



Third quarter results 2019

24 October 2019

Jaan Ivar Semlitsch, President & CEO



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- We have a **unique portfolio** of **strong local brands**
- We need to step up **growth in our core** and **scale up jewels**
- We need to **simplify** and **empower** the whole **organization** to be **faster** to market and **drive** further **cost improvement**





Financial performance

Jens Bjørn Staff, CFO



Highlights Q3-19:

Improved organic sales growth and profit for Branded Consumer Goods

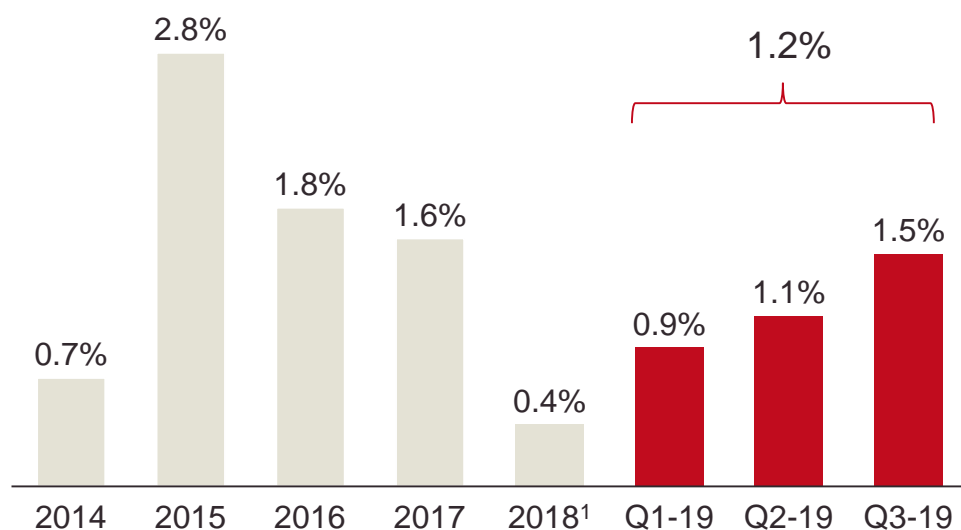
- Continued strong performance in Confectionery & Snacks
- Good progress in earnings and profitability for Foods and Food Ingredients
- Organic sales growth in Care
- Impairments reflecting recent challenges in Orkla Care
- Continued sales and profit growth for Jotun
- Adjusted EPS* increased by +11% to NOK 1.18



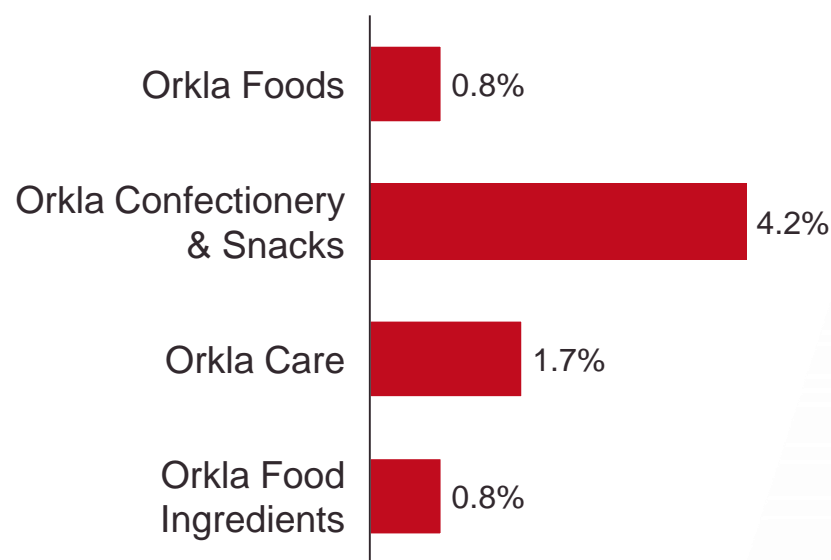
Branded Consumer Goods Q3-19:

Stronger organic growth driven by Confectionery & Snacks and Care

Organic growth for Branded Consumer Goods

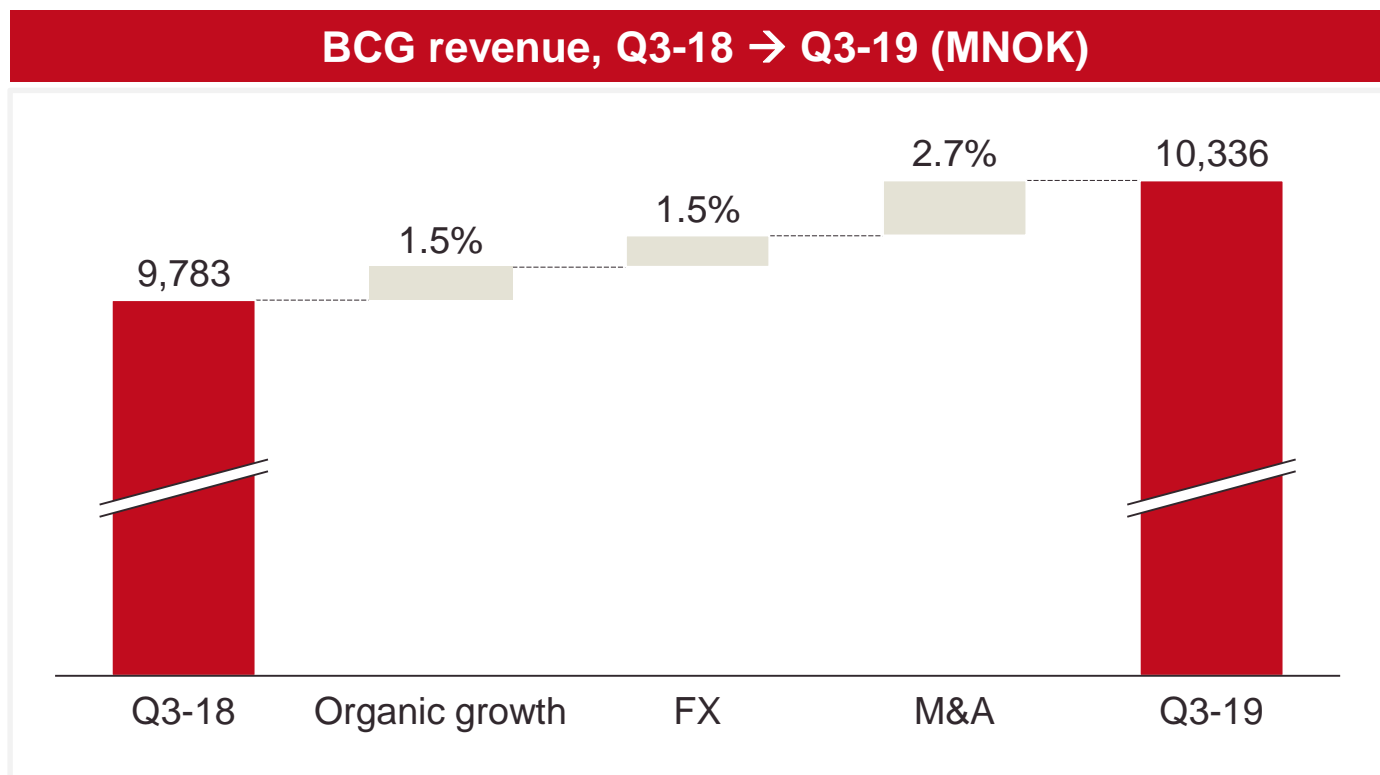


Organic growth Q3-19 by business area



Branded Consumer Goods Q3-19:

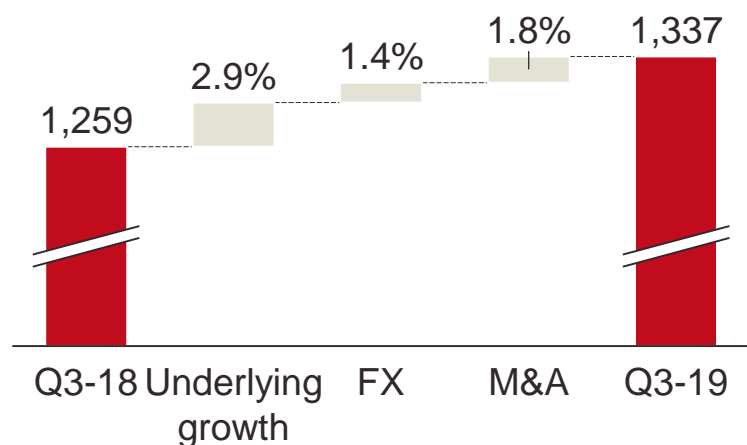
Recent M&A and a weaker NOK add ~4% to total top line growth of 6%



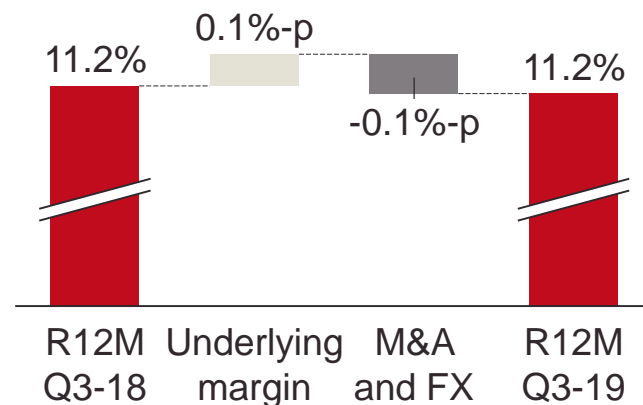
Branded Consumer Goods incl. HQ:

Good earnings momentum partly offset by decline in Care and higher bonus related costs

Δ Q3 U.EBIT (adj.), MNOK



Δ R12M U.EBIT (adj.) margin



Orkla Foods

Continued good earnings growth

	Q3-19	YTD Q3-19
Revenues	4,145	12,104
<i>Organic growth</i>	<i>0.8%</i>	<i>1.9%</i>
EBIT (adj.)	616	1,542
<i>EBIT(adj.) growth</i>	<i>10.4%</i>	<i>10.4%</i>
EBIT(adj.) margin	14.9%	12.7%
<i>Change vs LY</i>	<i>0.7%-p</i>	<i>0.7%-p</i>

- Organic progress driven by good sales growth in Sweden and India
- Continued strong growth in plant based products
- Improved revenue management compensates for continued negative effects from weaker SEK and higher raw material prices



Orkla Confectionery & Snacks

Sales and EBIT progress supported by good market growth

	Q3-19	YTD Q3-19
Revenues	1,604	4,625
<i>Organic growth</i>	4.2%	4.4%
EBIT (adj.)	294	696
<i>EBIT(adj.) growth</i>	5.8%	9.4%
EBIT(adj.) margin	18.3%	15.0%
<i>Change vs LY</i>	+0.0%-p	+0.6%-p

- Continued good organic revenue growth
- Overall strong market growth, especially for snacks
- Positive effects from cost improvement projects offset by increased raw material costs



Orkla Care

Organic sales growth in Care, but profit decline

	Q3-19	YTD Q3-19
Revenues	2,026	6,045
<i>Organic growth</i>	1.7%	-2.0%
EBIT (adj.)	306	847
<i>EBIT(adj.) growth</i>	-2.5%	-3.3%
EBIT(adj.) margin	15.1%	14.0%
<i>Change vs LY</i>	-0.8%	-0.4%

- Sales improvement in HPC categories, but volumes still lower in grocery retail
- Actions to turn around House Care UK & Poland progressing as planned
- Continued weak performance in Orkla Health



Orkla Food Ingredients

Strong profit growth driven by M&A and underlying earnings progress

	Q3-19	YTD Q3-19
Revenues	2,641	7,516
<i>Organic growth</i>	0.8%	0.7%
EBIT (adj.)	185	457
<i>EBIT(adj.) growth</i>	15.6%	16.3%
EBIT(adj.) margin	7.0%	6.1%
<i>Change vs LY</i>	0.4%-p	0.5%-p

- Good organic growth in bakery ingredients
- Profitability positively affected by improved pricing and product mix
- Profit and margin accretive M&A



Investments - Kotipizza

Continued growth in sales and profit for Kotipizza

<i>NOK million</i>	Q3-19	YTD**	Q3-19
Revenues	283		701
<i>Change vs LY*</i>	14.0%		15.5%
EBIT (adj.)	27		63
<i>Change vs LY*</i>	22.2%		29.9%
EBIT (adj.) margin	9.5%		9.0%
<i>Change vs LY</i>	+0.6%-p		+1.0%-p

- Continued growth in YTD** chain sales*** with 14% growth (7% like for like YTD and 6% in Q3)
- EBIT (adj.) driven by strong sales growth and normalized overhead costs
- Four new Kotipizza restaurants opened during the quarter (total 284)



*Adjusted for FX

13 **Kotipizza was consolidated as of February 2019 meaning YTD figures only reflect eight months

***Chain sales are defined as gross sales to consumers from all owned and franchise operated restaurants in the Kotipizza Group

Investments - Jotun (42.6%)

Solid sales and profit growth

<i>NOK million</i>	YTD Aug-19
Operating income	12,875
<i>Change vs LY</i>	8.5%
Operating profit	1,749
<i>Change vs LY</i>	51.6%

- Continued growth in operating revenues
 - Offshore and Marine markets picking up from cyclical low levels
 - Price increases previously implemented in all segments
- Earnings growth driven by strong sales growth, improved gross margins and good cost control



Adj. EPS +11% following profit growth in Branded Consumer Goods and strong improvement in Jotun

Key figures	Q3-19	Q3-18	Δ Q3
Operating revenues BCG	10,336	9,783	+6%
EBIT (adj.) BCG	1,401	1,310	+7%
EBIT (adj.) HQ	-64	-51	
EBIT (adj.) BCG incl. HQ	1,337	1,259	+6%
EBIT (adj.) Orkla Investments	107	94	+14%
Other income and expenses	-267	-62	
EBIT	1,177	1,291	-9%
Profit from associates	166	116	+43%
Net interest and other financial items	-67	-43	
Profit before tax	1,276	1,364	-6%
Taxes	-335	-323	
Profit after tax	941	1,041	-10%
Adjusted EPS cont. operations (NOK)	1.18	1.06	+11%
Reported EPS cont. operations (NOK)	0.92	1.01	-9%



Closing remarks

Jaan Ivar Semlitsch, President & CEO



Committed to delivering on 2021 targets

2021 targets

Organic growth
>= market



U.EBIT %**
>1.5pp by 2021



M&A + Portfolio
Management



NWC / NSV -3pp
by 2021



Immediate priorities

- Turn negative trend in affected Orkla Care segments
- Finalize review and redesign of current organizational structure
- Continue delivering on efficiency agenda
- Gearing for profitable growth



Q&A

Jaan Ivar Semlitsch, President & CEO

Jens Bjørn Staff, 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. Comparative figures are not restated when implementing IFRS 16, but the effects of the new accounting standard are neutralised in the calculation. 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. Underlying EBIT (adj.) growth is a heavily weighted factor in determining executive remuneration.

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 in 2019 is lower than the Group's tax rate due to the write-down of goodwill with no tax effect and to high non-deductible transaction costs. Other items in other income and expenses, including the gain related to Treschows gate, have a tax effect. The effective tax rate related to OIE in the third quarter was 1% (20% in 2018), whereas it was 5% as at 30 September 2019 (21% in 2018).

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. There were no such items in the first nine months of 2019 or in 2018.

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, together with equity, constitute the Group's capital. 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 Struer, HSNB, Werners, County's, Igos, Lecora, Easyfood, Kanakis Group, Risberg, Zeelandia, Confection by Design and Vamo, and for the sale of Glyngøre and Mrs. Cheng's.

Orkla Investments

Strong performance in Jotun, lower power prices in Hydro Power

Hydro Power

Fully consolidated into Orkla's financial statements

Volume (GWh):

Q3: 627 (565)

YTD: 1,622 (1,662)

Power prices¹ (øre/KWh):

Q3: 34.2 (48.4)

YTD: 38.2 (41.0)

EBIT adj. (NOK million):

Q3: 78 (102)

YTD: 220 (258)



Financial Investments

Fully consolidated into Orkla's financial statements

Book value real estate:

NOK 1.9 billion

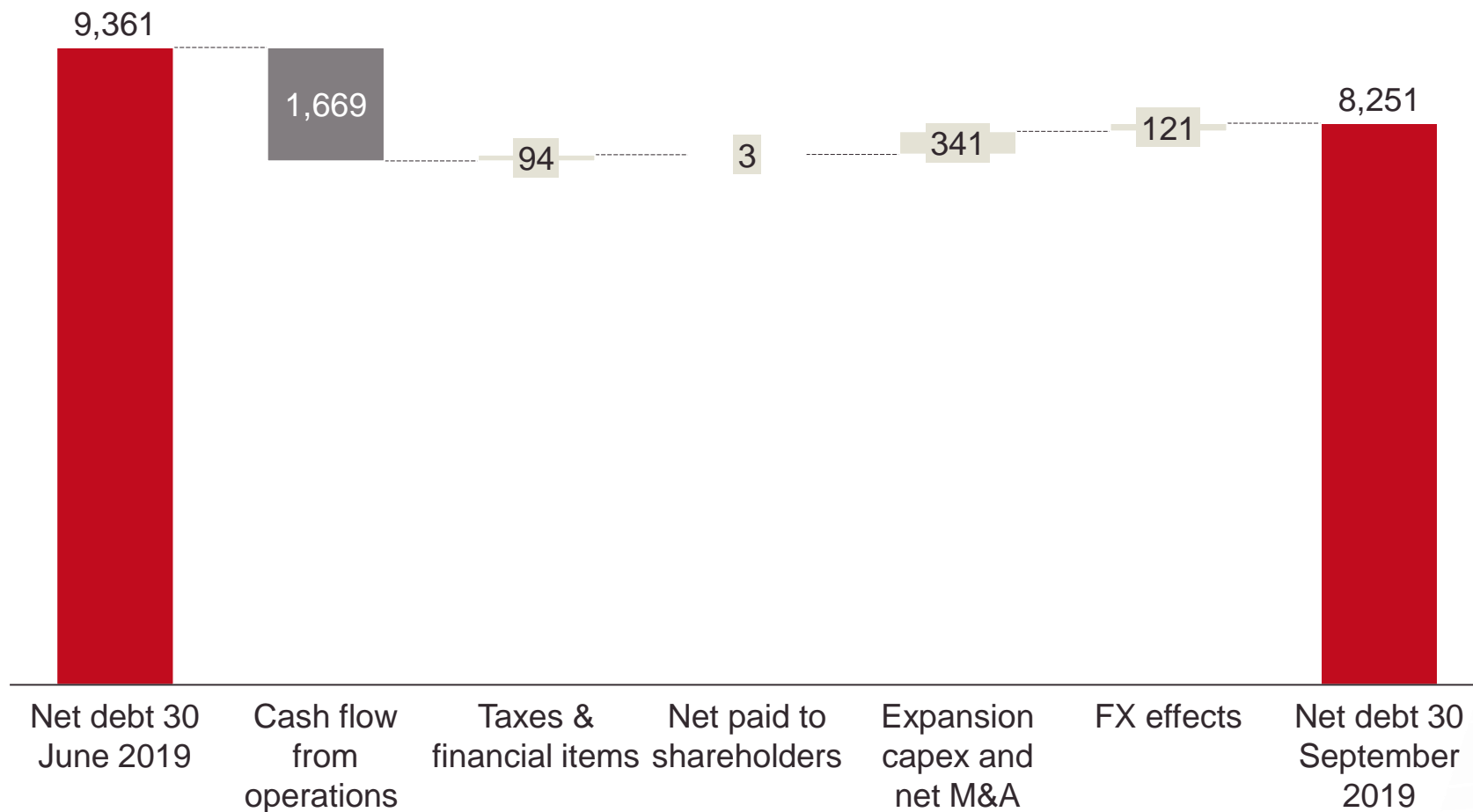


Jotun (42.6%)

Accounted for using equity method

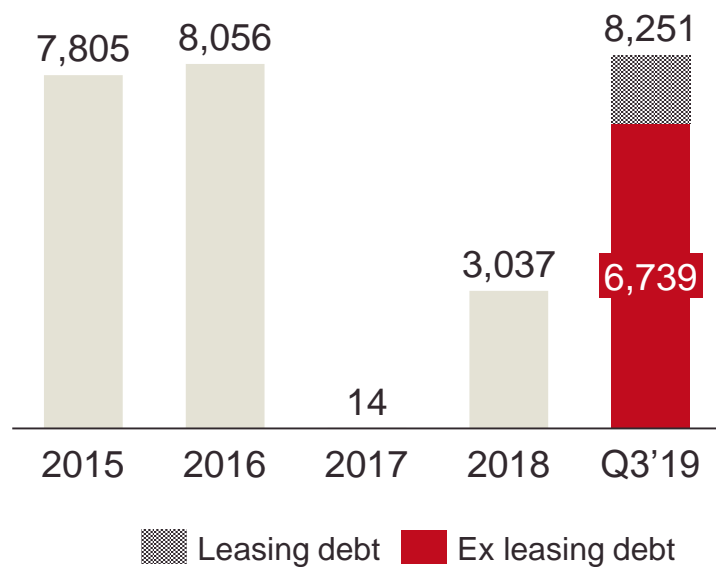


Positive cash flow from operations lowered Net Interest Bearing Debt

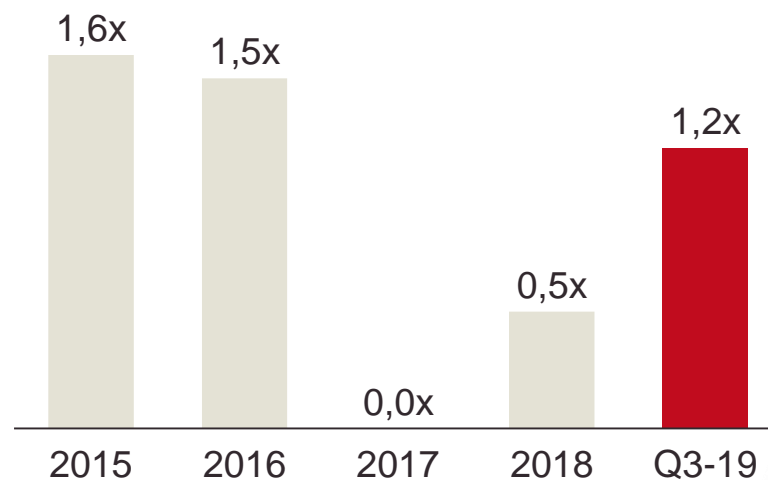


Strong balance sheet and financial flexibility

Net interest-bearing liabilities (NOK million)

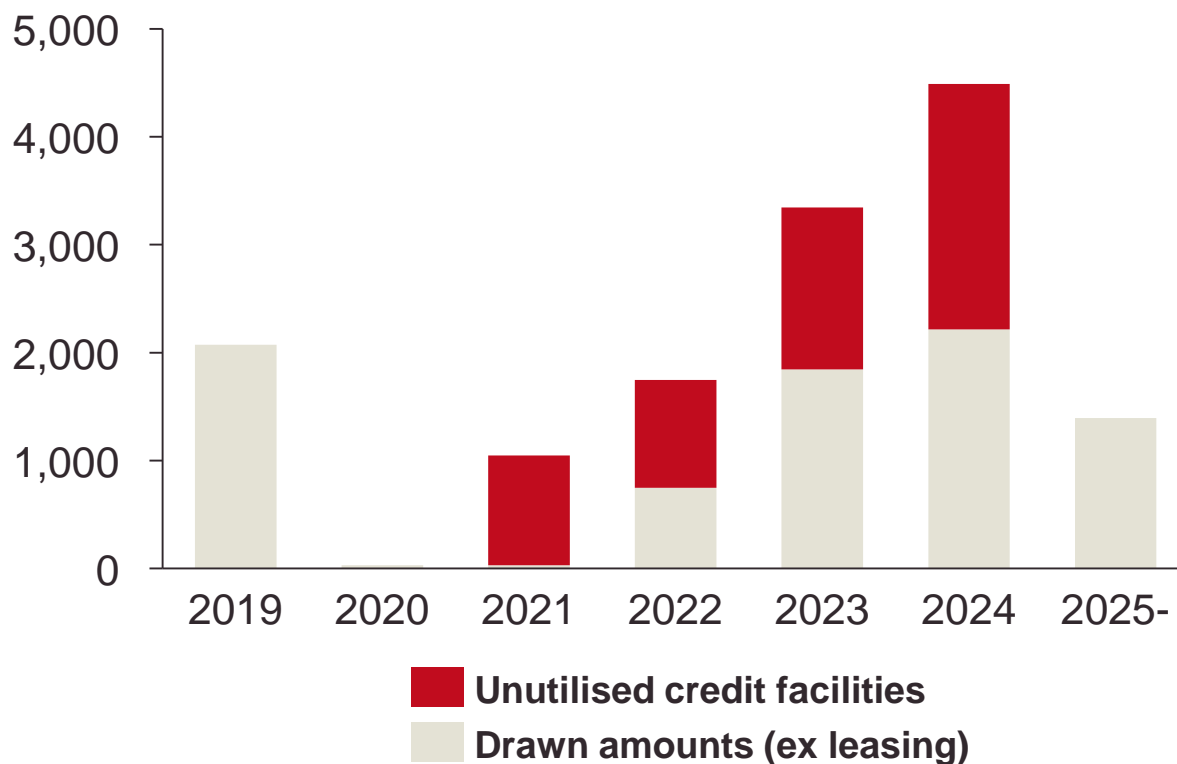


NIBD / R12 EBITDA

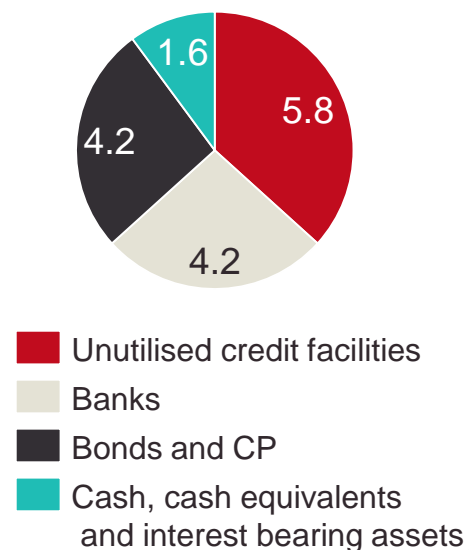


Current debt maturity profile

Debt maturity → average maturity 3.5 years



Funding sources



*Your friend in
everyday life*

