

14 February 2023

# Fourth quarter results 2022

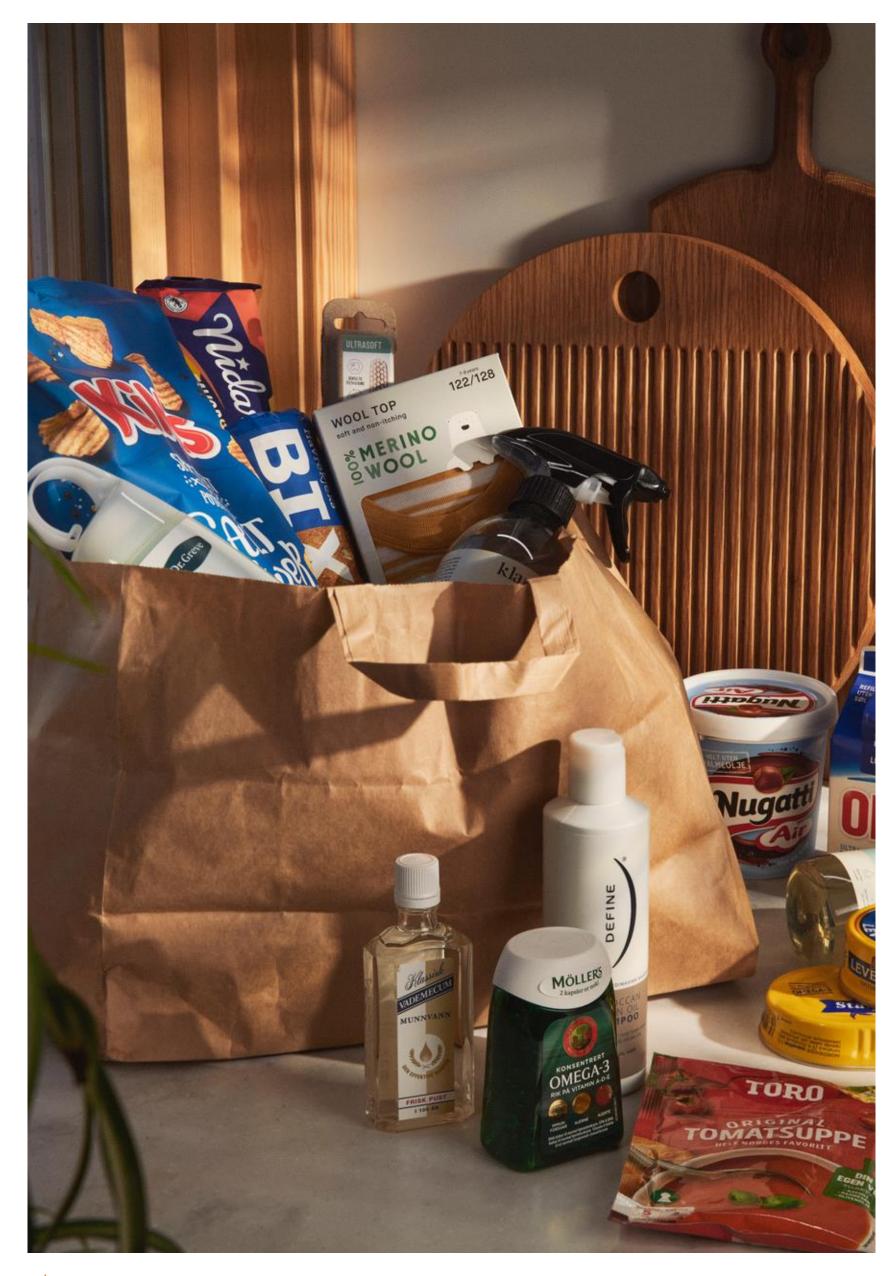
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#### Reflections on 2022

- Challenging macro environment
- Group EBIT (adj.) growth of 21%
- Organic revenue growth of 9.6% for Branded Consumer Goods
- EPS (adj.) of NOK 5.46 (+6%)
- The Board intends to propose a dividend of NOK 3.00 per share





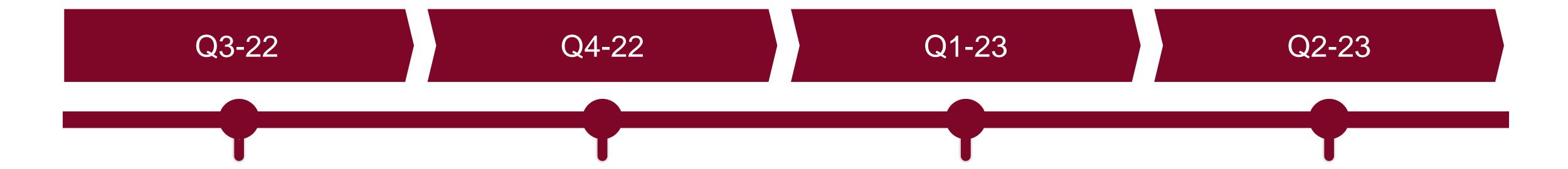


# Summary of financials for the quarter

- Group EBIT (adj.) growth of 2%
- EBIT (adj.) for Branded Consumer Goods incl.
   HQ decline of 14%
- Organic revenue growth of 9.5% for Branded Consumer Goods, broad based and price driven
- EPS (adj.) of NOK 1.31 (-6%)



## Transformation of Orkla - milestones going forward



## New operating model outlined

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

# Implementation of corporate structure

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

# Go live new operating model

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

## New reporting structure

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







# Financial performance



# Strong sales growth, EBIT (adj.) growth driven by Hydro Power

Key figures	Q4-22	Q4-21	∆ <b>Q4</b>
Operating revenues BCG	15,200	13,482	+12.7%
EBIT (adj.) BCG	1,362	1,571	-13.3%
EBIT (adj.) HQ	-110	-119	
EBIT (adj.) BCG incl. HQ	1,252	1,452	-13.8%
EBIT (adj.) Industrial & Financial Investments	651	419	+55.4%
Other income and expenses	-201	-88	
EBIT	1,702	1,783	-4.5%
Profit from associates	147	105	+40.0%
Net interest and other financial items	-147	-47	
Profit before tax	1,702	1,841	-7.6%
Taxes	-482	-503	
Profit after tax	1,220	1,338	-8.8%
Adjusted EPS diluted (NOK)	1.31	1.40	-6.4%
Reported EPS diluted (NOK)	1.16	1.32	-12.1%

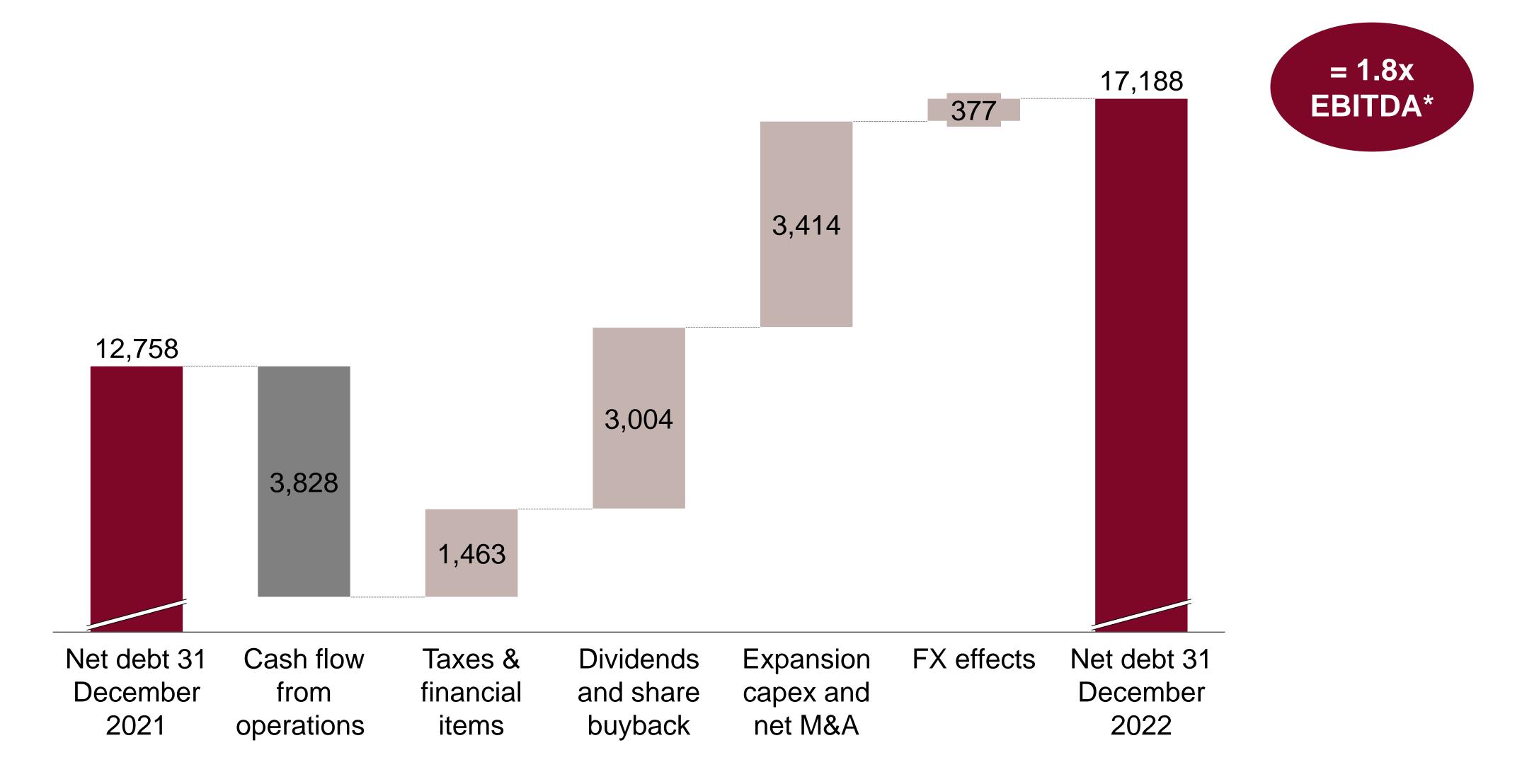


# Cash flow from operations for the full year 2022

Cash flow from operations as at 31.12 (pre-tax)	2022	2021
Orkla Branded Consumer Goods (BCG, incl. HQ)		
EBIT (adj.)	5,025	5,433
Depreciation	2,096	1,924
Change in net working capital	-2,415	-456
Net replacement investments	-2,773	-2,625
Total BCG cash flow from operations (adj.)	1,933	4,276
Cash flow from other income & exp. and pensions	-421	-525
Industrial & Financial Investments	2,316	692
Total Orkla cash flow from operations	3,828	4,443



## Acquisitions and dividend increase net interest bearing debt





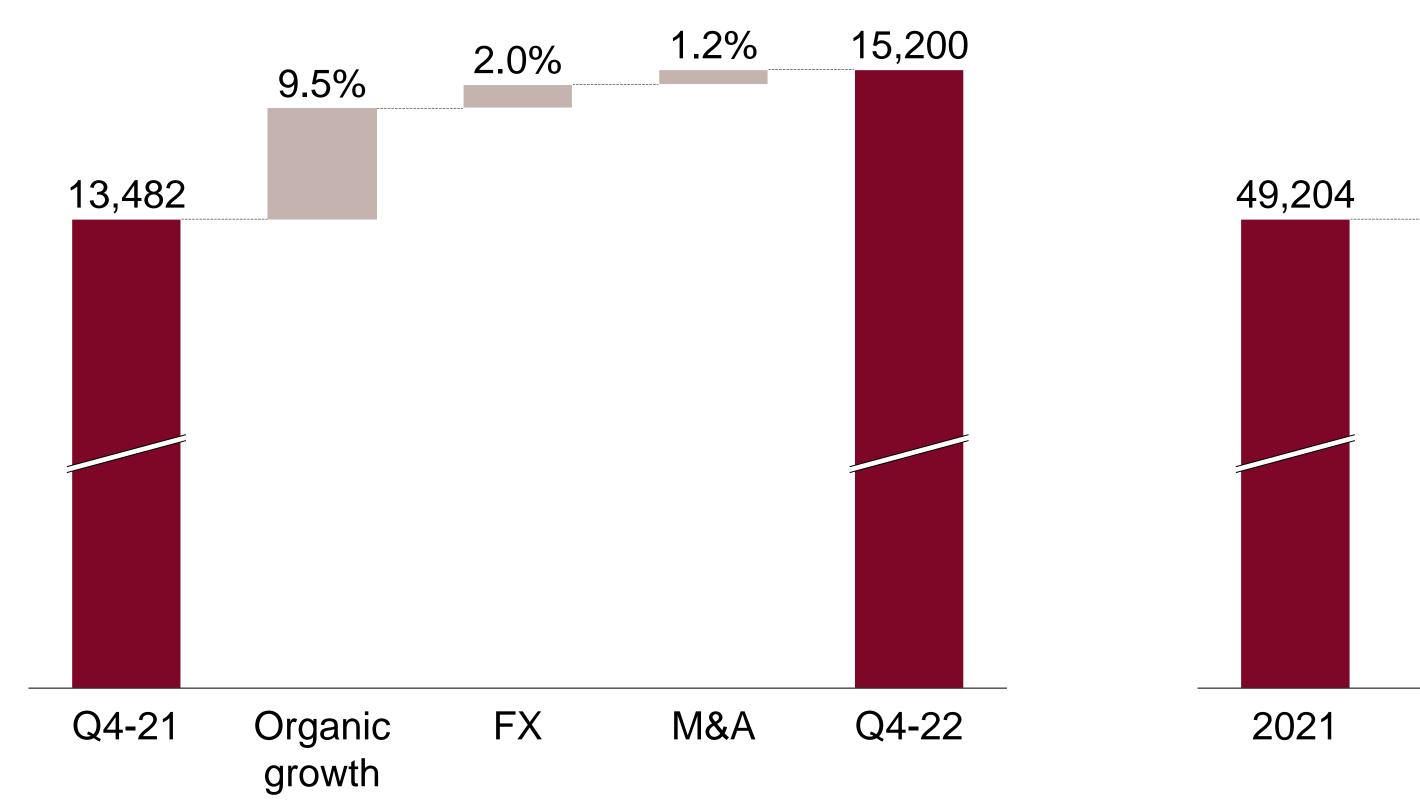
# Branded Consumer Goods (BCG)

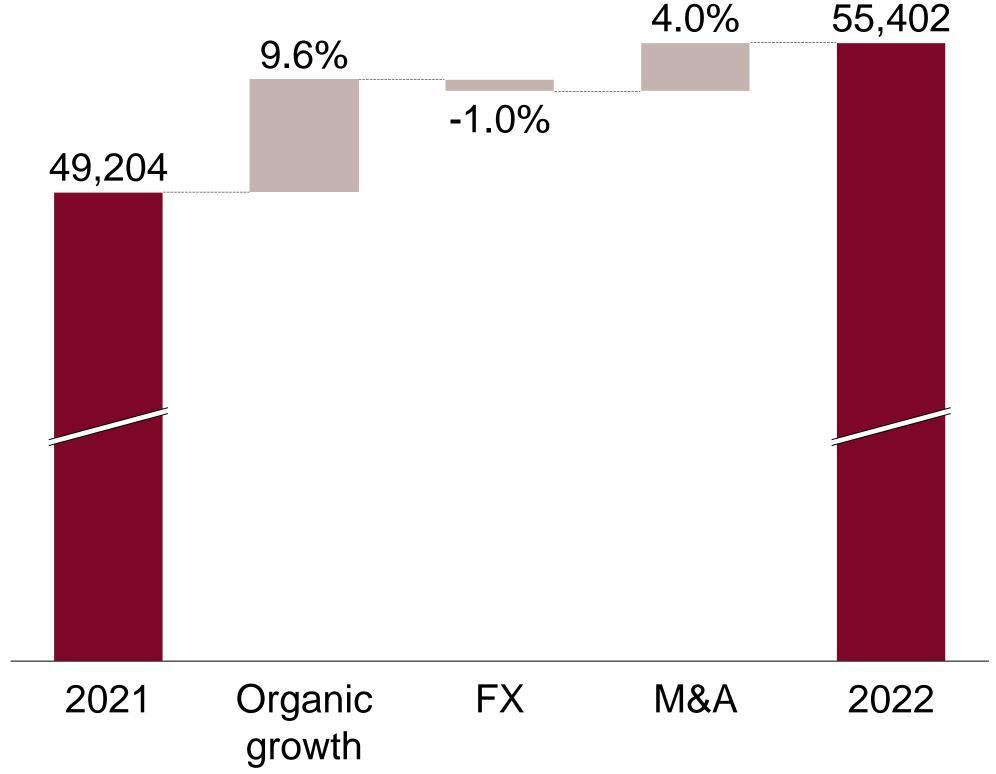


# Organic growth from price, slightly negative volumes



BCG revenue, 2021→ 2022 (MNOK)







## All business areas had positive growth in Q4 and 2022

#### **Organic growth for Branded Consumer Goods**

# 12.1% FY 2022 9.6% ----7.7% 4.3%

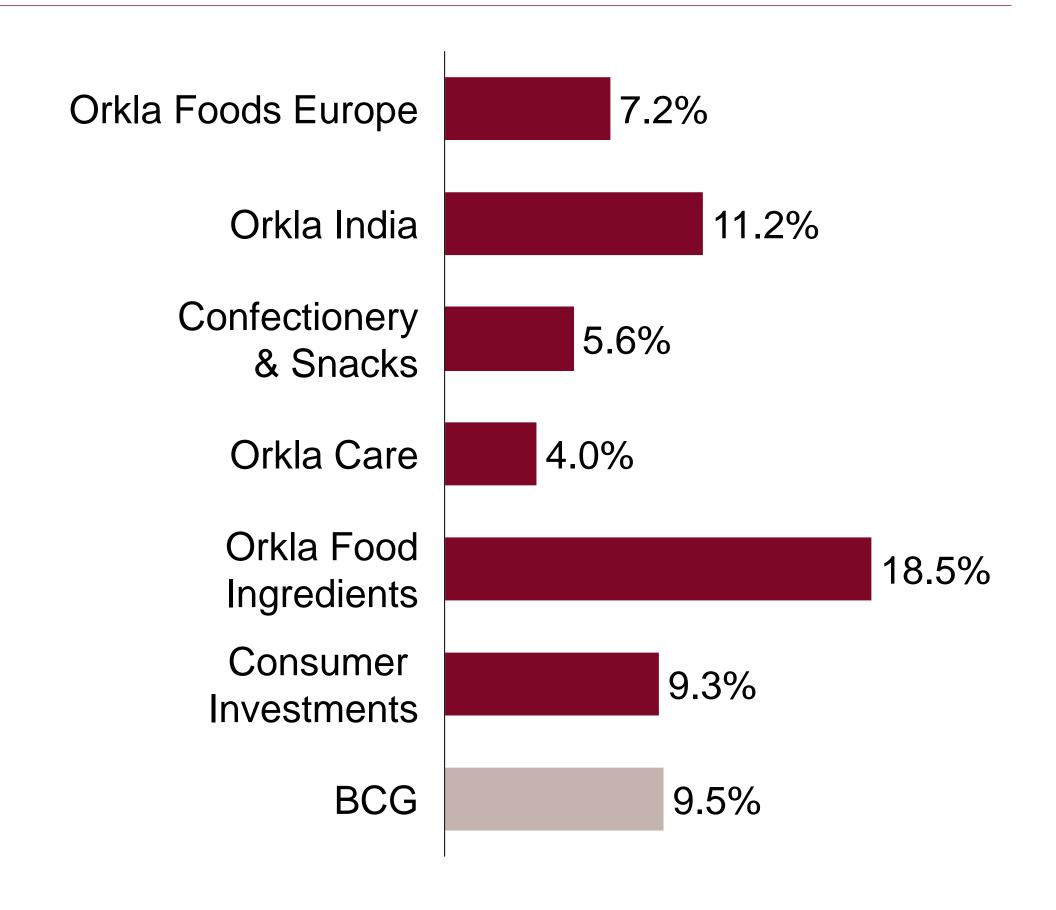
1.6%

2016 2017 2018<sup>1</sup> 2019 2020 2021 Q1-22Q2-22Q3-22Q4-22

1.3%

0.4%

#### Organic growth Q4-22 by business area





1.8% 1.6%

# Continued progress for the three prioritized growth initiatives

	Full-year baseline (2021)	Reported 2022 (YoY)*
Consumer Health Grow at least 50% by 2025	Revenue BNOK 4.6**	Growth 25%
Out of Home	Consumer sales MEUR ~337 **/***	Growth 64%
A European leader in pizza franchise	No of outlets 663	No of outlets 677
Plant-based BNOK 3 turnover by 2025	Revenue BNOK 1	Growth 18%

<sup>&</sup>lt;sup>\*</sup>Orkla

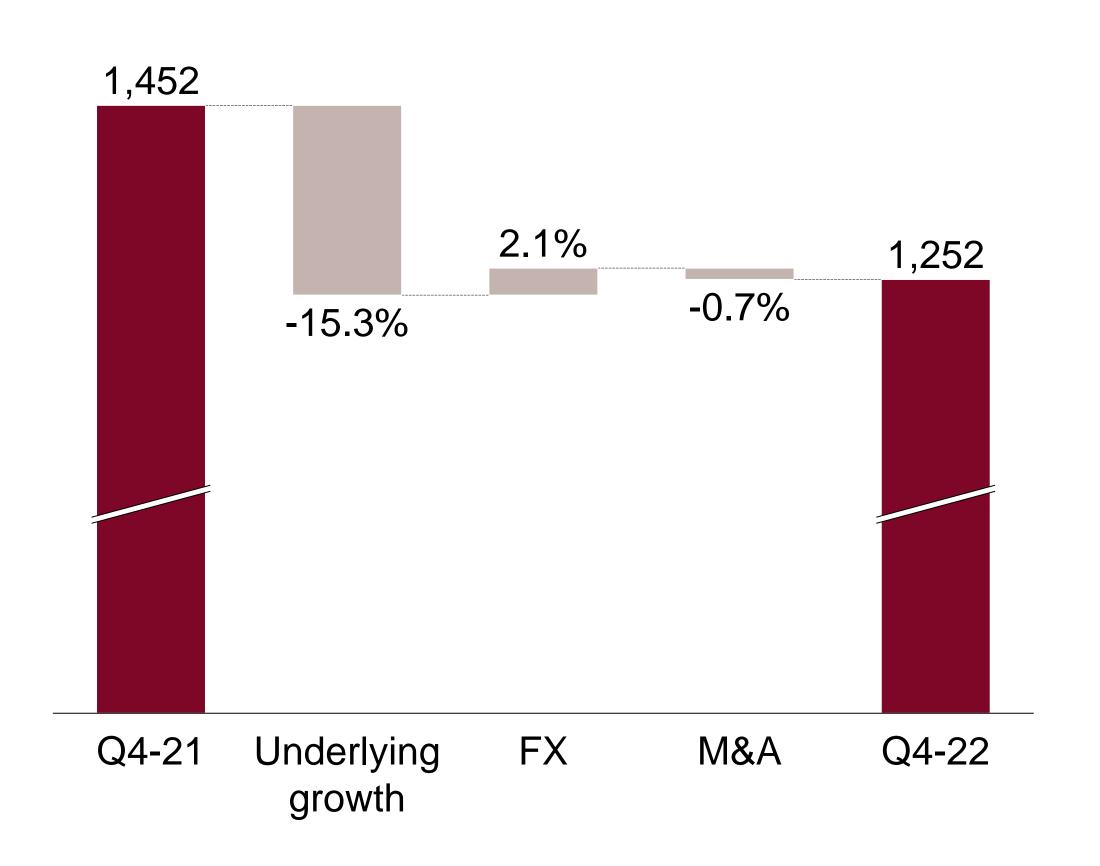
<sup>\*</sup> Reported figures including M&A, not adjusted for FX

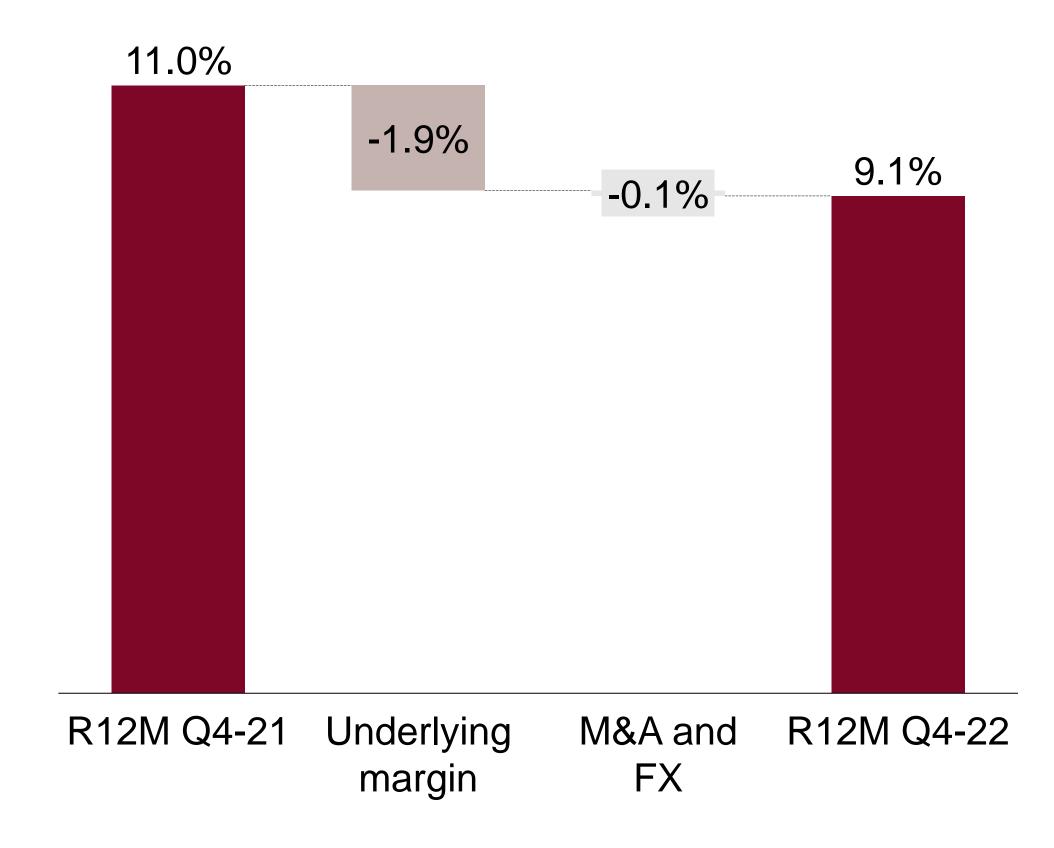
<sup>\*\*</sup>Includes 12-month effect of NutraQ and New York Pizza

## Cost increases continue to weigh on profitability



#### △ R12M U.EBIT (adj.) margin







# Uncertainty as to how market imbalances will affect supply and input prices in 2023

#### The Ukraine War



 Substantial impact on supply and prices of agricultural products

 Exposure to the Black Sea grain corridor agreement

The Energy crisis



 Disrupted supply of natural gas and generally higher energy cost

Higher processing and conversion cost

**European drought** 



• Europe experienced the worst drought in 500 years in late summer 2022

 Substantially reduced yields from all spring crops

#### 3 input cost consequences for Orkla in 2023

- Increasing market prices 2023 and increasing costs due to drought effects, supply tightness, higher subsidies and higher energy cost in production and processing
  - Examples: Potato-based, Starches, Sugar, Vegetables, Fruit & Berries, Meat, Sunflower Seeds, Dairy (Norway) and Packaging Materials
- 2. Declining market prices 2023, but increasing costs, due to expiry of longer-term contracts and alignment between market prices and costs
  - Examples: Vegetable oils, Grain-based articles and Contracted Energy
- 3. Declining market prices 2023 and declining costs, due to less demand and excess supply
  - Examples: Dairy (EU), Seeds and sea-freight



## Profit hampered by higher input costs and inflation

	Q4-22	YTD Q4-22
Revenues	4,923	17,820
Organic growth	+7.2%	+7.2%
EBIT (adj.)	573	1,973
EBIT (adj.) growth	-13.6%	-12.0%
EBIT (adj.) margin	11.6%	11.1%
Change vs LY	-2.9%-p	-2.2%-p

- Organic sales growth driven by price increases and partly offset by negative volume growth
- Profitability hampered by continuing increased input costs, high energy prices and general inflation
- Improvement projects initiated in several markets to reduce costs and enable future value creation













# Strong sales performance with modest profit growth from high investments in advertising

	Q4-22	YTD Q4-22
Revenues	665	2,542
Organic growth	+11.2%	+15.5%
EBIT (adj.)	73	303
EBIT (adj.) growth	+10.6%	32.9%
EBIT (adj.) margin	11.0%	11.9%
Change vs LY	-0.8%-p	-0.3%-р

- Good organic domestic sales and recovering trend in export sales after the pandemic
- Double-digit growth in the masalas and pure spices categories
- EBIT (adj.) growth despite higher Advertising and Promotion (A&P) investment















# Price driven top-line growth. Market conditions remained challenging

	Q4-22	YTD Q4-22
Revenues	2,246	7,578
Organic growth	5.6%	5.2%
EBIT (adj.)	345	989
EBIT (adj.) growth	-12.4%	-11.1%
EBIT (adj.) margin	15.4%	13.1%
Change vs LY	-2.9%-p	-2.1%-p

- Continued market volume decline in grocery
- Input cost increases and inflation continued in the quarter
- Price increases to customers implemented, with dilutive effect on margins















#### Orkla Care

# Top line growth both in the quarter and full year, but weak profit development continues in the quarter

	Q4-22	YTD Q4-22
Revenues	2,152	8,604
Organic growth	4.0%	5.3%
EBIT (adj.)	132	898
EBIT (adj.) growth	-34.0%	-15.8%
EBIT (adj.) margin	6.1%	10.4%
Change vs LY	-4.3%-p	-4.0%-p

- Top line growth driven by strong sales in HSNG, B2B and International sales. Offset by weak sales in Home and Personal Care Norway and some Health markets.
- EBIT (adj.) decline driven by lower sales and increased input prices, and further supply chain disruptions causing high freight costs
- Sharp margin decline in Home and Personal Care in the Nordics and Health markets due to cost increases and negative sales mix













## Solid revenue and profit growth driven by revenue management

	Q4-22	YTD Q4-22
Revenues	4,155	14,682
Organic growth	+18.5%	+20.5%
EBIT (adj.)	198	853
EBIT (adj.) growth	+26.9%	+32.0%
EBIT (adj.) margin	4.8%	5.8%
Change vs LY	+0.1%-p	+0.4%-p

- EBIT (adj.) growth from revenue management, partly offset by steep increase in raw material prices and high inflation
- Particularly strong growth related to margarine products in the quarter
- Volume uncertainty going forward related to lower purchasing power in several markets due to high inflation













# Resilient consumer sales across pizza franchise network. Easing painting tool sales decline

	Q4-22	YTD Q4-22
Revenues	1,223	4,751
Organic growth	+9.3%	+0.6%
EBIT (adj.)	41	383
EBIT (adj.) growth	-55.4%	-23.1%
EBIT (adj.) margin	3,4%	8,1%
Change vs LY	-5.0%-p	-3.7%-p

- Strong organic growth across most businesses.
   Drag from painting tools sales easing
- Solid consumer sales continue across pizza franchise network boosted by increased prices
- Profitability hampered by increased cost base and write-downs in the quarter













# Strong sales and profit growth

Jotun 100% basis	Q4-22
Revenues	6.916
Revenue growth	19,5%
EBITA	606
EBITA growth	65,6%
Orkla share (42.6%) of net profit	

- Solid sales growth driven by both price increases and volume growth
- Raw material prices declined in H2-22, gross margins starting to recover in Q4
- Operating profit improvement driven by strong sales growth, and good cost control













#### Industrial & Financial Investments

## High power prices continue to boost earnings in Hydro Power

#### **Hydro Power**

Fully consolidated into Orkla's financial statements

Volume (GWh):

Q4: 635 (633) YTD: 2,237 (2,065) Power prices<sup>1</sup> (øre/kWh):

Q4: 171,0 (126,5) YTD: 193.9 (75,8) EBIT adj. (NOK million):

Q4: 631 (415) YTD: 2,328 (702)



#### **Financial Investments**

Fully consolidated into Orkla's financial statements

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

NOK 2.0 billion

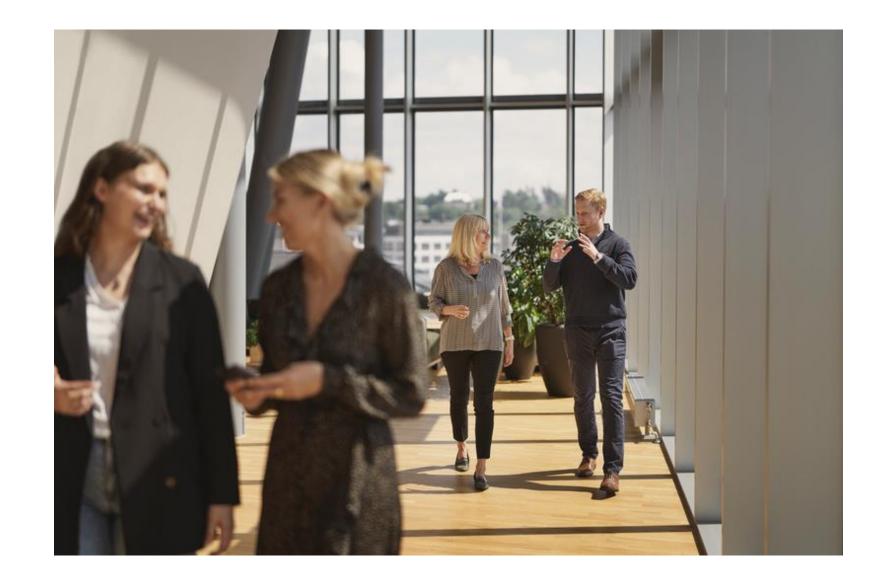


# Closing remarks



### Closing remarks

- Price increases implemented to compensate for higher input costs
- Cost improvements reinforced by over 40% for 2023
- Continue to invest in our strong brands
- Increase long-term value creation through transformation of Orkla







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





Upcoming events:

First quarter 2023 9 May 2023

Capital Markets Day 2023 29 November 2023



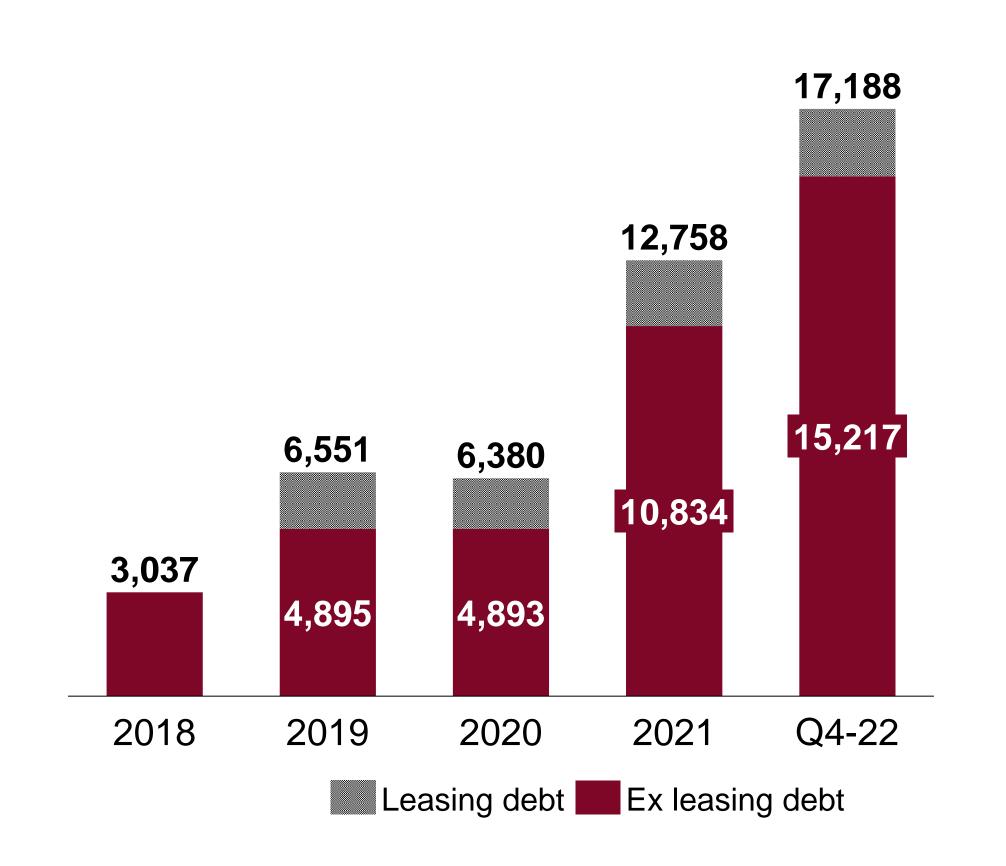
# Appendices

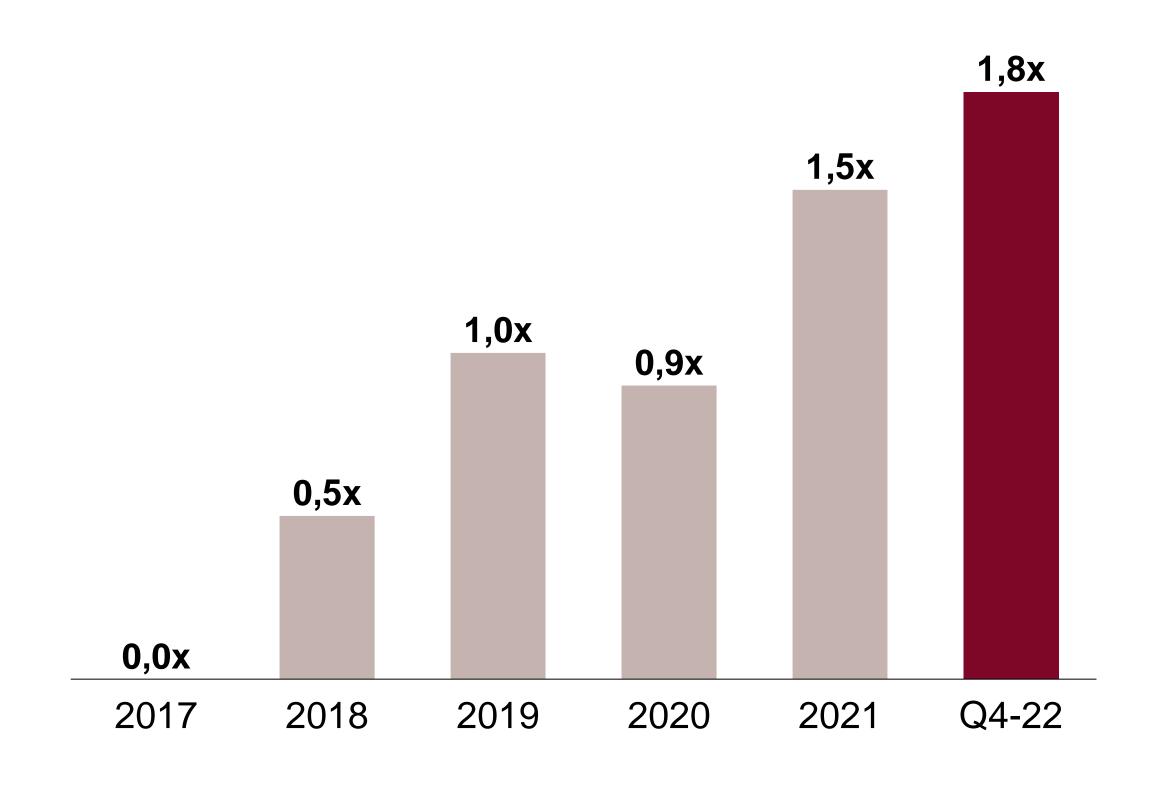


## Strong balance sheet and financial flexibility

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

#### NIBD / R12 EBITDA



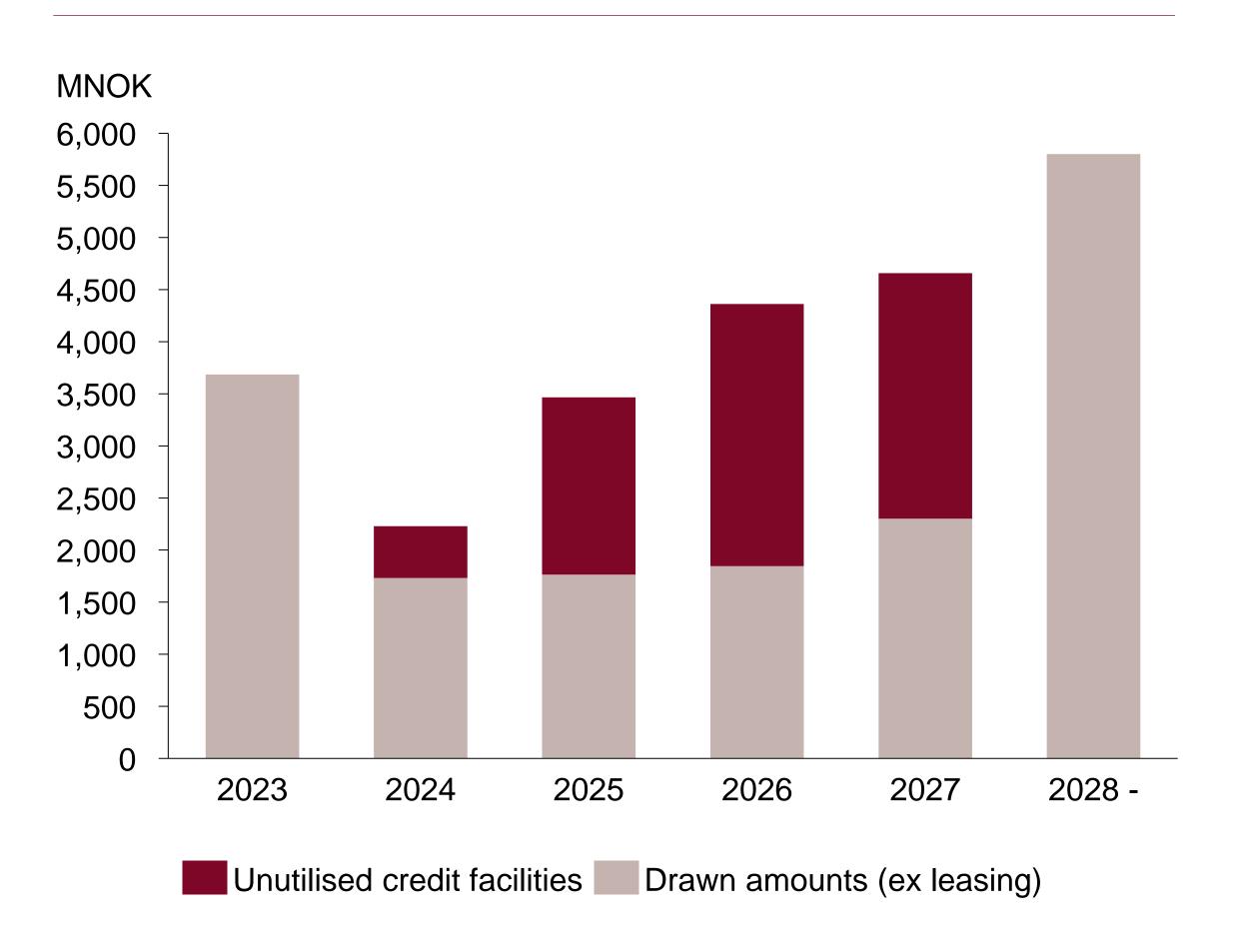




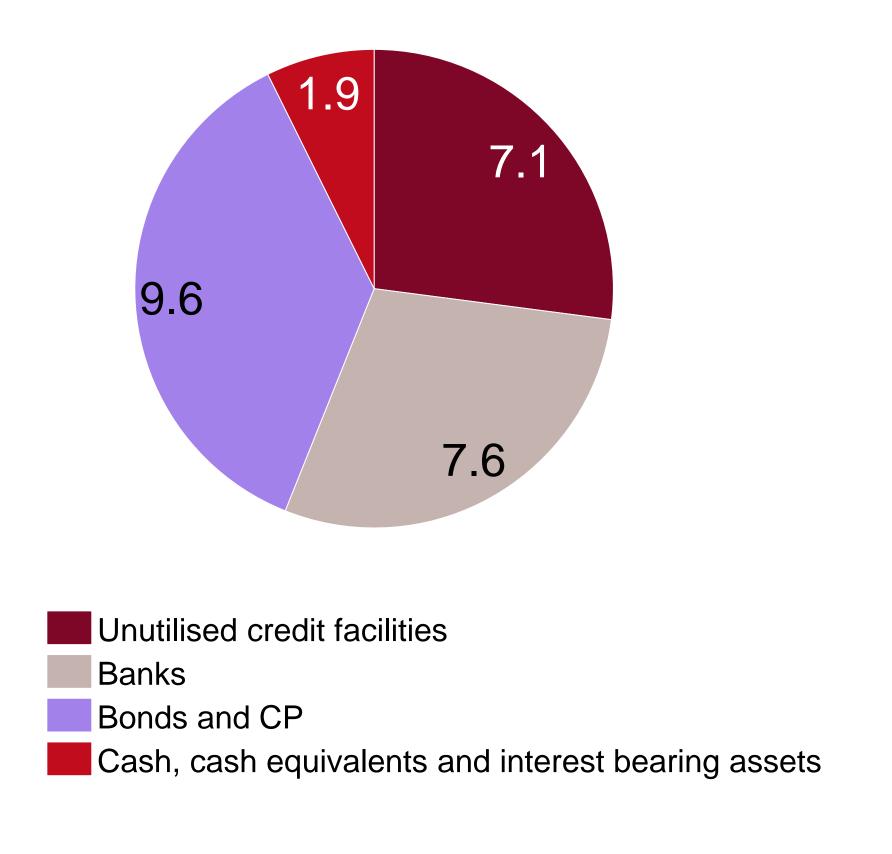
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## Funding sources and maturity profile

#### Debt maturity → average maturity 3.6 years



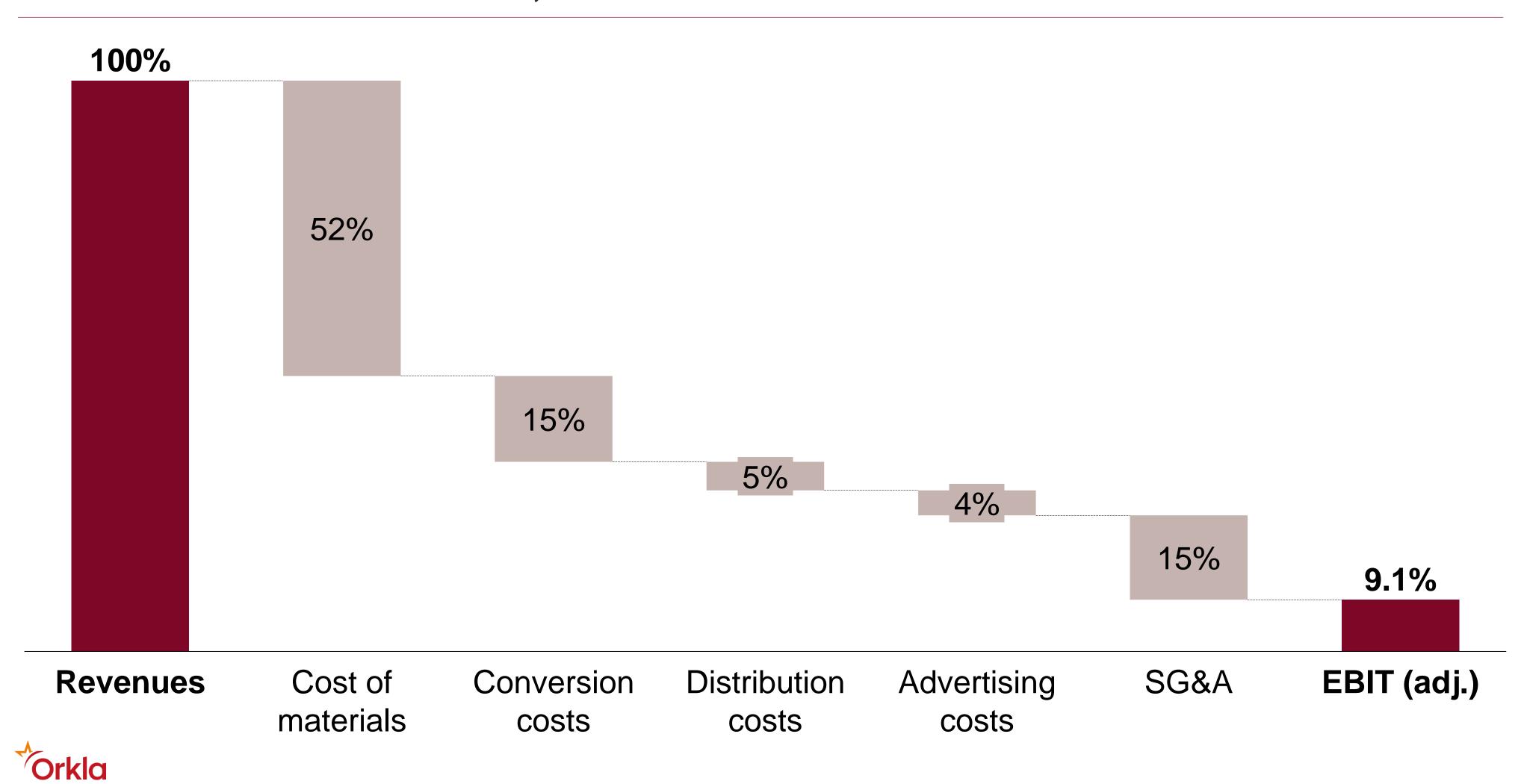
#### Funding sources (in BNOK)





#### Cost breakdown for 2022

BCG incl. HQ, cost breakdown 2022 as % of revenues



# Indicative sales figures for 2022 per portfolio company

BNOK	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022
Jotun (100%)					TBA
Orkla Foods Europe	4,2	4,3	4,3	4,9	17,8
Orkla Food Ingredients	3,1	3,7	3,7	4,2	14,7
Orkla Confectionery & Snacks	1,7	1,8	1,9	2,2	7,6
Orkla Health	1,4	1,4	1,4	1,3	5,4
Orkla India	0,5	0,6	0,7	0,7	2,5
Orkla Home and Personal Care	0,5	0,5	0,5	0,5	2,1
Pizza Out of Home	0,5	0,6	0,6	0,6	2,3
Orkla House Care	0,4	0,3	0,4	0,3	1,4
Health and Sports Nutrition Group	0,3	0,3	0,3	0,3	1,1
Pierre Robert Group	0,1	0,1	0,1	0,2	0,6
Lilleborg	0,1	0,1	0,1	0,1	0,5



### Alternative Performance Measures (APM)

#### 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 and currency effects. In calculating organic growth, acquired companies will be excluded 12 months after the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's turnover at last year's exchange rates.

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

#### 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). These include M&A costs, restructuring or integration expenses, any major gains and write-downs on 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 key financial figures, internally and externally. The figure is used to identify and analyse the Group's profitability from 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.

#### Change in underlying EBIT (adj.)

Change in underlying EBIT (adj.) shows like-for-like EBIT (adj.) growth for the Group's business portfolio and is defined as the Group's reported change in EBIT (adj.) adjusted for effects of the purchase and sale of companies and currency effects. In calculating the change in underlying EBIT (adj.), acquired companies will be included pro forma 12 months before the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's EBIT (adj.) at last year's currency exchange rates. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

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



### Alternative Performance Measures (APM)

#### Earnings per share (adj.)

Earnings per share (adj.) show earnings per share adjusted for "Other income and expenses" (OIE) after estimated tax. Items included in OIE are specified in Note 3. The effective tax rate for OIE is lower than the group's tax rate as at 31 December 2022, chiefly due to the fact that the write-down of the business in Russia and a large part of expensed M&A costs are not tax-deductible. Non-taxable gains (sales of shares) recognised in OIE in the third and fourth quarters increase the tax rate for OIE slightly. The effective tax rate for OIE as at 31 December 2022 is 17% and 23% in the fourth quarter.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. No such adjustments were made in 2022 or 2021.

#### Net replacement and expansion investments

When making decisions regarding investments, the Group distinguishes between replacement and expansion investments. Expansion investments are the part of overall reported investments considered to be investments either in new geographical markets or new categories, or which represent significant increases in capacity.

Net replacement investments include new leases and are reduced by the value of sold fixed assets to sales value.

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

#### Net interest-bearing liabilities

Net interest-bearing liabilities are the sum of the Group's interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans, lease liabilities and interest-bearing derivatives. Interest-bearing receivables include liquid assets, interest-bearing derivatives and other interest-bearing receivables.

Net interest-bearing liabilities are the Group's primary management parameter for financing and capital allocation, which is used actively in the Group's financial risk management strategy. The statement of cash flows (Orkla format) therefore shows the change in net interest-bearing liabilities at Group level.

#### Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Denali Ingredients, Lofoten Marine Oils, Vesterålen Marine Olje, Healthspan, Hadecoup, Eastern, NutraQ, New York Pizza, Sigurd Ecklund, Hans Kaspar, Nói Síríus, Cake Décor Limited, Ambasador92 and SeaGood Fort Deli,. Adjustments have been made for the sale of Credin Russland, the Struer brand, the water business under the Everest brand in Orkla Latvija, the convenience business in Orkla Latvija, and for the ending of Orkla's ownership of Hamé Foods in Russia. A structural adjustment was made at business area level for the internal relocation of the Oolannin brand and plant-based production.

In 2021, adjustments were also made for the acquisition of For All Baking Limited, Proteinfabrikken, Norgesplaster, Win Equipment, Gortrush and Havrefras and the sale of Vestlandslefsa, Italiensk Bakeri, Gorm's and the Skin Care business in Poland and the closure of Pierre Robert Sverige. Adjustments were also made for the loss of the distribution agreements with Panzani and OTA Solgryn, and a structural adjustment was made at business area level for the internal relocation of Frödinge.



# Mark Corkla