



## **Strengthening One Orkla for future growth**

Capital Markets Day, 31 October 2018



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# Welcome to Orkla's Capital Markets Day

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## Agenda and speakers:

13:00	<b>Strengthening One Orkla for future growth</b> Q&A	<i>President &amp; CEO Peter A. Ruzicka</i>
13:35	<b>Winning in local markets</b> Q&A	<i>EVP Ann-Beth Freuchen and EVP Stig Ebert Nilssen</i>
14:10	<b>Making our Supply Chain a competitive advantage for Orkla</b> Q&A	<i>EVP Atle Vidar Nagel Johansen and EVP Johan Clarin</i>
14:45	<b>Break</b>	
15:05	<b>Jotun – a story of growth</b> Q&A	<i>CEO Jotun, Morten Fon</i>
15:35	<b>Improving financial returns</b> Q&A	<i>CFO Jens Bjørn Staff</i>
16:10	<b>Closing remarks</b>	<i>President &amp; CEO Peter A. Ruzicka</i>
16:15	<b>Drinks reception</b>	

# Today's speakers

## **Peter A. Ruzicka** *President & CEO Orkla ASA*

- Joined Orkla in 2014
- 25 years of experience from the retail sector
- MBA and degree in Business Economics

## **Ann-Beth Freuchen** *EVP & CEO Orkla Foods (Nordics and Baltics)*

- Previously held position as CEO Orkla Confectionery & Snacks
- Experience from CEO Orkla Confectionery & Snacks Norge, CEO of KiMs Norge, sales and marketing in Nidar and Lilleborg since 1996
- Master of Economics

## **Stig E. Nilssen** *EVP & CEO Orkla Care*

- CEO of Axellus (now Orkla Health) since 2006
- Extensive experience from home and personal care and consumer health
- Major in Finance and International Marketing

## **Atle Vidar Nagel Johansen** *EVP Supply Chain*

- Joined Orkla in 1993
- Previous positions as CEO Orkla Foods and CEO, marketing director and finance director in several Orkla companies
- Degree in Business & Economics, certified financial analyst

## **Johan Clarin** *EVP & CEO Orkla Food Ingredients*

- Joined Orkla in 2013 as EVP Supply Chain
- Experience from Sony Mobile Communications, most recently as head of manufacturing and logistics, based in Beijing, China
- MSc Business Administration

## **Morten Fon** *CEO Jotun*

- President & CEO of Jotun since 2005
- Joined Jotun in 1989
- MBA Finance & Business Administration

## **Jens Staff** *CFO*

- Joined Orkla in 2014 as CFO
- Previous position as CFO of Statkraft, and various positions in Statoil, including CFO Statoil Norway and Statoil Energy & Retail Europe
- MBA and degree in Business Economics





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## **Strengthening One Orkla for future growth**

Peter A. Ruzicka, President & CEO



Vision: “Your friend in everyday life”

# Providing unique customer and consumer insight into local markets

## The leading Nordic-based BCG company



- From industrial conglomerate to leading BCG company
- Growth and efficiency potential from operating more as “One Orkla”

## Unique local customer and consumer insight



- #1 or strong #2 brands
- A preferred partner for the retailers

## Resilient market positions



- Market positions in the range of 30%-80%
- Strong positions in smaller markets
- Broad category scope to get scale

## Proven track record of value creation



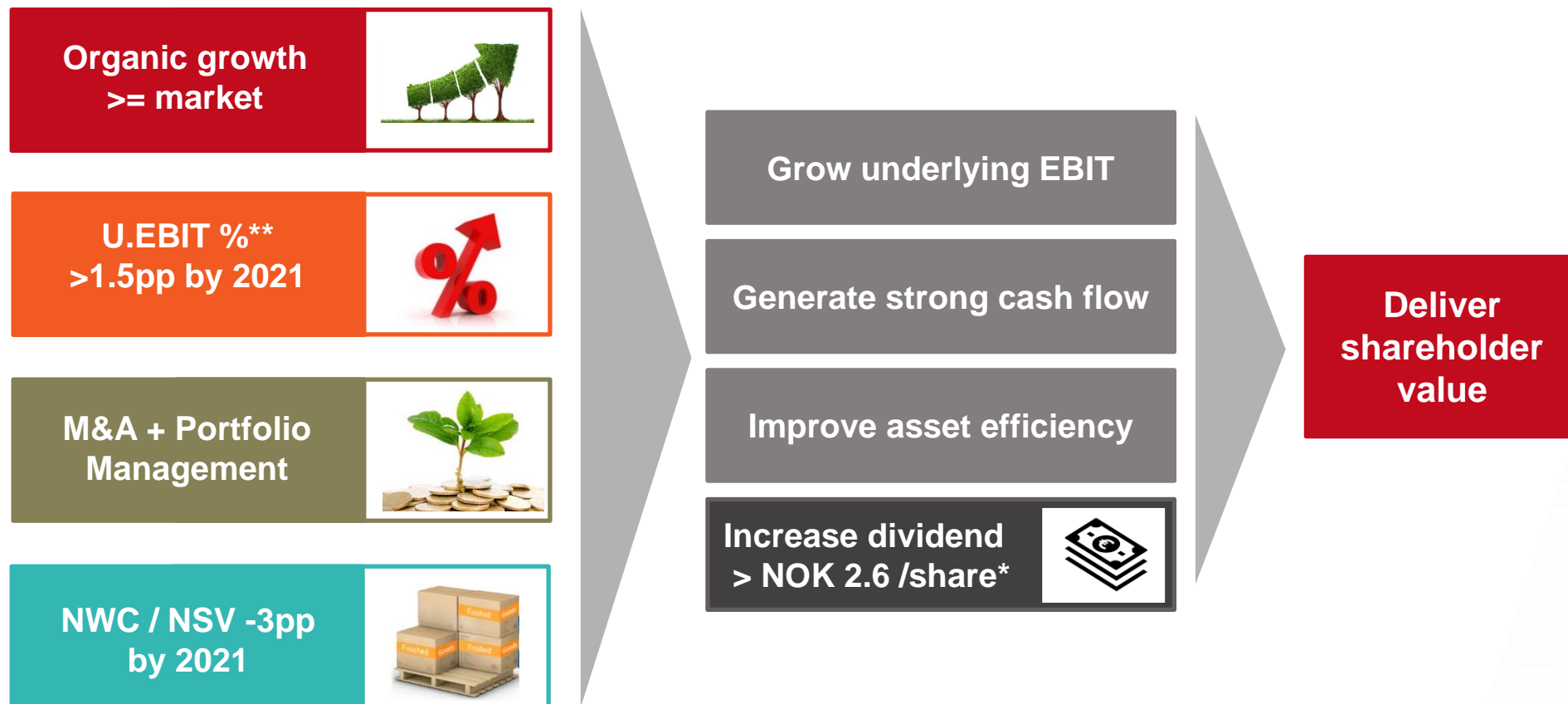
- NOK ~20 billion returned to shareholders since 2014
- 94% total shareholder return since 2014

# Orkla has outperformed Oslo Stock Exchange since 2014

Total return indexed development from 1 January 2014 to 25 October 2018



# We continue to create shareholder value – by improving returns on our existing business and by actively managing our portfolio





# Going forward we will prioritise....

## Short-term: strengthening One Orkla

- Reduce portfolio complexity
- Improve price management
- Grow in new channels
- Invest in future growth
- Reduce cost and complexity in all parts of the value chain



## Mid- to long-term: Accelerate growth

- Accelerate growth
- Simplify and standardise processes through one common ERP



## ...to deliver margin improvement...

---

1

**Reduce SKU  
complexity**



2

**Improve price  
management**



3

**Prioritise  
resources**



4

**Select  
exits**



# ...and continue to strengthen our unique business model

Winning with strong local brands and consumer insight...

...while driving flexibility and efficiency



# Our markets are changing and we are adapting

**Lower growth in grocery channel**



**Accelerate growth in other channels/markets**

**Smaller players and PL take share of growth**



**Continue to strengthen our position with local brands**

**Digital transformation**

Use of digital technology to remake a process to become more efficient or effective



**Use digitalization as a way to increase our competitiveness**

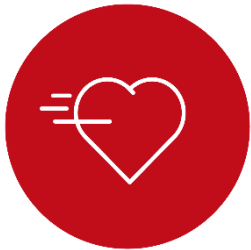
**Change in consumer preferences**

Health & well-being  
Convenience  
Taste and indulgence  
Sustainability



**Use local consumer insight to respond to consumer trends**

# Sustainability is critical for our customers and also for us...



## NUTRITION & WELLNESS

Make healthy living easier



## SAFE PRODUCTS

Be prepared to handle emerging risks



## SUSTAINABLE SOURCING

Deliver products with sustainable raw materials



## ENVIRONMENTAL ENGAGEMENT

Innovate to save the environment



## CARE FOR PEOPLE & SOCIETY

Be the change we want to see

IMPROVING EVERYDAY LIFE WITH SUSTAINABLE AND ENJOYABLE LOCAL BRANDS





# ...and good for responsible and profitable business

## Deliver sustainable products



**ENGAGE**  
for healthy oceans  
and sustainable  
fishing resources



Aim for  
**100%**  
recyclable  
packaging



Aim for  
**100%**  
sustainable raw  
materials

## Make healthy living easier



**DOUBLE**  
products & services  
contributing to  
health and wellness



**15%**  
less  
salt & sugar in  
our products



**INSPIRE**  
to a healthier  
lifestyle

## Innovate to save the environment



**INNOVATE**  
products and  
processes

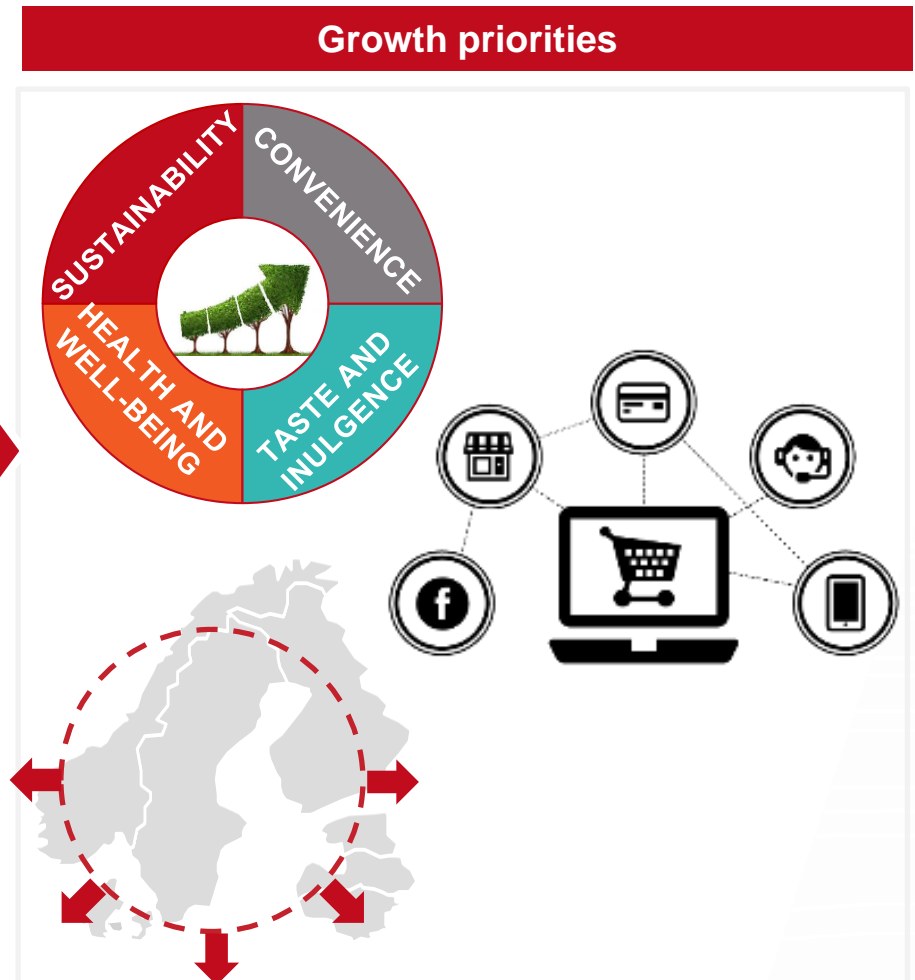
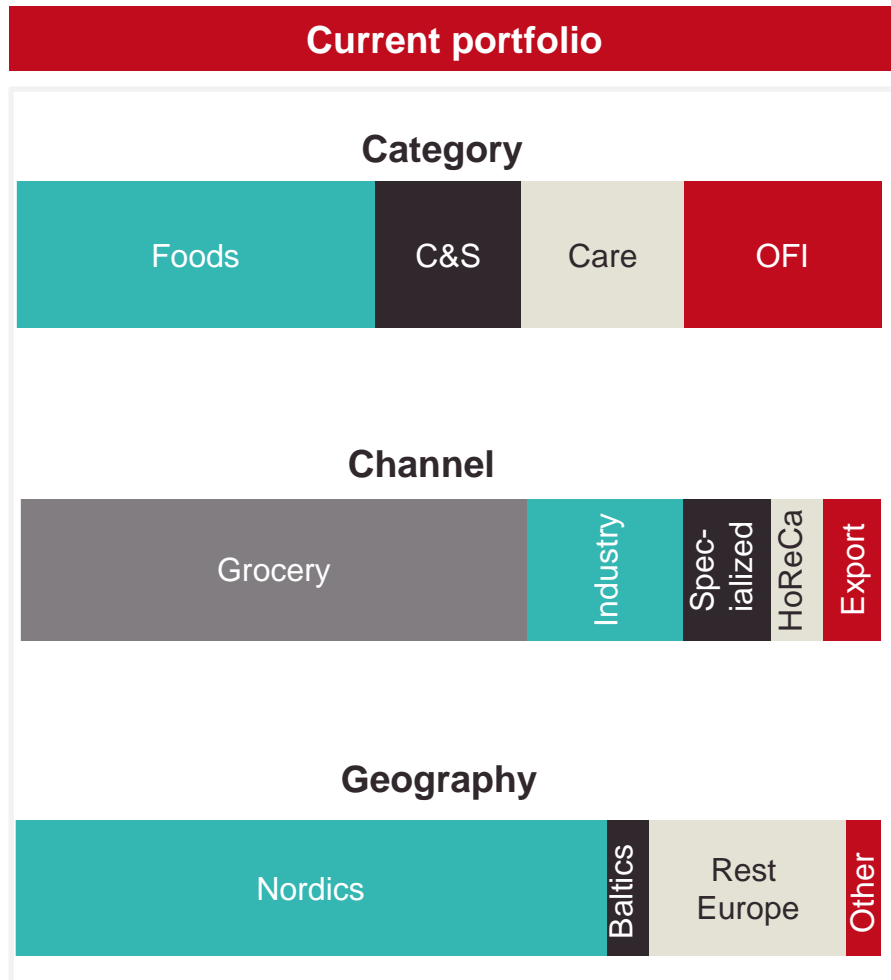


Food waste  
**-50%**



Aim for  
**FOSSIL-FREE**  
energy

# Higher-growth categories, channels and geographies are our M&A and portfolio growth priority



# In order to reach our targets, we will...

Organic growth  
>= market



U.EBIT %\*\*  
>1.5pp by 2021



M&A + Portfolio  
Management



NWC / NSV -3pp  
by 2021



- Balance scale benefits vs. tailoring to the local consumer
- Manage the shift in channels
- Develop our portfolio to become even more sustainable and future-proof
- Win the war for talent



## Winning in local markets

Stig Ebert Nilssen, EVP & CEO Orkla Care

Ann-Beth Freuchen, EVP & CEO Orkla Foods  
(Nordics & Baltics)



# Winning in local markets

***Point of departure:***  
**A local champion with strong  
brands and solid market positions**



***Growing the platform:***  
**Winning with Orkla's unique  
business model**





# Point of departure

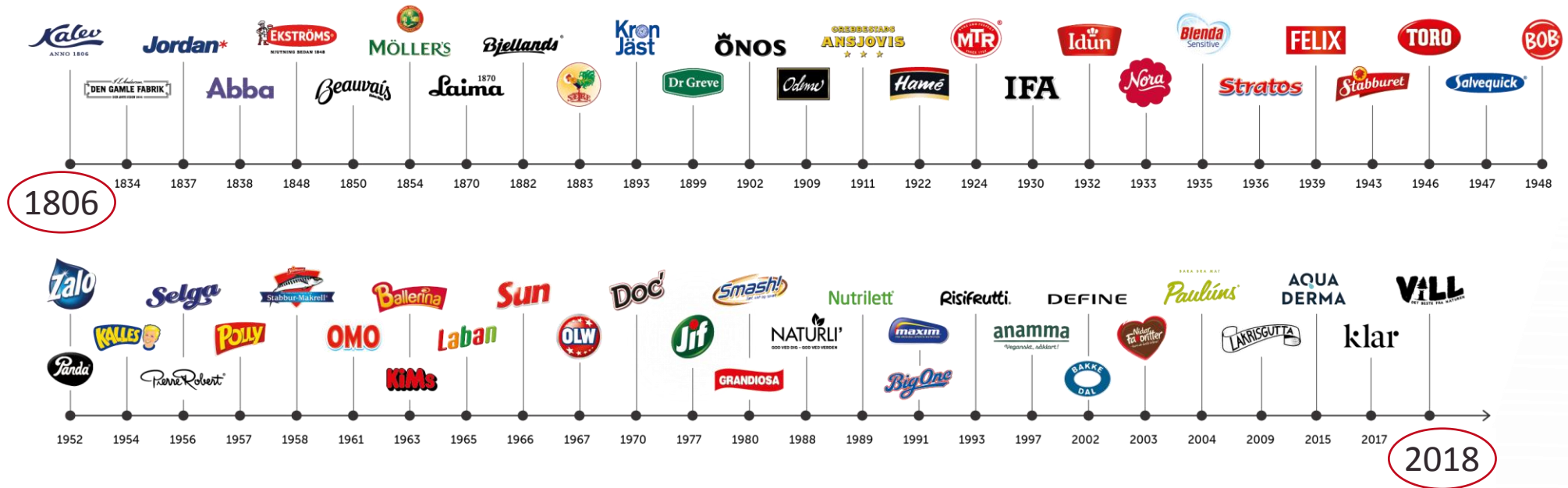
***Point of departure:***  
A local champion with strong  
brands and solid market positions



***Growing the platform:***  
Winning with Orkla's unique  
business model




# We have built strong brands based on local consumer insights throughout generations...



# ...we have resilient market positions with strong no. 1 positions in > 50 % of our categories

*Example of market positions and brands in the grocery channel:*

	Norway	Sweden	Finland	Denmark	Estonia	Latvia
<b>Snacks</b> 	<b>#2</b> 	<b>#1</b> 	<b>#1</b> 	<b>#1</b> 	<b>#2-3</b> 	<b>#1</b> 
<b>Ketchup</b> 	<b>#1</b> 	<b>#1</b> 	<b>#1</b> 	<b>#1</b> 	<b>#1</b> 	<b>#1</b> 
<b>Health supplements</b> 	<b>#1</b> 	<b>#1</b> 	<b>#1</b> 	<b>#1</b> 	<b>#1</b> 	<b>#1</b> 

# ...and we have achieved scale through our broad category range...

## Orkla Foods



1. Ready meals
2. Pizza
3. Taste enhancers

## Orkla Confectionery & Snacks



1. Snacks
2. Confectionery
3. Biscuits

## Orkla Care



1. Health supplements
2. Personal Care
3. Home Care

## Orkla Food Ingredients

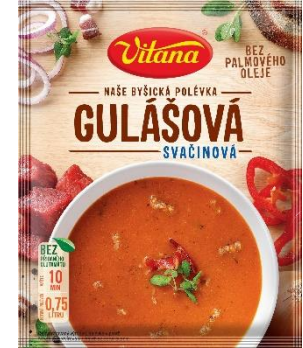


1. Margarine
2. Ice cream ingr.
3. Improvers & mixes

# Our One Orkla model combines local consumer preferences with scale

**Local  
tailoring to  
consumer  
preferences**

- Strong local presence creates unique consumer insights
- Tailor products to local needs
- Flexibility in the value chain
- Ability to tailor products to local customers



**&**

**Scale  
benefits as  
One Orkla**

Country / market scale:

- Sales / go-to-market
- Marketing: Media and data / precision marketing
- Logistics and warehousing

Category scale:

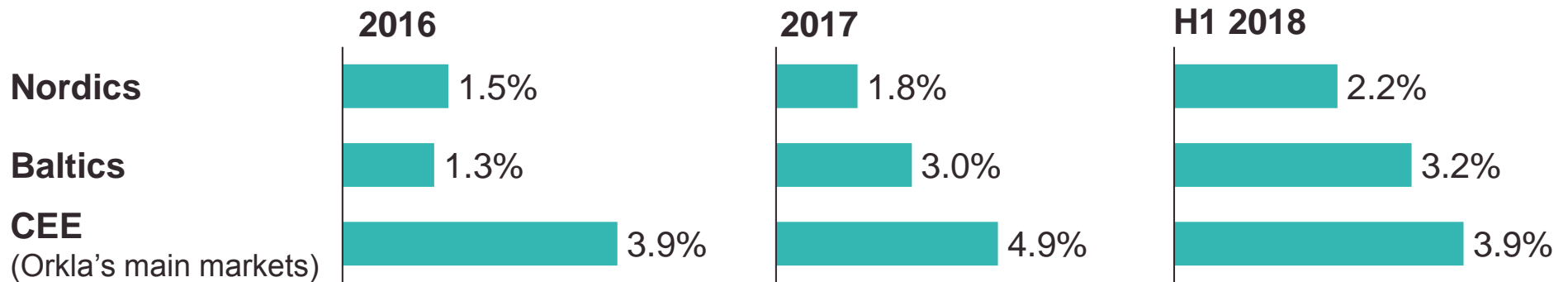
- R&D / Innovations
- Optimise procurement and production





## Our market growth rates are still modest....

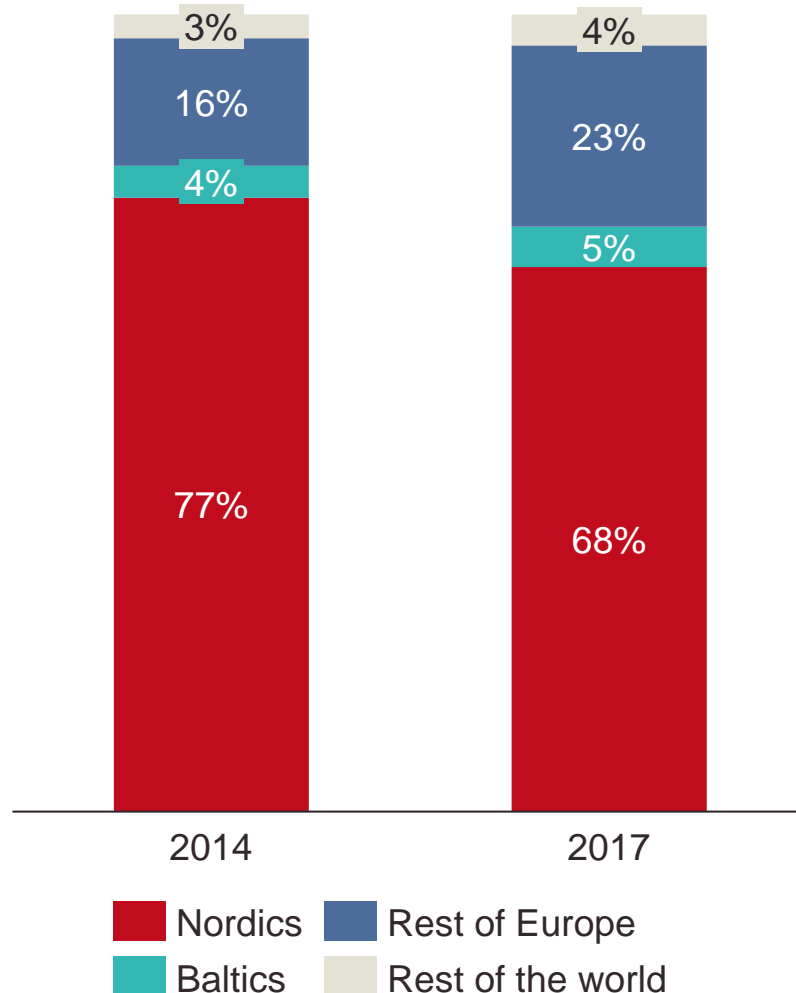
Growth in grocery retail value, year-on-year %



- Modest growth rates in grocery retail
- Higher growth rates in other channels
- Estimated market growth for Orkla's categories in the Nordics is around 2.0 % for 2019

## ...but we are increasing growth and extracting further synergies by focusing more on nearby European markets

BCG Revenues by geographical area



- Acquisition of consumer companies in the Baltics and Central Europe

Laima®

Hamé

- Higher underlying growth rates in Eastern Europe and India
- Strong focus on increasing sales in international markets

# Growing the platform

*Point of departure:*  
A local champion with strong  
brands and solid market positions



*Growing the platform:*  
Winning with Orkla's unique  
business model



# Our unique business model is our competitive advantage

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1

**Accelerate growth in other channels/ markets**

2

**Continue to strengthen our position with local brands**

3

**Use local consumer insight to respond to consumer trends**

4

**Use digitalisation as a way to increase our competitiveness**

5

**Winning with One Orkla**



**Growing  
in local  
markets**

# We will increase exposure to faster growing markets and channels

## International sales



- Launched international sales department
- Focusing on European markets and Asia

## E-commerce



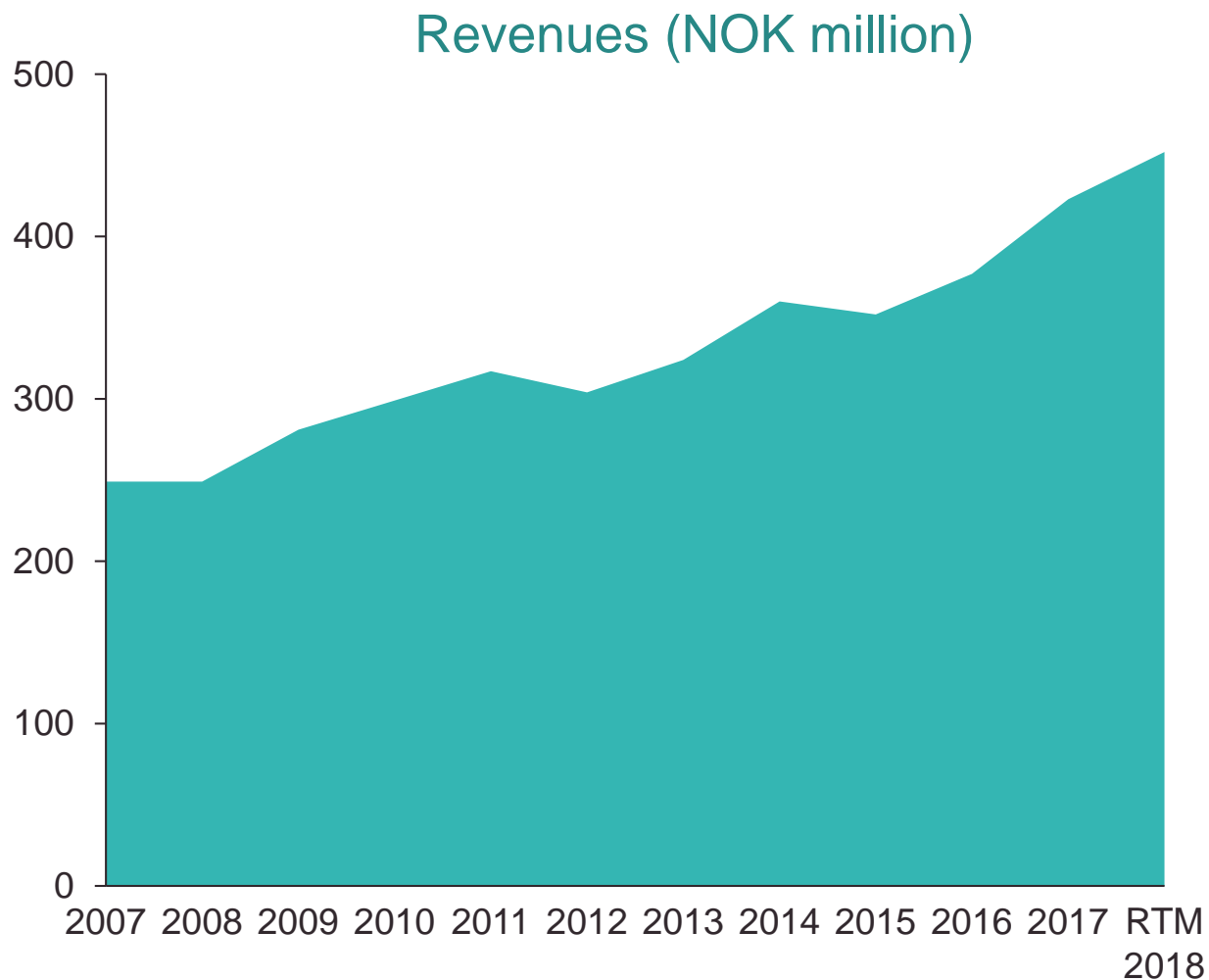
- Higher market share online than offline
- Online penetration is growing

## Out-of-home



- Increased exposure towards attractive market growth rates
- Transfer our core competences into new channels

## Taking Möllers international = 84% growth in sales



Distributed to

**20 countries**



**+84%**

from export sales

**+7%**

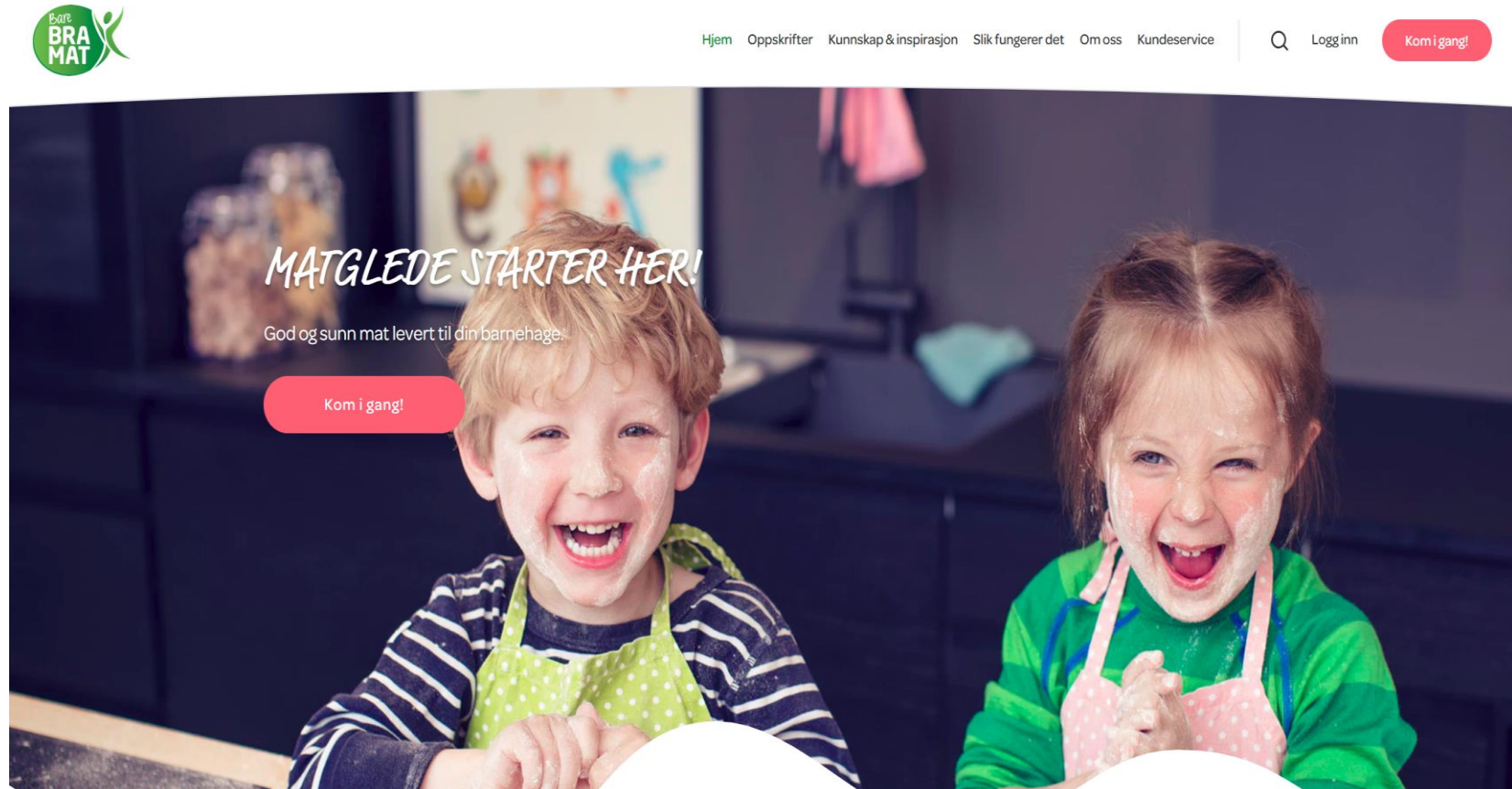
in home markets



# Using online to expand into new channels and creating a convenient service

## Project “Bare Bra Mat”

- A custom food concept for kindergartens – enabled as a **digital service**



# Our 300 local brands are our biggest competitive advantage



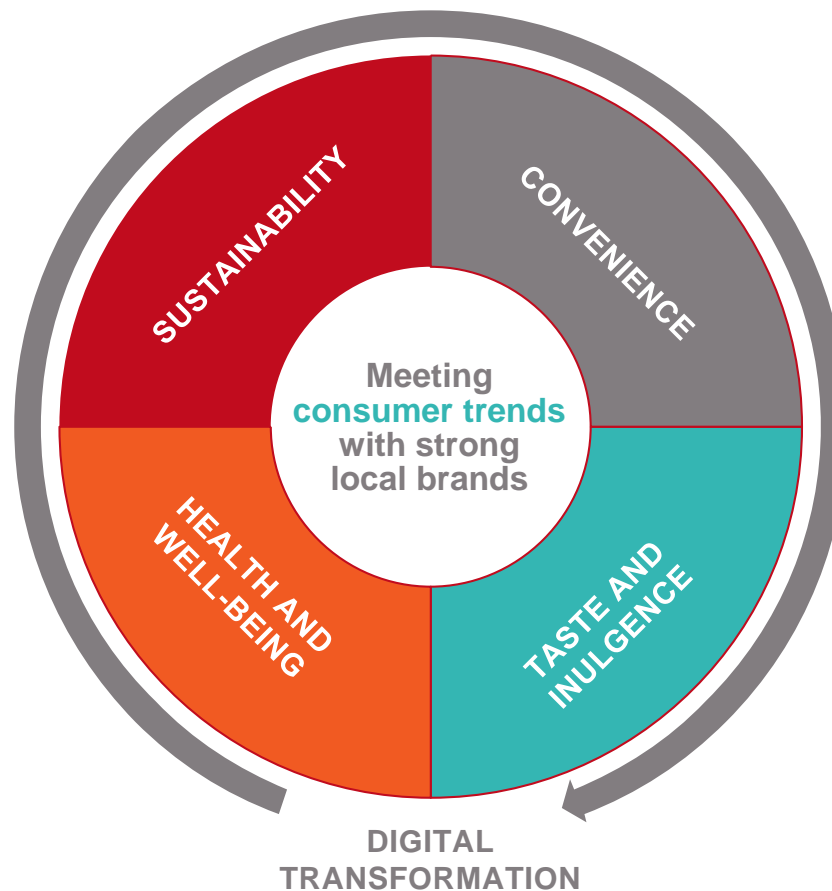
Using strong local brands as an endorser



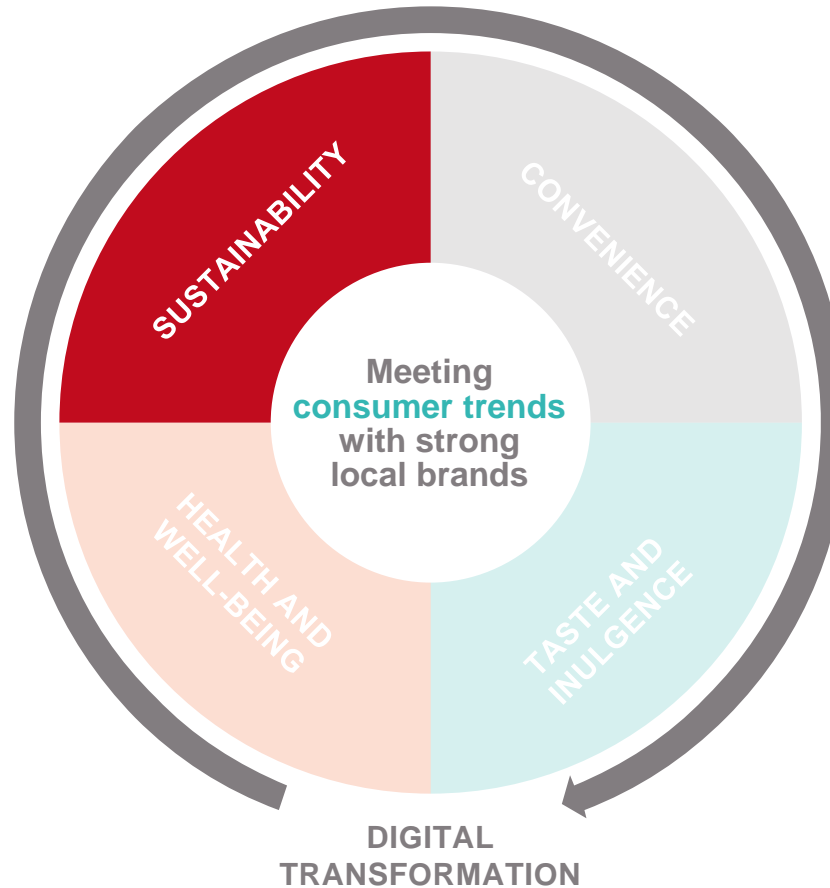
Stretching brands to new categories where the brand essence is relevant



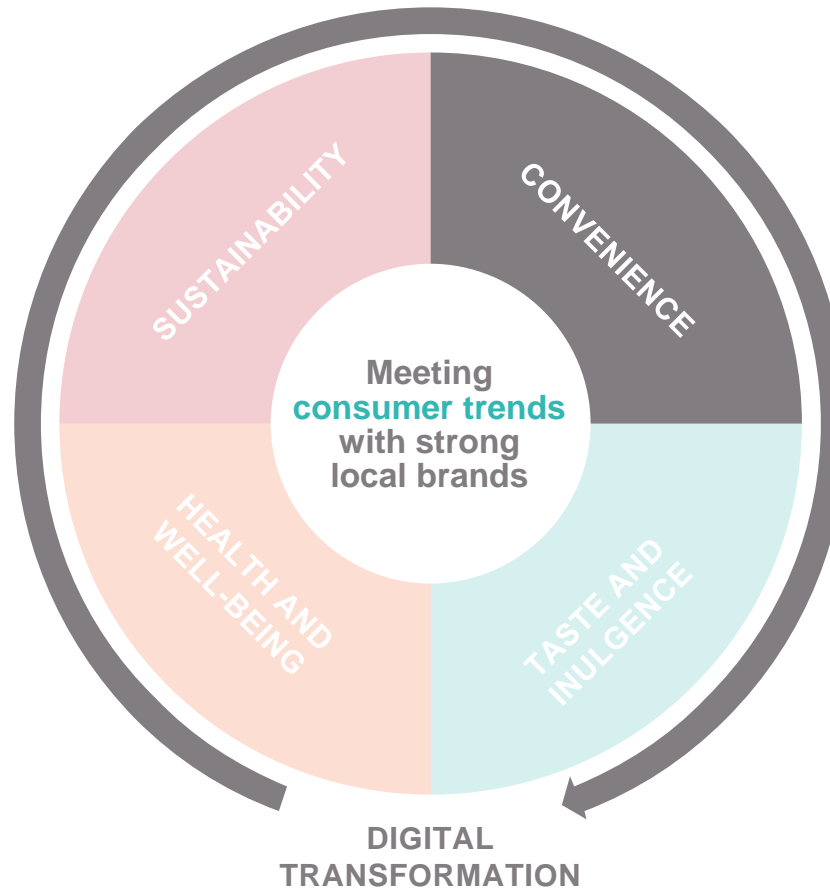
## Leveraging consumer trends to grow our portfolio and keep our brands relevant



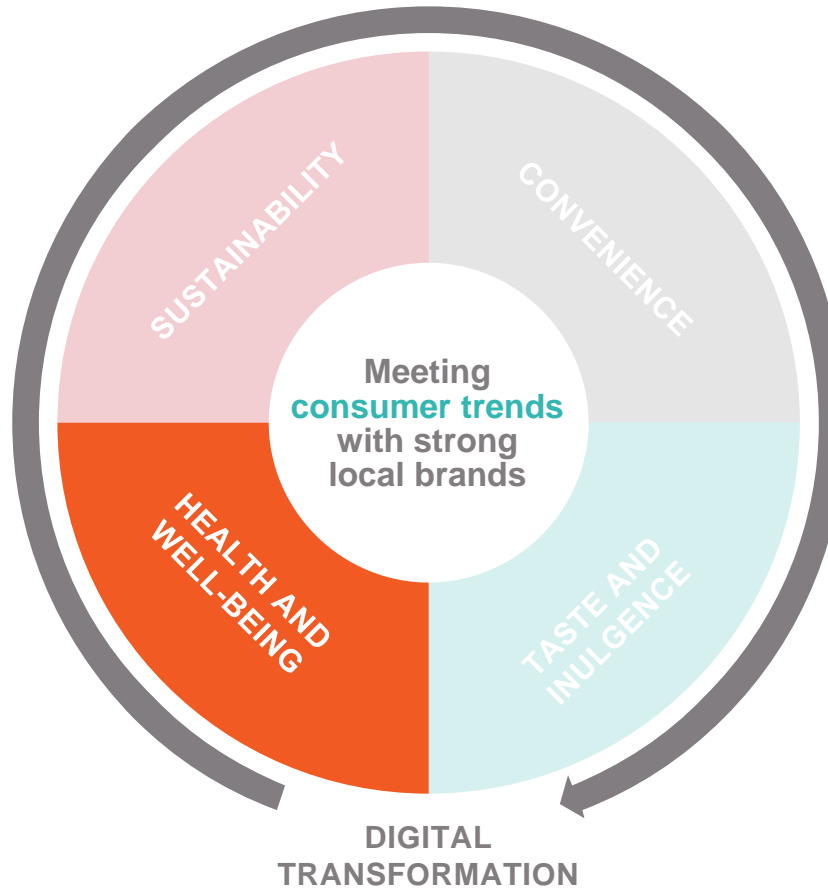
## Leveraging the “Sustainability” trend



## Leveraging the “Convenience” trend

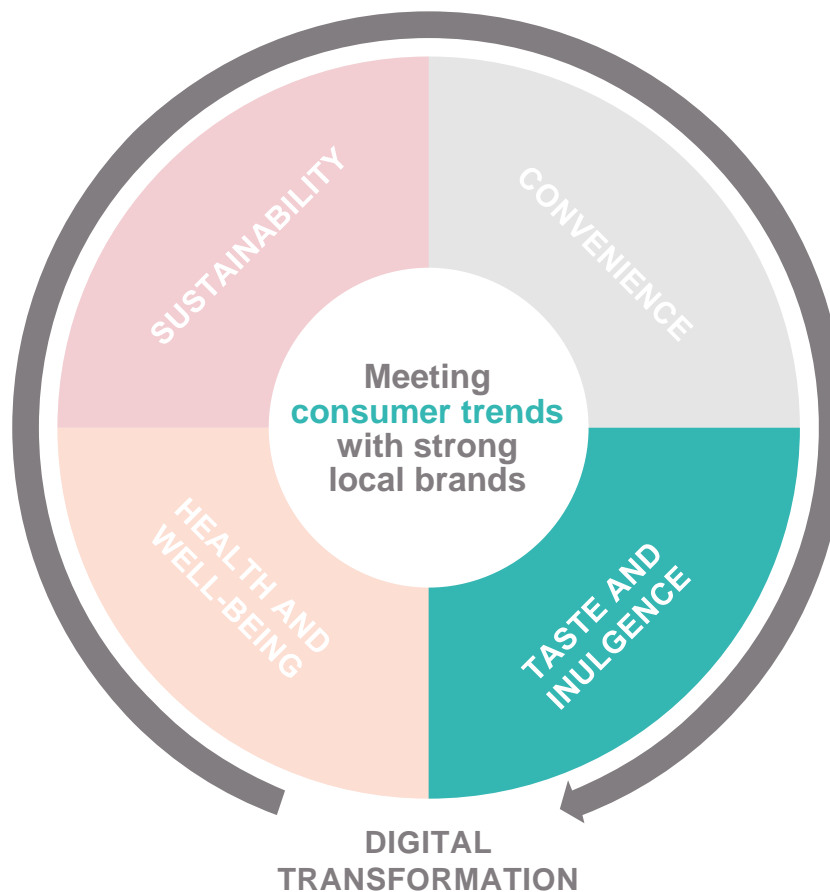


# Leveraging the “Health and well-being” trend





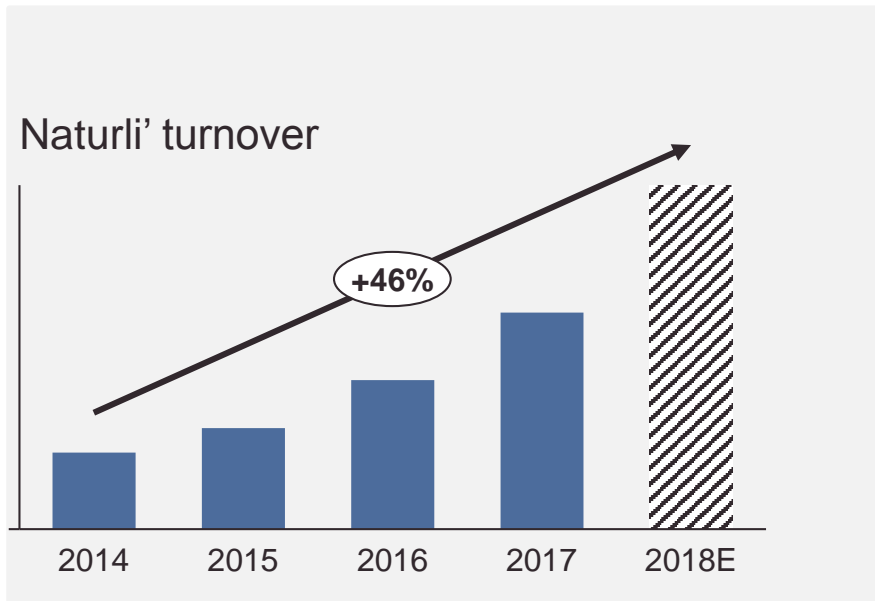
# Leveraging the “Taste and indulgence” trend



3

## Naturli' is a good example of a brand with products that capitalise on consumer trends across categories

### Solid growth for Naturli'



#### Drinks



#### Spread-ables



#### Dinners



#### Ice cream



**NATURLI'**



Plant-based



Convenience



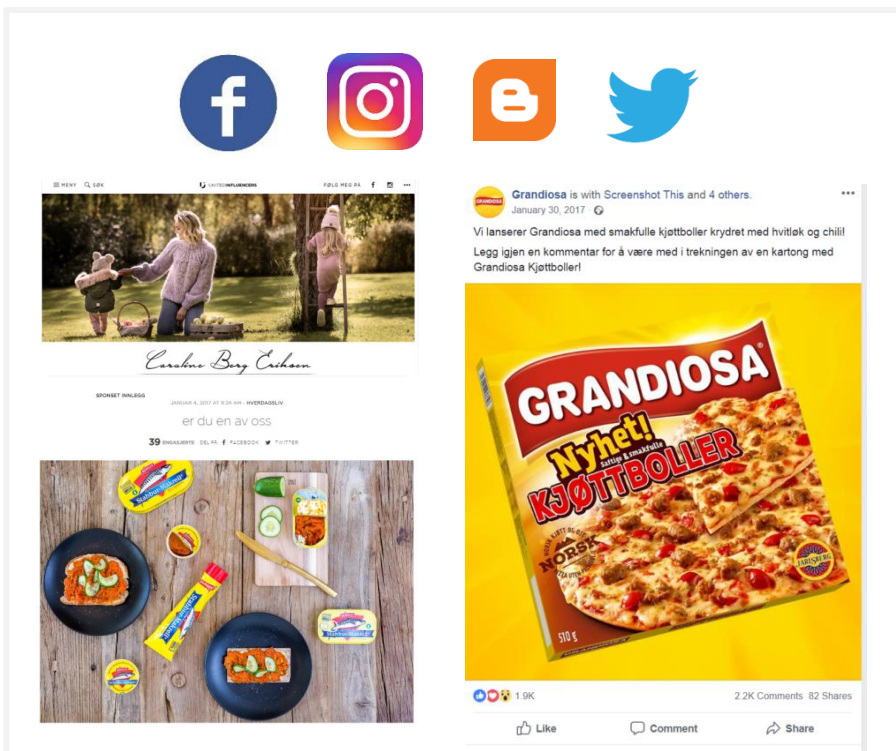
Sustainability



Taste

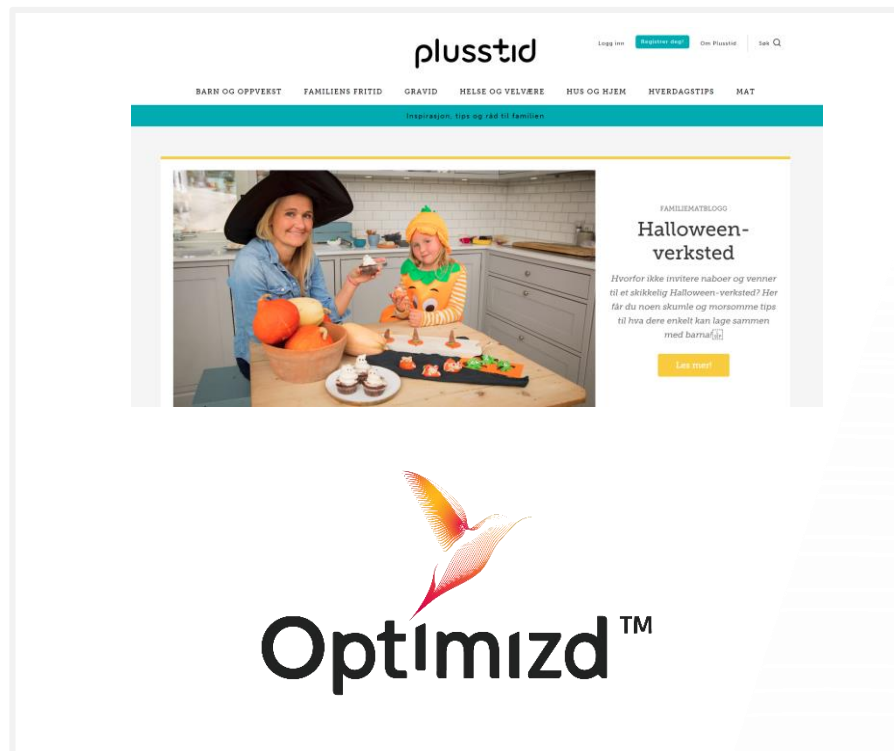
# Interacting with our consumers and creating engagement

## Communicating *to* and *with* the consumers...



Facebook, Instagram, Email, and Twitter icons are displayed at the top. Below them, a Facebook post from Grandiosa is shown. The post features a photo of a woman and two children in a park, with the text: "Vi lanserer Grandiosa med smakfulle kjøttboller krydret med hvitløk og chilli. Legg igjen en kommentar for å være med i trekningen av en kartong med Grandiosa Kjøttboller!". Below the photo is a photo of the Grandiosa Kjøttboller product packaging, which is a box of "Nyhets! Kjøttboller" (New! Meatballs) with a pizza illustration. The post has 1.9K likes, 2.2K comments, and 82 shares.

## ...and using scale in local consumer data and insight



The top part of the image shows a screenshot of the "plusstid" website. The website has a teal header with the "plusstid" logo and navigation links: "BARN OG OPPVEKST", "FAMILIENS FRITID", "GRAVID", "HELSE OG VELVÆRE", "HUS OG HJEM", "HYVERDAGSTIPS", and "MAT". Below the header is a large photo of a woman and a child in a kitchen, with the text "Halloween-verksted" and "FAMILIEMATELOGG". The bottom part of the image shows the Optimizd logo, which features a stylized bird icon above the word "Optimizd™".

Utilising our size as the largest Nordic based BCG-company to win in the digital world

# In launching “Klar” we used digital channels to connect with the consumer and develop better products

klar

## Bringing consumers into the product development process:



## Getting honest consumer feedback:



## Using social media to get valuable consumer insight:



Anne Marheim Støren created a poll.  
Admin · May 15

Vi vurderer flere Klar-varianter, og har noen spørsmål til dere. Stem her, og utdyp gjerne i kommentarfeltet. Det kommer tre polls, så svar gjerne på alle tre. 🍀

Spørsmål 1:

Hvis det kommer en Klar håndkrem og en Klar bodylotion: Ville du ønsket med eller uten duft?

Kom med innspill på duft, og legg gjerne igjen en kommentar om du har meninger og innspill.

- ☐ Klar håndkrem med duft
- ☐ Dusjsåpe
- ☐ Klar bodylotion med duft
- ☐ Klar bodylotion uten duft
- ☐ Klar håndkrem uten duft

2 More Options...

Thea Cecilie Dahl Helgeland and 10 others

41 Comments

## Creating value with Orkla's business model

### Adapting to local taste in Jams



### Standardising packaging in Home Care

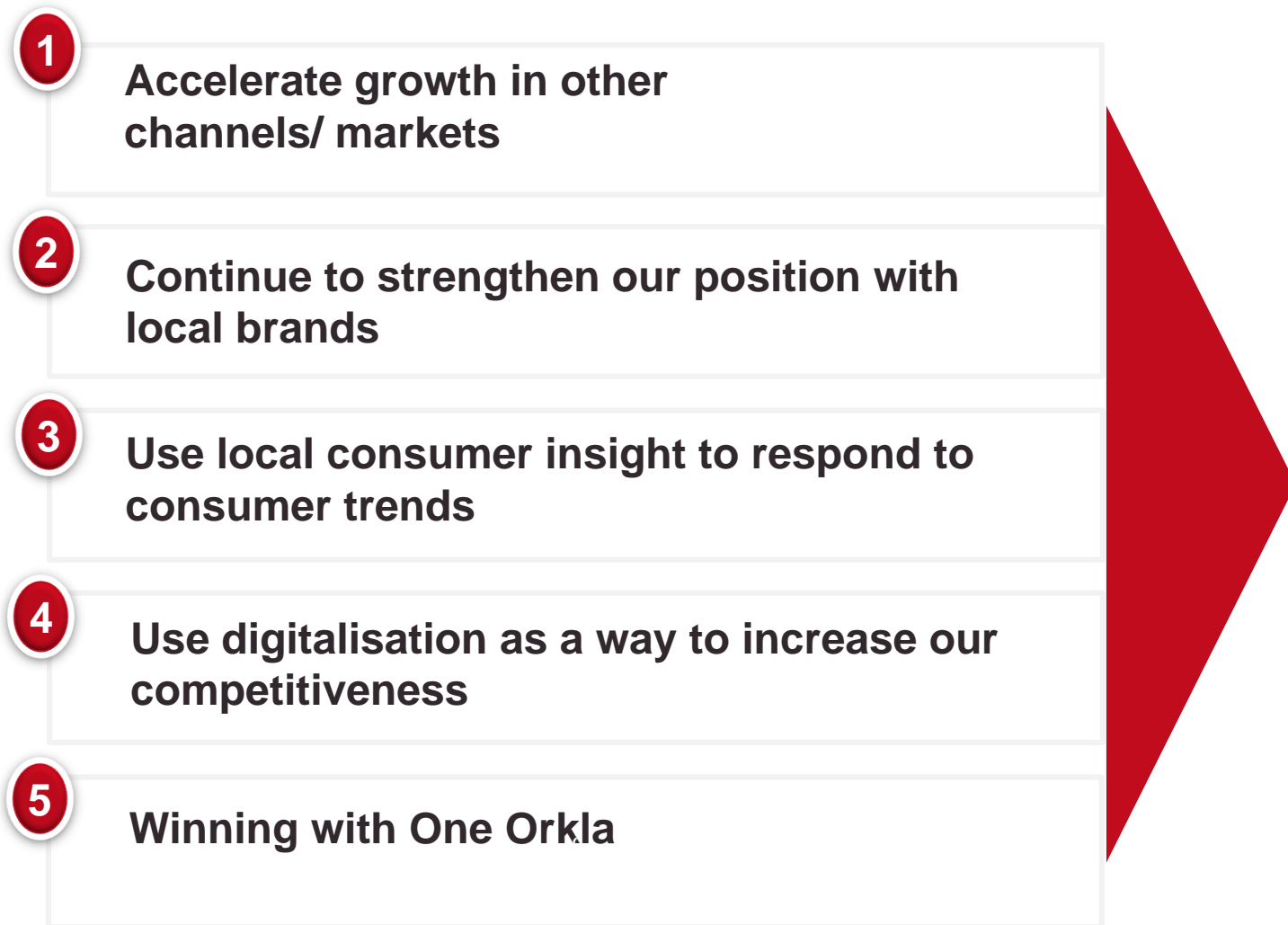


**Managing complexity based on consumer preferences:  
Do local tailoring when it matters to the consumer**



# Our unique business model is our competitive advantage

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**Growing  
in local  
markets**





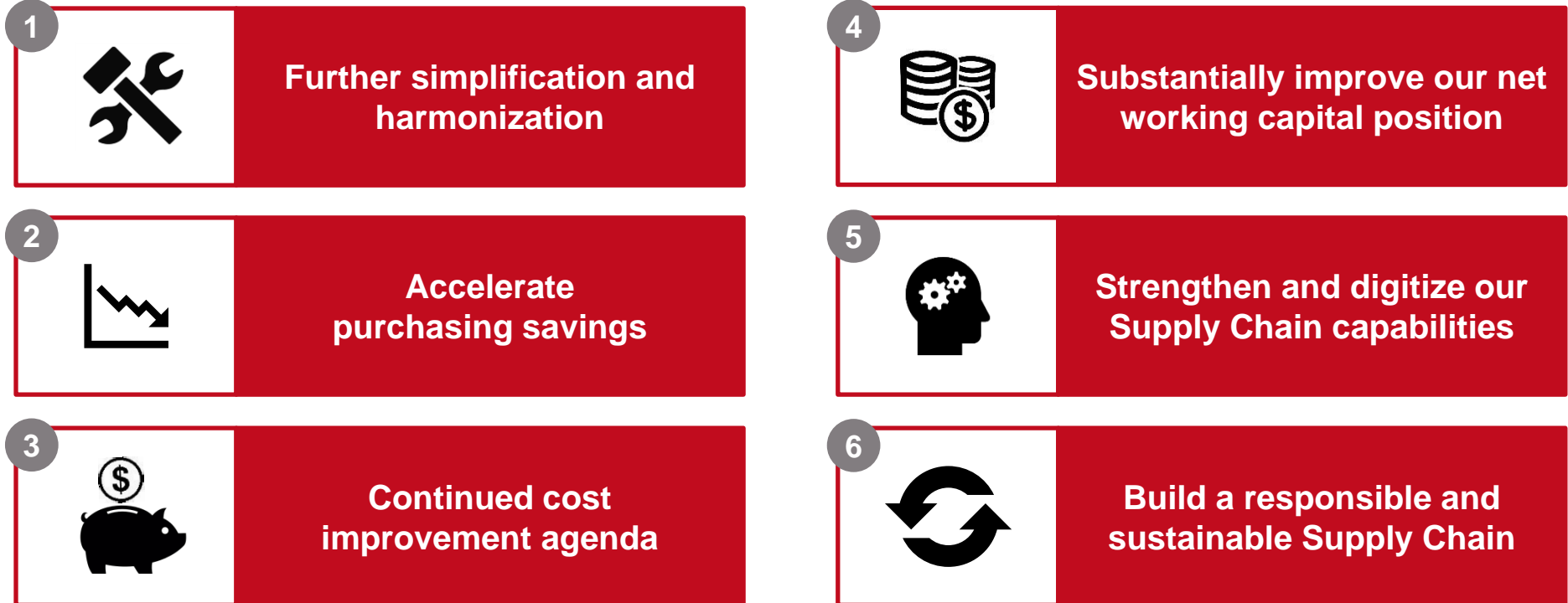
## **Making our Supply Chain a competitive advantage for Orkla**

*– through a cost efficient and flexible infrastructure*

Atle Vidar Nagel Johansen, EVP Supply Chain  
Johan Clarin, EVP & CEO Orkla Food Ingredients



# Making Supply Chain a competitive advantage for Orkla when combining cost and flexibility



Through a **cost efficient** and **flexible** infrastructure

# A lot has been achieved since we started out on our One Orkla journey for Supply Chain, but more remains to be done

## Pre 2016

– Point of departure –

- Unclear strategic direction for Supply Chain
- Variation in performance
- Limited cross sourcing and cooperation
- Siloed capabilities
- Launch of Optimized model



## 2016-2018

– Moving to base camp –

- Step-change in footprint reduction and continuous improvements
- Supply Chain improvements as One Orkla
- Establishing joint Supply Chain capabilities



## 2019 →

– Climbing up and forward –

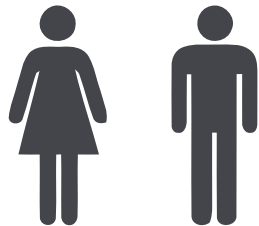
- Simplification and harmonization
- Further leveraging of One Orkla
- Resource and capital optimization
- Joint IT & digitalization capabilities



Orkla Supply Chain in figures

8.5  
million

CONSUMER UNITS  
PRODUCED DAILY



SUPPLY CHAIN  
EMPLOYEES

98  
percent

DELIVERED ON TIME



FACTORIES

4.0  
times / year

INVENTORY  
TURNOVER



COST BASE  
(BNOK)

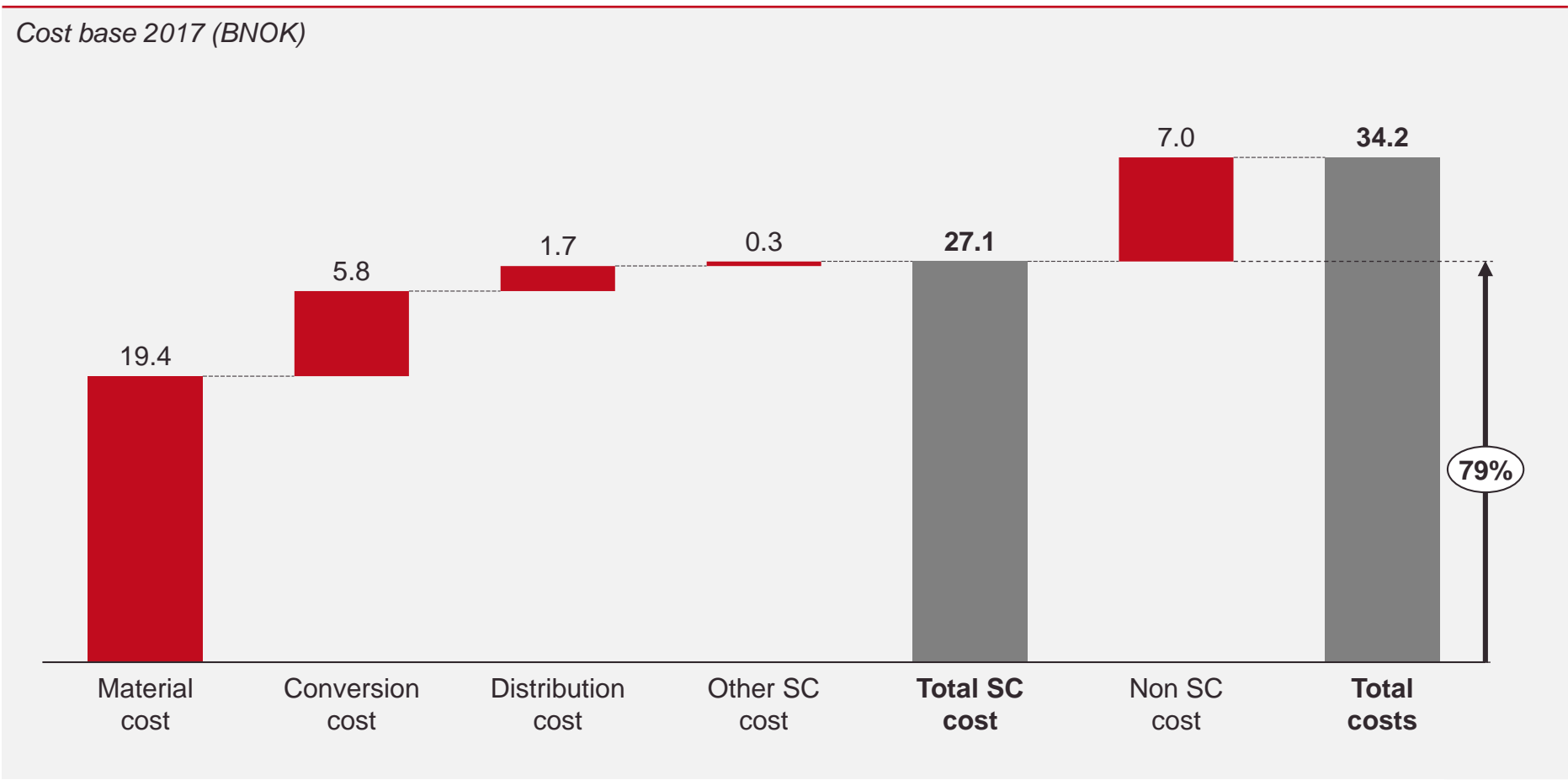
11,000

103

~27

# Orkla Supply Chain with great cost improvement potential

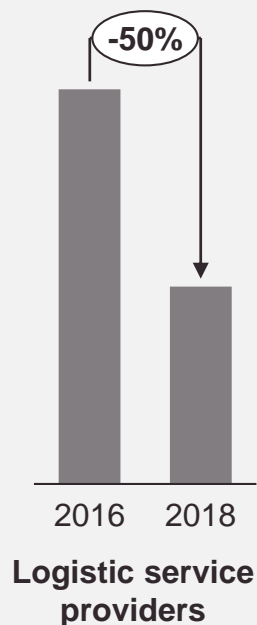
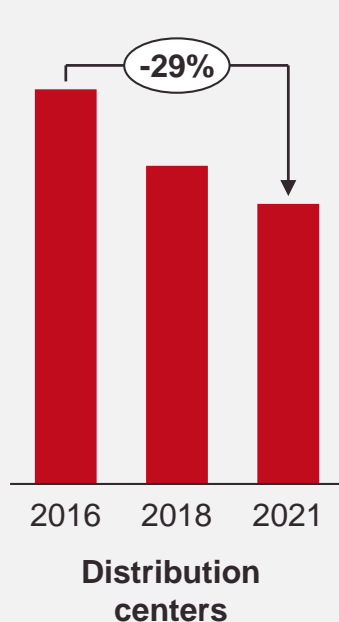
## Supply Chain – A significant share of Orkla’s cost base



# We have delivered substantial cost synergies through consolidation of our logistics operations

## Reduction of distribution centers and logistics service providers

- Distribution Centers consolidated from 31 in 2016 to currently 25 – we target 22 by 2021
- From 2016 to 2018 the number of external warehouse suppliers consolidated from 8 to 4



## Case study: Logistics operations in Finland

- Consolidation of distribution centers main driver for streamlined logistics and increased efficiency
- New logistics flows implemented and joint governance for operations established
- Strong financial effects (full effect by 2022):

**5 → 2**

**Distribution Centers**

**€ 2.4 m**

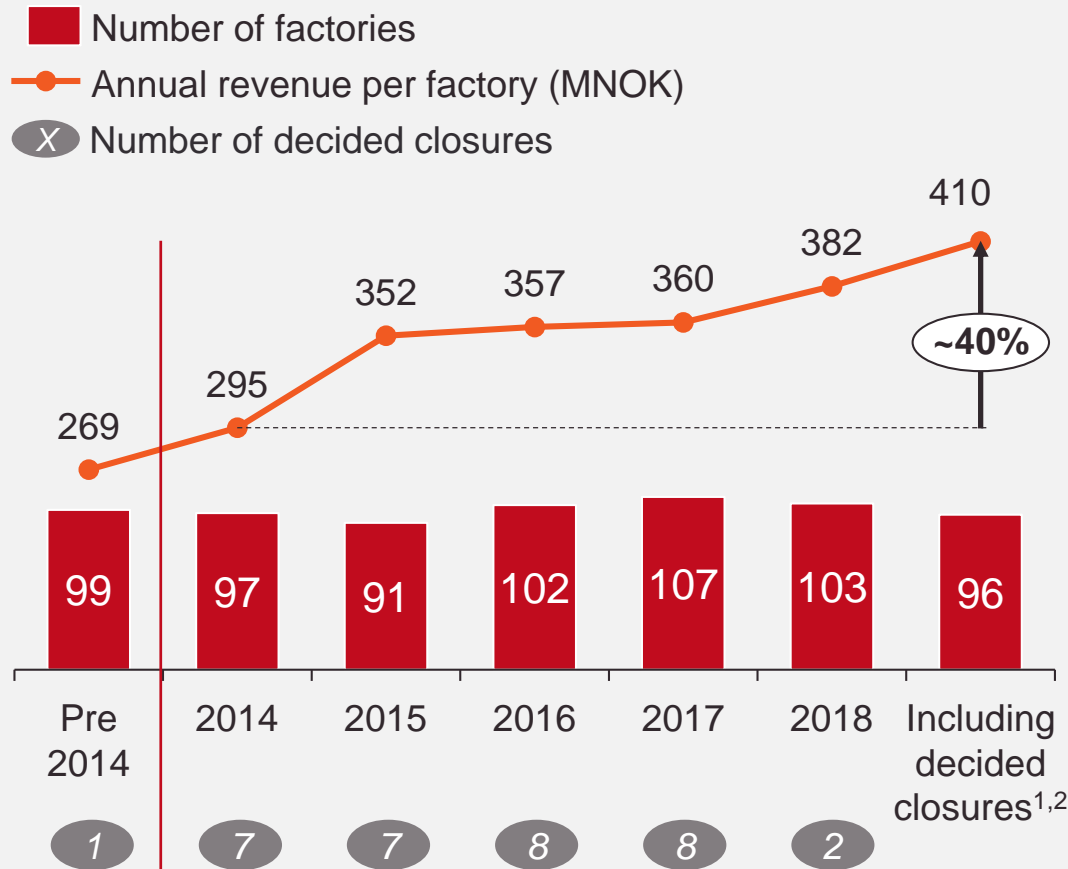
**Annual EBIT effect**





## Continued progress in our footprint programme resulting in significantly increased revenue per factory

### Revenue per factory

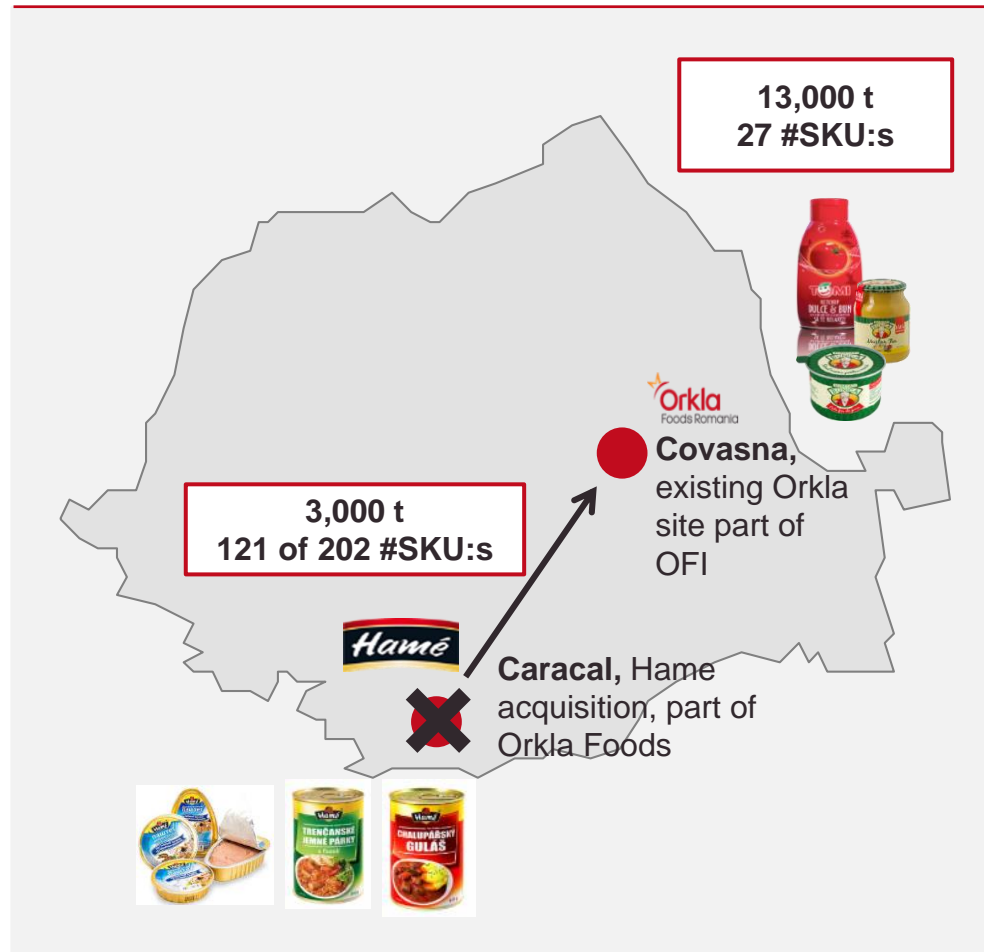


### Comments on progress

- Maintained focus on the 1-1-1 strategy (targeting one factory per category per technology per geography)
- Simplify, harmonize and develop Centers of Excellence to prepare for future growth
- Improved overall equipment effectiveness with lower capex (over time)
- Programme progressing at historically high pace
- Improved ability to integrate acquired companies

# 1-1-1 strategy deployment starts to show results as exemplified by Ready Meals case in Romania

We have closed the Caracal factory and moved pâté and ready meal volumes to the Covasna factory



## Achievement

- SKU harmonization and simplification
- Significantly increased utilisation of receiving factory, sharing infrastructure cost with the mustard and ketchup plants
- Possibility to share product development team between several product categories
- Strong financial effects (MNOK):

**8**

Annual  
EBIT effect

**10**

Investments and one  
time charges

**0.8**

Annual  
capex reduction

**48**

Net Present  
Value

# Consolidating production of dilutables in Kumla (Sweden) will increase EBIT by more than 20 MSEK

## Center of Excellence created

- In 2016, Kumla received FUN Light production from Gimsøy (Norway)
- Additional volumes moved from Ringkøbing (Denmark), a Center of Excellence for dilutables built in Kumla



## Harmonized formats

- Center of Excellence for dilutables in Kumla enables significant complexity reduction
  - Harmonized platform of formats
  - Out-sourcing non-core products
  - Exiting unprofitable contracts



## Accelerated performance

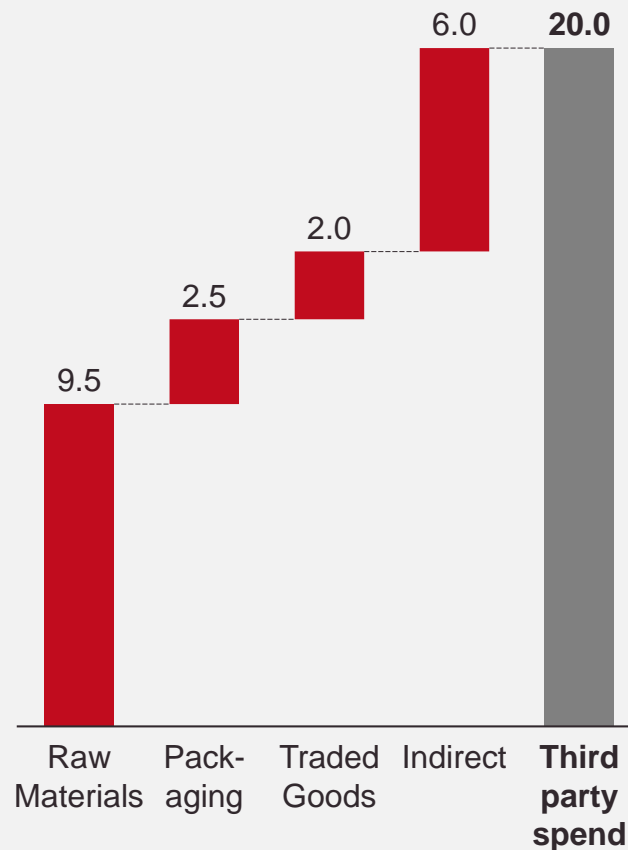
- Additional EBIT potential going forward
  - Achieve OEE targets
  - Further yield improvements



# Our 20 BNOK procurement spend constitutes a large cost saving opportunity

## Third party spend

Third party spend (BNOK)



## Progress 2016-2018

**+24%**

Cost improvement rate

**-15%**

FTE reduction

**+16%**

Accounts payable (days)

**-15%**

Supplier consolidation

## Focus areas 2019-2021



Improve cost & working capital



Secure Delivery and Supplier Performance



CSR 2025 – Sustainable sourcing



Strengthen innovation support

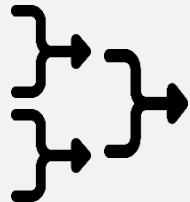


Develop robust system & capabilities

## Commodity example: Moving beyond strict unit pricing – Supplier collaboration across multiple value levers

### Harmonizing specifications

- Reduced complexity, specifications down from 50 to 15
- From specialized to standard specifications
- Process driven by product development at supplier



### Introducing new price model

- Working capital - payment terms increased by 45 days
- Reduced price volatility
- Further cost reductions on the product portfolio



### Reinforcing sustainability

- Joint sustainability program with the supplier
- Closer to local sourcing markets
- Launching new products with sustainability value



### Driving topline growth

- Innovation support from the supplier
- New business and distribution opportunities

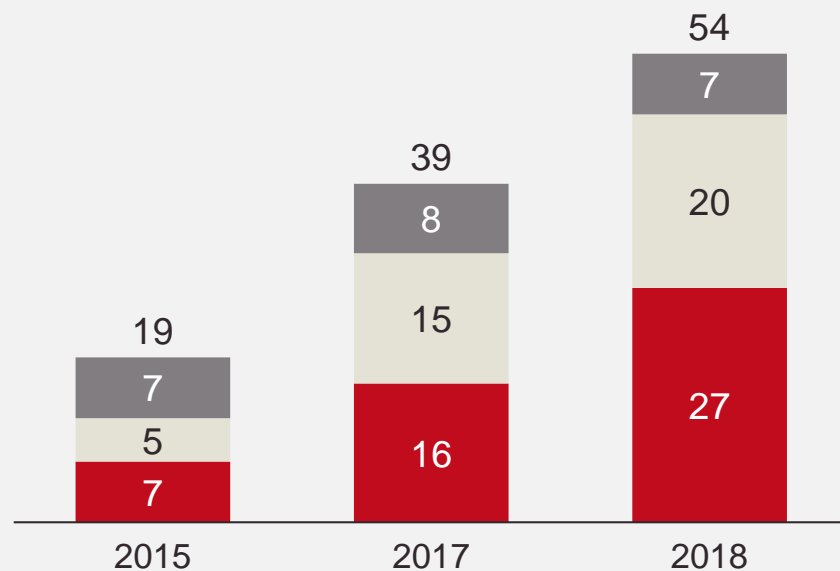


# We continue to improve factory efficiency, cut costs and strengthen capabilities

## Intensified focus on factory performance improvement projects...

### Factory turn-around projects

- Planned projects next 6 months
- Ongoing projects
- Completed projects



## ...with significant cost improvement potential

- FTE reduction through manning optimization
- Yield improvements enabled by strengthened process control
- Improving equipment efficiency by rapid change overs and minimized downtime
- In addition, we have conducted improvement initiatives together with selected suppliers to secure quality, delivery and capacity performance

**~15%**

Reduction of  
addressable cost base

**27**

Planned & ongoing  
turn-around projects



## Recent turn-around project in our Haraldsby factory (Finland) reaffirms the strength of our cost improvement approach

### Actual Conversion Cost / Kilo development (RTM)...

CC / KG



### ...enabled by

- Local team and corporate support functions teaming up to reduce cost and elevate continuous improvements – *One Orkla*
- Right-sizing of workforce
- Fixed cost reduction
- Increased material yield, equipment efficiency and cooperation around new logistics solutions

**>10**

**MNOK realised since 2016**

**35**

**MNOK targeted cost saving**

## Target: Reduce working capital by 3% of NSV by 2021

### Working capital freed up by payables

#### Main levers to improve payables

- Improve Orkla payment term programme, increase number of days
- Adoption & compliance
- Building supplier partnerships

**+18%**

Accounts payable



**1.5%**

Working capital improvement / NSV



### Other working capital components

#### Main levers to improve Inventory / Other working capital components

- Complexity reduction and tail cutting
- Service level segmentation
- Enhanced forecasting
- Optimization of replenishment into our factories

**-6%**

Other working capital components



**1.5%**

Working capital improvement / NSV

## Our digital roadmap targets four areas improving ways of working across the entire Supply Chain

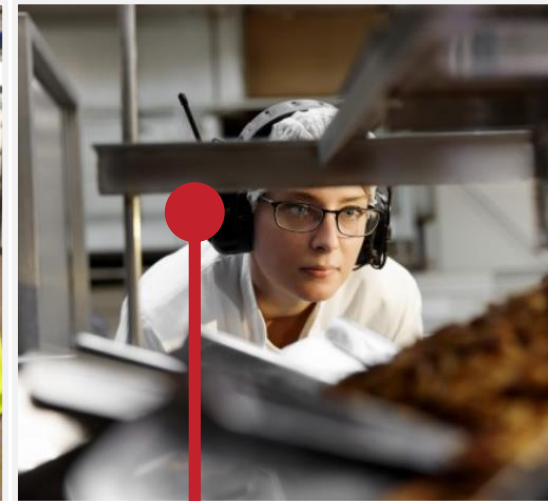
### Smart Factory & Robotics

*E.g. pilot and demonstrate technology that improves stability, flexibility and variable cost*



### Supply Chain for the Future

*E.g. lead or coordinate initiatives of frontier technologies across the Supply Chain*



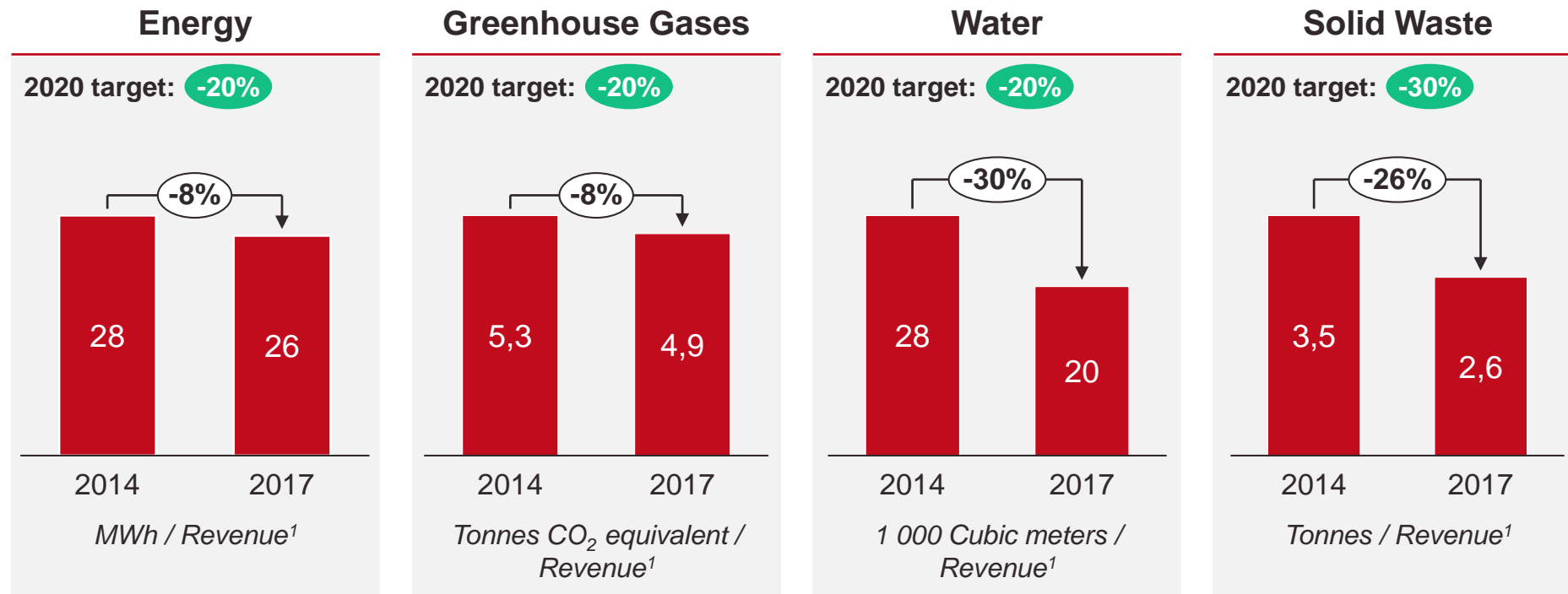
### Infrastructure & Control Systems

*E.g. harmonize and standardize infrastructure and technologies in the system hierarchy*

### Capability & Culture

*E.g. build and provide common capabilities, build collaborations with vendors / academia*

## Continued progress towards sustainable operation, including enhancement of acquired companies' environmental footprint



**To improve further, we have set ambitious targets towards 2025**

- Orkla SBT (Science Based Targets) have been approved by SBTi<sup>2</sup>, meaning the emission budget is aligned with the Paris Climate Agreement
- Document the use of 100% renewable power with Guarantees of Origin

## Standardizing production line start-up and shutdown process reduced process waste by 55%

### Reuse of ketchup significantly reduced start-up and shutdown losses

- Waste analysis to minimize material losses in the start-up and shutdown process
- Analysis performed by local team together with central resources and representatives from other Orkla ketchup & dressing production sites – *One Orkla*



### Achieved result and future potential

- Replicable methodology developed, scalable to several production lines and factories
- Avoiding future investment in local waste water treatment equipment
- Strong financial effect:

**0.7**







Annual MSEK  
EBIT effect per line

**X**

**25**

Addressable lines in  
Orkla

## Key actions in making Supply Chain a competitive advantage for Orkla

1		Further simplification and harmonization	4-6 Factory closures per year
2		Accelerate purchasing savings	15% Reduced # suppliers
3		Continued cost improvement agenda	15% Turnaround achievement
4		Substantially improve our net working capital position	-3% Working capital / NSV
5		Strengthen and digitize our Supply Chain capabilities	4-6% Capex / NSV
6		Build a responsible and sustainable Supply Chain	Aim for 100% Sustainable raw materials

Through a **cost efficient** and **flexible** infrastructure – deliver improved **margins**

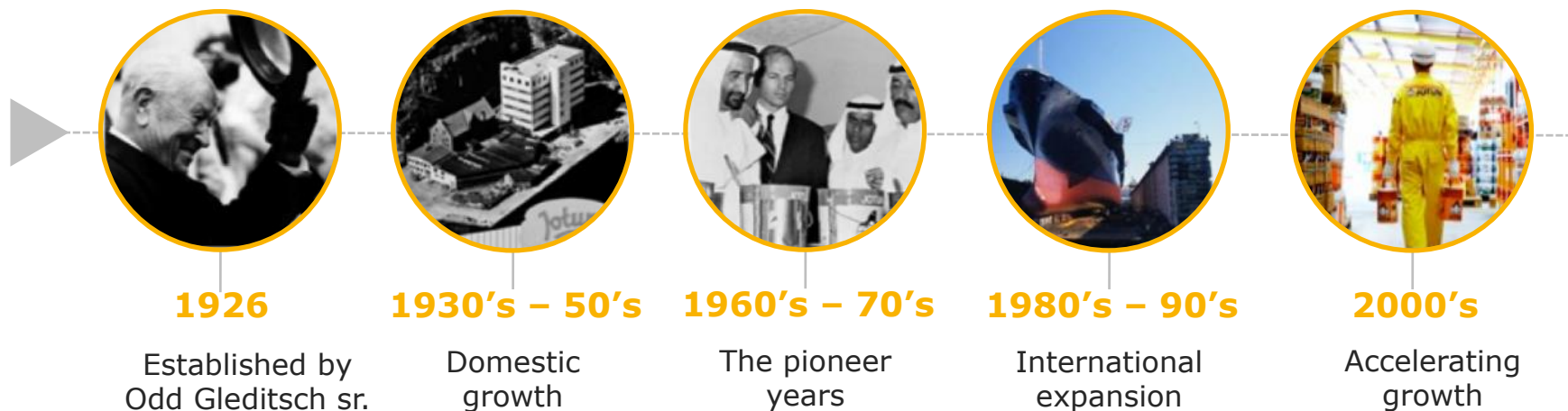


A close-up photograph of three King penguins. They are shown from the chest up, facing slightly to the right. Their heads are tilted upwards, and they have a focused expression. The penguins have dark blue-black heads and backs, with a bright yellow-orange patch on the side of each head. Their chests are white. The background is a soft, out-of-focus blue sky.

# **Jotun**

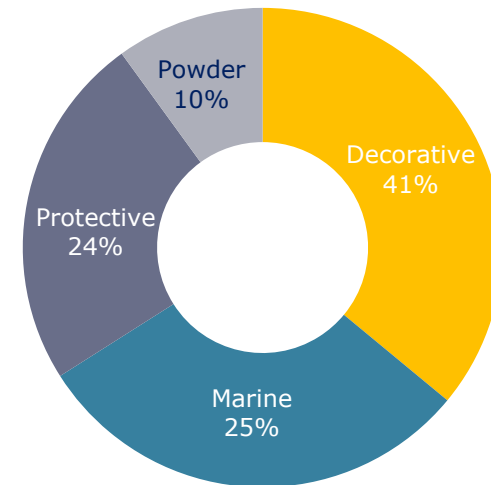
## **A story of growth**

# Jotun's history - 90 proud years of business



# Strongholds has been important

- Scandinavia, Middle East and Asia




 **2.7** billion  
USD in  
revenue

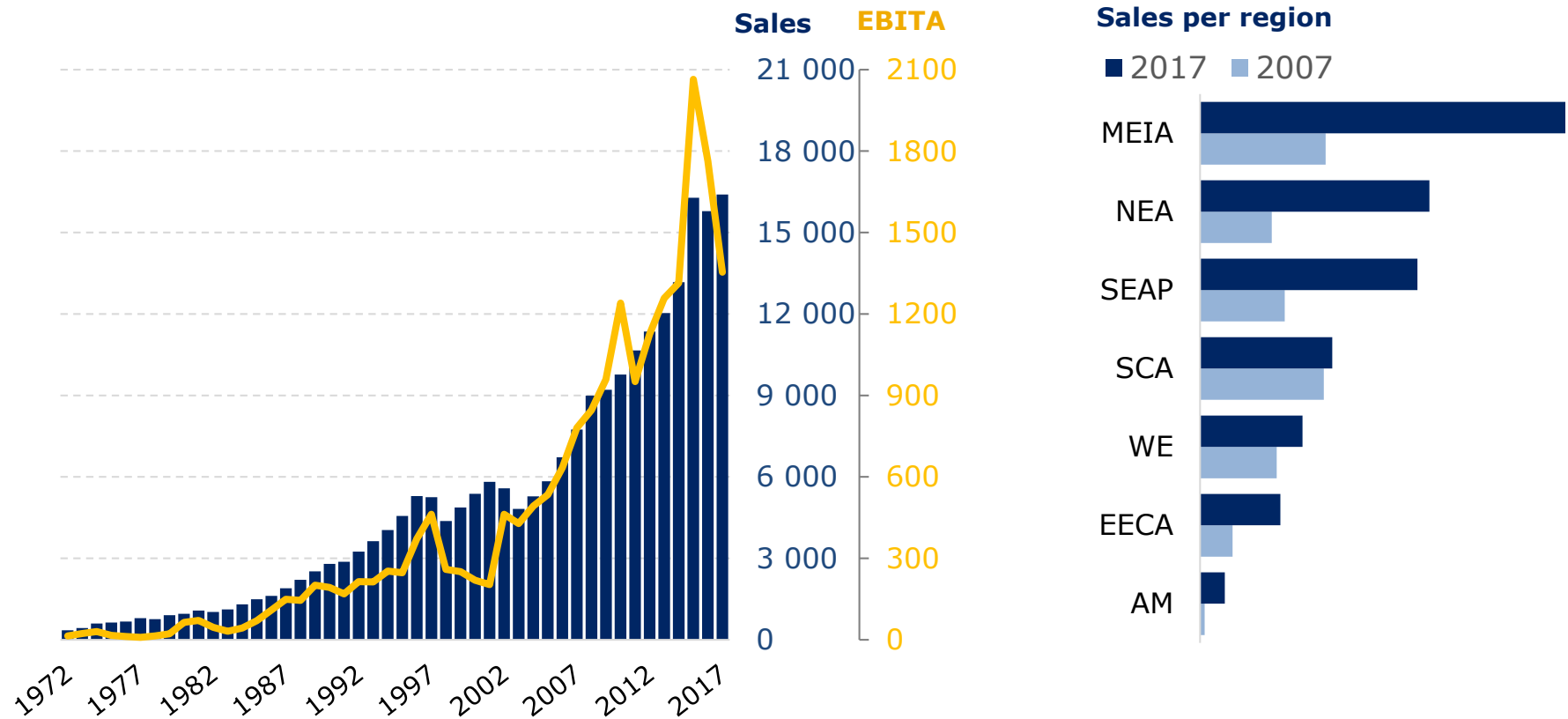
 **45**  
countries

 **40**  
factories

 **9,789**  
employees

 **862** million Ltr/Kg

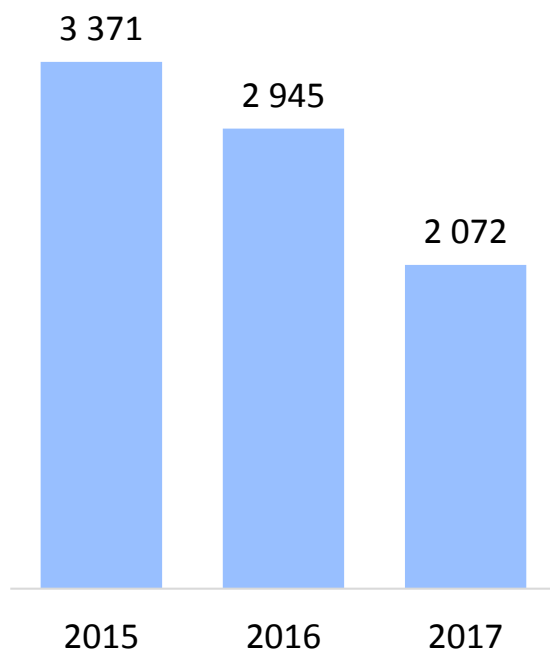
# Geographical foot print has been favourable



## 3 Elements has affected profitability lately

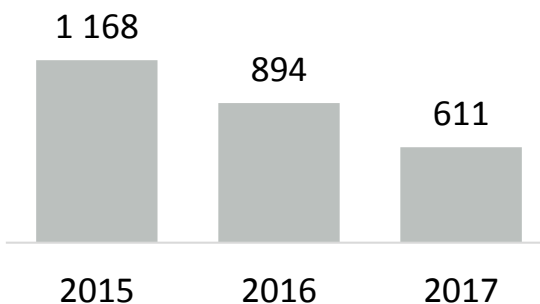
### Newbuilding sales - Marine

NOK million at year end



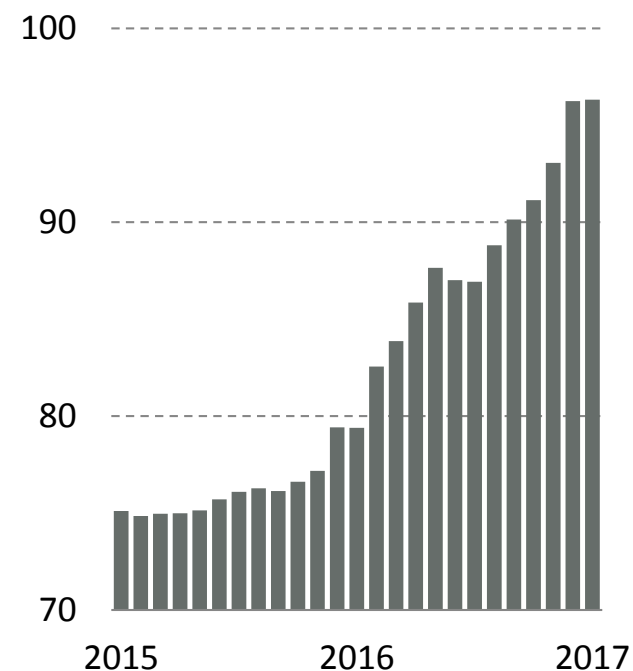
### Offshore sales - Protective

NOK million at year end



### Raw material cost

Weighted average - Indexed



# A story of growth

Excellent people working in a unique corporate culture.....  
....The Penguin Spirit

A long term strategy that stays firm...  
....Focus on segments and growth

Unique geographical footprint accelerates growth.....  
.....based on a strong position at home





# Jotun targets a 85 bill USD market...

...out of 135 bill USD market



**Decorative Paints**



**Powder Coatings**



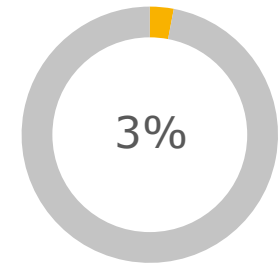
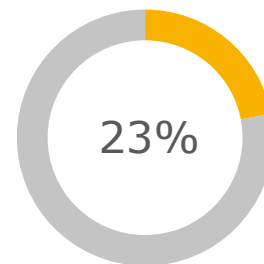
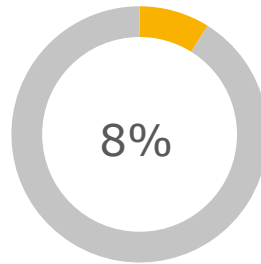
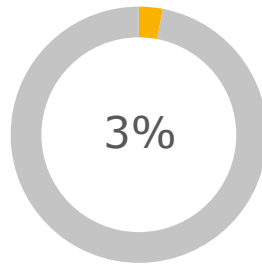
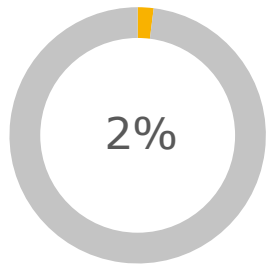
**Protective Coatings**



**Marine Coatings**



**Jotun Group**



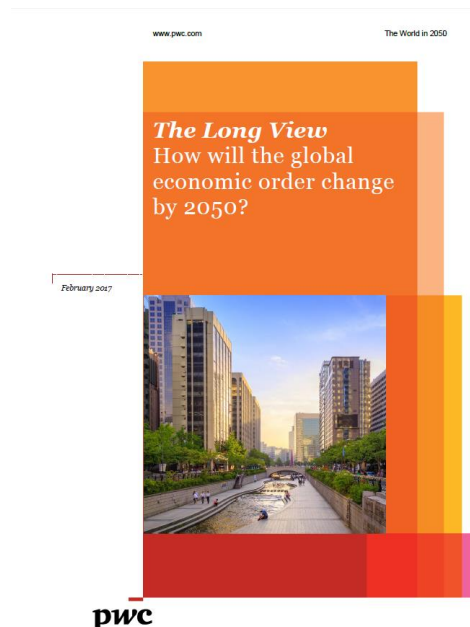
**LOCAL**

**GLOBAL**

# Jotun is well positioned in fast growing economies

## Main drivers for paint & coatings

- GDP growth
- Population

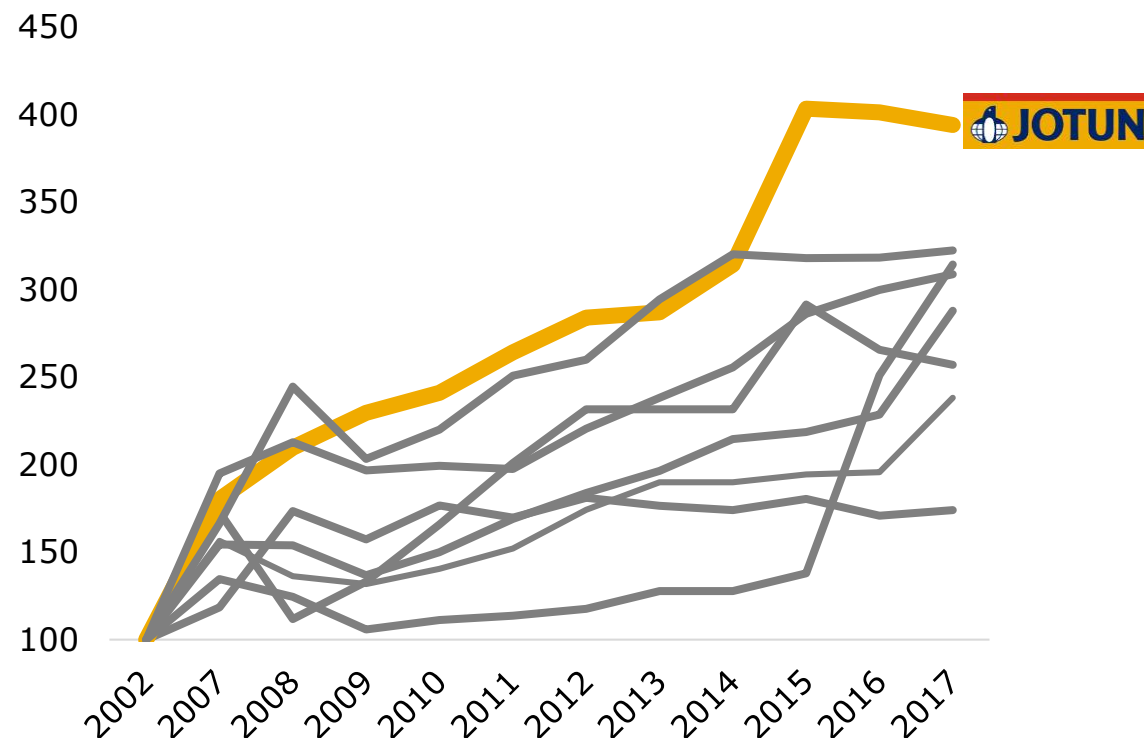


## Top growing economies next 30 years

China	Egypt
India	Pakistan
Indonesia	Iran
Brazil	Philippines
Russia	Vietnam
Mexico	Bangladesh
Turkey	Malaysia
Saudi Arabia	South Africa
Nigeria	

# Jotun – fastest growing last 15 years amongst peers

**SALES GROWTH INDEX Peer Group - 2002-2017**



**Jotun demonstrates organic growth better than our peers**

**Organic growth offer good control of risks and costs**

**Organic growth enables Jotun to maintain existing culture**

# What has been the strategy ?

**4 SEGMENTS**

**ORGANIC GROWTH**

**DIFFERENTIATED APPROACH**

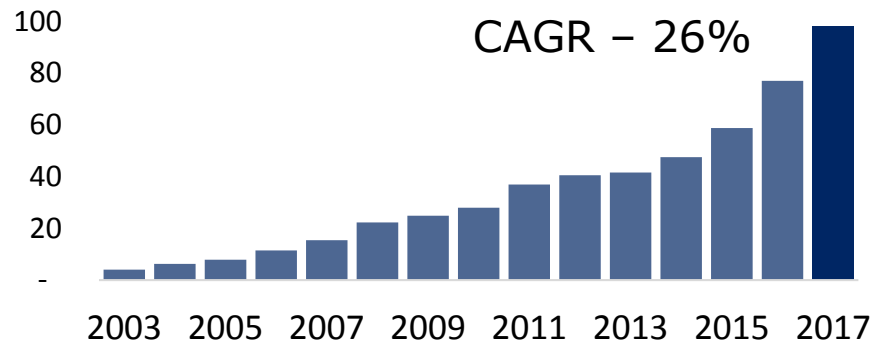


# From strategy to implementation - Vietnam

## An example of organic growth

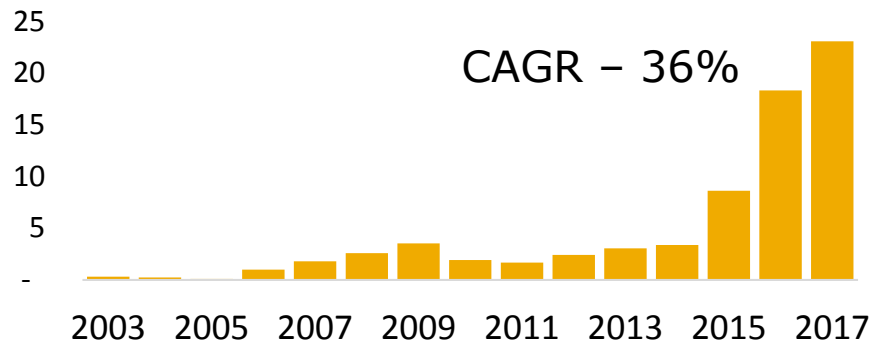
### Sales

USD million at year end



### EBITA

USD million at year end

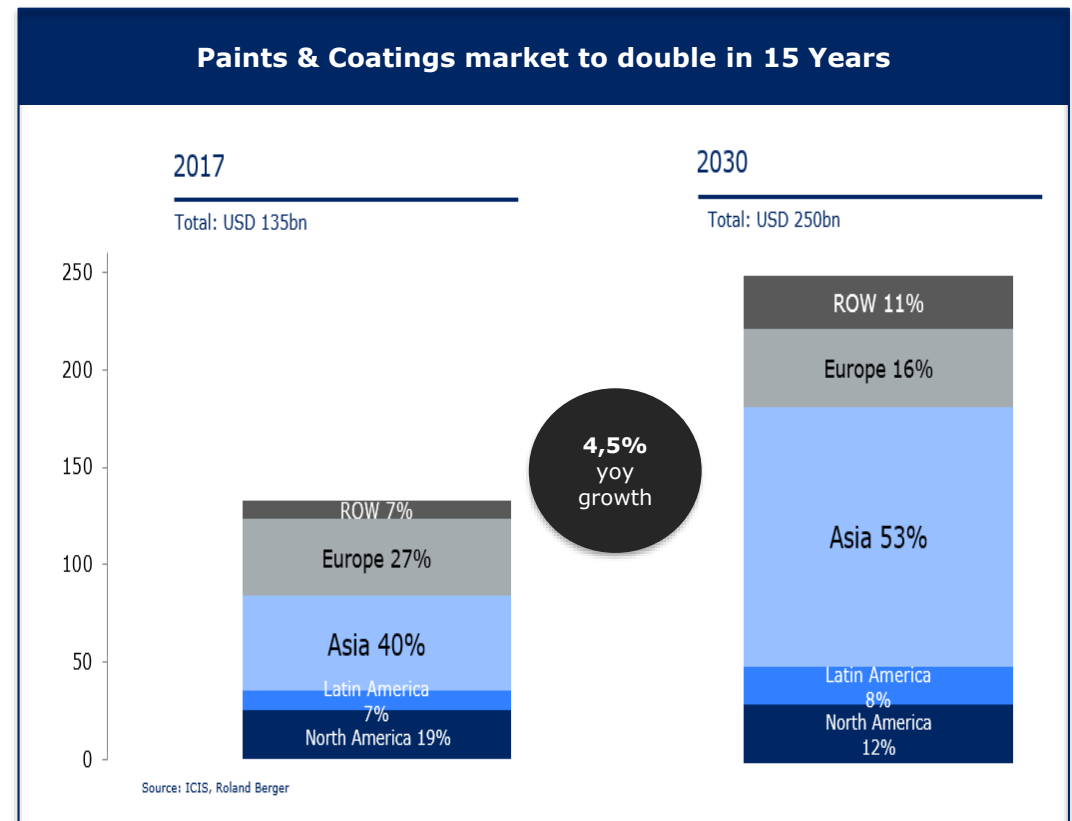


- Import started in 1993
- Sales office established 1994 – Marine and Protective segment
- Factory opened 1997
- Decorative Multicolor launched 2003
- New factory project started - 2017



# Attractive Paints and Coatings industry... ...where Asia is becoming more important

- Attractive industry.
- Outgrowing GDP growth (~2%)
- Asia-Pacific will dominate
- Environmental focussed
- M&A activity will remain high





# Digitalisation binds Jotun closer together

....in search for efficient solutions

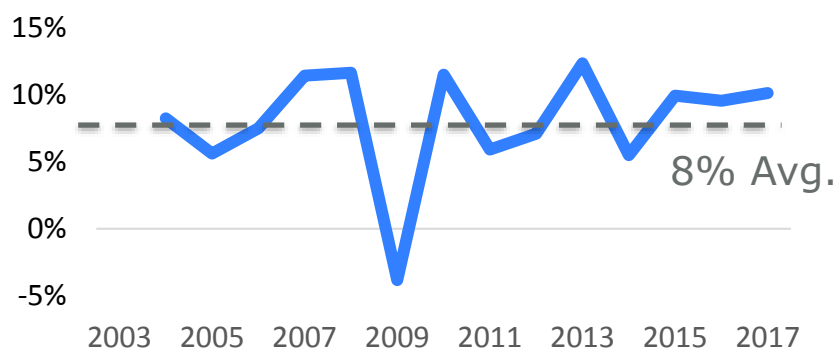
- Global ERP solution – Matrix
- Collaboration platform
- From products to solutions
  - Computerized tinting system
  - Hull Performance Solutions (HPS)
  - SeaStock Management Solution
    - Port prediction
  - Jotun Colour Design



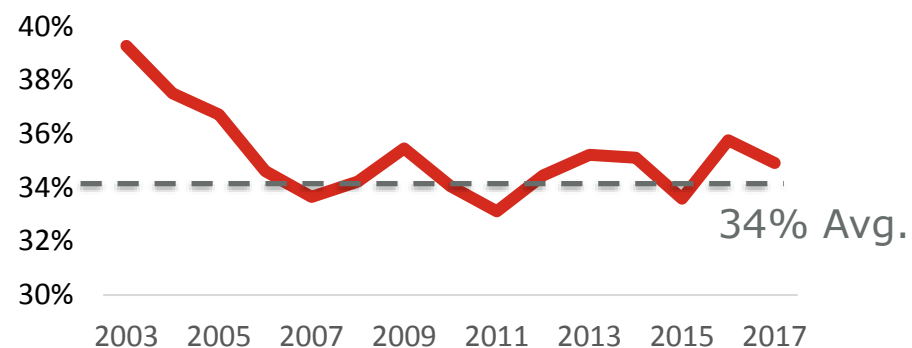
We are looking for efficiency

# Organic growth has created value

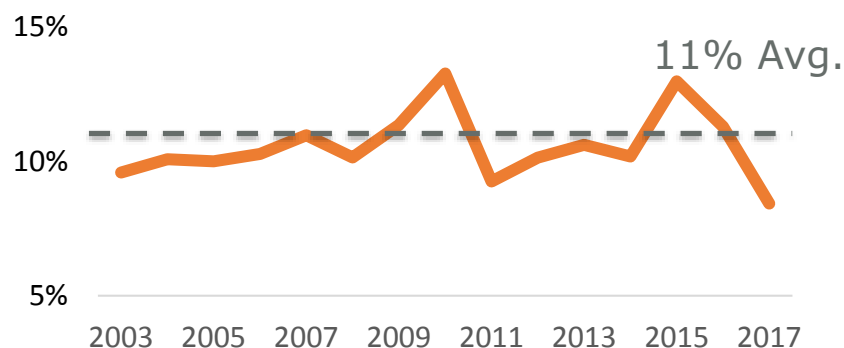
**Volume growth**



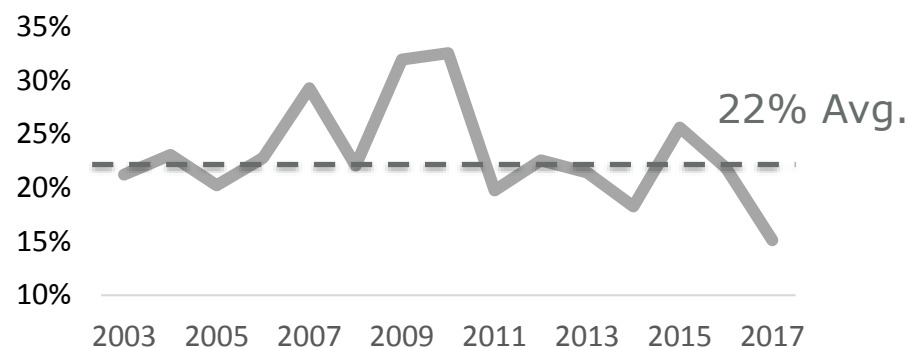
**Manageable cost growth in % of sales**



**EBITA (%)**



**ROCE**



# ...and the profitable organic growth continues...

- Proven track record
- Organic growth strategy stays firm
- Excellent geographical footprint
- Strong corporate culture

## Jotun Protects Property

An advertisement for Jotun featuring a large image of the Eiffel Tower. The text 'Painted by' is at the top left, followed by the Jotun logo. Below this, there are two paragraphs of text. The first paragraph states that the Eiffel Tower is 300 metres high and was built to commemorate the centenary of the French Revolution, completed for the 1889 World's Fair, and is still one of the world's best known landmarks. It notes that Jotun supplied the paint. The second paragraph states that Jotun has 9,500 employees in more than 90 countries, supplying paints and coatings specially developed for unique conditions. It concludes that the world of Jotun is diverse, but they have one common agenda: 'Jotun Protects Property'. At the bottom left, it says 'Jotun Protects Property' and 'jotun.com'. At the bottom right, there are four small images representing different Jotun product lines: 'JOTUN DECORATIVE PAINTS', 'JOTUN PROTECTIVE COATINGS', 'JOTUN MARINE COATINGS', and 'JOTUN POWDER COATINGS'.

**Painted by** 

**Did you know that** the Eiffel Tower is 300 metres high and was built to commemorate the centenary of the French Revolution? The tower was completed for the 1889 World's Fair and is still one of the world's best known landmarks. It is no coincidence that Jotun supplied the paint.

**Did you know that** Jotun has 9,500 employees in more than 90 countries? We supply paints and coatings that have been specially developed for unique conditions. The world of Jotun is diverse, but we have one common agenda:

**Jotun Protects Property**

Jotun Protects Property  
jotun.com

JOTUN DECORATIVE PAINTS JOTUN PROTECTIVE COATINGS JOTUN MARINE COATINGS JOTUN POWDER COATINGS





**Jotun Protects Property**

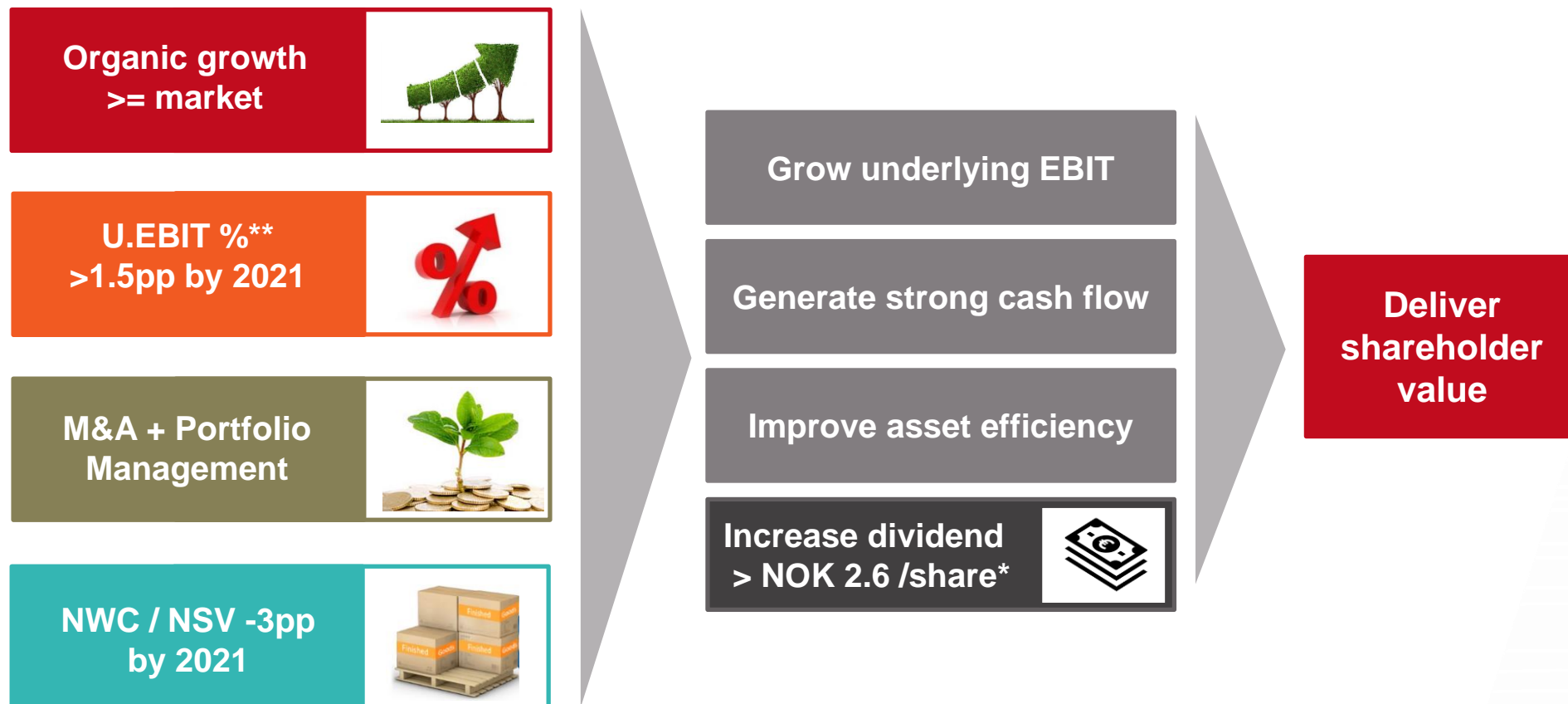


## Improving financial returns

Jens Bjørn Staff, CFO

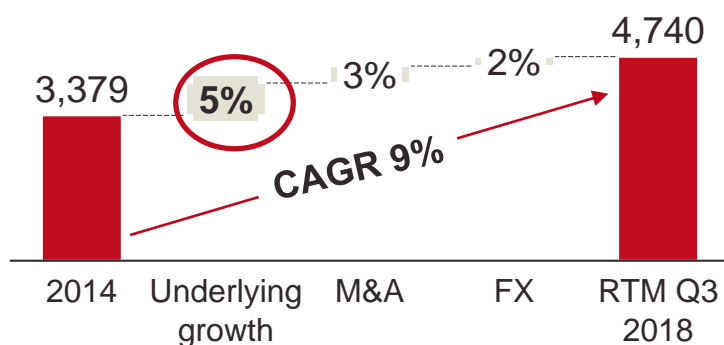


# We continue to create shareholder value – by improving returns on our existing business and by actively managing our portfolio

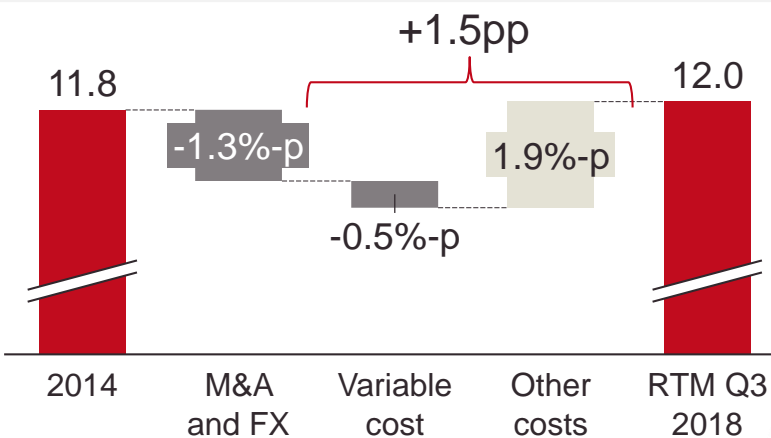


# We have delivered solid earnings growth since 2014

## Annual underlying EBIT +5% since 2014



## Underlying EBIT margin +1.5pp since 2014





## We are prioritising margin growth short-term

---

1

**Reduce SKU complexity**



2

**Improve price management**



3

**Optimise resources**

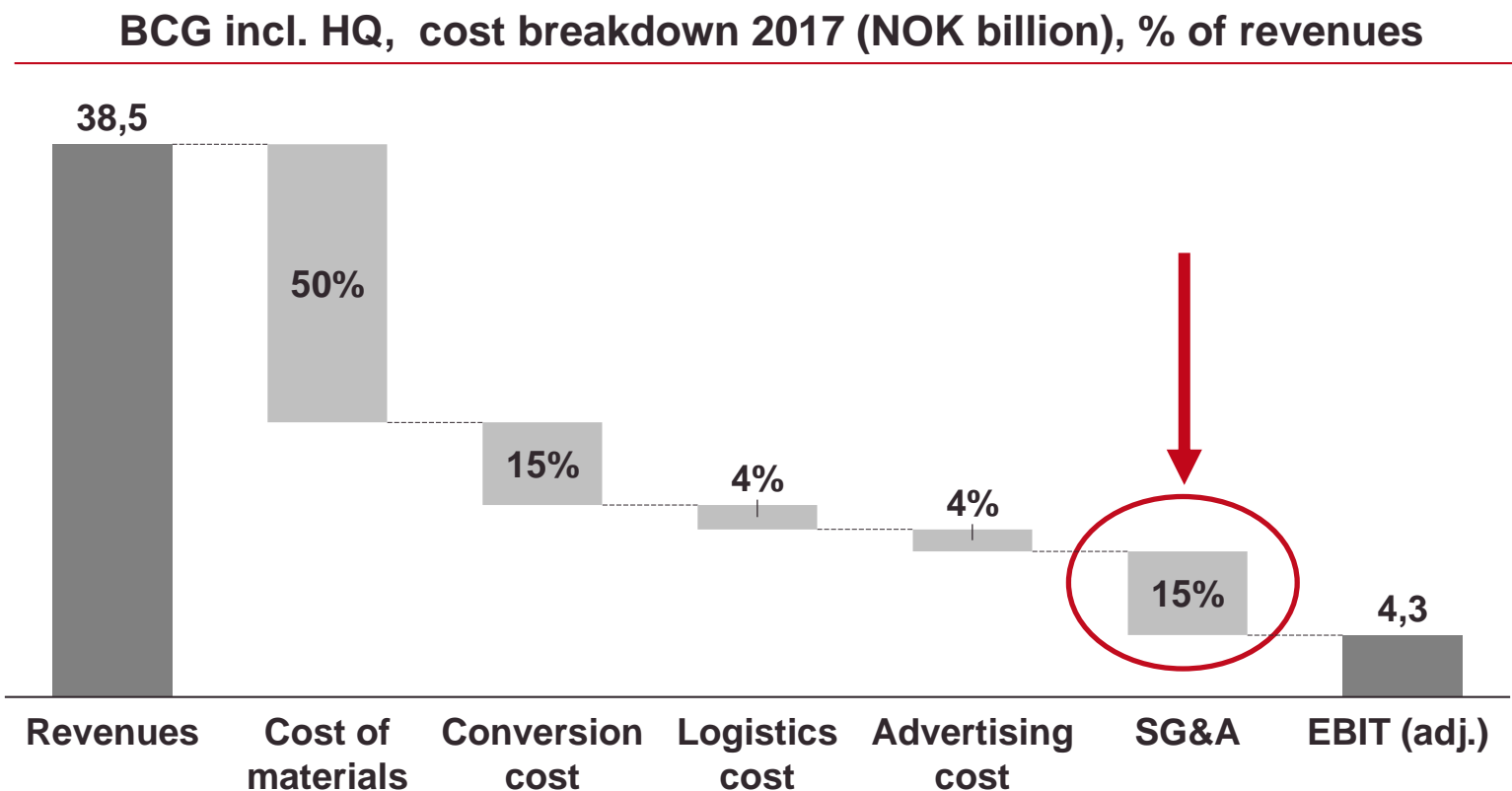


4

**Select exits**



# We will achieve further reductions in SG&A...



## ...and this is how we reduce costs

---

2017:

**Foods and Confectionery & Snacks Finland**

---



Ongoing:

**Foods Central Europe**

---



# Investing in our future infrastructure - ONE common ERP

## Scope of project

- ~30 different ERP solutions
- Lack of common templates and master data
- Facing end of support



## Enabled opportunities

- Implementing SAP S4 Hana
- Common solution, master data & harmonised processes

**2017:**

*Pre-study &  
decision*

**2018:**

*Template design  
finalised*

**2019:**

*Go-live pilots*

**2019-2022:**

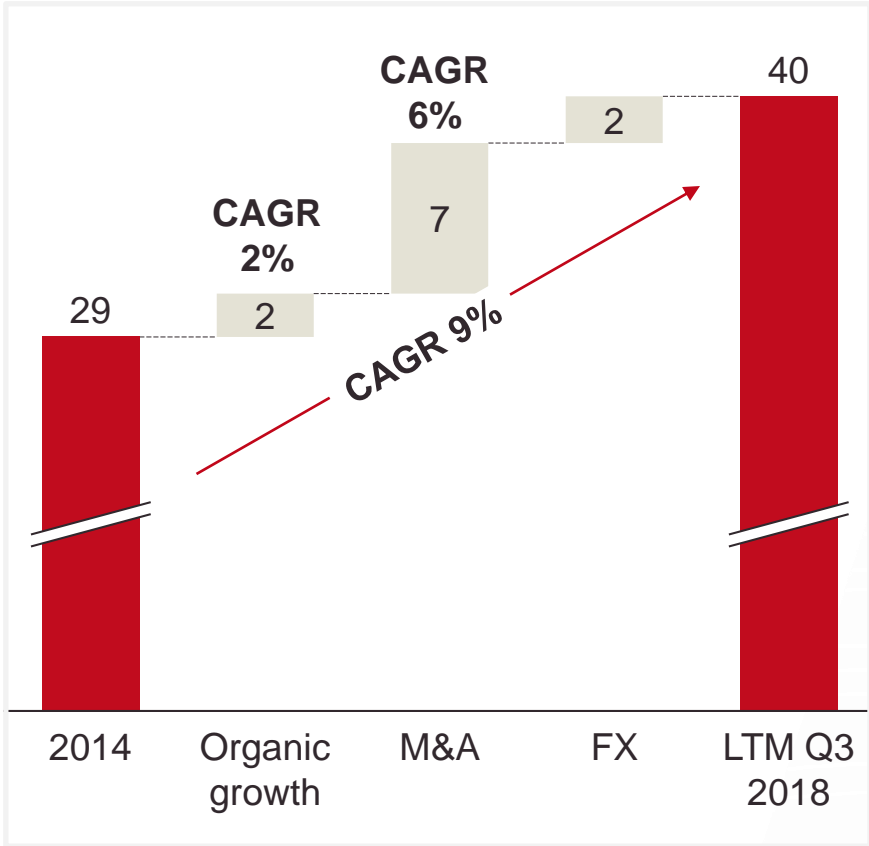
*Gradual roll-out*

# M&A has contributed significantly to our 9% CAGR since 2014

## Recent strategic acquisitions



## BCG revenue, 2014 – Q3 2018 (BNOK)



# Examples of M&A value creation & lessons learned

Growth cases



Under-performing



Platform / synergy cases



**anamma**

*Veganskt, hållbart!*



**Harris**



**[RIEMANN]**



**NSV CAGR\*: Double digit**  
**Synergies/NSV: Minor**

**Negative**

**Single digit**  
**5-10%**

# This is how we manage our assets

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## Priorities in existing portfolio

- Differentiated approach
- Invest for growth < - > Run for cash

## Acquisitions / divestments

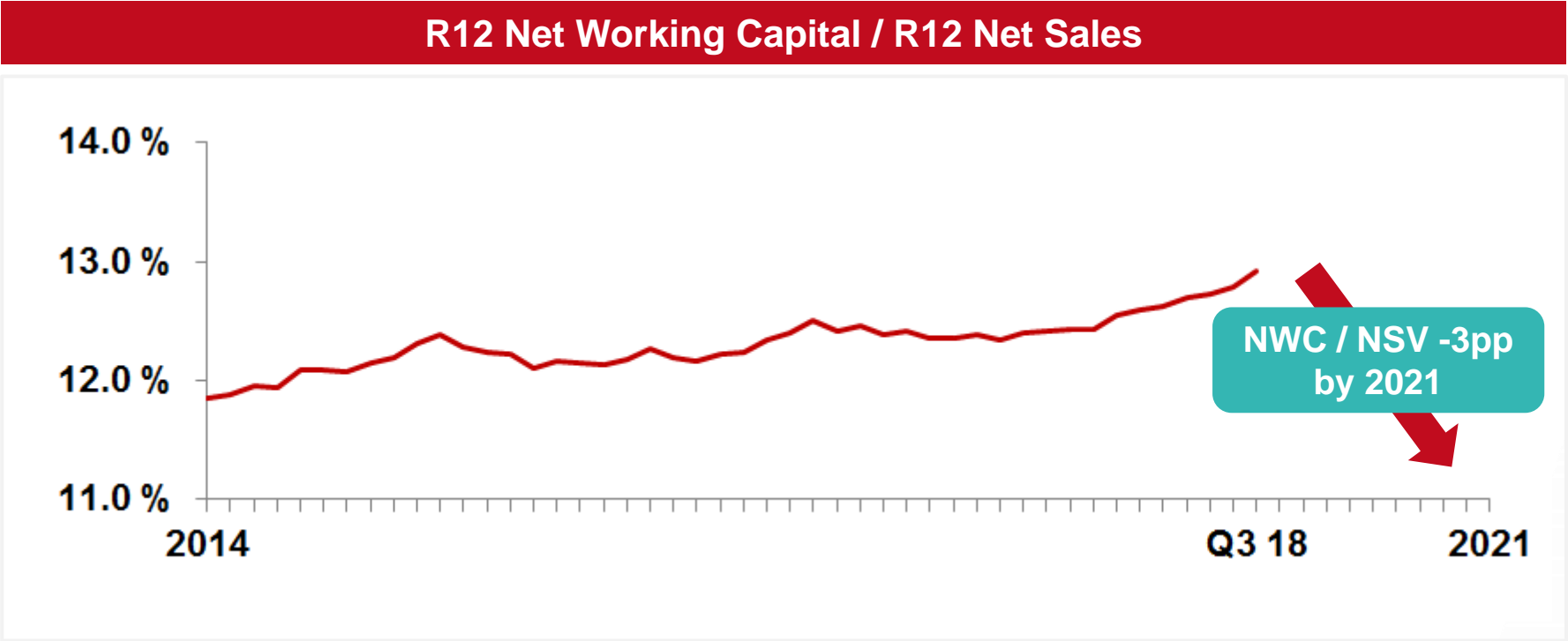
- Improve growth profile
- Local scale & strength
- Reduce complexity

## What to expect

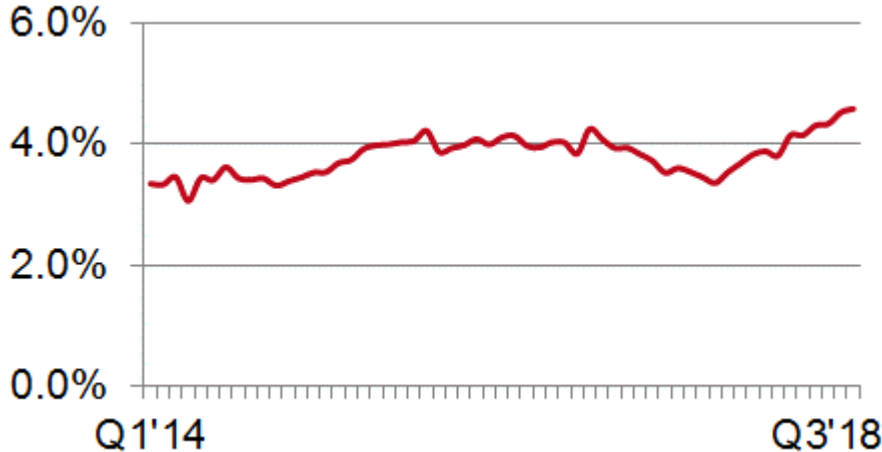
- Existing portfolio: Prioritise profitability over growth short-term
- M&A: Invest for growth remains #1 capital allocation priority
- Exits: Selective exits



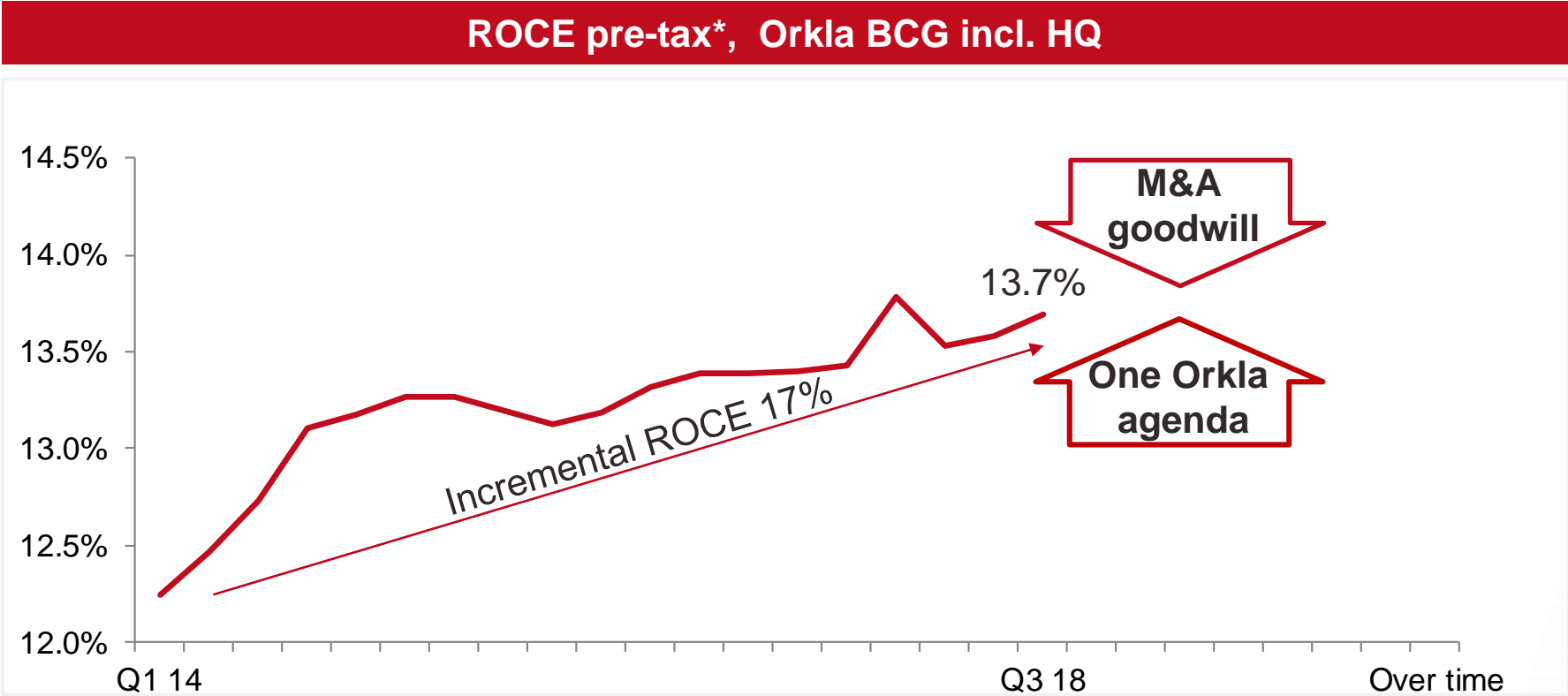
# Step change improvement in working capital efficiency



# ERP & restructuring investments inflate capex next 3-4yrs

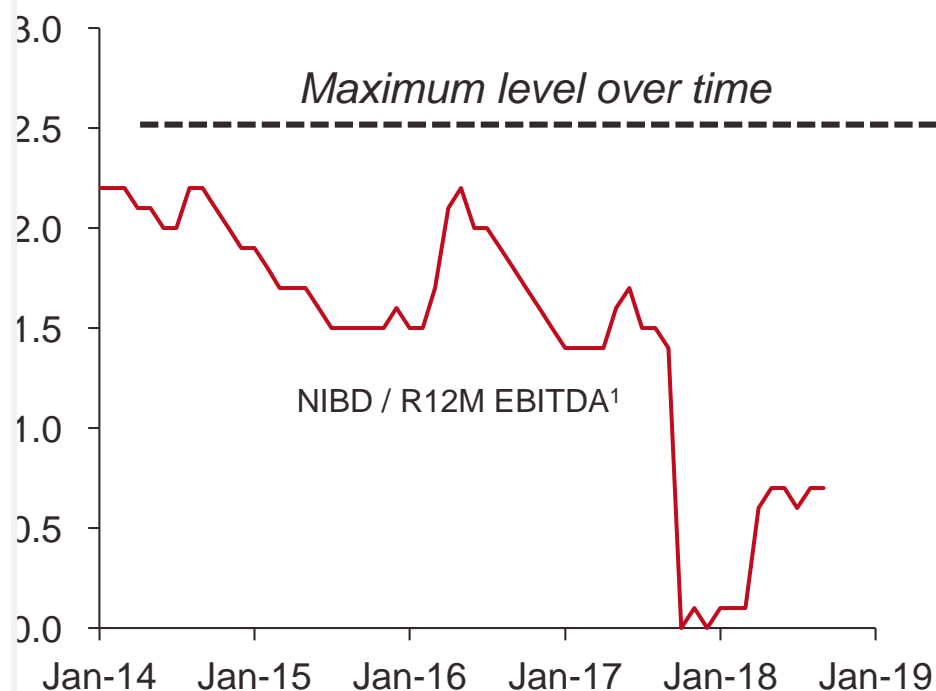
Total R12 capex / R12 Net sales	Comment																																								
 <table border="1"><caption>Estimated data for Total R12 capex / R12 Net sales</caption><thead><tr><th>Quarter</th><th>Ratio (%)</th></tr></thead><tbody><tr><td>Q1'14</td><td>3.2</td></tr><tr><td>Q2'14</td><td>3.0</td></tr><tr><td>Q3'14</td><td>3.2</td></tr><tr><td>Q4'14</td><td>3.4</td></tr><tr><td>Q1'15</td><td>3.2</td></tr><tr><td>Q2'15</td><td>3.4</td></tr><tr><td>Q3'15</td><td>3.6</td></tr><tr><td>Q4'15</td><td>3.8</td></tr><tr><td>Q1'16</td><td>4.0</td></tr><tr><td>Q2'16</td><td>4.2</td></tr><tr><td>Q3'16</td><td>4.0</td></tr><tr><td>Q4'16</td><td>4.2</td></tr><tr><td>Q1'17</td><td>4.0</td></tr><tr><td>Q2'17</td><td>4.2</td></tr><tr><td>Q3'17</td><td>3.8</td></tr><tr><td>Q4'17</td><td>3.5</td></tr><tr><td>Q1'18</td><td>3.8</td></tr><tr><td>Q2'18</td><td>4.2</td></tr><tr><td>Q3'18</td><td>4.5</td></tr></tbody></table>	Quarter	Ratio (%)	Q1'14	3.2	Q2'14	3.0	Q3'14	3.2	Q4'14	3.4	Q1'15	3.2	Q2'15	3.4	Q3'15	3.6	Q4'15	3.8	Q1'16	4.0	Q2'16	4.2	Q3'16	4.0	Q4'16	4.2	Q1'17	4.0	Q2'17	4.2	Q3'17	3.8	Q4'17	3.5	Q1'18	3.8	Q2'18	4.2	Q3'18	4.5	<ul style="list-style-type: none"><li>• Replacement capex historically in line with depreciation at ~3%</li><li>• Factory footprint inflates capex short term with longer term efficiency</li><li>• 1 ERP requires front loaded capex</li><li>• Capex temporarily increasing to 4-6% of NSV next 3-4 years</li></ul>
Quarter	Ratio (%)																																								
Q1'14	3.2																																								
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# We have increased returns even with high M&A activity



# We will continue to allocate excess capital to M&A and One Orkla initiatives

## Retain investment grade



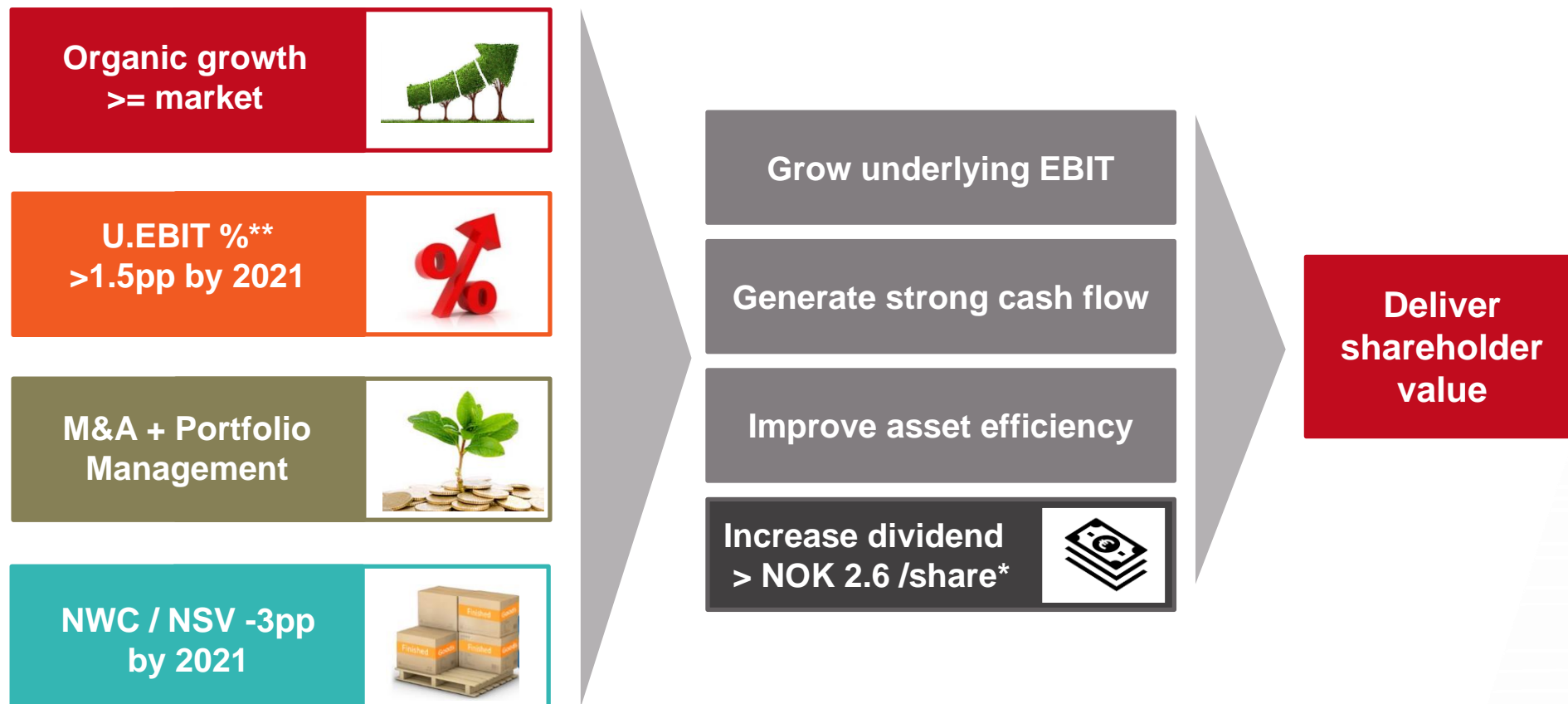
## Prioritised use of capital

- Switching to long term dividend growth policy above > NOK 2.60 per share<sup>2</sup>
- Maintain firm investment grade credit quality
  - Net interest bearing debt shall not exceed 2.5x EBITDA over time
- #1 priority for excess capital is strategically attractive M&A and One Orkla initiatives
- Total of NOK ~20 bn returned to shareholders since 2014
- Total shareholder return of 94% since 2014

1. Net interest bearing debt / rolling 12 month EBITDA (pro forma adjusted). EBITDA from consolidated business.

2. Normally within 50-70% EPS payout ratio

# We continue to create shareholder value – by improving returns on our existing business and by actively managing our portfolio



## Changes to external reporting from 2019

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- Branded Consumer Goods including HQ new reporting unit
- Disclose development in Underlying EBIT margin for BCG incl. HQ which is applicable for the margin improvement target of >1.5pp by 2021
- Disclose development in Underlying EBIT for BCG incl. HQ
- Disclose R12 development in Net Working Capital



*Your friend in  
everyday life*





# Contact us

**Thomas Ljungqvist**  
*SVP Investor Relations*

Tel.: +47 48 25 96 18  
Email: [thomas.ljungqvist@orkla.no](mailto:thomas.ljungqvist@orkla.no)



**Elise Andersen Heidenreich**  
*IR & Communications Manager*

Tel.: +47 951 41 147  
Email: [elise.andersen.heidenreich@orkla.no](mailto:elise.andersen.heidenreich@orkla.no)



**Jens Bjørn Staff**  
*Executive Vice President and Chief Financial Officer (CFO)*

Tel.: + 47 22 54 40 00  
Email: [jens.staff@orkla.no](mailto:jens.staff@orkla.no)



