



# Orkla ASA

## First quarter results 2009

6 May 2009

# Agenda

- Highlights and financial performance by CEO Dag J. Opedal
- Orkla Brands by EVP Torkild Nordberg
- Orkla Aluminium Solutions and Orkla Materials by EVP Bjørn Wiggen

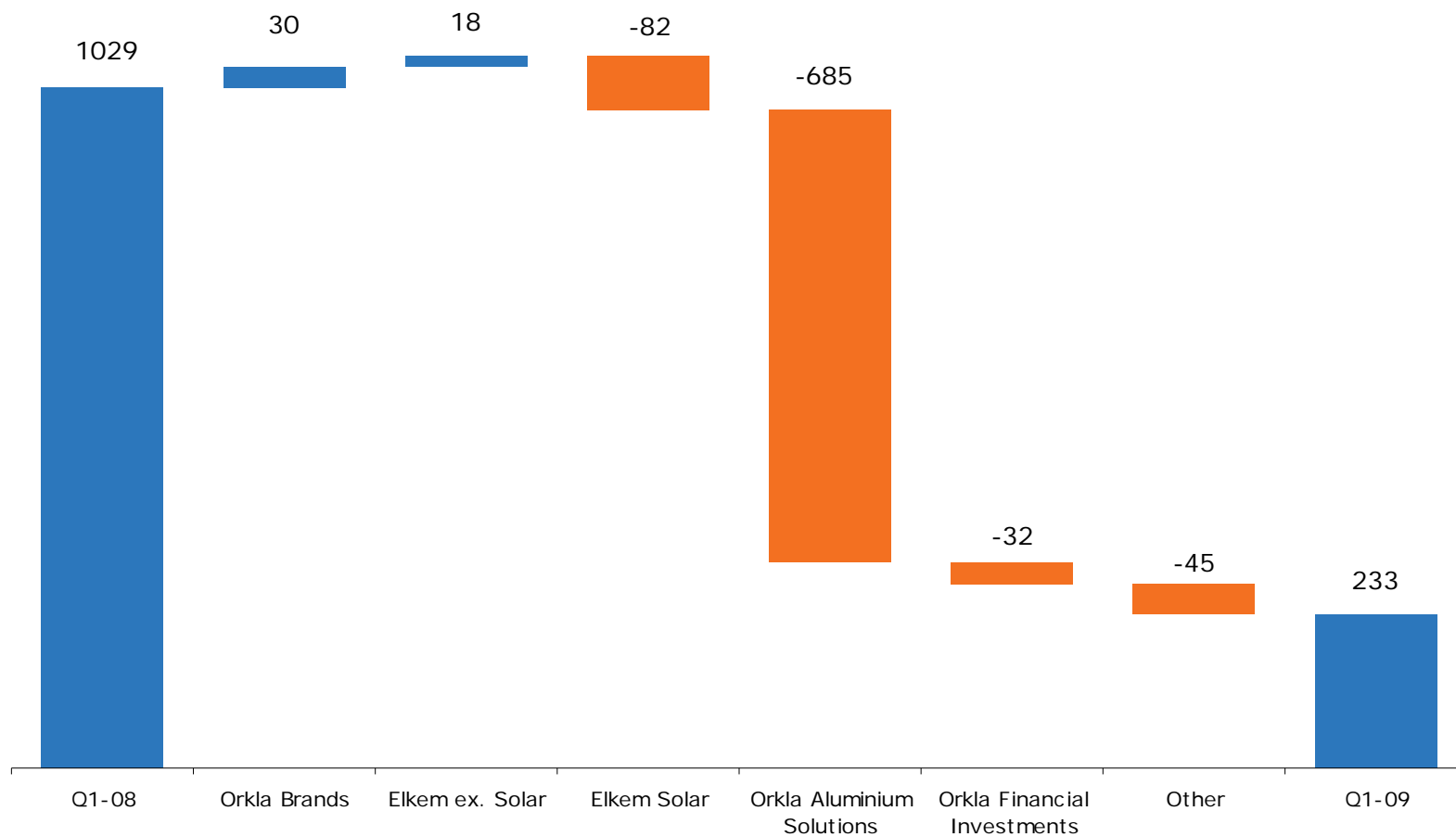
# Highlights Q1-09

- Weak EBITA due to global economic downturn
  - Orkla Brands holding up relatively well
  - Orkla Aluminium Solutions and Materials negatively impacted
- Reinforced action plan aimed at controlling cash flow
  - Orkla Aluminium Solutions target to stay cash neutral in 2009
  - Capacity curtailments in Orkla Materials
  - Reduction of working capital and investments
- Robust financial position
  - Financial assets provide flexibility
  - Unutilised credit facilities cover all refinancing needs in 2009, 2010 and well into 2011

# Financial performance

- Group EBITA at NOK 233 million vs NOK 1 029 million in Q1-08
  - Satisfactory results in Orkla Brands, EBITA NOK 522 million
  - Weak sales volume for Orkla Aluminium Solutions, EBITA NOK -342 million
- Net profit NOK 638 million vs NOK 687 million in Q1-08
  - The swap agreement between Orkla and Alcoa implemented, giving a gain of NOK 993 million for discontinued operations in first quarter
- Neutral cash flow and stable net debt position

# Change in EBITA from Q1-08 to Q1-09



# Key figures for the Orkla group

*in NOK million*

	Q1 2009	Q1 2008
Operating revenues	13 448	16 332
EBITA*	233	1 029
Profit/loss before tax	-315	846
Net profit	638	687
Cash flow from industrial operations	214	839
Net cash flow	- 501	-2 275
	<b>31.3 2009</b>	<b>31.12 2008</b>
Net interest-bearing liabilities	26 588	27 424
Equity ratio (%)	49.9 %	47.7 %
Net gearing	0.56	0.55

\* Earnings before amortisation, restructuring and significant impairments

# Orkla Associates



## REC

*in NOK million*

1 Jan - 31 Mar	2009	2008	Change
Revenues	2 013	1 771	14 %
EBITDA	527	742	-29 %
EBIT	302	579	-48 %
Profit before tax	600	327	

- EBITDA decline of 29 % from Q1-08
- Revenue growth of 14 % from Q1-08, down from Q4-08
- EPS of NOK 0.80



## Jotun

*in NOK million*

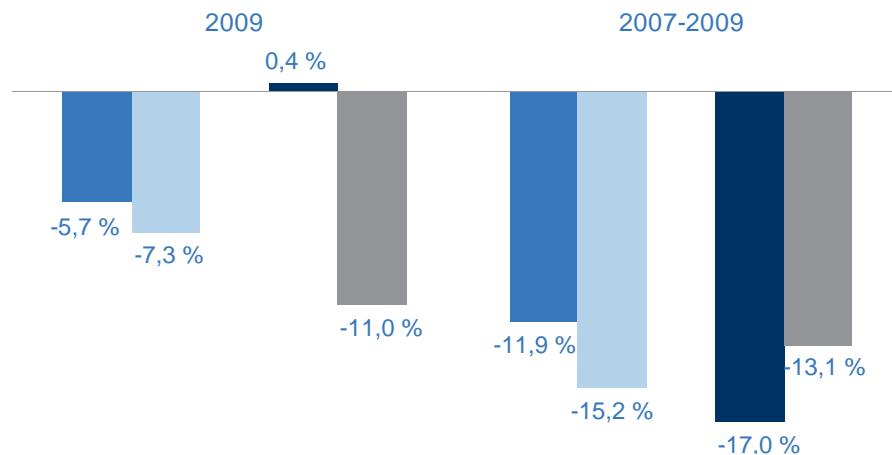
1 Jan - 31 Mar	2009	2008	Change
Revenues	2 740	2 259	21 %

- Growth in operating revenues
  - Positive impact from weaker NOK

# Share Portfolio – better return than benchmark, but negative performance as of Q1

■ Portfolio ■ MSCI Nordic ■ OSEBX ■ S&P 500

- Net sold NOK 0.36 billion as of Q1 2009



## Key figures *in NOK million*

<i>NOK million</i>	31 Mar 09	31 Dec 08	Change 09
Market value portfolio	9 906	11 426	-1 520
Share of portfolio invested			
- outside Norway	56 %	54 %	2 % pts
- in listed companies	77 %	76 %	1 % pts



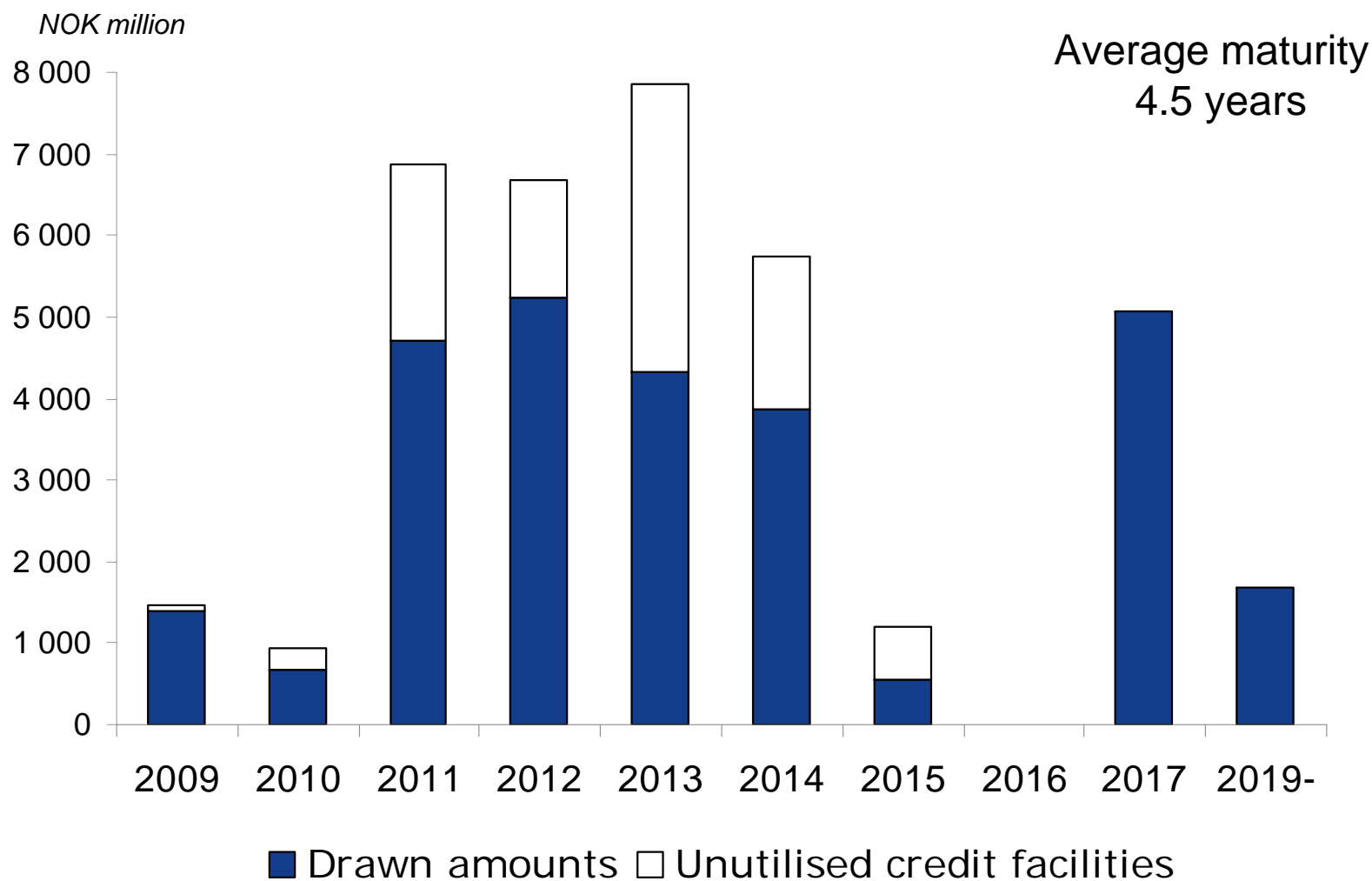
# Orkla is well prepared for stormy weather

- A diversified portfolio reduces risk from business-specific volatility
  - Large share of cash flow from less cyclical areas
- Robust balance sheet and gearing
- Unutilised committed credit facilities cover instalments well into 2011
- Tight cash management and allocation of capital
- Financial assets provide flexibility
  - Readiness to act on emerging opportunities

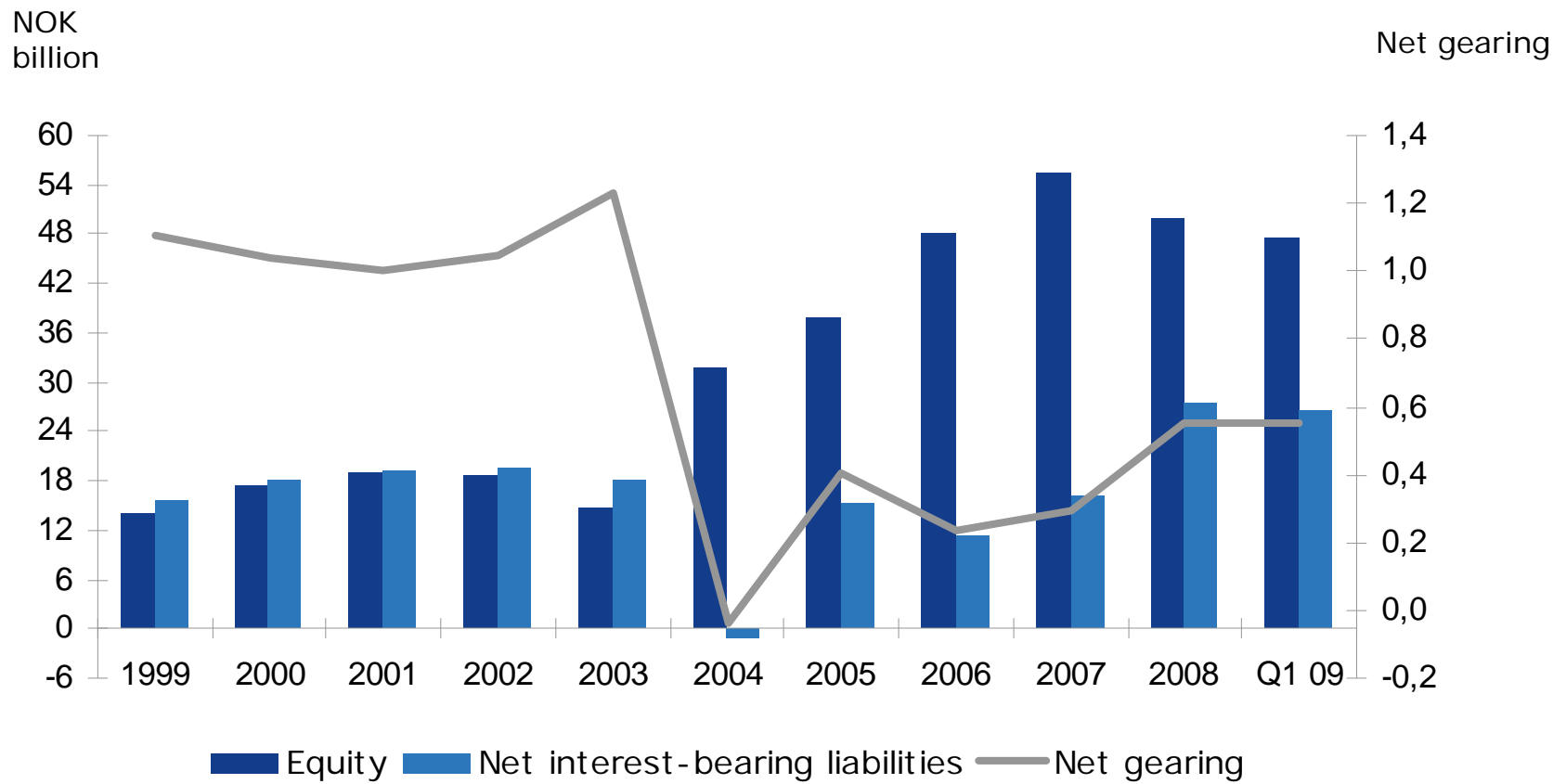
# Global downturn – comprehensive action plan

- Orkla Brands – continuous improvement
  - Reinforced action plan
- Sapa - cash neutral basis in 2009
  - Gross reduction in man-years of approx. 2,500 (21 %) in Sapa Profiles
  - Several factories closed down
- Capacity in Elkem adjusted to current market conditions
  - Planned capacity reduction of approx. 40 % in 2009
  - Periodic close-downs of furnaces throughout 2009
- Closure of Borregaard's Swiss operations
  - Capacity reduction of approx. 1/3 in specialty cellulose + 10 % in lignin
  - Some volume allocation to low margin segments

# Debt maturity profile



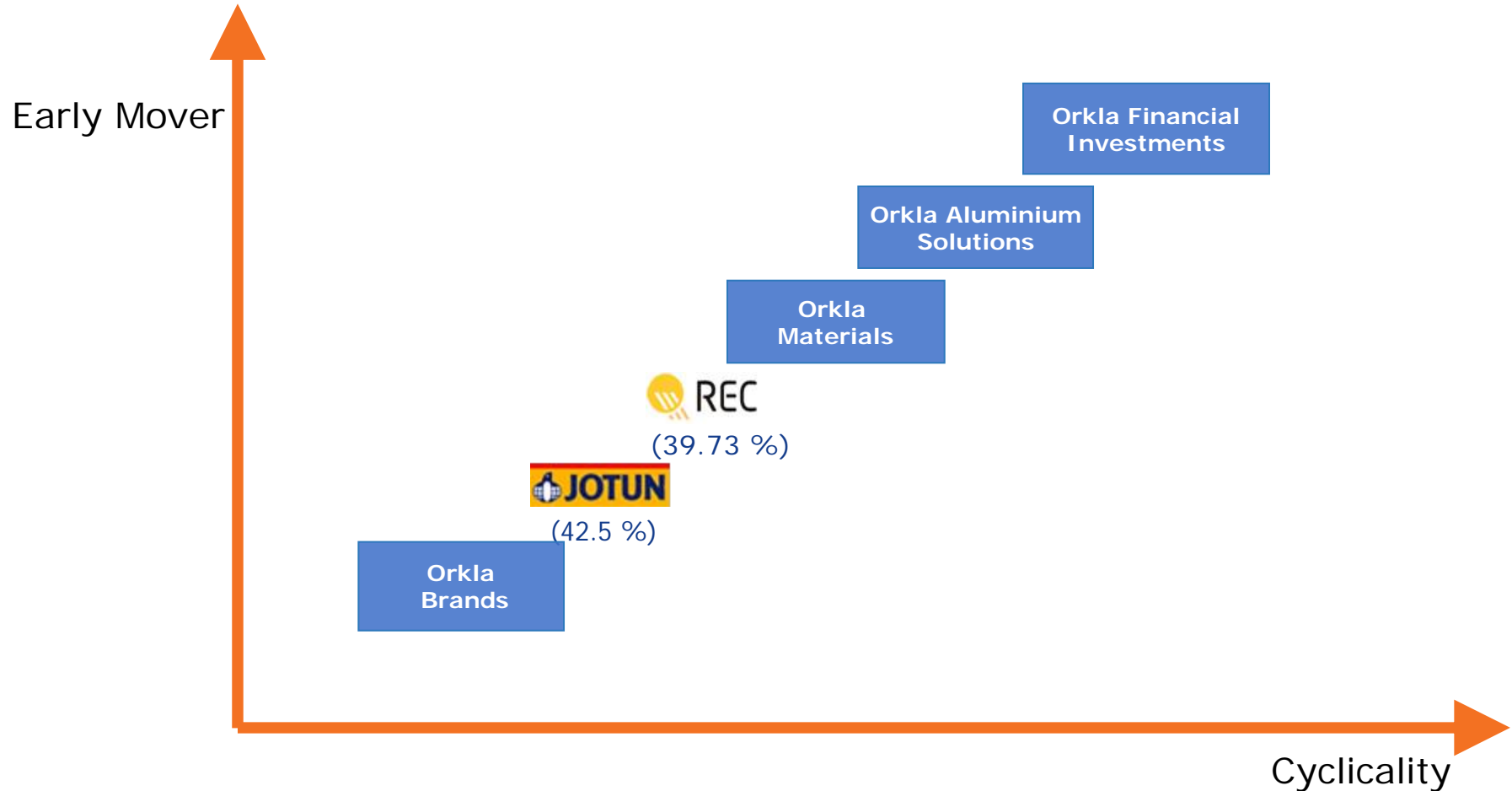
# Stable net gearing 0.56



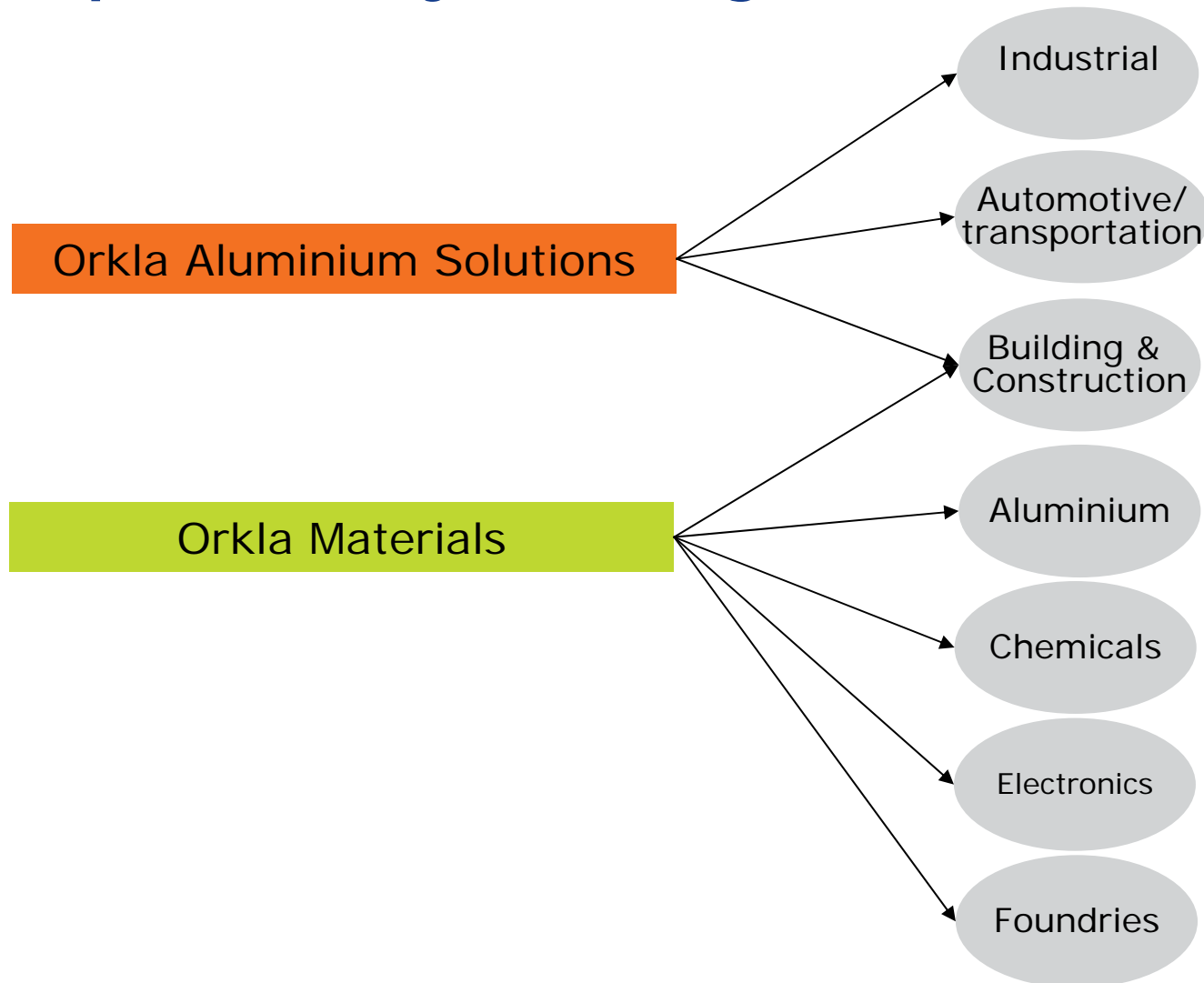
# Short term outlook

- Decline in global GDP in 2009
- Financial crisis - low visibility in terms of
  - Duration and depth
  - Impact per sector
- Q2-09:
  - Orkla Brands expected to hold up relatively well
  - Continued low volumes for Orkla Aluminium Solutions
  - Low demand and destocking for Orkla Materials
  - Lower reservoirs than normal for the energy-operations

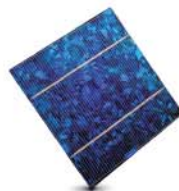
# Timing in the cycle



# Orkla Aluminium Solutions and Materials exposed to cyclical segments



# The Orkla Group – leading positions



Brands	Aluminium Solutions	Solar Energy	Materials	Financial Investments
<p>The leading Nordic FMCG company - 80 % of revenues from #1 brands</p> <p>Growth ambitions outside the Nordics (CEE, Russia and India)</p> <p>42.5 % in Jotun, a leading paint and coatings company in selected segments</p> <p> <b>ORKLA Brands</b></p> <p></p>	<p>The world's largest aluminium extrusion company</p> <p>Market leader in Europe and North America</p> <p># 2 globally wide position in heat transfer</p> <p></p>	<p>39.73% in REC, global #1 in solar grade silicon and also #1 globally in multi-crystalline silicon wafers, together with substantial downstream activities</p> <p>Technological frontrunner in production of solar grade silicon</p> <p>REC – chemical/FBR Elkem Solar – metallurgical</p> <p> <b>REC</b></p> <p> <b>Elkem</b></p>	<p>Leading global producer of silicon metals and wood based chemicals</p> <p>A major player in the Nordic hydropower market</p> <p> <b>Elkem</b></p> <p> <b>Borregaard</b></p>	<p>One of the largest privately held Nordic equity portfolios</p> <p>Property development activities</p> <p>Financial services</p> <p> <b>ORKLA</b></p> <p> <b>Orkla Finans</b></p>





## Direction of development

- |   |  |   |   |  |
|---|--|---|---|--|
| <ul style="list-style-type: none"> <li>• Organic and acquisitive growth in the Nordics, Russia and India</li> </ul> | <ul style="list-style-type: none"> <li>• From profiles to value-added solutions</li> <li>• Expand all 3 business segments</li> <li>• ROCE 15-20 %</li> </ul> | <ul style="list-style-type: none"> <li>• Elkem Solar "on stream"</li> <li>• Portfolio development and optimisation</li> </ul> | <p><b>REC</b></p> <ul style="list-style-type: none"> <li>• Advancing industrial positions</li> </ul> <p><b>Jotun</b></p> <ul style="list-style-type: none"> <li>• Organic growth in Asia, ME and Nordics</li> </ul> | <ul style="list-style-type: none"> <li>• Cash-generator</li> <li>• Support Orkla's industrial development</li> </ul> |
|---|--|---|---|--|

# Summing up

## Demanding trading conditions

- Understanding current realities
- Adequate actions
- Control of operations and cash flow



## Going forward

- Leverage productivity gains
- Positioned for growth
- Future oriented business portfolio

# Orkla Investor Day

Clarion Hotel Oslo Airport Gardermoen  
17 June 2009 at 12 CET





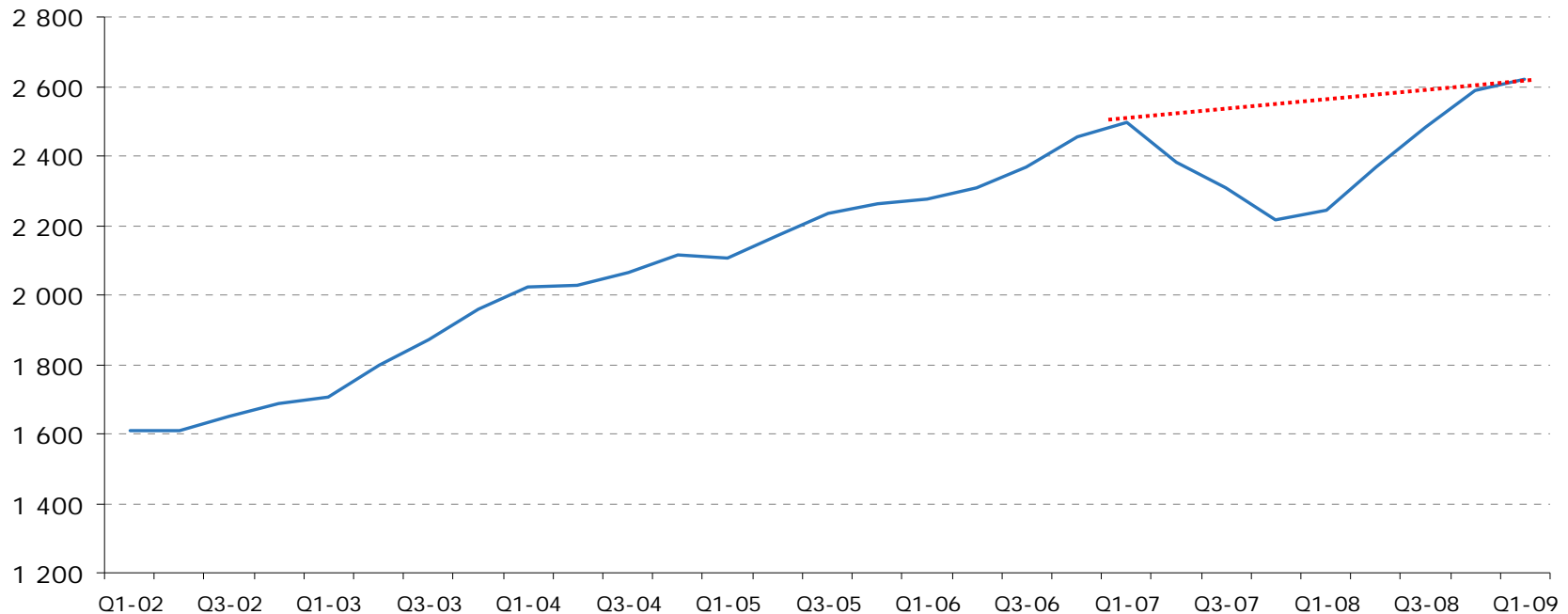
# Orkla Brands

EVP Torkild Nordberg

# Orkla Brands – holding up relatively well

(EBITA 12 month rolling)

NOK million



# Satisfactory Q1 results

- Flat organic top line growth
  - Positively affected by Easter
  - Weak volume/mix performance
- Increase in input costs- half is related to fx-rates
  - Cost improvements projects
- Improved performance for Orkla Brands International
  - Krupskaya

## Orkla Brands *in NOK million*

**1 Jan - 31 Mar**                      **2009**      **2008**      **Change**

### Revenues

<b>Orkla Brands</b>	<b>5 398</b>	<b>5 361</b>	<b>1 %</b>
Orkla Foods Nordic	2 283	2 293	0 %
Orkla Brands Nordic	1 870	1 859	1 %
Orkla Brands International	430	526	-18 %
Orkla Food Ingredients	898	780	15 %
Eliminations	- 83	- 97	

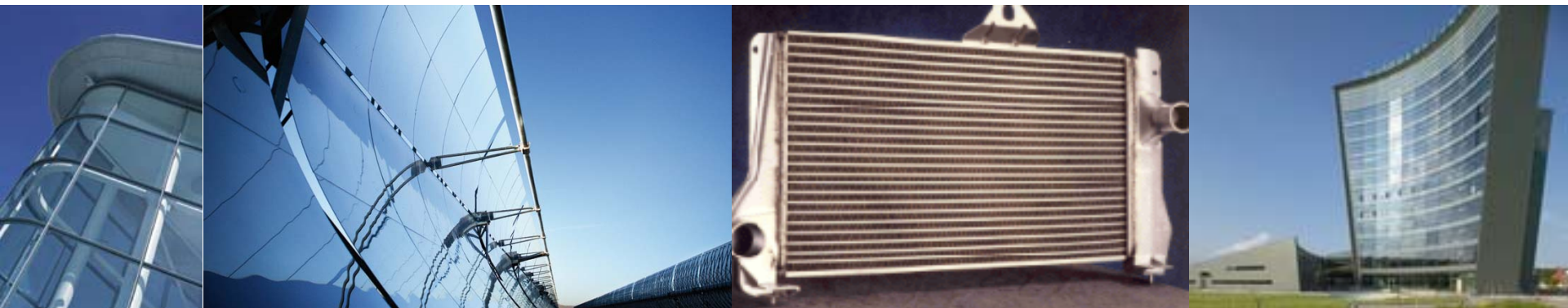
### EBITA

<b>Orkla Brands</b>	<b>522</b>	<b>492</b>	<b>6 %</b>
Orkla Foods Nordic	171	160	7 %
Orkla Brands Nordic	327	327	0 %
Orkla Brands International	- 3	- 27	
Orkla Food Ingredients	27	32	-16 %

**EBITA margin**                      **9,7 %**      **9,2 %**

# Challenging market outlook – as expected

- A more cautious consumer- price-conscious
  - Market volumes declining in all markets
  - Discount stores increasing- price focus
  - Private label slightly increasing
- Intensified (volume) rivalry among branded suppliers
- Ongoing initiatives
  - Push and pull activities
  - Innovations
  - Continued focus on cost improvements



# Orkla Aluminium Solutions

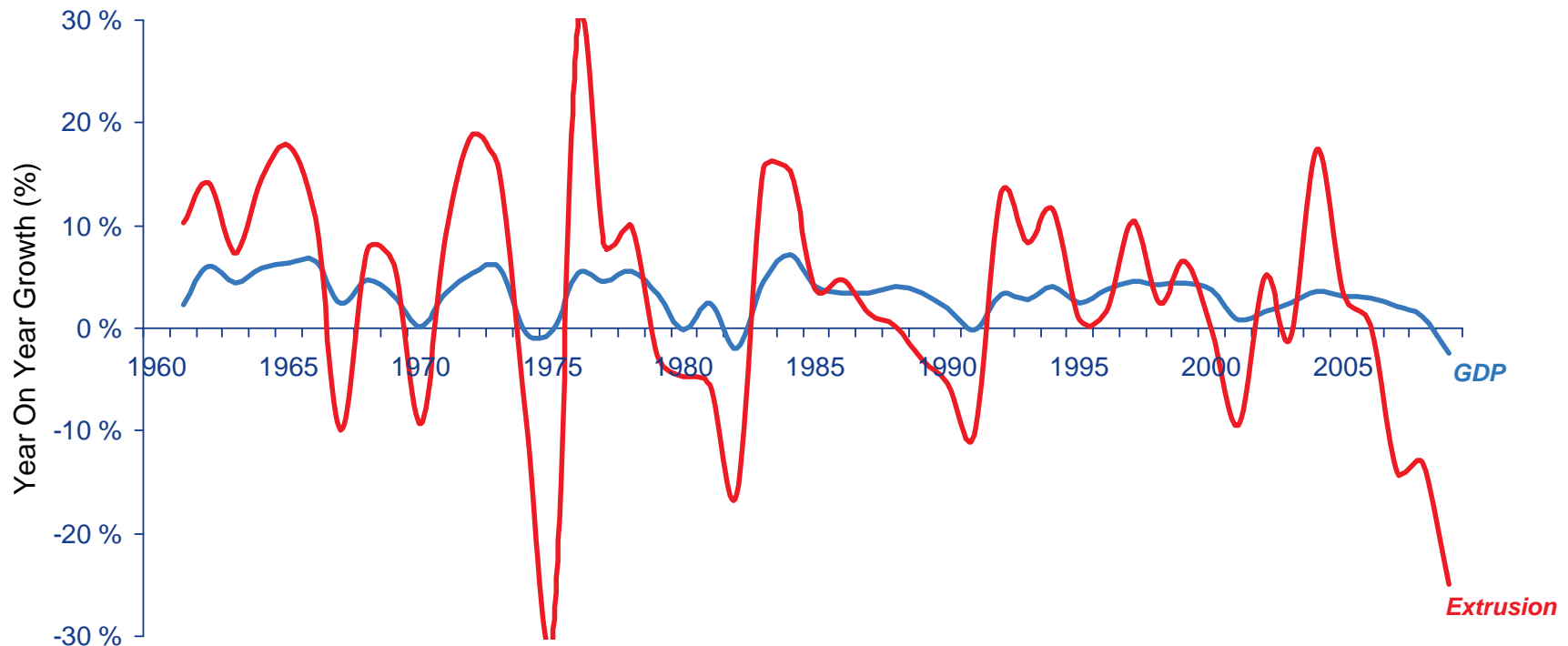
**Bjørn Wiggen**

**MD Sapa AB**



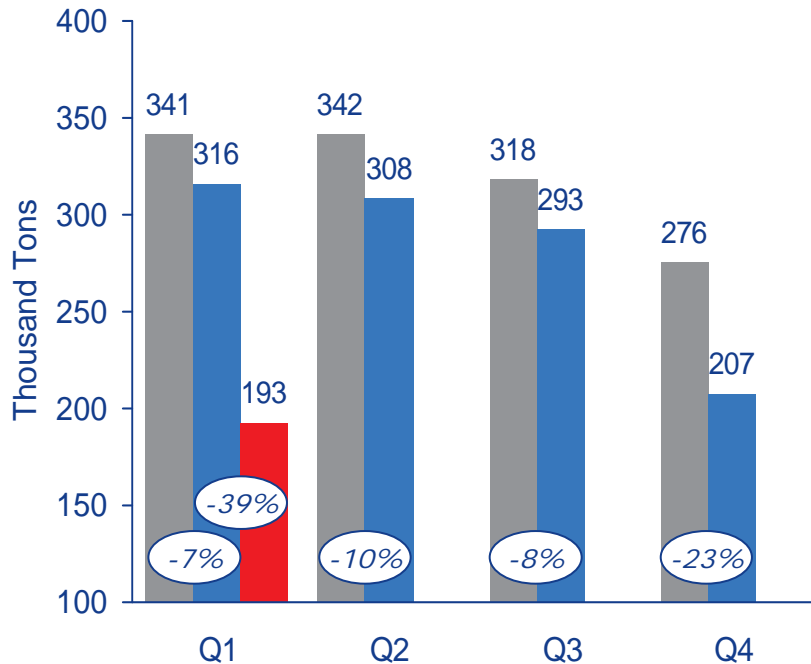
# The aluminium extrusion industry is highly cyclical and is hit hard in economic downturns

## Correlation Between YoY US Extrusion Market Growth and US GDP Growth



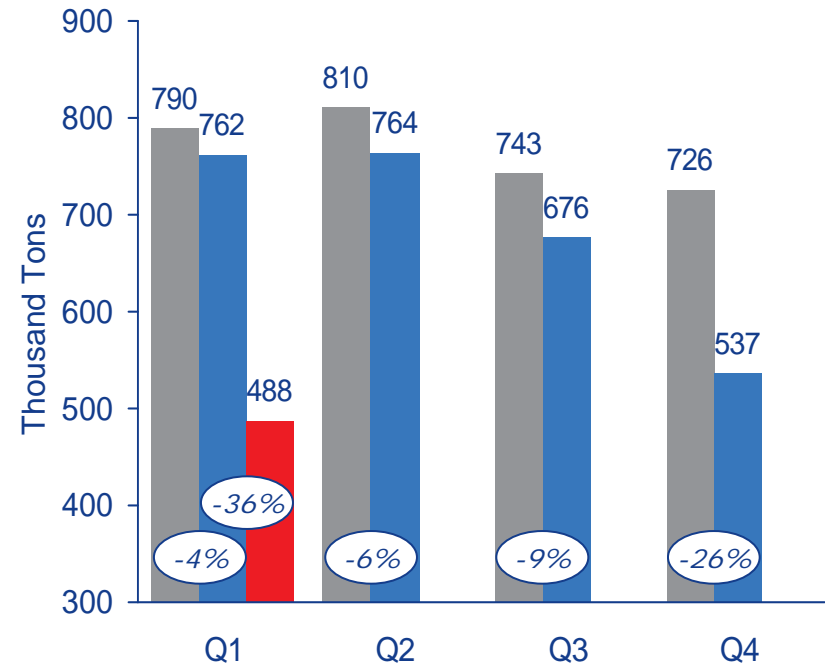
# As a result, extrusion markets are continuing to decline

## US Extrusion Consumption



- 2007 full year consumption -14%
- 2008 full year consumption -13%

## European Extrusion Consumption



- 2007 full year consumption +3%
- 2008 full year consumption -12%

■ 2007 ■ 2008 ■ 2009

# Negative trend from end 2008 continued

- Very weak market development in all segments
  - Volumes in Profiles down 41 % from Q1-08
  - Heat Transfer hit by weak automobile markets
  - Building System down, but holding up relatively better
- Target maintained – underlying operations in ongoing businesses to be cash neutral in 2009

## Orkla Aluminium Solutions

*in NOK million*

	Q1 2009	Q4 2008	Q1 2008	Change Q1-Q1
<b>Revenues</b>				
<b>Orkla Aluminium Solutions</b>	<b>4 883</b>	<b>6 139</b>	<b>7 432</b>	<b>-34 %</b>
Sapa Profiles	3 780	4 774	5 961	-37 %
Sapa HT and BS	1 290	1 601	1 754	-26 %
Eliminations	- 187	- 236	- 283	

## EBITA

<b>Orkla Aluminium Solutions</b>	<b>- 342</b>	<b>- 102</b>	<b>343</b>
Sapa Profiles	- 313	- 271	200
Sapa HT and BS	- 29	169	143
<b>EBITA margin</b>	<b>-7,0 %</b>	<b>-1,7 %</b>	<b>4,6 %</b>

# Sapa is continuing to take action in response to lower market volumes

- Volume decline in core activities has been met with 1:1 adjustments in direct manning levels
- Temporary unemployment schemes, partial plant shut downs, and salary reductions have been implemented
- In addition, a salary and expansion investment freeze has been introduced throughout the group
- If demand remains at the current low level, further restructuring initiatives will be pursued

# Market conditions will remain difficult for most Sapa companies in 2009

- The market for Sapa Profiles will remain weak in 2009 and is not expected to recover until earliest 2010
- Sapa Building System is mainly exposed to non-residential construction, which is expected to be less impacted
- Sapa Heat Transfer facing declining markets in Europe and slower growth in Asia, but expected to hold up better than in Q1

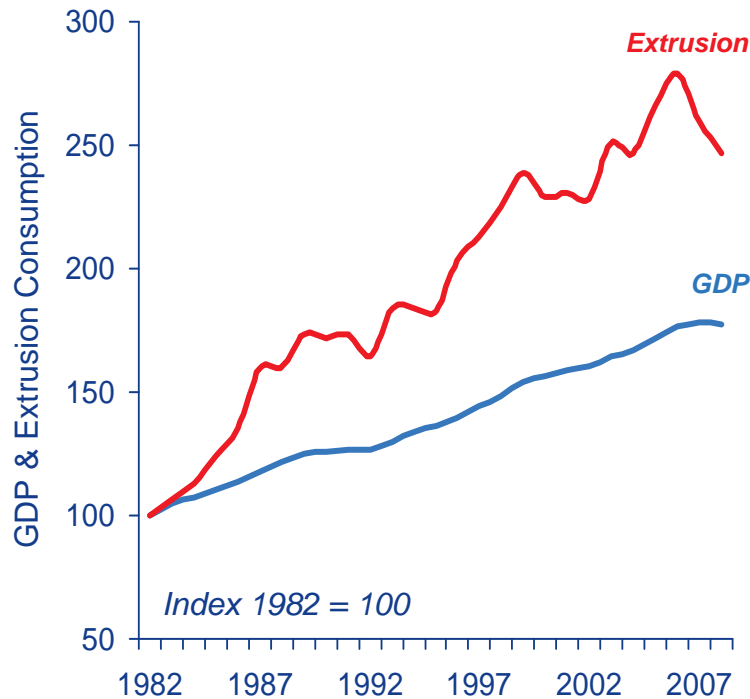


# No change in long-term targets

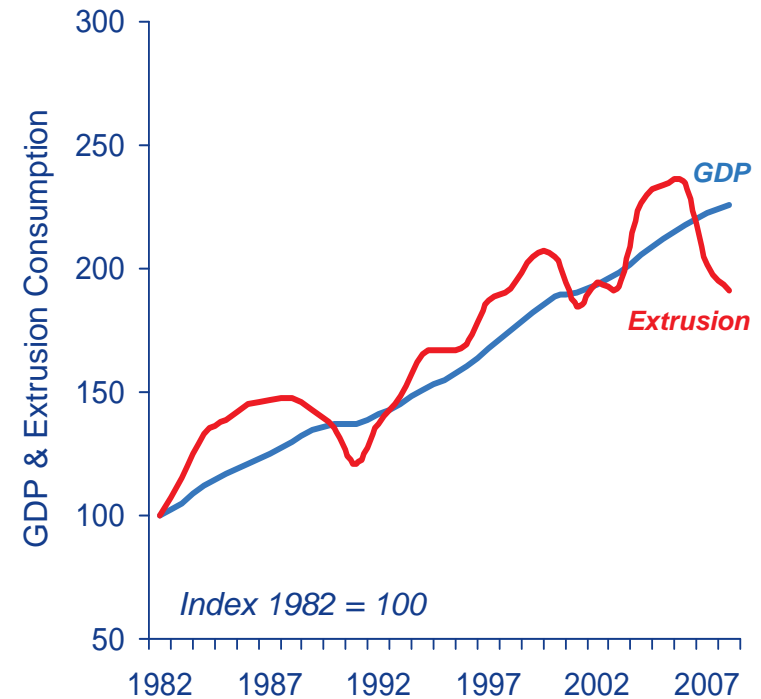
## EBIT A margin 5-6 % over a business cycle

### Growth in GDP and Aluminum Extrusion Consumption

- Western Europe -



- North America -





# Orkla Materials

# Elkem – Good energy trading results and reduced demand for silicon-related products

- Elkem Energy delivered improved results based on better trading results and higher prices
  - Reservoir levels considerably below normal
- Significant slowdown in demand for silicon-related products resulted in production cut-backs and weaker results
- Elkem Solar: start-up programme continued according to plan and material delivered from plant
  - NOK 159 million expensed in Q1

## Elkem

*in NOK million*

1 Jan - 31 Mar	2009	2008	Change
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### Revenues

<b>Elkem</b>	<b>1 838</b>	<b>2 065</b>	<b>-11 %</b>
Energy	556	442	26 %
Silicon-related	1 456	1 866	-22 %
Eliminations	- 174	- 243	

### EBITA

<b>Elkem</b>	<b>116</b>	<b>180</b>	<b>-36 %</b>
Energy	250	104	140 %
Silicon-related	- 134	76	-276 %

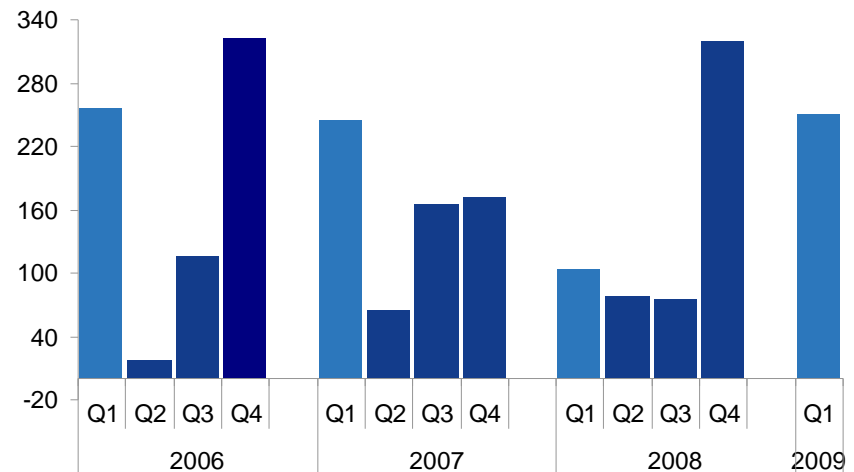
<b>EBITA margin</b>	<b>6,3 %</b>	<b>8,7 %</b>
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# Good trading results for Elkem Energy

- Improved trading results
  - Positive contribution versus negative contribution last year
- Reduced production
  - Low water and snow reservoir levels in Q1-09 compared to high levels in Q1-08
  - Higher prices than in Q1-08
- Official opening of Sauda expansion on 21st April

EBITA per quarter - Energy



# Silicon-related – low demand and reduction of capacity

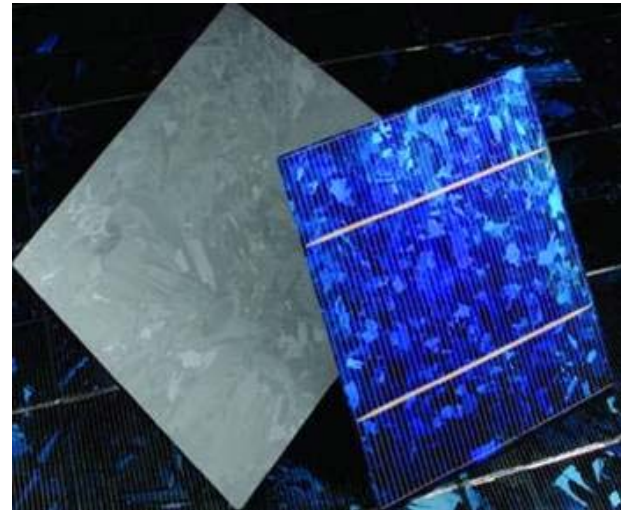
- Ferro silicon, silicon metal and carbon all experienced drop in volume
- Falling market prices
- The weak trend is increasing into second quarter
- Capacity utilisation within Silicon related excl. Solar of 70% in Q1-09

## Silicon-related *in NOK million*

1 Jan - 31 Mar	2009	2008	Change
Revenues	1 456	1 866	-22 %
EBITA ex Elkem Solar	25	153	-84 %
EBITA Elkem Solar	- 159	- 77	
Total EBITA	- 134	76	

# Update on solar market

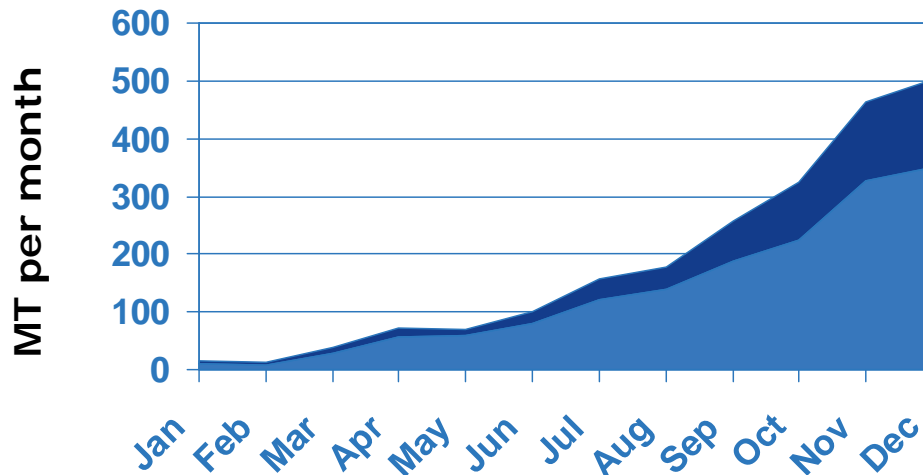
- Long-term drivers remain strong, but market conditions currently challenging
  - Price pressure and low demand visibility along the entire value chain
  - Strong political support
  - Continued cost reduction will improve solar competitiveness



# Update on Elkem Solar – progressing according to plan

- Majority of production expected in second half
  - Targeting 2009 production of 1500 – 2500 MT
  - H1 production impacted by standard ramp-up procedures
- Break-even EBITA estimated at approx. 2500 MT/year (40 % of capacity)
  - Break-even EBITDA at approx. 1800 MT/year

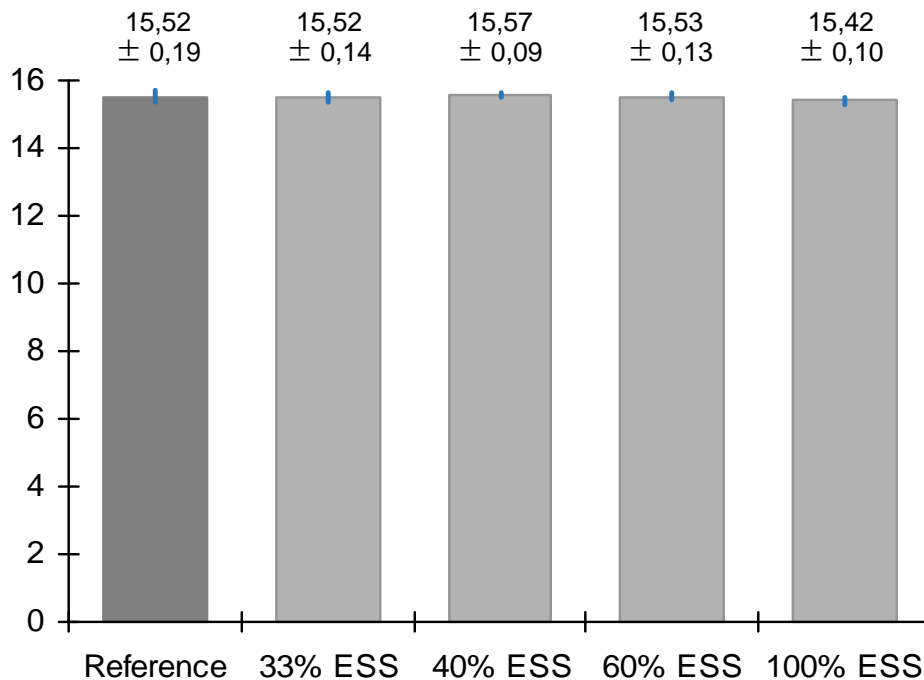
Ramp-up scenarios



Volume risk mainly related to scale-up and equipment availability

# Product quality key success criteria

Cell efficiency (%) obtained by Q-Cells on industrial lines



- Elkem Solar Silicon (ESS) is positioned in the polysilicon quality segment
  - Stable, low levels of impurities
  - Phosphorus < 1.5 ppmw
  - Boron < 0.4 ppmw
- Cell efficiency equivalent to cells produced from polysilicon
- No significant differences in other metrics (breakage, degradation)

# Borregaard – soft markets hit Chemicals in Q1

- Weaker demand for key products
  - Volume decline for core lignin and cellulose products for the construction sector
  - Price level largely maintained
- Notable profit in Q1-08 from discontinued operations (Swiss plant)
- Energy sector results affected by lower power production

## Borregaard *in NOK million*

1 Jan - 31 Mar

Revenues	2009	2008	Change
<b>Borregaard</b>	<b>988</b>	<b>1 216</b>	<b>-19 %</b>
Energy	48	62	-23 %
Chemicals	987	1 207	-18 %
Eliminations	- 47	- 53	

## EBITA

<b>Borregaard</b>	<b>48</b>	<b>102</b>	<b>-53 %</b>
Energy	10	25	-60 %
Chemicals	38	77	-51 %

<b>EBITA margin</b>	<b>4,9 %</b>	<b>8,4 %</b>	
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# ORKLA

# Coming events

17 June 2009	Orkla Investor Day
12 August 2009	Q2-2009
30 October 2009	Q3-2009



# Appendix

# Group income statement Q1-09

**Key figures** *in NOK million*

1 Jan - 31 Mar	2009	2008	Change
<b>Operating revenues</b>	<b>13 448</b>	<b>16 332</b>	-18 %
<b>EBITA*</b>	<b>233</b>	<b>1 029</b>	-77 %
Amortisation intangibles	-50	-52	
Restructuring and significant impairment	0	0	
<b>EBIT</b>	<b>183</b>	<b>977</b>	
Associates	135	179	
Dividends	45	88	
Gains and losses/write-downs Share Portfolio	- 315	- 295	
Net financial items	- 363	- 103	
<b>Profit before tax</b>	<b>- 315</b>	<b>846</b>	
Tax expenses	-40	-184	
<b>Profit for the period continuing operations</b>	<b>- 355</b>	<b>662</b>	
<b>Discontinued operations</b>	<b>993</b>	<b>25</b>	
<b>Profit for the period</b>	<b>638</b>	<b>687</b>	
Minority interests' share of the profit/loss for the accounting period	- 70	52	
Majority interests' share of the profit/loss for the accounting period	708	635	
<b>Earnings per share diluted, adjusted (NOK)**</b>	<b>-0.3</b>	<b>0.6</b>	

\* Operating profit before amortisation, restructuring and significant impairment charges

\*\* Excluding amortisation, restructuring and significant impairment and discontinued operations

# Cash flow

**Key figures** *in NOK million*

1 Jan - 31 Mar	2009	2008
<b>Industry division:</b>		
Operating profit	230	993
Amortisations, depreciations and write-downs	658	528
Changes in net working capital	- 349	- 335
Net replacement expenditure	- 325	- 347
<b>Cash flow from operations</b>	<b>214</b>	<b>839</b>
Financial items, net	- 501	- 282
<b>Cash flow from Industry division</b>	<b>- 287</b>	<b>557</b>
<b>Cash flow from Financial Investments</b>	<b>507</b>	<b>473</b>
Taxes paid and miscellaneous	- 401	- 445
<b>Cash flow before capital transactions</b>	<b>- 181</b>	<b>585</b>
Dividends paid and share buybacks	- 1	- 681
<b>Cash flow before expansion</b>	<b>- 182</b>	<b>- 96</b>
Net expansion	- 681	-1 124
Net purchases/sales portfolio investments	362	-1 055
<b>Net cash flow</b>	<b>- 501</b>	<b>-2 275</b>
Currency translation net interest-bearing debt	1 337	- 170
<b>Change in net interest-bearing debt</b>	<b>- 836</b>	<b>2 445</b>
<b>Net interest-bearing debt</b>	<b>26 588</b>	<b>18 623</b>

# Balance sheet

Key figures in NOK million

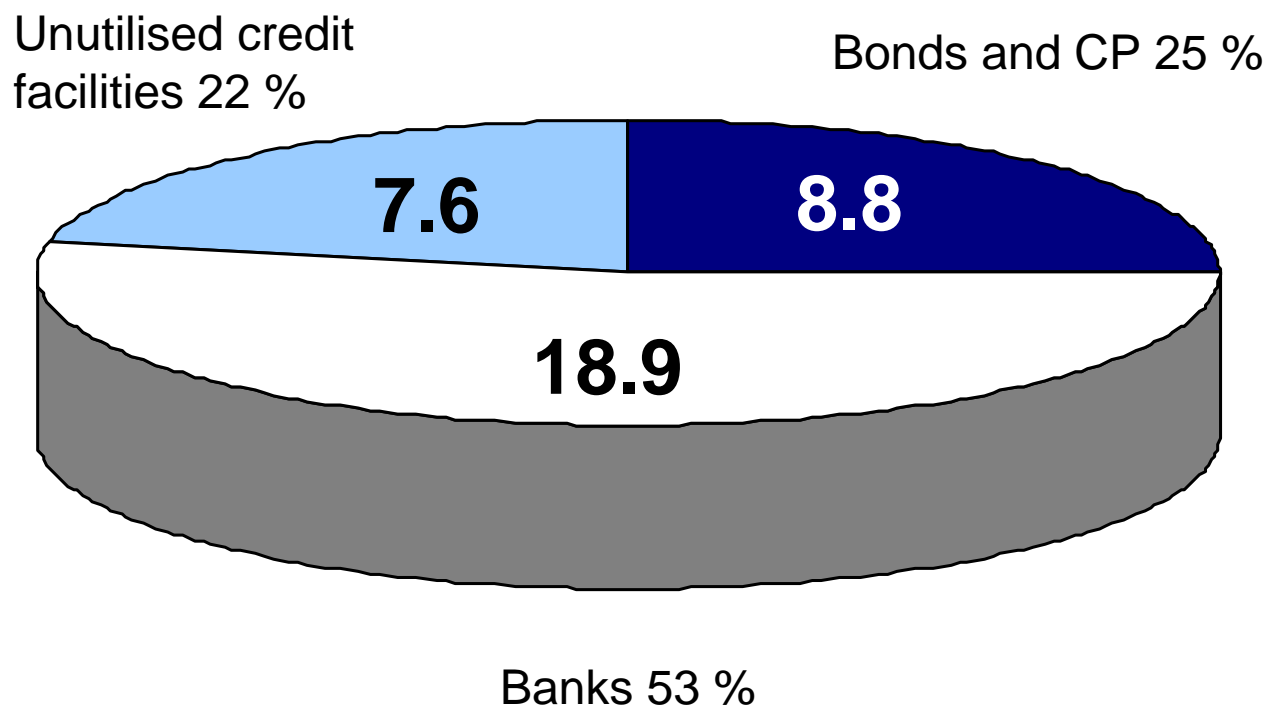
	31.3.2009	31.12.2008
Intangible assets	17 720	17 301
Property, plant and equipment	25 314	26 368
Financial non-current assets	17 566	18 331
<b>Non-Current assets</b>	<b>60 600</b>	<b>62 000</b>
Assets in discontinued operations	-	3 148
Inventories	8 637	9 564
Receivables	11 685	14 331
Share Portfolio etc.	9 925	11 445
Cash and cash equivalents	3 761	4 438
<b>Current assets</b>	<b>34 008</b>	<b>39 778</b>
<b>Total assets</b>	<b>94 608</b>	<b>104 926</b>
Paid-in equity	1 993	1 993
Earned equity	44 765	45 390
Minority interests	413	2 686
<b>Equity</b>	<b>47 171</b>	<b>50 069</b>
Provisions	5 001	5 233
Non-current interest-bearing liabilities	27 977	29 598
Current interest-bearing liabilities	2 659	3 654
Liabilities in discontinued operations	-	665
Other current liabilities	11 800	15 707
<b>Equity and liabilities</b>	<b>94 608</b>	<b>104 926</b>
Equity to total assets ratio	49.9%	47.7%
Net gearing	0.56	0.55

# Net financial items

## Key figures *in NOK million*

1 Jan - 31 Mar	2009	2008	Full year 2008
Net interest expenses	-321	-185	-977
Currency gain/loss	-22	11	-49
Other financial items, net	-20	71	34
<b>Net financial items</b>	<b>-363</b>	<b>-103</b>	<b>-992</b>

# Funding Sources



*Figures in NOK billion*

# Currency translation effects

*in NOK million*

Revenues	Q1-09
Orkla Brands	70
Orkla Aluminium Solutions	507
Elkem	68
Borregaard	51
<b>Total</b>	<b>696</b>

EBITA	Q1-09
Orkla Brands	3
Orkla Aluminium Solutions	-46
Elkem	5
Borregaard	0
<b>Total</b>	<b>-38</b>

# Largest holdings in the Share Portfolio

**Market value** *in NOK million*

**per 31 Mar 2009**

Principal holdings	Industry	Market value	Share of portfolio (%)	Share of equity (%)
Tomra Systems	Industry	586	5 %	15,5 %
Rieber & Søn	Food	501	3 %	15,6 %
Hennes & Mauritz AB-B SHS	Retailing	390	3 %	0,2 %
Network Norway AS	Telecommunication	282	3 %	26,2 %
Elekta B	Medicine-Technology	251	3 %	4,1 %
Tandberg	Video-Conference	247	3 %	2,2 %
Nokia A	Telecommunication	245	2 %	0,1 %
Industri Kapital 2004	Private Equity	240	2 %	5,1 %
Industri Kapital 2000	Private Equity	238	2 %	3,6 %
AstraZeneca SEK	Medicine-Technology	221	2 %	0,1 %
<b>Total principal holdings</b>		<b>3 199</b>	<b>32,3 %</b>	
<b>Market value of entire portfolio</b>		<b>9 906</b>		





# ORKLA