Improve cash flow and use capital efficiently

Jens Bjørn Staff, EVP and CFO

Create greater value as One Orkla

Performance and position

1. Drive continued top line growth (CEO)
2. Making our supply chain a competitive advantage for Orkla (COO)
3. **Improve cash flow and use capital efficiently (CFO)**

Improve profitability and cash flow

Improve cash flow to create shareholder value

Improve cash flow organically

Deliver 6-9% annual EBIT growth

Free up working capital

Allocate for future growth

Continue profitable M&A

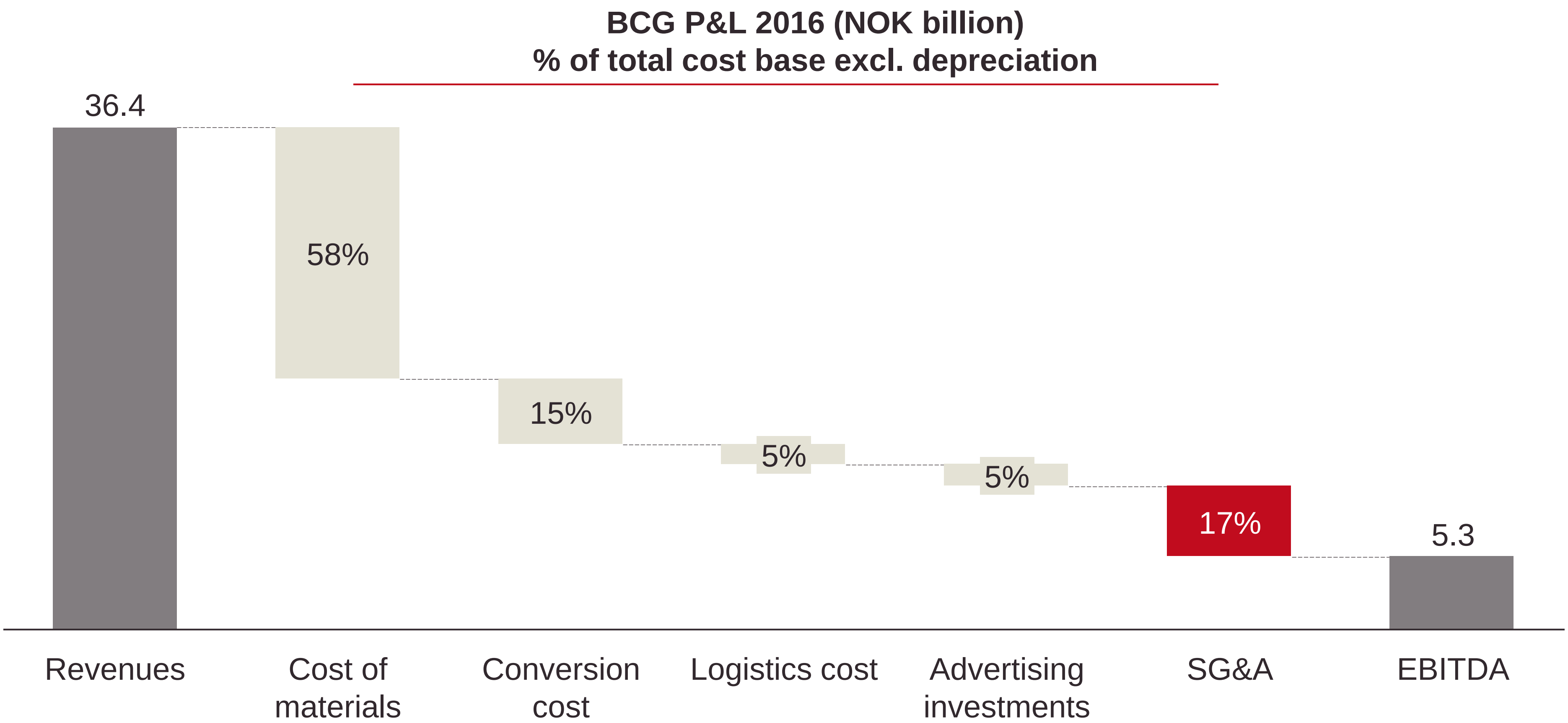
Invest to build One Orkla

Efficient use of capital

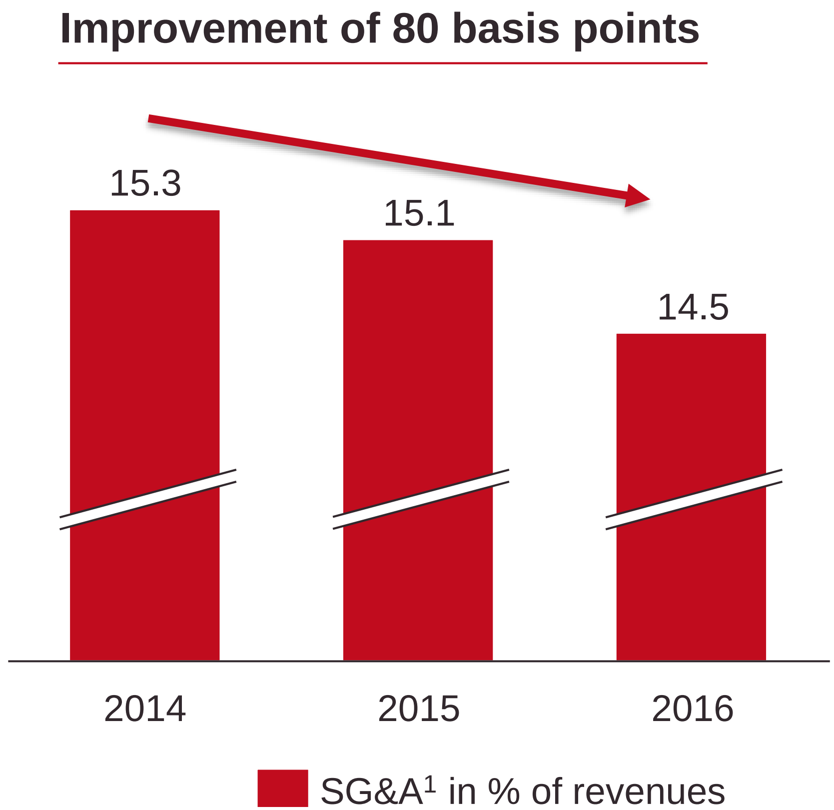
Maintain dividend policy

Maintain investment grade

Significant cost improvement potential also in SG&A



Reducing SG&A by leveraging the One Orkla model



 [1]Including depreciations

Reducing SG&A by leveraging the One Orkla model

1 **Simplifying organisational structure**

2 Centralising back office functions

3 Continuous cost improvements in SG&A

2017 actions include mergers of:

- ✓ Foods and Confectionery & Snacks in Finland
- ✓ Health and Care in Poland
- ✓ Orkla House Care units in UK
- ✓ Out-of-home sales teams in Norway and Sweden

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Reducing SG&A by leveraging the One Orkla model

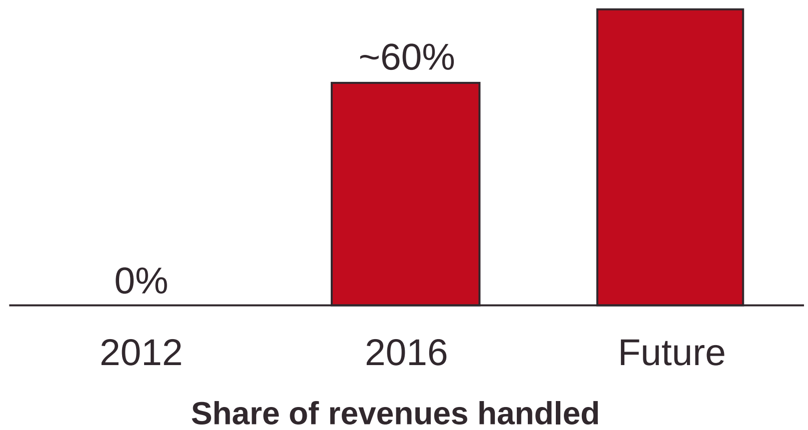
1 Simplifying organisational structure

2 **Centralise back office functions**

3 Continuous cost improvements in SG&A

Continuously increase scope of Orkla Accounting Centre in Tallinn

Orkla Accounting Centre



Reducing SG&A by leveraging the One Orkla model

1 Simplifying organisational structure

2 Centralising back office functions

3 **Continuous cost improvements in SG&A**

Selected projects in 2017

Simplification projects initiated in:

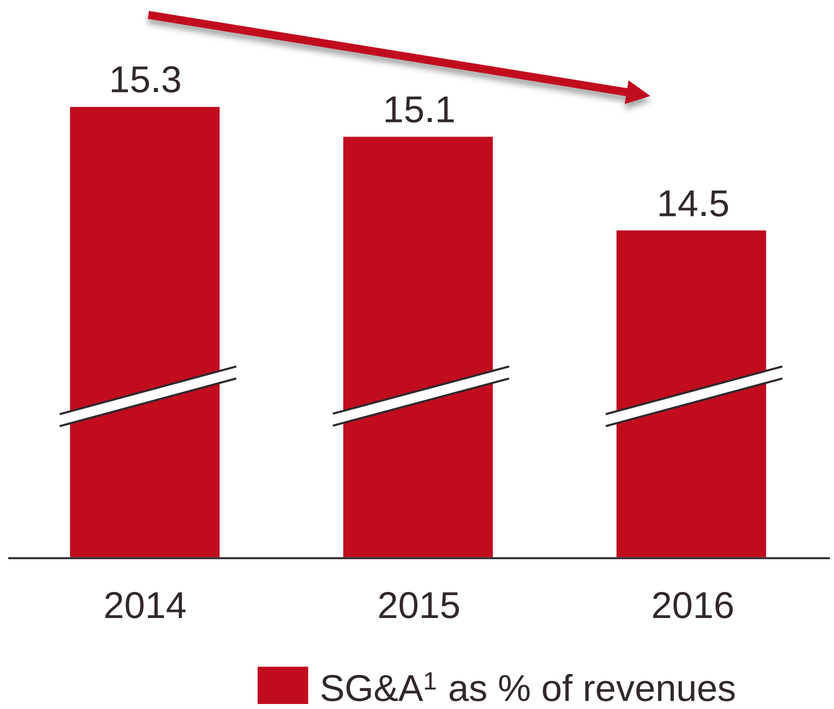
- ✓ Orkla Home & Personal Care
- ✓ Idun Norway
- ✓ Dragsbæk
- ✓ Condite

In-sourcing retail distribution of Food Ingredients products in Norway

Reducing SG&A by leveraging the One Orkla model

1. Simplifying organisational structure
2. Centralising back office functions
3. Continuous cost improvements in SG&A

Improvements pay off and we see further potential



[1]Including depreciations

Long term efforts to improve working capital

Working capital at relatively high level

A broader portfolio than generally in the industry

Limited exposure to emerging markets

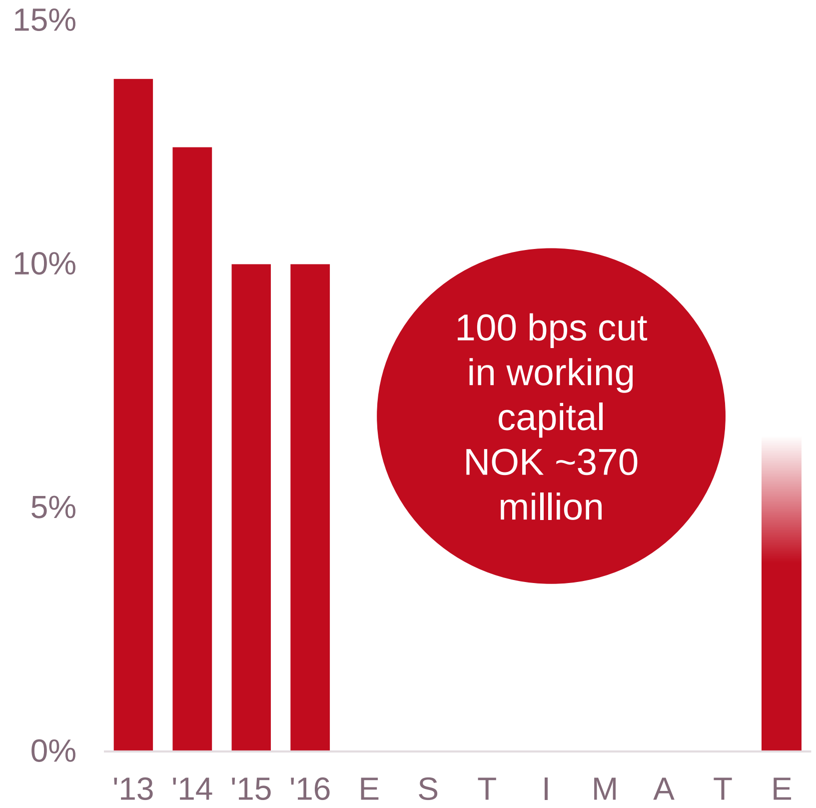
Historically under-focused area

Ongoing initiatives to improve working capital

1. **Improve and standardise processes**
2. **Leverage centralised procurement**
3. **Reduce factory and warehouse footprint**

Continue to reduce working capital

Working capital[1] as % of revenues



 [1]Inventories + receivables – trade payables and other liabilities as reported in annual accounts

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Gradual roll-out of one ERP system - enabling the execution of our strategy

Today's situation

>27
ERP systems

>400
applications

Several systems facing "end of support"

1 ERP

One ERP system

- ✓ Reduce complexity
- ✓ Enable better group collaboration
- ✓ Easier to restructure within the group
- ✓ Enhance visibility and insights
- ✓ Easier integration of M&A
- ✓ Support our digital future

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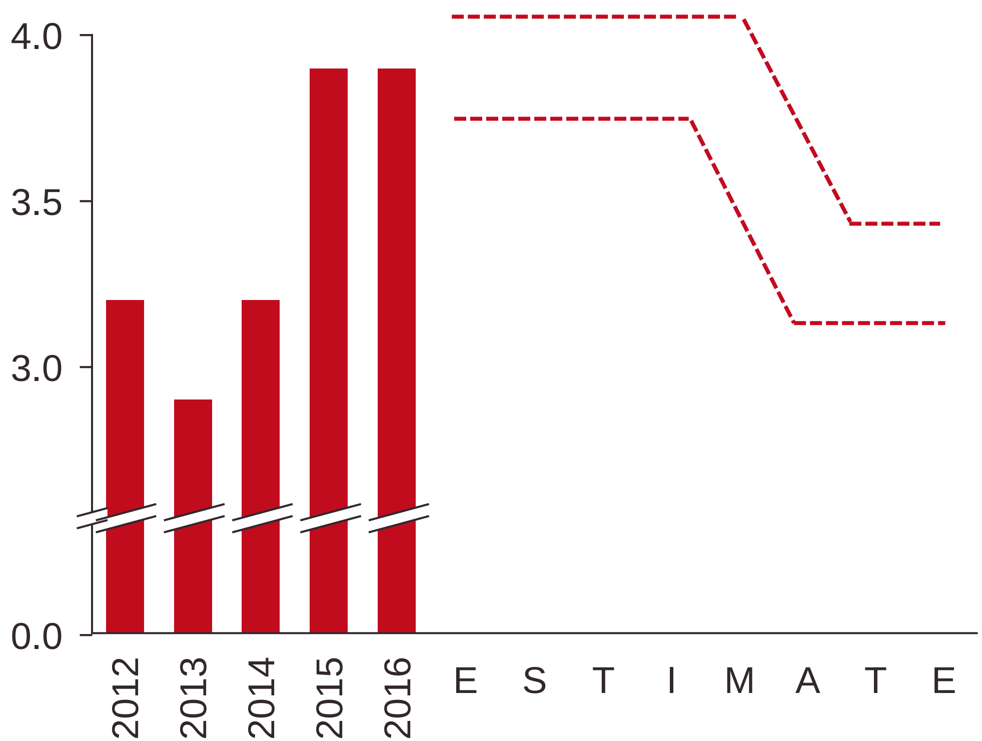
Restructuring supply chain and ERP requires a period of increased investment

Capex as % of sales will remain high for a period of time



- Positive shift in capex spend
  - From maintenance to innovation and efficiency gains
- ERP project will require a front loaded capex spend
- Over time, overall capex spend will return to historical levels

Strengthening the portfolio through M&A of strong local positions and brands

Rolling out the Orkla model

- Strengthen our position in existing markets
- Realise scale benefits
- More focus on evaluating brand and category portfolio

Multi-channel sales strategy

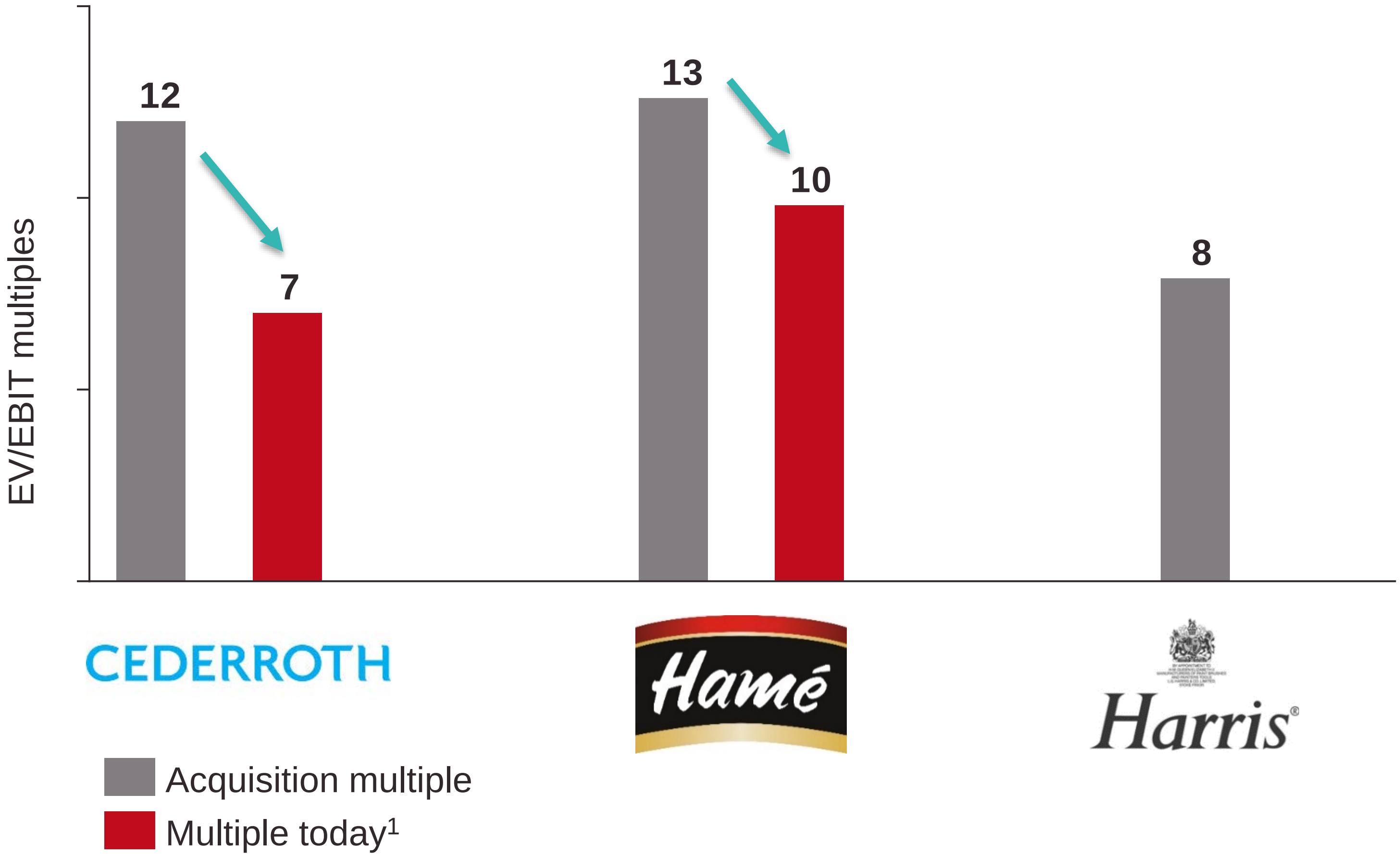
- Build scale in all relevant channels
- Realise synergies within and across channels

Building strong niche positions

- Categories and segments with;
  - high value add and strong profitability,
  - less need for broad scale in the end markets,
  - European consolidation potential; and,

where we build on our core competences

We have added value to recent acquisitions



[1]Based on estimated EBIT level for Cederroth given cost synergy realisation and sales growth. For Hamé, EBIT after 12 months. Post merger multiple is too early to estimate for Harris – closed in September 2016.

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Significant value created through the Cederroth acquisition

Cost synergies higher than expected

- ✓ New organisation in place in five countries with common go-to-market
- ✓ Factory restructuring project started

>100

NOK million in cost synergies

Revenue synergies already visible

- ✓ Market share in wound care significantly improved in Norwegian grocery
- ✓ Line extensions from utilising the existing portfolio

- ✓ Bliw from no. 15 to leading market position

+2%

Revenue increase since acquisition

Significant potential for cross-category and cross-country innovations

Rolling out the Orkla model in Central Europe

Central Europe fits well with Orkla's strategy

- Market size enables Orkla to get a strong position
- Stable markets with higher growth than the Nordics
- Local brands are important
- Less consolidated retail sector

Creating one of the leading suppliers in the Czech Republic and Slovakia

#2 in Czech Republic
#3 in Slovakia

Hamé strengthens Orkla within its key categories

	Nordic / Baltics				Central Europe					
Category **(Position and market share)**										
Ketchup	No.1 (>75%)	No.1 (> 57%)	No.1 (>39%)	No.1 (>60%)	No.1 (>61%)	No.1 (>29%)	No.1 (>25%)	-	No.3	No.1 (>20%)
Pate	No.1 (>48%)	-	-	-	-	No.1 (> 75%)	No.1 (>69%)	No.1 (>30%)	No.1 (>30%)	No.2 (>15%)
Preserved vegetables	No. 1 (>68%)	No.1 (>60%)	No.1 (n.a)	No.1 (>35%)	No.3 (>10%)	No.1 (>23%)	No.1 (>14%)	-	-	-
Jams and Marmalades	No.1 (>43%)	No.1 (>44%)	No.1 (>41%)	No.2 (>25%)	-	No.1 (>33%)	No.1 (>22%)	-	-	-
Ready meals	No.1 (>63%)	No.1 (>45%)	No.1 (>70%)	-	No.3 (>10%)	No.1 (>50%)	No.1 (>40%)	-	No.1 (>40%)	-
Dehydrated	No.1 (>85%)	No.3 (>25%)	-	-	-	No.1 (>45%)	No.2 (>20%)	-	-	-
Spices	No.1 (>48%)		-	-	-	No.1 (>44%)	No 3-4 (>10%)	-	-	-

Orkla Hamé

 Source: Nielsen, Euromonitor

Creating future value in Central Europe

Achievements in Hamé after 12 months

Revenues
+1.9%

EBIT
+30%

Footprint
initiative
started

Creating value in Central Europe

- Apply the One Orkla model
- Utilise and improve local insights
- Leverage cost arbitrage
- Platform for add-on acquisitions

Using our scale and capabilities to grow revenue in add-ons

54%

revenue growth since acquisition

53%

revenue growth since acquisition

48%

revenue growth since acquisition

 Acquisition date: Anamma May 2015, Husk (W. Ratje Frøskaller) Feb. 2015, Lakrisgutta Sep. 2015

No. 1 in ice cream ingredients through profitable add-ons

Europe's leading "one-stop shop" for ice cream ingredients

#1

- ✓ in the Nordics
- ✓ in the UK
- ✓ in Germany
- ✓ in the Netherlands

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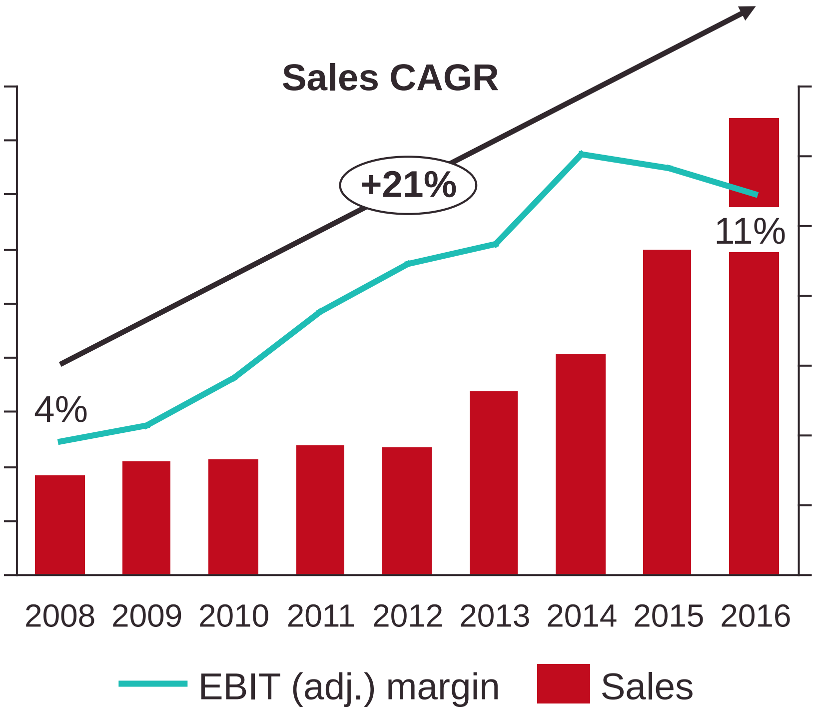
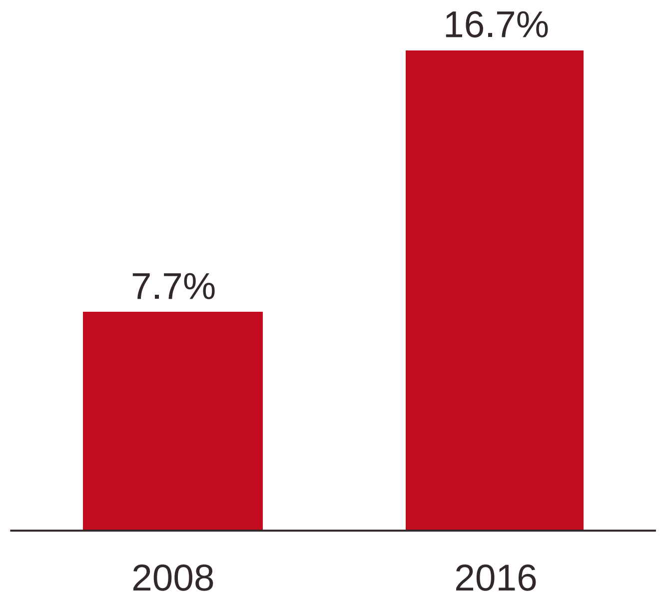
The ice cream journey has been very successful

Revenues from ice cream ingredients up 5x over eight years



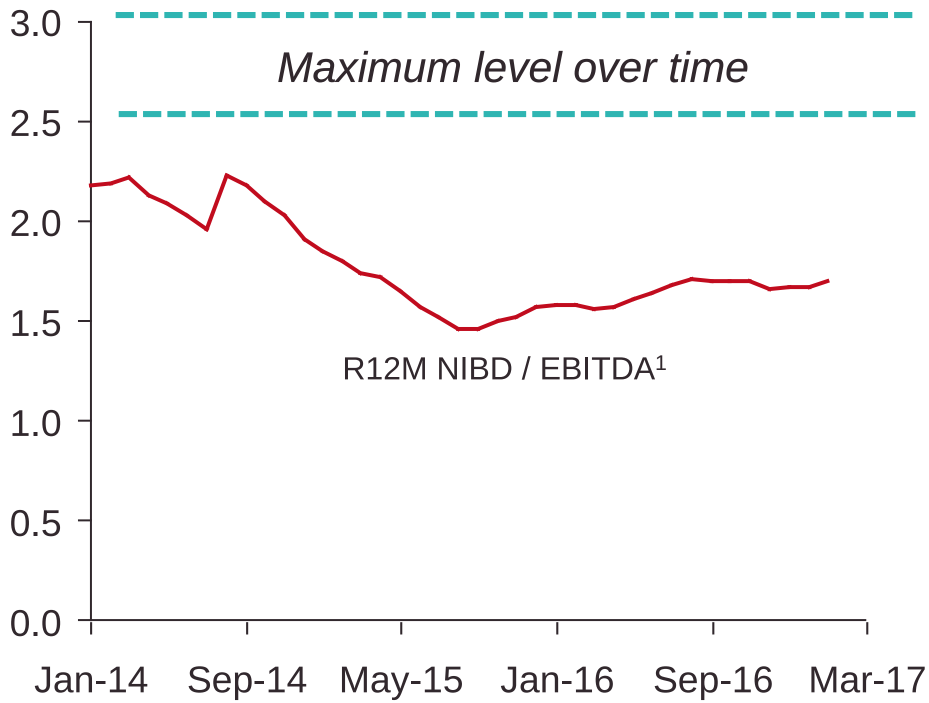
ROCE[1] from ice cream ingredients more than doubled



 [1]Pre-tax return on capital employed

M&A main priority for capital allocation for excess capital

Retain investment grade



Maintain financial flexibility and balance sheet efficiency

- #1 priority is to invest in profitable BCG acquisitions
- Maintain an attractive dividend policy of at least NOK 2.50 per share
- History of extraordinary dividends after larger divestments
- Total of NOK 24 bn distributed to shareholders since 2011

[1]Rolling twelve month net debt / rolling 12 month EBITDA (pro forma adjusted). EBITDA from consolidated business only (BCG, Hydro Power and Real Estate)

Improving cash flow and using capital efficiently

- **Improve cash flow** through EBIT growth and working capital improvements

- **Allocate capital for future growth** by building One Orkla and continuing profitable M&A

- **Maintain attractive dividend policy** while retaining investment grade

Delivering on our strategy and targets remain firm

Keep the strategy on track

Deliver organic growth at least in line with market growth

Target annual EBIT (adj.) growth of 6-9%[1] in BCG

Maintain a stable dividend of at least NOK 2.50 per share

[1]Including add-ons, excluding currency effects and large acquisitions and divestments