



# Third quarter results 2015

30 October 2015

Peter A. Ruzicka, President & CEO



# Improved performance in the third quarter



**2.3% organic growth<sup>1</sup>**



**15% EBIT (adj.)<sup>2</sup> growth in BCG**



**57% increase in EPS**



<sup>1</sup>Reported growth adjusted for FX and M&A

<sup>2</sup>EBIT (adj.) = Operating profit before other income and expenses

## Highlights:

# Continued growth in the quarter

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- **Group EBIT (adj.)<sup>1</sup> increased by 13% to NOK ~1 billion**
  - Increase of 57% in EPS to NOK 0.80
- **Improving performance in Branded Consumer Goods**
  - 2.3% organic growth<sup>2</sup>
  - EBIT (adj.) growth of 15% in BCG
- **Strong contribution from associates**
  - All-time high sales and operating profit in Jotun YTD
  - Continued underlying EBIT growth in Sapa
- **Delivering on strategy**
  - Continued progress within supply chain restructuring
  - Cederroth acquisition approved and completed
  - Integration of NP Foods ongoing

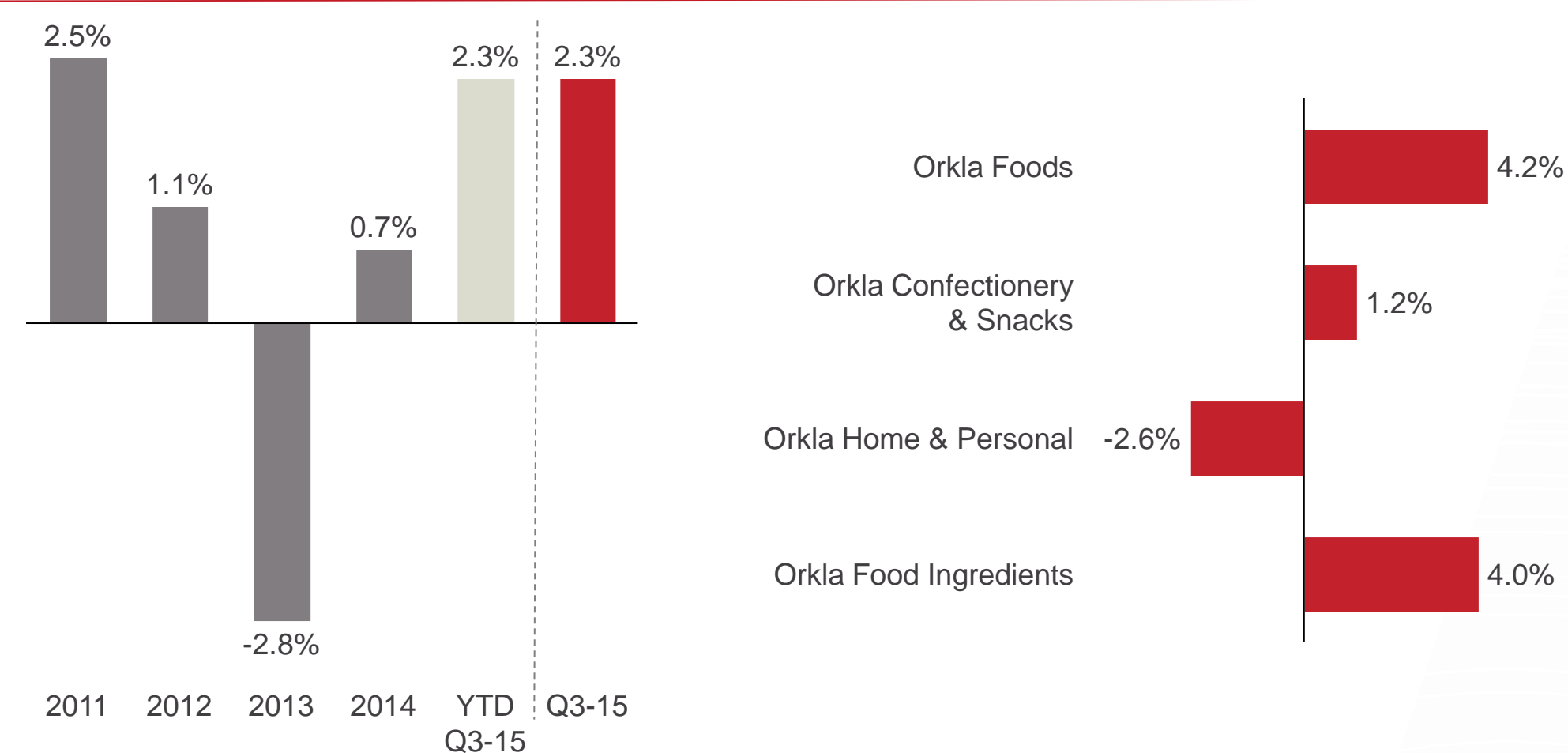
<sup>1</sup>EBIT (adj.) = Operating profit before other income and expenses

<sup>2</sup>Reported growth adjusted for FX and M&A

Branded Consumer Goods Q3 2015:

# Organic growth in three out of four business areas

Organic growth performance<sup>1,2</sup>



<sup>1</sup>Reported growth adjusted for FX and M&A  
<sup>2</sup>For organic growth, data before Q4-14 include Orkla Brands Russia



Examples of innovations and relaunches in Q3 2015:

## Orkla Foods: New launch “Pizzabakeriet” in Norway





Examples of innovations and relaunches in Q3 2015:

## Orkla Confectionery & Snacks: Hand-cooked crisps



Examples of innovations and relaunches in Q3 2015:

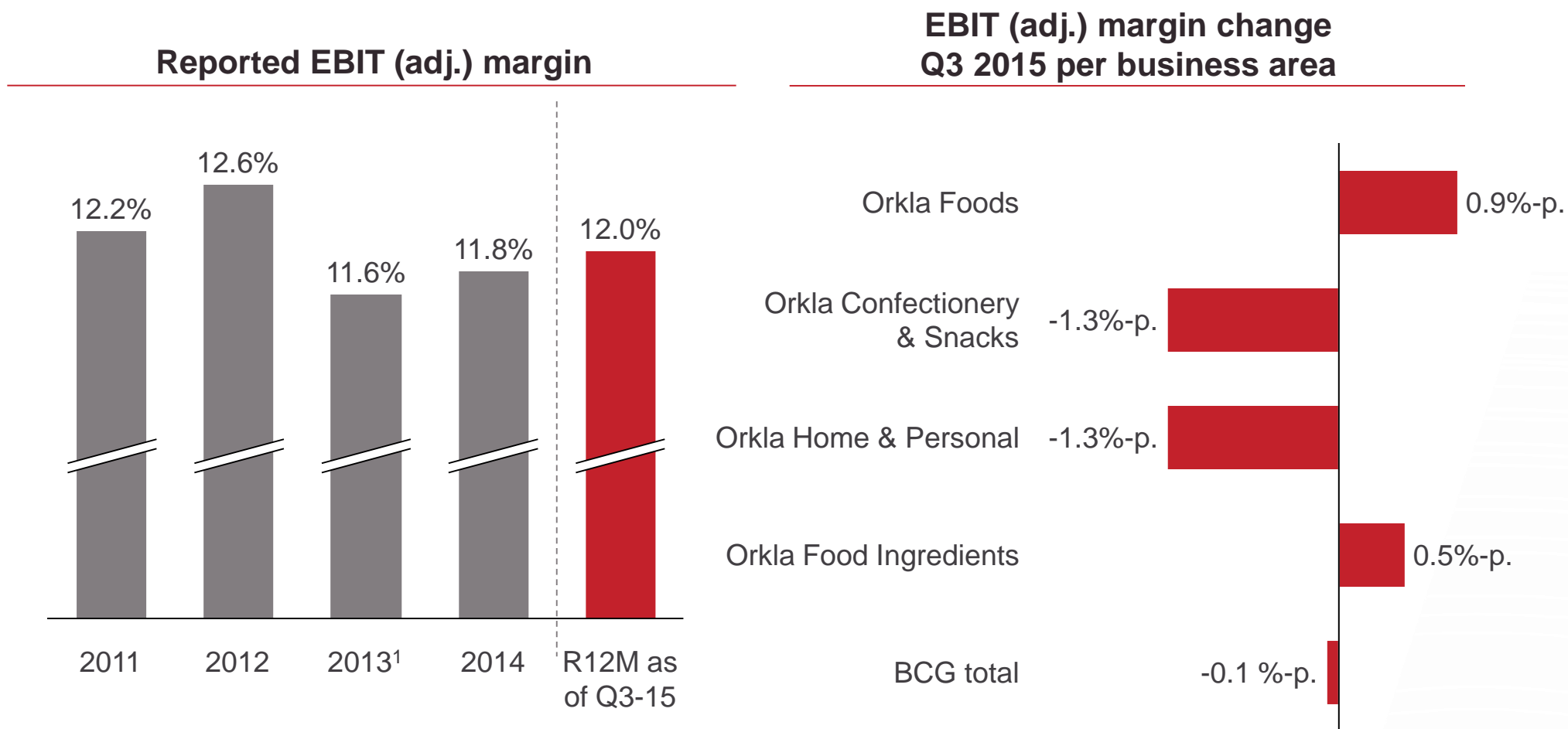
## Orkla Home & Personal: wool essentials for the autumn season





Branded Consumer Goods Q3 2015:

**Margin negatively impacted by dilutive effects from acquisitions**



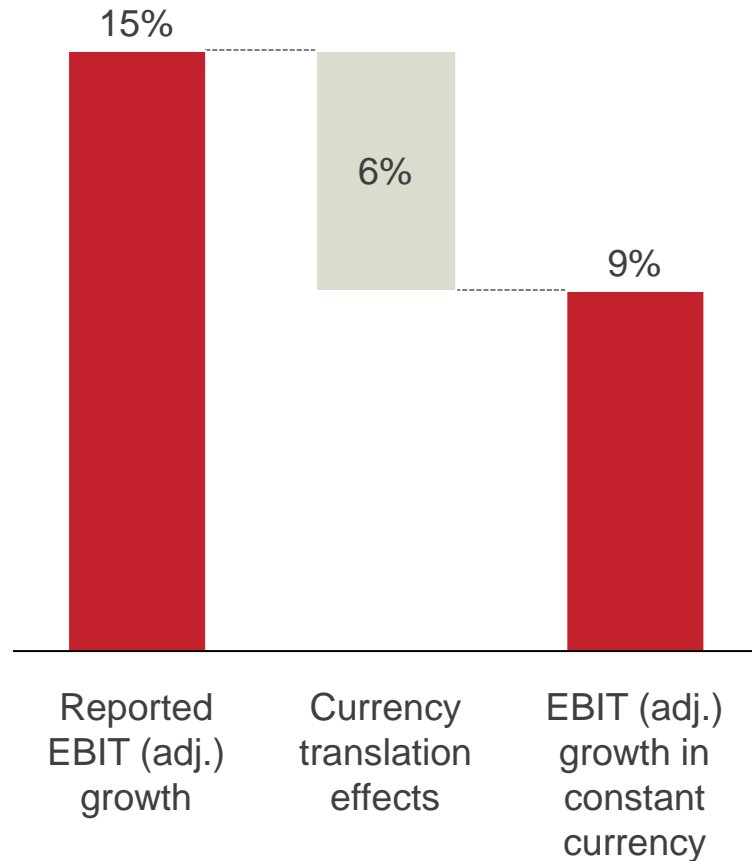
8 <sup>1</sup>RTM EBIT (adj.) margin diluted due to the acquisition of Rieber



## Branded Consumer Goods Q3 2015:

# EBIT (adj.) growth in line with target

### Breakdown of BCG EBIT (adj.) growth Q3 2015

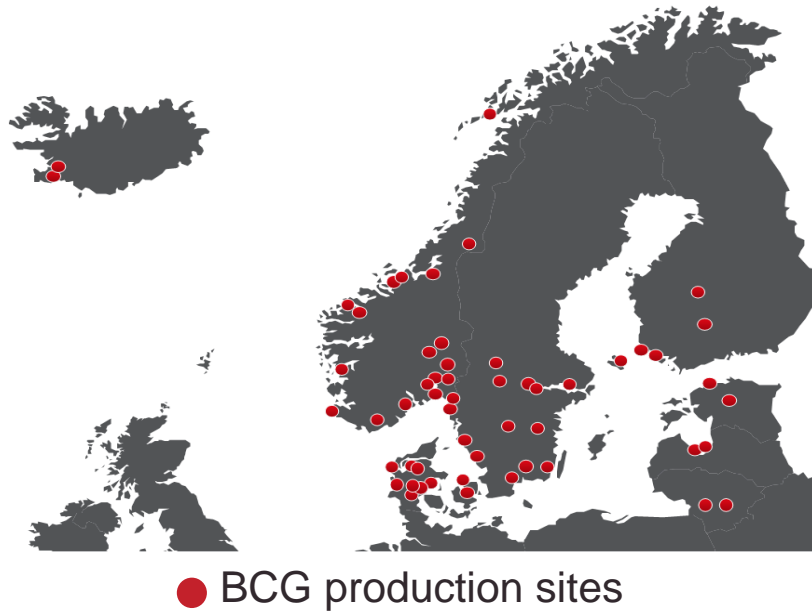


### Weakening NOK<sup>1</sup>

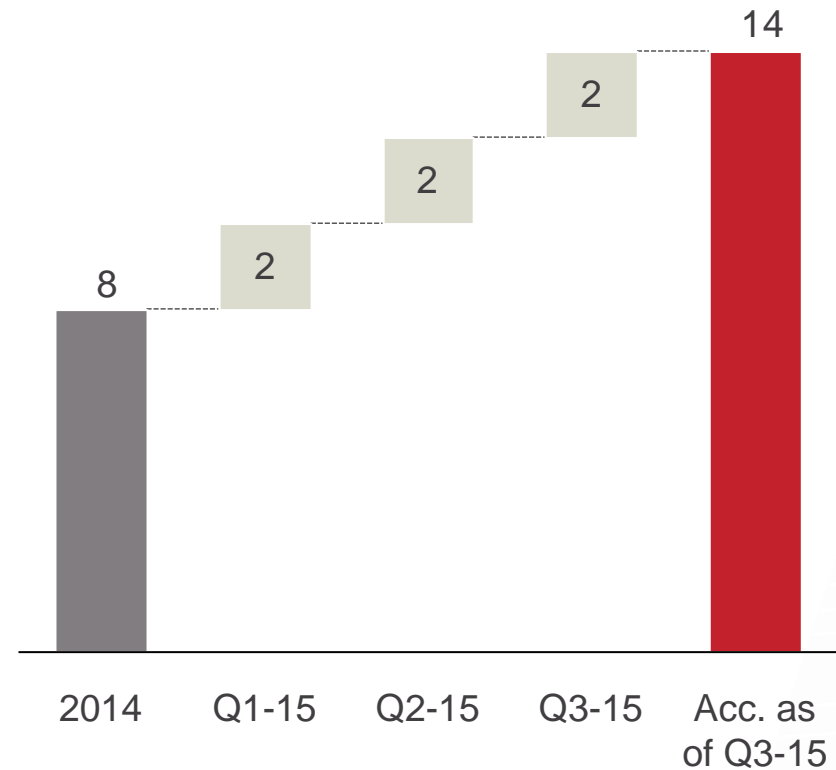
- Positive currency **translation effects**
- Higher **input prices**, especially for Norwegian companies

## Branded Consumer Goods Q3 2015: Reducing our factory footprint

### One integrated supply chain



### Steady pace in factory rationalisation



# Delivering on strategy

## Improved performance

- Group EBIT (adj.)<sup>1</sup> increased by 13%
- 2.3% organic growth<sup>2</sup> in BCG
- EBIT (adj.) growth of 15% in BCG
- Strong performance from associates

## Delivering on initiated and ongoing structural processes

- Continued progress in supply chain restructuring
- Cederroth acquisition approved and completed
- Integration of NP Foods ongoing

## Operational focus going forward

- Activities that drive organic growth and improve margins
- Centralise supply chain and reduce factory footprint







## Financial performance

Jens Bjørn Staff, CFO



## Group EBIT (adj.) improved by 13% to NOK ~1 billion in Q3

*Amounts in NOK million*

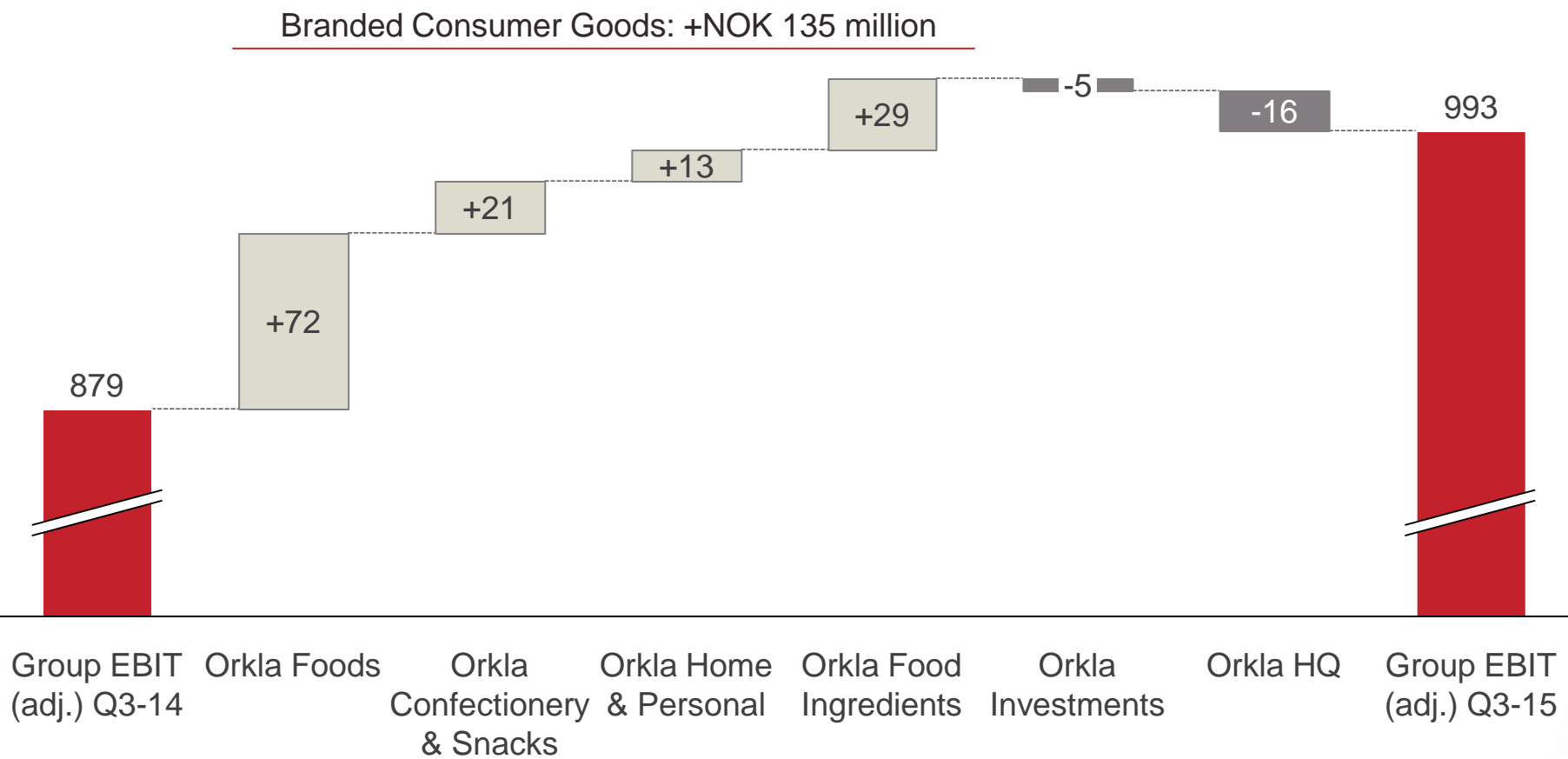
Key figures	Q3-14	Q3-15	YTD 14	YTD 15
Operating revenues	7 271	8 381	21 480	23 627
EBIT (adj.)	879	993	2 207	2 507
Other income and expenses	-44	-96	2	-268
EBIT	835	897	2 209	2 239
Profit/loss from associates and JV	126	239	373	1 022
Net financials and other	-54	-67	-215	-117
Profit/loss before tax <sup>1</sup>	907	1 069	2 367	3 144
Discontinued operations <sup>2</sup>	-155	-	-98	-
EPS (NOK)	0.51	0.80	1.69	2.50

<sup>1</sup>From continuing operations

**13** <sup>2</sup>Gränges and Orkla Brands Russia are classified as discontinued operations

# Broad-based EBIT (adj.) improvement

Amounts in NOK million





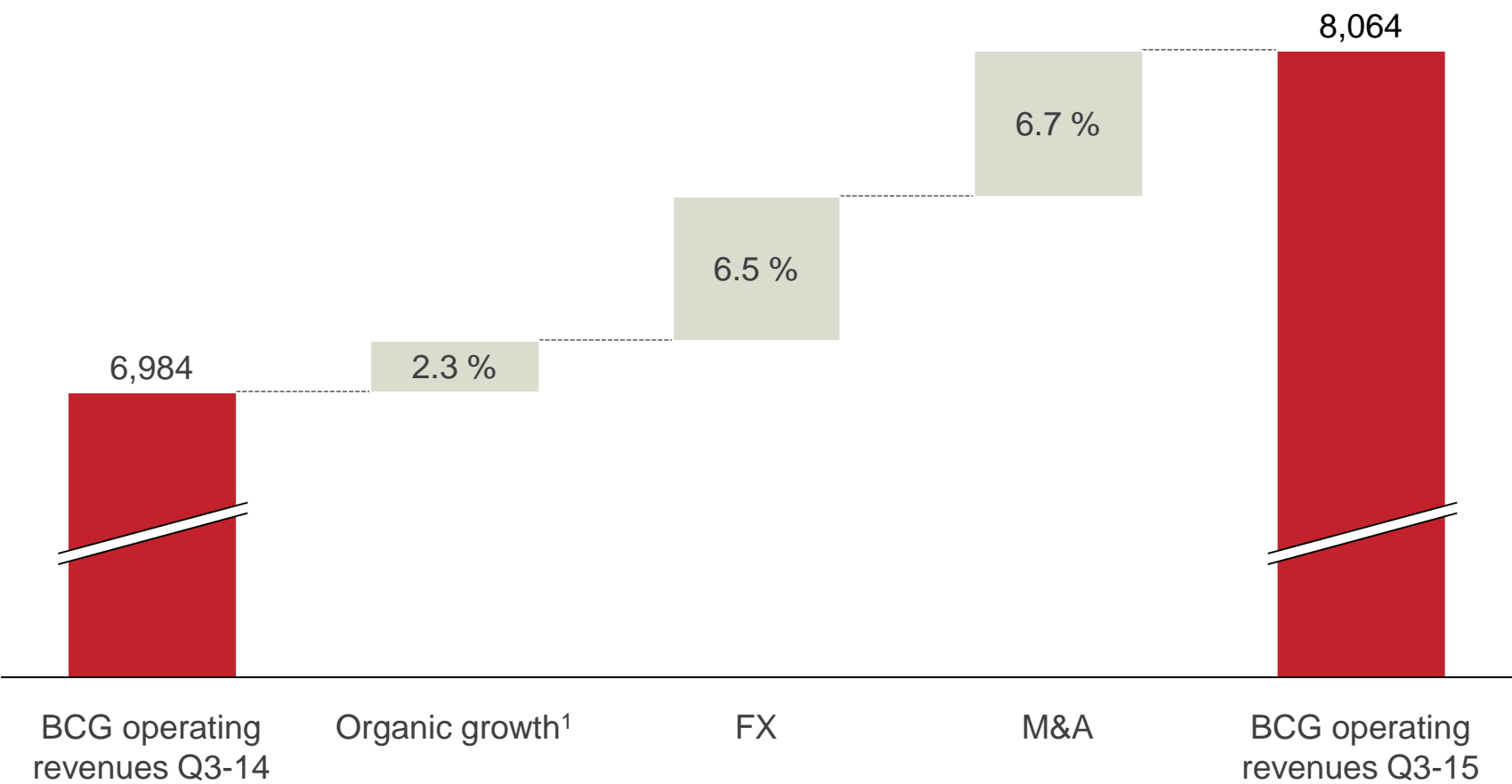


**Branded Consumer Goods**



# Positive organic growth

Amounts in NOK million

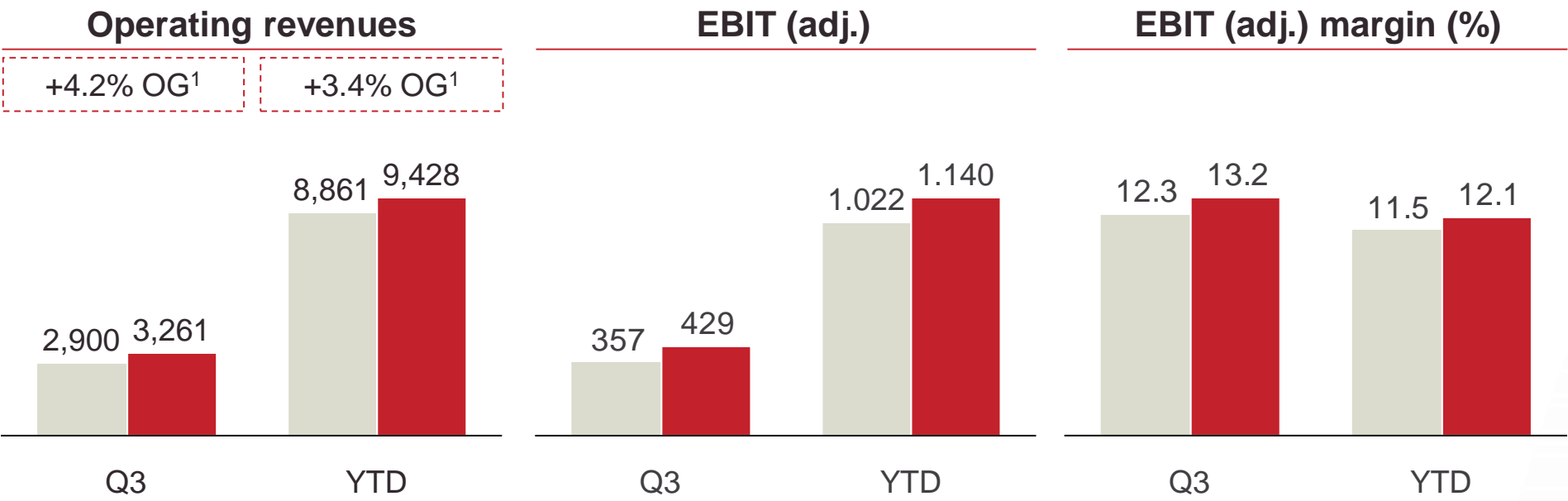


16 <sup>1</sup>Reported growth adjusted for FX and M&A

Strong performance in Orkla Foods compared with soft third quarter last year

Amounts in NOK million

2014 2015



- Broad-based growth across geographies and channels
- Driven by both volume and price. Positive contribution from new launches and the distribution of Tropicana juice
- Front-loaded campaign programme H2 -15

- Sales growth and continuous efforts to drive savings programmes led to broad-based profit and margin expansion
- The weaker NOK increased purchasing costs and put pressure on margins
- Results compared with soft Q3 2014 performance

17 <sup>1</sup>Reported growth adjusted for FX and M&A

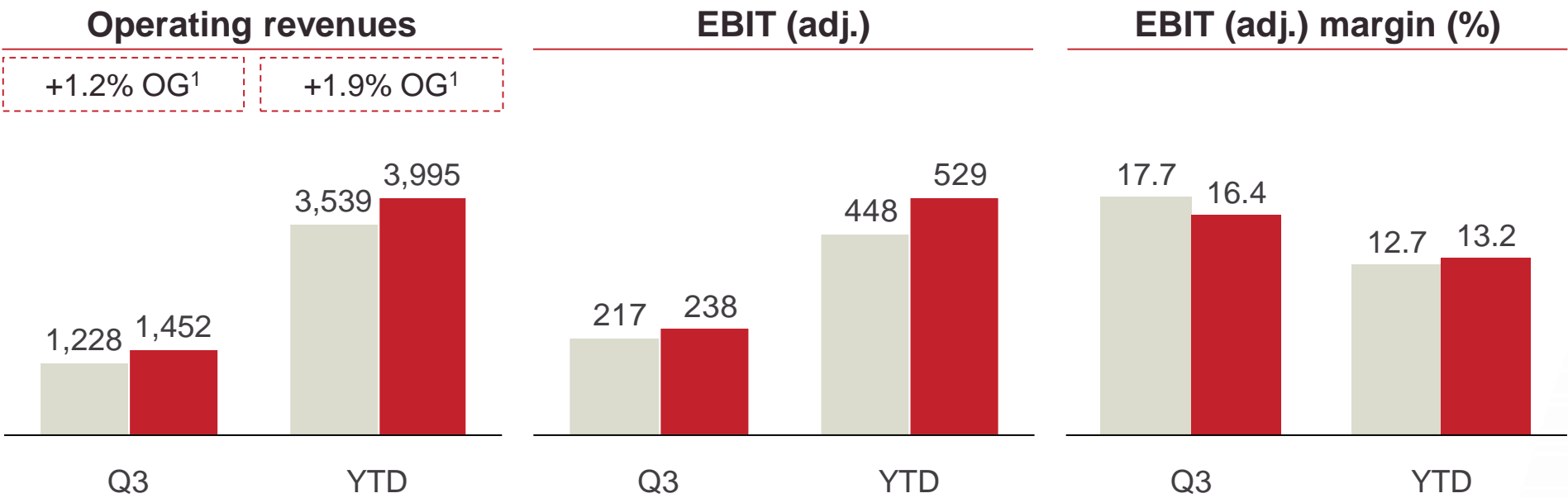


# Orkla Confectionery & Snacks

## Growth in Orkla Confectionery & Snacks

Amounts in NOK million

2014 2015

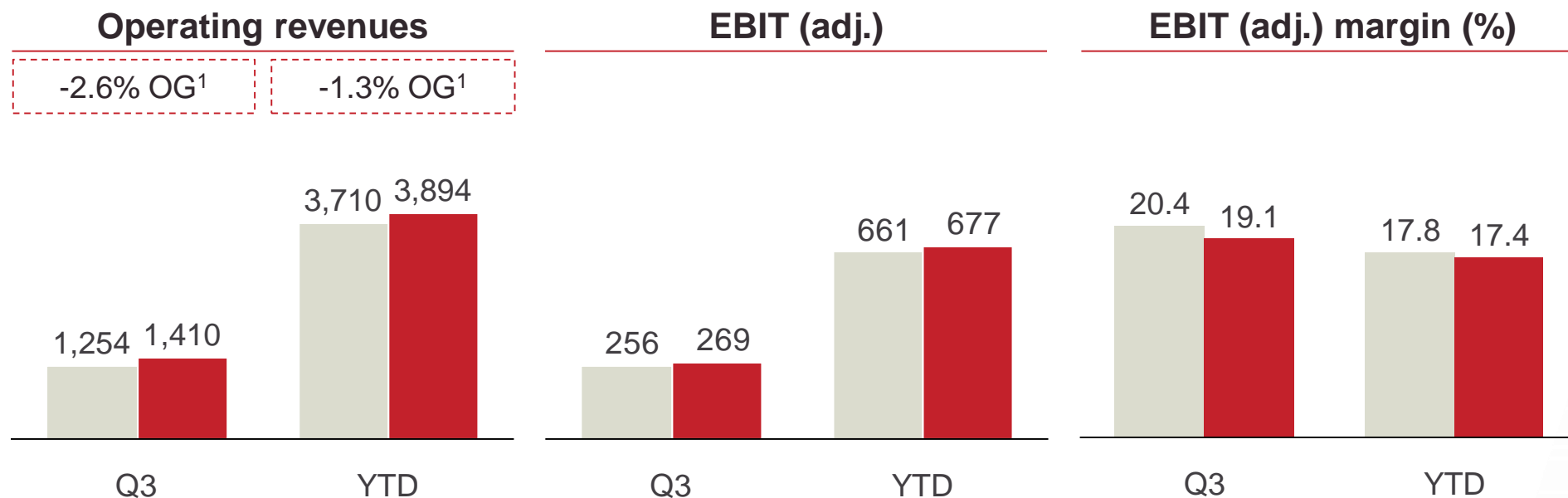


- Organic growth mainly driven by Denmark, as well as Norway and Sweden
- EBIT (adj.) growth in Q3 mainly driven by strong sales performance in Denmark
- The acquisition of NP Foods had a dilutive effect on EBIT (adj.) margin from Q2

## Mixed picture in Orkla Home & Personal

Amounts in NOK million

2014 2015



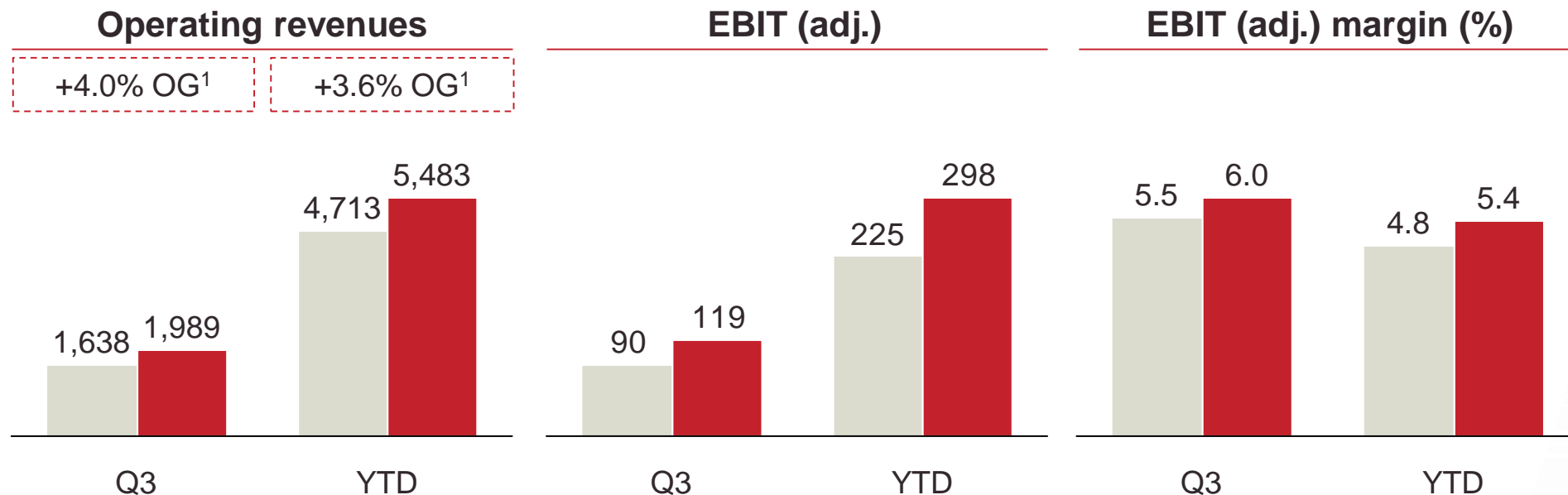
- Weak organic sales performance in Q3 caused by Lilleborg and Pierre Robert Group
- Improvement for Orkla Health but markets remain challenging

- Profitability in all segments negatively affected by a weak NOK
- Margin in Q3 and YTD diluted by the inclusion of Cederroth

# Continued strong progress in Orkla Food Ingredients

Amounts in NOK million

2014 2015



- Broad-based sales growth
- Strong market positions, stable raw material prices and improved product mix

- Main driver of the EBIT growth was the organic revenue growth supported by positive translation effects from a weak NOK
- Strong season for the ice cream ingredients business in Q3, opposite effect expected in Q4





**Orkla Investments**



# Orkla Investments



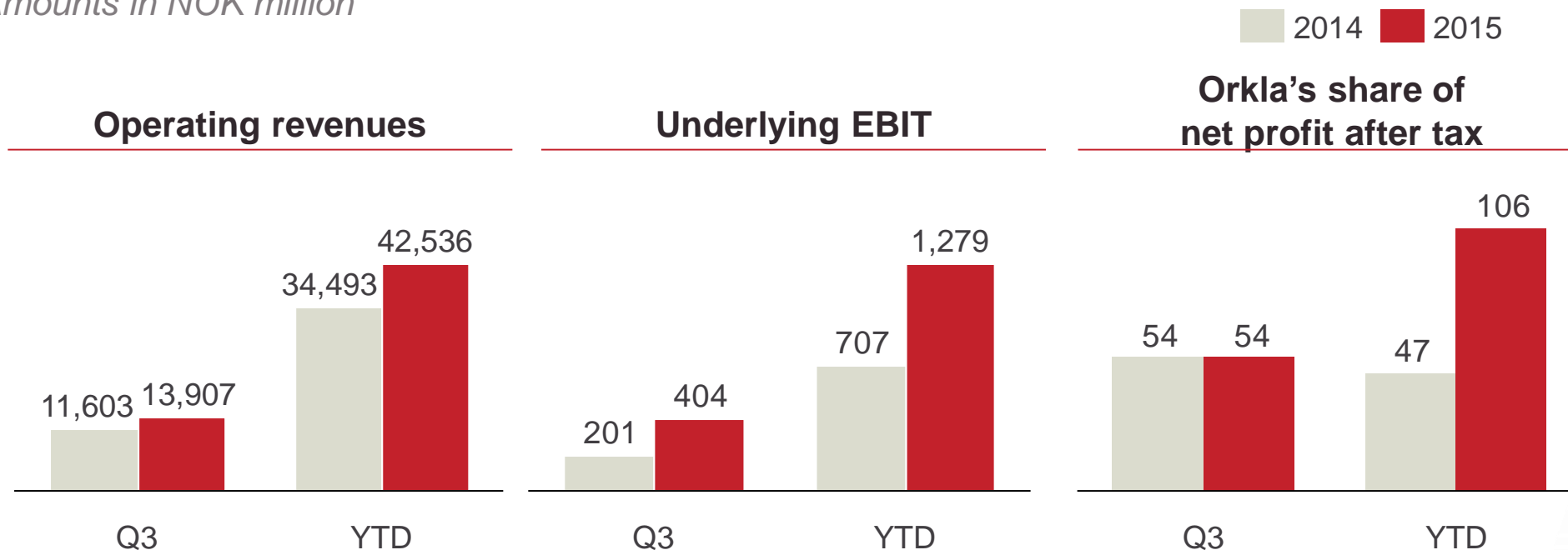
## Financial investments



Sapa (50/50 joint venture)

## Solid underlying EBIT growth in Sapa

Amounts in NOK million



- Strong demand in North America
- Stable demand in Europe

- Positive contributions from improvement programmes and restructuring efforts
- Positive currency effects
- Restructuring agenda continues ahead of plan

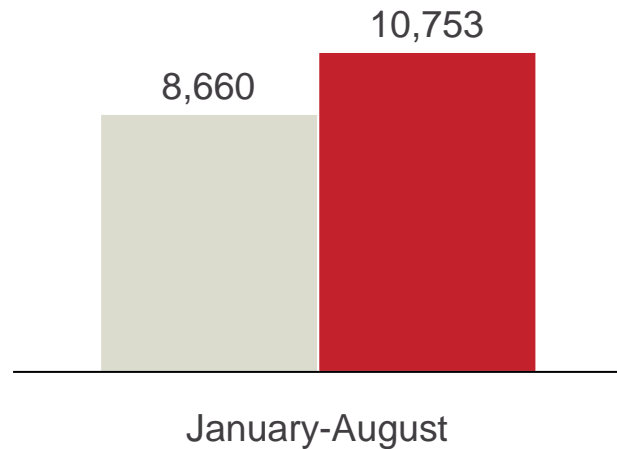
Jotun (42.5%)

## Growth across all segments and regions in Jotun

*Amounts on 100% basis in NOK million*

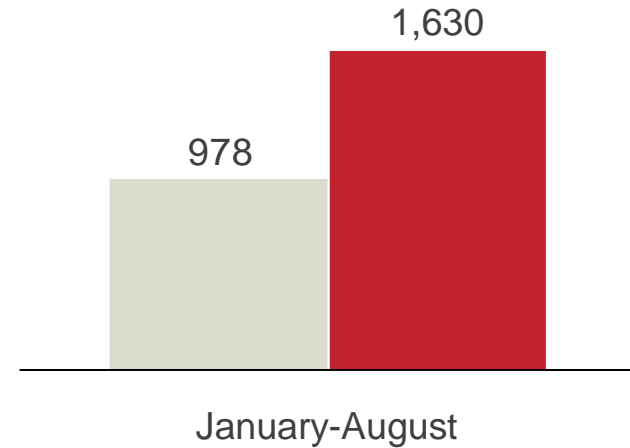
2014 2015

### Operating revenues



- Improved sales volumes with growth across all segments and regions
- Strong growth in the Marine Coatings segment

### Operating profit



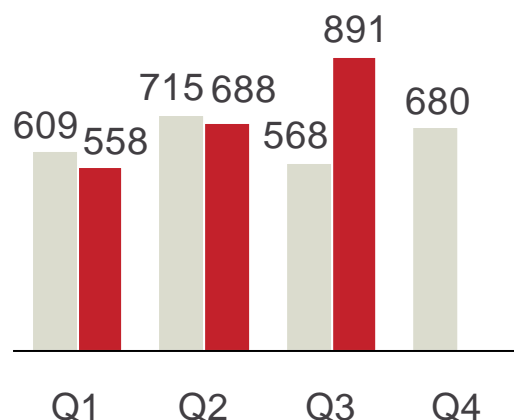
- Increased margins from cost improvements
- Positive currency translation effects on both sales and profit



## Historically low power prices

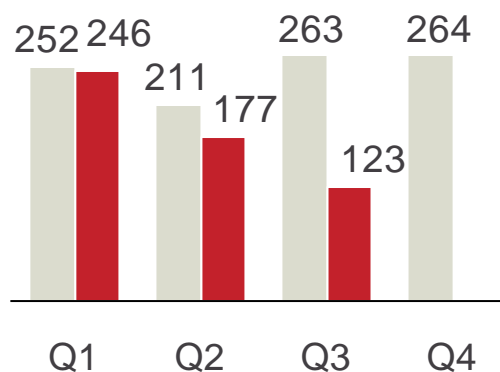
2014 2015

### GWh produced



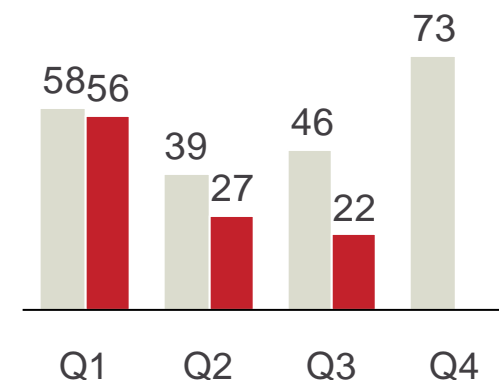
- All time high production volumes in Q3
- Substantial snow melting and rainy summer in Q3

### Spot prices (NOK/MWh)



- Power prices at the lowest level in 15 years
- Volume sold on spot market is exposed to regional prices in NO1 (Oslo) and NO2 (Kristiansand)

### EBIT (adj.) (NOK million)



- Extremely low power prices in the quarter resulted in lower EBIT (adj.)





**Net debt**



# Change in net debt 2015

Amounts in NOK billion





## Summary

Peter A. Ruzicka, President & CEO



## Summary

# Delivering on our strategy and increasing performance



**Keep the strategy on track**



**Deliver organic growth at least in line with market growth**



**Target annual adj. EBIT growth of 6-9%<sup>1</sup> in BCG**



**Maintain a stable dividend of at least NOK 2.50 per share**



## Q&A

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO







## Appendices

# Group income statement

*Amounts in NOK million*

	Q3-14	Q3-15	YTD-14	YTD-15
<b>Operating revenues</b>	<b>7 271</b>	<b>8 381</b>	<b>21 480</b>	<b>23 627</b>
<b>EBIT (adj.)</b>	<b>879</b>	<b>993</b>	<b>2 207</b>	<b>2 507</b>
Other income and expenses	-44	-96	2	-268
<b>EBIT</b>	<b>835</b>	<b>897</b>	<b>2 209</b>	<b>2 239</b>
Profit/loss from associates and joint ventures	126	239	373	1 022
Interests, net	-68	-78	-238	-159
Other financial items, net	14	11	23	42
<b>Profit/loss before taxes</b>	<b>907</b>	<b>1 069</b>	<b>2 367</b>	<b>3 144</b>
Taxes	-207	-240	-505	-550
<b>Profit/loss for the period continuing operations</b>	<b>700</b>	<b>829</b>	<b>1 862</b>	<b>2 594</b>
Profit/loss from discontinued operations	-155	0	-98	0
<b>Profit/loss for the period</b>	<b>545</b>	<b>829</b>	<b>1 764</b>	<b>2 594</b>
<b>Earnings per share diluted (NOK)</b>	<b>0.51</b>	<b>0.80</b>	<b>1.69</b>	<b>2.50</b>

## Net financial items

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	FY 2014	Q3-14	Q3-15
Net interest expenses	-363	-68	-78
Currency gain/loss	0	-2	-3
Result from Share Portfolio and dividends	93	29	36
Other financial items, net	-93	-13	-22
<b>Net financial items</b>	<b>-363</b>	<b>-54</b>	<b>-67</b>

# Balance sheet

*Amounts in NOK million*

	31.12.2014	30.09.2015
Intangible assets	14 598	17 450
Property, plant and equipment	9 484	10 256
Investments in associates and joint ventures etc.	13 026	12 587
<b>Non-current assets</b>	<b>37 108</b>	<b>40 293</b>
Assets held for sale	22	22
Inventories	3 873	4 824
Inventory of development property	200	188
Trade receivables	4 413	5 242
Other receivables	1 147	586
Shares and financial assets	734	1 192
Cash and cash equivalents	2 615	1 105
<b>Current assets</b>	<b>13 004</b>	<b>13 159</b>
<b>Total assets</b>	<b>50 112</b>	<b>53 452</b>
Paid-in equity	1 993	1 992
Earned equity	29 066	29 709
Non-controlling interests	245	411
<b>Equity</b>	<b>31 304</b>	<b>32 112</b>
Provisions	3 699	4 083
Non-current interest-bearing liabilities	8 510	10 310
Current interest-bearing liabilities	598	370
Trade payables	3 221	3 711
Other current liabilities	2 780	2 866
<b>Equity and liabilities</b>	<b>50 112</b>	<b>53 452</b>

# Cash flow

*Amounts in NOK million*

	YTD-14	YTD-15
<b>Operating profit</b>	<b>2 257</b>	<b>2 165</b>
Amortisation, depreciation and write-downs	691	841
Change in net working capital	- 918	- 283
Net replacement expenditures	- 587	- 659
<b>Cash flow from operations</b>	<b>1 443</b>	<b>2 064</b>
<b>Cash flow from operations, Financial Investments</b>	<b>45</b>	<b>127</b>
Tax	- 354	- 668
Dividends received, net financial and other	459	240
<b>Cash flow before capital transactions</b>	<b>1 593</b>	<b>1 763</b>
Paid to shareholders, net purchase/sales own shares	-2 345	-2 666
<b>Cash flow before expansion</b>	<b>- 752</b>	<b>- 903</b>
Expansion investments	- 65	- 236
Sold and acquired companies	499	-1 952
Net purchases/sales shares and financial assets	204	225
<b>Net cash flow</b>	<b>- 114</b>	<b>-2 866</b>
Currency translations net interest-bearing liabilities	281	- 401
<b>Change in net interest-bearing liabilities</b>	<b>- 167</b>	<b>3 267</b>
<b>Net interest-bearing liabilities</b>	<b>8 329</b>	<b>8 928</b>



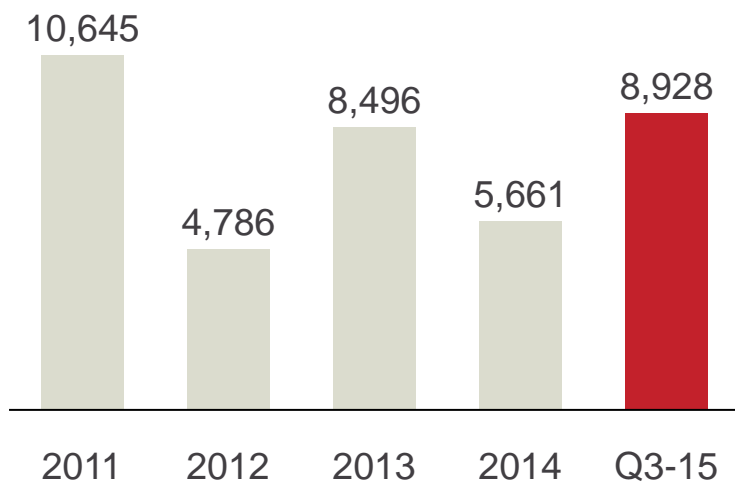
## Sapa (joint venture) – figures on 100% basis

*Amounts in NOK million*

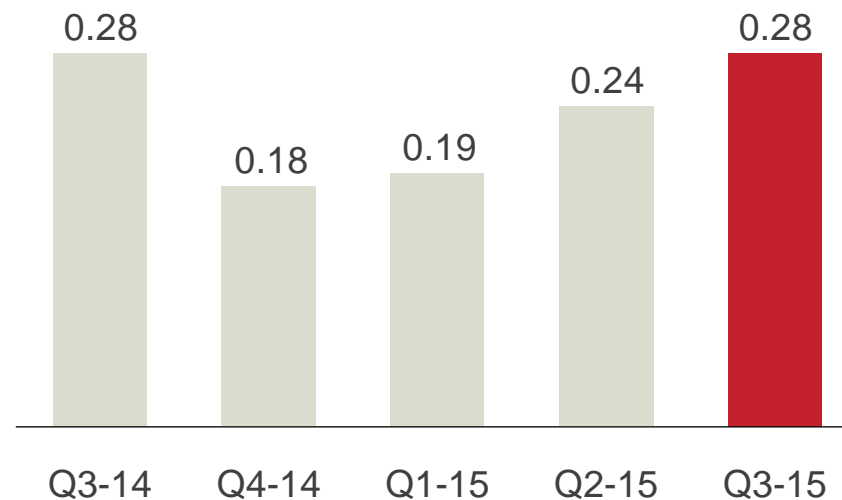
	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15
<b>Sales volume (1,000 tonnes)</b>	350	322	353	358	341
<b>Revenues (NOK million)</b>	11 561	11 890	14 134	14 494	13 895
<b>Underlying EBIT</b>	201	-55	392	483	404
<b>Excluded items:</b>					
Unrealised derivative positions	66	-79	-145	-158	-95
Other excluded items	-70	-546	-47	-260	-135
<b>Sum excluded items</b>	-4	-624	-191	-418	-230
<b>EBIT</b>	198	-679	201	65	174
<b>Net income (attributable to majority)</b>	107	-719	89	14	109

# Strong balance sheet and financial flexibility

Net interest bearing debt (NOK million)



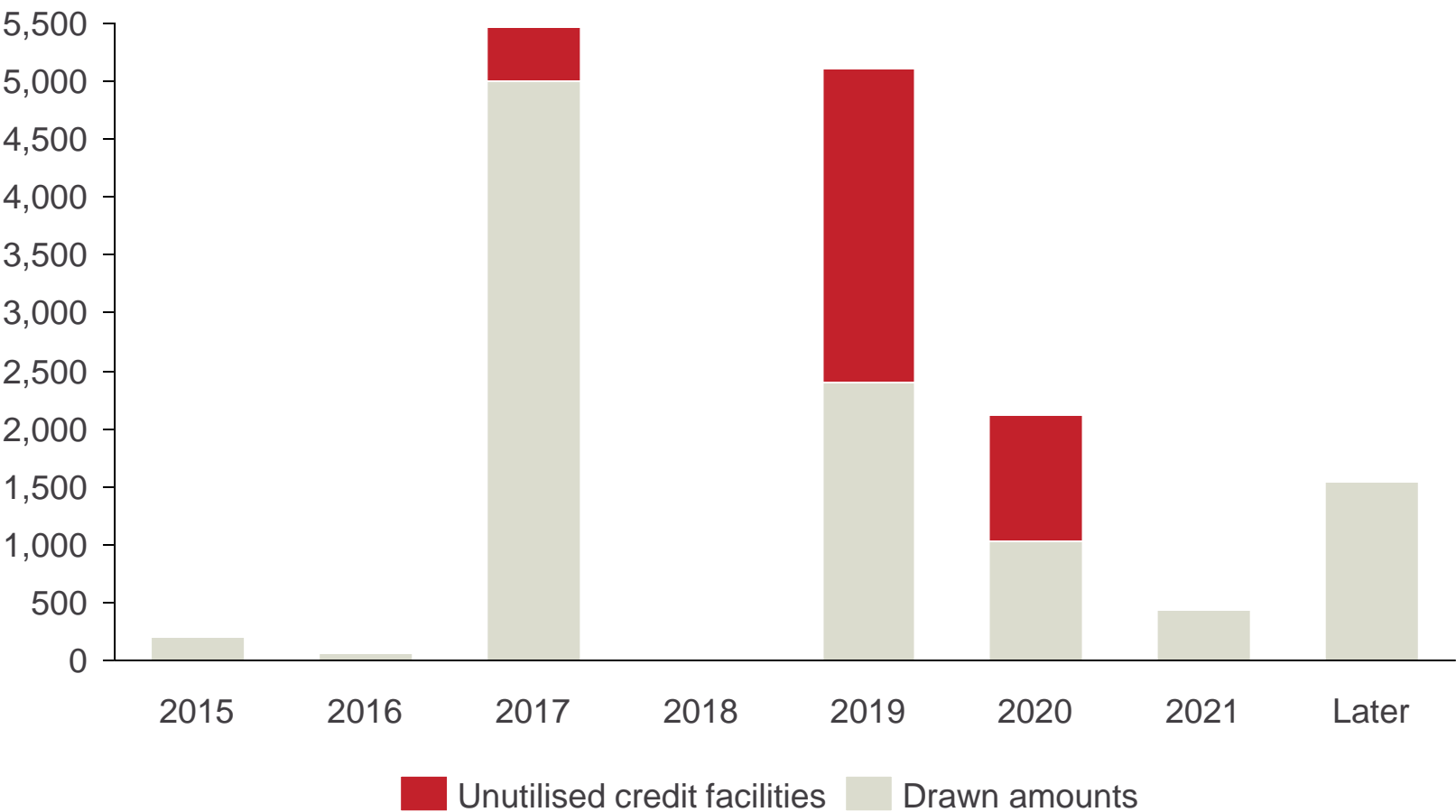
Net gearing



# Debt maturity profile

Amounts in NOK million

Average maturity 3.6 years



# Funding sources

*Amounts in NOK billion*

