



Branded Consumer Goods continues to grow

Second quarter results 2017

14 July 2017

Peter A. Ruzicka, President & CEO



Highlights Q2-17:

Continued organic growth, but higher input costs impact profits

- Sapa divestment in line with strategy
- Strengthened Branded Consumer Goods' position through several acquisitions
- Branded Consumer Goods continues to grow, while higher input costs impact profits
- EPS for continued operations up 9%



Orkla to sell its interest in Sapa to Hydro

Transaction highlights

- Agreement to sell our 50% interest in Sapa to Hydro
- In line with our strategy of being a leading branded consumer goods company
- The transaction values Sapa at a total of NOK 27 billion (on a debt-free basis)
- Accounting gain of approximately NOK 5 billion

Capital allocation

- The Board proposes a special dividend of NOK 5 per share
- First priority for excess capital is to strengthen the Branded Consumer Goods area



YTD 2017:

Strengthened position in branded consumer goods through M&A

- Strengthened position in personal care
- Building on strong market position in bakery and ice cream ingredients
- Strengthening position in fresh doughs and developing platform for growth in organic and vegetarian foods

[RIEMANN]



ORCHARD VALLEY
FOODS LIMITED



- Divestment/exits in the BCG area:
 - Mayonnaise-based salads in Norway
 - Industrial marzipan in Italy
 - Professional laundry business in Norway
- Sale of Rygge Sivile Lufthavn AS

DENJA

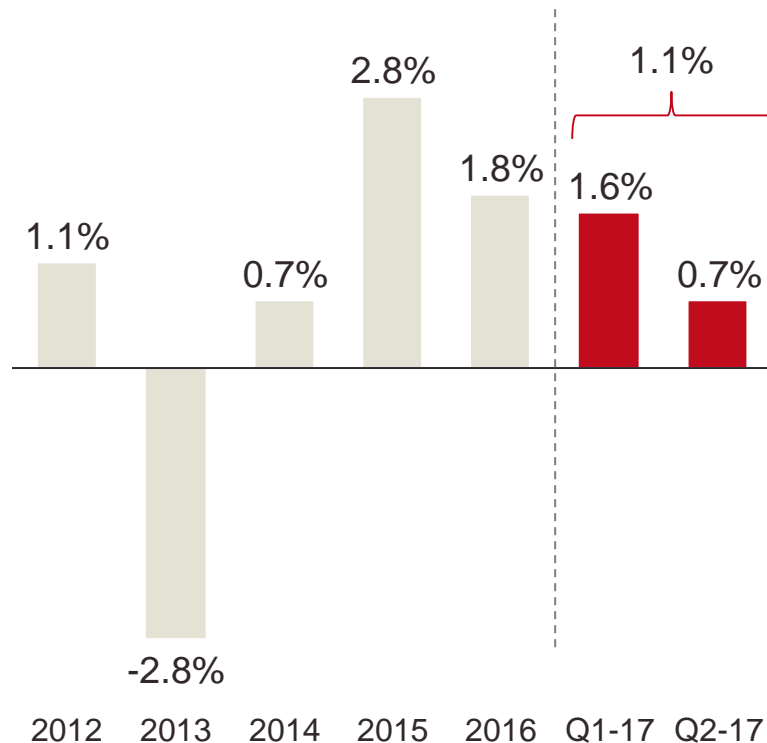


Rygge
MOSS LUFTHAVN RYGGE

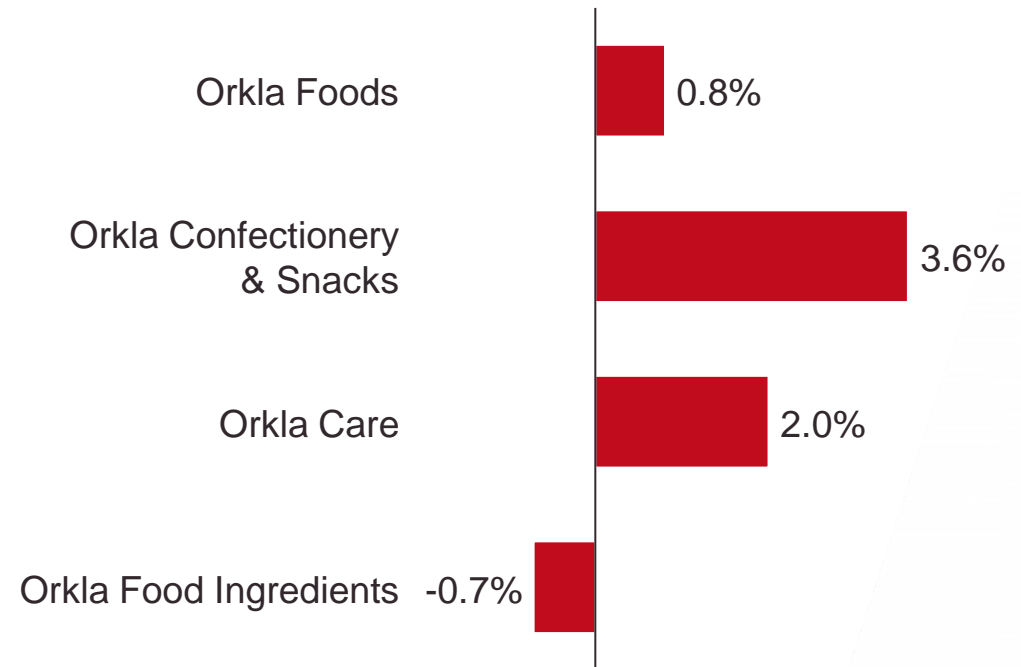
Branded Consumer Goods YTD 2017:

Continued growth - in line with market

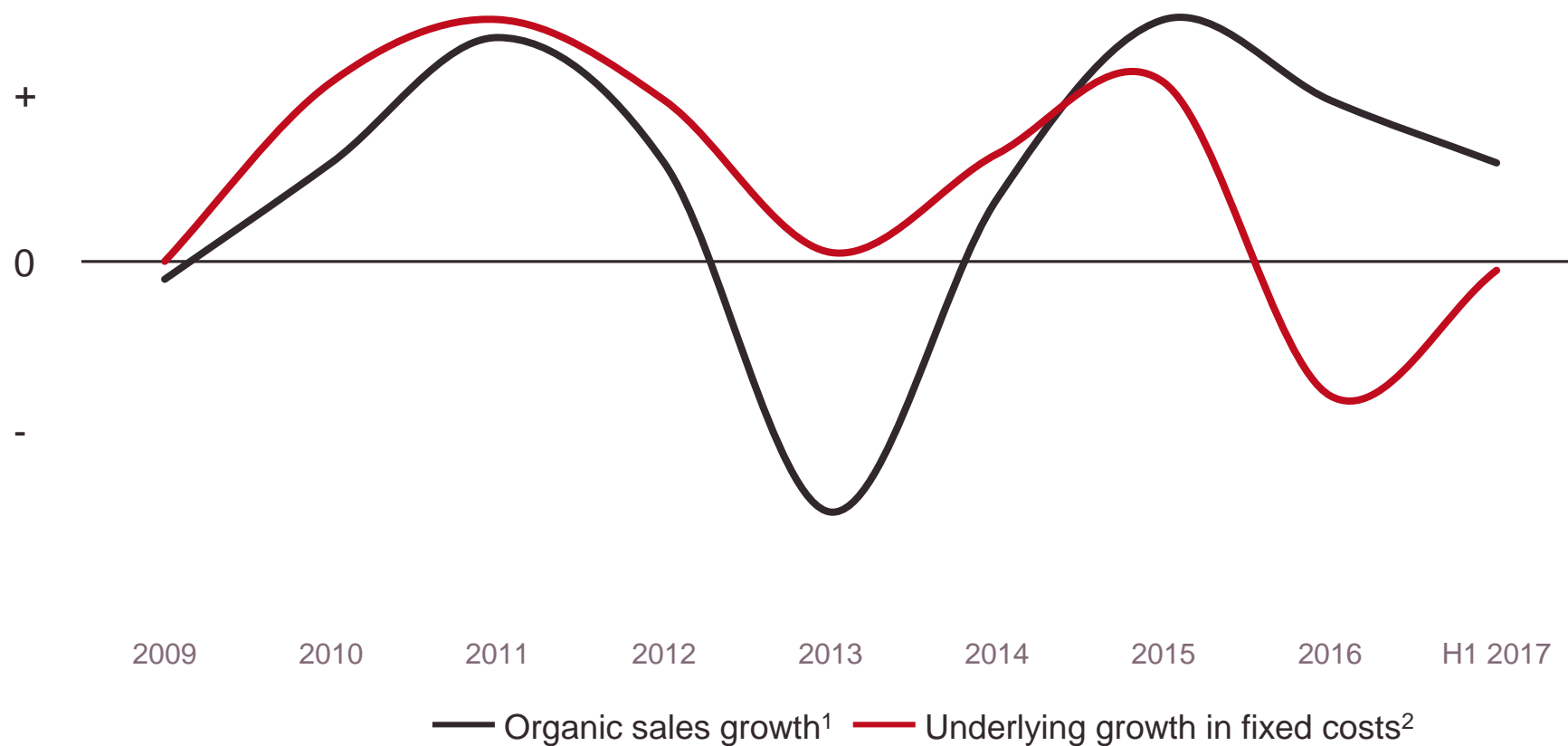
Continued organic growth¹



Organic growth YTD in 3 out of 4 business areas¹



Cost reduction actions continue to show results...

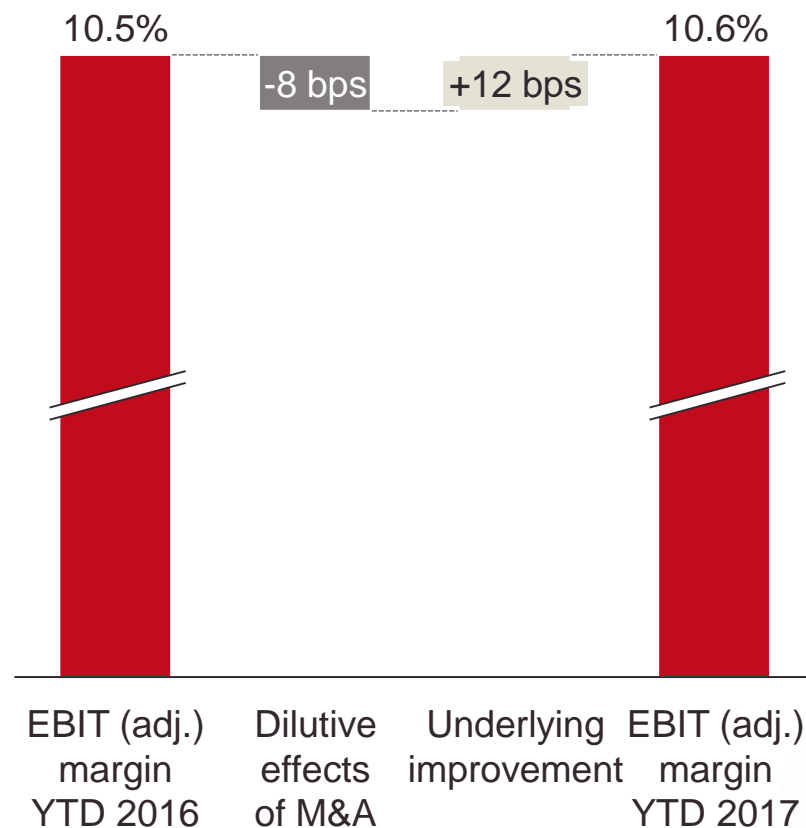
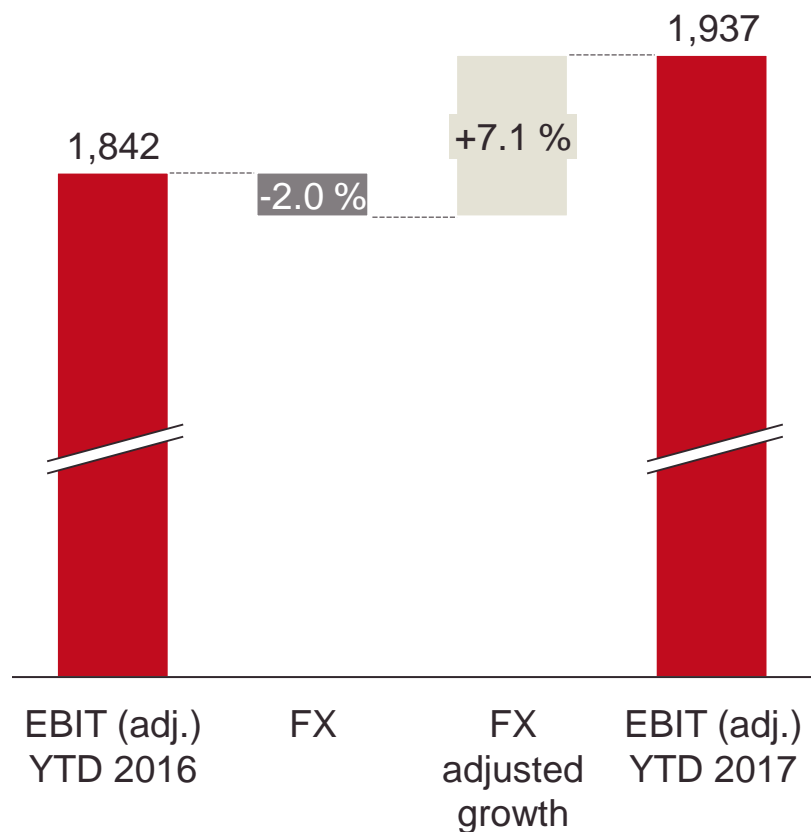


¹Reported growth adjusted for currency translation effects and structural changes.

²Underlying fixed costs are growth in SG&A and fixed production / inventory costs, adjusted for M&A and currency translation effects.

Branded Consumer Goods YTD 2017:

...but increased input costs hamper EBIT growth and margins





Financial performance

Jens Bjørn Staff, CFO



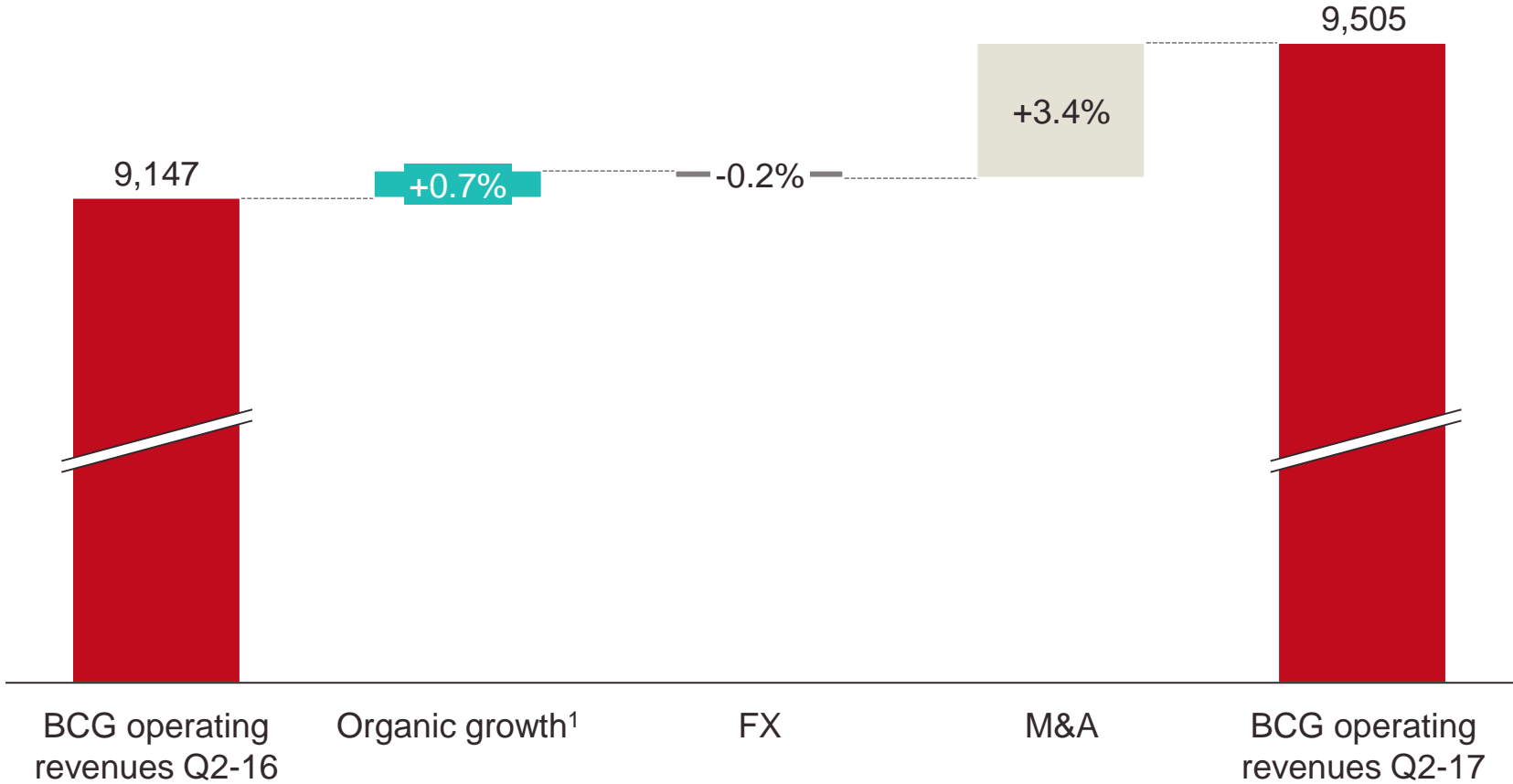
9% increase in EPS for continuing operations in Q2

| Key figures | Q2-16 | Q2-17 | YTD -16 | YTD -17 |
|--|-------|-------|---------|---------|
| Operating revenues | 9 433 | 9 771 | 18 043 | 18 852 |
| EBIT (adj.) | 996 | 1 025 | 1 813 | 1 925 |
| Other income and expenses | -81 | -116 | -111 | -203 |
| EBIT | 915 | 909 | 1 702 | 1 722 |
| Profit/loss from associates* | 123 | 115 | 376 | 288 |
| Net financials and other | -98 | -57 | -96 | -60 |
| Profit/loss before tax | 940 | 967 | 1 982 | 1 950 |
| Taxes | -200 | -185 | -335 | -370 |
| Profit/loss from discontinuing operations* | 319 | 273 | 528 | 585 |
| Earnings per share continuing operations (NOK) | 0.68 | 0.75 | 1.56 | 1.51 |
| Earnings per share (NOK) | 1.00 | 1.01 | 2.07 | 2.09 |

Amounts in NOK million.

Branded Consumer Goods Q2-17:

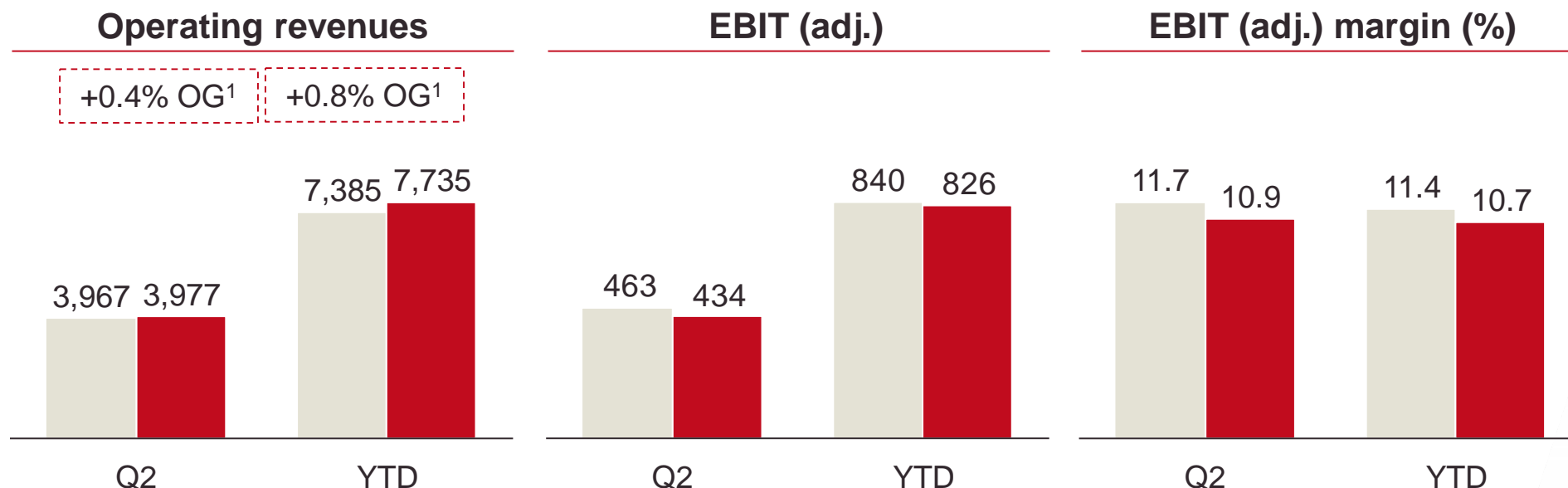
Continued organic growth and contribution from M&A



10 Amounts in NOK million. ¹Reported growth adjusted for currency translation effects and structural changes

Profit impacted by higher input costs and timing of advertising

2016 2017

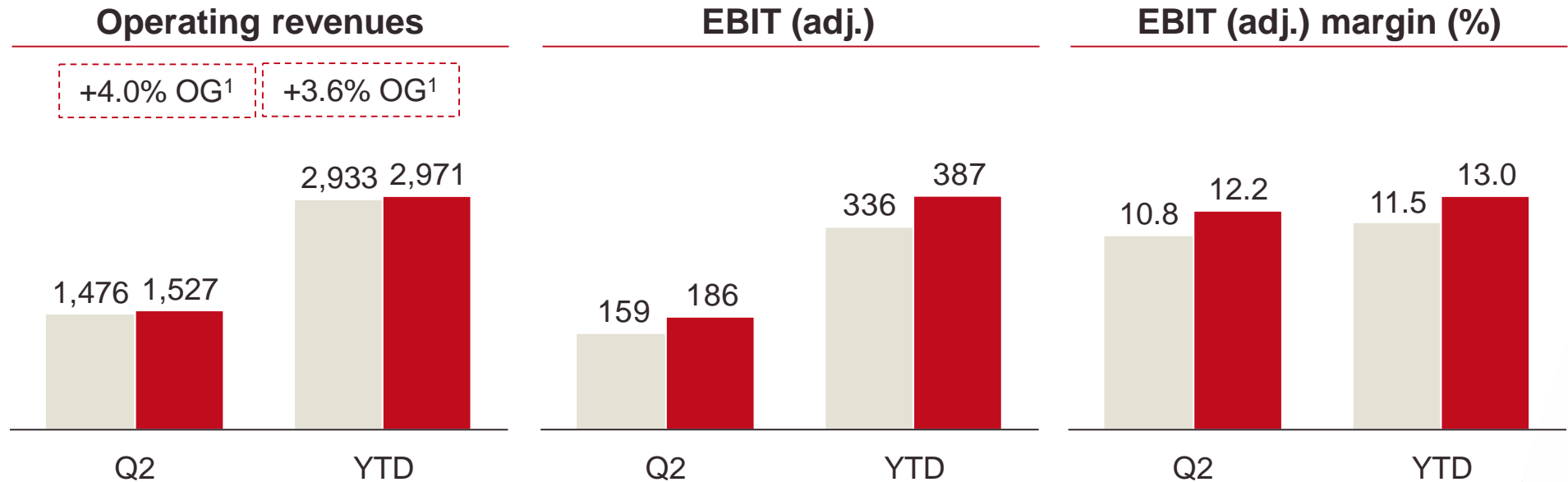


- Organic growth despite negative Easter effects in Q2 and regulatory changes in India
- EBIT (adj.) decline due to price increases for key raw materials, timing of advertising investments and negative consolidation effects from FX
- Price increases to compensate for higher input costs will have gradual effect going forward

Orkla Confectionery & Snacks

Progress in sales and profit

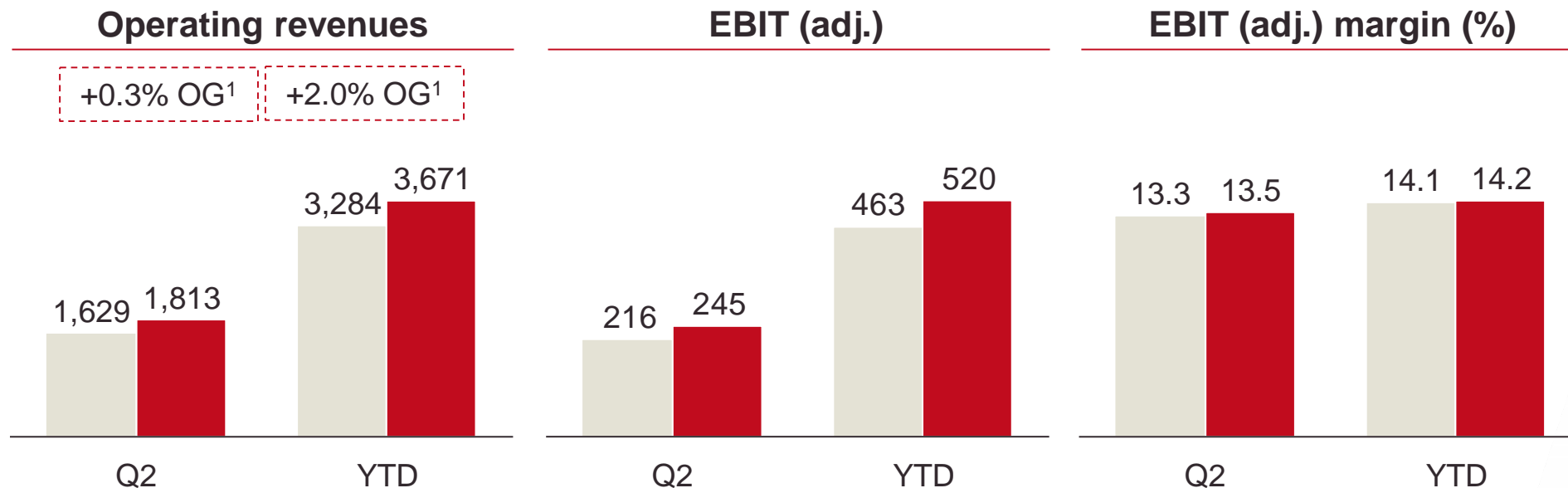
2016 2017



- Volume driven organic sales growth
- High innovation and campaign activity in the first half-year
- Profit improvement driven by sales growth and cost improvements, primarily from turnaround in Latvia in 2016

Good progress

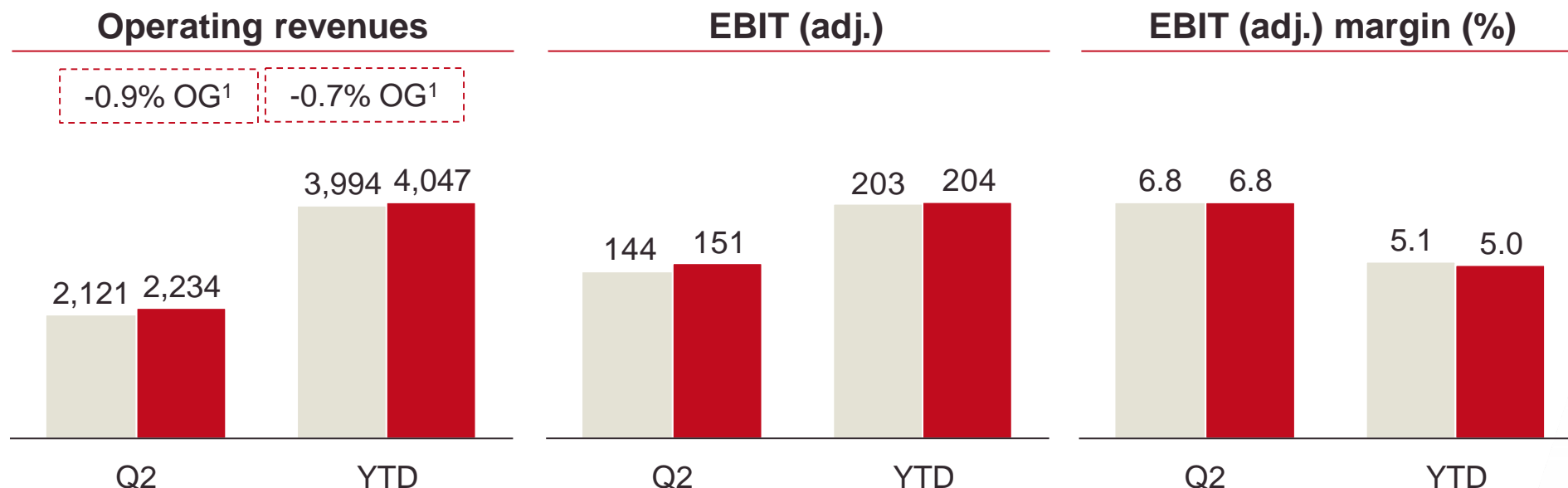
2016 2017



- Revenue growth driven by M&A and organic growth despite negative Easter effects in Q2
- Improved performance in Orkla Home & Personal Care and Orkla Health
- Operational improvements and synergies more than offset dilutive effects of M&A

Profit growth driven by add-on acquisitions

2016 2017



- Exit from contracts with low profitability resulted in negative organic growth
- Positive contribution from several smaller add-on acquisitions
- Cost increases in Romania still impacted profit performance in Q2, but implemented actions are starting to take effect

Sapa divestment in line with strategy

Fully consolidated into Orkla financial statements

| | | |
|-----------------------|---|---|
| Hydro Power | Volume (GWh): Q2: 735 (674) YTD: 1,271 (1,221) |  |
| | Power prices¹ (NOK/MWh): Q2: 256.71 (223.40) YTD: 268.31 (225.76) | |
| | EBIT adj. (NOK million): Q2: 79 (53) YTD: 133 (97) | |
| Financial investments | Book value real estate: NOK 1.5 billion |  |

Discontinued operations

| | |
|------------|---|
| Sapa (50%) |  |
|------------|---|

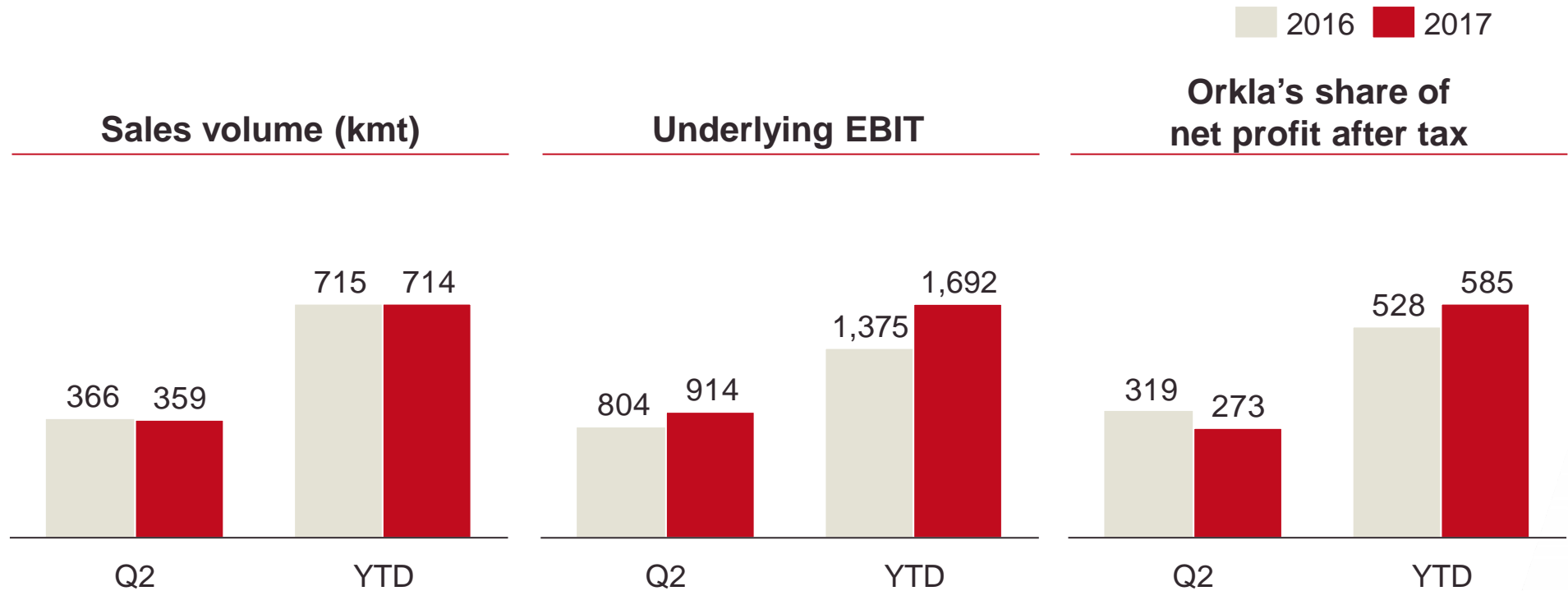
Accounted for using equity method

| | |
|---------------|--|
| Jotun (42.5%) |  |
|---------------|--|

15 ¹Source: Nord Pool Spot, Monthly System Price

Sapa (50/50 joint venture - discontinued operations)

Improved underlying EBIT in Sapa



- Strong performance in all business areas
- Positive effects of value-add strategy
- Improved cost position and lower overhead costs

Jotun (42.5%)

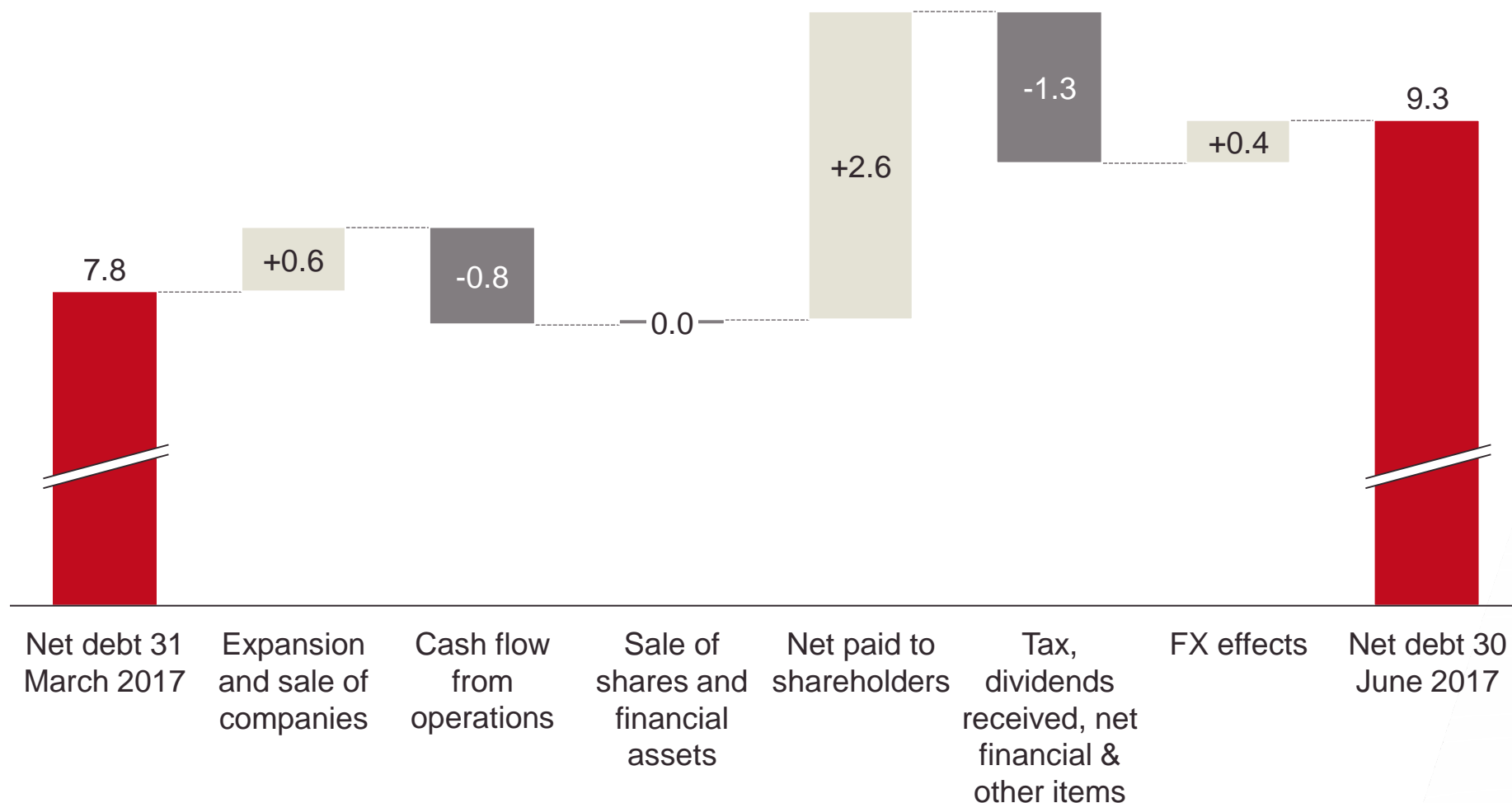
Weaker markets in shipping and offshore impact profits

Q2-17 comments

- Weaker markets in shipping & offshore newbuilding and negative currency effects
- Satisfactory performance in Decorative Paints with profit in line with last year
- Weaker market in combination with increasing raw material costs hampered profit growth for Performance Coatings year to date
- Price increases and tight cost control will partly offset the effect of rising raw material costs



Dividend payment main driver behind increased debt in Q2





Focus going forward

Peter A. Ruzicka, President & CEO



Delivering on our strategy through One Orkla

Key takeaways YTD 2017

- Continued growth - in line with market
- Cost improvements from working as One Orkla
- Margin impacted by higher raw material prices

Outlook

- Continued soft market growth
- Price increases implemented to compensate for higher input costs
- Realise effects from cost improvements
- Further strengthen our position as a leading branded consumer goods company
- Committed to our financial targets





Test
winner - no
harmful
ingredients





Q&A

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO





Appendices

Group income statement

| | Q2-16 | Q2-17 | YTD 2016 | YTD 2017 |
|---|--------------|--------------|---------------|---------------|
| Operating revenues | 9 433 | 9 771 | 18 043 | 18 852 |
| EBIT (adj.) | 996 | 1 025 | 1 813 | 1 925 |
| Other income and expenses | -81 | -116 | -111 | -203 |
| EBIT | 915 | 909 | 1 702 | 1 722 |
| Profit/loss from associates* | 123 | 115 | 376 | 288 |
| Interests, net | -47 | -39 | -97 | -76 |
| Other financial items, net | -51 | -18 | 1 | 16 |
| Profit/loss before taxes | 940 | 967 | 1 982 | 1 950 |
| Taxes | -200 | -185 | -335 | -370 |
| Profit/loss for the period continuing operations | 740 | 782 | 1 647 | 1 580 |
| Profit/loss from discontinued operations* | 319 | 273 | 528 | 585 |
| Profit/loss for the period | 1 059 | 1 055 | 2 175 | 2 165 |
| Earnings per share (NOK) | 1.00 | 1.01 | 2.07 | 2.09 |
| Earnings per share continuing operations, (NOK) | 0.68 | 0.75 | 1.56 | 1.51 |

Amounts in NOK million.

24 *Historical income statement figures have been restated as Sapa is presented as discontinued operations.

Net financial items

| | FY 2016 | Q2-16 | Q2-17 |
|---|-------------|------------|------------|
| Net interest expenses | -177 | -47 | -39 |
| Currency gain/loss | -4 | -10 | -1 |
| Result from Share Portfolio and dividends | 248 | 74 | 3 |
| Other financial items, net | -179 | -115 | -20 |
| Net financial items | -112 | -98 | -57 |

Statement of financial position

| | 31.12.2016 | 30.06.2017 |
|---|---------------|---------------|
| Intangible assets | 18 343 | 19 548 |
| Property, plant and equipment | 11 038 | 11 518 |
| Investments in associates and joint ventures etc. | 13 148 | 4 438 |
| Non-current assets | 42 529 | 35 504 |
| Assets held for sale | 0 | 8 106 |
| Inventories | 5 195 | 5 714 |
| Inventory of development property | 70 | 73 |
| Trade receivables | 5 597 | 6 048 |
| Other receivables | 902 | 845 |
| Shares and financial assets | 107 | 19 |
| Cash and cash equivalents | 1 204 | 1 029 |
| Current assets | 13 075 | 21 834 |
| Total assets | 55 604 | 57 338 |
| Paid-in equity | 1 994 | 1 993 |
| Earned equity | 31 480 | 31 610 |
| Non-controlling interests | 402 | 416 |
| Equity | 33 876 | 34 019 |
| Provisions | 4 146 | 4 279 |
| Non-current interest-bearing liabilities | 7 172 | 9 590 |
| Current interest-bearing liabilities | 2 496 | 1 051 |
| Trade payables | 4 329 | 4 537 |
| Other current liabilities | 3 585 | 3 862 |
| Equity and liabilities | 55 604 | 57 338 |

Cash flow

| | YTD 2016 | YTD 2017 |
|---|---------------|---------------|
| Operating profit | 1 678 | 1 717 |
| Amortisation, depreciation and write-downs | 533 | 625 |
| Change in net working capital | -564 | -298 |
| Net replacement expenditures | -760 | -484 |
| Cash flow from operations | 887 | 1 560 |
| Cash flow from operations, Financial Investments | -97 | -84 |
| Tax | -307 | -365 |
| Dividends received, net financial and other | -3 | 1 523 |
| Cash flow before capital transactions | 480 | 2 634 |
| Paid to shareholders, net purchase/sales own shares | -2 672 | -2 754 |
| Cash flow before expansion | -2 192 | -120 |
| Expansion investments | -97 | -114 |
| Sold and acquired companies | -1 552 | -584 |
| Net purchases/sales shares and financial assets | 1 045 | 46 |
| Net cash flow | -2 796 | -772 |
| Currency translations net interest-bearing liabilities | 421 | -464 |
| Change in net interest-bearing liabilities | 2 375 | 1 236 |
| Net interest-bearing liabilities | 10 180 | 9 292 |

Sapa (joint venture) – Figures on 100% basis

| | Q2-16 | Q3-16 | Q4-16 | Q1-17 | Q2-17 |
|--|------------|------------|------------|-----------|---------------|
| Sales volume (kmt) | 366 | 340 | 310 | 355 | 359 |
| Operating revenues (NOK million) | 14 071 | 13 141 | 12 210 | 14 323 | 15 309 |
| Underlying EBIT (NOK million)¹ | 804 | 487 | 335 | 778 | 914 |
| Excluded items: | | | | | |
| Unrealised derivative positions (NOK million) | 116 | 51 | 82 | 78 | -133 |
| Other excluded items (NOK million) | 0 | -42 | -67 | 0 | 0 |
| Sum excluded items (NOK million) | 116 | 9 | 15 | 78 | -133 |
| EBIT (NOK million) | 920 | 497 | 350 | 856 | 781 |
| Net income (attributable to majority) (NOK million) | 639 | 344 | 379 | 625 | 545 |

Sapa (joint venture) – Key financials by business area

| Extrusion Europe | Q2-16 | Q2-17 |
|-------------------------------------|--------------|--------------|
| Volume (kmt) | 157 | 155 |
| Sales (NOKm) | 5 468 | 5 999 |
| Underlying EBITDA (NOKm) | 425 | 416 |
| Underlying EBIT ¹ (NOKm) | 304 | 292 |

| Extrusion North America | Q2-16 | Q2-17 |
|-------------------------------------|--------------|--------------|
| Volume (kmt) | 155 | 151 |
| Sales (NOKm) | 5 234 | 5 753 |
| Underlying EBITDA (NOKm) | 362 | 466 |
| Underlying EBIT ¹ (NOKm) | 263 | 353 |

| Building Systems | Q2-16 | Q2-17 |
|-------------------------------------|--------------|--------------|
| Volume (kmt) | 21 | 21 |
| Sales (NOKm) | 1 939 | 2 044 |
| Underlying EBITDA (NOKm) | 210 | 219 |
| Underlying EBIT ¹ (NOKm) | 166 | 183 |

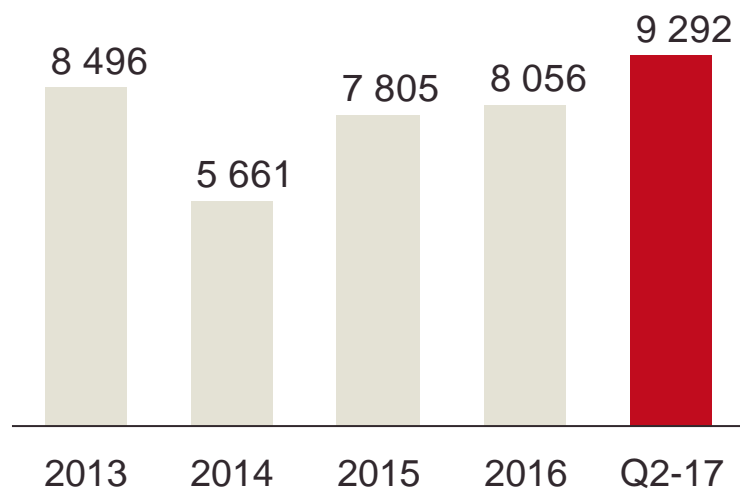
| Precision Tubing | Q2-16 | Q2-17 |
|-------------------------------------|--------------|--------------|
| Volume (kmt) | 40 | 38 |
| Sales (NOKm) | 1 664 | 1 734 |
| Underlying EBITDA (NOKm) | 169 | 193 |
| Underlying EBIT ¹ (NOKm) | 112 | 136 |

| Other and eliminations | Q2-16 | Q2-17 |
|-------------------------------------|--------------|--------------|
| Underlying EBITDA (NOKm) | -33 | -43 |
| Underlying EBIT ¹ (NOKm) | -41 | -49 |

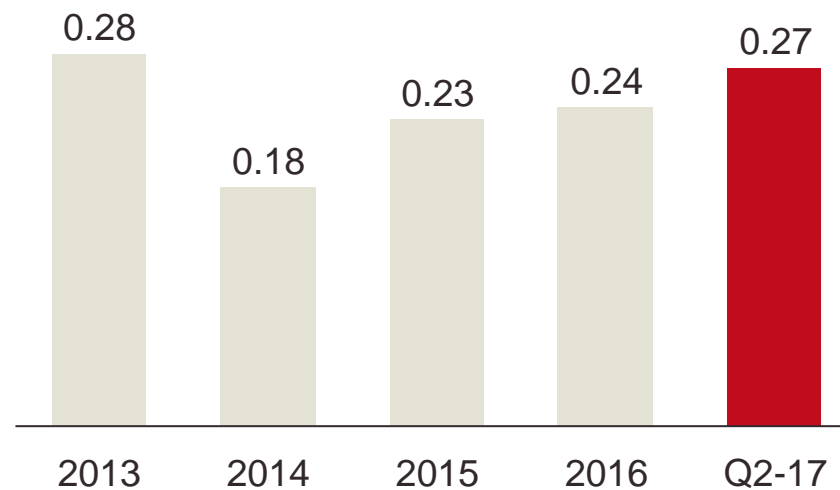
¹Sapa underlying EBIT = EBIT adjusted for unrealized derivative results and material impairment charges, restructuring costs and other special effects

Strong balance sheet and financial flexibility

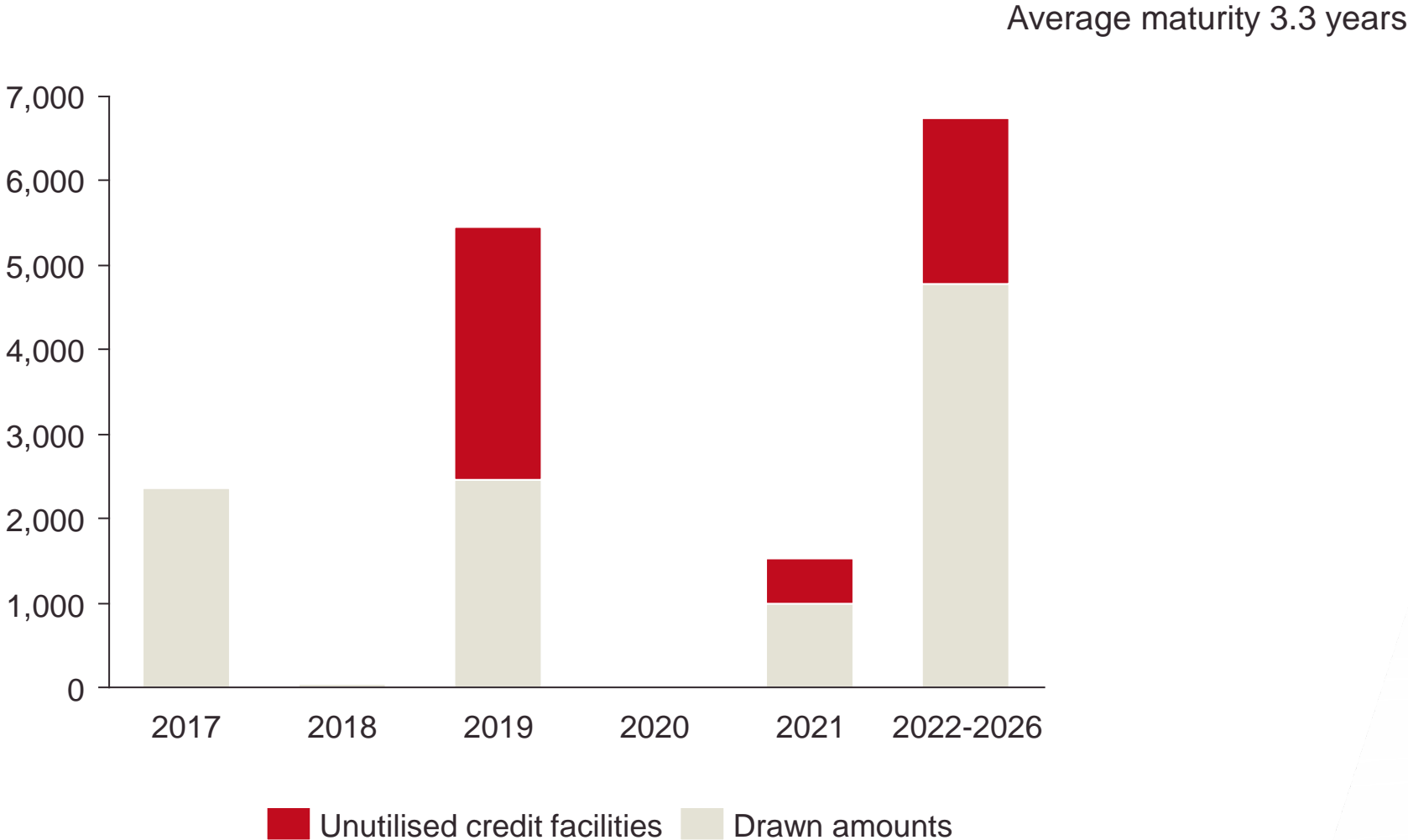
Net interest-bearing debt (NOK million)



Net gearing



Debt maturity profile



Funding sources

