

14 July 2023

# Second quarter results 2023

### 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.



### Delivered on key transformation milestones



### New operating model outlined

- New organization and ambition for future Orkla outlined
- Group Executive Board announced

# Implementation of corporate structure

- Provide full year indicative top-line figures per portfolio company
- Communicate status on reorganization/ update on progress
- Date for CMD announced

# Go live new operating model

- New organization in operation from 1 March 2023
- Indicative top and bottom-line figures for portfolio companies included in Q1-23 reporting

# New reporting structure

- Publish historical financials per portfolio company (mid-to-late June)
- New reporting structure implemented











### Priorities and timeline for 2023

3-years plan for each company with focus on value creation with yearly updates



Orkla Foods Europe Full Potential Plan



Orkla Food Ingredients
Full Potential Plan

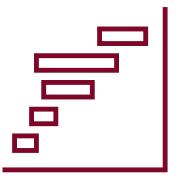


Orkla C&S
Full Potential Plan

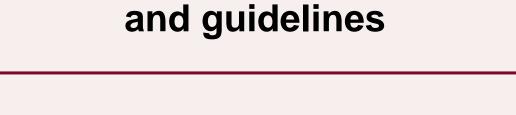


....

Consolidate plans and take a holistic view of the portfolio



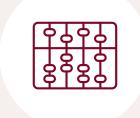
Consolidate plans and estimate the value creation potential with capital needs / opportunities



Capital allocation priorities



Capital investment guidelines per Portfolio Company based on role in our portfolio and plans



Framework for **priorities** of structural growth

March – July 2023

August – September 2023

October – November 2023



### Summary of financials for the quarter

- Broad based EBIT (adj.) growth for portfolio companies
- Solid profit improvement from Jotun
- Positive progress in cash flow from operations
- EPS (adj.) of NOK 1.55 (+17%)

| EBIT | Portfolio Company          | ROCE (R12M) | Underlying EBIT (adj.) change Q2-23 |
|------|----------------------------|-------------|-------------------------------------|
|      | Jotun (42.7%)*             | 30%         | 85%                                 |
|      | Orkla Foods Europe         | 12%         | 21%                                 |
|      | Orkla Food Ingredients     | 11%         | 4%                                  |
|      | Orkla C&S                  | 11%         | 8%                                  |
|      | Orkla Health               | 9%          | 16%                                 |
|      | Orkla India                | 12%         | 17%                                 |
| •    | The European Pizza Company | 6%          | -28%                                |
| •    | Orkla HPC                  | 11%         | 17%                                 |



Harald Ullevoldsæter, CFO

# Financial performance



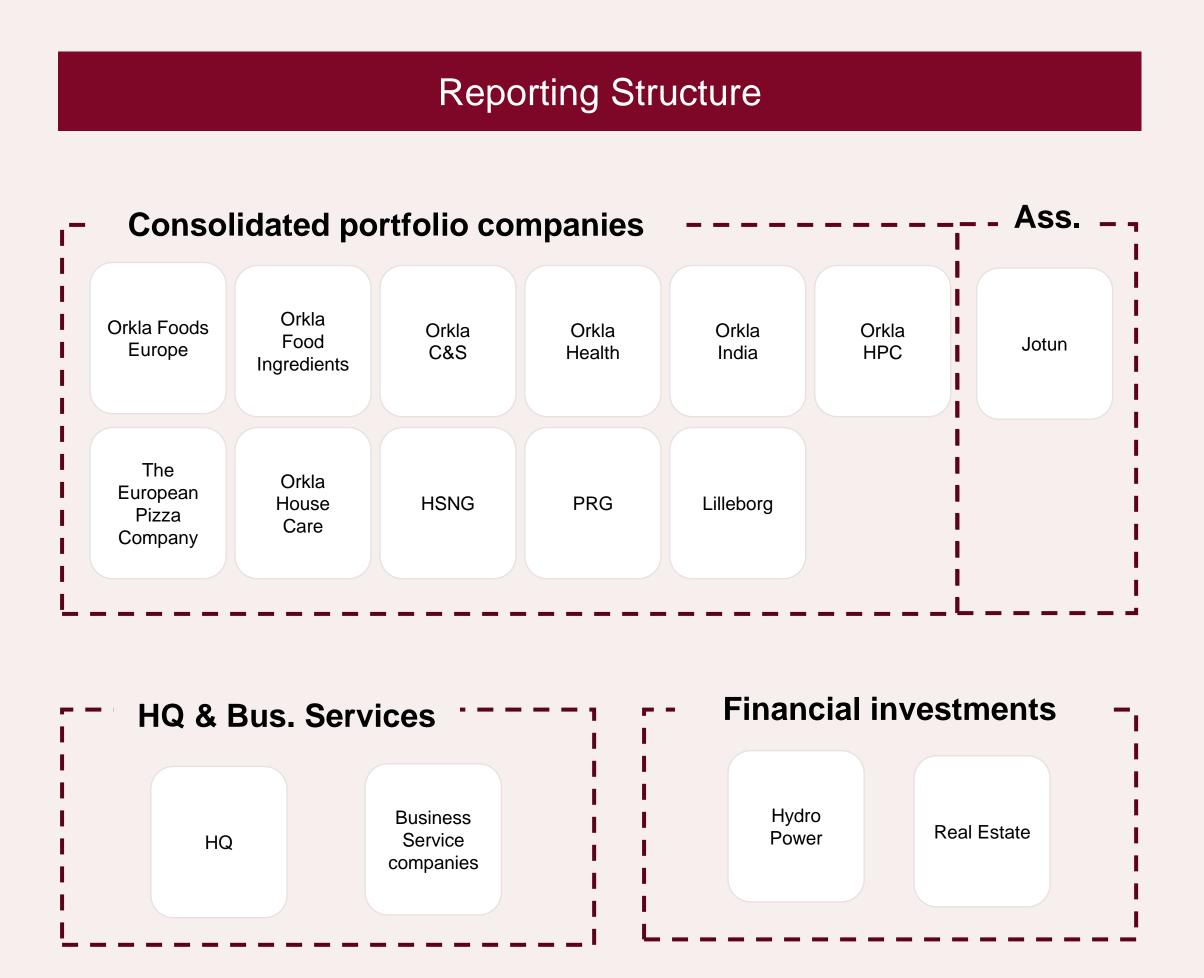
# Improved transparency through more comprehensive financial reporting

### Rationale

- Enhance external understanding of our businesses
- Increase focus and accountability at portfolio company level

### Outcome

- New reporting items
  - Organic growth split: price vs vol./mix
  - Contribution ratio
  - Underlying EBIT (adj.) change
  - Return on Capital Employed (ROCE)
- HQ and Business Service companies
- Jotun unchanged





# Strong group wide performance, offset by lower power prices

| Key figures                                  | Q2-23  | Q2-22  | ∆ <b>Q2</b> |
|--|--------|--------|-------------|
| Operating revenues Group                     | 17,087 | 14,291 | +20%        |
| EBIT (adj.) Consolidated Portfolio Companies | 1,591  | 1,237  | +29%        |
| EBIT (adj.) Financial Investments            | 305    | 605    | -50%        |
| EBIT (adj.) HQ and Business Services         | -110   | -89    |             |
| Other income and expenses                    | -202   | -50    |             |
| EBIT   | 1,584  | 1,703  | -7%         |
| Profit from Jotun                            | 533    | 238    | +124%       |
| Net interest and other financial items       | -275   | -87    |             |
| Profit before tax                            | 1,842  | 1,854  | -1%         |
| Taxes *                                      | -415   | -495   |             |
| Profit after tax                             | 1,427  | 1,359  | +5%         |
| Adjusted EPS diluted (NOK)                   | 1.55   | 1.33   | +17%        |
| Reported EPS diluted (NOK)                   | 1.38   | 1.28   | +8%         |

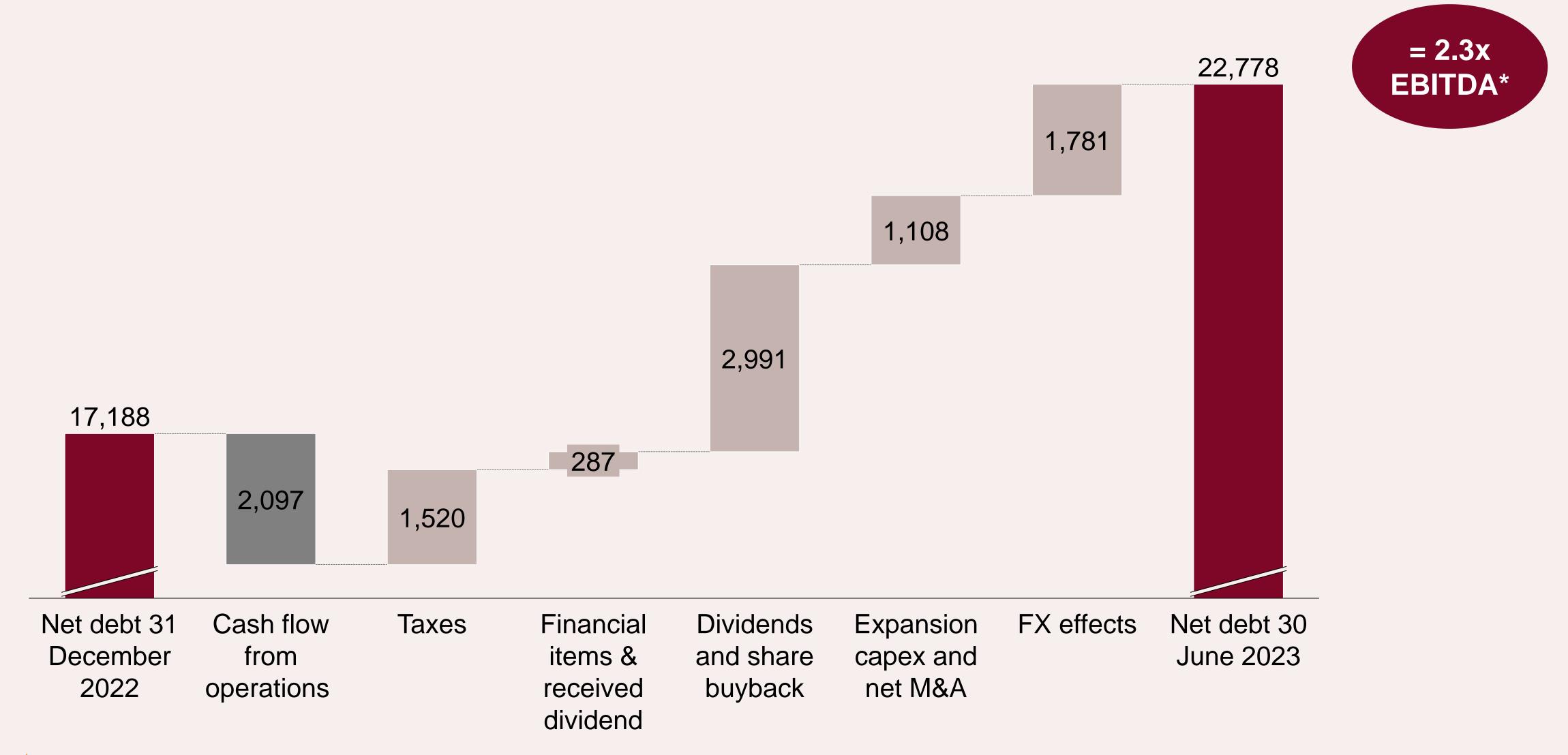


# Cash flow from operations for the first six months

| Cash flow from operations as at 30.6 (pre-tax)         | 2023   | 2022   |
|--|--------|--------|
| Consolidated PortCo's (incl. HQ and Business Services) |        |        |
| EBIT (adj.)  | 2,829  | 2,327  |
| Depreciation   | 1,179  | 993    |
| Change in net working capital                          | -787   | -1,851 |
| Net replacement investments                            | -1,440 | -1,416 |
| Consolidated PortCo's cash flow from operations (adj.) | 1,781  | 53     |
| Cash flow from other income & exp. and pensions        | -229   | -156   |
| Financial Investments                                  | 545    | 780    |
| Total Orkla cash flow from operations                  | 2,097  | 677    |



# Dividend and negative FX-translation increase net debt





# Portfolio Companies



# Continued strong sales and earnings growth

| Jotun 100% basis            | Q2-23 | YTD Q2-23 |
|-----------------------------|-------|-----------|
| Revenues                    | 8,340 | 16,106    |
| Revenue growth – fixed rate | +11%  | +15%      |
| EBITA                       | 1,883 | 3,501     |
| EBITA growth                | +85%  | +83%      |
| ROCE (R12M)                 |       | 30%       |

- Continued sales growth from price and higher volumes
- Profit improvement driven by improved gross margin, volume growth and good cost control. Raw material prices stable in Q2
- Overall outlook remains positive despite lower global economic growth











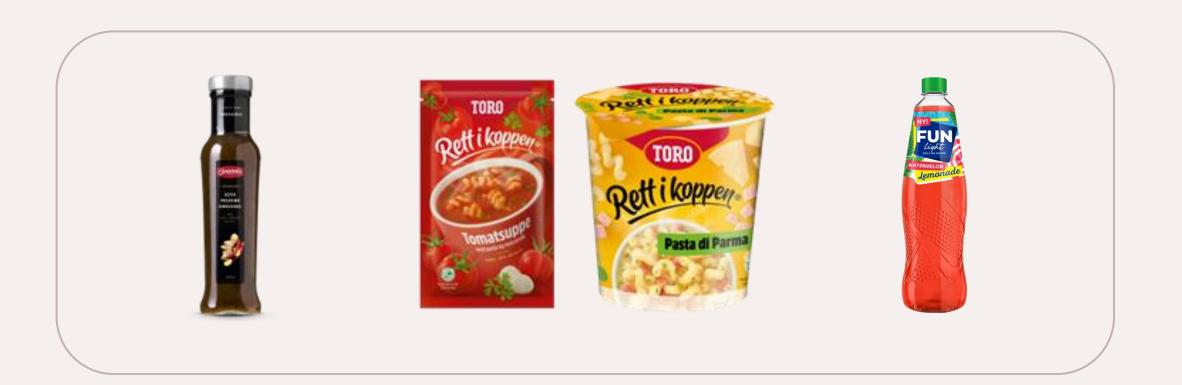
12

### Orkla Foods Europe

# Strong sales and EBIT (adj.) growth from positive price effects despite continued cost inflation

|                               | Q2-23 | YTD Q2-23 |
|-------------------------------|-------|-----------|
| Revenues                      | 5,087 | 9,990     |
| Contribution ratio            | 37.3% | 37.6%     |
| EBIT (adj.)                   | 534   | 1,044     |
| EBIT (adj.) margin            | 10.5% | 10.5%     |
| Underlying EBIT (adj.) growth | 20.7% | 12.0%     |
| Organic growth                | 7.0%  | 8.6%      |
| Price                         | 16.3% | 15.8%     |
| Volume / Mix                  | -9.3% | -7.2%     |
| ROCE (R12M)                   |       | 11.9%     |

- Broad-based, price-driven organic growth across all markets offsetting higher input costs
- Negative volume trend in retail in core markets while out-of-home is still more stable
- Improvement projects rolled out in several markets with positive impact in Q2 and for rest of year





# Sound performance from price-driven revenue growth

|                               | Q2-23 | YTD Q2-23 |
|-------------------------------|-------|-----------|
| Revenues                      | 4,860 | 9,253     |
| Contribution ratio            | 28.2% | 28.0%     |
| EBIT (adj.)                   | 348   | 586       |
| EBIT (adj.) margin            | 7.2%  | 6.3%      |
| Underlying EBIT (adj.) growth | 3.8%  | 11.7%     |
| Organic growth                | 10.6% | 15.8%     |
| Price                         | 13.0% | 15.2%     |
| Volume / Mix                  | -2.4% | 0.6%      |
| ROCE (R12M)                   |       | 10.7%     |

- Continued price-driven organic growth, but at a lower pace following stabilising raw material costs
- EBIT (adj.) growth from positive price effects, partly offset by inflation-driven cost increases
- Slight volume decline mainly related to Bakery and overall volume uncertainty going forward due to general weakening consumer sentiment











# Revenue and EBIT (adj.) growth despite ramp-up issues at the new biscuit factory

|                               | Q2-23 | YTD Q2-23 |
|-------------------------------|-------|-----------|
| Revenues                      | 2,098 | 4,092     |
| Contribution ratio            | 41.7% | 41.8%     |
| EBIT (adj.)                   | 200   | 387       |
| EBIT (adj.) margin            | 9.5%  | 9.5%      |
| Underlying EBIT (adj.) growth | 7.9%  | 0.0%      |
| Organic growth                | 8.8%  | 11.2%     |
| Price                         | 15.9% | 15.0%     |
| Volume / Mix                  | -7.1% | -3.8%     |
| ROCE (R12M)                   |       | 10.7%     |

- Price-driven top-line growth. Weak volume development
- The ease in input cost inflation offset by additional pressure from weak NOK and SEK
- Lost sales and higher costs due to biscuit factory ramp-up. Increased production volume during Q2











### Orkla Health

# EBIT (adj.) growth in the quarter driven by top-line growth

|                               | Q2-23 | YTD Q2-23 |
|-------------------------------|-------|-----------|
| Revenues                      | 1,578 | 3,192     |
| Contribution ratio            | 58.8% | 58.6%     |
| EBIT (adj.)                   | 231   | 496       |
| EBIT (adj.) margin            | 14.6% | 15.5%     |
| Underlying EBIT (adj.) growth | 16.0% | 15.4%     |
| Organic growth                | 6.1%  | 6.4%      |
| Price                         | 4.2%  | 3.6%      |
| Volume / Mix                  | 1.9%  | 2.8%      |
| ROCE (R12M)                   |       | 8.9%      |

- Organic growth driven by price, but also volume growth for Oral Care, Riemann and NutraQ.
   However, volume decline in grocery in Norway
- EBIT (adj.) improvement driven by strong sales performance and margin expansion
- Profit growth supported by e.o. costs in the supply chain last year





# Strong EBIT (adj.) growth despite softer sales growth and inflation effects

|                               | Q2-23 | YTD Q2-23 |
|-------------------------------|-------|-----------|
| Revenues                      | 718   | 1,390     |
| Contribution ratio            | 35.5% | 34.6%     |
| EBIT (adj.)                   | 93    | 167       |
| EBIT (adj.) margin            | 13.0% | 12.1%     |
| Underlying EBIT (adj.) growth | 16.8% | 15.7%     |
| Organic growth                | 7.1%  | 11.9%     |
| Price                         | 12.9% | 15.1%     |
| Volume / Mix                  | -5.8% | -3.2%     |
| ROCE (R12M)                   |       | 11.9%     |

- Good organic growth across all business units driven by price with negative volume performance
- Growth in core categories spices and masalas, flat for food- and drink mixes
- Price-led margin growth partially offset by higher fixed production costs and new hires







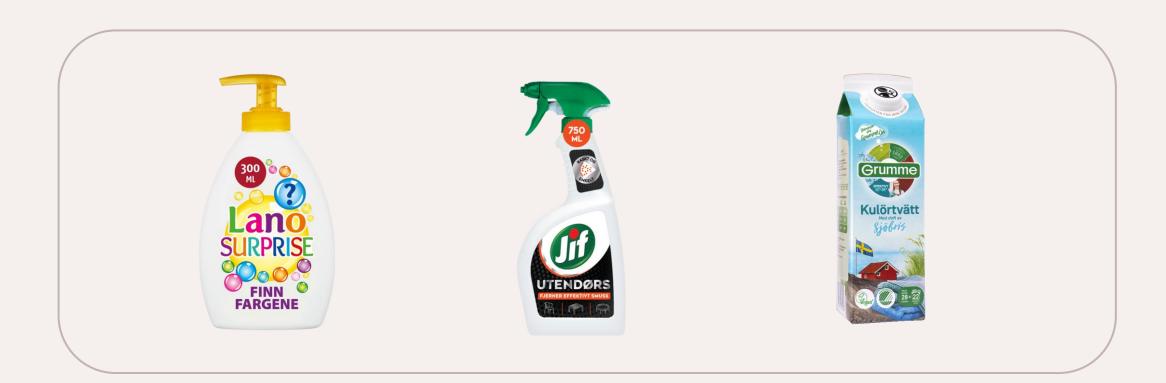




# EBIT (adj.) growth driven by price effects

|                               | Q2-23 | YTD Q2-23 |
|-------------------------------|-------|-----------|
| Revenues                      | 595   | 1,187     |
| Contribution ratio            | 40.2% | 40.0%     |
| EBIT (adj.)                   | 63    | 108       |
| EBIT (adj.) margin            | 10.7% | 9.1%      |
| Underlying EBIT (adj.) growth | 16.7% | 4.0%      |
| Organic growth                | 4.9%  | 6.0%      |
| Price                         | 8.2%  | 9.1%      |
| Volume / Mix                  | -3.3% | -3.1%     |
| ROCE (R12M)                   |       | 10.8%     |

- Broad-based revenue growth across markets stemming from price effects
- Contribution ratio hampered by higher input costs and weakening of NOK
- Organizational restructuring implemented as part of move of Oral Care to Orkla Health





# Solid consumer sales growth in main markets continued. EBIT (adj.) decline due to restructuring costs in Germany

|                               | Q2-23  | YTD Q2-23 |
|-------------------------------|--------|-----------|
| Revenues                      | 760    | 1,450     |
| EBIT (adj.)                   | 55     | 116       |
| EBIT (adj.) margin            | 7.2%   | 8.0%      |
| Underlying EBIT (adj.) growth | -28.1% | -16.7%    |
| Organic growth                | 10.7%  | 13.5%     |
| ROCE (R12M)                   |        | 6.2%      |

- Underlying consumer sales<sup>1)</sup> growth was 3%, offset by closed outlets in Germany
- Organic growth positively affected by increased dough and ingredient prices to all customers
- Profits negatively affected by restructuring costs in Germany. Profit improvement for Kotipizza



THE EUROPEAN PIZZA COMPANY



<sup>1)</sup> Consumer sales = total retail sales (excl. VAT) of all franchised restaurants in local currency.



Orkla House Care

Improvements in the troubled UK market

Health and Sports Nutrition
Group
Negative earnings

Negative earnings turned positive in H1-23



Pierre Robert Group

Organic growth of 1.6%, market decline in grocery

Lilleborg

Time lag on price increases from H2-22 cost surge



- EBIT (adj.) 39 MNOK (Q2)
- Organic growth of 13.9% of which 8.3% volume/mix
- Improved overall picture in UK in H1-23
  - Orkla House Care

- EBIT (adj.) 6 MNOK (Q2)
- Organic growth of 8.9% in Q2
- Improved costs of handling, transportation and marketing



- EBIT (adj.) 3 MNOK (Q2)
- High stock levels due to imbalances in global logistics in 2021-22
- Currency headwind from weaker NOK



- EBIT (adj.) 19 MNOK (Q2)
- U. EBIT (adj.) growth of 8.9%





# Closing remarks





Creating sustainable value through active ownership of brands and consumer companies

Brave | Inspiring | Trustworthy

Nils K. Selte, President & CEO Harald Ullevoldsæter, CFO





# Upcoming events:

Third quarter 2023 26 October 2023

Capital Markets Day 2023 29 November 2023



# Appendices



### **Financial Investments**

# Lower power prices compared to extraordinary levels in 2022 and introduction of windfall taxes<sup>2</sup> impact Hydro Power results

### **Hydro Power**

Fully consolidated into Orkla's financial statements

**Volume** (GWh): Q2: 596 (579)

Power prices<sup>1</sup> (øre/kWh): Q2: 87,6 (163,1)

**EBIT adj. (NOK million):** Q2: 282 (579)



### **Financial Investments**

Fully consolidated into Orkla's financial statements

#### **Book value real estate:**

NOK 2.0 billion





# Continued progress for the three prioritized growth initiatives

|   | Full-year baseline (2021)       | Reported<br>YTD Q2-23 (YoY)* |
|---|---------------------------------|------------------------------|
| Consumer Health Grow at least 50% by 2025 | Revenue<br>BNOK 4.6**           | Growth<br>16%                |
| Out of Home                               | Consumer sales MEUR ~337 **/*** | Growth 24%                   |
| A European leader in pizza franchise      | No of outlets 663               | No of outlets<br>852         |
| Plant-based BNOK 3 turnover by 2025       | Revenue<br>BNOK 1               | Growth<br>38%                |

Orkla

<sup>\*</sup> Reported figures including M&A, not adjusted for FX

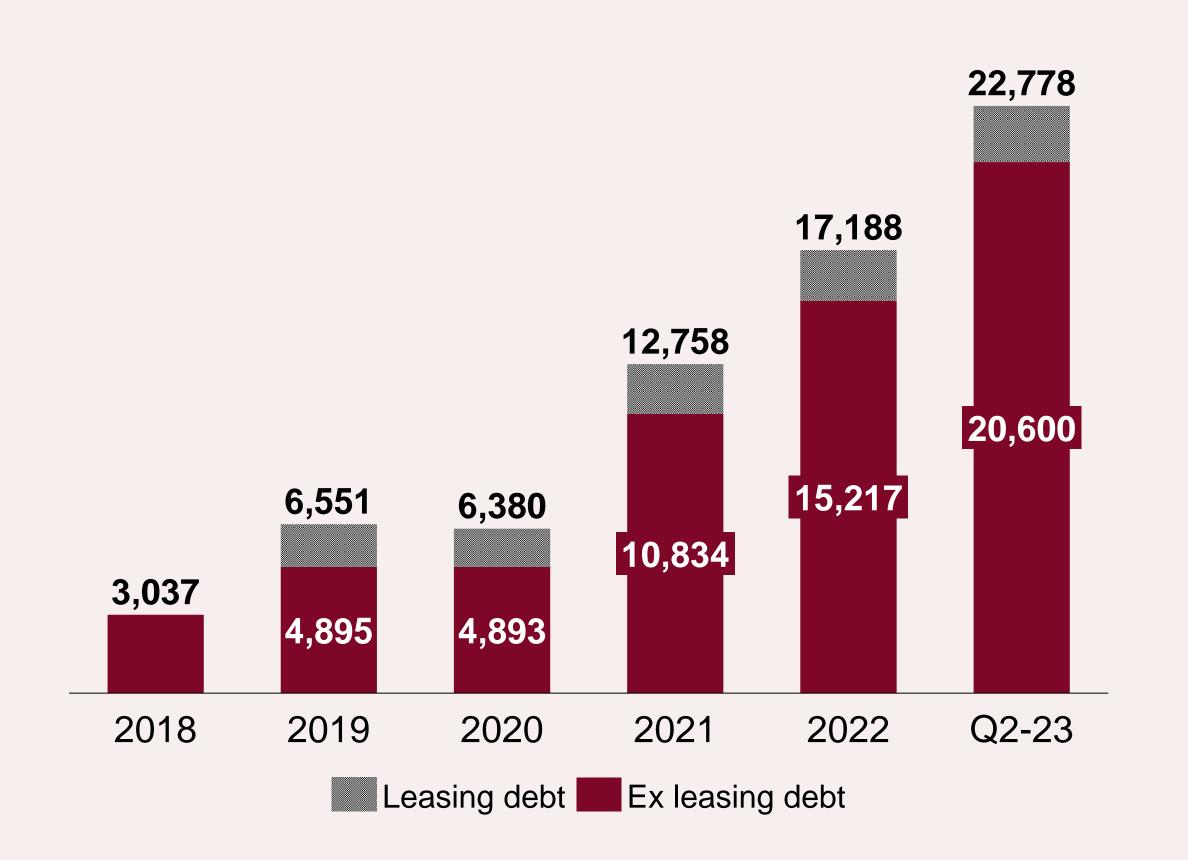
<sup>\*\*</sup> Includes 12-month effect of NutraQ and New York Pizza

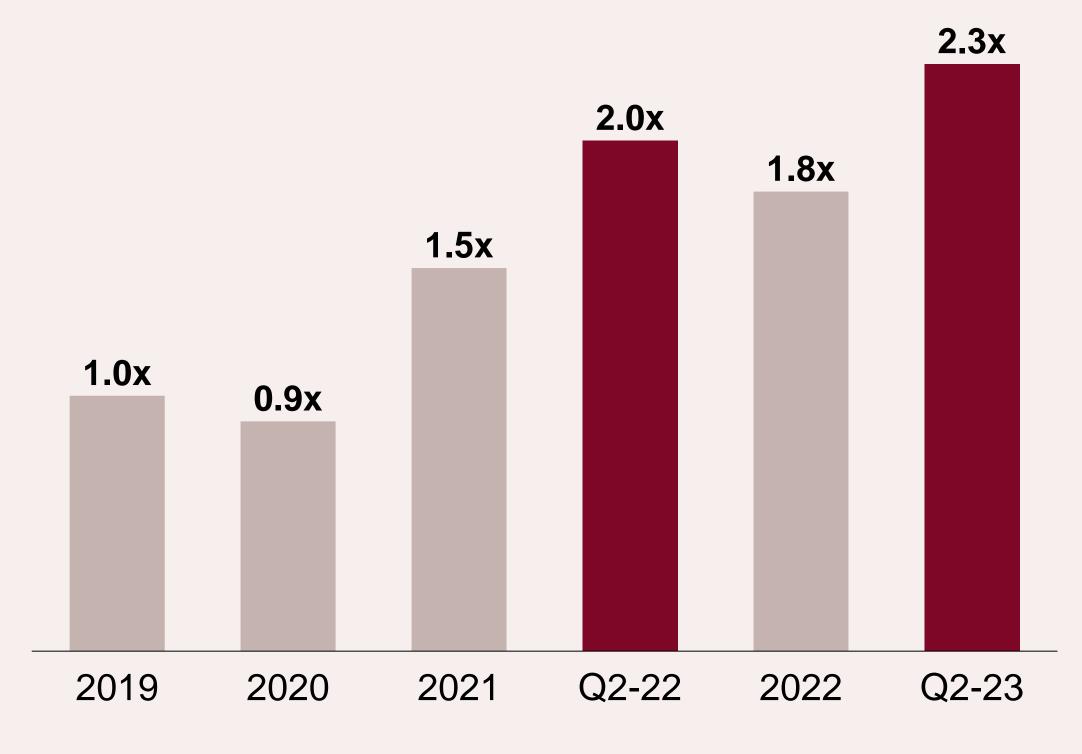
<sup>\*\*\*</sup> Excl. VAT

# Sound financial profile

### Net interest-bearing liabilities (NOK million)

### NIBD / R12M EBITDA



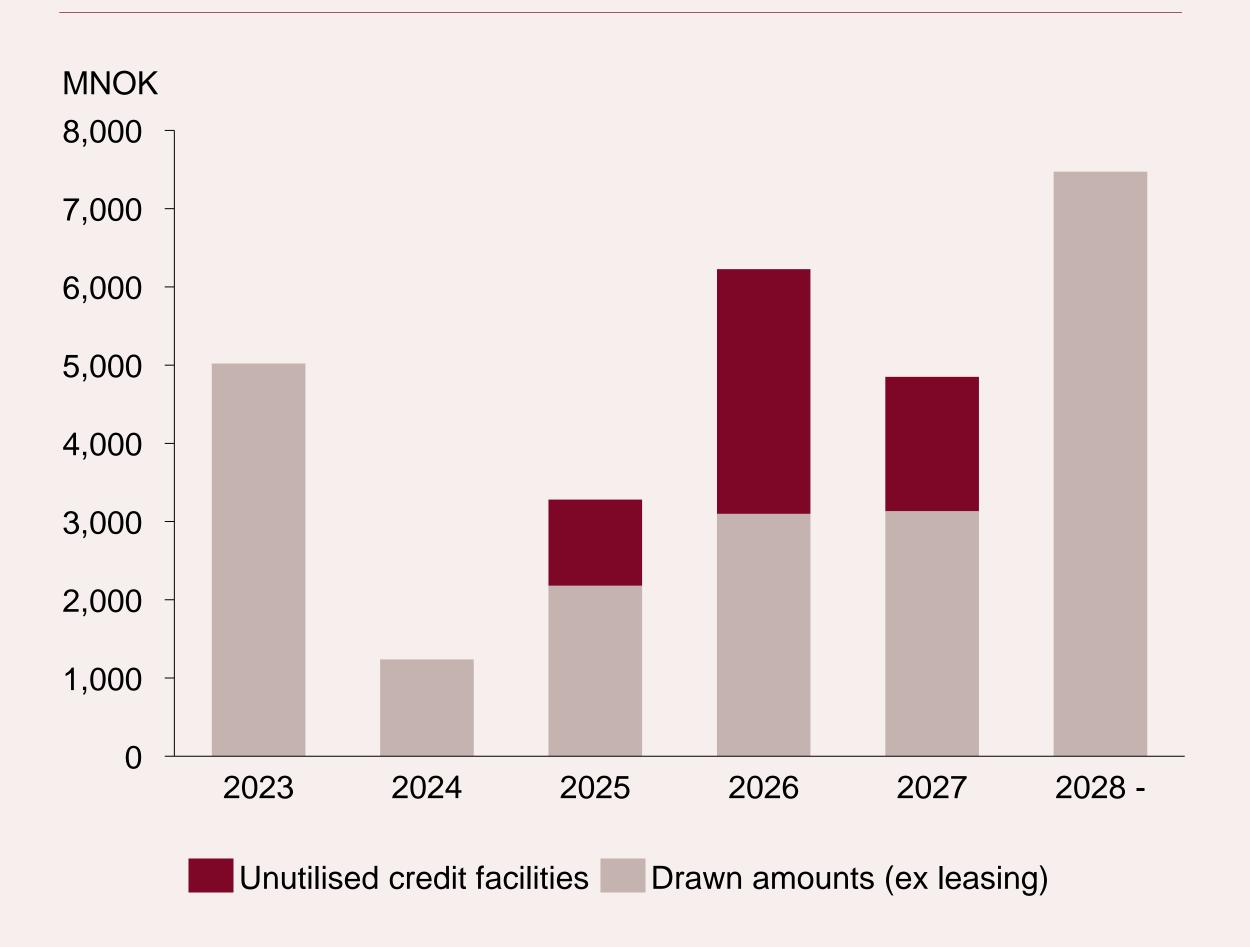




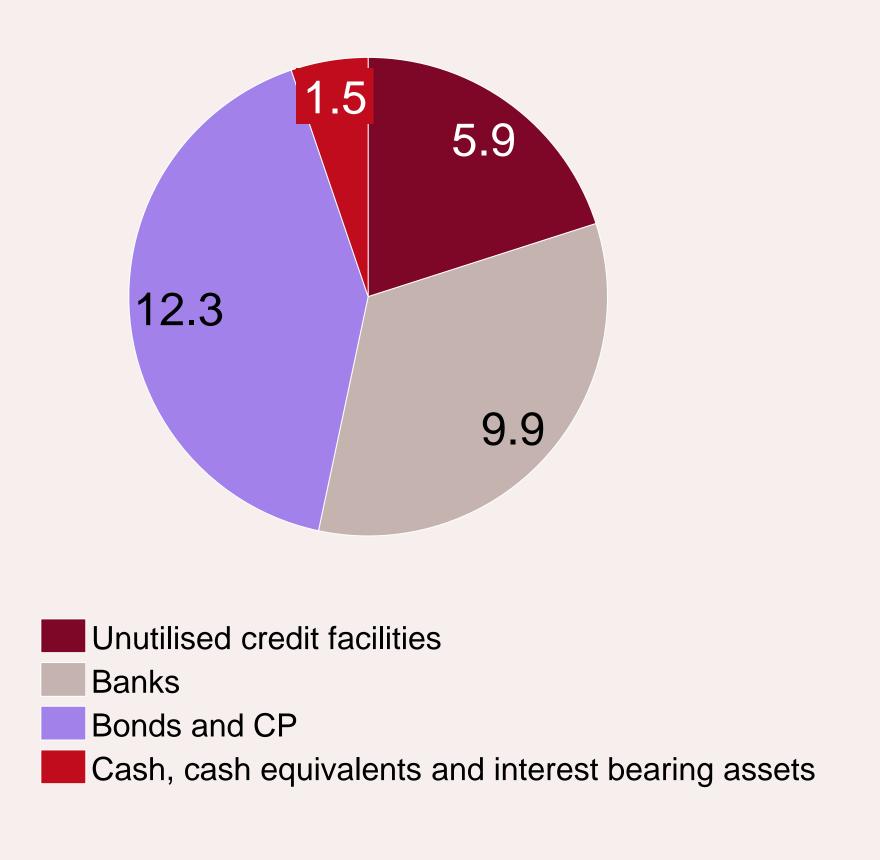
28

### Funding sources and maturity profile

### Debt maturity → average maturity 3.2 years



### Funding sources (in BNOK)





#### 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.



#### 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. 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"



#### 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.

#### 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, chiefly due to the fact that expensed M&A costs and the write-down of the business in Russia (2022) are not tax-deductible. Non-taxable income increases the tax rate for OIE somewhat in 2023. The effective tax rate for OIE as at 30 June 2023 was 12% (5% as at 30 June 2022) and 12% in the second quarter of 2023.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. No such adjustments were made in 2023 or 2022.

#### 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.



#### Structure (acquisitions and disposals)

Structural growth includes adjustments for the acquisition of the businesses Norstamp, Bubs Godis AB, Da Grasso, Khell-Food, Denali Ingredients, Lofoten Marine Oils, Healthspan and Hadecoup, and the winding-up of Hamé Foods in Russia and sale of the convenience business in Orkla Latvija and the Struer brand. Adjustments were also made for the loss of a distribution agreement with PepsiCo, and the distribution of tea in Orkla India. Structural adjustments were made at portfolio company level for the internal transfer of plant-based production and parts of the Idun brand. Following the transition to the new operating model, the split-up of the former Orkla Care business area has entailed the transfer of the dental health business and adjustments for changes in distribution and production agreements between new portfolio companies.

In 2022, adjustments were also made for the acquisition of Vesterålen Marine Olje, Eastern, NutraQ, New York Pizza, Sigurd Ecklund, Hans Kaspar, Nói Síríus, Cake Décor Limited, For All Baking Ltd., Ambasador92 and SeaGood Fort Deli. Adjustments have been made for the sale of Credin Russland, the Struer brand, and the water business under the Everest brand in Orkla Latvija. A structural adjustment was made at business area level for the internal transfer of the Oolannin brand.



# Mark Corkla