Second quarter results 2014

17 July 2014

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO

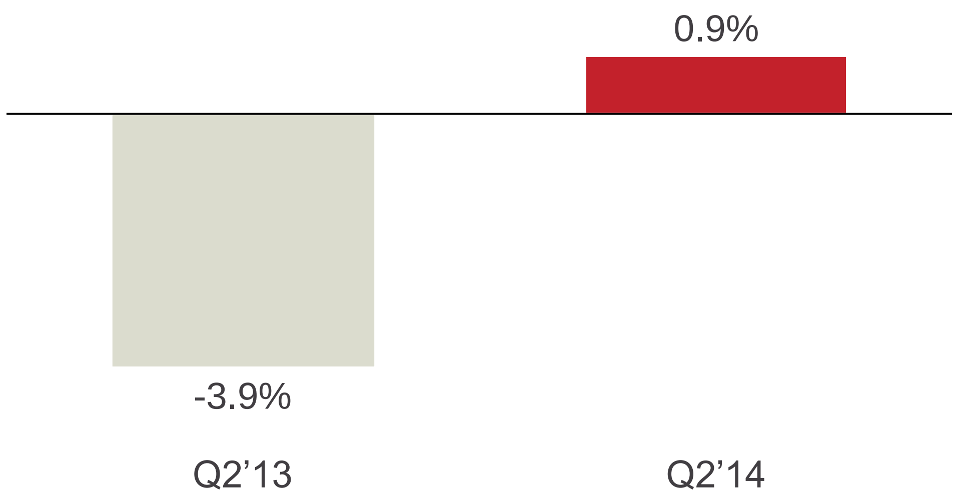
Highlights Q2 2014
Improving operations and delivering on initiated processes

- Group EBITA improved by 19% to NOK 751 million compared to Q2'13
- EBITA margin in Branded Consumer Goods improved by 0.8 percentage points
  – NOK 55 million improvement in underlying EBITA
- Adjusted organic growth of 0.9% in Branded Consumer Goods[1]
  – Good performance in Orkla Home & Personal, Orkla Food Ingredients and Orkla International
  – Signs of improvement, but still challenging in Orkla Confectionery & Snacks
  – Still challenging in Orkla Foods
- Profit improvements in both Sapa JV and Gränges
- Group diluted EPS of NOK 0.7 (-0.7 in Q2 2013)

1 Organic growth has been adjusted for Easter effects and timing of selling days

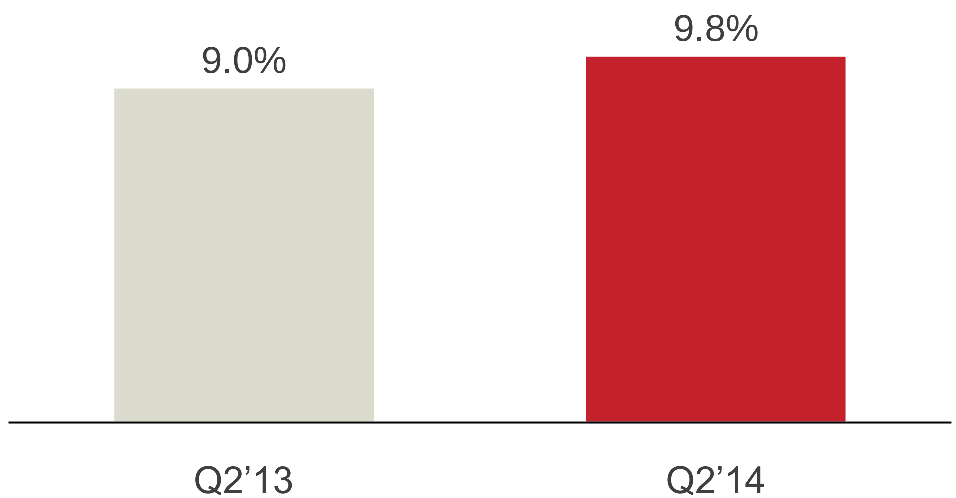
Overall positive growth in BCG. Improving operational margin

Adj. organic growth BCG[1]



- Positive adjusted organic growth in three out of five business areas
- Still challenging in Orkla Foods (-4.6%)

EBITA margin



- Improved margins in four business areas
  - Synergy realisation and cost programmes delivering according to plan

1 Organic growth has been adjusted for Easter effects and timing of selling days

Optimisation of BCG production structure in progress

1. Boyfood (FI) – Herring production, Orkla Foods
   - Production at Rymättylä closed down and consolidated at Kungshamn in Q2
2. Lierne (NO) – Lefse flatbread production, Orkla Foods
   - Decision made to close plant and transfer production to Stranda
3. Nord-Odal (NO) – Fiberrik, Orkla Confectionery & Snacks
   - Decision made to close plant and transfer production to Kungälv in Sweden

Orkla Foods – Key developments

Adj. organic growth[1]

Top-line still challenging, adj. organic growth of -4.6%

EBITA

Broad based underlying EBITA and margin improvement

Activities

- Synergy effects Rieber & Søn realised according to plan
- Field sales force projects in Norway and Sweden
- Decision made to close down and transfer production of lefse flatbread from Lierne to Stranda
- Closure of plant and transfer of herring production from Rymättylä to Kungshamn
- Add-on acquisition of Krögarklass brand in the out-of-home market in Sweden

1 Organic growth has been adjusted for Easter effects and timing of selling days

Orkla Foods – Innovation highlights

Grandiosa and Toro

Gluten-free versions of popular dinners; Grandiosa pizza and Toro Lasagne

Relaunch of ketchup range

More environmentally-friendly bottles, appealing design and user-friendly packaging

Abba Middagsklart

Cross-market launches of successful dinner solution in Denmark and Finland

Orkla

Orkla Confectionery & Snacks – Key developments

Adj. organic growth[1]	Still challenging, but signs of improvement (-1.2% in Q2 vs -3.8% in Q1)
EBITA	Weaker margins due to increased raw material cost
Activities	• Focus still on integration in Norway and Sweden • New sales organisation implemented in Norway • New CEO in Sweden • Synergy effects gradually realised as planned

1 Organic growth has been adjusted for Easter effects and timing of selling days

Orkla Confectionery & Snacks – Innovation highlights

Ballerina Chokladmousse

Technology driven innovation across markets in core biscuits segment

New Energy Nøttebar

A brand new chocolate bar with lots of nuts to give new energy

Kockarnas Chipskamp

Exciting limited edition initiatives in core segment across markets

Orkla

Orkla Home & Personal – Key developments

Adj. organic growth[1]	Strong, broad based adjusted organic growth (4.5%) on par with long term target of 3-5%
EBITA	Positive development for most companies. Stable EBITA margin
Activities	• Improvements in Lilleborg Profesjonell mainly due to new contracts in the Industry sector • Strong innovation and relaunch programme for Pierre Robert Group • Sales growth in Orkla House Care driven by an extensive relaunch programme

1 Organic growth has been adjusted for Easter effects and timing of selling days

Orkla

Contracts between Orkla/Lilleborg and Unilever signed

- New agreements have been signed for a period of five years[1], securing a seamless continuation of the contractual arrangements

- The new agreements include the following main elements;
  - Continued right to supply of finished goods from Unilever
  - Continued licence for R&D and marketing know-how within HPC
  - Termination of licences for five Unilever HPC brands currently distributed by Lilleborg in Norway representing approximately NOK 100 million in revenues. Effective from 01.01.2016
  - In conjunction with the licence termination Orkla will receive an agreed one-time unconditional contractual termination fee from Unilever

1 Mechanisms in the agreement make it possible for either party to terminate the agreement after three years

Orkla Home & Personal – Innovation highlights

OMO Aktiv & Sport

For training and outdoor garments – effective from 30°C

PR Shape Collection

New and unique shaping collection – comfortable shaping for everyday wear

Nutrilett Protein Shape

Protein powders, bars and drinks – help maintain a healthy diet & shape the body

Orkla International – Key developments

Adj. organic growth	Strong adjusted organic growth rate of 5.8%. 20.0% organic growth in MTR
EBITA	Underlying EBITA improvement in Orkla Brands Russia, Vitana, Felix Austria, MTR and Delecta
Activities	• Agreement signed to sell Delecta in Poland • Decision made to increase capacity and improve MTR production facility in Bangalore • Restructuring of production in Russia completed • Sales process in Russia proceeding as planned

Orkla Food Ingredients – Key developments

Adj. organic growth	Solid adjusted organic growth rate of 8.5%
EBITA	EBITA improvement of 30%
Activities	• Positive effects from internal improvement projects; – Increased focus on value added propositions to customers – Broad based cost improvements • Positive effects from smaller add-on acquisitions and expansion investment in the last two years

Orkla

Financial Performance

Jens Bjørn Staff, CFO

Group EBITA improved by 19% to NOK 751 million in Q2

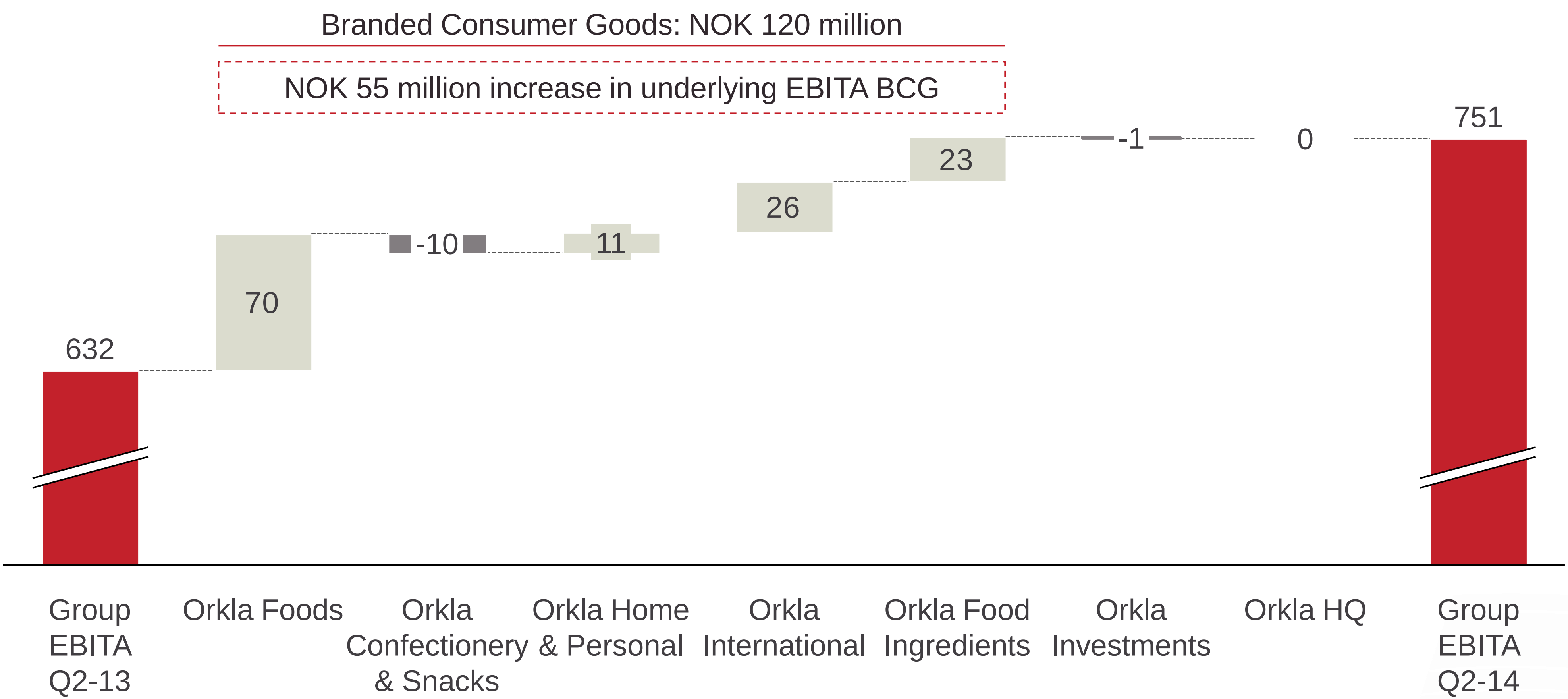
Amounts in NOK million

Key figures	Q2-13	Q2-14	H1-13	H1-14
Operating revenues	**7,905**	**8,459**	**15,124**	**16,765**
EBITA	**632**	**751**	**1,228**	**1,487**
Other income and expenses	-583	59	-619	24
EBIT	**46**	**805**	**599**	**1,502**
Profit/loss from associates and JV	130	192	225	248
Profit/loss before tax[1]	**514**	**930**	**1,414**	**1,569**
EPS diluted (NOK)	**-0.7**	**0.7**	**-0.1**	**1.2**

1 From continuing operations

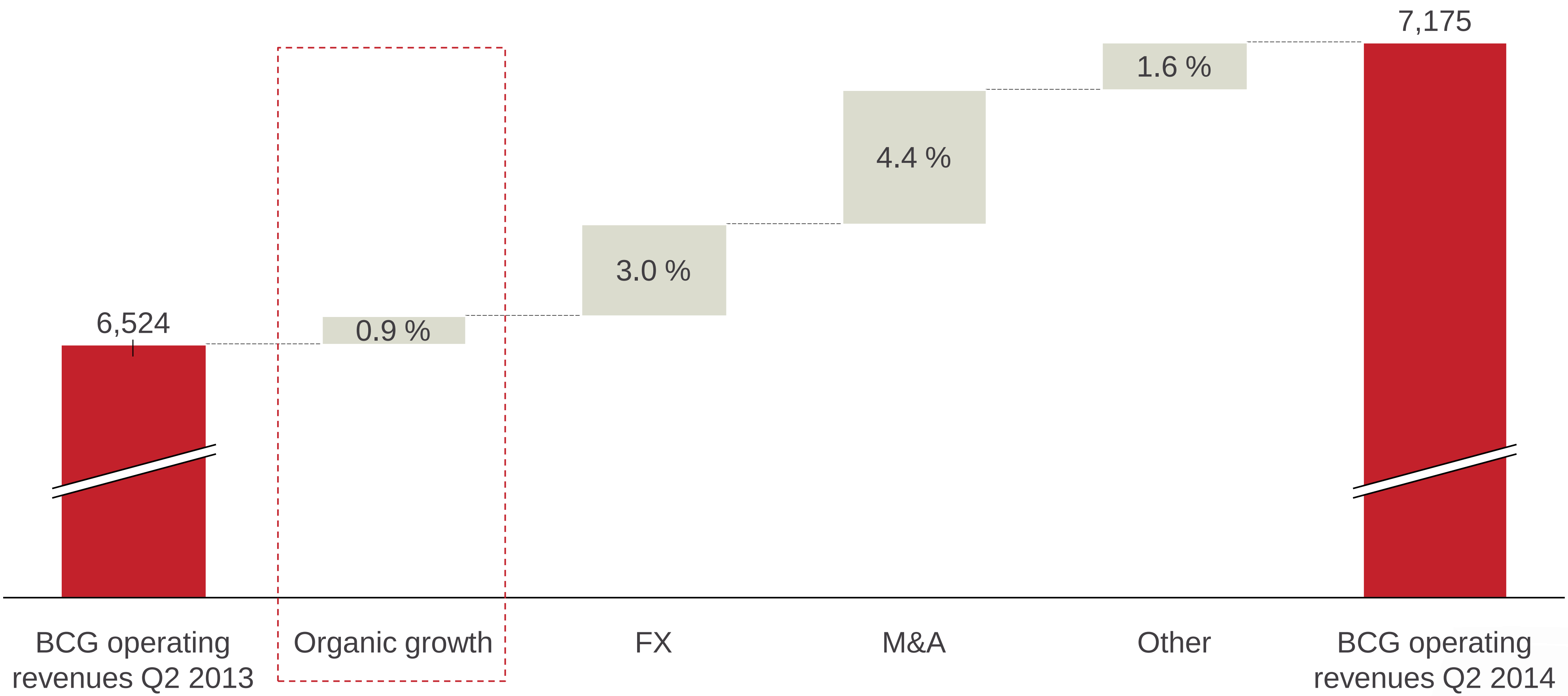
Broad based EBITA improvement in BCG

Amounts in NOK million



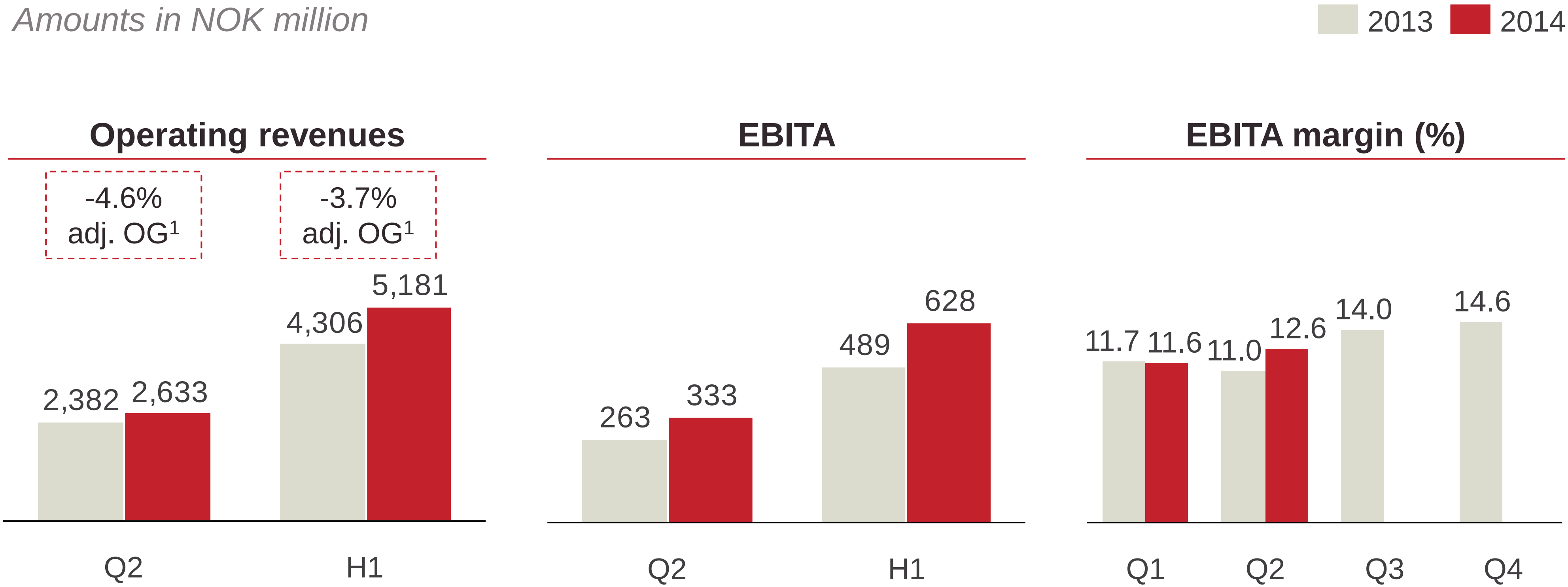
10% revenue growth, 0.9 % adjusted organic growth in BCG

Amounts in NOK million



Orkla Foods – Key financials

Amounts in NOK million



- Development in underlying revenue to some extent driven by focus on cost synergy realisation and tail cutting

- Broad-based underlying EBITA and margin improvement
- Realised cost synergies from the integration of Rieber & Søn and the merger of Abba and Procordia delivering according to plan

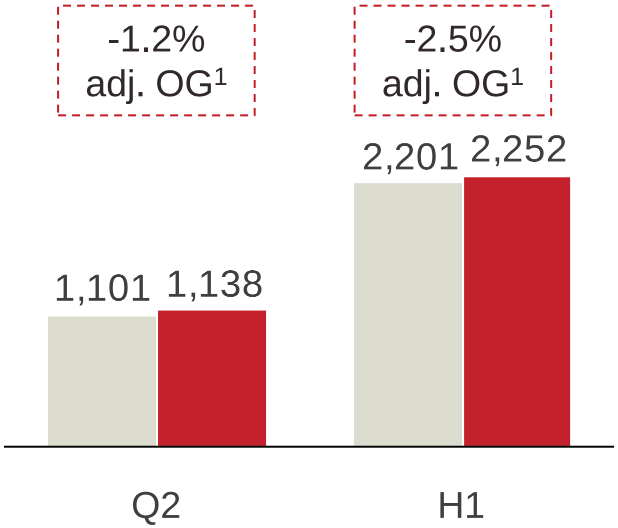
 1 Organic growth has been adjusted for Easter effects and timing of selling days

Orkla Confectionery & Snacks – Key financials

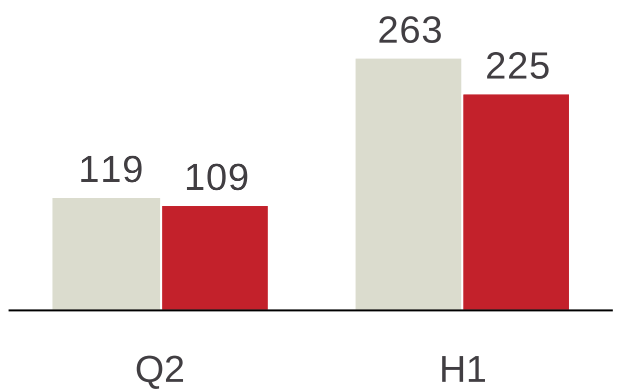
Amounts in NOK million

2013 2014

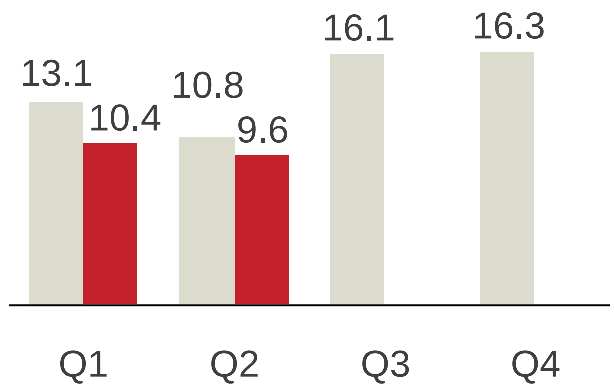
Operating revenues



EBITA



EBITA margin (%)



- Signs of improvement in Q2
- Weaker sales performance in Norway and Sweden

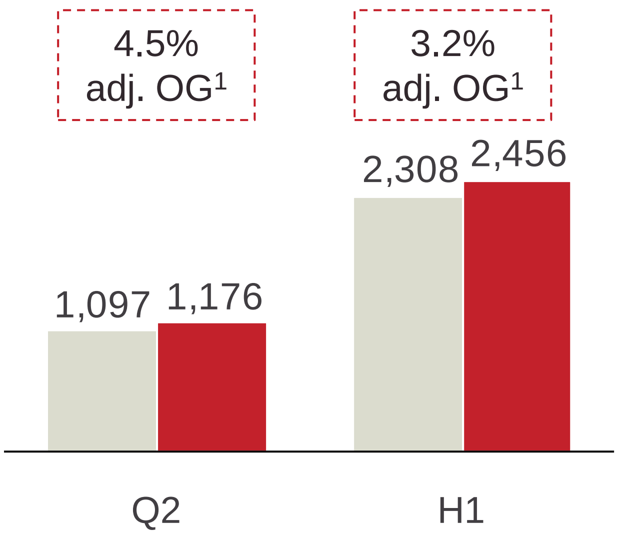
- High raw material costs
- Profit growth in Denmark and Finland. Solid performance in the Baltics
- Synergy effects gradually realised according to plan

1 Organic growth has been adjusted for Easter effects and timing of selling days

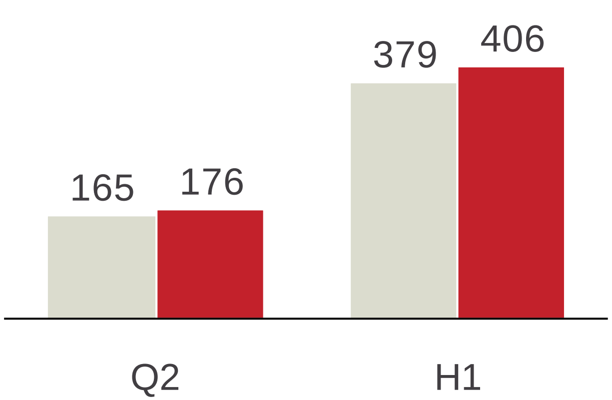
Orkla Home & Personal – Key financials

Amounts in NOK million

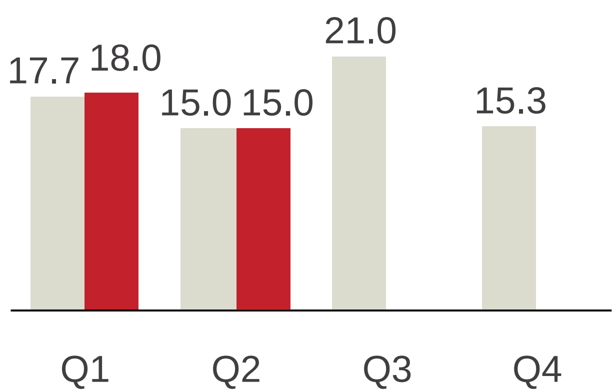
Operating revenues



EBITA



EBITA margin (%)



- Stable or positive development for all business units

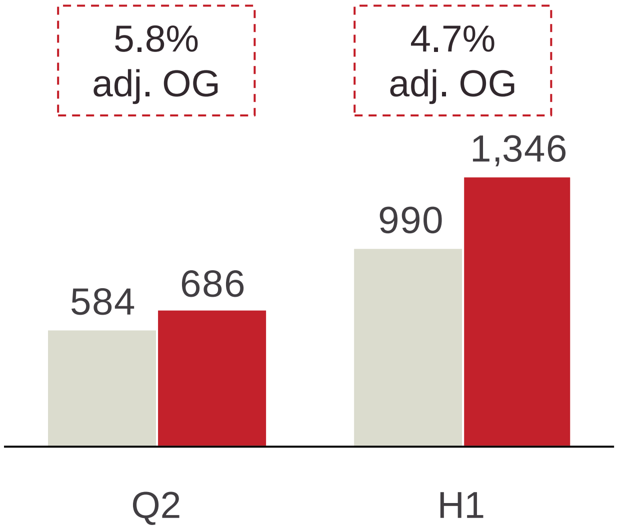
- Stable or positive development for all business units
- Most segments negatively affected by a weak NOK

 1 Organic growth has been adjusted for Easter effects and timing of selling days

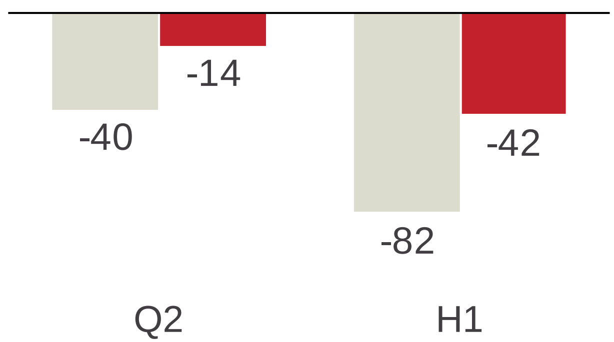
Orkla International – Key financials

Amounts in NOK million

Operating revenues



EBITA



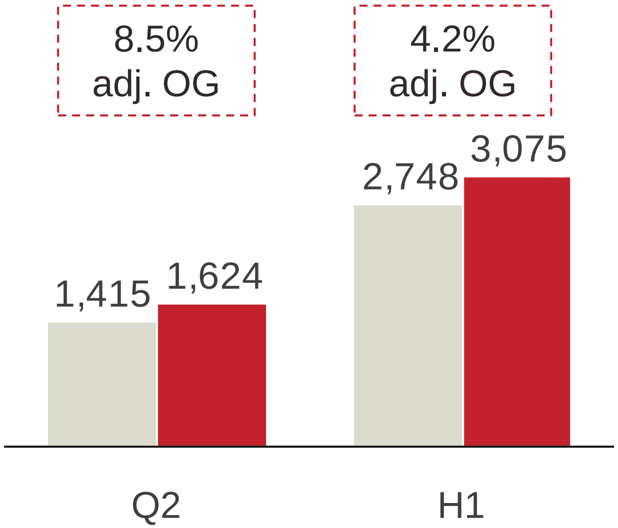
- 20.0% organic growth in India
- -2.1% organic growth in Orkla Brands Russia

- EBITA level for Orkla Brands Russia improved, but still weak. Increased raw material prices and lower Rubel FX rate in Q2
- Improved EBITA for Vitana, Felix Austria, MTR and Delecta

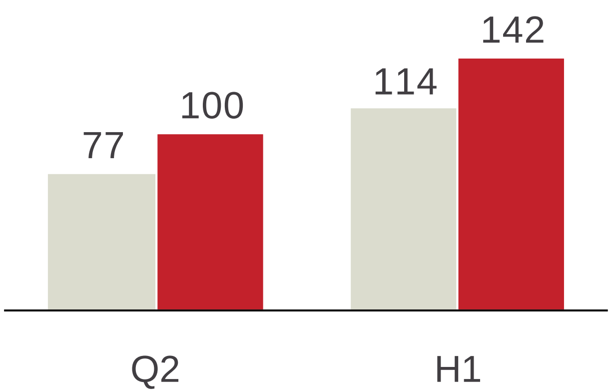
Orkla Food Ingredients – Key financials

Amounts in NOK million

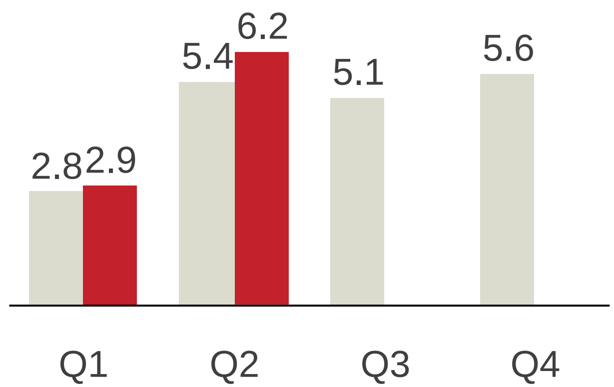
Operating revenues



EBITA



EBITA margin (%)



- Volume driven growth
- More favourable product mix

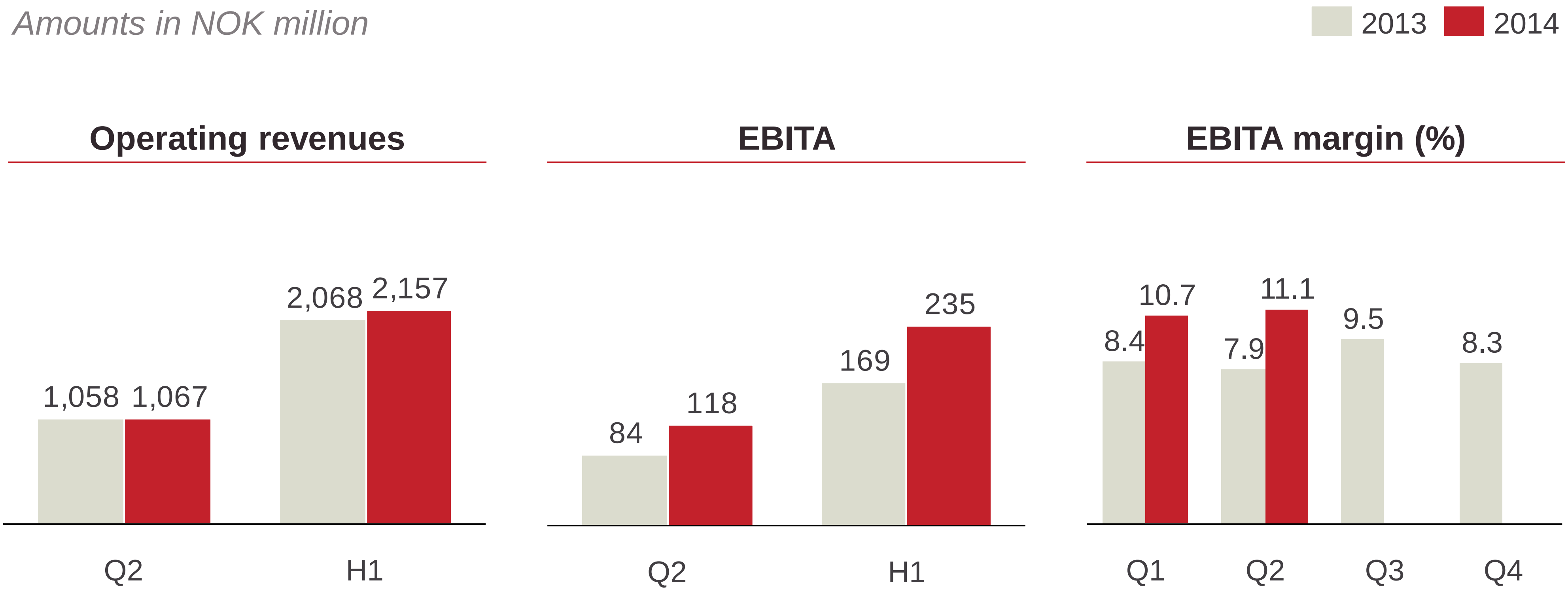
- Product mix
- Recipe optimisation
- Positive effects from internal improvement projects

Orkla Investments

Jens Bjørn Staff, CFO

Gränges – Continued profit improvement over last year

Amounts in NOK million

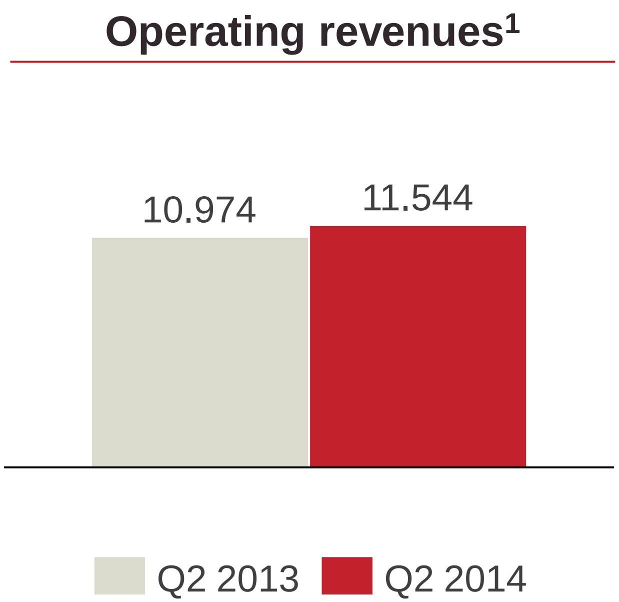


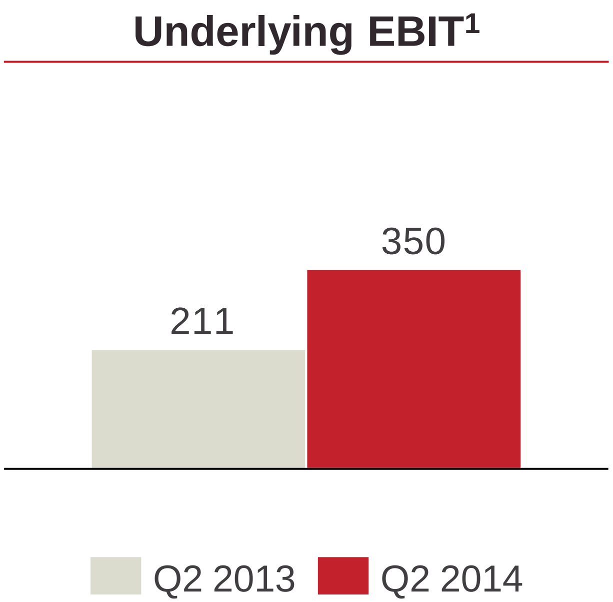
- Volume growth in H1

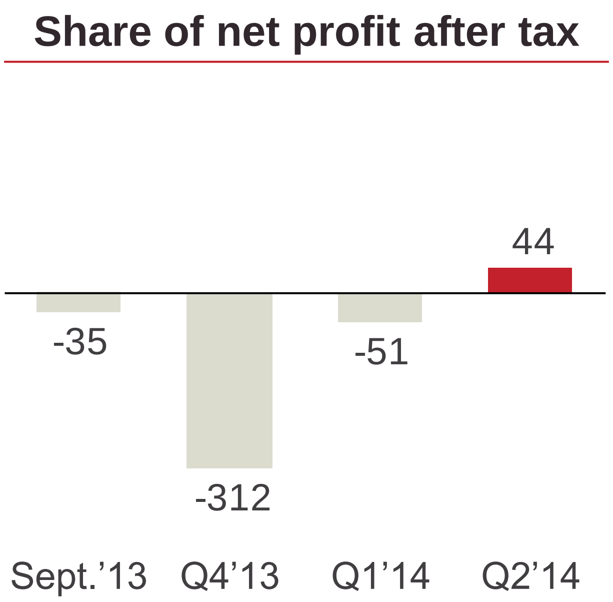
- Margin improvement driven by cost reduction in Sweden (cost reduction programme is progressing according to plan)
- Good cash generation from operations

Sapa (50/50 joint venture)

Amounts in NOK million







- Second consecutive quarter of market growth in Europe (2%)
- Continued good growth in North America (5%)
- Increased volumes (2%)

- Realisation of synergies and restructuring on track

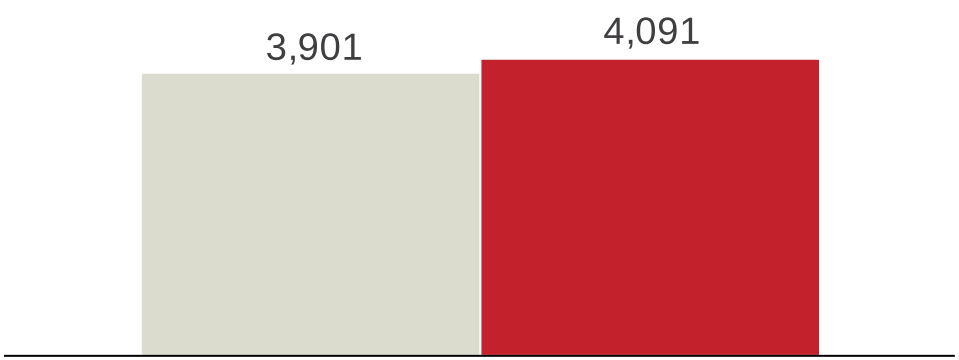
1 Orkla's share of net profit. Pro-forma financials before September 2013

Jotun (42.5%)

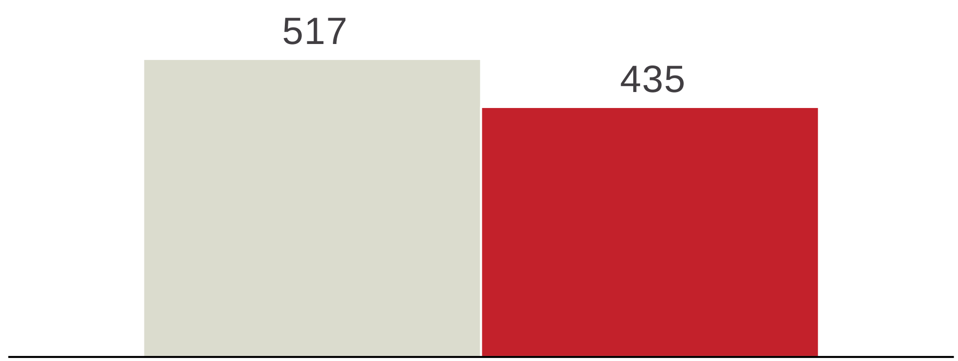
Amounts in NOK million

As of 30 Apr'13 | As of 30 Apr'14

Operating revenues



EBIT



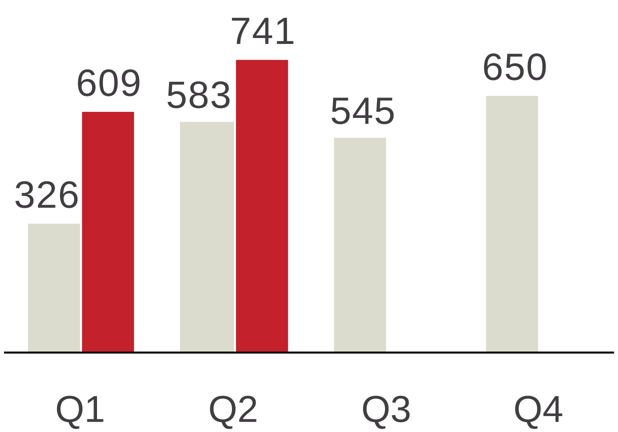
- 5% growth in T1
- All segments growing with improved Decorative sales in Scandinavia and improving conditions for Marine

- Increase in costs primarily tied to market investments in growth markets
- On-going plant investments in Russia, Brazil and Oman

Hydro Power

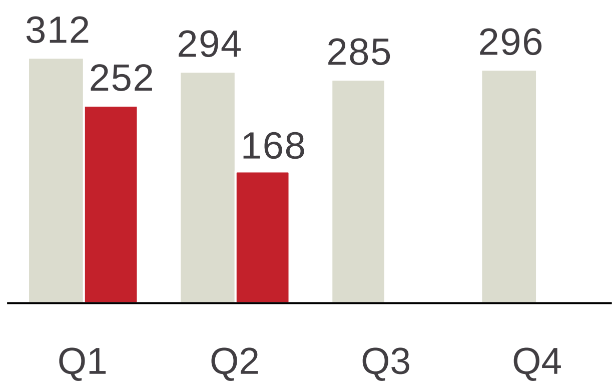
2013 2014

Volume produced



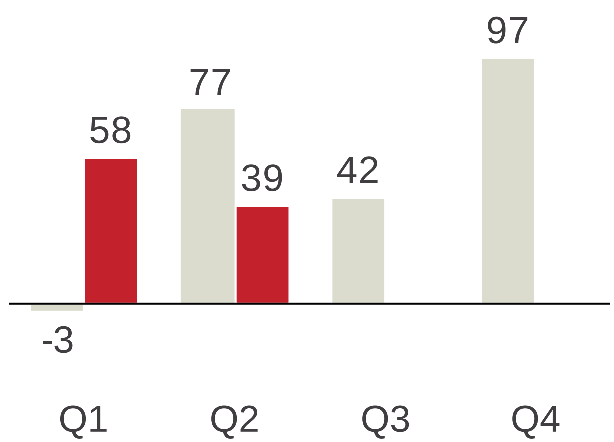
- High precipitation in Q1, high volumes in H1

Spot prices (NOK/MWh)



- Low spot prices in Q2

EBITA (NOK million)



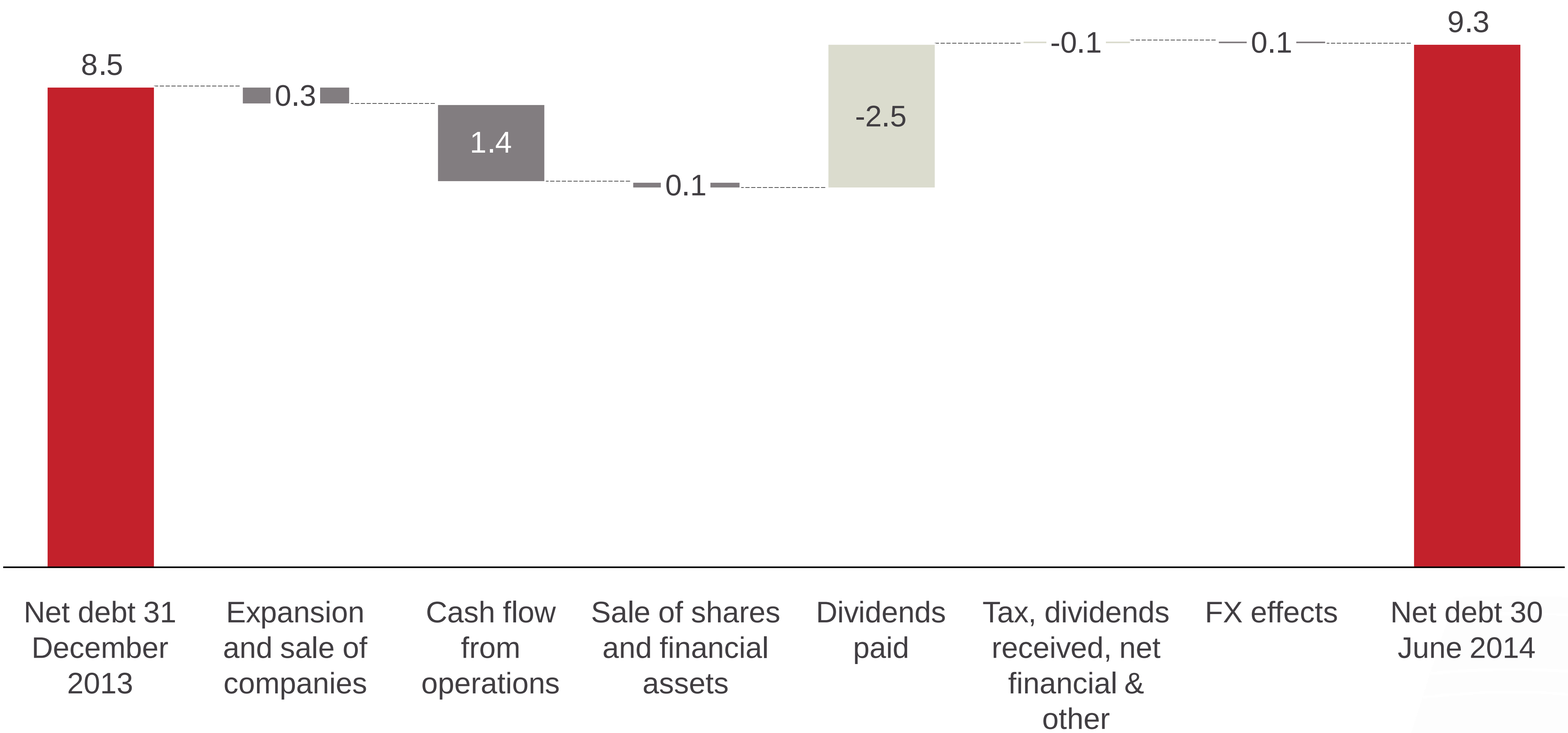
- Profit in Q2 2013 partly ascribable to sale of real estate (NOK 17 million)

Capital structure

Jens Bjørn Staff, CFO

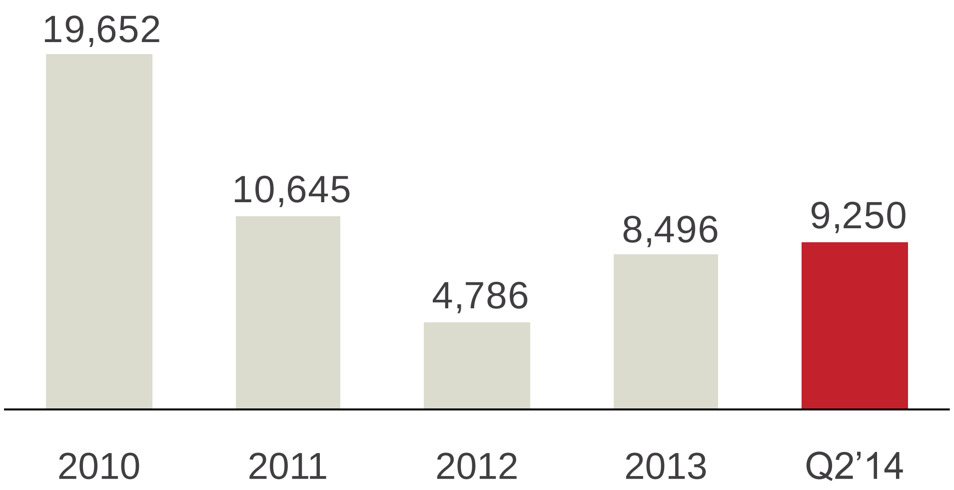
Change in net debt H1 2014

Amounts in NOK billion

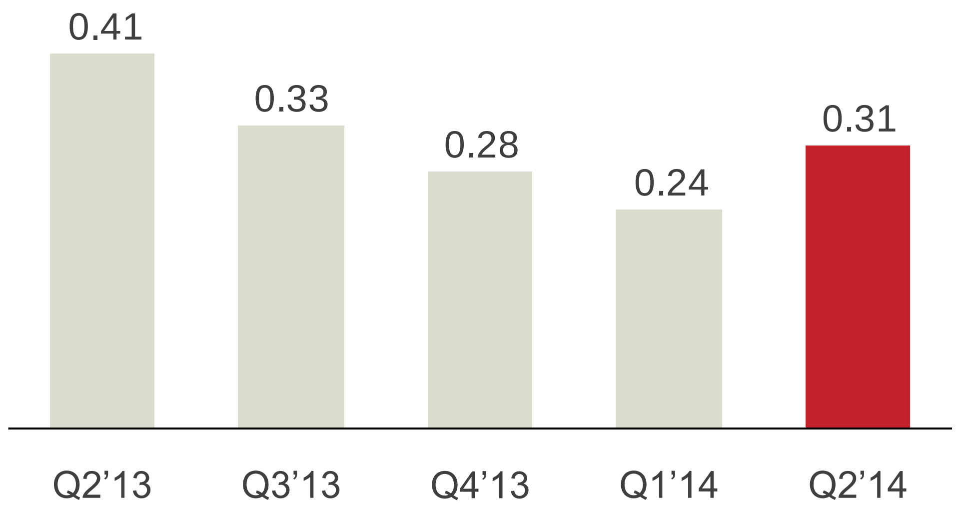


Strong balance sheet and financial flexibility

Net interest bearing debt (NOK million)



Net gearing (%)



- Avg. maturity 3.6 years
- Avg. interest cost: 3.6%

Outlook

Peter A. Ruzicka, President & CEO

Operational focus going forward

Strategy	• Future growth and value creation from a focused Nordic based BCG company • Focus on organic growth as the key long-term value driver • Going from a very decentralised model to a more optimised model • Leveraging on our substantial local presence, skills and insights
Operational focus	• Deliver on initiated and ongoing structural processes • Focus on activities that drive organic growth and improve margins – Strong innovation programmes – More cross-market initiatives – Increase sales force effectiveness – Strengthen relations with our customers • Optimising production structure

Orkla

Orkla

Q&A

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO

Appendices

Group income statement

Amounts in NOK million

	Q2'13	Q2'14	H1'13	H1'14
Operating revenues	**7 905**	**8 459**	**15 124**	**16 765**
EBITA	**632**	**751**	**1 228**	**1 487**
Amortisation intangibles	-3	-5	-10	-9
Other income and expenses	-583	59	-619	24
EBIT	**46**	**805**	**599**	**1 502**
Profit/loss from associates and joint ventures	130	192	225	248
Dividends received	120	22	240	36
Gains, losses and write-downs shares and fin. assets	352	24	573	12
Financial items, net	-134	-113	-223	-229
Profit/loss before taxes	**514**	**930**	**1 414**	**1 569**
Taxes	-120	-200	-280	-350
Profit/loss for the period continuing operations	**394**	**730**	**1 134**	**1 219**
Profit/loss from discontinued operations	-1 119	0	-1 175	0
Profit/loss for the period	**-725**	**730**	**-41**	**1 219**
Earnings per share diluted (NOK)	**-0.7**	**0.7**	**-0.1**	**1.2**

Net financial items

Amounts in NOK million

	FY 2013	Q2'13	Q2'14
Net interest expenses	-375	-105	-93
Currency gain/loss	-1	-4	2
Other financial items, net	-117	-25	-22
Net financial items	**-493**	**-134**	**-113**

Orkla

Statement of financial position

Amounts in NOK million

	31.12.2013	30.06.2014
Intangible assets	15 402	15 221
Property, plant and equipment	11 651	11 174
Investments in associates and joint ventures etc.	11 042	11 388
Non-current assets	**38 095**	**37 783**
Operations held for sale	0	259
Inventories	4 836	4 853
Receivables	6 328	6 224
Shares and financial assets	1 051	931
Cash and cash equivalents	1 805	1 681
Current assets	**14 020**	**13 948**
Total assets	**52 115**	**51 731**
Paid-in equity	1 989	1 993
Earned equity	28 490	27 262
Non-controlling interests	301	344
Equity	**30 780**	**29 599**
Provisions	3 369	3 472
Non-current interest-bearing liabilities	8 041	10 135
Current interest-bearing liabilities	2 837	1 512
Operations held for sale, liabilities	0	74
Other current liabilities	7 088	6 939
Equity and liabilities	**52 115**	**51 731**

Orkla

Cash flow

Amounts in NOK million

	H1'13	H1'14
Operating profit	**594**	**1 544**
Amortisation, depreciation and write-downs	885	589
Change in net working capital	- 482	- 332
Net replacement expenditures	- 337	- 439
Cash flow from operations, industrial activities	**660**	**1 362**
Cash flow from operations, Orkla Financial Investments	**44**	**53**
Tax	- 380	- 325
Dividends received, net financial and other	- 62	71
Cash flow before capital transactions	**262**	**1 161**
Paid to shareholders, net purchase/sales own shares	-2 494	-2 412
Cash flow before expansion	**-2 232**	**-1 251**
Expansion investments	-7 005	- 52
Sold companies	47	364
Net purchases/sales portfolio investments	2 776	124
Net cash flow	**-6 414**	**- 815**
Currency translations net interest-bearing liabilities	- 559	61
Change in net interest-bearing liabilities	**6 973**	**754**
Net interest-bearing liabilities	**11 759**	**9 250**

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

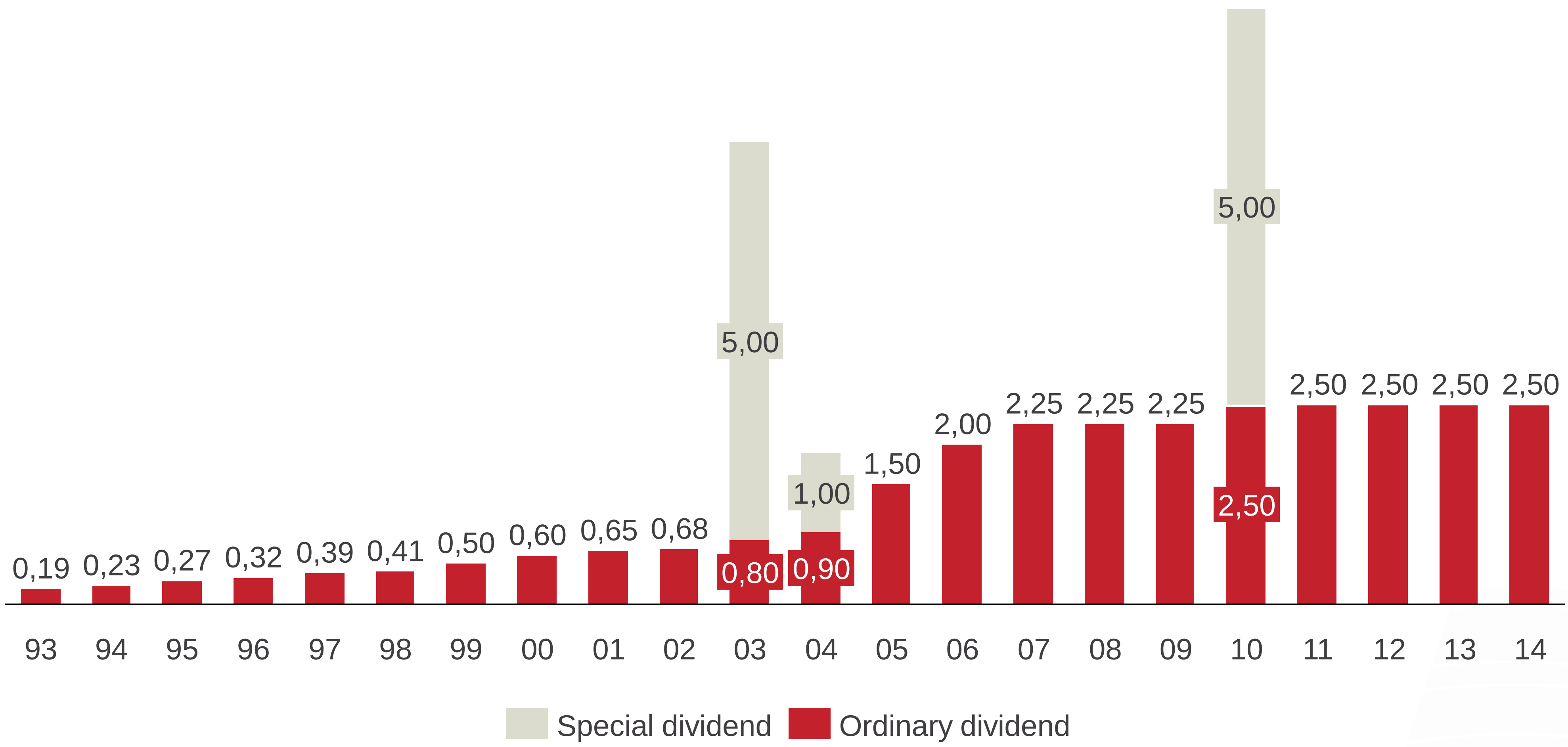
Amounts in NOK million

	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
Sales volume (1000 tonnes)	343	311	346	360	346	314	359	368
Revenues	10,414	9,654	10,367	10,974	10,797	10,132	11,346	11,544
Underlying EBITDA[1]	365	154	304	508	328	-43	440	641
Underlying EBIT	76	-142	16	211	24	-339	155	350
Reported EBIT	-954	-618	-148	-1,096	-1,985	-787	-3	168

1 Similar to Orkla's reported EBITDA

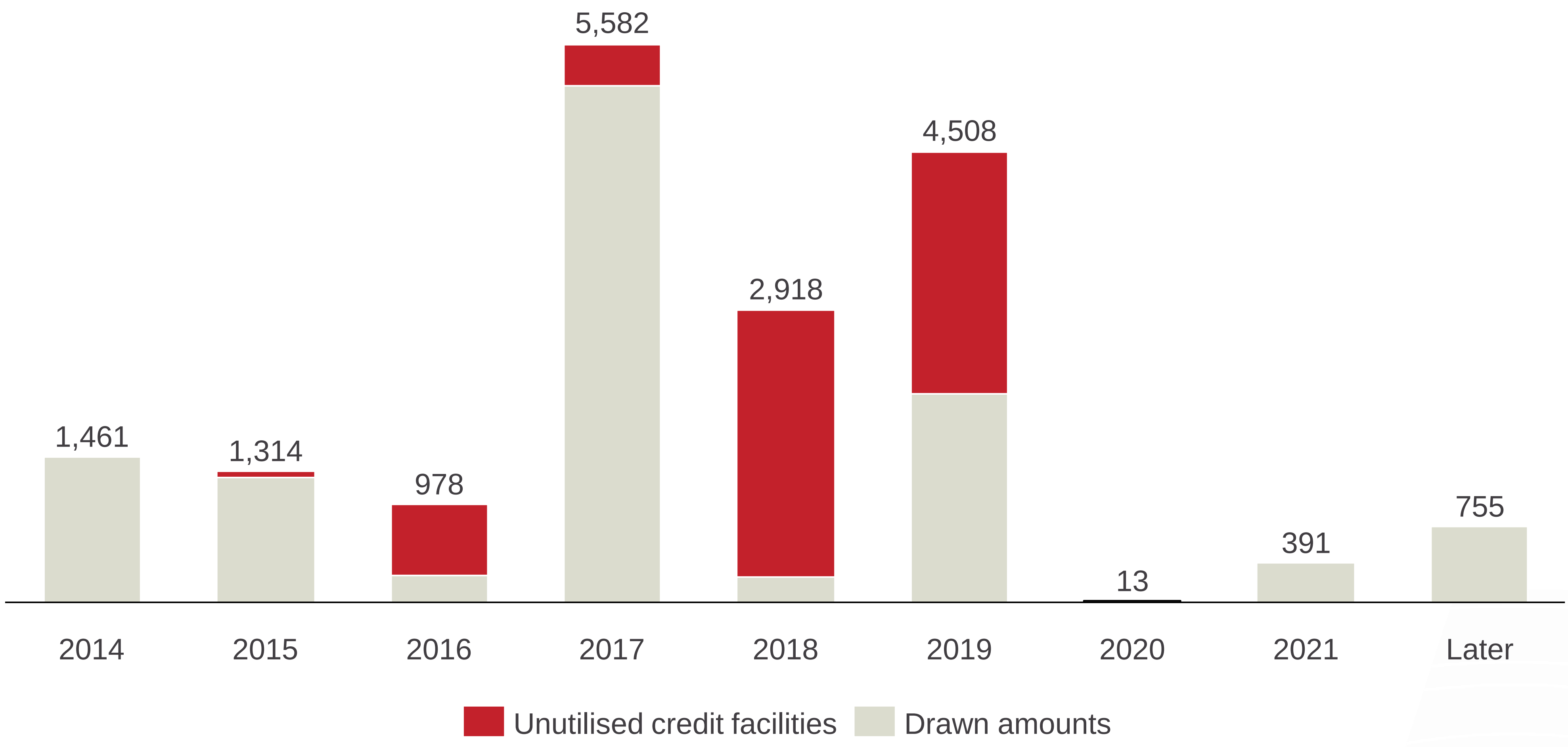
Historical dividends

Amounts in NOK



Debt maturity profile

Amounts in NOK million



Orkla

Funding sources

Amounts in NOK billion