



# Fourth quarter results 2023

8 February 2024



# Disclaimer

*This presentation has been prepared by Orkla ASA (the “Company”) solely for information purposes. The presentation does not constitute an invitation or offer to acquire, purchase or subscribe for securities.*

*Certain statements included in this presentation contain various forward-looking statements that reflect management’s current views with respect to future events and financial and operational performance. The words “believe,” “expect,” “anticipate,” “intend,” “may,” “plan,” “estimate,” “should,” “could,” “aim,” “target,” “might,” or, in each case, their negative, or similar expressions identify certain of these forward-looking statements. Others can be identified from the context in which the statements are made. Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include but are not limited to the Company’s ability to operate profitably, maintain its competitive position, to promote and improve its reputation and the awareness of the brands in its portfolio, to successfully operate its growth strategy and the impact of changes in pricing policies, political and regulatory developments in the markets in which the Company operates, and other risks.*

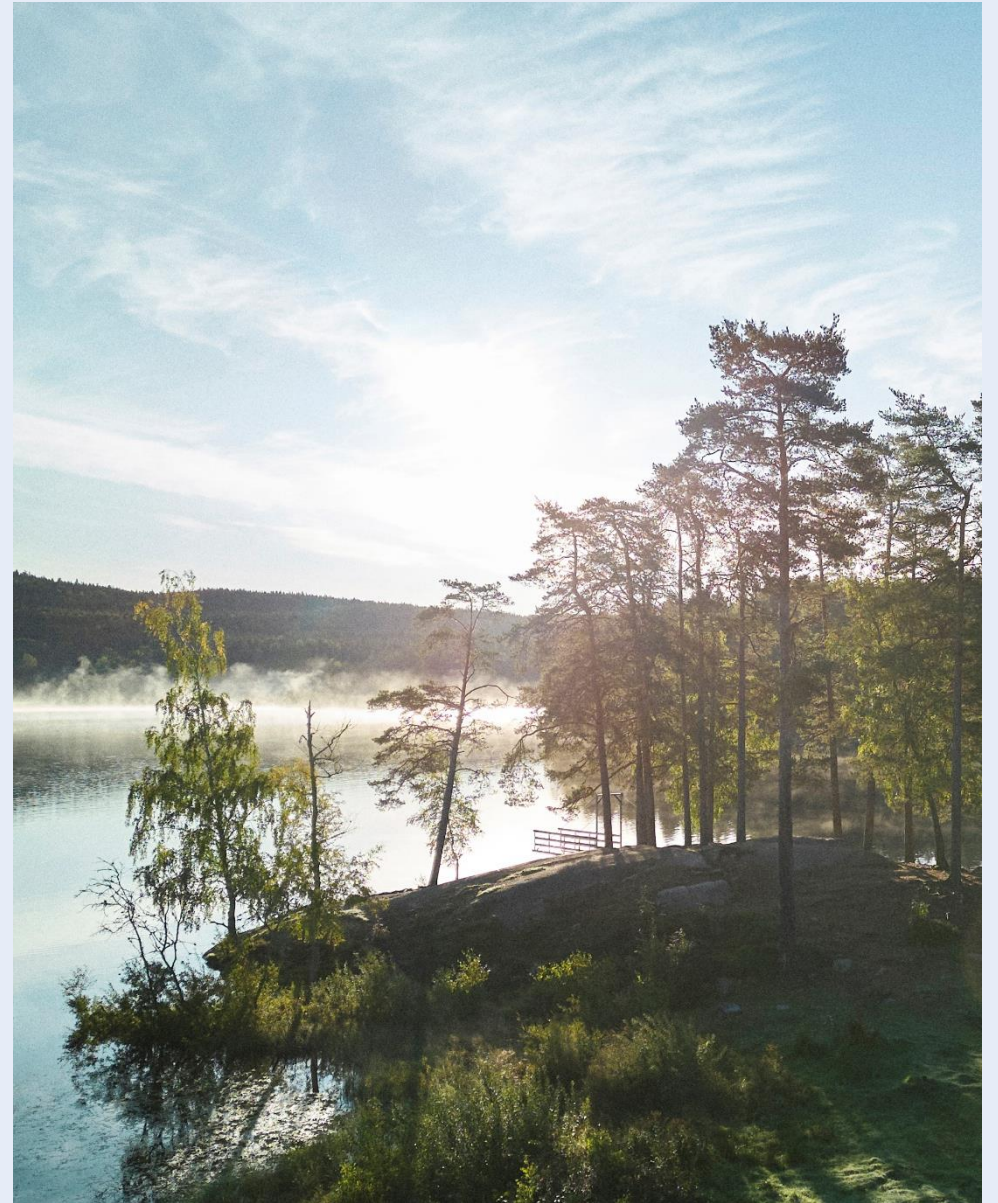
*The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice.*

*No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information contained herein. Accordingly, neither the Company nor its subsidiary undertakings or any of such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.*

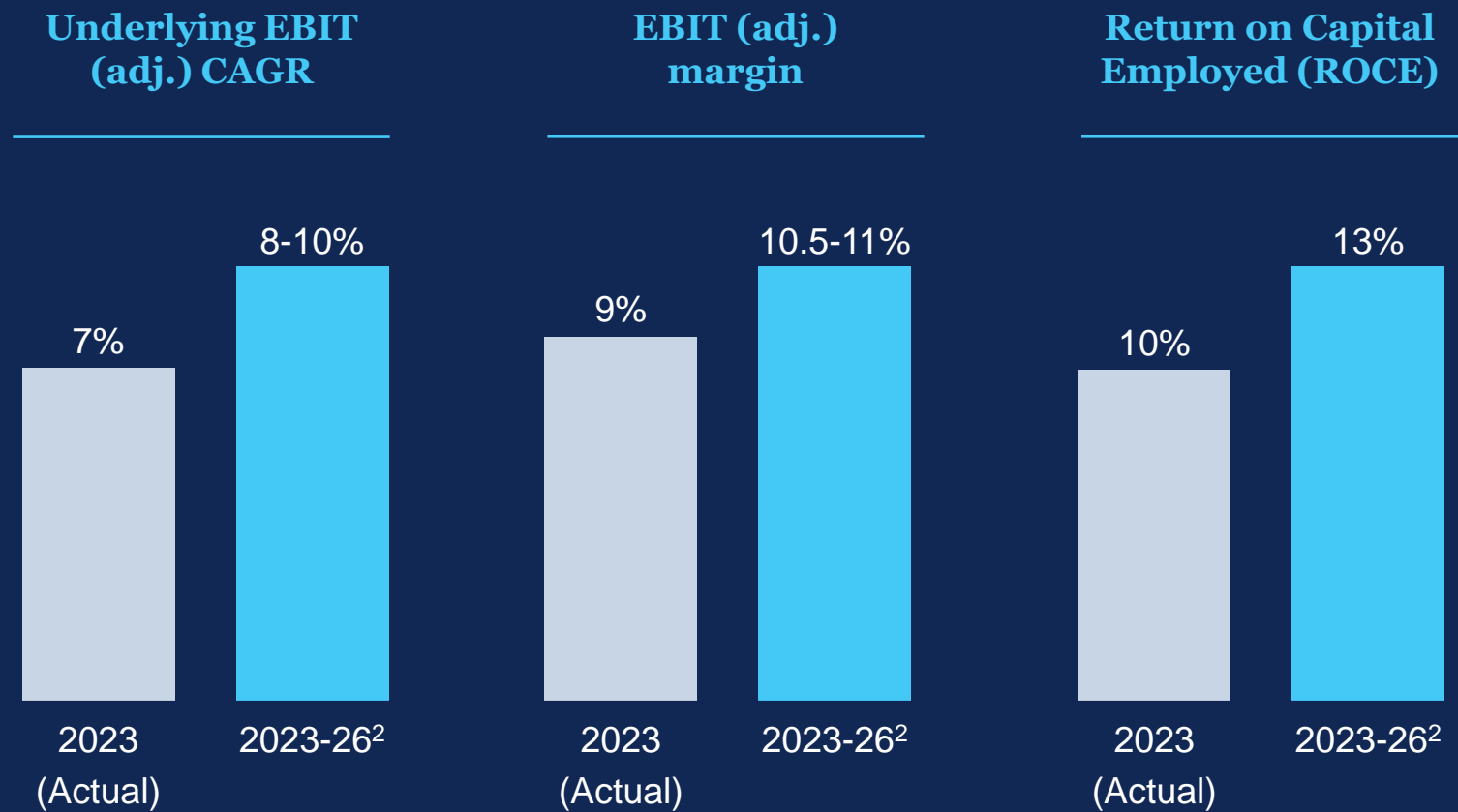


# 2023 | Summary of financials

- Total shareholder return of 15.7%
- EPS (adj.) of NOK 5.78 (+6% vs. 2022)
- Strong profit performance from Jotun
  - Board of Directors intends to propose an increase in dividend
- Broad based improvement for the Consolidated Portfolio Companies<sup>1</sup>:
  - Underlying EBIT (adj.) growth of 7%
  - Strong improvement in cash flow from operations
- The Board of Directors intends to propose a total dividend of NOK 6.00 per share, whereof NOK 3.00 is in addition to the ordinary dividend



# Portfolio Company targets (consolidated)<sup>1</sup>



# TSR target

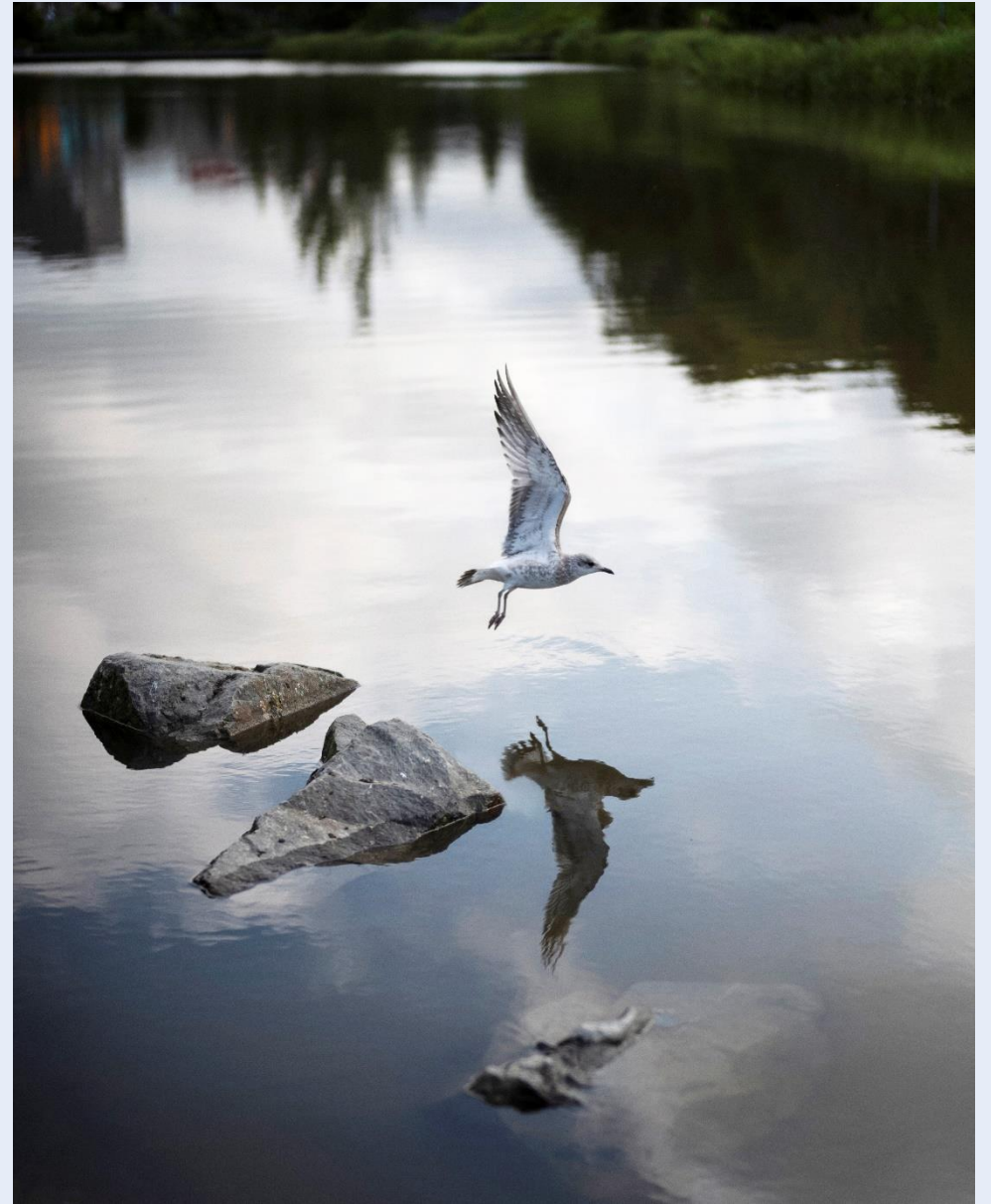
12-14%

Total Shareholder Return (TSR)  
per annum 2024-2026

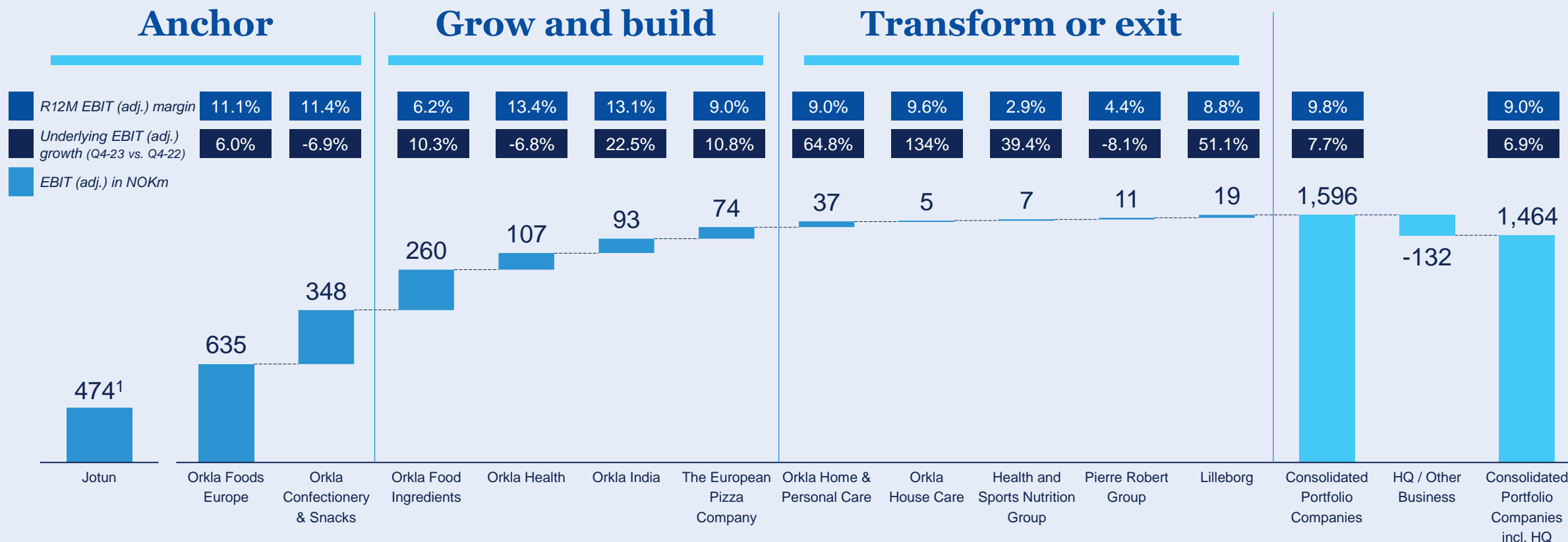
Note: 1: Including HQ; 2. Sum of the communicated targets for the Consolidated Portfolio Companies at the Capital Markets Day in November 2023  
All Alternative Performance Measures (APM) are presented in the appendix

# Q4-23 | Signs of easing volume pressure

- Stable EPS (adj.) performance of NOK 1.31
- Continued strong performance from Jotun
- Underlying EBIT (adj.) growth for the Consolidated Portfolio Companies of 6.9%<sup>1</sup>
- Easing volume pressure for the Portfolio Companies



# Breakdown of performance for the Portfolio Companies in Q4-23



N.B. EBIT (adj.) figures relate to Q4-23

Note: 1. Orkla's share (42.7%) of Jotun EBITA

Abbreviation: R12M = Rolling twelve months (also applicable to other pages in this presentation)

# Financial Performance

Harald Ullevoldsæter, CFO

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

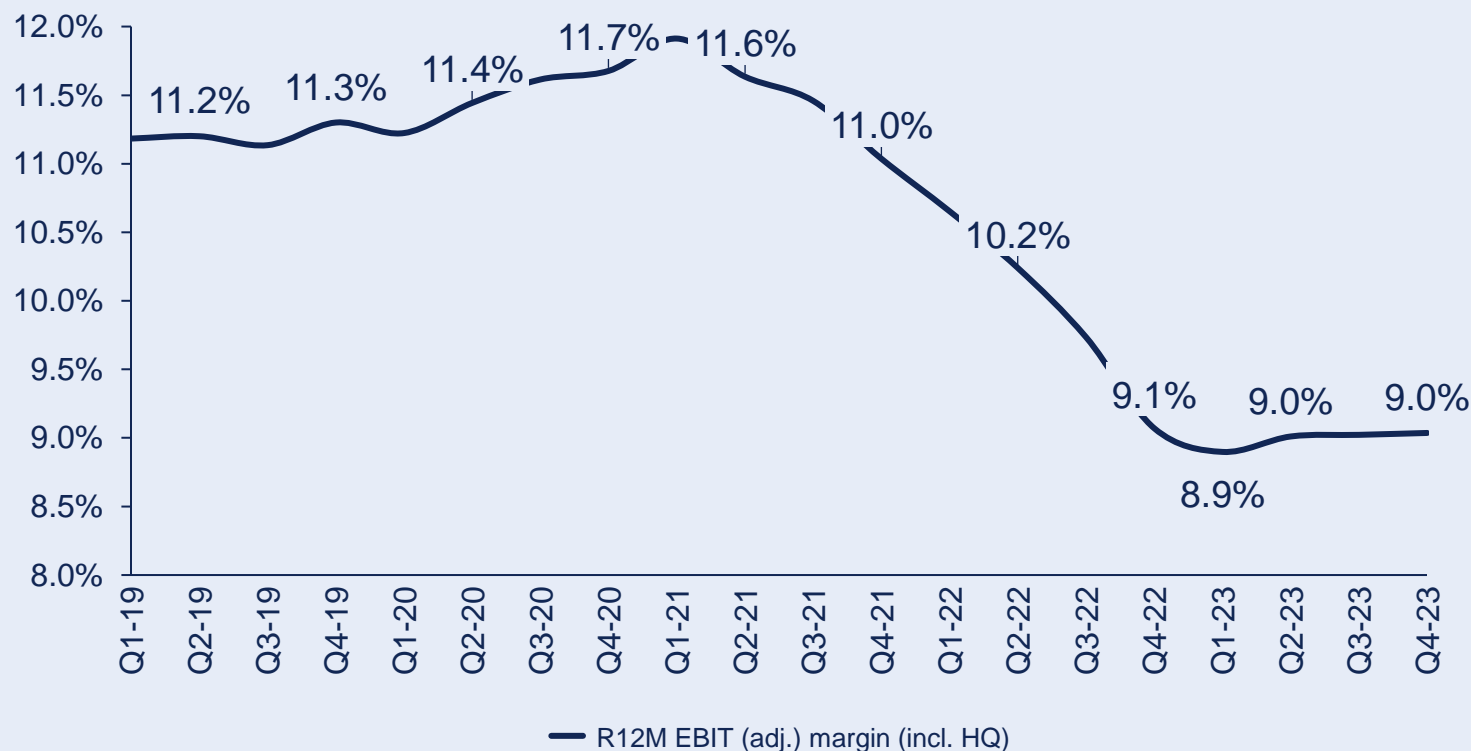
## Key figures

	Q4-23	Q4-22	Δ Q4
<b>Operating revenues Group</b>	<b>17,739</b>	<b>16,077</b>	<b>+10%</b>
EBIT (adj.) Consolidated Portfolio Companies	1,596	1,366	+17%
EBIT (adj.) Financial Investments	158	651	-76%
EBIT (adj.) HQ and Business Services	-132	-114	+16%
<b>EBIT (adj.)</b>	<b>1,622</b>	<b>1,903</b>	<b>-15%</b>
Other income and expenses	-356	-201	+77%
<b>EBIT</b>	<b>1,266</b>	<b>1,702</b>	<b>-26%</b>
Profit from Jotun & Associates	372	147	+153%
Net interest and other financial items	-298	-147	+103%
<b>Profit before tax</b>	<b>1,340</b>	<b>1,702</b>	<b>-21%</b>
Taxes	-290	-482	-40%
<b>Profit after tax</b>	<b>1,050</b>	<b>1,220</b>	<b>-14%</b>
Profit/loss attributable to non-controlling interests	53	64	-17%
<b>Profit/loss attributable to owners of the parent</b>	<b>997</b>	<b>1,156</b>	<b>-14%</b>
<b>Adjusted EPS diluted (NOK)</b>	<b>1.31</b>	<b>1.31</b>	<b>-</b>
Reported EPS diluted (NOK)	1.00	1.16	-14%



# EBIT (adj.) margin has reached the trough

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



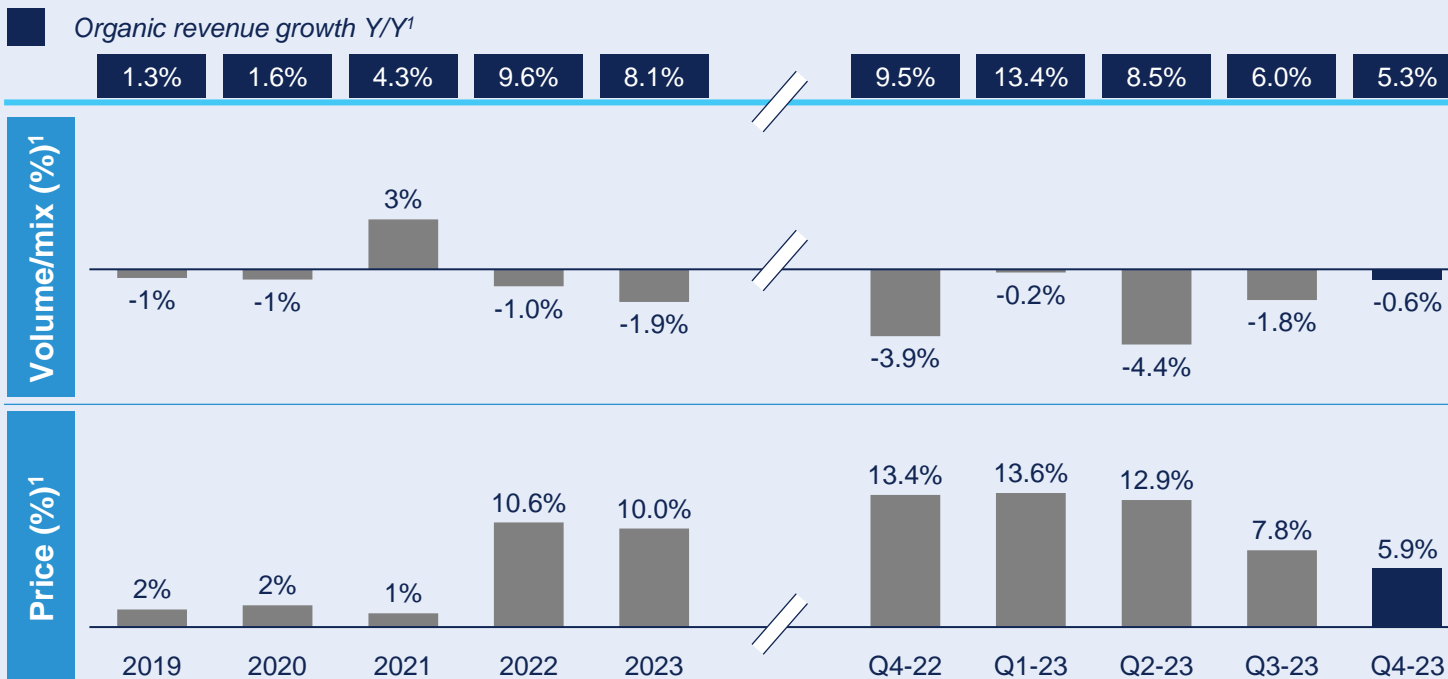
## Underlying EBIT (adj.) change (Q4-23)

Category	Portfolio Company	Underlying EBIT (adj.) margin change <sup>1</sup>
Anchor	Orkla Foods Europe <sup>2</sup>	+0.1%-p
	Orkla Confectionery & Snacks <sup>2</sup>	-2.1%-p
Grow and build	Orkla Food Ingredients	+0.5%-p
	Orkla Health <sup>2</sup>	-0.9%-p
	Orkla India	+1.0%-p
	The European Pizza Company	+0.8%-p
Transform or exit	Orkla Home & Personal Care	+1.8%-p
	Orkla House Care <sup>2</sup>	+13.4%-p
	Health and Sports Nutrition Group <sup>2</sup>	+0.6%-p
	Pierre Robert Group	+0.0%-p
	Lilleborg	+2.4%-p

Note: 1. Underlying EBIT (adj.) margin change in Q4-23 compared to Q4-22; 2. EBIT (adj.) margin target communicated at Capital Markets Day in November 2023

# Easing volume pressure for most of the Portfolio Companies

## Organic growth split for Consolidated Portfolio Companies (2019-23)



## Split by price and volume/mix (Q4-23)

Category	Portfolio Company	Organic growth (Y/Y)	
		Price	Vol/Mix
Anchor	Orkla Foods Europe	8.8%	-3.8%
	Orkla Confectionery & Snacks	6.8%	1.3%
Grow and build	Orkla Food Ingredients	2.8%	-1.8%
	Orkla Health	5.0%	0.8%
	Orkla India	5.2%	7.2%
	The European Pizza Company	n.a.	n.a.
Transform or exit	Orkla Home & Personal Care	6.8%	4.6%
	Orkla House Care	0.9%	2.3%
	Health and Sports Nutrition Group	n.a.	n.a.
	Pierre Robert Group	6.5%	-15.2%
	Lilleborg	13.6%	6.9%

Note: 1. Figures not adjusted for timing effects such as timing of Easter, etc.

# Strong cash flow from operations – inventory levels starting to normalise

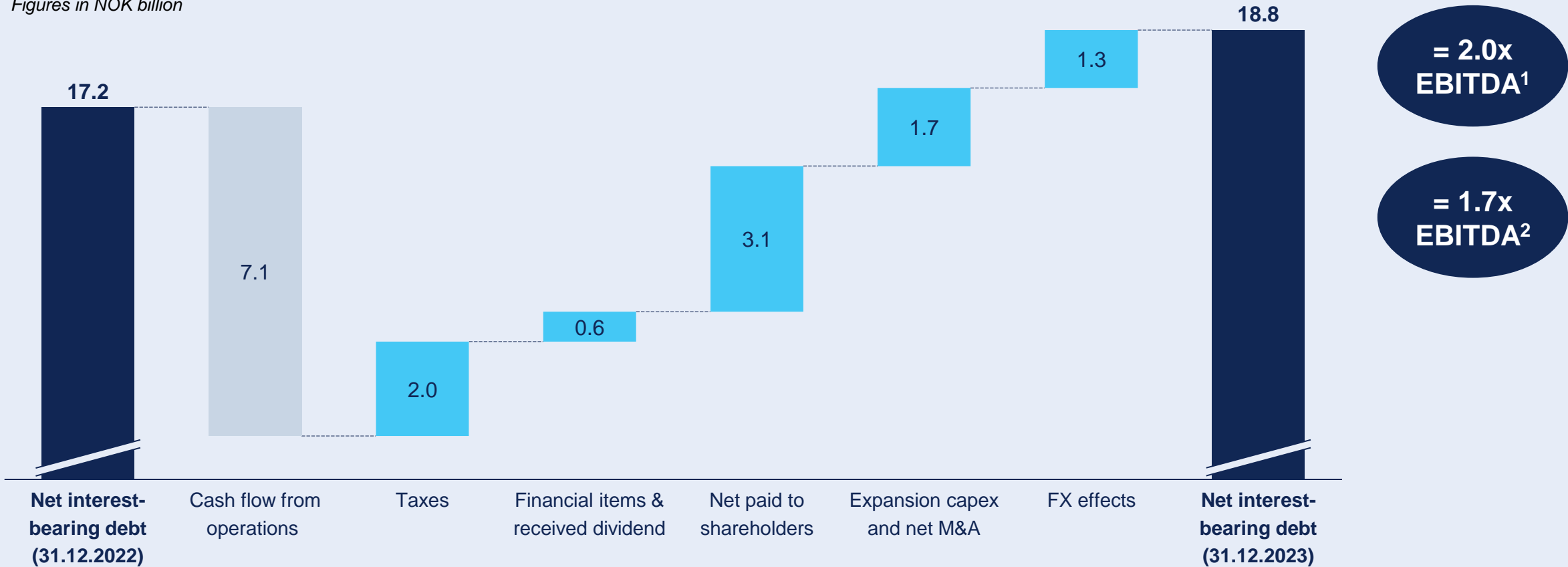
Cash flow from operations (pre-tax)	2023	2022
<b>Consolidated Portfolio Companies</b> (incl. HQ and Business Services)		
EBIT (adj.)	5,956	5,025
Depreciation	2,491	2,096
Change in net working capital	766	-2,415
Net replacement investments	-2,658	-2,773
<b>Cash flow from operations (adj.)</b>	<b>6,555</b>	<b>1,933</b>
Cash flow from other income & exp. and pensions	-481	-421
Financial Investments	1,007	2,316
<b>Cash flow from operations – Orkla Group</b>	<b>7,081</b>	<b>3,828</b>

Cash conversion (2023)		
Category	Portfolio Company	Cash conversion
Anchor	Orkla Foods Europe <sup>1</sup>	127%
	Orkla Confectionery & Snacks <sup>1</sup>	50%
Grow and build	Orkla Food Ingredients	106%
	Orkla Health	116%
	Orkla India <sup>1</sup>	63%
	The European Pizza Company	83%
Transform or exit	Orkla Home & Personal Care <sup>1</sup>	128%
	Orkla House Care	147%
	Health and Sports Nutrition Group <sup>1</sup>	Neg.
	Pierre Robert Group	>150%
	Lilleborg	59%

Note: 1. Cash conversion target communicated at Capital Markets Day in November 2023

# NIBD at NOK 18.8bn per Dec-23, with NIBD / EBITDA at 2.0x

Figures in NOK billion



Note: 1. Including acquired businesses in EBITDA; 2. NIBD / EBITDA level of 1.7x if adjusting for Orkla Food Ingredients transaction with Rhône



# Portfolio Companies

Harald Ullevoldsæter, CFO

Jotun (42.7% - Associated company)

# Continued strong sales and earnings growth

Jotun 100% basis	Q4-23	Q4-22
<b>Revenues</b>	<b>7,560</b>	<b>6,916</b>
<i>Revenue growth – fixed rate</i>	<i>11%</i>	<i>20%</i>
<b>EBITA</b>	<b>1,110</b>	<b>606</b>
<i>EBITA growth</i>	<i>83%</i>	<i>66%</i>
<b>ROCE (R12M)</b>	<b>35%</b>	<b>23%</b>

## Key comments

- Continued sales growth from higher volumes and positive mix effects
- Profit improvement driven by higher gross margin, sales growth and good cost control
- Entering 2024 with good sales momentum and expect good gross margins through the first half of the year
- Jotun's board intends to propose a dividend of NOK 2.2bn (of which NOK 1.4bn is ordinary). Orkla's share is NOK 948m



# EBIT (adj.) growth and contribution ratio driven by continued price increases

	Q4-23	2023
<b>Revenues</b>	<b>5,504</b>	<b>20,319</b>
<i>Contribution ratio</i>	38.8%	38.1%
<b>EBIT (adj.)</b>	<b>635</b>	<b>2,259</b>
<i>EBIT (adj.) margin</i>	11.5%	11.1%
<i>Underlying EBIT (adj.) growth</i>	6.0%	8.5%
<b>Organic growth</b>	<b>5.1%</b>	<b>6.6%</b>
<i>Price</i>	8.8%	12.5%
<i>Volume / Mix</i>	-3.8%	-5.8%
<b>ROCE (R12M)</b>		<b>12.4%</b>
<b>Cash conversion</b>		<b>127%</b>

## Key comments

- Broad-based organic sales growth driven by price while volume decline was less negative than in previous quarters
- Underlying EBIT (adj.) growth in the quarter from improved contribution ratio and cost programme
- Return on capital employed increased by 0.7%-p to 12.4%, driven by EBIT (adj.) growth, reduction in inventory levels and stronger capital discipline



# Improved volume/mix performance, but EBIT (adj.) still affected by biscuit factory

	Q4-23	2023
<b>Revenues</b>	<b>2,619</b>	<b>8,880</b>
<i>Contribution ratio</i>	40.3%	41.2%
<b>EBIT (adj.)</b>	<b>348</b>	<b>1,013</b>
<i>EBIT (adj.) margin</i>	13.3%	11.4%
<i>Underlying EBIT (adj.) growth</i>	-6.9%	-4.5%
<b>Organic growth</b>	<b>8.1%</b>	<b>9.2%</b>
<i>Price</i>	6.8%	11.4%
<i>Volume / Mix</i>	1.3%	-2.2%
<b>ROCE (R12M)</b>		<b>9.9%</b>
<b>Cash conversion</b>		<b>50%</b>

## Key comments

- Organic volume/mix growth in the quarter
- Improved market share performance within snacks category
- Production challenges in the new biscuit factory continued to hamper EBIT (adj.) – in line with previous communication
- Low cash conversion due to completion of investment in biscuit factory – overall cash flow in line with plans





# Broad-based underlying EBIT (adj.) growth

	Q4-23	2023
<b>Revenues</b>	<b>4,754</b>	<b>18,661</b>
<i>Contribution ratio</i>	29.2%	28.3%
<b>EBIT (adj.)</b>	<b>260</b>	<b>1,166</b>
<i>EBIT (adj.) margin</i>	5.5%	6.2%
<i>Underlying EBIT (adj.) growth</i>	10.3%	6.9%
<b>Organic growth</b>	<b>1.1%</b>	<b>8.7%</b>
<i>Price</i>	2.8%	9.1%
<i>Volume / Mix</i>	-1.8%	-0.4%
<b>ROCE (R12M)</b>		<b>10.8%</b>

## Key comments

- Underlying EBIT (adj.) growth and margin improvement due to good revenue management, partly offset by higher fixed costs and mix effects
- Organic volume/mix decline in fourth quarter impacted by strong comparables for Plant Based; performance in Bakery and Sweet in line with previous quarters
- Good EBIT (adj.) growth in Denali<sup>1</sup> in accordance with plan



Note: 1. In Q4 2022, Orkla Food Ingredients acquired 84% of the shares in Denali Ingredients, which is a leading ice cream ingredients business in the USA

# Continued investments in advertising to fuel future top-line growth

	Q4-23	2023
<b>Revenues</b>	<b>1,561</b>	<b>6,364</b>
<i>Contribution ratio</i>	56.2%	57.5%
<b>EBIT (adj.)</b>	<b>107</b>	<b>851</b>
<i>EBIT (adj.) margin</i>	6.8%	13.4%
<i>Underlying EBIT (adj.) growth</i>	-6.8%	9.7%
<b>Organic growth</b>	<b>5.8%</b>	<b>6.3%</b>
<i>Price</i>	5.0%	4.4%
<i>Volume / Mix</i>	0.8%	2.0%
<b>ROCE (R12M)</b>		<b>9.0%</b>

## Key comments

- Broad-based organic revenue growth, driven by both price and volume
- Increased advertising spend as share of revenue (+1.9%-p vs. Q4-22) to fuel future top-line growth – in line with strategic plan to support omni-channel implementation and accelerate international expansion
- Continued pressure on margins within food supplements from increased input cost



# Broad-based organic growth across all core categories

	Q4-23	2023
<b>Revenues</b>	<b>784</b>	<b>2,947</b>
<i>Contribution ratio</i>	37.3%	36.1%
<b>EBIT (adj.)</b>	<b>93</b>	<b>386</b>
<i>EBIT (adj.) margin</i>	11.9%	13.1%
<i>Underlying EBIT (adj.) growth</i>	22.5%	22.7%
<b>Organic growth</b>	<b>12.4%</b>	<b>12.1%</b>
<i>Price</i>	5.2%	10.5%
<i>Volume / Mix<sup>1</sup></i>	7.2%	1.6%
<b>ROCE (R12M)</b>		<b>13.7%</b>
<b>Cash conversion</b>		<b>63%</b>

## Key comments

- Organic sales growth in all core categories, both home markets and international business, both price and volume driven
- EBIT (adj.) margin of 11.9% (vs. 10.9% in Q4-22). Margin improvement offset by advertising spend to fuel festival sales, higher personnel expenses and increased factory costs
- Q4-23 revenues and EBIT (adj.) include financial grant of NOK 22m provided by the Government of India



## The European Pizza Company

# Underlying EBIT (adj.) growth driven by cost reductions in Germany

	Q4-23	2023
<b>Revenues</b>	<b>760</b>	<b>2,962</b>
<i>Contribution ratio</i>	43.1%	42.0%
<b>EBIT (adj.)</b>	<b>74</b>	<b>268</b>
<i>EBIT (adj.) margin</i>	9.6%	9.0%
<i>Underlying EBIT (adj.) growth</i>	10.8%	-5.2%
<b>Organic growth</b>	<b>2.1%</b>	<b>8.3%</b>
<b>ROCE (R12M)</b>		<b>6.6%</b>

## Key comments

- Underlying consumer sales growth of 4.5% in main markets (-0.8% including Germany)
- Organic growth driven by increased dough and ingredient prices, offset by Germany restructuring (54 store closures in 2023)





## Orkla Home &amp; Personal Care

# Strong organic growth, with positive market share performance in Norwegian grocery sector

	Q4-23	2023
<b>Revenues</b>	<b>662</b>	<b>2,497</b>
<i>Contribution ratio</i>	38.3%	39.2%
<b>EBIT (adj.)</b>	<b>37</b>	<b>225</b>
<i>EBIT (adj.) margin</i>	5.9%	9.0%
<i>Underlying EBIT (adj.) growth</i>	64.8%	35.5%
<b>Organic growth</b>	<b>11.5%</b>	<b>8.8%</b>
<i>Price</i>	6.8%	8.0%
<i>Volume / Mix</i>	4.6%	0.8%
<b>ROCE (R12M)</b>		<b>15.1%</b>

## Key comments

- Strong organic growth in Q4 related to strong performance in Norway (price and volume growth), supported by higher prices in Sweden and Finland
- Gaining market shares in the Norwegian grocery sector
- Underlying EBIT (adj.) growth of 65% explained by top-line growth versus weak comparables last year
- Negative impact from the weakening NOK against the EUR



## Orkla House Care

Continued sales and margin growth in Q4

- EBIT (adj.) of NOK 5m (Q4), NOK +35m vs. Q4-22
- Improved contribution margin due to volume, mix and price
- Cash flow from operations positively affected by inventory improvements across all markets



## Health and Sports Nutrition Group

Successful warehouse relocation and automation

- EBIT (adj.) of NOK 7m (Q4), NOK +3m vs. Q4-22
- Organic growth of 1.2% in Q4, impacted by fewer B2C campaigns due to relocation to a new warehouse
- Limited negative end customer impact from warehouse relocation and automation



## Pierre Robert Group

Price driven EBIT (adj.) margin growth offset by one-off CRM system exit cost

- EBIT (adj.) of NOK 11m (Q4), NOK -1m vs. Q4-22
- Organic revenue decline partly due to lower sales to specialty customers
- Continued volume decline in Norwegian grocery, partly compensated for by strong growth in Finland and online sales



## Lilleborg

Strong organic growth coupled with improved EBIT (adj.) margins

- EBIT (adj.) of NOK 19m (Q4), NOK +7m vs. Q4-22
- Organic growth of 20.5% driven by both price and volume
- Strong focus on price management in 1H-23, positively affecting EBIT (adj.) margin in Q4 (12.0% vs. 9.6% in Q4-22)



# Closing remarks

Nils K. Selte, President & CEO



# Summary of main messages

- **Signs of easing pressure on volume and input cost development**
- **Continued strong performance from Jotun**
- **Significant improvement in cash flow from operations**
- **The Board intends to propose a total dividend of NOK 6.00 per share for FY2023, whereof NOK 3.00 is in addition to the ordinary dividend**



# 3 COMMITMENTS

**Drive organic value  
in existing  
portfolio**

**Reduce complexity  
of existing portfolio**

**Execute value-  
adding structural  
transactions**



# Q&A

Nils K. Selte, President & CEO

Harald Ullevoldsæter, CFO



# Upcoming events

Annual General Meeting  
18 April 2024

First quarter 2024  
3 May 2024

# Appendices



# Hydro Power earnings decline driven mainly by lower power prices – positive impact from removal of windfall tax<sup>2</sup> from Q4-23

### Hydro Power

*Fully consolidated into Orkla's financial statements*

Volume (GWh):	Power prices <sup>1</sup> (øre/kWh):	EBIT adj. (NOK million):
NO1 Q4: 110 (137)	NO1 Q4: 80.5 (171.0)	Q4: 183 (631)
NO2 Q4: 414 (497)	NO2 Q4: 82.1 (171.2)	



### Financial Investments

*Fully consolidated into Orkla's financial statements*

**Est. market value of rental portfolio:** NOK 2.2 billion

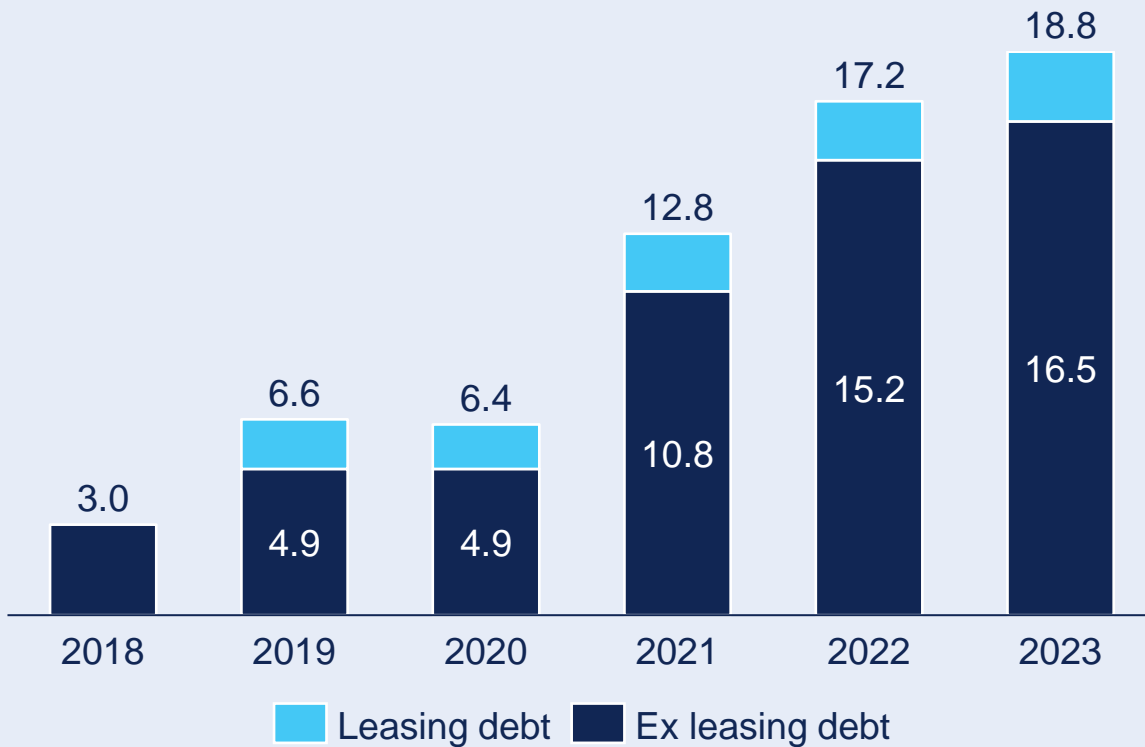
**Book value of development portfolio:** NOK 0.3 billion



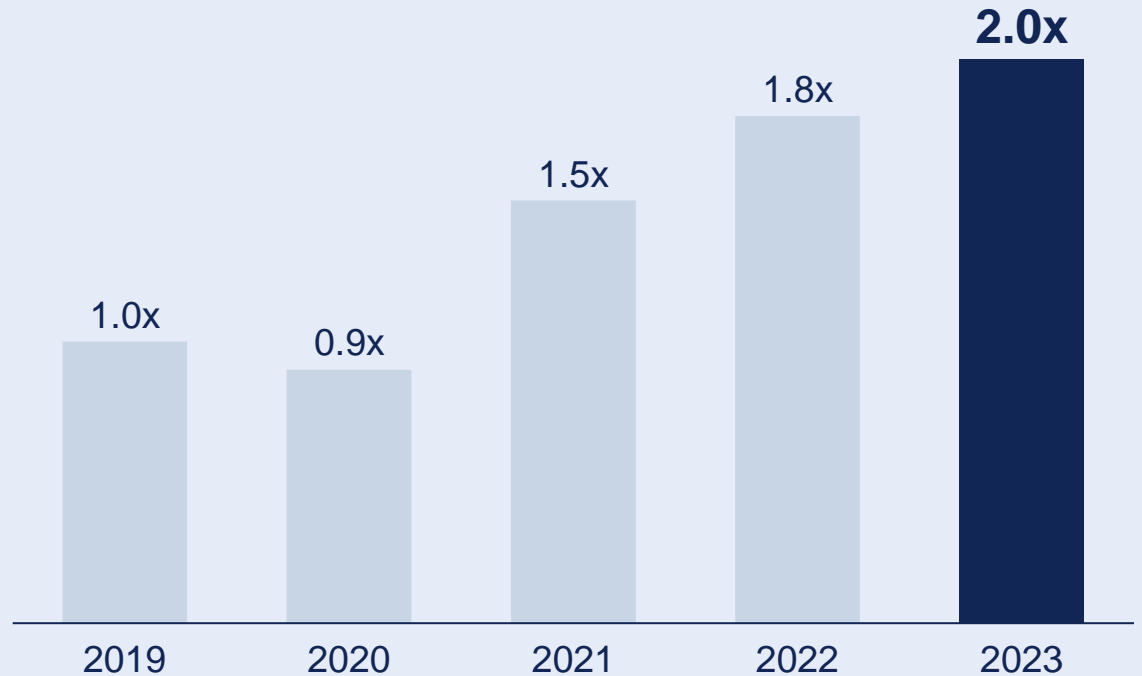
1. Source: Nord Pool (average spot area prices for Eastern Norway (NO1) and Southern Norway (NO2))  
2. Windfall taxes are effectively a fee on sales above 70 øre/kWh and accounted for as cost of goods sold

# Sound financial profile

Net interest-bearing liabilities (NOKbn)



NIBD / R12M EBITDA

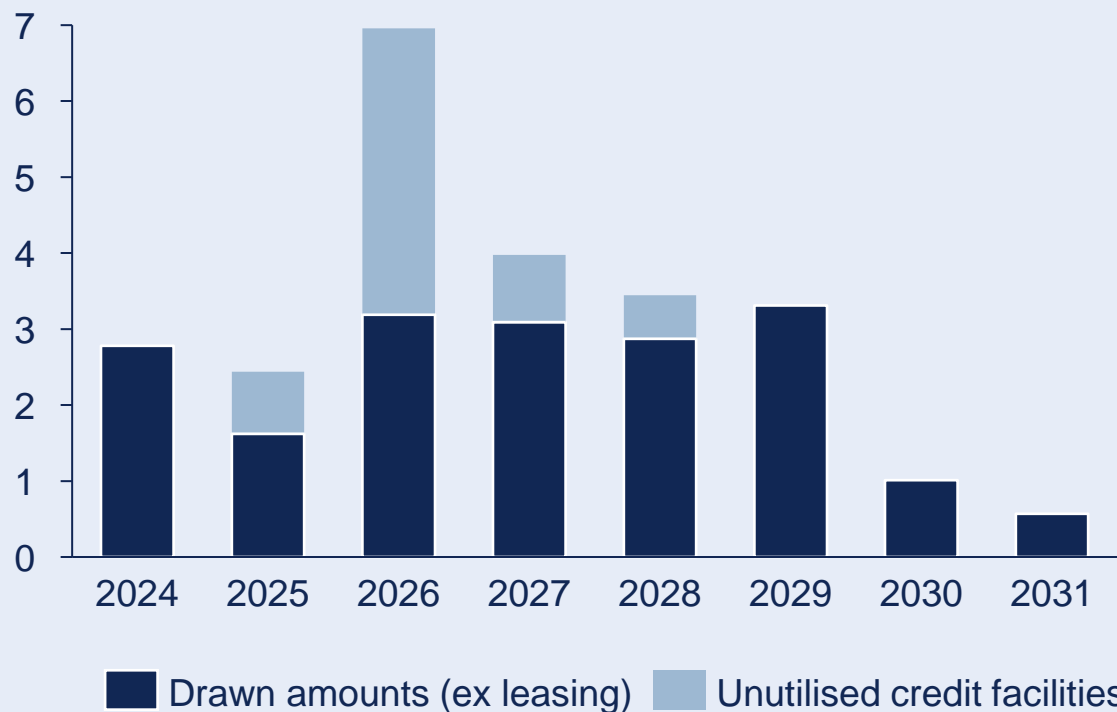




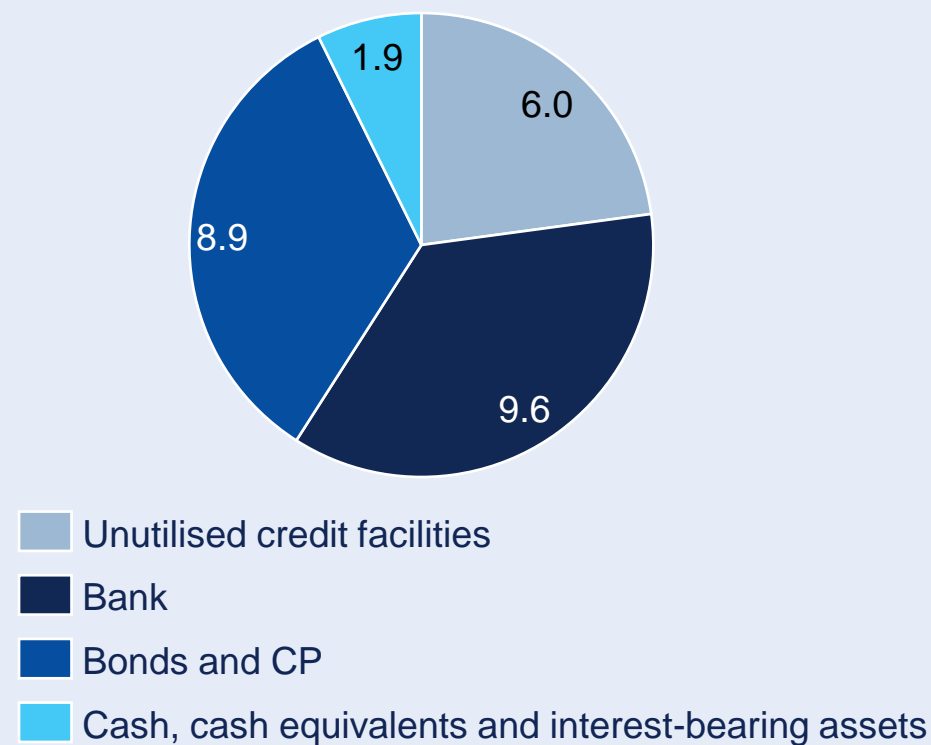
# Funding sources and maturity profile per Q4-23

## Debt maturity ➤ average maturity 3.3 years

NOKbn

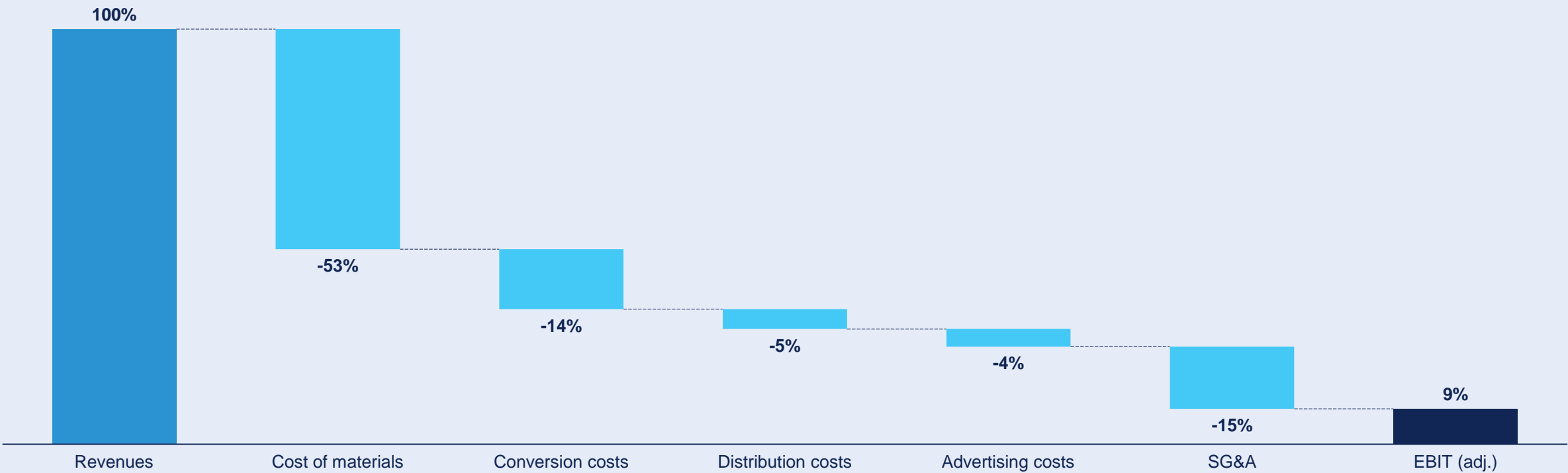


## Funding sources (in NOKbn)

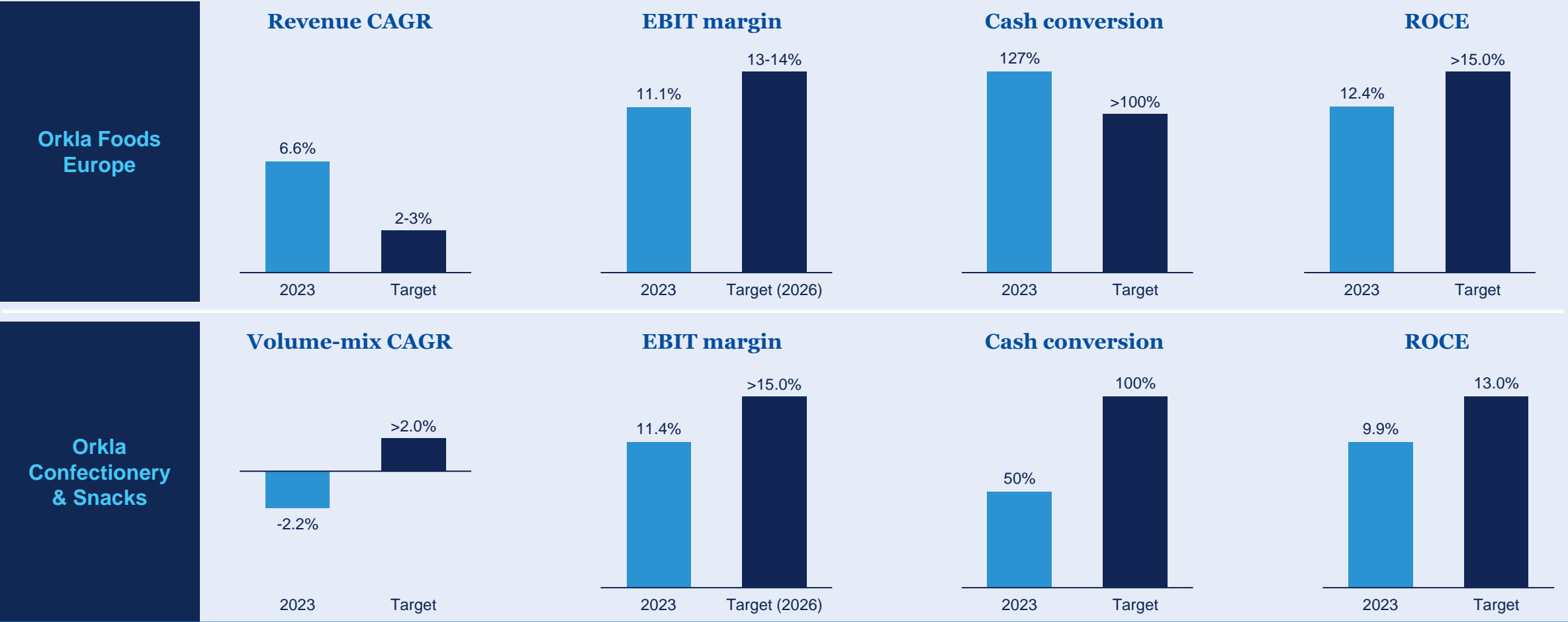


# Cost breakdown for 2023

Consolidated Portfolio Companies incl. HQ, cost breakdown 2023 as % of revenues



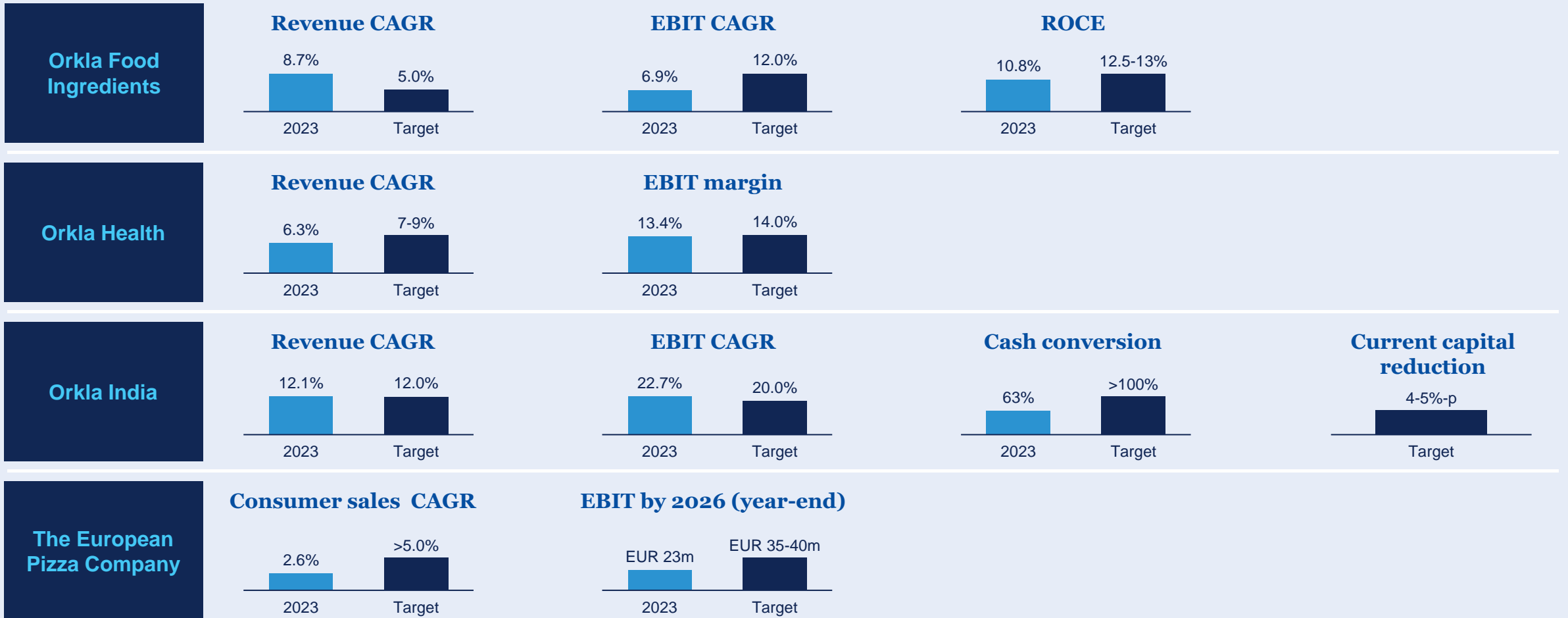
# Overview of financials targets (1/3)



The Target period stretches from 2024-2026. Kindly note that financial targets for each portfolio company was communicated on the Capital Markets Day on 29 November 2023  
All revenue measures are organic except Orkla Food Ingredients where minor add-ons are included  
All EBIT measures are defined as EBIT (adj.)  
All cash conversion measures are defined as cash flow from operations / EBIT (adj.)

Grow and build

# Overview of financials targets (2/3)



The Target period stretches from 2024-2026. Kindly note that financial targets for each portfolio company was communicated on the Capital Markets Day on 29 November 2023

All revenue measures are organic except Orkla Food Ingredients where minor add-ons are included

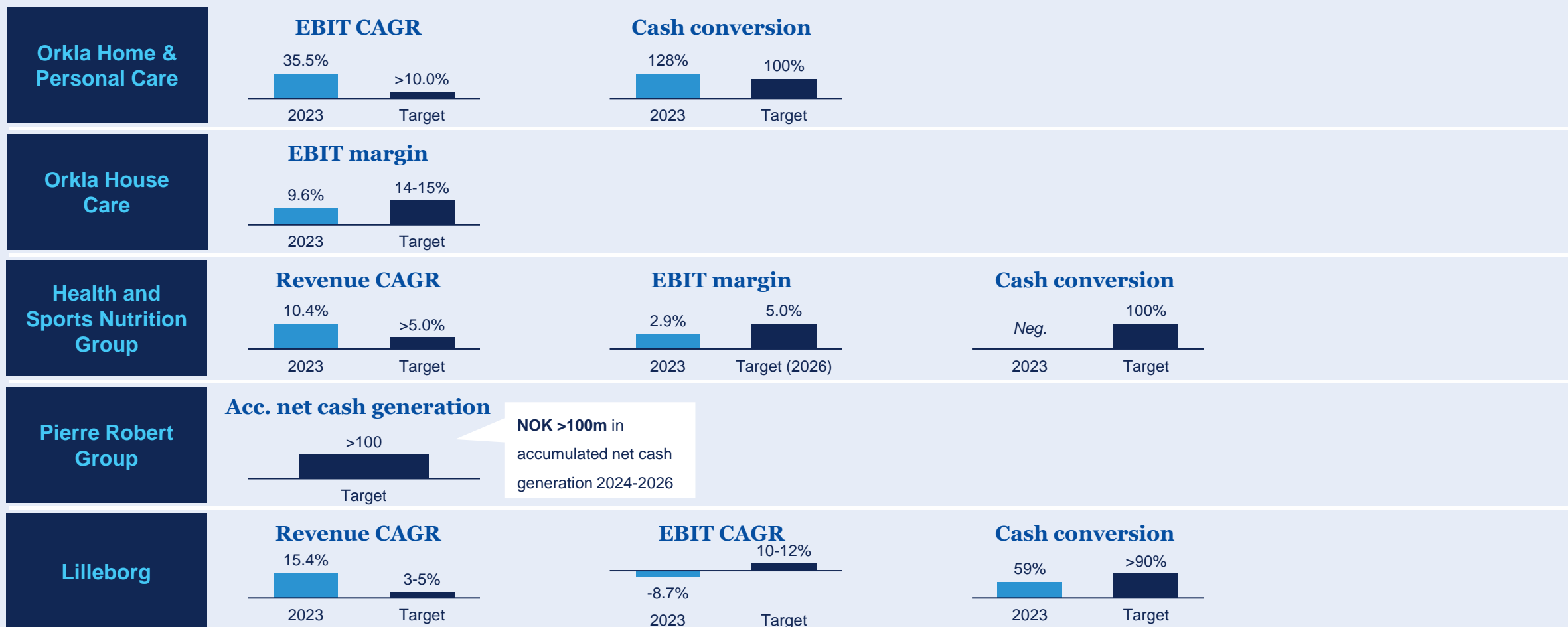
All EBIT measures are defined as EBIT (adj.). EBIT CAGR is related to underlying EBIT (adj.)

All cash conversion measures are defined as cash flow from operations / EBIT (adj.)

Current capital defined as Inventories + Receivables - Payables as a % of revenue

Transform or exit

# Overview of financials targets (3/3)



The Target period stretches from 2024-2026. Kindly note that financial targets for each portfolio company was communicated on the Capital Markets Day on 29 November 2023

All revenue measures are organic except Orkla Food Ingredients where minor add-ons are included

All EBIT measures are defined as EBIT (adj.). EBIT CAGR is related to underlying EBIT (adj.)

All cash conversion measures are defined as cash flow from operations / EBIT (adj.)

# Alternative Performance Measures (APM)

## Contribution ratio

Contribution ratio is calculated by dividing the contribution margin by operating revenues. Operating revenues minus variable operating expenses constitute the contribution margin. Variable operating expenses are reported on the financial statement line “operating expenses” and consist of expenses directly related to sales volume. Variable expenses include the costs of input factors such as raw materials and packaging, and variable production costs such as electricity related to production and variable pay. They also include incoming and outgoing freight costs directly related to sales volume. Costs related to finished goods purchased for resale are included as part of variable operating expenses. Production costs that are relatively constant over time and do not vary according to production volume are not included in the computation of contribution margin; such costs include warehouse costs, wages of factory administration and management staff, and depreciation of production equipment.

Contribution Margin is a key internal financial figure that shows how profitable each portfolio company’s product mix is and hence the company’s ability to cover fixed expenses. Contribution margin is an important financial figure with regard to product innovation and product portfolio optimisation.

## Organic growth

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

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

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

## EBIT (adj.)

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

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



# Alternative Performance Measures (APM)

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

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

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

## **Return on Capital Employed (ROCE)**

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

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

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

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

# Alternative Performance Measures (APM)

## **Return on Capital Employed (ROCE) cont.**

Average capital employed is at all times an average of the closing balance for the five last reported quarters.

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

## **Earnings per share (adj.)**

Earnings per share (adj.) show earnings per share adjusted for "Other income and expenses" (OIE) after estimated tax. Items included in OIE are specified in Note 3. The effective tax rate for OIE is lower than the group's tax rate as at 31 December 2023, chiefly due to the fact that expensed M&A costs and the write-down of tangible assets in Orkla Foods Česko a Slovensko are without tax effect. Non-taxable income increases the tax rate for OIE somewhat. The effective tax rate for OIE as at 31 December 2023 was 17% (17 % as at 31 December 2022) and 12% in the fourth quarter of 2023 (23% in the fourth quarter of 2022).

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

## **Net replacement and expansion investments**

When taking decisions regarding investments, the group distinguishes between replacement and expansion investments. Expansion investments are the part of overall reported investments considered to be investments either in new geographical markets or new categories, or which represent significant increases in capacity. Net replacement investments include new leases and are reduced by the value of sold fixed assets to sales value.

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

## **Net interest-bearing liabilities**

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

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

# Alternative Performance Measures (APM)

## Structure (acquisitions and disposals)

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

In 2022, adjustments were also made for the acquisition of Vesterålen Marine Olje, Eastern, NutraQ, New York Pizza, Sigurd Ecklund, Hans Kaspar, Núi Síríus, Cake Décor Limited, For All Baking Ltd., Ambassador92 and SeaGood Fort Deli. Adjustments have been made for the sale of Credin Russland, the Struer brand, and the water business under the Everest brand in Orkla Latvija. A structural adjustment was made at business area level for the internal transfer of the Oolannin brand.

