

29-Nov-2023

Orkla ASA (ORK.NO)

Capital Markets Day

CORPORATE PARTICIPANTS

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

Øyvind Torpp

Executive Vice President & Investment Executive, Orkla ASA

Xavier Belison

Chairman of Board of Directors-Orkla Foods Europe, Orkla ASA

Hege Holter Brekke

Executive Vice President-Investments, Orkla ASA

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

Ingvill T. Berg

Chief Executive Officer-Orkla Confectionery & Snacks, Orkla ASA

Morten Fon

President & Chief Executive Officer-Jotun, Orkla ASA

Sanjay Sharma

Chief Executive Officer-Orkla India, Orkla ASA

Isabelle Valerie G. Ducellier

Chief Executive Officer-Orkla Health, Orkla ASA

Johan Anders Björn Clarin

Chief Executive Officer-Orkla Food Ingredients & Executive Vice President, Orkla ASA

OTHER PARTICIPANTS

Eirik Rafdal

Analyst, Carnegie AS

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

MANAGEMENT DISCUSSION SECTION

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

Good afternoon and welcome to Orkla's Capital Markets Day 2023. My name is Kari Lindtvedt, I'm head of Investor Relations and I'll be your host through the program today. I must start by saying that we have really been looking forward to this day and we're very excited to finally be able to share some more detail on our plans and ambitions to deliver value creation at Orkla in the next three years.

Before we begin, I'd like to share some practical information. All the presentations today will be webcast, and the recording of the webcast can be found on our Investor Relations web pages after the event. Also, all the presentation material from today's presentations, including presentation material on the six portfolio companies not presenting on the agenda today, can be found there. And through the program today, you're welcome to post questions in the webcast. And we have a total of four Q&A sessions through the program, where we will address your questions together with questions from the audience here in London.

But now, to the agenda. In the first session, we will present Orkla's new operating model; the portfolio, our strategy, and our updated financial targets. We will also outline our approach to active ownership in more detail before we summarize Orkla's financial framework. In the next two sessions, a total of six out of our 12 portfolio companies will share their ambitions, strategy and financial targets; and the totality of the program today should give you relevant insight into our value creation potential and our plans to deliver on the financial targets. To round off today's event, there will be a final opportunity for Q&A, before Nils will share his concluding remarks. So again, I do encourage you to start posting questions in the web chat, but now let's begin.

Please welcome President and CEO, Nils Selte to the floor.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

Thank you, Kari, and welcome to everyone. It is a great pleasure to be here and I've been looking forward to this day for quite a while actually now. Before I start my presentation, I would like to share a video describing the strong foundation that we have in Orkla. Orkla has more than 300 leading brands combined with competent engaged employees. This is a strong starting point and constitute the very basis for further development and value creation.

[Video Presentation] (00:03:00-00:05:02)

I have been CEO of Orkla now for more than – a bit more than one and a half years. The eight years prior to that, I was a member of the Orkla Board. All those eight years have become more and more concern as the soft fading market shares, increased complexity in our portfolio, combined with a lack of execution of strategy. All of this resulting in outperformance was continuously lagging behind peers. In other words, we saw limited value creation. As a board member, it became clear to me that something fundamentally needed to change because I knew the potential was there. I'm excited to be here today as CEO of Orkla with a mandate to fulfill that potential.

To do that, we are transforming Orkla into a leading industrial investment company our client to a leading industrial investment company. And alongside that, to assure our success, we will build a stronger performance

culture, to deliver on our ambitious goals, we need to be brave, we need to gain trust by making the right moves; I'm ready to inspire all employees to contribute to the change and create more value.

So, what do I mean by leading industrial investment company? We are developing a company combining the very best elements from two worlds. We take our DNA from our branded consumer goods insight and combine this with a investment mindset. We take a long-term perspective while also being flexible with our holding period and our ownership period structures. This gives us a wider playing field to create opportunity that increases value. In addition, we are also keeping our deep industry expertise built over decades. This is about developing leading brands and continue extracting synergies. It is the combination of these elements, which gives me confident that we will succeed and make us truly unique going forward.

So, why is this actually going to increase value? First, we will drive increased accountability for performance in each part of our company. Decision will be made closer to where we meet the customer and earn them on their everyday. Each company now have more freedom to decide on strategy processes and targets. There will be no place to hide. The portfolio companies will be fully responsible for their own performance with increased internal and external transparency for key value drivers. There will also be more challenge and better support from our new individual company boards consisting of strong and relevant expertise. To increase motivation and performance, there will be tailored incentive schemes for each company. The one size fits all principle will no longer apply. Good performers will thrive, the mediocre ones will not.

Next, we will create more structural optionality. Put simply, we want to be in a position where we can act fast on opportunities that arise. We now have less dependencies between the portfolio companies and the headquarter, speeding up decision making processes and allow infrastructural changes. We are open and able to create different structural options, not just acquisitions. We are now looking into partnerships, IPOs or joint ventures as communicated at our Capital Markets Day in 2021.

The next part in our model is about more effective capital allocation. Throughout our borders, we have stronger and better discipline when it comes to use of capital. We will encourage a shift towards broader value creation of which cash generation is about. Our new model also creates more visibility as to who will be generating cash versus who will be needing cash going forward. Taking all of this into account, there're quite a few changes in our new operating model. The kept the stronger elements or all models and this is important to our uniqueness.

The final part of our model is to strengthen our critical competencies and improve cost synergies. We will take advantage of our economies of scale and our consumer insights that we have built over decades as a consumer company. I'm convinced that these four elements' full accountability, more structural optionality, disciplined capital allocation and strengthened synergies will contribute to create the performance culture and act as a competitive advantage for us as an industrial investment company.

The changes we have made so far are drastic, but if we are going to truly fulfil our just potential, they need to be. We have already made significant progress in our transformation. We have fully implemented the new operating model to increase performance and create a new performance culture. The transformation has not been a cost out project. However, going forward, sure that we will continue to adapt and adjust the ways of working and organization to best drive our active ownership again. We have already adjusted to a lower cost level into 2024 and will continue to do so going forward. This is an important commitment to me. We have finalized and approved full potential plans outlining the full organic potential for all portfolio companies. It has been inspiring to see the opportunities we have identified with the significant potential. Øyvind will share more details on this later.

We have also established individual portfolio company boards tailored with the right balance and competence needed to provide more challenge, support and wisdom. I've been really impressed with the caliber of people that we have been able to attract. Regarding structural opportunities, we have been able to pursue different options than just acquisitions.

Orkla Food Ingredients is a great example, where in October announced partnership with Rhône. This partnership aims to build upon the strengthened Orkla Food Ingredients existing business with an ambition to create shareholder value through volume growth, margin improvements, capital efficiency and structural growth. On that note, we have started the process of exploring opportunities for our hydropower position and how to best create value from these assets going forward. We will give you more information on this during first half of 2024.

In my view, if you are to see a change in performance, we need to see a change in culture. To make that happen, you sometimes need to change the leaders. We will always evaluate whether we have the right people in the right place. Since I joined Orkla, I have complemented my management team with a good mix of external and internal competencies. In addition, we have seen changes in five portfolio companies CEOs. When replacing key people, we will always look internally and externally to find and benchmark the best candidate. We have already three new CEOs in place, of which two are external. You will meet one of them later today; Isabelle Ducellier, who recently joined as new CEO of Orkla Health.

And we have managed to achieve all of this while navigating through a very challenging time, both macro economically and politically, but the hard work of actually improving our performance and value creation starts now. To guide us, we will need the right targets to aim for. Going forward, to understand how Orkla is performing, we need to understand the underlying performance of each portfolio company. Each portfolio company has different value driver, and that's why in my opinion, an aggregated financial target does not make sense. To be able to follow up on performance, we have therefore increased the transparency of our reporting per portfolio company, which we already started second quarter this year. Value is created through underlying performance of our portfolio and through grasping the structural opportunities that arise.

And that is why I believe that the sum of this total shareholder return will be the best target to guide us as it will reflect all of this over time. Total shareholder return is the ultimate KPI. Target for Orkla is to deliver an annual 12% to 14% total shareholder return in the period 2024 to 2026. This is based on a long-term mindset and decision making. This is a target that I take full responsibility.

So, how are we going to ensure that we reach our total shareholder return targets? Let me explain by taking it through our short-term strategic priorities. Our first priority is to drive organic value in our existing portfolio. Currently, the larger potential in our portfolio is to accelerate organic growth and boost value creation in our existing positions. There is also a potential to reduce complexity within some of the portfolio companies. We expect each company going forward to do a thorough review of their portfolio of categories, brands, and geographies and take necessary action [indiscernible] (00:16:37). Another important factor is to develop a culture supporting our new model. To me, this is about creating a culture with a broader value creation focus, more drive and increased accountability. I already see increased empowerment and spirit when I talk to the portfolio companies.

Moving to portfolio structure. When we look at our overall portfolio, we see how complexity has been added through M&As over time, both with regards to categories and geographies. One of my key priorities is to simplify our total portfolio; and I will come back to details on this shortly. Our third priority is structural opportunities. M&A has historically been an important part of Orkla's growth journey. Going forward in our new operating model, we will continue doing this when opportunities arise, but we will talk about M&A in a much broader sense.

We will continue doing bolt-ons to our existing businesses as historically these are value adding at higher synergies. And as I said, we will also look for structural opportunities, like potential partners, public listings or joint ventures. We will also look for new platform investment, but let me be very clear, we will not add complexity and risk through adding new portfolio companies before we have reduced complexity in our current portfolio and that we are seeing that a new operating model really works and creates value. In addition, financial flexibility and disciplined capital allocation is at the base of every sound company.

We need to maintain financial flexibility through a strong balance sheet, including a maintained ability to both pay a steadily increasing dividend and maintain ample investment capacity. Harald will share more details on this. On the ESG part, I will come back to this shortly.

And now, what are we planning to do in order to reduce complexity in the portfolio? As I have said, we need to develop a more balanced and dynamic portfolio. Today, our portfolio consists of 12 companies varying in size, which adds complexity. To be able to reduce complexity, we will simplify our portfolio towards fewer companies being more similar and larger in size. By doing so, we will be able to increase our focus and invest more heavily towards the companies that moves the needle the most. Having said that, we need to find good value adding solution for the smaller companies.

As a tool in the capital allocation process and also to help us reduce complexity in the portfolio, we have created a framework to allow us to categorize our companies into three groups. Each group has clear strategies and priorities. It is important to say that this is a dynamic framework and the categorization of companies may change over time.

Start with the grow and build companies. Companies in this category are best explained by a potential to grow over time. We expect them to grow organically and/or through M&A. In this category, we have Orkla Food Ingredients, Orkla Health, Orkla India and European Pizza Company.

Moving on to the anchor category. These are the companies where we see the largest cash generation over time. We consider these companies in primarily stable categories and markets. These companies are vital to ensure yearly dividend and fueling our grow and build companies. These are; Jotun, Orkla Foods Europe and Orkla Confectionery & Snacks.

Our third category is transform or exit. These are companies where we will work on a plan to either transform or exit the company, but within the limited timeframe. We are not saying that these companies will be disposed of at first opportunity, but that we will find value added structural solutions and/or exits, and in this case, we have Orkla Home & Personal Care, Orkla House Care, Health and Sports Nutrition Group, Pierre Robert Group and Lilleborg.

To put a bit more flavor into this, let me give you an example in each category. We have categorized Orkla India as a grow and build case. This is because we see continued growth potential for this company in a growing market. But as I mentioned, growth can come from organic and/or structural solutions. This is why we have recently decided to look into structural opportunities, including a pre-IPO study of Orkla India to explore a wider range of opportunities. It is still early days and it does not necessarily mean that we will proceed with an IPO or otherwise, but it helps you understand how we're working within the framework. The CEO, Sanjay Sharma will share more details on the impressive journey of Orkla India and the future plans later today.

Orkla Food Europe is categorized as anchor. The company has proven to be an important cash generator over time. It is also one of our largest businesses with strong leading local brands and leadership in attractive, resilient

categories. Atle Vidar Nagel Johansen, the acting CEO, will tell you more about this and his ambitions later today. Orkla Home & Personal Care is categorized as transform or exits. The company is on a comeback journey after challenging 2022, and when the business is heading closer to pre-COVID levels, we will explore value adding structural alternatives.

Sustainability has been a key part of Orkla's business strategy over several years, and it'll continue to be so also in our new operating model. We are committed to create positive change by enabling a responsible transition towards net zero and sustainable production and consumption. We have summarized Orkla commitment to three focus areas; protecting the environment, empowering people and business ethics.

Let me take you through the highlights of our commitment to ESG and the targets we will obtain. We have committed to clear climate targets and our focus up until now has been Scope 1 and 2, where we have achieved a reduction of approximately 60% by 2023. We aim for a 70% reduction by 2030. The CapEx investment required to fulfilling this target is estimated to approximately NOK 350 million. We are fully committed to ESG, but aim for a responsible transition meaning that we won't understand the full cost impact for all stakeholders before committing to targets. Therefore, we have decided to wait to communicate our Scope 3 targets and we will come back to this during 2024. In addition to our climate targets, we will ask all our food companies to create positive health impact plans towards 2030. And all our companies to have a balanced gender representation in their management teams by 2026.

As I bring this part of my presentation to a close, I would like to summarize our key priorities over the next two years. First, we need to improve underlying performance in our existing portfolio through driving organic value. I'm confident that there is a huge untapped potential and our strategic plans have confirmed this. Secondly, we need to reduce complexity in our existing portfolio. Today, I have shared some perspectives on how we will develop the portfolio over time. Finally, we will still pursue structural opportunities when they arise; and when the timing is right for Orkla's shareholders. And all these elements will support my commitment to deliver and be accountable for a total shareholder return of 12% to 14%. By that, I leave the word to Øyvind Torpp, who's part of my executive team with background from management consulting, with a strong track record from growing and developing branded consumer goods companies. He will go through our new approach to active ownership.

Øyvind Torpp

Executive Vice President & Investment Executive, Orkla ASA

Thank you, Nils. Hello. My name is Øyvind Torpp and I joined our Orkla last year. Before joining, I spent 23 years with Boston Consulting Group, where I helped European consumer companies driving change and increasing their value, and what I learned during those 23 years can be summarized in two key points. One, driving change is bloody hard, and two, you need the right team in place to deliver. And that's what I'm here to present. The change journey that we're on and how we make sure to get the right team in place to drive that change. This is our new approach to active ownership. When Nils shared with me the opportunity Orkla to support the change journey and realize the potential in our portfolio, I knew straightaway that I wanted to be part of the journey and I wanted to be part of the team. I instinctively realized the opportunity for significant value creation at Orkla.

Please have a look at the four topics on the screen. Nils touched upon some other points in his part, but I'll go into some more details. And these are not only concepts. These are areas where we already made significant change and planning to do much more over the coming years.

I'll talk you through our new operating model with company boards, our new approach to strategic planning, our new incentive programs and also how we make sure to build expertise and realize synergies. All areas will be very important for our approach to active ownership and our future value creation. We are well on our way to

composing value adding boards tailored to each portfolio company consisting of internal and external board members. We're able to attract external board members with a proven track record of value creation and a broad industry expertise. Actually the feedback we get from senior stakeholders, including potential board members, is that our new operating model is a huge plus. And this is also what the new Chair for Orkla Foods Europe, Xavier Belison told me when we started our dialogue.

Xavier Belison

Chairman of Board of Directors-Orkla Foods Europe, Orkla ASA

My name is Xavier Belison and I was appointed as Chairman of the Board of Orkla Foods Europe in May. I have worked with brands and consumer goods my entire professional life, and have international experience from branded goods and private equity owned companies, both as a CEO and Chairman. I had no prior connection to Orkla, but of course knew that it was a solid BCG company and there're two reasons why I decided to join. One is, I strongly believe in the new operating model of Orkla; as it is a unique combination with the best from private equity, family owned investment companies, and branded consumer goods and Orkla Foods Europe is an impressive company with absolutely great people and a strong portfolio of local legacy brands. This offers both a solid foundation and significant potential for the future.

As a Chairman of Orkla Foods Europe, my sharp focus will be to accelerate value creation through improving commercial performance and that change cost and capital efficiency. I have advise that we already see an increased focus and progression on these parameters, and I believe the strong collaboration between the management of Orkla Foods Europe, Orkla as owner and me as a Chairman will contribute to significant value creation in the entire company.

With that, I give the word back to you Øyvind. Thank you.

Øyvind Torpp

Executive Vice President & Investment Executive, Orkla ASA

Thank you, Xavier. Now let's move on to our new approach to strategic planning that has fundamentally changed in two very important areas. So first of all, we face the brutal facts in our point of departure analysis and we keep us honest in terms of historic value creation and historic performance. We know where we stand, where we have succeeded and where we have our performance gaps. And if we are really honest to ourself, it felt like we've been blaming the market on lack of growth instead of our own performance.

Later this afternoon, six of our larger – the CEO, six of our larger portfolio companies will present to you their targets, ambition plans for the next three years. All our portfolio companies have developed their full potential plans outlining a significant value creation opportunity, but this afternoon, we will focus on the plans for the next three years. And this is all about execution. In the boardrooms, we make sure to follow up on the progress on these key strategic initiatives. And we shifted focus from financial historic reporting to making sure that we're progressing on our key strategic initiatives that will get us there. And we specifically address, if we have the right competence and resources in place to deliver on the plans. The CEOs are all excited about presenting to you this afternoon.

The challenge we had historically was to link actual performance to the incentive program. We have one incentive program across all other businesses and it was not working as intended. One of the CEOs told me that this new model is so much better and he now has the freedom to customize the incentive program to the underlying value drivers. We are now implementing new, short and long-term incentive programs customized to each portfolio company. For the transformation and exit portfolio companies, we focus on their new ownership model. For our

anchor portfolio companies, we increase the focus on cash flow, and for our grow and build portfolio companies, we focus on the combination of organic and structural value creation, and we are also implementing management incentive programs where relevant.

Simply put, this new model will be much more attractive and motivating for the management teams and motivating, that's the really key word here. We know it has to be motivating. We now have fully aligned incentives.

One important element that we will not change is the importance of expertise and synergies, but instead of a centralistic approach to realizing synergies, we're now focusing on the three by far most important areas; procurement, IT and financial services. Everything else is on demand from our portfolio companies and based on specific service level agreements and it is quite interesting now to see, for example, the demand for our procurement services increasing quite dramatically after we made the services voluntarily. And the newly established procurement programs in close collaboration between the central procurement team and our portfolio companies is a true testimony to this development.

Our model for building expertise is on top of what we had historically and the Orkla DNA. But the centers of excellence are much focused on the strategic agenda and what we see as the largest potential in our portfolio companies. My colleague Hege Holter Brekke is part of the exec team and she's responsible for the centers of excellence. Hege has had several leadership positions in Nordic consumer companies and she has a deep passion for the commercial aspects of our business.

I will leave the word to Hege to talk more about the true competitive advantage of our centers of excellence.

Hege Holter Brekke

Executive Vice President-Investments, Orkla ASA

Orkla invests in brands and consumer companies, where high levels of expertise in marketing and innovation, sales and sustainability are critical drivers of value creation. To improve performance, we will leverage the new and distinct combination of active ownership and centers of excellence. This is a key differentiator for Orkla. Our centers of excellence are therefore an essential part of our new operating model, built on scaling deep industrial and brand expertise through best practice playgroups, academies, networks, and project support, to accelerate value creation in our portfolio companies.

As of now, we have three centers of excellence. Orkla marketing and innovation supports our companies on brand building expertise and evidence-based principles for driving brand and category build, to make our brands preferred and chosen, to improve our return on our marketing investments, and to increase Orkla's revenue. Orkla sales is focusing on building our portfolio companies expertise on revenue management; a data driven approach to increase profitability through smart pricing, improved promotions, and product assortments, very effective execution is enabled through data automation and artificial intelligence.

Orkla ESG and sustainability supports the value creation by building expertise, guiding on ESG regulations and enabling efficient sustainability reporting. Supporting our transition towards net zero and sustainable production and consumption. The unique combination of active ownership and centers of excellence is a key part of our Orkla's new operating model. Together with knowledge sharing across our portfolio companies and connecting with external experts, we believe this to be a winning formula for creating sustainable value.

Øyvind Torpp

Executive Vice President & Investment Executive, Orkla ASA

Thank you, Hege. All these four areas will be instrumental for us to deliver on our value creation ambitions. To sum up, we now have company specific boards with unique expertise. We have full potential plans for all our portfolio companies demonstrating a significant value creation potential. We have a new model for our incentive programs customized to each portfolio company, and we have made sure to further develop our approach to expertise building and how we realize synergies. Nils talked about in his part about the need for improving their performance culture in Orkla. And I believe that all these four areas also will be very important elements on that change journey. I'm very much looking forward to present to you the progress on these four initiatives as part of our quarterly reporting and also at our next Capital Markets Day.

With that, I will leave the word to probably the best CFO in the world, Harald Ullevoldsæter. And Harald will present to you our financial framework.

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

Thank you, Øyvind, for that special introduction. My name is Harald Ullevoldsæter. I've been the CFO at for Orkla since 2020, but I've been working with the company for more than 20 years. I also followed the company as an analyst for nine years. So I have seen a lot of changes, a lot of transformations over the years, but a change that Nils talked about, the change in operating model is, in my view, the far most important one. And I will, at the end of my presentation, share with you my personal reflections on the change and why I believe in it.

There are three integrated topics I want to discuss today. First is the financial targets for 2024 to 2026 and the impact on value creation based on the portfolio companies reaching their targets. Second is the capital allocation priorities and the process. And finally, the financial policy. As an industrial investment company, our ultimate goal is to deliver a minimum total shareholder return after a in the range of 12% to 14% annually for the period 2024 to 2026, as Nils said. On the previous Capital Markets Day back in 2021, our main financial targets were related to at least 2.5% organic growth and mid-single-digit EBIT growth. Due to geopolitical events, these targets were very fast outdated. We also said that we would prioritize consumer health, plant-based and the out of home channel. These are still important growth areas that are addressed in the different portfolio company strategies. But due to the change in the operating model, we have now established the majority of the financial targets at a portfolio company level and not at the Orkla level.

So this is my flower. I didn't get any film today, but I got a flower. We have four important building blocks to reach the TSR target. The TSR target of 12% to 14% implies an increase on the market value of Orkla, including dividend paid of NOK 32 billion to NOK 39 billion, given the current share price. The most important part is the 11 consolidated portfolio companies representing more than 70% of the estimated enterprise value, but also Jotun represent a significant part of the value of Orkla. Financial assets are hydropower and real estate. Our main focus today will be on the consolidated portfolio companies and Jotun. Each of the consolidated portfolio companies have during the summer and autumn developed a full potential plan, as Øyvind mentioned, for the period 2024 to 2026.

The difference in these plans compared to earlier is that we take a broader approach to value creation levers and from an ownership perspective, we are better able to put a value on the potential. If the plans are met, we now have a very clear view of the consequences in terms of value creation. The starting point was a point of departure analysis that, among other things, summarized historical value creation over the last five years. This was really useful for a reality orientation and recognition that the bar performance must be lifted. It is important to mention that the full potential plans are mainly based on organic development. In addition, we believe there are structural value creation opportunities.

As a consequence of the new operating model, each company has decided on their financial targets in collaboration with their boards. The targets are based on the full potential plan, but have been adjusted downwards to make them more realistic to reach. So, to be very clear, these targets are lower than in our full potential plan, but still ambitious. And by the variation in the goals, you can see the complexity. The goals are different. That also reflects that the companies are different, the value drivers are different and the challenges are different. We believe that individual targets for each portfolio company are better than trying to establish on average targets at the Orkla level. And as Nils said, companies slotted in a grow and build category are focusing more on growth, while anchor companies are focusing more on delivering cash flow to fund Orkla dividend and M&A. And later today, you'll hear more about the targets and the strategy for our biggest companies.

So based on all of our consolidated portfolio companies, reaching their targets, as shown on the previous slide, will result in a value creation potential of NOK 40 billion to NOK 45 billion. The main driver is an EBIT uplift driven by both margin expansion and top line growth, but net cash flow in the period is also important. Approximately two-third of the estimated value creations is related to EBIT uplift, while the remaining one-third is related to net cash flow in the period. Focus on CapEx and working capital will increase and we are planning for a lower level over the next years. The value change during the three-year period is roughly evenly distributed, but slightly skewed towards the end of the period. And this is a step change compared to historical performance. And later today, we will hear more about main actions for the biggest companies.

If we can follow some of the financial targets from the portfolio companies, we can see that the consolidated portfolio companies will have an average yearly underlying EBIT growth in range of 8% to 10%, and a margin expansion of at least 1.5 percentage points to 2 percentage points. Return on capital employed is estimated to increase from 10% to 13%. If we experience a significant decline in raw material cost prices, there will be an upside to these financial numbers.

For internal use, we have built evaluation model on each company, but we have concluded not to share this with the financial market and instead focus on delivering relevant information on each company. To estimate the value creation in our plans of NOK 40 billion to NOK 45 billion, we have used market estimates from the sum of the part analysis in the financial markets. To calculate the value today, we have used an average EBIT multiple of 14 and 16 on the consolidated last 12 months EBIT. The evaluation in 2026 is based on estimated EBIT and the same multiples. In addition, we have calculated the net cash flow, including net financial and taxes for the years 2024 to 2026.

In addition to our consolidated portfolio companies, we have our 42.7% ownership in Jotun, representing approximately 25% of enterprise value. Jotun has a strong performance for many years and they are currently outperforming their long-term financial targets, but you have to bear in mind the cyclicity in the business. Later today, the CEO, Morten Fon would tell you more about the business and the performance. Our view as an owner of Jotun is that the company has a very strong starting point in an attractive and growing market. They have strong market position with a global brand, they have high exposure to important growth markets, an experienced management team with a good track record and a solid financial position. So, we are very confident that the company will continue to create a lot of value going forward.

And lastly, we have our hydro power and real estate business. The normal annual production is approximately 2.5 terawatt, where 1.4 terawatt is sold in the spot market. And just to give you an example, given an average price level of NOK 0.70, we will expect the cash flow after tax and minority interest of approximately NOK 300 million, but as you know, the volatility in both price and volumes is high, which could lead to significant changes in the cash flow. And as Nils said, we are looking at opportunities in hydro power. Stable renewable energy sources like hydro power are increasingly valuable assets in more volatile energy markets. We are assessing different options

for how to best utilize our assets within the limits of the current legislation and without requiring any cash investments. Based on the current yield in the real estate market, the estimated value of our portfolio is NOK 2.3 billion, where our head office is by far the most important asset, but in addition, we have our project portfolio where we estimate the capital release of approximately NOK 1 billion over the next five years. This include the sale of the former biscuit production property outside Göteborg.

So, to sum up part one of my presentation, we are well-prepared to deliver on the four building blocks, and TSR target of 12% to 14%. We have ambitious targets for the different portfolio companies and we have full potential plans with focus on how to reach the targets. Reaching our financial targets for the consolidated portfolio companies will contribute to a value creation of NOK 40 billion to NOK 45 billion. In addition, we had Jotun with a very good starting point and a clear strategy, and in our view, we'll continue to create values going forward, and our portfolio companies are carved out from Orkla and are ready to utilize structural opportunities, but we have to bear in mind that the value creation potential estimate for the consolidated portfolio companies is based on multiples from the analysts in the sum of the part valuation and that the Orkla share is trading at a discount to this valuation.

So, how much of the estimated value creation that will be reflected in the share price and TSR will depend on discount levels.

Let me then move on to our capital allocation priorities. Orkla's overall capital priorities remain unchanged, but we have a much clearer priority for capital allocation within the portfolio. And I will come back to this.

Priority number one is dividend. And as you can see, over the last 30 years, we have always paid dividend and we have never reduced it. The ambition is to pay a stable and increasing dividend over time. The payout ratio will be in range of 50% to 70% of earnings per share.

Priority number two is M&A or organic investments in the current portfolio. Within our new framework, we will prioritize M&A within grow and build category. This includes Orkla Health, European Pizza Company, Orkla India and Orkla Food Ingredients, as Nils said. During the strategy period, we will reduce complexity and free up capital through the sales of businesses. This will, of course, depend on a market where this can be done without destroying values. The use of capital from the sales of companies will be carefully evaluated.

New investments in accordance with our capital allocation framework or extraordinary dividend to our shareholders. The required rate of return to equity of the tax on acquisitions has been lifted to 15%. We have implemented a new capital allocation process in Orkla. In totality, this process leads to increased internal competition for capital and increased capital discipline. As Øyvind said, each company develops a full potential plan with a time horizon of three years and with an annual revision. The plans give a good view of the value creation potential for each company, and the consolidate the plans and get a good view on the total value creation potential.

An important question is whether the value creation potential is in line with our TSR goal. We also get a good view of how much of which company will need cash and which will provide cash, and does it match with the role of the company in the portfolio, is the company slotted as a grow and build or an anchor company. Any M&A cases will be checked with our capital allocation priorities. We also have an ongoing estimation of capital availability, both in the short and long-term; and given the long-term leverage and dividend levels.

As our third priority, we will return excess capital to our shareholders. Major adjustments of the capital structure will be made either through payment of extraordinary dividends or share buybacks. When it comes to any share buybacks, we will prefer larger programs that run over a longer period of time.

So, just talking about part two of our capital allocation priorities, Orkla's overall capital priorities remain unchanged, but we have a much clearer priority for capital allocation within the portfolio. Our financial policy remains the same. We are committed to have a strong financial position with minimal risk associated with refinancing. Our ambition is to be perceived as an investment grade in the financial market and we target the net interest bearing, debt to EBITDA of 2.5 over time. With 100% ownership, the financing will still place at Orkla level but please note if there will be any structural changes, and external standalone financing will be established at the portfolio company level with no recourse to Orkla ASA.

This has been done in the Orkla Food Ingredients case, where approximately NOK 6 billion of debt has been established as a standalone financing. On a consolidated base, the net debt to EBITDA is by quarter three at 2.0. If you take into account the Orkla Food Ingredients deal, the ratio is reduced to approximately NOK 1.7 million; and if you exclude Orkla Food Ingredients both the EBITDA and debt, the ratio is reduced to 1.3.

So lastly, I want to summarize my reflections with the new operating model and why I think the value creation going forward will increase. So first, the portfolio companies in a new operating model have the full responsibility for the P&L, the balance sheet, and the cash flow; unlike previously, when the P&L responsibility ended at an EBIT level. And if they were short of cash, a short call to treasury was needed. In general, I expect to see a significant change in capital discipline as there will be more internal competition for capital, and as a CFO, I really look forward to this.

Second, we will be more transparent on the performance of important value drivers for each company. Like, for instance, the split in organic top line growth between price and value mix. This this gives pressure to the management. Not always fun, but healthy.

And lastly, from an ownership perspective, there will be more focus on each of the companies in the portfolio. Previously, the ownership role was handled by the CEO and CFO, but now we have established four EVPs with support and with a clear ownership responsibility. And so far, my experience is that the board in each company are both challenging and supporting the management in a better way.

So thank you for listening and I will hand back to Kari for Q&A.

QUESTION AND ANSWER SECTION

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you both Nils, Øyvind, and Harald. Let me start by asking if there are any questions in the audience here. Please state your name and company.

Eirik Rafdal

Analyst, Carnegie AS

Q

Thank you. Eirik from Carnegie and thank you for taking my questions. I got a couple. Harald, if we could start with the margin expansion targets. Got two on that. If you hit the top end of the updated guidance range, you'll broadly be back to the average of, let's say, the pre-COVID decade. Firstly, are there any reasons why you're kind of not more forward leaning on this, given the positive trajectory we saw in those 10 years before COVID?

And also, secondly, I know this is in event up until 2026, but if you lift your gaze even further, do you think that's kind of the level which is sustainable for the longer-term or given a similar mix as the business has today? Is there room and scope to expand beyond that?

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

A

Okay. I think I will start.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

A

Yeah.

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

A

First, just to be clear, we do not have an operating margin target for the group, but five of the companies have targets as their financial targets, operating margin as the financial targets. That said, if all companies reach their goals for 2026, we said that the uplift is approximately 150 basis points to 200 basis points, which is still a bit below our historical levels pre-COVID; that's for sure. We also said that we have been very careful of not taking too much price reduction on raw material input cost into our plan. That's always dangerous to do, that it's become much easier to realize the potential. So if we see any – as I said, if we see any major decline in raw material prices, we should have a potential to these targets. So I guess my short answer will be yes, we need some drive from a reduced raw material price, that will reach our historical levels.

Eirik Rafdal

Analyst, Carnegie AS

Q

Longer term as well, beyond 2026 given a fairly similar mix, you think this is the kind of plateau or do you think there's a room [indiscernible] (01:02:25)?

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

A

I think some of the companies may have some more to go; like for instance in Orkla Health, which has a longer plan in sales. So I think they are working for a much higher level than they have in the current plan.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

A

And it's fair to say that we are early days when it comes to the new way of operating the businesses. And I guess coming back to Capital Markets Day, in a few years we will maybe look into the business differently and kind of see even greater potential going forward, but that remains to be seen. What we see for the next two years is what we've presented there today.

Eirik Rafdal

Analyst, Carnegie AS

Q

Perfect. Thank you. And just another one from me as well. I think this kind of goes to Øyvind. Could you be a bit more kind of concrete on the alterations to the incentive structure, both kind of on the board level, on the management level, in the different portfolio companies? How that it used to look? How will it look going forward? Yeah.

Øyvind Torpp

Executive Vice President & Investment Executive, Orkla ASA

A

Yeah. So on the short-term incentive scheme, it's freedom to the portfolio companies to decide on the value drivers and the key parameters. So that does the change. On the long-term incentive programs, it's up to the board of directors to decide on the cash based for the management incentive programs. So obviously, that's the ownership topic and it will then be based on the value creation that we see in the companies over typically three years.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

A

And let me add to it, because if you look at the old model, we have one size fits all. We have the same system all over the places and we've now started the process to design this new program for the different portfolio companies. This is still work in progress. We have gotten quite far, but there's still some tweaking to be done [indiscernible] (01:04:23) establish this for starting out 2024, but there's a major change to the way we incentivize the people in the system, both long-term and short-term. When it comes to the board members, some of the board members maybe incentivized through the long-term incentive program that we will establish in some of the companies.

Eirik Rafdal

Analyst, Carnegie AS

Q

Perfect. Thank you.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Question here in front.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

Hello. Nicklas Skogman, Handelsbanken. You have shared a lot of detail about the process and the structure that you have set up, but at the end of the day, it will be the portfolio companies' strategy and execution that decides if the financial performance will improve and that you will be able to reach this faster EBIT growth than you've had historically. So when developing these plans, what have you discovered that will accelerate financial performance?

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

A

I think, first of all – I think let's get back to that question after the six companies presenting, but I think you will see ambitious plans. You will see the way they are kind of approaching the value of strategizing is totally different than before. And I think also what we are doing from Orkla centrally is that we have a totally new framework to how to follow up that we're really implementing any way of working also in the portfolio companies and that during the initiatives that they have been discussing in the strategy plans. I guess all of this hopefully – and as when we've seen the plans for the six portfolio companies today, hopefully you will be a bit more believer in the future, and we can get back to the question after that.

Øyvind Torpp

Executive Vice President & Investment Executive, Orkla ASA

A

But as I said during my presentation, we have spent significantly more time going into the point of departure analysis and understood what has worked well, and where have we seen performance gaps and what has been the success formula in the different parts of the business. So we have a much stronger and better understanding of the historic development compared to what we had in the past.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

Okay. Thank you. I might follow up later on.

Øyvind Torpp

Executive Vice President & Investment Executive, Orkla ASA

A

Good.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

[indiscernible] (1:06:53)

Q

[indiscernible] (01:06:58). You talked about a value uplift of between NOK 40 billion to NOK 45 billion, where two-thirds of that is stemming from EBIT growth till 2026, right. If I'll just do the math there, that would require you to generate NOK 14 billion in cash flow for the three next years. How are you going to do that?

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

A

By delivering on all our plans, I guess. But to be more precise, we have a much stronger focus on cash flow as such after Nils joined in the company, that's for sure. So I guess we have some potential to reduce both the CapEx, and also be more ambitious on reducing working capital.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

A

And it's fair to say when I came into the company, it was basically totally lack of capital discipline in the system. I like to say that capital was for free in the system. As I said, you just call the treasury people and then you got them on that. So that's a totally different thing. And the way we create accountability for the different portfolio companies create much more focus on capital discipline as well as other effects.

Q

And just to follow-up there, have you accounted for some divestments that [indiscernible] (01:08:20) target?

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

A

No.

Q

Thank you.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Okay. There seems to be no more questions from the audience. We have a couple from the web as well. Let's start with three questions from Ole Martin Westgaard. I'll take them one at the time. Number one, you target 150 basis points to 200 basis point margin improvement. How much of this is coming from recovery in gross margin?

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

A

I don't think we will go into those details, but of course, that's an important part of it.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

And the second question, what are your expectations with regards to maintenance replacement CapEx in your guidance period?

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

A

Yes. Previously Kari, we have said approximately 4% of net sales value. If the company is reaching the targets now, we are more in the range of 3%.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. And the third and final question from Ole Martin. You highlight a better incentive model. Under the new structure, how much of management bonus will be linked to the financial targets for the relevant portfolio companies and how much is related to TSR?

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

A

That's a big variation between the different portfolio companies, I think. I think when it comes to value creation as such, that will be much more linked to the long-term incentive programs where we have a cash incentive schemes. When it comes to the short-term incentives, that will vary, but it's about what really deliver value over time. So, no kind of clear answer to that because it varies quite a lot through the different portfolio companies.

Harald Carlos Ullevoldsæter

Chief Financial Officer & Executive Vice President-Finance, Orkla ASA

A

And only thing to add this that ESG obviously also will be part of the incentive programs going forward.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. And one final question from the web from [indiscernible] (01:10:18). Why do you pay a dividend when you state that you possibly will get more than 15% return on the investments?

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

A

I think that's a very weird good question. And I think, as I said, we need to prove that this new way of working really creates more value than we have managed to do historically. If in a few years' time, we really show the market that we will create more value or create this 12% to 14% total value return, then we can have a new Capital Markets Day. We will discuss with the board and see how – if we should keep more on the balance sheet for ourselves to invest going forward, but we need to prove that we step up to value creation.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

Welcome back from the break everyone. In this second part of the agenda, we will present the plans and strategy for 6 out of our 12 portfolio companies. Now, as you heard before the break, all our portfolio companies have developed their full potential plans, identifying the full value potential for each company. The strategic plans and financial targets, which will now be presented are based on the full potential plans. But have been adjusted to make them more balanced, yet still ambitious for the period 2024 to 2026.

Now, we will hear from Atle Vidar Nagel Johansen, the CEO of Orkla Foods Europe. He will present the plans to realize the margin potential at Orkla Foods Europe. And next CEO, Ingvill Berg will share the strategy and plans for Orkla Confectionery & Snacks on how they will maximize the core potential – portfolio potential.

And before the next Q&A session, President and CEO of Jotun, Morten Fon will give you an update on Jotun. Jotun is a global paints and coatings company where Orkla holds a 42.7% interest. After Morten all the three speakers will be taking questions. So, please continue to post questions in the webcast.

With that Atle Vidar, the floor is yours.

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

Thank you, Kari, and a very good afternoon to all. When Paul Jordahl decided to step down quite recently, I was asked to step in until a new CEO for Orkla Foods Europe is in place. It is now one month since I took over. But I

am not a newcomer to this business. I have 30 years experience from Orkla, of which 20 years in Orkla Foods and 15 of those years.

So I've been CEO for that company, which means that the current Orkla Foods Europe is shaped under my leadership to a large extent. So, I should know this business fairly well. It is important for me to assure you today that the takeover has been quite seamless and we are working full speed ahead on shaping up and executing on the full potential plans.

Let me start with an overview of our Orkla Foods Europe. Orkla Foods Europe is an organization with 5,400 employees generating revenue of close to NOK 20 billion and a EBIT of NOK 2.2 billion. The current EBITDA level is 15.2%. In the middle chart here, you see the revenue footprint of Orkla Foods Europe. The darker green the markets are, the higher the sales Orkla Foods Europe is in that market.

And the three largest markets are Sweden, Norway and the Czech Republic. 70% of sales come from the Nordic region. Brazilian markets with a fairly higher purchasing power and the rest is concentrated on Central Europe with less consolidated markets and where we expect to see higher growth. On the right hand side, you see our revenue by channel 70% from grocery retail and approximately 20% in the out-of-home sector where we expect to see a higher growth as we go forward.

This slide shows the track record of Orkla Foods Europe by EBIT and by cash conversion from 2011. As you can see, EBIT has climbed steadily over the years and doubled since 2011 by a combination of organic growth and value creating M&A. And is also worth noting that the EBIT is delivered with a pretty healthy cash conversion all these years. And combined over these years, Orkla Foods Europe has delivered NOK 23 billion in EBIT and NOK 20 billion in cash flow from operations.

Then, you also can see that the EBIT has leveled out the recent years due to the very challenging business environment since COVID started to ease. And these extreme – this extreme inflationary pressure was met with a very firm pricing actions from our side and it's good to see now that the EBIT is already back on the 2021 level. And this clearly shows the pricing power and the strength behind our brands. However, the inflationary pressure combined with the deep interest rates increases, have severely impacted the wallets of the consumers in all our markets.

We see slight changes in consumer patterns. More consumers look for cheaper alternatives, prefer discounters to a large extent and are generally more restrictive with their spending. And this has also impacted our volumes negatively as you will have seen from the quarterly reports this year. By Q3, our volume was down 6.7% from the year before. And we share some details here, but two thirds of that is driven by general contraction in the markets and our categories and about one quarter is driven by increased market share for retailers, private label. And our volume decline is concentrated primarily to Sweden, Czech Republic and Denmark.

We are confident that market volumes will stabilize going forward as consumers get new – used to the new price levels and prefer to go back to their beloved brands. Anyhow, it is important for us to regain lost shares by adapting our actions to these new realities. This means higher campaign activity, more effective campaign programs. We adapt package sizes to attractive price points. We seek relisting with retailers and we increase our advertising spend. And as you understand, this is already ongoing, of course.

Let me then take you through Orkla Foods Europe's competitive advantages and our differentiated business model. The competitive advantages are built around very strong leading local brands and leadership in attractive and resilient categories. And as I will show later, we operate a differentiated business model built on local

customer and consumer proximity. And now a few words on each of those. In today's consolidated retail markets, a key factor for success is to possess the consumer's absolute favorites. The brands and the products they love to buy over and over again.

And we have a large portfolio of very strong number one positions across many categories as this slide shows. These brands are deeply rooted with consumers not only one generation, but many generations back in time. We possess the number one positions across numerous categories in all our main markets, as you can see here on this slide.

And the fact that as much as 80% of our revenue come from number one and number two position, combined that we are among the largest supplier to the retail trade in all our markets, gives us a strong competitive edge. Then a few words on the categories that we play-in. For the coming years, we have selected five categories that will have special focus, both in terms of growth and margin expansion. These are condiments, ready meals, pizza, cereals, and bread topping. And these categories comprise about 60% of our Orkla Foods Europe's total sales.

These categories has shown attractive growth rates, yielding an annual growth of 6.5% annually in the past five years. And, of course, it's fair to say that the 2022 number is a bit inflated, but still, you see it's an attractive volume growth of 3% annually. And on the right hand side, you see that these are all categories were Orkla Foods Europe has a very strong market position. You see a relative market share to their closest competitor, which ranges from 1.4 to a high 5.4 times the closest competitor. And you also see our share relative to all private label combined in our market. That ranges from 1x up to almost five times all private label combined.

And this is a very strong foundation from driving growth and margin expansion in the years to come. Then over to our business model. Food is definitely a local game, played market-by-market. After all my years in food business, I still get surprises on how much local taste preferences and food habits differ even between neighboring markets. And therefore our business model builds on the strong and superior local presence, which makes us closer to consumers and customer than our global competitors. We can adapt the innovations to the local taste preferences and we can be more flexible vis-à-vis the customer's needs.

But at the same time, this model offers synergies. Building large national businesses across many categories in each market gives us scale advantages that are local in nature. This is, for instance, field sales forces. Its administrative costs, its media advertising and its recruiting talent, et cetera. But also the fact that we play across the same categories in many markets gives us synergies in the category dimension. And this is, of course, within procurement and within production efficiency. And this gives us a competitive edge vis-à-vis our local and regional competitors. So in combination, this model offers numerous opportunities to improve margins and to win in the marketplace.

Let us then move to the financial targets or our targets for the coming three year period. We aim to reach EBIT margin of 13% to 14%, which will be back to pre-COVID levels. This is up 200 basis points to 300 basis points compared to the current level, and this is a major priority for us in the coming three years. Secondly, we will improve our cash conversion from an already good level. The target is to exceed 100% and in combination with margin expansion, this will increase our return on capital employed by 3 points to 15%.

Our commercial initiatives target an organic growth of 2% to 3% per year, given a more normalized business environment. Revenue targets are, as most of you understand, pretty tricky to set in the uncertain and inflationary environment. The most important thing for us is to come back to volume growth and we have targeted this going into 2025 as focused on simplification and tail cutting will impact volumes somewhat negatively short term. And towards 2030 in line with Orkla's target, we target to address sustainability in both Scope 1 and Scope 2 and CO2

emissions and reduce that by 70% compared to the base year 2016. We are currently around 60%. And this is an important target towards our journey on Net Zero in 2045.

Let me then take you through our strategies and actions that will make us able to deliver on these ambitious targets. First on margin expansion. We have initiated several programs in four different areas. I take it from left to right. We have launched an accelerated procurement program with two goals, firstly, to capture market development quickly for those categories where we see declining market prices. And secondly, to drive cost improvements, more forcefully across all our spend categories.

On operational efficiency, we will step up efforts in taking out and reducing complexity across our supply chain and product portfolio. We recently decided to cut 20% of our product items, which will be executed in the coming months. The focus on simplicity and harmonization is an important enabler, both for cost and capital efficiency.

Combined procurement and production efficiency, target the NOK 1 billion and savings over the three-year period. Then we have reduced headcounts this year in our three largest companies in Norway, Sweden and Czech Republic and the savings for this is around NOK 200 million, which will obtain the full benefits from that from 2024 and onwards. And we already can see effects from this in our P&L. And lastly, on the commercial side, we started a broad-based net revenue managed program aimed at optimizing our campaign effectiveness, optimize pricing and price pack offering like Hege presented earlier to drive increased sales and margin.

Then to cash flow. As you will have seen, inventory levels have increased quite dramatically in the recent years due to focus on securing supply as well as due to the price hikes on all raw and packaging materials. This now offers the potential for releasing cash. And in addition, we will improve our planning processes and optimize production outputs using advanced analytics and increased digitalization.

On CapEx, we expect that both sustainability improvements and the ERP implementation will require increased CapEx in the years to come, but still we target to keep a lower level in the next three years through a tighter prioritization of our projects. Then to top-line growth. Why we in recent years have made several attempts to enter new categories and most often with new brands to accelerate growth, you now will see that our core brands and categories will get the primary attention. We will invest more in advertising and promotion in our top three to five brands per market and expect to see higher returns from our commercial efforts. By concentrating the A&P spend and reallocating budgets, we will see increased spending for this brand with some 25% over this period.

And then to Out of Home, we have seen over time that consumption Out-of-Home is increasing its share in the market of the – we see it coming again now after COVID. And this development, we expect to continue. And we have made a few acquisition in the recent years in this channel. And we are now better positioned to take part of the future growth in this channel. So we will continue to actively target possibility in the Out of Home segment during the upcoming years.

And in addition to focusing our key efforts on brands and channels. We also see significant opportunities for further improving our sales execution and in-store performance. This will enable us to work closer and even more fruitfully with our customers to improve consumer experience and product availability. And we will roll out the program called Perfect Sales Execution, supported by Orkla's Center of Excellence in sales.

This final slide show the key takeaways from what I recently presented. But let me conclude by saying that I fully agree with Harald. Over my 30 years in Orkla, I have not experienced a change as big as the one that Nils initiated when he came in some 18 months ago. For the portfolio companies, this has released new energy and a change comes with three very impactful change impulses. One, a very clear value creation focus in all portfolio

companies; two, a higher degree of autonomy means a stronger determination to succeed and three, responsibility for the full balance sheet and cash flow gives the portfolio companies more levers to create shareholder value.

So I thank you all for your attention. And my next task is to introduce my great colleague Ingvill Berg who is CEO for Orkla Confectionery & Snacks. Welcome to the stage, Ingvill.

Ingvill T. Berg

Chief Executive Officer-Orkla Confectionery & Snacks, Orkla ASA

Good afternoon, everyone. My name is Ingvill Berg and I'm the CEO of Confectionery & Snacks. I've been with the company for the last 17 years and I have been the CEO since 2021. Following the changes in Orkla that we have talked about today.

Orkla Confectionery & Snacks has become an independent portfolio company and we have also now our own board comprising both internal and external board members. In close collaboration with our new board and also the investment team in Orkla, we have worked really hard over the last few months to prepare a full potential plan for our business.

This has been an extremely exciting, engaging process. We have built on the strong foundation we have in Confectionery & Snacks, but we have also been challenged and gained new perspectives from the board and the investment team. So now I'm really proud to be here today to present to you our ambitious growth plan for the future, focusing on how we will maximize the portfolio potential.

Let's start with our aspiration. Our aspiration is to be the number one snacking choice for the Nordic Baltic consumers, winning together with local, sustainable brands and passionate people. We are the leading Nordic snacking player. We have a turnover of 7.6 billion and we operate in seven markets. We have a unique position across the three large snacking categories where snacks is the largest one, accounting for around 50% of turnover.

Confectionery & Snacks was established in 2013. But our long and proud history goes back all the way to 1806 with the establishment of our Estonian chocolate brand, Kalev. As you can see here, our portfolio consists of strong local heritage brands that have been part of consumer's life since the day they were born.

If we take a closer look to our market positions, you can see here that we hold strong positions across the majority of our categories and markets. Our market share generally is between 20% to 30%. So this means that we have a strong foundation to grow from, but also a significant potential for growth through increasing market shares.

You can see that we have a number of number one positions, which is always good. But we also find that it can be quite attractive to be number two and do that challenger game. The snacking categories are a really attractive place to be. And also in times like we have now, they are also proven to be resilient. The categories are really large. They have also a very good growth and there are good margins both for us as a supplier, but also for the retailers. But maybe most importantly, we also see very high brand loyalty across our categories.

When it comes to their favorite snacking products, the consumers' willingness to compromise on taste is very low. So we see that we have low private label share in general in our categories. And here you also see some numbers from the Norwegian markets where, for example, chocolate, potato chips, we see only a private label

share of around 5%. Our key competitive edge in Confectionery & Snacks is, of course, our local strong heritage brand. They've high penetration, high awareness and high market share.

Furthermore, our local size is an important part of our competitiveness. We have unmatched local size with unique consumer insight, end-to-end supply chain control, and also strong customer relations. This makes us an attractive employer locally. And we provide opportunities for employees to grow and to make a difference. Confectionery & Snacks has delivered strong financial performance over many years with a top line and EBIT growth above 5%. This has led to an impressive margin improvement. The last years have been more challenging. We've seen normalization of markets post-COVID.

As so many other industry players, we have also been hit by instability in global supply chains with soaring cost increases due to extreme inflation. And this has impacted our margins. Also, the construction of our new biscuit factory in Latvia has impacted our numbers. And I will come back to that in a minute. But first, let's take a look at our cash flow.

And as you can see here, we have delivered solid cash generation over many years. The last years, we have carried out significant replacement CapEx. This gives us a strong fundament to grow from going forward, and it will also reduce the CapEx need going forward.

The largest replacement CapEx we've done is that we've built a new chocolate factory in Latvia. We've built a new warehouse in connection with our Nidar factory in Trondheim, the confectionery factory and we have also built a new biscuit factory. We've also done capacity investments in several of our markets.

And one of the biggest one and maybe one most important one is the new chocolate line in Trondheim, in Nidar, that we're opening this space, which will double our chocolate capacity. Six years ago, we decided to build a brand new biscuit factory in Latvia, combining volumes from all of our markets. Instability in global supply chains, including the pandemic and also war in Ukraine has delayed the project.

A more compressed time plan because of the delays and also longer ramp of time than expected has led to out-of-stock and also higher costs. Over the last few months, we see that volumes, production volumes has really picked up and we are now producing more volume than demand, which means that stock building has started. I'm also very happy with the quality of the biscuit we are producing because that's always a risk when you open a new factory. However, we'd still have some technical challenges with certain lines and also the cost level is too high.

For the full year 2023, we expect the financial impact of the new factory to be NOK 150 million. A significant part of this is expected to be regained throughout 2024. And the original business case is still viable and this also includes the significant positive cash flow in Orkla Real Estate following sales of land plots that also Harald mentioned earlier.

So let's talk more about our full potential plan and what are the key strategic priorities going forward. And we have three key priorities. First of all, it is about winning with heroes. We have a fantastic portfolio of strong brands. And we really see the potential to grow these heroes by being much sharper on prioritization.

So going forward, we are planning to increasing and also concentrating our investments in the prioritized part of the portfolio. With increase our investments, then we need a fuel. So, we are fueling our hero brands through cost efficiency. And we are planning for ambitious cost takeout programs across the value chain. This, will focusing on system value enabled by harmonization and complexity reduction.

We're also planning on step changing critical capabilities and enablers. We will build next level key commercial capabilities focusing on driving physical and mental availability. And we will also assess the whole operating model we have in Confectionery & Snacks to make sure that we have an optimized execution of our new strategy.

And I'm very happy to say that the growth journey has already started. Two of our strong Norwegian chocolate brand, Smash! and Stratos. They've had a fantastic growth journey over the last years. They have both had an impressive growth in volume, market share and penetration. So how have we achieved this? And it is not rocket science. And it starts with what I just talked about. It starts with prioritization. These brands have been high, prioritized and not only these brands, but those are – both are the hero SKUs of these brands.

We have concentrated our investments for these brands and our media communication had focused on building penetration and also the brand distinctive assets of this brand. We've carried out targeted promotional activities with high success, and we have actually reduced the innovation level. But we have focused innovation close to core on performance innovations and also taste. And the good news to all of you here today is that you will be able to taste this fantastic Smash! product in the next break.

In January, we completed the acquisition of Swedish candy maker, Bubs. This is a great brand that have shown such a good growth journey over many years. And this year with a all-time high volume increase and all-time high EBIT. Bubs will be a fantastic fundament for our confectionary growth in the Swedish market. But we also see potential to scale this brand across our markets. I believe our new biscuit factory is a great example of how we can drive cost synergies and scale, but not only that, but also commercial synergies. So take a look at this.

[Video Presentation] (01:38:53-01:40:30)

To win in the market and to foster long-term sustainable growth. We also want to step up investments in our key capabilities going forward. While we do have a strong fundament to build from the recent strategic process we've been through, is also showing that we do have a need to enhance certain capabilities. And we will focus our efforts within the sales excellence area and also marketing efficiency. Sustainability remains a top priority on our agenda and we focus on sustainability that matters to the people, to planet and to profits.

So summing up our strategy, I'm confident of success in the success of this strategy because we are doing several improvements and we are also doing several changes in way of working. So first of all, and this is what it really starts with, it is the very sharp prioritization and how we will channel resources to the prioritized parts of the portfolio. We are also driving significant cost reductions across the markets and this will be enabled by harmonization, simplification across our different markets and factories. We are stepping up significantly investments in both brands and also capabilities.

And also very importantly, we are looking into our full operating model now to review and assess that. So we find and strike the right balance between local advantage and strength, but also scale and synergies across markets.

Furthermore, I believe that what we have talked a lot about today, the new operating model in Orkla, the new governance structure, I really believe as the CEO here, I believe this will help us to deliver on our strategy. The new model promotes accountability, ownership and also a strong discipline in delivering on our strategic priorities.

Based on our plans and our strategic priorities, we have defined four financial targets for the next three years. Our focus remains on cash on EBIT, but we are also amplifying focus on volume, because we do believe that to win long term, we need to increase our volumes, so we need to grow market share. So, four targets EBIT margin

above 15% within 2026 and return on capital employed on 13% within 2026. An annual volume mix growth above 2% and a cash conversion plus-minus 100%. I strongly believe in our new strategy and I strongly believe in the potential in our business. I believe in the potential in our brand and our people. So I'm really much looking forward to deliver on these ambitious targets, together with a passionate team in Confectionery & Snacks. Thank you.

And now I will introduce my great colleague from Jotun, Morten Fon, CEO and President.

Morten Fon

President & Chief Executive Officer-Jotun, Orkla ASA

Thank you. Thank you very much, Ingvil. And good afternoon to all of you. I'm going to present Jotun and I've been working there for 34 years. So I'm a penguin, a true penguin. I've been the CEO in the last 18 years, so I have a pretty good understanding of the company. So I think I can handle any questions coming. But let me start by introducing the company with a short film.

[Video Presentation] (01:44:03-01:45:00)

And that one thing for us is corporate culture. We call it the penguin spirit and in every 10,300 employee in Jotun is a penguin. That is important. We build a strong culture based on these values. We think long-term we have the boldness to invest in places others don't go and so on. This company has had one family at the helm since 1926. The Gleditsch family. Today is the third generation chairman. Since 1972, they have had Orkla as a partner and Orkla as you heard earlier, holds 42.7% of the company today. The Gleditsch family is in majority and then we have a few other smaller shareholders.

What I'll do is, I'll give you a short introduction to Jotun. What we – what it is. I'll give you a business update. I'll give you some financial status. And then afterwards, we will have a summary and the Q&A. Jotun today has a turnover of NOK 42 billion and that is 100% turnover, as we call it. When we consolidate that, take out the companies where we hold less than 50%. We end up with approximately NOK 31 billion turnover. The difference is all companies where we hold less than 50%.

We have 40 factories around the world. We have a bit more than 10,000 employees or penguins, as I say. We produce NOK 1.1 billion liters of paint. The Norwegian paint market is somewhere between NOK 40 million and NOK 50 million. So then you have a size so that and you can buy our products in more than 100 countries. We've had reasonably good development over the years. This is developments since the merger that happened in 1972 in Norway. And if you look at this graph up to 2005, our operational margin was always below 10%. In 2005, we broke through the 10% and you can actually read that out of the graph, because if the yellow line is about the blue stacks, we have more than 10% margin. Very intelligent.

And then you can ask, is it because we are doing great today that we have these improvement in profitability? And the answer to that is partly, of course, yes, but also partly because Jotun invested in a lot of new markets in the 1970s, in the 1980s and in the 1990s. And those are giving us the possibility to harvest and make good profits today. So our responsibility now is also to moving to new markets, because penguins coming after me also need that same opportunity to make profits and create value in the future.

A little bit looking into the business. How we operate our business? We have a very simple strategy. These three bullet points in our strategy has been like this for basically 18 years. And we focus on the four segments. Two main reasons for that is to it to create focus, that's what we do. We don't go outside the four segments you saw in the film. But also it creates a secure organization because everybody knows that we will continue to invest. We will continue to develop those four segments, and that is important to our organization.

In the past, it was a bit more questionable and that was not good for the people and for our corporate culture. So the corporate culture is also very closely linked to the way we think about strategy. And then the organic growth model, we don't buy companies. We haven't bought the company for 20 years except some smaller technology companies. But apart from that, we are not buying market access. So what we do, we move into new markets, we build an organization, we build sales, eventually we build manufacturing capabilities and we grow from there. It's a very simple model, but not always easy to deliver on.

And there are some reasons for this way of thinking. We have one culture. We have one brand. We have one way of operating. We have one global ERP system, and everything is built about the corporate culture and the Jotun strategy. And then the last bullet point is a differentiated approach. For us, this is to handle challenges locally, but also to take opportunities locally. So we are very much giving force and power to the local organization to continue to develop.

And then our slogan is very simple, it's Jotun Protects Property. And that's what we try to do every day, including also to protect shareholder value. Then if you look at our development over years. We have outgrown competitors for many, many years. The last 20 years we have grown faster than basically all of our competitors except one, it's a company in India.

But if you look at this, we have also, despite crisis, despite changes in the economy, we have continued to create growth, consistently throughout the last 20 years. We have grown 10% in average every year. Volume has grown by 7%. So we have the ability to create growth, and we very firmly believe that that will continue.

Part of the reason for that is our geographical footprint. Because if you look at the expectation from the World Bank going forward, now it's 3%, 3.2% growth in the world. But if you look at all these countries on the graph, that is countries where we have manufacturing or sales companies and all these countries will develop faster than the world economy. And we believe firmly that being in these kind of markets will make us growing faster than our competitors, because we have this footprint as of today. Most of that is coming out of Middle East and Asia. But we are also now looking into new markets Africa, South America and so on.

We need to find those new markets, as I mentioned earlier, where we can create growth opportunities in the future. And we have growth opportunities. We have 3% of the global market that means we have 97% to compete for. So the market is not sort of limiting our growth tomorrow. When you look at our market positions from the left here in decorative, we have approximately 3% of the global market. We believe we are around number 10 in that – with that size. And in powder coatings, we have 2% of the global market and we believe we are on number five. It's a very scattered competitive environment.

And then in protective coatings, everything about corrosion protection, we have approximately 7% of the global market. And then we are the market leader in marine coatings for ships with approximately 24% of that market. There are some differences on these segments. If you look at decorative, it's a very local market where we can compete locally in Malaysia, in Dubai and in Norway.

When you move to the right, it becomes more and more global and marine coatings is a true global market where you have to have the same offerings all over the world regardless of whether ships are sailing. Another difference between the segments is cyclical, because the marine market is very cyclical. The decorative market is much less cyclical and that also affects how we operate in these different segments.

I said that we had one brand and what we do is that we present Jotun in all markets all over the world. And then we let Jotun endorse our local brands. And I hope some of you know from Norway, LADY and DRYGOLIN, strong brands in Scandinavia, but they are always endorsed by Jotun. We do the same in Asia. We do the same in the Middle East. So regardless of where you are coming, you meet the Jotun products, it is Jotun logo on them. So we have only that one brand.

Being a chemical company, ESG is extremely important. And I'll give you a little insight to how we think about that. When it comes to sustainability. We have a very good track on our Scope 1 emissions. We are working hard to get better control on our Scope 2 and Scope 3 emissions. We have set targets for how to reduce these emissions. But also very important for us, being a paint and coatings company is how can we help our clients to reduce emissions? And to give you one small example. We have launched something approximately 10 years ago called the hull performance system. It's about helping, shipping clients to reduce their emissions and by that, also their fuel and the fuel costs.

Last year, if you compare to what we call industry average, our clients reduced the fuel costs by \$1.2 billion and they reduced the emissions by 7.9 million tonnes of CO2. If you compare that to our Scope 1 emissions is about 100,000 tonne. And the 7.9 million tonnes of CO2 is the double of what cars are emitting in Norway every year. So it's huge savings that we can help our customers to achieve. And we believe that, that can actually be a competitive advantage going forward.

So then moving to the financial situation. We have a reasonably good year this year. We have grown fast by approximately to 12% and our profitability has improved, I would say quite dramatically. We are now on a running basis as per August on 18.7% EBITDA. This is not coming out of growth alone. If you go back in time in 2014, we had the cost percentage minus the cost percentage over 34%, today we are below 28%. So by growing, we are becoming more efficient. And that is, of course, part of the improvement we have managed to achieve, also on the operational margin.

As said earlier that in the marine coatings industry, it's very cyclical. And I will show you something even more cyclical, and that is our raw material market. Because if you look at the green line here, that is how our raw material costs or index has developed over the last many years. And you can see that, that is a real challenge for us. If you look at the yellow line, that is our gross margins. So, how they are sort of affected by the volatility in the raw material market is extremely important.

We have become much better in handling that today, but we still will have volatility in the raw material markets in the future. And just to give you a small example, from November 2020 and one year forward, our raw material prices increased by 70%. And you can imagine how we have to push that through to customer. That is challenging, but doable, but you need time. And that's why you will see that our margin picture will develop based on the raw material markets.

We have delivered, I would say, reasonably good return on capital employed over the years. We have delivered approximately 20% in average the last 20 years. Now we are on a running rate of 33%. So we are doing fine these days. When you look at our financial position, we are basically – this is the end of August, we are basically, no net debt. We have strong equity approaching 60%. So we don't have it much challenged with the covenants in our borrowing. And we have a reasonably strong cash position also these days.

We have NOK 4.5 billion in cash, but half of that is in our parent company, about half is in companies that are spread around the world. So strong, I would say, rock solid financial position going forward. So summarizing, I

think we have a business model that has proven to function. We have a strong strategy that stays firm over a long time. We have a very strong corporate culture.

Meaning that people or penguins are working together to create value. And that is important. And we have a strong financial position to base this on going forward. So the last thing I would like to say about the return on capital employed, because we are on a very high level today, our target is to keep it about 25%.

So with that, we are entering the next Q&A session. And I think I will then leave the word to Kari.

QUESTION AND ANSWER SECTION

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. Let's again start and ask if there are any questions in the audience. Please raise your hand and state your name and company.

Eirik Rafdal

Analyst, Carnegie AS

Q

Thanks. Eirik from Carnegie again. Atle, you've been with the company for quite some time. Could you share some of your kind of reflections from previous periods that looks a bit like the macro looks now in terms of the private label threats, for instance, in 2008 or 2009? How was the pressure back then? How fast did FMCG kind of bounce back, some thoughts there would be appreciate?

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

A

Oh, that was a good question and maybe hard to give a short answer. It's a good reference 2008-2009 because I was around then as well. And we had a setback in the private spending and we had quite significant raw material price increases at that time too. It took quite a short while to come back, actually, I would say maybe two years or so from that time, yeah, the situation is not exactly the same. So it's about compensating the cost increases and then coming back to improving your market performance.

Eirik Rafdal

Analyst, Carnegie AS

Q

Thank you. And the follow-up on that as well, because you showed the breakdown kind of on the volume loss to private label. Just to understand that a bit better, is that a kind of head-to-head comparison within grocery that you're losing to the grocers own private label? Or is there also an element of a channel shift in that volume decline in, for instance, towards more hard discount or discount variety retailers?

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

A

It's a bit of both, but we see that the retailers promote private labor quite strongly these days in all kinds of retail profiles, but its a bit of both.

Eirik Rafdal

Analyst, Carnegie AS

Q

Thank you. And one from Morten as well. You talked about giving future penguins the ability to grow as well. What are kind of the larger markets yet to be entered and how much do you think they could contribute to growth and earnings over, let's say, a three to five-year period going forward?

Morten Fon

President & Chief Executive Officer-Jotun, Orkla ASA

A

What we do, we make road maps. We have a road map into Central Asia. We have a road map into Africa, and we have a road map into South America. The reason for that is that we have we are fairly well covered in the Middle East and we are also fairly well covered already in Asia. These new markets that we enter now will contribute little.

It takes time when you move in with organic strategy and you start from scratch. It will take time to build sales and to build the profitability. So that's also why, as you saw on Harald's slide earlier, it said that we will grow by 8%. Historically, we have grown by 10% and that is exactly the reason for that. We have now many bigger entities that will contribute, but it's difficult to get them to grow double digits.

Eirik Rafdal

Analyst, Carnegie AS

Q

Perfect. Thank you.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

We've a question here in front as well.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

Thank you. Nicklas from Handelsbanken again. Three questions. First on Jotun. What has been the driver of this massive margin improvement? It did not look like it was the gross margin. You said the sales volumes have come up a lot, but how have you managed this without needing to invest in sales?

Morten Fon

President & Chief Executive Officer-Jotun, Orkla ASA

A

It's a combination of margin improvement. I told you that we have a massive raw material price increase and we have worked hard on increasing prices for a long time. That is now paying off. It's also cost control. We have good cost control also based on the fact that we are growing. It leaves the opportunity to control cost well, and we have done that. And then, of course, it is simply because we are growing. We have a volume growth and it's continued to grow, as you saw, 12% up to August this year. So it's also about growing the business.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

And are these margins sustainable going forward?

Morten Fon

President & Chief Executive Officer-Jotun, Orkla ASA

A

The margins – if you talk about the gross margin, it will vary. As you saw in one of the slides, that will vary. It has done in the past and it will do in the future. If you look operate – if you ask about the operational margin, I told you

we broke through 10% in 2005. We have been about that now for a while and now we are a lot about. We are approaching a new level, but I cannot tell you what that level is. It will normalize, but we will not be back on 10% or 12% again. We will be above that. But I don't know what is the new normal.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

Okay. Good. On Foods Europe, then what will be the sort of sequential margin improvement until 2026? Will it be back in loaded or fairly evenly distributed?

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

A

And I mean, this is a very clear target for 2026, and I don't think I should go ahead on sort of when will the improvement come. We normally target sort of three years ahead and then we focus on the actions. And then with the volatility we have seen in the markets, this can play out in many different ways. So I will not give you a guidance on that, sorry about that.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

All right. And then a general question, I guess, on food and snacks, I think previously, at least my impression has been that you have been focusing more on innovation growing plant-based and so on. But now at least it seems to me like there's a lot more focus on your cash cows and the sort of traditional brands and so on? What is driving this reversion in strategy I guess?

Ingvill T. Berg

Chief Executive Officer-Orkla Confectionery & Snacks, Orkla ASA

A

I'll start, yeah?

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

A

Yeah...

Ingvill T. Berg

Chief Executive Officer-Orkla Confectionery & Snacks, Orkla ASA

A

No, I think that is correctly – but as you say, we are reducing our focus on innovation. And then it doesn't mean that innovation isn't important. It still plays an important role going forward. But I think what we see historically is that we put in a lot of resources in our companies into these innovations. And not that many innovations survive more than two or three years. So the change is now to put much more focused time resources across our organizations into the – what we talked about the hero brands, hero SKUs because the growth potential long-term is much more solid. And I think this is not just the change with us. I think we focus very much on that now, but is also reflecting how the grocery, the retailers have developed over many years. We have increased private label in some categories. We have also a much more concentrated retailer landscape. So it is I think it's a natural development.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

Thank you. Actually, I came up with one more question there one. Looking at the Swedish market, it's – not really that the private label penetration has increased that massively. It's more so the previous person ask, it's a channel shift, so more and more shopping at the discounters. So will that shift needed to be unwound for you to really start recovering?

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

A

No, I don't think that's necessary. I think it's always said that in all my years as a leader, it's up to us to do the right things and adapt to the situation. So I don't think we are dependent on that. I would just contribute to your answer too that to your previous question that for me it's where is the sort of potential line when it comes to value creation going forward? And right now, with the history we have behind us, the reasons here it's about margin expansion and then focus on cash flow.

Ingvill T. Berg

Chief Executive Officer-Orkla Confectionery & Snacks, Orkla ASA

A

But I think from our side is also I think the volume potential is strong also in the brands that we already have and over time we think the volume potential is bigger there than just a lot of innovations in and out.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

Thank you.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. We have a question in the back. Question, please.

Q

You worked with a lot of commodities. Do you do any hedging like sugar, for example?

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

A

Should I take that one. You have sugar too?

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Both of you.

Ingvill T. Berg

Chief Executive Officer-Orkla Confectionery & Snacks, Orkla ASA

A

I think the short answer is that that it varies from category to category, and raw material to raw material. But in general, we don't have a large degree of hedging I would say. I don't know if you want to add to that Atle?

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

A

No, no. I mean it's not a long term hedging. And this for us, it's – but we are not spotty. There is always in between there, I would say.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Right. Then we'll take a couple of questions from the web. Let's start with four questions from Petter Nystrom, ABG Sundal Collier. I'll take them one at the time. The first one is for you Morten, Jotun margin target above 12% looks somewhat conservative given current performance, particularly when looking at the drop in raw material prices on page 18 in your presentation. How do you see that?

Morten Fon

President & Chief Executive Officer-Jotun, Orkla ASA

A

First of all, we don't know whether our raw material market is heading. We know that it will be fairly stable for the next three, four or five, six months. And for me to say what is the new level on our EBIT margin is very difficult. I said earlier that it will be higher than what it used to be, but I think it's difficult to put a number on that based on all the uncertainty we see today.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. And the second question for you, Morten. You now have zero net debt and prospects of strong earnings and cash flow. Should you be lifting dividends?

Morten Fon

President & Chief Executive Officer-Jotun, Orkla ASA

A

I think I will leave that question to my two main shareholder groups. So then you will have the answer in March when we have the Annual General Meeting.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. And then the third question from Petter for foods, you target organic growth of 2% to 3%, but also say positive volume mix. Assuming normal price inflation, the 2% to 3% target looks conservative. Can you add some color to that?

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

A

No, I don't have much to add, actually. History – I mean, before the inflationary, yes, we have behind us and there's still high inflation 2% to 3% seems to be a good ambition. So that is why we have to target there.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. And the fourth question also to you, Atle Vidar. How do you evaluate the possibility for sales growth through stronger presence within the hard discount stores versus defending your different brand names?

Atle Vidar Nagel Johansen

Executive Vice President-Investment Executive & Chief Executive Officer-Orkla Foods Europe, Orkla ASA

A

Yeah. And maybe that's alluding to some private label question, I think our general strategy is to be present in the channels that always grows. So that means that we also have a program to going into more hard discounters and what hard discounters is that there is a lot between markets. But yes, that's and we are present and we need to be more present.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. And then we have a couple of more questions from Ole Martin Westgaard, DNB. First question to Jotun. The gross margin for Jotun has increased significantly over the last couple of years. What is driving this and how should we think about this new level going forward, considering the cyclicity of your business?

Morten Fon

President & Chief Executive Officer-Jotun, Orkla ASA

A

I think the cyclicity will be there also in the future. But what we can expect, I think it has a lot to do with how the raw material market will move, of course. But if you go backwards, you can again, if you look at what happened from November 2020 and onwards, we have been working very hard to compensate for that last couple of years. And that is now paying off. But it is hard work and we launched the expression price increase fatigue because the organization is constantly working on that and that is now paying off.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. And the second question to Foods Europe [indiscernible] (02:11:27). How much of the targeted margin improvement is driven by a reduction of OpEx to sales and cost cutting initiatives?

Xavier Belison

Chairman of Board of Directors-Orkla Foods Europe, Orkla ASA

A

That is a quite tricky question, I would – could you repeat that please?

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

How much of the targeted margin improvement is driven by cost reduction and cost cutting initiatives?

Xavier Belison

Chairman of Board of Directors-Orkla Foods Europe, Orkla ASA

A

Yes. I don't think I have the precise answer to that. I said that we have a NOK 1 billion ambition over the three years in procurement and in production efficiency. And we have realized that NOK 200 million savings and the three biggest and I think that should give some guiding.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you. And the third and final question from Ole Martin to Confectionery & Snacks segment. Can you please elaborate on what to expect from the Latvian factory in 2024? What do you mean by significant part to be regained in 2024? What was the expected savings from this factory once you initiated the project, and do you still believe it is possible to achieve these savings?

Ingvill T. Berg

Chief Executive Officer-Orkla Confectionery & Snacks, Orkla ASA

A

Well, I think let's start with the last one. I definitely still believe in the business case of this factory. And I mean, this year has been really tough and it's been hard to ramp it up and more harder than expected, but I still believe it was really the right decision. And I'm very confident in how we can drive the biscuit category going forward; both on the volume side, but also how we can realize the cost benefits. So that was to the last parts.

And then I wish I could give a number of what would be the exact regaining throughout what significant means. I see that it's difficult to give an exact number because there are still uncertainty, we have some lines where we still have some technical challenges and it has especially been the packaging part that has been hard. But as I said earlier today as well, the volumes are now very good and we are hopeful. So, significant is a large share, and then let's say the first half year is definitely more risky than the second half year.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

Thank you. In this final section of the agenda, we will start off with CEO of Orkla India, Sanjay Sharma, who'll share the plans and ambitions for our growth engine in Southern India. We will – he will be followed by Isabelle Ducellier. Isabelle joined Orkla Health as CEO only six weeks ago, and she will outline the plans and ambitions to build a scalable platform in consumer health.

And finally before the Q&A, Johan Clarin, the CEO of Orkla Food Ingredients will present the next leg of Orkla Food Ingredients Growth Journey to become a leading European and US food ingredients company. I also want to remind you to please keep posting questions in the webcast for our three next speakers and also remind you that at the very end we will have an opportunity for Q&A with Nils, Øyvind and Harald again before Nils would share his concluding remarks.

With that, I welcome you on stage, Sanjay.

[Video Presentation] (02:14:47-02:16:15)

Sanjay Sharma

Chief Executive Officer-Orkla India, Orkla ASA

Thank you, Kari. A very good afternoon to all of you. My name is Sanjay Sharma, and I'm the CEO for Orkla India. I have led Orkla's Indian business for the last 14 years. I am passionate about the foods category and as a result of that, I've spent 29 out of the 33 years of my career in this category.

Let me start by introducing Orkla India to you. I believe that Orkla India is a business that is attractively positioned to grow faster. Orkla India has always been run as an autonomous independent business, much like the current portfolio approach implemented by Nils. We operate in the world's fastest growing economy and over the last 16 years of our presence in India, Orkla's local approach has fit in well. This has fueled our track record of a strong growth and value creation journey. Building on our rich heritage, strong, resilient positions in the markets that we operate in. Post-acquisition of Eastern, we have hit a scale from which the future growth looks attractive.

This slide talks about the key drivers that support our future growth expectations. The Indian economy is expected to grow between 6% to 7%, and India is expected to become the third largest economy with a GDP of \$5 trillion in the next five years. With employment and income rising, the middle class is expected to grow from 33% to 49%,

with the population bringing in almost 300 million people into the consumption basket. This is expected to drive consumption to grow by 2.6 times in the next decade.

There are three factors that will drive the growth of packaged food consumption in India. First, India is a young country and given the lower levels of knowledge amongst the young people, the younger consumers have a positive attitude towards packaged and prepared foods. Second, as the affluence raises, the penetration of packaged foods in India will rise. And third, finally, as a larger proportion of women join the workforce, there is a heightened need for convenience, which is likely to fuel the packaged food adoption and growth. I believe that our portfolio is well-positioned to deliver convenience and leverage the consumer trends. This will give us a long growth runway.

So what makes us special as a company? India is a collection of markets pretty much like Europe. The differences between one state to another is as large as the difference between Italy and France. Each state in India has a different language, a different custom and different food habit. In our home markets in southern India, our competitive advantage comes from strongly rooted local brands with rich heritage. This aligns well with the Orkla model. And as Atle Vidar mentioned, consumers often have deep bonds with such brands spanning across generations. It is these bonds that give us strong, resilient market positions. Our product portfolio are built on our credibility and understanding of the local cuisine and serves all-meal occasions.

Our winning recipes gives us resilient market positions that are supported by a cost efficient supply chain due to local sourcing. Our network is supported by a digital backbone that delivers 820 million units annually with a 98% efficiency. Our superior distribution makes us the best distributed brand with over 2 times the number of outlets than our nearest competitor.

This slide gives you a profile of our business in terms of our brands, our key markets, our portfolio and our relative market positions versus our closest competitors. Orkla India has two heritage brands, MTR and Eastern. MTR will complete a 100 years in 2024. Over the years, the brand has built an iconic status in the home market of Karnataka and has a strong reputation as a food brand in India.

Across our core categories of spices and foods, MTR enjoys a strong relative market share position, ranging from 2.9 times to 8 times the nearest competitor. The second brand in our portfolio is Eastern. We acquired it in 2021 and it is focused in the state of Kerala. The brand gets 85% of its business from the spices and blended spices category. This is also a strong heritage brand with relative market share positions of nearly four times its nearest competitor.

In our neighboring state of Andhra Pradesh and Telangana, where we have a sizeable presence. We have a developing position in spices, but a strong relative market share position of almost 2.5 to 8 times in the food categories that we operate in. Our international business reaches out to migrant Indian population across 42 countries. Given the higher realizations, this is a margin accretive business to Orkla India. We are a brand of choice in many of these markets.

This slide tells you about our financial performance in terms of revenue, EBIT, cash conversion and current capital. Over the years, MTR has demonstrated a strong financial performance. The revenue development of 12% has been supported by strong programs to contemporize the brand, drive penetration of our core products and have a relentless focus on distribution to be the widest distribution brand – distributed brand in our whole markets.

In the initial years when we acquired MTR, we significantly increased our advertising expenditure to almost 14% to sales. This was done to support building up of awareness of our core product range and supporting innovations

that spoke to the modern young consumer. To build the margins, we ran several programs to reduce SKU complexity, optimize recipes, improve productivity, and reduce packaging costs. Given the high inflationary trends in India, we have been able to price out all cost increases. All of these initiatives have helped us lift our overall contribution margin by 10%.

Besides this, we have had a strong control on our fixed costs. We have not added a single head count to our organization since acquisition. All of this has helped us grow our EBIT by 25%. The organic growth journey has been self-funded with no equity infusion. CapEx expenditure of NOK 400 million has been funded through internal accruals. We have been a debt free, cash rich company for the past 10 years. Post-acquisition of Eastern, we are now about NOK 2.5 billion in revenue and NOK 300 million in EBIT. Given our operating business model, we have delivered a negative current capital and have a cash conversion above 100%.

Now we will talk about our future financial goals and plans for the next three years 2024-2026. With our current financial performance as our base, our future journey reflects a strong value creation plan. The key focus for us in India is to build scale and structural initiatives. Over the next three years, we will build our revenues at 12% growth and our EBIT at 20% growth. We're looking at 3% to 6% volume growth in this plan depending upon the inflation development. We will continue the strong financial discipline in terms of cash conversion.

Eastern's acquisition moved our current capital to about 12.1%. We have initiated a program of implementing MTR's practices in material sourcing and trade terms. And this has already reduced our current capital to 7.1% – 7.3%. In the next three years, we will reduce this by another 4% to 5%, driven by reduction in inventory and account receivables. Over and above this, our M&A approach will be to buy, assimilate and build brands in the core categories of spices and blended spices as well as in our established food categories further unlocking value for Orkla India.

To deliver the future revenue plan. We will continue to grow the most important categories in our portfolio. In pure spices we propose to double our distribution footprint and further strengthen our market share positions. Our innovation programs will add to our existing strength in breakfast, sweets and main meal categories. We are setting up a dedicated network to support and strengthen our focus in the fast growing modern trade and digital commerce channels. To enable reach to rural population, we will continue to expand our distribution to make our products available at an arm's length to our consumers.

For our international business, we have created a dedicated organization which will focus on eight out of the 42 countries that deliver 75% of our business. Eastern has a strong consumer equity due to its longstanding presence in the Middle East. Our expansion to Arabic spices will help us build to reach the local population.

Since we acquired Eastern, we applied our learnings from MTR. I'm happy to say that since 2021, our net sales is 34% higher. Our EBIT is 2% higher and our current capital is 7% lower. To achieve this, we have prioritized brand building and distribution expansion and have a contribution margin – and have improved contribution margin, reduced overheads and inventories. The future plan builds on Eastern, leveraging on the distribution synergies, expanding its presence in MTR strong territories. Our ambition is to build Eastern as a food brand. For this, we will be increasing our advertising and promotion spends by 2.5 times to build the brand and support expansion to newer food categories.

Our margin improvement plan is driven by both front-end and back-end efficiencies. Half of this improvement will come from growth-driven initiatives and the other half will come from margin expansion initiatives. As I said before, this includes a significant increase in advertising and promotion spends. Our margin improvement program is anchored by digital transformation initiatives that will help us with analytics to be more productive with

our costs, overhead and sales promotion spends. After our acquisition of Eastern, we have 10 factories and overlapping practices. The program includes rationalizing the manufacturing footprint and leveraging scale in terms of procurement.

The business has demonstrated a strong financial discipline in the past. We propose to continue the focus by driving fixed capital productivity through rationalizing of our manufacturing footprint and outsourcing non-value-adding categories. Further, we will reduce our working capital by applying MTR's learning of harmonizing supplier terms and extending supplier financing programs to all our commodity purchases. This will help us reduce inventories and account receivables and free up cash flows.

Our sustainability plan continues to build on our past efforts. Our main plant in MTR uses 80% renewable energy. Post-integration with Eastern, we have – we are currently using 40% renewable energy across all our plants. Our ambition is to lift it to 100% renewable energy by working with energy providers. We generate over 3,000 metric tonnes of plastics annually. We are currently recycling 100% of this through our extended producer responsibility efforts that has been mandated by the Government of India. We are actively working on converting 100% of our packaging to renewable – recyclable plastics by 2030. In India, we are also mandated by the government to spend 2% of our profits on Corporate Social Responsibility programs. We are currently running a program that feeds 1 million meals to schoolchildren each year. By 2030, we would be expanding this program to serve over 10 million meals.

I would like to sum up with why I believe Orkla India is a long-term value-creating growth driver. India is a large consumption-driven market, which has a young population and is predicting a sharp rise in middle class. I believe that we have strong brands, a wide portfolio and resilient market share positions that are well-positioned to grow by driving – driven by increase in penetration. Through MTR, we have demonstrated a strong value creation journey. We are applying the same learnings to Eastern. As Nils said, we are evaluating structural possibilities that may include an IPO. The first step for us is to do a pre-IPO study, which is being initiated now.

Over the years, we have built a strong, stable and a capable team in India. Our leaders come from solid backgrounds in foods and understand the Indian market. They together bring strong executional skills, enabling us to consistently deliver our targets year-after-year. And I am confident that we will deliver the plan that I have presented to you today.

Thank you very much. And I call upon Isabelle Ducellier, CEO of Orkla Health. Thank you.

Isabelle Valerie G. Ducellier

Chief Executive Officer-Orkla Health, Orkla ASA

Thank you, Sanjay. And good afternoon, everybody. So I'm Isabelle Ducellier, the new CEO, pretty new, six weeks in the job, as mentioned before, of Orkla Health. Prior to that, I was the CEO of a listed biotech company called BioGaia, developing probiotics. And I had the pleasure and the challenge to run a transformation journey taking BioGaia, which was a purely B2B player into a B2C player building the brand globally. So, now, BioGaia brand, you can find it in more than 113 countries. And I'm really excited to be here today.

To be honest here, when Orkla contacted me to mention that it might be some possibility to work for Orkla, I said, no, I'm sorry, I'm not looking for a job. But then I saw the brand, then I start to meet the people. And more important, I hear about this new operating model. And I'm – I have a pretty entrepreneurial-driven mindset. I like ambitious plan and I like to be in charge. And therefore, the new operating model for me was like, okay, that's an opportunity I cannot refuse and here I am.

So Orkla Health is the youngest, I would say, of the portfolio company, we – but we don't start from scratch. So we are [ph] – the Care is out (02:35:15) Orkla Care, but we are only focusing on consumer health product. Our history started back in the 1990s when Orkla acquired Möller's, a brand leading in omega-3. And then, as you can see, we've been buying new companies, starting with Jordan in 2012, oral health company; and then more recently, NutraQ and Healthspan, two direct-to-consumer company, digital companies.

Orkla Health at a glance. It's a sizeable company already, with NOK 6 billion in turnover. We are playing in four major consumer health category, and 65% of our revenue are in food supplements, 15% are in oral care, 15% in wound care, and 5% in functional personal care. We have the pleasure to own 80 brands that we sell in 80 countries, either via or own route-to-market. I mean, in the Nordics, in Spain, in the Baltics, in Poland, but as well via a very wide distributor network, mainly in Asia. We have 11 in-house factories, which is, for me, a very competitive advantage, because we can really own the value chain for all our brands.

And why you should listen to me, even if you're a bit tired, after all, this presentation, is because basically we have the pleasure to operate in a very fast-growing markets. And obviously, it's easier to succeed in a growing market than to take market share for a declining one. So, health is really a major consumer trend. I mean, consumer are obsessed with their health as we speak, and it's not really – it's resilient to recession. They want to be healthy. They want to remain healthy. And if you look at the demographics, according to WHO, by 2030, one of six adult is going to be age, I mean, more than 60 years old. And these people, they have the purchase power to buy consumer products and they definitively want to age healthy.

Looking at the size of the market, it's already NOK 1,000 billion in Europe, NOK 6,000 billion in globally. It has been growing fast by [ph] 7% (02:37:43), 2017-2022, and is supposed to continue to grow at a significant pace. And something interesting for the next of my presentation, if you look at the e-health market, is supposed to continue to grow by 9%, according to Euromonitor figures.

And some of you might Google me, who is this strange French woman living in Sweden, working for a Norwegian company? And you might have noticed that I'm a marketing person. I love to buy – to build brand. That's what I've been doing all my life. And when I look at our portfolio at Orkla, I'm super motivated to take them to the next level. So we have some global brands already, Jordan or Möller's, B2C brands. We had a very interesting B2B brand, Cederroth. It's a first aid kit that you can find in the Nordics, almost everywhere in every companies.

We have now very interesting direct-to-consumer brand like Oslo Skin Lab. It's a beauty from within subscription brand. So you go online, you order, you get your product at home every month. And then a couple of very interesting local brands. Some of them might turn to be global in the future. For the moment, we don't know. We test them to see if this unique selling proposition is strong enough, but a very interesting portfolio to move forward. And we are as well a number one position, mainly in the Nordics as we speak, especially for food supplement omega-3. But we have already some leading position in Europe for Möller's or for Cederroth.

But we are leading mainly in the grocery retail. That's really the [ph] big bunch (02:39:39) of the business and in the Nordics. But we have not been waiting on – when I say we, it's not me, it's my predecessor and the team, they already spot on that, okay, the consumer is changing purchasing behavior for consumer health product. They don't go automatically only to the grocery store or to the pharmacy. What do they do? They go online. And that's why, I mean, we have been acquiring these two company, NutraQ and Healthspan, one in the Nordic, one in the UK, taking our turnover online from 1% only in 2018 up to 25% already by 2022. And here as well, a proved record that we are able to take it, I mean, to look outside of our core business. We were very strong in the Nordics. We started to look outside of the Nordic. And by 2022, it's already 43% of our business.

And I wanted to take two example to illustrate that it's just only, I mean, [ph] wishes (02:40:43) that I'm presenting today, because we are already being able to achieve some success. If you look at this Oslo Skin Lab, so it's a collagen product, so beauty from within. We started in 2017 in only three market. Today, we've been able every year to open between one and two market, taking the business to almost NOK 400 million in turnover successfully.

The second example in term of international expansion is Jordan. Jordan is toothbrush, toothpaste, and more specifically, we are very good in Kids toothbrush. We've patented design to Kids toothbrush. We are already number one in South Korea. We are number two in Malaysia, and already number two as well in China. And here, here as well, looking back to my experience at BioGaia, we were the leader in oral health probiotics, that is up in Asia. I mean, Asian are crazy about oral hygiene. It's very important for them, culturally speaking. So here I can see a toothbrush in every single family in Asia in the future. If you put all that together, you see that we've been able to grow pretty significant top line growth, while maintaining a very good EBIT margin.

But let's stop speaking about the past, let's see what we are going to do in the future. We have a bold ambition to become a leading consumer health player, serving consumers across relevant channel and geographies. And why I am so confident already only after six weeks that we will be able to reach that ambition is because the team has been working during six months prior to my arrival that do all the jobs, fantastic, and come up with very clear strategy. The first pillar of the strategy will be to, I mean, protect the [ph] bunch (02:42:47) of our business, the grocery retail. And if we are able to rejuvenate and prioritize better, that will represent one-third of our revenue uplift by 2024-2026.

The second pillar is more about the decomplexifying the company and on leveraging synergies. As you remember, we have been going a lot by acquisition. I think we didn't have the time to fully integrate all the companies. So it's time for us to do that. And the last pillar, I will spend a bit more time, because that's a new one, that's the growth engine, it will be, one, on building global brands and, two, on working on omni-channel strategy.

So starting with first pillar. It is a very big one, a very complex one. I mean, we have been hearing from my colleagues that we are a bit under attack with private label and we're increasing the supply chain. So, obviously, when – with Möller's, when you have 95% market share, it's a kind of difficult to do better. So we have to defend. The good thing for us, if we are able to prioritize is that we are – we have someone that are totally unique, and that's the best way to protect yourself against private label. Because if you want the effect of the omega-3 from Möller's, you can only take Möller's, you will not take a private label.

But we will have to focus a bit more. As I say, we have 80 brands today. I even don't want to discuss about the number of SKUs. I discovery still some brands every day when I travel the company. So we have to focus a bit better. We have to spend more on the specific brand instead of spending a little everywhere. So that will be our task for 2024.

And last but not least, build strong partnership. I mean, retailer, you cannot fight them. You just have to work with them. So they are different operating model. Like, in the Nordics, we have normal. It's driven from Denmark. It's a kind of like discounter, I will call them. And either you like it or not, you have to work with them. So we have to partner with them. We have to tell them that, okay, I understand your profitability is probably mainly driven by your private label, but if you don't have strong brand, you will not have any consumer in your shops, because consumer, they come from – for your – for the global brand and then, by the way, might buy your private label.

So, now we're initiating some partnership like in Sweden with [ph] IKEA (02:45:24). We're building some partnership in Finland with [ph] S-gruppen. K-gruppen (02:45:27), and I think that's a key success – sorry, I mean, I hope it will work very well.

Second one, so it's a less sexy pillar of the strategy, but it's part of the job. As I mentioned, we've been buying a lot of companies and they are bit working in silo. So if you look at leverage capabilities, everybody is doing a bit of digital. But to win the battle, we don't have to have these spread capabilities. We have really to focus on digital. And that's something we are starting as we speak.

In term of back-end, there are a lot of things still to be done. We are starting with the two D2C company on food supplement with the in-sourcing for both NutraQ and Healthspan. There is much more to be done as well. And the last part is our go-to-market. We have very strong go-to-market companies in different countries. But like Spain, they mainly sell [ph] plaster (02:46:26), whereas I want them to sell the [indiscernible] (02:46:30). So here we are going to leverage much better on our go-to-market.

And now the best for the end, the multi-channel and omni-channel strategy. We are strong in grocery retail, but consumer, they buy more and more online. That's something we have to work on. Then, we are very strong in retail, but we are not strong enough in pharmacy. Here as well, that's something we have to work on. And that's what we are going to focus on in 2024. When that will be established, then we will move from the key brands to the next stage, which is omni-channel strategy. So you might say, oh, it's buzzword in marketing. It's not only that. I mean, omni-channel is very important for global brands. You have to have the same feel and relation with your brand wherever you buy. The most important things for us will be to be at every consumer touchpoints.

And finally, that's probably where my two years, I think, at Pernod Ricard will help me. I've been building global brands and I like it and I think I've been pretty good at it. And I want to build like, okay, to do – I don't – should not do advertising, but I would like to, with Möller's, be the new Absolut Vodka of omega-3. And I think we can do it, because we are unique and because we have a fantastic qualitative product. At the end of the day, if you don't have a good product at the beginning, you cannot expect to grow anything. We don't want to be everywhere with everything. We just want to select what I call the BMC, Brand Market Combination, and that's what we are going to focus on. So, Möller's, we have already one case in China. So that, I hope I will have the possibility to discuss later – I mean, at further our Capital Market Day.

For Jordan, as well, we have brand Jordan, markets South Korea, combination. For Cederroth, we look at Western Europe; as we speak, Germany; later France. And for Oslo Skin Lab, we are already in a lot of country and we just opened Belgium. So that's what we are going to focus on.

So, to summarize, three figures. I'm a marketing person, but I like figures as well. The first one is the organic growth and, yeah, I say organic growth. We have been growing a lot via structural acquisition. Here I only speak organic. Seven years to start the first period of the plan with the ambition to be more closer to 9% by 2026. So, very ambition plan. We don't want to sacrifice on profitability. So, here we want to maintain the 14%. At the beginning of the plan, I don't want to increase much more than 14%. I want to stabilize. 2024 will be a kind of seed year for us. All the opportunities that we have identified, we have really to invest. And by the end of 2026, our plan is to be rather close to 16% rather than 14%.

And last but not least, sustainability is very important for our Orkla, and it's as well one of the reasons why I joined, because I understood that they – it's not that you have to work on sustainability. At Orkla, they want to do it. For consumer health product, for our consumer, it's vital. It's even more sensitive. So we have, I mean, great – I

mean, more ambitious plan than even Orkla ASA as a whole, with 83% reduction of the GHG by 2025. And to be really bold, we have ambition by 2030 in Scope 1 and 2 to reduce by 100%.

So as you – I hope you have understood. The journey has just started. We have very strong foundation. We have strong brand, fantastic team, a new independent board, a new operating model on the fast growing market. So I hope you will join me for the coming years, because this is going to be a great journey.

Thank you for your attention. And now, I will ask Johan Clarin to join me on stage. Welcome, Johan.

Johan Anders Björn Clarin

Chief Executive Officer-Orkla Food Ingredients & Executive Vice President, Orkla ASA

Good afternoon. I've been 10 years with Orkla. And since 2018, a very proud CEO of Orkla Food Ingredients. Proud to be part of that fantastic team, but also proud that we are delivering on the strategy that Nils outlined earlier today by entering into a partnership with Rhône.

[Video Presentation] (02:51:15-02:51:57)

Orkla Food Ingredients operates between two of the most powerful driving forces for humanity, the H&H, the hunger and happiness. And as we can all understand, that's a huge market, right? But still the NOK 120 billion indicated on this slide is a narrow definition. Because as we move into new geographies or if we move along the ingredients value chain, the market size will grow exponentially. Still, where we are today, we see a solid growth CAGR of 4%. But it's not only the size that makes this an attractive market. The versatile usage of ingredients makes this into a resilient industry, characterized by high frequency purchases.

And Atle Vidar talked about the local consumer preferences earlier today. And that holds true also for us. Consumer preferences differ. They differ across Europe. They differ – a difference – there is a difference between regions or countries, and even within families. And this is not only in terms of recipes and formulation, it's also where and when you buy the products. Let's take a baguette in France. A baguette in France is typically bought in a boulangerie. In Sweden, however, many baguettes are picked up from a freezer in a retail store. And I'm sure Isabelle at some level, that is considered a crime in France. But the point is it differs. And on top of this, all of these differences, there are underlying fundamental driving forces and trends ongoing in terms of premiumization, convenience, indulgence, and health. That adds value to this industry. But it also adds complexity. And for us that is great, because our aim is to extract the value from this complexity. And we have our own secret recipe. And I will share that later with you all today.

So our reason to be is to enable our customers to win. And we have organized Orkla Food Ingredients into three clusters, around bakery, sweet and plant-based. And we have selected to be in categories that are resilient, that have good growth trajectories, but also and foremost, that strengthen our total value proposition to our customers. And to the right, you'll see where our products end up. It's industrials, specialized trade, that's mainly artisanal bakeries and gelaterias and so forth. Retail, a growing position in foodservice and so forth. But mind you, it is a bit dangerous to look at this on an aggregated level because it differs so much across the different markets that we operate in. And there are not really a silver bullet across Europe for how to solve this. Our advantage is that we can move and evolve as the markets evolve locally, and this approach has given us a good growth journey. And if I can highlight two years on this chart. The first one would be this year, 2023.

During the first six months of 2023, we delivered the full year of 2018 in terms of revenues and profit. It took us six months to deliver a full year. And then it has been a pandemic in between. And talking about the pandemic, we have a wide exposure to out-of-home and 2020 is actually the year I'm most proud of. Because in April 2020, we

lost a third of our sales, quite dramatically, a third of our sales lost, April. But you cannot really tell that on this chart, right? But thanks to our fantastic team, taking quick actions, being responsive, trying to help our customers selling their products, we managed to grow. And we were also managing to do M&A in this difficult time period. And of course, this sets us apart from many of our peers and competitors. And to me, this speaks volumes to the team that we have in Orkla Food Ingredients. The numbers to the right, they speak for themselves. But let's look into what's behind them.

[Video Presentation] (02:56:54-02:58:15)

Now, if you would take that movie and convert it into a PowerPoint slide, you will end up with this picture. Our competitive edge is captured in a multi-local model. And this is a simple model, but that's actually what also makes it powerful. Starting at the base around winning locally. These are our local entities, our local teams that stay super close to our customers, that develop our already strong positions and they just have a fantastic sense of ownership for the business. They are fueled and filled by entrepreneurship and it's just the best of basis in this model.

Then, moving up to scale, of course, in a decentralized structure, there needs to be reasons why you are together. And we actually have a lot of reasons for this. With scale, we talk about driving synergies and scale across operations and also, of course, driving cross-border sales. And the thinking here is, of course, to think how can we invest and design once and then deploy everywhere? And at the top, we talk about expansion. We are very expansionist in our thinking, it's part of our DNA. And we have, both for organic and structural growth initiatives and acquisitions, seen a lot of good benefits and also that we have been able to extract a lot of synergies from those investments that we have been doing. And I will share and talk you through each of these elements of this model.

Starting with winning locally, founded in 1999, we have grown from a Nordic base across Europe targeting market-leading positions. And over time, refined our model to make sure that we can replicate that when we see good opportunities. We're currently in 2023 different markets. We exited Russia in 2021 and added US in 2022, and I will soon come back to some further details around that acquisition.

And talking about synergies, as I mentioned, they are many synergies across Orkla Food Ingredients, and I will highlight four. But before going into those four, it's important to notice that we have built a very solid foundation for taking out synergies. And we have invested a lot of time and effort during the last three years to position ourselves to be stronger in this area. But this is still in the early days of this journey.

But talking about four key areas for us here in terms of synergies. Operational excellence, we have formed a central team in Orkla Food Ingredients that work together with our local businesses in driving business performance. And we have seen a tremendous effect of having our passionate local people, combine them with the competence and capabilities of our central operations team and they deliver so much value. We see a lot of opportunities to do that more going forward. And for procurement, two-thirds of [ph] office (03:01:44) procurement and therefore, a critical area for us to succeed with. We have worked throughout the years with Orkla Group procurement and realized significant savings, but we do believe that this is an area where we can do more and work more with as we progresses.

And in terms of our footprint, of course, we have a focus on our manufacturing footprint, and we see opportunities for us to gradually in-source more products over the years to come. And for CapEx, we heard Harald talk about more difficulties this in getting CapEx in future. Harald, we're ready for that challenge. We have set masterplans. We have strengthened our processes. We've set improved system in place. But maybe more importantly on this

topic, we have redirected more of the CapEx to expansion and we see that we will be able to do that, invest more in expansion CapEx as we move forward.

And in terms of structural growth, this is, as you understand by now, has been an important element of our expansion strategy. We have acquired over 50 businesses since 1999. And when we look to M&A, we look basically in two dimensions. One is geographical dimension in areas where we can add attractive markets to the OFI portfolio. And the second dimension is how we can strengthen our category position. And we have seen that these acquisitions have driven top line synergies, but also a better leverage on our cost base. And we believe now that we are in an excellent point in terms of the platform and the foundation we have built to continue to do acquisitions in a still fragmented industry.

And talking about Denali Ingredients in the US. So within our sweet ingredients cluster, we have been looking forward of going West for quite some time. There are a couple of reasons for this. First and foremost, the US is an attractive market in itself. It has good growth, favorable demographics, and it's fragmented, which means that there will be a lot of opportunities as we move forward. But we also saw a need to be able to serve our blue chip customers on both sides of the Atlantic. And then, of course, having two sets of product development capabilities on both sides of the Atlantic, and of course, cross-selling of products was another opportunity that we couldn't resist. And we're so happy to have Denali Ingredients as part of the family. And by the way, we already now have products produced in Europe as part of the innovations that we bring to the US market. So it's really working out very well for us.

And then, moving towards 2026. As you saw earlier today, Orkla Food Ingredients have outlined four target areas, growing revenues with 5%, growing EBIT adjusted with 12%, adding 2 percentage points on the return on capital employed, and then for ESG, similar to our sister portfolio companies, we are targeting to reduce greenhouse gas emissions based on Scope 1 and 2 with 66%. And of course, we're working a lot with preparing for Scope 3, both in terms of activities and in target setting. And we'll come back to that later. But if there is something I want you to remember from this session here today, that is that, in Orkla Food Ingredients, we will grow operating profits ahead of revenues over the years to come. We will grow operating profit ahead of revenues in the years to come.

And then, the question arise, well, how will you do that? Well, we will continue to focus on scale, to drive the scale effects from the platform that we have built. And we are confident that, that will lead to an uplift in the EBIT margin. And we have selected four key prioritized areas to drive scale. First one, talking around operations. Again, we have a lot of initiatives ongoing across conversion costs, distribution and SG&A on how we can optimize that. And we see that this is an area we can continue to do a lot of work within. But on top, we will institutionalize and systemize the way we work with these improvements to get the full effect. I mentioned procurement before. And for procurement, we will do a step-change in how we work across the group with procurement efforts, both in terms of how we combine and optimize the spend, but also how we can reduce complexity. As you all understand, this will be a key area for us to succeed with going forward.

And then, for our footprint, we will continue to drive a higher share of sales of own products sold in an optimized footprint. This will, of course, lead to higher factory utilization, but also secure that we capture a higher share of the total value chain margin. And last but not least, we are deploying a common ERP solution in OFI based on [ph] Microsoft Dynamics 365 (03:07:20). And we see great benefits from this in terms of operational performance, productivity improvements, performance, increased transparency and also, of course, this will be an enablement for digitalization.

And we currently have this system installed corresponding to 25% of our sales and we will more than double that towards 2026. And of course, to be on the latest Microsoft technology, with all of the AI race ongoing, just feels extremely good, and I'm sure will provide a boost and positive outcome for us in the years to come.

Then, as we move forward, and this is the message you should take home with you, that is that we are building a leading European and US food ingredients company, and we're very proud and happy to do this in a partnership between Orkla and Rhône.

So with that, it's time for Q&A. So I would like to invite Sanjay, Isabelle, and Kari back on stage.

QUESTION AND ANSWER SECTION

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

And again, let's start with any questions from the audience. Please raise your hand and state your name and company.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

Thank you. Nicklas Skogman, Handelsbanken. Two questions. The first on the Food Ingredients. So what is – what the unique characteristics does this business have that requires a partner to grow ahead?

Johan Anders Björn Clarin

Chief Executive Officer-Orkla Food Ingredients & Executive Vice President, Orkla ASA

A

That's a great question. I would say that the unique characteristic is actually that it's a very fragmented industry, which means that it's fragmented amongst customers, around amongst peers and also amongst suppliers. And we believe that we are in a prime spot to continue the consolidation of this industry, but then you need a couple of things, one being capital. And of course, with a partner like Rhône bringing in a lot of capital, we believe that we are even better positioned to drive this consolidation.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

Okay. Thank you. And then, on India, I think average organic volume growth has been 2% between 2019 and 2022, at least, on the numbers – based on the numbers you disclosed a while back. Is that growing in line with the market or not, and I think you said you're now looking to grow 3% to 6% volume over the coming years.

Sanjay Sharma

Chief Executive Officer-Orkla India, Orkla ASA

A

Yeah. Yes.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

How will you achieve this?

Sanjay Sharma

Chief Executive Officer-Orkla India, Orkla ASA

A

Okay. So a little bit of a background, I mean, we have been in India now for 14 years and India is an inflationary market. So, you do see cycles of prices rise very, very sharply. And when you get, what we have observed over a period of time is that whenever you have volume – whenever you have inflation hitting in excess of 8%, your volume growths tend to slow down. And I think we have seen those cycles happen, at least, three to four times in the last 14 years. And we saw that in the years that you mentioned, right? And even last year, our – sorry, in the current year that we are in, we have experienced inflation in spices upwards of 14%. And given all that, you do see a little bit of a softening as far as volumes are concerned. But then, as Atle Vidar also mentioned in this presentation, consumers tend to come, back because people shift to discounter brands, but then eventually they want the same taste that they are looking for. So, people tend to come back. And we are now experiencing that, that consumers are coming back in terms – and we are seeing volume growths emerging.

So volume growth has got a very strong relationship with inflation and how inflation develops. And that's why in my forward outlook, I talked about an inflation of 3% to 6%, really depends upon how inflation will develop. And in India, inflation develops based on the monsoons in the country, because a large amount of – 60% of our population depends on agriculture. And if the monsoons are good, you have great crops, you have a lot of money in the market, volumes grow. But if you don't have good rains, then you see high inflation and lower volume developments.

Nicklas Skogman

Analyst, Svenska Handelsbanken AB

Q

Thank you.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Any further questions? We can take one from the Web. Actually, there is – we'll wait with one from the Web. So a last chance to ask questions to Johan, Isabelle and Sanjay before we invite Nils Selte and Ingvill back on stage for a final round of Q&A. No? Okay. Thank you.

Okay. Let's start with one from the Web this time around. We have one from Petter Nystrom, ABG Sundal Collier. Some might argue that it will be more challenging to extract synergies when you now have 12 portfolio companies. How do you see that?

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

A

I think we have touched upon it, I think even talked about it earlier today. But I think we have kept the main synergies, procurement, IT and financial services. And as I've been also talked about that you see that the demand for the procurement service is actually increasing by this [ph] long tail (03:14:08). So I'm very convinced that we, in the new model, will maintain the synergy levels going forward and maybe also increase it when we see that the new model start to work better and better.

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

A

Thank you.

Ingvill T. Berg

Chief Executive Officer-Orkla Confectionery & Snacks, Orkla ASA

A

So when we've started this journey, we obviously looked at the synergy areas. And we did identify also a lot of areas where we historically have tried to realize synergy effects, very complex that there was more than outweighing the potential positive effects from synergies. So we've decided to focus that really matters and the ambition on the cost side is significantly higher compared to what it used to be historically.

And then also mentioning on the competence side, as I was talking about previously, we are investing more into our Centers of Excellence and also the way that the Centers of Excellence works. So we also have higher ambitions on that front. So, at least, I believe that this model is much better for us to realize more synergy effects going forward [indiscernible] (03:15:17).

Kari Lindtvedt

Senior Vice President-Investor Relations, Orkla ASA

Thank you. Any final questions from the audience here in London? Last chance, Nicklas, please. No? Anyone else? Okay. That seems to be the final question then. Thank you. And before we round off here in London, Nils will share his concluding remarks. I do remind you that today's presentations will be posted on our Investor Relations webpage. Together with all the presentations from today and also presentation material on the six portfolio companies that have not been presenting on the agenda today.

With that, I thank you all for joining, and I'll leave you with Nils for his final remarks.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

Thank you, again, Kari. And first of all, thank you to everyone who have presented here today, in my view, strong ambitious plans. And I wanted to remind you that the six companies not presenting here today have solid plans as well. You will find all about their strategies on our webpage. I want to conclude the Capital Markets by sharing my commitment to you.

Today, we've talked about how we will increase our value creation and our total shareholder return. Supporting this is a need to change and transform our performance culture, because without that we will not be able to deliver this uplift in return to you. I'm under no illusion that changing the culture is an easy fix. This is a journey and our culture will be developed over time. The first step for us has been to create a new operating model from which the culture can develop. Within the operating model, we have set ambitious goals that are connected to long-term value creation. Accountability for performance is now much better. I'm happy to say that I already see increased spirit in many parts of the organization. That is what I see behind the scene with a commitment and belief that gives me confidence that we will succeed.

I would like to conclude with the three strategies – strategic priorities I'm fully committed to deliver on. We will drive performance and value in our existing portfolio. We will reduce complexity, and we will add more value through structural transaction when we see attractive opportunities. I am fully accountable for delivering on these three key priorities, and I will revert to these slides on our next Capital Markets Day. And we will also, of course, give you updates when we have something to share. You have heard what the portfolio companies are accountable for. Therefore, I will leave you with the ultimate KPI that you can hold me accountable for. I am committed to deliver an annual 12% to 14% total shareholder return over the next two years. This is a target I truly believe in.

Thank you, all, for coming here today and attending. And also, thank you to the whole Orkla team. You all have contributed very much to this very good Capital Markets Day. Thank you, everyone.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.