



A quarter below expectations

First quarter results 2018

25 April 2018

Peter A. Ruzicka, President & CEO



Highlights Q1-18:

Good underlying performance, but offset by timing of Easter, loss of distribution business and slow start of ice cream season

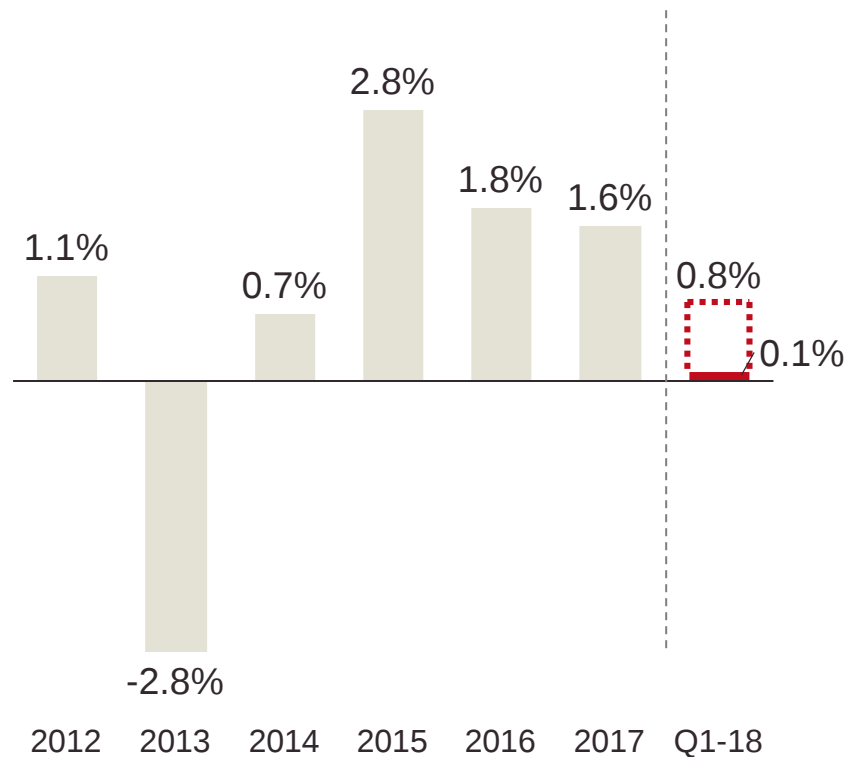
- Good growth in Foods and Food Ingredients, despite a cold start to the ice cream season
- Timing of Easter impacted growth negatively
- Growth in Confectionery & Snacks offset by loss of distribution agreement
- Cost improvements offset by currency, negative mix and advertising investments
- Jotun continues to grow volume and sales, but rising raw material prices and weak marine markets weigh on results
- EPS from continued operations NOK 0.68 (0.77)



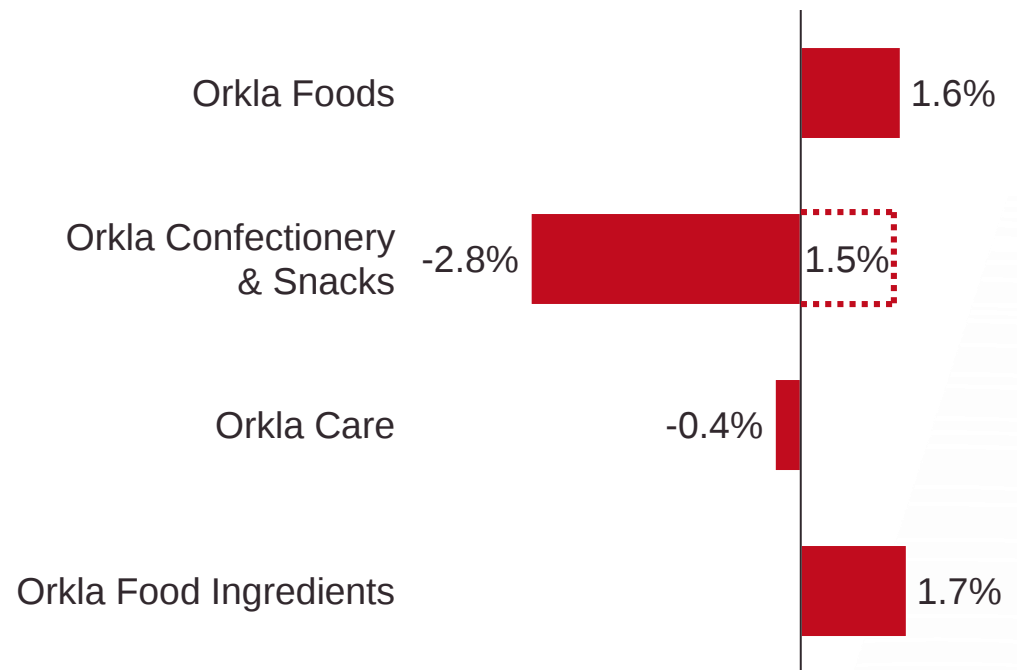
Branded Consumer Goods Q1-18:

Good growth in Foods and Food Ingredients offset by loss of distribution agreement (BCG adj. growth 0.8%) and Easter timing

BCG organic growth



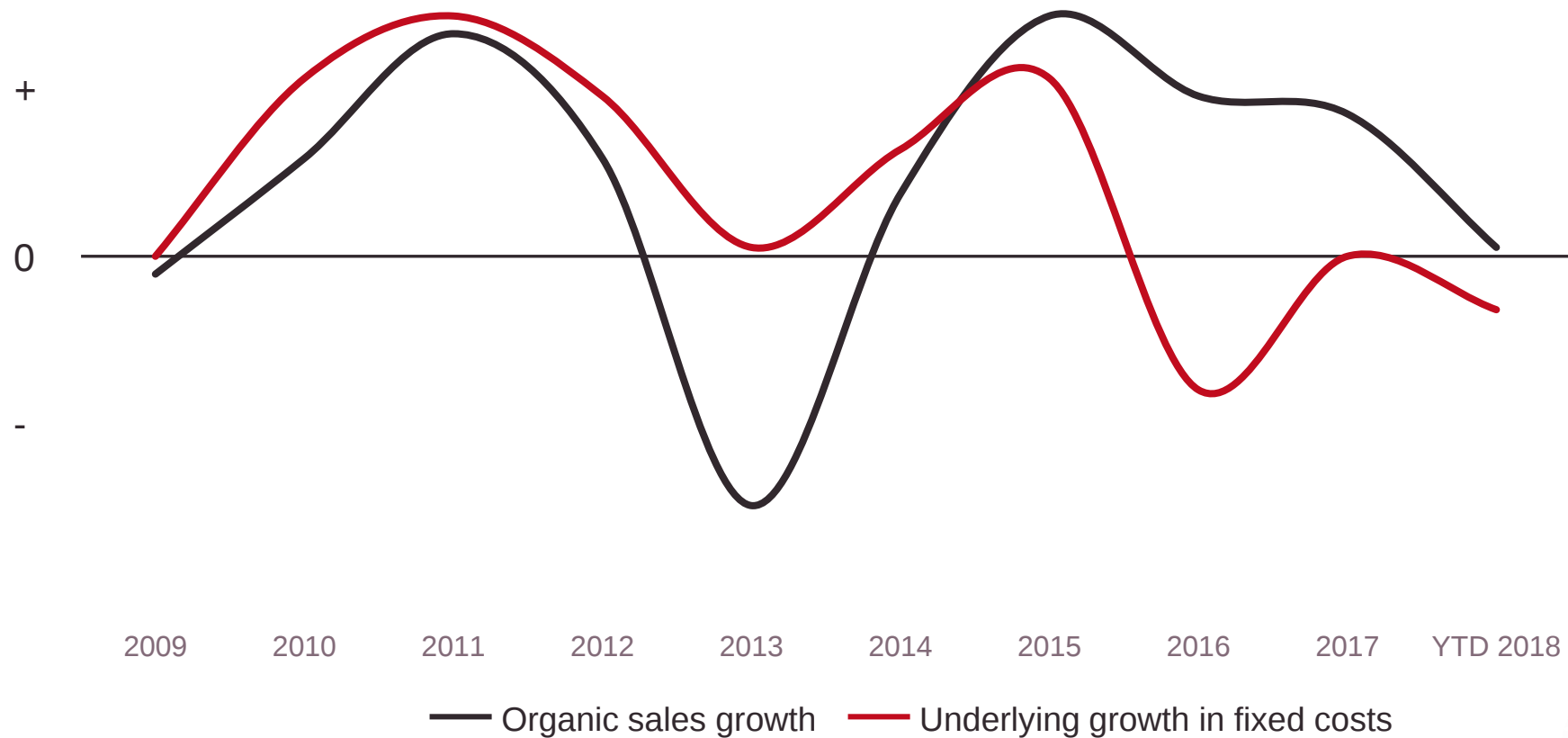
Organic growth Q1-18 by business area



 Organic Growth adjusted for loss of C&S distribution business

Branded Consumer Goods Q1-18:

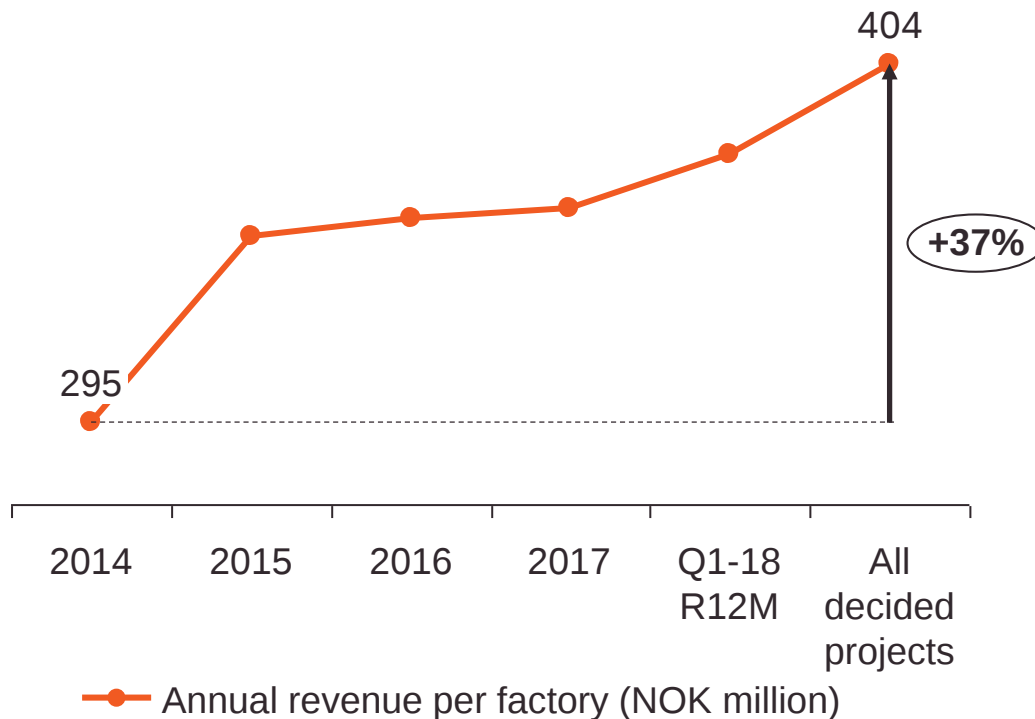
Positive gap in black over red despite temporary fall in organic growth



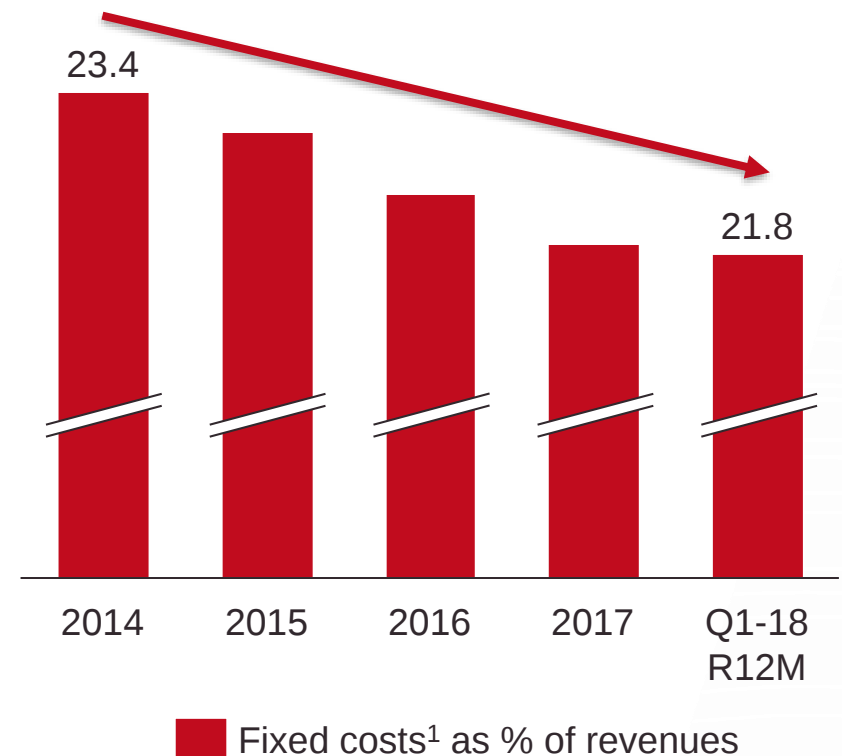
Branded Consumer Goods Q1-18:

Reducing fixed costs by leveraging the One Orkla model

Revenue per factory up 37%

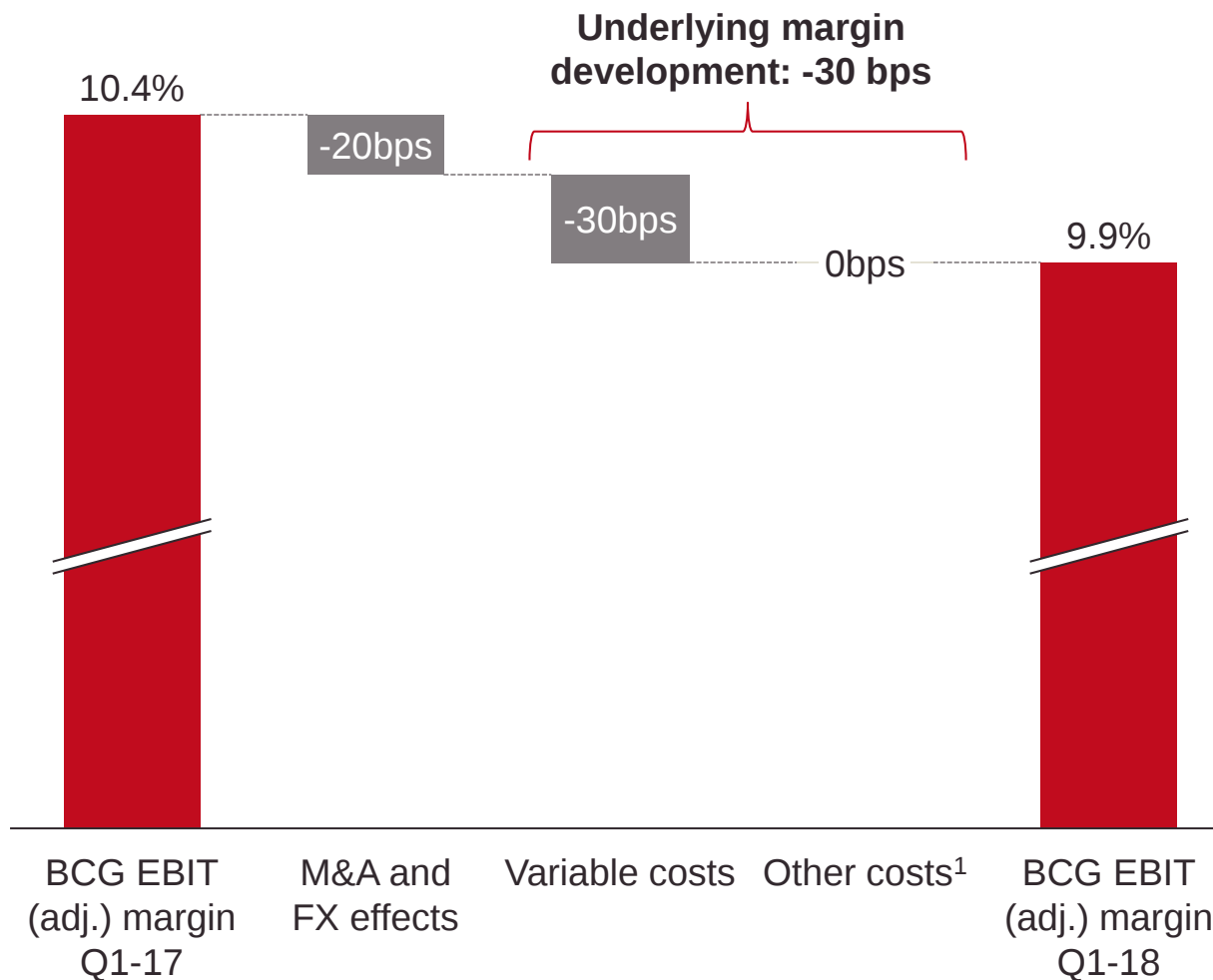


Improvements pay off and we see further potential



Branded Consumer Goods Q1-18:

Weaker NOK and SEK vs. EUR and negative mix effects pressure margins

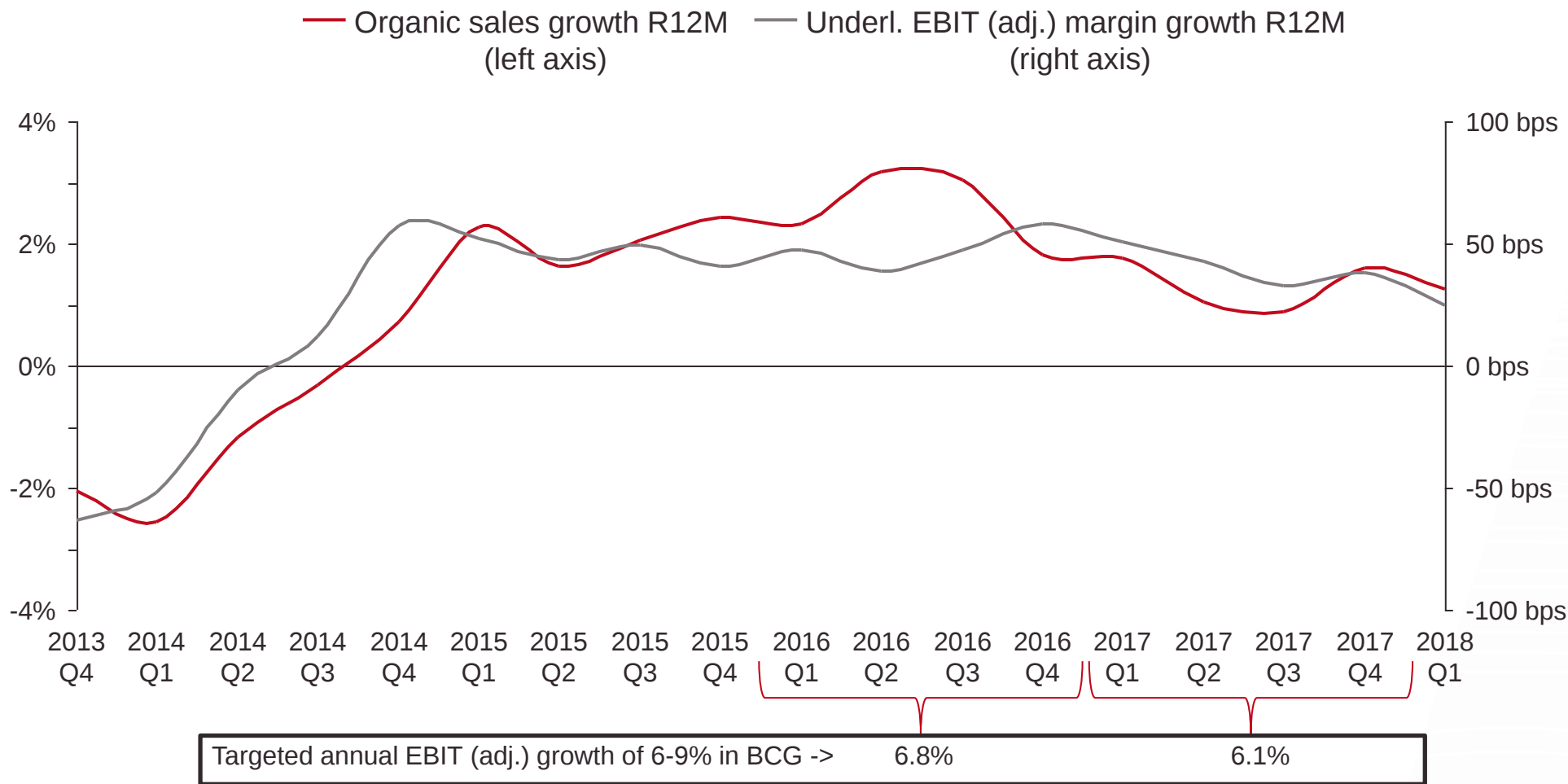


Comment

- M&A marginally dilutive
- Variable cost impacted by weaker NOK and SEK vs. EUR and negative mix effects
- Fixed cost reductions offset by depreciation and advertising investments

Branded Consumer Goods Q1-18:

Orkla will grow over time at least in line with the market and continue to improve underlying margins to deliver on EBIT growth target of 6-9%





Financial performance

Jens Bjørn Staff, CFO

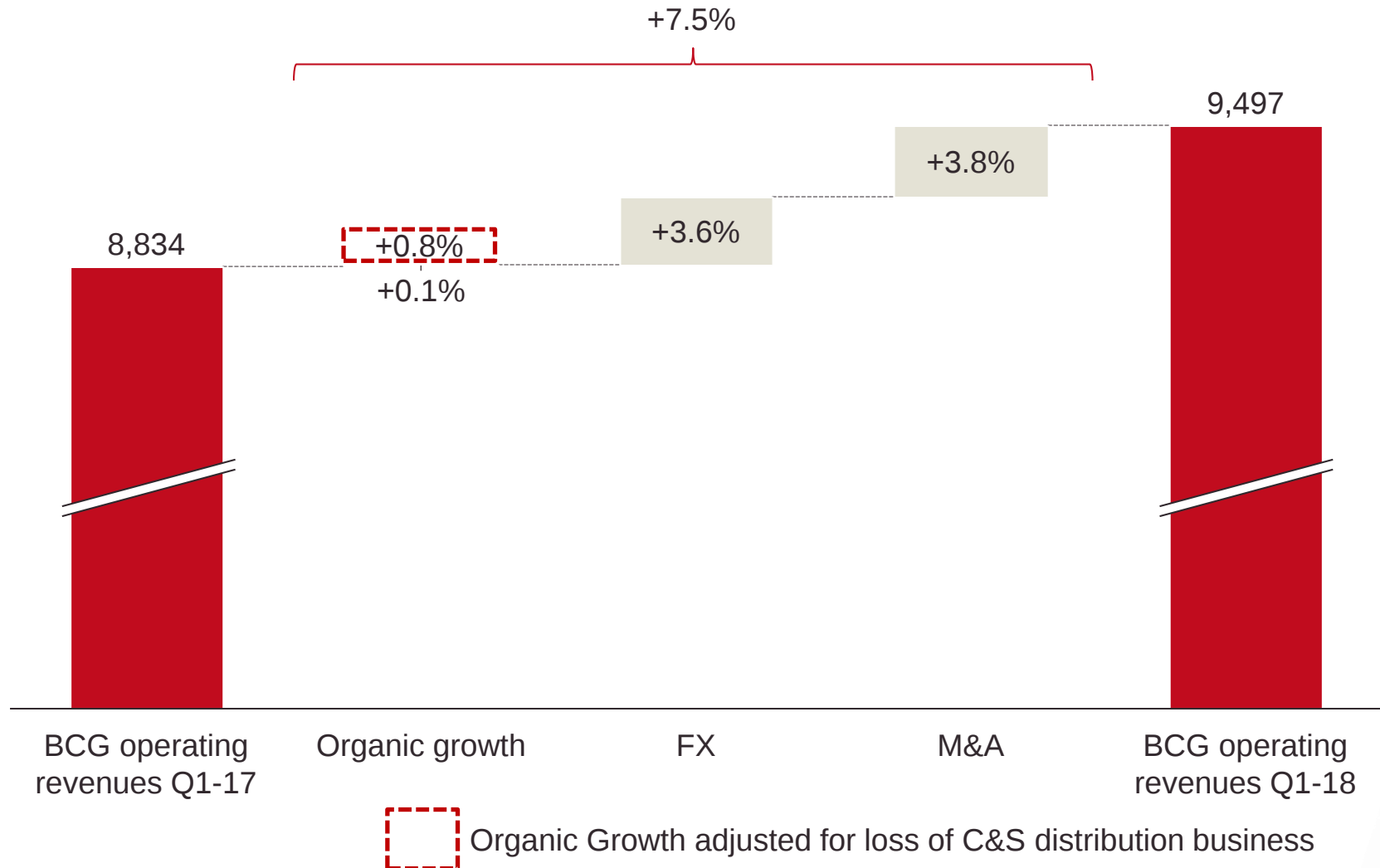


Growth in EBIT offset by reduced profit from associates and temporarily high financial items

Key figures	Q1-18	Q1-17	Δvs LY
Operating revenues	9,711	9,081	7%
EBIT (adj.) BCG	942	921	2%
EBIT (adj) Orkla Investments	54	61	-11%
EBIT (adj) HQ/Other business	-99	-82	-21%
EBIT (adj.)	897	900	0%
Other income and expenses	-27	-87	
EBIT	870	813	7%
Profit from associates	86	173	-50%
Net interest and other financial items	-70	-3	
Profit before tax	886	983	-10%
Taxes	-176	-185	
Discontinued operations	-	312	
Earnings per share cont. operations (NOK)	0.68	0.77	-12%

Branded Consumer Goods Q1-18:

7.5% revenue growth mainly from FX and M&A



Orkla Foods

Broad-based growth, partly offset by timing of Easter

	Q1-18	Q1-17	
Revenues	3,852	3,758	• Good growth partly offset by timing of Easter, especially in Norway
<i>Organic growth</i>	1.6%		
EBIT (adj.)	400	392	• Last year's higher prices on raw materials compensated for through pricing, but input costs increasingly impacted by weaker SEK
<i>EBIT(adj.) growth</i>	2.0%		
EBIT(adj.) margin	10.4%	10.4%	• Cost improvements partly offset by higher advertising investments
<i>Change vs LY</i>	flat		



Orkla Confectionery & Snacks

Sales decline from loss of distribution contract

	Q1-18	Q1-17
Revenues	1,453	1,444
<i>Organic growth</i>	-2.8%	
EBIT (adj.)	187	201
<i>EBIT(adj.) growth</i>	-7.0%	
EBIT(adj.) margin	12.9%	13.9%
<i>Change vs LY</i>	-100 bps	

- Organic growth affected by loss of Wrigley distribution contract
- Good sales progress outside Norway
- Fewer trade campaigns in Norway hampered sales development
- EBIT margin impacted by volume and negative product mix



Profit growth from acquisitions

	Q1-18	Q1-17
Revenues	2,076	1,858
Organic growth	-0.4%	
EBIT (adj.)	298	275
EBIT(adj.) growth	8.4%	
EBIT(adj.) margin	14.4%	14.8%
Change vs LY	-40 bps	

- Total revenue growth of 12% driven by M&A
- Organic growth impacted by timing of Easter
- EBIT margin diluted by M&A and higher input costs from weakened NOK and SEK vs. EUR



Orkla Food Ingredients

Good performance in most companies, but profit hampered by a weak start to the ice cream season

	Q1-18	Q1-17
Revenues	2,182	1,813
Organic growth	1.7%	
EBIT (adj.)	57	53
EBIT(adj.) growth	7.5%	
EBIT(adj.) margin	2.6%	2.9%
Change vs LY	-30 bps	

- Good organic top line growth in many key markets and categories
- Fewer sales days and poor ice cream season due to cold weather impacted sales growth negatively
- Profit growth from M&A
- Positive results from actions implemented in turnaround companies



Orkla Investments

Progress for Hydro Power, another tough quarter for Jotun

Hydro Power

Fully consolidated into Orkla financial statements

Volume (GWh):

Q1: 482 (536)

Power prices¹

(øre/KWh):

Q1: 37.2 (28.0)

EBIT adj. (NOK

million):

Q1: 59 (54)



Financial Investments

Fully consolidated into Orkla financial statements

Book value real estate:

NOK 1.5 billion



Jotun (42.6%)

Accounted for using equity method



Jotun (42.6%)

Continued growth, but weak Marine results and higher raw material prices impact profit

Q1-18 comments

- Continued growth in both volume and operating revenues in all segments except Marine
- Operating profit significantly impacted by weak market in Marine and sharp increase in raw material prices
- Satisfactory performance in Decorative Paints
- Implementation of price increases and continued focus on cost control



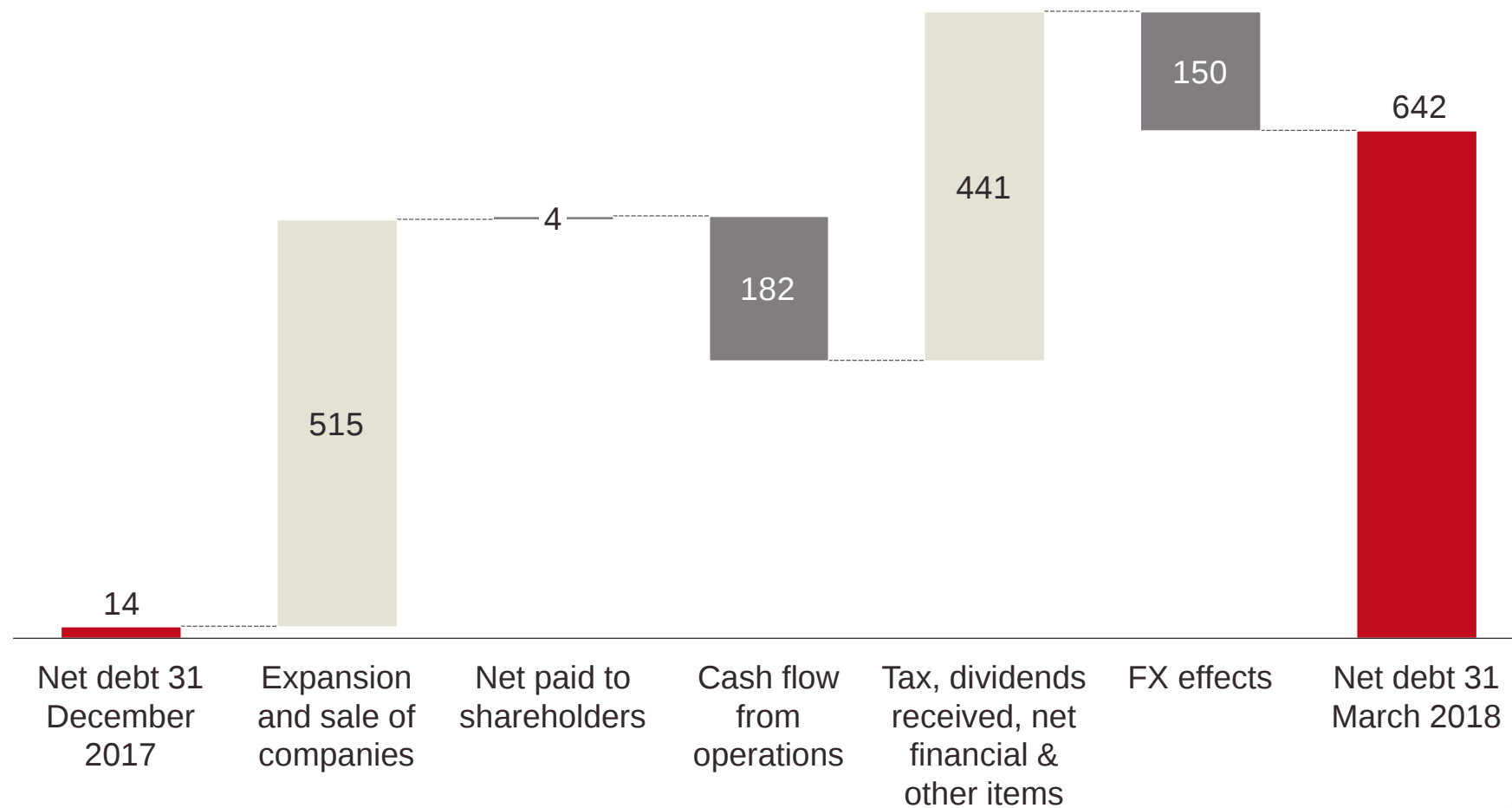
Cash flow generation impacted by seasonal working capital build-up and higher replacement investments

Cash from operations (excl. financial investments)

Cash flow per 31.03	Q1-18	Q1-17
Operating profit	873	806
Amort., depr., and impairment	302	327
Change in net working capital	-574	-162
Net replacement investments	-382	-240
Cash from operations	218	730



Changes in net debt Q1-18



Financial calendar: Investor Day 31 October 2018

Event	Date
Q2-2018	13 July 2018
Q3-2018	25 October 2018
Investor Day (London)	31 October 2018
Q4-2018	6 February 2019





Focus going forward

Peter A. Ruzicka, President & CEO



Fundamentals and financial targets remain intact

Key takeaways Q1-18

- Good underlying progress
- Loss of distribution contract, Easter and delayed ice cream season impact sales growth and EBIT (adj.)
- Cost improvements offset by FX and mix in the quarter
- Jotun continues to grow but raw material prices and weak Marine market weigh on results
- Remain committed to our financial targets

Outlook

- Continued soft market growth – Easter rebound in Q2
- Uncertainty related to raw material prices & FX
- Realise effects from cost improvements and balance raw material prices and FX through pricing
- Further strengthen our position as a leading branded consumer goods company



Further roll-out of Pauluns in Finland and the Baltics



Extended portfolio in Finland



Gluten free Granola and snack bars launched in Lithuania



Granola, Super Müsli and snack bars launched in Latvia



Granola and Super Müsli launched in Estonia

We continue to meet consumer trends with local brands



Vegan formable
mince 4th largest item
in its category



Healthier OLW lentil
chips create category
growth



Successful cleaning
system introduced in
Sweden



Naturli' extends its
portfolio with plant-
based ice cream



Q&A

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO





Appendices

Alternative Performance Measures (APM)

EBIT (adj.)

EBIT (adj.) is operating profit or loss before other income and expenses (OIE). The main purpose of this performance measure is to identify material non-recurring items and items substantially relating to other periods to ensure that the changes in and comparability of the items presented in EBIT (adj.) are more relevant to the company.

Organic growth

Reported turnover growth adjusted for the effects of acquisitions and sales of companies and foreign currency, as follows: acquired companies are excluded 12 months after the transaction date. Divestments are pro forma excluded 12 months prior to the transaction date. Currency effects (from companies/businesses that report in a currency other than the presentation currency) are neutralised by recomputing this year's turnover at last year's currency exchange rates. The main purpose of this alternative performance measure (APM) is to show like-for-like growth in the business portfolio exclusive of acquired and sold companies in the last 12 months prior to the reporting date.

Underlying growth

Reported change adjusted for the effects of acquisitions and sales of companies and foreign currency, as follows: acquired companies are included after the transaction date and adjusted by also pro forma including the acquired companies in the 12 months prior to the transaction date. Divestments are pro forma excluded 12 months prior to the transaction date. Currency effects (from companies/businesses that report in a currency other than the presentation currency) are neutralised by recomputing this year's turnover at last year's currency exchange rates. The main purpose of this alternative performance measure (APM) is to show like-for-like growth for existing operations at the reporting date.

Structure/M&A (acquired and sold companies)

Structural growth includes adjustments for the acquisition of Agrimex, Struer, Riemann, HSNG, Orchard Valley, SR Food, Arne B. Corneliusen and various minor acquisitions in Orkla Food Ingredients, as well as an adjustment for the sale of K-Salat.

Targeted EBIT (adj.) growth

Annual EBIT (adj.) growth of 6-9% including minor acquisitions and sales, adjusted for currency effects and major acquisitions and divestments.

Expansion investments

Expansion investments are defined as investments in new geographical markets, new categories or investments that represent significant increases in capacity.

R12M

Rolling 12 months: figures presented as a total of the latest 12 months.

Group income statement

	Q1-17	Q1-18	Change in MNOK	Change in %
Operating revenues	9,081	9,711	630	7%
EBIT (adj.)	900	897	-3	0%
Other income and expenses	-87	-27	60	
EBIT	813	870	57	7%
Profit from associates*	173	86	-87	-50%
Net financial items	-3	-70	-67	.
Profit/loss before taxes	983	886	-97	-10%
Taxes	-185	-176	9	
Profit/loss for the period continuing operations	798	710	-88	-11%
Profit from discontinued operations*	312	0	-312	
Profit/loss for the period	1,110	710	-400	-36%
Earnings per share (NOK)	1.08	0.68	-0.40	-37%
Earnings per share continuing operations (NOK)	0.77	0.68	-0.09	-12%

Amounts in NOK million

27 *Historical income statement figures have been restated as Sapa is presented as discontinued operations

Key figures:

Orkla Foods and Orkla Confectionery & Snacks

Orkla Foods	Q1-17	Q1-18	Change
Operating revenues	3,758	3,852	94
EBIT (adj.)	392	400	8
EBIT (adj.) margin	10.4 %	10.4 %	0.0 ppt
Orkla Confectionery & Snacks	Q1-17	Q1-18	Change
Operating revenues	1,444	1,453	9
EBIT (adj.)	201	187	-14
EBIT (adj.) margin	13.9 %	12.9 %	-1.0 ppt

Key figures:

Orkla Care and Orkla Food Ingredients

Orkla Care	Q1-17	Q1-18	Change
Operating revenues	1,858	2,076	218
EBIT (adj.)	275	298	23
EBIT (adj.) margin	14.8 %	14.4 %	-0.4 ppt
Orkla Food Ingredients	Q1-17	Q1-18	Change
Operating revenues	1,813	2,182	369
EBIT (adj.)	53	57	4
EBIT (adj.) margin	2.9 %	2.6 %	-0.3 ppt

Net financial items

	FY-17	Q1-17	Q1-18
Net interest expenses	-149	-37	-50
Currency gain/loss	-3	1	2
Result from Share Portfolio and dividends	54	52	-
Other financial items, net	-78	-19	-22
Net financial items	-176	-3	-70

Statement of financial position

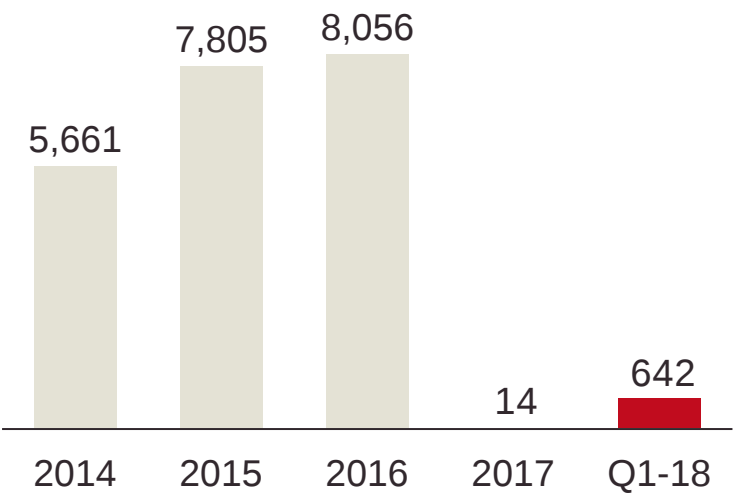
	31.12.2017	31.03.2018
Intangible assets	19,921	19,899
Property, plant and equipment	11,683	11,567
Investments in associates and joint ventures etc.	4,108	3,870
Non-current assets	35,712	35,336
Inventories	5,684	5,699
Inventory of development property	113	115
Trade receivables	6,165	6,349
Other receivables	883	856
Shares and financial assets	17	17
Cash and cash equivalents	4,834	4,124
Current assets	17,696	17,160
Total assets	53,408	52,496
Paid-in equity	1,995	1,995
Earned equity	32,413	32,388
Non-controlling interests	430	438
Equity	34,838	34,821
Provisions	4,734	4,570
Non-current interest-bearing liabilities	4,820	4,713
Current interest-bearing liabilities	359	294
Trade payables	4,940	4,713
Other current liabilities	3,717	3,385
Equity and liabilities	53,408	52,496

Cash flow

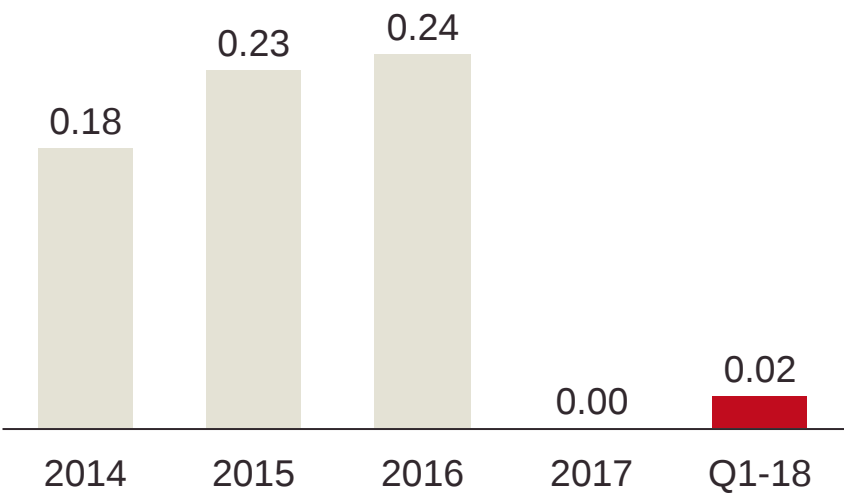
	FY-17	Q1-17	Q1-18
Operating profit	4,423	806	873
Amortisation, depreciation and write-downs	1,313	327	302
Change in net working capital	18	-162	-574
Gain from operations moved to Investments and sold entities	-299	-1	-1
Net replacement expenditures	-1,050	-240	-382
Cash flow from operations	4,405	730	218
Cash flow from operations, Financial Investments	-290	-6	-36
Tax	-934	-223	-476
Dividends received, net financial and other	1,574	15	35
Cash flow before capital transactions	4,755	516	-259
Paid to shareholders, net purchase/sales own shares	-7,740	-114	-4
Cash flow before expansion	-2,985	402	-263
Expansion investments	-206	-54	-35
Sold and acquired companies	11,619	-94	-480
Net purchases/sales shares and financial assets	43	88	0
Net cash flow	8,471	342	-778
Currency translations net interest-bearing liabilities	-429	-102	150
Change in net interest-bearing liabilities	-8,042	-240	628
Net interest-bearing liabilities	14	7,816	642

Strong balance sheet and financial flexibility

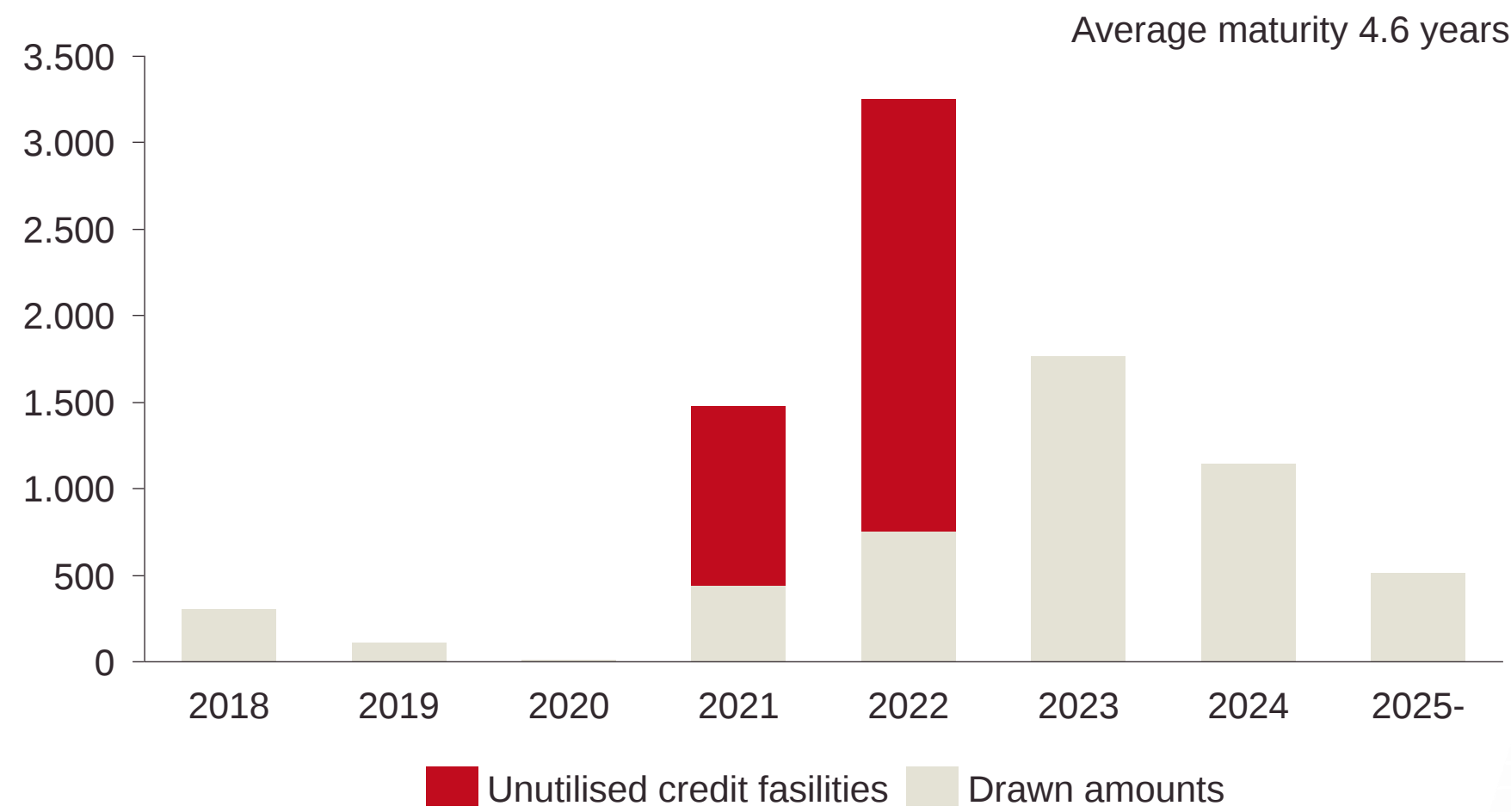
Net interest-bearing debt (NOK million)



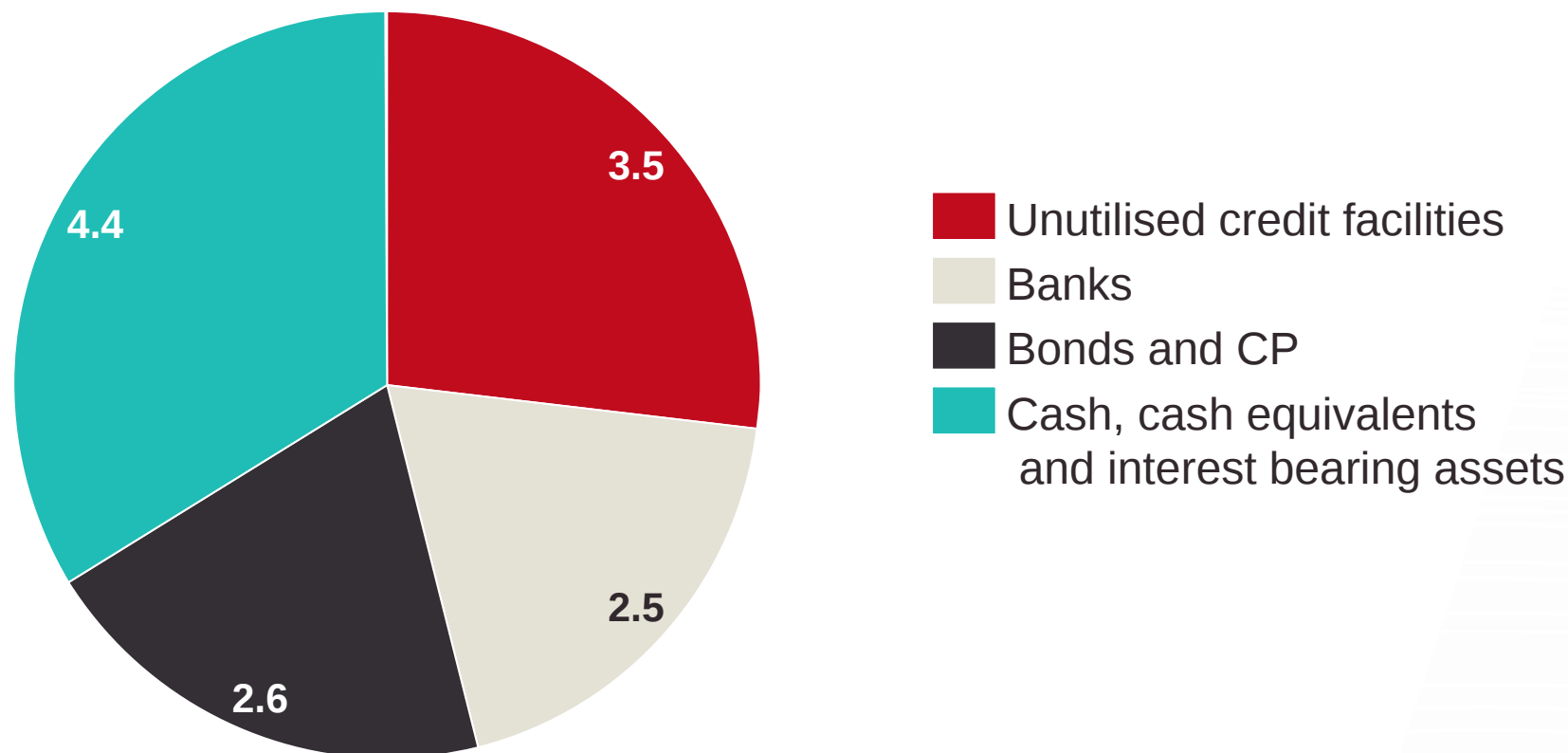
Net gearing



Debt maturity profile



Funding sources



A young girl with dark hair in pigtails, wearing a light blue shirt, is lying on her stomach on a green lawn. She is smiling and holding a yellow tube of Stabbur spread in her right hand and a rectangular cracker with a swirl of the spread on it in her left hand. The background is a blurred green lawn and trees.

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everyday life*