Second quarter results

15 July 2024

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Q2-24 | Continued growth and margin expansion

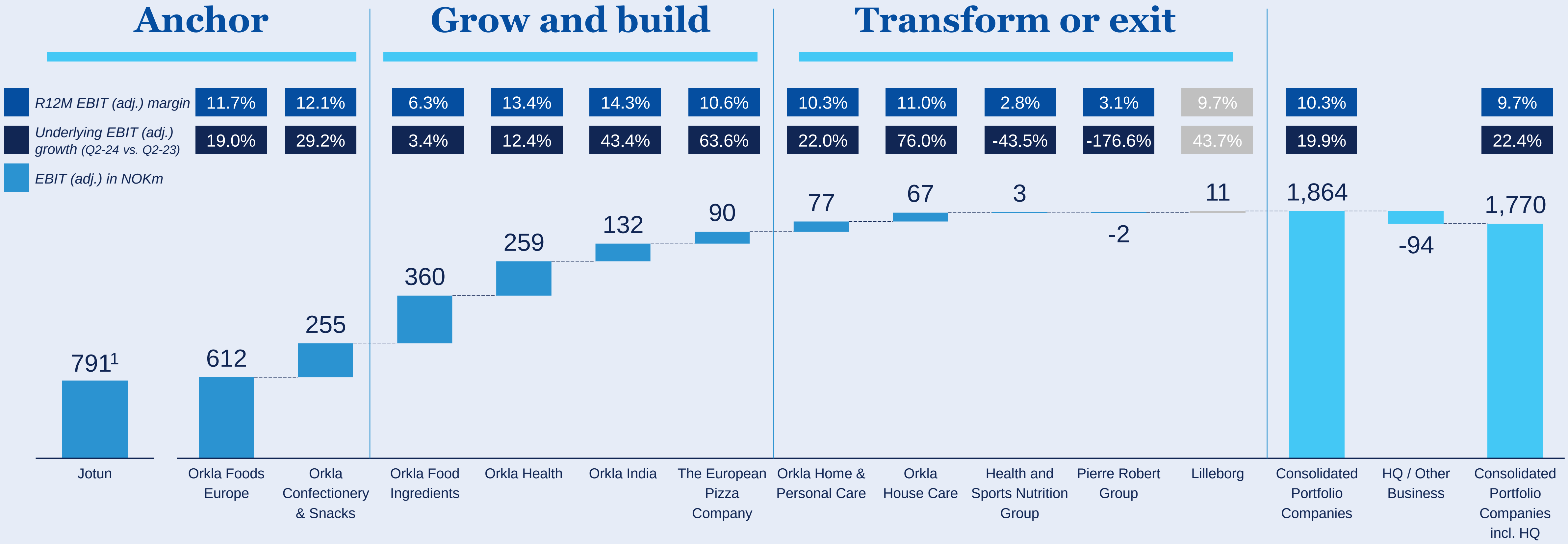
- EPS (adj.) of NOK 1.66 (+7%)
- Underlying EBIT (adj.) growth of 22% for the Consolidated Portfolio Companies[1]
- Organic growth of 3.3% and positive volume/mix for the Consolidated Portfolio Companies

Note: 1. Including HQ

Alternative Performance Measures (APMs) are presented in the appendices.

Orkla

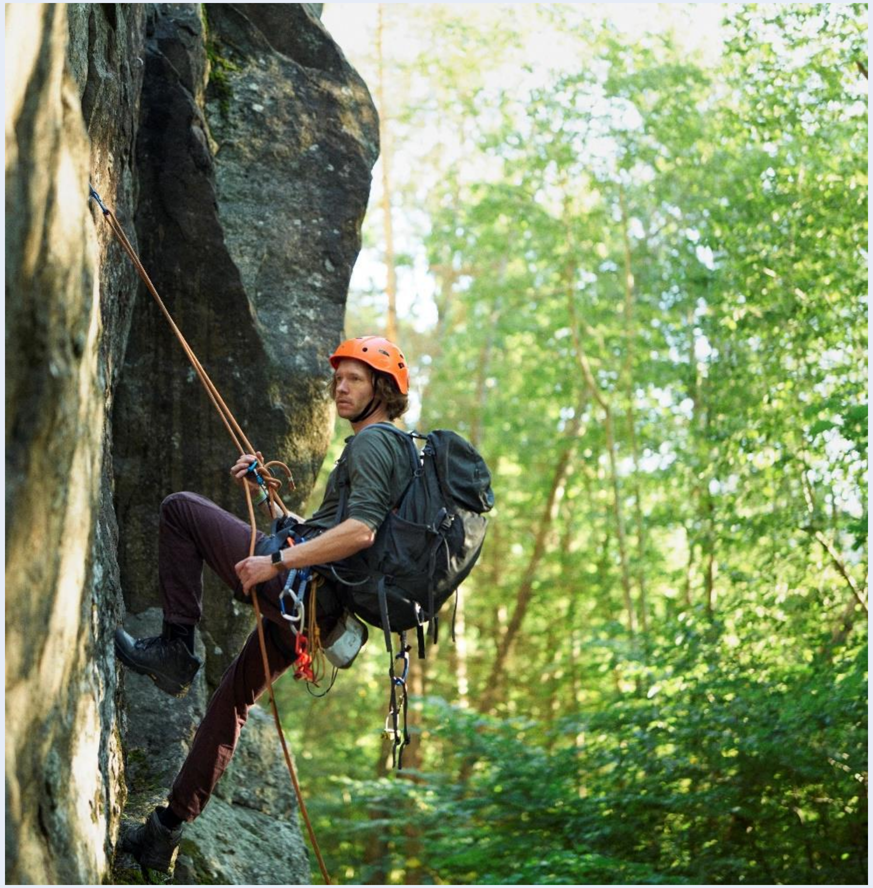
Breakdown of Portfolio Companies' performance in Q2-24



Note: 1. Orkla's share (42.7%) of Jotun EBITA
Abbreviation: R12M = Rolling twelve-month (also applicable to other pages in this presentation)
Alternative Performance Measures (APMs) are presented in the appendices.

H1-24 | Key highlights

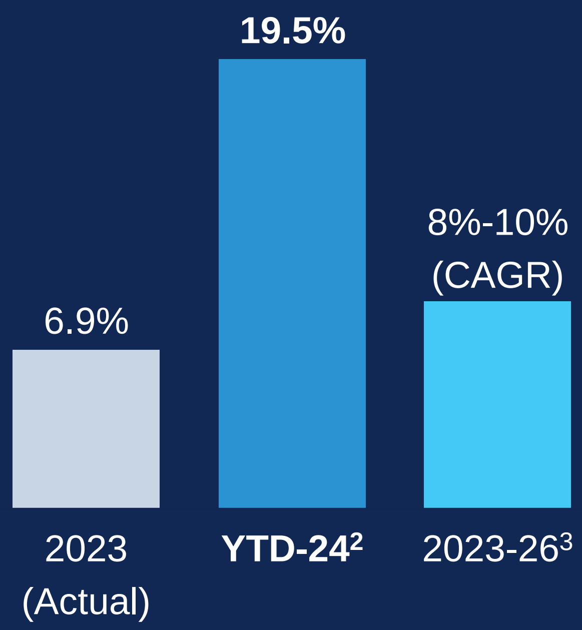
- Financial performance in line with ambitions communicated at the Capital Markets Day
- Progress on structural initiatives
  - Orkla Food Ingredients partnership completed
  - Sale of Lilleborg
  - Pre-IPO study on Orkla India finalised



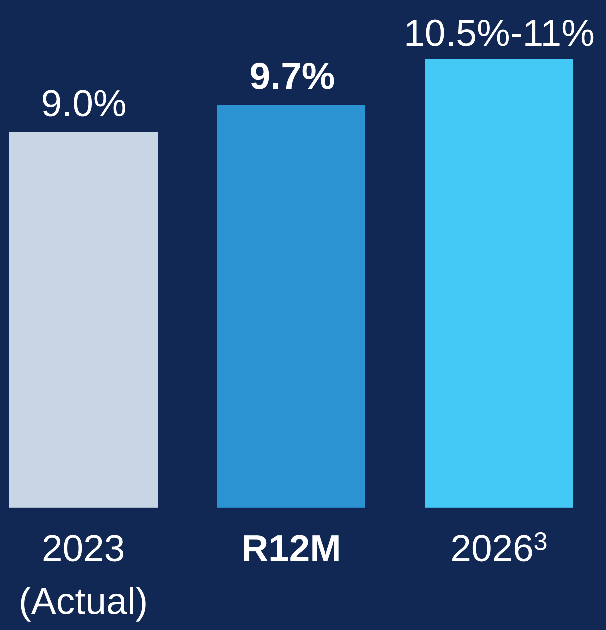
Alternative Performance Measures (APMs) are presented in the appendices.

Portfolio Company targets 2023-2026 (consolidated)[1]

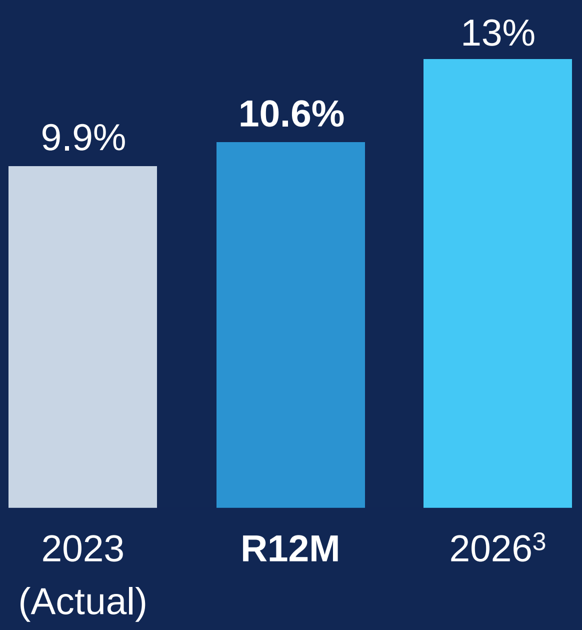
Underlying EBIT (adj.) growth



EBIT (adj.) margin



Return on Capital Employed (ROCE)



Note: 1: Including HQ; 2. Growth as of YTD-24 vs. YTD-23; 3. Sum of the communicated targets for the Consolidated Portfolio Companies at the Capital Markets Day in November 2023
Alternative Performance Measures (APMs) are presented in the appendices.

Financial Performance

Arve Regland, EVP Finance and CFO

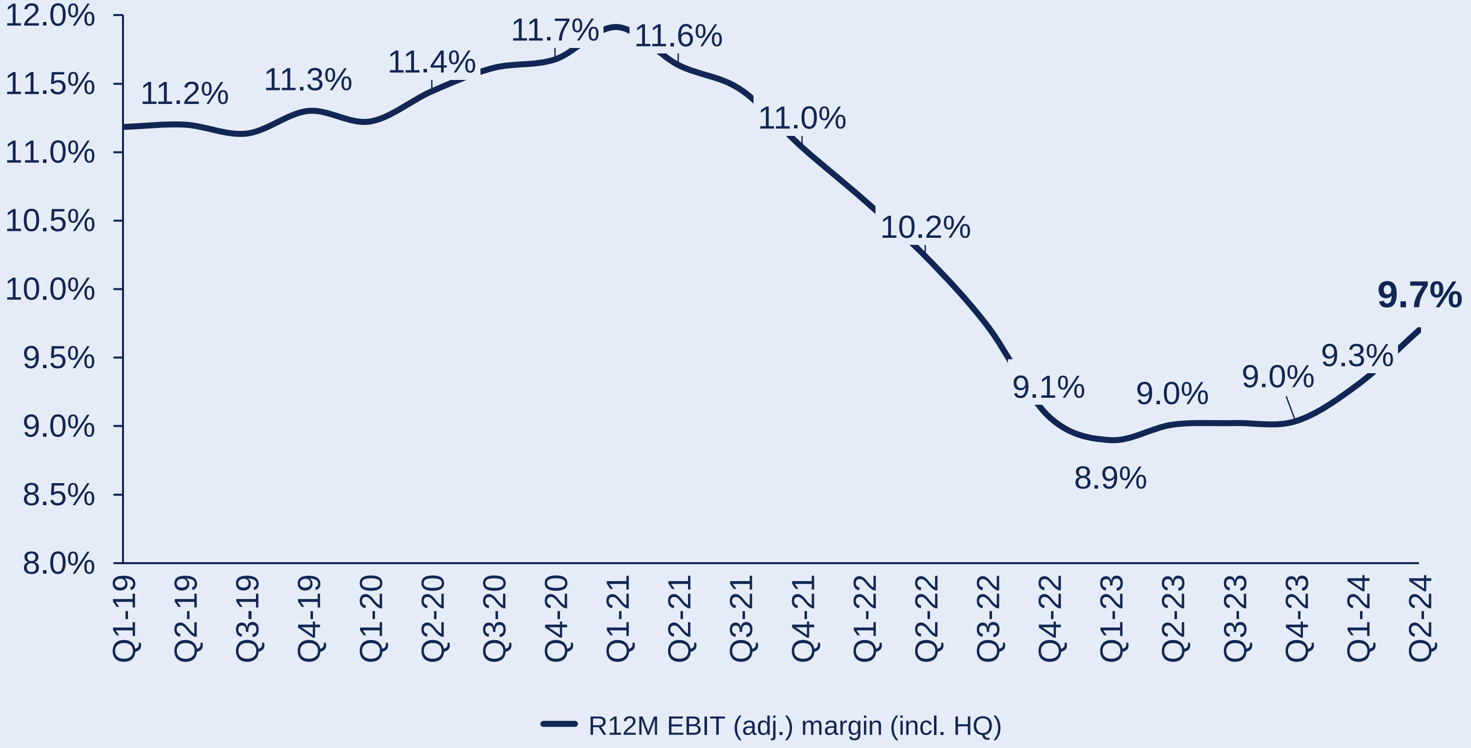
All Alternative Performance Measures (APMs) are presented in the appendices
All figures in NOK million unless otherwise stated

EBIT (adj.) growth of 17% for the Consolidated Portfolio Companies

Key figures	Q2-24	Q2-23	Δ Q2
Operating revenues Group	**17,244**	**17,087**	**1%**
EBIT (adj.) Consolidated Portfolio Companies	1,864	1,591	17%
EBIT (adj.) Financial Investments	253	305	-17%
EBIT (adj.) HQ and Business Services	-94	-110	-15%
EBIT (adj.)	**2,023**	**1,786**	**13%**
Other income and expenses	363	-202	
EBIT	**2,386**	**1,584**	
Profit from Jotun & associates	529	533	
Net interest and other financial items	-275	-275	
Profit before tax	**2,640**	**1,842**	
Taxes	-492	-415	
Profit after tax	**2,148**	**1,427**	
Profit/loss attributable to non-controlling interests	106	55	
Profit/loss attributable to owners of the parent	**2,042**	**1,372**	
Adjusted EPS diluted (NOK)	**1.66**	**1.55**	**7%**
Reported EPS diluted (NOK)	2.04	1.38	48%

Continued improvement in EBIT (adj.) margin

Consolidated Portfolio Companies | R12M EBIT (adj.) margin (incl. HQ)



Underlying EBIT (adj.) margin change (Q2-24)

Category	Portfolio Company	Underlying EBIT (adj.) margin change[1]	
Anchor	Orkla Foods Europe	+1.9 %-p	★
	Orkla Confectionery & Snacks	+1.6 %-p	★
Grow and build	Orkla Food Ingredients	+0.3 %-p	
	Orkla Health	+0.7 %-p	★
	Orkla India	+4.0 %-p	
	The European Pizza Company	+4.5 %-p	
Transform or exit	Orkla Home & Personal Care	+1.1 %-p	
	Orkla House Care	+6.6 %-p	★
	Health and Sports Nutrition Group	-1.0 %-p	★
	Pierre Robert Group	-4.2 %-p	
	Lilleborg	+2.7 %-p	

★ EBIT (adj.) margin target communicated at Capital Markets Day in November 2023

Note: 1. Underlying EBIT (adj.) margin change in Q2-24 compared to Q2-23

Broad-based positive volume/mix performance

Organic growth[1] split for the Consolidated Portfolio Companies

Breakdown of organic growth by price and volume/mix (Q2-24)

Category	Portfolio Company	Organic growth (Y/Y) Price	Organic growth (Y/Y) Vol/Mix
Anchor	Orkla Foods Europe	2.3%	-1.6% ★
	Orkla Confectionery & Snacks	4.3%	6.7% ★
Grow and build	Orkla Food Ingredients	-2.3%	1.8% ★
	Orkla Health	2.9%	4.4%
	Orkla India	-0.2%	9.6%
	The European Pizza Company	N/A	N/A
Transform or exit	Orkla Home & Personal Care	0.1%	10.7%
	Orkla House Care	-1.1%	2.2%
	Health and Sports Nutrition Group	N/A	N/A
	Pierre Robert Group	-1.8%	-2.6%
	Lilleborg	N/A	N/A

★Volume/mix target communicated at Capital Markets Day in November 2023

Note: 1. Growth year-over-year. Figures not adjusted for timing effects such as the timing of Easter, etc.

Cash flow improvement from EBIT (adj.) growth and lower net replacement investments

Cash flow from operations (pre-tax)	YTD Q2-24	YTD Q2-23
EBIT (adj.)	3,368	2,829
Depreciation	1,264	1,179
Change in net working capital	-636	-787
Net replacement investments	-834	-1,440
Cash flow from operations (adj.)[1]	**3,162**	**1,781**
Cash flow from other income & exp. and pensions	-187	-229
Cash flow from operations – Consolidated Portfolio Companies[1]	**2,975**	**1,552**
Cash flow from operations – Financial Investments	189	545
Cash flow from operations – Orkla Group	**3,164**	**2,097**

Cash conversion (R12M)

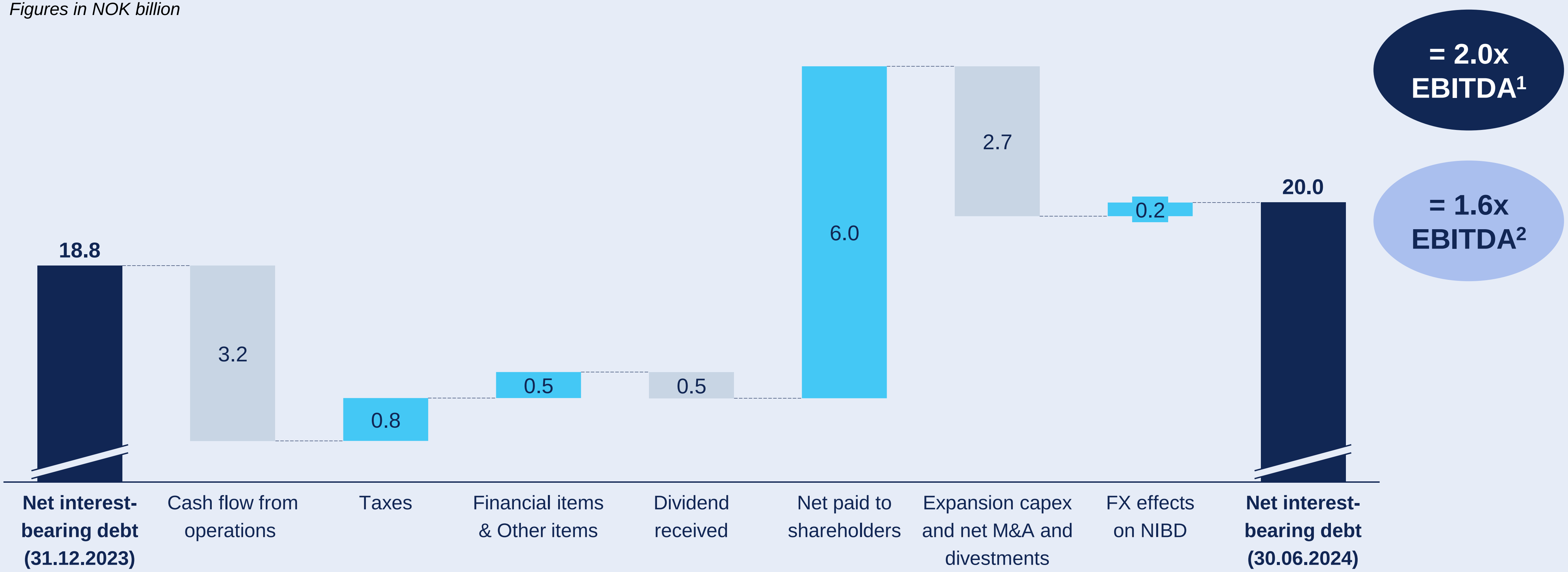
Category	Portfolio Company	Cash conversion	
Anchor	Orkla Foods Europe	133%	★
	Orkla Confectionery & Snacks	88%	★
Grow and build	Orkla Food Ingredients	113%	
	Orkla Health	92%	
	Orkla India	130%	★
	The European Pizza Company	102%	
Transform or exit	Orkla Home & Personal Care	114%	★
	Orkla House Care	126%	
	Health and Sports Nutrition Group	Neg.	★
	Pierre Robert Group	633%	
	Lilleborg	65%	

★ Cash conversion target communicated at Capital Markets Day in November 2023

Note: 1. Including HQ and Business Services

NIBD/EBITDA at 2.0x

Figures in NOK billion



Note: 1. Including acquired businesses; 2. NIBD/EBITDA level of 1.6x if excluding NIBD and EBITDA in Orkla Food Ingredients. The NIBD includes Orkla's receivable from the subordinated loan to Orkla Food Ingredients.

Portfolio Companies

Arve Regland, EVP Finance and CFO

All Alternative Performance Measures (APMs) are presented in the appendices.
All figures in NOK million unless otherwise stated.

Jotun (42.7% - associated company)

Continued sales and earnings growth

Jotun 100% basis	Q2-24	YTD-24
Revenues	**8,689**	**16,745**
Revenue growth – fixed rate	*7.2%*	*7.3%*
EBITA	**1,853**	**3,671**
EBITA growth	*-1.6%*	*4.9%*
ROCE (R12M)		**35.1%**

Key comments

- Double-digit underlying sales growth YTD in the Marine, Protective and Powder segments, while Decorative sales grew at a more modest pace
- Operating margin remained strong in Q2. Excluding negative currency translation effects, underlying earnings are up 2% in the quarter and 9% year to date
- Overall outlook remains positive, and Jotun expects continued sales growth in the second half of 2024

Note: Orkla's share of net profit is 42.7%

Underlying EBIT (adj.) growth and cash conversion above 100%

	Q2-24	YTD-24
Revenues	**4,963**	**10,063**
Contribution ratio	*39.8%*	*38.9%*
EBIT (adj.)	**612**	**1,176**
EBIT (adj.) margin	*12.3%*	*11.7%*
Underlying EBIT (adj.) growth	*19.0%*	*15.6%*
Organic growth	**0.7%**	**1.9%**
Price	*2.3%*	*3.9%*
Volume / Mix	*-1.6%*	*-1.9%*
ROCE (R12M)		**13.3%**
Cash conversion (R12M)		**133%**

Key comments

- Underlying EBIT (adj.) growth from cost improvement projects and stronger focus on category and product profitability, despite higher advertising spend
- Negative volume development was reported in some key markets driven by reduced purchasing power, selected customer actions and complexity reduction
- Cash conversion driven by reduced inventory levels

Volume/mix growth and biscuit supply improvements

	Q2-24	YTD-24
Revenues	**2,312**	**4,608**
Contribution ratio	*42.9%*	*43.0%*
EBIT (adj.)	**255**	**510**
EBIT (adj.) margin	*11.1%*	*11.1%*
Underlying EBIT (adj.) growth	*29.2%*	*29.7%*
Organic growth	**11.0%**	**10.9%**
Price	*4.3%*	*5.9%*
Volume / Mix	*6.7%*	*5.0%*
ROCE (R12M)		**10.6%**
Cash conversion (R12M)		**88%**

Key comments

- Organic volume/mix growth of 6.7%, driven by increase for confectionery and biscuits
- Improved EBIT (adj) margin driven by operational leverage on volume increase and improvements in the new biscuit factory
- Surging cocoa prices create uncertainty about sales volumes going forward

Orkla Food Ingredients (59.4%)[1]

Slight increase in EBIT (adj.)

	Q2-24	YTD-24
Revenues	**4,859**	**9,323**
Contribution ratio	*30.0%*	*29.5%*
EBIT (adj.)	**360**	**596**
EBIT (adj.) margin	*7.4%*	*6.4%*
Underlying EBIT (adj.) growth	*3.4%*	*-0.3%*
Net profit after tax and non-controlling interest[2]	**116**	**189**
Organic growth	**-0.6%**	**-1.7%**
Price	*-2.3%*	*-2.5%*
Volume / Mix	*1.8%*	*0.9%*
ROCE (R12M)		**10.5%**

Key comments

- Improved contribution ratio from price management. Customer price adjustments implemented selectively in response to lower input costs
- Volume/mix growth driven by Bakery and Plant Based, decline in Sweet due to weaker ice cream ingredients sales
- Good underlying EBIT (adj.) growth in Bakery and Plant Based clusters. Decline in the Sweet cluster, and a programme of mitigating actions has recently been launched



Note: 1. Orkla ownership of 59.4%. Remaining ownership controlled by Rhône and management; 2. Net profit attributable to the owners of Orkla Food Ingredients

Continued volume/mix growth driven by D2C and international expansion

	Q2-24	YTD-24
Revenues	**1,768**	**3,702**
Contribution ratio	*57.8%*	*57.3%*
EBIT (adj.)	**259**	**564**
EBIT (adj.) margin	*14.7%*	*15.2%*
Underlying EBIT (adj.) growth	*12.4%*	*12.3%*
Organic growth	**7.3%**	**8.6%**
Price	*2.9%*	*3.3%*
Volume / Mix	*4.4%*	*5.3%*
ROCE (R12M)		**9.5%**

Key comments

- Volume/mix driven revenue growth in D2C business and global brands, Möller's and Jordan
- Intensifying investments in A&P and SG&A in line with strategy
- Price adjustments implemented to mitigate negative effects of higher raw material prices, especially for the Omega-3 category

Orkla India (90%)[1]

Volume/mix and EBIT (adj.) growth

	Q2-24	YTD-24
Revenues	**776**	**1,539**
Contribution ratio	*39.8%*	*37.3%*
EBIT (adj.)	**132**	**224**
EBIT (adj.) margin	*17.0%*	*14.6%*
Underlying EBIT (adj.) growth	*43.4%*	*34.1%*
Organic growth	**9.4%**	**10.5%**
Price	*-0.2%*	*2.7%*
Volume / Mix[2]	*9.6%*	*7.8%*
ROCE (R12M)		**15.4%**
Cash conversion (R12M)		**130%**

Key comments

- Q2-24 revenues and EBIT (adj.) include financial incentives provided by the Government of India of NOK 20m
- Volume/mix growth of 6.7% (adj. for government grant), driven by the International business
- EBIT (adj.) margin improvement driven primarily by contribution ratio mainly attributable to declining prices of key raw materials

Note: 1. Orkla ownership of 90%; 2. Government grant booked as mix effect on organic revenue growth. Excluding Government grant, underlying vol/mix growth in Q2-24 was 6.7%.

The European Pizza Company

EBIT (adj.) growth supported by restructuring in Germany

	Q2-24	YTD-24
Revenues	**763**	**1,473**
Contribution ratio	*42.6%*	*42.9%*
EBIT (adj.)	**90**	**166**
EBIT (adj.) margin	*11.7%*	*11.3%*
Underlying EBIT (adj.) growth	*63.6%*	*40.4%*
Organic growth	**0.8%**	**-0.3%**
ROCE (R12M)		**7.4%**

Key comments

- Recovery of consumer sales growth in the Netherlands after a soft start to the year in Western Europe
- Strong momentum and earnings growth in the Polish business Da Grasso
- EBIT (adj.) growth on the back of pricing and a restructured German base

Orkla Home & Personal Care

Volume/mix driven EBIT (adj.) growth

	Q2-24	YTD-24
Revenues	**637**	**1 310**
Contribution ratio	*40.0%*	*40.6%*
EBIT (adj.)	**77**	**153**
EBIT (adj.) margin	*12.1%*	*11.7%*
Underlying EBIT (adj.) growth	*22.0%*	*38.9%*
Organic growth	**10.9%**	**10.8%**
Price	*0.1%*	*1.0%*
Volume / Mix	*10.7%*	*9.8%*
ROCE (R12M)		**18.5%**
Cash conversion (R12M)		**114%**

Key comments

- Volume/mix driven revenue growth in Norway and in contract manufacturing, with broad-based market share increase
- Continued increase in advertising investment to support innovation programme and hero brands
- EBIT (adj.) growth mainly from volume/mix driven revenue increase with stable contribution ratio

Orkla House Care

Sales growth in all main markets

- EBIT (adj.) of NOK 67m (Q2), an increase of NOK 28m vs. Q2-23
- Organic growth of 1.0%, reaching NOK 440m
- EBIT increased due to margin improvement and cost management

Health and Sports Nutrition Group

Cash conversion of 136% in Q2, negative EBIT (adj) delta

- Organic growth of 6.6% in a challenging market impacted by weaker consumer confidence
- Product tax refund (Finland) of NOK 11m improved EBIT
- EBIT (adj.) of NOK 3m (Q2) vs. NOK 6m (Q2-23)

Pierre Robert Group

Volume decline in Norway offset growth in Finland and online

- EBIT (adj.) of NOK -2m (Q2), vs. NOK 3m (Q2-23)
- Volume development in Norwegian grocery remains challenging
- Finland and online with volume/mix and revenue growth

Lilleborg

Lilleborg sold to Solenis in the quarter

- Excluded from financial figures from 1 June 2024
- Operating revenues of NOK 98m in the first two months of the quarter
- EBIT (adj.) margin of 11.2%

Closing remarks

Nils K. Selte, President and CEO

All Alternative Performance Measures (APMs) are presented in the appendices.
All figures in NOK million unless otherwise stated.

3 COMMITMENTS

Drive organic value in existing portfolio

Reduce complexity of existing portfolio

Execute value-adding structural transactions

Q&A

Nils K. Selte, President and CEO

Arve Regland, EVP Finance and CFO

Upcoming events

Third quarter results

29 October 2024

Appendices

Higher production in the quarter was more than offset by lower power prices. Positive impact from repeal of windfall tax[2]

Hydro Power

Fully consolidated into Orkla's financial statements

Volume (GWh):	**Power prices[1] (øre/kWh):**	**EBIT adj. (NOK million):**
NO1 Q2: 171 (163)	NO1 Q2: 45.3 (87.6)	Q2: 248 (282)
NO2 Q2: 580 (433)	NO2 Q2: 52.0 (96.0)	

Financial Investments

Fully consolidated into Orkla's financial statements

Est. market value of rental portfolio: NOK 2.3 billion

Book value of development portfolio: NOK 0.5 billion

Note: 1. Nord Pool (average spot area prices for Eastern Norway (NO1) and Southern and South-Western Norway (NO2); 2. Windfall tax was repealed from Oct-23. This tax was effectively a fee on sales above 70 øre/kWh, and was accounted for as cost of goods sold

Financial impact of the Orkla Food Ingredients transaction

- Sale of 40% of Orkla Food Ingredients with accounting effect from 17 April 2024

Orkla Group figures

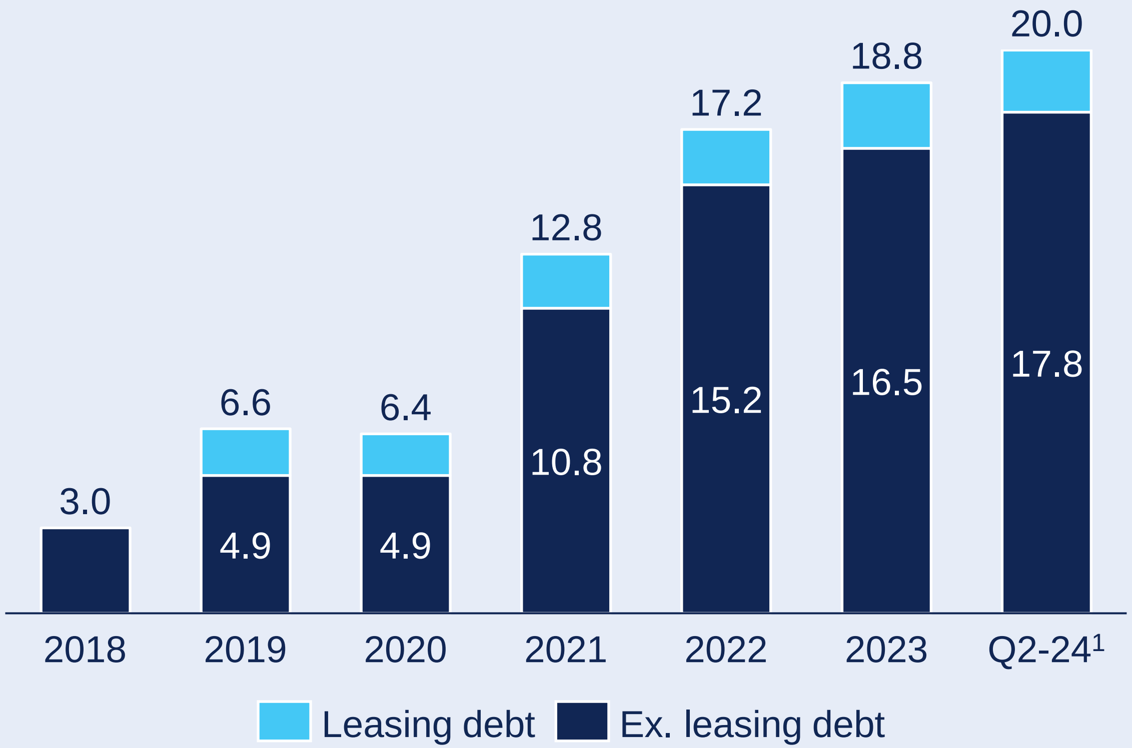
- Orkla Food Ingredients will continue to be consolidated on a 100% basis
- Rhône’s ownership will be included as a non-controlling interest

Orkla Food Ingredients

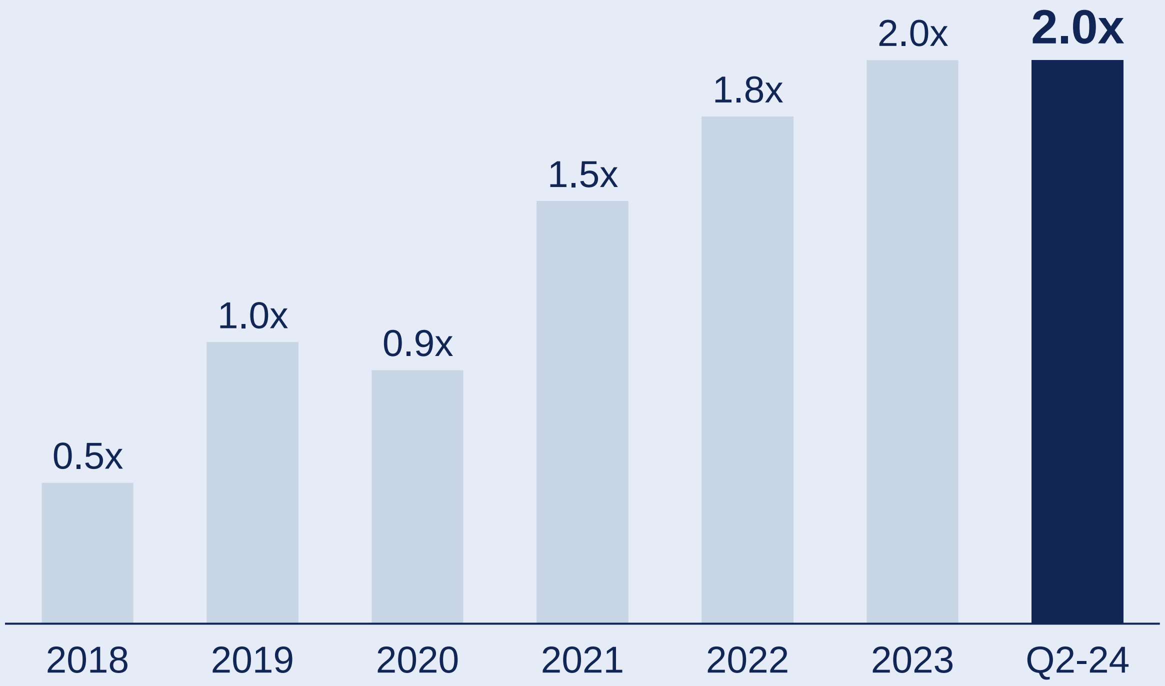
- Net profit after tax and non-controlling interests will be reported on a quarterly basis going forward
- Outstanding debt level at closing was NOK 5.8bn in external bank debt (non-recourse to Orkla Group) + NOK 1.0bn subordinated loan from Orkla Group
- Expected tax rate (2024) of 22%
- Profit allocated to non-controlling interests in Orkla Food Ingredients in 2023 was NOK 133m

Sound financial profile

Net interest-bearing liabilities (NOKbn)



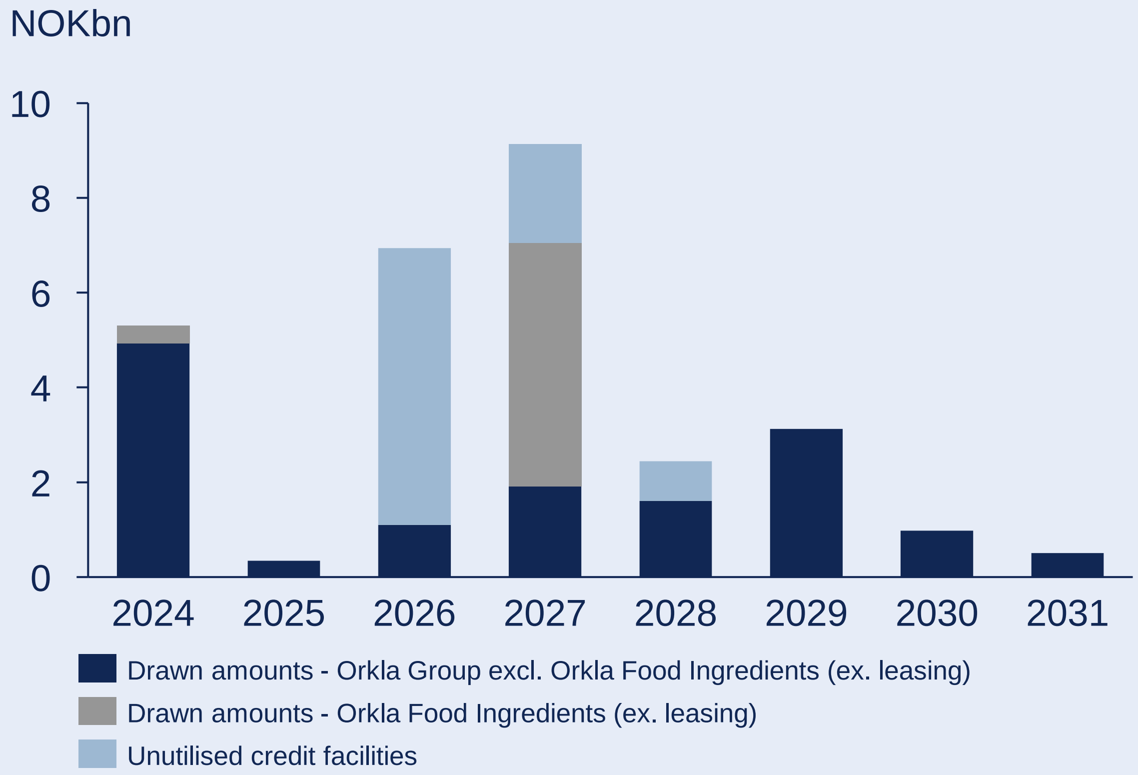
NIBD / R12M EBITDA



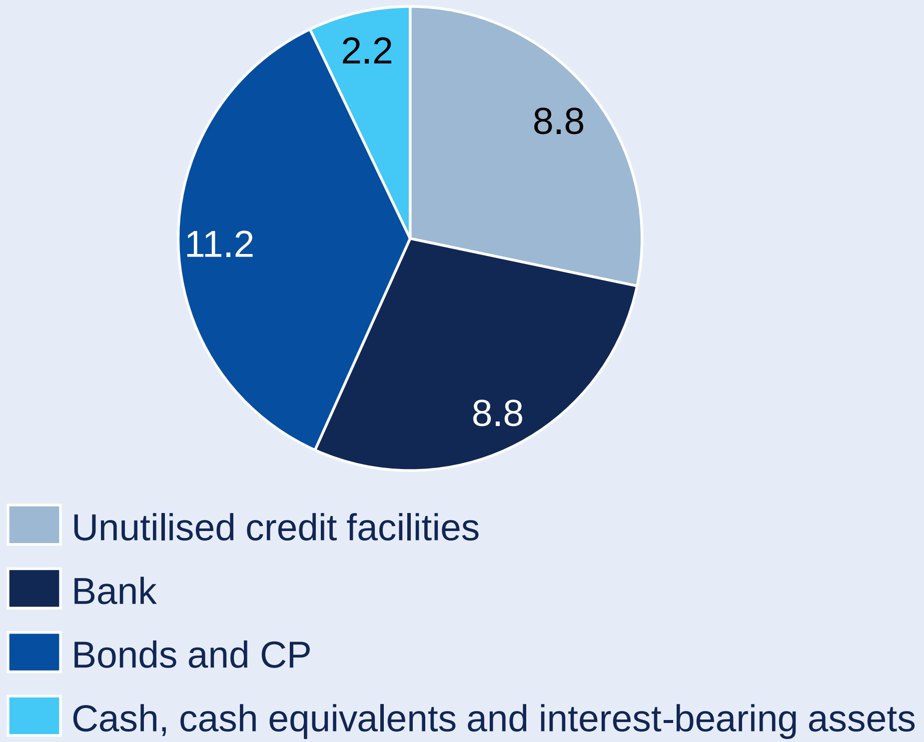
Note: 1. Of which NIBD in Orkla Food Ingredients is NOK 5.7bn

Funding sources and maturity profile per Q2-24

Debt maturity ❯ average maturity 2.7 years



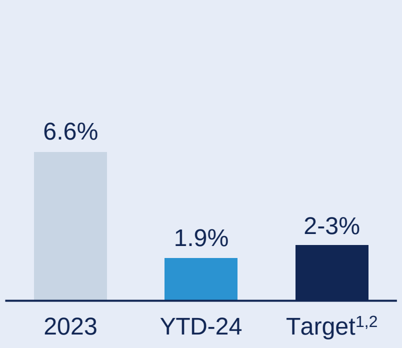
Funding sources (in NOKbn)



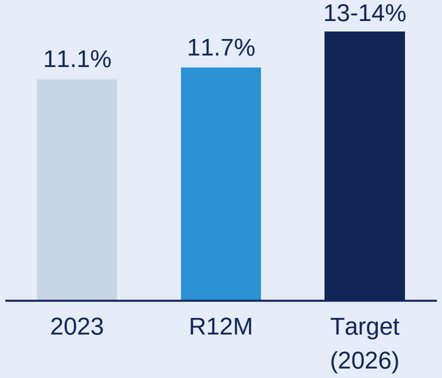
Overview of financial targets (1/3)

Orkla Foods Europe

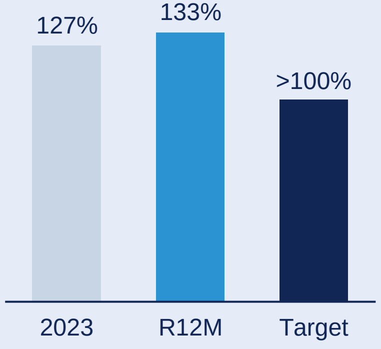
Revenue



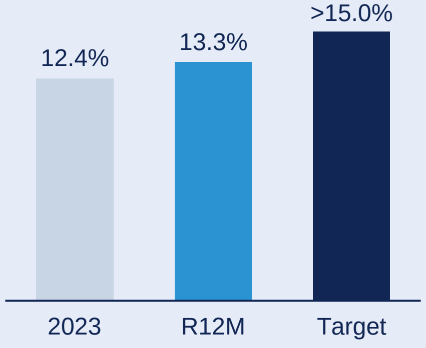
EBIT margin



Cash conversion

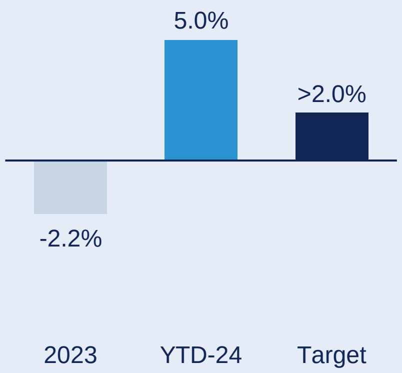


ROCE

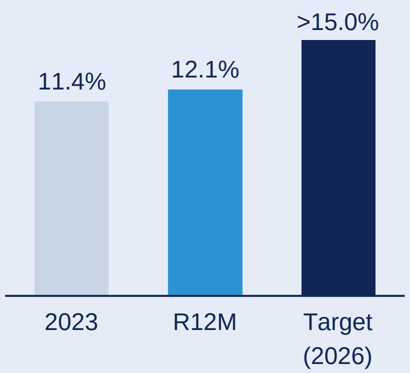


Orkla Confectionery & Snacks

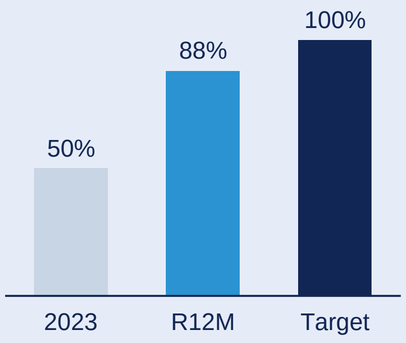
Volume-mix



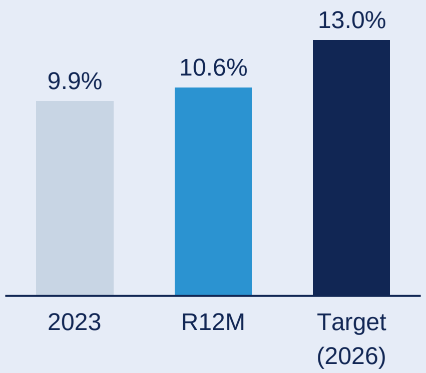
EBIT margin



Cash conversion



ROCE



Note: 1. Organic CAGR from 2024-2026; 2. Communicated target of positive volume/mix growth
R12M represent rolling twelve months as of 31.03.2024; YTD-24 vs. YTD-23
The Target period stretches from 2024-2026. Note that financial targets for each portfolio company was communicated on the Capital Markets Day on 29 November 2023
All revenue measures are organic
All EBIT measures are defined as EBIT (adj.)
All cash conversion measures are defined as cash flow from operations / EBIT (adj.)

Overview of financial targets (2/3)

Orkla Food Ingredients

Revenue

2023	YTD-24	Target[1]
8.7%	0.1%	5.0%

Underlying EBIT

2023	YTD-24	Target[1]
6.9%	-0.3%	12.0%

ROCE

2023	R12M	Target
10.8%	10.5%	12.5-13%

Orkla Health

Revenue

2023	YTD-24	Target[1]
6.3%	8.6%	7-9%

EBIT margin

2023	R12M	Target
13.4%	13.4%	14.0%

Orkla India

Revenue

2023	YTD-24	Target[1]
12.1%	10.5%	12.0%

Underlying EBIT

2023	YTD-24	Target[1]
22.7%	34.1%	20.0%

Cash conversion

2023	R12M	Target
63%	130%	>100%

Current capital reduction[2]

2023	YTD-24	Target
12.3%	12.1%	7.3-8.3%

Target to reduce ratio with **4-5%-p.**

The European Pizza Company

Consumer sales

2023	YTD-24	Target[1]
2.6%	1.0%	>5.0%

EBIT by 2026 (year-end)

2023	YTD-24 (Run-rate)	Target
EUR 23m	EUR 28m	EUR 35-40m

Note: 1. Organic CAGR from 2024-2026; 2. Current capital defined as Inventories + Receivables Payables as a % of revenue
R12M represent rolling twelve months as of 31.03.2024; YTD-24 vs. YTD-23
The Target period stretches from 2024-2026. Kindly note that financial targets for each portfolio company was communicated on the Capital Markets Day on 29 November 2023
All revenue measures are organic except Orkla Food Ingredients where minor add-ons are included (represents ~1-2% of revenue growth and ~2-3% of EBIT (adj.) growth) – hence organic growth of ~3-4% (50/50 price and volume/mix)
All EBIT measures are defined as EBIT (adj.). EBIT CAGR is related to underlying EBIT (adj.)
All cash conversion measures are defined as cash flow from operations / EBIT (adj.)
Current capital defined as Inventories + Receivables - Payables as a % of revenue

Overview of financial targets (3/3)

Orkla Home & Personal Care

Underlying EBIT

2023	YTD-24	Target[1]
35.5%	38.9%	>10.0%

Cash conversion

2023	R12M	Target
128%	114%	100%

Orkla House Care

EBIT margin

2023	R12M	Target
9.6%	11.0%	14-15%

Health and Sports Nutrition Group

Revenue

2023	YTD-24	Target[1]
10.4%	1.0%	>5.0%

EBIT margin

2023	R12M	Target (2026)
2.9%	2.8%	5.0%

Cash conversion

2023	R12M	Target
Neg.	*Neg.*	100%

Pierre Robert Group

Acc. net cash generation

YTD-24	Target
9	>100

NOK >100m in accumulated net cash generation 2024-2026

Note: 1. Organic CAGR from 2024-2026
R12M represent rolling twelve months as of 31.03.2024; YTD-24 vs. YTD-23
The Target period stretches from 2024-2026. Kindly note that financial targets for each portfolio company was communicated on the Capital Markets Day on 29 November 2023
All revenue measures are organic
All EBIT measures are defined as EBIT (adj.). EBIT CAGR is related to underlying EBIT (adj.)
All cash conversion measures are defined as cash flow from operations / EBIT (adj.)

Alternative Performance Measures (APM)

Contribution ratio

Contribution margin ratio is calculated by dividing the contribution margin by operating revenues. Operating revenues minus variable operating expenses constitute the contribution margin. Variable operating expenses are reported on the financial statement line "operating expenses" and consist of expenses directly related to sales volume. Variable expenses include costs related to input factors such as raw materials and packaging, and variable production costs such as electricity related to production and variable pay. They also include ingoing and outgoing freight costs directly related to sales volume. Costs related to finished goods purchased for resale are included as part of variable operating expenses. Production costs that are relatively constant over time and do not vary according to production volume are not included in the computation of contribution margin; such costs include warehouse costs, payroll expenses linked to factory administration and management staff, and depreciation of production equipment. Contribution margin is a key internal financial figure that illustrates how profitable each portfolio company's product mix is, and hence also the company's ability to cover fixed expenses.

Contribution margin is an important financial figure with regard to product innovation and product portfolio optimisation. A reconciliation of the Orkla group's contribution margin is presented in the table above.

Organic growth

Organic growth shows like-for-like turnover growth for the group's business portfolio and is defined as the group's reported change in operating revenues adjusted for effects of the purchase and sale of companies, the re-conclusion and loss of distribution agreements of a material nature, and currency effects. Intra-group transfers of companies and changes in distribution agreements between portfolio companies are also taken into account. In calculating organic growth, acquired companies are excluded 12 months after the transaction date. Sold companies are excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's turnover at last year's exchange rates.

Organic growth is included in segment information, and is used to identify and analyse the turnover growth of the consolidated portfolio companies. Organic growth provides an important picture of the portfolio companies' ability to carry out innovation, product development, correct pricing and brand-building.

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

EBIT (adj.)

EBIT (adj.) shows the group's current operating profit before items that require special explanation, and is defined as reported operating profit or loss before "Other income and expenses" (OIE). Items included in OIE are disclosed in Note 3. These include M&A costs, restructuring or integration expenses, any major gains on and write-downs of both tangible and intangible assets, and other items that only to a limited degree are reliable measures of the group's current profitability. EBIT (adj.) margin and growth are derived figures calculated in relation to operating revenues.

EBIT (adj.) is one of the group's most important financial figures, internally and externally. The figure is used to identify and analyse the group's profitability linked to normal operations and operating activities. Adjustment for items in OIE which to a limited degree are reliable measures of the group's current operating profit or loss increases the comparability of profitability over time.

Alternative Performance Measures (APM)

Change in underlying EBIT (adj.)

Change in underlying EBIT (adj.) shows like-for-like EBIT (adj.) growth for the group's business portfolio, and is defined as the group's reported change in EBIT (adj.), adjusted for effects of the purchase and sale of companies, the re-conclusion and loss of distribution agreements of a material nature, and currency effects. Account is also taken of intra-group transfers of companies and changes in distribution agreements between portfolio companies. In calculating the change in underlying EBIT (adj.), acquired companies are included pro forma 12 months prior to the transaction date. Sold companies are excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's EBIT (adj.) at last year's currency exchange rates. Where underlying profit performance is mentioned in the report, reference is made to underlying EBIT (adj.) performance. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

Underlying EBIT (adj.) growth is used for internal management purposes, including for identifying and analysing underlying profitability growth in the existing business portfolio, and provides a picture of the portfolio companies' ability to improve profitability in their existing operations. The measure is important because it provides a comparable structure for monitoring the change in profitability over time.

Return on Capital Employed (ROCE)

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

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

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

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

Alternative Performance Measures (APM)

Return on Capital Employed (ROCE) cont.
Average capital employed is always an average of the closing balances in the five last reported quarters.

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

Earnings per share (adj.)
Earnings per share (adj.) show earnings per share adjusted for "Other income and expenses" (OIE) after estimated tax. Items included in OIE are specified in Note 3. The effective tax rate applicable to OIE was lower than the group's tax rate in 2024 and 2023 because expensed M&A costs are generally not tax-deductible. The tax rate related to OIE was also significantly affected by non-taxable income, especially the gain on the sale of Lilleborg in the second quarter of 2024.

Adjustments are also made for any reported gains or losses related to sale/purchase of associates and joint ventures, and any reported major profit or loss effects related to abnormal tax conditions. No such adjustments were made in 2024 or 2023.

Net replacement and expansion investments
When making investment decisions, the group distinguishes between replacement and expansion investments. Expansion investments are the proportion of overall reported investments deemed to be investments in either new geographical markets or new categories, or investments which represent significant increases in capacity. Net replacement investments include new leases and are reduced by the value of sold fixed assets valued at sale value.

The purpose of this distinction is to show how large a part of the investments (replacement) mainly concerns maintenance of existing operations and how large a part of the investments (expansion) are expected to generate increased contributions to profit in future, over and above profit expectations linked to normal operations.

Cash conversion
Cash conversion is calculated as cash flow from operating activities as a percentage of EBIT (adj.). Cash flow from operating activities is defined and presented in the Orkla-format cash flow statement.

Cash conversion is an important key figure for Orkla, as it shows how much of EBIT (adj.) has been converted into net interest-bearing liabilities, and thus the financial means available to the group. Net interest-bearing liabilities are the group's most important management parameter for financing and capital allocation.

Alternative Performance Measures (APM)

Net interest-bearing liabilities

Net interest-bearing liabilities are the sum of the group’s interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans, lease liabilities and interest-bearing derivatives. Interest-bearing receivables include cash and cash equivalents, interest-bearing derivatives and other interest-bearing receivables.

Net interest-bearing liabilities are the group’s primary management parameter for financing and capital allocation, and are actively employed as part of the group’s financial risk management strategy. The Orkla format cash flow statement therefore shows the change in net interest-bearing liabilities at group level.

Structure (acquisitions and disposals)

Structural growth includes adjustments for the divestment of Lilleborg, and the acquisition of the businesses Bubs Godis, Khell-Food, Norstamp, Kartonage and Snack Food. Adjustments were also made for the loss of distribution agreements with Tropicana and Alpro in Orkla Foods Europe. Following the transition to a new operating model, the split-up of the former Orkla Care business area has entailed the transfer of the dental health business and adjustments for changes in distribution and production agreements between portfolio companies.

In 2023, adjustments were also made for the acquisitions of Denali Ingredients, Da Grasso, Lofoten Marine Oils, Healthspan and Hadecoup. Adjustments have been made for the loss of a distribution agreement with PepsiCo, the discontinuation of tea distribution in Orkla India, the winding-up of Hamé Foods in Russia, and sale of the convenience business in Orkla Latvija and the Struer brand.

Orkla