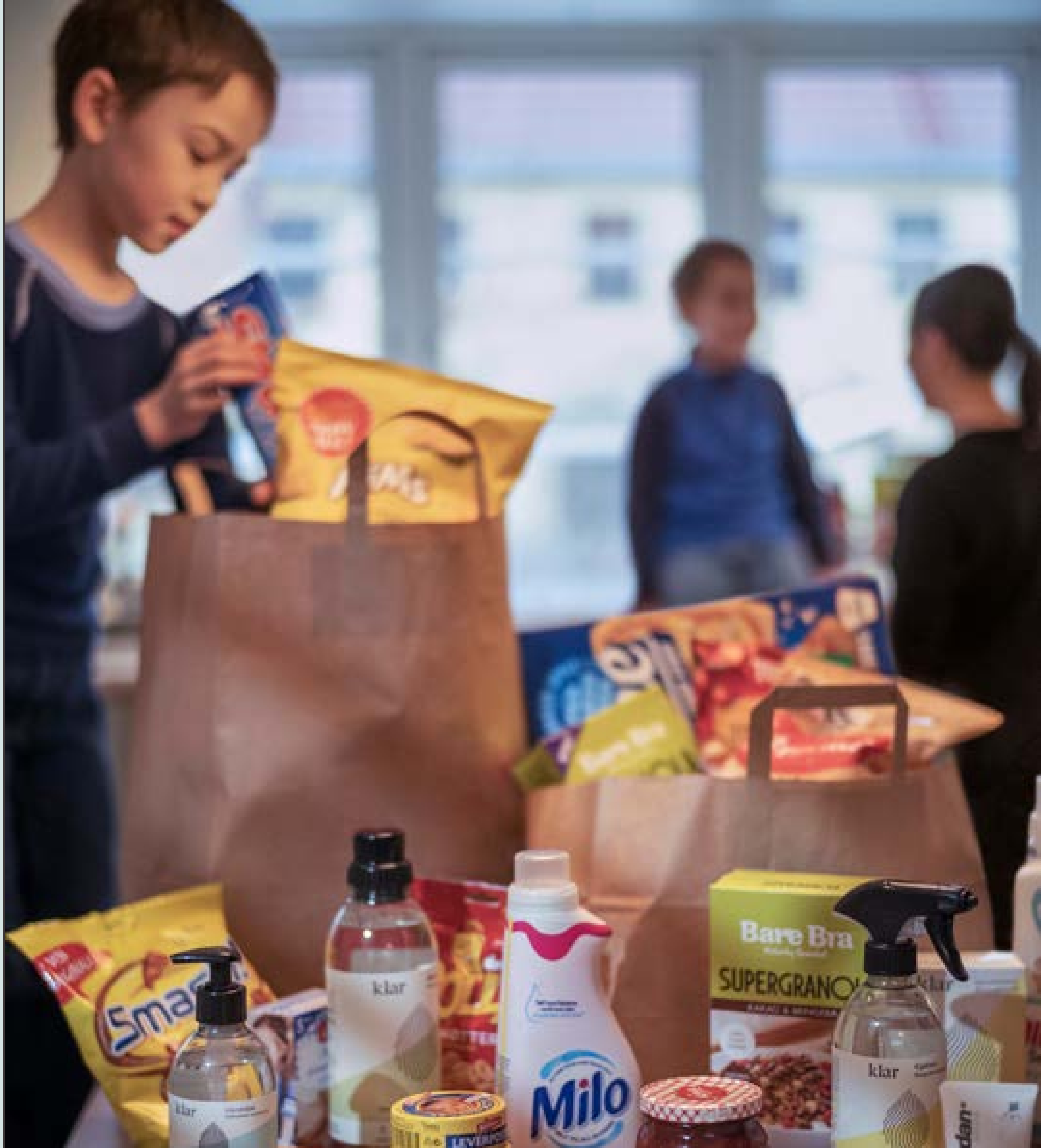
Orkla

First quarter

2021



The first quarter in brief

- Group profit before tax amounted to NOK 1,434 million, a year-over-year improvement of 24%
- Operating profit EBIT (adj.) for the Branded Consumer Goods business including Headquarters increased by 9.5%, of which 9.7% was underlying EBIT (adj.) growth
- Organic growth of 0.5% for Branded Consumer Goods, compared with a strong quarter in 2020 positively impacted by consumer stockpiling
- Continued solid growth and increased profitability for Jotun
- Adjusted earnings per share for the first quarter were NOK 1.27, an increase of 21% year over year

Key figures for the Orkla Group as of 31 March

All Alternative Performance Measures (APMs) and relevant comparative figures, are presented on the last pages of this report.

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2021	2020	2020
Group			
Operating revenues	11 503	11 507	47 137
EBIT (adj.)	1 297	1 143	5 492
Profit/loss from associates and joint ventures	331	213	1 000
Profit/loss before taxes	1 434	1 152	5 348
Earnings per share (NOK)	1.15	0.92	4.37
Earnings per share (adj.) (NOK)	1.27	1.05	5.04
Branded Consumer Goods			
Operating revenues	11 276	11 316	46 521
- Organic revenue growth	*0.5%*	*5.4%*	*1.6%*
Branded Consumer Goods incl. headquarters (HQ)			
EBIT (adj.)	1 208	1 103	5 440
EBIT (adj.) margin	10.7%	9.7%	11.7%

Orkla President and CEO Jaan Ivar Semlitsch comments:
Dealing with the coronavirus situation has been a difficult exercise in balancing priorities. It is therefore gratifying that so far during the pandemic we have had the capacity and possibility to focus on both our important short-term priorities, related to taking care of our employees and maintaining good delivery capacity, and our more long-term priorities revolving around organic and structural growth.

Acquisitions will continue to be a key element of Orkla's growth strategy going forward, and in the first quarter we made several acquisitions to strengthen Orkla's position in selected categories, channels and geographies. I am glad that the acquisition of Eastern Condiments has now been completed and am looking forward to continuing the journey in India that has already been a success story for Orkla. Furthermore, by acquiring NutraQ we will take a new and important step into a growing health and wellness market, which will offer us more sales channels and exciting growth opportunities. We also made three additional acquisitions in line with our acquisition strategy: i) Proteinfabrikken to strengthen our digital sales platform, ii) Seagood Fort Deli in the Out of Home sector to increase our exposure in Finland, and iii) Ambasador92 to strengthen our position in Poland.

To ensure a focused approach to pursuing our long-term organic and structural growth priorities, we have defined three key strategic growth areas: Out of Home, Plant-based and Health. We are convinced that these areas will offer great potential in the coming years, and will be important for realising our ambitions.

The start of 2021 has been good for Orkla's Branded Consumer Goods business. We are achieving organic growth, good profit improvement and margin improvements despite strong comparables in the corresponding period of 2020 due to the initial consumer stockpiling of food and cleaning products. There was good market growth in the grocery sector, but lower activity in the Out of Home sector at the start of the quarter, largely due to the coronavirus pandemic.

Although the beginning of this year has been strongly affected by the pandemic, the outlook for the Nordic region and large parts of the rest of the world is brighter. Now that vaccination has begun, we are looking forward to further easing of infection control restrictions in the time to come.

Jaan Ivar Semlitsch
President and CEO

Market growth

In the short term, the coronavirus pandemic has given rise to major changes in consumer behaviour and has thus affected growth in various sales channels, categories and geographical markets. It is too early to determine potential long-term effects of changes in consumer behaviour. The situation in the first quarter of 2021 was marked by higher infection rates and new tightening of infection control restrictions in several of Orkla's markets. There was still good growth in the grocery channel at the start of the quarter, largely due to the coronavirus pandemic, but growth in March was impacted by strong comparables from last year. At quarter start, business activities in the Out of Home segment were curbed by infection control restrictions, but the effects have been somewhat more limited than before as several countries have made good progress in vaccinating their populations and some countries have already begun to reopen cautiously. Due to differences in the speed of vaccination, there is still a ways to go to attain fully normalised activity levels in Orkla's key markets.

Orkla is exposed to a broad range of raw material categories. Overall, raw material prices increased substantially in the first quarter, especially for vegetable oils, grains, sugar and dairy products. Prices also rose for several other raw material categories.

The Norwegian krone strengthened in the first quarter of 2021, compared with the same period of 2020, contributing to negative currency translation effects in the consolidated financial statement.

Power prices in Norway were significantly higher in the first quarter compared with the level of power prices in 2020. The increase is due to normalisation of power transfer capacity and the resource situation. The high power prices in the first quarter resulted in higher production costs for Branded Consumer Goods, but had a substantial positive effect on Hydro Power's profit performance.

Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–31.3.2021	0.5	-1.4	0.5	-0.4

Figures may not add up due to rounding.

Revenue development for Branded Consumer Goods in the first quarter was driven by organic growth and acquisitions, but was negatively impacted by currency translation effects. Organic turnover growth was 0.5%, with substantial variations within the portfolio. In the same quarter of 2020, organic growth was 5.4%, driven by consumer stockpiling at the start of the pandemic, and Orkla Foods and Orkla Care in particular faced strong comparables from 2020. The timing of Easter had a positive effect on turnover in the first quarter.

Orkla Consumer Investments had organic growth of 15.4%, primarily related to continued high activity in the home improvement market and thus higher sales of painting equipment. Orkla Confectionery & Snacks contributed with 6.9% organic sales growth, positively affected by good market growth, particularly in Norway, phasing of sales due to the timing of Easter and the removal of the sugar tax in Norway as of 1 January 2021. Orkla Care also continued to deliver solid organic turnover growth in the quarter, partly driven by consumers' stronger focus on their own health due to the coronavirus situation.

Organic turnover growth was negatively affected to some extent by a decline for Orkla Foods, largely due to consumer stockpiling and inventory build-up in the grocery sector in March 2020. Growth was also negatively impacted by the development in Orkla Food Ingredients as a result of lower activity in the Out of Home sector, mainly at the start of the quarter.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.3.2021	9.7	-2.4	2.1	9.5

Figures may not add up due to rounding.

Branded Consumer Goods including Headquarters (HQ) saw an improvement of 9.5% in first-quarter EBIT (adj.), of which 9.7% was underlying growth. The profit improvement was driven by turnover growth, positive mix effects and cost reduction programmes.

EBIT (adj.) margin growth change in percentage points	Underlying growth	Structure/ FX	Total	EBIT (adj.) margin 2021 (%)
R12M	0.6	0.1	0.7	11.9

Figures may not add up due to rounding.

Margin growth on a rolling 12-month basis as at 31 March 2021 for Branded Consumer Goods incl. HQ showed an improvement of 0.7 percentage points. Margin improvement was driven by revenue management, product mix, cost improvements and positive accrual effects, but was partly offset by higher advertising spend and increased depreciation.

Structural measures (M&A)

In January 2021, through its wholly-owned Swedish subsidiary Health and Sports Nutrition Group AB ("HSNG"), Orkla Care completed an agreement to purchase 100% of the shares in Proteinfabrikken AS ("Proteinfabrikken"). Besides its own products, Proteinfabrikken sells and distributes a number of other brands and products in the sports nutrition, food products and fitness equipment categories, with most of the sales going to Norway. The company was consolidated into Orkla's financial statements as of 1 January 2021.

In February 2021, Orkla Health entered into an agreement to purchase 100% of the shares in NutraQ 2 AS ("NutraQ"), a leading supplier of subscription-based health and beauty products in the Nordic region. NutraQ is behind the concepts VitaePro and Oslo Skin Lab. The acquisition offers Orkla the possibility of strengthening its position in a growing health and wellness market, and will bring Orkla Health new competence and more sales channels and will expand its international scope of opportunity. The agreement is subject to the approval of the relevant competition authorities, and the purchase is expected to be completed by the end of the third quarter of 2021 at the latest.

In March 2021, Orkla announced its acquisition of 80% of the shares in the Finnish company Seagood Oy Fort Deli ("Fort Deli"). Fort Deli holds a strong position in the Finnish HoReCa market and is an established supplier of frozen products, sauces and condiments in Finland. With this acquisition Orkla has strengthened its position in one of its home markets, while also increasing its exposure in the food service and Out of Home market. The company was consolidated into Orkla's financial statements as of 1 March 2021.

In March 2021, Orkla acquired the Polish sales and distribution company Ambasador92. Ambasador92 is a leading player in the sale and distribution of bakery and confectionery products and holds a strong position in the growing Out of Home channel, which consists of bakeries, confectioners and ice cream producers. The company was consolidated into Orkla's financial statements as of 1 March 2021.

In the third quarter of 2020, Orkla entered into an agreement to purchase 67.8% of the shares in Eastern Condiments Private Limited ("Eastern") in India and the acquisition was completed in the first quarter of 2021. Eastern was consolidated into Orkla's statement of financial position as of 31 March 2021 and into the income statement as of 1 April 2021.

See Notes 5 and 12 for more information on acquisitions and disposals.

Outlook

The situation in the first quarter continued to reflect the restrictions prevailing in several of Orkla's markets. The ongoing vaccination process will make it possible to reopen society to a growing degree. However, recent infection rates continue to create uncertainty as to how quickly society can open up again. There is still uncertainty about buying power and demand in many of the markets in which Orkla operates, particularly in the Baltics and Central Europe.

Orkla is exposed to a broad range of raw material categories and in the past year there has been a sharp increase in the market prices of key raw materials such as vegetable oils, grains, meat, vegetables, dairy products and packaging, which is expected to result in higher costs for Orkla's raw materials going forward.

Orkla is well equipped financially to face future challenges. The Group has a strong balance sheet with net interest-bearing liabilities of 1.0 x EBITDA (on a 12-month rolling EBITDA basis). Including the purchase of NutraQ, which has been agreed on but not yet completed, this ratio increases to approx. 1.4 x EBITDA.

Financial matters - Group

Main figures profit/loss

Amounts in NOK million	1.1.–31.3. 2021	1.1.–31.3. 2020	1.1.–31.12. 2020
Operating revenues	**11 503**	**11 507**	**47 137**
EBIT (adj.)	**1 297**	**1 143**	**5 492**
Other income and expenses	(143)	(165)	(930)
Operating profit	**1 154**	**978**	**4 562**
Profit/loss from associates and joint ventures	331	213	1 000
Interest and financial items, net	(51)	(39)	(214)
Profit/loss before taxes	**1 434**	**1 152**	**5 348**
Taxes	(270)	(220)	(926)
Profit/loss for the period	**1 164**	**932**	**4 422**
Earnings per share (NOK)	1.15	0.92	4.37
Earnings per share (adj.) (NOK)	1.27	1.05	5.04

Growth in Group operating revenues was flat in the first quarter. Branded Consumer Goods saw a slight decline, with positive organic and structural growth being offset by negative currency translation effects. There was good turnover growth in Industrial & Financial Investments, driven by higher power prices for Hydro Power.

In the same period, the Group had 13.5% growth in EBIT (adj.), driven by both good underlying profit improvement from Branded Consumer Goods incl. HQ and strong growth for Industrial & Financial Investments due to the higher power prices for Hydro Power.

In Branded Consumer Goods incl. HQ, profit improvement was particularly good in Orkla Consumer Investments, mainly related to strong top-line growth in the painting equipment market, but also to the good performance of other business units. There was improvement in Orkla Confectionery & Snacks due to high market growth in the grocery sector and the positive effect of cost reduction programmes, and in Orkla Food Ingredients driven by acquisitions and lower fixed costs. Growth was offset to some extent by the profit decline in Orkla Foods caused by both lower turnover and higher costs related to the implementation and rollout of a new ERP system in Orkla Foods Sverige. Profit growth for Orkla Care was virtually flat.

Advertising spend in the first quarter was slightly lower than last year, but is expected to increase for the year as a whole.

The Group's "Other income and expenses" totalled NOK -143 million in the first quarter. NOK 72 million was expensed in the quarter in connection with the ERP project described in the fourth quarter 2020 report. Additional expenses will be incurred in this connection in the second quarter of 2021. Expenses were also incurred in the first quarter related to several restructuring and reorganisation projects and M&A activities. See further details regarding other income and expenses in Note 3.

Profit from associates amounted to NOK 331 million in the first quarter. The year-over-year improvement of NOK 118 million was mainly due to continued good sales growth, a stronger gross margin and good cost control in Jotun. In the first quarter of 2020 this item also included a gain of NOK 15 million on the sale of an associate in Orkla Eiendom.

Net financial costs in the quarter were higher than last year due to higher pension plan costs. The average borrowing rate was 1.7% in the period, compared with 1.6% in the same period of 2020.

The effective tax rate, excluding associates and joint ventures, was higher in the first quarter of 2021 than in the first quarter of 2020 on account of higher economic rent tax due to Hydro Power's increased contribution to profit.

Earnings per share in the first quarter were NOK 1.15, a year-over-year increase of 25%. Adjusted earnings per share were NOK 1.27, equivalent to growth of 21% from the previous year. See the section on Alternative Performance Measures (APM) on page 17 for more information.

Cash flow – Group

The comments below are based on the cash flow statement as presented in Orkla's internal format and refer to the period 1 January to 31 March 2021. Reference is made to page 13 for the consolidated statement of cash flows IFRS and reconciliation of cash flows.

Orkla-format

Amounts in NOK million	1.1.–31.3. 2021	1.1.–31.3. 2020	1.1.–31.12. 2020
Cash flow from Branded Consumer Goods incl. HQ			
EBIT (adj.)	1 208	1 103	5 440
Depreciation	441	430	1 783
Changes in net working capital	(515)	(122)	670
Net replacement expenditures	(652)	(601)	(2 251)
Cash flow from operations (adj.)	**482**	**810**	**5 642**
Cash flow effect from "Other income and expenses" and pensions	(172)	(117)	(291)
Cash flow from operations, Branded Consumer Goods incl. HQ	**310**	**693**	**5 351**
Cash flow from operations, Industrial & Financial Investments	**137**	**87**	**87**
Taxes paid	(352)	(451)	(1 152)
Dividends received, financial items and other payments	89	65	91
Cash flow before capital transactions	**184**	**394**	**4 377**
Dividends paid and purchase/sale of treasury shares	(406)	(9)	(2 609)
Cash flow before expansion	**(222)**	**385**	**1 768**
Expansion investments	(69)	(119)	(479)
Sale of companies (enterprise value)	-	61	200
Purchase of companies (enterprise value)	(1 750)	(86)	(733)
Net cash flow	**(2 041)**	**241**	**756**
Currency effects of net interest-bearing liabilities	573	(1 085)	(585)
Change in net interest-bearing liabilities	**1 468**	**844**	**(171)**
Net interest-bearing liabilities	**7 848**	**7 395**	**6 380**

At Group level, the bottom line of the Orkla-format cash flow statement is the change in net interest-bearing liabilities, an important management parameter for the Group; see Note 6. Cash flow from operations is used in business area management.

Cash flow from operations from Branded Consumer Goods incl. HQ was lower in 2021 than in 2020, despite improved EBIT (adj.). There was a negative impact from working capital in the quarter, chiefly due to accrual-based reporting, but the average amount of funds tied up in working capital relative to turnover continues to decline.

The increase in net replacement expenditures in the quarter mainly relates to a current project linked to the construction of a new biscuits factory in Latvia. It also includes investments related to several other ongoing factory projects and new long-term leases.

In Industrial & Financial Investments, cash flow from operations in the first quarter of 2021 was higher, year over year, due to profit improvement for Hydro Power.

Dividends received, financial items and other payments chiefly consist of dividends from Jotun and financial items paid.

Buybacks of treasury shares totalled NOK 403 million in the first quarter. See further details regarding treasure shares in Note 9.

Expansion investments in the first quarter of 2021 largely comprise investments in increased production capacity for plant-based products and increased capacity in Central Europe. In the first quarter of 2020, the bulk of the expansion investments consisted of the investment programme for pizza production at Stranda.

Acquisitions of companies totalled NOK 1,750 million and mainly consisted of the purchase of 67.8% of the shares in Eastern Condiments Private Limited in India. Orkla also completed the purchases of Proteinfabrikken, Ambasador92 and 80% of the shares in Seagood Oy Fort Deli. No companies were sold in the first quarter of 2021.

Net cash flow for the Group was NOK -2,041 million. Positive currency translation effects due to the stronger Norwegian krone reduced net interest-bearing liabilities by NOK 573 million in the quarter. As at 31 March 2021, net interest-bearing liabilities before lease liabilities amounted to NOK 6,369 million. Including lease liabilities related to IFRS 16, net interest-bearing liabilities totalled NOK 7,848 million.

As at 31 March 2021, the equity ratio was 60.6%, compared with 60.3% as at 31 March 2020. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.5 years. Orkla's financial position is robust, with cash reserves and credit lines that exceed known future capital expenditures.

BUSINESS AREAS
Branded Consumer Goods

Orkla Foods

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2021	2020	2020
Operating revenues	4 299	4 618	18 301
- Organic revenue growth	*-4.7%*	*10.8%*	*3.7%*
EBIT (adj.)	507	535	2 641
EBIT (adj.) margin	11.8%	11.6%	14.4%

- Organic sales decline in the first quarter in most markets except Norway and India
- The decline was chiefly due to inventory build-up as a result of the coronavirus pandemic in March 2020
- Reported profit decline of -5.2% in the first quarter driven by lower turnover and higher costs of implementation and rollout of new ERP system in Sweden

Orkla Foods reported a decline of -6.9% in sales in the first quarter, with a -4.7% decrease in organic growth compared with a strong 2020. Consolidation effects of changes in foreign currency rates and structural changes also had a negative impact. Sales declined in Central Europe, Sweden and Denmark, largely due to consumer stockpiling and inventory build-up in the grocery sector in March last year. In Norway and India, however, there was improvement, primarily due to differences in timing of campaigns in Norway, while India was locked down last year on account of the coronavirus pandemic. Sales to channels in the food service sector are still lower than last year due to lockdowns so far this year in most markets. Orkla Foods Sverige is a large company with many factories that have implemented and rolled out a new ERP system in the quarter. The implementation has been successful, but has entailed reprioritisation of resources and lower activity for some time, which impacted negatively on sales in the quarter.

The decline in turnover, year over year, led to weaker results in the quarter. Furthermore, the change in the ERP system in Sweden entailed non-recurring costs in connection with the step-up of production after the switch. During a transitional period, moreover, there will be higher costs related to operation and optimisation of the new system, as well as cost increases of a permanent nature primarily related to increased depreciation. The cost of input factors continued to rise in the first quarter, but this has been compensated for so far by price increases and positive currency effects. However, further increases are expected during the year, driven by higher market prices for several key input factors which will have to be compensated for by new pricing measures. The consolidation effects of exchange rate fluctuations have impacted negatively on profit growth. The EBIT (adj.) margin improved to 11.8%, up 0.2 percentage points from the first quarter of 2020.

Orkla Confectionery & Snacks

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2021	2020	2020
Operating revenues	1 701	1 602	7 171
- Organic revenue growth	*6.9%*	*2.1%*	*2.0%*
EBIT (adj.)	241	209	1 203
EBIT (adj.) margin	14.2%	13.0%	16.8%

- Good market growth in Nordic grocery sector, market conditions still difficult in Baltics
- Organic growth positively impacted by phasing of sales between quarters
- Improved listing by a major customer in Denmark

Orkla Confectionery & Snacks posted 6.2% growth in first-quarter operating revenues. Organic growth was 6.9%. Sales growth was boosted by the timing of Easter, which resulted in a shift in sales between the first and second quarters. The removal of the sugar tax as of 1 January 2021 in Norway resulted in extraordinarily high sales at the start of the first quarter following temporary wholesaler destocking in the fourth quarter of 2020. Market growth in the Nordic grocery sector has been high, whereas demand and sales declined in the Baltics and in non-grocery channels. Improved listing by a major customer in Denmark made a positive contribution.

First-quarter EBIT (adj.) for Orkla Confectionery & Snacks increased by 15.3%, year over year. Cost reduction programmes continued to deliver positive results and offset higher purchasing costs. However, purchasing costs are expected to rise towards the end of the second quarter, due in particular to increases in the price of vegetable oil and packaging. The EBIT (adj.) margin was 14.2% in the first quarter, a year-over-year improvement of 1.2 percentage points.

Orkla Care

Amounts in NOK million	1.1.–31.3. 2021	1.1.–31.3. 2020	1.1.–31.12. 2020
Operating revenues	1 814	1 688	6 905
- Organic revenue growth	*4.2%*	*11.1%*	*9.2%*
EBIT (adj.)	296	297	1 019
EBIT (adj.) margin	16.3%	17.6%	14.8%

- Good first-quarter organic sales growth measured against strong comparables
- Continued good growth for the health category and for online shopping
- Higher advertising spend and a negative product mix resulted in flat EBIT (adj.) growth for first quarter

Orkla Care had 7.5% sales growth in the first quarter, of which 4.2% was organic growth. This is measured against a strong quarter in the previous year that was positively affected by consumer stockpiling in March. Organic growth in the first quarter of 2021 was driven by continued good, broad-based sales improvement for Orkla Health, partly driven by consumers' increased focus on their own health as a result of the coronavirus situation, and by a continued good trend and strong sales growth from online shopping in HSNG. Orkla Home & Personal Care saw a slight decline in sales due to lower industrial sales, and market growth in these categories levelled off in the quarter after strong growth throughout 2020. Wound Care continued to experience negative effects as a result of coronavirus-related restrictions in many markets.

Slight decline in first-quarter profit due to higher investments in advertising, increased manufacturing costs for Orkla Home and Personal Care, in addition to negative product mix in the health portfolio. The first-quarter EBIT (adj.) margin was 16.3%, compared with 17.6% year over year.

Orkla Food Ingredients

Amounts in NOK million	1.1.–31.3. 2021	1.1.–31.3. 2020	1.1.–31.12. 2020
Operating revenues	2 546	2 574	10 696
- Organic revenue growth	*-2.0%*	*-1.3%*	*-5.9%*
EBIT (adj.)	80	71	500
EBIT (adj.) margin	3.1%	2.8%	4.7%

- Negative organic growth due to lower activity in the Out of Home segment at start of year
- Ice cream ingredients showed positive growth in the quarter
- EBIT (adj.) improvement driven by acquisitions and lower fixed costs

Orkla Food Ingredients saw a change of -1.1% in operating revenues in the first quarter. The reduction was a result of lower sales of bakery ingredients and negative currency translation effects. Organic growth was -2.0%, the decline being due to restrictions in connection with the coronavirus pandemic, which in turn resulted in a decline in the Out of Home segment. The comparables for some of the companies which have a high percentage of sales to consumers reflected consumer stockpiling effects in 2020. The decline for bakery ingredients was offset by higher sales of ice cream ingredients, which were particularly impacted by severe lockdowns in connection with the coronavirus outbreak last year.

First-quarter EBIT (adj.) improved by 12.7%. The profit improvement was a result of acquisitions and lower fixed costs, including lower marketing costs. There were negative currency translation effects in the period, as a result of the stronger Norwegian krone compared with the previous year. The EBIT (adj.) margin was 3.1% in the first quarter, a year-over-year increase of 0.3 percentage points.

There is still high uncertainty as regards the future situation, which will depend on how the pandemic develops and associated government restrictions. Orkla Food Ingredients is also expected to be impacted by higher raw material costs later this year.

Orkla Consumer Investments

Amounts in NOK million	1.1.–31.3. 2021	2020	1.1.–31.12. 2020
Operating revenues	1 023	927	3 847
- Organic revenue growth	*15.4%*	*-3.9%*	*2.1%*
EBIT (adj.)	164	92	404
EBIT (adj.) margin	16.0%	9.9%	10.5%

- Continued strong sales growth for Orkla House Care
- Solid sales growth for Kotipizza's pizza restaurants
- Strong profit improvement, partly due to weak comparables

Orkla Consumer Investments had organic sales improvement of 15.4% in the first quarter. Growth was primarily driven by Orkla House Care with increased sales in all markets due to generally higher activity in the home improvement market, and consequently higher sales of painting equipment. Kotipizza had good organic growth as a result of increased turnover for both the pizza restaurants and the wholesale business. Lilleborg also saw improvement in the quarter. Demand in the Pierre Robert Group textile business is still negatively impacted by the coronavirus pandemic.

The 78.3% improvement in first-quarter profit was driven by strong sales growth for several companies in the portfolio. The improvement must be seen in conjunction with weak comparables from the first quarter of 2020, when several of the companies were negatively impacted by the lockdown of society following the outbreak of the coronavirus pandemic. The first-quarter EBIT (adj.) margin was 16.0%, compared with 9.9% for the same period of 2020.

Industrial & Financial Investments

Hydro Power

	1.1.–31.3. 2021	2020	1.1.–31.12. 2020
Volume (GWh)	477	645	2 884
Price* (øre/kWh)	48.9	15.3	9.8
EBIT (adj.) (NOK million)	86	39	42

*Source: Nord Pool (average spot area prices Oslo (NO1) and Kristiansand (NO2))

EBIT (adj.) for Hydro Power amounted to NOK 86 million in the first quarter of 2021, compared with NOK 39 million in the corresponding period of 2020. The increase is due to substantially higher power prices, year over year, owing to normalisation of power transfer capacity and the resource situation. The average power price in the quarter was 48.9 øre/kWh, compared with 15.3 øre/kWh in the first quarter of 2020. Year over year, production was lower due to lower inflow, and totalled 477 GWh (645 GWh).

Reservoir levels for the Glomma and Laagen rivers, as well as the reservoirs in Sauda, were higher than normal at quarter end. However, the snowpack level is substantially lower than normal in Sauda, as well as below normal for Glomma and Laagen.

Financial Investments

First-quarter EBIT (adj.) for Orkla Financial Investments totalled NOK 3 million, compared with NOK 1 million in 2020. No real estate transactions were carried out in the period. Development of the existing real estate portfolio was the primary activity in the period.

Jotun (42.6% interest)

Operating revenues continued to increase in the first quarter with year-over-year sales growth of 8%. Adjusted for negative currency effects due to the stronger Norwegian krone, underlying sales growth was 17%. The rise in operating revenues is mainly due to higher sales in Decorative Paints, especially in the Middle East, South East Asia and Scandinavia. Sales growth in Powder Coatings and Protective Coatings was also good. In Marine Coatings, on the other hand, sales continued to fall due to lower activity in the newbuilding and ship maintenance markets.

Operating profit increased by 42% year over year. The positive profit performance is explained by higher sales, continued strong gross margins and effective cost control.

Jotun anticipates higher uncertainty as from the second half of the year due to lower activity in the ship newbuilding market, a weaker oil and gas market, and uncertainty as to how the coronavirus pandemic and infection control measures will affect Jotun's markets. In addition, raw material prices continue to rise sharply, which will put greater pressure on gross margins in the coming quarters. Jotun has increased prices in all segments to lessen this effect.

Other matters

At the Annual General Meeting on 15 April 2021, all the shareholder-elected members of Orkla's Board of Directors were re-elected for one year: Stein Erik Hagen (Board Chairman), Ingrid Jonasson Blank, Liselott Kilaas, Peter Agnefjäll, Nils Selte, Anna Mossberg and Anders Kristiansen.

The General Meeting approved a dividend of NOK 2.75 per share for the 2020 financial year which was paid out on 26 April 2021. Orkla shares were listed exclusive of dividend as of 16 April 2021.

Changes were made in Orkla's Group Executive Board on 14 January 2021. Atle Vidar Nagel Johansen was appointed CEO of the Orkla Foods business area. He previously held the position of CEO of the Orkla Care business area. The new head appointed for that area is Hege Holter Brekke, formerly CEO of the Orkla Health business unit. Ingvill T. Berg was appointed CEO of the Orkla Confectionery & Snacks business area; she previously held the position of CEO of the Orkla Confectionery & Snacks Norge business unit.

Johan Wilhelmsson stepped down from the Group Executive Board, but continues to serve as CEO of Orkla Foods International which has now become part of Orkla Foods. Ann-Beth Freuchen, who headed Orkla Foods Nordic & Baltics, and Jeanette Hauan Fladby, who headed Orkla Confectionery & Snacks, left the Group.

Oslo, 28 April 2021
The Board of Directors of Orkla ASA

(This translation from Norwegian of Orkla's first quarter report of 2021 has been made for information purposes only.)

Condensed income statement

Amounts in NOK million	Note	1.1.–31.3. 2021	1.1.–31.3. 2020	1.1.–31.12. 2020
Operating revenues	2	11 503	11 507	47 137
Operating expenses		(9 726)	(9 892)	(39 701)
Depreciation		(480)	(472)	(1 944)
EBIT (adj.)	2	**1 297**	**1 143**	**5 492**
Other income and expenses	3	(143)	(165)	(930)
Operating profit		**1 154**	**978**	**4 562**
Profit/loss from associates and joint ventures		331	213	1 000
Interest, net	7	(30)	(43)	(162)
Other financial items, net	7	(21)	4	(52)
Profit/loss before taxes		**1 434**	**1 152**	**5 348**
Taxes		(270)	(220)	(926)
Profit/loss for the period		**1 164**	**932**	**4 422**
Profit/loss attributable to non-controlling interests		17	9	51
Profit/loss attributable to owners of the parent		1 147	923	4 371

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.3. 2021	1.1.–31.3. 2020	1.1.–31.12. 2020
Profit/loss for the period		**1 164**	**932**	**4 422**
Other items in comprehensive income				
Items after tax not to be reclassified to profit/loss in subsequent periods:				
Actuarial gains and losses pensions		0	(13)	(16)
Changes in fair value shares		(1)	(1)	42
Items after tax to be reclassified to profit/loss in subsequent periods:				
Change in hedging reserve	4	115	(50)	(107)
Carried against equity in associates and joint ventures	4	(92)	488	(91)
Translation effects	4	(800)	2 301	1 114
The Group's comprehensive income		**386**	**3 657**	**5 364**
Comprehensive income attributable to non-controlling interests		6	46	62
Comprehensive income attributable to owners of the parent		380	3 611	5 302

Earnings per share

Amounts in NOK	1.1.–31.3. 2021	1.1.–31.3. 2020	1.1.–31.12. 2020
Earnings per share	1.15	0.92	4.37
Earnings per share (adj.)	1.27	1.05	5.04

Condensed statement of financial position

Assets

Amounts in NOK million	Note	31.3. 2021	31.12. 2020
Intangible assets		25 155	24 334
Property, plant and equipment		16 189	16 274
Associates, joint ventures and other financial assets	6	5 436	5 368
Non-current assets		**46 780**	**45 976**
Inventories		6 631	6 530
Inventory of development property		110	96
Trade receivables		6 829	6 256
Other receivables and financial assets	6	1 144	936
Cash and cash equivalents	6	1 028	3 213
Current assets		**15 742**	**17 031**
Total assets		**62 522**	**63 007**

Equity and liabilities

Amounts in NOK million	Note	31.3. 2021	31.12. 2020
Paid-in equity		1 966	1 972
Retained equity		35 253	35 270
Non-controlling interests		639	462
Equity		**37 858**	**37 704**
Provisions and other non-current liabilities		4 942	5 071
Non-current interest-bearing liabilities	6	8 787	9 359
Current interest-bearing liabilities	6	581	664
Trade payables		6 520	6 526
Other current liabilities		3 834	3 683
Equity and liabilities		**62 522**	**63 007**
Equity ratio		60.6%	59.8%

Condensed statement of changes in equity

	1.1.–31.3.2021			1.1.–31.3.2020		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interests	Total equity	Attributed to equity holders of the parent	Non-controlling interests	Total equity
Equity 1 January	37 242	462	37 704	34 452	460	34 912
The Group's comprehensive income	380	6	386	3 611	46	3 657
Dividends	0	(3)	(3)	0	(9)	(9)
Net purchase/sale of treasury shares	(403)	0	(403)	0	0	0
Change in non-controlling interests	0	174	174	29	9	38
Equity 31 March	**37 219**	**639**	**37 858**	**38 092**	**506**	**38 598**

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–31.3. 2021	1.1.–31.3. 2020	1.1.–31.12. 2020
Cash flow from operations before capital expenditure		1 102	1 380	7 688
Received dividends and paid financial items		82	39	62
Taxes paid		(352)	(451)	(1 152)
Cash flow from operating activities		**832**	**968**	**6 598**
Net capital expenditure		(583)	(645)	(2 446)
Net sale (purchase) of companies	5	(1 664)	(25)	(507)
Other payments		7	26	29
Cash flow from investing activities		**(2 240)**	**(644)**	**(2 924)**
Net paid to shareholders		(406)	(9)	(2 609)
Change in interest-bearing liabilities and receivables		(335)	(118)	324
Cash flow from financing activities		**(741)**	**(127)**	**(2 285)**
Currency effects cash and cash equivalents		(36)	167	155
Change in cash and cash equivalents		**(2 185)**	**364**	**1 544**
Cash and cash equivalents	6	**1 028**	**2 033**	**3 213**

Reconciliation operating activities against Orkla-format; see page 6

IFRS cash flow			
Cash flow from operating activities	832	968	6 598
Net capital expenditure	(583)	(645)	(2 446)
Other payments	7	26	29
Cash flow from operating activities incl. capital expenditure	256	349	4 181
Orkla-format			
Cash flow before capital transactions	184	394	4 377
New capitalised leases (incl. in net replacement expenditures in Orkla-format)	141	74	283
Expansion investments	(69)	(119)	(479)
Comparative cash flow	256	349	4 181

Reconciliation cash and cash equivalents against net interest-bearing liabilities in Orkla-format; see page 6

Change cash and cash equivalents IFRS cash flow	2 185	(364)	(1 544)
Change net interest-bearing liabilities IFRS cash flow	(335)	(118)	324
Net interest-bearing liabilities in purchased/sold companies	86	0	26
Interest-bearing liabilities new leases	141	74	283
Total currency effect net interest-bearing liabilities	(573)	1 085	585
Currency effect cash and cash equivalents	(36)	167	155
Change net interest-bearing liabilities Orkla-format	1 468	844	(171)

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements as at 31 March 3021 were approved at the Board of Directors' meeting on 28 April 2021. The figures in the statements have not been audited. Orkla ASA (organisation no. NO 910 747 711) is a public limited liability company and its offices are located at Skøyen in Oslo, Norway. Orkla shares are traded on the Oslo Stock Exchange. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of calculation have been applied as in the last annual financial statements. No changes have been made in presentation or accounting policies nor have any other standards been adopted that materially affect the Group's financial reporting or comparisons with previous periods.

The Group has acquired new businesses. Acquisitions are presented in Notes 5 and 12.

Notes cont. on next page.

NOTE 2 SEGMENTS

	Operating revenues			EBIT (adj.)		
	1.1.–31.3.		1.1.–31.12.	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2021	2020	2020	2021	2020	2020
Orkla Foods	4 299	4 618	18 301	507	535	2 641
Orkla Confectionery & Snacks	1 701	1 602	7 171	241	209	1 203
Orkla Care	1 814	1 688	6 905	296	297	1 019
Orkla Food Ingredients	2 546	2 574	10 696	80	71	500
Orkla Consumer Investments	1 023	927	3 847	164	92	404
Eliminations Branded Consumer Goods	(107)	(93)	(399)	-	-	-
Branded Consumer Goods	**11 276**	**11 316**	**46 521**	**1 288**	**1 204**	**5 767**
HQ/Eliminations	11	19	61	(80)	(101)	(327)
Branded Consumer Goods incl. HQ	**11 287**	**11 335**	**46 582**	**1 208**	**1 103**	**5 440**
Hydro Power	211	163	519	86	39	42
Financial Investments	26	34	124	3	1	10
Industrial & Financial Investments	**237**	**197**	**643**	**89**	**40**	**52**
Eliminations	(21)	(25)	(88)	-	-	-
Orkla	**11 503**	**11 507**	**47 137**	**1 297**	**1 143**	**5 492**

NOTE 3 OTHER INCOME AND EXPENSES

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2021	2020	2020
M&A and integration costs	(30)	(16)	(105)
Final settlement employment relationships etc.	(12)	(55)	(136)
Gain/loss on transactions	0	5	145
Write-downs	(4)	(31)	(511)
Restructuring costs and other items	(97)	(68)	(323)
Total other income and expenses	**(143)**	**(165)**	**(930)**

A project is being implemented in the Group with a view to establishing a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care. The ERP project, entailing the construction of a common process core, or template, has been considerably more complex and time-consuming than originally anticipated when the project was started in 2017, and certain functionalities are no longer expected to be used. Furthermore, the coronavirus pandemic has necessitated extensive replanning, further postponements and consequently increased resource use. Write-downs and costs related to the project were therefore expensed in the fourth quarter of 2020. No further amounts will be capitalised in the balance sheet for this ERP project, for which write-downs were taken at the end of 2020, and slightly over NOK 100 million is expected to be incurred in connection with this ERP project in 2021. These costs will be reported as “Other income and expenses”, and NOK 72 million were incurred in the first quarter of 2021.

Several restructuring and coordination projects are being carried out in the Group, the biggest of which is the relocation of production from Felix Austria to Orkla Foods Česko a Slovensko in Orkla Foods. Other projects now ongoing in the Group are mainly the construction of a chocolate and a biscuits factory in Latvia (Orkla Confectionery & Snacks).

In the first quarter, a small write-down of NOK 4 million was taken on a building in House Care UK. Moreover, NOK 27 million in acquisition costs were incurred in the first quarter of 2021.

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve) after tax. The hedging reserve included in equity as at 31 March 2021 (after tax) totalled NOK -92 million. Accumulated translation differences correspondingly amounted to NOK 1,680 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 70 million as at 31 March 2021.

NOTE 5 ACQUISITIONS AND DISPOSALS

Acquisitions of companies

Orkla completed its purchase of 67.8% of the shares in Eastern Condiments Private Limited ("Eastern") on 31 March 2021. This acquisition will double Orkla's turnover in India. Orkla already holds a solid position in the Indian food market through MTR, which has grown its sales five-fold since it was acquired by Orkla in 2007. Eastern will be merged into the company MTR Foods Private Limited, and Orkla will have an ownership stake of 90.01% in the jointly-owned company. The merger process is expected to take around 15 months. Eastern has seven factories in four different states in India and around 3,000 employees. In the last 12 months ending 30 June 2020, the company achieved a turnover of INR 9.0 billion (approx. NOK 1.1 billion) and normalised EBITDA of INR 1.1 billion (approx. NOK 129 million). The purchase agreement includes a long-term mechanism for Orkla to obtain full ownership of the joint entity. The cost for Orkla of the acquisition of Eastern is NOK 1.6 billion at enterprise value. The excess value related to the acquisition mainly consists of trademarks and goodwill, the majority being goodwill. Eastern was consolidated into Orkla's statement of financial position as of 31 March 2021 and into the income statement as of 1 April 2021.

In January 2021, Orkla Care completed an agreement to purchase 100% of the shares in Proteinfabrikken AS. Orkla Care already owned 16.7% of the company after having purchased a minority shareholding in 2014. Under the PF brand, Proteinfabrikken sells a broad range of proprietary sports nutrition products. Proteinfabrikken has seven employees. In 2019, Proteinfabrikken had a turnover of NOK 82 million. The company was consolidated into Orkla's financial statements as of 1 January 2021.

Orkla Foods has acquired 80% of the shares in the Finnish company Seagood Oy Fort Deli ("Fort Deli"). Fort Deli holds a strong position in the Finnish HoReCa market which accounts for around 80% of the company's revenues. The company is an established supplier of frozen products, sauces and condiments in Finland. Fort Deli has 10 employees and had a turnover of EUR 8.7 million (approx. NOK 90 million) in 2020. The company was consolidated into Orkla's financial statements as of 1 March 2021.

Orkla Food Ingredients acquired the Polish sales and distribution company Ambasador92. Ambasador92 is a leading player in the sale and distribution of bakery and confectionery products in northern areas of Poland, and holds a strong position in the growing Out of Home channel, which consist of bakeries, confectioners and ice cream producers. The company had a turnover of PLN 138 million (approx. NOK 315 milion) in 2020. The business has 128 employees. The transaction has been approved by the Polish competition authorities. The company was consolidated into Orkla's financial statements as of 1 March 2021.

Other matters

As at 31 March 2021, Orkla had purchased companies for a total of NOK 1,750 million at enterprise value.

With regard to companies acquired in 2020, the purchase price allocation for Win Equipment was finalised as at 31 March 2021. No material changes were made in relation to the preliminary price allocations.

NOTE 6 NET INTEREST-BEARING LIABILITIES

The various elements of net interest-bearing liabilities are presented in the following table:

Amounts in NOK million	31.3. 2021	31.12. 2020
Non-current liabilities excl. leases	(7 628)	(8 207)
Current liabilities excl. leases	(261)	(329)
Non-current receivables (in "Financial Assets")	336	370
Current receivables (in "Other receivables and financial assets")	156	60
Cash and cash equivalents	1 028	3 213
Net interest-bearing liabilities excl. leases	**(6 369)**	**(4 893)**
Non-current lease liabilities	(1 159)	(1 152)
Current lease liabilities	(320)	(335)
Total net interest-bearing liabilities	**(7 848)**	**(6 380)**

NOTE 7 INTEREST AND OTHER FINANCIAL ITEMS

The various elements of net interest and net other financial items are presented in the following tables:

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2021	2020	2020
Net interest costs excl. leases	(24)	(34)	(130)
Interest costs leases	(6)	(9)	(32)
Interest, net	**(30)**	**(43)**	**(162)**

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2021	2020	2020
Dividends	0	0	1
Net foreign currency gain/loss	1	4	4
Interest on pensions[1]	(13)	6	(29)
Other financial items	(9)	(6)	(28)
Other financial items, net	**(21)**	**4**	**(52)**

[1]Includes hedging of the pension plan for employees with salaries over 12G.

NOTE 8 RELATED PARTIES

Orkla makes annual sales to companies in the Canica system for around NOK 25 million. The Canica system is controlled by Orkla Board Chairman Stein Erik Hagen (largest shareholder in Orkla with 25.003% of issued shares). The sales are agreed on market terms.

As at 31 March 2021, there were no special transactions between the Group and related parties.

NOTE 9 TREASURY SHARES

The following changes took place in Orkla's holding of treasury shares between 1 January 2021 and 31 March 2021:

Treasury shares as at 1 January 2021	501 800
External purchase of treasury shares	5 000 000
Employee share purchase programme	(327)
Treasury shares as at 31 March 2021	**5 501 473**

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

In the first quarter of 2021, a small write-down of NOK 4 million was taken on a building in House Care UK. There were otherwise no indications of impairment of the value of the Group's assets as at 31 March 2021. Some Orkla businesses have been impacted by the coronavirus crisis and the situation is being closely monitored for indications of a need for write-downs.

NOTE 11 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

	Measurement level			
Amounts in NOK million	Level 1	Level 2	Level 3	Total
31 March 2021:				
Assets				
Investments	-	-	136	136
Derivatives	-	185	-	185
Liabilities				
Derivatives	-	151	-	151
31 December 2020:				
Assets				
Investments	-	-	140	140
Derivatives	-	170	-	170
Liabilities				
Derivatives	-	206	-	206

See also Note 6 for an overview of interest-bearing assets and liabilities.

NOTE 12 OTHER MATTERS

Agreement to purchase a company
In February 2021, Orkla Health entered into an agreement to purchase 100% of the shares in NutraQ 2 AS ("NutraQ"), a leading supplier of subscription-based health and beauty products in the Nordic region. NutraQ is behind the concepts VitaePro and Oslo Skin Lab. NutraQ also owns the Maxulin dietary supplement brand, the Provexin hair treatment product and the Vesterålens Naturprodukter brand that offers omega-3 and various vitamin supplements. NutraQ was established in Norway in 2002 and has since also established operations in Denmark, Finland and Sweden. These four countries account for around 90% of its turnover. The company has around 150 employees. With its subscription-based business model, NutraQ represents a new business approach for Orkla. The number of active subscriptions has grown organically by an average of 13% per year in the period 2018-2020. The company had a turnover of NOK 862 million in 2020 and EBITDA of NOK 188 million. The parties have agreed on a purchase price that values NutraQ at NOK 3.1 billion at enterprise value. The agreement is subject to the approval of the relevant competition authorities, and the purchase is expected to be completed by the end of the third quarter of 2021 at the latest.

Other matters
The existing production and supply agreement between Orkla ASA (OPHC) and Unilever, relating to certain products in OHPC's product portfolio under brands such as Sun, OMO and Jif, will not be renewed. The agreement will terminate with effect from 1 July 2021. Orkla owns these brands in Norway and will establish new means of production and supply for the products currently covered by the production and supply agreement with Unilever.

In 2019, the Norwegian Competition Authority opened investigations of Orkla-owned Lilleborg AS based on suspicions of a possible breach of the Competition Act, and the company is assisting the competition authorities by facilitating an effective investigation. At the time of preparation and presentation of the financial statements for the first quarter of 2021, the Group was not aware of any potentially negative outcome of this matter, nor of any time frame expected for conclusion of the case.

On 15 April 2021, the General Meeting of Orkla ASA approved payment of the proposed dividend of NOK 2.75 per share. The dividend was paid out to shareholders on 26 April 2021 and totalled NOK 2.7 billion.

There have been no material events after the statement of financial position date that would have had an impact on the financial statements or the assessments carried out.

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.

Reconciliation of organic growth is shown in a separate table on the next page.

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 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.

EBIT (adj.) is presented on a separate line in the Group's income statement and in segment reporting; see Note 2.

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 calculating 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.

The reconciliation of change in underlying EBIT (adj.) for Branded Consumer Goods incl. HQ is shown directly in the text. Comparative figures are shown on the next page.

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 in both 2021 and 2020 due to non-deductible transaction costs. Write-downs were also taken in 2020 with no tax effect.

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 had been made as at 31 March 2021. In the first quarter of 2020, an adjustment was made for a gain on the sale of the associate Andersen & Mørck AS.

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2021	2020	2020
Profit for the period after non-controlling interests	1 147	923	4 371
Adjustments earnings per share (adj.):			
Other income and expenses after tax	117	140	778
Gain on sale of associates and joint venture	-	(15)	(29)
Reversal of deferred tax related to operations outside Norway	-	-	(75)
Adjusted profit for the period after non-controlling interests	**1 264**	**1 048**	**5 045**
Average externally owned shares (1000 shares)	999 314	1 000 306	1 000 461
Earnings per share (NOK)	1.15	0.92	4.37
Earnings per share (adj.) (NOK)	1.27	1.05	5.04

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 replacement and expansion investments are presented in the statement of cash flows on page 6.

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; see page 6.

Net interest-bearing liabilities are reconciled in Note 6.

Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Ambasador92, Proteinfabrikken, Seagood Fort Deli, Norgesplaster, Win Equipment, Gortrush and Havrefras. Adjustments have been made for the sale of SaritaS, Vestlandslefsa, Italiensk Bakeri and Gorm's, as well as for the closure of Pierre Robert Sverige. Adjustments have also been made for the loss of the distribution agreements with Panzani. In 2020, adjustments were also made for Lecora, Easyfood, Confection by Design, Risberg, Kanakis, Credin Sverige, Vamo, Kotipizza, Helga and Anza Verimex, as well as the sale of Glyngøre and Solgryn. A structural adjustment was made at business area level for the internal relocation of Frödinge.

Organic growth by business area

	1.1.–31.3.2021			
Sales revenues change %	Organic growth	FX	Structure	Total
Orkla Foods	-4.7	-1.3	-0.9	-6.9
Orkla Confectionery & Snacks	6.9	-0.7	-	6.2
Orkla Care	4.2	-0.1	3.4	7.5
Orkla Food Ingredients	-2.0	-2.7	3.6	-1.1
Orkla Consumer Investments	15.4	-1.5	-3.4	10.4
Branded Consumer Goods	**0.5**	**-1.4**	**0.5**	**-0.4**

	1.1.–31.3.2020				1.1.–31.12.2020			
Sales revenues change %	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	10.8	5.7	2.3	18.7	3.7	5.8	-0.4	9.1
Orkla Confectionery & Snacks	2.1	4.5	-	6.7	2.0	6.4	-	8.5
Orkla Care	11.1	4.4	-	15.5	9.2	6.2	1.9	17.3
Orkla Food Ingredients	-1.3	6.6	7.0	12.4	-5.9	6.8	3.1	3.9
Orkla Consumer Investments	-3.9	4.7	15.8	16.6	2.1	5.9	5.7	13.6
Branded Consumer Goods	**5.4**	**5.5**	**3.8**	**14.7**	**1.6**	**6.2**	**1.3**	**9.1**

Comparative figures for underlying EBIT (adj.) changes for Branded Consumer Goods incl. HQ

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.3.2020	8.1	6.3	3.6	18.0

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.12.2020	5.4	6.4	1.8	13.7

EBIT (adj.) margin growth change percentage points	Underlying growth	Structure/FX	Total	EBIT (adj.) margin 2020 (%)
R12M pr. 31.3.2020	0.2	-0.1	0.0	11.2

EBIT (adj.) margin growth change percentage points	Underlying growth	Structure/FX	Total	EBIT (adj.) margin 2020 (%)
1.1.–31.12.2020	0.4	0.0	0.5	11.7

Figures may not add up due to rounding.

More information about Orkla may be found at: https://investors.orkla.com/

Photos: Bjørn Wad