



Third quarter results 2020

29 October 2020

Jaan Ivar Semlitsch, President & CEO



Disclaimer

This presentation has been prepared by Orkla ASA (the “Company”) solely for information purposes. The presentation does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

Certain statements included in this presentation contain various forward-looking statements that reflect management’s current views with respect to future events and financial and operational performance. The words “believe,” “expect,” “anticipate,” “intend,” “may,” “plan,” “estimate,” “should,” “could,” “aim,” “target,” “might,” or, in each case, their negative, or similar expressions identify certain of these forward-looking statements. Others can be identified from the context in which the statements are made. Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include but are not limited to the Company’s ability to operate profitably, maintain its competitive position, to promote and improve its reputation and the awareness of the brands in its portfolio, to successfully operate its growth strategy and the impact of changes in pricing policies, political and regulatory developments in the markets in which the Company operates, and other risks.

The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice.

No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information contained herein. Accordingly, neither the Company nor its subsidiary undertakings or any of such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.

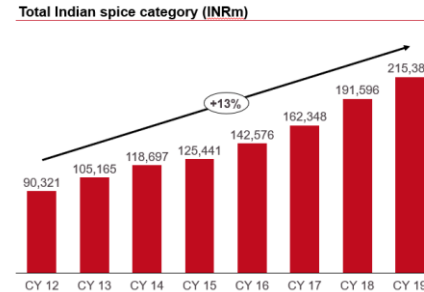
Good performance in Q3, continued high level of uncertainty

- Resilient performance in the quarter despite challenging environment due to the coronavirus pandemic
- We deliver on our short-term priorities
- Long term strategic growth and efficiency initiatives maintained
- Acquisition of Eastern Condiments



Orkla doubles its size in India through the acquisition of and subsequent merger with Eastern

- Indian branded foods market and spice category growing at double digit rates
- Orkla has strong track record in India since acquisition of MTR Foods in 2007
- MTR and Eastern are highly complementary with attractive growth prospects



Highlights Q3-20

Good growth in grocery retail, gradual recovery in Out of home eating

- Operating profit for Branded Consumer Goods incl. HQ improved by 15%
- Strong market growth in grocery retail
- Gradual recovery in Out of home eating, but still uncertainty going forward
- Continued profit improvement for Jotun
- Adjusted EPS* increased by +24% to NOK 1.46





Financial performance

Harald Ullevoldsæter, CFO



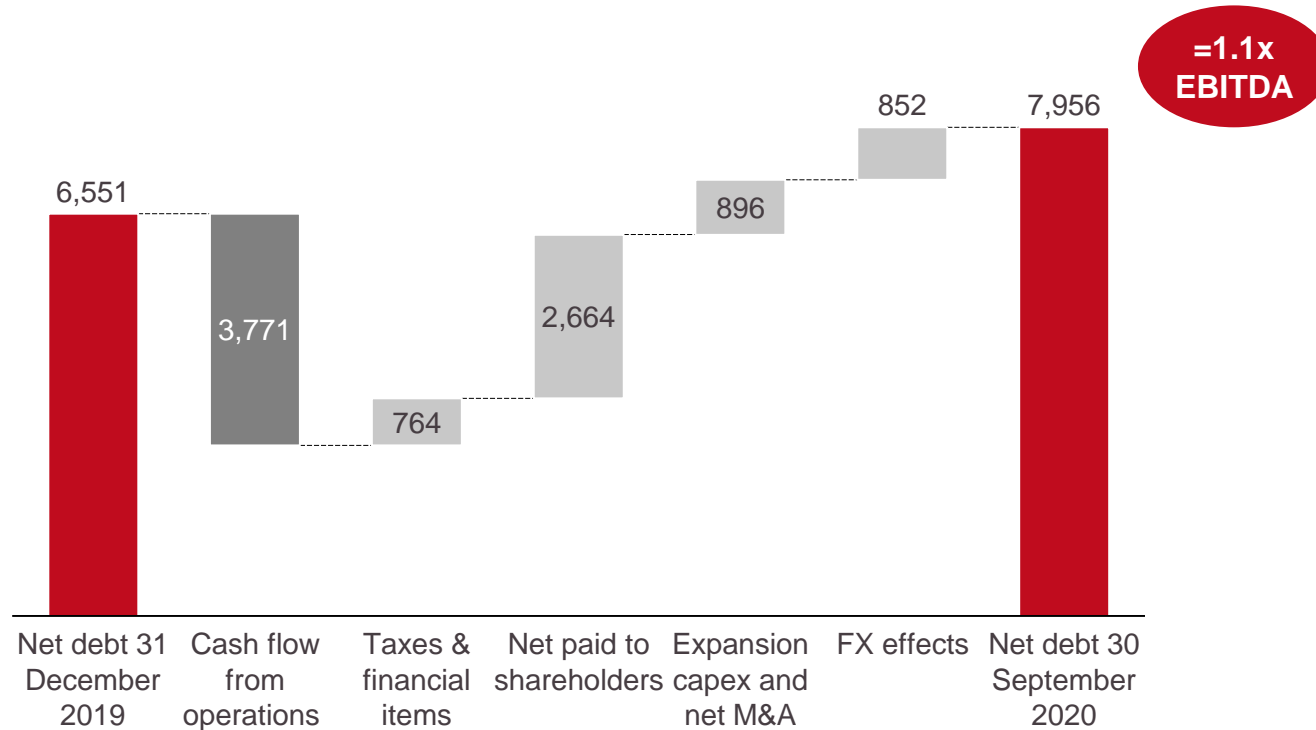
Adj. EPS +24% from profit growth in Branded Consumer Goods and Jotun

Key figures	Q3-20	Q3-19	Δ Q3
Operating revenues BCG	11,781	10,649	+11%
EBIT (adj.) BCG	1,625	1,428	+14%
EBIT (adj.) HQ	-54	-64	+16%
EBIT (adj.) BCG incl. HQ	1,571	1,364	+15%
EBIT (adj.) Industrial & Financial Investments	0	80	
Other income and expenses	-121	-267	+55%
EBIT	1,450	1,177	+23%
Profit from associates	314	166	+89%
Net interest and other financial items	-58	-67	
Profit before tax	1,706	1,276	+34%
Taxes	-325	-335	
Profit after tax	1,381	941	+47%
Adjusted EPS (NOK)	1.46	1.18	+24%
Reported EPS (NOK)	1.36	0.92	+48%

Strong cash flow from higher earnings

Cash flow from operations per 30.09 (pre-tax)	YTD Q3-20	YTD Q3-19
Orkla Branded Consumer Goods (BCG, incl. HQ)		
EBIT (adj.)	3,894	3,347
Amortisation and depreciation	1,329	1,162
Change in net working capital	159	73
Net replacement investments	-1,605	-1,217
Total BCG cash from operations (pre OIE)	3,777	3,365
Cash flow from other income & exp. and pensions	-96	-321
Industrial & Financial Investments	90	31
Total Orkla cash flow from operations	3,771	3,075

Continued strong balance sheet and financial flexibility after dividend payment and completed M&A



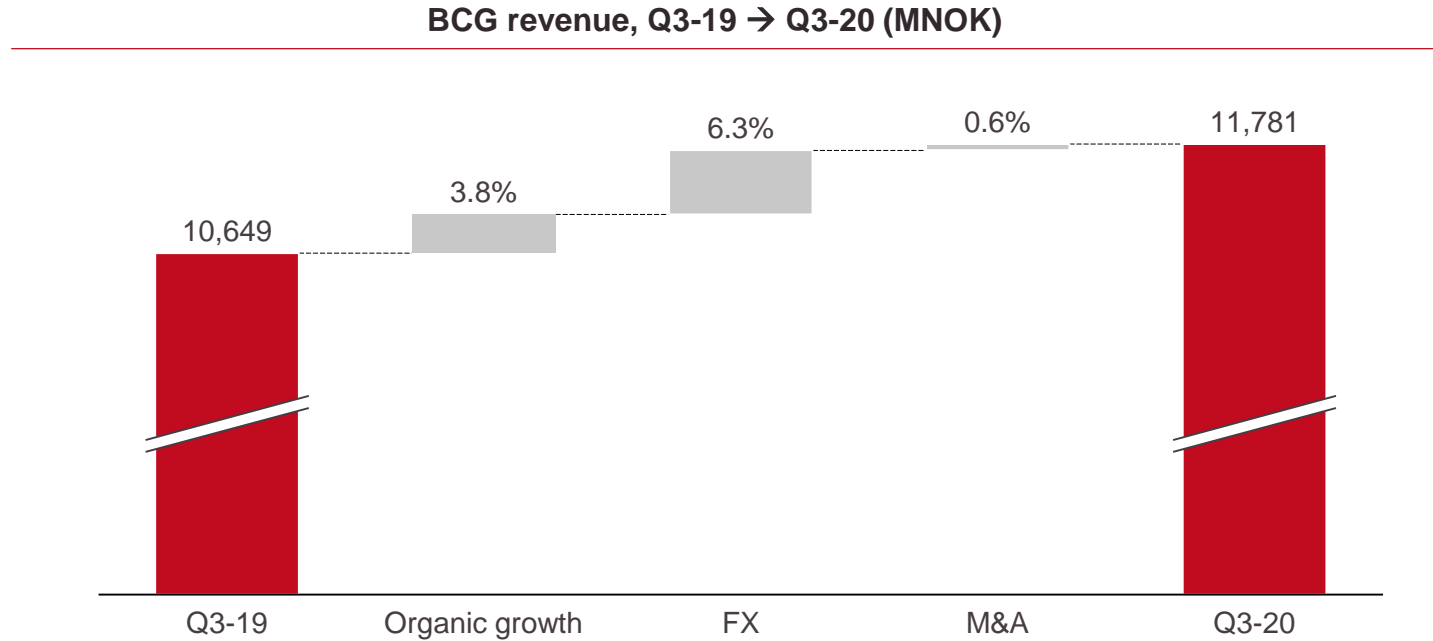


Branded Consumer Goods



Branded Consumer Goods Q3-20:

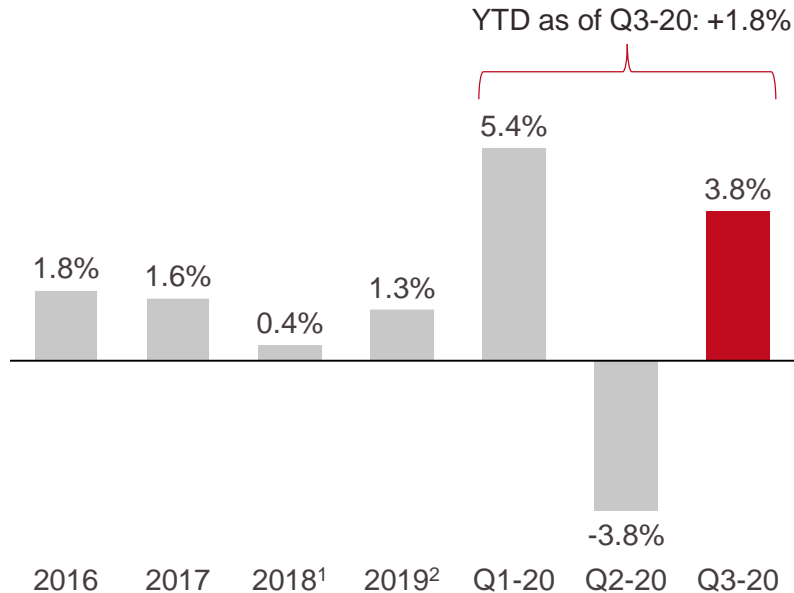
Positive FX translation effects added 6% to total revenue growth of 11%



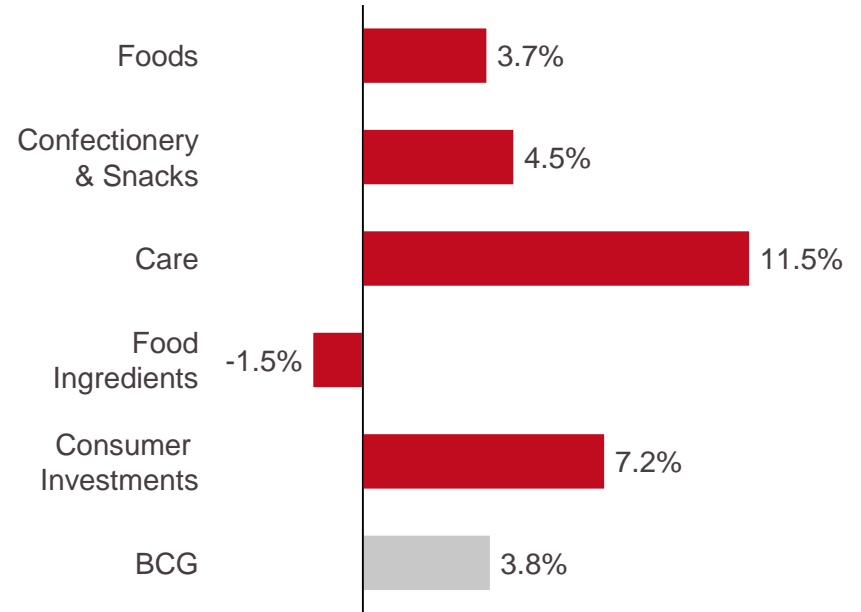
Branded Consumer Goods:

Solid growth driven by both price and volume

Organic growth for Branded Consumer Goods



Organic growth Q3-20 by business area

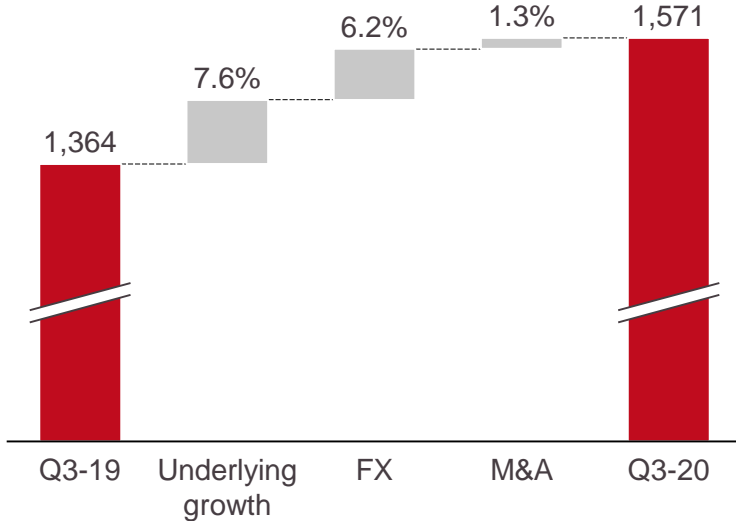


¹² All Alternative Performance Measures (APM) are presented in the appendix.
¹Adjusted for loss of Wrigley distribution agreement ²Based on new reporting structure

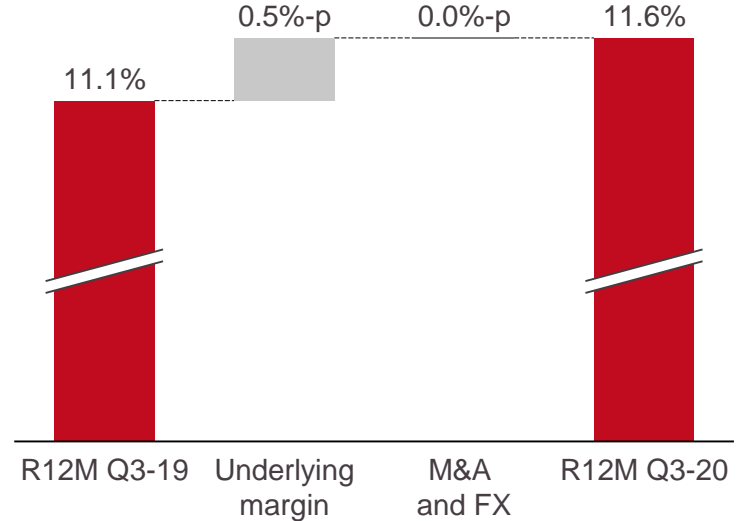
Branded Consumer Goods incl. HQ:

Profit improvement from growth in grocery and cost improvements

Δ Q3 U.EBIT (adj.), MNOK



Δ R12M U.EBIT (adj.) margin





Business areas



Broad-based organic growth in grocery channel

	Q3-20	YTD Q3-20
Revenues	4,474	13,430
<i>Organic growth</i>	3.7%	4.5%
EBIT (adj.)	683	1,824
<i>EBIT (adj.) growth</i>	10.9%	18.3%
EBIT (adj.) margin	15.3%	13.6%
<i>Change vs LY</i>	0.4%-p	0.9%-p

- Continued growth in grocery across most markets related to the coronavirus
- Lower Out of home consumption with negative impact on sales, some improvement in Q3
- Profit improvement partly offset by higher input costs (including FX) and increased maintenance costs



Higher sales from market growth in the Nordics

	Q3-20	YTD Q3-20
Revenues	1,783	5,109
<i>Organic growth</i>	4.5%	3.6%
EBIT (adj.)	332	782
<i>EBIT (adj.) growth</i>	12.9%	12.4%
EBIT (adj.) margin	18.6%	15.3%
<i>Change vs LY</i>	0.3%-p	0.3%-p

- Good sales growth in Nordic grocery and earlier seasonal sales
- Continued lower sales in Denmark from reduced listings and reduced demand in the Baltics
- Positive contribution from cost improvement programs



Greater emphasis on cleaning and personal care drive growth

	Q3-20	YTD Q3-20
Revenues	1,752	5,083
<i>Organic growth</i>	11.5%	9.3%
EBIT (adj.)	276	816
<i>EBIT (adj.) growth</i>	16.5%	25.5%
EBIT (adj.) margin	15.8%	16.1%
<i>Change vs LY</i>	-0.5%-p	1.1%-p

- Still strong market driven growth in Home & Personal Care and Health categories
- Challenging in sunscreen and wound care segment due to coronavirus restrictions
- Profit margin weakened by product mix and increased A&P spending



Gradual recovery in Out of home consumption during the quarter

	Q3-20	YTD Q3-20
Revenues	2,819	7,862
<i>Organic growth</i>	-1.5%	-6.5%
EBIT (adj.)	193	365
<i>EBIT (adj.) growth</i>	4.3%	-20.1%
EBIT (adj.) margin	6.8%	4.6%
<i>Change vs LY</i>	-0.2%-p	-1.5%-p

- Diminishing negative volume impact from the coronavirus through the quarter
- Earnings growth supported by profit protection measures, currency translation effects and M&A
- Still uncertainty dependent on restrictions related to the coronavirus situation



Solid growth driven by rise in home improvement activity and resilient pizza franchise in Finland

	Q3-20	YTD Q3-20
Revenues	1,051	2,878
<i>Organic growth</i>	7.2%	-1.4%
EBIT (adj.)	141	332
<i>EBIT (adj.) growth</i>	46.9%	31.7%
EBIT (adj.) margin	13.4%	11.5%
<i>Change vs LY</i>	2.6%-p	1.5%-p

- Continued strong growth in painting tool sales across markets, UK back to growth post shut down in Q2. Expecting home improvement boost to moderate
- Kotipizza restaurant chain sales growth of 14%. Reported organic growth offset by wholesale sales to external customers
- Professional cleaning business Lilleborg had good growth in personal hygiene products



Orkla Industrial & Financial Investments

Power prices remain at historically low levels (av. 5.2 øre/KWh in Q3)

Hydro Power

Fully consolidated into Orkla's financial statements

**Volume
(GWh):**

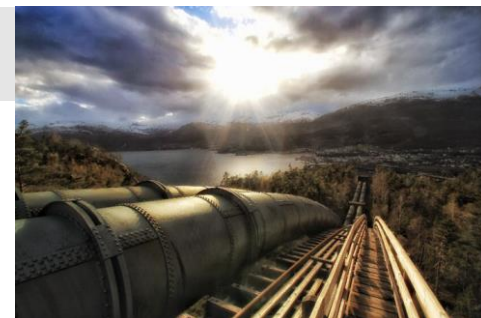
Q3: 853 (627)
YTD: 2,182 (1,622)

**Power prices¹
(øre/KWh):**

Q3: 5.2 (32.7)
YTD: 8.5 (38.5)

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

Q3: -3 (78)
YTD: 17 (220)



Financial Investments

Fully consolidated into Orkla's financial statements

Book value real estate:

NOK 1.8 billion



Jotun (42.6%)

Accounted for using equity method





Closing remarks



Committed to take long term view in an uncertain environment

- Uncertainty related to the coronavirus pandemic expected to continue in the short to medium term
- We will execute on our long-term growth ambitions:
 - Execute on strategic M&A
 - Adapt quickly to changes in consumer trends
 - Accelerate innovation pace
 - Support core brands





Q&A

Jaan Ivar Semlitsch, President & CEO

Harald Ullevoldsæter, CFO



Appendices

The background features several large, light gray geometric shapes, including triangles and polygons, arranged in a stylized, abstract pattern on the right side of the page.

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.

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 one of the Group's key financial figures, 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.

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 EBIT (adj.) 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.

Alternative Performance Measures (APM)

Earnings per share (adj.)

Earnings per share (adj.) show earnings per share adjusted for other income and expenses (OIE) after estimated tax. Items included in OIE are specified in Note 3. The effective tax rate for OIE is lower than the Group's tax rate in both 2020 and 2019 due to non-deductible transaction costs, write-downs and the effect on profit or loss of the purchase of the remaining shares in Orchard Valley Foods in 2020.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. As at 30 September, an adjustment was made for gains on the sales of the associates Andersen & Mørck and Allkårsplans Utvecklings.

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

Net replacement investments include new leases, and 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 concerns maintenance of existing operations and how large a part of the investments (expansion) is 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 are the sum of the Group's interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans, lease liabilities and interest-bearing derivatives. Interest-bearing receivables include liquid assets, interest-bearing derivatives and other interest-bearing receivables.

Net interest-bearing liabilities are the Group's primary management parameter for financing and capital allocation, and is used actively in the Group's financial risk management strategy. The statement of cash flows (Orkla format) therefore shows the change in net interest-bearing liabilities at Group level.

Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Lecora, Easyfood, Confection by Design, Win Equipment, Norgesplaster, Risberg, Kanakis, Credin Sverige, Vamo, Kotipizza, Anza Verimex, Helga and Havrefras. Adjustments have been made for the sale of Glyngøre, SaritaS and Vestlandslefsa, and the closure of Pierre Robert Sverige. Adjustments have also been made for the loss of the distribution agreements with Panzani and OTA Solgryn. In addition, adjustments were made in 2019 for HSNB, Struer, County Confectionery, Werner, Igos, Gorm's and the sale of Mrs. Cheng's.

Investments - Jotun (42.6%)

Continued strong profit growth helped by FX translation effects

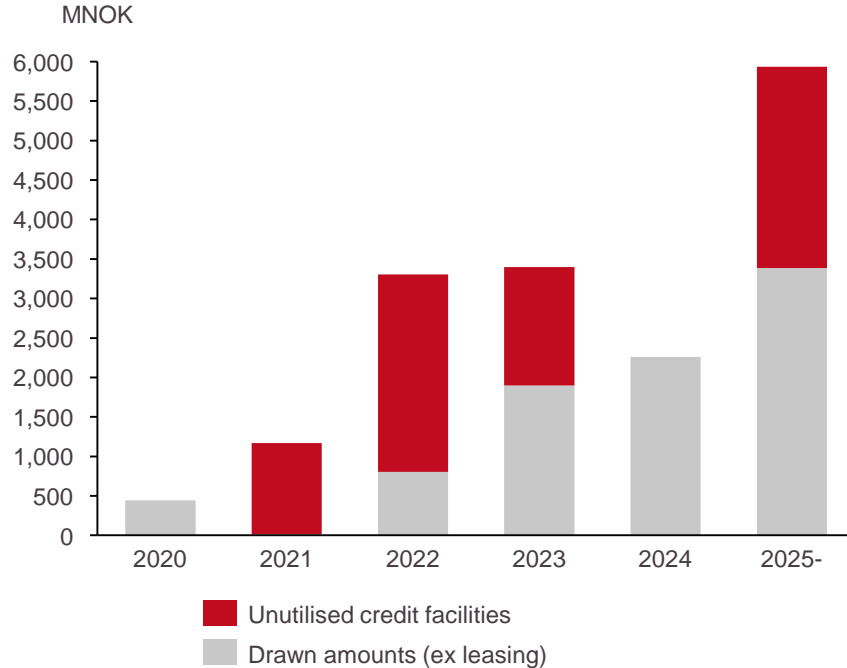
	YTD Aug-20
Operating income	13,916
<i>Change vs LY</i>	8%
Operating profit	2,402
<i>Change vs LY</i>	37%



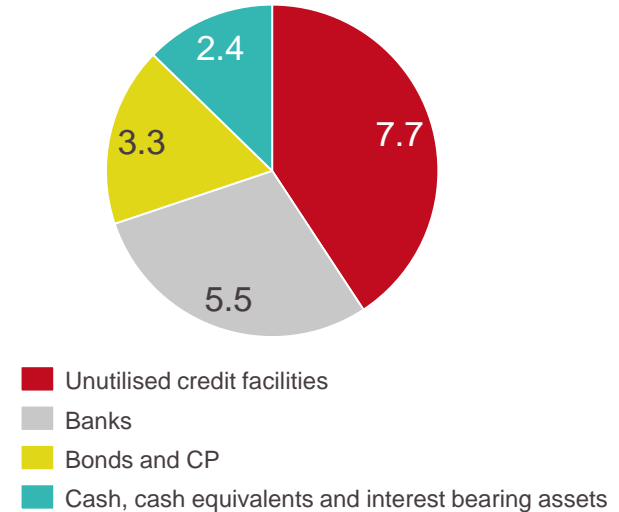
- Reported growth positively impacted by FX translation effects YTD, underlying growth 1%
- Underlying sales growth in Decorative Paints helped by home improvement boost
- Earnings driven by positive FX translation, underlying sales growth and improved gross margins
- Still considerable uncertainty around the consequences of the coronavirus pandemic going forward.

Funding sources and maturity profile

Debt maturity → average maturity 3.4 years

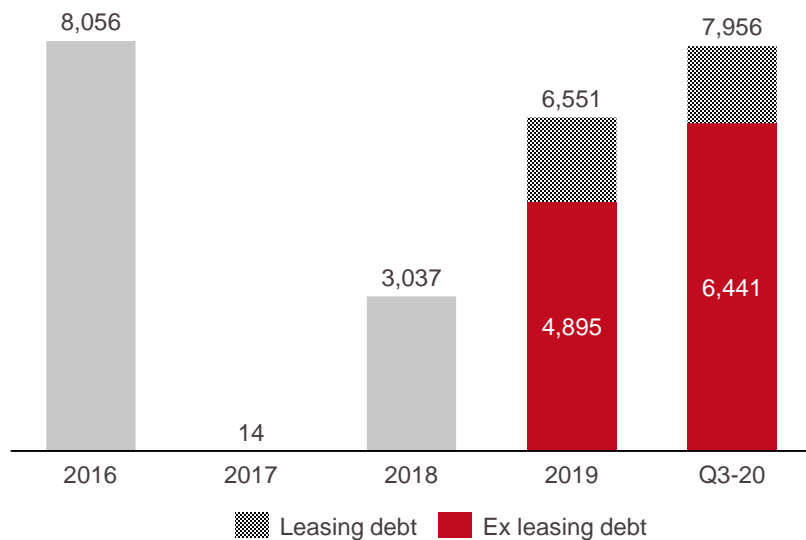


Funding sources (in BNOK)



Strong balance sheet and financial flexibility

Net interest-bearing liabilities (NOK million)



NIBD / R12 EBITDA

