Orkla

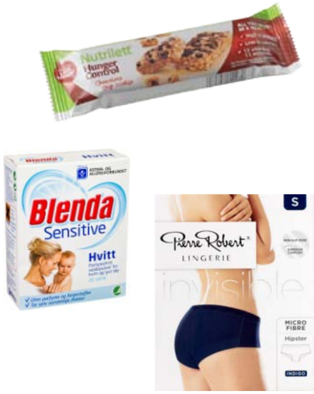
# The Local Consumer Goods Champion

Investor presentation December 2013

# This is Orkla

| Business areas | | | | | Other companies |
|---|---|---|---|---|---|
| Orkla Foods | Orkla Confectionery & Snacks | Orkla Home & Personal | Orkla International | Orkla Food Ingredients | Sapa JV (50%)<br>EBITDA (100%): 1.3 |








| Orkla Foods | Orkla Confectionery & Snacks | Orkla Home & Personal | Orkla International | Orkla Food Ingredients |
|---|---|---|---|---|
| • SALES: 11.1<br>• EBITDA: 1.36 | • SALES: 4.8<br>• EBITDA: 0.94 | • SALES: 4.0<br>• EBITDA: 0.76 | • SALES: 3.2<br>• EBITDA: 0.07 | • SALES: 5.4<br>• EBITDA: 0.34 |

Other companies:

Jotun (42.5%)
EBITDA (100%): 1.4

Gränges (HT)
EBITDA: 0.4

Hydro Power
EBITDA: 0.3

Shares and financial assets
Market value : 1.0

Real estate
Book value : 2.5

Corporate center and support functions



Note: NOK billion 2012 figures (except for Sapa JV which is RTM Q3 2013). Figures for Orkla Foods and Orkla International are pro forma incl. Rieber.

# Agenda

Strategic direction and financial targets

Branded Consumer Goods

Jotun

Non-core

# Orkla's strategic direction

- Orkla is a branded consumer goods company
- Orkla will strengthen its leading position and exploit economy of scale in local Nordic markets
- Orkla will create value through operational improvements, organic and structural growth
- Orkla will divest its non core assets

# Orkla's transformation to a Branded Consumer Goods company

**2011**

New strategic direction
to focus on
Branded Consumer Goods

**2012**

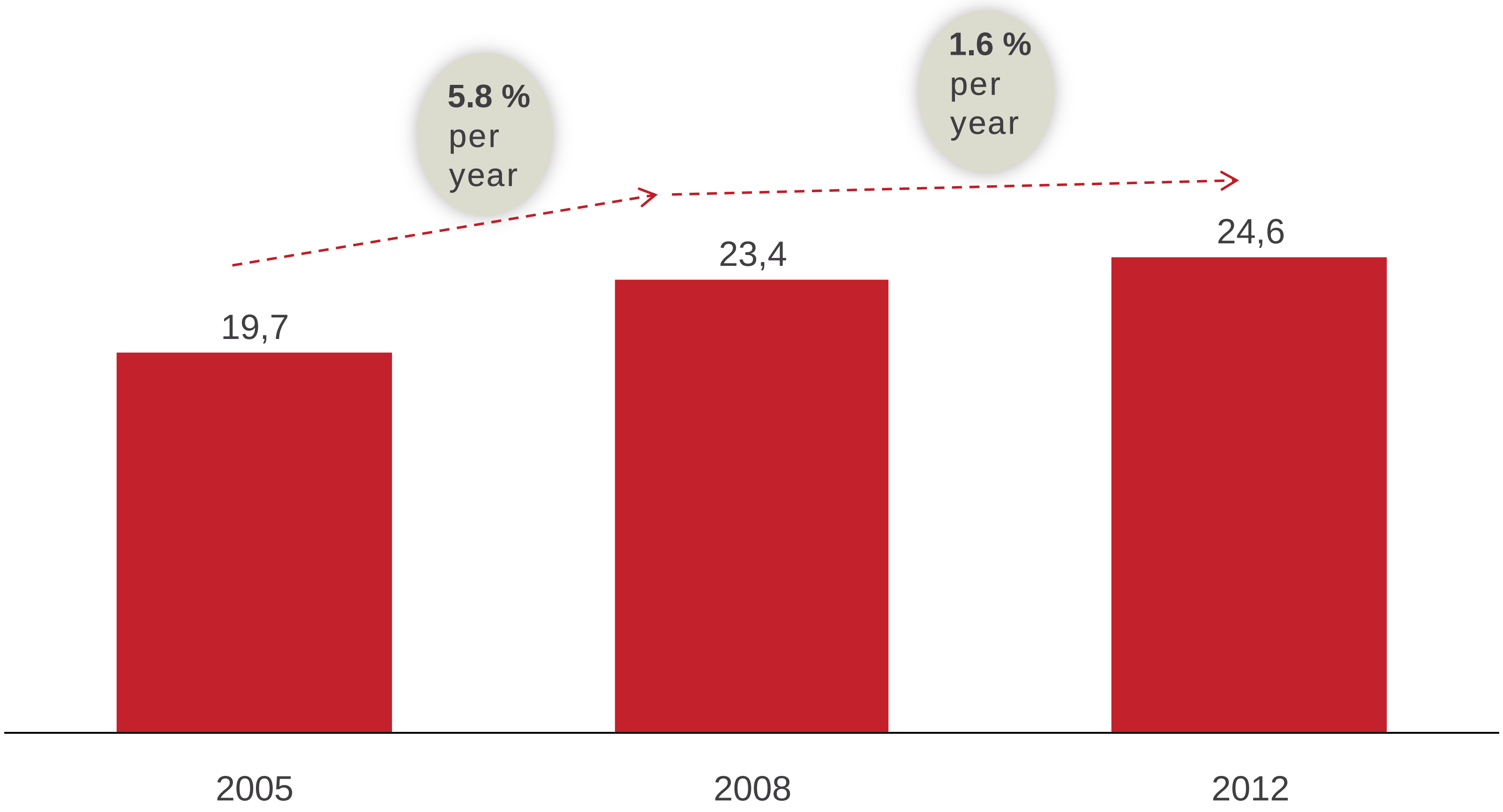
Major actions executed to
implement strategy

**2013 - 2014**

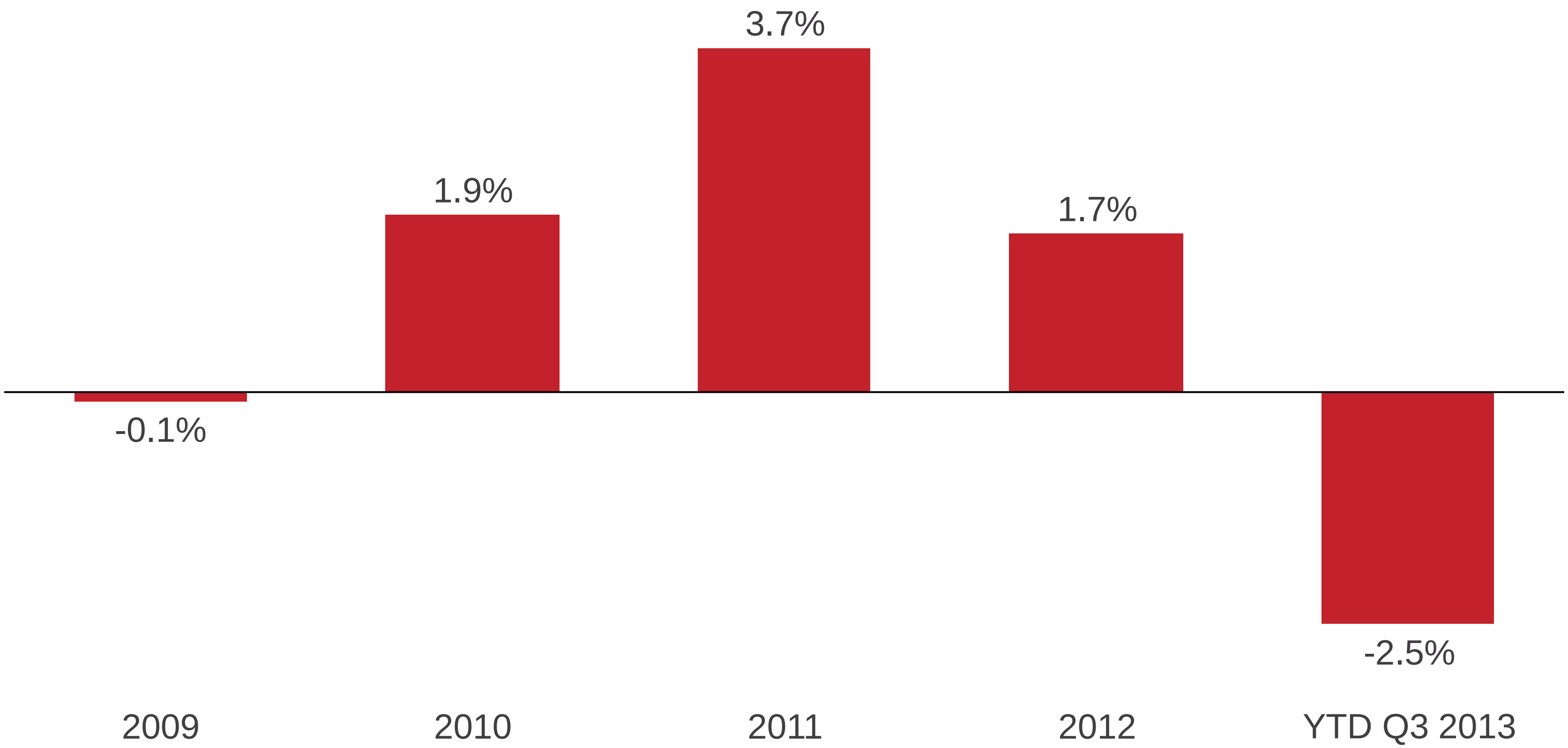
Restructuring of the Branded
Consumer Goods business

# BCG revenue growth has leveled off in recent years…

Revenues; NOK billions



# Organic sales growth[1] 2009 - 2013






1. BCG, Adjusted for acquired and divested companies, currency translation effects and contract production to the process chemicstry industry.

# Financial targets announced at Orkla's Investor Day 2013

| | **EBIT (adjusted) margin** RTM pr Q3 | **EBIT (adjusted) margin** 2015/2016 | **Organic revenue growth** YTD pr Q3 | **Organic revenue growth** From 2016 |
|---|---|---|---|---|
| Orkla Foods | **13.6%** | **> 15.0%** | **-3.3%** | **2-3%** |
| Orkla Confectionery & Snacks | **14.8%** | **> 16.5%** | **-3.3%** | **2-4%** |
| Orkla Home & Personal | **17.2%** | **> 17.5%** | **-2.1%** | **3-5%** |



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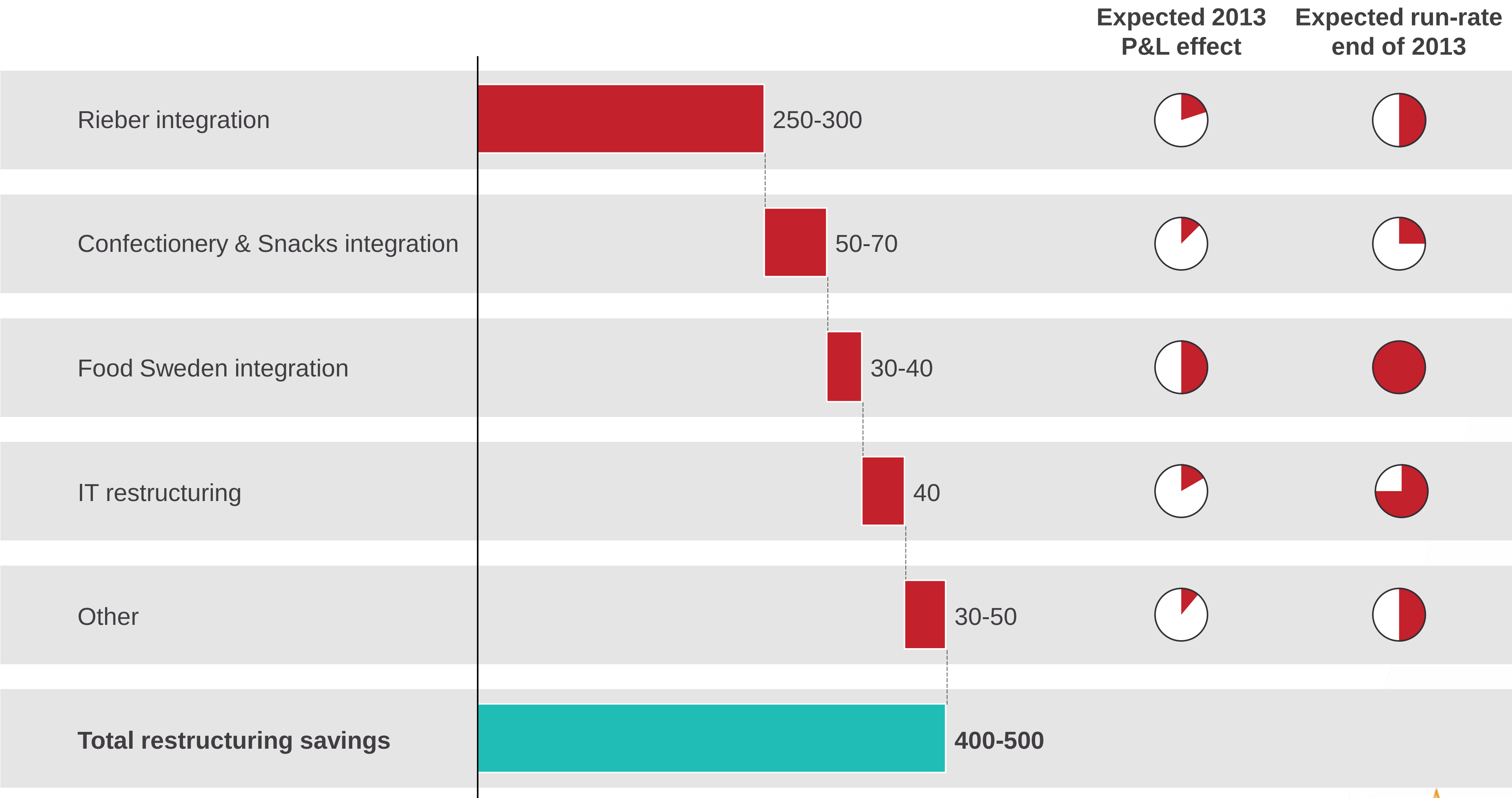
# Strategic priorities 2013-2016 - Actions to improve performance

- Reducing complexity and taking advantage of scale
- Extracting cost synergies and improve cash flow
- Driving organic growth
- Improving skill base

# Restructuring synergies of NOK 400-500 announced

Estimated yearly effects from restructuring synergies, NOK million






Orkla

# Allocation of capital and dividend policy

- Grow BCG in the Nordics organically, and through add-on investments
- Strong balance sheet and financial flexibility
- Remain an Investment Grade company (NIBD below 2.5-3*EBITDA)
- Maintain dividend at NOK 2.50 per share during transition period



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# Branded Consumer Goods

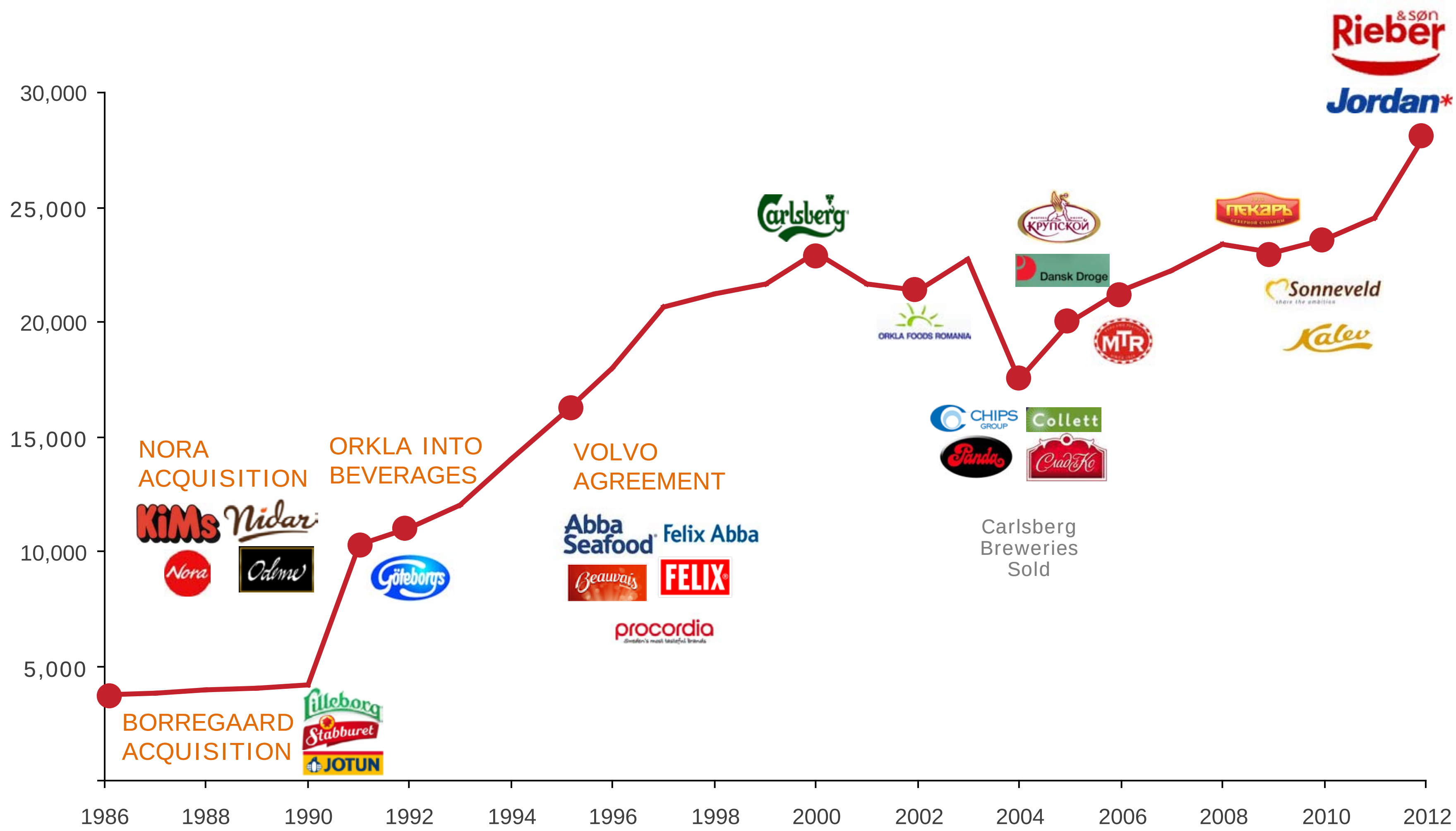
# Orkla BCG growth – A string of acquisitions

CAGR
1986-2012

Turnover
7%

EBITA
11%

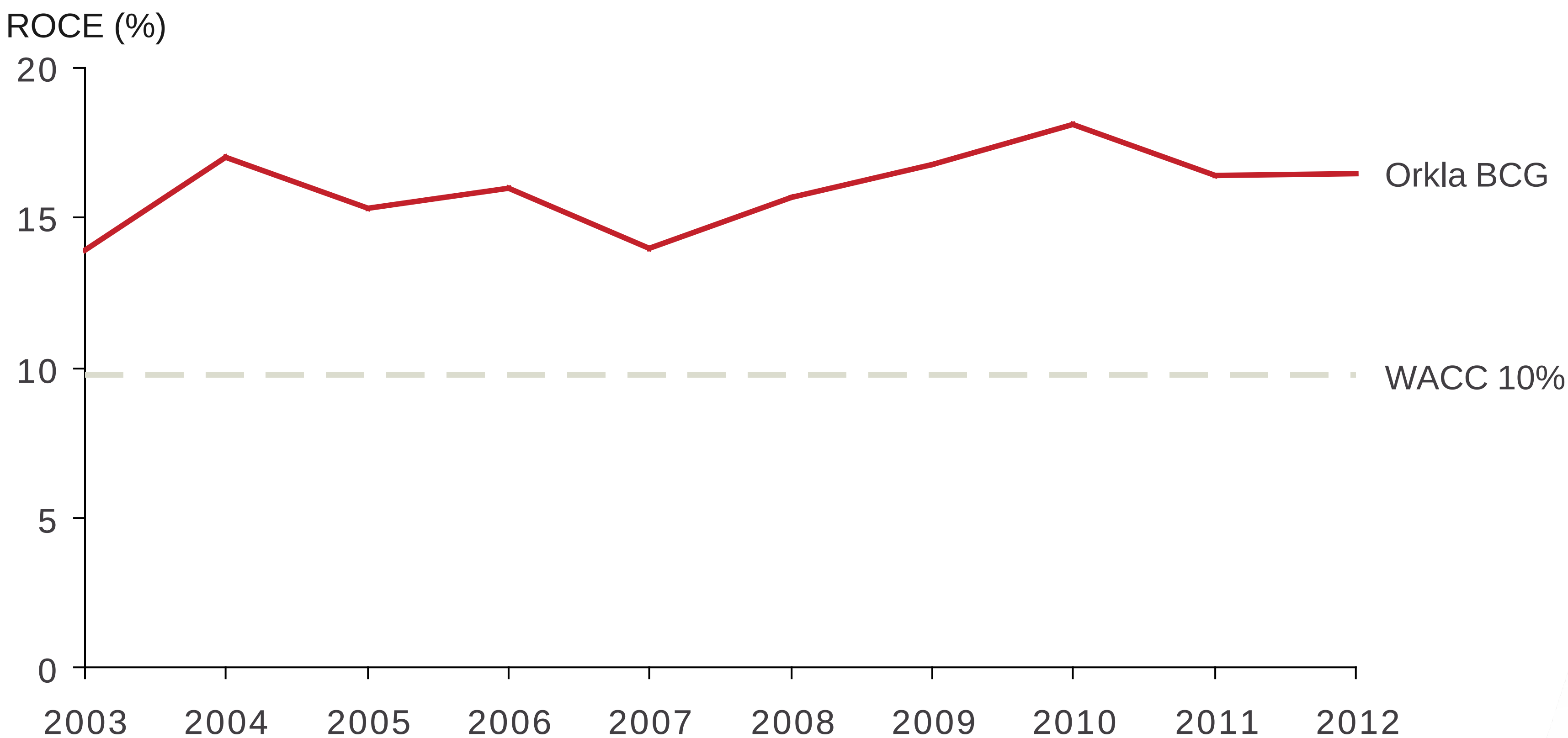
Net sales; NOK million






Note: 40% of Carlsberg Breweries included in 2001, 2002 and 2003; The graph includes Riebers sales in 2012 (Pro Forma); CAGR does not include Rieber

# Increasing shareholder value over time



# Strong local market positions and opportunities to grow further

| Examples | | | | | |
|---|---|---|---|---|---|
| OMO | Fabrics cleaner | 81% | | | |
| Ballerina | Biscuits | 51% | 38% | | 11% |
| Stratos | Confectionery | 30% | | | 6% |
| Möller's | Food supplements | 77% | 35% | 49% | 29% |
| Pierre Robert | Textiles (grocery) | 78% | 29% | | |
| KiMs | Snacks | 29% | 36% | 45% | 47% |
| Grandiosa | Frozen pizza | 79% | 36% | | 33% |
| Felix | Ketchup | 78% | 55% | 43% | 40% |
| Nora | Preserved vegetables | 81% | 70% | 52% | |
| Nora | Jam/marmalade | 53% | 50% | 43% | |
| Kalles | Caviar (cod roe spread) | | 77% | | #1 |

 Source: AC Nielsen, retail market share; RTM per July/September 2013

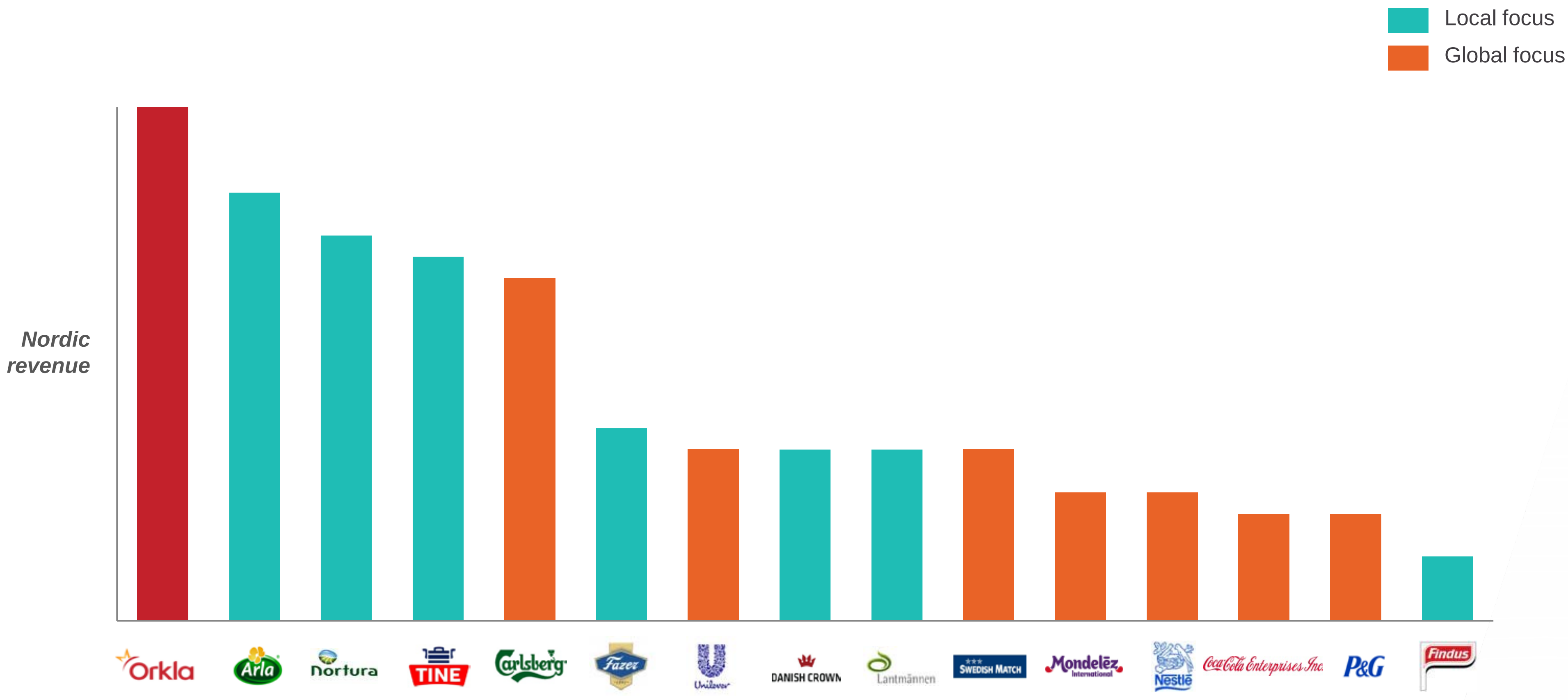
# Local scale is the core of our strategy

- A small player globally, but a large player locally
- Large supplier to the grocery channel in the Nordics
- Substantial media buyer in the Nordics
- Indepth knowledge of the Nordic consumers and more resources for innovations
- Orkla has the largest synergies when acquiring Nordic BCG companies

# Orkla is the largest BCG company in the Nordics

Estimated revenues in the Nordics[1]

ILLUSTRATIVE



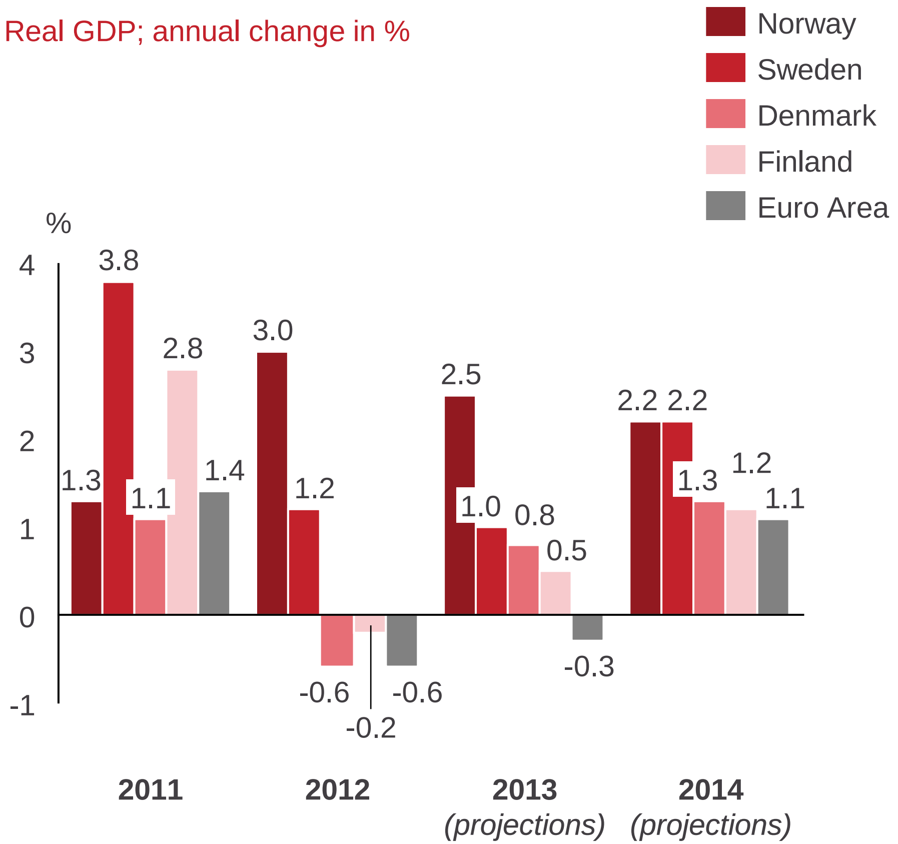



1. Based on 2011 figures. Orkla Branded Consumer Goods incl. Jordan, Rieber and Orkla Food Ingredients in the Nordics

# Stable markets with wealthy consumers

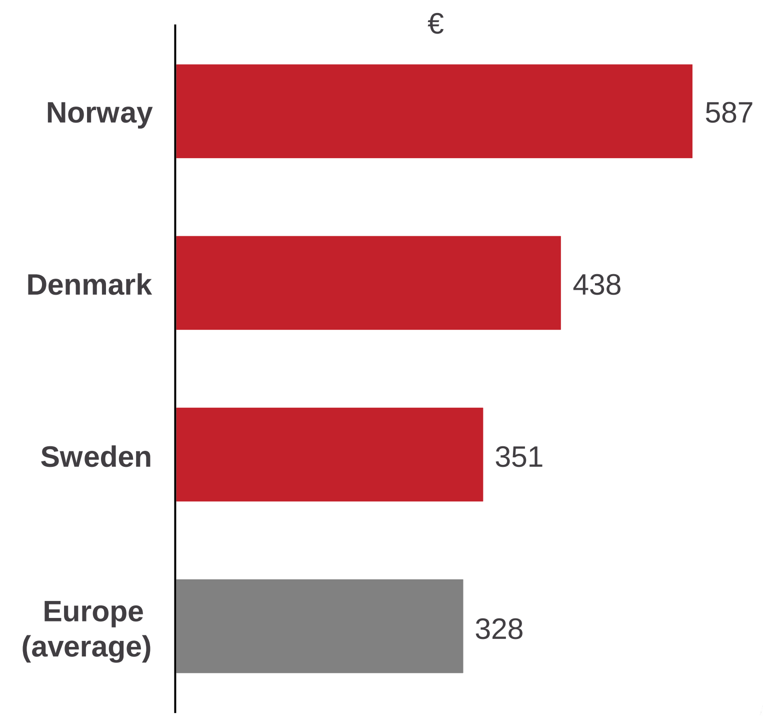
## GDP growing at a stronger/faster rate than Europe…

Real GDP; annual change in %




## … and consumer spending in Orkla's core categories is high

Average monthly consumer spending on food, grocery & personal care; 2013




 Source: IMF World Economic Outlook; Nielsen 2013

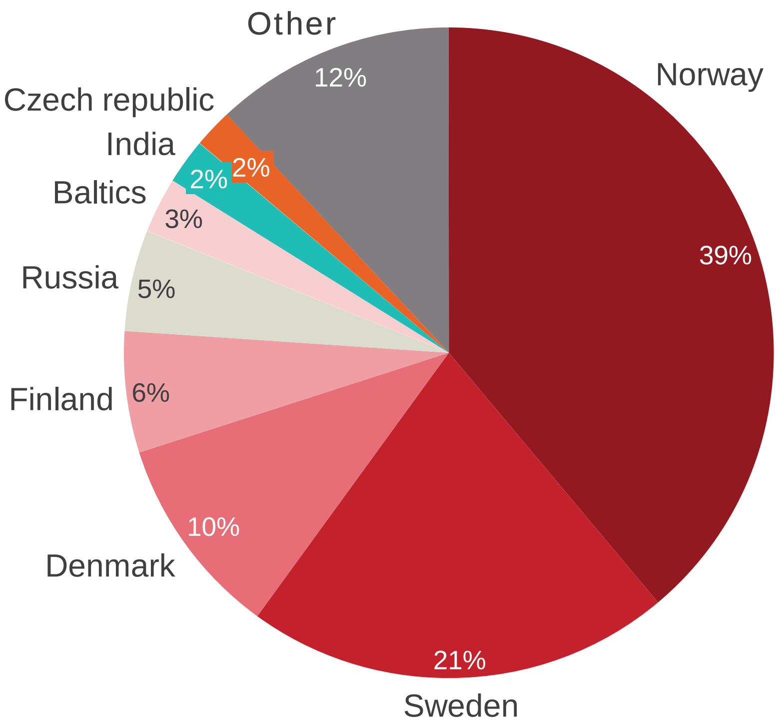
# The Local Consumer Goods Champion

- Proven track record in creating value
- Strong local market positions and opportunities to grow further
- Local scale is the core of our strategy – Orkla is the largest BCG company in the Nordics
- Stable markets with wealthy consumers

# Overview of Branded Consumer Goods

**Net sales by geographical area 2012**

**Proforma incl. Rieber:**



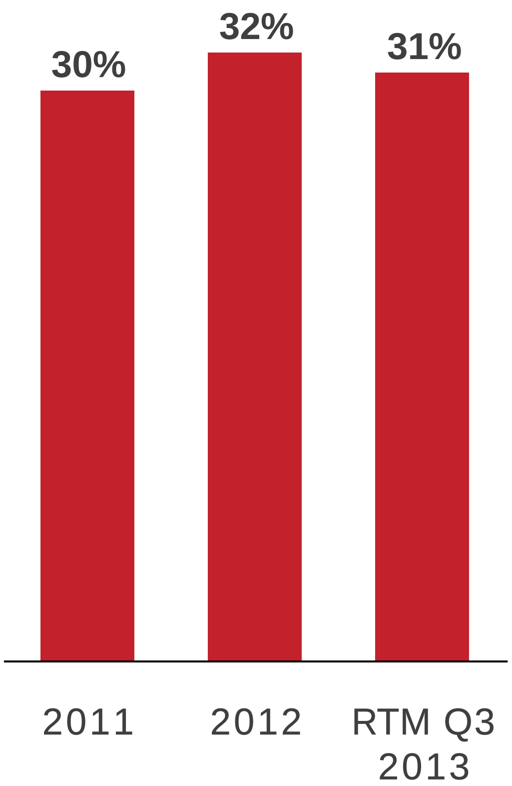

| Business unit | Revenues 2012 | EBITA margin |
|---|---|---|
| Foods | 7,927 | 14.4% |
| Confectionery & Snacks | 4,794 | 16.4% |
| Home & Personal | 4,025 | 17.4% |
| International | 2,133 | -0.2% |
| Food Ingredients | 5,435 | 4.3% |
| Branded Consumer Goods | 24,105 | 11.9% |
| | | |
| Rieber & Søn* | 4,164 | 6% |
| Jordan** | 969 | 11% |

* Consolidated in Foods from 1 May 2013

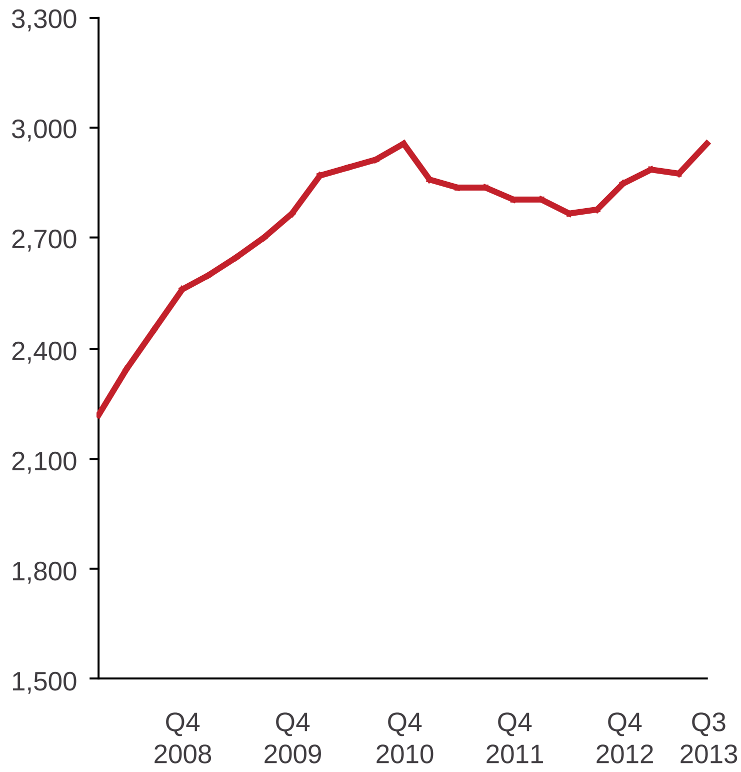
* * Consolidated in Home & Personal from 1 September 2012

# Branded Consumer Goods

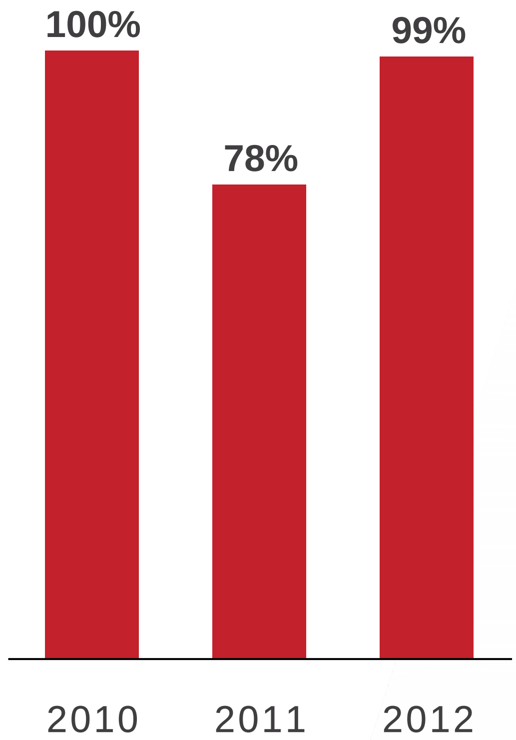
## Gross margin




## RTM EBIT (adjusted)

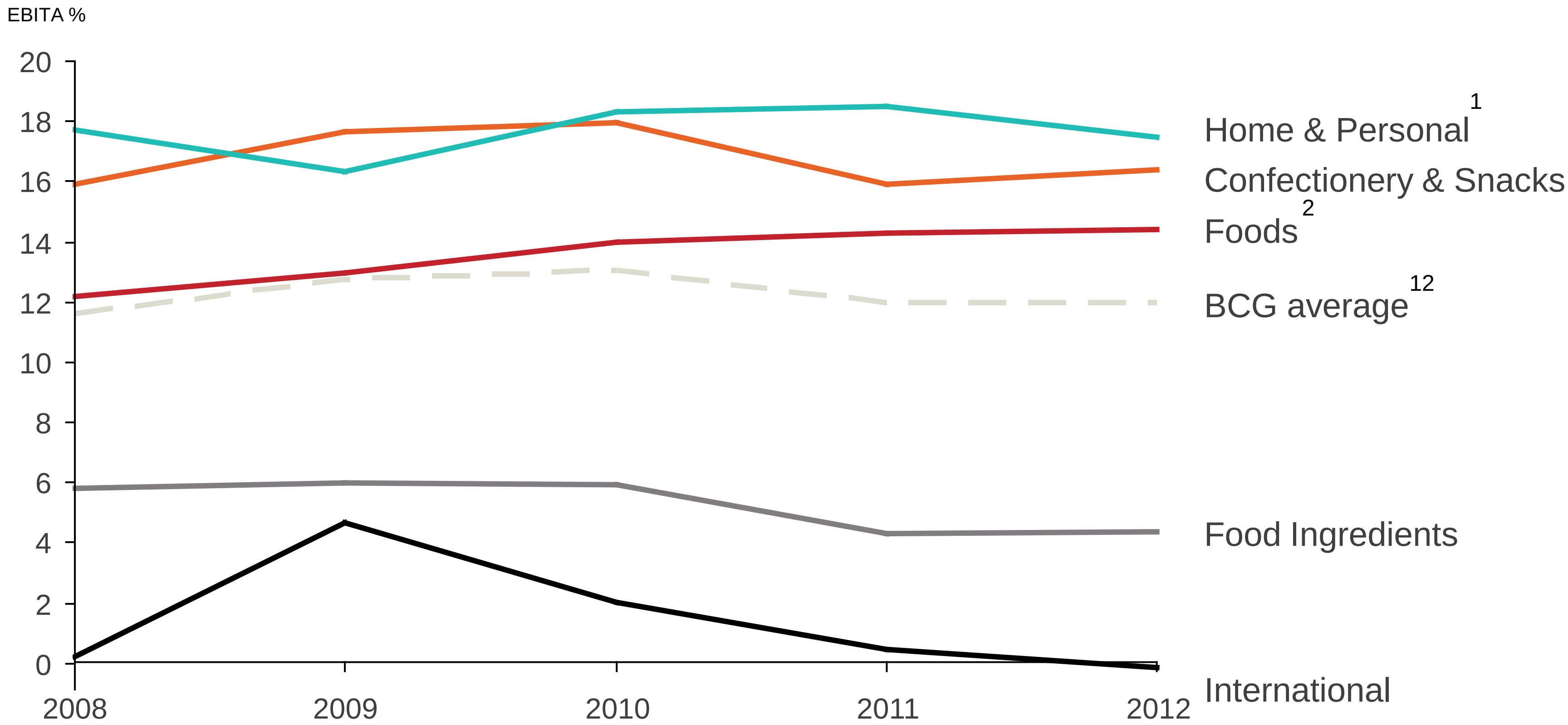



## Cash conversion[1]




1. Cash flow from operations / EBIT (adjusted)

# Strong local brand positions, high margin level in the Nordics

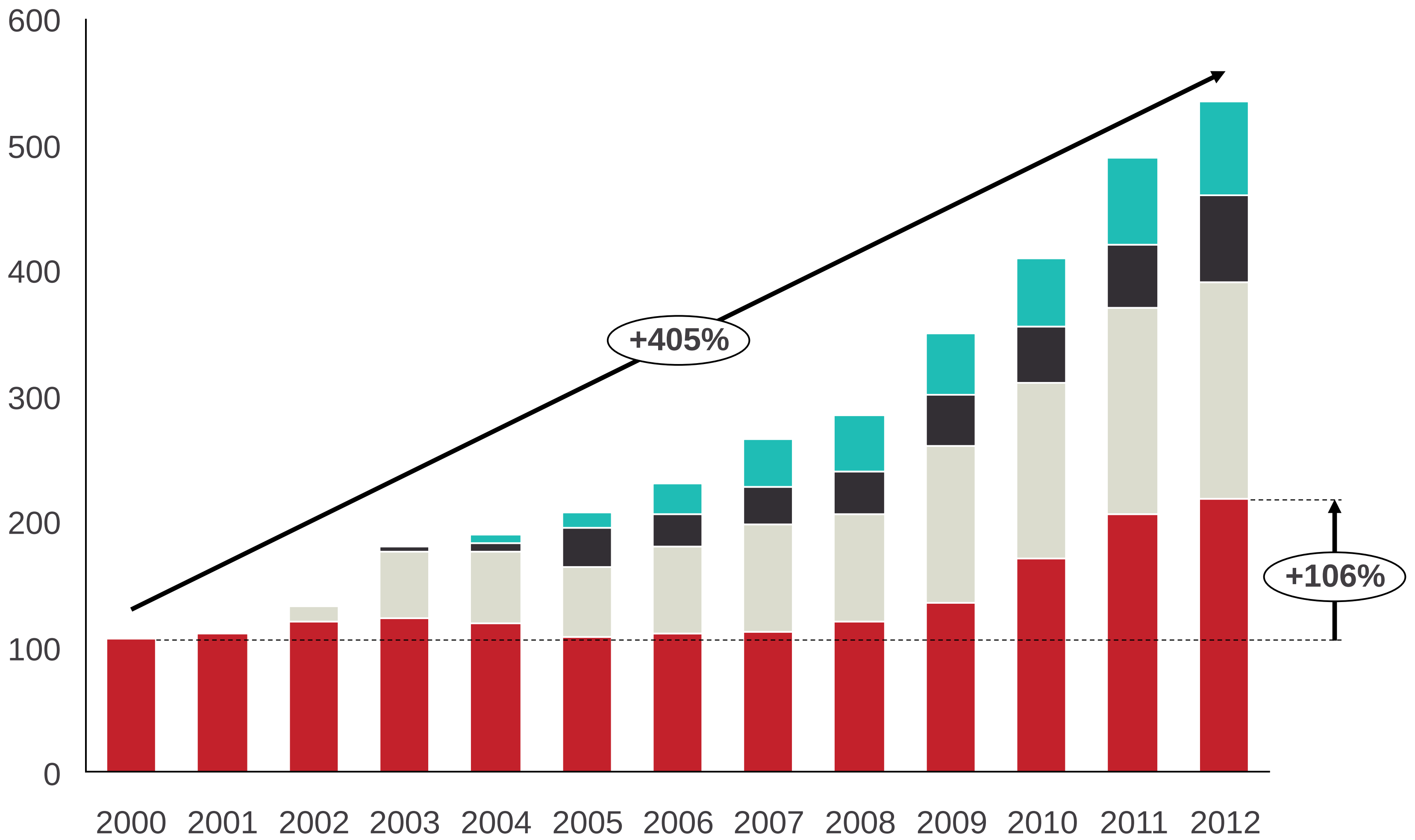




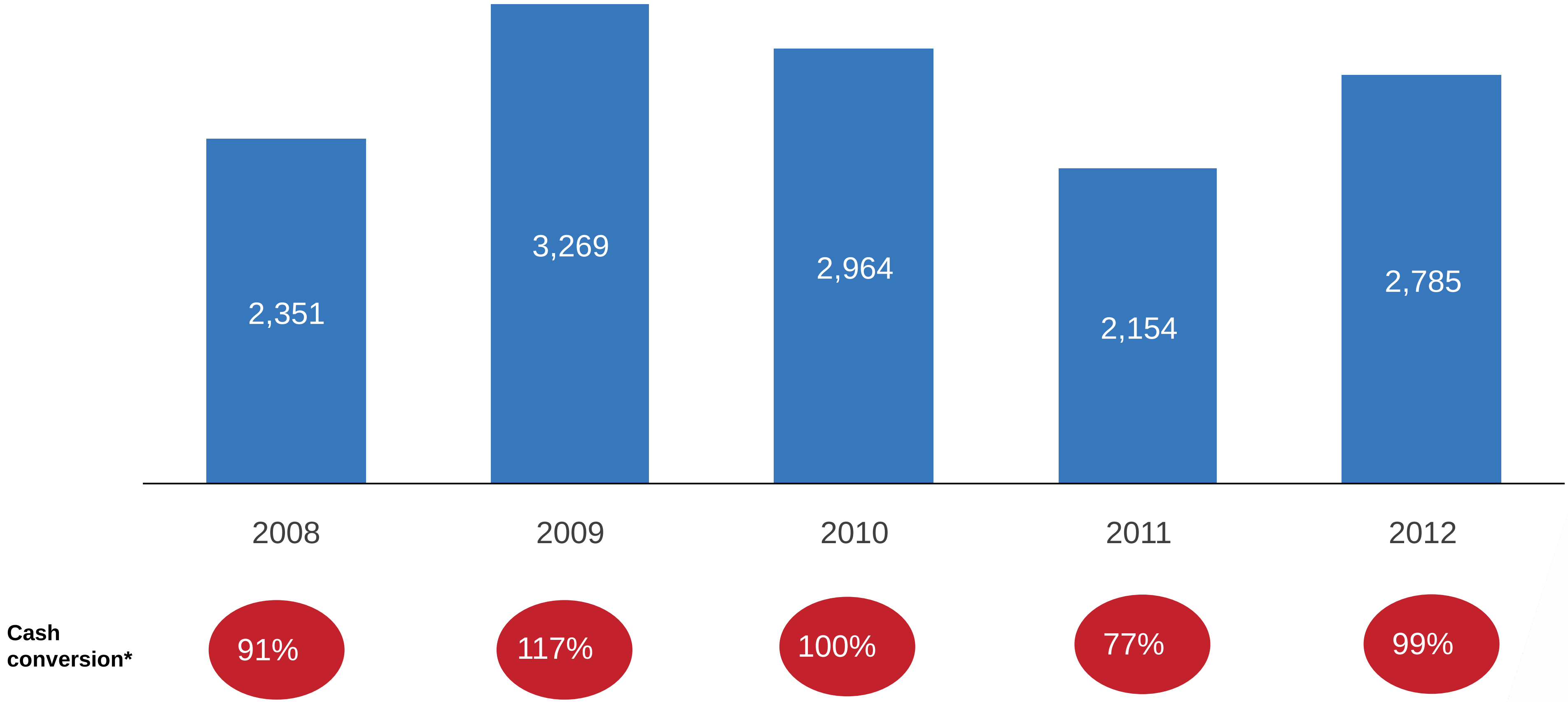

[1]Presented ex. contract production to the process chemicstry industry.
[2]Presented without Bakers (divested in January 2012).

# Growth through product development

Example: Fish spread in Norway; revenues NOK million

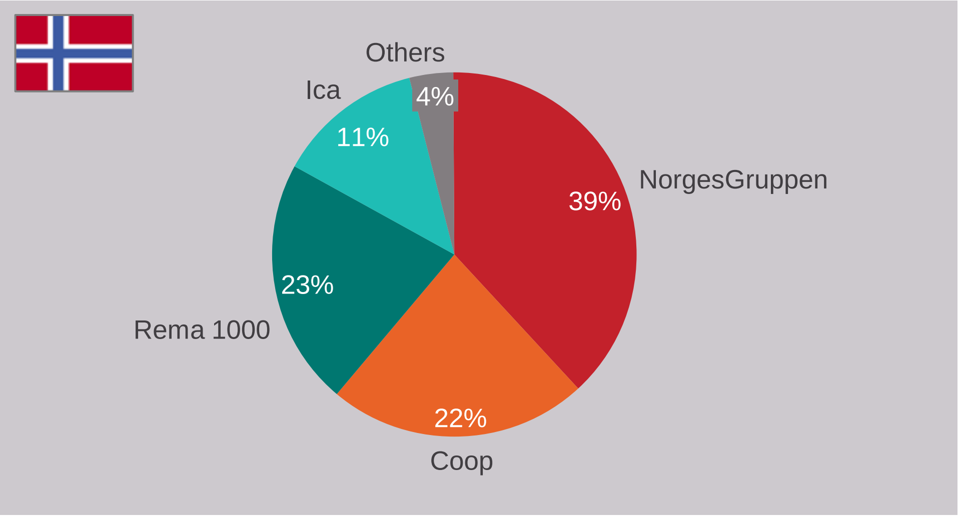


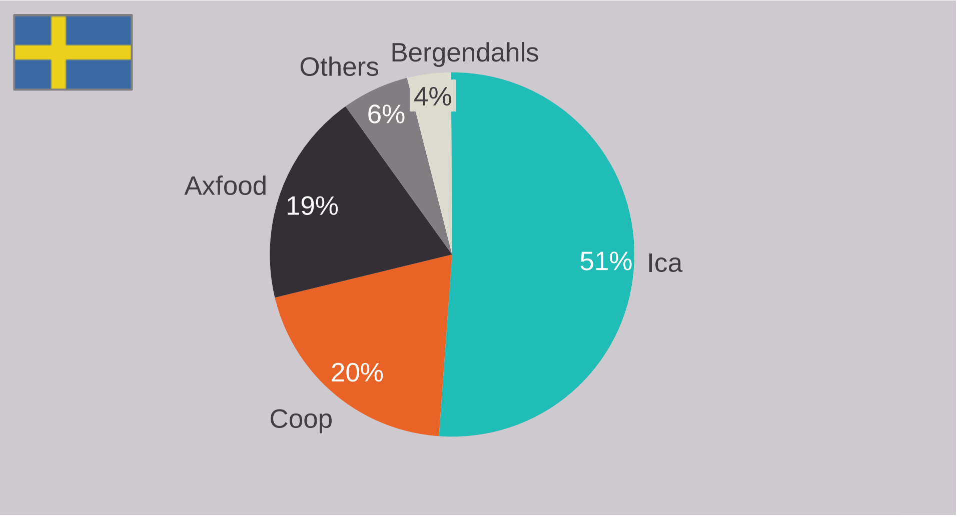

# Solid cash flow over time

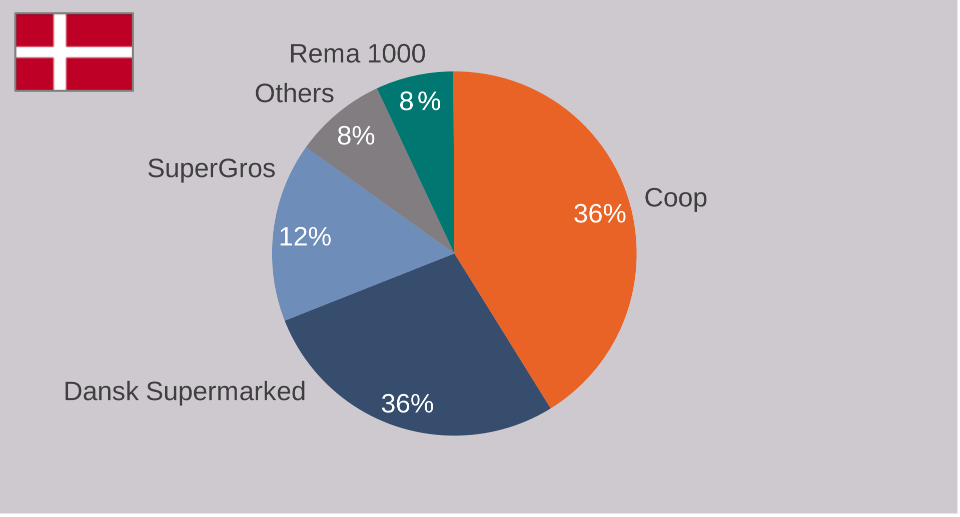


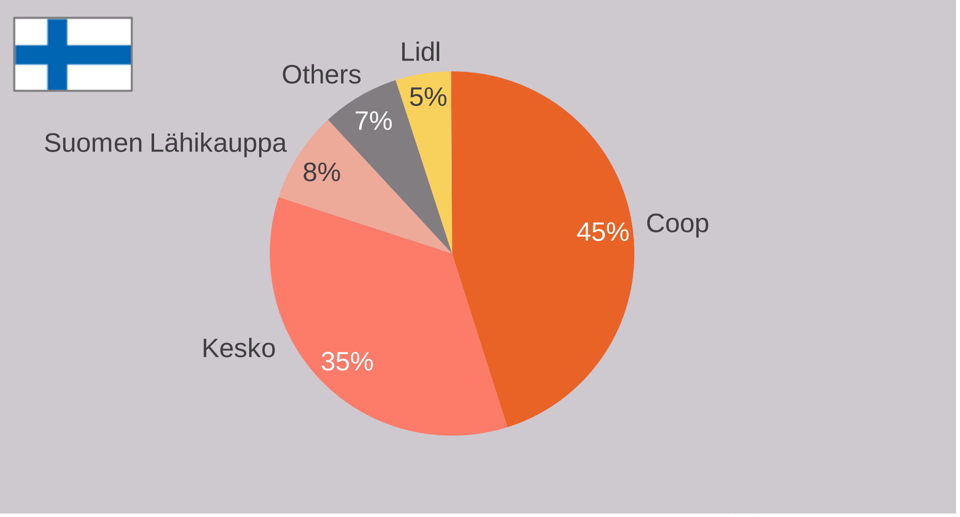

*Cash flow from operations before tax / EBITA

# Consolidated Nordic retail markets



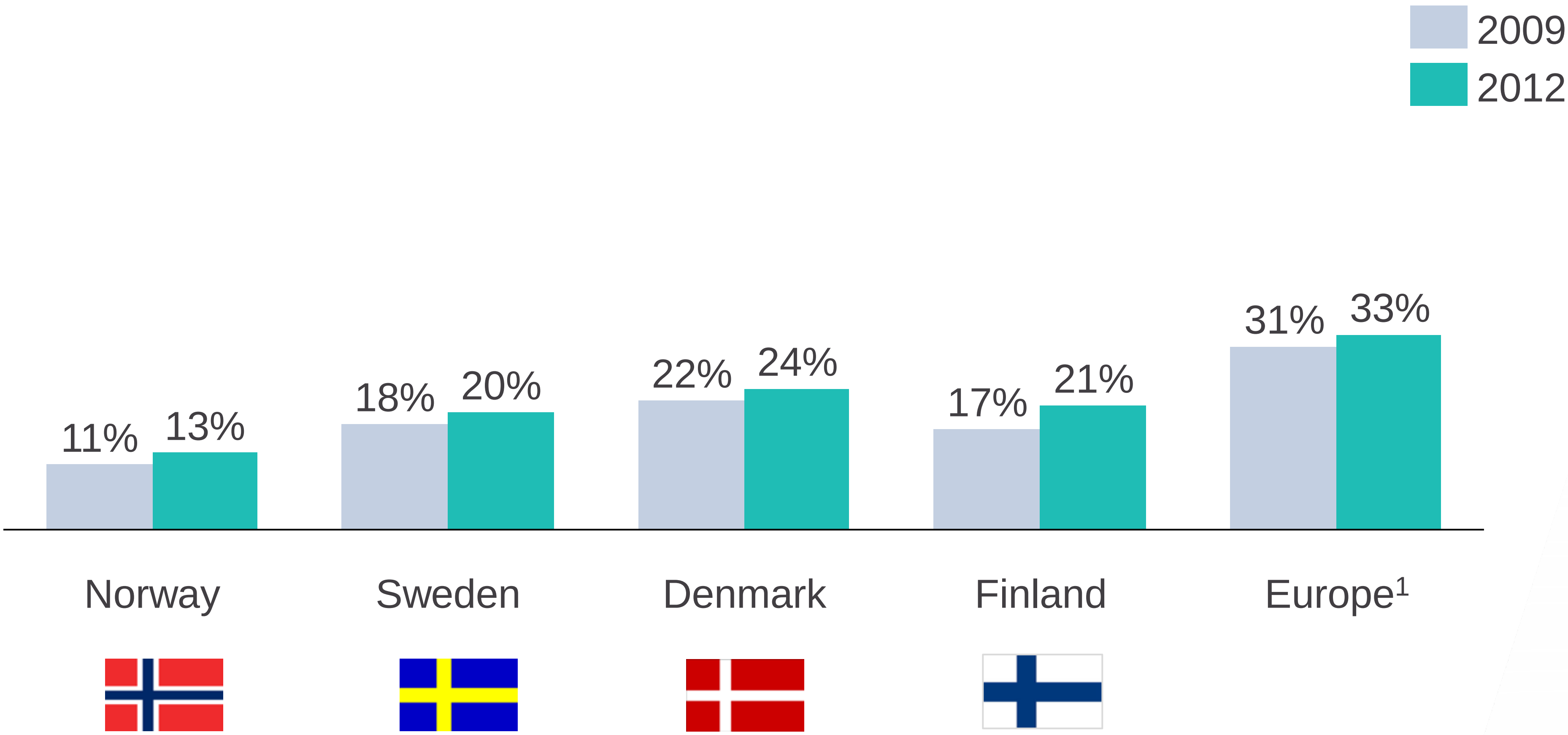



# Private label is growing, but slowly

Private Label market shares in the grocery trade




 1 Europe – Belgium, France, Germany, Italy, Netherlands, Spain, UK; Source: AC Nielsen

# Diversed exposure to raw materials

**10 Largest raw material groups**

| |
|---|
| Vegetable oil |
| Flour, grain and bakery mix |
| Sugar |
| Meat, cut and trimming |
| Cheese |
| Cocoa & chocolate |
| Fruit and berry |
| Spice, dry herb and extract |
| Pelagic |
| Tomato paste |

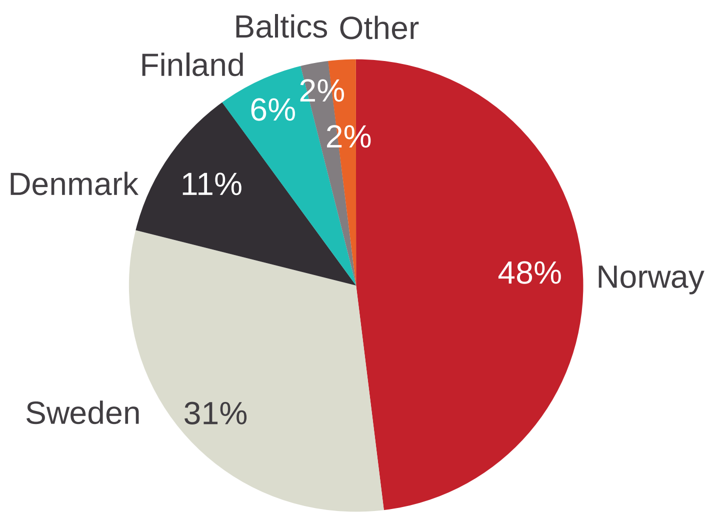
**FAO Food price index (January 2013)**

# Orkla Foods

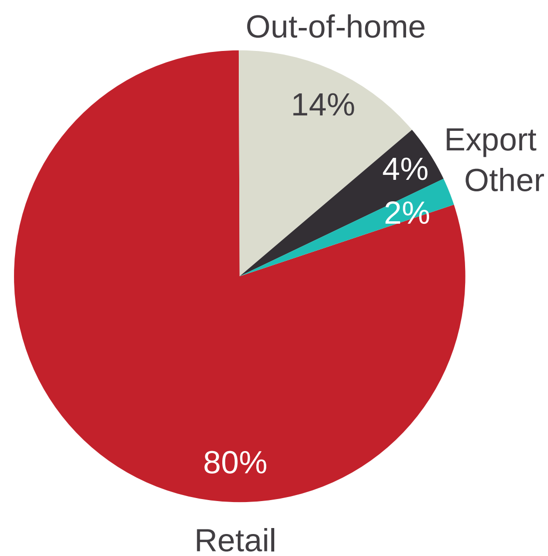
# A broad portfolio with 80% of revenues from Norway and Sweden

Revenues 2012, proforma incl. Rieber for the full year: NOK 10.7 billion

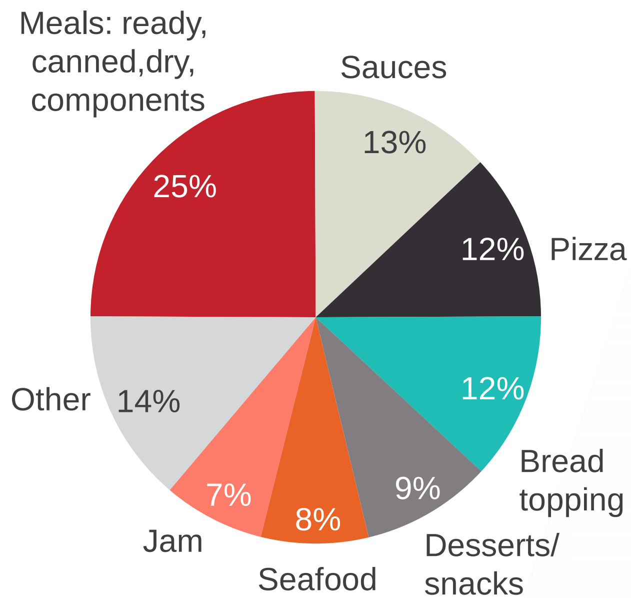
**Geographical**
**sales split**




**Sales**
**channel sales split**




**Category**
**sales split**



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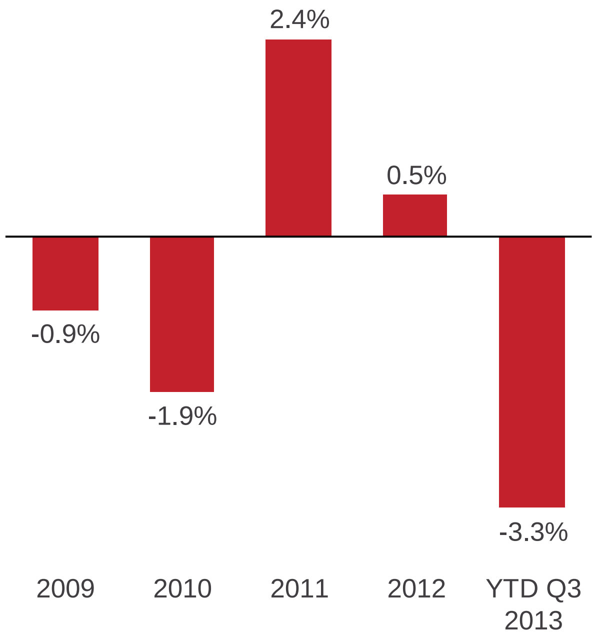
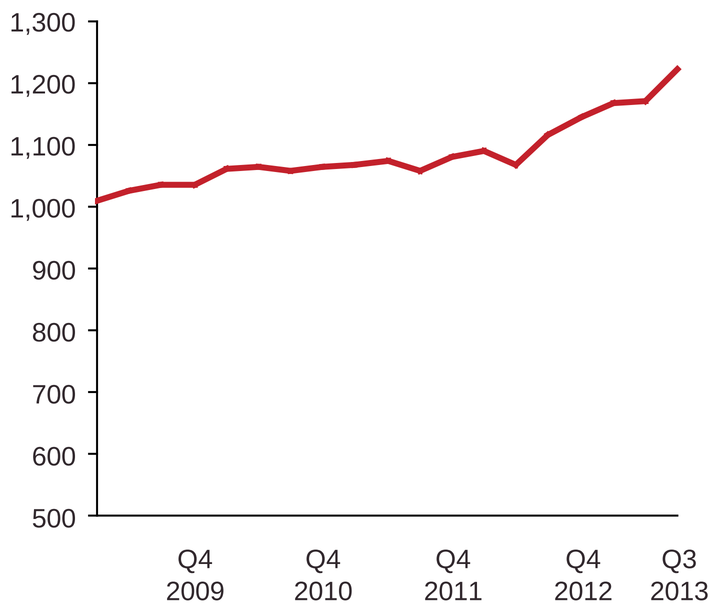
# Orkla Foods

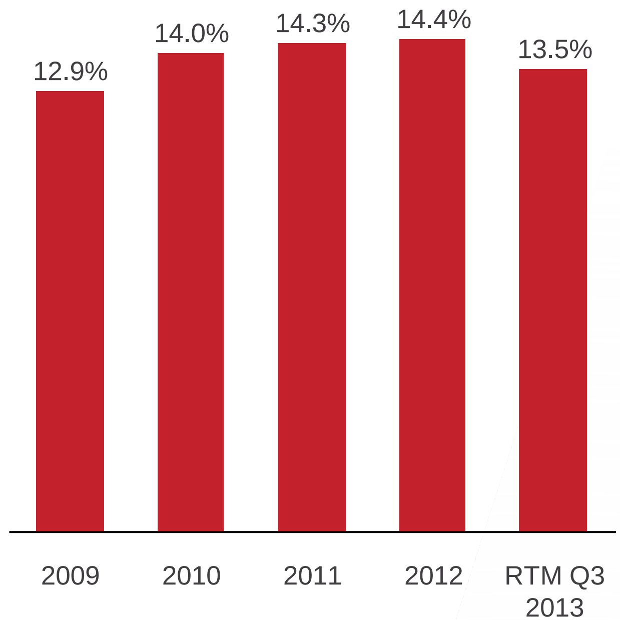
## Organic sales growth[1]




## RTM EBIT (adjusted) (NOK million)

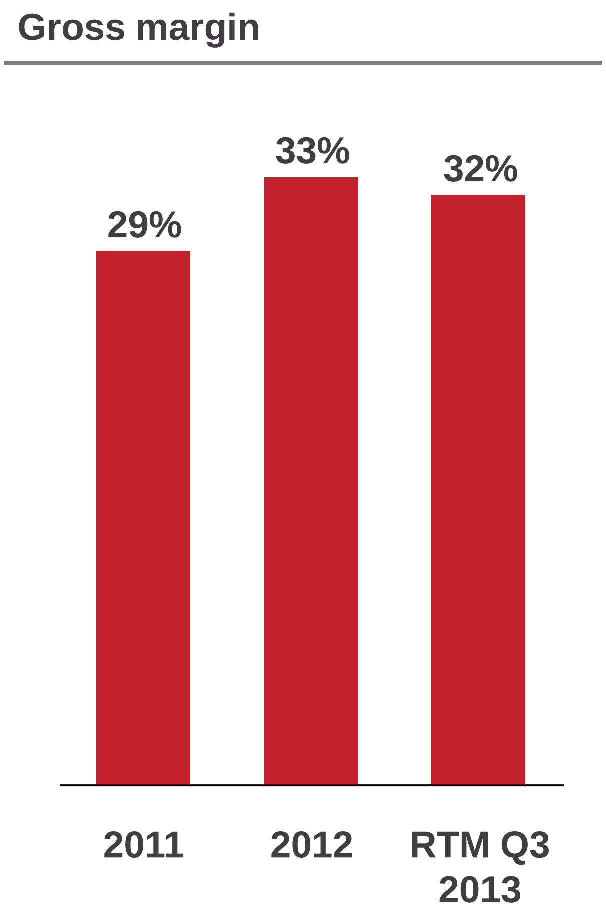


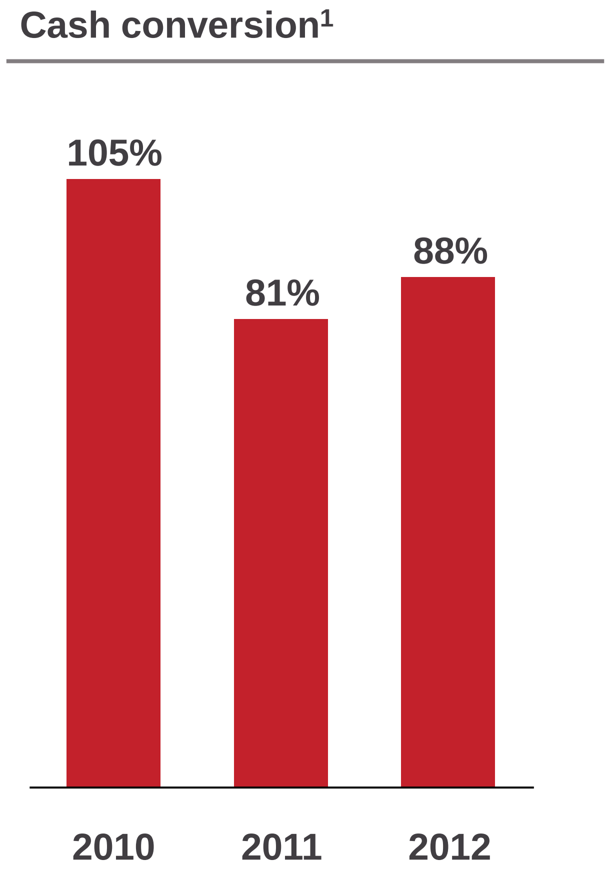

## EBIT margin (adjusted)




1. Adjusted for acquired and divested companies and currency translation effects.

# Orkla Foods




1. Cash flow from operations / EBIT (adjusted).

# Strong #1 brands with long heritage

Stabburet, TORO, DENJA, Kokkeklar, Vossafår, Leverpostei, BigOne, Nugatti, FUN Light, Vestlands Lefsa, GRANDIOSA, Idun, Lierne, Stabbur-Makrell, Nora, TORO, Mr. Lee

FELIX, Abba, Risifrutti, BOY, AHTI, GRANDIOSA, jacky, VESTA, KALLEN, PASTELLA, EKSTRÖMS, FUN LIGHT

Abba Kungshamn, Frödinge, KALLES, Marmelad Den Gamle Fabrik, SVENNES, KUNG GUSTAF, FELIX, EKSTRÖMS, liva energi, Pauluns, HALLO, JOKK Bärdryck, FUN LIGHT, MRS CHENG'S, Ejderns, Risifrutti, Abba Middagsklart!, GRANDIOSA, BOB, ÖNOS, Grebbestads Ansjovis

Põltsamaa, Suslavičiaus, FELIX, SPILVA

Beauvais, BÄHNCKE, GLYNGØRE, K, PASTELLA, Risifrutti, DEN GAMLE FABRIK



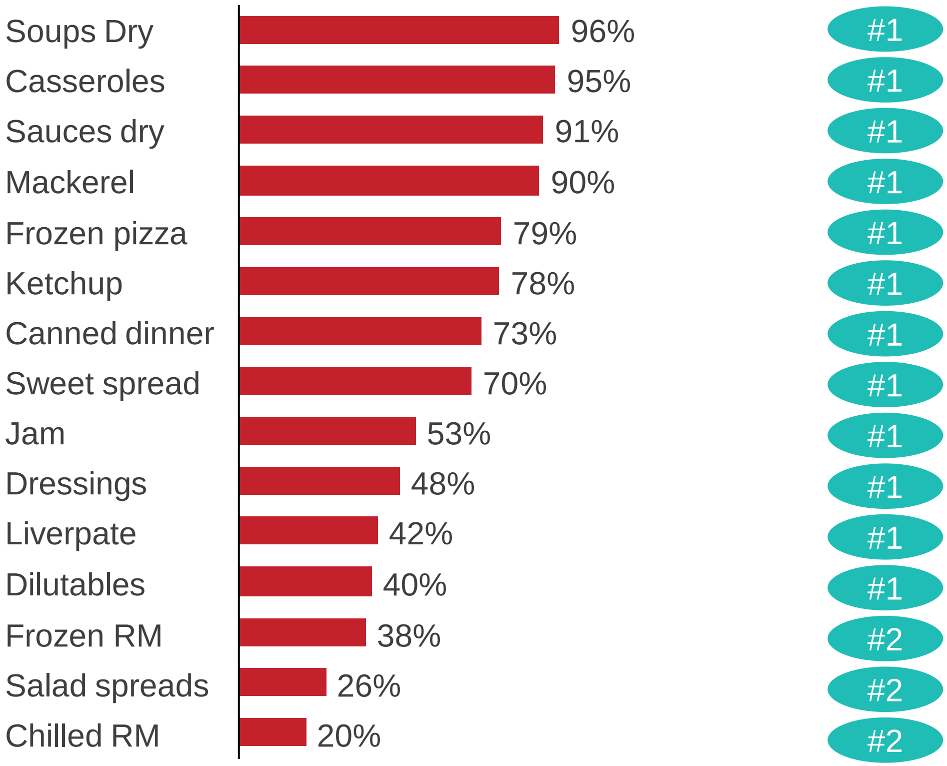
Orkla

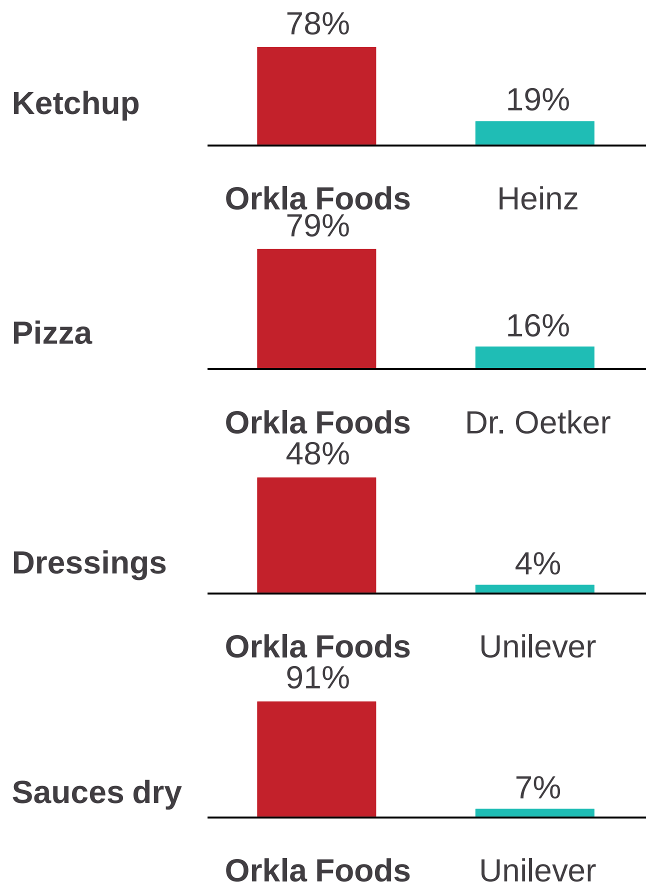
# #1 market positions in Norway

Market share

Position

Orkla vs. Multinationals



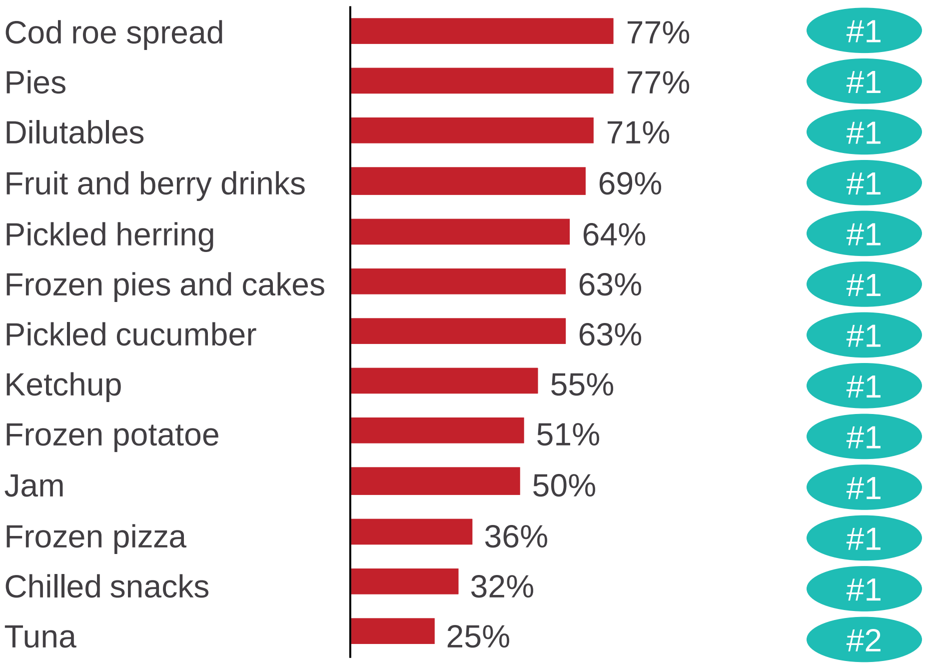





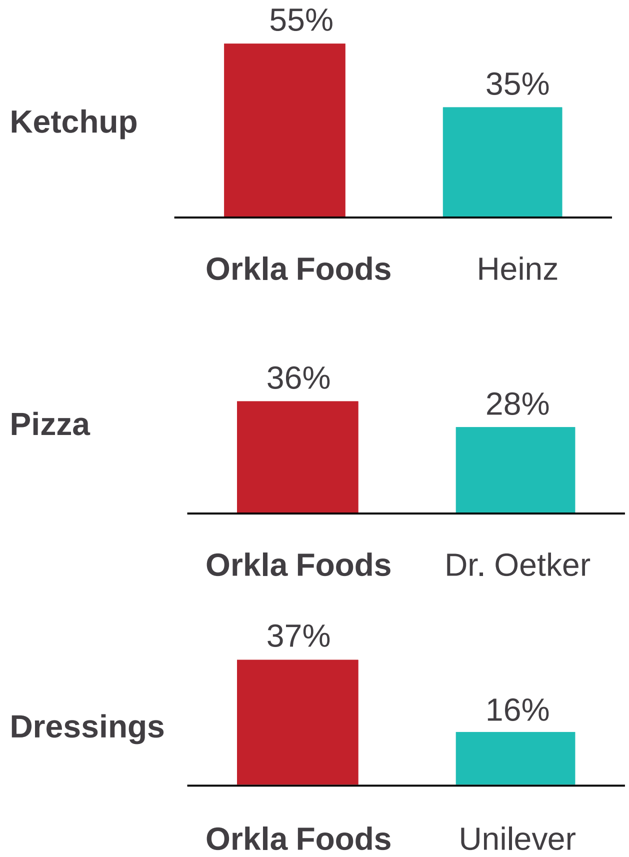

Source: AC Nielsen grocery market shares, RTM as of week 32

# #1 market positions in Sweden

Market share Position




Orkla vs. Multinationals

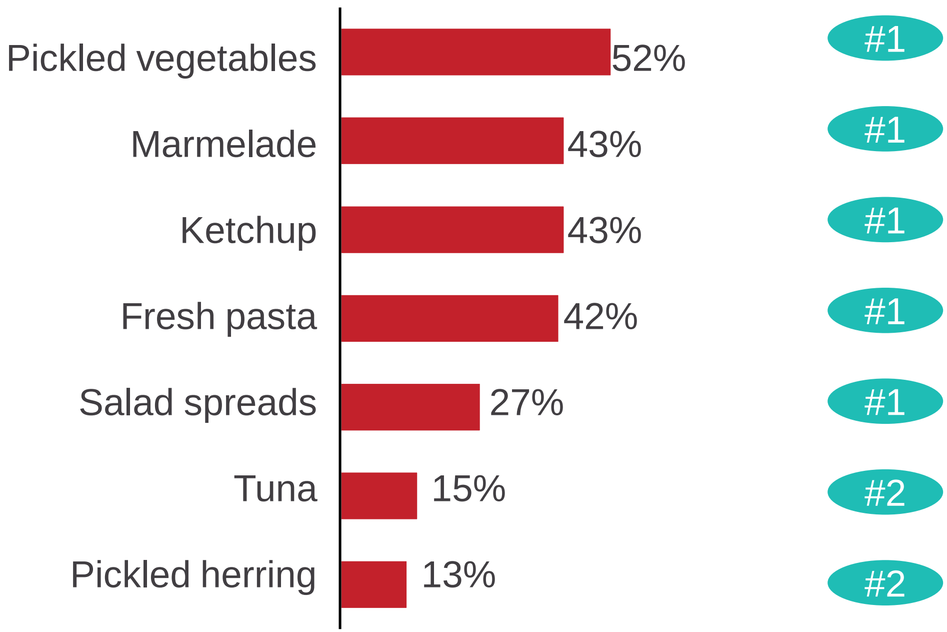


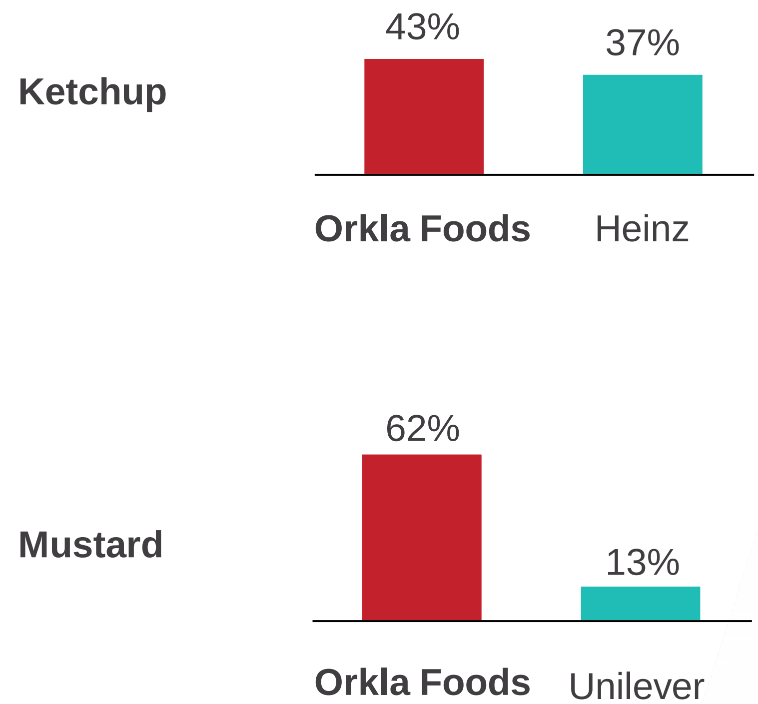

 Source: AC Nielsen grocery market shares, RTM as of week 32

Orkla

# Solid market positions in Denmark

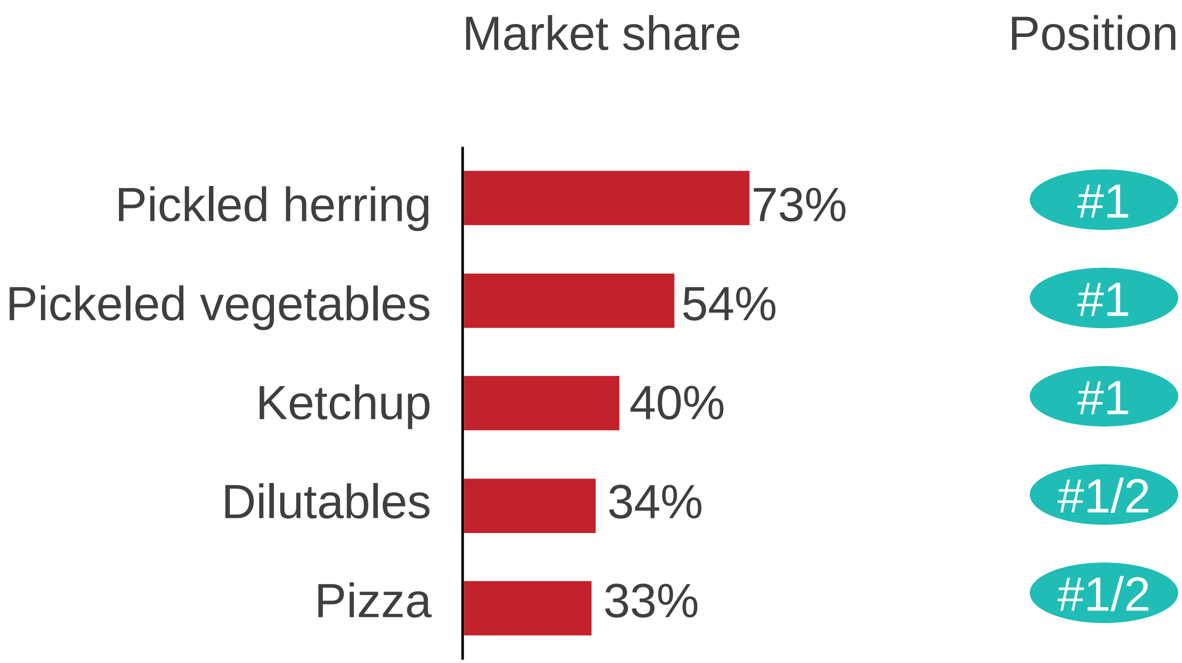
Market share Position Orkla vs. Multinationals




 Source: AC Nielsen grocery market shares, RTM as of week 32

# Solid market positions in Finland





Source: Company estimates

# Local brands based on local insight are winners

**Local brands**

**Local insight**

- Superior local consumer understanding
- Superior trade and category understanding

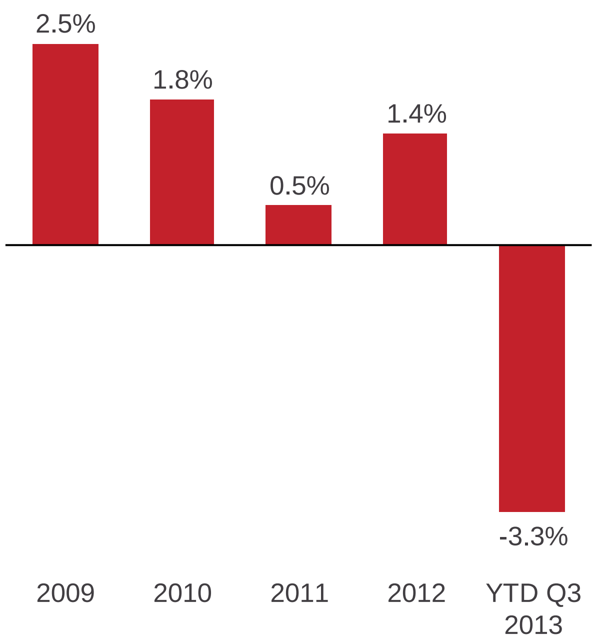
**Local scale**

- Cost advantages and competitive strength in sales and advertising
- Attracting the best people
- Flexible local value chain

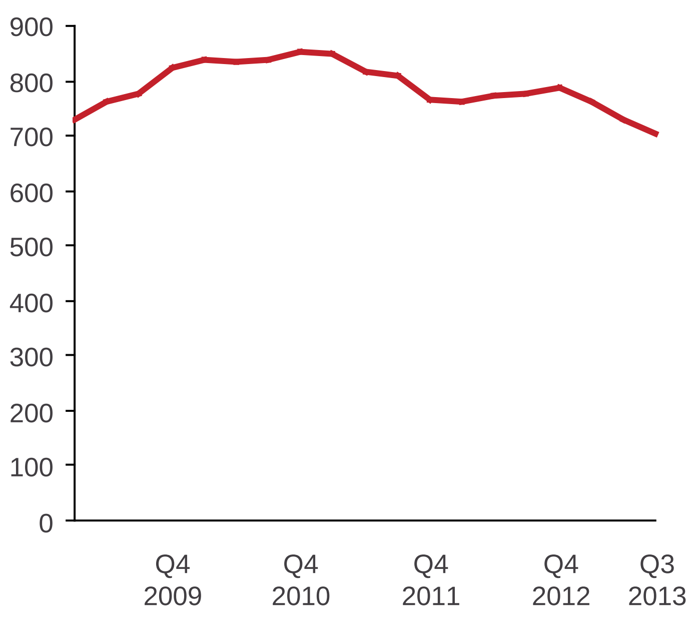
# Orkla Confectionery & Snacks

# Orkla Confectionery & Snacks

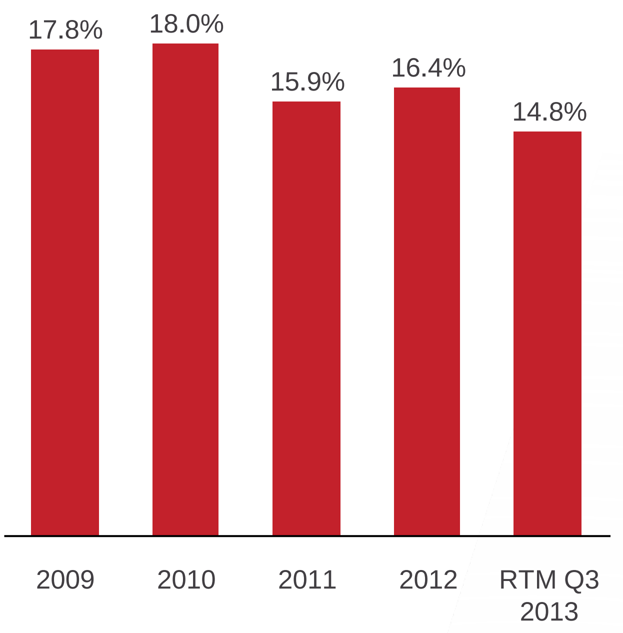
## Organic sales growth[1]




## RTM EBIT (adjusted) (NOK million)

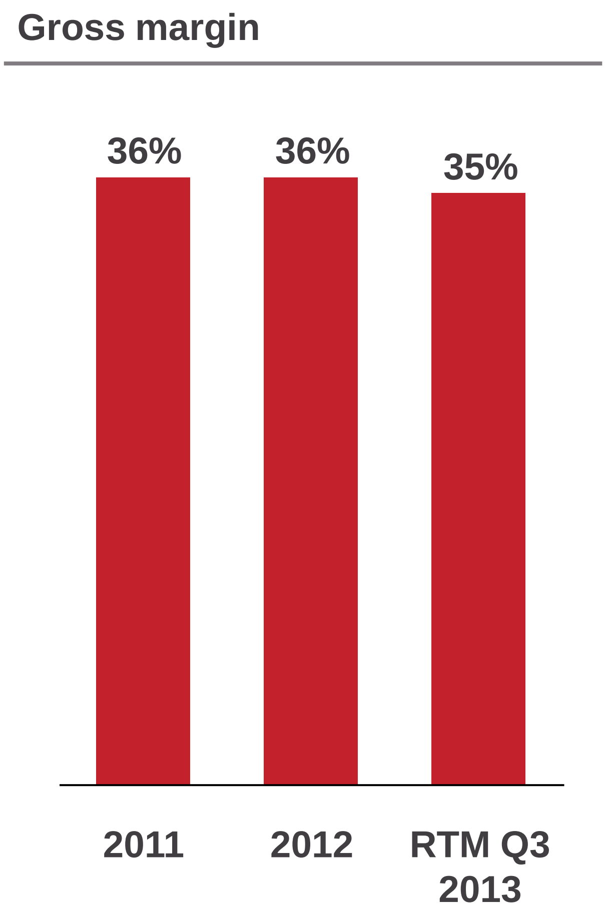


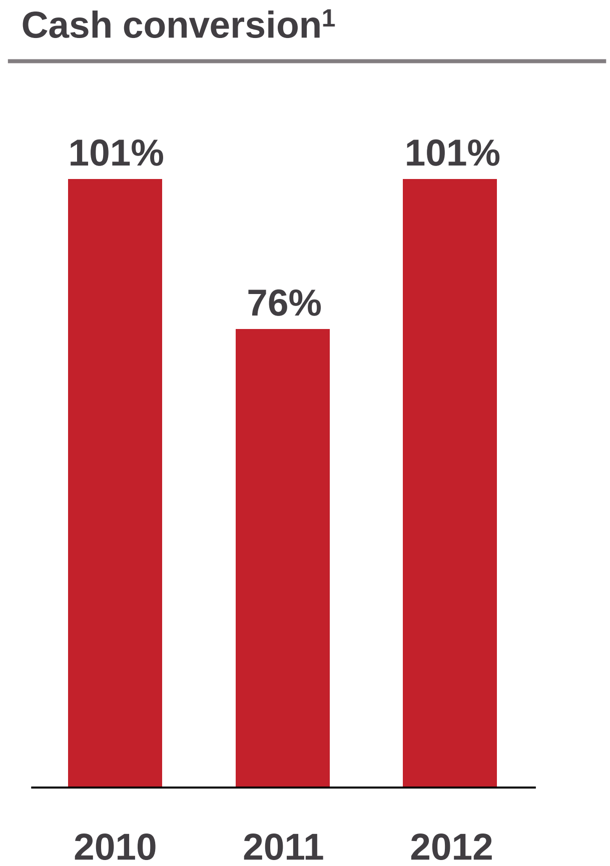

## EBIT margin (adjusted)




1. Adjusted for acquired and divested companies and currency translation effects.

# Orkla Confectionery & Snacks




1. Cash flow from operations / EBIT (adjusted).

# One of the largest Nordic confectionery & snacks companies

Net revenue 2012: NOK 4.8 bn.

## Confectionery

**NOK 1.8 bn. *(37 %)***

- Chocolate confectionery
- Sugar confectionery
- Pastilles & chewing gum

## Snacks

**NOK 2.2 bn. *(46 %)***

- Potato chips
- Cheese snacks
- Nuts
- Special snacks

## Biscuits

**NOK 0.8 bn. *(17 %)***

- Sweet biscuits
- Savory / food biscuits

# Norway and Sweden are the largest markets

Revenues (NOK bn.) per company and share of total Orkla C&S revenues

NOK 2 bn. *(41 %)*

Confectionery: NOK 1,200m

Snacks: NOK 470m

Biscuits: NOK 300m

NOK 1.1 bn. *(22 %)*

Snacks: NOK 630m

Biscuits: NOK 440m

NOK 0.6 bn. *(12 %)*

Snacks: NOK 570m[1]

NOK 0.8 bn. *(17 %)*

Confectionery: NOK 350m

Snacks: NOK 410m

Biscuits: NOK 60m

NOK 0.2 bn. *(5 %)*

Confectionery: NOK 200m

Biscuits & other: NOK 40m[2]

NOK 0.1 bn. *(2 %)*

Snacks: NOK 90m

1. Incl. NOK 140m in exports 2. Incl. chips (NOK 15m) and flour mixes (NOK 12m)

# Local # 1 brands with long heritage – over 90 years

Top 5 brands (revenues) per category

## Confectionery

**Stratos (1936)**
- # 2 milk chocolate in NO

**Smash! (1988)**
- Unique sweet & salty combination

**Nidar Favoritter (2003)**
- Family favorite mixed chocolate bags

**Nidar Doc Halslinser (1970)**
- # 1 throat lozenge in NO

**Nidar Laban (1965)**
- Traditional sugar confectionery in NO

## Snacks

**KiMs (1965)**
- # 1 snacks brand in DK, # 2 in NO

**OLW (1967)**
- # 1 snacks brand in SE

**Toasted cheez doodles the CHEEZIER snack (1968)**
- # 1 cheese snack in SE & NO

**Polly (1957)**
- # 1 nut brand in NO

**The Original Taffel Snacks (1970)**
- # 1 snacks brand in FIN

## Biscuits

**Ballerina (1963)**
- # 1 biscuit brand in SE

**Göteborgs Singoalla (1968)**
- Leading filled biscuit in SE

**Safari (1984)**
- Family favorite cookie in NO

**Bixit (1991)**
- # 1 oat cookie in NO

**Café Bakeriet (2002)**
- Local chocolate cookie favorite

# Strong positions… but competition is increasing

Market share vs. nearest competitor and PL (largest markets)

| | Country | Orkla | Competitor | Private Label |
|---|---|---|---|---|
| Confect. | NO | 30 % | 35 % (Mondelez) | 2 % |
| | EST (Kalev) | 38 % | 10 % (Fazer) | NA |
| Snacks | SE | 36 % | 18 % (Estrella) | 23 % |
| | DK (KiMs) | 45 % | 8 % (Frito Lay) | 25 % |
| | NO | 29 % | 32 % (Maarud) | 13 % |
| | FIN | 47 % | 16 % (Estrella) | 23 % |
| Biscuits | SE | 38 % | 8 % (Mondelez) | 20 % |
| | NO | 51 % | 19 % (Mondelez) | 8 % |

 Note: Value share RTM per July 2013

# Local brands based on deep consumer insight are winners

## Market characteristics

**Mainly local preferences**

**High brand recognition**

**Impulse categories**

## Orkla competitive advantages

### Deep local consumer understanding

- Local organizations & value chain that can easily meet local needs
- E.g. chocolate taste, snacks spices & salt levels

### Local # 1 brands with long heritage

- Unprecedented portfolio of # 1 and # 2 market positions
- Brands that can be stretched across categories

### Unique scale on in-store execution

- Large and experienced sales & merchandising organization
- New structure will improve store coverage - but we can still be significantly more effective



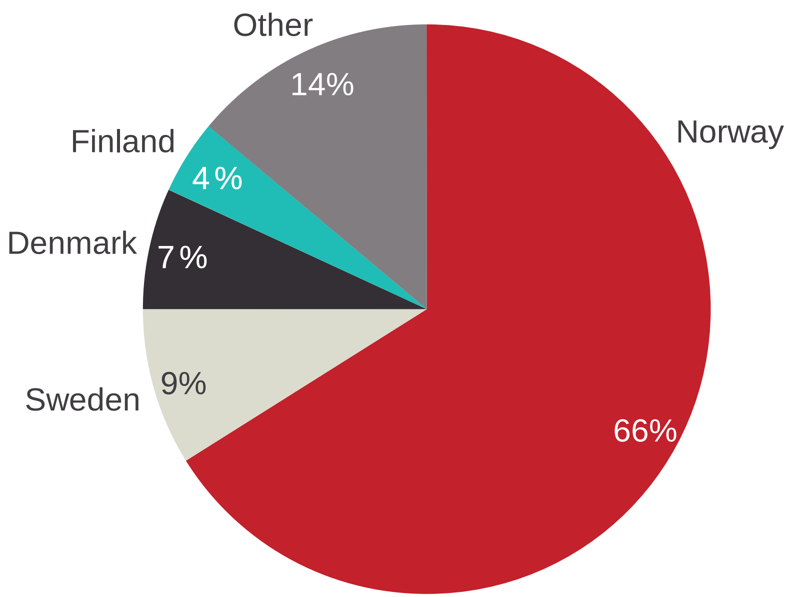
Orkla

# Orkla Home & Personal

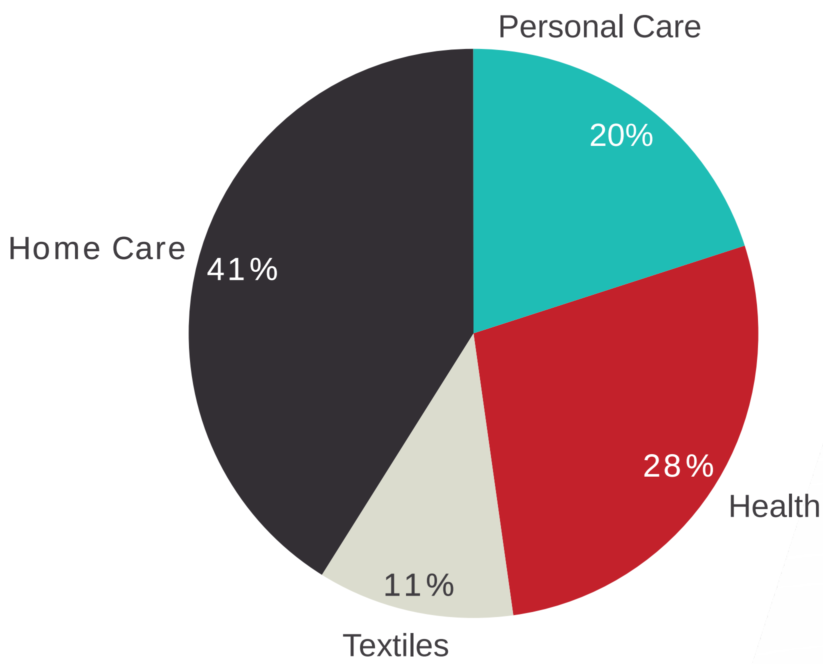
# Large categories with sales mainly in the Nordic market

Revenues 2012, proforma incl. Jordan: NOK 4,720 million

Geographical sales split:




Category sales split:

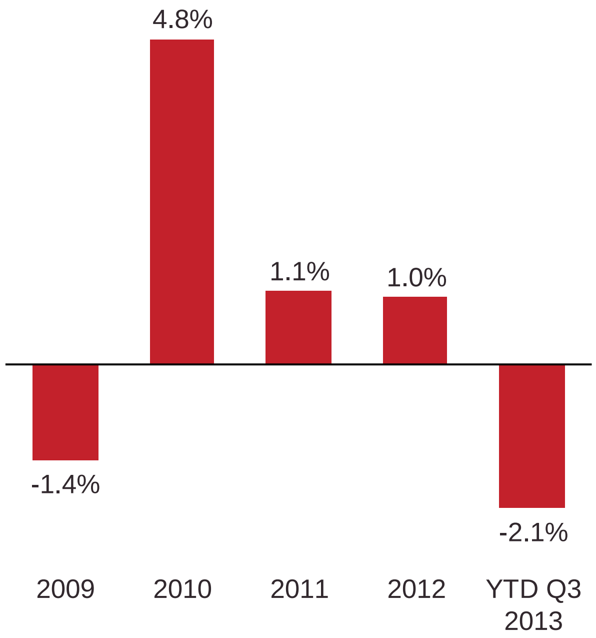





Note: Reported revenues in 2012 was NOK 4,025 million

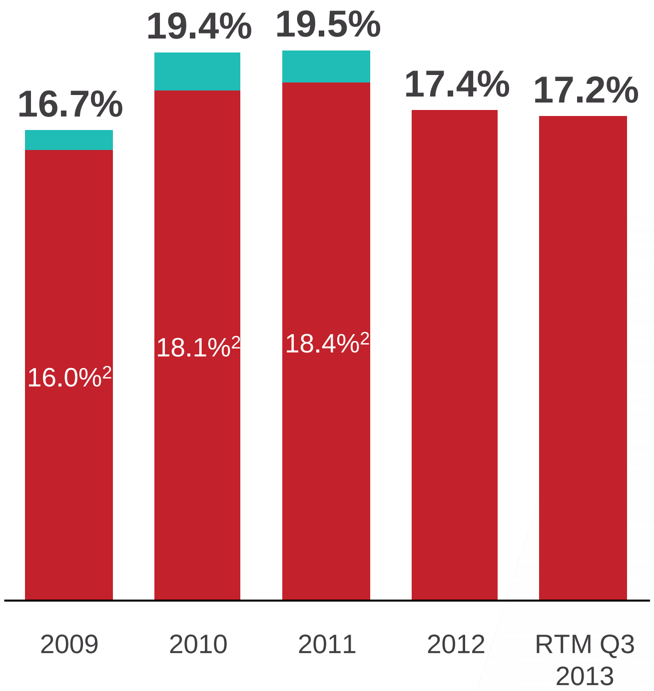
# Orkla Home & Personal

## Organic sales growth[1]




## RTM EBIT (adjusted) (NOK million)


## EBIT margin (adjusted)

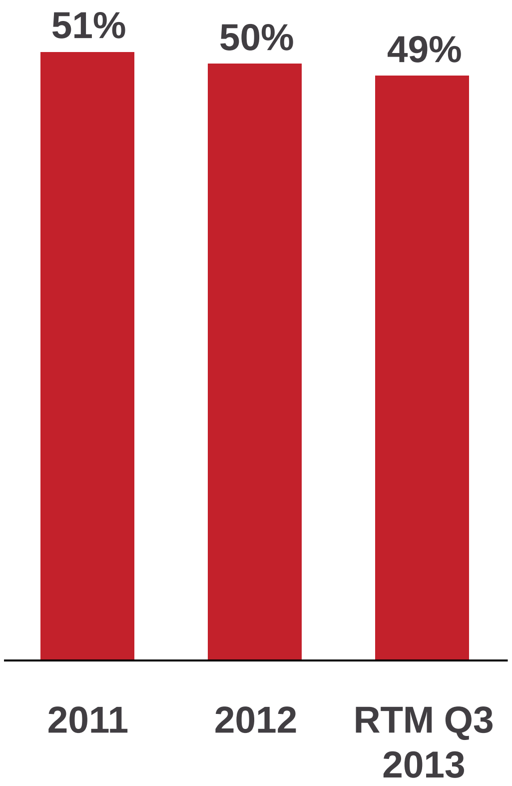




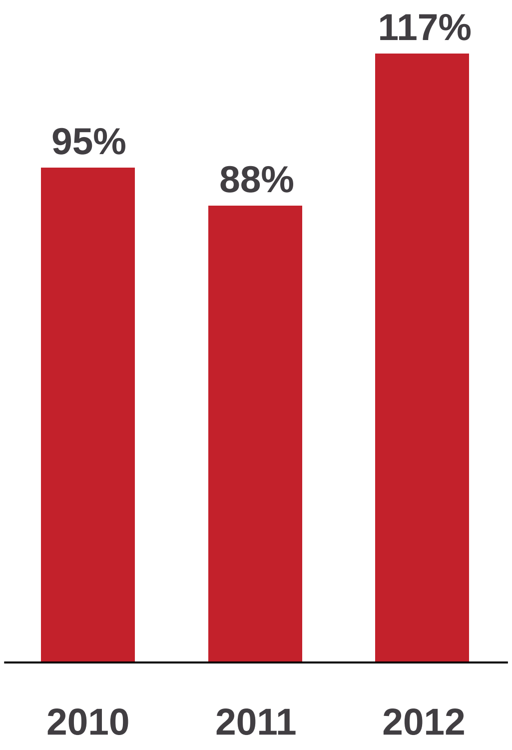

1. Adjusted for acquired and divested companies and currency translation effects.
2. Adjusted for contract production to the process chemistry industry.

# Orkla Home & Personal

**Gross margin**




**Cash conversion[1]**




1. Cash flow from operations / EBIT (adjusted).

# #1 positions in all product categories

- Stable markets
- Strong brand loyalty

- High margins
- Strong Nordic purchasing power


Personal Care


Home Care


Health


Textiles

# Strong Nordic platforms for future growth

| | Personal Care | Home Care | Health | Textiles |
|---|---|---|---|---|
| **Sales channels:** | • Grocery<br>• Pharmacy | • Grocery<br>• B2B<br>• Home improvement retailers | • Grocery<br>• Pharmacy<br>• Health shops<br>• DTC<br>• Convenience<br>• Sport / Fitness<br>• B2B | • Grocery |
| **Home markets:** | | | | |
| **Companies:** | Lilleborg | Lilleborg<br>Jordan | axellus | Pierre Robert Group |



Orkla

# #1 local brands with long heritage – going back 150 years


Jordan (1837)

Möllers (1854)


Dr. Greve (1899)

SanaSol (1933)

Blenda (1935)

Lano (1936)

Zalo (1952)

Pierre Robert (1956)

Omo (1961)

Sun (1966)

Jif (1977)

Gerimax (1981)

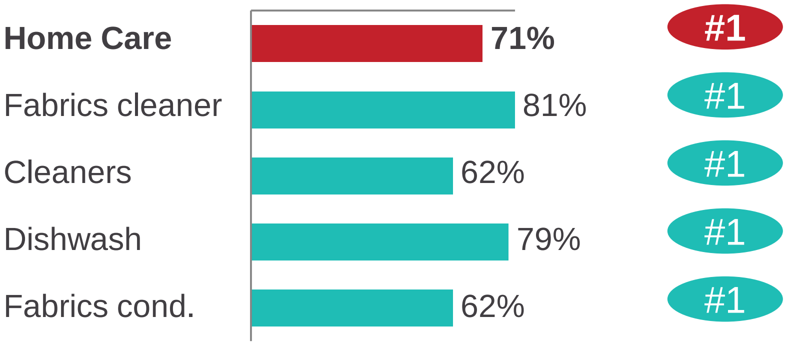
Nutrilett (1989)

Maxim (1991)

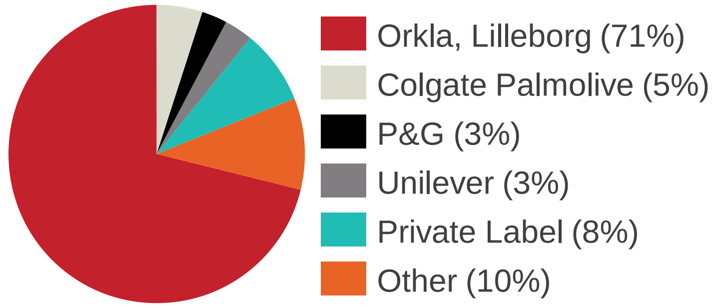
Define (2001)

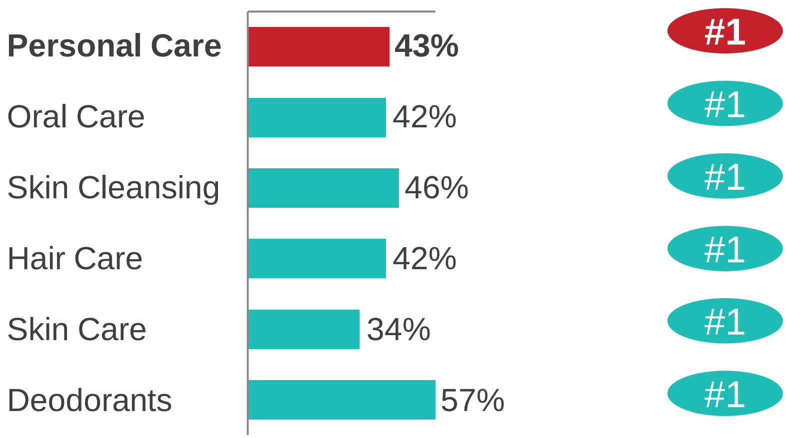
# Unique home and personal care #1 positions in Norway

## Market share | Position | Orkla vs Competition

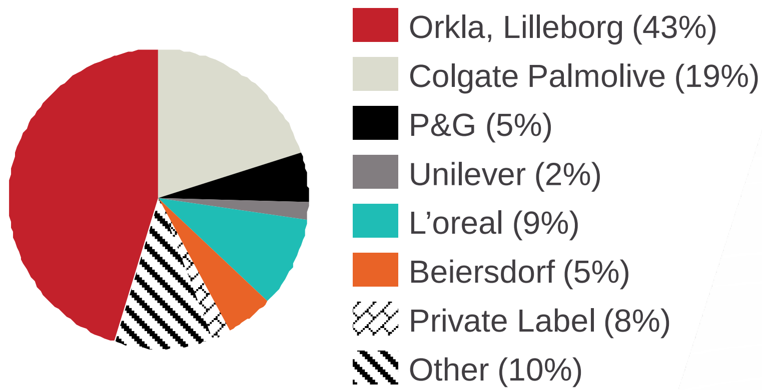



**Home Care**




**Personal Care**

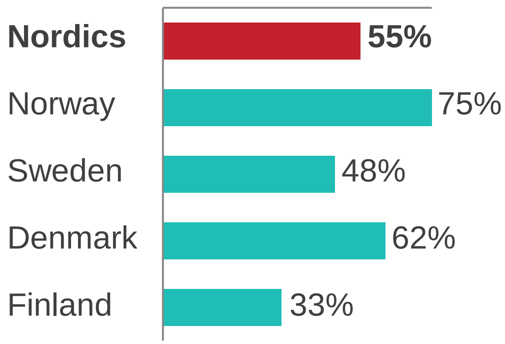





Source: AC Nielsen (grocery) 52 weeks RTM JUL2013

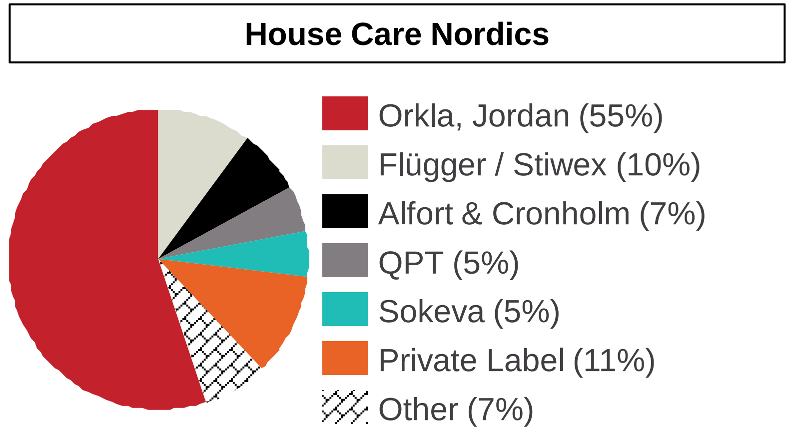
# #1 Nordic market positions in House Care

## Market share




## Position


## Orkla vs Competition

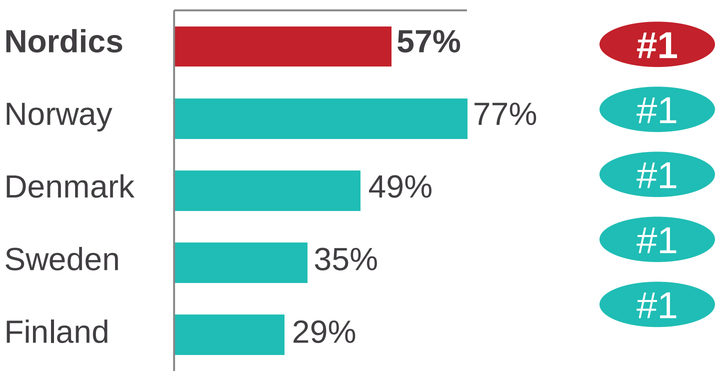




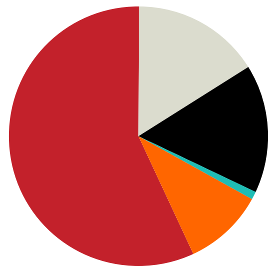

Source: Orkla estimates

# #1 market positions in food supplements

## Market share | Position




## Orkla vs Competition



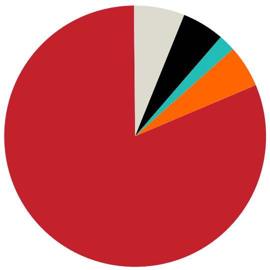




Source: Grocery markets AC Nielsen per July for Denmark and Norway and per August for Sweden. Finland is based on Orkla estimate. All figures are RTM.

# Strong grocery positions in textiles

**Market shares Norway**



- Pierre Robert Group (78%)
- Springhill Textile (6%)
- Kari Traa / Active Brands (5%)
- Private Label (6%)
- Other (5%)

**Market shares Sweden**

- Orkla, Pierre Robert (29%)
- Springhill Textiles (16%)
- Triumph (1%)
- ICA, My wear (PL) (42%)
- Other private labels (9%)
- Other (3%)

Source: AC Nielsen Norway 12w 11.august 2013, A.C.Nielsen Sweden 8w 14.juli 2013

# Local brands based on local insight are winners

**Local brands**

**Local insight**

- Better local consumer understanding
- Better trade and category understanding

**Local scale**

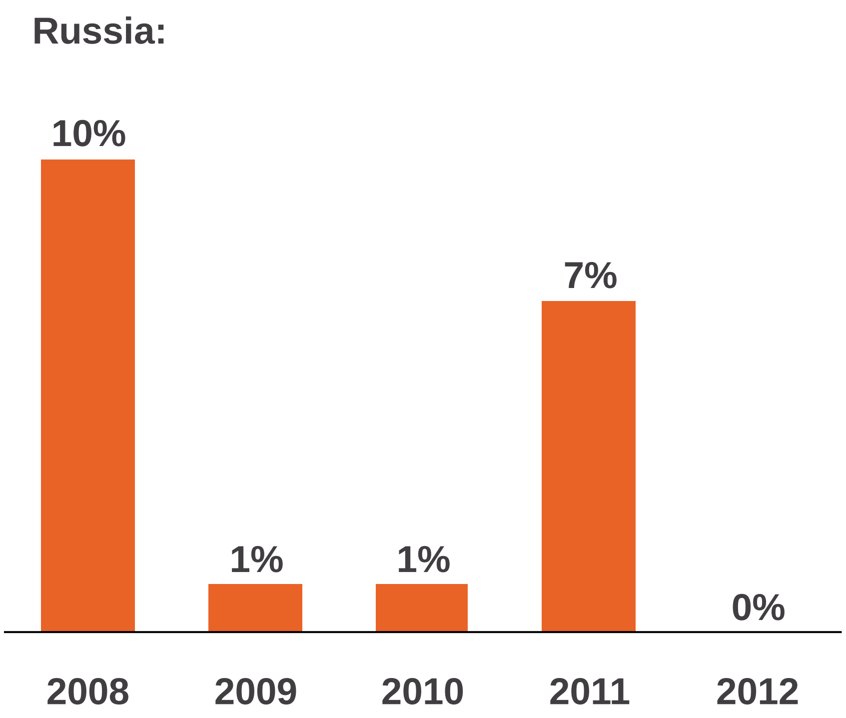
- Flexible local value chain
- Dominant in sales and advertising

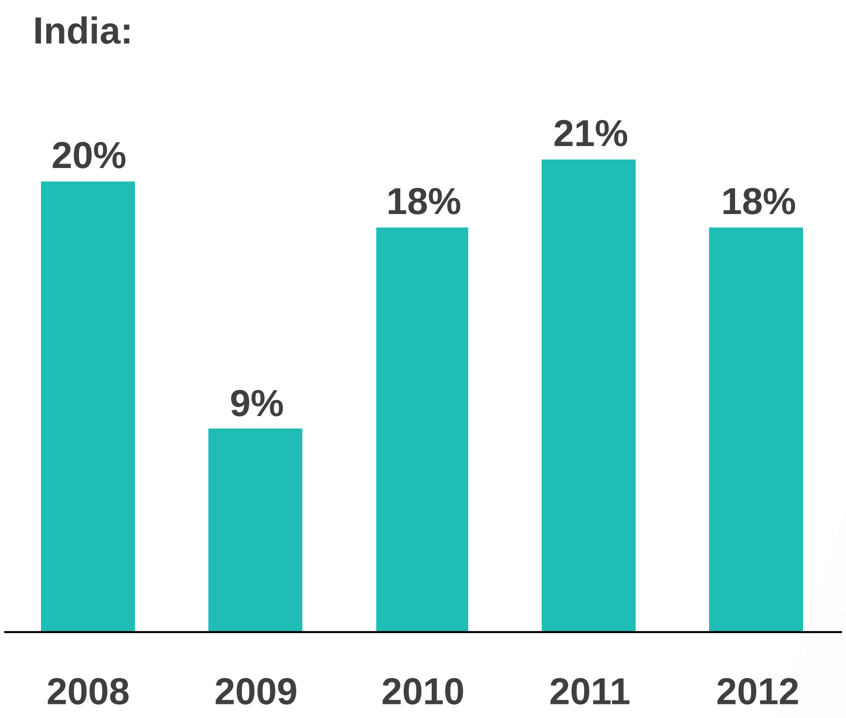
Orkla

# Orkla International

# Orkla International

## Organic sales growth[1]



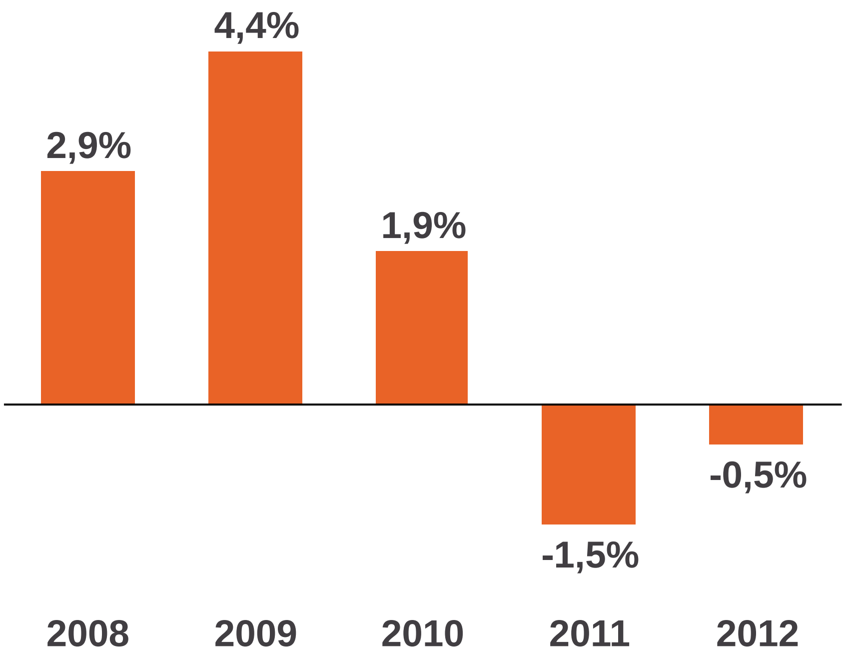




1. Adjusted for acquired and divested companies and currency translation effects.

# Orkla International

## EBITA margin

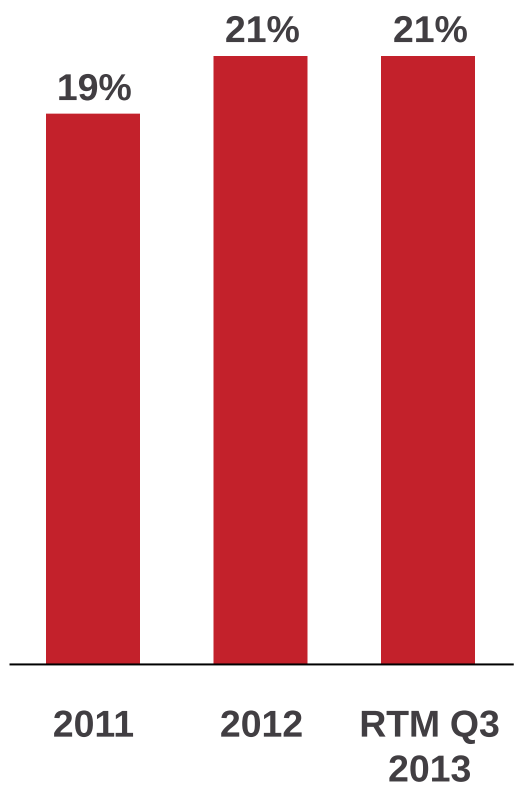
Russia:



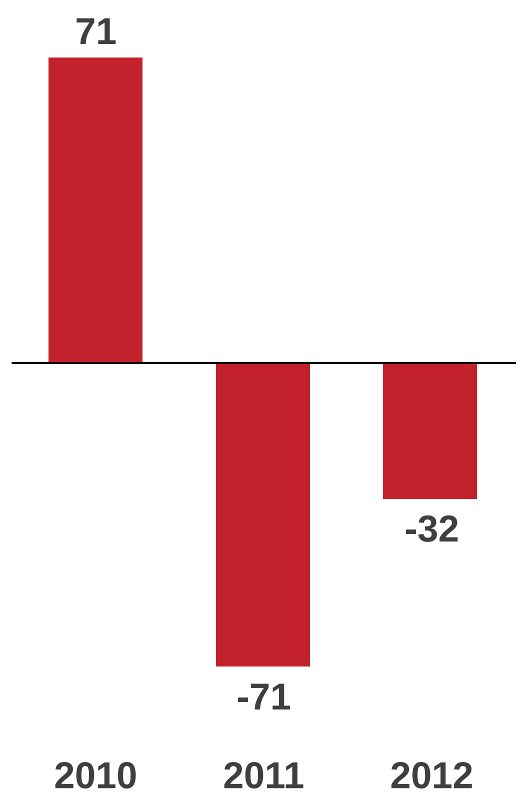

India:

# Orkla International

Gross margin




Cash flow from operations



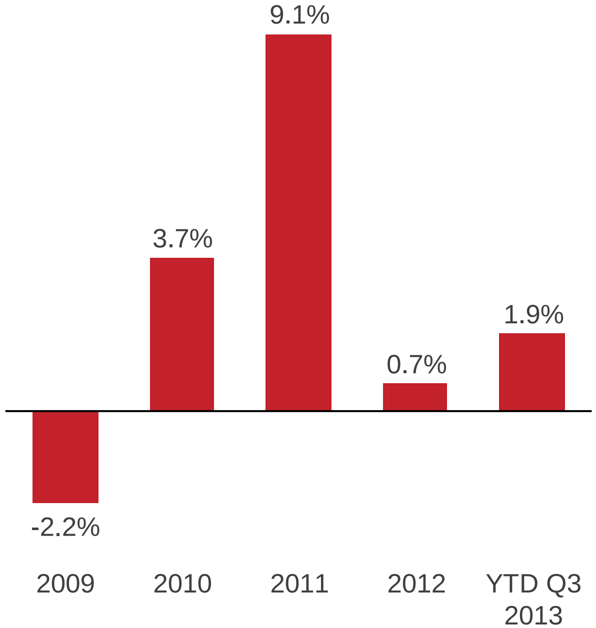
# BCG activities outside Nordic

| | |
|---|---|
| **Baltic** | • Baltic defined as home market (Nordic) |
| **East-Europe** | • Below critical mass<br>• Review strategic options |
| **Russia** | • Comprehensive restructuring ongoing<br>• Review  strategic options mid 2014 |
| **India** | • MTR is value accretive<br>• Represents optionality for Orkla longer term |

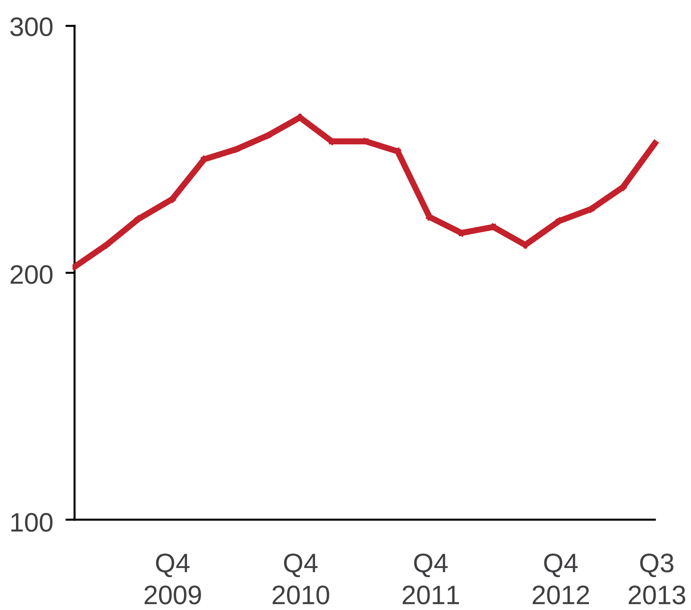
# Orkla Food Ingredients

# Orkla Food Ingredients

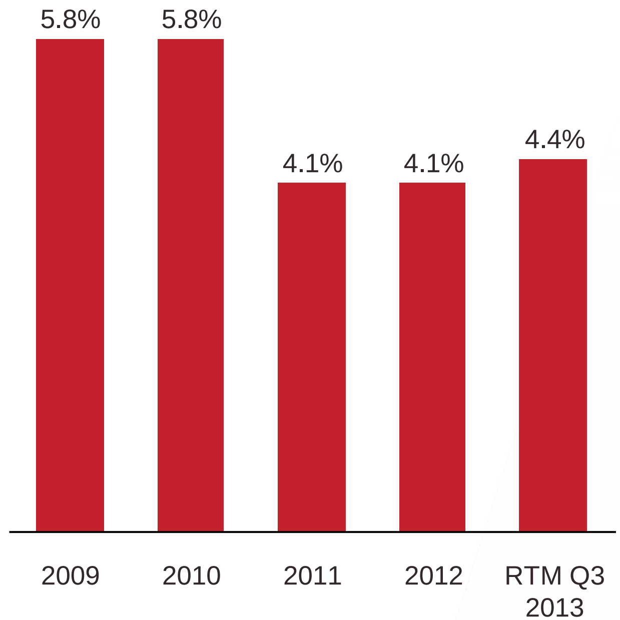
## Organic sales growth[1]




## RTM EBIT (adjusted) (NOK million)



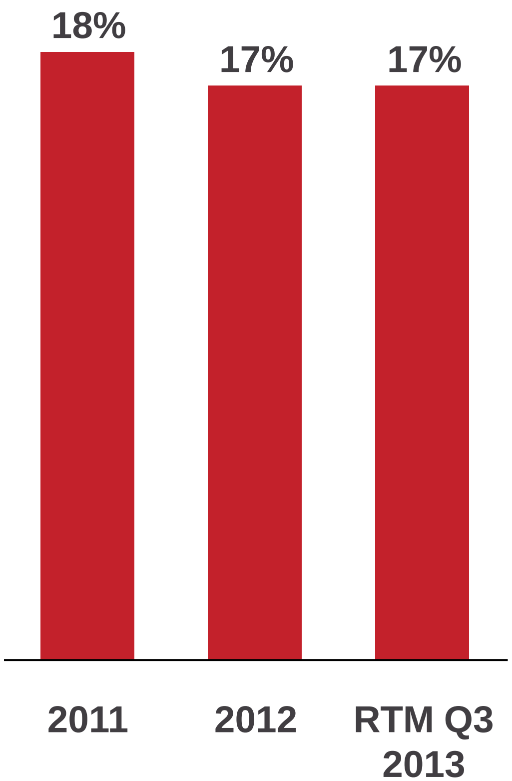

## EBIT margin (adjusted)



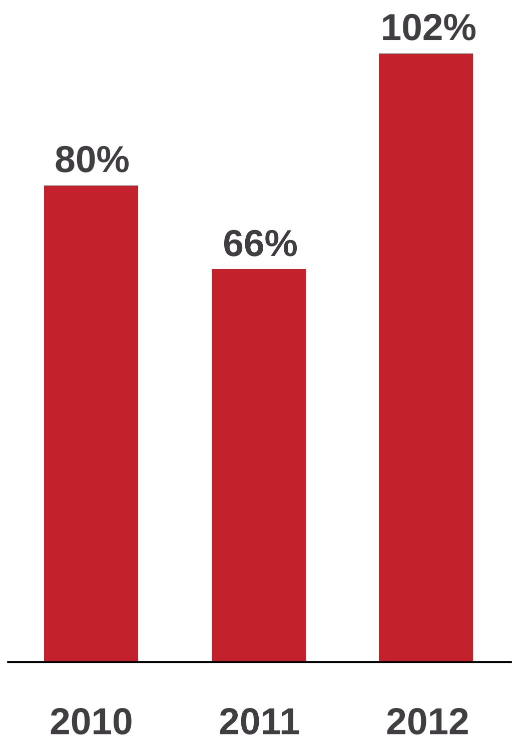

1. Adjusted for acquired and divested companies and currency translation effects.

# Orkla Food Ingredients

Gross margin




Cash conversion[1]






1. Cash flow from operations / EBITA

# Orkla Food Ingredients

**Customers**

- Primarily serves the bakery industry (B2B)
- 20% of NSV Nordic retail

**Structure**

- Reorganized 1H 2013
  - Product BUs
  - Nordic Sales & Distribution

**Strategy**

- Strengthen Scandinavian Core
- Strengthen position in mixes and improvers
- Build  #1 position in selected CEE countries

**Financial goal**

- ROCE 12.5% in 2014

# Other companies

Extruded aluminum products,
50/50 joint venture with Norsk Hydro

Rolled aluminum products,
Fully consolidated, EBITA 2012: NOK 309 m

Manufacturer of paints and coatings,
42,5% ownership

Hydro Power

2 hydro power plants in Norway,
Fully consolidated, EBITA 2012: NOK 208 m

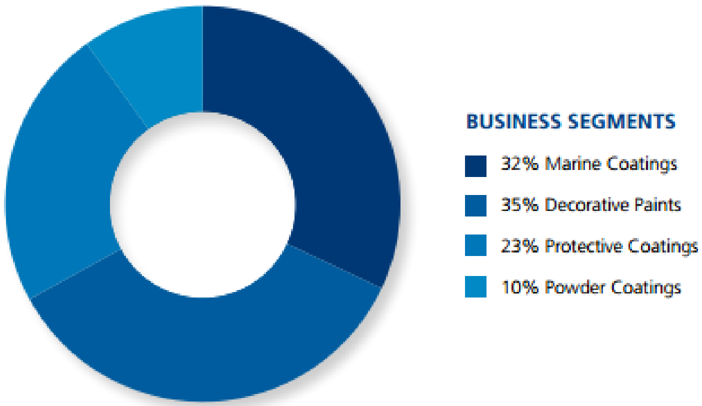
Orkla also owns shares and financial assets valued to NOK 1 billion and real estate assets with a book value of approximately NOK 2.5 billion (values as of Q3 2013).

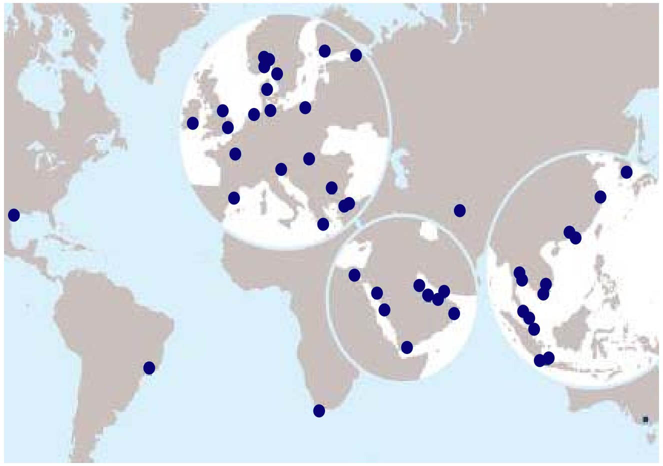
# Jotun (42,5% ownership)

# One of the world's leading/fastest growing manufacturers of paints and coatings

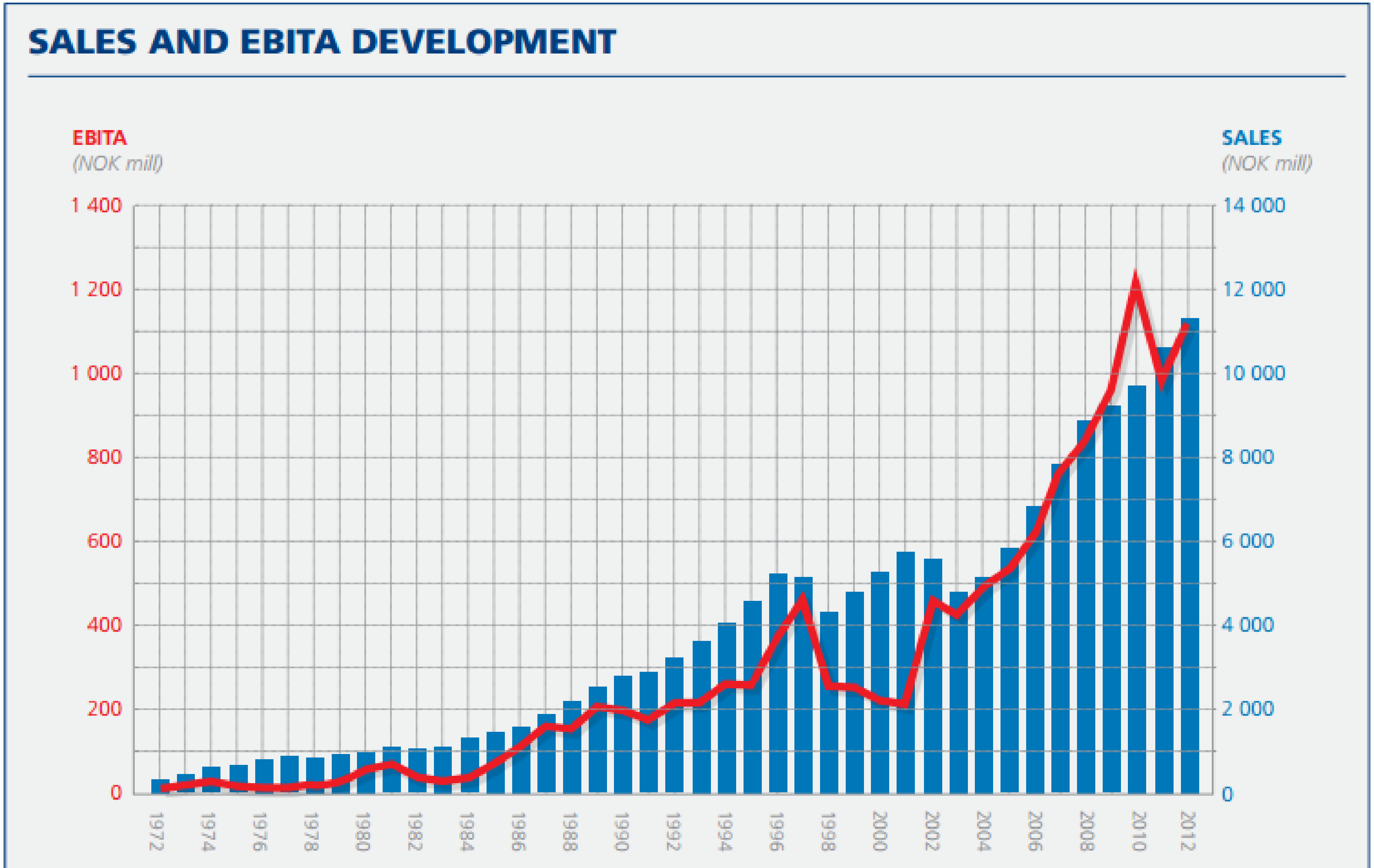
A global company with regional strongholds in Middle East, Asia and Scandinavia

- Orkla's ownership: 42.5%
- Represented on all continents via subsidiaries and JVs
- Revenues 2012: NOK 11.4 billion
- EBIT margin: 10%
- 9 largest paint company in the world
- 41 factories located on all continents
- 70 companies in 40 countries



# Sales and EBITA development




From 2003 the sales and EBITA is according to IFRS. Before 2003 the figures are according to NGAAP.
EBITA is earning before interest, tax and amortisation.

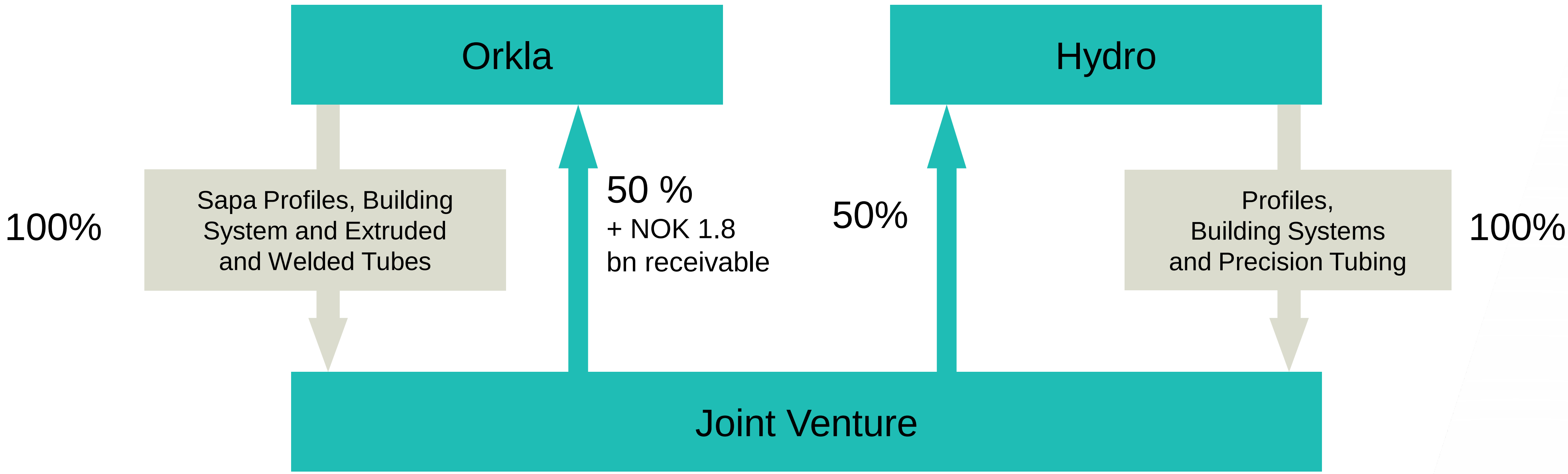
# Market shares 2012

| | Decorative | | Protective | | Marine | |
|---|---|---|---|---|---|---|
| | Share | Position | Share | Position | Share | Position |
| Abu Dhabi | 53 % | 1 | 67 % | 1 | - | - |
| Saudi | 18 % | 1 | 11 % | 4 | 30 % | 2 |
| Egypt | 11 % | 4 | 58 % | 1 | 49 % | 1 |
| Oman | 52 % | 1 | 52 % | 1 | 43 % | 2 |
| Dubai | 59 % | 1 | 47 % | 1 | 22 % | 2 |
| Bahrain | 32 % | 2 | 24 % | 2 | 75 % | 1 |
| Kuwait | 17 % | 2 | 6 % | 3 | 30 % | 2 |
| Qatar | 50% | 1 | 9 % | 4 | 33 % | 2 |
| Pakistan | 2% | - | - | - | - | - |
| Jordan | 9 % | 4 | 23 % | 2 | 50 % | - |
| Libya (2010) | 35% | 1 | 38 % | - | 14 % | - |
| Yemen (2010) | 7 % | 3 | 36 % | 1 | 20 % | - |
| Syria (2010) | 5 % | 3 | 9 % | - | 17 % | 3 |

# Non-core

# Orkla and Hydro creating a stronger extruded aluminum company better positioned for a successful exit

- Annual revenue and cost synergies of NOK 1 billion
- Orkla will initiate an IPO after approx. 3 years from closing



# Agenda of the new company

| | | |
|---|---|---|
| Europe | ▶ | Building on solid knowledge base, rightsizing portfolio |
| North America | ▶ | Integrating and capitalizing on strong positions |
| Emerging markets | ▶ | Developing attractive positions in high-growth markets |

# Q3 2013 results Sapa (50/50 joint venture)

- Sapa, the new global leader in extruded aluminum solutions, was established on 1 September 2013.
- Focus on integration and realisation of synergies
- Decline in general extrusion demand in Europe has slowed
- US automotive market contributing to positive growth
- Pro-forma sales volumes up by 1% in Q3 2013 vs Q3 2012
- Orkla's share of Sapa's net income for September was NOK -35 million on the line for associated companies and joint ventures

| Pro-forma figures (100%) | Q3-12 | Q3-13 |
|---|---|---|
| Operating revenues | 10 414 | 10 797 |
| Underlying EBIT | 76 | 24 |

# Gränges (Heat Transfer)

- Heat exchanger solutions based on aluminium strip
- Heat Transfer is reported as an independent segment, according to the new structure
- Structural process initiated for divestment of Sapa Heat Transfer

Amounts in NOK million

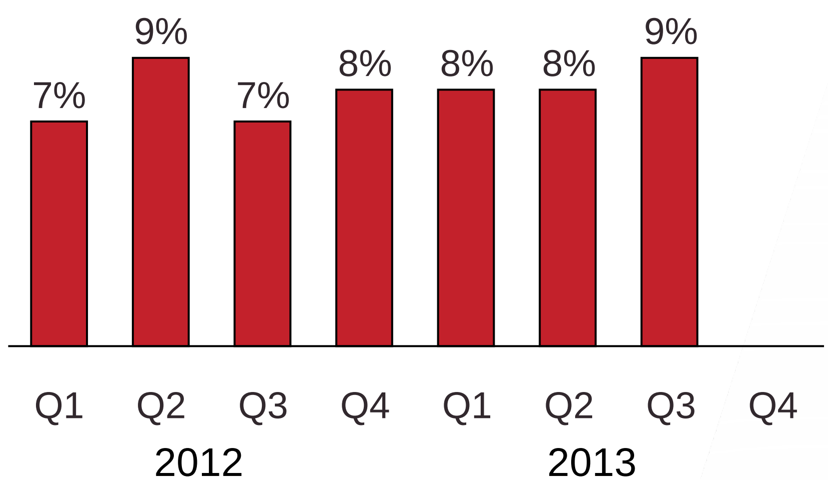
| Sapa Heat Transfer | 2011 | 2012 |
|---|---|---|
| Operating revenues | 3 908 | 3 990 |
| EBITA | 179 | 309 |
| EBITA margin | 4.6 % | 7.7 % |

# Q3 Results Gränges (Heat Transfer) -Volume and profit growth

- Volume growth in Europe despite slow automotive market
- Operational efficiency improvements in both Sweden and China
- Further restructuring in Sweden
  - Notice given of reduction of 65 employees
- Cash conversion of 108% year to date

| Key figures | Q3-12 | Q3-13 |
|---|---|---|
| Operating revenues | 948 | 950 |
| EBITA | 66 | 90 |

**EBITA margin performance:**






Orkla

# Hydro Power assets in Orkla

**AS Saudefaldene (85% ownership) – 1.8 TWh**

- Leased from Statkraft
  - Orkla will be compensated with NOK ~1.1 billion when returning the power plants in 2030
- No profit contribution from ~1 TWh per year
- Production above ~1 TWh sold at spot
- Operating expenses: NOK ~70 million in 2012*
  - Includes maintenance investments of NOK ~25 million
- Depreciations: NOK ~50 million in 2012

**Sarpsfoss – 0.6 TWh**

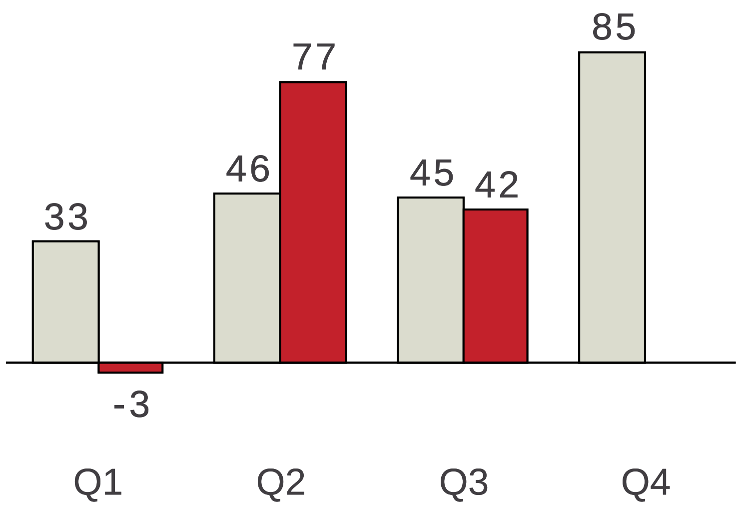
- Not part of the Norwegian reversion regime
- River plant
- Contracts with spot prices
- Operating expenses: NOK ~50 million in 2012
- Depreciations: NOK ~10 million in 2012


*Net after operating refunds

# Q3 2013 results Hydro Power
# – Lower production – Higher prices

- Spot prices were 85% higher than in Q3-12
- Production was 545 GWh in Q3 compared with 760 GWh last year
  - Whereof 257 GWh each quarter is contract production with no P&L effect

**EBITA (NOK million)**




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