



# First quarter results 2016

3 May 2016

Peter A. Ruzicka, President & CEO



## Highlights:

# Significant EPS growth in the quarter

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- **Continued growth in Branded Consumer Goods**
  - 1.8% organic growth<sup>2</sup> despite negative Easter effects
  - EBIT (adj.) growth of 12% in BCG supported by sales growth and cost improvement programmes
- **Strong contribution from associates**
  - Sapa delivered solid improvement in both underlying and reported figures
  - Continued growth in Jotun
- **Increase in EPS of 74%, from NOK 0.62 to NOK 1.08**
- **Continued high M&A and restructuring activity**
  - Sale of all remaining shares in Gränges
  - Acquisition of Hamé and Kavli's Danish operations completed
  - Pierre Robert agreement to acquire four textile brands in Finnish grocery trade
  - Further expansion in ice cream ingredients
  - Integration of Cederroth and NP Foods ongoing

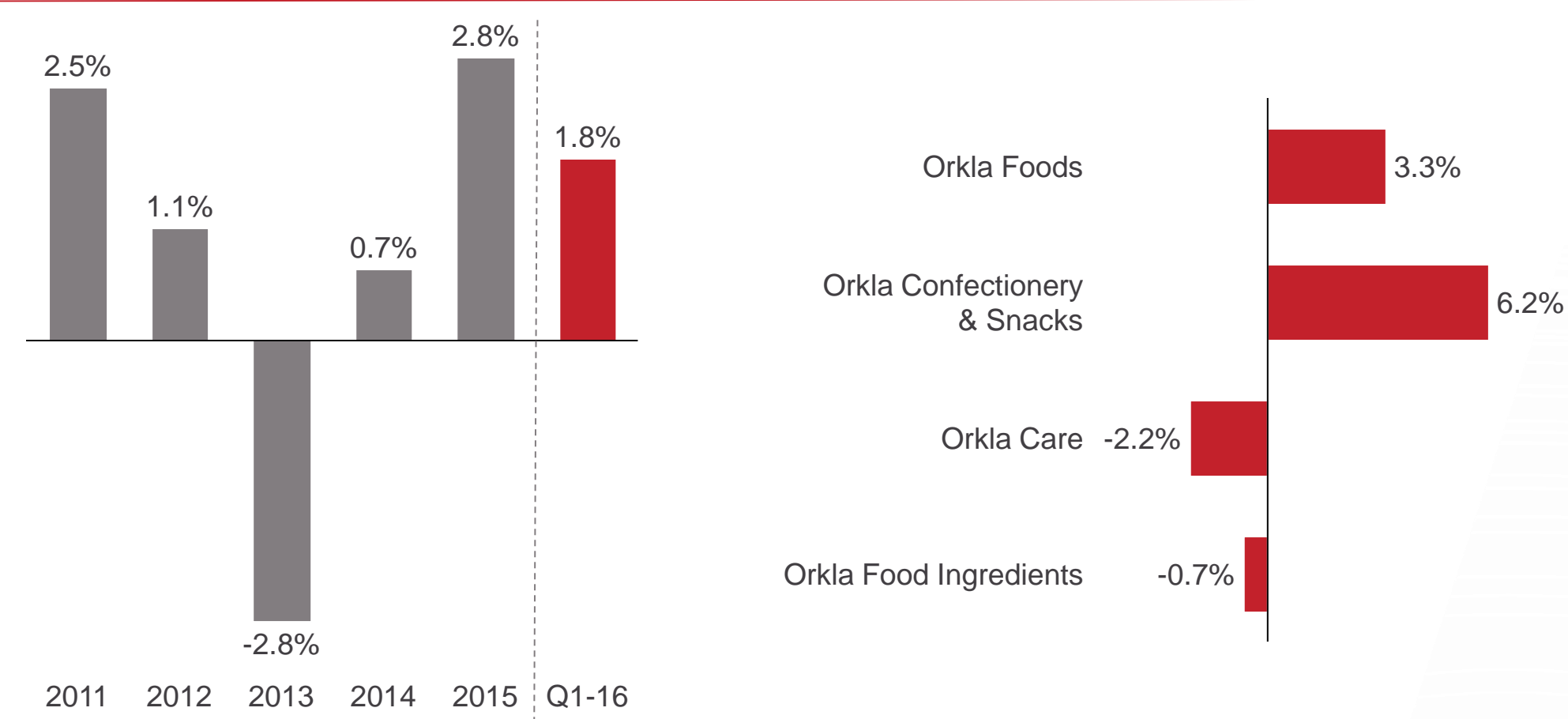
<sup>1</sup>EBIT (adj.) = Operating profit before other income and expenses

<sup>2</sup>Reported growth adjusted for FX and M&A

# Branded Consumer Goods Q1 2016:

## Continued organic growth in BCG

Organic growth performance<sup>1</sup>



3 <sup>1</sup>Reported growth adjusted for FX and M&A

## Growth in Orkla's biggest category



4% volume  
and 7% value  
growth in Q1  
for the frozen  
pizza category

1.2 million more  
pizza Grandiosa  
sold in Norway  
in Q1

Orkla has  
strengthened its  
market share

# Launching organic alternatives



# Meeting increased demand for vegetarian food



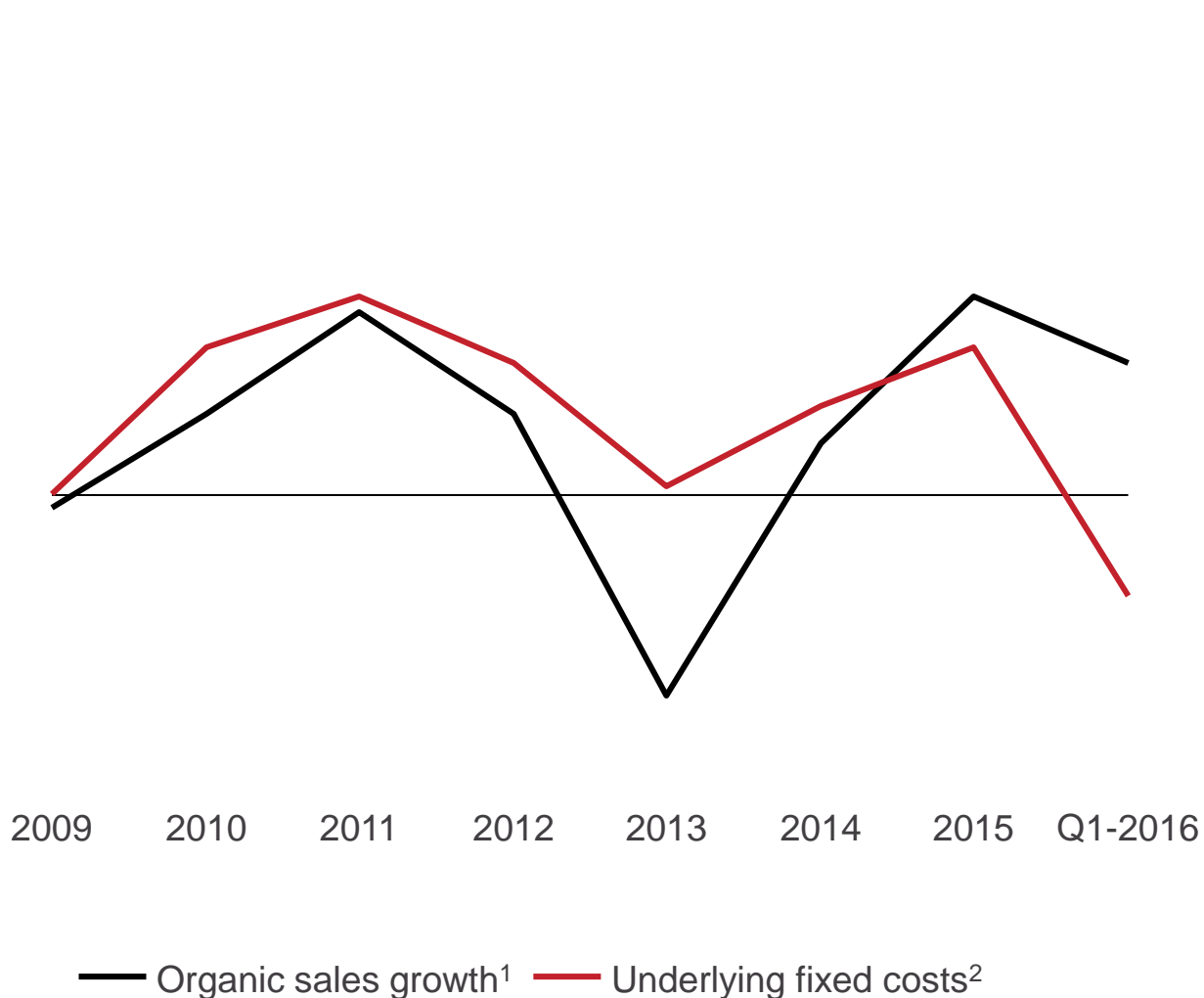
# New crisps launch with strong sales and social media exposure



# New range from Dr. Greve makes Orkla number one in skin care



# Successful cost improvements implemented



## Several cost measures in recent years

- Increased sales force efficiency
- Supply chain restructuring initiated
- Integration programs of acquired companies initiated

## Additional measures in Q1-16

- Investing in larger, more flexible production hubs
  - Consolidating production of drinkables
  - Consolidating parts of the Baltic food production

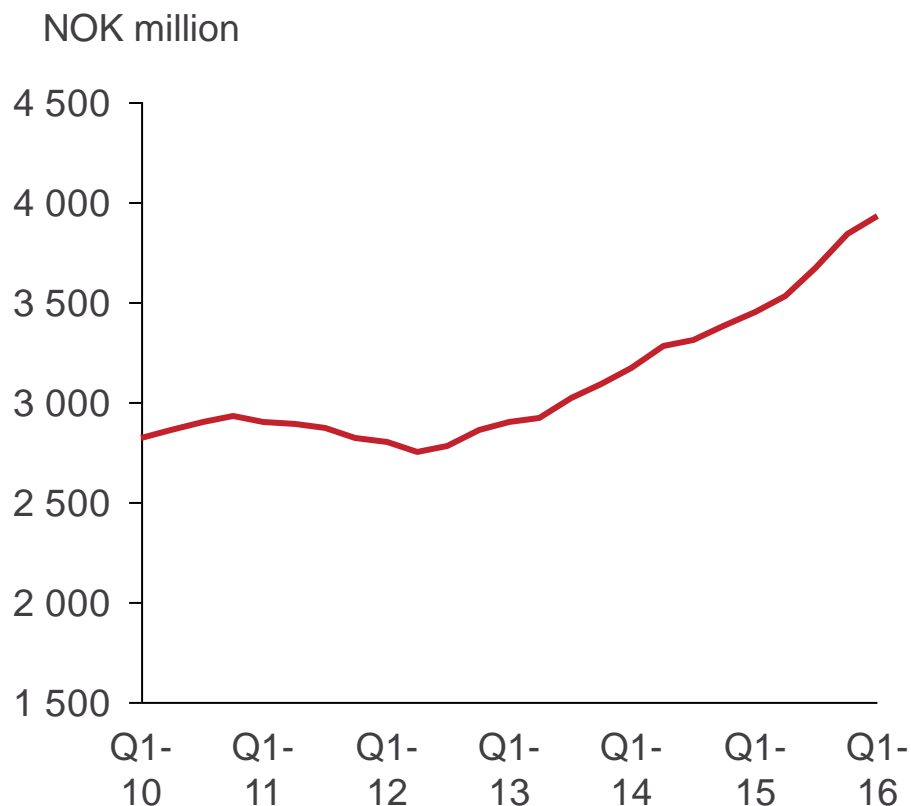
<sup>1</sup>Organic sales growth adjusted for Easter effects in the quarterly figures.

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

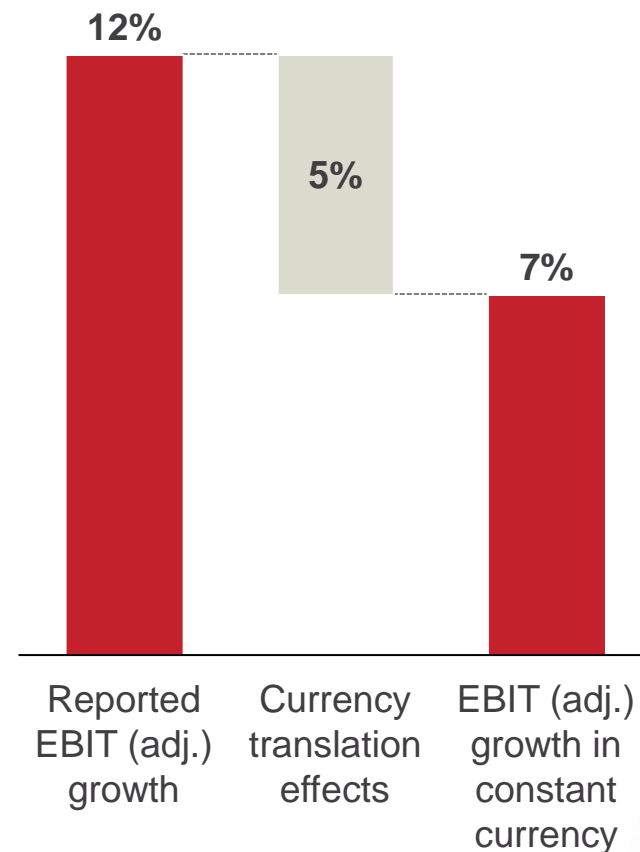
## Branded Consumer Goods Q1 2016:

# EBIT (adj.) growth still impacted by currency

R12M EBIT (adj.)



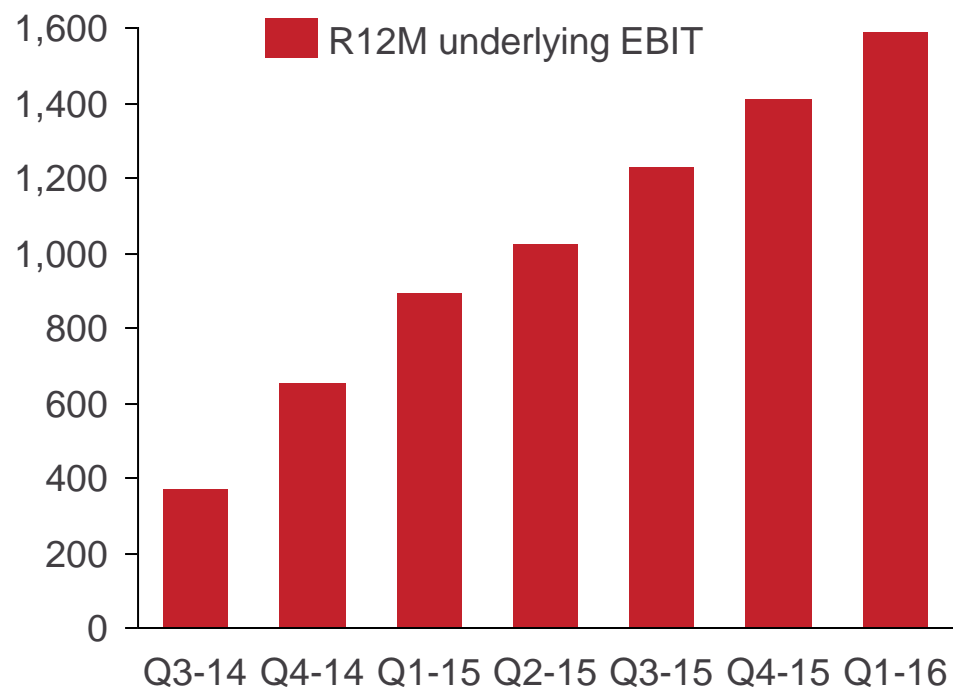
Breakdown of BCG  
EBIT (adj.) growth Q1 2016



# Strong improvement in Sapa

## R12M Underlying EBIT

NOK million



## Significant improvement since establishment of Sapa JV

- NOK 1 billion in synergies realised
- Strong North American market
- Higher share of value added products

## Focus on continued operational improvement going forward

- Leverage on leading market position
- Increase share of value added products
- Continuous improvement of cost position

## Summary

# Delivering on our strategy and increasing performance



**Keep the strategy on track**



**Deliver organic growth at least in line with market growth**



**Target annual adj. EBIT growth of 6-9%<sup>1</sup> in BCG**



**Maintain a stable dividend of at least NOK 2.50 per share**



## Financial performance

Jens Bjørn Staff, CFO



## Group EBIT (adj.) improvement of 13% in the quarter

*Amounts in NOK million*

Key figures	Q1-15	Q1-16
Operating revenues	7 541	8 610
EBIT (adj.)	725	817
Other income and expenses	-117	-30
EBIT	608	787
Profit/loss from associates and JV	238	462
Net financials and other	-51	2
Profit/loss before tax	795	1 251
Tax	-155	-135
EPS (NOK)	0.62	1.08

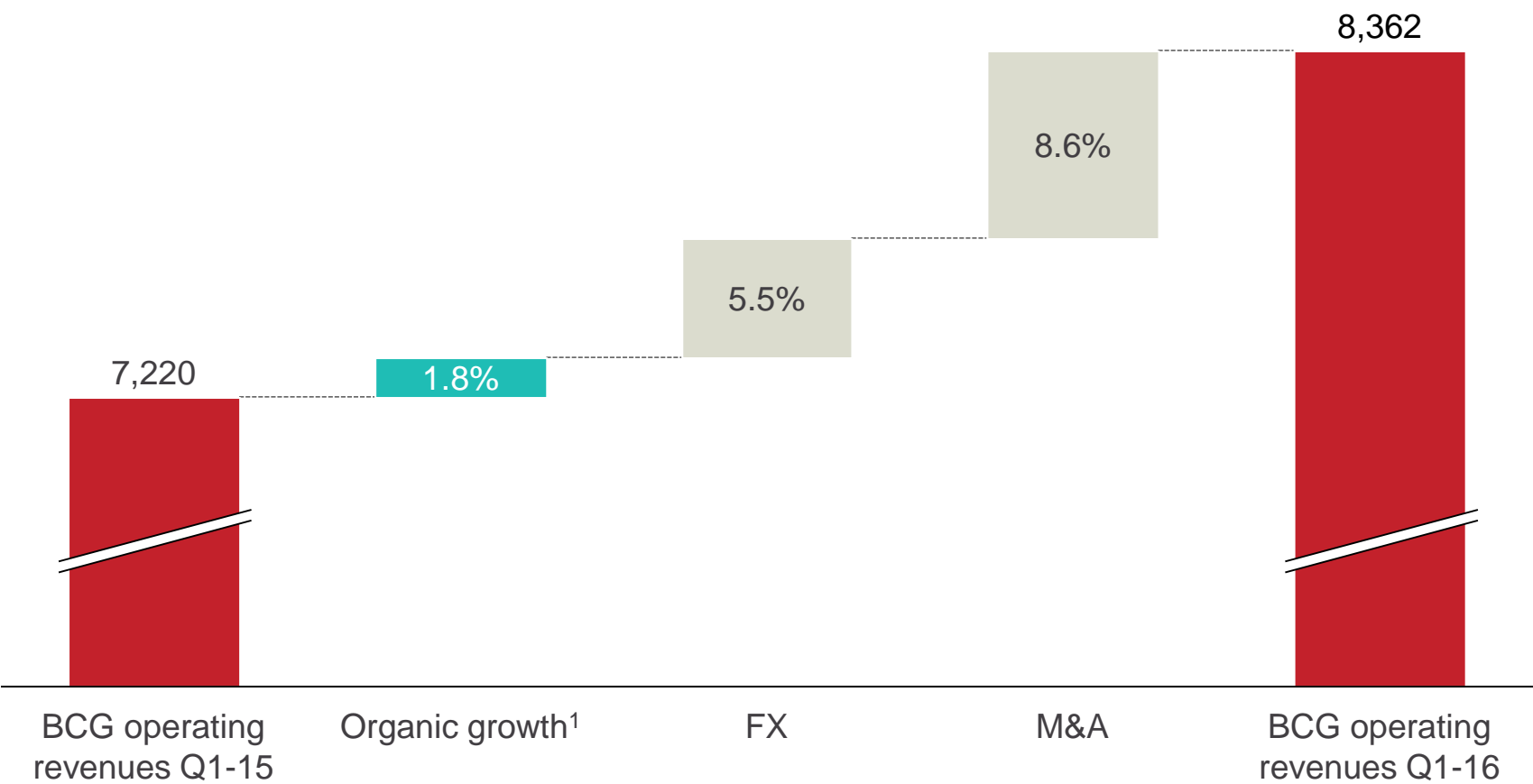


**Branded Consumer Goods**



# Sales growth of 16% driven by FX, M&A and organic growth

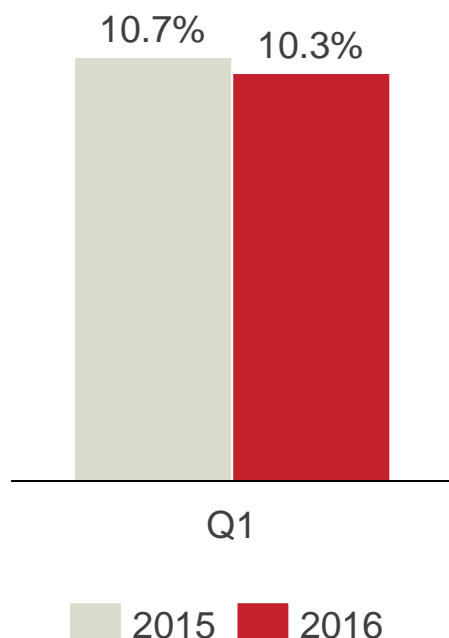
Amounts in NOK million



16 <sup>1</sup>Reported growth adjusted for FX and M&A

# Underlying margin improvement offset by dilution effects from M&A

## Reported EBIT (adj.) margin in BCG



## Comments

- Margin diluted by M&A and distribution agreements
- Increased input costs continue to impact margins
- Underlying positive margin trend due to several cost improvements throughout the value chain

## Key financials Q1 2016

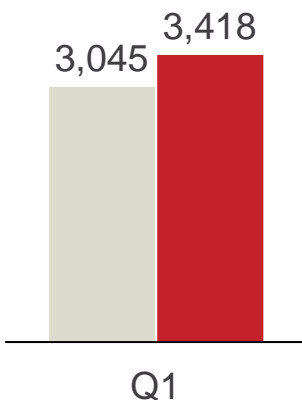
# Solid top and bottom line growth in Orkla Foods

Amounts in NOK million

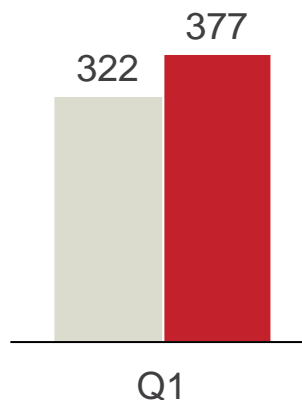
2015 2016

### Operating revenues

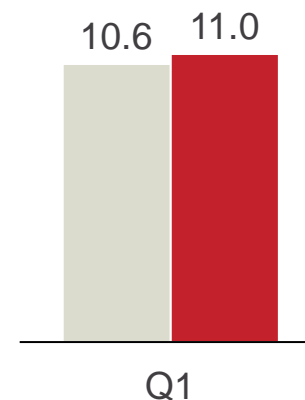
+3.3% OG<sup>1</sup>



### EBIT (adj.)



### EBIT (adj.) margin (%)



- Organic growth related to launches, campaign activity and the expanded distribution agreement with PepsiCo
- The quarter was negatively influenced by timing of Easter

- Profit and margin expansion driven by sales growth and cost savings
- Input costs continued to increase, partly due to weaker NOK
- Dilutive margin effects from the inclusion of Tropicana and Quaker (PepsiCo)

## Key financials Q1 2016

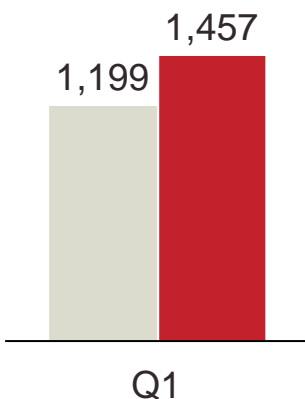
# Strong sales growth in Orkla Confectionery & Snacks

Amounts in NOK million

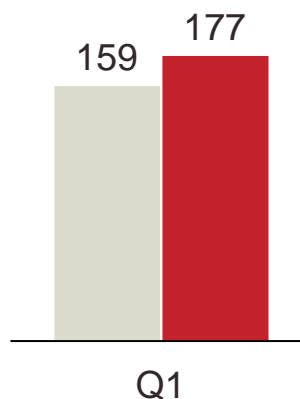
2015 2016

### Operating revenues

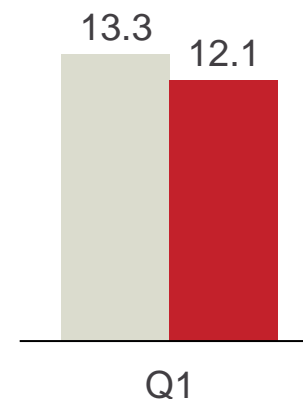
+6.2% OG<sup>1</sup>



### EBIT (adj.)



### EBIT (adj.) margin (%)



- Broad based organic growth
- New pick and mix agreement in Norway and distribution for Lay's contributed positively
- The quarter was to some extent negatively impacted by timing of Easter

- EBIT (adj.) growth driven by strong sales, but dilutive effects on margin from pick and mix sweets and Lay's products
- The acquisition of NP Foods also had a dilutive effect on EBIT (adj.) margin

## Key financials Q1 2016

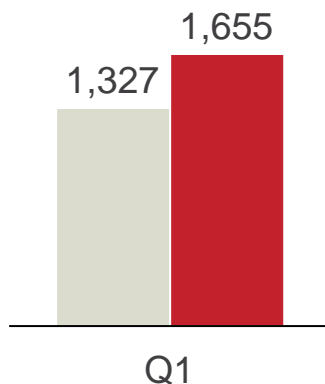
# Orkla Care impacted by acquisitions and FX effects

Amounts in NOK million

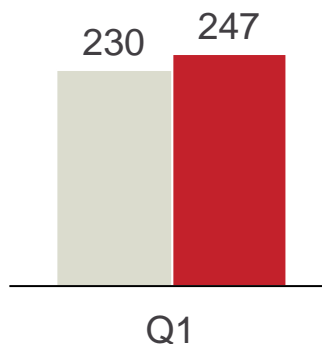
2015 2016

### Operating revenues

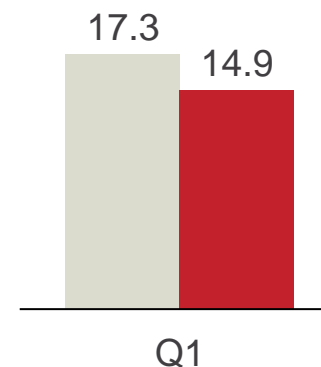
-2.2% OG<sup>1</sup>



### EBIT (adj.)



### EBIT (adj.) margin (%)



- Weaker sales performance primarily in Norway for HPC and Health
- The quarter was negatively influenced by timing of Easter

- Profitability in all segments negatively affected by a weak NOK
- Margin diluted by Cederroth inclusion and termination of the distribution of five Unilever brands
- Synergy effects from Cederroth integration contributed to EBIT (adj.) growth

## Key financials Q1 2016

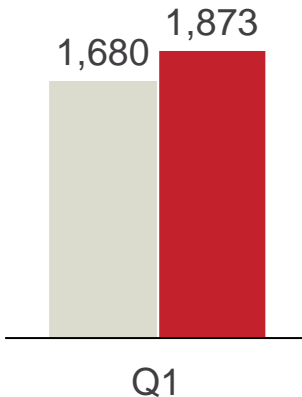
# Orkla Food Ingredients had slight growth in a seasonally weak quarter

Amounts in NOK million

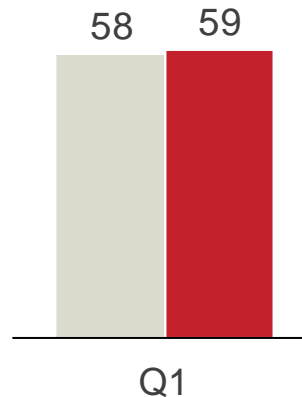
2015 2016

### Operating revenues

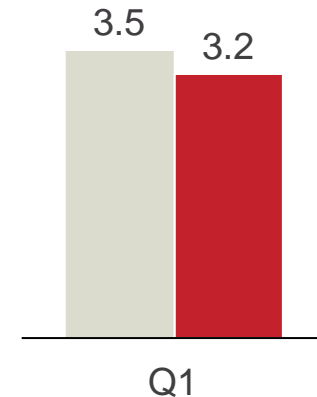
-0.7% OG<sup>1</sup>



### EBIT (adj.)



### EBIT (adj.) margin (%)



- The quarter was negatively influenced by timing of Easter
- Underlying growth in line with market

- Continued expansion in ice cream ingredients with peak season from Q2. A limited positive impact on EBIT (adj.) in Q1
- Overall rise in prices of raw materials
- Profitability from margarine and butter blends fell sharply due to surplus of milk in the European market



**Orkla Investments**



# Orkla Investments



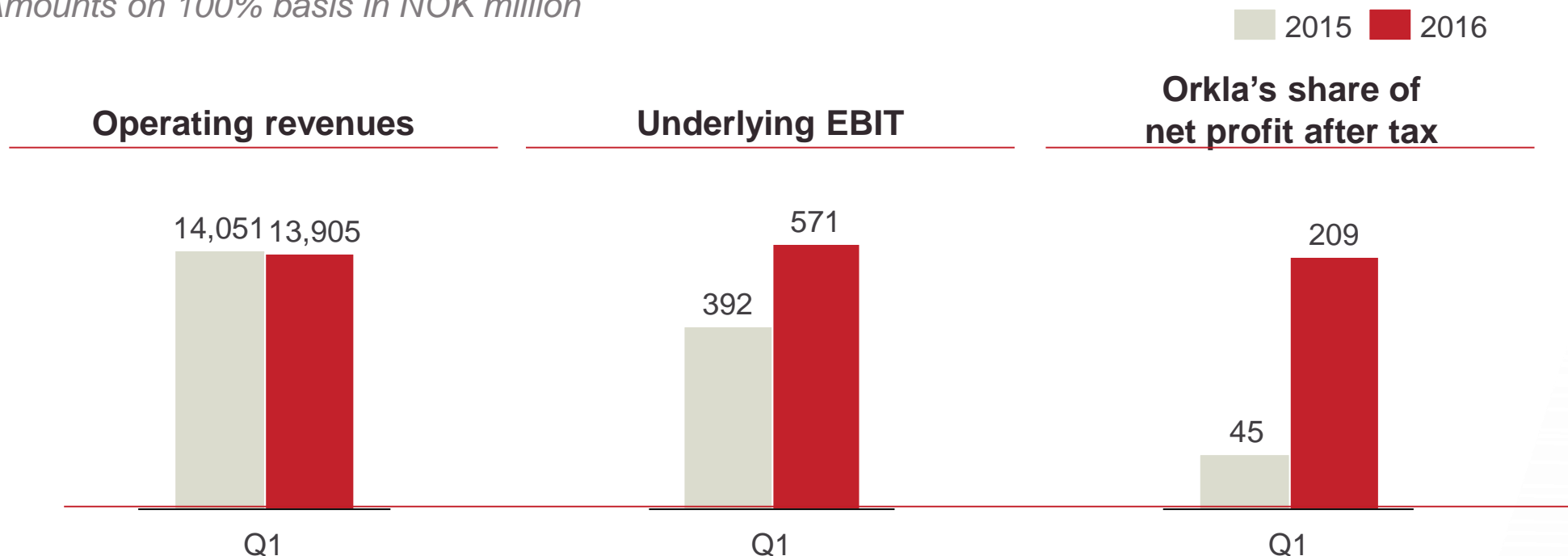
## Financial investments



Sapa (50/50 joint venture)

## Solid underlying and reported growth in Sapa

*Amounts on 100% basis in NOK million*



- Healthy demand growth in North America and marginal increase in European consumption
- Falling metal prices and weaker NOK affected operating revenues

- Significant year on year improvement in operating result and Orkla's share of net profit
- Improvement programmes and increased share of higher margin business contributed positively, as did the weaker Norwegian krone
- No restructuring charges in Q1

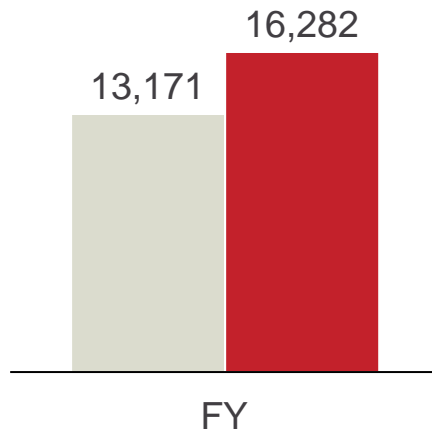
Jotun (42.5%)

## Continued sales and profit growth in Jotun

*Amounts on 100% basis in NOK million*

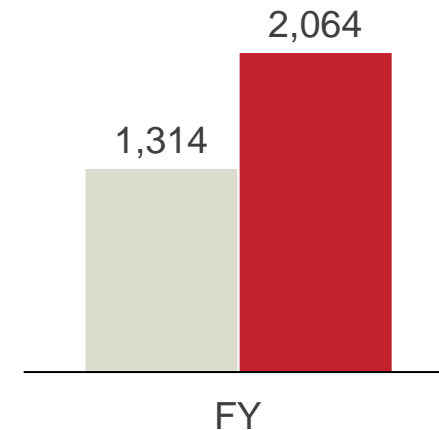
2014 2015

### Operating revenues



- Continued sales growth in Q1 driven by the Marine segment and Decorative sales in Middle East and South East Asia

### Operating profit

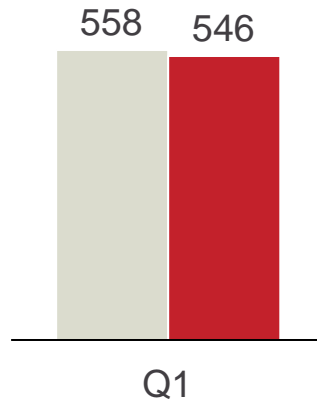


- Profit growth in Q1 positively affected by improved gross margins and currency translation effects
- Jotun continues its organic growth strategy with an ongoing new factory investment in Oman

# Lower production volumes and power prices

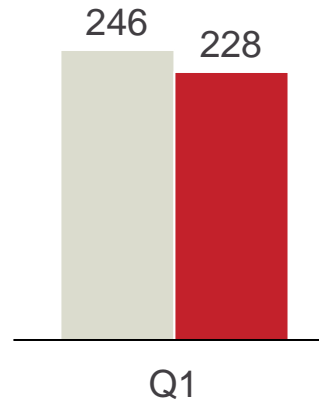
2015 2016

### GWh produced



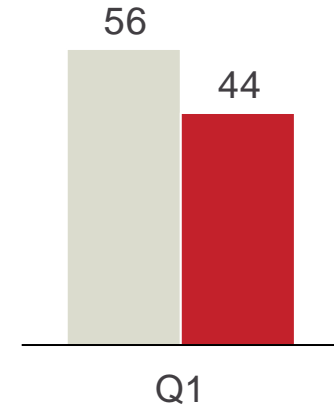
- Slightly lower production volumes compared with record high 2015 volumes

### Spot prices (NOK/MWh)



- Lower power prices
- Volume sold on spot market is exposed to regional prices

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



- Lower volumes and price explain the reduced EBIT contribution in Q1

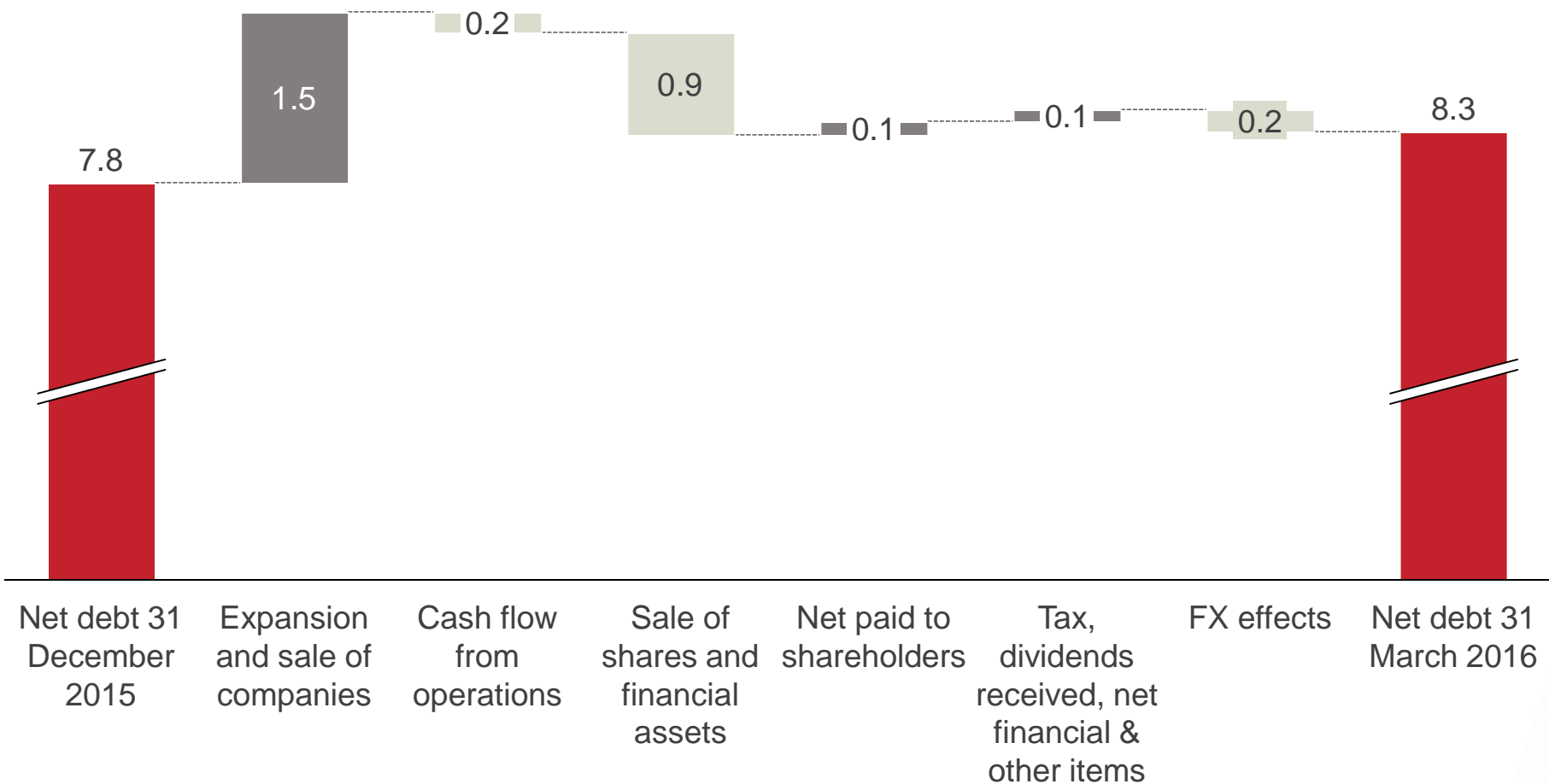


**Net debt**



# Changes in net debt Q1-16

Amounts in NOK billion





## Summary

Peter A. Ruzicka, President & CEO



# Delivering on strategy

## Strong performance

- 1.8% organic growth<sup>2</sup> in BCG
- EBIT (adj.)<sup>1</sup> growth of 12% in BCG
- Strong performance from associates
- EPS growth of 74%

## Allocating capital to Branded Consumer Goods

- Sale of remaining ownership share in Gränges
- Acquisition of Hamé completed, which will make Orkla one of the leading suppliers of branded food products in attractive markets in Central Europe
- Several add-on acquisitions in Branded Consumer Goods

## Operational focus going forward

- Activities that drive organic growth and improve margins
- Centralise supply chain and reduce factory footprint



<sup>1</sup>EBIT (adj.) = Operating profit before other income and expenses

<sup>2</sup>Reported growth adjusted for FX and M&A

# New salad spreads with fewer calories and more protein



# Confectionery bites launched in Norway, Sweden and Finland



# New design for the Nutrilett range





## Q&A

Peter A. Ruzicka, President & CEO

Jens Bjørn Staff, CFO





## Appendices

# Group income statement

*Amounts in NOK million*

	Q1-15	Q1-16	2015
<b>Operating revenues</b>	<b>7 541</b>	<b>8 610</b>	<b>33 198</b>
<b>EBIT (adj.)</b>	<b>725</b>	<b>817</b>	<b>3 609</b>
Other income and expenses	-117	-30	-502
<b>EBIT</b>	<b>608</b>	<b>787</b>	<b>3 107</b>
Profit/loss from associates and joint ventures	238	462	1 111
Interests, net	-63	-50	-192
Other financial items, net	12	52	64
<b>Profit/loss before taxes</b>	<b>795</b>	<b>1 251</b>	<b>4 090</b>
Taxes	-155	-135	-722
<b>Profit/loss for the period continuing operations</b>	<b>640</b>	<b>1 116</b>	<b>3 368</b>
Profit/loss from discontinued operations	0	0	-17
<b>Profit/loss for the period</b>	<b>640</b>	<b>1 116</b>	<b>3 351</b>
<b>Earnings per share diluted (NOK)</b>	<b>0.62</b>	<b>1.08</b>	<b>3.24</b>

# Net financial items

*Amounts in NOK million*

	FY 2015	Q1-15	Q1-16
Net interest expenses	-192	-63	-50
Currency gain/loss	0	1	1
Result from Share Portfolio and dividends	135	29	78
Other financial items, net	-71	-18	-27
<b>Net financial items</b>	<b>-128</b>	<b>-51</b>	<b>2</b>

# Statement of financial position

*Amounts in NOK million*

	31.12.2015	31.03.2016
Intangible assets	17 676	18 389
Property, plant and equipment	10 523	10 999
Investments in associates and joint ventures etc.	13 029	12 871
<b>Non-current assets</b>	<b>41 228</b>	<b>42 259</b>
Assets held for sale	182	0
Inventories	4 623	5 173
Inventory of development property	216	217
Trade receivables	5 267	5 556
Other receivables	625	766
Shares and financial assets	1 376	374
Cash and cash equivalents	721	1 464
<b>Current assets</b>	<b>13 010</b>	<b>13 550</b>
<b>Total assets</b>	<b>54 238</b>	<b>55 809</b>
Paid-in equity	1 994	1 993
Earned equity	31 335	31 571
Non-controlling interests	417	394
<b>Equity</b>	<b>33 746</b>	<b>33 958</b>
Provisions	4 191	4 328
Non-current interest-bearing liabilities	8 722	9 414
Current interest-bearing liabilities	399	903
Trade payables	3 869	4 134
Other current liabilities	3 311	3 072
<b>Equity and liabilities</b>	<b>54 238</b>	<b>55 809</b>

# Cash flow

*Amounts in NOK million*

	Q1-15	Q1-16
<b>Operating profit</b>	<b>605</b>	<b>796</b>
Amortisation, depreciation and write-downs	301	253
Change in net working capital	-415	-445
Net replacement expenditures	-205	-390
<b>Cash flow from operations</b>	<b>286</b>	<b>214</b>
<b>Cash flow from operations, Financial Investments</b>	<b>40</b>	<b>-27</b>
Tax	-224	-132
Dividends received, net financial and other	58	22
<b>Cash flow before capital transactions</b>	<b>160</b>	<b>77</b>
Paid to shareholders, net purchase/sales own shares	-46	-122
<b>Cash flow before expansion</b>	<b>114</b>	<b>-45</b>
Expansion investments	-46	-40
Sold and acquired companies	-723	-1 504
Net purchases/sales shares and financial assets	75	925
<b>Net cash flow</b>	<b>-580</b>	<b>-664</b>
Currency translations net interest-bearing liabilities	31	201
<b>Change in net interest-bearing liabilities</b>	<b>549</b>	<b>463</b>
<b>Net interest-bearing liabilities</b>	<b>6 210</b>	<b>8 268</b>

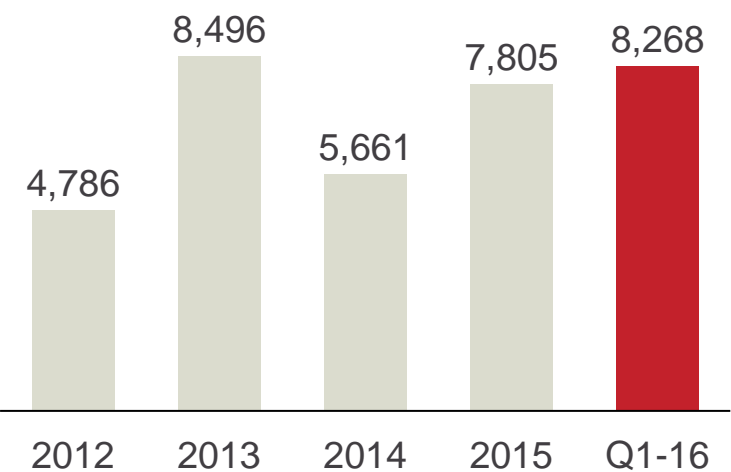
## Sapa (joint venture) – figures on 100% basis

*Amounts in NOK million*

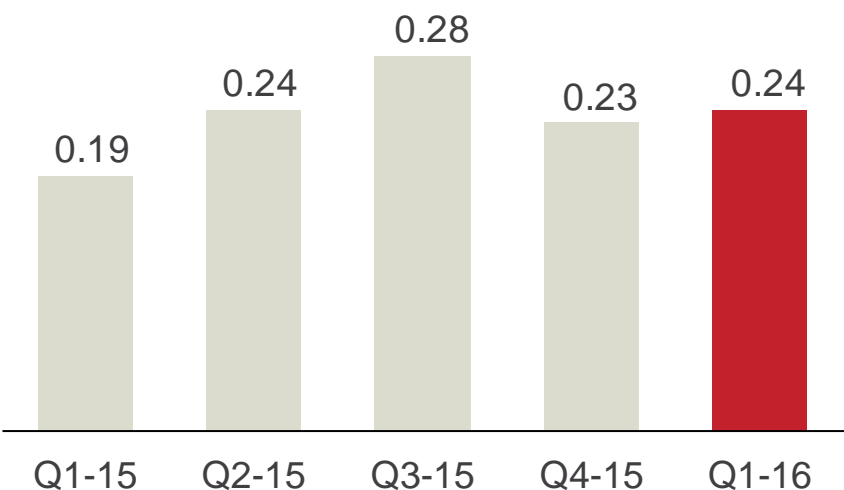
	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16
<b>Sales volume (1,000 tonnes)</b>	353	358	341	311	349
<b>Operating revenues (NOK million)<sup>1</sup></b>	14 051	14 484	13 895	12 821	13 905
<b>Underlying EBIT</b>	392	483	404	128	571
<b>Excluded items:</b>					
Unrealised derivative positions	-145	-158	-95	209	83
Other excluded items	-46	-260	-135	-250	0
<b>Sum excluded items</b>	<b>-191</b>	<b>-418</b>	<b>-230</b>	<b>-41</b>	<b>83</b>
EBIT	201	65	174	88	655
<b>Net income (attributable to majority)</b>	<b>89</b>	<b>14</b>	<b>109</b>	<b>34</b>	<b>418</b>

# Strong balance sheet and financial flexibility

Net interest bearing debt (NOK million)

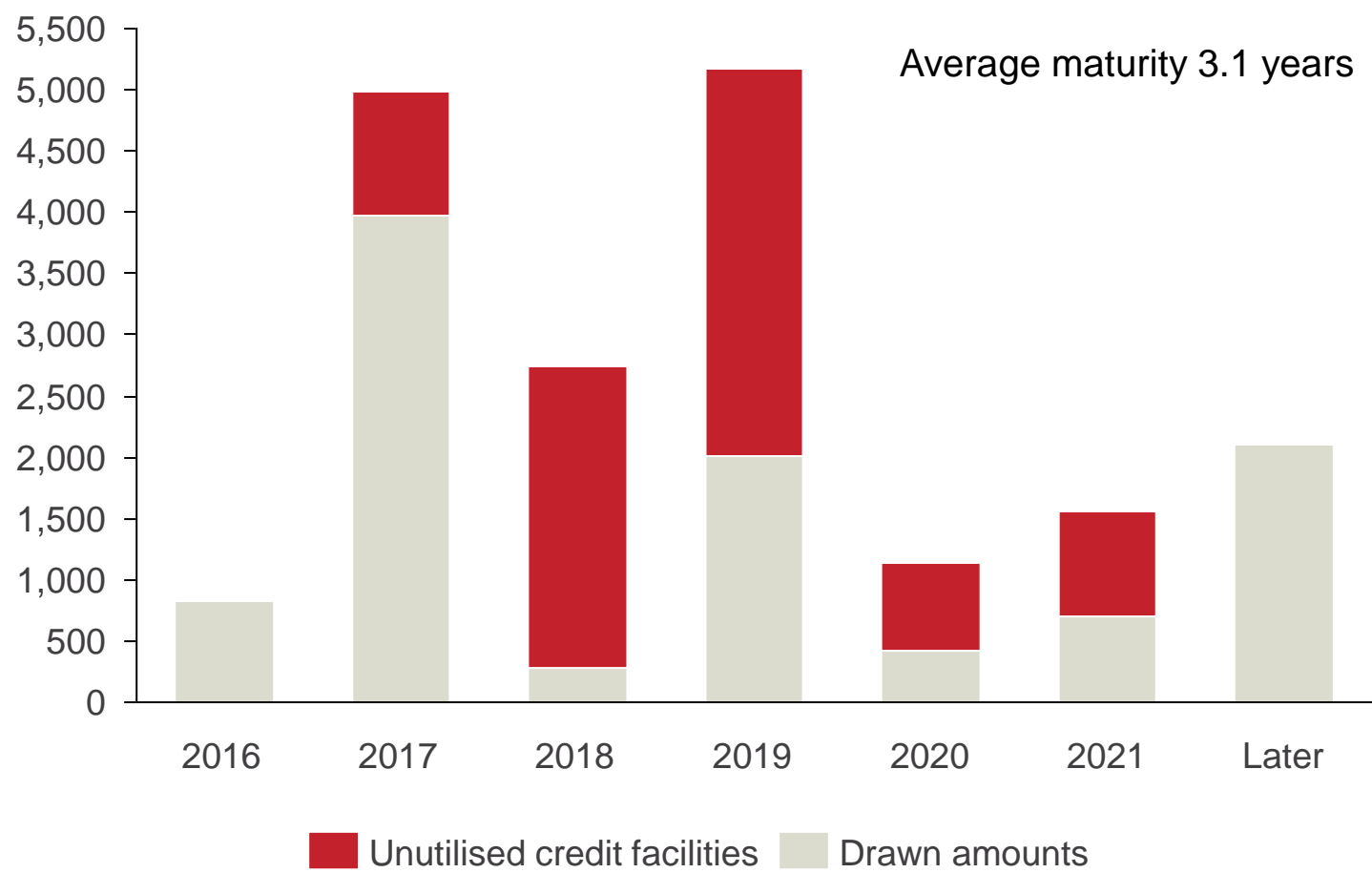


Net gearing



# Debt maturity profile

Amounts in NOK million



# Funding sources

*Amounts in NOK billion*

