Orkla
Home & Personal Care

Turnaround for sustainable profitable growth

Orkla Capital Markets Day 2023

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Orkla
Home &
Personal Care

We are a leading Nordic Home and Personal Care company with strong local brands and local value chain, powered by people with drive and passion for a better future

NORDIC
Our key markets are Norway, Sweden and Finland. Stable and profitable markets

STRONG LOCAL BRANDS
1 and 2 positions in Norway and challenger positions in Sweden and Finland

LOCAL VALUE CHAIN
Local product development and production enables speed, transparency and ability to grow

POWERED BY PEOPLE
With an entrepreneurial mindset and strong execution-oriented culture

BETTER FUTURE
Leverage world class ESG, regulatory and safety capabilities to lower footprint

Orkla Home & Personal Care is located in stable and predictable categories

Home Care	Personal Care
NOK 11bn Market size Nordics	**NOK 40bn** Market size Nordics
3.7% CAGR (2018-22)	**4.1%** CAGR (2018-22)
Consolidated category	**Fragmented category**

Underlying trends supporting growth

- Sustainability
- Holistic Care
- Recession consumption
- The ingredient era

Orkla Home & Personal Care

Source: Euromonitor; Personal Care: Skin Care, Hair Care, Soap, Deodorants & Sun Care (updated May/Jun 2022) and Home Care: Fabric Care, Household Cleaning, Dishwash & Fabric Conditioner (updated Jan/Feb 2023)

Portfolio of Nordic heritage brands with winning positions, outperforming international competition in the Norwegian General Food Trade

Strong local brands with best selling positions in many segments in Norwegian General Food Trade, and well-established challenger brands in Sweden and Finland

- Developed and curated on deep local consumer insights
- Leveraging Nordic associations, e.g., Define
- Strong relations to trade
- Outperforming international competition in many segments and categories in the Norwegian General Food Trade

Lano ...for liten og for stor	Jif	Zalo	Dr Greve	Grumme	L300	OMO
Since 1936	Since 1978	Since 1952	Since 1890	Since 1882	Since 1980	Since 1961





Orkla Home & Personal Care

Orkla Home & Personal Care owns several Unilever brands in the Norwegian markets, e.g.,OMO, Jif, Sun.

Leveraging a strong competitive edge on sustainability across the value chain, offering desirable and more sustainable solutions to consumers

Strong **competency,** and **experience** across value chain, where sustainability is deeply ingrained in organizational culture and DNA.

Access to attract and retain best in class talent.

New and breakthrough innovations with consumer desirable solutions providing a triple win for the consumer/customer, Orkla Home & Personal Care and a reduced environmental impact. e.g., cartons, recycled materials, refill solutions, etc.

Deep knowledge of European **regulations and compliance** with local impact.

Competency is acknowledged in industry (cross functional).

First in the Nordics with cartons
Orkla Home & Personal Care is at the forefront of more sustainable packaging with carton: Available across markets and categories.

Orkla Home & Personal Care

Local value chain with a regional scale enables speed, flexibility and greater traceability while reducing risks of potential adverse macro-economic effects

Factories positioned in core markets

Regional scale in value chain

- Orkla Home & Personal Care **is the largest producer** in the Nordics with proximity to their home markets. Highly favorable position with upcoming EU regulations
- Portfolio is managed with a lean, flexible and responsive supply chain with a continuous focus on **automation and digitalization**
- **Excellent service level** in most markets with a high grade of **operational excellence**
- Local and global **regulatory strength** with strong knowledge-sharing and collaboration
- Able to **respond quickly** to new opportunities and rapid changes in market conditions due to local R&D and production

Orkla
Home &
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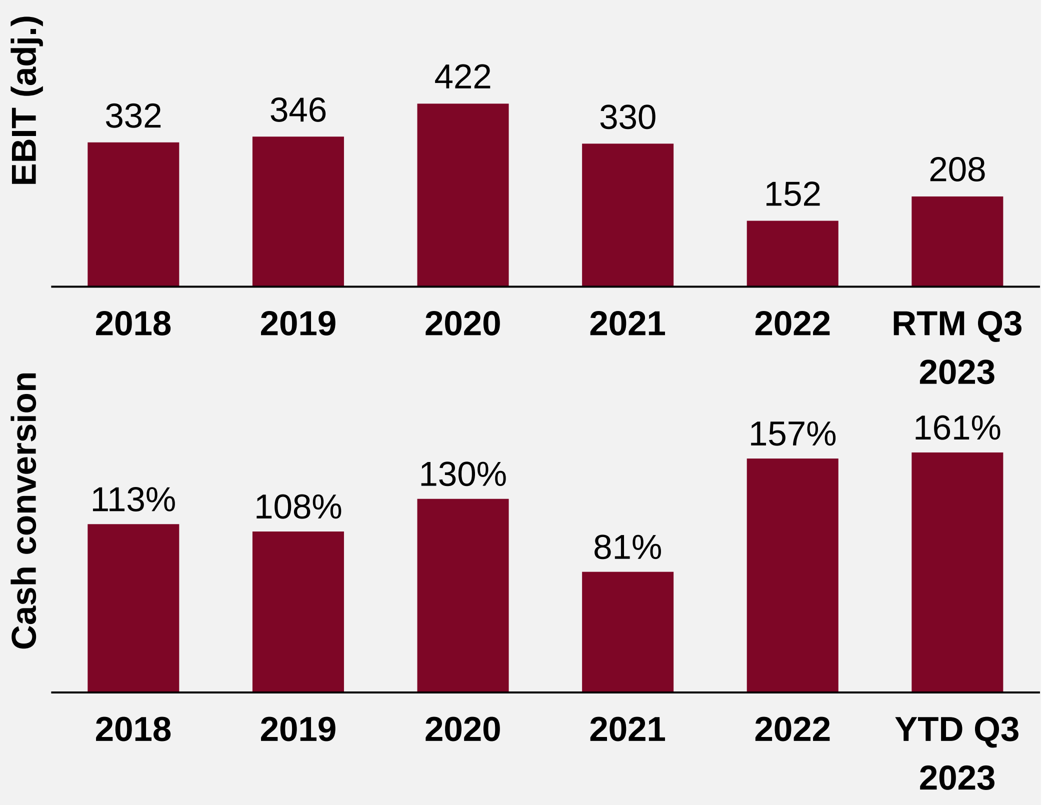
Stable track-record over time, and despite a tough 2022, Orkla Home & Personal Care is regaining financial health

EBIT (adj.) & cash development



Major changes over time

- Orkla Home & Personal Care experienced solid EBIT development ahead of and throughout Covid. **Historically a strong cash generator**
- Profitability heavily challenged post-covid & Ukraine war due to increases in input cost, supply chain disruptions and bounce back on volume
- Despite profitability changes in '22 underlying fixed cost base is under control, margins expected to improve with positive COGS development and continued work with net revenue management
- PortCo cash flow increase from Covid up until ’20. Decrease in ’21 – ’22 from significant CapEx investments
- Regain strong financial health with an EBIT CAGR above 10% in ’23 – ’26, with >100% cash conversion

Home & Personal Care

Orkla Home & Personal Care has strong growth ambitions with key strategic pillars enabling the journey

Orkla Home & Personal Care has accelerated the transformation journey through completing a restructuring of the Norwegian and Swedish organization

2025 and beyond

3 Accelerate

Drive sustainable growth

2024-2025

2 Grow

Strategic pillars to grow profitability

2023-2024

1 Transform

Into a solid, profitable portfolio company

Key strategic growth pillars to deliver on Orkla Home & Personal Care growth ambitions with focus, precision and speed

Grow Core Business

Norway
Continue to build strong brands in General Food Trade to grow Home Care and Personal Care. Utilize brand strength to expand to new channels. Invest and build fewer hero-brands across segments and needs. Unleash innovation and ESG power across the entire portfolio

Increase competitiveness
Increase productivity along the entire value chain, while improving the capital productivity and increase local responsiveness

Sweden and Finland
Ensure continued profitable growth in Sweden and Finland. Grow Personal Care and Sustainable Home Care with innovations and synergies from lead market, Norway

Contract manufacturing
Gain scale advantages in value chain and utilize factory potential with existing set-up through localness, regulatory and ESG capabilities

Future Core

Invest in future core
Leverage Orkla Home & Personal Care's ESG strength and invest in new circular business model. Step change growth from new Personal Care positions and expansion into new channels

Efficient organization

Efficient organization
Invest in people and technology to build future capabilities and enhance efficiency.

Strengthen entrepreneurial mindset and the execution-oriented culture to drive our strategic agenda.

Foster cross functional collaboration to execute on strategic pillars

New organizational set-up fit to execute on strategic priorities

Orkla Home & Personal Care has **restructured** to implement an **organizational set-up** fit for purpose. Processes and resource allocation strongly reflects set priorities.

Crystal **clear prioritizations,** and **focus** is set within the organization, closely followed up by project owners to ensure speed, quality and execution power.

A strong **entrepreneurial mindset** fostering an **execution-oriented culture** ensuring the teams are empowered, aligned and with clear accountability.

Orkla Home & Personal Care is powered by people with drive and passion for a better future.

Strategy summarized

Orkla Home & Personal Care is to regain strong financial health with an EBIT CAGR above 10% and with a >100% cash conversion, 2023 - 2026

A clearer, future journey supported by a strong plan

2025 and beyond — **3 Accelerate**: Drive sustainable growth

2024-2025 — **2 Grow**: Strategic pillars to grow profitability

2023-2024 — **1 Transform**: Into a solid, profitable portfolio company

- Norway
- Increase competitiveness
- Sweden & Finland
- Contract manufacturing
- Invest in future core
- Efficient organization

With three superior competitive advantages

Strong local brands

Leverage Sustainability

- Strong competency and experience
- New and breakthrough innovations
- Deep knowledge of European regulations and compliance

Local value chain with regional scale

- Largest producer in the Nordics
- High degree of automatization and digitalization
- Enables speed, flexibility and greater traceability

Alternative Performance Measures (APM)

Contribution ratio

Contribution ratio is calculated by dividing the contribution margin by operating revenues. Operating revenues minus variable operating expenses constitute the contribution margin. Variable operating expenses are reported on the financial statement line “operating expenses” and consist of expenses directly related to sales volume. Variable expenses include the costs of input factors such as raw materials and packaging, and variable production costs such as electricity related to production and variable pay. They also include incoming and outgoing freight costs directly related to sales volume. Costs related to finished goods purchased for resale are included as part of variable operating expenses. Production costs that are relatively constant over time and do not vary according to production volume are not included in the computation of contribution margin; such costs include warehouse costs, wages of factory administration and management staff, and depreciation of production equipment.

Contribution Margin is a key internal financial figure that shows how profitable each portfolio company’s product mix is and hence the company’s ability to cover fixed expenses. Contribution margin is an important financial figure with regard to product innovation and product portfolio optimisation.

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, the re-conclusion and loss of distribution agreements of a material nature, and currency effects. Intra-group transfers of companies and changes in distribution agreements between portfolio companies are also taken into account. When calculating 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 turnover growth in the consolidated portfolio companies. Organic growth provides an important picture of the portfolio companies’ ability to carry out innovation, product development, correct pricing and brand-building.

Segment information for each consolidated portfolio company shows how large a part of organic growth is related to price effects and how large a part is linked to volume/mix effects. Price effects are defined as net changes in prices to customers, i.e. changes in prices to customers adjusted for factors such as discounts, campaigns and price reductions. The price effects are calculated based on the assumption of unchanged volume. Volume/mix effects are calculated as a residual, and are organic growth minus price effects. Volume/mix effects consist of changes in sales volume and/or changes in the product mix sold.

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). Items included in OIE are disclosed in Note 3. These include M&A costs, restructuring or integration expenses, any major gains on and write-downs of 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 most important financial figures, internally and externally. The figure is used to identify and analyse the group’s profitability from normalised 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.

Alternative Performance Measures (APM)

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 the re-conclusion and loss of distribution agreements of a material nature and currency effects. Account is also taken of intra-group transfers of companies and changes in distribution agreements between portfolio companies. In calculating the change in underlying EBIT (adj.), acquired companies will be included pro forma 12 months prior to 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 EBIT (adj.) at last year's currency exchange rates. Where underlying profit performance is mentioned in the report, reference is made to underlying EBIT (adj.) performance. 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 portfolio companies' ability to improve profitability in their existing operations. The measure is important because it shows the change in profitability on a comparable structure over time.

Return on Capital Employed (ROCE)

ROCE is calculated by dividing a 12-month rolling EBITA (adj.) by the average capital employed in the consolidated portfolio companies.

EBITA (adj.) consists of EBIT (adj.) plus depreciation and write-downs of intangible assets. In the calculation a 12-month rolling EBITA (adj.) is used. Since depreciation and write-downs of intangible assets are not included in EBITA (adj.), they are also excluded from the capital base. Thus the historical cost of intangible assets is used in capital employed (see next paragraph).

Capital employed represents working capital in the consolidated portfolio companies and consists of:

- Net working capital - consists of the statement of financial position items "Trade receivables", "Trade payables" and "Inventories". It also includes public charges payable and some minor receivables and payables related to operations from "Other receivables and financial assets" and "Other current liabilities".
- Fixed assets
- Intangible assets at historical cost - consist of the statement of financial position line "Intangible assets" plus accumulated depreciation and write-downs
- Net pension liabilities -Pension assets are included in the statement of financial position line "Associates, joint ventures and other financial assets", while pension liabilities are included in "Provisions and other non-current liabilities"
- Deferred tax on excess value - This item is included in deferred tax which is part of the statement of financial position line "Provisions and other non-current liabilities"

Alternative Performance Measures (APM)

Return on Capital Employed (ROCE) cont.

Average capital employed is at all times an average of the closing balance for the five last reported quarters.

ROCE shows the return that the Orkla group receives on the capital invested in the various consolidated portfolio companies. This is an important measurement parameter for assessing whether the portfolio companies' return exceeds the group's weighted average cost of capital (WACC), and for comparing the return on the current portfolio with another alternative return.

Net replacement and expansion investments

When taking decisions regarding investments, the group distinguishes between replacement and expansion investments. Expansion investments are the part of overall reported investments considered to be investments either in 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 cash and cash equivalents, 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 are used actively in the group's financial risk management strategy. The Orkla format cash flow statement therefore shows the change in net interest-bearing liabilities at group level.