



# **Fourth quarter results 2010**

**Oslo, 10 February 2011**





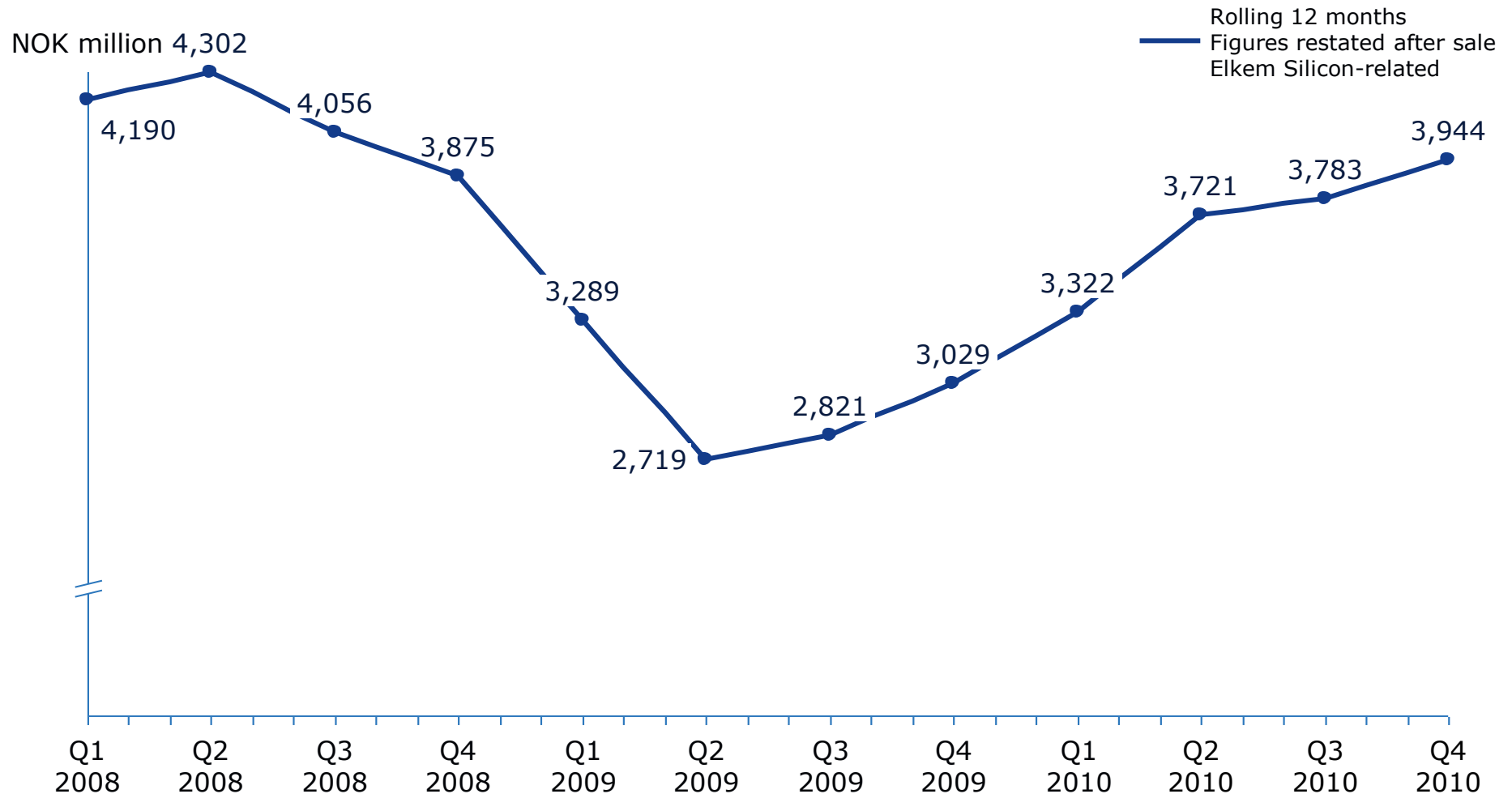
# Agenda

- Highlights and strategic direction  
Bjørn M. Wigen, CEO
- Financial performance  
Terje Andersen , CFO
- Sapa  
Tim Stubbs, CEO Sapa
- Orkla Brands  
Torkild Nordberg, CEO Orkla Brands

# Highlights Q4-10

- Broad based operational improvement in fourth quarter
  - EBITA NOK 1 322 million (NOK 1 161 million)
- Strong results for Orkla Brands
  - Underlying top line growth
- Moderate EBITA growth for Sapa
  - Seasonally lower volumes and negative one-off effects for Profiles
  - Strong progress for Heat Transfer

# Strong improvement in EBITA after the financial crisis



# Highlights 2010

- Improved markets and demand throughout the year, in particular for Sapa and Borregaard
- Stable markets for Orkla Brands, however continued growth in profit and margin
  - EBITA-margin +0.5%p to 12.6% for 2010
- Strong results for the Share Portfolio with a return of 31.8%
- Negative development for Orkla's investment in REC
  - Write-down of NOK 6.4 billion in 2010
- Important structural changes throughout 2010



# Strategic direction

# Orkla's long-term value creation



## ORKLA

### Core characteristics

Portfolio of companies and investments  
Developing people  
Combining industrial and financial competence  
Financial flexibility

### Industrial Competence

Operational excellence  
Business restructuring  
Brand building

### Financial Competence

Strong M&A competence  
Active ownership  
Comprehensive Nordic network

# Strategic direction:

- Portfolio concentrated on a smaller number of areas
- Allocate capital to Orkla Brands and Sapa
- Continued strong focus on operational improvements
- Active ownership



# Previous structure



*Orkla Brands*



**Foods Nordic**

**Brands Nordic**

**Brands International**

**Food Ingredients**

*Orkla Aluminium Solutions*



**Sapa Profiles**

**Heat Transfer**

**Building System**

*Orkla Materials*



**Orkla Materials Energy**

*Orkla Associates\**



*Orkla Financial Investments*



**Share Portfolio**

**Real Estate**

**Forests**



# A more focused Orkla



**Foods Nordic**

**Brands Nordic**

**Brands International**

**Food Ingredients**



**Sapa Profiles**

**Heat Transfer**

**Building System**

## Investments

**Share Portfolio**

**Hydro Power**



# Strategic direction Share Portfolio:

- A more focused share portfolio with active ownership
- Develop industrial options over time
- Value of the Share Portfolio in the range of NOK 8-10 billion

# Actions taken to focus strategy

Concentrate the portfolio on a smaller number of areas

Reallocate capital to Orkla Brands and Sapa

## 2010

- Divestment of the Borregaard forests NOK 1.7 billion
- Net divestments in the share portfolio NOK 2.1 billion

## 2011

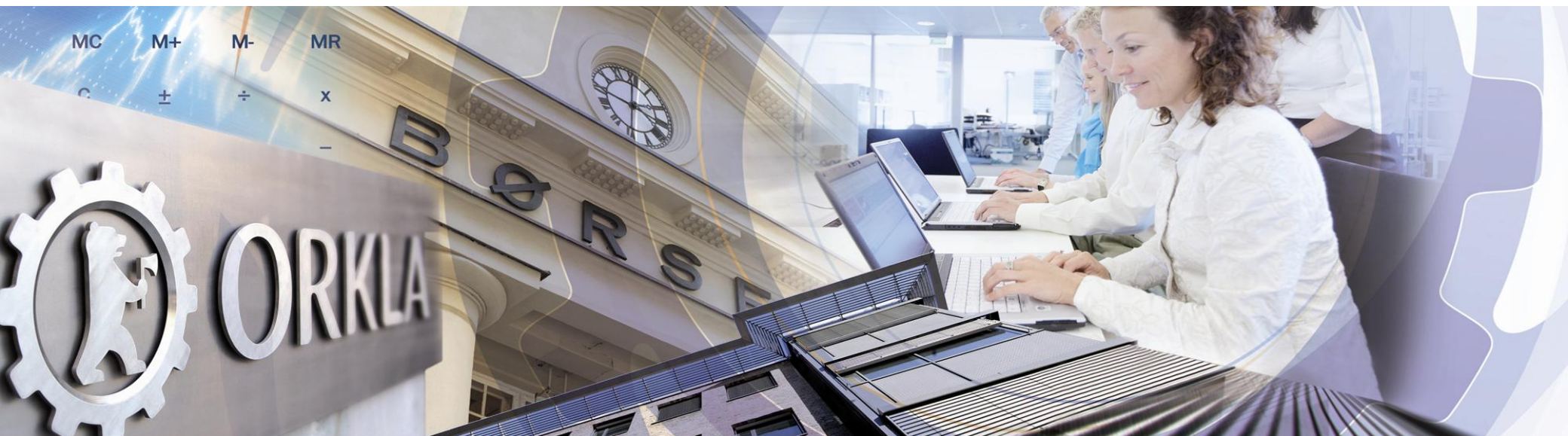
- Divestment of Elkem Silicon-related ~ NOK 12.5 billion

## 2010 Orkla Brands NOK 1 billion

- Investments in Sonneveld
- Investments in Kalev
- Investments in Peterhof
- Investments in 8 smaller add-ons

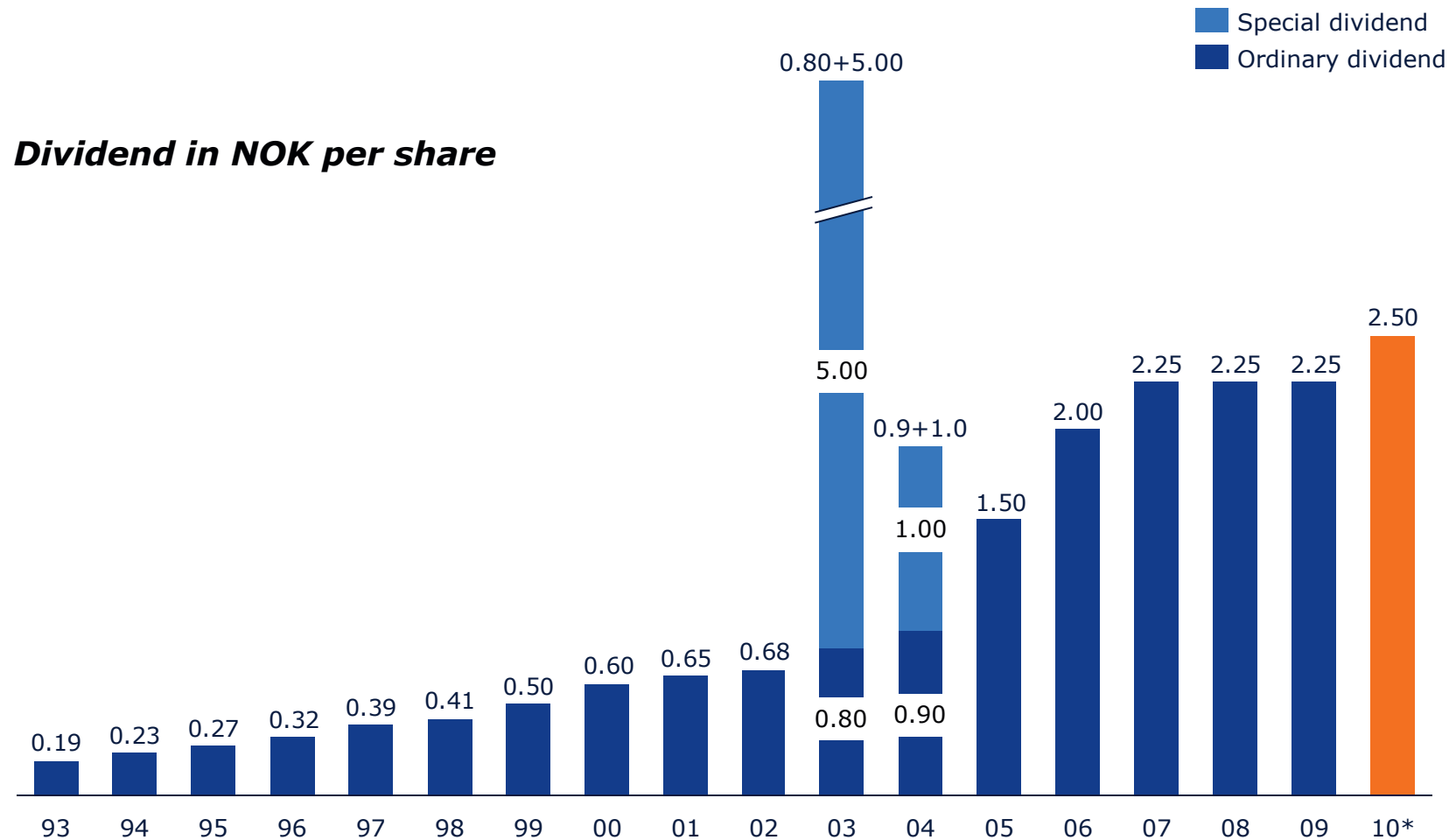
## 2010 Sapa Asia NOK 0.5 billion

- Heat Transfer Shanghai expansion
- New factory in India
- Vijalco in Vietnam



# DIVIDEND

# Over time, Orkla has pursued a dividend strategy that focuses on predictability and stability



\* Proposed by the Board of Directors

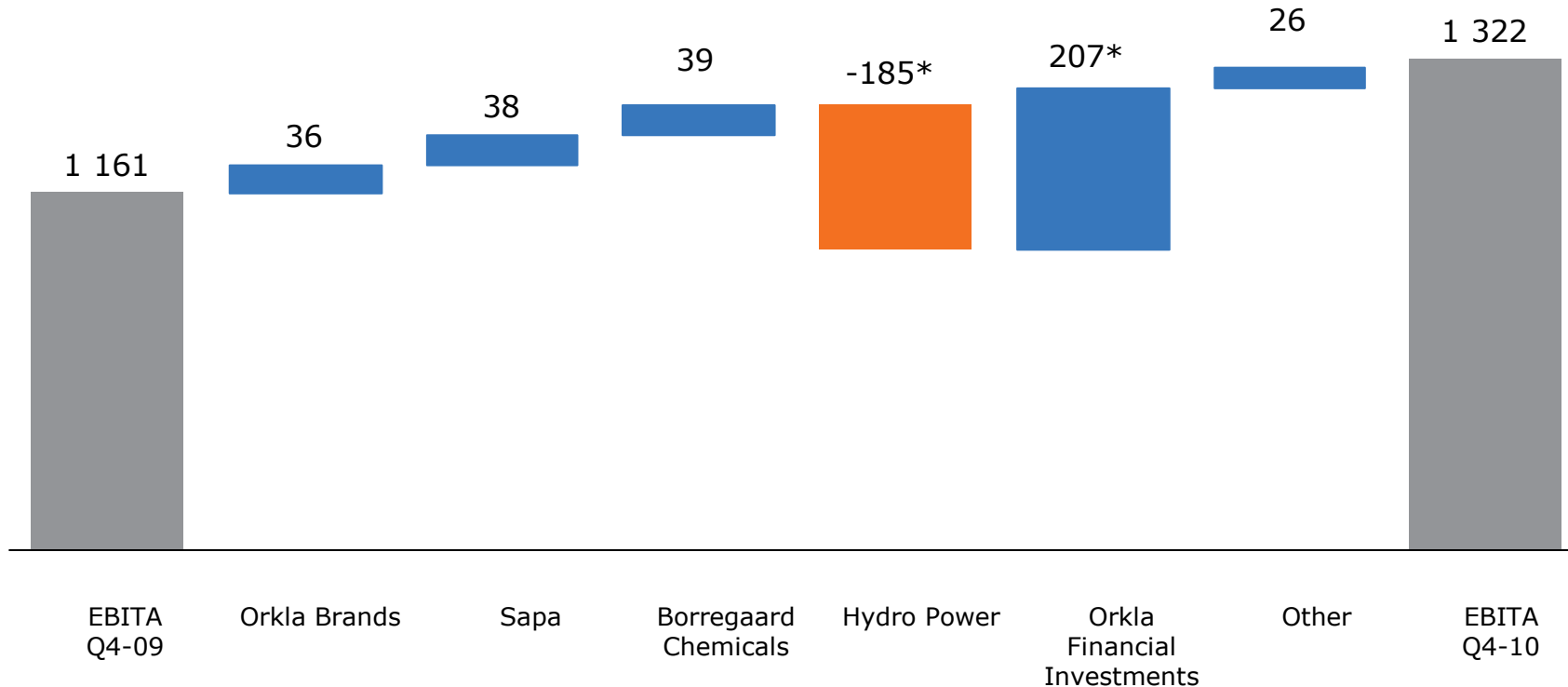


# FINANCIAL PERFORMANCE Q4-10

Terje Andersen, EVP

# EBITA improvement for the group Q4-09-Q4-10

EBITA performance from Q4-09 to Q4-10  
(figures in NOK million)





# Group income statement

Amounts in NOK million

Q4-10 Q4-09 Change				2010	2009	Change
15 884	13 497	18 %	Operating revenues	57 338	50 233	14 %
1 322	1 161	14 %	EBITA	3 944	3 029	30 %
-15	-60		Amortisation intangibles	-52	-213	
506	2 975		Other revenues and expenses	330	2871	
1 813	4 076		EBIT	4 222	5 687	
- 866	-3 516		Associates	-6 169	-3 919	
73	13		Dividends	522	252	
867	337		Gains and losses/write-downs Share Portfolio	1 772	584	
- 76	- 196		Net financial items	- 327	- 749	
1 811	714		Profit before tax	20	1 855	
-98	558		Tax expenses	-844	276	
1 713	1 272		Profit for the period continuing operations	- 824	2 131	
- 50	- 74		Discontinued operations	- 40	429	
1 663	1 198		Profit for the period	- 864	2 560	
15	28		Minority interests' share of the profit/loss for the period	53	- 31	
1 648	1 170		Majority interests' share of the profit/loss for the period	- 917	2 591	
1.6	1.1		Earnings per share diluted (NOK)	-0.9	2.5	

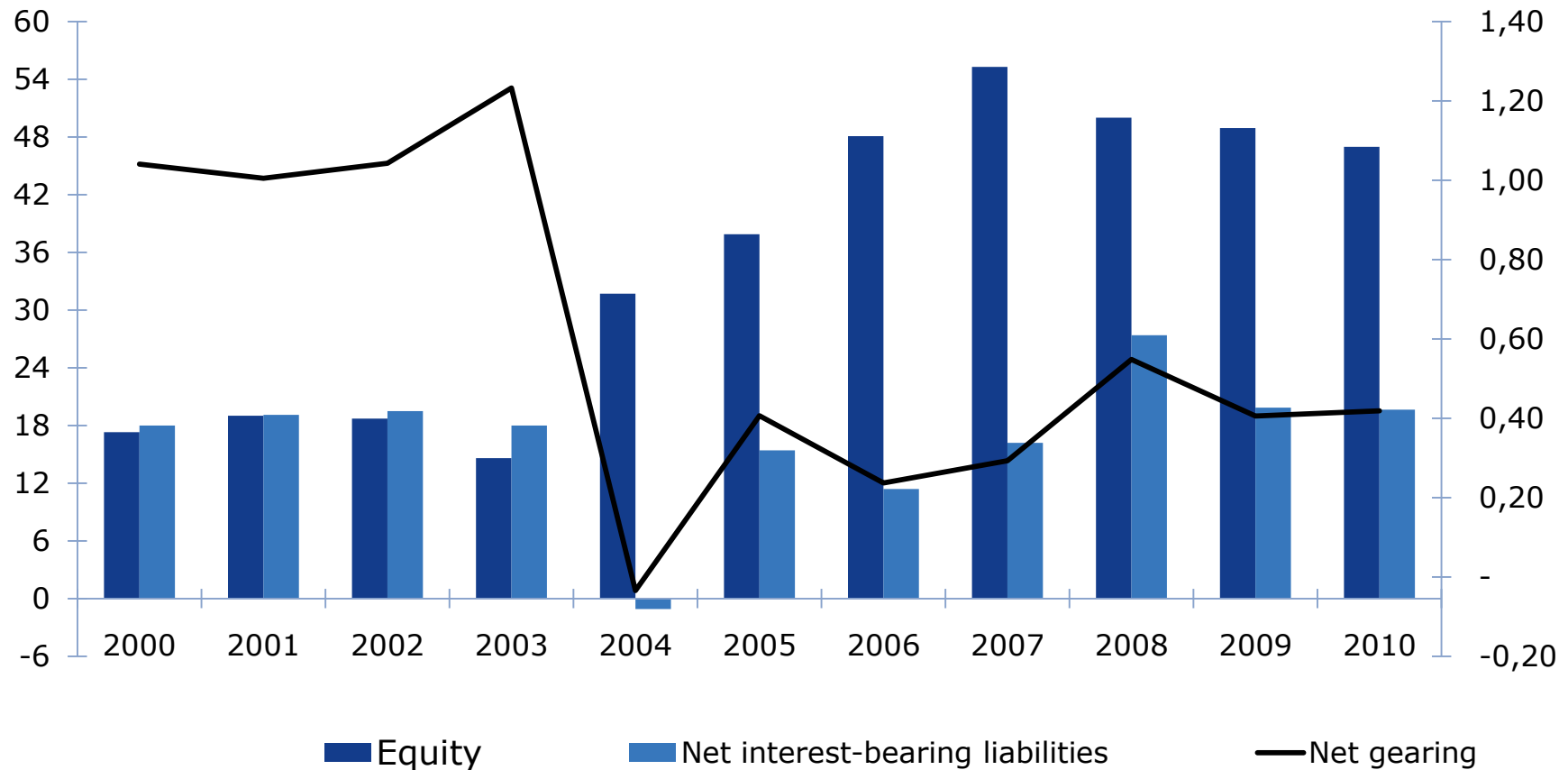
# Cash flow as of end 2010

	31.12.2010	31.12.2009
<b>Industry division:</b>		
Operating profit	2 940	2 125
Amortisations, depreciations and write-downs	2 503	2 653
Changes in net working capital	-1 462	2 197
Net replacement expenditure	-1 512	-1 173
<b>Cash flow from operations</b>	<b>2 469</b>	<b>5 802</b>
Financial items, net	- 544	-1 261
Cash flow from Financial Investments	1 236	1 003
Taxes paid	- 686	-1 402
Discontinued operations and other payments	- 620	25
<b>Cash flow before capital transactions</b>	<b>1 855</b>	<b>4 167</b>
Paid dividends / net purchases of Orkla shares	-2 222	-2 260
Expansion investment /purchase of companies in Industry c	-3 387	-5 047
Sale of companies/shares of companies	1 854	5 914
Net purchases/sale of portfolio investments	2 130	2 866
<b>Net cash flow</b>	<b>230</b>	<b>5 640</b>
Currency effects of net interest-bearing liabilities	- 34	1 936
<b>Change in net interest-bearing liabilities</b>	<b>- 196</b>	<b>-7 576</b>
<b>Net interest-bearing liabilities</b>	<b>19 652</b>	<b>19 848</b>

# Net gearing 0.42 – Equity ratio 53.6%

NOK billion

Net gearing





# INVESTMENTS

# Improved markets for Borregaard Chemicals

- Improvements for all main segments in fourth quarter
- Tight supply and higher prices lead to satisfactory progress for speciality cellulose
- Continued strong performance for lignin
- Weak results in Fine Chemicals and Denomega due to challenging market conditions

Amounts in NOK million			
Operating revenues	Q4-10	Q4-09	Change
Borregaard Chemicals	967	960	1 %

EBITA	Q4-10	Q4-09	Change
Borregaard Chemicals	85	46	85 %

EBITA-margin %	8,8	4,8	
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# Hydro Power

- Lower EBITA compared with last year
  - 2009 figures include NOK 153 million from sold power plants
- Satisfactory profit in line with last year for Borregaard Energy
- Low production due low reservoir levels for Saudefaldene, leads to weak results in Q4
  - Production in 2010: 1 132 GWh (1 537 GWh in 2009)

Amounts in NOK million

Operating revenues	Q4-10	Q4-09	Change
Hydro Power	604	405	49 %

EBITA	Q4-10	Q4-09	Change
Hydro Power	73	258	72 %

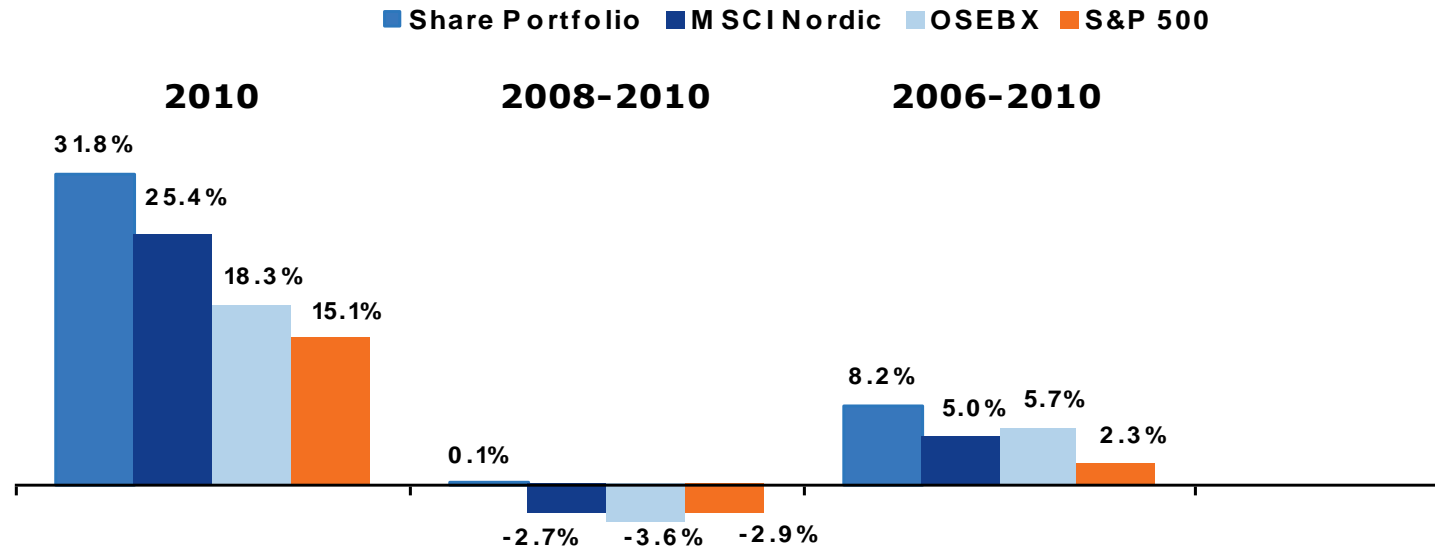
EBITA-margin %	12,1	63,7	
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# Orkla Financial Investments 2010: NOK 4.7 billion increase in net asset value

- Return on Share Portfolio in 2010 + 31.8%
- Gain on asset sale (forestry and real estate) NOK 1.5 billion
- Cash contribution from Financial Investments in 2010: NOK 5 billion
- Return above benchmark every year for the last 5 years

# Share Portfolio 6.4%-points above of market



- Market value of the Share Portfolio NOK 11.7 billion





Amounts in NOK million

Jotun	YTD T2-10	YTD T2-09	Change
Revenues	8 044	7 811	3%
EBIT	1 041	858	21%
Profit/loss before tax	1 032	782	32%



REC	Q4-10	Q4-09	Change
Revenues	4 874	2 545	92 %
EBITDA	1 836	595	209 %
EBIT	1 134	-1 121	
Profit/loss before tax	1 226	-864	



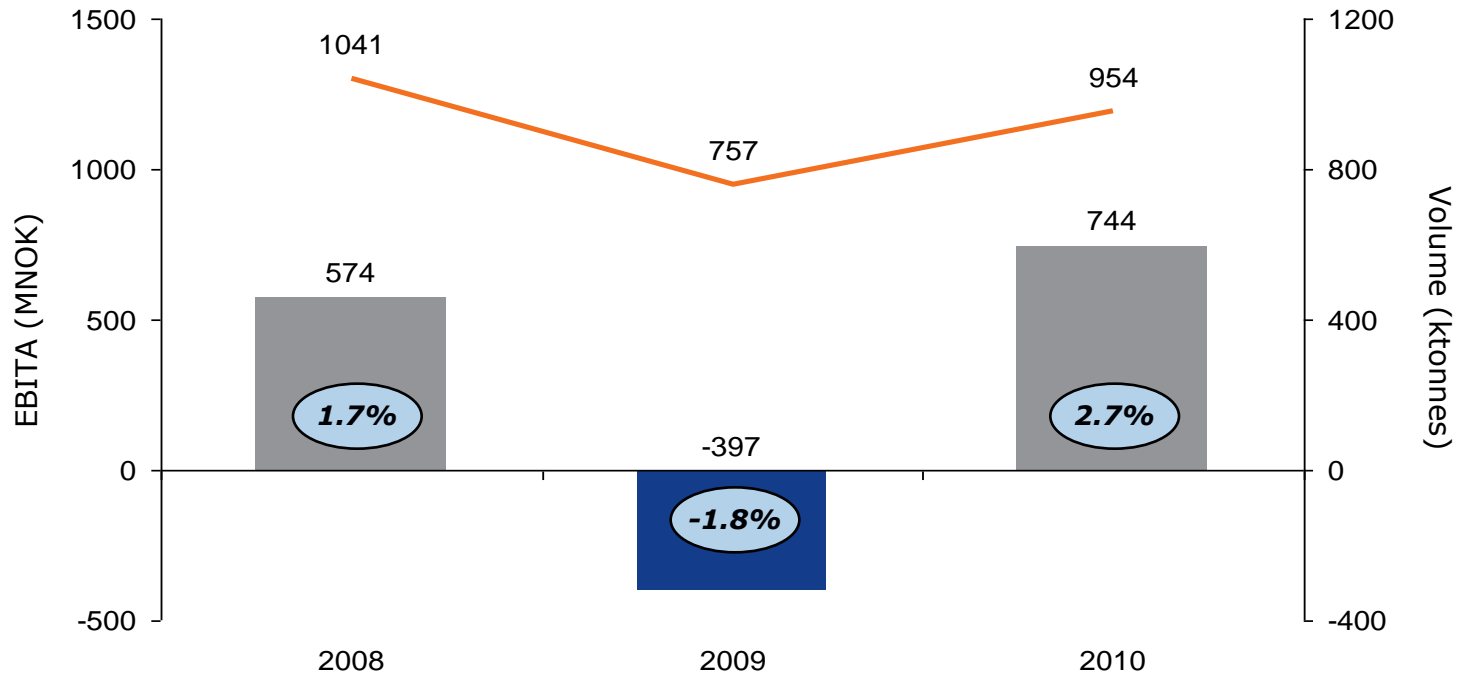


# Sapa

Tim Stubbs, CEO

# In 2010 EBITA improved by NOK 1.1 billion

**Sapa Group Volume & EBITA Development by Year**

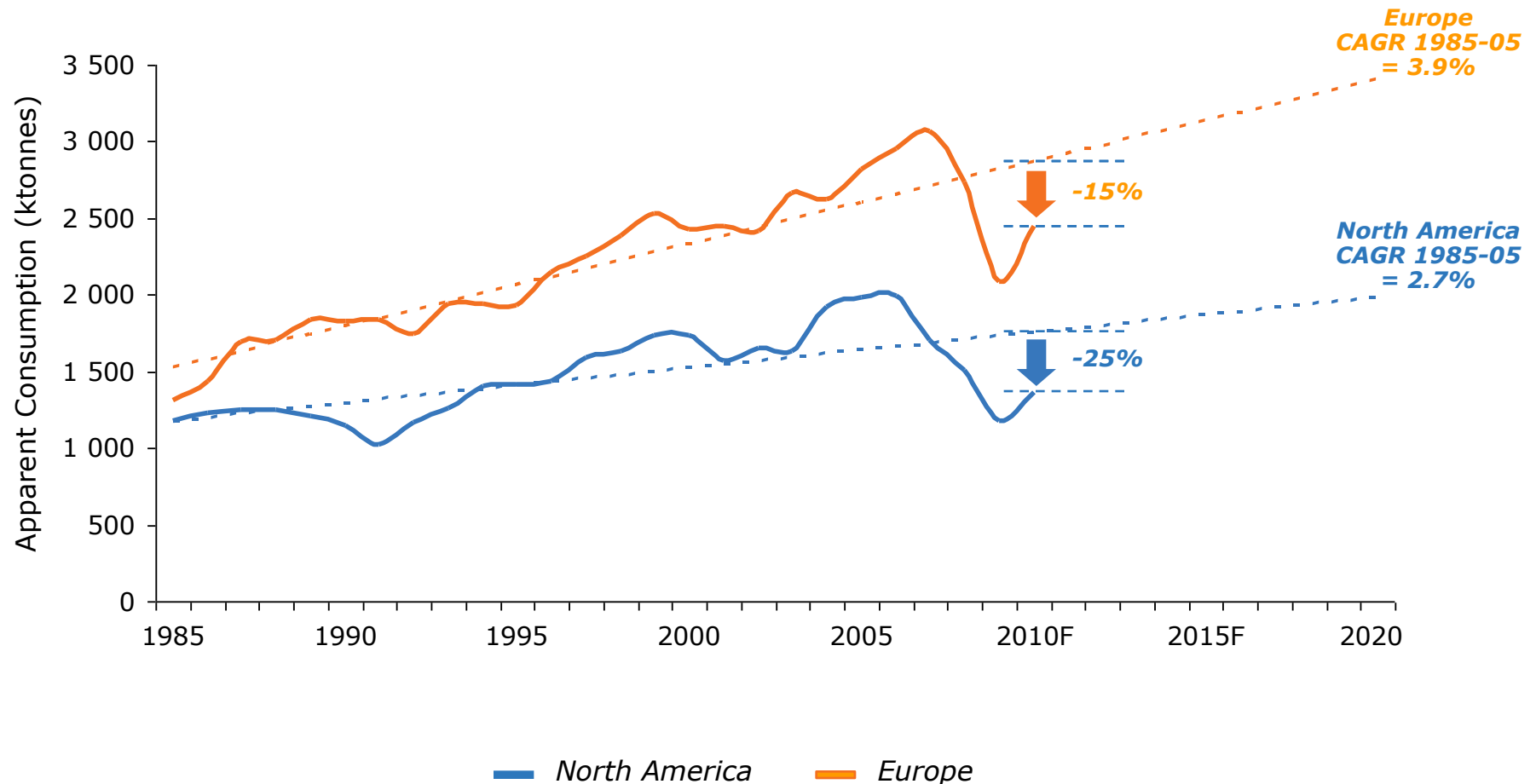


- Market recovering from historic lows
- Work on strategic initiatives delivering results

*Note: Pro forma EBITA and volume adjusted for impact of the Indalex acquisition in 2008 and 2009*

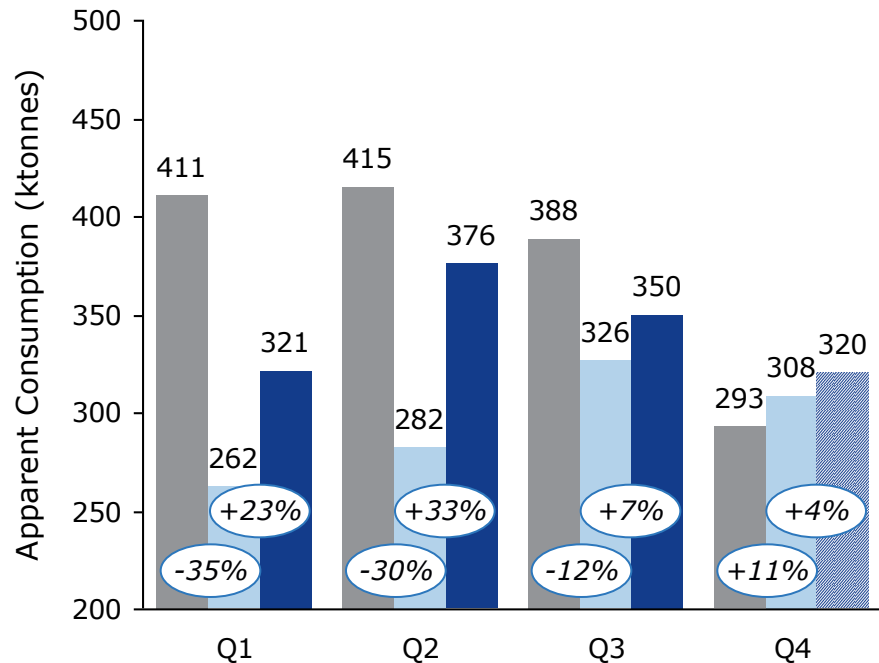
# Even though markets are recovering volumes are still significantly below mid-cycle levels

Apparent Aluminium Extrusion Consumption 1985 to 2020F



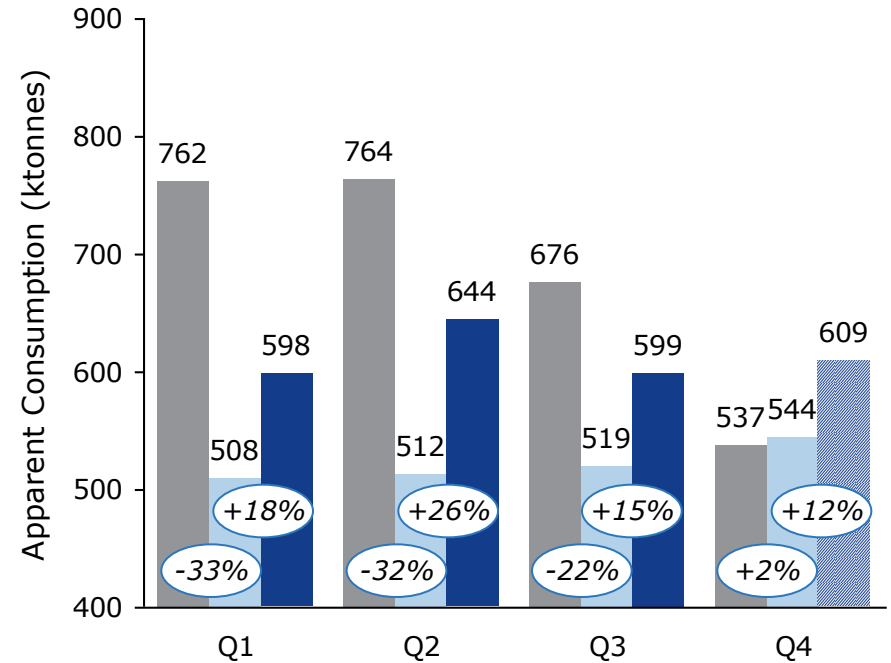
# Market for Sapa Profiles North America down from Q3 to Q4

## North American Extrusion Consumption



- 2008 full year consumption -11%
- 2009 full year consumption -22%
- 2010 full year consumption +16%

## European Extrusion Consumption



- 2008 full year consumption -11%
- 2009 full year consumption -24%
- 2010 full year consumption +18%

■ 2008 ■ 2009 ■ 2010

# Seasonally weak markets impact results in the fourth quarter

- Profiles business hit by seasonally weak market in Q4
  - Volumes down 14,000 tonnes from Q3-10
- Negative one-off effects
- Opportunities remain in Profiles Europe to align business to market needs and to get full synergies of the group
- Strong progress for Heat Transfer
- Three small acquisitions completed during the quarter

Operating Revenues	Q4-10	Q4-09	Change
<b>Sapa</b>	<b>7 289</b>	<b>5 592</b>	<b>30 %</b>
Profiles	5 519	4 189	32 %
Heat Transfer and Building System	1 980	1 501	32 %
Eliminations	- 210	- 98	

EBITA	Q4-10	Q4-09	Change
<b>Sapa</b>	<b>155</b>	<b>117</b>	32 %
Profiles	30	13	131 %
Heat Transfer and Building System	125	104	20 %
<b>EBITA margin (%)</b>	2,1	2,1	

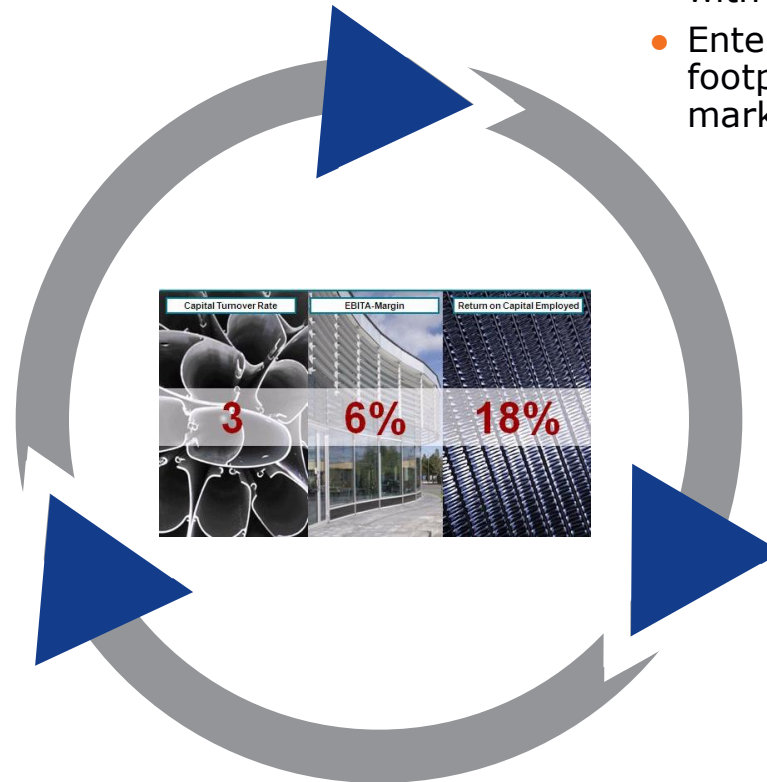
# One Sapa – the roadmap to 6% EBITA

## Toward Solutions

- Entrepreneurial, local businesses with national / global overlay
- Enter new markets to enhance footprint and capitalise on growing markets

## World Class Purchasing

- Leverage synergies in sourcing



## World Class Operations

- Stability and continuous improvements
- Maximise network utilisation
- Optimise above-plant costs



# Further savings potential identified

- Reduction of above-plant costs
- Cross utilisation of assets
- Optimisation of footprint
- Potential NOK 250 million annualised





# Sapa has a clear intention to grow and establish new businesses in Asia

- Doubled the capacity of Heat Transfer Shanghai and capacity to be further increased in first half 2011
- Acquired the Vietnamese extruder Vijalco
- Established green field fabrication plant in India
- Several other development projects are on-going, mainly in China and India



# Short-term outlook

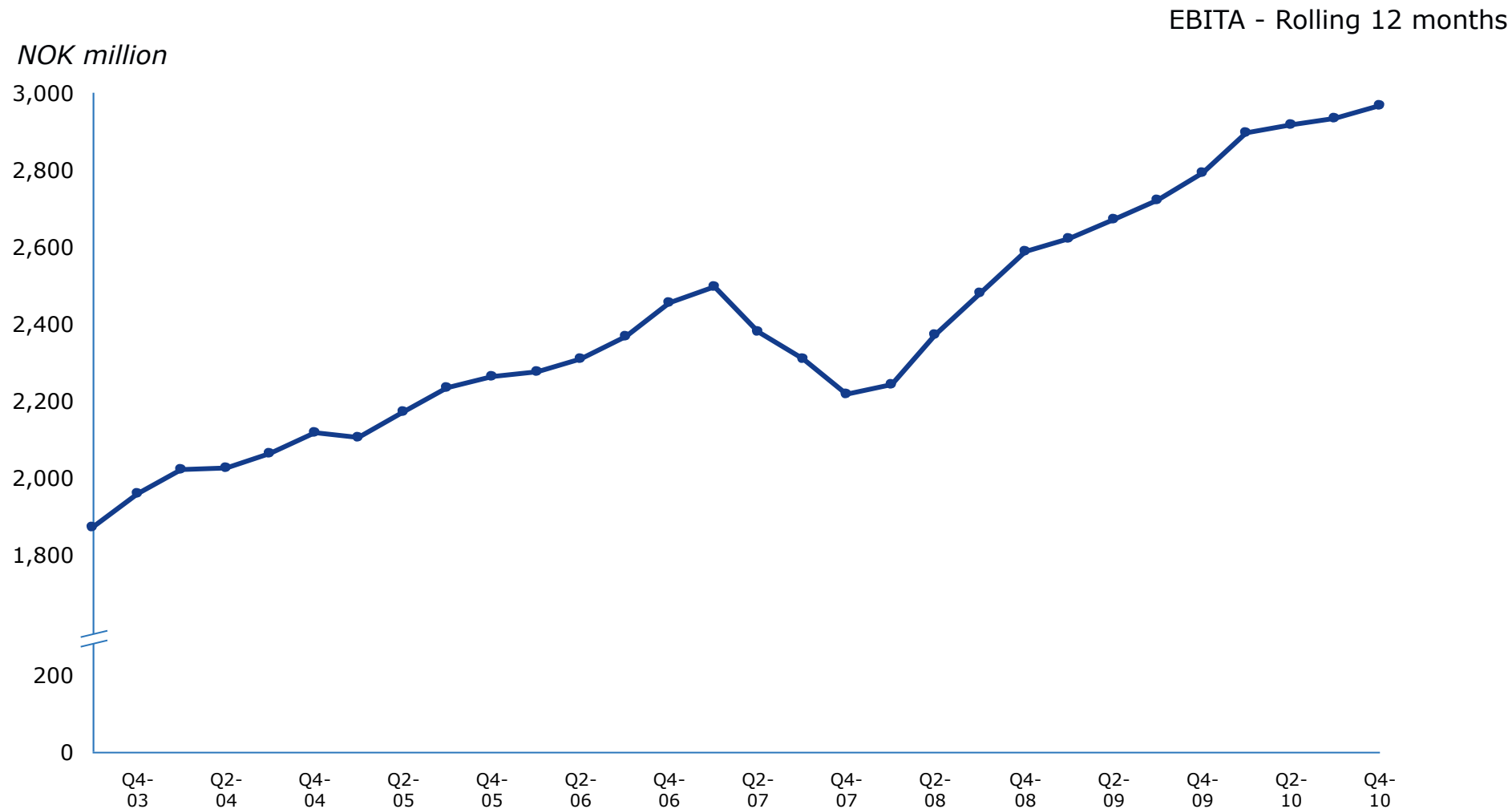
- Market for Profiles North America continuing to gain strength with exception of building and construction
- Markets for Profiles Europe a “two-part” story with growing strength in North while South remains difficult
- Building System still facing tough building and construction markets throughout Europe
- The short-term market outlook for Heat Transfer is good, however, weak EUR and USD impact results negatively



# ORKLA BRANDS

Torkild Nordberg, EVP

# Steady, strong growth in EBITA over time



# Highlights 2010

- EBITA of NOK 2 967 million
  - Underlying EBITA growth of 7% versus 2009
- EBITA-margin 12.6%
  - Underlying growth of 0.7%p
- Improved quality of earnings versus 2009
  - Volume growth, increased marketing investments and improved market shares
- Challenging markets outside the Nordics and within out-of-home in the Nordics
- Moderate top line growth versus 2009 (underlying +1%)
  - Growth primarily related to volume/mix growth in Q4, and broad-based volume/mix growth for Brands Nordic throughout the year
- Strong contribution from cost improvement programmes
- Several important add-on acquisitions

# Underlying profit growth also for Q4-10

- Satisfactory results in Q4-10
- Underlying top line growth of 3%, primarily related to volume/mix
  - Improved market shares and strong performance by several companies
  - Improved market development in Russia
- Strong contribution from cost efficiency programmes
- Pressure on margin due to continued increase in raw material prices
  - Underlying EBITA-margin on par with Q4-09
- Axellus acquired the strategically important Nutrilett brand

Operating revenues	Q4-10	Q4-09	Change
<b>Orkla Brands</b>	<b>6 980</b>	<b>6 324</b>	10 %
Orkla Foods Nordic	2 719	2 658	2 %
Orkla Brands Nordic	2 176	2 085	4 %
Orkla Brands International	705	590	19 %
Orkla Food Ingredients	1 463	1 078	36 %
Eliminations Orkla Brands	- 83	- 87	

Operating profit - EBITA	Q4-10	Q4-09	Change
<b>Orkla Brands</b>	<b>910</b>	<b>874</b>	4 %
Orkla Foods Nordic	353	341	4 %
Orkla Brands Nordic	411	391	5 %
Orkla Brands International	55	57	-4 %
Orkla Food Ingredients	91	85	7 %
<b>EBITA margin (%)</b>	<b>13,0</b>	<b>13,8</b>	

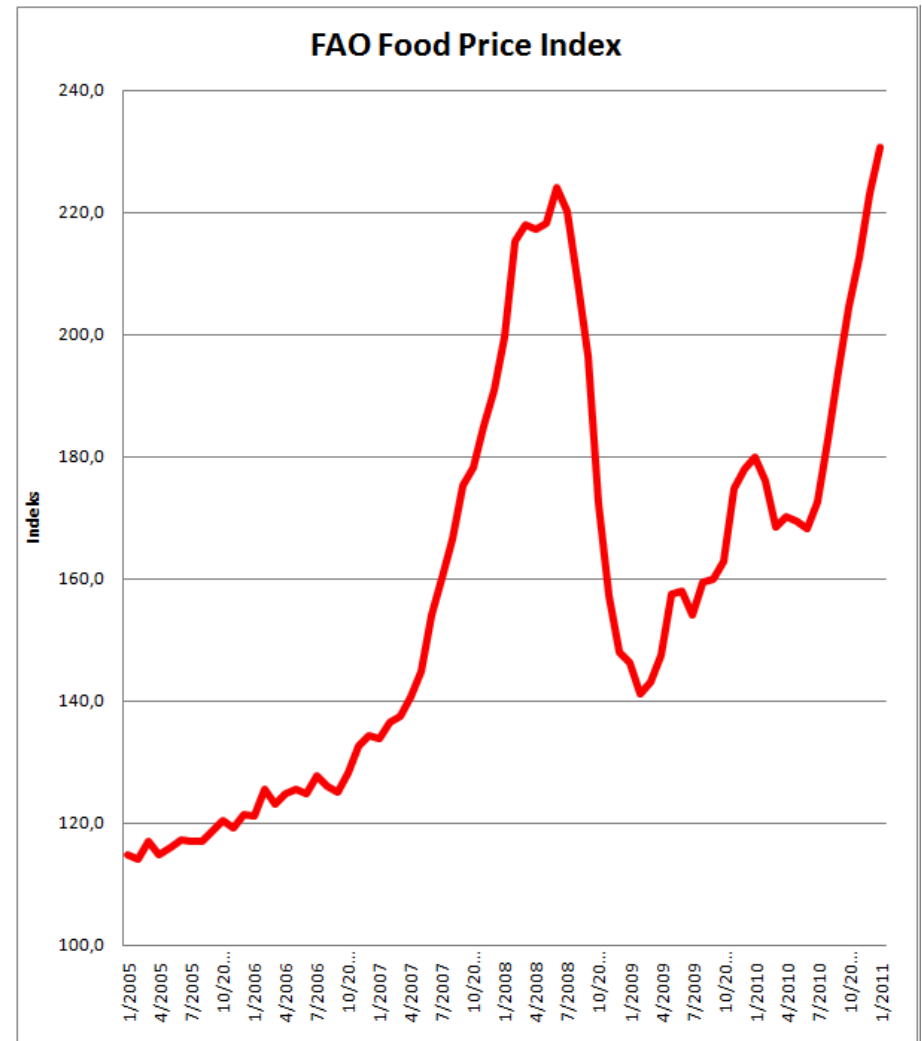


# Outlook 2011

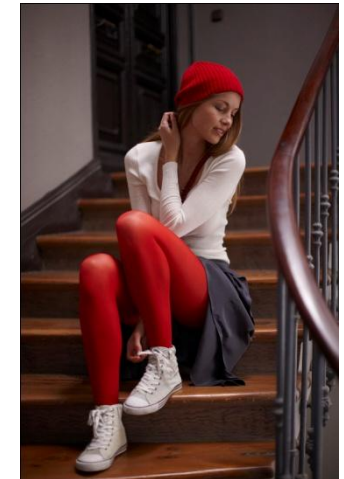
- Overall stable retail markets
- Demanding increases in raw material prices
- Bakers is in a sales process
  - Expected to be sold in first half of 2011

## Facts raw materials:

- Orkla Brands is exposed to a broad range of raw materials
  - Vegetable oils, flour, sugar, meat, cheese, cocoa, fruit and berries, spices, pelagic, tomatoes, potatoes
  - > 20% is Norwegian raw materials with less volatility



# Example of innovations launched in 2010





# Example of innovations launched in Q1 2011





# Q&A

- Bjørn M. Wigen, CEO
- Terje Andersen, CFO
- Tim Stubbs, CEO Sapa
- Torkild Nordberg, CEO Orkla Brands

# Appendix



# Financial calendar

14 April 2011	- Annual General Meeting 2011
15 April 2011	- Share quoted ex. dividend
29 April 2011	- Dividend payment
5 May 2011	- First quarter results 2011
20 July 2011	- Second quarter results 2011
27 October 2011	- Third quarter results 2011



# Cash flow as of 31 Dec 2010

31.12.2010

31.12.2009

<b>Industry division:</b>		
Operating profit	2 940	5 191
Amortisations, depreciations and write-downs	2 503	2 653
Gain, sale of hydro power assets/sold companies		-3 066
Changes in net working capital	-1 462	2 197
Net replacement expenditure	-1 512	-1 173
<b>Cash flow from operations</b>	<b>2 469</b>	<b>5 802</b>
Financial items, net	- 544	-1 261
<b>Cash flow from Industry division</b>	<b>1 925</b>	<b>4 541</b>
<b>Cash flow from Financial Investments</b>	<b>1 236</b>	<b>1 003</b>
Taxes paid	- 686	-1 402
Discontinued operations and other payments	- 620	25
<b>Cash flow before capital transactions</b>	<b>1 855</b>	<b>4 167</b>
Paid dividends	-2 360	-2 354
Net purchases of Orkla shares	138	94
<b>Cash flow before expansion</b>	<b>- 367</b>	<b>1 907</b>
Expansion investment in Industry division	- 509	-1 765
Sale of companies/shares of companies	1 854	5 914
Purchase of companies/share of companies	-2 878	-3 282
Net purchases/sale of portfolio investments	2 130	2 866
<b>Net cash flow</b>	<b>230</b>	<b>5 640</b>
Currency effects of net interest-bearing liabilities	- 34	1 936
<b>Change in net interest-bearing liabilities</b>	<b>- 196</b>	<b>-7 576</b>
<b>Net interest-bearing liabilities</b>	<b>19 652</b>	<b>19 848</b>

# Balance sheet as of 31 Dec 2010

Amounts in NOK million

	31.12.2010	31.12.2009
Intangible assets	12 960	14 731
Property, plant and equipment	17 730	24 694
Financial assets	10 985	15 922
<b>Non-Current assets</b>	<b>41 675</b>	<b>55 347</b>
Assets in discontinued operations	13 891	
Inventories	7 102	7 531
Receivables	10 380	16 568
Share Portfolio etc.	11 674	11 087
Cash and cash equivalents	2 819	4 153
<b>Current assets</b>	<b>31 975</b>	<b>39 339</b>
<b>Total assets</b>	<b>87 541</b>	<b>94 686</b>
Paid-in equity	1 999	1 995
Earned equity	44 567	46 560
Minority interests	365	370
<b>Equity</b>	<b>46 931</b>	<b>48 925</b>
Provisions	4 081	4 339
Non-current interest-bearing liabilities	21 820	29 042
Current interest-bearing liabilities	1 380	1 746
Liabilities in discontinued operations	2 544	
Other current liabilities	10 785	10 634
<b>Equity and liabilities</b>	<b>87 541</b>	<b>94 686</b>
Equity to total assets ratio	53.6%	51.7%

# Currency translation effects

Amounts in NOK million

Revenues	Q4-10	YTD Q4-10
Orkla Brands	35	-425
Sapa	118	-1 200
Saudefaldene		
Borregaard	7	-34
<b>Total</b>	<b>160</b>	<b>-1 659</b>

EBITA	Q4-10	YTD Q4-10
Orkla Brands	3	-34
Sapa	10	-31
Saudefaldene		
Borregaard	1	3
<b>Total</b>	<b>14</b>	<b>-62</b>

# Largest holdings in the Share Portfolio as of 31 December 2010

Amounts in NOK million

Principal holdings	Industry *	Market value	Share of portfolio (%)	Share of equity (%)
Tomra Systems	Industrials	888	7%	15.3 %
Amer Sports	Consumer Discretionary	538	4%	5.2 %
Enter Select **	Fund	374	3%	0.0 %
Kongsberg Gruppen	Aerospace & Defence	358	3%	2.3 %
Ekornes	Consumer Discretionary	337	3%	5.8 %
Schibsted	Consumer Discretionary	326	3%	1.8 %
Elekta B	Health Care Equipment	315	3%	1.5 %
DnB NOR ASA	Financials	299	3%	0.2 %
East Cap. Power Utilities F.	Utilities	269	2%	27.0 %
Telenor ASA	Telecommunications Services	261	2%	0.2 %
<b>Total principal holdings</b>		<b>3 966</b>	<b>33%</b>	
<b>Market value of entire portfolio</b>		<b>11 661</b>		

\* Based on Gics Level 1

\*\* Orkla owns 50% of the shares in the management company Enter Asset Management AB



# Sale of Elkem

- An agreement to sell Elkem's Silicon-related business to China National Bluestar was announced in January 2011
  - The transaction covers the following divisions:  
Silicon Materials, Foundry Products, Carbon and Elkem Solar
- Enterprise value for Orkla of NOK 12.5 billion
  - All cash deal
- Expected closing in H1 2011
- Conditional upon approvals from the competition authorities and the State Administration of Foreign Exchange (SAFE) of the People's Republic of China

# Financial items

# Net financial items

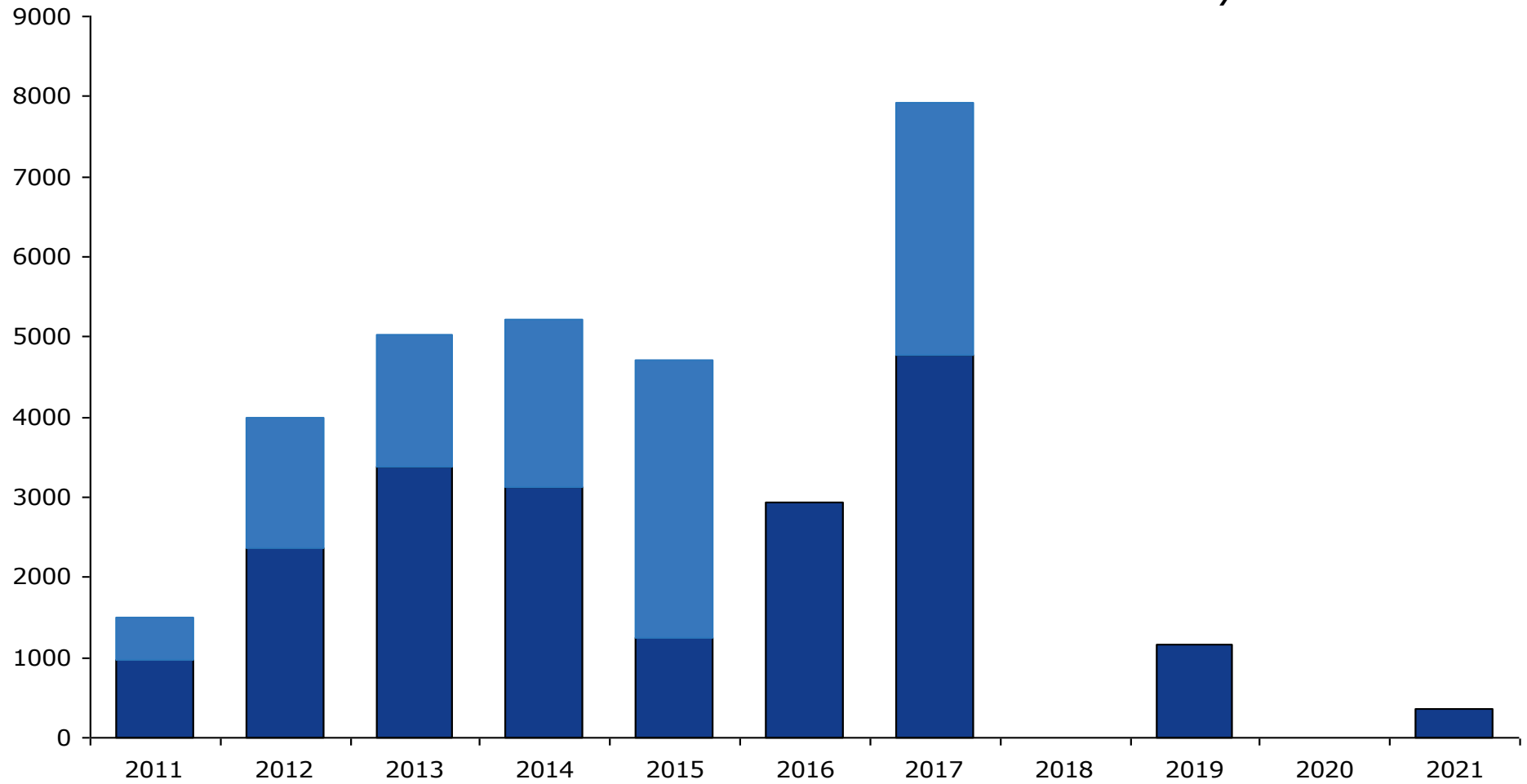
Amounts in NOK million

	Q4-10	Q4-09	Full year 2010
Net interest expenses	-53	-130	-242
Currency gain/loss	2	-8	-12
Other financial items, net	-25	- 58	- 73
<b>Net financial items</b>	<b>-76</b>	<b>-196</b>	<b>-327</b>

# Debt maturity profile

• NOK million

*Average maturity  
4.3 years*

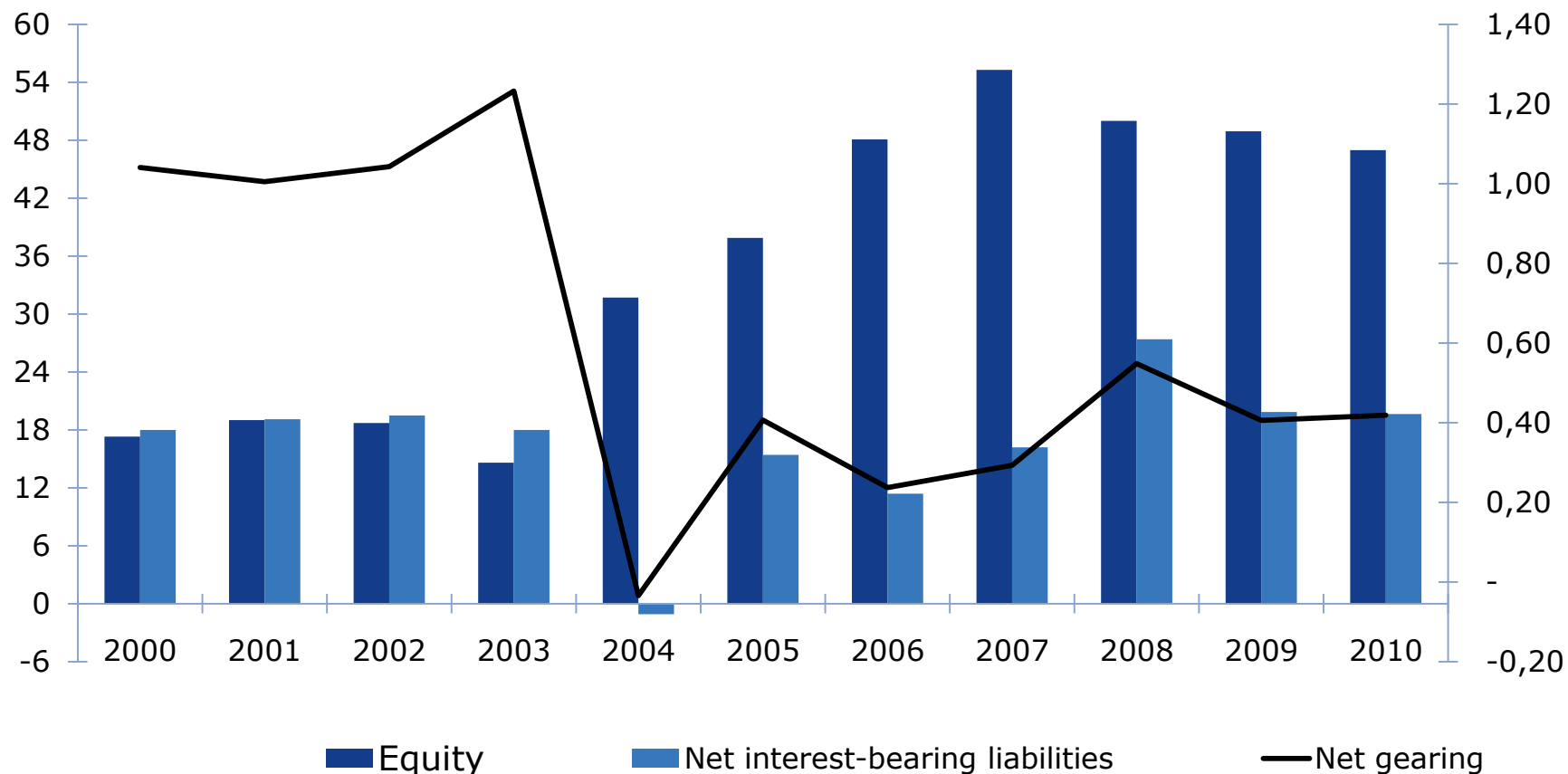


■ Drawn amounts ■ Unutilised credit facilities

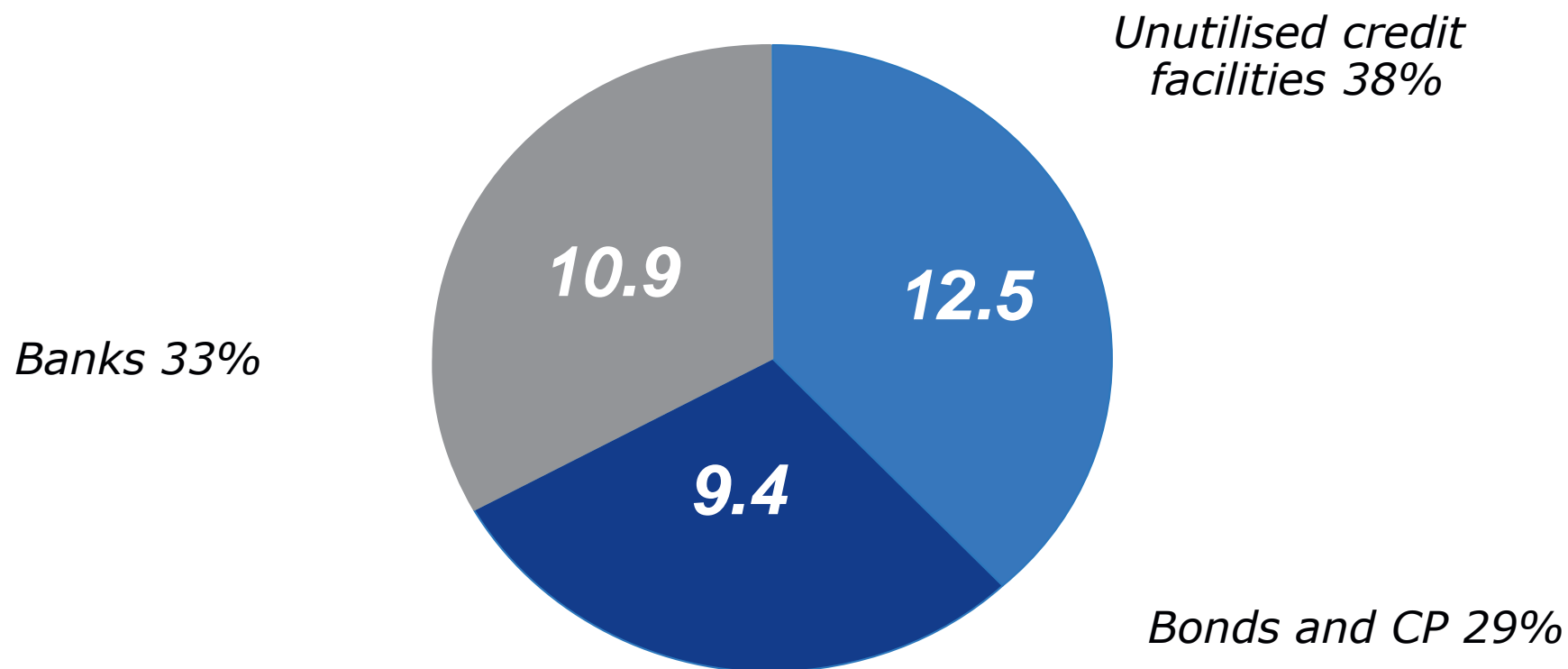
# Net gearing 0.42 as of Q4-10

NOK billion

Net gearing



# Funding Sources



*Figures in NOK billion*

