Second quarter results 2019

12 July 2019

Terje Andersen, Acting President & CEO

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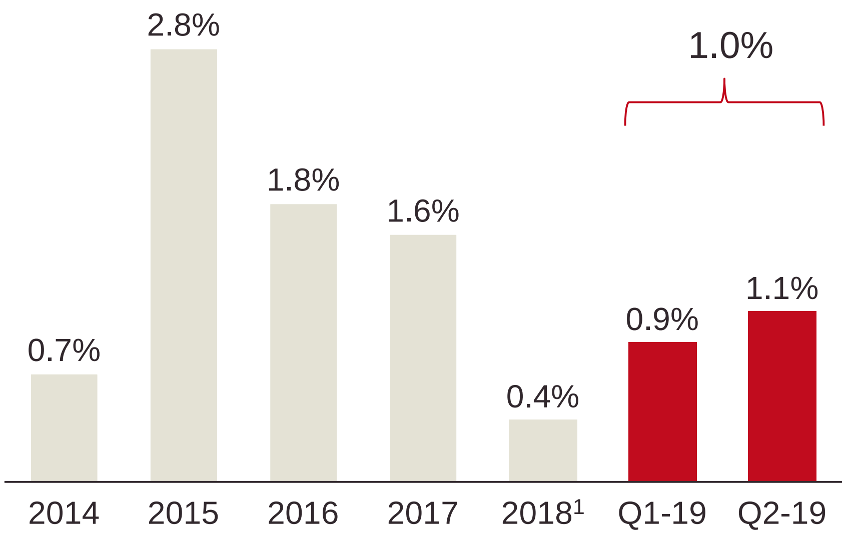
Highlights:
Organic sales improvement and profit growth

- Profit improvement for Branded Consumer Goods
- Broad based organic sales and profit growth for Foods and Confectionery & Snacks
- Profit improvement and continued margin progress for Food Ingredients
- Weak performance in Care
- Continued sales and profit growth for Jotun, operating profit up +45% in YTD Q2-19
- Adjusted EPS* increased by +12% YTD to NOK 1.78

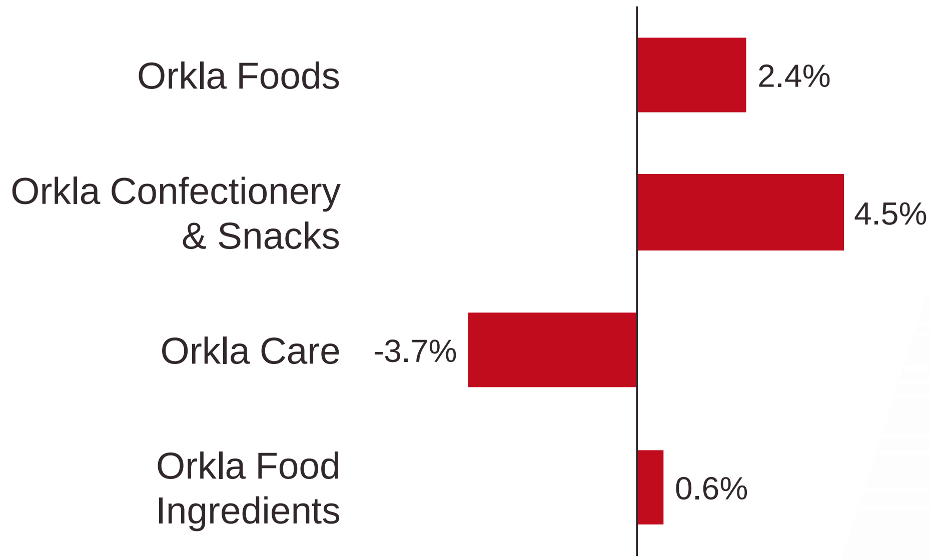
 Note: *All Alternative Performance Measures (APM) are presented in the appendix.

Branded Consumer Goods YTD Q2-19:
Broad based growth across Foods and Confectionery & Snacks

Organic growth for Branded Consumer Goods



Organic growth YTD as of Q2-19 by business area



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

[1] Adjusted for loss of Wrigley distribution agreement

Reduced complexity and increased operational focus in Orkla Care

Orkla Care (~70% of sales)

Orkla Home & Personal Care

Orkla Health

Orkla Wound Care

HSNG

Orkla Care specialised categories (~30% of sales)

Pierre Robert

Orkla House Care

Lilleborg

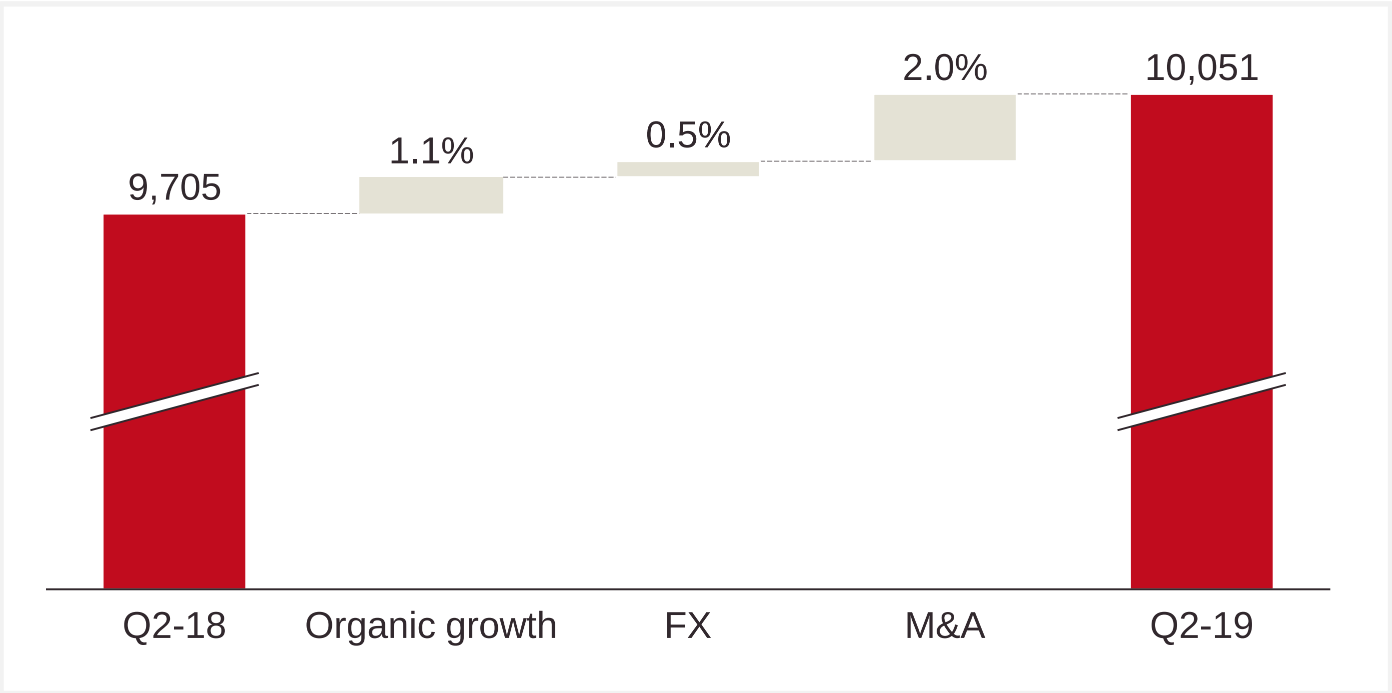
Financial performance

Jens Bjørn Staff, CFO

Branded Consumer Goods Q2-19:

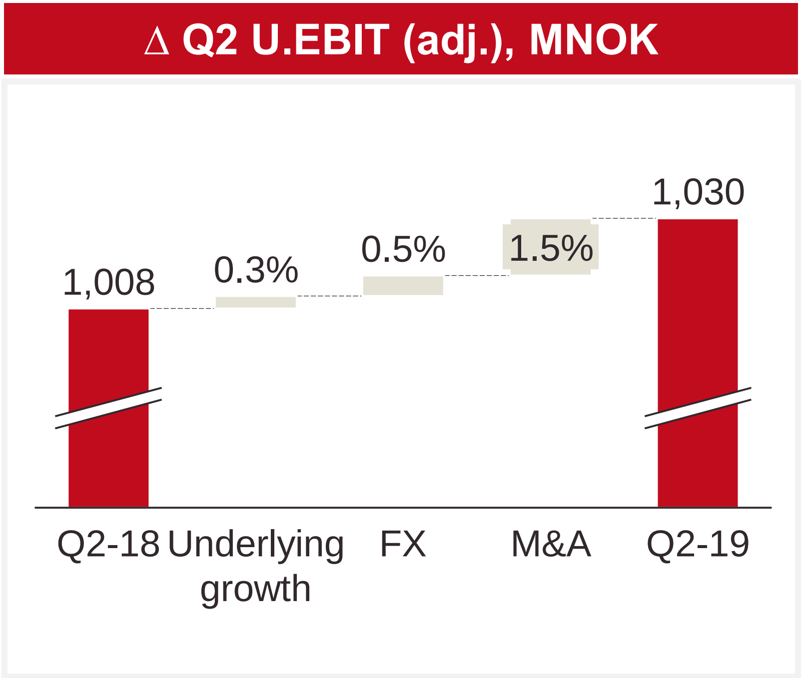
Revenue increase from both organic and structural growth

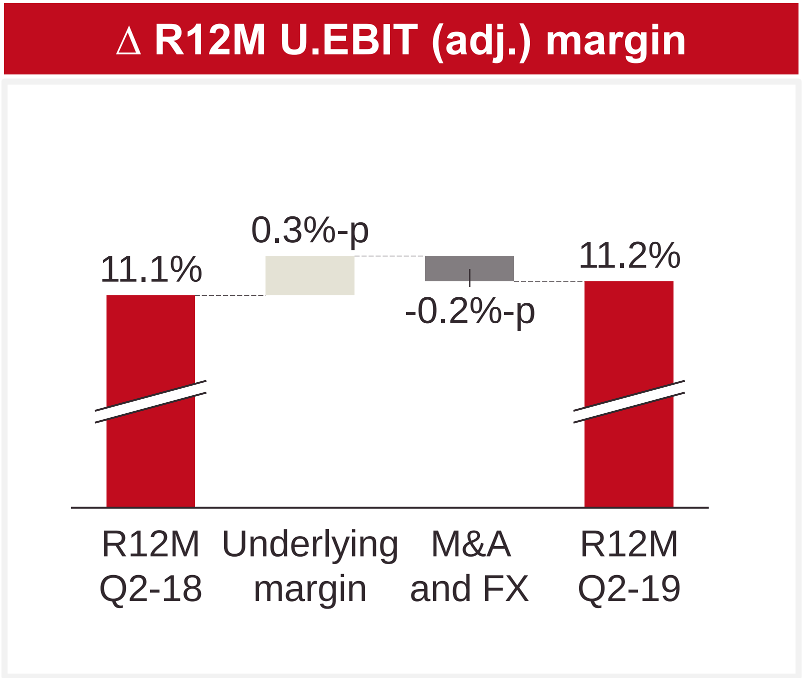
BCG revenue, Q2-18 → Q2-19 (MNOK)



 Amounts in NOK million

Branded Consumer Goods incl. HQ:
Good EBIT growth in BCG[1] offset by more normal HQ cost level vs. Q2-18





[1]Underlying EBIT (adj.) for BCG excl. HQ cost improved 5% in Q2 compared to Q2 last year.

Orkla Foods

Broad top- and bottom line growth

	Q2-19	YTD Q2-19
Revenues	**4,070**	**7,959**
Organic growth	***3.1%***	***2.4%***
EBIT (adj.)	**496**	**926**
EBIT(adj.) growth	***13.0%***	***10.4%***
EBIT(adj.) margin	**12.2%**	**11.6%**
Change vs LY	***+0.8%-p***	***+0.7%-p***

- Broad based organic growth
- Profit growth from higher sales and cost improvements
- Price increases compensate for continued negative effects from weak SEK and increased raw material prices

 Revenues and EBIT (adj.) figures in NOK million

Orkla Confectionery & Snacks

Strong sales and EBIT progress supported by good market growth

	Q2-19	YTD Q2-19
Revenues	**1,519**	**3,021**
Organic growth	***5.4%***	***4.5%***
EBIT (adj.)	**191**	**402**
EBIT(adj.) growth	***11.7%***	***12.3%***
EBIT(adj.) margin	**12.6%**	**13.3%**
Change vs LY	***+0.7%-p***	***+0.9%-p***

- Broad based organic growth, mainly volume driven
- Good market growth, especially for snacks. Confectionery in Norway back to growth
- Continued positive effects from cost improvements

 Revenues and EBIT (adj.) figures in NOK million

Orkla Care

Weak performance in challenging markets

	Q2-19	YTD Q2-19
Revenues	**1,948**	**4,019**
Organic growth	***-4.5%***	***-3.7%***
EBIT (adj.)	**242**	**541**
EBIT(adj.) growth	***-8.3%***	***-3.7%***
EBIT(adj.) margin	**12.4%**	**13.5%**
Change vs LY	***-0.6%-p***	***-0.2%-p***

- Challenging in HPC categories in Norwegian grocery retail
- Weak performance in Orkla Health, notably weight management category
- Positive impact from cost improvements

 Revenues and EBIT (adj.) figures in NOK million

Orkla Food Ingredients

Profit growth from improved portfolio mix and revenue management

	Q2-19	YTD Q2-19
Revenues	**2,584**	**4,875**
Organic growth	***0.1%***	***0.6%***
EBIT (adj.)	**195**	**272**
EBIT(adj.) growth	***10.8%***	***16.7%***
EBIT(adj.) margin	**7.5%**	**5.6%**
Change vs LY	***+0.4%-p***	***+0.6%-p***

- Slower top line growth compared with very strong ice cream sales in Q2-18
- Broad based profit growth and increased operating margin
- Improved revenue management and better portfolio mix
- Strengthened position through margin accretive acquisitions

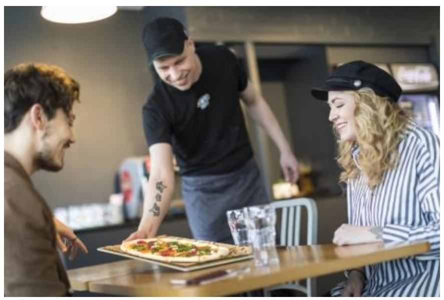
 Revenues and EBIT (adj.) figures in NOK million

Investments - Kotipizza

Solid revenue and profit growth for Kotipizza

NOK million	**Q2-19**	**YTD Q2-19***
Revenues	**260**	**418**
*Change vs LY**	***19.3%***	***16.5%***
EBIT (adj.)	**22**	**35**
*Change vs LY**	***74.4%***	***36.5%***
EBIT (adj.) margin	**8.4%**	**8.4%**
*Change vs LY**	***+2.7%-p***	***+1.2%-p***

- Continued strong growth in YTD** chain sales*** with 17% growth (8% LFL)
- EBIT (adj.) driven by strong sales growth and cost control. Q2-18 earnings affected by non-periodic costs
- Two new Social Burger Joints opened during the quarter (total 6) and four new Kotipizza restaurants (total 280)



**Adjusted for FX*
***Kotipizza was consolidated as of February 2019 meaning YTD figures only reflect five months*
****Chain sales 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

NOK million	**YTD Q2-19**
Operating income	**9,472**
Change vs LY	***7.5%***
Operating profit	**1,349**
Change vs LY	***45%***

- Continued growth in operating revenues driven by price increases and growth in Protective and Marine Coatings
- Offshore and Marine markets picking up
- Operating profit and margin growth driven by improved gross margins and good cost control

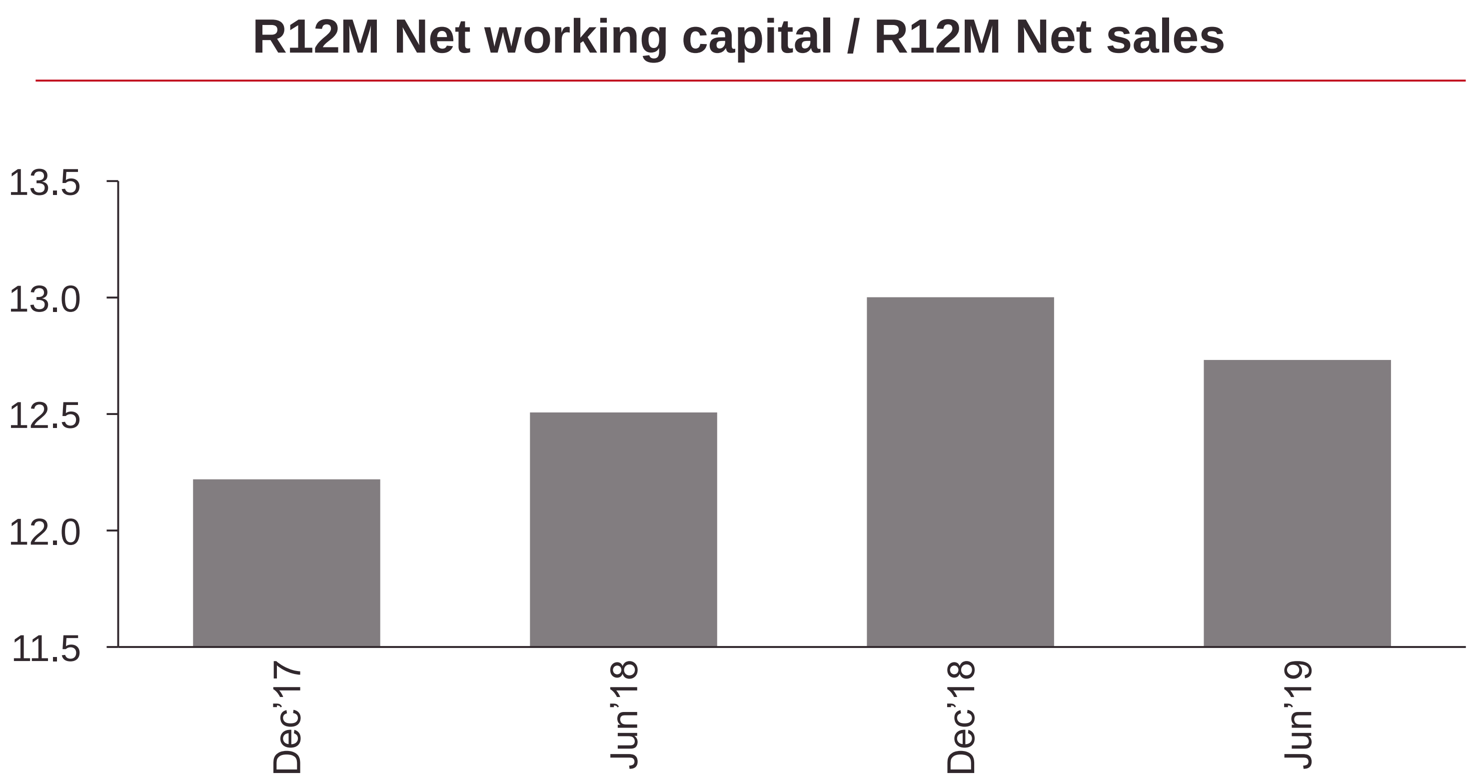
 Financial figures in NOK million

Adj. EPS +5% following profit growth in Branded Consumer Goods and strong improvement in Jotun

Key figures	Q2-19	Q2-18	∆ Q2
Operating revenues BCG	10,051	9,705	+4%
EBIT (adj.) BCG	1,124	1,050	+7%
EBIT (adj.) HQ	-94	-42	
EBIT (adj.) BCG incl. HQ	**1,030**	**1,008**	**+2%**
EBIT (adj.) Orkla Investments	79	111	-29%
Other income and expenses	-39	-97	
EBIT	**1,070**	**1,022**	**5%**
Profit from associates	181	105	+72%
Net interest and other financial items	-73	-36	
Profit before tax	**1,178**	**1,091**	**+8%**
Taxes	-250	-234	
Profit after tax	**928**	**857**	**+8%**
Adjusted EPS cont. operations (NOK)	**0.93**	**0.89**	**+5%**
Reported EPS cont. operations (NOK)	0.90	0.82	+10%

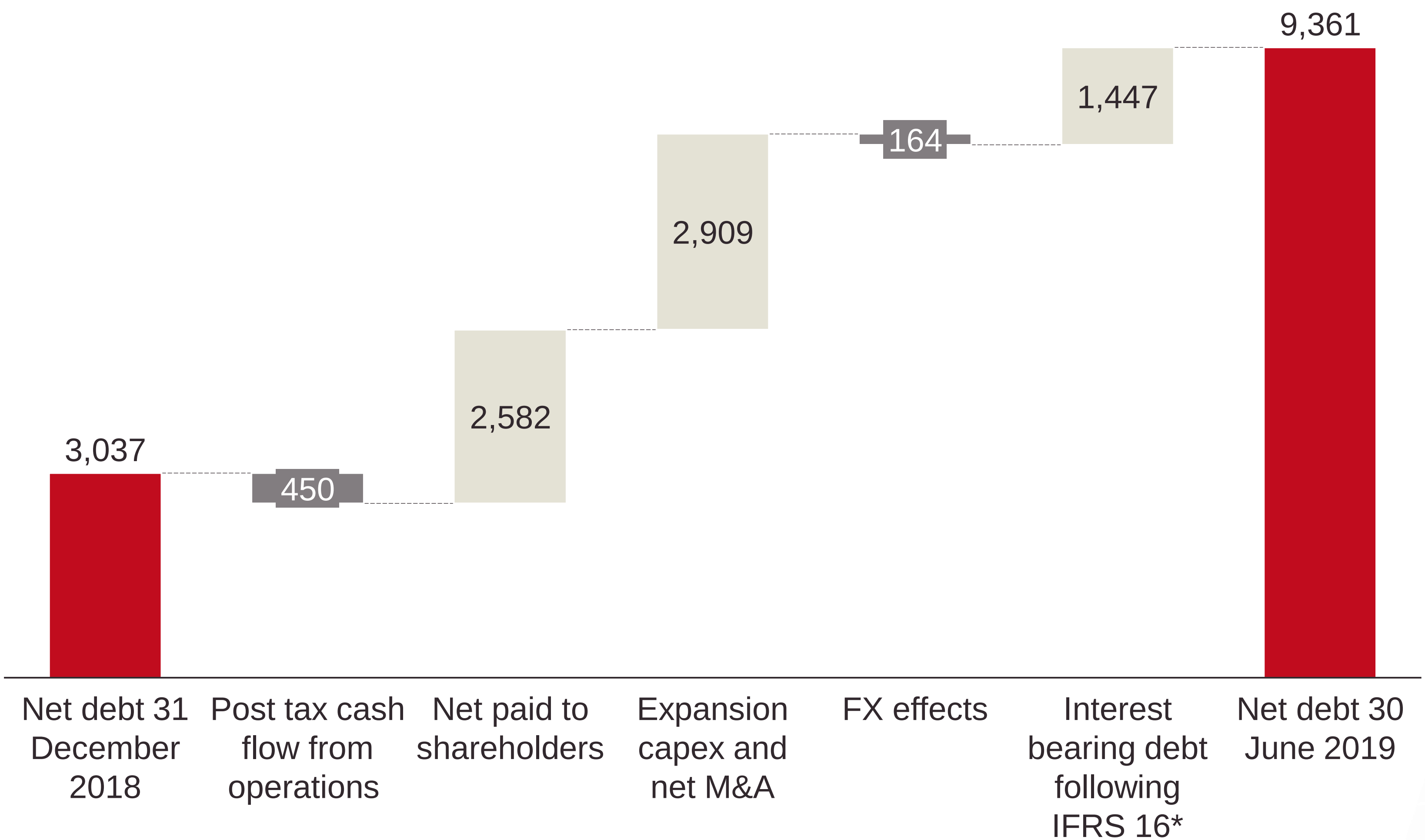
 Amounts in NOK million

Net working capital:
Improvement in net working capital YTD’19 for BCG incl. HQ



 Figures include Orkla’s Branded Consumer Goods business incl. HQ

Higher M&A activity drives increase in Net Interest Bearing Debt



Amounts in NOK million

*Note: Refers to the level at 1/1 2019. The actual level per Q2 was 1,577 MNOK where the delta from 1,447 MNOK is reflected in cash flow from operations

Closing remarks

Terje Andersen, Acting President & CEO

Organic sales improvement and profit growth

Key takeaways

- Profit improvement for Branded Consumer Goods
- Broad based organic sales and profit growth for Foods and Confectionery & Snacks
- Profit improvement and continued margin progress for Food Ingredients
- Weak performance in Care
- Continued sales and profit growth for Jotun, operating profit up +45% in YTD Q2-19
- Adjusted EPS* increased by +12% YTD to NOK 1.78

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

Orkla

Q&A

Terje Andersen, Acting 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 tax rate for OIE in 2019 is lower than the Group's tax rate due to high non-deductible transaction costs. 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 half 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 concern maintenance of existing operations and how large a part of the investments (expansion) are 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, HSNG, Werners, County's, Igos, Lecora, Easyfood, Kanakis, Risberg and Zeelandia, and for the sale of Mrs. Cheng's.

Orkla

Strong performance in Jotun, lower volumes in Hydro Power

Hydro Power

Fully consolidated into Orkla's financial statements

Volume (GWh):
Q2: 519 (615)
YTD: 995 (1,097)

Power prices[1] (øre/KWh):
Q2: 34.6 (37.4)
YTD: 40.1 (37.3)

EBIT adj. (NOK million):
Q2: 69 (97)
YTD: 142 (156)

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

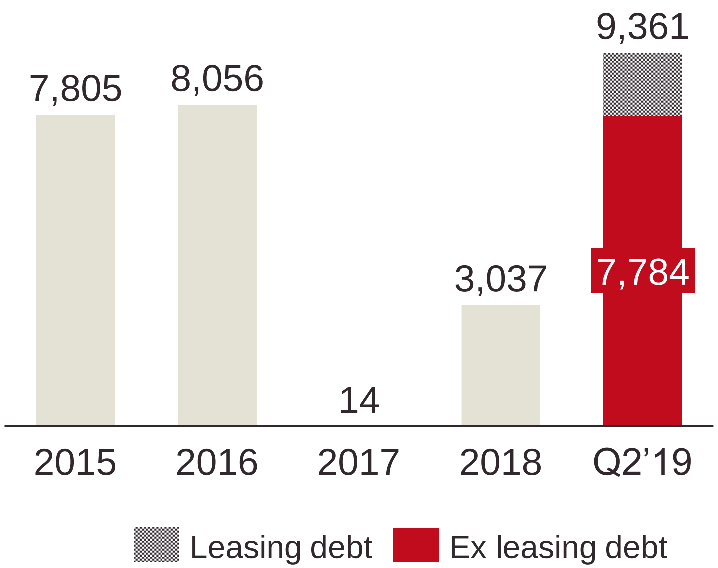
JOTUN

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

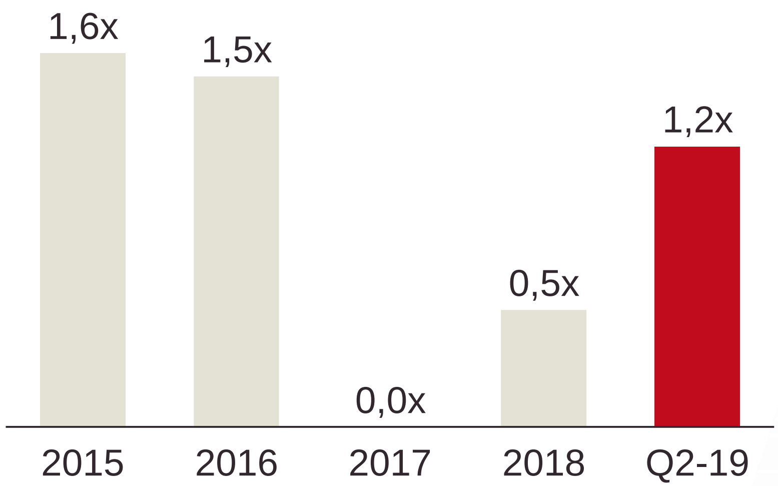
Orkla

Strong balance sheet and financial flexibility

Net interest-bearing liabilities (NOK million)



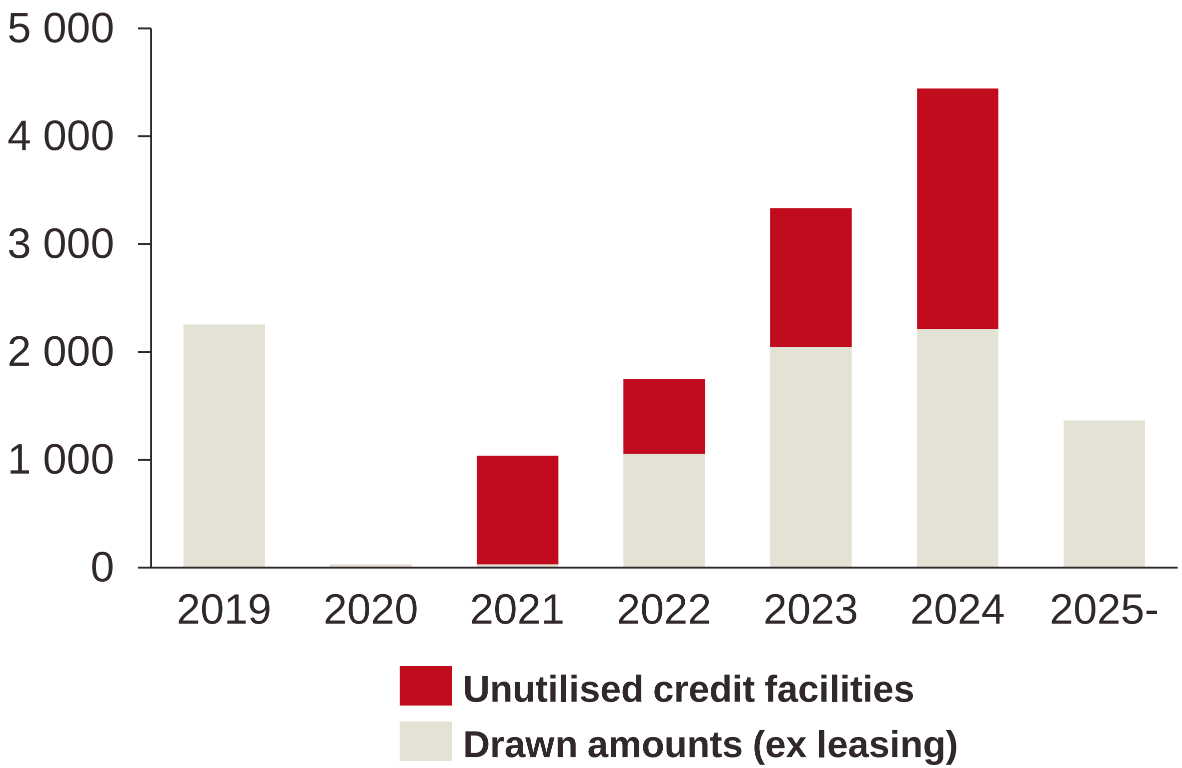
NIBD / R12 EBITDA[1]



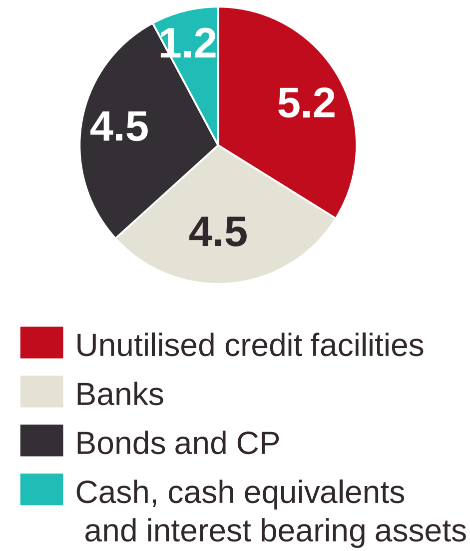
1) Net Interest Bearing Debt excluding leasing related debt

Current debt maturity profile

Debt maturity -> average maturity 3.6 years



Funding sources



 Amounts in NOK million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