



First half

2021



# The first half in brief

- Group profit before tax amounted to NOK 2,778 million, a year-over-year improvement of 18%
- Operating profit EBIT (adj.) for the Branded Consumer Goods business including Headquarters rose by 1.7%, of which 0.9% was underlying EBIT (adj.) growth
- Organic sales growth was 3.7%, but varied substantially between business areas
- Sales to the Out of Home sector are gradually improving, while grocery channel sales are normalising
- Good profit growth for Jotun, but tapered off during first half of 2021
- Adjusted earnings per share were NOK 2.40 for the first half, a year-over-year increase of 12%

## Key figures for the Orkla Group as at 30 June

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

Amounts in NOK million	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2021	2020	2020	2021	2020
<b>Group</b>					
Operating revenues	23 275	22 606	47 137	11 772	11 099
EBIT (adj.)	2 562	2 348	5 492	1 265	1 205
Profit/loss from associates and joint ventures	586	461	1 000	255	248
Profit/loss before taxes	2 778	2 352	5 348	1 344	1 200
Earnings per share, diluted (NOK)	2.19	1.87	4.37	1.04	0.95
Earnings per share (adj.), diluted (NOK)	2.40	2.15	5.04	1.14	1.10
<b>Branded Consumer Goods</b>					
Operating revenues	22 808	22 297	46 521	11 532	10 981
- <i>Organic revenue growth</i>	3.7%	0.7%	1.6%	6.9%	-3.8%
<b>Branded Consumer Goods incl. headquarters (HQ)</b>					
EBIT (adj.)	2 362	2 323	5 440	1 154	1 220
EBIT (adj.) margin	10.3%	10.4%	11.7%	10.0%	11.1%

## Orkla President and CEO Jaan Ivar Semlitsch comments:

The coronavirus pandemic has continued to impact Orkla in the past half year. The situation has been challenging, particularly in India, but also in several other countries in which Orkla operates. We are therefore pleased to see that things are going in the right direction and that the vaccination rate accelerated significantly in the latter part of the first half. The reopening process in many of our markets is now properly underway and activity in the Out of Home sector has stepped up towards the end of the first half. I am especially glad that no employees in the Orkla Group were laid off as at 30 June 2021.

All in all, I am well satisfied with our top-line performance and it is gratifying that our companies that are exposed to non-grocery channels have again seen a substantial increase in demand. However, unlike our positive sales performance, I am not as satisfied with our profit performance, partly due to the rise in costs in several of our companies. This is largely due to a higher activity level and must be seen in connection with the low level of costs in the same period of last year, which was significantly affected by the coronavirus pandemic. We are maintaining our strong focus on the cost performance and will monitor this closely, also now that the market dynamics are changing and gradually normalising.

We are pleased that we have completed a number of acquisitions in the first half to strengthen Orkla's position in selected categories and geographies. The acquisitions of NutraQ and Eastern were completed in the first half and have been approved by all the relevant competition authorities. It is also very satisfactory that we have entered into an agreement to purchase 75% of the shares in New York Pizza in the Netherlands, in line with our strategic ambition to grow in the Out of Home channel. Moreover, we made several other smaller acquisitions in a number of our business areas. Most of the acquisitions we have made are aligned with our long-term strategy of focusing on the plant-based, health and Out of Home segments as new areas of growth for Orkla.



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 thereby affected market performance in various sales channels, categories and geographical markets. On the whole, market growth has been high in the grocery channel in most categories and markets since the start of the pandemic, while the opposite has been the case for Out of Home channels. The situation at the start of the first half was affected by further tightening of infection control measures in several of Orkla's markets. Towards the end of the first half, sales to the grocery channel have started to normalise. The situation in the Out of Home channels has improved as coronavirus restrictions have gradually been eased to some degree in most markets, partly due to an acceleration of the vaccination rate. It is too early to tell what long-term effects changes in consumer behaviour may have.

The performance of Orkla's market shares in the grocery channel has been mixed in the different categories and geographical markets. Overall, however, Orkla's market shares declined to a certain degree in the Nordic home markets.

Orkla is exposed to a broad range of raw material categories. In the first half of 2021, the coronavirus pandemic caused bottlenecks and value chain disruptions at the global level. Due to these developments, combined with strong demand, raw material prices increased significantly in the first half, particularly for vegetable oils, grains, meat, vegetables, dairy products and packaging.

The Norwegian krone strengthened in the first half of 2021, year over year, impacting positively on input prices in the period. On the other hand, the stronger Norwegian krone contributed to negative currency translation effects in the consolidated financial statements.

Energy prices in Norway were considerably higher in the first half of 2021 compared with the level of power prices in 2020. The increase is due to lower availability of hydrological resources and higher export capacity. The high power prices in the first half have resulted in increased production costs for Branded Consumer Goods, but had a larger positive effect on Hydro Power's profit performance.

## Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–30.6.2021	3.7	-3.6	2.1	2.3
1.4.–30.6.2021	6.9	-6.0	4.1	5.0

Figures may not add up due to rounding.

First-half turnover growth for Branded Consumer Goods was driven by organic growth and acquisitions, but was negatively impacted by currency translation effects. Organic turnover growth was 3.7%, with growth in all business areas except Orkla Foods.

There were substantial differences in performance within the portfolio and business areas. The businesses, which sell extensively to non-grocery channels, experienced good growth towards the end of the first half, to some extent from weak year-over-year comparables. Growth in the grocery channel was still good at the start of the first half, but performance towards the end of the period was affected by strong comparables due to good market growth in the grocery channel in the corresponding period of 2020.

In Orkla Food Ingredients, the good organic sales growth of 9.0% was driven by the gradual increase in activity in non-grocery channels, coupled with weak year-over-year comparables. Orkla Consumer Investments delivered organic growth of 14.3%, driven by continued high activity in the home improvement market resulting in increased sales of painting equipment. Orkla Confectionery & Snacks contributed 2.7% organic sales growth, boosted by good market growth, particularly in Norway, the removal of the sugar tax in Norway as of 1 January 2021, and increased listing by a major customer in Denmark. Orkla Care continued to deliver organic growth in the first half, compared with strong 2020 comparables.

Sales performance for Orkla Foods was slightly weaker, year over year, ending at -1.0% organic decline, partly due to significant coronavirus effects this year and last year, related to factors such as consumer stockpiling and inventory build-up in the grocery sector in March 2020. Weak first-half growth for Orkla Foods is also linked to the rollout of a new ERP system at Orkla Foods Sverige as from 1 February 2021, at which time campaign activity was intentionally curtailed.



EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.6.2021	0.9	-3.9	4.6	1.7
1.4.–30.6.2021	-6.6	-5.4	6.7	-5.4

Figures may not add up due to rounding.

In the first half of 2021, Branded Consumer Goods incl. Headquarters (HQ) posted an improvement of 1.7% in EBIT (adj.), of which underlying growth accounted for 0.9%. The profit growth was partly related to turnover growth, but was negatively affected by a substantial increase in fixed costs. This must be seen in connection with the abnormally low level of costs last year as a result of lower activity related to the coronavirus pandemic. Furthermore, there were negative mix effects and higher purchasing costs. The profit improvement in the first half was also counteracted by costs related to the rollout of a new ERP system at Orkla Foods Sverige.

EBIT (adj.) margin growth change in percentage points	Underlying growth	Structure/ FX	Total	EBIT (adj.) margin 2021 (%)
R12M per 30.6.2021	0.0	0.2	0.2	11.6

Figures may not add up due to rounding.

Margin performance on a rolling 12-month basis as at 30 June 2021 for the Branded Consumer Goods incl. HQ improved by 0.2 percentage points. Acquisitions and currency translation effects contributed positively in the period, while underlying performance was flat.

### Structural measures (M&A)

Acquisition activity in the first half of 2021 has been high, with acquisitions in all business areas. A total of eight transactions were completed in the first half, most of them in Orkla's three defined strategic growth areas: Out of Home, plant-based and health. In addition, an agreement was signed to purchase 75% of the shares in New York Pizza, a Netherlands franchise pizza restaurant chain.

In February 2021, Orkla Health (Orkla Care) 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 Nordics. In June 2021, the acquisition was approved by all relevant competition authorities. NutraQ was consolidated into Orkla's financial statements as of 1 July 2021.

Through its Swedish subsidiary Health and Sports Nutrition Group AB, Orkla Care also completed an agreement to purchase 100% of the shares in Proteinfabrikken AS. The company sells and distributes its proprietary and other products in the sports nutrition, food product and fitness equipment categories. The company was consolidated into Orkla's financial statements as of 1 January 2021.

In June 2021, Orkla announced its acquisition of 75% of the shares in New York Pizza. The company is one of the Netherlands' leading pizza chains and operates through franchise-driven sales outlets. The acquisition is in line with Orkla's strategic ambition of growing in Out of Home channels. The purchase is contingent on the approval of the Netherlands competition authorities. The transaction is expected to be completed in the third quarter of 2021, and the company will be reported under Orkla Consumer Investments.

In the third quarter of 2020, Orkla Foods 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 income statement as of 1 April 2021. The company will be merged with MTR, after which Orkla will have a 90.01% ownership interest.

In Orkla Foods, the acquisition of 80% of the shares in the Finnish company Seagood Oy Fort Deli ("Fort Deli") was announced in March 2021. Fort Deli holds a strong position in the Finnish HoReCa market and is an established supplier of frozen products,

saucers and condiments in Finland. With this purchase, Orkla has strengthened its position in one of its home markets, while also increasing its exposure to the food service and Out of Home market. The company was consolidated into Orkla's financial statements as of 1 March 2021.

In May 2021, Orkla Confectionery & Snacks signed an agreement to purchase the Icelandic company Núi Sirius HF ("Núi Sirius"), the leading manufacturer of chocolate and confectionery in Iceland. Núi Sirius holds a unique position in Iceland and is therefore a good fit with Orkla's portfolio of leading brands. Orkla has had a minority shareholding of 20% in the company since August 2019, and the new agreement concerns the remaining 80% of the shares. The sale has been approved by the relevant competition authorities and the company was consolidated into Orkla's financial statements as of 1 June 2021.

Orkla Food Ingredients completed three acquisitions in the first half of 2021: i) the Polish sales and distribution company Ambassador92, a leading player in the sale and distribution of bakery and confectionery products which has a strong position in the growing Out of Home channel, ii) 100% of the shares in the two companies Cake Décor Limited and For All Baking Limited, which manufactures and sells cake decorations and accessories for online sale, bakeries and grocery retailers in the UK, and iii) 100% of the shares in Sigurd Ecklund AS, which supplies a range of products to Norwegian confectioners, bakeries, restaurants and hotels. The companies were consolidated into Orkla's financial statements on 1 March 2021, 1 May 2021 and 1 July 2021, respectively.

In July 2021, Orkla Food Ingredients entered into an agreement to purchase 100% of the shares of the Swiss company Hans Kaspar, thereby strengthening its position in confectionery and ice cream ingredients. The transaction is expected to be completed during the third quarter of 2021.

See Notes 5 and 12 for more information on purchased and sold companies.

## Outlook

The situation at the start of the first half of 2021 was still affected by the restrictions prevailing in several of Orkla's markets. In the course of the first half, a steadily growing percentage of the population has been vaccinated and society has continued to reopen. This is expected to continue to drive a gradual improvement in sales to the Out of Home sector, while sales to the grocery channel are normalising.

Although there is now considerable optimism in society, there are still a number of uncertainty factors regarding further reopening and general uncertainty concerning the pandemic. This applies, for instance, to buying power and demand in many of the markets in which Orkla operates, particularly in the Baltics.

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

Orkla is well equipped financially to face future challenges. As at 30 June 2021, the Group has a net interest-bearing liability of 1.8 x EBITDA (on a 12-month rolling EBITDA basis), and the increase from 31 December 2020 is due to high acquisition activity and payout of dividends.

## Financial matters - Group

### Main figures profit/loss

Amounts in NOK million	1.1.-30.6.		1.1.-31.12.	1.4.-30.6.	
	2021	2020	2020	2021	2020
Operating revenues	23 275	22 606	47 137	11 772	11 099
EBIT (adj.)	2 562	2 348	5 492	1 265	1 205
Other income and expenses	(261)	(341)	(930)	(118)	(176)
Operating profit	2 301	2 007	4 562	1 147	1 029
Profit/loss from associates and joint ventures	586	461	1 000	255	248
Interest and financial items, net	(109)	(116)	(214)	(58)	(77)
Profit/loss before taxes	2 778	2 352	5 348	1 344	1 200
Taxes	(555)	(460)	(926)	(285)	(240)
Profit/loss for the period	2 223	1 892	4 422	1 059	960
Earnings per share, diluted (NOK)	2.19	1.87	4.37	1.04	0.95
Earnings per share (adj.), diluted (NOK)	2.40	2.15	5.04	1.14	1.10

Group operating revenues increased by 3.0% in the first half of 2021, driven by organic sales improvement and structural growth in Branded Consumer Goods. In addition, there was good turnover growth in Industrial & Financial Investments, driven by higher power prices for Hydro Power. Growth was offset, however, by the negative currency translation effects of a stronger Norwegian krone.

In the same period, the Group had 9.1% growth in EBIT (adj.), primarily driven by strong growth for Industrial & Financial Investments due to the higher power prices for Hydro Power. The underlying improvement in profit from Branded Consumer Goods incl. HQ was 0.9% in the first half.

In Branded Consumer Goods incl. HQ, profit improvement was particularly good in Orkla Consumer Investments and Orkla Food Ingredients. Profit improvement in Orkla Consumer Investments in the first half was driven by strong sales growth for several companies in the portfolio, especially Orkla House Care, which has been positively impacted by increased activity in the home improvement market. Orkla Food Ingredients saw good profit growth as a result of higher activity in the Out of Home sector towards the end of the first half, combined with weak comparables from 2020.

Orkla Confectionery & Snacks saw a year-over-year decline in profit in the first half of 2021, partly as a result of non-periodic items in the period in 2020, together with a slight increase in fixed costs due to low activity in 2020. There was also a profit decline in Orkla Foods, mainly due to higher costs arising from implementation and rollout of a new ERP system in Orkla Foods Sverige and higher fixed costs compared with the lower cost level in 2020 due to the coronavirus pandemic. The profit decline in Orkla Care was driven by an increase in advertising spend and fixed costs in the first half, along with negative mix effects.

The Group's "Other income and expenses" amounted to NOK -261 million in the first half of 2021. A total of around NOK 120 million was expensed in the period in connection with the ERP project, as described in the report on the fourth quarter of 2020. In the first half of 2021, costs were also incurred in connection with a number of restructuring and reorganisation projects, and high M&A activity. These costs were offset to some extent by various revenues from the sale of real estate and insurance settlements. See further details regarding other income and expenses in Note 3.

Results from associates totalled NOK 586 million in the first half of 2021. The year-over-year improvement of NOK 125 million was chiefly due to continued good sales growth, a stronger gross margin and good cost control at Jotun. However, the growth rate declined during the first half of 2021, partly due to strong comparables for Jotun related to positive coronavirus effects last year, combined with a substantial increase in raw material prices. In the first half of 2020, the item also included a gain of NOK 29 million on the sale of two associates in Orkla Eiendom.

Net financial costs in the first half were lower than in 2020 due to lower interest expense. The average borrowing rate was 1.6% in the period, compared with 1.8% in the corresponding period of 2020.

The effective tax rate, excluding associates and joint ventures, was slightly higher in the first half of 2021, year over year, on account of higher economic rent tax. Adjusted for the economic rent tax, the effective tax rate was substantially lower than in the first half of 2020. This is mainly due to large, non-deductible write-downs in the second quarter of 2020.

Diluted earnings per share in the first half were NOK 2.19, a year-over-year increase of 17%. Adjusted diluted earnings per share were NOK 2.40, equivalent to growth of 12% from the previous year. See the section on Alternative Performance Measures (APM) on page 19 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 30 June 2021. Reference is made to page 14 for the consolidated statement of cash flows IFRS and reconciliation of cash flows.

### Orkla-format

Amounts in NOK million	1.1.–30.6.		1.1.–31.12.		1.4.–30.6.	
	2021	2020	2020	2021	2020	
Cash flow from Branded Consumer Goods incl. HQ						
EBIT (adj.)	2 362	2 323	5 440	1 154	1 220	
Depreciation	890	881	1 783	449	451	
Changes in net working capital	(648)	105	670	(133)	227	
Net replacement expenditures	(1 088)	(1 101)	(2 251)	(436)	(500)	
Cash flow from operations (adj.)	1 516	2 208	5 642	1 034	1 398	
Cash flow effect from "Other income and expenses" and pensions	(281)	(109)	(291)	(109)	8	
Cash flow from operations, Branded Consumer Goods incl. HQ	1 235	2 099	5 351	925	1 406	
Cash flow from operations, Industrial & Financial Investments	212	63	87	75	(24)	
Taxes paid	(601)	(663)	(1 152)	(249)	(212)	
Dividends received, financial items and other payments	74	7	91	(15)	(58)	
Cash flow before capital transactions	920	1 506	4 377	736	1 112	
Dividends paid and purchase/sale of treasury shares	(3 113)	(2 650)	(2 609)	(2 707)	(2 641)	
Cash flow before expansion	(2 193)	(1 144)	1 768	(1 971)	(1 529)	
Expansion investments	(230)	(227)	(479)	(161)	(108)	
Sale of companies (enterprise value)	0	95	200	0	34	
Purchase of companies (enterprise value)	(5 446)	(677)	(733)	(3 696)	(591)	
Net cash flow	(7 869)	(1 953)	756	(5 828)	(2 194)	
Currency effects of net interest-bearing liabilities	336	(751)	(585)	(237)	334	
Change in net interest-bearing liabilities	7 533	2 704	(171)	6 065	1 860	
Net interest-bearing liabilities	13 913	9 255	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. The year-over-year decline is mainly explained by the fact that working capital in the first half of 2020 was positively impacted by the deferred payment of indirect taxes, where the payment deadline for several major items was postponed from the second quarter to the third quarter of 2020. Working capital was also negatively impacted by accrual-based reporting, while the average amount of funds tied up in working capital as a percentage of sales continues to decline, although more slowly than in 2020.

The largest project under "Net replacement expenditures" is the ongoing construction of a new biscuit factory in Latvia. Net replacement expenditures also include several other ongoing factory projects, and the entry into new long-term leases. Investments related to ERP projects were considerably lower in the first half of 2021 than in the first half of 2020.

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

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

Dividends paid and the purchase/sale of treasury shares chiefly consist of the payout of dividends totalling NOK 2,767 million in the second quarter of 2021. Buybacks of treasury shares totalled NOK 346 million in the first half. See further details regarding treasury shares in Note 9.

Expansion investments in the first half of 2021 comprise investments in increased production capacity for plant-based products in Orkla Foods and Orkla Food Ingredients. In addition, investments were made to increase production capacity in Central Europe.

Acquisitions of companies totalled NOK 5,446 million in the first half of 2021 and mainly consisted of the purchase of 100% of the shares in NutraQ and 67.8% of the shares in Eastern Condiments. Orkla also completed several other acquisitions in the first half of 2021, including Nõi Sirius and Cake Décor. No companies were sold in the first half of 2021.

Net cash flow for the Group was NOK -7,869 million. Positive currency translation effects due to the stronger Norwegian krone reduced net interest-bearing liabilities by NOK 336 million in the first half. As at 30 June 2021, net interest-bearing liabilities before lease liabilities amounted to NOK 12,417 million. Including lease liabilities related to IFRS 16, net interest-bearing liabilities totalled NOK 13,913 million.

As at 30 June 2021, the equity ratio was 54.1%, compared with 59.8% as at 31 December 2020. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.2 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

Amounts in NOK million	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2021	2020	2020	2021	2020
Operating revenues	8 764	8 956	18 301	4 465	4 338
- Organic revenue growth	-1.0%	5.0%	3.7%	3.0%	-0.7%
EBIT (adj.)	1 024	1 141	2 641	517	606
EBIT (adj.) margin	11.7%	12.7%	14.4%	11.6%	14.0%

- Good organic sales growth in the second quarter, but a decline in the first half year due to effects of the coronavirus pandemic and lower activity in Sweden
- Sales to food service channels are gradually improving, while grocery channel sales are normalising
- Decline in first-half profit due to positive effects from the coronavirus pandemic last year and higher costs related to the rollout of new ERP system at Orkla Foods Sverige this year

Despite good sales growth in the second quarter, Orkla Foods reported a decline of -2.1% in sales in the first half of 2021. Organic sales growth was 3.0% in the second quarter, while there was an organic decline of -1.0% in the first half, compared with a strong 2020. So far this year, sales have fallen in Central Europe, largely due to consumer stock-piling and inventory build-up in the grocery sector last year. However, Denmark showed improvement compared with last year's performance which was heavily impacted by low sales to non-grocery customers due to the coronavirus pandemic. The substantial fluctuations observed across most markets since March last year, with weaker sales to the Out of Home and food service channels and growth in sales to the grocery sector, are gradually normalising. Moreover, sales in Sweden have been negatively affected by lower activity due to the rollout of a new ERP system and associated postponements of campaigns.

The decline in first-half profit was partly driven by a decline in turnover, but was also linked to reduced costs in 2020 related to the coronavirus pandemic, especially the effects of the lockdown in India. Furthermore, the switch to a new ERP system in Orkla Foods Sverige has entailed both non-recurring costs of implementing and optimising the system and cost increases of a more permanent nature related to operations and depreciation. The cost of input factors continued to rise in the first half, but this has

been offset so far by price increases and positive currency effects. However, further increases are expected as the year progresses, driven by higher market prices for several key inputs which will have to be compensated for by new pricing measures. The consolidation effects of changes in foreign currency rates impacted negatively on profit performance, while structural changes have had a positive effect on profit. The EBIT (adj.) margin declined to 11.7%, down 1.0 percentage point from the first half of 2020.

#### Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2021	2020	2020	2021	2020
Operating revenues	3 338	3 326	7 171	1 637	1 724
- Organic revenue growth	2.7%	3.1%	2.0%	-1.2%	4.1%
EBIT (adj.)	439	450	1 203	198	241
EBIT (adj.) margin	13.2%	13.5%	16.8%	12.1%	14.0%

- Market growth remained good in Nordic grocery sector, but tapered off towards end of first half
- Market conditions still challenging in the Baltics
- Profit performance negatively impacted by non-periodic items, primarily last year

Orkla Confectionery & Snacks reported 0.4% growth in first-half operating revenues. Organic growth was 2.7%. The coronavirus pandemic has resulted in abnormally high volume growth in the Nordic grocery sector, which continued to affect sales performance positively at the start of the first half of 2021. The decline in demand and sales in the Baltics, on the other hand, had a negative effect. Market share performance was mixed, and there was strong competition from international players and private labels.

EBIT (adj.) for Orkla Confectionery & Snacks was -2.4% lower, year over year. Profit performance was negatively affected by items in the first half of 2020 substantially relating to other periods and currency translation effects. Higher input prices, particularly for vegetable oil and packaging, and a slight increase in fixed costs due to low activity in 2020, had a negative impact towards the end of the first half. The EBIT (adj.) margin was 13.2% for the first half, a year-over-year decline of 0.3 percentage points.



## Orkla Care

Amounts in NOK million	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2021	2020	2020	2021	2020
Operating revenues	3 438	3 331	6 905	1 624	1 643
- Organic revenue growth	3.3%	8.2%	9.2%	2.5%	5.3%
EBIT (adj.)	507	540	1 019	211	243
EBIT (adj.) margin	14.7%	16.2%	14.8%	13.0%	14.8%

- Continued good sales growth for HSNB and Orkla Health
- Sales decline in Home & Personal Care against strong comparables last year
- Profit decline in first half driven by higher advertising spend and fixed costs, coupled with negative mix effects

Orkla Care posted 3.2% growth in sales in the first half, of which 3.3% was organic growth. HSNB continued its good trend and reported strong sales growth in the period. Orkla Health showed growth in most markets, driven in particular by the Omega-3 and VMS categories. Orkla Wound Care had good sales growth in the first half after a challenging 2020 impacted by coronavirus restrictions. Orkla Home & Personal Care experienced a decline in sales against strong comparables from last year, which was chiefly due to a decrease in international industrial sales owing to lockdowns in end markets, and to high sales of alcogel in 2020.

The -6.1% decline in profit in the first half was driven by an increase in advertising spend and fixed costs, in part volume-driven but also due to increased maintenance. A large part of the turnover growth came from HSNB, which operates with a lower EBIT (adj.) margin resulting in negative mix effects. The first-half EBIT (adj.) margin was 14.7%, compared with 16.2% year over year.

## Orkla Food Ingredients

Amounts in NOK million	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2021	2020	2020	2021	2020
Operating revenues	5 517	5 043	10 696	2 971	2 469
- Organic revenue growth	9.0%	-9.2%	-5.9%	20.5%	-16.3%
EBIT (adj.)	285	172	500	205	101
EBIT (adj.) margin	5.2%	3.4%	4.7%	6.9%	4.1%

- Easing of restrictions and higher activity in Out of Home segment in course of first half
- Broad-based sales growth, but against weak year-over-year comparables
- EBIT (adj.) improvement driven by higher sales volume

Orkla Food Ingredients had a 9.4% increase in first-half operating revenues, of which 9.0% was organic growth. The sales growth was attributable to easing of restrictions and higher activity in the Out of Home segment during the first half, but against weak comparables from the previous year, and was broad-based in both business areas and geographies. Total sales towards the end of the period were mainly at the same level as prior to the pandemic, but some segments still have a lower sales index. This applies particularly to geographies with substantial tourism, and segments oriented towards the travel and hotel/conference markets.

First-half EBIT (adj.) improved by 65.7%. The profit improvement was attributable to increased sales and better cost base scaling. Acquisitions contributed positively to profit, while there were negative currency translation effects in the period. The EBIT (adj.) margin was 5.2% in the first half, a year-over-year increase of 1.8 percentage points.

There is uncertainty as to developments going forward, especially regarding the sharply rising prices of, and access to, raw materials. There is constant uncertainty about the way the pandemic will evolve and associated potential new government restrictions.

## Orkla Consumer Investments

Amounts in NOK million	1.1.–30.6.		1.1.–31.12.		1.4.–30.6.	
	2021	2020	2020	2021	2020	2020
Operating revenues	1 979	1 827	3 847	956	900	
- Organic revenue growth	14.3%	-6.0%	2.1%	13.2%	-8.1%	
EBIT (adj.)	273	191	404	109	99	
EBIT (adj.) margin	13.8%	10.5%	10.5%	11.4%	11.0%	

- Solid cross-portfolio sales growth
- Continued good activity in home improvement market, slowing slightly towards end of first half
- Strong profit growth in first half, largely related to good improvement in first quarter

Orkla Consumer Investments had organic sales improvement of 14.3% in the first half. There was sales growth in all companies, with particularly good improvement for Orkla House Care and Kotipizza. Orkla House Care saw solid growth in the first quarter, but the high activity in the home improvement market diminished towards the end of the first half compared with strong sales figures year over year. Good organic growth for Kotipizza as a result of increased turnover in both the pizza restaurants and the wholesale business. Lilleborg also saw good improvement in the first half. Orkla Consumer Investments will face strong comparables in the second half of 2021.

The 42.9% improvement in first-half profit was driven by strong sales growth for several companies in the portfolio, primarily in the first quarter. Structural effects also made a positive contribution. Growth was offset to some extent by rising freight and raw material costs towards the end of the half. These negative effects are expected to continue and the companies affected will implement necessary pricing measures. The EBIT (adj.) margin was 13.8% for the first half, compared with 10.5% for the same period in 2020.

## Industrial & Financial Investments

### Hydro Power

	1.1.–30.6.		1.1.–31.12.		1.4.–30.6.	
	2021	2020	2020	2021	2020	2020
Volume (GWh)	1 026	1 329	2 884	549	685	
Price* (øre/kWh)	47.9	10.1	9.8	46.9	4.9	
EBIT (adj.) (NOK million)	198	20	42	112	(19)	

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

EBIT (adj.) for Hydro Power amounted to NOK 198 million in the first half, compared with NOK 20 million year over year. The profit improvement is due to substantially higher power prices due to lower availability of hydrological resources and increased export capacity. The average power price in the period was 47.9 øre/kWh, compared with 10.1 øre/kWh in the first half of 2020. Power production in the first half of 2021 totalled 1 026 GWh, compared with 1 329 GWh in the same period of 2020.

Reservoir levels for the Glomma and Laagen rivers and the reservoirs in Sauda were slightly lower than normal at the end of the first half. Snowpack levels are substantially lower than normal.

### Financial Investments

First-half EBIT (adj.) for Financial Investments totalled NOK 2 million, compared with NOK 5 million in the same period of 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)

Jotun's operating revenues continued to increase in the second quarter, growing by 9% in the first half. Adjusted for negative currency translation effects due to the stronger Norwegian krone, underlying sales growth was 19% in the first half. The increase in operating revenues was driven by solid underlying growth in three of Jotun's four segments; Decorative Paints, Protective Coatings and Powder Coatings. In Marine Coatings, however, sales declined towards the end of the first half due to a cyclical slump in the shipbuilding industry that has particularly affected newbuilding activity in

South Korea. The solid growth in sales seen so far this year is also explained by reduced sales activity in the same period of last year, as a result of the coronavirus situation and comprehensive infection control restrictions introduced by local authorities. This hampered sales in all segments, and particularly in Middle East and South East Asian markets.

Operating profit rose by 17%, year over year, in the first half. The positive profit performance is due to higher sales and low cost growth. However, raw material prices have risen sharply, putting greater pressure on margins which, together with lower sales in Marine Coatings, contributed to a weaker profit performance towards the end of the first half.

Despite strong economic growth so far this year, the outlook for the second half of 2021 is more uncertain. This is due to lower activity in the ship newbuilding market, unstable raw material supply chains and uncertainty as to how the coronavirus pandemic and infection control measures will affect Jotun's markets. Higher raw material prices will put greater pressure on gross margins in the coming quarters, and Jotun has therefore increased prices in all segments and continuously implements cost control measures.

### 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. 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.

The employee share purchase programme was carried out in the second quarter, based on the Orkla share's closing price on 28 May 2021. The purchase price was set at NOK 65.43 per share after deduction of a 25% discount. NOK 16 million has been expensed in connection with the share discount awarded to employees. In 2020, this programme was expensed in the third quarter.

On 12 November 2019, the Norwegian Competition Authority opened an investigation at Lilleborg AS related to purchasing terms between suppliers and grocery retail chains in the Norwegian market. On 16 June 2021, the Competition Authority announced that there are no grounds to pursue the investigation and has thus closed the case.

On 14 January 2021, changes were made in Orkla's Group Executive Board. Atle Vidar Nagel Johansen was appointed CEO of Orkla Foods, Hege Holter Brekke was made CEO of Orkla Care and Ingvald T. Berg was appointed CEO of Orkla Confectionery & Snacks.

### Declaration by the Board of Directors

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2021 have been prepared in conformity with IAS 34 Interim Reporting and that the information in the financial statements provides a fair view of the enterprise and the Group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 14 July 2021

### The Board of Directors of Orkla ASA

Stein Erik Hagen  
Chairman of the Board

Ingrid Jonasson Blank

Nils K. Selte

Liselott Kilaas

Peter Agnefjäll

Anna Mossberg

Anders Kristiansen

Terje Utstrand

Sverre Josvanger

Karin Hansson

Roger Vangen

Jaan Ivar Semlitsch  
President and CEO

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

## Condensed income statement

Amounts in NOK million	Note	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
		2021	2020	2020	2021	2020
Operating revenues	2	23 275	22 606	47 137	11 772	11 099
Operating expenses		(19 742)	(19 294)	(39 701)	(10 016)	(9 402)
Depreciation		(971)	(964)	(1 944)	(491)	(492)
<b>EBIT (adj.)</b>	<b>2</b>	<b>2 562</b>	<b>2 348</b>	<b>5 492</b>	<b>1 265</b>	<b>1 205</b>
Other income and expenses	3	(261)	(341)	(930)	(118)	(176)
<b>Operating profit</b>		<b>2 301</b>	<b>2 007</b>	<b>4 562</b>	<b>1 147</b>	<b>1 029</b>
Profit/loss from associates and joint ventures		586	461	1 000	255	248
Interest, net	7	(74)	(89)	(162)	(44)	(46)
Other financial items, net	7	(35)	(27)	(52)	(14)	(31)
<b>Profit/loss before taxes</b>		<b>2 778</b>	<b>2 352</b>	<b>5 348</b>	<b>1 344</b>	<b>1 200</b>
Taxes		(555)	(460)	(926)	(285)	(240)
<b>Profit/loss for the period</b>		<b>2 223</b>	<b>1 892</b>	<b>4 422</b>	<b>1 059</b>	<b>960</b>
Profit/loss attributable to non-controlling interests		39	19	51	22	10
Profit/loss attributable to owners of the parent		2 184	1 873	4 371	1 037	950

## Earnings per share

Amounts in NOK	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2021	2020	2020	2021	2020
Earnings per share	2.19	1.87	4.37	1.04	0.95
Earnings per share, diluted	2.19	1.87	4.37	1.04	0.95
Earnings per share (adj.)	2.40	2.15	5.04	1.14	1.10
Earnings per share (adj.), diluted	2.40	2.15	5.04	1.14	1.10

## Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
		2021	2020	2020	2021	2020
<b>Profit/loss for the period</b>		<b>2 223</b>	<b>1 892</b>	<b>4 422</b>	<b>1 059</b>	<b>960</b>
<b>Other items in comprehensive income</b>						
<i>Items after tax not to be reclassified to profit/loss in subsequent periods:</i>						
Actuarial gains and losses pensions		-	(13)	(16)	-	-
Changes in fair value shares		(1)	(1)	42	-	-
<i>Items after tax to be reclassified to profit/loss in subsequent periods:</i>						
Change in hedging reserve	4	141	(71)	(107)	26	(21)
Carried against equity in associates and joint ventures	4	(58)	242	(91)	34	(246)
Translation effects	4	(453)	1 568	1 114	347	(733)
<b>The Group's comprehensive income</b>		<b>1 852</b>	<b>3 617</b>	<b>5 364</b>	<b>1 466</b>	<b>(40)</b>
Comprehensive income attributable to non-controlling interests		33	40	62		
Comprehensive income attributable to owners of the parent		1 819	3 577	5 302		



## Condensed statement of financial position

## Assets

Amounts in NOK million	Note	30.6. 2021	31.12. 2020
Intangible assets		28 852	24 334
Property, plant and equipment		16 854	16 274
Associates, joint ventures and other financial assets	6	5 731	5 368
<b>Non-current assets</b>		<b>51 437</b>	<b>45 976</b>
Inventories		7 352	6 530
Inventory of development property		129	96
Trade receivables		6 700	6 256
Other receivables and financial assets	6	1 162	936
Cash and cash equivalents	6	865	3 213
<b>Current assets</b>		<b>16 208</b>	<b>17 031</b>
<b>Total assets</b>		<b>67 645</b>	<b>63 007</b>

## Equity and liabilities

Amounts in NOK million	Note	30.6. 2021	31.12. 2020
Paid-in equity		1 967	1 972
Retained equity		34 013	35 270
Non-controlling interests		637	462
<b>Equity</b>		<b>36 617</b>	<b>37 704</b>
Provisions and other non-current liabilities		5 121	5 071
Non-current interest-bearing liabilities	6	10 870	9 359
Current interest-bearing liabilities	6	4 264	664
Trade payables		6 843	6 526
Other current liabilities		3 930	3 683
<b>Equity and liabilities</b>		<b>67 645</b>	<b>63 007</b>
Equity ratio		54.1%	59.8%

## Condensed statement of changes in equity

Amounts in NOK million	1.1.–30.6.2021			1.1.–30.6.2020		
	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	1 819	33	1 852	3 577	40	3 617
Dividends	(2 739)	(28)	(2 767)	(2 601)	(49)	(2 650)
Net purchase/sale of treasury shares	(346)	-	(346)	-	-	-
Option costs	4	-	4	-	-	-
Change in non-controlling interests	-	170	170	29	9	38
<b>Equity 30 June</b>	<b>35 980</b>	<b>637</b>	<b>36 617</b>	<b>35 457</b>	<b>460</b>	<b>35 917</b>

## Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
		2021	2020	2020	2021	2020
Cash flow from operations before capital expenditure		2 545	3 287	7 688	1 443	1 907
Received dividends and paid financial items		40	(16)	62	(42)	(55)
Taxes paid		(601)	(663)	(1 152)	(249)	(212)
<b>Cash flow from operating activities</b>		<b>1 984</b>	<b>2 608</b>	<b>6 598</b>	<b>1 152</b>	<b>1 640</b>
Net capital expenditure		(1 090)	(1 239)	(2 446)	(507)	(594)
Net sale (purchase) of companies	5	(4 523)	(554)	(507)	(2 859)	(529)
Other payments		34	23	29	27	(3)
<b>Cash flow from investing activities</b>		<b>(5 579)</b>	<b>(1 770)</b>	<b>(2 924)</b>	<b>(3 339)</b>	<b>(1 126)</b>
Net paid to shareholders		(3 113)	(2 650)	(2 609)	(2 707)	(2 641)
Change in interest-bearing liabilities and receivables		4 392	1 377	324	4 727	1 495
<b>Cash flow from financing activities</b>		<b>1 279</b>	<b>(1 273)</b>	<b>(2 285)</b>	<b>2 020</b>	<b>(1 146)</b>
Currency effects cash and cash equivalents		(32)	165	155	4	(2)
<b>Change in cash and cash equivalents</b>		<b>(2 348)</b>	<b>(270)</b>	<b>1 544</b>	<b>(163)</b>	<b>(634)</b>
<b>Cash and cash equivalents</b>	6	<b>865</b>	<b>1 399</b>	<b>3 213</b>		

## Reconciliation operating activities against Orkla-format; see page 7

<i>IFRS cash flow</i>						
Cash flow from operating activities		1 984	2 608	6 598	1 152	1 640
Net capital expenditure		(1 090)	(1 239)	(2 446)	(507)	(594)
Other payments		34	23	29	27	(3)
Cash flow from operating activities incl. capital expenditure		928	1 392	4 181	672	1 043
<i>Orkla-format</i>						
Cash flow before capital transactions		920	1 506	4 377	736	1 112
New capitalised leases (incl. in net replacement expenditures in Orkla-format)		238	113	283	97	39
Expansion investments		(230)	(227)	(479)	(161)	(108)
Comparative cash flow		928	1 392	4 181	672	1 043

## Reconciliation cash and cash equivalents against net interest-bearing liabilities in Orkla-format; see page 7

Change cash and cash equivalents IFRS cash flow		2 348	270	(1 544)	163	634
Change net interest-bearing liabilities IFRS cash flow		4 392	1 377	324	4 727	1 495
Net interest-bearing liabilities in purchased/sold companies		923	28	26	837	28
Interest-bearing liabilities new leases		238	113	283	97	39
Total currency effect net interest-bearing liabilities		(336)	751	585	237	(334)
Currency effect cash and cash equivalents		(32)	165	155	4	(2)
Change net interest-bearing liabilities Orkla-format		7 533	2 704	(171)	6 065	1 860

## NOTES

## NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements as at 30 June 2021 were approved at the Board of Directors' meeting on 14 July 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. In the second quarter of 2021, Orkla awarded share options to senior executives (see Note 9). This could have a dilutive effect for other shareholders, and diluted figures for earnings per share and earnings per share (adj.) are therefore presented. No other 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

Amounts in NOK million	Operating revenues					EBIT (adj.)				
	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.		1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2021	2020	2020	2021	2020	2021	2020	2020	2021	2020
Orkla Foods	8 764	8 956	18 301	4 465	4 338	1 024	1 141	2 641	517	606
Orkla Confectionery & Snacks	3 338	3 326	7 171	1 637	1 724	439	450	1 203	198	241
Orkla Care	3 438	3 331	6 905	1 624	1 643	507	540	1 019	211	243
Orkla Food Ingredients	5 517	5 043	10 696	2 971	2 469	285	172	500	205	101
Orkla Consumer Investments	1 979	1 827	3 847	956	900	273	191	404	109	99
Eliminations Branded Consumer Goods	(228)	(186)	(399)	(121)	(93)	-	-	-	-	-
<b>Branded Consumer Goods</b>	<b>22 808</b>	<b>22 297</b>	<b>46 521</b>	<b>11 532</b>	<b>10 981</b>	<b>2 528</b>	<b>2 494</b>	<b>5 767</b>	<b>1 240</b>	<b>1 290</b>
HQ/Eliminations	15	34	61	4	15	(166)	(171)	(327)	(86)	(70)
<b>Branded Consumer Goods incl. HQ</b>	<b>22 823</b>	<b>22 331</b>	<b>46 582</b>	<b>11 536</b>	<b>10 996</b>	<b>2 362</b>	<b>2 323</b>	<b>5 440</b>	<b>1 154</b>	<b>1 220</b>
Hydro Power	442	259	519	231	96	198	20	42	112	(19)
Financial Investments	54	62	124	28	28	2	5	10	(1)	4
<b>Industrial &amp; Financial Investments</b>	<b>496</b>	<b>321</b>	<b>643</b>	<b>259</b>	<b>124</b>	<b>200</b>	<b>25</b>	<b>52</b>	<b>111</b>	<b>(15)</b>
Eliminations	(44)	(46)	(88)	(23)	(21)	-	-	-	-	-
<b>Orkla</b>	<b>23 275</b>	<b>22 606</b>	<b>47 137</b>	<b>11 772</b>	<b>11 099</b>	<b>2 562</b>	<b>2 348</b>	<b>5 492</b>	<b>1 265</b>	<b>1 205</b>

## NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2021	2020	2020	2021	2020
M&A and integration costs	(79)	(48)	(105)	(49)	(32)
Final settlement employment relationships etc.	(58)	(94)	(136)	(46)	(39)
Gain/loss on transactions	77	75	145	77	70
Write-downs	(4)	(137)	(511)	0	(106)
Restructuring costs and other items	(197)	(137)	(323)	(100)	(69)
<b>Total other income and expenses</b>	<b>(261)</b>	<b>(341)</b>	<b>(930)</b>	<b>(118)</b>	<b>(176)</b>

*Other expenses*

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. Around NOK 120 million has been incurred in connection with the project in the first half of 2021, and these costs have been reported as "Other income and expenses".

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 the integration of Orkla Foods Danmark and Orkla Confectionery & Snacks Danmark, restructuring of the sales, marketing and product development functions in Orkla Foods Norge, and the construction of a chocolate and a biscuit factory in Latvia (Orkla Confectionery & Snacks).

Furthermore, costs totalling NOK 79 million have been incurred in connection with the acquisition and integration of companies as at 30 June 2021.

*Other revenues*

In connection with the acquisition of County Confectionery Ltd. (Orkla Food Ingredients) in 2018, an earn-out agreement was entered into with the former owners. The expected payout under the earn-out agreement is lower than originally assumed, and NOK 16 million has been taken to income in connection with this agreement.

A factory property in Finland (Turku) was sold in the second quarter of 2021 at a gain of NOK 10 million. The sale concerned a property freed up in connection with the earlier relocation of an Orkla Foods factory.

In addition, just under NOK 50 million was taken to income in connection with two insurance settlements in the second quarter of 2021. One of the settlements is related to the recall of Husk products (Nordic region) and Colon-C products (Poland) in Orkla Care in connection with a salmonella outbreak. Corresponding expenses

related to this outbreak were also recognised under "Other income and expenses". An insurance settlement related to a previously divested business was also taken to income.

#### 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 30 June 2021 (after tax) totalled NOK -66 million. Accumulated translation differences correspondingly amounted to NOK 2,027 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 104 million as at 30 June 2021.

#### NOTE 5 ACQUISITIONS AND DISPOSALS

##### *Acquisitions of companies in the second quarter*

In June 2021, Orkla Health completed its purchase of 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 Vesteråls 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 170 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 cost for Orkla of the acquisition of NutraQ is NOK 3.1 billion at enterprise value. The excess value related to the acquisition mainly consists of trademarks and goodwill, goodwill being the largest amount. NutraQ was consolidated into Orkla's statement of financial position as of 30 June 2021 and into its income statement as of 1 July 2021.

Orkla Confectionery & Snacks has purchased the Icelandic company Núi Sirius HF ("Núi Sirius"), the leading manufacturer of chocolate and confectionery in Iceland. Núi Sirius has several well-known chocolate brands, and over 70% of Núi Sirius's turnover derives from the company's home market. The business also distributes certain strong, global chocolate, snack and breakfast product brands. In 2020, the company had a turnover of ISK 3.6 billion (approx. NOK 230 million), and it has around 120 employees. The agreement now entered into with the present owners covers 80% of the shares. Orkla has had a minority shareholding of 20% in the company for well over two years. Núi Sirius was consolidated into Orkla's financial statements as of 1 June 2021.

Orkla Food Ingredients has purchased 100% of the shares in the companies Cake Décor Limited ("Cake Décor") and For All Baking Limited ("FAB"). Cake Décor is a well-established player in cake decorations, sprinkles and accessories for the home baking, artisan bakery and food service markets. The majority of its sales are made to consumers through the UK grocery trade. FAB is behind Cake Décor's e-commerce business that caters particularly to artisan bakeries. FAB also has growing direct-to-consumer sales. The companies have a total of 98 employees and a turnover of GBP 14.4 million (approx. NOK 168 million) in 2020. The companies were consolidated into Orkla's financial statements as of 1 May 2021.

##### *Acquisitions of companies in the first quarter*

On 31 March 2021, Orkla Foods completed its purchase of 67.8% of the shares in Eastern Condiments Private Limited ("Eastern"). 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 clause whereby Orkla will be able to acquire full ownership of the joint entity in the longer term. 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 Ambassador92. Ambassador92 is a leading player in the sale and distribution of bakery and confectionery products in areas of northern Poland, and holds a strong position in the growing Out of Home channel, which comprises bakeries, confectioners and ice cream producers. The company had a turnover of PLN 138 million (approx. NOK 315 million) 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 30 June 2021, Orkla had purchased companies for a total of NOK 5,446 million at enterprise value.

As regards companies acquired in 2020, the purchase price allocations for Norgesplaster and Win Equipment were finalised as at 30 June 2021. No material changes were made in relation to the preliminary purchase price allocations.



## NOTE 6 NET INTEREST-BEARING LIABILITIES

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

	30.6. 2021	31.12. 2020
Amounts in NOK million		
Non-current liabilities excl. leases	(9 695)	(8 207)
Current liabilities excl. leases	(3 943)	(329)
Non-current receivables (in "Financial Assets")	352	370
Current receivables (in "Other receivables and financial assets")	4	60
Cash and cash equivalents	865	3 213
<b>Net interest-bearing liabilities excl. leases</b>	<b>(12 417)</b>	<b>(4 893)</b>
Non-current lease liabilities	(1 175)	(1 152)
Current lease liabilities	(321)	(335)
<b>Total net interest-bearing liabilities</b>	<b>(13 913)</b>	<b>(6 380)</b>

## 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.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2021	2020	2020	2021	2020
Net interest costs excl. leases	(60)	(72)	(130)	(36)	(38)
Interest costs leases	(14)	(17)	(32)	(8)	(8)
<b>Interest, net</b>	<b>(74)</b>	<b>(89)</b>	<b>(162)</b>	<b>(44)</b>	<b>(46)</b>

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2021	2020	2020	2021	2020
Dividends	0	1	1	0	1
Net foreign currency gain/loss	1	4	4	0	0
Interest on pensions <sup>1</sup>	(21)	(19)	(29)	(8)	(25)
Other financial items	(15)	(13)	(28)	(6)	(7)
<b>Other financial items, net</b>	<b>(35)</b>	<b>(27)</b>	<b>(52)</b>	<b>(14)</b>	<b>(31)</b>

<sup>1</sup>Includes hedging of the pension plan for employees with salaries over 12G.

## NOTE 8 RELATED PARTIES

The Orkla Group makes annual sales to companies in the Canica system for around NOK 24 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 30 June 2021, there were no special transactions between the Group and related parties.

## NOTE 9 TREASURY SHARES AND OPTIONS

## Treasury shares

The following changes took place in Orkla's holding of treasury shares between 1 January 2021 and 30 June 2021:

Treasury shares as at 1 January 2021	501 800
External purchase of treasury shares	5 000 000
Employee share purchase programme	(648 926)
<b>Treasury shares as at 30 June 2021</b>	<b>4 852 874</b>

## Options

In 2020, Orkla introduced a share option-based LTI programme that replaced the previous cash-based LTI programme. Options will be awarded once a year, and the first award was made on 2 June 2021. On that date, 3,906,821 options were awarded to senior executives, including 752,840 options awarded to the Group Executive Board.

Each option entitles the holder to purchase one share in Orkla ASA. The redemption price for the options has been set at NOK 82.06, which was the closing price on 16 April 2021, with an additional 3% per year in the vesting period and adjusted for dividends paid out until the option is exercised. Options that are not exercised by 16 April 2026 will lapse. Members of the Group Executive Board may not exercise their options until three years after they were awarded (16 April 2024), while option awards to other senior executives are made in three tranches, 20% of which may be exercised after one year, 20% after two years and 60% after three years, and where the earliest date for exercise of tranche 1 options is 16 April 2022. Further information on the option programme is provided in Orkla's Annual Report for 2020.

## NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

No material write-downs have been taken as at 30 June 2021. Nor were there any indications of impairment of the value of the Group's assets in this period. Some Orkla businesses have been impacted by the coronavirus pandemic 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:

Amounts in NOK million	Measurement level			Total
	Level 1	Level 2	Level 3	
<b>30 June 2021:</b>				
<b>Assets</b>				
Investments	-	-	156	156
Derivatives	-	52	-	52
<b>Liabilities</b>				
Derivatives	-	151	-	151
<b>31 December 2020:</b>				
<b>Assets</b>				
Investments	-	-	140	140
Derivatives	-	170	-	170
<b>Liabilities</b>				
Derivatives	-	206	-	206

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

## NOTE 12 OTHER MATTERS

*Agreements on the purchase of companies*

Orkla has entered into an agreement to purchase 75% of the shares in New York Pizza, one of the leading pizza chains in the Netherlands. Last year, New York Pizza sold 11.5 million pizzas and had total turnover of EUR 54.7 million (including pizza dough manufacturing turnover), equivalent to approximately NOK 555 million. Chain sales have increased by approx. 12% per year since 2008, driven by like-for-like growth and the roll-out of new sales outlets. Over the last 12 months to 30 April 2021, New York Pizza generated a normalized EBITDA of EUR 12.7 million (approx. NOK 135 million) according to local Dutch accounting standards (GAAP). The transaction values New York Pizza at EUR 145 million, equivalent to NOK 1.5 billion, at enterprise value. New York Pizza now has 232 franchisee-operated sales outlets, 229 of which are in the Netherlands where the chain holds a strong number two position in the market. A key component of New York Pizza's operating model is

the pizza dough manufacturer Euro Pizza Products. The largest external customer is Finland's leading pizza chain – Orkla-owned Kotipizza. New York Pizza currently has 75 employees. The business will be run as a stand-alone entity within the Orkla Consumer Investments business area, which already comprises Kotipizza. The acquisition is subject to the approval of the Dutch competition authorities. The transaction is expected to be completed in the third quarter of 2021.

Orkla Food Ingredients has in July 2021 entered into an agreement to purchase 100% of the Swiss company Hans Kaspar, thereby strengthening its position in confectionery and ice cream ingredients. Hans Kaspar is a leading specialist in the manufacture of specialty ingredients for chocolate and ice cream producers and currently has 31 employees. The company's turnover totalled CHF 13.3 million (approx. NOK 125 million) in 2020. The transaction is expected to be completed in the third quarter of 2021.

In July 2021, Orkla Food Ingredients purchased 100% of the company Sigurd Ecklund AS, which supplies a broad range of products to Norwegian confectioners, bakeries, restaurants and hotels. The company had a turnover of NOK 25 million in 2020, and has five employees.

*Other matters*

Orkla ASA (Orkla Home and Personal Care) and Unilever have had a production and supply agreement relating to certain products in OHPC's product portfolio under brands such as Sun, OMO and Jif. The agreement has not been renewed, and terminated effective 1 July 2021. Orkla owns these brands in Norway and has established new means of production and supply for the products that were covered by the 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. On 16 June 2021, the Competition Authority announced that it was closing the investigation against Orkla, having concluded that there are no grounds to pursue this case any further.

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. Comparables 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 chiefly 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 30 June 2021. As at 30 June 2020, adjustments were made for a gain on the sales of the associates Andersen & Mørck AS and Allkärrsplans Utvecklings AB.

In the second quarter of 2021, Orkla awarded share options to senior executives (see Note 9). This could have a dilutive effect for other shareholders and diluted figures are therefore presented for earnings per share and earnings per share (adj.).

	1.1.–30.6.		1.1.–31.12.		1.4.–30.6.	
Amounts in NOK million	2021	2020	2020	2021	2020	
Profit for the period after non-controlling interests	2 184	1 873	4 371	1 037	950	
<i>Adjustments earnings per share (adj.):</i>						
Other income and expenses after tax	211	302	778	94	162	
Gain on sale of associates and joint venture	-	(29)	(29)	-	(14)	
Reversal of deferred tax related to operations outside Norway	-	-	(75)	-	-	
<b>Adjusted profit for the period after non-controlling interests</b>	<b>2 395</b>	<b>2 146</b>	<b>5 045</b>	<b>1 131</b>	<b>1 098</b>	
Average externally owned shares (1000 shares)	997 641	1 000 306	1 000 461	995 987	1 000 306	
Average externally owned shares, diluted (1000 shares)	997 641	1 000 306	1 000 461	995 995	1 000 306	
Earnings per share (NOK)	2.19	1.87	4.37	1.04	0.95	
Earnings per share, diluted (NOK)	2.19	1.87	4.37	1.04	0.95	
Earnings per share (adj.) (NOK)	2.40	2.15	5.04	1.14	1.10	
Earnings per share (adj.), diluted (NOK)	2.40	2.15	5.04	1.14	1.10	

### 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 7.

### 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 7. Net interest-bearing liabilities are reconciled in Note 6.

### Structure (acquisitions and disposals)

Structural growth includes adjustments for the acquisition of the businesses Eastern, Núi Sirius, Cake Décor Limited, For All Baking Limited, Ambassador92, Proteinfabrikken, Seagood Fort Deli, Norgesplaster, Win Equipment, Gortrush and Havrefras. Adjustments have been made for the sale of SaritaS, Vestlandslefsa, Italiensk Bakeri, Gorm's and the skin care business in Poland, as well as for the closure of Pierre Robert Sverige. Adjustments have also been made for the loss of the distribution agreements with Panzani and OTA Solgryn. A structural adjustment was made at business area level for the internal relocation of Frödinge. 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.

### Organic growth by business area

Sales revenues change %	1.1.–30.6.2021				1.4.–30.6.2021			
	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	-1.0	-3.5	2.4	-2.1	3.0	-5.9	5.9	2.9
Orkla Confectionery & Snacks	2.7	-2.9	0.6	0.4	-1.2	-5.0	1.2	-5.0
Orkla Care	3.3	-2.0	1.9	3.2	2.5	-4.0	0.4	-1.2
Orkla Food Ingredients	9.0	-5.4	5.8	9.4	20.5	-8.2	8.1	20.3
Orkla Consumer Investments	14.3	-3.5	-2.4	8.3	13.2	-5.6	-1.3	6.2
<b>Branded Consumer Goods</b>	<b>3.7</b>	<b>-3.6</b>	<b>2.1</b>	<b>2.3</b>	<b>6.9</b>	<b>-6.0</b>	<b>4.1</b>	<b>5.0</b>

Sales revenues change %	1.1.–30.6.2020				1.4.–30.6.2020				1.1.–31.12.2020			
	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	5.0	6.9	0.7	12.5	-0.7	8.1	-0.9	6.6	3.7	5.8	-0.4	9.1
Orkla Confectionery & Snacks	3.1	7.0	-	10.1	4.1	9.4	-	13.5	2.0	6.4	-	8.5
Orkla Care	8.2	6.6	1.3	16.1	5.3	8.7	2.7	16.7	9.2	6.2	1.9	17.3
Orkla Food Ingredients	-9.2	7.9	4.8	3.4	-16.3	9.1	2.8	-4.5	-5.9	6.8	3.1	3.9
Orkla Consumer Investments	-6.0	6.5	12.0	12.5	-8.1	8.3	8.3	8.6	2.1	5.9	5.7	13.6
<b>Branded Consumer Goods</b>	<b>0.7</b>	<b>7.1</b>	<b>2.6</b>	<b>10.4</b>	<b>-3.8</b>	<b>8.6</b>	<b>1.4</b>	<b>6.2</b>	<b>1.6</b>	<b>6.2</b>	<b>1.3</b>	<b>9.1</b>

### Comparables for underlying EBIT (adj.) changes for Branded Consumer Goods incl. HQ

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.6.2020	6.3	7.9	2.8	17.1
1.4.–30.6.2020	4.6	9.5	2.2	16.4
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 per 30.6.2020	0.4	-0.1	0.3	11.4
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