First quarter results 2020

5 May 2020

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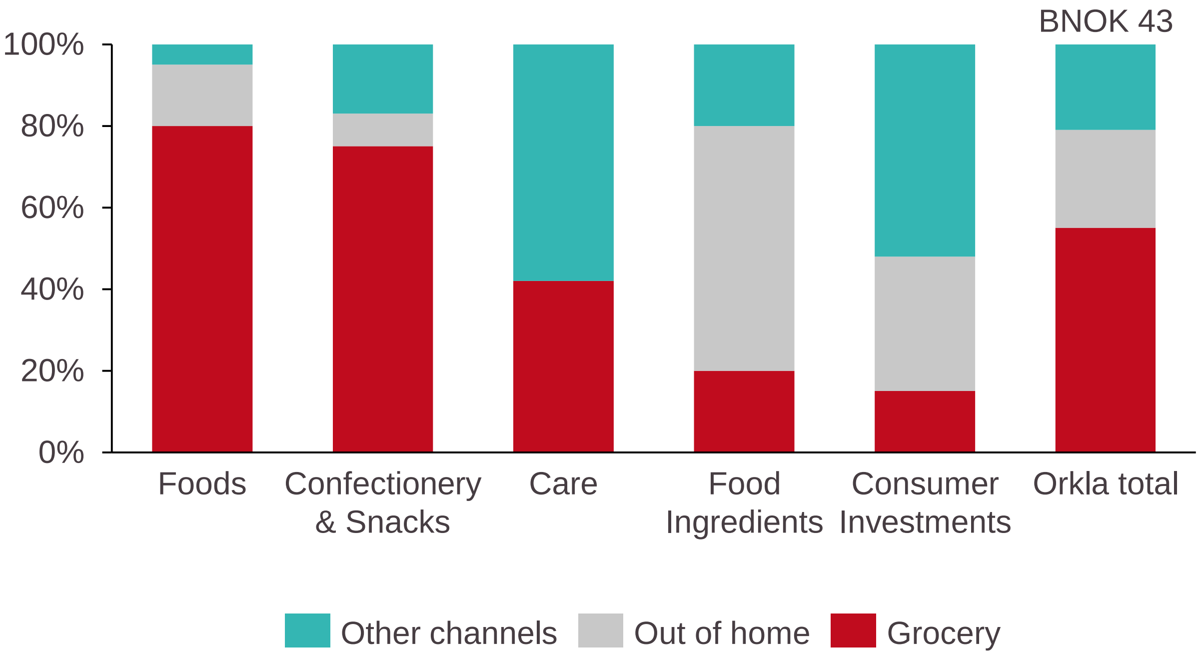
Covid-19 has profound implications for society and our industry

- Our priorities
  - Safeguarding our employees
  - Ensuring supply by safeguarding operations
  - Maintaining strong balance sheet
- Demand implications
  - Out of home consumption significantly down
  - Increased in-home consumption
  - Short-term consumer stockpiling
- Supply chain implications
  - Raw material availability
  - Transportation delays
  - Increased absenteeism

Majority of our business is in branded packaged goods sold through grocery, but approx. 1/4 of sales is exposed to Out of home market

BCG channel split (net sales), FY 2019



Strong sales growth largely driven by consumer stockpiling - production proven resilient but significant uncertainty ahead of us

Impact from Covid-19 until now

- Significant demand impact in March with temporary boost from consumer stockpiling
- Limited supply chain disruptions so far with close to normal production & service levels
- Contingency phase and mitigating actions

Navigating uncertainty

- Clear operational priorities → safeguarding our people & securing continued operations
- High level of uncertainty on both demand and supply side
- Prepare for the longer term

Note: *All Alternative Performance Measures (APM) are presented in the appendix

Financial performance

Harald Ullevoldsæter, CFO

Sales & profit growth driven by temporary change in consumer behaviour

- Solid increase in net profit for Orkla driven by revenue growth for branded consumer goods
- Strong sales and profit growth in Foods & Care driven by consumer stockpiling and increased in-home consumption
- Negative impact of restrictions in Out of home segments, especially in Food Ingredients & Consumer Investments
- Steady cash flow and solid financial position
- Continued growth and increased profitability for Jotun
- Adjusted EPS* increased by +24% to NOK 1.05

 Note: *All Alternative Performance Measures (APM) are presented in the appendix

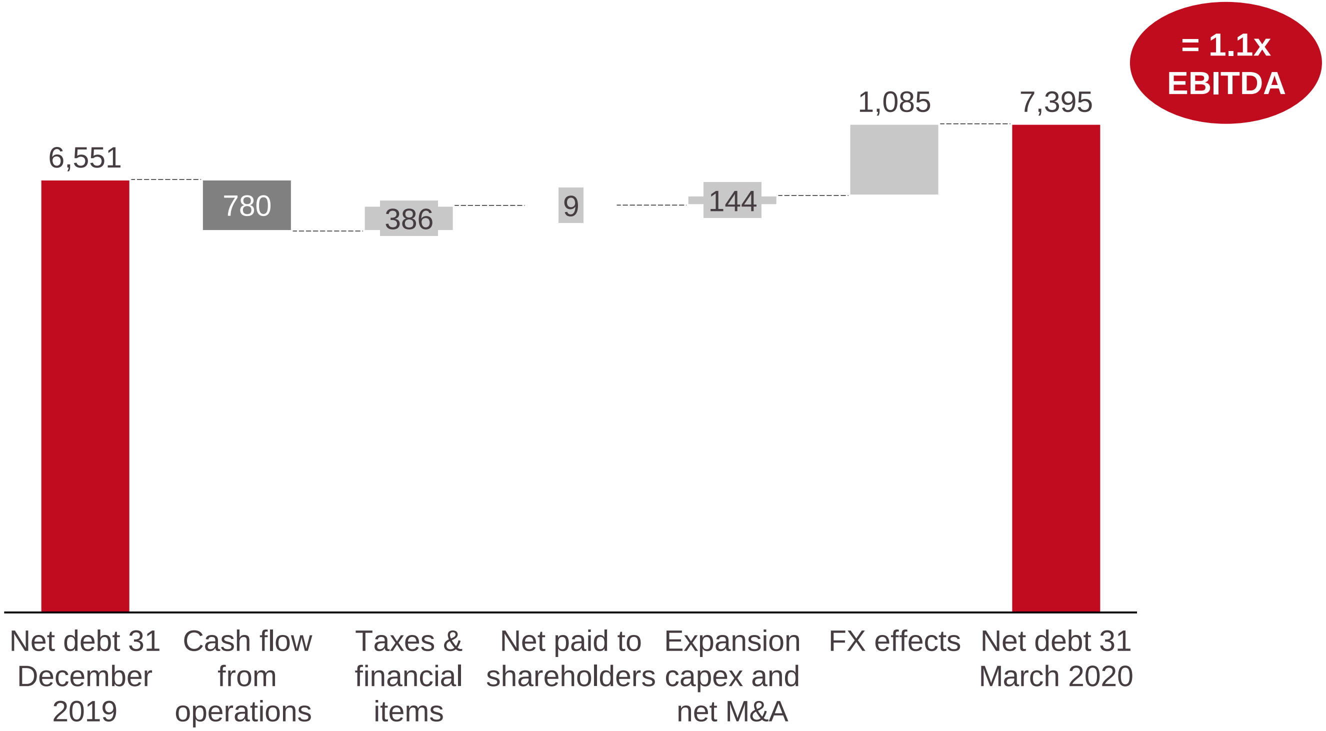
Adj. EPS +24% from profit growth in Branded Consumer Goods and Jotun

Key figures	Q1-20	Q1-19	∆ Q1
Operating revenues BCG	**11,316**	9,868	+15%
EBIT (adj.) BCG	**1,204**	1,027	+17%
EBIT (adj.) HQ	**-101**	-92	-10%
EBIT (adj.) BCG incl. HQ	**1,103**	**935**	**+18%**
EBIT (adj.) Industrial & Financial Investments	**40**	85	-53%
Other income and expenses	**-165**	-119	
EBIT	**978**	**901**	**+9%**
Profit from associates	**213**	165	+29%
Net interest and other financial items	**-39**	-76	
Profit before tax	**1,152**	**990**	**+16%**
Taxes	**-220**	-230	
Profit after tax	**932**	**760**	**+23%**
Adjusted EPS cont. operations (NOK)	**1.05**	**0.85**	**+24%**
Reported EPS cont. operations (NOK)	**0.92**	0.74	+24%

Cash flow from higher earnings partly offset by increased investments and temporarily higher working capital from strong March sales

Cash flow from operations per 31.03 (pre-tax)	**Q1-20**	**Q1-19**
Orkla Branded Consumer Goods (BCG, incl. HQ)		
EBIT (adj.)	**1,103**	935
Amort., depr., and impairment	**430**	382
Change in net working capital	**-122**	174
Net replacement investments	**-601**	-353
Total BCG cash from operations (pre OIE)	**810**	1,138
Cash flow from other income & exp. and pensions	**-117**	-110
Industrial & Financial Investments	**87**	-56
Total Orkla cash from operations	**780**	972

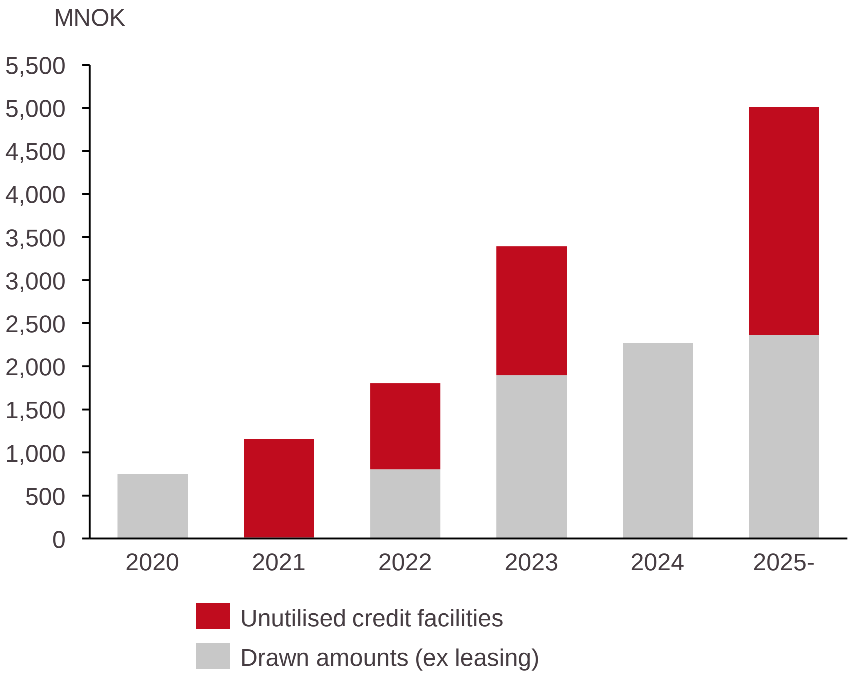
Significant FX effects impact net debt in NOK - continued strong balance sheet and financial flexibility



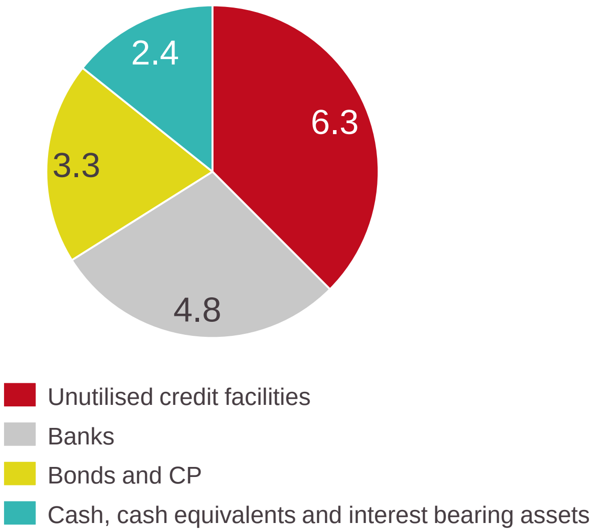
 Amounts in NOK million

Funding sources and maturity profile

Debt maturity → average maturity 3.8 years



Funding sources (in BNOK)

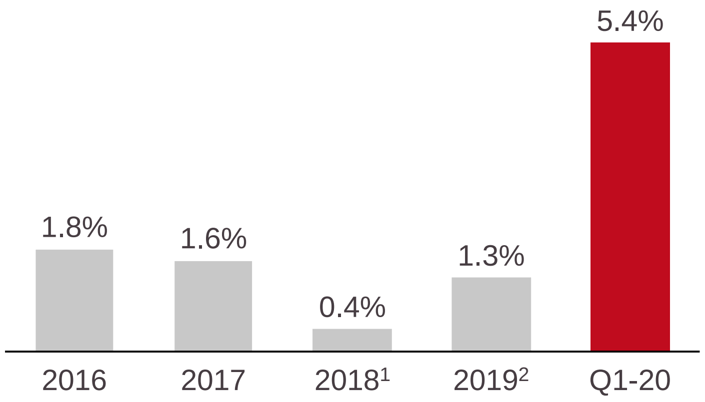


Business areas

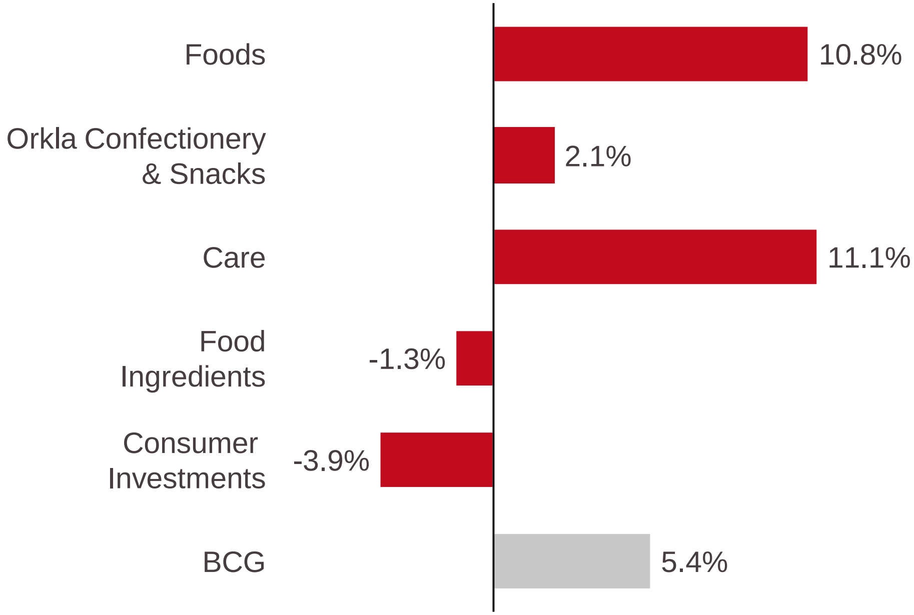
Branded Consumer Goods Q1-20:

Foods and Care drove improvement in organic growth

Organic growth for Branded Consumer Goods



Organic growth Q1-20 by business area

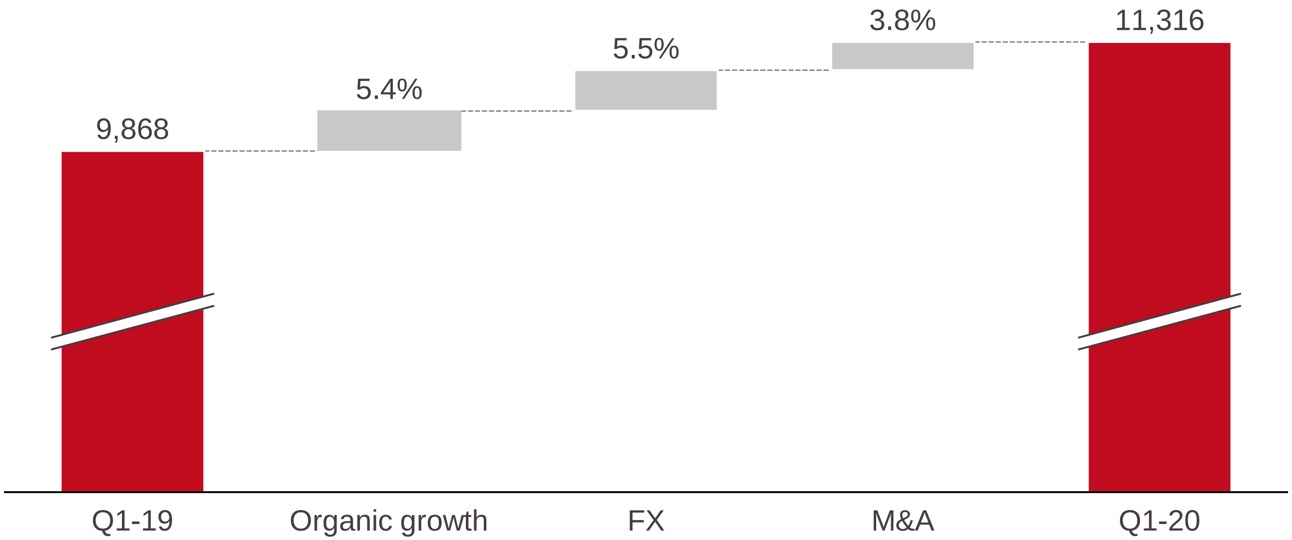


All Alternative Performance Measures (APM) are presented in the appendix.
[1]Adjusted for loss of Wrigley distribution agreement [2]Based on new reporting structure

Branded Consumer Goods Q1-20:

Weaker NOK and recent M&A add ~9% to total top line growth of ~15%

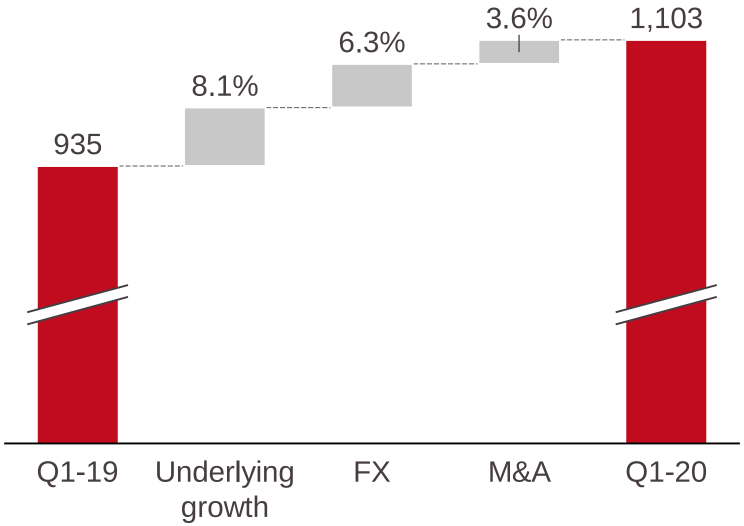
BCG revenue, Q1-19 → Q1-20 (MNOK)



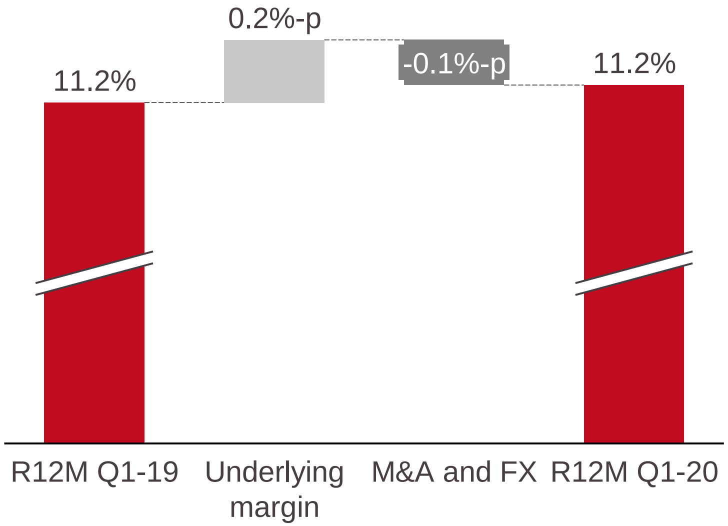
 Amounts in NOK million

Branded Consumer Goods incl. HQ:
Profit improvement driven by revenue growth in Foods and Care

∆ Q1 U.EBIT (adj.), MNOK



∆ R12M U.EBIT (adj.) margin



 Note: Figures may not add up due to rounding

Orkla Foods

Strong growth in March across most markets, large stockpiling effects

	Q1-20	Q1-19
Revenues	**4,618**	**3,889**
Organic growth	***10.8%***	
EBIT (adj.)	**535**	**430**
EBIT (adj.) growth	***24.4%***	
EBIT (adj.) margin	**11.6%**	**11.1%**
Change vs LY	***0.5%-p***	

- Good organic growth across most markets driven by significant positive one-off effects from Covid-19
- Profit growth mainly from increased sales
- Higher raw material prices and significant weakening of NOK had negative impact on profits

 Revenues and EBIT (adj.) figures in NOK million

Orkla Confectionery & Snacks

Organic revenue growth hampered by Denmark and the Baltics

	Q1-20	Q1-19
Revenues	**1,602**	**1,502**
Organic growth	***2.1%***	
EBIT (adj.)	**209**	**211**
EBIT (adj.) growth	***-0.9%***	
EBIT (adj.) margin	**13.0%**	**14.0%**
Change vs LY	***-1.0%-p***	

- Higher grocery sales across the Nordic markets in March offset by reduced listing with one customer in Denmark and demand shortfall in the Baltics
- Limited stockpiling effects
- Increased raw material costs partly due to negative currency effects

 Revenues and EBIT (adj.) figures in NOK million

Orkla Care

Strong sales and profit growth from consumer stockpiling in March

	Q1-20	Q1-19
Revenues	**1,688**	**1,461**
Organic growth	***11.1%***	
EBIT (adj.)	**297**	**221**
EBIT (adj.) growth	***34.4%***	
EBIT (adj.) margin	**17.6%**	**15.1%**
Change vs LY	***2.5%-p***	

- Consumer stockpiling and higher in-home consumption of HPC products
- Improvement for Orkla Health due to increased exports and sales in Norway
- Broad based top line growth for HSNG in both online and offline channels

 Revenues and EBIT (adj.) figures in NOK million

Negative impact from restrictions in Out of home segments

	Q1-20	Q1-19
Revenues	**2,574**	**2,291**
Organic growth	***-1.3%***	
EBIT (adj.)	**71**	**77**
EBIT (adj.) growth	***-7.8%***	
EBIT (adj.) margin	**2.8%**	**3.4%**
Change vs LY	***-0.6%-p***	

- Large exposure to Out of home markets (bakeries, ice cream shops & restaurants/cafés) which have experienced a significant fall in sales by end of Q1
- Temporary consumer stockpiling in grocery in March
- Profitability significantly impacted by drastically lower sales of ice cream ingredients outside grocery
- Continued restrictions in the Out of home market will have material impact in Q2

 Revenues and EBIT (adj.) figures in NOK million

Orkla Consumer Investments

Out of home slowdown and coronavirus restrictions for the textile segments caused organic sales to decline

	Q1-20	Q1-19
Revenues	**927**	**795**
Organic growth	***-3.9%***	
EBIT (adj.)	**92**	**88**
EBIT (adj.) growth	***4.5%***	
EBIT (adj.) margin	**9.9%**	**11.1%**
Change vs LY	***-1.2%-p***	

- Revenue and profit growth from M&A
- Out of home businesses affected by restaurant sales restrictions. Partly offset by takeaway & home delivery
- Textile business also hampered by restrictions
- Improved Nordic markets for Orkla House Care

 Revenues and EBIT (adj.) figures in NOK million

Decline in power prices partly offset by increased volume in Hydro Power

Hydro Power

Fully consolidated into Orkla's financial statements

Volume (GWh):	Power prices[1] (øre/KWh):	EBIT adj. (NOK million):
Q1: 645 (476)	Q1: 15.7 (45.7)	Q1: 39 (73)

Financial Investments

Fully consolidated into Orkla's financial statements

Book value real estate:
NOK 1.8 billion

Jotun (42.6%)

Accounted for using equity method

[1]Source: Nord Pool Spot, Monthly System Price

Orkla

Closing remarks

Navigating uncertainty – what to expect

- Demand expectations
  - Stockpiling over in March, possible reversal ahead
  - Out of home significantly down (April sales index ranging 40-60)
  - Continued higher in-home consumption of Food & HPC products
  - Long term implications uncertain

- Supply expectations
  - Risk for sourcing disruption (availability & price)
  - Sharp weakening of NOK requires price increases
  - Production proven resilient, remains inherent risk

Building on our strong long term fundamentals

- Immediate priorities
  - Contingency planning to protect our people and operations
  - Strict cash discipline, but building buffer stocks
  - Strong balance sheet and available credit
  - Preparing to endure the situation longer term

- Long term implications
  - Trusted, strong local brands are ever more important
  - Diversified market exposure and supply chain set-up proven resilient
  - No change in Orkla’s 2021 financial targets

Q&A

Jaan Ivar Semlitsch, President & CEO

Harald Ullevoldsæter, CFO

Appendices

Alternative Performance Measures (APM)

Organic growth

Organic growth shows like-for-like turnover growth for the Group's business portfolio and is defined as the Group's reported change in operating revenues adjusted for effects of the purchase and sale of companies and currency effects. In the calculation of organic growth, acquired companies will be excluded 12 months after the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's turnover at last year's exchange rates.

Organic growth is included in segment information and used to identify and analyse the turnover growth in the existing business portfolio. Organic growth provides an important picture of the Group's ability to carry out innovation, product development, correct pricing and brand-building.

EBIT (adj.)

EBIT (adj.) shows the Group's current operating profit before items that require special explanation, and is defined as reported operating profit or loss before "Other income and expenses" (OIE). These include M&A costs, restructuring or integration expenses, any major gains and write-downs on both tangible and intangible assets, and other items that only to a limited degree are reliable measures of the Group's current profitability. EBIT (adj.) margin and growth are derived figures calculated in relation to operating revenues.

EBIT (adj.) is the Group's key financial figure, internally and externally. The figure is used to identify and analyse the Group's profitability from normal operations and operating activities. Adjustment for items in OIE which to a limited degree are reliable measures of the Group's current operating profit or loss increases the comparability of profitability over time, and EBIT (adj.) is used as a basis for and indicator of the Group's future profitability.

Change in underlying EBIT (adj.)

Change in underlying EBIT (adj.) shows like-for-like EBIT (adj.) growth for the Group's business portfolio and is defined as the Group's reported change in EBIT (adj.) adjusted for effects of the purchase and sale of companies and currency effects. In calculating the change in underlying EBIT (adj.), acquired companies will be included pro forma 12 months before the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by calculating this year's turnover at last year's currency exchange rates. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

Underlying EBIT (adj.) growth is used for internal management purposes, including for identifying and analysing underlying profitability growth in the existing business portfolio, and provides a picture of the Group's ability to develop growth and improve profitability in the existing business. The measure is important because it shows the change in profitability on a comparable structure over time.

Alternative Performance Measures (APM)

Earnings per share (adj.)

Earnings per share (adj.) show earnings per share adjusted for other income and expenses (OIE) after estimated tax. Items included in OIE are specified in Note 3. The effective tax rate for OIE is lower than the Group's tax rate in both 2020 and 2019 due to non-deductible transaction costs, write-downs and the effect on profit or loss of the purchase of the remaining equity interest in Orchard Valley in 2020.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. In the first quarter, an adjustment was made for a gain on the sale of the associate Andersen & Mørck.

Net replacement and expansion investments

When making decisions regarding investments, the Group distinguishes between replacement and expansion investments. Expansion investments are the part of overall reported investments considered to be investments in either new geographical markets or new categories, or which represent significant increases in capacity.

Net replacement investments include new leases, and are reduced by the value of sold fixed assets to sales value.

The purpose of this distinction is to show how large a part of the investments (replacement) mainly concerns maintenance of existing operations and how large a part of the investments (expansion) is investments which must be expected to generate increased contributions to profit in future, exceeding expectations of normal operations.

Net interest-bearing liabilities

Net interest-bearing liabilities are the sum of the Group's interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans, lease liabilities and interest-bearing derivatives. Interest-bearing receivables include liquid assets, interest-bearing derivatives and other interest-bearing receivables.

Net interest-bearing liabilities are the Group's primary management parameter for financing and capital allocation, and is used actively in the Group's financial risk management strategy. The statement of cash flows (Orkla format) therefore shows the change in net interest-bearing liabilities at Group level.

Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Lecora, Easyfood, Confection by Design, Win Equipment, Risberg, Kanakis, Credin Sverige, Vamo, Kotipizza, Anza Verimex and Helga and adjustments for the sale of Glyngøre and SaritaS. Adjustments have also been made for the loss of the distribution agreements with Panzani and OTA Solgryn. In addition, adjustments were made in 2019 for HSNG, Struer, County Confectionery, Werner, Igos, Gorm's and the sale of Mrs. Cheng's.

Investments - Jotun (42.6%)

Continued growth and increased profitability

	Q1-20
Operating income	5,082
Change vs LY	*11%*
Operating profit	792
Change vs LY	*36%*

- Sales growth helped by positive FX translation effects
- Earnings driven by both strong sales and improved gross margins
- Considerable uncertainty around the consequences of the coronavirus pandemic going forward

 Financial figures in NOK million

Strong balance sheet and financial flexibility