Orkla India

Value creating growth engine

November 2023

Orkla Capital Markets Day

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Attractively positioned to grow faster

Market

India is the world's fastest growing large economy

Track record

Orkla India has delivered sustained profitable growth and built attractive market positions

Value creation

Execution excellence to drive further value creation

Rapidly growing large economy with a long growth runway

Secular growth driving consumption…

Robust growth

6.7%

Expected GDP CAGR FY23-27

Consumption expenditure

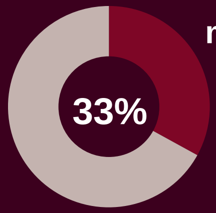
2030

2.6x

vs. 2020

…and rising affluence…

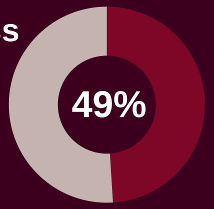
2019



~450mn

Elite and middle-class Indians[1]

2030E



~740mn

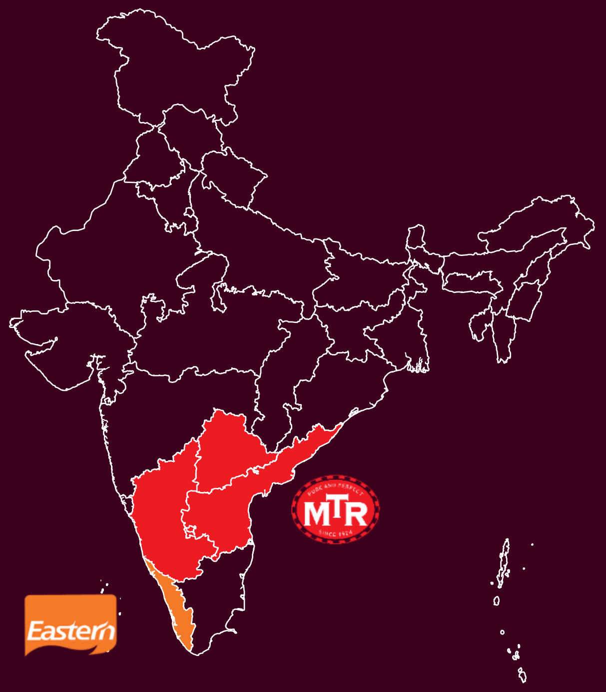
… aiding packaged foods rapid growth

1. Young population with limited cooking knowledge
2. Low penetration of packaged foods
3. Increasing proportion of working women

Source: Public reports and subscribed databases
Note: FY ending Mar; **1)** Annual Gross Household income – Middle class: NOK 65k-260k, Elite: NOK >260k

Competitive advantage based on superior local market positions

Orkla India's home markets



Strongly rooted local brands

Resilient leadership positions

Diverse portfolios across meal occasions

100-year heritage

Credibility and understanding of local food

Repository of > 3,000 recipes

Cost-efficient value chain

Local sourcing and local distribution

90% sales demand digitally captured

Superior distribution

~2x the distribution of the nearest competitor

Dynamic heritage brands with stand-out market leading positions

Two iconic brands	In attractive local markets	*Blended spices*	*Pure spices*	*Breakfast mixes*	*Sweet mixes*
					
	Karnataka **64mn** Inhabitants 	**#1** **2.9x** 2nd position	**#1** **2.6x** 2nd position	**#1** **7.9x** 2nd position	**#1** **7.5x** 2nd position
MTR Founded: **1924** Acquired: **2007**	**Kerala** **35mn** Inhabitants 	**#1** **3.9x** 2nd position	**#1** **4.0x** 2nd position	**No material position**	**#2** **0.9x** 1st position
Eastern Founded: **1989** Acquired: **2021**	**Andhra Pradesh & Telangana** **90mn** Inhabitants 	**#1** **1.0x** 2nd position	**No material position**	**#1** **2.5x** 2nd position	**#1** **8.6x** 2nd position
	International Business[1,2] **32mn** Indian diaspora 	**#1** **4.5x** 2nd position	**#4** **0.5x** 1st position	← **#2** **0.9x** 1st position[3] →	

Source: Public reports and subscribed databases
Note: Market share by value; 1) Positions based on exports from India of branded players; 2) Represents 18% of revenue; 3) Position across breakfast and sweet mixes

Demonstrated consistent financial performance year on year

Revenue (NOKmn)[1]	EBIT (NOKmn)[1]	Cash conversion[2]	Current capital[3]
2022 **~ 2,500** **2.8x** *MTR organic growth CAGR: 12%* vs. 2013	2022 **~ 300** **7.6x** *MTR organic growth CAGR: 25%* vs. 2013	***>100%*** ***long-term average (2013-2022) for MTR***	***Negative*** ***(2013-2022) for MTR***

Note: 1) Includes effect of Eastern acquisition with effect from 2021; **2)** Cash conversion is defined as operating cash flow divided by EBIT; **3)** Current capital defined as Inventories + Receivables – Payables as a % of revenue

Financial targets imply strong future value creation

Revenue (NOKmn)	EBIT (NOKmn)	Cash conversion[1]	Current capital[2]
2026 **12%** *CAGR* vs. 2023	2026 **20%** *CAGR* vs. 2023	***Consistent*** **>100%**	**4-5%-p** **reduction** **(2023-2026)**

Highly disciplined and focused approach to M&A

Note: 1) Cash conversion is defined as operating cash flow divided by EBIT; **2)** Current capital defined as Inventories + Receivables – Payables as a % of revenue

Distinct levers to drive future topline growth

Grow the core

Scale up pure spices by doubling distribution

Extend consumer offering in blended spices and expand breakfast and sweets portfolio

Strengthen presence in modern trade, e-commerce and rural markets

International business

Develop **consumer first innovations** in exports

Accelerate growth of **Arabic masala range** in Middle East

Grow breakfast offerings via renovation and innovation

Eastern journey mirroring MTR's value creation trajectory

Consistently improving financial metrics

R12M[1] vs 2021

Revenue[2]	EBIT-margin	Current capital
+34% *Revenue growth*	**~2%-p** *Margin improvement*	**~7%-p** *Reduction (% of revenue)*

Where are we heading?

- Synergise distribution between MTR and Eastern networks
- Expand food portfolio through breakfast and sweets platform
- Advertising & promotions spend in 2026 to be 2.5x 2022 spends

Note: Calculated at constant currency rate; Current capital = Inventories + receivables – payables; 1) Ending Sep'23; 2) Includes PLI incentive of NOK 2.1mn in Jul'23

Margin expansion to be driven by front and back-end efficiencies

Sales efficiency

Increase salience of blended spices

Supply chain efficiency

Reduce manufacturing footprint and consolidate procurement

Optimise trade promotions and terms

Digitalisation within manufacturing to enhance productivity and reduce costs

Digital transformation

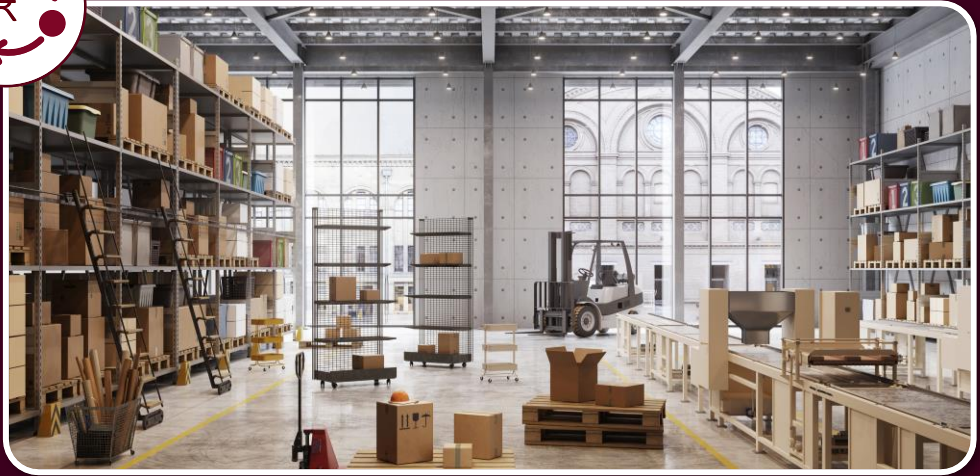
Continuing to grow through prudent use of capital

Fixed capital efficiency

Rationalising manufacturing footprint

Outsourcing of lower-value-added categories

Current capital efficiency



Harmonisation of supplier terms

Supplier financing arrangements to reduce inventory days

Embedded sustainability in business and company culture

- 100% renewable electricity by 2030
- 100% recyclable packaging by 2030
- Water positive by 2030
- Net zero by 2045

~10mn meals to nourish school children by 2030

Long-term value creating growth driver

Market

India is the world’s fastest growing large economy

Track record

Orkla India has delivered sustained profitable growth and built attractive market positions

Value creation

Execution excellence to drive further value creation

Strong leadership supported by quality talent

Suniana Calapa
Director – Finance & IT
Joined: 2023
Ex – Metro & JP Morgan

Ankur Bhaumik
Director – Operations
Joined: 2009
Ex – Reliance retail & Dabur

Milan Chattaraj
Director – HR & Admin
Joined: 2020
Ex – Times group & Reliance

Ganesh Shenoy
Sr. Advisor & Ex-CFO
Joined: 2003
Ex – Unilever and L&T

Sanjay Sharma
CEO
Joined: 2009
Ex – Dabur & Colgate

Sunay Bhasin
CEO – MTR
Joined: 2016
Ex – Britannia & Yum

Murali Subramaniam
CEO – Eastern
Joined: 2023
Ex – Vodafone Idea

Ashvin Subramanyam
CEO – Int. Business
Joined: 2023
Ex – Dole and Mondelez

Niklas Stoltz
Director – Integration & Sustainability
Joined: 1999
Ex – Orkla House Care

Orkla

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.