



## Second quarter results 2018

13 July 2018

Peter A. Ruzicka, President & CEO



## Highlights Q2-18:

### Profit improvement in Branded Consumer Goods

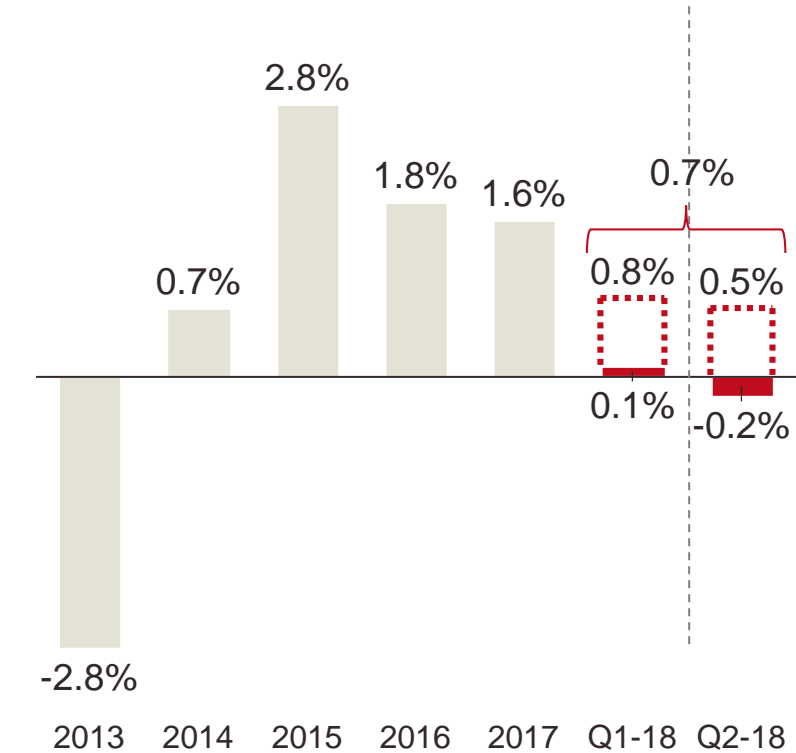
- Good growth across our Finnish and CEE based businesses, and strong recovery in ice cream ingredients following a weak first quarter
- Low campaign activity and sugar tax related volume decline in Norway
- Underlying EBIT (adj.) margin for BCG improved in Q2
- EPS from continuing operations NOK 0.82 in Q2, up 9% from previous year
- Changes in Executive Management team to increase emphasis on strategic priorities



Branded Consumer Goods YTD 2018:

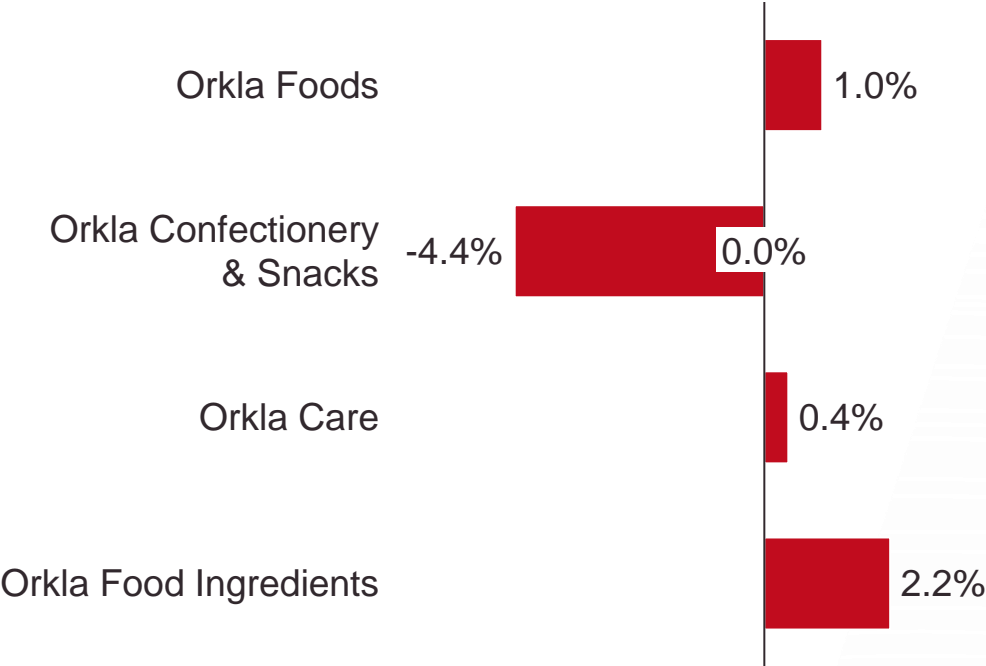
Good growth in Food Ingredients offset by lower campaign activity and impact from increased sugar tax

BCG organic growth



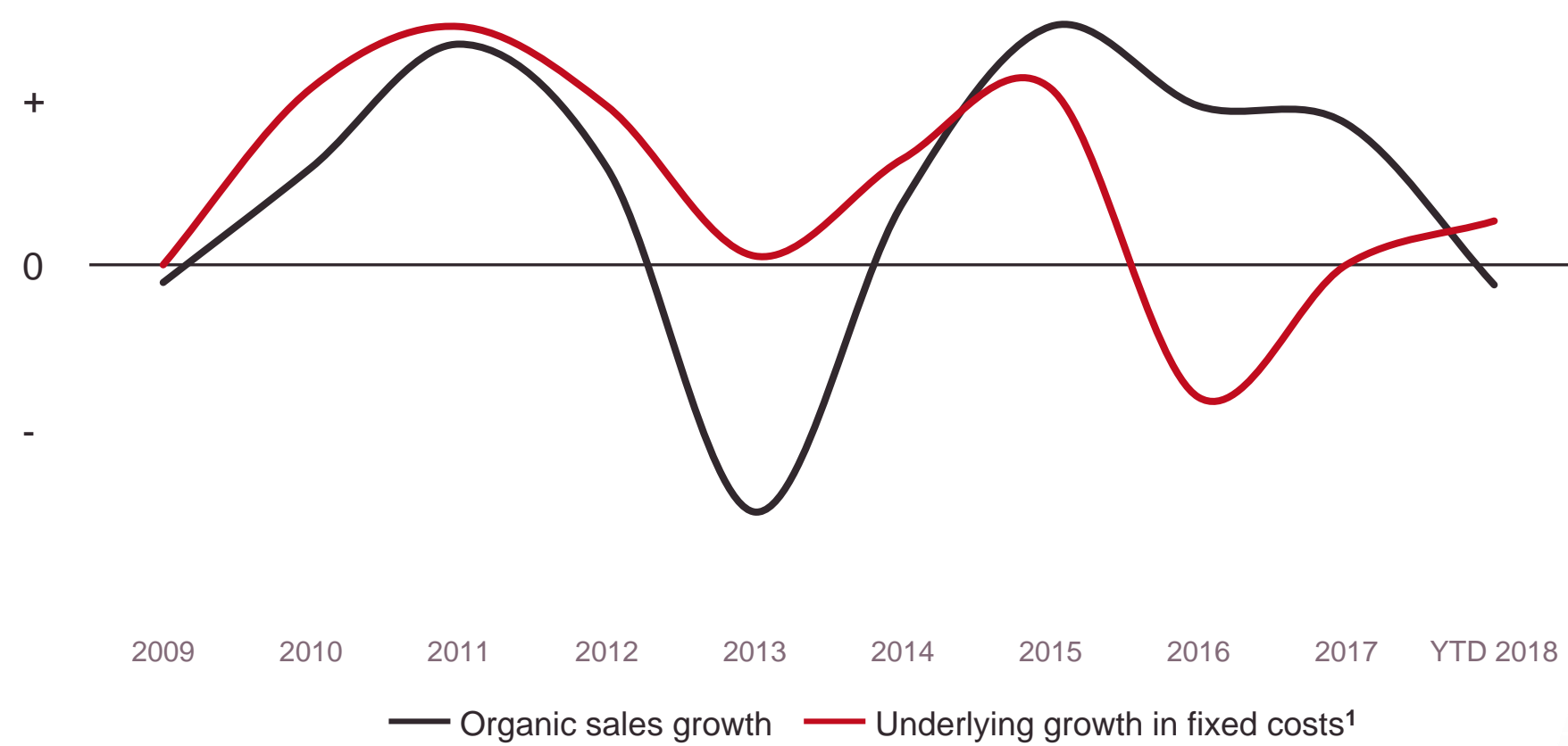
 Organic Growth adjusted for loss of C&S distribution business

Organic growth Q2-18 YTD by business area



Branded Consumer Goods YTD 2018:

**Weaker sales combined with growth investments led to negative gap**



4 <sup>1</sup>Fixed cost excludes A&P and Depreciation

# Changes in Orkla's Group Executive Board

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As from 1 October 2018, the Group Executive Board will consist of the following members:

**Peter A. Ruzicka** will continue in his position as President & CEO

**Jens B. Staff** will continue in his position as CFO

**Karl Otto Tveter**, (today: EVP Group Functions): EVP Strategy, Development & New Growth Areas

**Atle Vidar Nagel Johansen**, (today: CEO Orkla Foods): EVP Supply Chain

**Christer Grönberg**, (today: EVP HR): EVP Group Functions

**Håkon Mageli** will continue in his position as Group Director Corporate Communications and Corporate Affairs

**Ann-Beth Freuchen**, (today: CEO Orkla Confectionery & Snacks): CEO Orkla Foods (Nordics and Baltics)

**Johan Wilhelmsson**, (today: CEO Orkla Foods Central Europe and the Baltics): CEO Orkla Foods (International)

**Stig Ebert Nilssen** will continue in his position as CEO Orkla Care

**Johan Clarin**, (today: EVP Operations): CEO Orkla Food Ingredients

The process of recruiting the CEO Confectionery & Snacks has begun

**Terje Andersen**, (today: CEO Orkla Investments): will withdraw from Orkla's Group Executive Board and will retain responsibility for Orkla's Real Estate and Hydro Power businesses.



## Financial performance

Jens Bjørn Staff, CFO

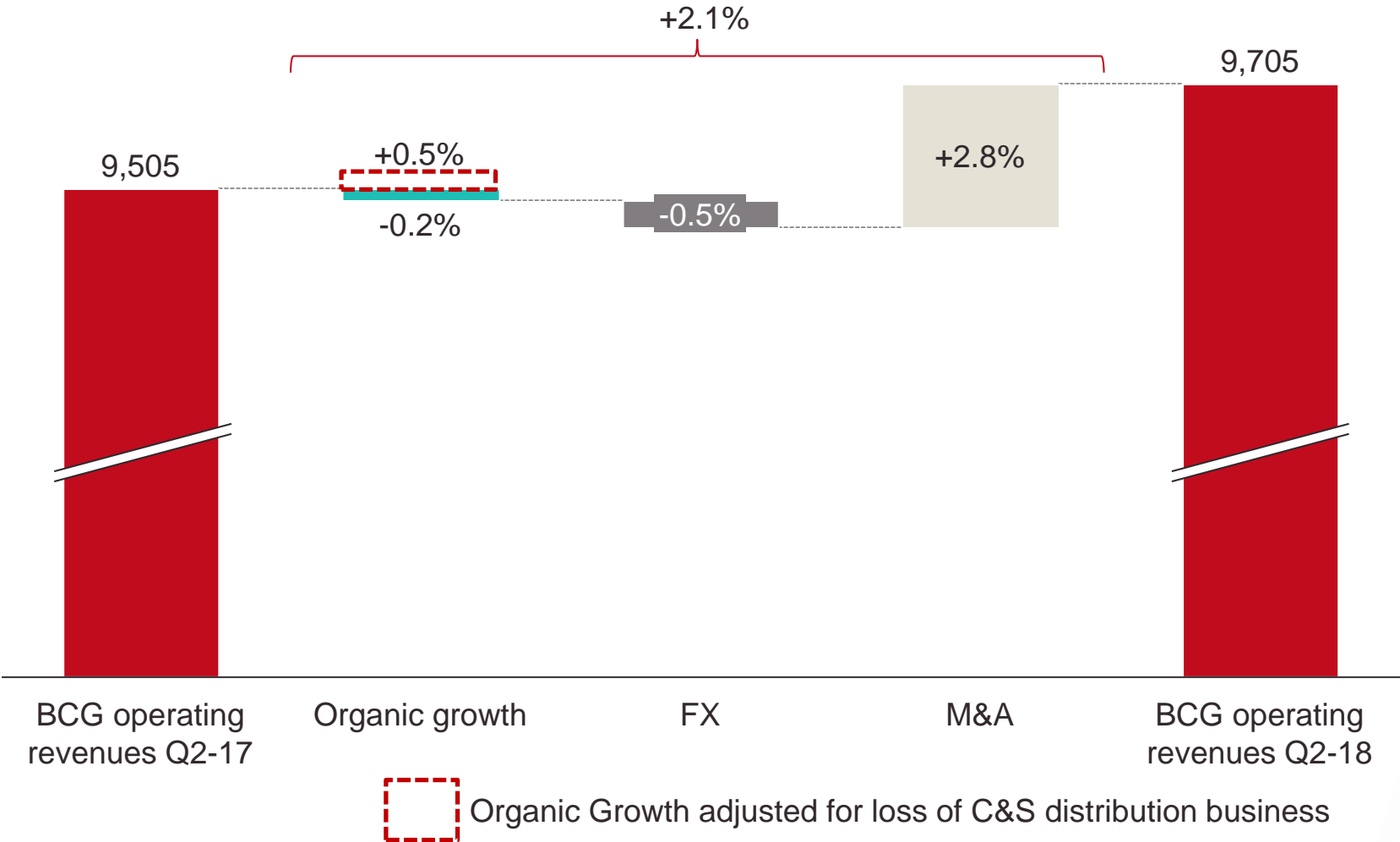




## 9% growth in Group EBIT (adj.)

Key figures	Q2-18	Q2 Δvs LY
Operating revenues	10,017	+3%
EBIT (adj.) BCG	1,050	+3%
EBIT (adj.) Orkla Investments	111	+50%
EBIT (adj.) HQ/Other business	-42	+35%
<b>EBIT (adj.)</b>	<b>1,119</b>	<b>+9%</b>
Other income and expenses	-97	
<b>EBIT</b>	<b>1,022</b>	<b>+12%</b>
Profit from associates	105	-9%
Net interest and other financial items	-36	
<b>Profit before tax</b>	<b>1,091</b>	<b>+13%</b>
Taxes	-234	
<b>Earnings per share cont. operations (NOK)</b>	<b>0.82</b>	<b>+9%</b>

Branded Consumer Goods Q2-18:  
Revenue growth driven by M&A

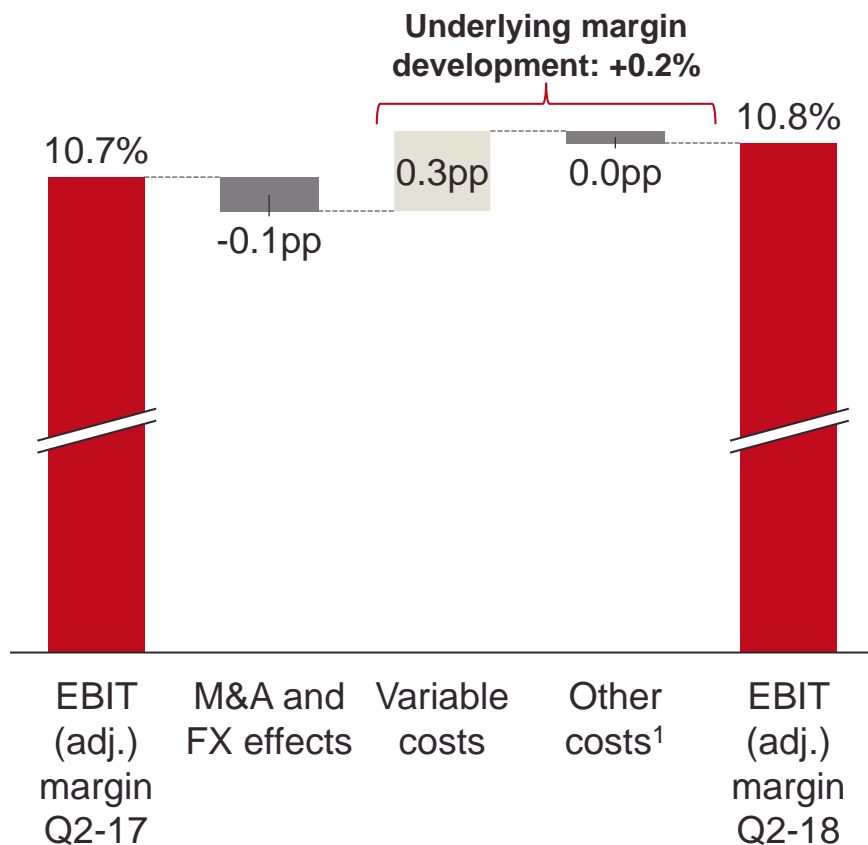




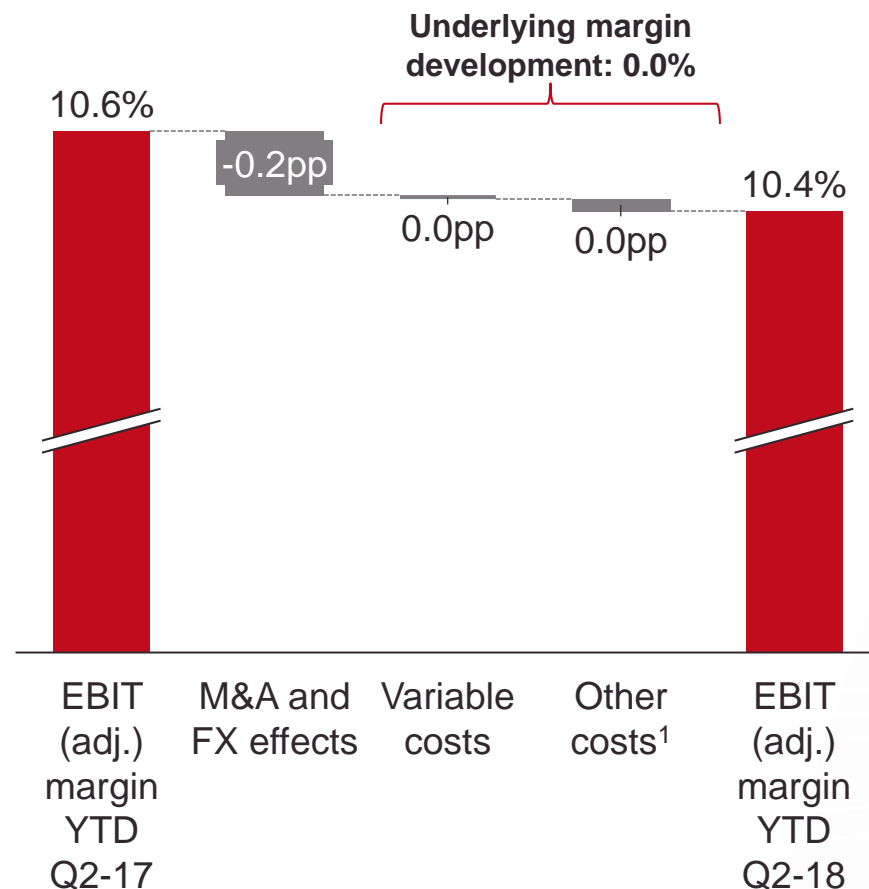
## Branded Consumer Goods Q2-18:

### Margin improvement in Q2

#### Δ BCG U.EBIT (adj.) margin Q2



#### Δ BCG U.EBIT (adj.) margin YTD Q2-18



Note: Figures may not add up due to rounding

9 <sup>1</sup>Other costs include fixed production costs, SG&A and advertising

# Orkla Foods

## Growth despite challenging retail environment in Norway

	Q2-18	YTD Q2-18
Revenues	<b>3,845</b>	<b>7,697</b>
<i>Organic growth</i>	<b>0.4%</b>	<b>1.0%</b>
EBIT (adj.)	<b>439</b>	<b>839</b>
<i>EBIT(adj.) growth</i>	<b>1.2%</b>	<b>1.6%</b>
EBIT(adj.) margin	<b>11.4%</b>	<b>10.9%</b>
<i>Change vs LY</i>	<b>0.5%-p</b>	<b>0.2%-p</b>

- Good organic growth in Central Europe, India and Finland
- Volume decline in Scandinavia due to changed campaign activity and increased retail prices in Norway
- Cost improvements and reduced advertising spend partly offset by impact of weak SEK on input costs



## Orkla Confectionery & Snacks

### Sales in Norway impacted by sugar tax and loss of distribution contract

	Q2-18	YTD Q2-18	
Revenues	1,435	2,888	• Flat YTD organic growth adjusted for loss of Wrigley distribution contract
Organic growth	-5.9%	-4.4%	
Adj. for Wrigley	-1.4%	flat	• Good sales and profit growth outside Norway
EBIT (adj.)	171	358	
EBIT(adj.) growth	-8.1%	-7.5%	• Weak volume growth in Norwegian confectionery market, partly due to sharp increase in sugar tax (+83%)
EBIT(adj.) margin	11.9%	12.4%	
Change vs LY	-0.3%-p	-0.6%-p	• Positive impact from cost improvements



## Profit growth from acquisitions

	Q2-18	YTD Q2-18
Revenues	<b>2,032</b>	<b>4,108</b>
<i>Organic growth</i>	<b>1.3%</b>	<b>0.4%</b>
EBIT (adj.)	<b>264</b>	<b>562</b>
<i>EBIT(adj.) growth</i>	<b>7.8%</b>	<b>8.1%</b>
EBIT(adj.) margin	<b>13.0%</b>	<b>13.7%</b>
<i>Change vs LY</i>	<b>-0.5%-p</b>	<b>-0.5%-p</b>

- Total revenue growth in Q2 of 12% driven by M&A
- Growth in most Business Units helped by more sales days
- Decline in Orkla Health and House Care UK
- EBIT (adj.) margin diluted by M&A and higher input costs



# Orkla Food Ingredients

## Good performance boosted by good ice cream season

	Q2-18	YTD Q2-18
Revenues	2,462	4,644
<i>Organic growth</i>	2.7%	2.2%
EBIT (adj.)	176	233
<i>EBIT(adj.) growth</i>	16.6%	14.2%
EBIT(adj.) margin	7.1%	5.0%
<i>Change vs LY</i>	0.3%-p	flat

- Strong Q2 due to increased sale of ice cream ingredients
- Profit improvement driven by ice cream ingredients, sales & distribution businesses and M&A
- Successful efficiency projects in Finland and Romania





## Orkla Investments

### Progress for Hydro Power, another tough quarter for Jotun

#### Hydro Power

*Fully consolidated into Orkla financial statements*

##### Volume (GWh):

Q2: 615 (736)

YTD: 1,097 (1,272)

##### Power prices<sup>1</sup> (øre/KWh):

Q2: 37.4 (25.7)

YTD: 37.3 (26.8)

##### EBIT adj. (NOK million):

Q2: 97 (79)

YTD: 156 (133)



#### Financial Investments

*Fully consolidated into Orkla's financial statements*

##### Book value real estate:

NOK 1.6 billion



#### Jotun (42.6%)

*Accounted for using equity method*



Jotun (42.6%)

## Improved momentum in Q2

YTD Q2-18		YTD Q2-18 comments
Operating income	8,810	<ul style="list-style-type: none"><li>• Improved sales momentum in Q2<ul style="list-style-type: none"><li>– Good growth in Decorative Paints and improvement in Protective Coatings</li><li>– Marine Coatings still heavily affected cyclical downturn in shipping</li></ul></li></ul>
<i>Change vs LY</i>	6.8%	
Operating profit	933	<ul style="list-style-type: none"><li>• Gross margin decline levelling out</li><li>• Operating profits down year to date, but improvements seen in all segments in Q2</li></ul>
<i>Change vs LY</i>	-8.1%	
Orkla's share of net profit after tax	188	
<i>Change vs LY</i>	-34.9%	



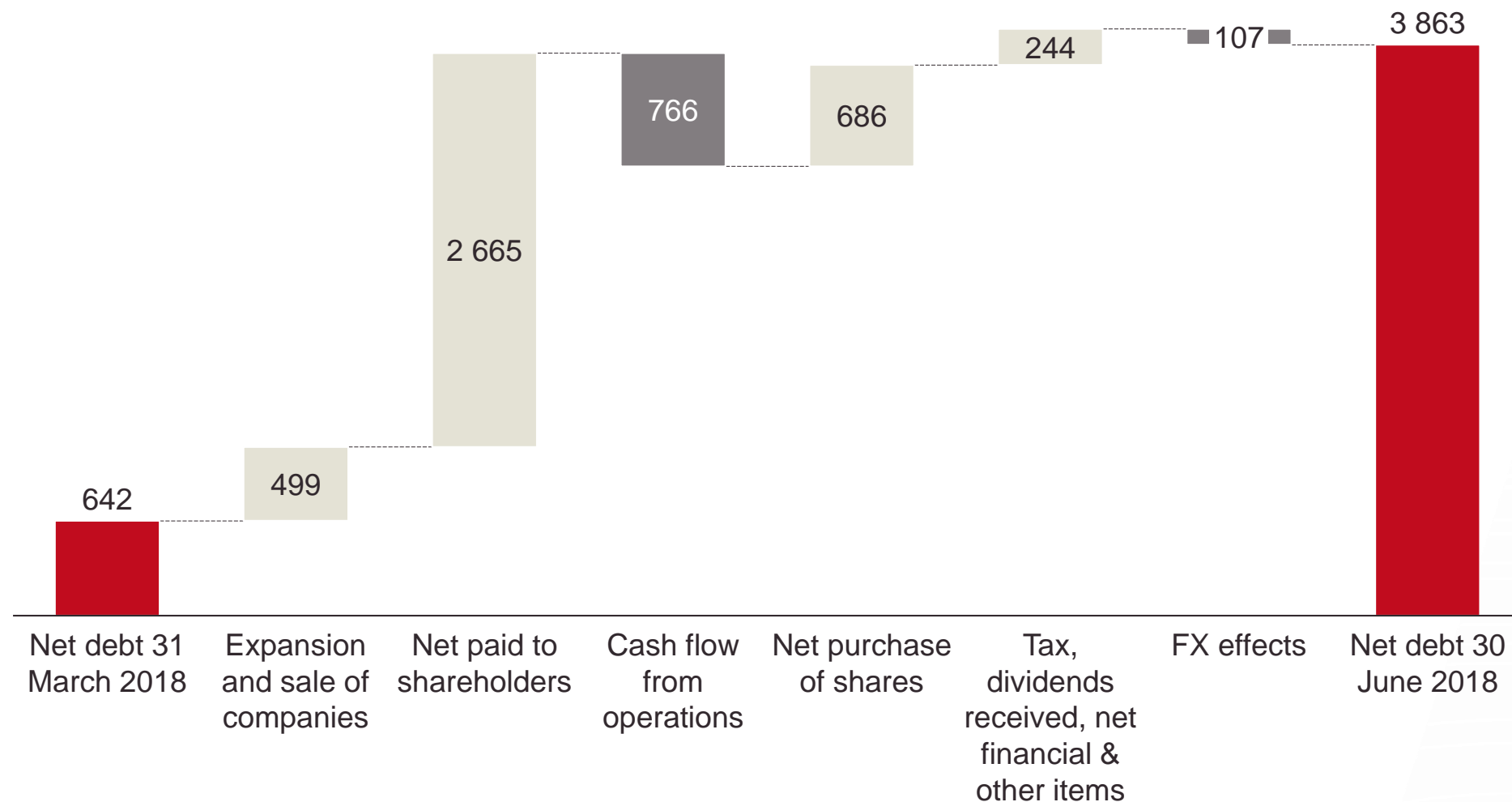
# Operating Cash flow

## Cash from operations (excl. financial investments)

Cash flow per 30.06	2018	2017
Operating profit	1,882	1,717
Amort., depr., and impairment	602	625
Change in net working capital	-722	-296
Net replacement investments	-684	-484
Cash from operations	1,078	1,560



## Changes in net debt Q2-18





## Summary and outlook

Peter A. Ruzicka, President & CEO



# Profit improvement in Branded Consumer Goods

## Key takeaways YTD Q2-18

- Growth in Branded Consumer Goods driven by M&A
- Good growth in Finland and Central Eastern Europe
- Low campaign activity and sugar tax related volume decline in Norway
- Recovery in Ice Cream ingredients in Q2
- Underlying BCG EBIT (adj.) margin progress in Q2

## Outlook

- Continued soft market growth, especially in Norway
- Organic and structural efforts to shift portfolio towards higher growing categories, channels and geographies
- Supply chain efficiency program continues
- Changes in Group Executive Board to strengthen strategic priority areas



# Growth in the Home Care Category



Expand with existing portfolio across markets



Set the agenda for category development and growth



Invest in brands to stay relevant for consumers

# Expand with existing portfolio across markets

A selection of initiatives







## Q&A

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO







# Alternative Performance Measures (APM)

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## **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, HSNB, Orchard Valley, SR Food, Arne B. Corneliusen, Werners Gourmetservice 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

	Q2-18	Q2-17 in MNOK	Change in MNOK	Change in %	YTD-18	YTD-17 in MNOK	Change in MNOK	Change in %
<b>Operating revenues</b>	<b>10,017</b>	<b>9,771</b>	<b>246</b>	<b>3 %</b>	<b>19,728</b>	<b>18,852</b>	<b>876</b>	<b>5 %</b>
<b>EBIT (adj.)</b>	<b>1,119</b>	<b>1,025</b>	<b>94</b>	<b>9 %</b>	<b>2,016</b>	<b>1,925</b>	<b>91</b>	<b>5 %</b>
Other income and expenses	-97	-116	19	-16 %	-124	-203	79	-39 %
<b>EBIT</b>	<b>1,022</b>	<b>909</b>	<b>113</b>	<b>12 %</b>	<b>1,892</b>	<b>1,722</b>	<b>170</b>	<b>10 %</b>
Profit from associates*	105	115	-10	-9 %	191	288	-97	-34 %
Net financial items	-36	-57	21	-37 %	-106	-60	-46	77 %
<b>Profit/loss before taxes</b>	<b>1,091</b>	<b>967</b>	<b>124</b>	<b>13 %</b>	<b>1,977</b>	<b>1,950</b>	<b>27</b>	<b>1 %</b>
Taxes	-234	-185	-49	26 %	-410	-370	-40	11 %
<b>Profit/loss for the period continuing operations</b>	<b>857</b>	<b>782</b>	<b>75</b>	<b>10%</b>	<b>1,567</b>	<b>1,580</b>	<b>-13</b>	<b>-1 %</b>
Profit from discontinued operations	0	273	-273	n.a.	0	585	-585	n.a.
<b>Profit/loss for the period</b>	<b>857</b>	<b>1,055</b>	<b>-198</b>	<b>-19%</b>	<b>1,567</b>	<b>2,165</b>	<b>-598</b>	<b>-28 %</b>
Earnings per share (NOK)	0.82	1.01	-0.19	-19 %	1.49	2.09	-0.6	-29 %
Earnings per share continuing operations (NOK)	0.82	0.75	0.07	9 %	1.49	1.51	-0.02	-1 %

## Key figures:

### Orkla Foods and Orkla Confectionery & Snacks

<b>Orkla Foods</b>	<b>Q2-18</b>	<b>Q2-17</b>	<b>Change</b>	<b>YTD -18</b>	<b>YTD -17</b>	<b>Change</b>
Operating revenues	3,845	3,977	-132	7,697	7,735	-38
EBIT (adj.)	439	434	5	839	826	13
EBIT (adj.) margin	11.4 %	10.9 %	0.5 ppt	10.9 %	10.7 %	0.2 ppt
<b>Orkla Confectionery &amp; Snacks</b>	<b>Q2-18</b>	<b>Q2-17</b>	<b>Change</b>	<b>YTD -18</b>	<b>YTD -17</b>	<b>Change</b>
Operating revenues	1,435	1,527	-92	2,888	2,971	-83
EBIT (adj.)	171	186	-15	358	387	-29
EBIT (adj.) margin	11.9 %	12.2 %	-0.3 ppt	12.4 %	13.0 %	-0.6 ppt

## Key figures:

### Orkla Care and Orkla Food Ingredients

<b>Orkla Care</b>	<b>Q2-18</b>	<b>Q2-17</b>	<b>Change</b>	<b>YTD -18</b>	<b>YTD -17</b>	<b>Change</b>
Operating revenues	2,032	1,813	219	4,108	3,671	437
EBIT (adj.)	264	245	19	562	520	42
EBIT (adj.) margin	13.0 %	13.5 %	-0.5 ppt	13.7 %	14.2 %	-0.5 ppt
<b>Orkla Food Ingredients</b>	<b>Q2-18</b>	<b>Q2-17</b>	<b>Change</b>	<b>YTD -18</b>	<b>YTD -17</b>	<b>Change</b>
Operating revenues	2,462	2,234	228	4,644	4,047	597
EBIT (adj.)	176	151	25	233	204	29
EBIT (adj.) margin	7.1 %	6.8 %	0.3 ppt	5.0 %	5.0 %	0.0 ppt

## Net financial items

	FY 2017	Q2-17	Q2-18
Net interest expenses	-149	-39	-32
Currency gain/loss	-3	-1	0
Result from Share Portfolio and dividends	54	3	0
Other financial items, net	-78	-20	-4
<b>Net financial items</b>	<b>-176</b>	<b>-57</b>	<b>-36</b>

## Statement of financial position

	30.06.2018	31.12.2017
Intangible assets	19,854	19,921
Property, plant and equipment	11,809	11,683
Investments in associates and joint ventures etc.	4,112	4,108
<b>Non-current assets</b>	<b>35,775</b>	<b>35,712</b>
Inventories	5,799	5,684
Inventory of development property	125	113
Trade receivables	6,037	6,165
Other receivables	894	883
Shares and financial assets	10	17
Cash and cash equivalents	877	4,834
<b>Current assets</b>	<b>13,742</b>	<b>17,696</b>
<b>Total assets</b>	<b>49,517</b>	<b>53,408</b>
Paid-in equity	1,983	1,995
Earned equity	29,640	32,413
Non-controlling interests	445	430
<b>Equity</b>	<b>32,068</b>	<b>34,838</b>
Provisions	4,485	4,734
Non-current interest-bearing liabilities	4,673	4,820
Current interest-bearing liabilities	302	359
Trade payables	4,796	4,940
Other current liabilities	3,193	3,717
<b>Equity and liabilities</b>	<b>49,517</b>	<b>53,408</b>

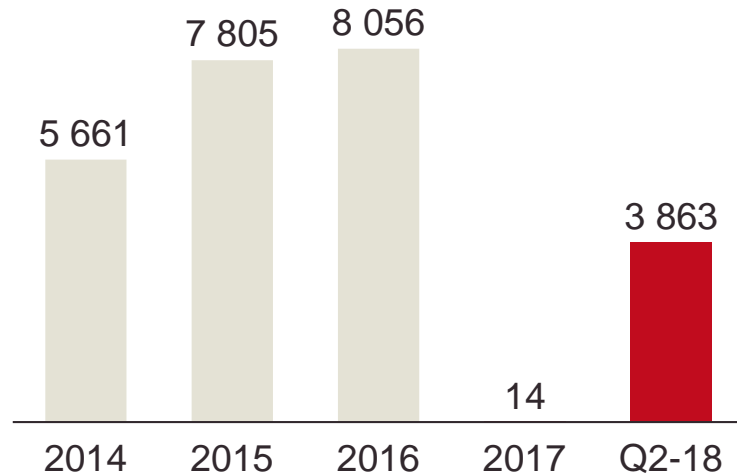


## Cash flow

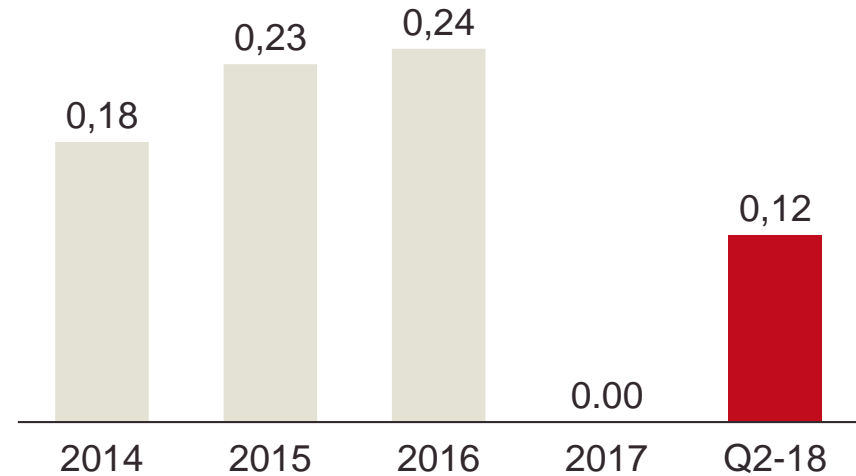
	H1-18	H1-17	FY-17
<b>Operating profit</b>	<b>1,882</b>	<b>1,717</b>	<b>4,423</b>
Amortisation, depreciation and write-downs	602	625	1,313
Gain from operations moved to Investments and sold entities	0	-2	-299
Change in net working capital	-722	-296	18
Net replacement expenditures	-684	-484	-1,050
<b>Cash flow from operations</b>	<b>1,078</b>	<b>1560</b>	<b>4,405</b>
<b>Cash flow from operations, Financial Investments</b>	<b>-130</b>	<b>-84</b>	<b>-290</b>
Tax	-689	-365	-934
Dividends received, net financial and other	4	1,523	1,574
<b>Cash flow before capital transactions</b>	<b>263</b>	<b>2,634</b>	<b>4,755</b>
Paid to shareholders, net purchase/sales own shares	-3,355	-2,754	-7,740
<b>Cash flow before expansion</b>	<b>-3,092</b>	<b>-120</b>	<b>-2,985</b>
Expansion investments	-245	-114	-206
Sold and acquired companies	-769	-584	11,619
Net purchases/sales shares and financial assets	0	46	43
<b>Net cash flow</b>	<b>-4,106</b>	<b>-772</b>	<b>8,471</b>
Currency translations net interest-bearing liabilities	257	-464	-429
<b>Change in net interest-bearing liabilities</b>	<b>3,849</b>	<b>1,236</b>	<b>-8,042</b>
<b>Net interest-bearing liabilities</b>	<b>3,863</b>	<b>9,292</b>	<b>14</b>

## Strong balance sheet and financial flexibility

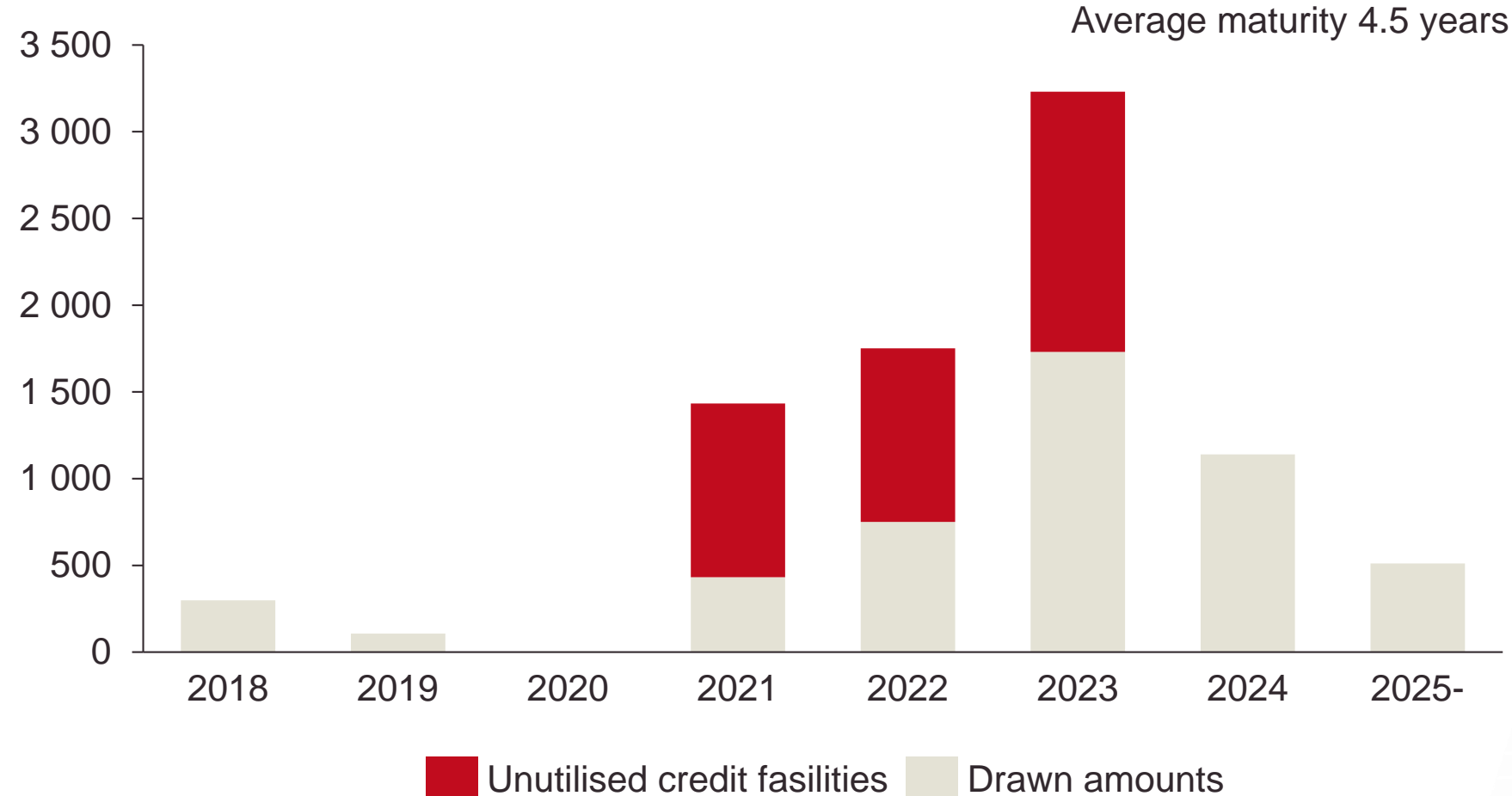
Net interest-bearing debt (NOK million)



Net gearing

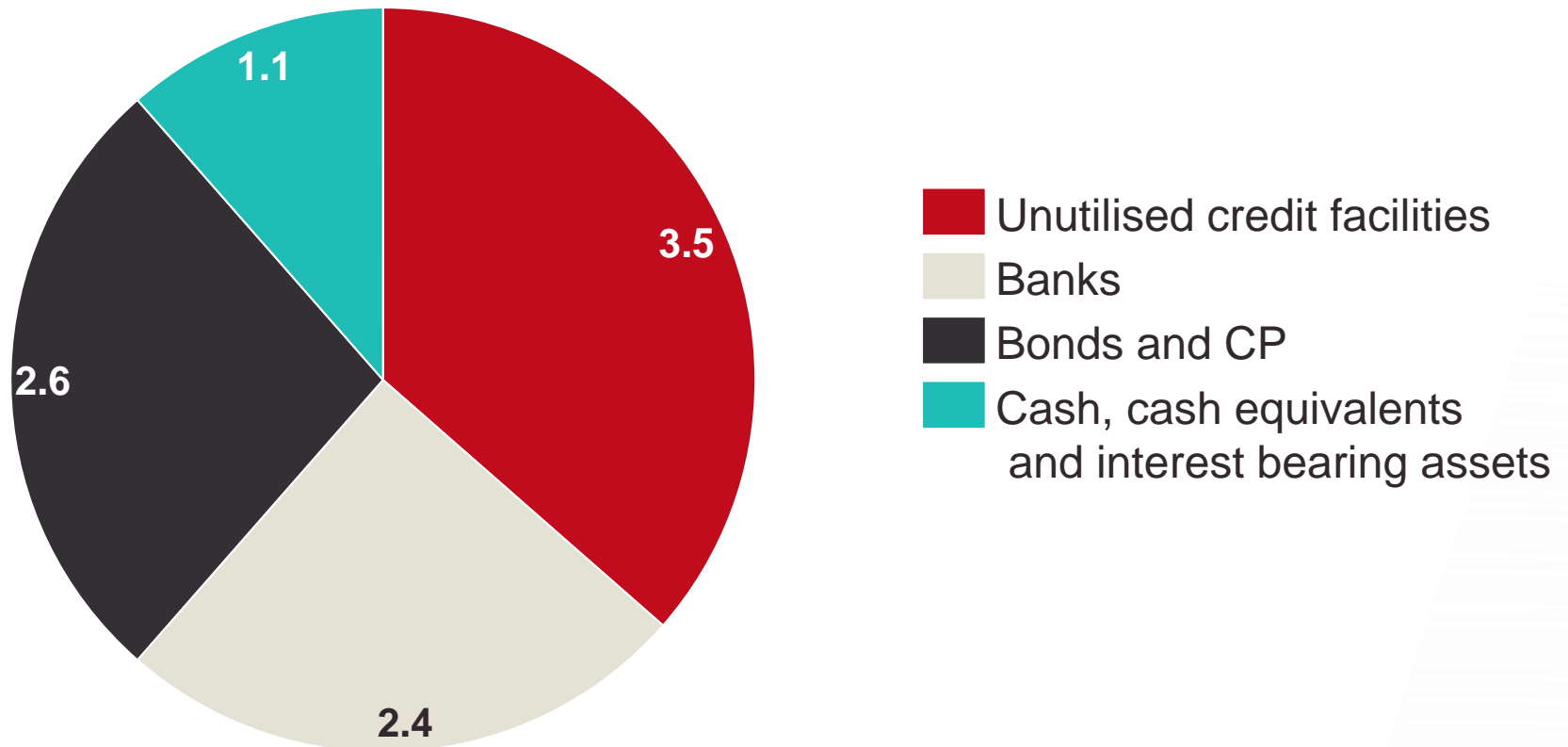


# Debt maturity profile



## Funding sources

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*Your friend in  
everyday life*

