Fourth quarter results 2018

6 February 2019

Peter A. Ruzicka, President & CEO

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Highlights 2018:
2018 has been a demanding year

- Organic sales progress with growth in Foods and Food Ingredients
- Weak performance in Health Poland and House Care UK addressed and set to improve during 2019
- Good sales growth in Confectionery & Snacks in Sweden, Finland and Denmark, but progress in Norway impacted by sugar tax and loss of Wrigley distribution
- Ongoing efficiency programme delivering as planned
- Creating market leading position in Finnish pizza category and out of home market through acquisition of #1 brand Kotipizza
- EPS from continuing operations NOK 3.24. The Board intends to propose a dividend of NOK 2.60 per share

Issues in Health Poland and House Care UK addressed and set to improve during 2019

Orkla HPC

Orkla Health

Orkla House Care

Other areas

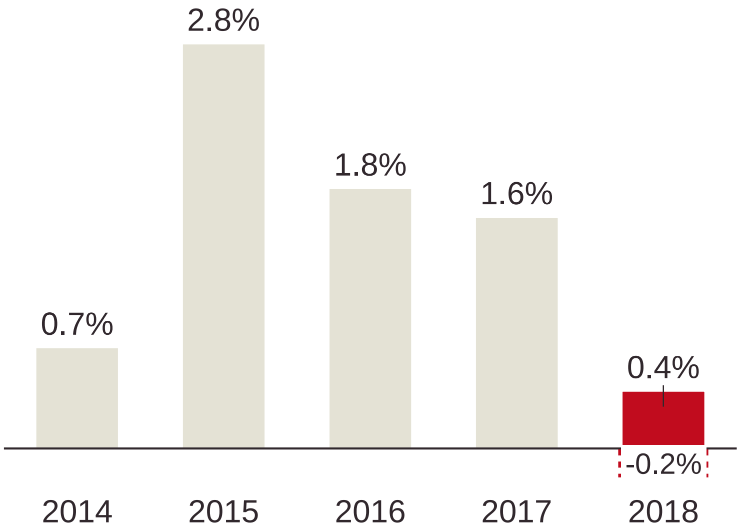
- Destocking at largest wholesalers in Health Poland
  - Limited impact on sales to consumer and market shares stable
  - Expected to improve during 2019
- UK turnaround ongoing with positive momentum, EBIT bottoming out in Q4
  - Expect gradual improvement in 2019, but continued drag on top line for several quarters
- Good momentum across other Care businesses

Orkla

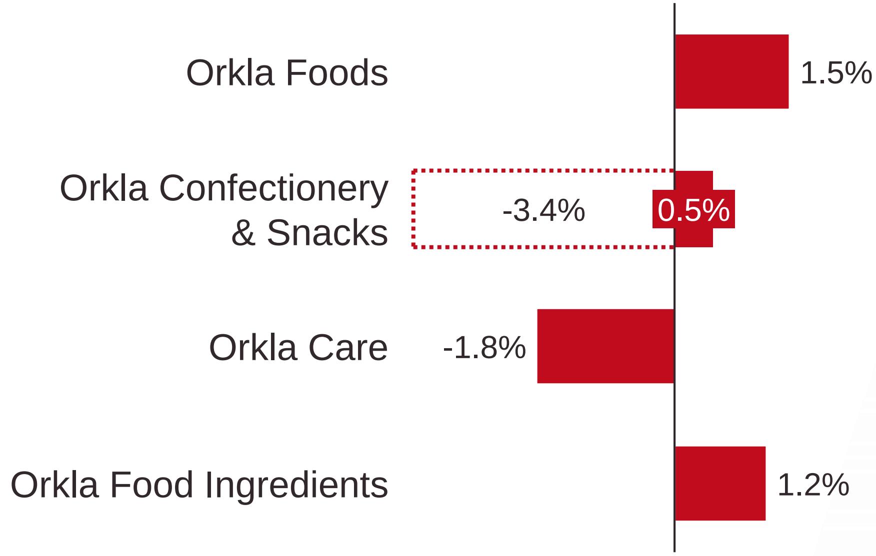
Branded Consumer Goods 2018:

Growth momentum hampered by temporary impact of sugar-tax and challenges in Health Poland and House Care UK

Organic growth for Branded Consumer Goods



Organic growth 2018 by business area



Organic growth including loss of Confectionery & Snacks distribution business

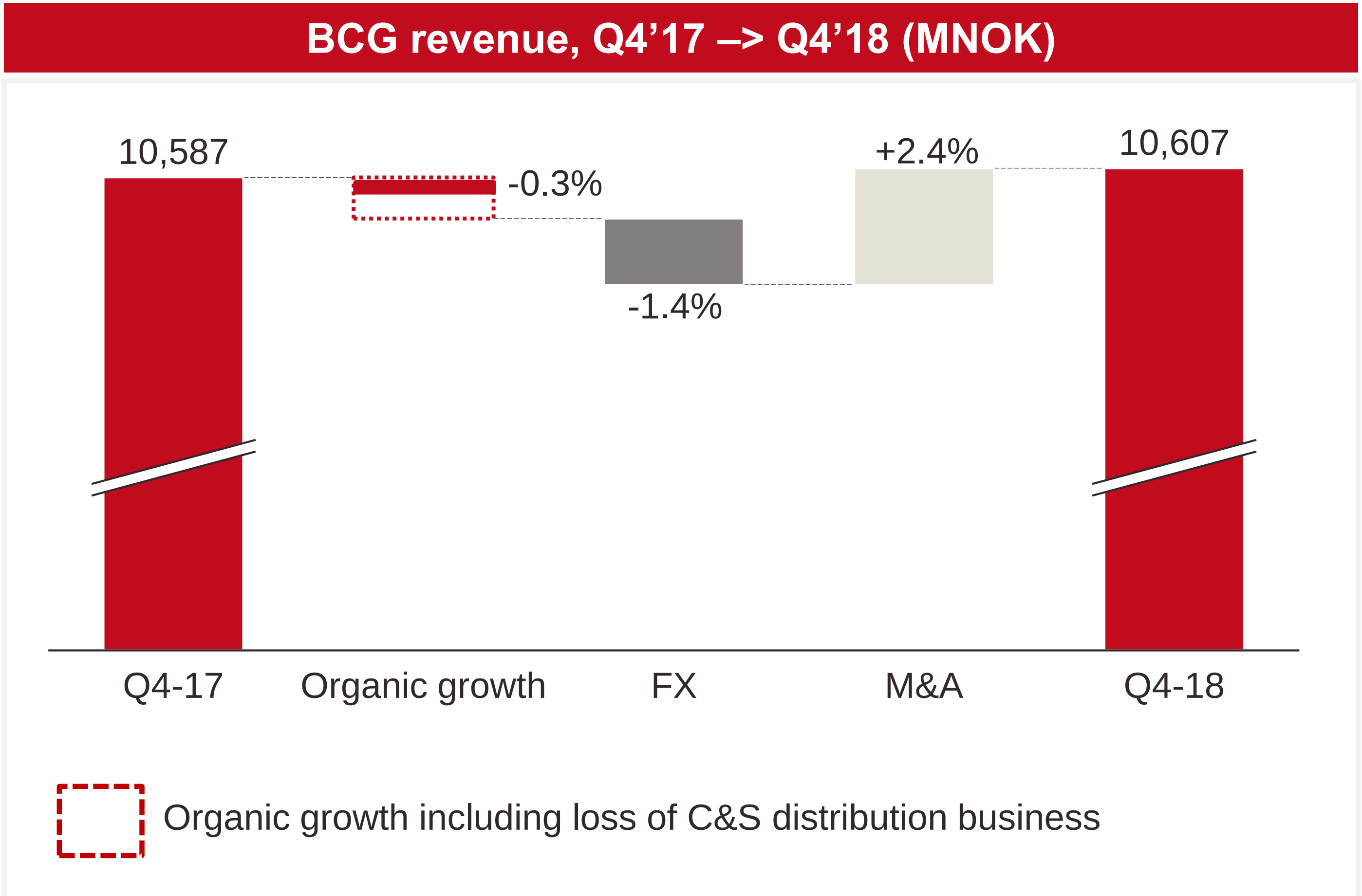
 All Alternative Performance Measures (APM) are presented in the appendix

Financial performance

Jens Bjørn Staff, CFO

Branded Consumer Goods Q4-18:

Growth momentum overshadowed by changed sugar tax in Norway and decline in Orkla Health

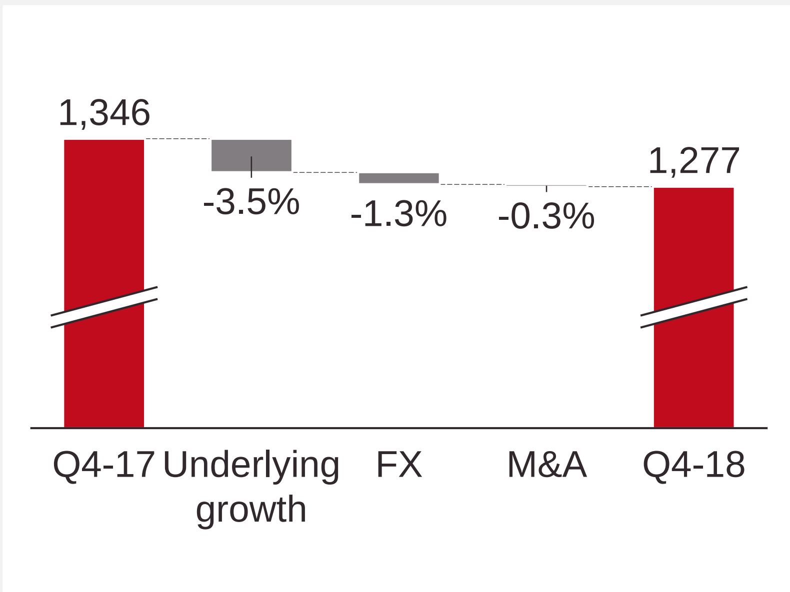


Amounts in NOK million

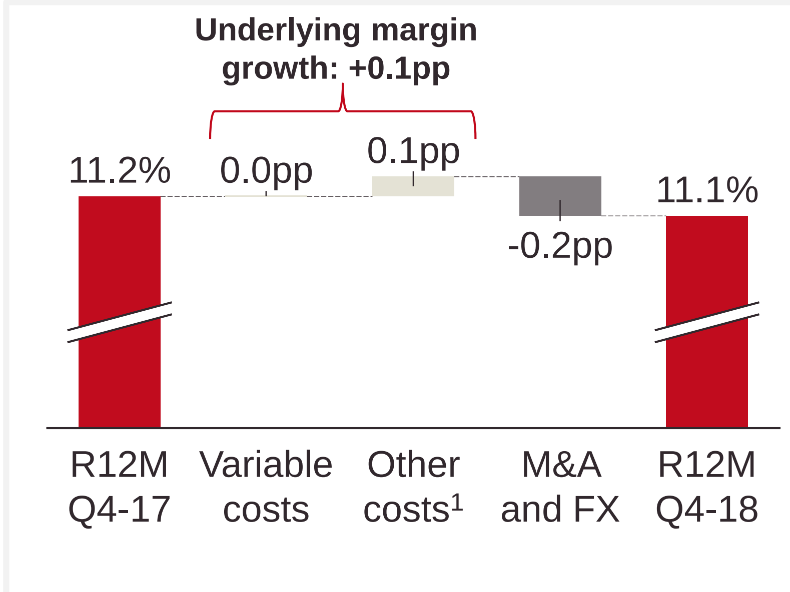
Branded Consumer Goods incl. HQ:

Weak quarter caused by drop in Orkla Health in Poland and Foods Norway

∆ Q4 U.EBIT (adj.), MNOK



∆ R12M U.EBIT (adj.) margin



Note: Figures may not add up due to rounding-off

[1]Other costs include fixed production costs, SG&A and advertising

Orkla Foods

Broad top line growth. Exits and factory-related costs impacted EBIT

	Q4-18	YTD Q4-18
Revenues	**4 366**	**16 000**
Organic growth	***2.7%***	***1.5%***
EBIT (adj.)	**651**	**2 048**
EBIT(adj.) growth	***-5.5%***	***-0.3%***
EBIT(adj.) margin	**14.9%**	**12.8%**
Change vs LY	***-0.8%-p***	***0.1%-p***

- Good organic growth across most markets
- Continued negative impact on input cost from weak SEK
- Profit and margins negatively affected by divestments and factory-related projects

 Revenues and EBIT (adj.) figures in NOK million

Orkla Confectionery & Snacks

Phasing effects between 18/19 in Norway hampered growth

	Q4-18	YTD Q4-18
Revenues	**1 840**	**6 246**
Organic growth	***-4.5%***	***-3.4%***
Adj. for Wrigley	***-1.2%***	***0.5%***
EBIT (adj.)	**370**	**1 006**
EBIT(adj.) growth	***-6.3%***	***-3.7%***
EBIT(adj.) margin	**20.1%**	**16.1%**
Change vs LY	***-0.2%-p***	***-0.1%-p***

- Sugar tax and Wrigley continued to weigh on Norwegian business
- Destocking effect in Q4 in Norway, volumes improving in January
- Continued positive effects from cost improvement programmes

 Revenues and EBIT (adj.) figures in NOK million

Orkla Care

Actions implemented to turn around performance in Poland and UK

	Q4-18	YTD-18
Revenues	**1 994**	**8 075**
Organic growth	***-5.2%***	***-1.8%***
EBIT (adj.)	**208**	**1 084**
EBIT(adj.) growth	***-8.4%***	***0.9%***
EBIT(adj.) margin	**10.4%**	**13.4%**
Change vs LY	***-1.4%-p***	***-1.0%-p***

- Growth hampered by weak performance in Health, primarily in Poland
- Good performance in Home & Personal Care, Wound Care & Pierre Robert
- EBIT (adj.) margin impacted by decline in Health Poland and dilutive effects of M&A

 Revenues and EBIT (adj.) figures in NOK million

Orkla Food Ingredients

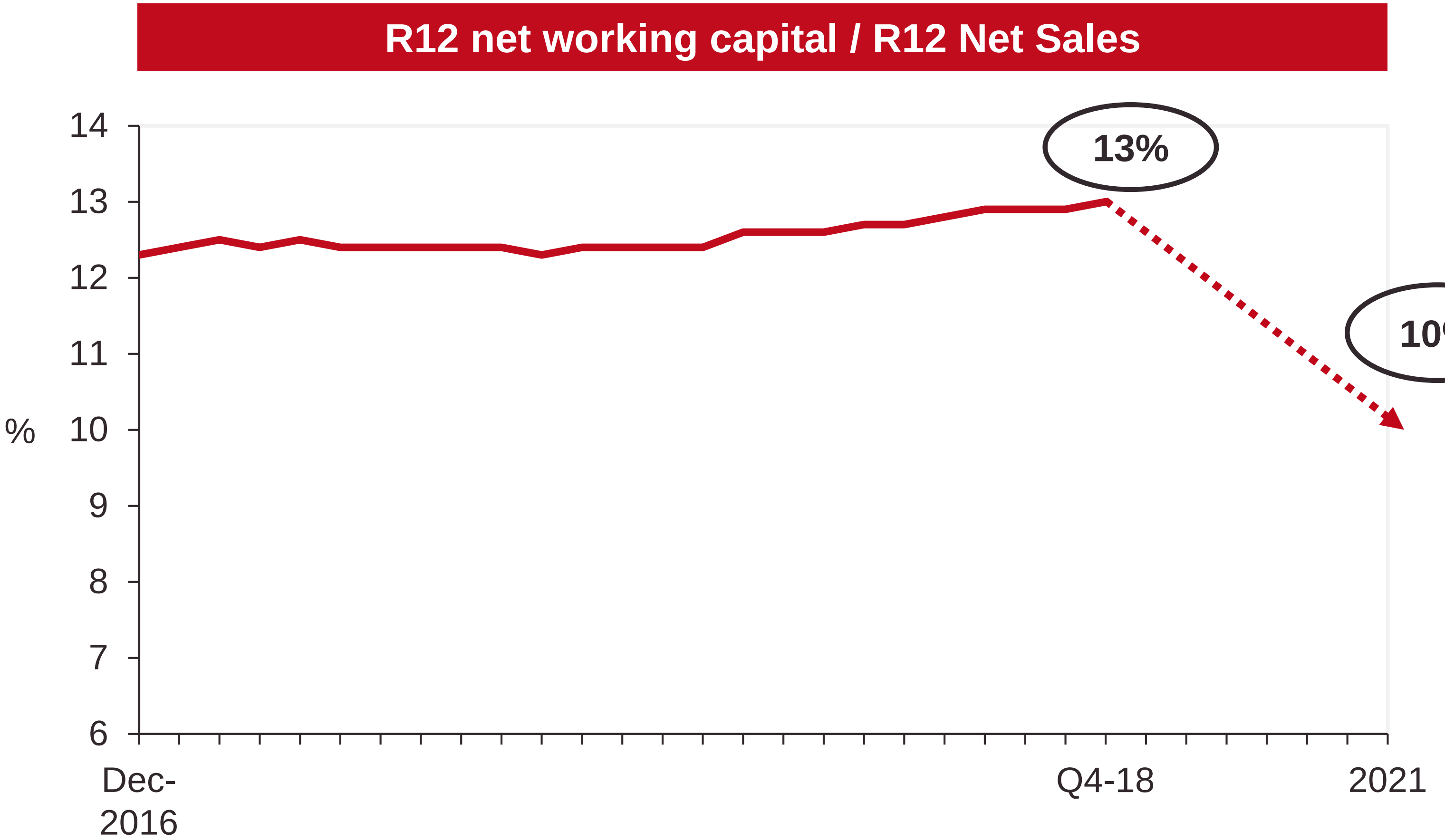
Solid EBIT (adj.) growth of 9% in the quarter, margins improving

	Q4-18	YTD Q4-18
Revenues	**2 486**	**9 562**
Organic growth	***-0.9%***	***1.2%***
EBIT (adj.)	**140**	**533**
EBIT (adj.) growth	***9.4%***	***13.6%***
EBIT (adj.) margin	**5.6%**	**5.6%**
Change vs LY	***0.3%-p***	***0.2%-p***

- Improvement projects and turnaround cases contributed positively
- Actions to improve margins produce results
- Continued good growth in vegan portfolio

 Revenues and EBIT (adj.) figures in NOK million

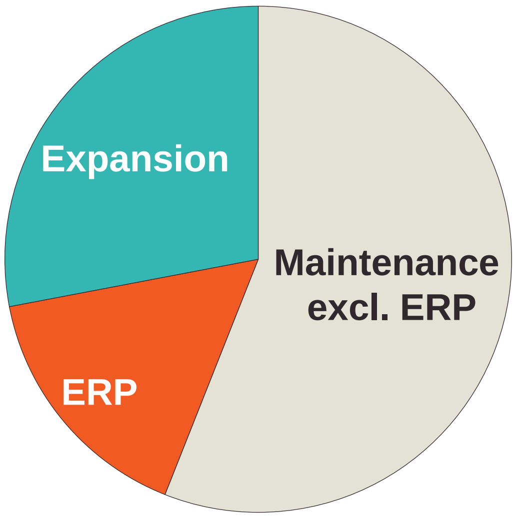
Targeting step change in net working capital efficiency



 Figures include Orkla's Branded Consumer Goods businesses including HQ

Capex levels in 2018 reflect ongoing ERP investments and large expansion investments

Capex split 2018



Run rate maintenance level ~3% of NSV

- Maintenance capex of close to 3% in 2018
  - Overall level in line with previous years
- Total 2018 capex level of ~5% of NSV driven by ongoing ERP projects and large expansion projects
  - Upgrade and expansion of pizza factory at Stranda
- Capex next 3-4 years range 4-6% of NSV

 Capex – BCG, incl. HQ

Jotun (42.6%)

Continued sales growth and stabilising raw material prices

	Q4-18	Q4-17
Operating income	4,337	3,965
Change vs LY	*9%*	
Operating profit	85	-31
Change vs LY	*N/A*	

Comments

- Continued growth in operating revenues
  - Good growth in Decorative Paints and strong improvement in Protective Coatings
  - Marine Coatings is improving, but still affected by cyclical downturn in shipping
- Gross margin decline has levelled off, expected to gradually improve going forward

 Financial figures in NOK million

Significant non-recurring items in Q4 affecting pre-tax earnings and EPS

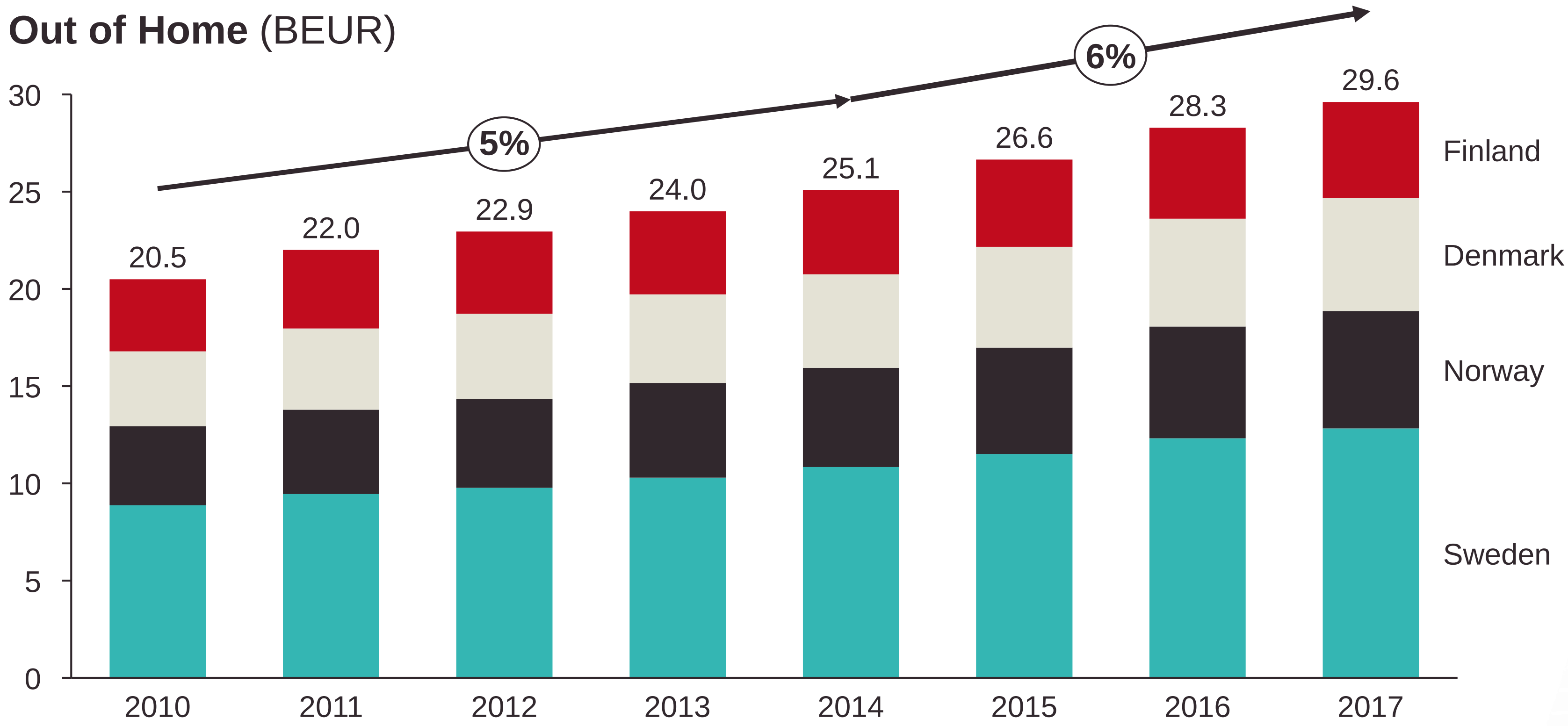
Key figures	Q4-18	Δ LY	FY-18	Δ LY
Operating revenues	10,983	+1%	40,837	+3%
EBIT (adj.) BCG	1,369	-5%	4,671	+1%
EBIT (adj.) HQ	-92	+1%	-284	+14%
EBIT (adj.) BCG incl. HQ	**1,277**	**-5%**	**4,387**	**+2%**
EBIT (adj.) Orkla Investments	131	+35%	390	+20%
Other income and expenses	-296		-482	
EBIT	**1,112**	**-23%**	**4,295**	**-3%**
Profit from associates	-43	+45%	264	-16%
Net interest and other financial items	-52		-201	
Profit before tax	**1,017**	**-22%**	**4,358**	**-5%**
Taxes	-271		-1,004	
Profit after tax	**746**	**-25%**	**3,354**	**-7%**
Earnings per share cont. operations (NOK)	**0.74**	**-23%**	**3.24**	**-6%**

 Amounts in NOK million

Out of Home / Kotipizza

Peter A. Ruzicka, President & CEO

Consistent high growth in the Nordic Out of Home market



Note: Out of Home definition based on national statistics definition. Can vary across the different countries
Source: Orkla analysis, SSB, SCB, Statistikbanken, StatFin, Euromonitor

Differentiated strategy for Out of Home consumption

Orkla Out of Home strategy

Orkla with long history as a supplier of products and customer oriented solutions to the Out of Home channel

Orkla

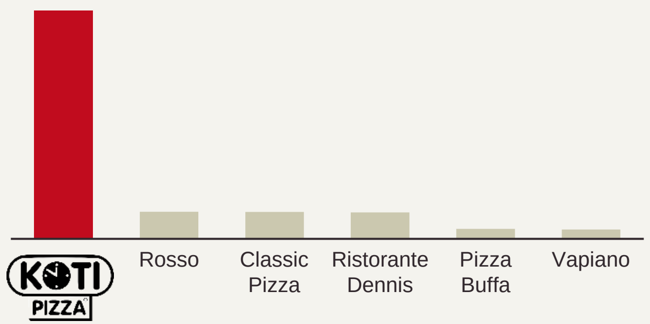
Kotipizza is the leading Finnish pizza brand

Finnish pizza market

Out of Home

Out of Home ~80%

2017 RSV, EURm



Retail

Chilled & components ~8%

Frozen ~12%

Orkla GRANDIOSA

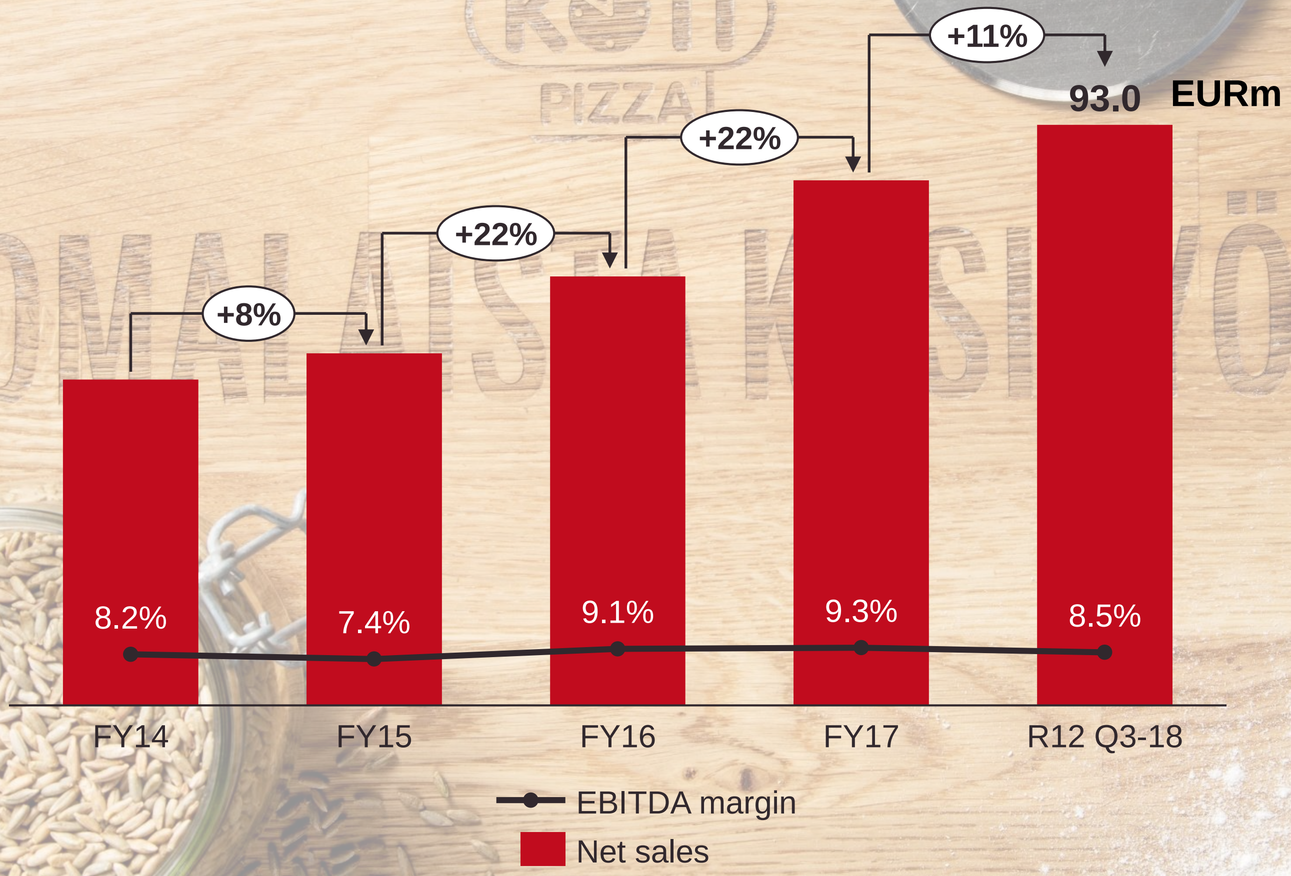
KOTI PIZZA

- Largest brand in pizza – ~20% market share
- Award-winning world-class taste
- Ideal for all occasions – eat-in, take-away, delivery, on-the-go
- Integrated and scalable business model

Kotipizza makes Orkla the clear leader within pizza in Finland

 Source: Orkla analysis, Company financials, Euromonitor

An integrated Out of Home player with proven track record



Value creation along three main dimensions

1 Continue strong growth and value creation in Foodstock and Kotipizza together with our franchisees

2 Realize potential in promising fast casual portfolio for Kotipizza Group and the franchisees

3 Realize top and bottom-line synergies with Orkla building on strong brand position and Orkla's value chain within the pizza category

Orkla

Closing remarks

Peter A. Ruzicka, President & CEO

2018 has been a demanding year

Key takeaways	Outlook
• Good growth in Foods and Food Ingredients • Weak performance in Health and House Care UK addressed • Confectionery & Snacks in Norway impacted by sugar tax and loss of Wrigley distribution • Ongoing efficiency programme delivering as planned • Creating market leading position in Finnish pizza category and out of home market with Kotipizza • EPS from continuing operations NOK 3.24 • The Board intends to propose a dividend of NOK 2.60 per share	• Stable, moderate growth across our markets • Increase in Norwegian sugar tax reversed from 1 Jan 2019 • Challenges in Health Poland and House Care UK addressed and expected to improve during 2019 • Brexit uncertainty an inherent risk for Orkla's business in and with UK • Kotipizza consolidated from 1 Feb 2019

We continue to grow through strong local brands

Smash! launched in Denmark

Same product – local brand

Smart Living by Nutrilett
A new series of meals full of tasty, natural ingredients and easy to prepare

Jordan Stay Fresh toothpaste

For the first time outside Norway

Q&A

Peter A. Ruzicka, 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. The Group also uses organic growth performance as a factor in assessing executive remuneration for 2018 (paid out in 2019), but this will not apply from 2019.

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. 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)

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 which is considered to be investments in either new geographical markets or new categories, or which represents significant increases in capacity.

Net replacement investments 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 describe the Group's capital structure and financing of operations. Net interest-bearing liabilities are the difference between the Group's interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans and interest-bearing derivatives. Interest-bearing receivables include the Group's interest-bearing current and non-current receivables primarily consisting of derivatives, and the Group's liquid assets.

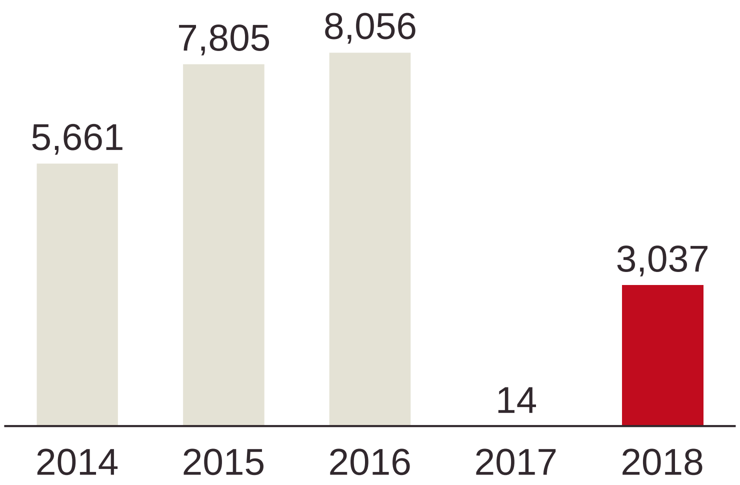
Net interest-bearing liabilities are the Group's primary management parameter for liquid assets, financing and capital allocation, and are actively used in the Group's financial risk management strategy.

Structure (acquired and sold companies)

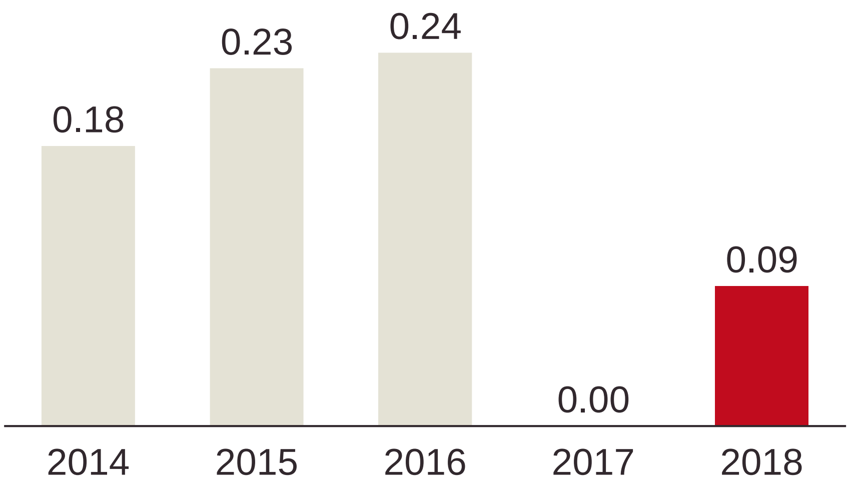
Structural growth includes adjustments for the acquisition of the businesses Agrimex, Struer, Riemann, HSNG, Orchard Valley, SR-Food, Arne B. Corneliussen, Werners, County's and various minor acquisitions in Orkla Food Ingredients, and adjustment for the sale of K-Salat and Mrs. Cheng's.

Strong balance sheet and financial flexibility

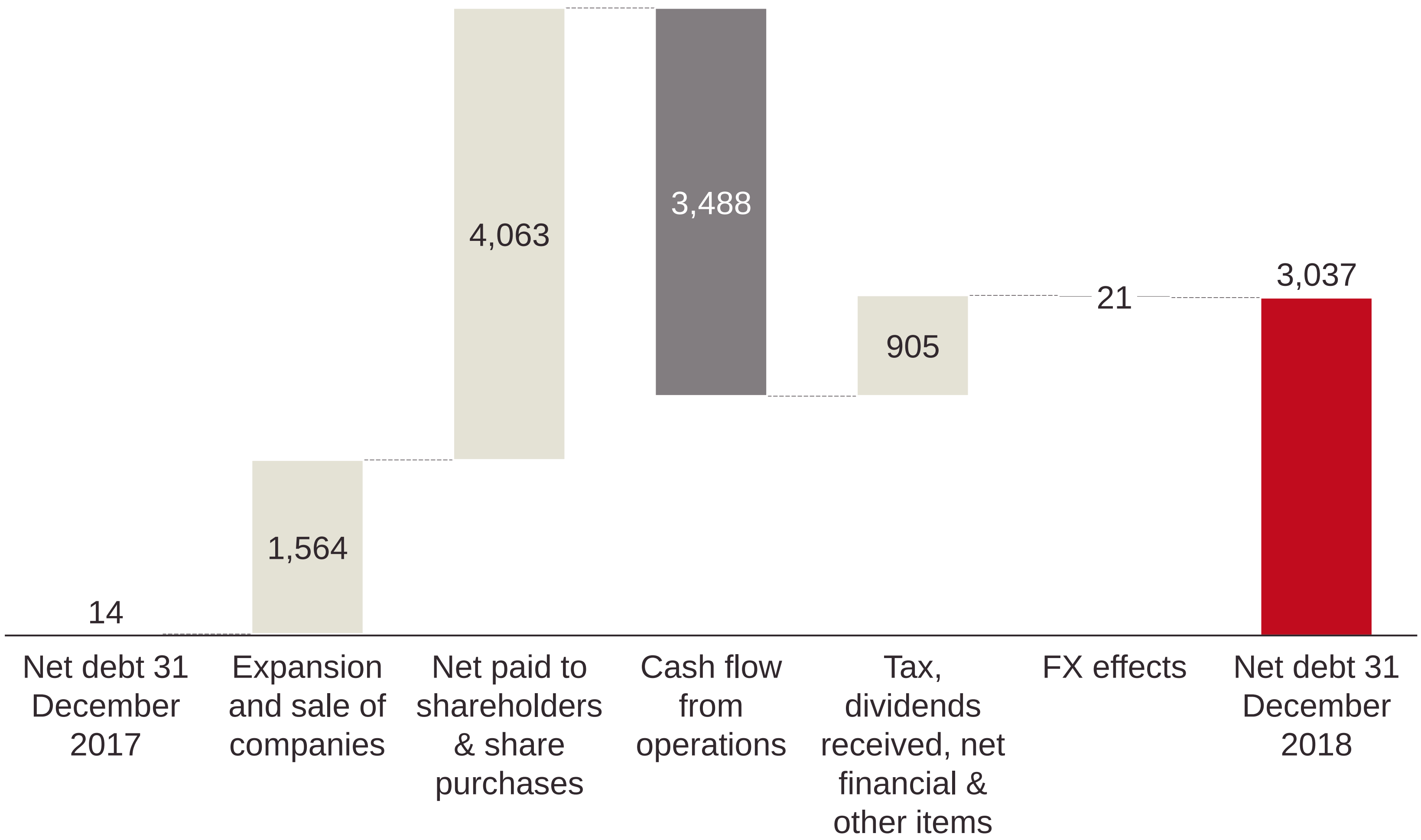
Net interest-bearing liabilities (NOK million)



Net gearing

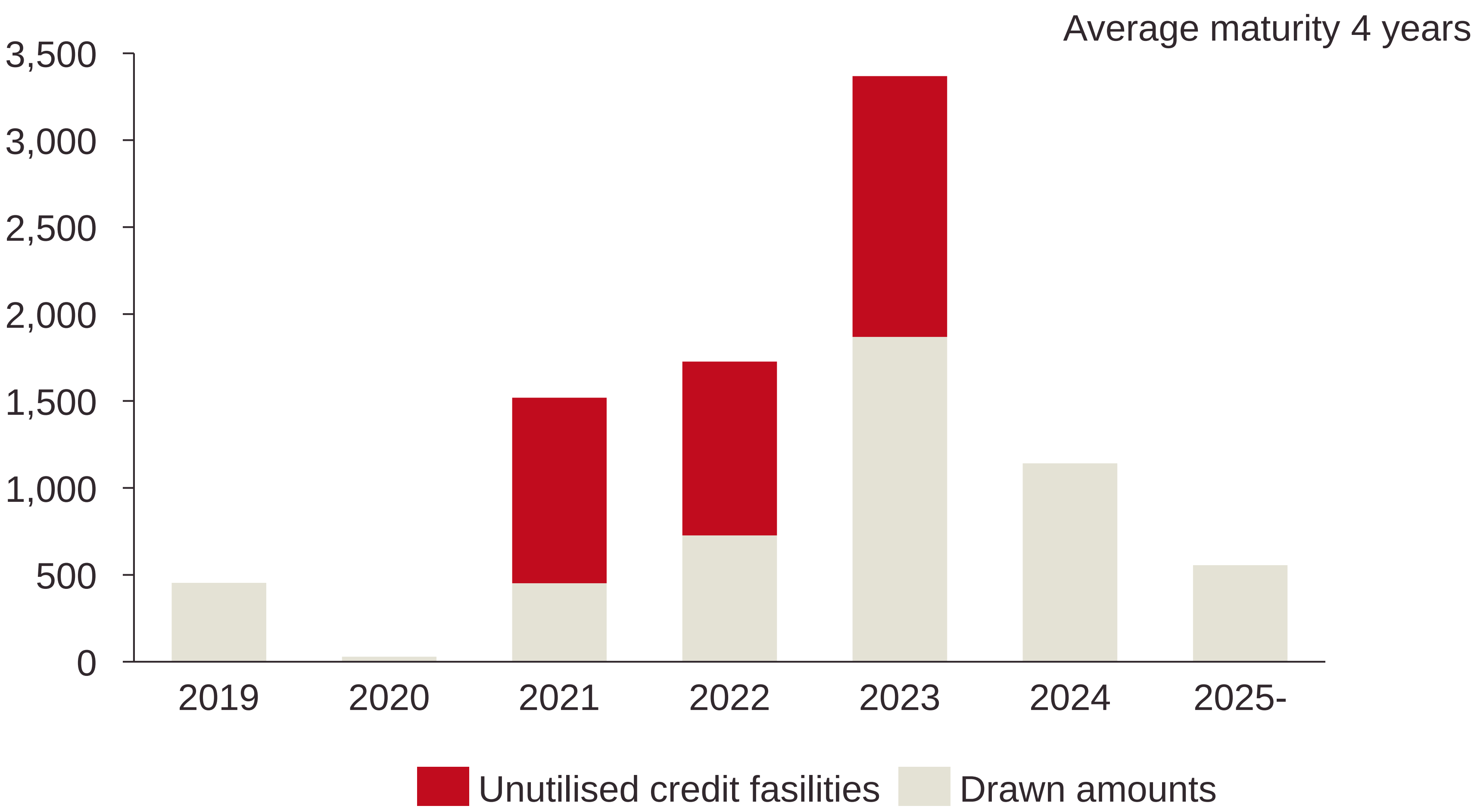


Changes in net debt 2018



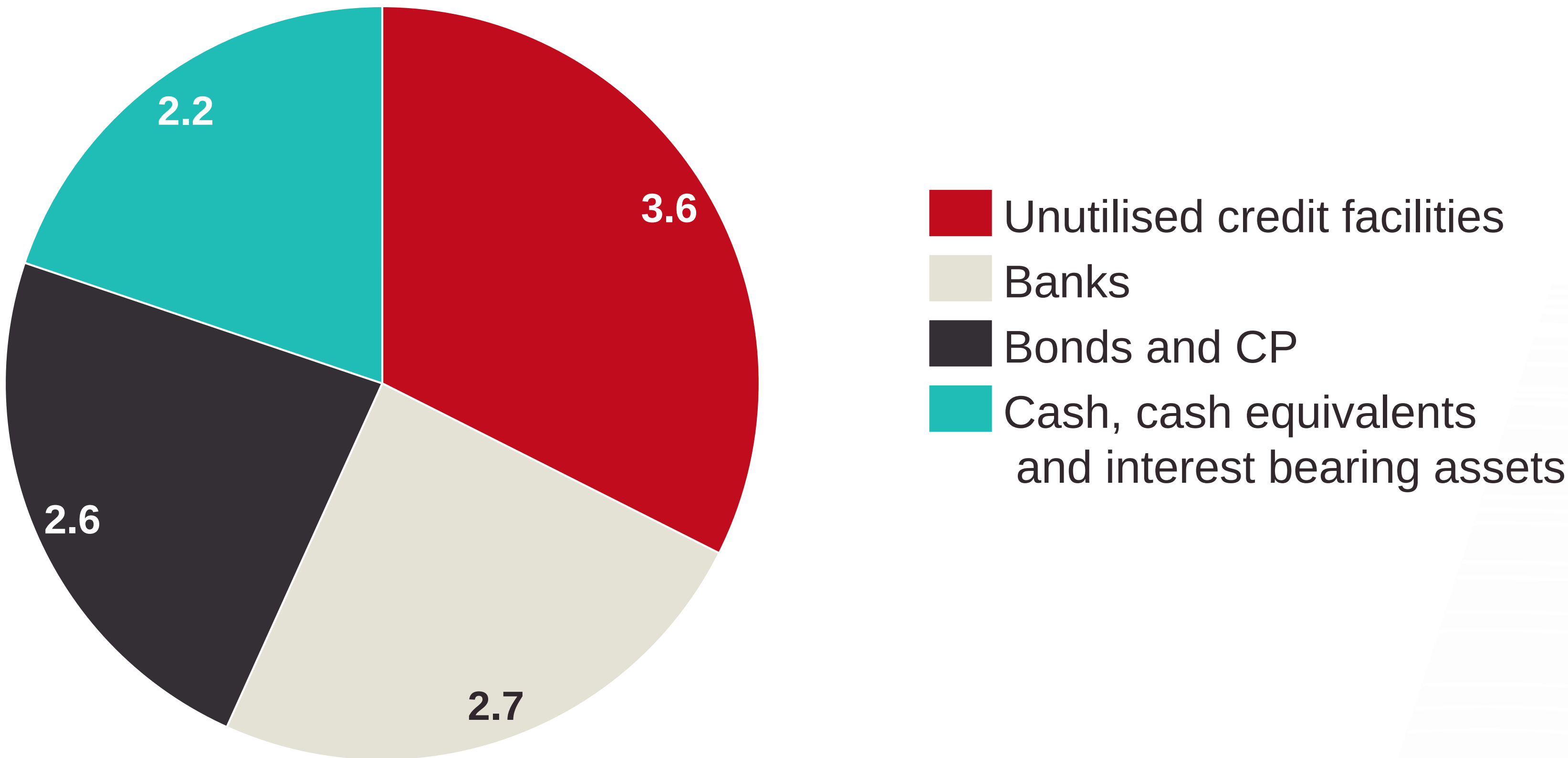
 Amounts in NOK million

Debt maturity profile



 Amounts in NOK million

Funding sources



 Amounts in NOK billion

Update on Kotipizza tender offer

- Orkla currently owns approx. 99% of the shares in Kotipizza
  - Tender offer completed on 17 January 2019
- Squeeze-out process initiated
  - Title to all shares expected by end of June 2019
  - Delisting from Nasdaq Helsinki can then take place
- EGM to be held 12 February 2019
  - New board of directors will be elected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