



Investor presentation The Orkla Group

November 2012



Agenda

- Strategic direction
 - Taking Orkla to a branded consumer goods company
- Branded Consumer Goods
- Other businesses
 - Jotun
 - Sapa
 - Hydro Power
- Financial performance 2011
 - The Orkla Group



Taking Orkla to a branded consumer goods company

Orkla's strategic direction

- Orkla will be a branded consumer goods company
- Orkla will strengthen its position as the leading Nordic branded consumer goods company
- The focus as a branded consumer goods company is on operational improvements, organic growth and structural growth through value-adding acquisitions
- Orkla will divest its non core assets



Orkla Group

Fully consolidated

Equity accounted

Financial assets

CORE

Foods Nordic

EBITDA R12M Q3-12: NOK 1,418m

Brands Nordic

EBITDA R12M Q3-12: NOK 1,573m

Brands International

EBITDA R12M Q3-12: NOK 93m

Food Ingredients

EBITDA R12M Q3-12: NOK 339m

Jotun (42.5%)

EBITDA 2011: NOK 1,203m

NON CORE

Hydro Power

EBITDA R12M Q3-12: NOK 270m

Heat Transfer

EBITDA R12M Q3-12: NOK 375m

Sapa (JV announced)

EBITDA 2011: NOK 1,291m

Share Portfolio

Market value: NOK 2.9b

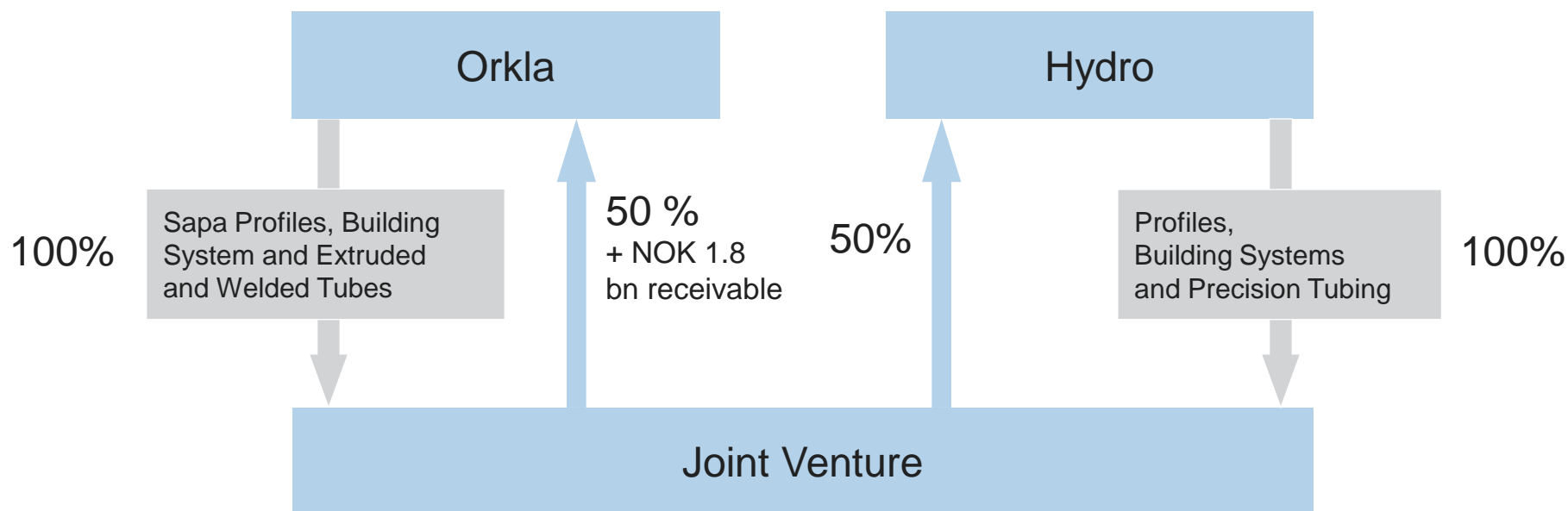
Borregaard (7-19%)

REC (16%)

Important actions in Q3 to deliver strategy

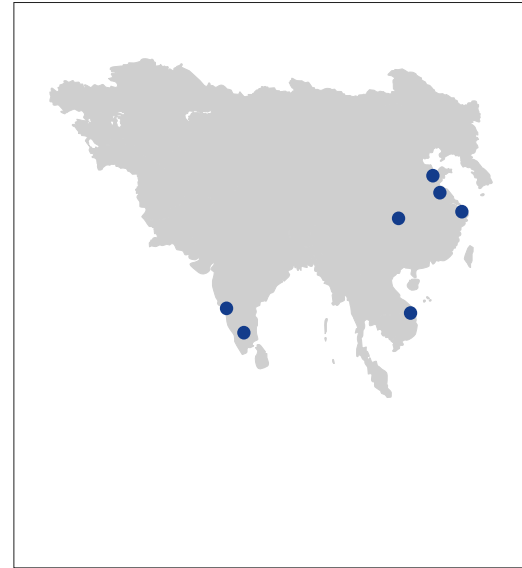
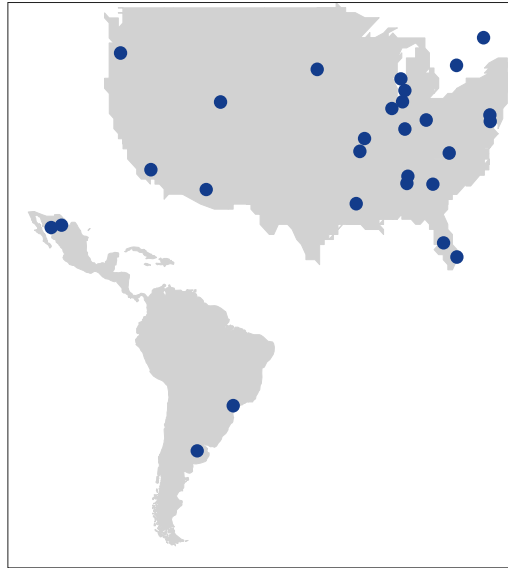
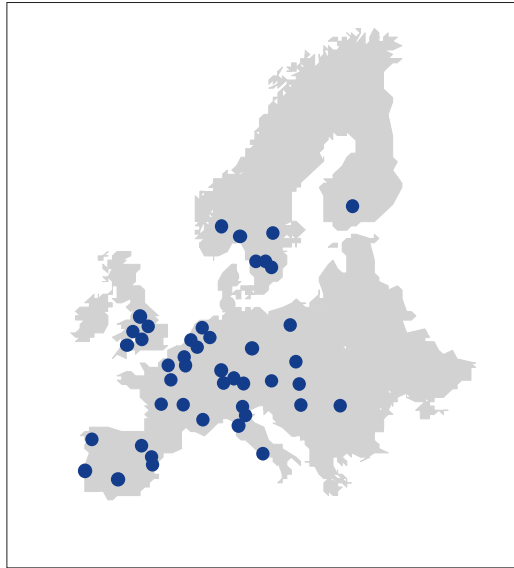
- Agreement to acquire Rieber & Søn
- Closing and integration of Jordan
- Orkla and Hydro to create the world's leading aluminium solutions provider (Sapa JV)
- Structural process initiated for divestment of Sapa Heat Transfer
- IPO of Borregaard
- Reduction of the Share Portfolio continues
- Ownership in REC reduced

Orkla and Hydro combine extruded aluminium assets



- Either party may initiate an IPO after approx. 3 years from closing, and each party can decide to retain 34 percent

Creating a stronger company better positioned for value creation



- Revenues: ~NOK 47 billion
- Underlying/adjusted EBITDA: ~NOK 1.9 billion
- Annual revenue and cost synergies of NOK 1 billion

*Illustrative figures for the new company 2011, unaudited. Underlying/adjusted EBITDA excludes certain special items

Orkla acquires Rieber & Søn

-Optimal match for Orkla

- Will strengthen Orkla's position as the leading branded consumer goods company in the Nordic region
- Rieber & Søn has strong competencies and leading market positions
- Complementary competencies, product categories and production technologies
- A more concentrated retail market requires supplier consolidation



Rieber & Søn: More than 80 % of sales from #1 or #2 positions

- Sales 2011: NOK 4 293 mill. (70 % in the Nordic region)
- EBITDA (NOK mill.): 464 (2011) 642 (2010) 600 (2009)
- Enterprise Value (EV): NOK 6.1 bn.
- Main categories and market positions:

SAUCES, SOUPS AND DRY READY TO MAKE	#1			
BAKE MIXES AND DESSERTS	#1/2			
SALADS AND DRESSINGS	# 1/2			
RICE, NOODLES AND ONION	#1			
CHILLED READY-MADE MEALS	#2			

Integration of Jordan

- Transaction completed on 31 August
- Reported under Orkla Brands Nordic as of 1 September
- Purchase price (EV): NOK 1,180 million
- Nordic market leader in toothbrushes, dental sticks, dental floss and painting tools
- Sales 2011: NOK 900 million
EBITDA 2011: NOK 120 million



Jordan*

Priority going forward: Execution

1. Transactions: Plan, integrate and extract synergies

- Integration of Rieber & Søn and Jordan
- Complete the JV with Hydro

2. Top-line growth

- Focus on organic growth and “real” innovations
- Supported by add-on acquisitions



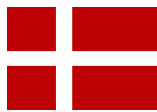











3. Operational excellence

- Operational synergies and scale across the Group
- Increased profitability



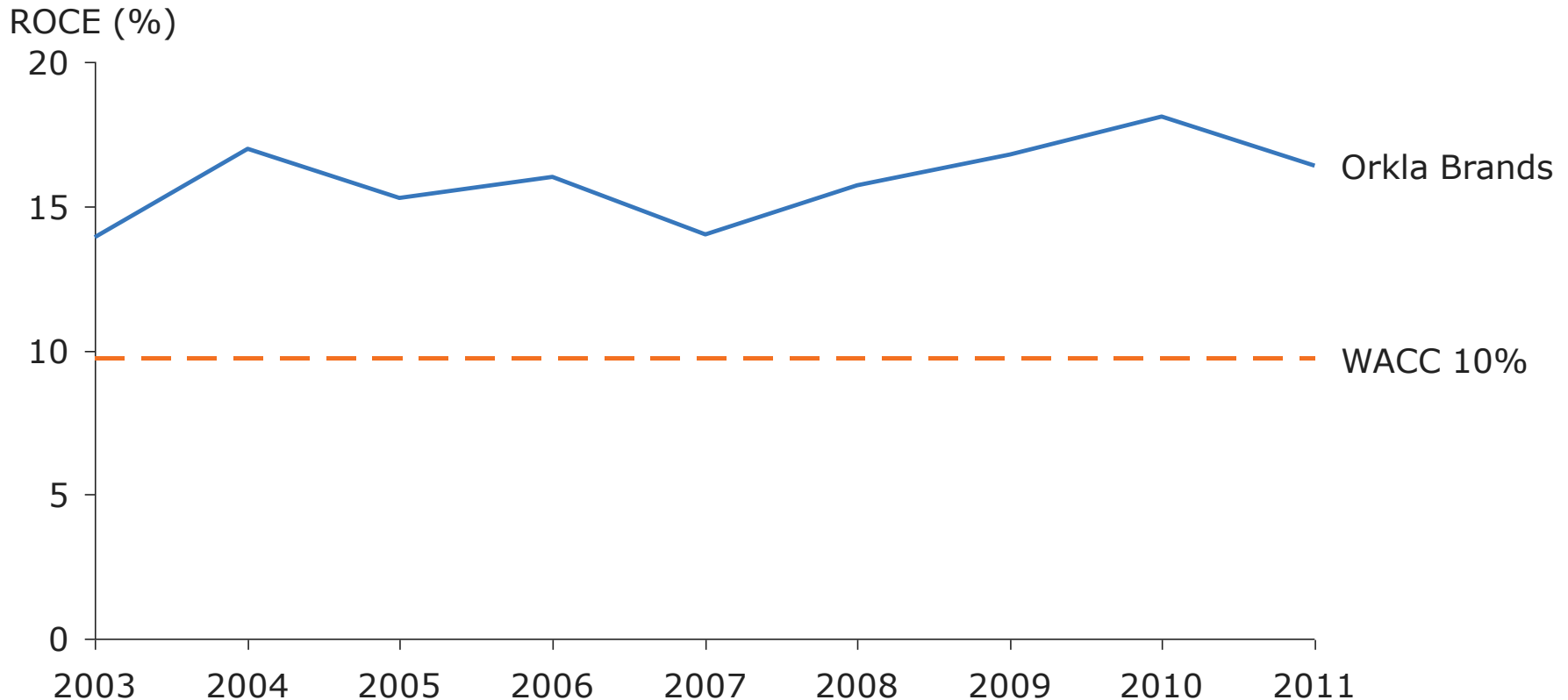
Branded Consumer Goods

Orkla has a proven track record in building strong market positions ...

					
	Detergents	1	○	○	○
Lano	Personal Care	1	○	○	○
	Biscuits	1	1	○	2
	Confectionery	1	○	○	●
	Dietary Supplements	1	2	1	1
	Textiles	1	2	○	○
KiMs	Snacks	2	1	1	1
	Frozen pizza	1	1	○	1
	Ketchup	1	1	2	1
	Dressings	1	1	●	2
	Preserved vegetables	1	1	1	1
	Jam/Marmalade	1	1	1	○
	Caviar (cod roe spread)	○	1	○	1

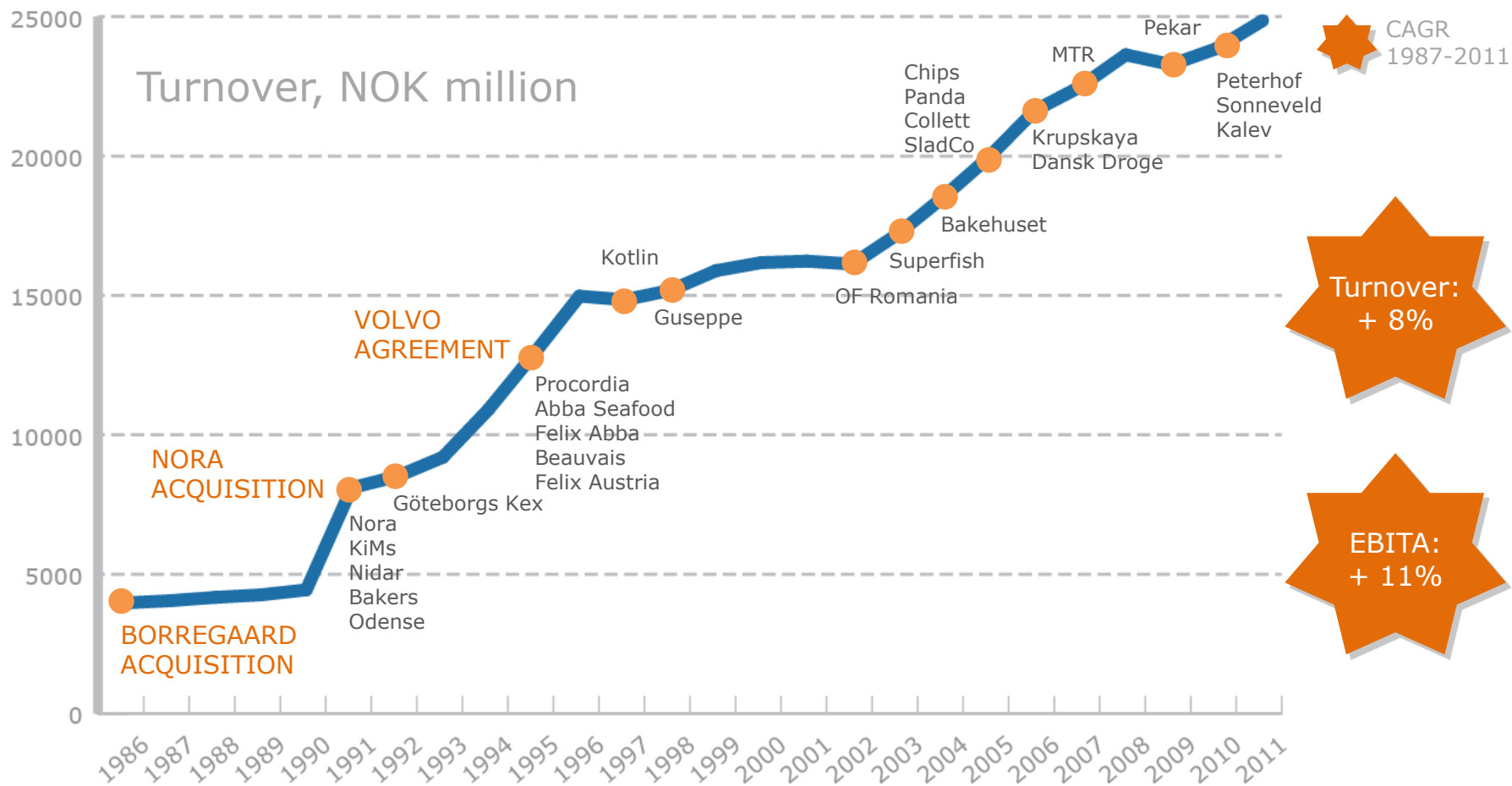
● Present in market
○ Not present in market

... and increasing shareholder value



Orkla Branded Consumer Goods

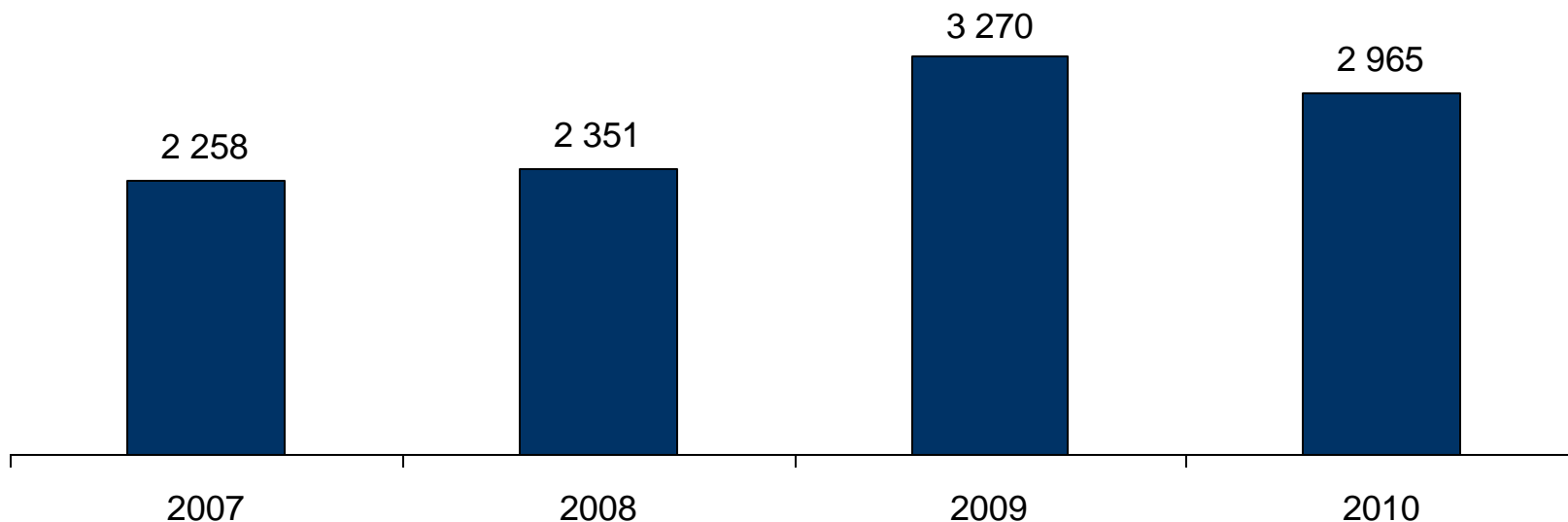
- 25 years of 8% revenue growth



CAGR: Compound Annual Growth Rate
Breweries are not included in the graph

Solid cash flow over time

Cash flow, NOK million



Cash
conversion

102%

91%

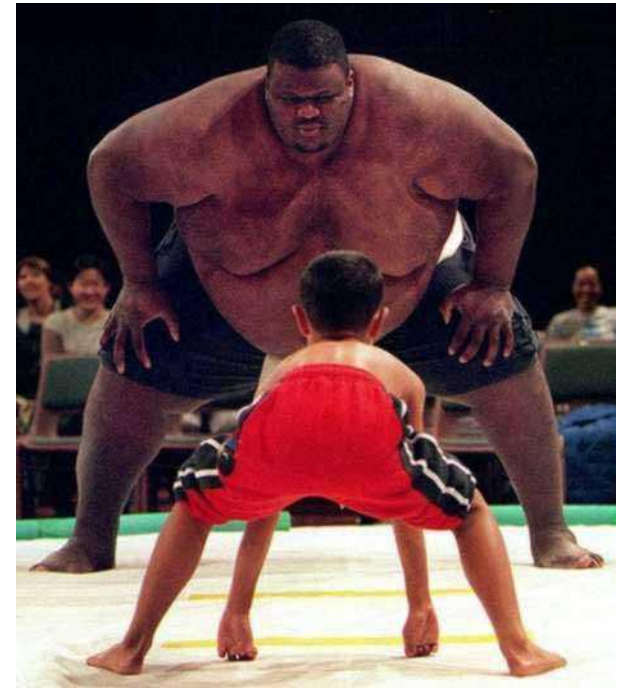
117%

100%

Cash conversion = cash flow from operations before tax / EBITA

Competitive advantages

- A small player globally, but a large player locally
 - We always operate in home markets (Multi-Local Model)
- Strong position in trade
- 80% if turnover from leading market positions
 - Consumer loyalty to our local brands
 - Superior local consumer insight
- Attractive buyer of locally based businesses



80% of turnover from leading market positions



- Broad-based portfolio
 - ~70% of turnover (retail) is from the 10 largest categories
 - Large scale-effects through being a large total player in local markets
- Strong local brands
 - No global brands



Leading local brands in Norway

Market shares

Stabburet

80%



Dr. Oetker

14%



Lilleborg

78%



P&G

6%



Leading local brands Sweden

Market shares

Procordia

55%



Heinz

33%



Göteborgs Kex

12%



Kraft

1%



Leading local brands in Denmark & Estonia

Market shares

KiMs

47%

Denmark



Frito-Lay

9%



Kalev

35%

Estonia



Mars

6-7%



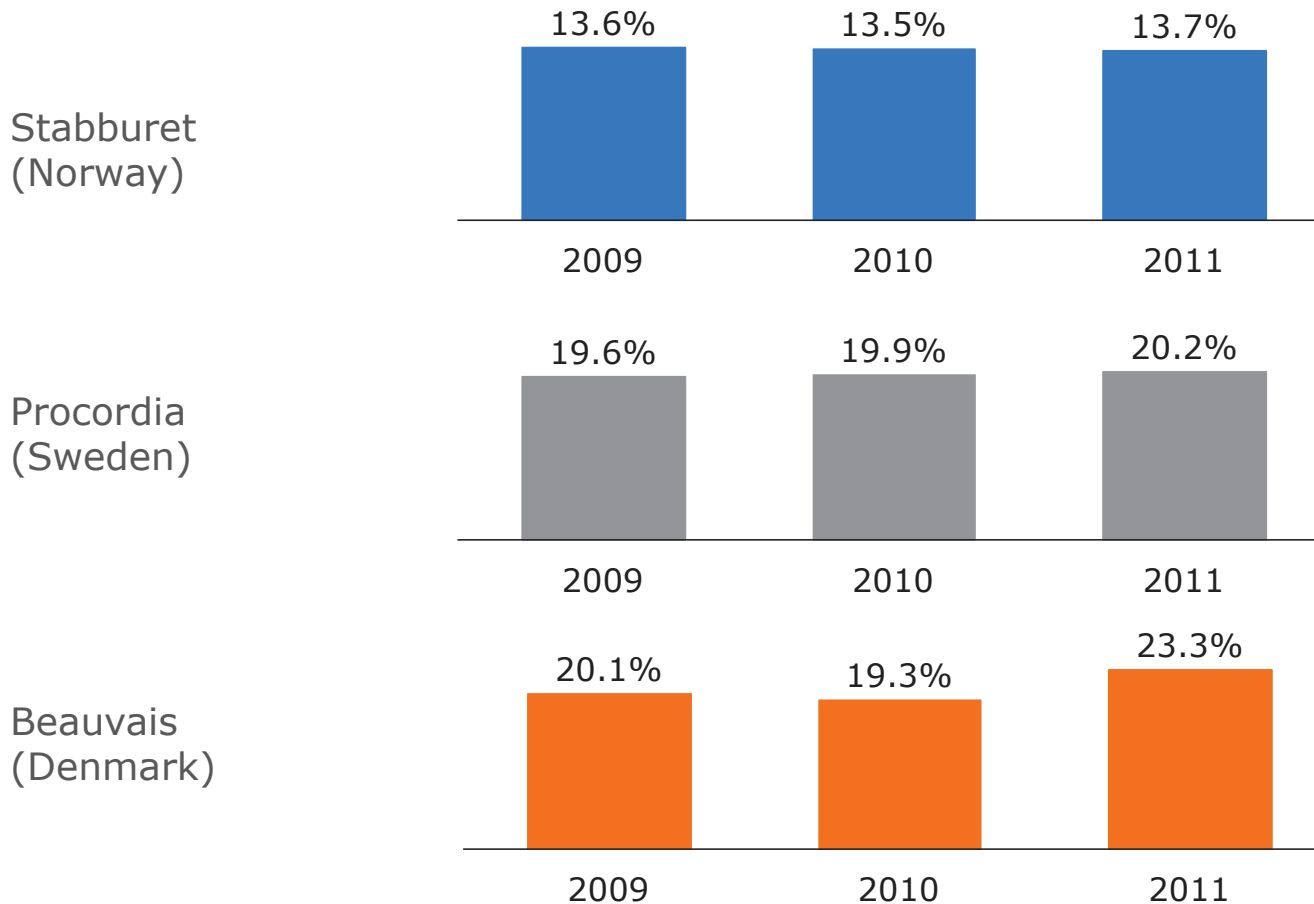
Kraft

3-4%



Private Label share relatively moderate and stable in the Nordics

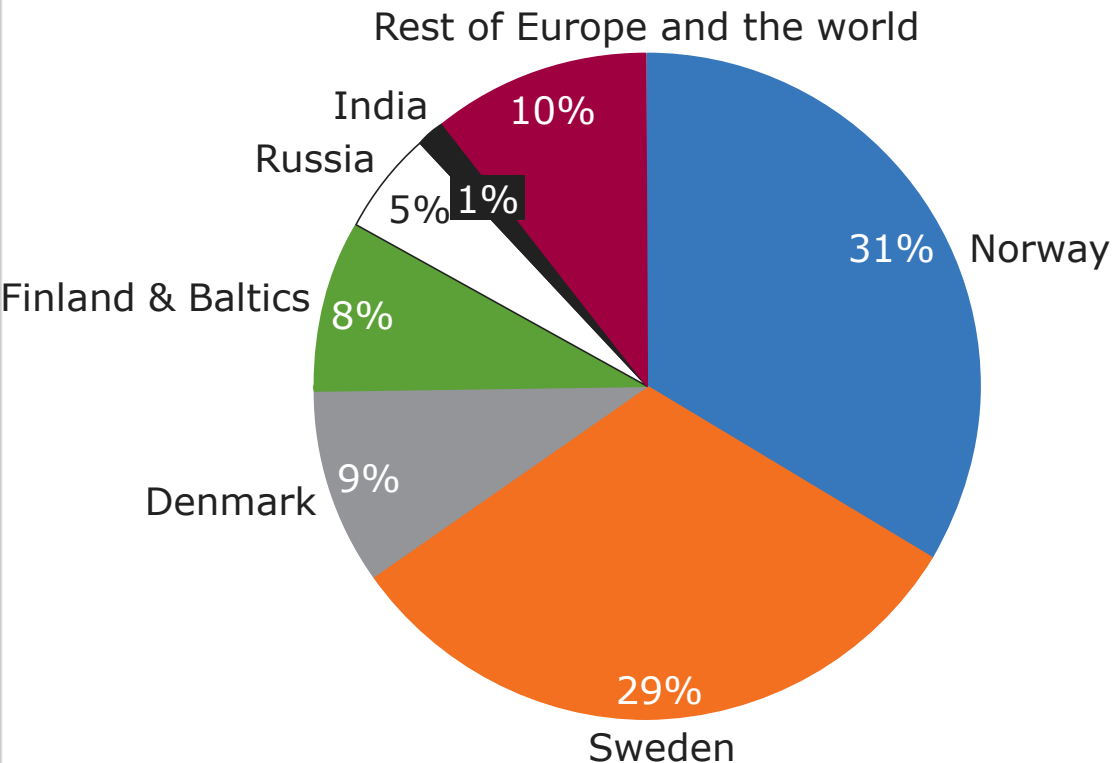
12 month PL share (value) in relevant categories



The strongest brand builder in the Nordic markets

- **We hold strong market positions** in an attractive Nordic market - delivering steady EBITA and cash flow growth
- **Our Multi-Local Model has proven** its strengths and will continue to form the basis of our strategy
- **Our growth strategy** is a combination of organic and structural (M&A) growth

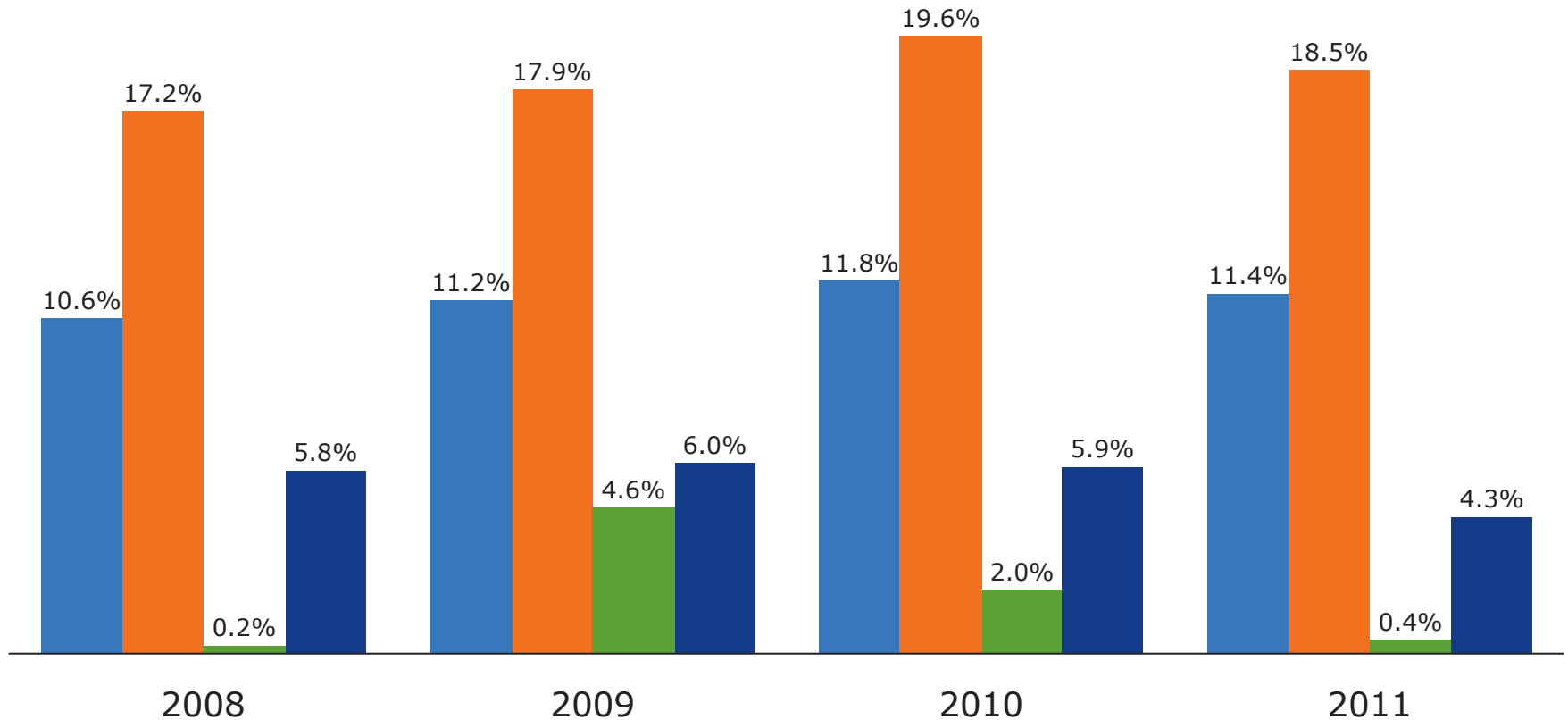
Majority of turnover is derived through B2C in the Nordics



Share of turnover 2011

Key figures	2011
Operating revenues (NOK million)	24 621
EBITA (NOK million)	2 784
Man-years	13 749

Strong local brand positions – high margin level



■ Orkla Foods Nordic ■ Orkla Brands International
■ Orkla Brands Nordic ■ Orkla Food Ingredients

EBITA-margin

Characteristics for defining a relevant geographical market

- Local tastes and preferences
- Predominantly local assortments
- Locally based mass media
- Leadership network
- Could be national, regional or even purely local

General characteristics of competitors

- International or global in scope
- Far bigger than our own operations
- Focus on global power brands
- Pursuing a “race for scale” (primarily upstream)
- Centrally led, with local “go to market” organizations



Innovation is our key tool for creating organic growth

“Innovation is activities that offer the consumer better value, making the consumer willing to spend more and thereby increasing the value for the trade and ourselves”



$$\text{Value for consumer} = \frac{\text{Benefits (Functional + Emotional + Sensory)}}{\text{Price}}$$

Acquisitions - Product category search criteria

- **Localness**
 - Are there locally distinguishable preferences?
- **Size and growth dynamics**
 - Is the category sufficiently large/too large?
 - Is the category supported by key trends?
- **Synergy potential**
 - How can we add value to the category?
 - What synergies can we realize?
- **Competition**
 - What is the market structure like (international players)?

Orkla Brands' 10 largest raw material groups

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





Other businesses

Jotun – Sapa - Hydro Power



Jotun

(42.5% ownership)

Jotun – within our Branded Goods scope

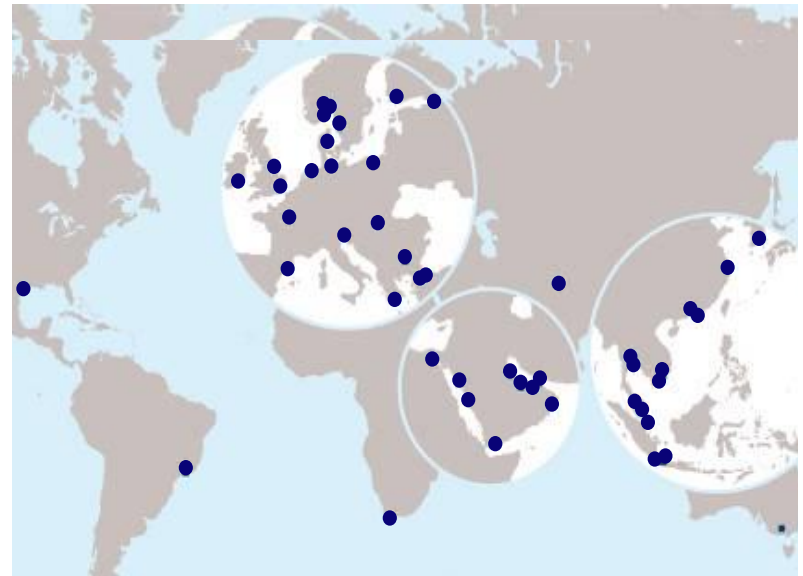
- Orkla's ownership: 42.5%
- One of the world's leading/fastest growing manufacturers of paints and coatings
- Represented on all continents via subsidiaries and JVs
- Orkla has confirmed its long-term interest in Jotun



Jotun – a global company...

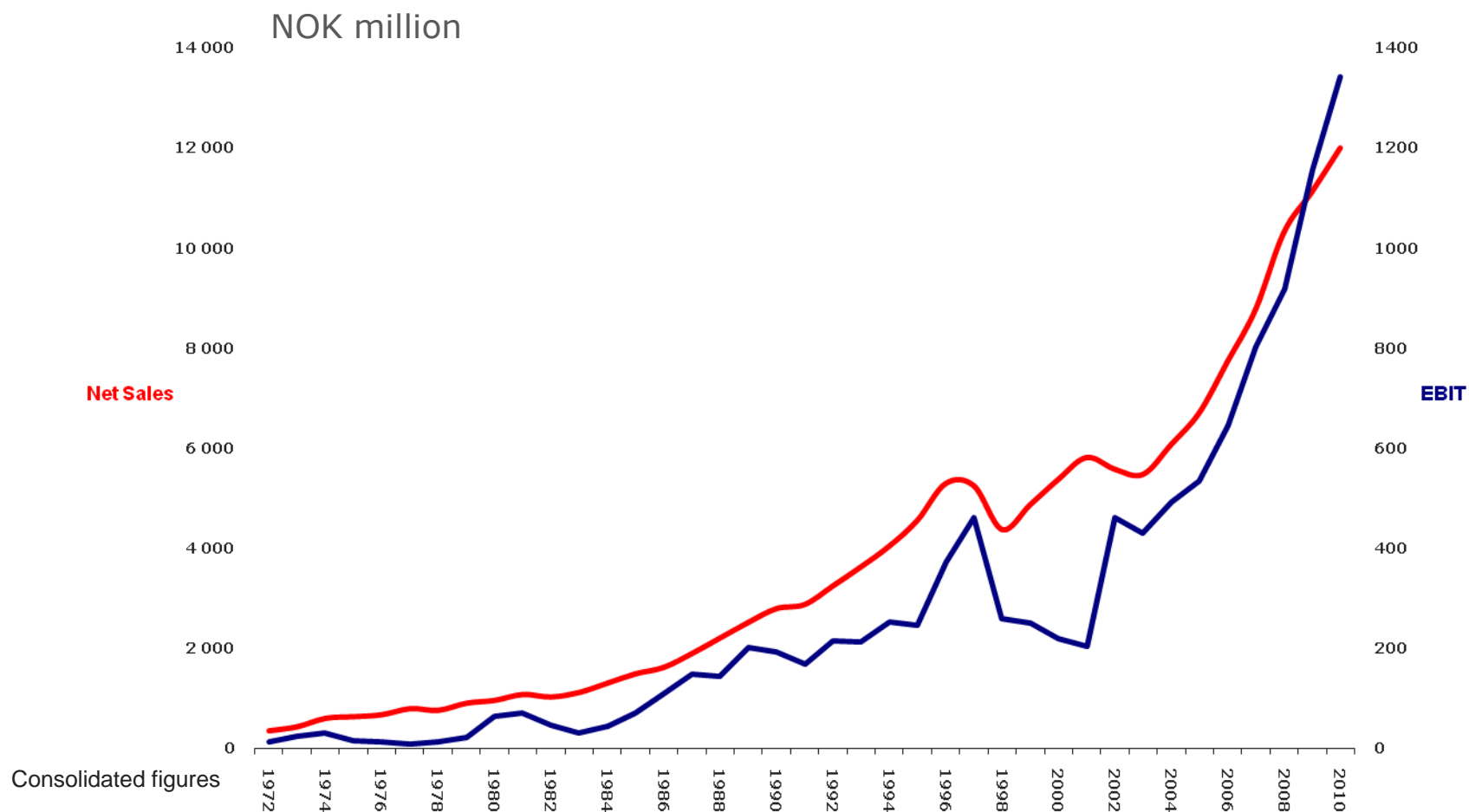
.....with regional strongholds – Middle East, Asia and Scandinavia

- Total sales NOK 10.7 billion*
- EBIT margin 11.2%
- 9th largest paint company in the world
- 41 factories located on all continents
- 70 companies in 40 countries
- 7 800 employees
- Head office in Sandefjord, Norway
 - 2 divisions managed from Dubai



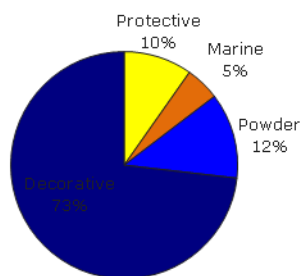
* Consolidated figures

Decades of growth and profitability.....



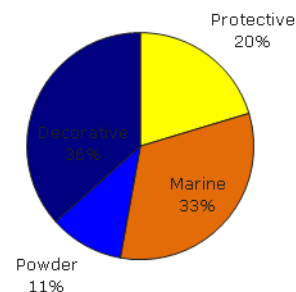
Strong in selected segments and markets

Global market - our segments



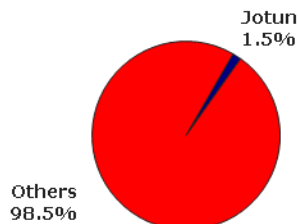
Market size : USD 80 billion

Global market - our sales

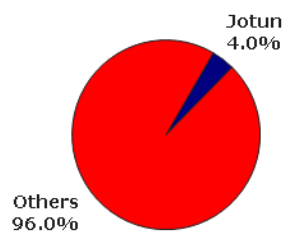


Jotun sales : USD 2.4 billion

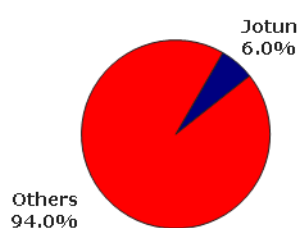
Decorative



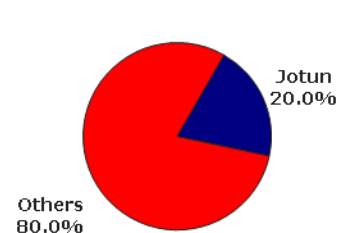
Powder



Protective



Marine

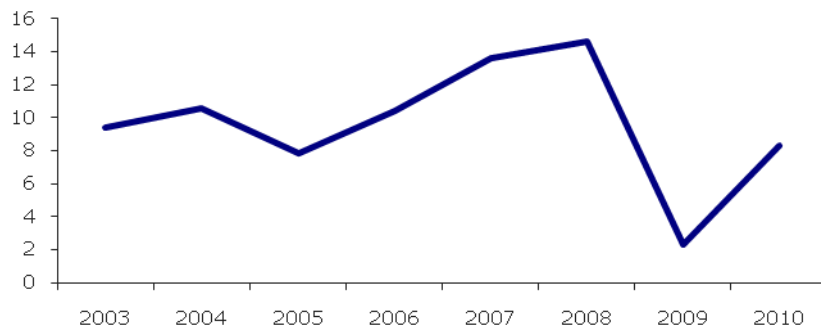


Very strong positions in selected markets

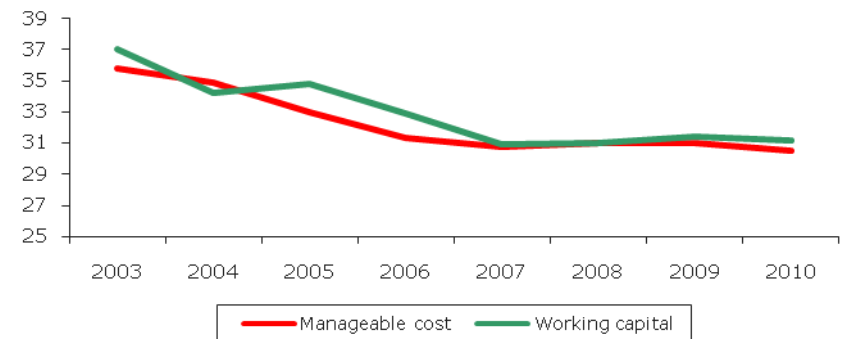
	Decorative		Protective		Marine	
	Share	Position	Share	Position	Share	Position
UAE - Abu Dhabi	42%	1	50%	1	-	-
Saudi Arabia	15%	1	17%	3	17%	3
Egypt	10%	3	48%	1	50 %	1
Yemen	6%	3	55%	1	-	-
Syria	10%	4	-	-	-	-
Jordan	15%	3	-	-	-	-
Oman	52%	1	48%	1	-	-
UAE - Dubai	46%	1	37%	1	38%	2
Bahrain	32%	2	26%	2	40%	1
Kuwait	18%	2	16%	2	26%	3
Qatar	38%	1	9%	2	4%	-

Strong growth and stable profitability

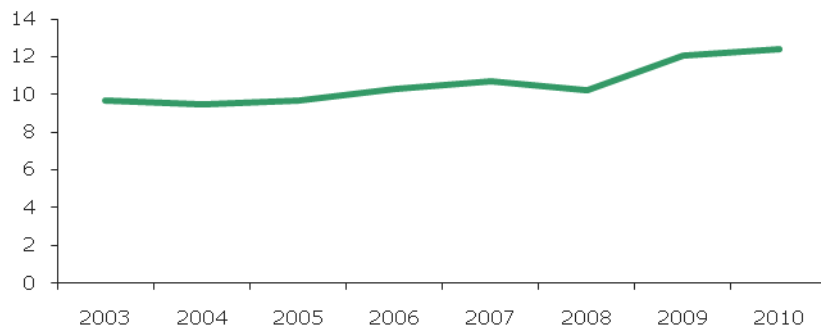
Annual volume growth %



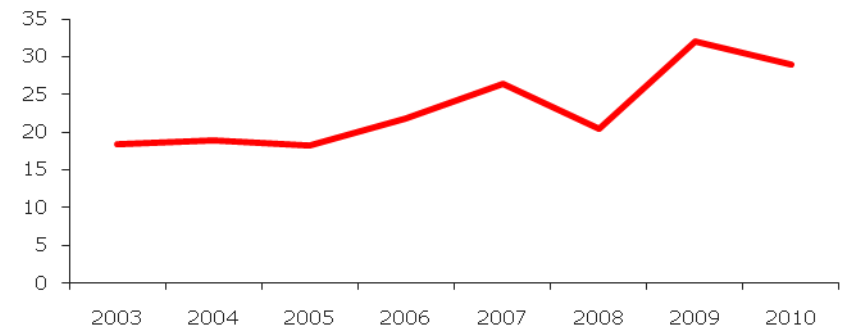
Manageable cost / Working capital %



EBITA %



ROCE %



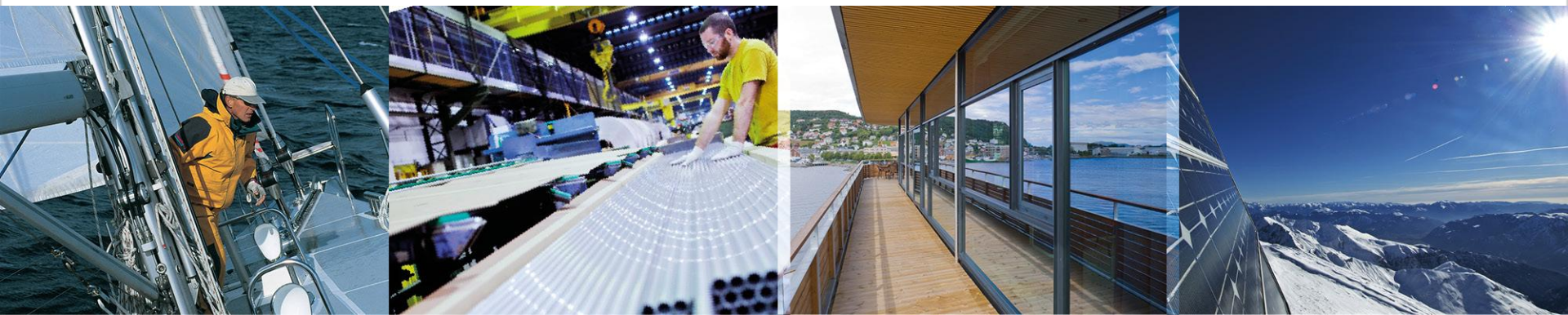
Jotun - Volume growth in 2011

- 11% volume growth in 2011
- Negative margin performance due to challenging market conditions and high raw material costs

Amounts in NOK million

Jotun			Change
	2011	2010	
Revenues	10 659	9 767	9%
EBIT	956	1 240	-23%
Profit/loss before tax	893	1 199	-26%





Sapa

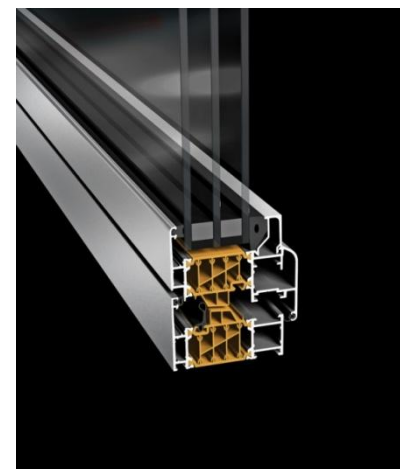
Sapa Profiles and Building System

- Agreement to merge Sapa Profiles and Building System with Hydro's extruded products
- Orkla will own 50% in the Joint Venture
- Sapa Profiles and Building System are presented on the line Discontinued operations, according to the new structure



Sapa Profiles

Solutions using extruded aluminium profiles



Sapa Building System

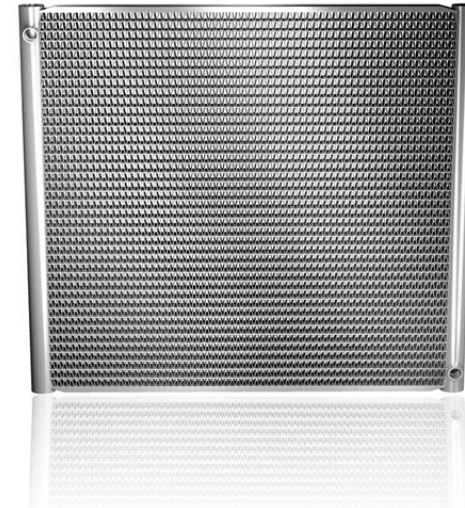
Building system solutions based on aluminium profiles

Amounts in NOK million

Sapa Profiles and Building System	RTM	
	Q3-12	2011
Operating revenues	25 844	26 927
EBITA	410	633

Sapa Heat Transfer

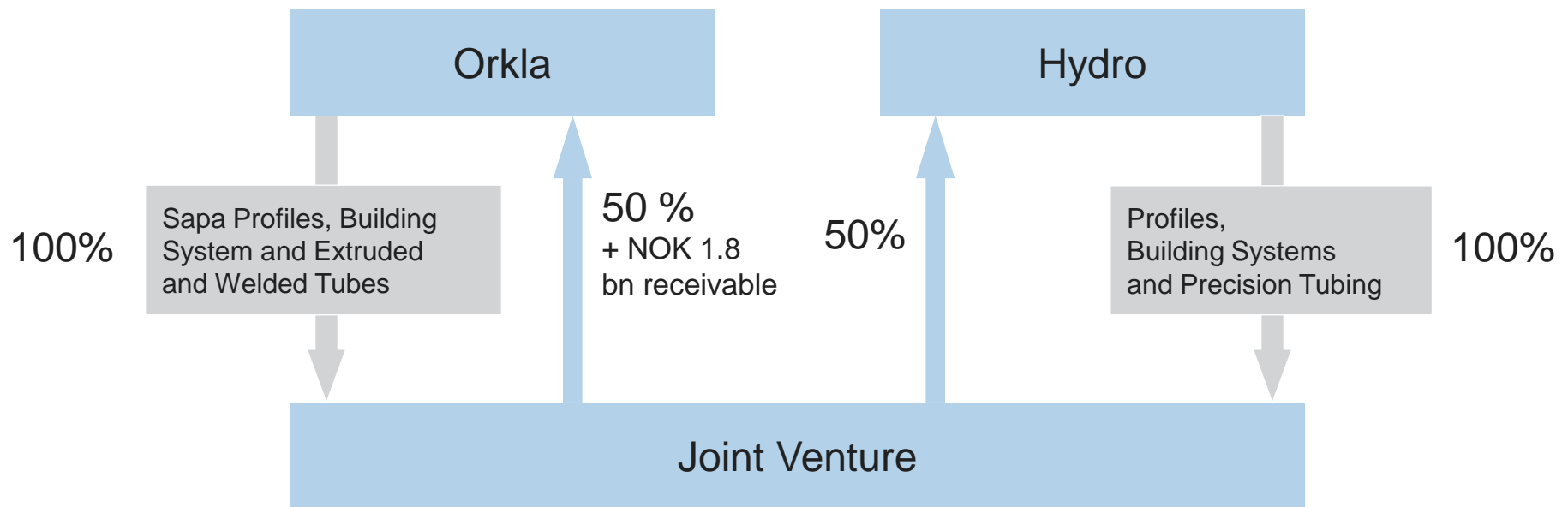
- Heat exchanger solutions based on aluminium strip
- Heat Transfer is reported as an independent segment, according to the new structure
- Structural process initiated for divestment of Sapa Heat Transfer



Amounts in NOK million

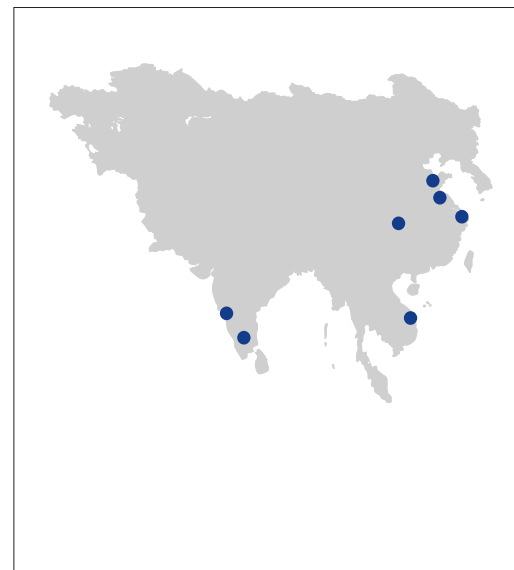
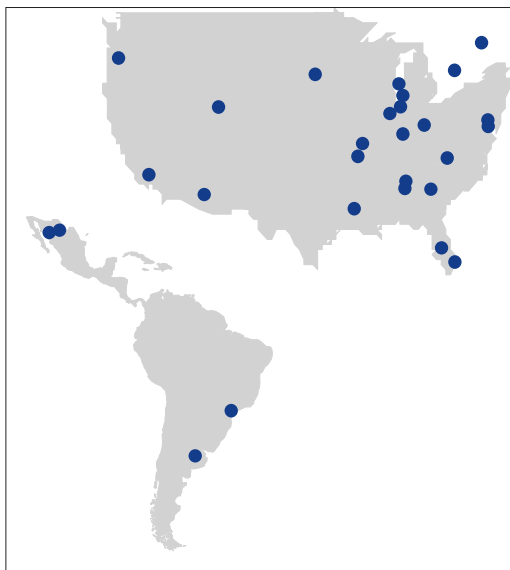
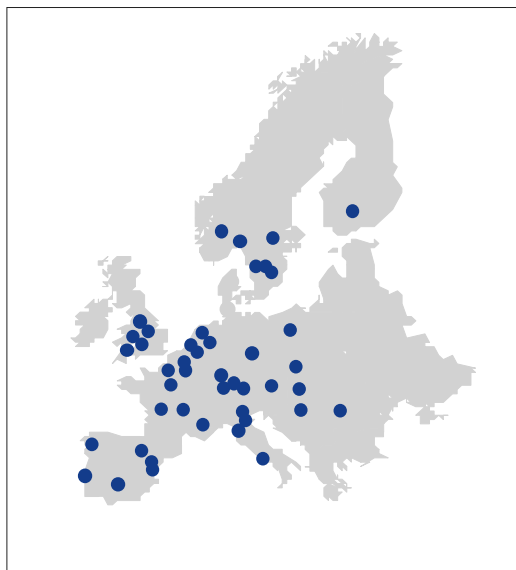
	RTM	
Sapa Heat Transfer	Q3-12	2011
Operating revenues	3 937	3 908
EBITA	242	179

Orkla and Hydro combine extruded aluminium assets



- Either party may initiate an IPO after approx. 3 years from closing, and each party can decide to retain 34 percent

Creating a stronger company better positioned for value creation



- Revenues: ~NOK 47 billion
- Underlying/adjusted EBITDA: ~NOK 1.9 billion
- Annual revenue and cost synergies of NOK 1 billion

*Illustrative figures for the new company 2011, unaudited. Underlying/adjusted EBITDA excludes certain special items

Agenda of the new company

Europe



Building on solid knowledge base,
rightsizing portfolio

North
America

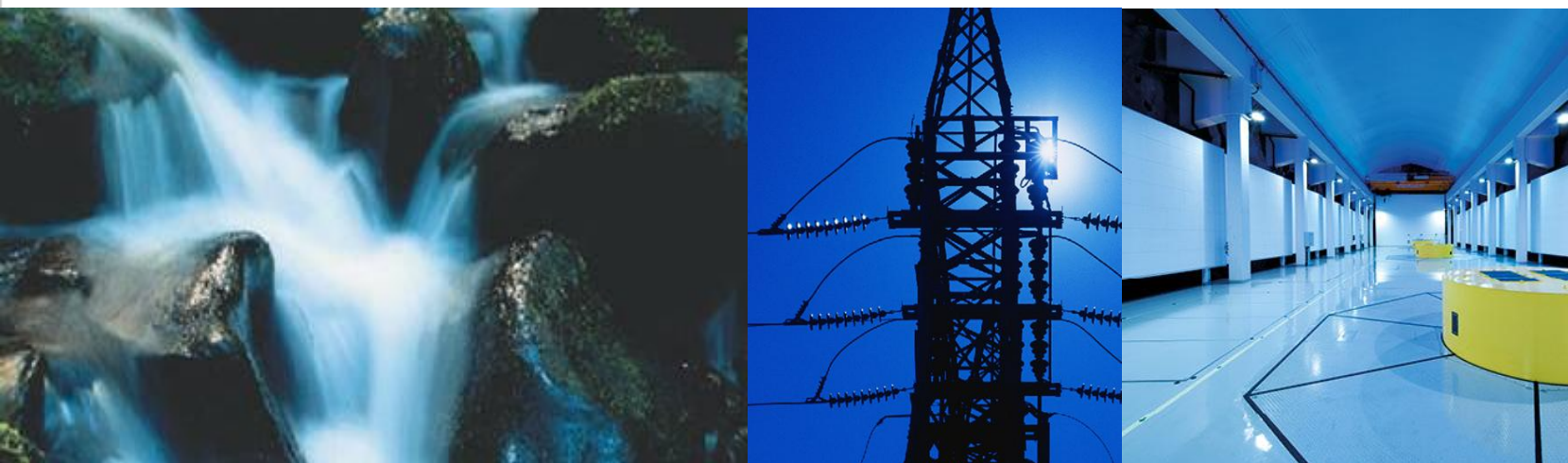


Integrating and capitalizing
on strong positions

Emerging
markets



Developing attractive positions
in high-growth markets



Hydro power

Hydro Power assets in Orkla

- Total capacity of approx. 2.5 TWh
- Borregaard's energy business – 0.6 TWh
 - Not part of the Norwegian reversion regime
- AS Saudefaldene – 1.9 TWh
 - Orkla owns 85%
 - Power plants leased from Statkraft until 2030
 - The power plants will be returned to Statkraft in return for financial compensation (approx. NOK 1 bn) = estimated residual tax written down value of the newly built plants.
 - Maintenance costs in the next couple of years will be extraordinarily high and EBITDA is therefore expected to be NOK 175-200 million (based on normal precipitation levels)



Hydro Power results in 2011

High production – low prices

- Improved results in 2011 due to high inflows and high production at the Saudefaldene plant
- Reservoir and snowpack levels in Sauda were higher than normal at the start of 2012, but this is counteracted by the fact that prices are lower than normal

Amounts in NOK million

Operating Revenues	2011	2010	Change
Hydro Power	1 691	1 321	28%

EBITA	2011	2010	Change
Hydro Power	260	177	47%



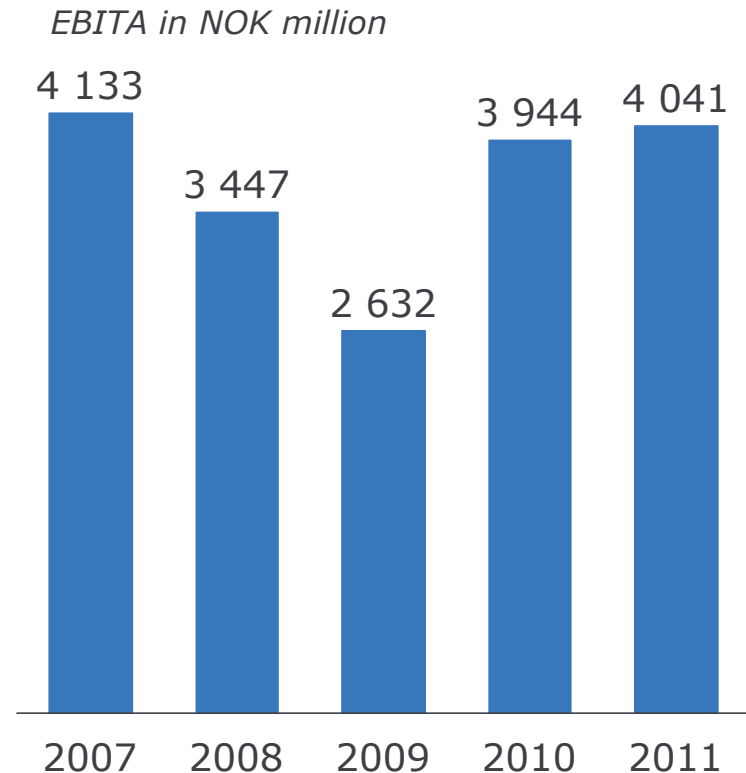


Financial performance 2011

The Orkla Group

2011 – Overall satisfactory response to challenging markets

- Branded Consumer Goods
 - Price increases to compensate for high raw material prices
- Sapa
 - Volume growth and profit improvement for Profiles NA, still challenging for Profiles Europe



** After sale of Elkem Silicon-related and Hydro Power assets*

Group income statement

Amounts in NOK million

	2011	2010	Change
Operating revenues	61 009	57 338	6 %
EBITA	4 041	3 944	2 %
Amortisation intangibles	-55	-52	
Other revenues and expenses	-1041	330	
EBIT	2 945	4 222	
Profit/loss from associates	-5 505	-6 169	
Dividends received	440	522	
Gains, losses and write-downs Share Portfolio	1 643	1 772	
Financial items, net	- 446	- 327	
Profit/loss before taxes	- 923	20	
Taxes	-1018	-844	
Profit for the period continuing operations	-1 941	- 824	
Gains/profit discontinued operations	1 213	- 40	
Profit/loss for the period	- 728	- 864	
Profit/loss attributable to non-controlling interests	48	53	
Profit/loss attributable to owners of the parent	- 776	- 917	
Earnings per share diluted (NOK)	-0.8	-0.9	

Cash flow as of 31 Dec 2011

Amounts in NOK million

	2011	2010
Cash flow Industrial Activities:		
Operating profit	3 023	2 940
Amortisation, depreciations and impairment charges	2 088	2 503
Changes in net working capital, etc.	-1 094	-1 462
Net replacement expenditure	-1 557	-1 512
Cash flow from operations	2 460	2 469
Financial items, net	- 488	- 544
Cash flow Industrial Activities	1 972	1 925
Cash flow from Orkla Financial Investments	66	1 236
Taxes paid	- 603	- 686
Discontinued operations and other payments	- 509	- 620
Cash flow before capital transactions	926	1 855
Paid dividends	-7 436	-2 360
Net sale/purchase of Orkla shares	- 109	138
Cash flow before expansion	-6 619	- 367
Expansion Industrial Activities	- 906	- 509
Sale of companies/share of companies	13 503	1 854
Purchase of companies/share of companies	-1 498	-2 878
Net sale/purchase of portfolio investments	4 494	2 130
Net cash flow	8 974	230
Currency effects of net interest-bearing liabilities	33	- 34
Change in net interest-bearing liabilities	-9 007	- 196
Net interest-bearing liabilities	10 645	19 652

Balance sheet as of 31 Dec 2011

Amounts in NOK million

	31.12.2011	31.12.2010
Intangible assets	12 801	12 960
Property, plant and equipment	18 058	17 730
Financial assets	5 682	10 985
Non-Current assets	36 541	41 675
Assets held for sale/discontinued operations	391	13 891
Inventories	8 047	7 102
Receivables	10 462	10 380
Share Portfolio etc.	5 502	11 674
Cash and cash equivalents	5 453	2 819
Current assets	29 855	45 866
Total assets	66 396	87 541
Paid-in equity	1 997	1 999
Earned equity	32 109	44 567
Non-controlling interests	280	365
Equity	34 386	46 931
Provisions and other non-current liabilities	3 165	4 081
Non-current interest-bearing liabilities	15 488	21 820
Current interest-bearing liabilities	1 472	1 380
Liabilities held for sale/discontinued operations	177	2 544
Other current liabilities	11 708	10 785
Equity and liabilities	66 396	87 541
Equity ratio	51.8%	53.6%
Net gearing	0.31	0.42

