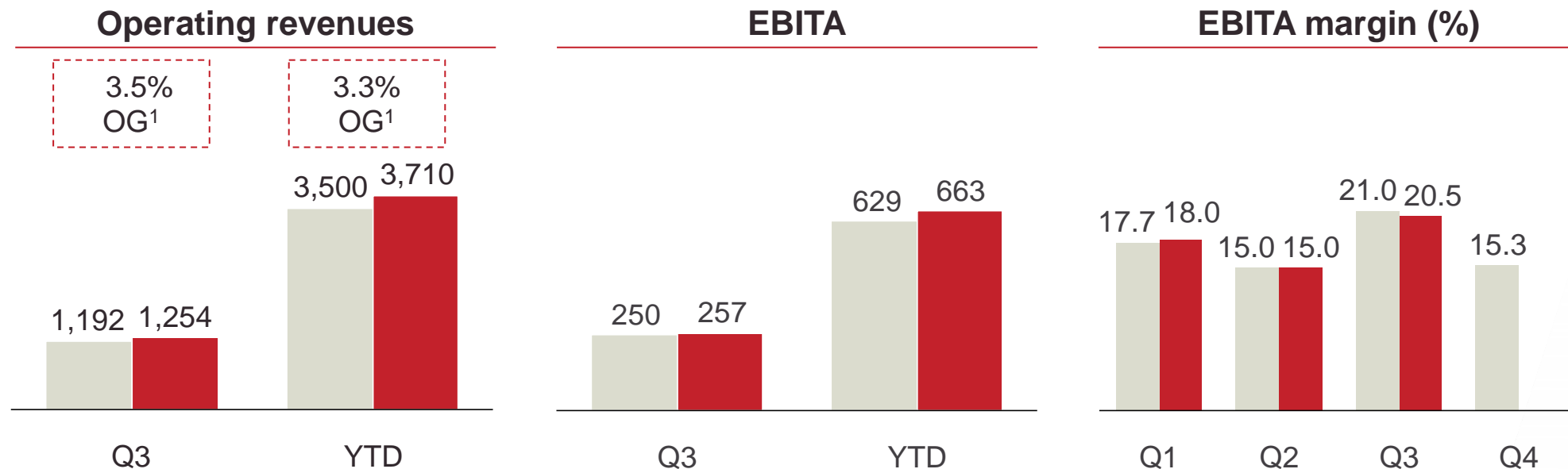
- First quarter with organic growth since Q4 2012 driven by Norway and the Baltics
- Still challenging in Sweden

- EBITA improvement in Q3 related to Norway and Denmark
- Reported figures in Q3 and YTD positively affected by timing of selling days, opposite effect in Q4

# Orkla Home & Personal – Key financials

Amounts in NOK million

2013 2014



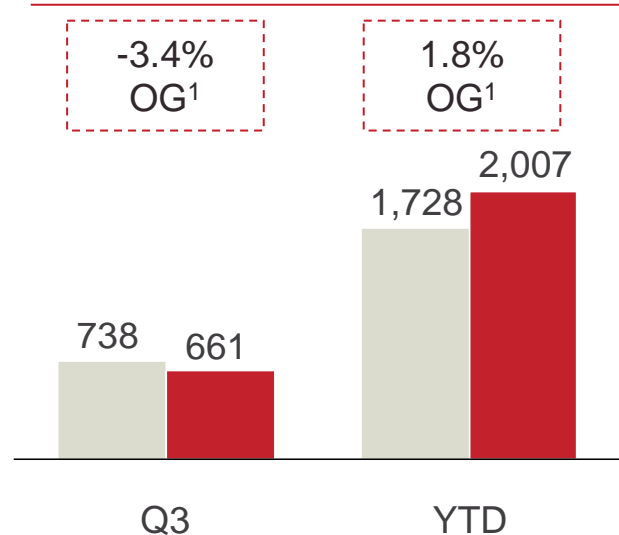
- Sales growth for 4 out of 5 business units
- YTD figures positively affected by timing of promotions in Q3 and extra selling days in Q1
- Broad-based stable development
- Product profitability in most business units still negatively affected by a weak NOK

# Orkla International – Key financials

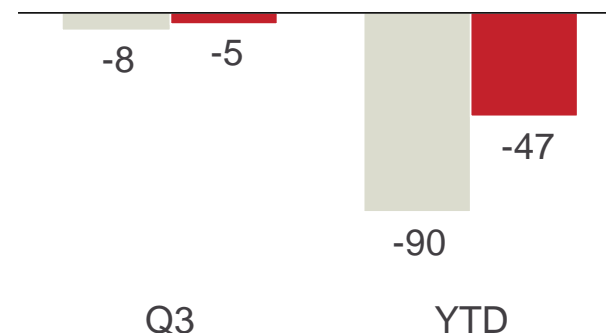
Amounts in NOK million

2013 2014

## Operating revenues



## EBITA

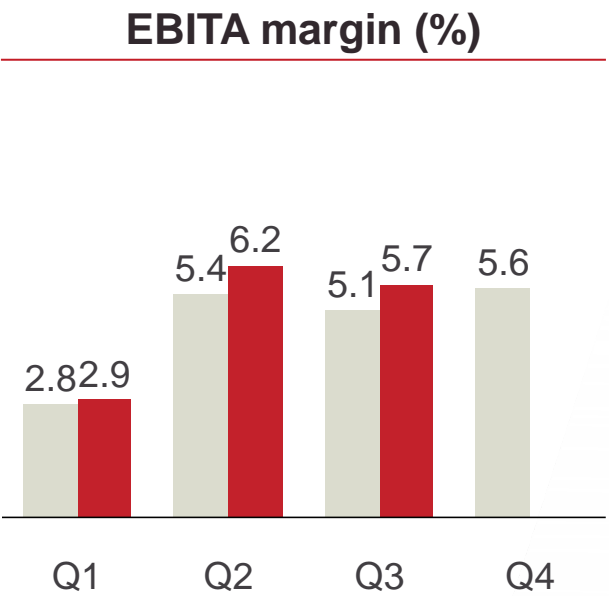
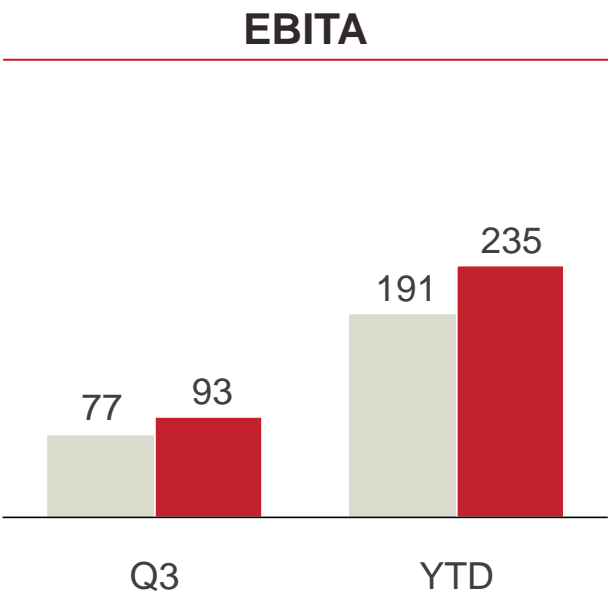
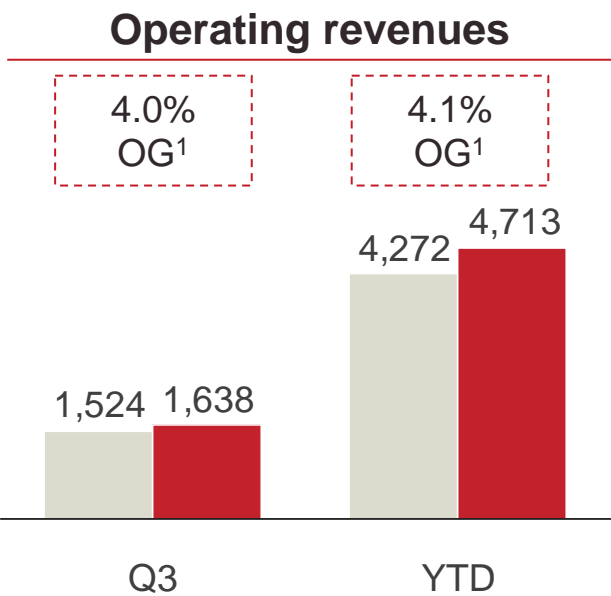


- Negative top-line development driven by Orkla Brands Russia
- 19.0% organic growth in MTR, investing for further growth
- Stable EBITA level for Orkla Brands Russia despite negative top-line development
- Improved EBITA in Vitana and Felix Austria

# Orkla Food Ingredients – Key financials

Amounts in NOK million

2013 2014



- Strong organic growth
- More favourable product mix
- 21% increase in EBITA
- Broad-based contribution margin improvement driven by a sound mixture of price management effects and volume / mix increase

23 1 Reported growth adjusted for FX, M&A and timing of selling days





## Orkla Investments

Jens Bjørn Staff, CFO



# Gränges presented as Discontinued Operations

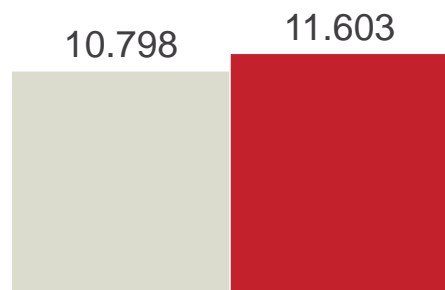
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- In Q3, Gränges is presented net on a single line as Discontinued Operations in the P&L
- The result from Gränges in Q3 was NOK -119 million (NOK 37 million for first three quarters)
  - The loss in Q3 includes a write-down of net assets
- Orkla sells 60-69% of Gränges
  - The remaining 31-40% will be reported as an associate and accounted for according to the equity method from Q4 2014
  - Opening carrying value will be stock market capitalisation as of 10 October 2014
  - Cash flow effect in Q4: net proceeds from sale of shares and net interest bearing debt

# Sapa (50/50 joint venture)

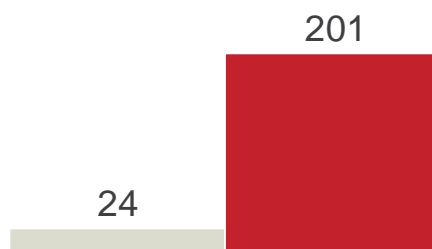
Amounts in NOK million

## Operating revenues<sup>1</sup>



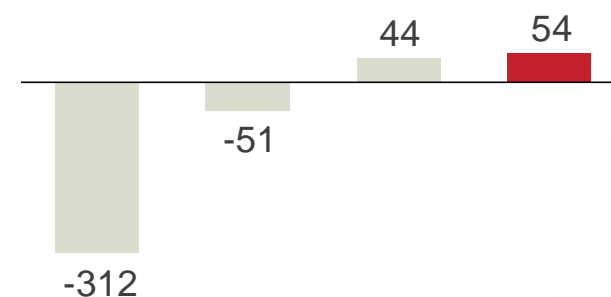
Q3 2013 Q3 2014

## Underlying EBIT<sup>1</sup>



Q3 2013 Q3 2014

## Orkla's share of net profit after tax



Q4'13 Q1'14 Q2'14 Q3'14

- Market growth of 7% and 1% in North America and Europe, respectively, compared to Q3 last year

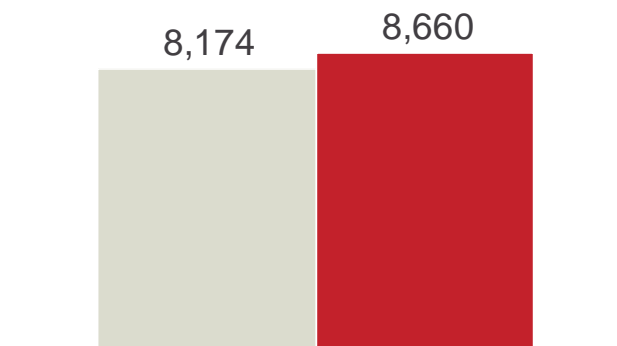
- Underlying EBIT for SAPA increased compared to Q3 2013 due to positive contribution from restructuring programmes
- Realisation of synergies and restructuring on track

# Jotun (42.5%)

Amounts in NOK million

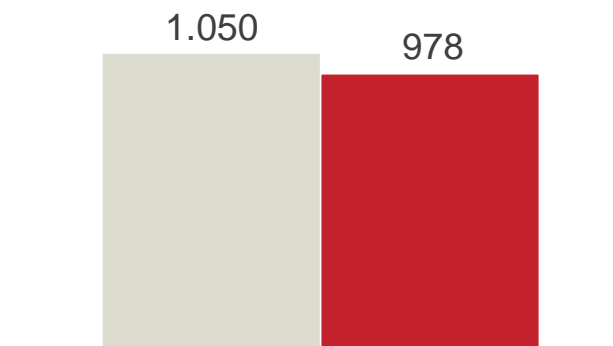
■ As of 30 Aug'13 ■ As of 30 Aug'14

## Operating revenues



- Good overall growth in Q3 2014
- All segments growing with improved Decorative sales in Scandinavia and continued positive development for the Marine newbuilding market

## EBIT

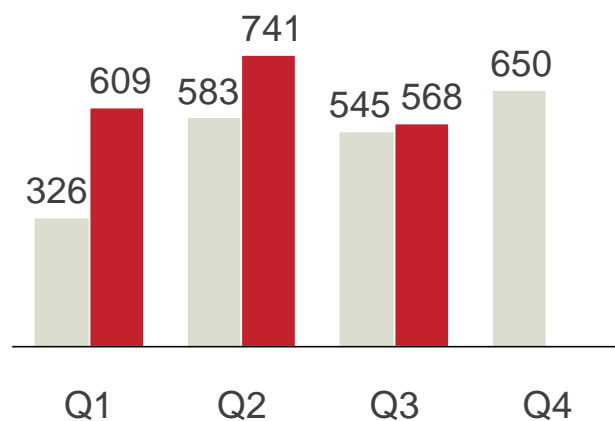


- Increase in costs primarily tied to market development activities in growth markets

# Hydro Power

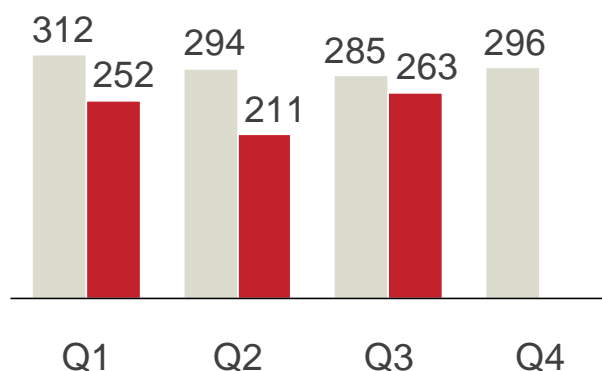
2013 2014

## Volume produced



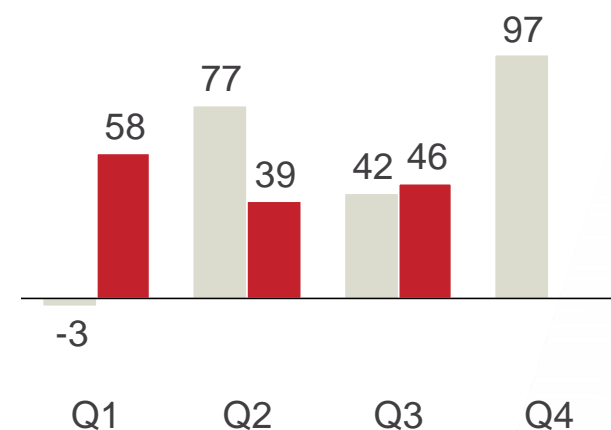
- Higher volumes compared with Q3 2013

## Spot prices (NOK/MWh)



- Lower spot prices compared with Q3 last year

## EBITA (NOK million)



- Profit in Q2 2013 partly ascribable to sale of real estate (NOK 17 million)





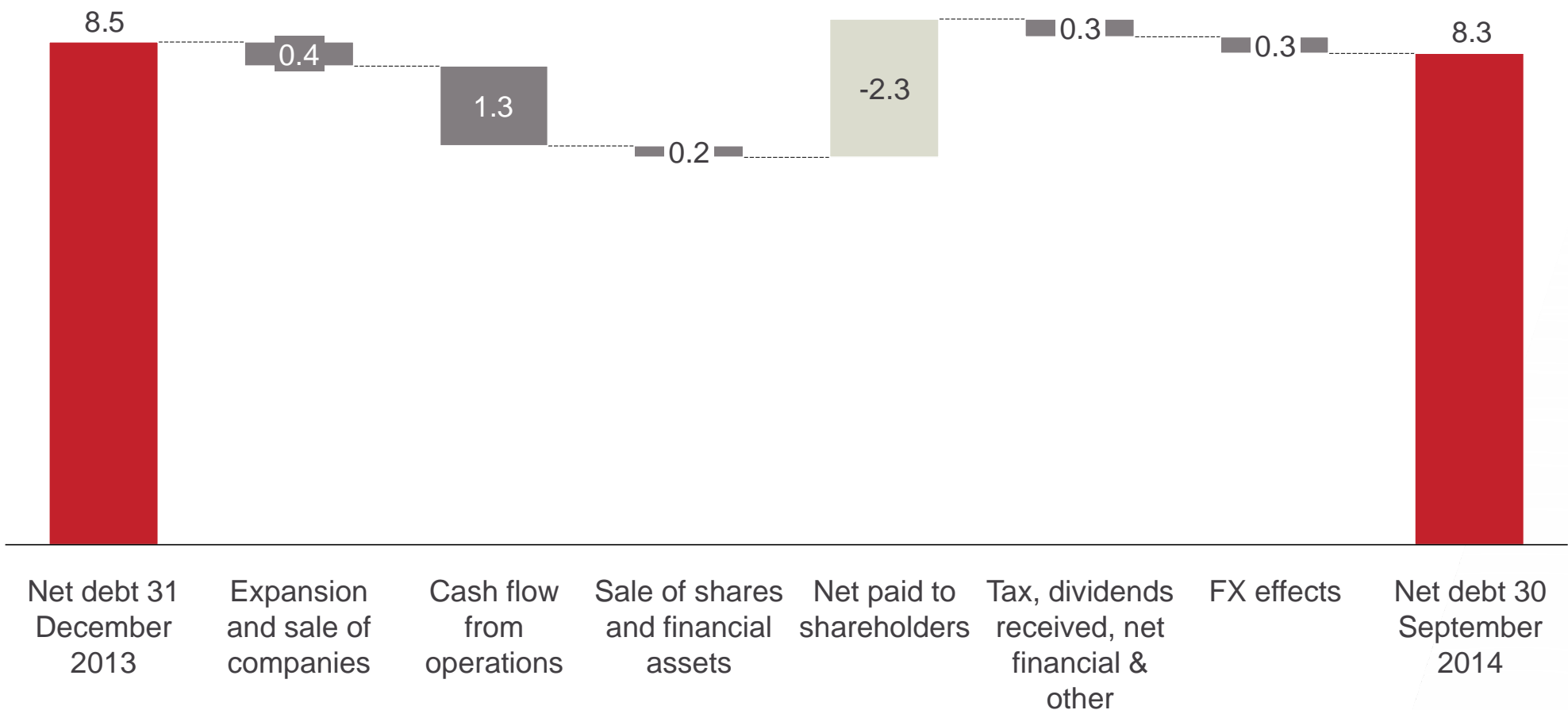
## Capital structure

Jens Bjørn Staff, CFO



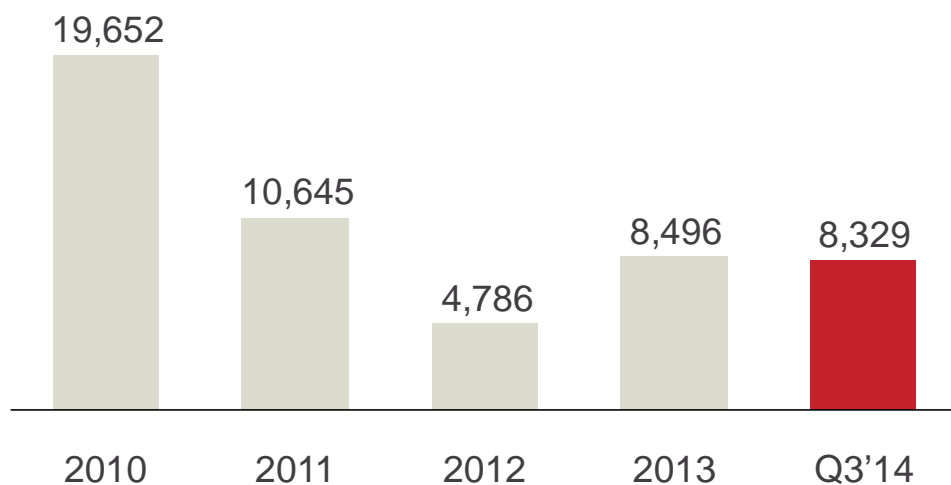
# Change in net debt YTD 2014

Amounts in NOK billion

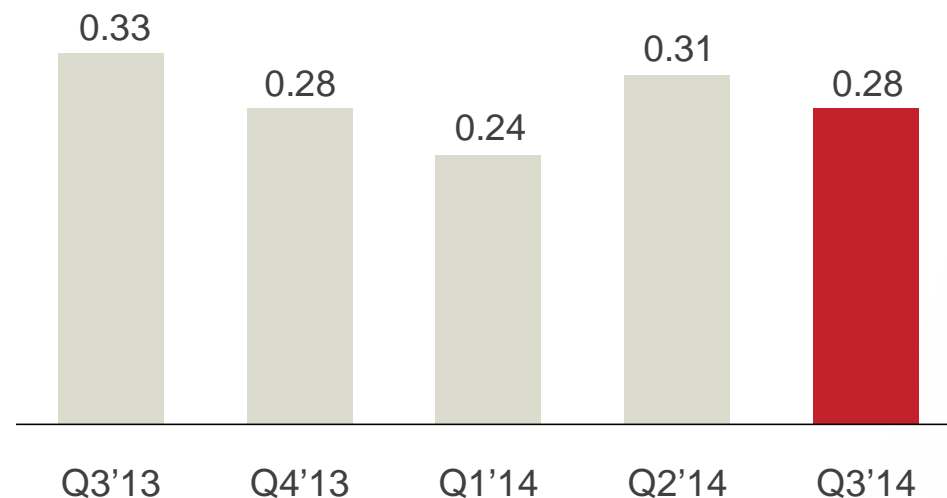


# Strong balance sheet and financial flexibility

Net interest bearing debt (NOK million)



Net gearing



- Average maturity 3.6 years
- Average interest cost: 3.0% (3.4% YTD)



## Outlook

Peter A. Ruzicka, President & CEO



# Operational focus going forward

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## Strategy

- Future growth and value creation as a focused Nordic based BCG company
- Organic growth as the key long-term value driver
- Going from a very decentralised model to a more optimised model
- Leveraging on our substantial local presence, skills and insights

## Operational focus

- Deliver on initiated and ongoing structural processes
- Focus on activities that drive organic growth and improve margins
  - Strong innovation programmes
  - More cross-market initiatives
  - Increase sales force effectiveness
  - Strengthen relations with our customers
- Optimising production structure



## Q&A

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO







## Appendices



# Group income statement

*Amounts in NOK million*

	Q3'13	Q3'14	YTD'13	YTD'14
<b>Operating revenues</b>	<b>7,508</b>	<b>7,487</b>	<b>20,604</b>	<b>22,095</b>
<b>EBITA</b>	<b>819</b>	<b>860</b>	<b>1,878</b>	<b>2,112</b>
Amortisation intangibles	-4	-6	-14	-15
Other income and expenses	-193	-47	-780	-7
<b>EBIT</b>	<b>622</b>	<b>807</b>	<b>1,084</b>	<b>2,090</b>
Profit/loss from associates and joint ventures	76	126	299	373
Dividends received	2	1	242	37
Gains, losses and write-downs shares and fin. assets	56	28	629	40
Financial items, net	-125	-91	-335	-308
<b>Profit/loss before taxes</b>	<b>631</b>	<b>871</b>	<b>1,919</b>	<b>2,232</b>
Taxes	-168	-207	-417	-505
<b>Profit/loss for the period continuing operations</b>	<b>463</b>	<b>664</b>	<b>1,502</b>	<b>1,727</b>
Profit/loss from discontinued operations	-12	-119	-1,092	37
<b>Profit/loss for the period</b>	<b>451</b>	<b>545</b>	<b>410</b>	<b>1,764</b>
<b>Earnings per share diluted (NOK)</b>	<b>0.43</b>	<b>0.51</b>	<b>0.36</b>	<b>1.69</b>

# Net financial items

*Amounts in NOK million*

	FY 2013	Q3'13	Q3'14
Net interest expenses	-351	-98	-73
Currency gain / loss	-1	0	-5
Other financial items, net	-113	-27	-13
<b>Net financial items</b>	<b>-465</b>	<b>-125</b>	<b>-91</b>

# Statement of financial position

*Amounts in NOK million*

	31.12.2013	30.09.2014
Intangible assets	15 402	13 782
Property, plant and equipment	11 651	9 548
Investments in associates and joint ventures etc.	11 042	11 333
<b>Non-current assets</b>	<b>38 095</b>	<b>34 663</b>
Operations held for sale	0	4 337
Inventories	4 836	4 194
Receivables	6 328	5 378
Shares and financial assets	1 051	826
Cash and cash equivalents	1 805	1 653
<b>Current assets</b>	<b>14,020</b>	<b>16,388</b>
<b>Total assets</b>	<b>52 115</b>	<b>51 051</b>
Paid-in equity	1 989	1 995
Earned equity	28 490	27 488
Non-controlling interests	301	366
<b>Equity</b>	<b>30 780</b>	<b>29 849</b>
Provisions	3 369	3 379
Non-current interest-bearing liabilities	8 041	9 411
Current interest-bearing liabilities	2 837	990
Operations held for sale, liabilities	0	1 641
Other current liabilities	7,088	5,781
<b>Equity and liabilities</b>	<b>52 115</b>	<b>51 051</b>

# Cash flow

*Amounts in NOK million*

	YTD'13	YTD'14
<b>Operating profit</b>	<b>1 292</b>	<b>2 138</b>
Amortisation, depreciation and write-downs	1 235	737
Change in net working capital	- 760	- 922
Net replacement expenditures	- 566	- 606
<b>Cash flow from operations, industrial activities</b>	<b>1 201</b>	<b>1 347</b>
<b>Cash flow from operations, Orkla Financial Investments</b>	<b>64</b>	<b>45</b>
Tax	- 472	- 355
Dividends received, net financial and other	- 194	559
<b>Cash flow before capital transactions</b>	<b>599</b>	<b>1 596</b>
Paid to shareholders, net purchase/sales own shares	-2 488	-2 345
<b>Cash flow before expansion</b>	<b>-1 889</b>	<b>- 749</b>
Expansion investments	- 115	- 68
Sold and acquired companies	-5 247	499
Net purchases/sales portfolio investments	2 944	204
<b>Net cash flow</b>	<b>-4 307</b>	<b>- 114</b>
Currency translations net interest-bearing liabilities	- 809	281
<b>Change in net interest-bearing liabilities</b>	<b>5 116</b>	<b>- 167</b>
<b>Net interest-bearing liabilities</b>	<b>9 902</b>	<b>8 329</b>

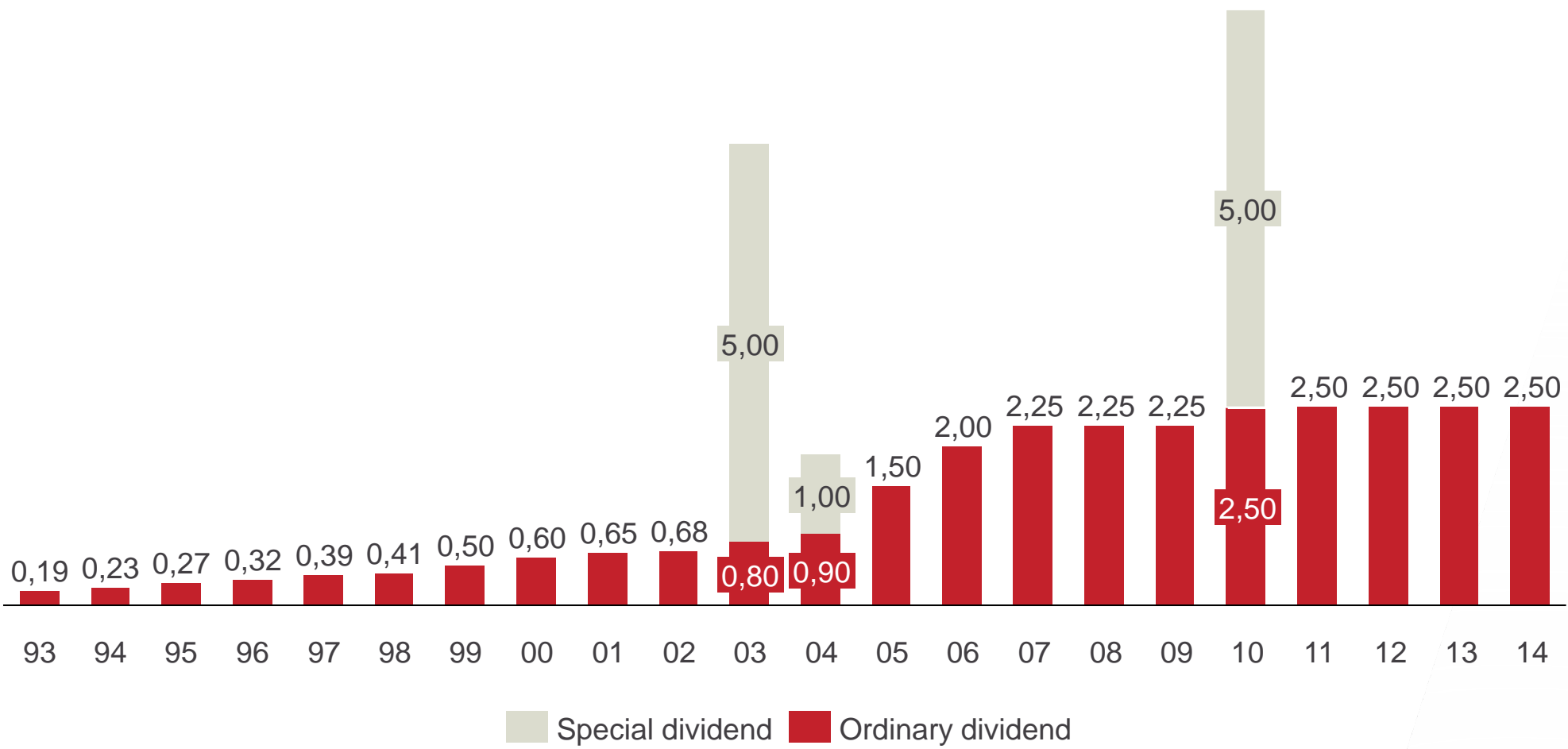
## Sapa (joint venture) – Pro forma information (100%)

*Amounts in NOK million*

	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14
Sales volume (1000 tonnes)	311	346	360	345	314	359	368	350
Revenues	9,654	10,367	10,974	10,798	10,132	11,346	11,544	11,603
Underlying EBITDA <sup>1</sup>	154	304	508	328	-43	440	641	492
Underlying EBIT	-142	16	211	24	-339	155	350	201
Reported EBIT	-618	-148	-1,096	-1,985	-787	-3	168	198

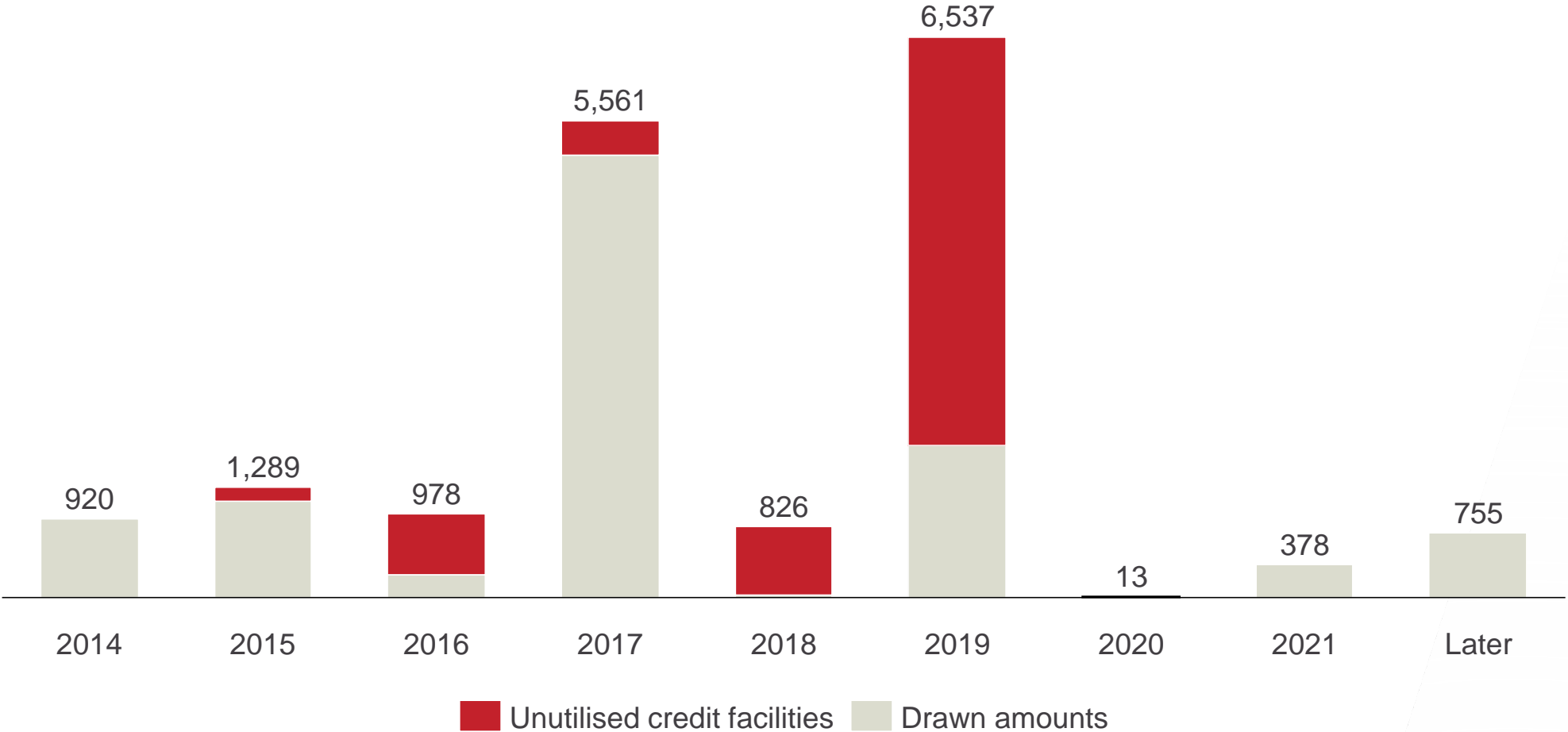
# Historical dividends

Amounts in NOK



# Debt maturity profile

Amounts in NOK million





# Funding sources

*Amounts in NOK billion*

