



Second quarter results 2016

15 July 2016

Peter A. Ruzicka, President & CEO



Highlights Q2 2016:

Continued growth in the quarter

- **Continued growth in Branded Consumer Goods**
 - 3.8% organic growth¹ supported by positive Easter effects
 - EBIT (adj.)² growth of 20% in BCG due to organic growth, M&A and FX effects
- **Strong contribution from associates**
 - Sapa delivered solid improvement in both underlying and reported figures
 - Strong performance in Jotun
- **Increase in EPS of 21% YTD, from NOK 1.71 to NOK 2.07**
 - EPS declined from NOK 1.09 to NOK 1.00 in Q2
 - Continued strong EPS growth in Q2-16 adjusted for sale of Gränges shares in Q2-15
- **Continued high M&A and restructuring activity**
 - Strengthening existing position in painting tools in the UK with acquisition of Harris³
 - Integration of acquired companies ongoing

¹Reported growth adjusted for currency translation effects and structural changes

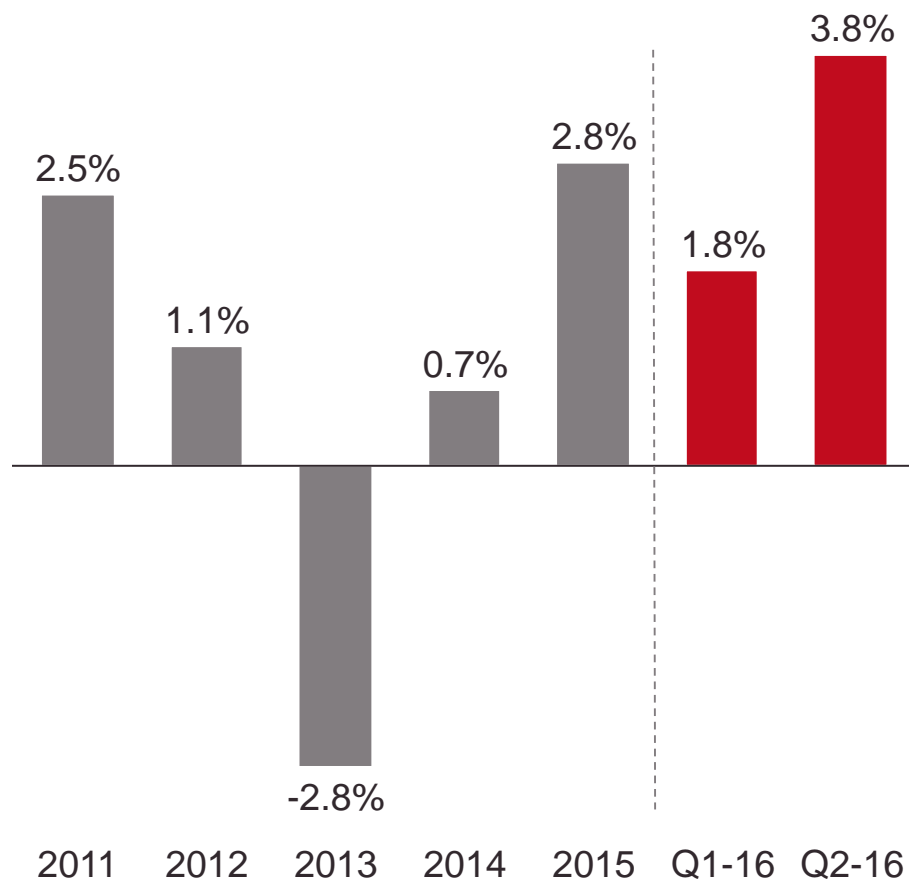
²EBIT (adj.) = Operating profit before other income and expenses

³Pending acquisition

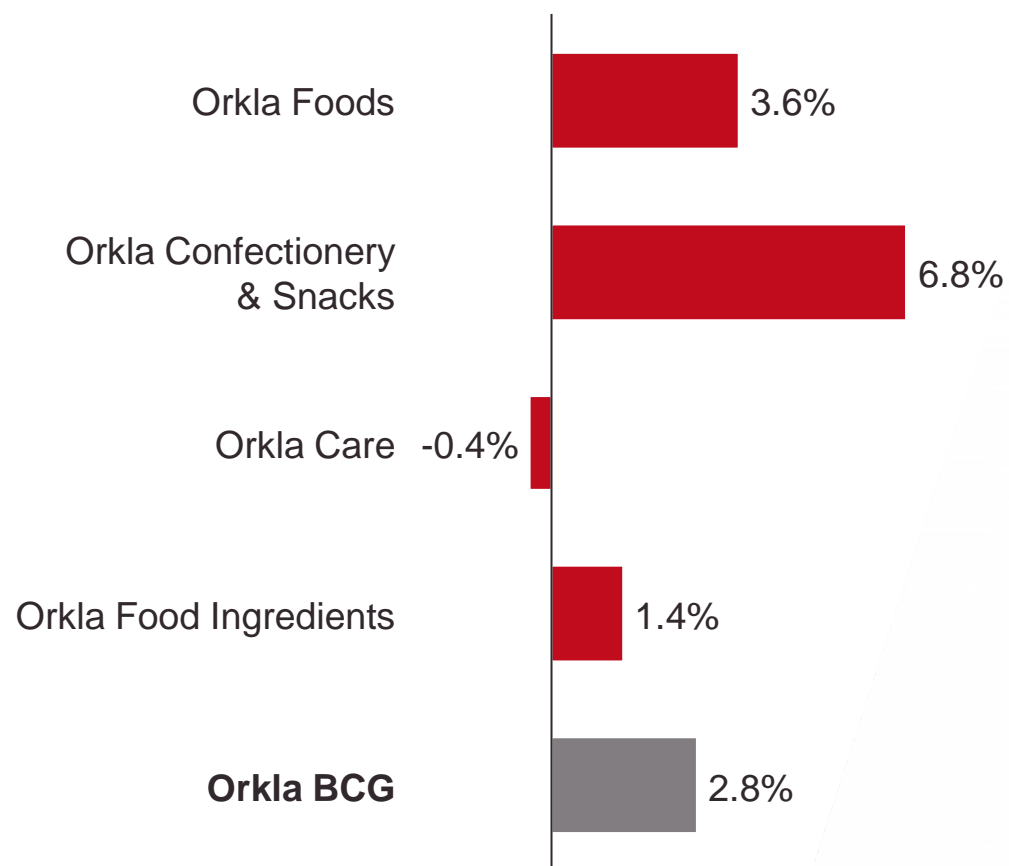
Branded Consumer Goods YTD 2016:

Positive organic growth in Q2 and YTD

Organic growth performance¹



Organic growth performance YTD 2016¹



8% growth in the new category Orkla Wound Care



The next generation of mobile
First Aid Kits

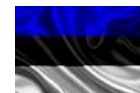
Salvequick launched
with Disney's "Frozen"



Salvequick's new design



Successful Waffle Cut cross-country launch



Meeting consumer demand for more organic alternatives

Sales of organic products have increased by 52% in Orkla Foods Sweden in 2016 vs 2015

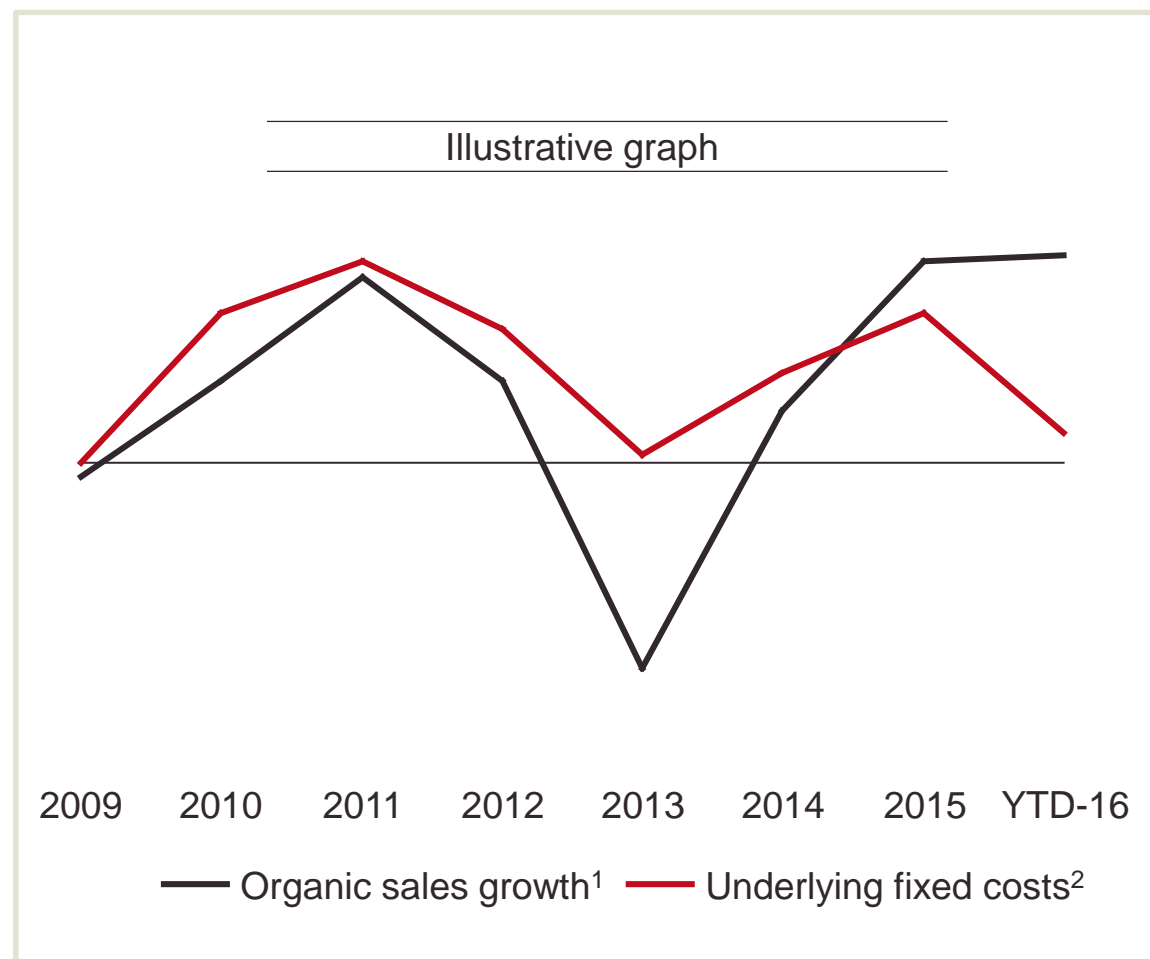


Meeting consumer demand for healthier food



Vitana's Farmer's Soup is a new range of premium, natural soups

Ongoing cost improvements produce results



Several cost measures implemented

- Integration programmes of acquired companies
 - Cederroth synergies above and ahead of plan
- Utilising opportunities from acquired companies
 - Consolidating production in four categories following acquisitions
- Supply chain restructuring ongoing

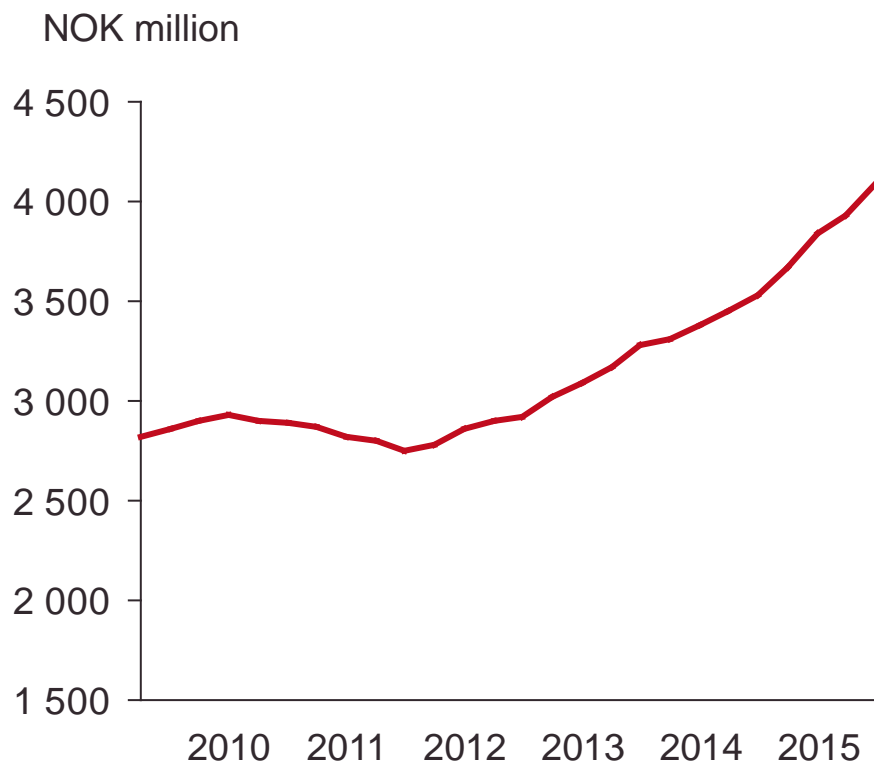
¹Reported growth adjusted for currency translation effects and structural changes.

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

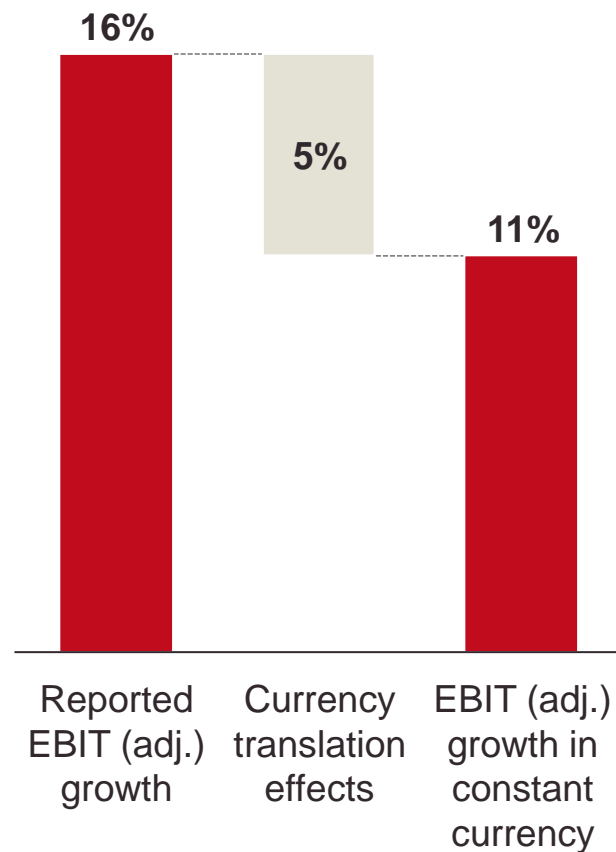
Branded Consumer Goods YTD 2016:

Strong EBIT growth helped by currency effects

R12M EBIT (adj.)

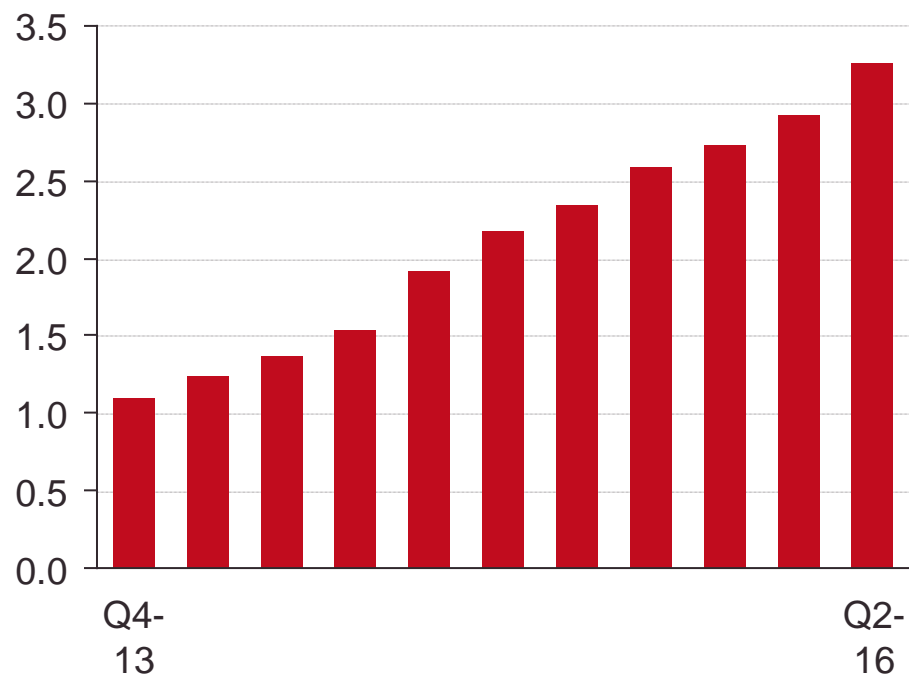


Breakdown of BCG
EBIT (adj.) growth YTD 2016



Strong improvement in Sapa

R12M underlying EBITDA (NOK billion)



Investing in leading branded consumer goods community

Orkla is investing in new office building at Skøyen in Oslo

- Gathering a major branded consumer goods community under one roof in Oslo
- Will provide workspace for around 800 employees
- Cash outlays of close to NOK 800 million over the next two years





Financial performance

Jens Bjørn Staff, CFO



Group EBIT (adj.) improvement of 26% in the quarter

Amounts in NOK million

Key figures	Q2-15	Q2-16	YTD-15	YTD-16
Operating revenues	7 705	9 433	15 246	18 043
EBIT (adj.)	789	996	1 514	1 813
Other income and expenses	-55	-81	-172	-111
EBIT	734	915	1 342	1 702
Profit/loss from associates and JV	545	442	783	904
Net financials and other	1	-98	-50	-96
Profit/loss before tax	1 280	1 259	2 075	2 510
Tax	-155	-200	-310	-335
EPS (NOK)	1.09	1.00	1.71	2.07

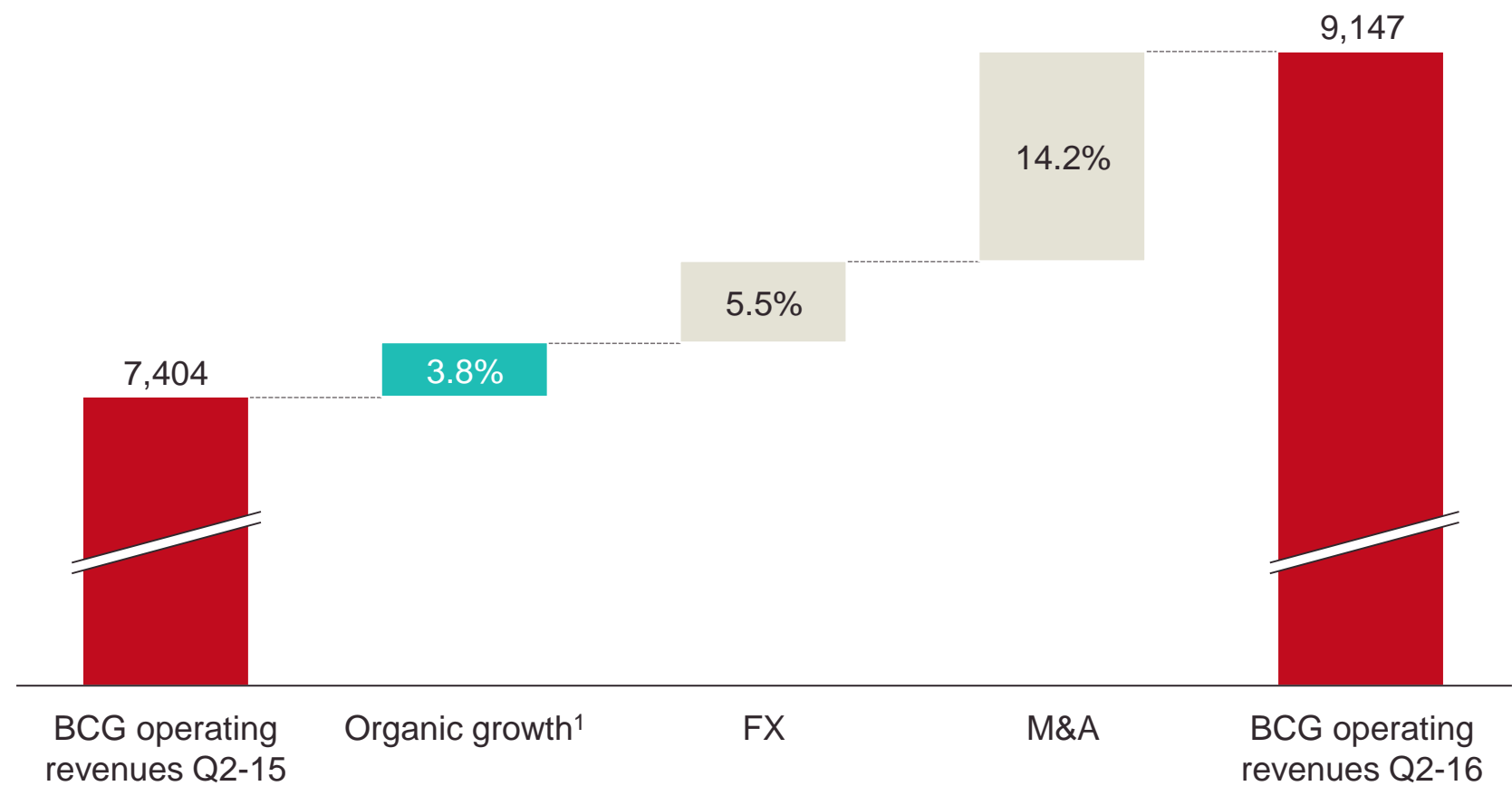


Branded Consumer Goods



Sales growth of 24% driven by M&A, FX and organic growth

Amounts in NOK million



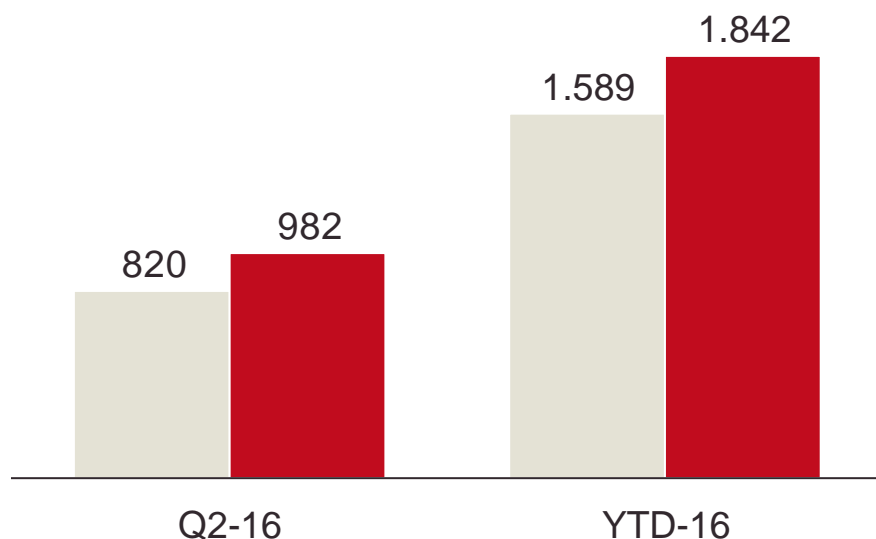
15 ¹Reported growth adjusted for currency translation effects and structural changes

Continued growth in Branded Consumer Goods

Amounts in NOK million

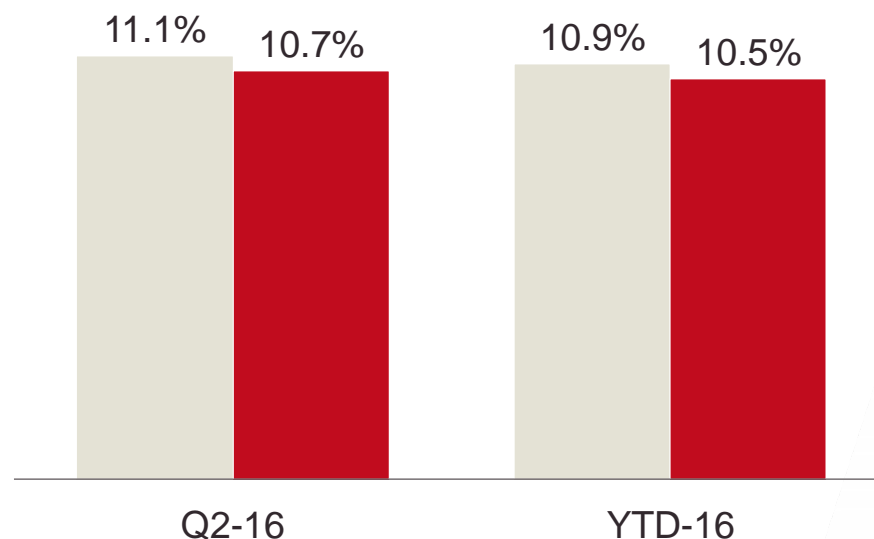
2015 2016

EBIT (adj.)



- 20% EBIT (adj.) growth in Q2, driven by organic growth, M&A and currency translation effects
- All business areas delivered EBIT (adj.) growth both in the quarter and YTD

EBIT (adj.) margin (%)

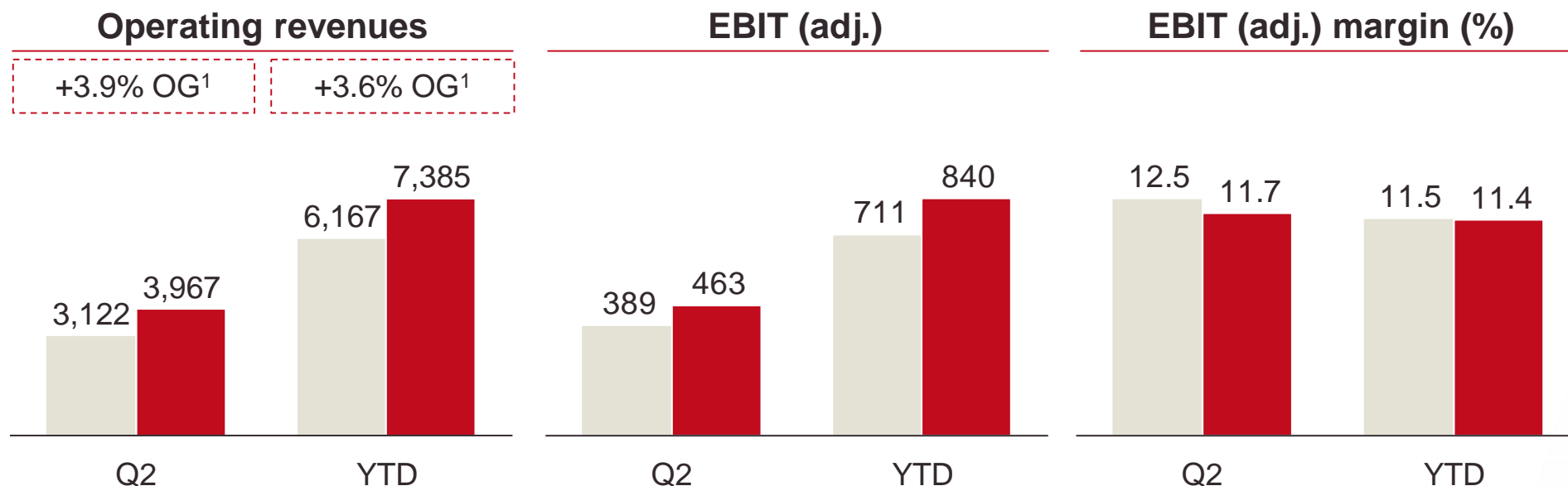


- Margin diluted by M&A and distribution agreements
- Increased input costs continue to impact margins
- Several cost improvement programmes initiated and carried out to improve the underlying margin

Organic growth and profit improvement in Orkla Foods

Amounts in NOK million

2015 2016



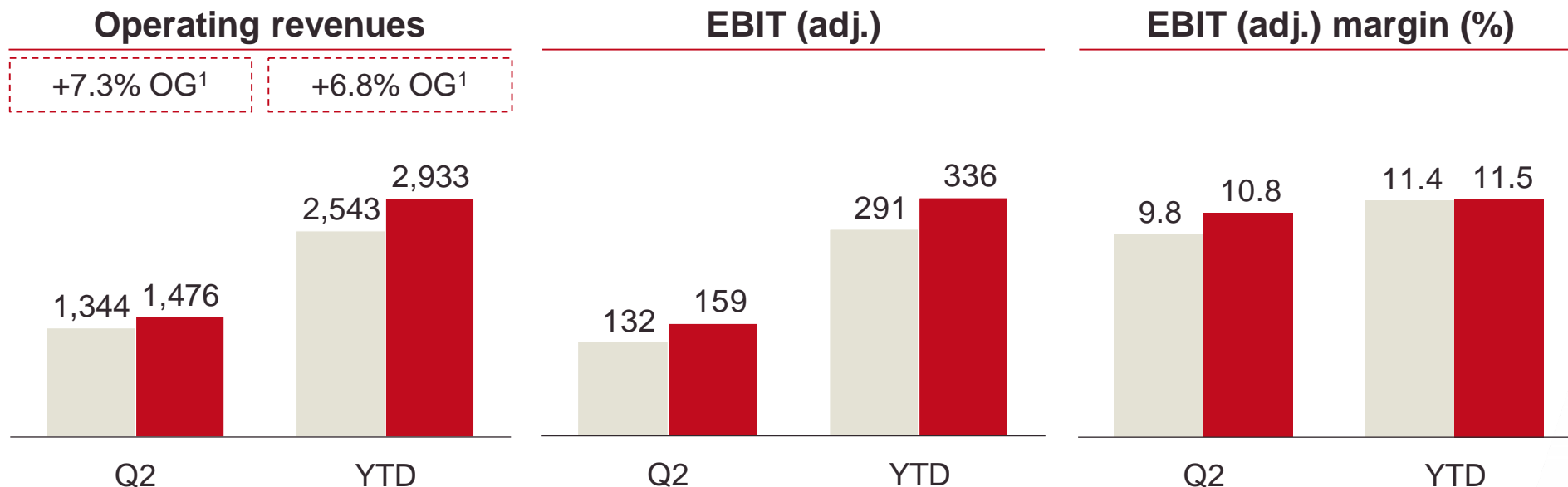
- 27% top line growth supported by FX and acquisitions
- Organic growth positively influenced by timing of Easter and by the expanded distribution agreement with PepsiCo

- FX and acquisitions main drivers behind EBIT (adj.) growth, but also positive contributions from sales and cost reduction programmes
- EBIT (adj.) negatively affected by temporary delivery challenges and higher input costs
- EBIT (adj.) margin diluted by the inclusion of Hamé and Tropicana/Quaker (PepsiCo)

Strong growth in Orkla Confectionery & Snacks

Amounts in NOK million

2015 2016



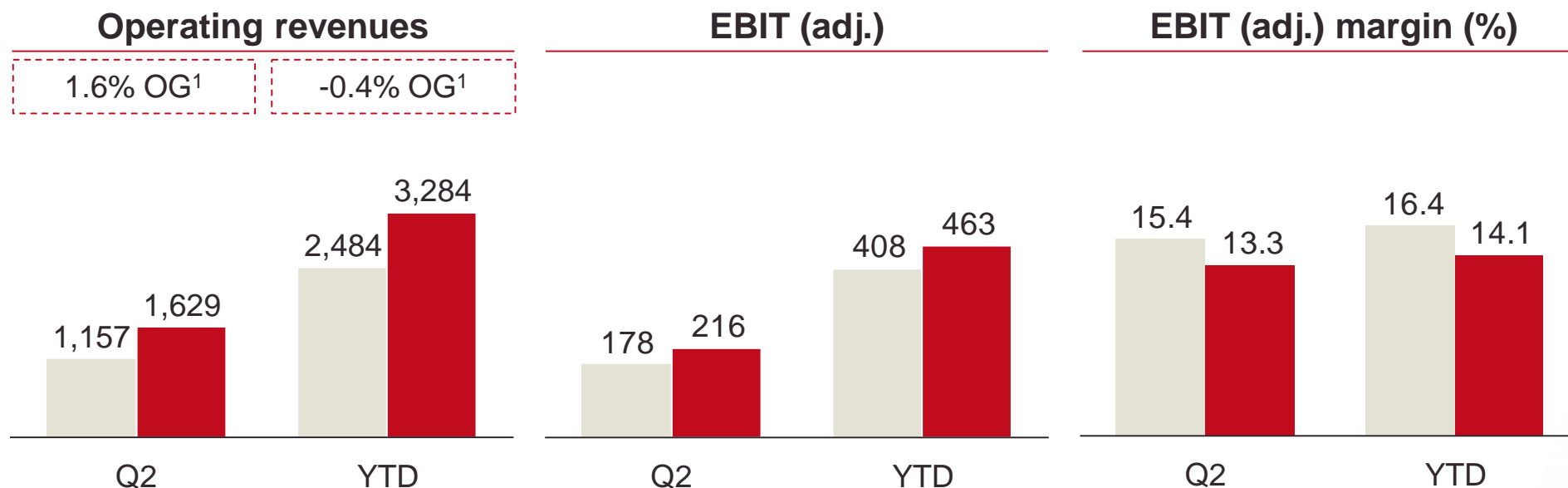
- Broad-based, volume-driven organic growth
- The quarter was to some extent positively impacted by Easter effects

- EBIT (adj.) growth driven by strong sales
- The improvement was broad-based, with Denmark as the main contributor
- New pick-and-mix agreement and distribution of PepsiCo products boosted sales, but had a dilutive effect on margins

Profit improvement for Orkla Care

Amounts in NOK million

2015 2016



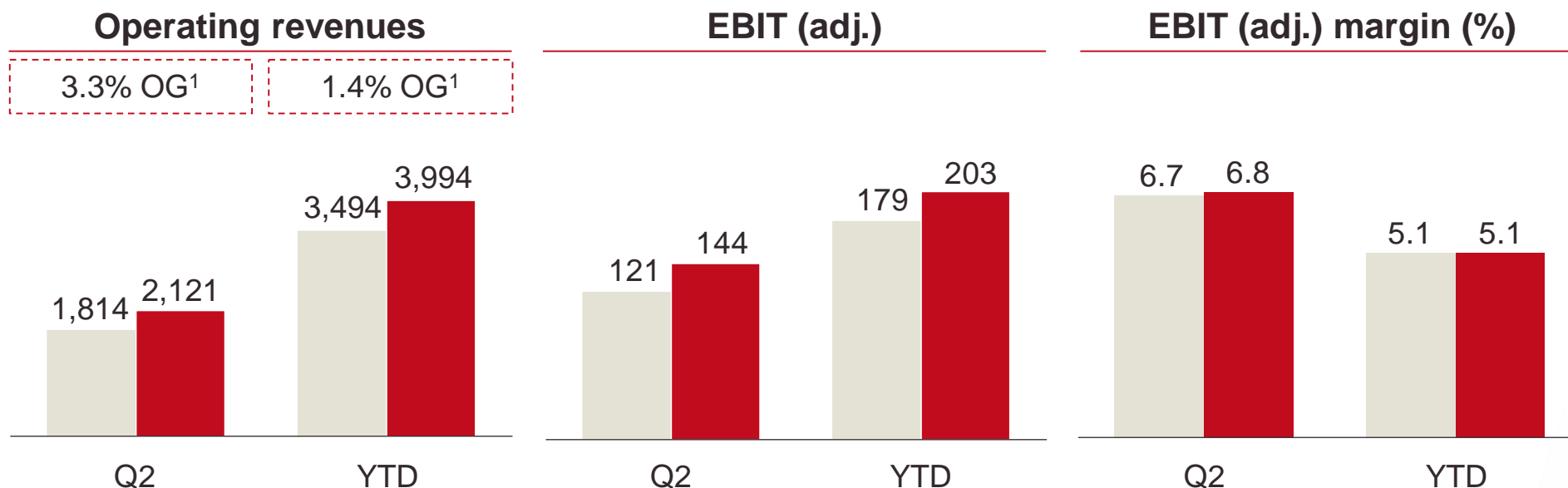
- Significant revenue growth driven by Easter effects, acquisitions and FX
- Sales growth in Orkla House Care and Lilleborg Profesjonell
- Markets for Home & Personal Care still challenging in Norway

- Profit improvement in all business units, although negatively affected by increased input costs
- Margin diluted by inclusion of Cederroth and termination of the distribution of five Unilever brands
- Synergy effects from Cederroth contributed to EBIT (adj.) growth

Growth in Orkla Food Ingredients

Amounts in NOK million

2015 2016



- 17% top line growth supported by Easter effects, acquisitions and FX
- Broad-based, volume-driven organic growth based on strong competitiveness in local markets

- Improved EBIT driven by top line growth, positive currency translation effects and add-on acquisitions
- Ice cream ingredients business still performing well, with both underlying and acquired profit growth
- Profitability of margarine and butter blends fell sharply due to surplus of milk in the European market



Orkla Investments



Orkla Investments



Financial investments



Book value real estate:
NOK 1.5 billion

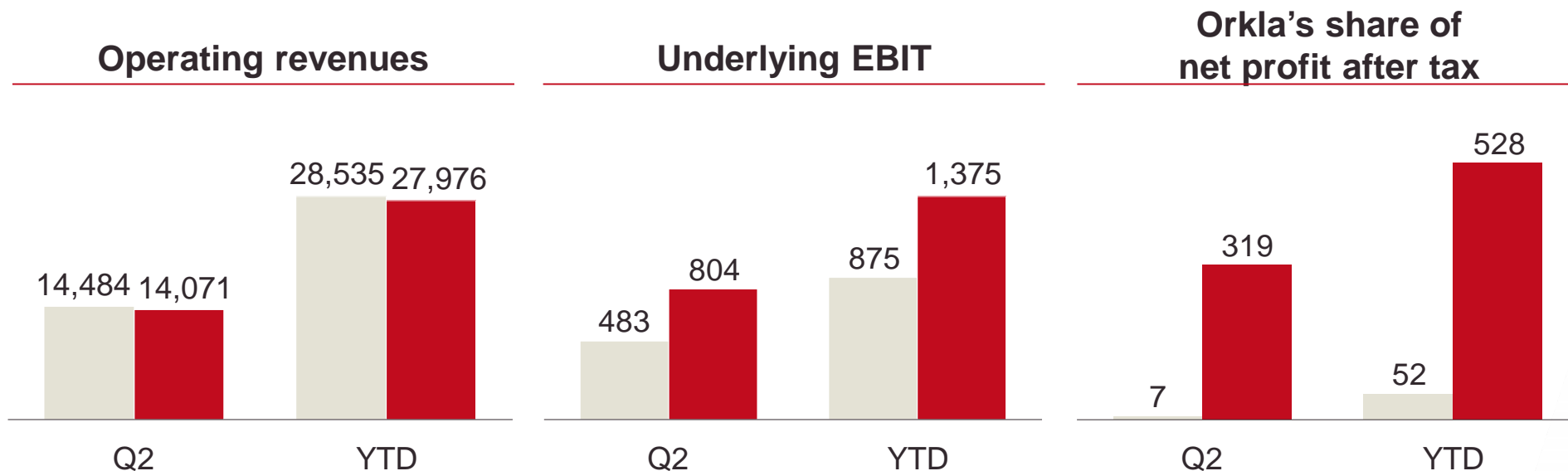
Market value share portfolio:
NOK 288 million

Sapa (50/50 joint venture)

Significant underlying and reported earnings growth in Sapa

Amounts on 100% basis in NOK million

2015 2016



- Increased demand in Europe, driven by automotive and transportation
- Continued demand growth in North America, but signs of flattening out in certain market segments

- Significant year on year improvement in operating result and Orkla's share of net profit
- Positive market development, cost improvements and increased share of higher margin business contributed positively
- No restructuring charges in the first half year

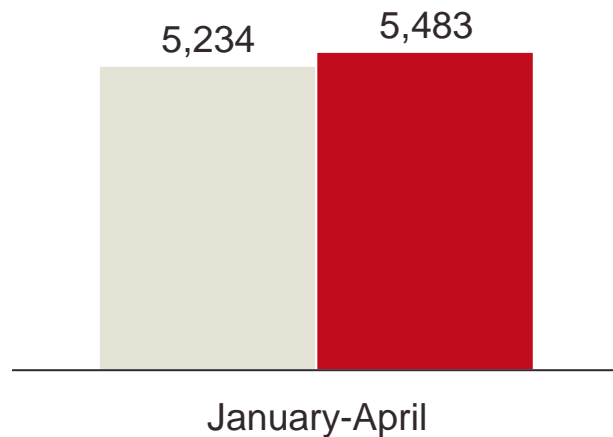
Jotun (42.5%)

Sales and profit growth in Jotun

Amounts on 100% basis in NOK million

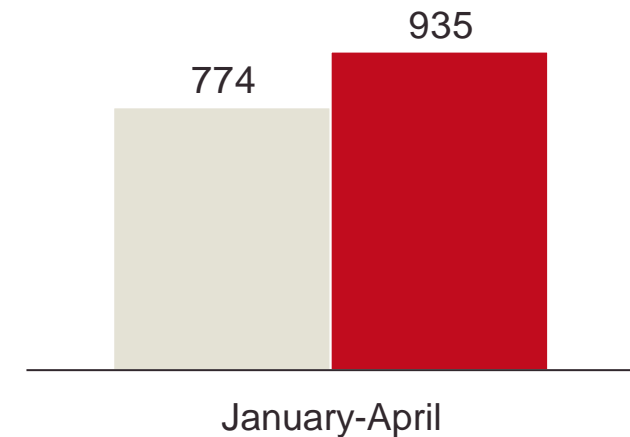
2015 2016

Operating revenues



- All-time-high sales and operating profit for Q2
- Sales growth for all segments

Operating profit



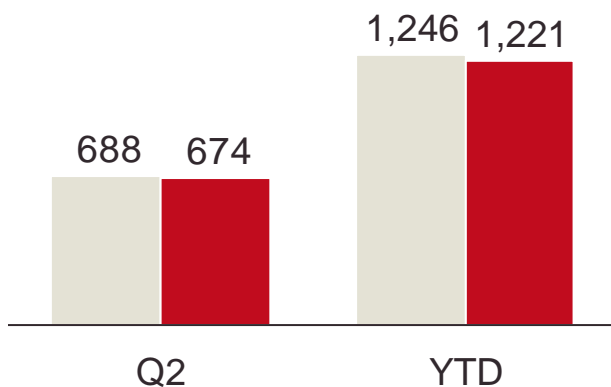
- Profitability improvement driven by volume growth and higher gross margin
- Ongoing plant investments in Oman, Philippines and Myanmar

Hydro Power

Higher power prices drive earnings improvement

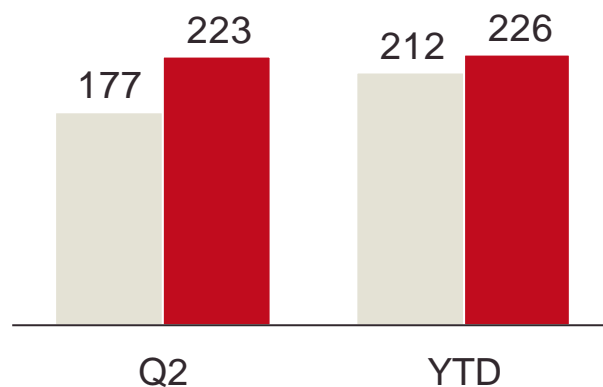
2015 2016

GWh produced



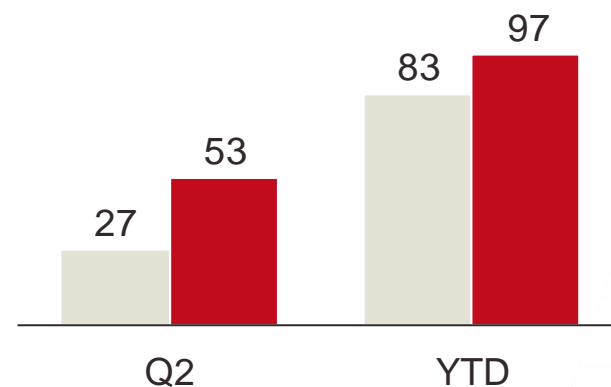
- Slightly lower production volumes compared with record high 2015 volumes

Spot prices (NOK/MWh)



- Higher power prices compared with historically low prices in 2015
- Volume sold on spot market is exposed to regional prices

EBIT (adj.) (NOK million)



- Higher power prices resulted in EBIT growth in Q2

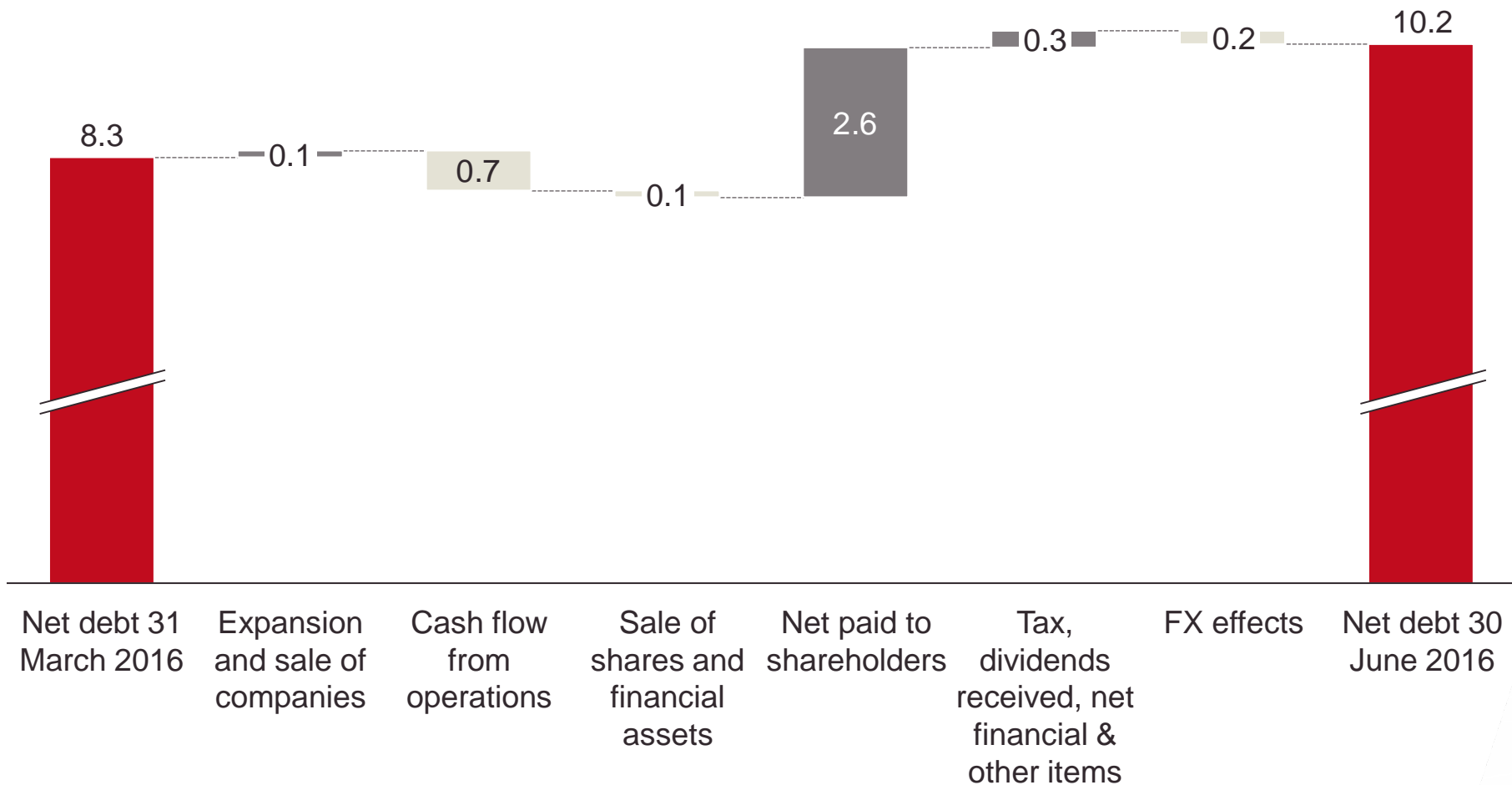


Net debt



Changes in net debt Q2-16

Amounts in NOK billion





Summary

Peter A. Ruzicka, President & CEO



Delivering on strategy

Strong performance YTD

- 2.8% organic growth¹ in BCG
- EBIT (adj.)² growth of 16% in BCG
- Strong performance from associates
- EPS growth of 21%

Develop position in BCG with strong, local brands

- Strengthening existing position in painting tools in the UK with acquisition of Harris³
- Gaining critical mass in Central Europe in core categories with Hamé
- Expanding in attractive markets and channels within existing categories with Cederroth and NP Foods

Operational focus going forward

- Activities that drive organic growth and improve profitability
- Utilise opportunities from acquired companies
- Increased supply chain efficiency



¹Reported growth adjusted for currency translation effects and structural changes

²EBIT (adj.) = Operating profit before other income and expenses

³Pending acquisition



Q&A

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO





Appendices

Group income statement

Amounts in NOK million

	Q2-15	Q2-16	YTD 2015	YTD 2016
Operating revenues	7 705	9 433	15 246	18 043
EBIT (adj.)	789	996	1 514	1 813
Other income and expenses	-55	-81	-172	-111
EBIT	734	915	1 342	1 702
Profit/loss from associates and joint ventures	545	442	783	904
Interests, net	-18	-47	-81	-97
Other financial items, net	19	-51	31	1
Profit/loss before taxes	1 280	1 259	2 075	2 510
Taxes	-155	-200	-310	-335
Profit/loss for the period	1 125	1 059	1 765	2 175
Earnings per share diluted (NOK)	1.09	1.00	1.71	2.07

Net financial items

Amounts in NOK million

	FY 2015	Q2-15	Q2-16
Net interest expenses	-192	-18	-47
Currency gain/loss	0	0	-10
Result from Share Portfolio and dividends	135	35	74
Other financial items, net	-71	-16	-115
Net financial items	-128	1	-98

Statement of financial position

Amounts in NOK million

	31.12.2015	30.06.2016
Intangible assets	17 676	18 393
Property, plant and equipment	10 523	10 892
Investments in associates and joint ventures etc.	13 029	13 174
Non-current assets	41 228	42 459
Assets held for sale	182	0
Inventories	4 623	5 257
Inventory of development property	216	244
Trade receivables	5 267	5 668
Other receivables	625	695
Shares and financial assets	1 376	288
Cash and cash equivalents	721	954
Current assets	13 010	13 106
Total assets	54 238	55 565
Paid-in equity	1 994	1 993
Earned equity	31 335	29 889
Non-controlling interests	417	402
Equity	33 746	32 284
Provisions	4 191	4 306
Non-current interest-bearing liabilities	8 722	11 055
Current interest-bearing liabilities	399	645
Trade payables	3 869	4 264
Other current liabilities	3 311	3 011
Equity and liabilities	54 238	55 565

Cash flow

Amounts in NOK million

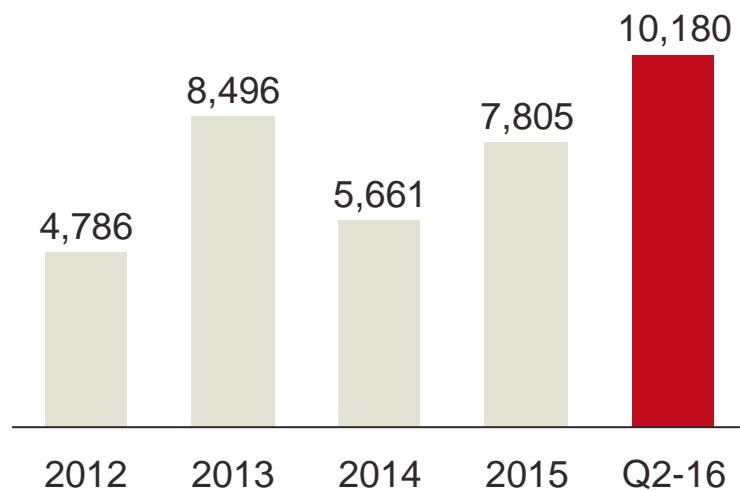
	YTD 2015	YTD 2016
Operating profit	1 282	1 678
Amortisation, depreciation and write-downs	546	533
Change in net working capital	-72	-564
Net replacement expenditures	-404	-760
Cash flow from operations	1 352	887
Cash flow from operations, Financial Investments	35	-97
Tax	-581	-307
Dividends received, net financial and other	177	-3
Cash flow before capital transactions	983	480
Paid to shareholders, net purchase/sales own shares	-2 549	-2 672
Cash flow before expansion	-1 566	-2 192
Expansion investments	-159	-97
Sold and acquired companies	-113	-1 552
Net purchases/sales shares and financial assets	149	1 045
Net cash flow	-1 689	-2 796
Currency translations net interest-bearing liabilities	-3	421
Change in net interest-bearing liabilities	1 692	2 375
Net interest-bearing liabilities	7 353	10 180

Sapa (joint venture) – figures on 100% basis

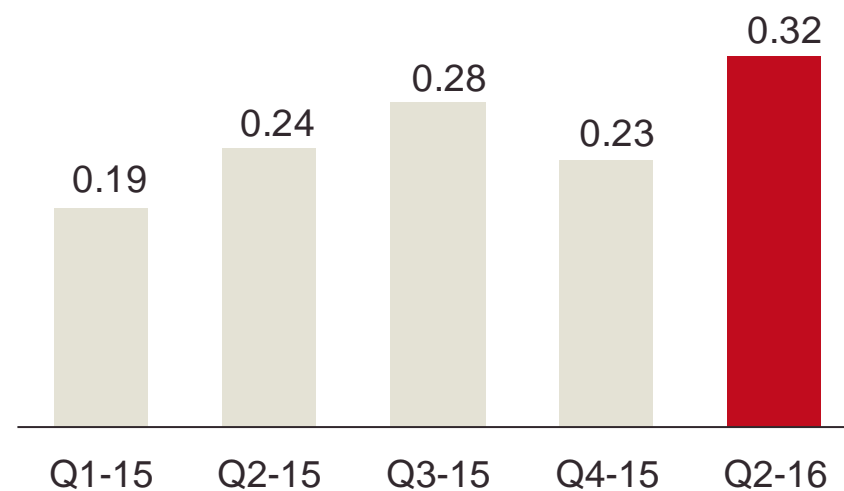
	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Sales volume (1,000 tonnes)	358	341	311	349	366
Operating revenues (NOK million) ¹	14 484	13 895	12 821	13 905	14 071
Underlying EBIT	483	404	128	571	804
Excluded items:					
Unrealised derivative positions	-158	-95	209	83	116
Other excluded items	-260	-135	-250	0	0
Sum excluded items	-418	-230	-41	83	116
EBIT	65	174	88	655	920
Net income (attributable to majority)	14	109	34	418	639

Strong balance sheet and financial flexibility

Net interest bearing debt (NOK million)

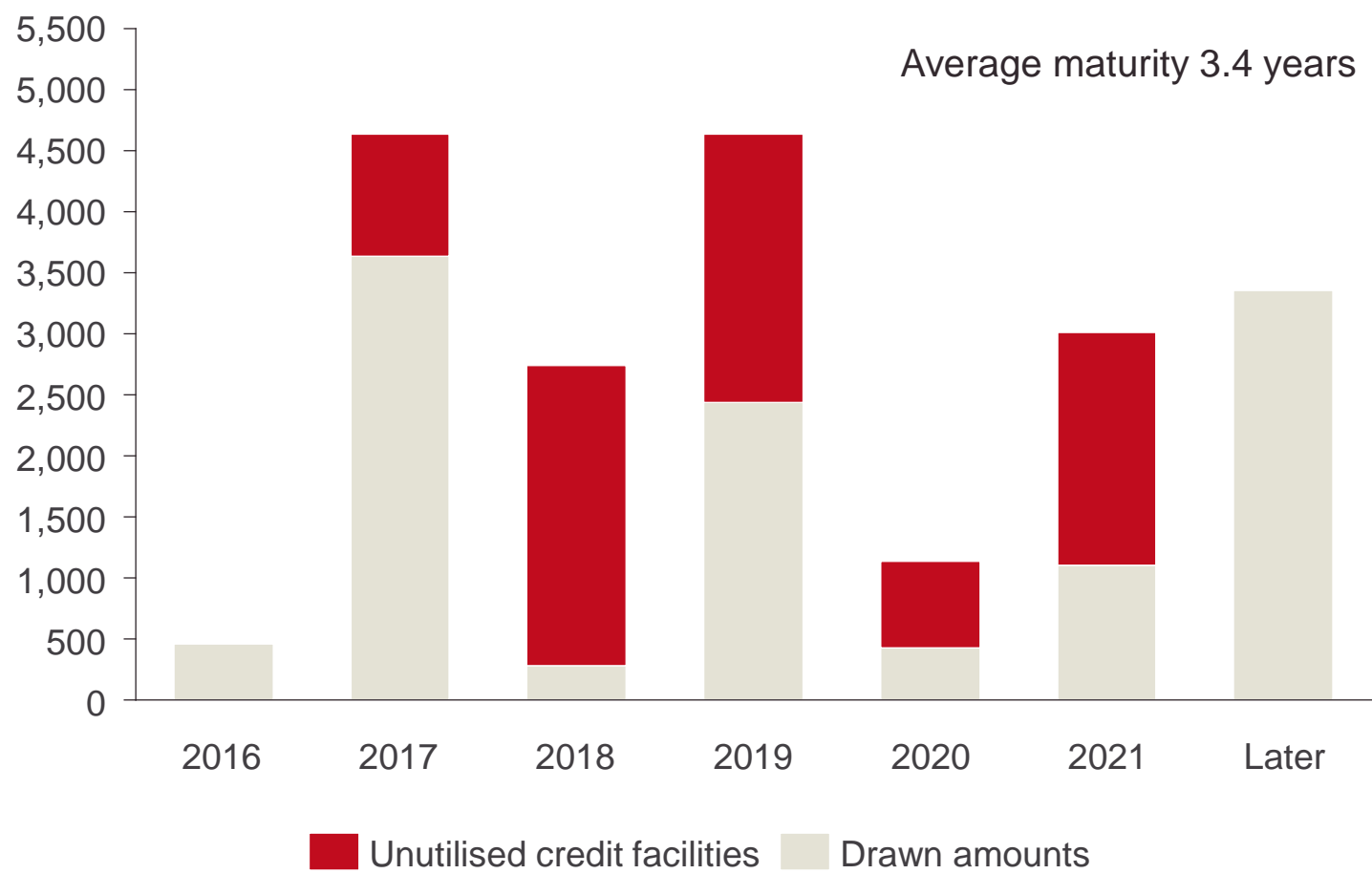


Net gearing



Debt maturity profile

Amounts in NOK million



Funding sources

Amounts in NOK billion

