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Orkla ASA (ORK.NO)

Capital Markets Day

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MANAGEMENT DISCUSSION SECTION

Annie Bersagel

Senior Vice President-Investor Relations & Communication, Orkla ASA

Good morning and welcome to Orkla's Capital Markets Update. My name is Annie Bersagel, and I'm the head of Investor Relations and Communication. We invited you all here today to give a more detailed update on Orkla's progress against our financial targets and to show how can we create value within three of the largest portfolio companies. Just a little practical information, we have a live stream going on right now, so all the presentations will be webcast. And the recording of the webcast will also be available on the Investor Relations website as well as all the presentation materials.

So, if we turn to the agenda, we're going to begin with President and CEO, Nils Selte, who will begin with an update on our progress against Capital Markets Day targets. And after that, EVP and CFO, Arve Regland, will provide a deeper dive on the financials, including the targets for the portfolio companies that aren't presenting today.

So after that, we start with presentations from three of the three largest consolidated portfolio companies, and that's starting with Orkla Food CEO, Aku Vikström. So following Aku's presentation, we're going to have a 20-minute break. It's important that you all hold your questions because we're going to have Q&A at the very end. Refreshments will be provided by the portfolio companies in the lobby outside of the auditorium. And then after the break, we're going to start back here at precisely 10:15 with CEO of Orkla Snacks, Ingvill Berg, who will present, followed by Orkla Foods Ingredients CEO, Johan Clarin Klein.

And when the presentations conclude, that's when we'll have a joint Q&A. Everyone will come up here with Nils, Arve, Aku, Ingvill and Johan. So, we're going to be taking questions then first from the audience and then also from the Web. So, feel free to submit any written questions via the Web during the presentations. After that, Nils will wrap up with some concluding remarks.

So with that, let me turn it over to you now, Nils.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

Thank you, Annie, and good morning to all of you. I'd like to open this capital markets update with a simple headline. We did exactly what we said we will do and we intend to continue doing it. When I stood on stage in

London in November 2023 and learned that our target for an annual 12% to 14% policy of return is the ultimate KPI you can hold me accountable for. Now, the actual TSR development since the Capital Markets Day is about 40%. So in that sense, you could argue that we are done.

What is important to me is that this target is based on the underlying value creation in the consolidated portfolio companies. On that score, we have still plenty of work to do and I see a lot of potential. I cannot guarantee the same return going forward, but I can guarantee you that we will stay focused on the drivers that sustain TSR through good quarters and through tougher ones alike.

To reach our TS targets, we achieved such strategic priorities through 2026. First, our primarily – primary focus so far has been on organic value creation while also reducing complexity in existing portfolio. From the beginning of 2025, we communicated that we are intensifying our effort to identify value-adding transaction both to complement our existing portfolio and through new platform investments.

Our core competence is within brands and consumer-oriented business industries. We are looking for opportunities that build on our competence where Orkla's active ownership toolbox can accelerate value creation.

Since joining Orkla as CEO in April 2022, I've been encouraged by the potential for value creation within our [indiscernible] 00:04:25. We have changed the way we work, make sure that we have the right people in right place, built competent boards and change to operate model in several companies. I'm pleased by all the good work executed in the portfolio companies. We are just beginning to see the benefit from increased autonomy and accountability. Aku, Ingvi and Johan will speak to what this means for Orkla Food, Orkla Snack and Orkla Food Ingredients today.

Let me update into the [indiscernible] 00:04:59 12 quarters behind those, and I'm pleased to see continued progress from our companies in reaching our aggregated targets. Underlying EBIT adjusted growth is up from 6.9% in 2023 to 15% on a rolling 12-month basis. EBIT margin has improved from 9% to 10.3% and return on capital employed is up from 9.9% to 11.7%.

I said at the Capital Markets Day that our portfolio 12 companies of varied size added complexity and that we plan to reduce that number to 7 to 9 over the strategy period. We are now at 10 portfolio companies. Even at the 10 portfolio companies today, the difference is clear. We have more scalable active ownership model. We can draw synergies from our business service companies, our center of excellence for a greater share of the portfolio than we could in 2023 and we are able to allocate our resources to more value adding activities.

Since November 2023, we divested two transform or exit companies. In addition, I said that we would explore opportunities for our hydropower business. That process ended with the sale of the entire portfolio earlier this year. Let me emphasize in this process going forward that we won't force a deal unless it is in the best interest of Orkla sales. We will continue to simplify the portfolio on the same terms, value first, time table second.

I presented this framework in November 2023 to categorize our companies in three groups; grow and build; anchor; and transform or exit. We used this in the capital allocation process and to help reduce complexity in the portfolio. As I said then, this is a dynamic framework and the categorization of components may change over time.

Today, I'm pleased to announce that we are reclassifying Orkla Home and Personal Care as an anchor company. The company was carved out as an independent part of our company in 2023 to focus on driving profitable growth

in the Home and Personal Care categories in the Nordics. At the time, the company was underperforming in tough market conditions.

Orkla Home and Personal Care has now completed a successful turnaround, with increased focus on investments into hero brands and organizational adjustments and stronger customer collaboration combined with net revenue management and cost out initiatives. The company has delivered financial results well above the targets communicated at the Capital Markets Day with EBITDA just more than doubled in two years and robust delivery on all KPIs. We are seeing strong long-term position for this company with organic value creation potential combined with robust cash flow generation.

The company has been a successful pilot for the rest of the portfolio implementing modern tools to achieve growth that we are now rolling out into the other portfolio companies. Aku will tell you more about this methodology during his presentation of Orkla Foods. Let me close by saying that I'm proud of all the hard work from the nearly 400 employees in Orkla Home and Personal Care to complete this turnaround.

With that, I will hand over the floor to Arve to elaborate on the progress towards our financial targets.

Arve Regland

Executive Vice President & Chief Financial Officer, Orkla ASA

Thank you, Nils, and good morning. Let me begin by going beyond the usual quarterly lengths to give you a longer term view on our financials. The consolidated portfolio company's revenue and EBIT shows steadily growth over many years. Over the past six years, revenue grew by 10% annually with annual EBIT adjust growth of 8%. EBIT margins have remained within the range of 9% to 12% and are currently on the positive trend in line with our target, as Nils mentioned.

Orkla has demonstrated consistent underlying earnings growth over time with earnings per share compound annual growth of roughly 10% over the period. And as an investment company with both fully and partially owned consolidated companies as well as assorted – associated companies like Jotun, this is an increasingly relevant metric for Orkla.

We see a marked increase in the cash flow from operations from 2023. This is a result of both increased EBIT as well as reductions in net working capital. And as we guided that the Capital Markets Day in 2023, replacement investment as a share of operating revenues also declined from 4% in 2023 to 3% last year. We are now more focused on cash generation across the portfolio. With the change in our operating model, portfolio component management teams are not only responsible for the EBIT but also for the balance sheet and the cash flow.

Our capital allocation priorities remain firm. First to pay stable increasing ordinary dividend. Second, to conduct long-term value accretive investments, both structural and organic. And third, we return excess capital to shareholders. Acquisition spent over the last two years has been at the historic lows. But as Nils mentioned, we are intensifying our evaluation of value-adding structural transactions. And as we indicated at the Q1 presentation, we estimate the leverage ratio as net debt to EBITDA at 1.9 times at the end of the second quarter after closing the hydropower transaction and payment of dividend.

Let me now provide you with an update on the portfolio of companies portfolio companies not presenting today, except for Orkla India. And as stated at the Capital Markets Day in 2023 and the second quarter earnings results last year, we have been evaluating various structural options for Orkla India to unlock value, including accessing the Indian capital markets. For this reason, we are able to comment on any forward-looking information with respect to Orkla India.

Beginning with Jotun, the company continues to outperform relative to its financial targets, with an operating margin of 20% and return on capital employed of 34% in 2024. Note that these are Jotun's long-term targets, which were in place well before Orkla's current strategy period. Our outlook for 2025 remains unchanged. Jotun expects continued sales growth at a higher level than projected market growth. However, operating margins are expected to decline compared to the historic high levels that we've seen in the last two years. On balance, we expect Jotun to deliver 2025 results on par with last year.

Orkla Health holds market leading positions in its home markets with ample room to grow across geographies, channels and within categories. It's fair to say that we underestimated the amount of time it would take for Orkla Health to capture profitable growth from the organizational buildup. The change in CEO was also a complicating factor. Since the beginning of the strategic period, Orkla Health has strengthened its focus on the company's core markets, combined with international expansion of selected combined with international expansion of select brands. We are confident in the company's long-term prospects and Orkla Health's targets remain unchanged.

Turning to the European Pizza Company. While we see a strong positive development in Da Grasso in Poland, consumer sentiment in other core markets is weaker than we anticipated at the outset of the strategy period. We also met setbacks in the German business that required a restructuring and downsizing in 2023 and part of 2024. Going forward, the company continues to focus on the capital-light expansion in existing operations, particularly in Da Grasso in Poland and leveraging scale across markets.

Orkla Health Care continues to track positively against this target for EBIT margin. They remain focused on growing core brands while also reducing complexity across the value chain. The company has established a robust transformation program which has brought the step change in line in the way they monitor and follow-up the execution of its strategy.

Health and Sports Nutrition Group has made good progress on its targets for both revenue and cash generation. Growth stems from active price management, together with volume growth in grocery trade and from the D2C platform. The positive cash conversion is heavily linked to the optimizing inventory levels and improved payment terms while progress on the EBIT margin target has been more challenging due to increased raw material prices for protein powder.

These are the ESG targets that we presented at the Capital Markets Day.

We have reduced greenhouse gas emissions from Scope 1 and 2 by 64.2% and are progressing according to plan to meet the 2030 target of 70% reduction. We revised our Scope 3 greenhouse gas emission reduction targets, and these were approved by the Science Based Targets Initiative. Scope reductions are challenging and depend on significant changes in our value chain. We continue to develop a responsible climate transition program together with our portfolio companies.

Portfolio companies in the food sector continue to develop their positive health impact plans. And at the end of 2024, roughly a quarter of our management teams have the gender balance between 40% and 60%. So we still have some way to go to achieve our diversity targets.

At the 2023 Capital Markets Day, we presented a methodology for reaching a total shareholder return of 12% to 14%. And as Nils said, our TSR target is not based on the share price development, but the implied increase in the underlying net asset value of Orkla. Even though we are more than halfway in terms of net asset value creation that underpinned the TSR target, there remains plenty of additional potential for value creation through

the remainder of the strategy period. With a diverse portfolio, we expect some company may over-deliver and some may under-deliver. In some, however, we are on track to meet our targets.

With that, I'd like to present the CEO of Orkla Foods, Aku Vikström.

Aku Vikström

Chief Executive Officer, Orkla Foods

Thank you, Arve. So, good morning and thank you for joining – joining us today. This is the first time I will be speaking to you as the new CEO for Orkla Foods. So I'm very, very excited to be here today sharing my first insights eight months in the job about this wonderful business and our progress against the targets of 2026, but also sharing some thoughts and new thinking that we are injecting into the business going forward.

But let me start by introducing myself. As you can see, I have worked all my life in foods, all my life with brands and people. So I think I'm a good fit for Orkla Foods CEO. First 17 years of my career I had an opportunity to work for a wonderful family company called Mars, also making food products across the world. And then I joined after Mars for 10 years journey in restaurant business, which is all about food, all about food taste and experiences. And there, I had an opportunity to first work under private equity ownership and then the last 5 years I was leading the largest restaurant group in the Nordics in stock listed company in Helsinki.

So, that if you want to look what are the things that are common, I always work with brands and people and this is the thing what makes Orkla Foods also special.

Just a quick reminder what is Orkla Foods is about, it is the largest, fully-owned portfolio company by our Orkla. We operate in the European food market, which is roughly NOK 608 billion stable business. Our business is mainly in the Nordics and in the Central Europe where the high – we have a higher purchasing power and a strong relation to local brands. And local brands is one of the things that I hope you will remember from today's session, because food is all about local taste. It's all about local – tradition local heritage and that's why local brands play such an important role because these are the brands that are built over decades in 12 repertoire.

Our market consists 14 different countries. We deliver last year above NOK 20 billion revenue, above NOK 2.5 billion EBIT with a nice over 120% cash conversion rate and we employed 5,500 people. So you can say this is a sizable and nice business to have.

What makes this business very special is the collection of our brands. As I said, food taste and eating habits are all very local. So to play in this game, you need a collection of local brands we travelled over the years. And we have a fantastic collection of those brands. I can argue that we have at least one brand in every single household in our markets and that's a pretty nice thing to have to get access to the most sacred places of people's homes and dinner tables. And we have 49 number one brands in our portfolio. This is pretty, pretty interesting. Number 49, number one brands with category leaderships. And 80% of our revenue comes from number one and number two brands. And this is obviously the name of the game in FMCG to be able to win that, you need to have the winning brands.

And our share of – market share is two times competition in our main categories and three times market share of private labels. So very strong platform to build for the future. But that you need to combine, of course, with people and our operating model. And I think when you combine the great brands and the great people, you get the great business. And this is our competitive advantage. When we can combine that regional scale with local empowerment.

The scale benefits we have are typical economies of scale with lower unit cost, procurement, bargaining power through the value chain, but we also have scale benefit vis-à-vis our trading partners. So we are top five supplier in all of the markets we operate. That means that we have access to discuss with our trading partners how we can build categories. We are often the first point of contact when they need help building and growing the categories.

And last but not least, we have access to the best talent and that they can really say with my experience working for Mars, here, we have great talent. And I think the difference versus many multinationals is because here we let people still do their jobs. They are very much accountable and empowered driving their own business, driving their own markets. And this is some engine that we want to build on. Combining this local empowerment, local accountability with the scale benefits, that's a unique model, which I believe it makes Orkla such a special place to work for. And we have scale also to develop the talent. We want to be the market university, if you want, of the Nordics.

If you look at our results, this is – this can be backed up with I just said, a great brands and great people make a great business. We have a consistent delivery on earnings and cash. As mentioned last year, NOK 2.5 billion – above NOK 2.5 billion EBIT. That was a 9% growth on the previous year. So, we can be happy on the financial delivery of our company.

I'm also happy to confirm that we are on track to deliver what was promised Nils said in the morning that he has delivered and we have delivered what we promised. Same goes for Orkla Foods, we are on track to meet the 2026 targets when you look at our financials. We have delivered the reorganizations already – redevelopments in three of our biggest markets. So we are more efficient now in Norway, Sweden and Czechoslovak markets. We have made a step change in procurement, delivered savings of up to NOK 100 million annually from our value chain. And we have focused in our cash management mainly in inventories and payment terms, released about NOK 1 billion capital since Capital Markets Day. So, this is pretty – pretty effective work which I cannot take any credit because this is the team what has been working on since last Capital Market Day.

However, as we know there are things that we need to improve and we want to improve. And this is related, of course, to the way we want to grow this business going forward. If you look at the FMCG industrial over the last couple of years, we all experienced the same cycle. Historically, high inflation on input costs, which has led us pricing towards the market to defend our business model and margins and that consequently leading to volume hit. This is the cycle where we need to break out and this is the cycle where I'm very committed with my team to break out and I'll talk a little bit in the next couple of minutes how we plan to do that. We have all we need to deliver that, but we need to shift a little bit of our thinking and strategy how we go forward towards more balanced growth in future.

The areas where we will focus, I will explain a bit more in detail, but let me first tell you how I came to this conclusion. So when I joined Orkla as an outsider, obviously I wanted to respect and understand the culture and learn, how this business has been so successful. So, I really spent the first six weeks travelling across all our business units, visiting 17 factories, talking to hundreds of people, going to the sales stores with the salespeople and really understand what makes this business special.

And that was interesting. That was very insightful, as I mentioned in the beginning, that we had a lot of strengths to build the brand equity we hold in this company is unique. It's absolutely unique. The scale we can have on our supply chain and in our procurement brings us that advantage. The people we have in this business are very talented and empowered and we have we – have scale also regarding to our trading partners.

But like every business, every company, there are areas we can improve. And there are three things that we are going to inject into new thinking and a new strategy going forward, which will help us to accelerate our growth trend. And those are focus, simplification, and new ways of working.

Let me tell you what I mean with this. I believe the focus in our kind of business, where we have a very fragmented portfolio, a lot of brands, a lot of categories to build is essential to drive growth and all focus starts from portfolio. So, we have conducted quite extensive work on our food portfolio to be clearer on the choices where we are going to invest and where we will not invest going forward.

And out of that work, where to play and how to win, we have defined three different clusters where 60% of our business sits in the growth category. This is typically categories and brands where we hold clear number one or number two positions where we see a positive growth outlook building on consumer trends going forward and where we see a relatively lower private label share in that business.

So, we believe that's the going to be the growth engine with our capabilities going forward. Twenty percent of our business is sitting in what we call defense scale. This is – these are categories and brands where we see growth outlook but a bit more moderate than in our growth categories, but which are important for our business model to defend our cash position and defend our scale. And there are the areas where we need to put attention, but we are not investing above the line advertising, for instance, to the same extent to the growth – growth categories.

And then we have 20%, which is a new thing in Orkla Foods thinking areas where we see that are not future proofs in terms of category growth going forward or where we see that we are not maybe the best owner of that part of the business or competitive going forward. And these are the areas where we will look actively also to divest to make our portfolio more productive.

Having these areas of focus, I believe we can accelerate our decision making, execution, have clearer priorities and then stronger market execution going forward.

Let me elaborate what this growth part 60% of business actually consists. So, breakdown of growth clusters is – as mentioned, these are the platforms or categories where we see driven by consumer trends where we have a futureproof model for growth and where our competitiveness is very strong. First three are common across our region. These are growth platforms where we have scale benefits, frozen meals. That's including pizza, for instance, ready meals and fries, all sitting on a wave of consumer trend growth. So the category is growing and we have capabilities to win in that category.

Sauces, all about enjoyment. Ketchup, mayonnaise, salad dressings, all things that people add to their food repertoire as enjoyment, a growth category. And we are very competitive in this market. And third category, a real profit pool, so about dilutables, fun light drink, which you can enjoy during the break is a nice business where we have strong market position in Norway, Sweden, Finland and we are going to scale it up in our region.

So, these three growth platforms will shave 40% of our business. This will dictate our investments in both money and time. And this is where we will win market share and this is where we will not take any step backs.

In our business, which is also very local, we have still very nice positions local – locally, which are not scalable regionally. And those we call local diamonds. These are, for instance, TORO brand in Norway, [indiscernible] 00:29:15 brand. Fantastic, our biggest brand in Norway. Fantastic brand. One of the strongest brands overall in Norway. This is a typical local diamond where we will invest and where we will grow. This makes 20% of our business, this local diamond.

Altogether, 60% of our business is going to be the growth engine going forward focusing our resources and investments. Good.

Then the second topic is about simplification. What we mean with simplification, complexity is a typical challenge for FMCG. And this is partially self-created problem because there has been inability to grow in FMCG. So, normally companies are very active in building innovation, new product launches year after year range extensions. And then if you take a five-year horizon, you see how many of those new product developments have actually stayed there. It's very, very small percentage.

And this complexity we are also – have been a bit affecting this behavior. We need to step back and take a much more rigid approach to the complexity. We have started the journey already since the last Capital Market Day. We have cut 20% of our SKUs in the portfolio, mainly from the supply end of the business. So this has to be typical the way you approach your portfolio, cutting cost, cutting complexity. What we need to shift now is to look our portfolio from consumer standpoint. So understanding what are the needs, what are the occasions that you need to cover in the market to be competitive? Start from that angle and understand that the real bottleneck for your portfolio is the shelf in store, not necessarily only our supply chain. So moving the attention and perspective on the demand side of the business, we will start looking at our portfolio and simplification as a tool to grow, creating more space for the hero SKUs, higher rotating SKUs and taking away those SKUs that not necessarily rotate. And that's a big change of mind on a company that has been very focused on bringing innovation. It doesn't happen overnight, but we have started this journey to understand that more risk used to not necessarily bring growth, but actually dilute your core, also your time and investments and critical assets in store.

Let me give you a simple example of that what I mean. Here you see a store – one store in Sweden where we had an improvement potential to shift the planogram off the shelf so that we have less SKUs and we have the better selling SKUs in a better place. This is very simple FMCG logic, but when we do these type of things, when we put focus on this, we can deliver much higher set of productivity. This individual store delivered 32% growth. Please do not replicate that, that's a new growth trend for us. But for this individual store, doing this without any capital just making focus on the core business, on the core SKUs, instead of putting our time on innovation. And these are the type of bread and butter for our business going forward. This is the type of things we need to do as a category capital. We have access to trade and these are the things that don't reserve any capital but just your time and right mind.

Third area of focus, on top of focus simplification are the new ways of working. As I said, we are a very decentralized business and that brings you a lot of advantage, but that brings you the common mindset that you are looking for unique things rather than common things. So what we want to do is we want to get system value of our commercial engine much better. Therefore, we have launched new standardized ways of working and growth engine, which is called Growth Wheel. First thing is that we have set a clear growth strategy for the company. When we talk about growth, we do not talk about only price-driven growth or innovation-driven growth, but the balanced growth of real internal growth, which means price, volume and mix.

Brand is an instrument to create value. Yes, pricing will remain as tool, but we cannot depend only on pricing. We need to have better balance on volume and mix growth and introducing the concept of user base penetration measure. These are the type of levers we want to drive this business going forward, organic growth.

And understanding – have a common understanding across the markets, which are the demand drivers that you need to have to drive your penetration up. This is all institutionalized in this growth wheel. So, we start to look at

things like I mentioned about the portfolio, your shelf pricing, your product performance, all those standard items of FMC in a way you could say going back to the basics.

And then thirdly, all – all of this is captured in the standardized tool of growth wheel, which – which puts data and fact driven decisions in the centerpiece of our marketing and demand organization. And it's a great tool because it connects sales and marketing. It's a universal language across the markets which help us to identify the root causes, why growth is not happening, and fix them on a systematic manner on data driven methodology.

And this, I'm really happy because a lot of people, my colleagues who are listening and I can be really proud that the reception of this new philosophy in your stories has been mind boggling. This is really a positive thing, and I think we're doing the same thing across other portfolio companies. But this can really be a game changer when we do that.

Let me give you again a practical example of this very short time, because we've only been here a short time, but Grandiosa, all of you from Norway knows that's an iconic pizza brand. Norwegians eat more pizza than anybody in Europe. This is our number three brand in Norway, iconic brand, where we have struggled with growth, struggled with bake sales, and we have been compensating that in a typical manner of bringing new products into markets, new flavors, and promoting.

Going back to the root causes of this problem through this tool that we have identified actually, that the root cause is in this brand and in this given SKU is actually twofold. One, the product doesn't deliver against the same qualities of taste as main competition. So when you ask from a systematic way from consumers, our product doesn't deliver at the same level of consumers. So, it doesn't matter how much you put advertising money if your product doesn't deliver. We have to fix that. That's the basics.

The second thing is when we have been advertising, we have not done that at the minimal level, which is adequate for building a brand and bulk the brand memory structures. So this type of analysis, diagnostics, this tool will help to have the right conversations in a fact-driven, data-driven manner. And then putting the focus on fixing the root causes. So, putting the R&D effort instead of bringing new products in the markets, putting the focus in renovating your core in the core business where the – where the beef is.

And they have done that in Norway in fantastic way, not managed top down but giving tools, framework to look at the business through the same lenses. And as you can see, the early results on this given euro items is 29%-year-to date sales up.

These are the type of things we want to inject into the business, so improved focus, simplifying and understanding simplification as a way to grow the business, not to take cost and capital only out, but also to grow the business, and then common ways of working. And by that standardized ways of working, we have a freedom within the framework where we can build on this accountability and empowerment of our local organizations with this aligned commercial engine.

Good. That was just a taster. We have an opportunity to meet later and if there's any questions on this, I'm quite excited to share those later on. But hopefully you got a little bit of idea what are the three main things, new things that we inject into our thinking and strategy going forward.

The good news is that we are on track on all 2026 targets in EBIT and cash and we need to accelerate the growth. And we are committed to do that. It will take a bit time because the things what we are fixing and what we

are improving are the ones that we want to put fundamentally in place to deliver sustainable organic growth. But we are on a good track to deliver that. I am very committed that we will do that.

And on the – on the way to deliver the 2026 targets with this more balanced growth, which we will achieve through focus, simplification and common ways of working, we will shift our resources where we can win. We can see our core part of the business will be bigger already in 2026 but even going forward, the ambition level to grow our core business is – we are raising the ambition level and as we are also letting some parts go of our business, areas to divest, we are going to actively look new categories where we can build scale and build value to do acquisitions to complement our core business. So we will have even stronger and a more futureproof portfolio going forward.

It will not be a walk in the park because some of the things like when you talk about product delivery or packaging or simplification, it will take time. But when we will get there, it is a sustainable model that will bring us organic growth going forward. And I am very committed with my team to deliver the ambitions of 2026, but also raising the ambitions going 2030, and really happy to be here today talking to you. Thank you.

Unverified Participant

[indiscernible] 00:38:58 being the number one snacking choice, winning with both our very strong local brands and also our passionate, engaged people. And then we'll never click here, it doesn't work. Then it works. Okay, so first a company overview.

So, Orkla Snacks has revenues of around NOK 10 billion.

We are paying into three snacking categories; biscuit, confectionery and snacks. And we are operating in seven markets in the Nordic Baltics. We have around 3,000 employees and 13 factories.

The snacking categories, it's really a very attractive place to be. These categories, they are large. They have really good growth rates over time. The margins are good, both the retailers and even the manufacturers. And I think maybe most importantly, it's quite low – relatively low private label share in the snacking categories.

And to the right here or actually to the left, you can see our position in Orkla Snacks and we really have some truly market-leading positions, being number one or number two in most of the markets and categories. So, this is really the fundament for our company.

If you take a look at the financial development of 2024, we did have a very strong year. We had an EBIT growth of around 25%, growing our EBIT from around NOK 1 billion up to NOK 1.3 billion. If you look to the left, you can see the four targets that we communicated in the previous Capital Markets Day. And we have a good progress across all of these targets. Arve talks about the EBIT. We are growing EBIT margin up to 13.1%. We had a good volume mix growth last year, about 2 percentage points. And cash conversion, strong, 112% and a good also development in return on capital employed up to 11.7%. So a very strong year.

Looking into the 2025 financials, the high cocoa prices we see in the markets will impact our chocolate category. We have seen very high volatility within the cocoa market over the last year, one-and-a-half years.

And we see cocoa prices more than tripling compared to a more normalized level in 2023. We have a very strong mitigation program in place. We are working with pricing. We are also working with price pack optimizations to

make sure that we hit the right consumer price points and we are working with an aggressive end-to-end cost program across the whole value chain to compensate for some of the impact from cocoa.

I'm very proud of our organization working very hard with these mitigating actions. And with these actions, I'm also confident that we can compensate for much of the negative impact we see from the cocoa development. However, the outlook for 2025 still remains uncertain. And the key here is what will happen with the market volume. So we see naturally lower market volumes now following higher pricing and we don't know how this would develop over the next few weeks and months.

When we look more over time, we do believe that there will be a better balance between supply and demand in the cocoa market and with that also lower cocoa pricing. So with that we will recover both our margins and our volumes. So we do remain committed to the targets we have communicated for 2026. And then, of course, there will be pending that we have a more normalized levels of cocoa.

Good. So then let me talk more about our strategy and our strategic priorities. And when I presented in the Capital Markets Day in London 1.5 years ago, I talked about these three key priorities for Orkla Snacks. The first one was about winning with heroes. So that is about growing volumes, growing market share and really being prioritized, have strong portfolio management, which hero brands support and really step change investment behind these brands. So that's number one.

The second part is to have a more aggressive end to end cost out programs, cost agenda to really fuel the investment we need both in our brands and also in capabilities. And the third priority is about capability and neighbors and really step changing our ability to win in the market and drive operational efficiency.

I will now go into each of these three, but before doing that, I would like to state that we really see a lot of focus on these three across our company and also very good progress on all of these. First of all, I would like to speak to you a bit more about the commercial priorities we're doing.

So, we have some very strong category strategies in place with clear commercial priorities for each of the three categories. If we start with snacks here, we have strong number one brands. We have OLW in Sweden, KiMs in Denmark, Ādažu in Latvija. We have Kim's – sorry, Taffel in Finland. So really strong brand positions.

And the focus here is on the biggest snack segments, potato chips, cheese. And we are really driving and focusing on driving volume, market share, through strong consumer activations, through innovations, and also we focus on product quality. We have also a specific focus in snacks on price pack architecture and performance to really make sure that we tap into all the different consumer petitions we see in the market.

If we turn over to confectionary. Here, we have both some very interesting, exciting brands. We have BUBS, we have Smash! where we see that there is both potential to grow in the whole market in Sweden and Norway, but we even see potential across all of our seven markets and even outside those. So that's the first priority here.

It's about driving these what we call pan-regional brands across our markets. And then, we are also very proud owners of number one legacy chocolate brands. We have Kalev in Estonia, Laima, Női Sirius. We have Nidar here in Norway, number two player. And we also focus here on driving these strong brand platforms, stepping up communication, activation of these brands. And then, of course, short term, a lot of work ongoing also to mitigate that cocoa situation within chocolates.

And then biscuit, also very interesting category. And here we work a bit both on one side, expanding more into indulgence and delivering on that. But on this other side, also working on tapping into everyday consumption by focusing on the snacking segments.

When we met last time, I talked about the challenges we've had in the biscuit factory, and I must say that that's going very well. We are fully ramped up. It's working very well. We've been able to now deliver a full service level. And we now have very strong both capabilities and also capacity. So this is a fantastic opportunity for growth within biscuits. So, a key focus for us now is across our markets to work with strong growth platforms and coming from our new factory. And we have also here strong number one brands across our markets. I'm sure you recognized many of them with Ballerina, Göteborgs Kex, Saetra and so on.

I want to share one success story for – from the last years, and that is Smash!. Last year we had an impressive growth of Smash! of 30% in the home market in Norway, and that growth came both from going working with a new communication. We launched a new communication platform, but we also here worked more with format innovations and launched the [ph] XSL bag 00:46:59, which has been very successful. 30% growth in home market is strong, but we even had close to 100% growth outside Norway. So this is mainly in Sweden and Finland where we launched the tablet into these markets and with that also activating the Smash! bag. So together, this gave a very, very good growth for Smash! And with all this good growth, we have capacity limitations. So now we are in the process of building a new Smash! line in our need. We are in the process of building a new smash line in our Nidar factory in Trondheim and that will double the capacity for Smash! going forward. So a great foundation for growth.

Another brand that has had a very impressive growth over the last year is BUBS. We've seen close to doubling of volumes over the last few years. We've seen a lot of potential in our home markets. It's mainly main markets now is Sweden and Norway, but we see a lot of interest for BUBS also outside in our other Nordic markets and we even see a global demand here. It's been a lot of traction on BUBS and this whole Swedish candy concept on social media, TikTok with influencers. So this is really a diamond in our portfolio.

The only limitation we have now is capacity. We could have sold so much more if we had more capacity. So that's why I'm very happy now that we are in the process of building an entire new BUBS line in our factory in Jönköping, and that will double capacity for BUS.

And I'm also really, really excited about the launch we are now doing in the US market that was announced a few weeks ago. So, we have entered into a strategic partnership with a local US-based partner, Mount Franklin Foods, which will support us with sales, distribution and production. And together with them, we will launch now somewhat later this fall. Of course, very early days, but we have had the first customer dialogues and it's very promising. So let's see what this can be. But I think this is really exciting.

Another success story talking about winning with heroes. That is about our snacks category and our KiMs brand in Denmark. KiMs is a really strong brand. I think it's for the last three or four years, we've been named the number one strongest brand in Denmark.

With this brand, I think the team in Denmark have done a very good job in activating with having very strong promotions, launching new communication platforms, and also working very well with in-store activation of KiMs. We have a very strong field salesforce ranked recently, number one, and this has given a very good growth in both volume and market share over the last years.

Last year, a 9% volume growth, which is very impressive. So with that, I would like to turn into our second priority, and that is about costs, because we need fuel to invest behind our brands and drive margin and invest in capabilities. And I must say, I'm very happy with the strong cost program we have in place.

The first program is about input cost reduction. The largest part of our cost base, that is raw material input factors. So, now we are working with a strong procurement program to reduce our costs. And a key here is harmonizing. So, it's about harmonizing ingredient specifications, raw materials across our markets to get more volume into fewer specifications and in that way, get costs down.

Another important priority when we are talking about cost that is production efficiencies. And a key here is what also Aku talked about reducing complexity. So last year, we reduced our portfolio with 17% and we will continue to have a focus to decomplexify. And we are also focusing on having the best possible efficiencies on our lines.

So, it's about having larger volumes on fewer SKUs and really maximize efficiency. On both these first areas, we target to have above 100 million annually in cost savings. Another focus area within the cost area cost side is fixed cost. And here we focus on optimizing our organization and indirect cost through driving system value and.

above SEK 100 million annually in cost savings. Another focus area within the cost area – cost side is fixed cost. And here, we focus on optimizing our organization and indirect cost through driving system value and scale. And the target we've set here is to reduce our fixed cost as a percentage of sales by 0.5 annually.

And then the last part is about capital efficiency. And it's been mentioned earlier today as well, that we have a high focus on reducing the maintenance CapEx and replacement CapEx. And the key here is to utilize the network of factories. We have 13 factories and we have somewhere lack of capacity other places, and more capacity. So we aim to reduce and/or optimize the use of this capacity and reduce replication of technology. So specializing more each of the factories.

Last priority is about capability. And we are also taking very important steps now to strengthen our ability to win in the market. And we're working across several levers here, I want to talk about three of them today. First one is about implementing a new joint commercial model for growth. And this is the same growth, the wheel of growth model that Aku talked about earlier. We're implementing the same model also into Orkla Snacks. And for me, this is a very – most of that is a structured way to drive penetration across our markets. It is about driving mental availability, physical availability and making sure that we optimize our product offerings.

Another important initiative we're driving right now is implementing a common cross market sales and operational planning process or S&OP, as we call it. This is really important because most of all, we always need This is really important because most of all, we always need to have 100% or not 100%, but the right service level, probably in 98%, 97%. So at all times, to have the right service level, that's important for our customers and our consumers. But it's also important to have a strong S&OP process to optimize costs. And this is about both optimizing the inventory levels and also optimizing the line efficiencies that we talked about earlier. So this is a key going forward.

We recently also launched a new supply chain strategy focusing both on operational efficiency and also product quality. And a key focus in that strategy, that's about performance discipline in our factories and the day-to-day governance. And we're taking very important, good steps there. But it's also about digitalization. And we see large opportunities to run our lines and our factories more efficient by using new technology. And we're now doing a lot of projects across our factories, piloting new technology and seeing how we can digitalize more our operations. So, these are some examples for all the good work ongoing now talking about capabilities.

And for the last part now of my presentation, I would like to talk about our operating model and maybe that seems a bit boring, but it is actually very important for how we run our business. We've had a model previously where we had different business units operating quite independently and being only loosely connected. And we have now built a new model where we still remain close to local consumers and local customers, but we also have organized for scale, collaboration and system value. So we take the local consumer market insights we have. We scale solutions where it makes sense and with that support the local teams in the markets to win in the markets and execute with excellence. The fundament for what we're talking about here is what is setting the bottom. We want to remain local where it matters, but also drive system value where it makes a difference. And this model was fully operational now from 1st of January.

The foundation for our new operating model is what we call the Orkla Snacks value creation diamond. And a key principle now in how we drive our business is to also focus more into the category dimension, not only working the market dimension, but also the more the category dimension. So, that's why we have built strong category organized teams focusing on snacks, biscuit, confectionery, supporting our local markets.

We have centralized now fully the R&D and sustainability function. This function will have responsibility for owning the whole product portfolio and driving innovations, renovations, optimizing product quality. But this department will also be essential for the cost that I mentioned earlier. I talked about harmonization of specifications, ingredients and so on. And then, we need one joint department to do that across markets.

Another thing that is new is that we've established a new central commercial department that we haven't had previously. So, this commercial department is responsible for developing and outlining our commercial priorities and strong category strategies for each of the three categories, of course, various in connection and together with the local business units.

This central commercial function is also responsible for owning and sharing best practice, the growth model, growth we talked about, net revenue management and together with also the Orkla Centers of Excellence implementing that out into the markets.

And then we have also a fully centralized supply chain team now. We have a fully centralized procurement department working closely together with R&D. And this is key for our cost takeout. We have also the planning and logistic department running us on the whole S&OP consolidation initiative I talked about earlier and we have now category organized our supply chain. So that means that instead of each factory being owned by the local markets, we have one supply chain director for all the confectionary factories, one for all the snacks factories and one for biscuits. So I think the totality of this and the central functions here in the diamonds would really support where the value is created in the end, which is out in the market where we meet consumers and customers.

So I'm very confident about these new ways of working and that will really accelerate our strategy. And I think key to be able to do this change because this is really a huge transformational change for us Orkla Snacks. And this has been possible because now we are a much more independent, autonomous portfolio company. We have been able to do what is right for Orkla Snacks, and we have also received very, very strong support from our board in this transition. One of the changes in the new Orkla setup is also that we have our own boards and those both with internal board members, but even with board members from different external – coming in with external backgrounds, bringing also in external perspective experience from working in different operating models in regional global players. So that's really been useful for us in this change.

Are you getting impatient now, Johan? So I think this has really been key – key for us. So as I said, I do believe that these new ways of working our new operating model will accelerate our strategy implementation. I believe it will accelerate top line. I've already talked about the joint category strategies we have developed and it is all about setting direction. That's what it starts for the whole company.

Like example, knowing now that Smash! those will be priorities across our companies so that we can come together, consolidate volumes. And that also makes us able to build good business case for the big investments we are now doing in new technology and capacity for those fronts. And it is a lot also about using now we are implementing marketing mix modelling to make sure that we optimize the ROI of the investments we do in our brands. So, it's both about increasing the investment in our brands, but it is also about making sure that we have the best ROI of those investments.

I think I already mentioned several examples of how this will support us in driving costs out and the cost program I presented earlier. And a key here is harmonization, and that takes someone to own the recipes and the specifications to make sure that we can use more of the same. I just heard some examples last week from the Snacks team working together. Coming into this year, it was planned to launch because we do launch this every year. I think it was planned for 17 new flavors into our business. That's a lot of complexity. And by joining forces, working together, utilizing the flavor bank that we have now created, we're now down to four new flavors. So, that's a huge improvement.

And then, also just in the other example, I heard Sour Cream and Onion, one of our important favorites in snacks. We're now going down from seven to two flavors. So, it's back to demonstrating how we can reduce complexity.

Another important part is how we utilize our capacity or production network of 13 factories, making sure that we utilize the capacity we have,

that we do not replicate all the technology into it and drive too much – too much complexity.

And also back to the CapEx part and make sure that we – enables us to – to reduce maintenance CapEx and utilizing our joint production network. It is easier when you have a joint supply chain organization and you have one supply chain director for all the factories within a category.

Now, I'm probably getting into details, but think this is so fun to talk about. The last part is about strengthening capabilities. I think also implementing capabilities across markets. You need someone that is the expert, someone that owns it and runs out the implementation. I think we have that with the commercial new department, with a central R&D, central planning and logistics, and so on. So that will really help to build those common best practices and frameworks and roll it out.

And I think also another thing I would like to mention, talking about capabilities, it is also the – the leadership changes we have made throughout this process. We have a very strong foundation to build from. As – as you talked about also, Aku, we have a great set of people and we have great leaders. But it's been really good for us to combine that leadership with also bringing in some new leaders in some of the key roles, bringing into us external perspective and experience from global regional players in the outside world.

So I think together, this is really now giving a very strong leadership of our companies – or company. So, to sum it up, I am very happy with the progress we are making on our strategic priorities. In Orkla Snacks, we have very strong local brands and we even have some brands with global potential.

We have seen here at BUBS in New York. This is AI, but it looks good, I have to say. We have something that is difficult to buy for money, and that is our people. We have very passionate, engaged people. We have a very strong company culture. We have a clear strategic direction. And we have now operating model that is fit for purpose for our strategy.

So summing up, I believe Orkla Snacks is really a company that is set up for future success. Thank you. Now, finally, it's up to you, Johan.

Johan Anders Björn Clarin

CEO-Orkla Food Ingredients & Executive VP, Orkla ASA

Thank you, Ingvill. That was a great and inspiring presentation. So I am proud and super excited to share an update on the journey that we are on in terms of building a leading European and US food ingredients company. And this journey is powered by four Cs. Number one, consistency in strategy execution; number two, that is continuous improvements; three, customer focus; and four, culture. And I will, during the coming 20 minutes, share how these driving forces come into play on the journey that we are on.

But first, we are in Orkla Food Ingredients very fortunate to operate in large and growing markets. And mind you that definition of the market here is actually the smallest definition because as we move into new geographies and new categories, the market size will grow exponentially. But it's actually not only the size that makes this an attractive market, it is also characterized by high purchase frequency. It's the resilient nature of ingredients. And there is also a lot of underlying fundamental consumer trends in terms of quality, quality, premiumization, even customization, convenience, health, nutrition that is pouring value into this domain, which is, of course, a great thing. And then, you have heard Aku and Ingvil talk about the local preferences, the taste is local, and that is also true for us in Orkla Food Ingredients and I will come back to that in just a little while.

And in order for us to go after all of the opportunities in an efficient and effective way, we have organized ourselves into three different business clusters; around bakery, sweet and plant-based. And at the core of our thinking that is that, we deliver solutions that enables our customers to win, enables our customers to win. And you see on this slide some of the beautiful and tasteful products that we either produce or enable. And I'm fairly certain that most of you have had one of these similar products in your hand during the last 24 hours or you will so in the coming 24. And that goes to show the frequency.

And as it seems, also penetration is high, but there is more to go for and it's also pouring in more value and it tastes great. So what's not to like. This is just a fantastic space to be in. But I thought, we would double click a bit on our role in this great value chain. So from left to right, you have commodity suppliers, that would typically be wheat, grains, sugar, vegetable oils, nut seeds, what have you. And then, you move into the formulation and production part and you move over to the sales and distribution. You have the customers and you have the consumers. But once again, it's very dangerous to lock in consumers in the chevron. It makes a good use on a PowerPoint slide, but it's very dangerous to lock consumers in one chevron, because the taste preferences are so much different across regions, across countries, and even in your families.

So moving into the customer segment. So, we are fortunate to have over 25,000 customers in Orkla Food Ingredients. And if you look at our sales, ballpark two-thirds of that sales would be in the industrial and artisan segment. And when you think of it, an artisan bakery and an industrial player, they have completely different needs, right? Think of an artisan baker who has a small shop and needs basically a 20, 30 SKUs on one pallet. And it's only one pallet because they cannot fit into anything more. Then you think of an industrial player, they want one SKU on 20, 30, 40 pallets. This is, of course, a huge difference, but we have the unique flexibility in our operations to serve both of these requirements. And we have a strategy to have a full assortment working closely

with our customers and close to the customer needs. And then we combine it with deep product knowledge and scale in manufacturing. And we are rather unique in having this approach of combining production and sales and distribution. And it really, really sets us apart.

And then someone might think, you know, how is this working out for you? Well, I'm happy you asked the question because it's going well. We showed this graph on the last Capital Markets Day in London 2023. And I'm happy to report when you look at the numbers to the right, all of them are significantly improved. And the driving forces behind this journey is the consistency in strategy execution. It's the continuous improvements, it's customer focused, and it's the culture. But there is actually one more big thing, and that is people. You know, we simply have the best people and the best leaders in the industry. And this journey is a token of their abilities, their efforts and commitment to grow all the food ingredients each and every day. And I'm profoundly thankful for all of these great activities and efforts.

So now, we will pivot back into what we said in London and I will share a progress report and also give some indication of what we will do going forward. And we introduce this model, our value creation model, our operating model, our multi local model from which we derive our competitive edge. And it starts with winning locally. You heard Aku talk about it, and you heard Ingvill talk about it. Winning locally is also key for us. And here, we operate, we have strong positions close to customers.

But then, we move up. I mean, we want, of course, to leverage our scale and we want to play as a team. And here, of course, we take out synergies from collaboration and establishing common capabilities and systems. And then, we want to go for more. We want to expand both organically and structurally. And I will take you through these elements of our structure right now.

So, starting with winning locally. So, Orkla Food Ingredients was founded in 1999 from a Scandinavian base.

And we have since then grown into 22 European countries. And then we added Denali in Us and the fantastic team over there in 2022.

But the basic plot and the basic thinking is still the same. We operate local companies being very close to customer demands and customer needs. And then we take that model that we have, of course, refined over the years, but then we replicate it and adopt it to the local markets. And this has been extremely successful. And of course, that model also gives us great insights into how those local markets operate, how they work, what are the in-works. And of course, with this, we can drive organic growth and also leverage our scale.

And we don't talk in Orkla Food Ingredients anymore about one single home market because all our markets that we operate in our home markets. But just to double click and explain this a bit further, we have for the last couple of years been focusing on Eastern to Central Europe. You can almost see a line from Estonia to Greece here. The first question is, of course, why? Well, of course, the population size is much bigger in this region than we compared with the Nordics and also the growth numbers are higher.

So taking our model and adopting it, implementing across this region has shown that we have a very solid track record. And just the numbers you can see here from the last three years I think speaks for themselves of what the teams in this part of Europe have been able to do. The beautiful thing is that, you know, it's still fragmented. There's still so many opportunities that we have, both where we are today, but also in neighboring

regions and countries. So that's just phenomenal. So that's our base. But we also talked about in London, our ambition to grow operating profits ahead of revenues. And we outlined four different areas in terms of cost

reduction projects around conversion, distribution and SG&A. We also talked about the need to optimize our footprint and also to leverage our spend base further.

Last but not least, we also mentioned the fact that we're rolling out a common ERP solution, and I will come back with examples on the first three ones, but just on the last one. I don't want to jinx it, but this might be one of the absolutely best ERP programs out there. We are typically now installing this into four or five companies per year and we're just above one-third of sales. And this is going extremely well and we have a very powerful and knowledgeable team driving that initiative.

But to the cost reduction projects, you know, to be very honest, this is very close to my heart. It's close to the Orkla heart. It's close to the Orkla Food Ingredients heart. This has been a focus for many years. But I would say that basically post-pandemic, we have elevated our game. We have set a better governance, better analysis, better tracking and performance follow up. And this is core, we need to continuously improve. We need to have the Kaizen mentality. And we have also a fully-fledged operational excellence team consisting of 14 highly capable and talented smart people. And they work with our local companies and across our local companies to see how we can improve

and we can have a clear focus on the activities that we're doing, of course, finding new ways and improving old ways and so forth.

But we also see in terms of SG&A that with not at least a common ERP solution, we can leverage our scale better. Firstly, within countries but also across regions. And a common ERP solution is of course vital to that. And then on this picture, we talk about dedicated initiatives and someone might think, what is that? Well, that is the case when we have companies that have not performing to the standard that we have set to our expectations.

And then we have a sit down with the management. Of course, they are aware of this and they are super committed to turn this around. And then we deploy resources, governance, and follow-up to secure that we can lift the performance. And coming out of the pandemic and mind you, the pandemic was especially tough for us. We lost a third of our sales in April 2020, but we have since then we started with 10 dedicated initiatives and now we are down to 3. And we will continue to close this – these as we move forward.

I should also mention our suite cost improvement program. Arve and Nils has spoken about that earlier in the earnings reports and that is going really well. We are now at the level where all activities are implemented and we are tracking according to plan.

Optimizing footprint. You know, when you acquire companies, you, of course, need to look into your footprint. I mean, how can we make sure that we simplify and reduce unnecessary complexity. This has been for many years a focus area. But also here I would say that we are elevating our game. We're levelling up our focus area, and we see that with the consolidation currently ongoing. But it's also more to do. And we see that we can lift this even higher as we move forward. But we're not only consolidating, we're also investing, making sure that we can drive the growth that we see is out there. And then, we're also doing a mindful insourcing of products. Of course, we want to lift our factory utilization and secure a margin uplift.

It's hard to talk about improvements without mentioning procurement, Ingwill mentioned this as well. This is actually key for us. Two-thirds of Orkla Food Ingredients is procurement, naturally a big focus area for us during many years. But also here we have geared up. I would say the big difference in 2024 was that we established a procurement excellent program. So, we consolidated four people into one team that works together with the local

procurement teams and Orkla Group procurement to secure that we not only leverage our spend, but we secure that we'll get the deliveries and we secure that we have a better capital position in terms of payables.

And this has worked really well. This trinity of a central team, the local teams and Orkla Group procurement is very, very powerful. You can see in 2024 it's an improvement. But we also see that with this set up we can take this to the next level in terms of gross cost improvements. So, we're very happy for that.

And then, of course, we want to go for more because there are a lot of opportunities out there. It should be mentioned that we are currently reinvesting our cash flow to secure that, recapture that future growth and capture those future opportunities.

So, we are investing in expansion CapEx and M&A. And on the expansion CapEx side, of course, we want to increase our capacities, enhance our capabilities. And we have actually both relatively and nominally increased expansion CapEx quite significantly during the last couple of years.

And on M&A, we, of course, want to explore opportunities to strengthen our competitive edge in the markets and regions that we operate in. And also here, we have acquired five companies since the start of 2024. But I thought we could double-click a bit on M&A. So, since the start of Orkla Food Ingredients, we have acquired a lot of companies. And with over 25 years of experience, we have what it takes to be successful in this domain.

I would mention one area that was a concern for us, and that was the integration of these new companies, that we have addressed during the last couple of years, and we feel very confident that we now have a solid playbook and approach to integrate these companies. And we have built a solid platform. Of course, also supported by a common ERP solution, but we are really, you know, well-positioned to continue the consolidation journey in a still fragmented industry.

And we also have two owners with broad industry networks and tons of experience to support us. But before talking more about the owners, I just want to mention one thing around culture. You saw the very nice animation that came in. I promise you I didn't do it, but it actually showed many of the companies that we have acquired. And one fantastic thing

also in relation to M&A is that many of the people who founded those companies who were driving and leading those companies, they are still part of Orkla Food ingredients today. And, you know, these people are typically no nonsense, very entrepreneurial in the spirit but they know who they are. But that actually have a very profound impact on the culture and the spirit and the driving force, both to drive growth and in terms of entrepreneurial, seeking and exploring new opportunities.

But back to the owners, we are one year into the partnership with Rhône and when we started this process we looked for three things. Capital, of course, but also capabilities and experience within integration, within industry, within finance, et cetera. And, of course, we also looked for the network based on in particular in US. And I have to say that Rhône is ticking off all of these boxes in a great way. And we've also been joined by three members in the board who actually contribute a lot into our conversations. But I would almost also claim that it is a new thing here as well, and that is Orkla. Because we have greatly benefited from the journey that Nils has taken Orkla on in terms of creating more autonomous portfolio companies. That gives us, of course, a bit more room to maneuver, but also more stringent governance and more focused governance. And that has, of course, helped our journey.

And then last but not least, we have owners that are ready to deploy more capital right, Nils? Yeah. They're nodding for you who don't see them. It's great that we have this on camera as well.

We'll come back soon on that.

So, how have they been performing? You know, we outlined three areas in – at the last Capital Markets Day around revenues, around EBIT adjust and ROCE and we are on track. We are confident that we will deliver on these targets. I think looking at this picture, some might call out revenues and that is correct. We're a bit behind on revenues.

But then you have to remember that during three quarters last year, raw material markets was actually going down and we adjusted our prices down during that period, which of course led to negative pricing. That turned in Q4. And we see now also the same situation as I'm sure you're aware of in Q1 and over time we will get closer to that target.

So thank you very much for listening to our journey in terms of building a leading European and US food ingredients company, a journey that is now, by now you know this powered by, I don't want to test you, but it's consistency and strategy execution. It's continuous improvement. It's customer focus and it's culture. And not to forget the best people out there.

Thank you very much. Now, I believe it will be Q&A.

QUESTION AND ANSWER SECTION

Annie Bersagel

Senior Vice President-Investor Relations & Communication, Orkla ASA

A

Correct. So I invite all of you to come up to the stage here. All right. So we're going to start, just to remind you with questions from the audience here before we turn over to questions from the Web. So there's still time to submit questions – questions on the Web. So please just raise your hand and we should have a couple of microphones out here. I see there's one taker already. And I think the first question is over here. Håkon, if you can just raise your hand and please, please introduce yourself first before you state your question.

Håkon Nelson

Q

Hello. Håkon Nelson from Kepler. Thank you for taking my question. This is for Orkla Foods. I have a question regarding your thoughts around the private label shares in Norway. Because we have seen in the last 10 years that this has increased a lot, but we still see that the share of private labels in the grocery stores are way below the rest of Europe. So, I just wonder how – which implies that this probably won't stop for next year? So, I just wonder if you could elaborate a little bit around your thoughts around this and how you – how you think about that?

A

Yes. So, I think I'll take that one. In the portfolio strategy, when – when we went through that. One of the primary reasons to look is those categories where we are competitive, where we can win. So, that's where we will drive

further growth, where the share of private labels is – is not strong. And I think going forward, the key tool to assess that is that we cannot be dependent on price-driven growth alone. People are more focused on value for money, and that means that we need to drive our brand equity and drive penetration of our user base without pricing too far away from the private label. So, that's something that coming into the picture and that's the reason why we need to look for a more balanced growth also coming from volume.

Håkon Nelson

Q

Thank you so much.

A

There's a question down here.

Ole Martin Westgaard

Q

Ole Martin Westgaard, DNB Carnegie. Starting with food. So, I guess this goes for you, Aku. You are below on organic growth, but you believe you're on track to reach your EBIT margin targets as I understand it. your EBIT margin targets to understand it. But if you look at EBIT margin improvement so far, it has predominantly been driven by higher contribution margins. And how should we think about that going forward given that if you're not slashing SKUs, it looks like most likely organic growth will come down and most likely OpEx to sales probably could come up and wouldn't that make it challenging to deliver on that target?

A

I think you're right that we have been mainly driven – our growth has been mainly driven by net contribution from pricing. So both pricing up and taking cost out of the value chain. Now, we need to get all those three guns working at the same time, price, volume and mix. So that – that will be the answer to your question.

What comes to the simplification of the range? I think that's a little bit of [ph] misconception 01:27:23 that taking out SKUs will actually reduce your growth. Yes, on short run, like-for-like basis, it could do that. But in the long run, what it will create, it will create more space in the shelf for your better rotating items. So, what we are cutting is not something that is selling well, but something that is actually rotating quite slow and then creating more space to actually grow your hero SKUs. So long run, that will be a catalyst for growth, not actually slowing down your growth.

Q

And just to follow up on those 20% SKUs that you are planning to reduce, is this Day 1 for that 20% reduction or is that an initiative that actually started back in – at the London Capital Markets Day or where are we in that process?

A

Yeah, that's – that 20%, which I was referring to, that's the starting point from the previous Capital Markets Day, which we have cut from the portfolio. And if you take a like-for-like look on that part of those SKUs, that has accounted to a negative 0.8% in the short term. But in the long term, that will be compensated by hero SKUs having better space and selling more. So, that's – that's the whole thinking, simplified the growth, not only taking costs out that's the whole thinking, simplify to growth, not only taking cost out of the system and we will prove that, that system will work.

Q

Then, I take one question for Ingwill, if that's okay? Can you give us some insights on what you've actually seen in the demand response from higher prices in the trading off of cookie prices or chocolate, I should say? And how do you see that demand response or what your sort of – what's the price elasticity?

A

Yeah. No. We definitely, see a reaction among consumers on the higher prices. And it is, we see some variations from markets to markets. So it is also closely connected to the purchasing power. So we see that market decline has been higher in the Baltics than we see in the Scandinavian markets. We see also that this a, looking at the last year and also over the last months, it is escalating as prices are now taking – are going up higher prices as cocoa prices are coming into the market.

I would say maybe a general average we see is around 10% market decline. But there are variations also in between the different markets and it is increasing a bit more over the last months, but let's see where this ends. I think this also maybe initial reactions to new price points and then you get more used to them and it gets more promotions into the markets. So and I think back to your price elasticity question, I think that varies a lot. We are measuring it and we see differences. So it is definitely higher in Baltics again, than Scandinavian markets.

Marcela Klang

Q

Marcela Klang, Handelsbanken. You mentioned increased M&A ambitions going ahead. Could you describe what you are looking for? What categories, what preferred sizes of target you are looking for?

A

We are saying that – we are saying that we are stepping up activity to look for more M&A. We have been quite slow or done very little M&A over the last few years. I think for our clients about we haven't created that much value in the core of our business. So, we have been slowing down that activity, especially for those companies where we have not created value.

I think we have stepped up now. So, we are increasing activity. We don't guide on anything when it comes to future M&A, but we will look for M&A opportunities that will contribute to the value creation and where we can be the best owner and also extract synergies. And as I said, that where we actually can use our active ownership toolbox to create value.

A

Then a question regarding the success of Smash! Can you describe a little bit more how you identified the potential for this for this exact product category?

A

Yeah. That's a good question. Smash! Is originally a Norwegian product invented in the Nidar factory where we had one of our R&D people try and taste it must be good with salty and sweet together. And then they found the Smash! Product. It was really successful growing and building up over time.

Ten first years is not that big. And then now for the last I think 10 years being the biggest chocolate bag in Norway. So having this success in Norway, we realized that this combination of salt and sweet that's quite, you know, international or is not only a Norwegian thing. We see difference – differences in how local tastes across our segments and categories.

And when it comes to chocolate and pure chocolate, that's often more national. However, Smash!, that's the chocolate covered, but it is also the snacks with inside. So we realized that this is a product that is easier to drive across markets. So we said, let's try it – let's try in Sweden first. So we did a launch there a few years ago and we got a very good traction. So I think I would say it's more of organically building up now market by market and seeing that we have some – something really interesting here and then adding now into the neighbor markets and then it remains to see how big it can be.

But we have a very funny story about of this, when our customers that – the retailer Heinemann which do all the airports. They have also been very successful in selling Smash! and also saying that this -one of the most popular SKUs in their store – their employees store in Germany in Hamburg. So that was I think you say something about that German is also really into that and we see it when we take it out to trade fairs. And the consumers also outside the Scandi countries are really interested in Smash!. So let's see now how big it can be.

A

Yes. We have a question down here.

Callum Elliott

Q

Thank you very much. It's Callum Elliott from Bernstein. Couple of questions. First for Aku. You talked about the 20% of the business in harvest exit areas. I think you called them. I think you said you'd identified those areas as the areas I'm paraphrasing, where growth is not future proofed. The category growth is not future proofed. So my question is, how do you think about forecasting category growth and how confident are you that you're going to get it right?

Aku Vikström

Chief Executive Officer, Orkla Foods

A

That's a great question. So in this work, we have, of course, used external resources and external experts to look from future back. What are the consumer trends

external resources and external experts. So, look from future back. What are the consumer trends? What are the underlying trends in consumer penetration and consumption habits? And as we have so many categories, there are clearly differences in category growth. So, one thing is looking at the history, but also looking at how the consumer trends develop.

And that's one of the things what I said also in my presentation is that maybe we have been too evenly distributed our resources and allocating our resources across the board. Now, we need to be much more choiceful because there is a clear differences in the category growth where we play. And this 20% part of that will be harvest and part of that will be if we are able to find a new – new owners for this business, which is a new thing for Orkla Foods to start divesting also businesses.

Q

Thank you. And my second question is for Arve. I'm interested and encouraged that you were talking about the increased focus on cash flow. Obviously, we can see that the strong progress over the past couple of years. My question is how sustainable do you think the current sort of very high levels of free cash flow conversion are? We obviously heard and will talk about capacity constraints for Smash!, for BUBS. Johan was seemingly making bit of a plea for more investment as well. So, just wondering if we might need to see free cash flow conversion come back down again?

A

Yes, maybe to put that into perspective, I think that's some – some of the positive development we have seen in the past couple of years when it comes to working capital reductions is truly is also a normalization. But I think in general, what Aku has talked about, the great work done in foods and in some of the portfolio companies to really setting focus on working capital is sustainable, but obviously the delta from the year to year, would be less in a more normalized environment.

And then, when it comes to the growth initiatives and expansion CapEx, I see that as a different theme as that's – as a

positive momentum. So continuous focus on a normalized replacement CapEx level, but growth initiatives on expansion CapEx is still as a – as a positive driver and maybe a bit on the side of that equation on the positive development on operational CapEx. So, yes, we are at the new level, but the deltas from here, you can't expect the continuous trend as the past couple of years.

Q

Thanks. And maybe if I may sort of follow up for Ingwill. So, you spoke in your presentation about the BUBS opportunity in the US. You mentioned in answer to one of the questions about Smash! maybe has an opportunity in Germany. Just wondering, like could we be doing more to capture some of these international opportunities and leaning into them a little bit more?

A

Yeah. Good – good question. I think this is – this kind of two track focus we have now. On one hand, we have these very strong local legacy brands that we see still a lot of potential to grow further. But there are – we have these few selected brands with a lot of potential. So I think what we're doing now with BUBS in the US is very exciting. We are awaiting a bit the capacity also for the bigger Nordic rollouts. So I think we are doing what we can there. I think same goes with Smash!. We have also even Panda, which has a quite successful export business today.

So, I would say that that is also some of – one of the strengths with the new operating model we have where we have the local markets taking care of all the local legacy brands. But we now also even have the commercial central team which are working with these pan-regional brands and seeing how we can build good growth plans – brand plans to – for – and help to expand. So I think we are really stepping that up and with this new model, we are getting more momentum into that.

Q

Thank you.

A

I think we have another question from Ole Martin here.

Ole Martin Westgaard

Q

Just a quick follow-up from – from me, if I understand you correctly, on the M&A agenda, are you focused on supporting your existing segments or should we also expect that Orkla could add another vertical segment?

A

What we said on, I guess, it was on the fourth quarter presentation for 2024, we said that we are stepping up to invest behind the portfolio companies and they are also stepping up activity to – to look for future – future portfolio companies to say so. But I also add to that that this will be a long process, that we will not – this is not a quick fix or a quick transaction to say so we will – so we will use our time. But we are looking both for add-ons to the portfolio companies and new portfolio companies if that is meaningful to Orkla.

Ole Martin Westgaard

Q

Is that within the sort of you – and you launched your investment company strategy. We are focused on branded consumer goods. Is that really still in that definition or..

A

We always talk about brands and consumer-oriented businesses. We need to add some synergy or some competence to the company that is with every single company.

A

If there aren't any more questions from the audience. I do have a couple questions from the Web. So, I can go to two questions from [indiscernible] 01:39:54. First one is on M&A, and the second one is for Foods. So on M&A, yes, is there a slight change in your M&A strategy, meaning that you are more willing and interested in doing M&A now?

A

Yeah, just -I guess I just answered that.

A

Yeah. And on Foods, is it correct that you now have a slightly stronger focus on volume growth over margin improvement?

A

Yes. That seems to be the last question that we have from the Web. Nice and concise. I like the Finnish style there.

Just a reminder, before Nils comes in with some concluding remarks, you're welcome to mingle outside the – outside the auditorium afterwards. We have lots of Orkla products that you're welcome to take with you, and I think there may be some Grandiosa coming shortly.

But with that, I think I'd like to turn it over just for Nils to take the concluding remarks. And please, yeah, please feel free to stay up here.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

So, I'm going to leave you with – with our three strategic priorities through 2026. We have made significant process driving organic value in the existing portfolio and reducing complexity, but we still see further value creation potential in our portfolio.

I hope our clear and new home presentations have helped to clarify where we are headed and how we will get there. And thank you for – to all the three of you for – for contributing today. We are intensifying our evaluation of value accretive structural transaction where we can add value as active owners.

I am excited for the journey ahead and confident in our value – in our continued value creation. Thanks to all of you for joining us today and holding us accountable for our targets. Thank you very much and please enjoy whatever there is outside. Thank you.

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