



Third quarter

2021



The third quarter in brief

- Group profit before tax amounted to NOK 1,747 million, a year-over-year improvement of 2.4%
- Operating profit EBIT (adj.) for Branded Consumer Goods including Headquarters rose by 3.1%, positively affected by strong structural growth due to high acquisition activity year to date
- Branded Consumer Goods was negatively impacted by increased raw material, freight and energy prices. Price increases will be implemented to mitigate this
- Broad-based organic growth of 4.1% for Branded Consumer Goods, against strong year-over-year comparables
- Good growth in the Group's strategic growth areas
- Decline for Jotun driven by raw material price increases
- Adjusted earnings per share, diluted were NOK 1.37 for the quarter, a year-over-year decline of 6%

Key figures for the Orkla Group as at 30 September

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

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2021	2020	2020	2021	2020
Group					
Operating revenues	36 414	34 515	47 137	13 139	11 909
EBIT (adj.)	4 274	3 919	5 492	1 712	1 571
Profit/loss from associates and joint ventures	750	775	1 000	164	314
Profit/loss before taxes	4 525	4 058	5 348	1 747	1 706
Earnings per share, diluted (NOK)	3.50	3.23	4.37	1.31	1.36
Earnings per share (adj.), diluted (NOK)	3.77	3.61	5.04	1.37	1.46
Branded Consumer Goods					
Operating revenues	35 722	34 078	46 521	12 914	11 781
- <i>Organic revenue growth</i>	3.8%	1.8%	1.6%	4.1%	3.8%
Branded Consumer Goods incl. headquarters (HQ)					
EBIT (adj.)	3 981	3 894	5 440	1 619	1 571
EBIT (adj.)-margin	11.1%	11.4%	11.7%	12.5%	13.3%

Orkla President and CEO Jaan Ivar Semlitsch comments:

We are pleased to have delivered good, broad-based organic growth in the third quarter against strong comparables from 2020. We have volume growth derived from several of our sales channels. I am particularly satisfied that we are achieving good growth in our strategic growth areas: Plant-based, the Out of Home channel through our pizza business and the Health area.

In our pizza business, we continued to strengthen our portfolio in the third quarter. Through New York Pizza, we bought three pizza chains in the growing German pizza market. The new acquisitions are an important part of Orkla's strategy for the pizza category, and we now have a total of 635 franchised sales outlets in Finland, the Netherlands, Germany and Belgium.

Despite our good top-line growth, profit growth was limited in the quarter. Cost inflation is high and the prices of key input factors have risen sharply in the past year. We are seeing substantial increases in the prices of important raw materials, packaging, transport and energy. The high prices and challenging freight situation are global trends that have impacted negatively on profit. The effects of increased raw material costs are expected to continue into 2022. This will be compensated for by further price increases going forward, but there will be some delays in pricing measures in relation to the timing of cost effects.

I am otherwise very glad that large parts of the population in the Nordic region are now fully vaccinated and that we can be together in the same way as before after over one and a half years of comprehensive coronavirus restrictions. Although everyday life is now becoming more normalised for most people in the Nordic countries, the pandemic is not over. We see that the coronavirus situation in several of Orkla's markets outside the Nordic region is still serious and pandemic preparedness is still at a heightened level.



Jaan Ivar Semlitsch
President and CEO

Market growth

In the short term, the coronavirus pandemic has given rise to major changes in consumer behaviour, thereby affecting market growth in various sales channels, categories and countries. Throughout the pandemic, market growth has been high in the grocery channel in most categories and markets, but weaker in the Out of Home channels. Towards the end of the third quarter, Norway, Denmark, Sweden and several other countries in Europe lifted most restrictions and infection control measures. This reopening had a positive impact on market growth in the Out of Home channels in the third quarter. At the same time, sales have generally remained good in the grocery channel in the quarter. However, there are signs that the sales level is normalising, although the situation varies between markets and categories. Orkla also has operations in several countries that are still severely impacted by coronavirus restrictions. It is too early to tell what long-term effects changes in consumer behaviour may have.

Orkla is exposed to a broad range of raw material categories. The coronavirus pandemic has caused bottlenecks and value chain disruptions at the global level and, combined with strong demand, this has resulted in a significant increase in the market prices of raw materials. Price increases have been especially high for vegetable oils, grains, meat, vegetables, dairy products and packaging. The global value chain disruptions have also led to increased freight prices and transport delays. The combination of higher raw material prices and freight rates have impacted negatively on Orkla's purchasing costs in the third quarter of 2021.

The Norwegian krone strengthened in the third quarter of 2021, year over year, which seen in isolation had a positive effect on purchasing costs in the period for Orkla's businesses in Norway. This effect has been considerably more modest than the impact of the above-mentioned increased raw material, packaging and freight prices. The stronger Norwegian krone led to negative currency translation effects in the consolidated financial statements.

Energy prices in the Nordics and large parts of Europe in the third quarter have been considerably higher than power prices in the corresponding period of 2020. This has resulted in increased production costs for Branded Consumer Goods. At the same time, the high power prices have had a positive effect on Hydro Power's profit performance.

Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.-30.9.2021	3.8	-3.1	4.1	4.8
1.7.-30.9.2021	4.1	-2.0	7.5	9.6

Figures may not add up due to rounding.

Turnover growth for Branded Consumer Goods in the third quarter was driven by organic and structural growth, partly offset by negative currency translation effects. The strong structural growth is ascribable to high acquisition activity year to date, with acquisitions in all the business areas.

There was high, broad-based organic growth in the third quarter, against strong year-over-year comparables. Organic turnover growth in the quarter was 4.1%, with growth in all business areas except Orkla Consumer Investments. Turnover growth in the quarter was good for the businesses that sell extensively to Out of Home channels, in addition to which there was growth in turnover through the grocery channel.

Orkla Foods and Orkla Food Ingredients saw broad-based organic turnover growth across most markets and business units. Orkla Care contributed solid organic growth in the Orkla Health and HSNG business units, along with good growth in Orkla Wound Care after a weak 2020. Orkla Confectionery & Snacks delivered good organic growth driven by continued market growth in the Nordic grocery sector. Growth was weak in Orkla Consumer Investments, where Orkla House Care in particular faced strong comparables from 2020.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.-30.9.2021	-1.1	-3.0	6.4	2.2
1.7.-30.9.2021	-3.9	-1.7	8.8	3.1

Figures may not add up due to rounding.

In the third quarter, Branded Consumer Goods incl. Headquarters (HQ) saw an improvement of 3.1% in EBIT (adj.), driven by good structural growth. However, growth was partly counteracted by negative currency translation effects and underlying EBIT (adj.) declined by -3.9%.

The underlying profit decline was negatively impacted by the higher purchasing costs of raw materials and packaging, coupled with increased freight and energy costs. There

was also an increase in other costs, which must be seen in conjunction with abnormally low costs in 2020 due to lower activity on account of the coronavirus pandemic. Furthermore, advertising spend increased in the third quarter of 2021.

EBIT (adj.) margin growth change in percentage points	Underlying growth	Structure/ FX	Total	EBIT (adj.) margin 2021 (%)
R12M per 30.9.2021	-0.4	0.2	-0.2	11.5

Figures may not add up due to rounding.

Margin performance on a rolling 12-month basis as at 30 September 2021 for Branded Consumer Goods incl. HQ declined by 0.2 percentage points. Acquisitions and currency translation effects contributed positively in the period, while the underlying performance was negative. The underlying margin decline was driven by increased purchasing costs, higher costs due to a higher activity level, and costs related to the rollout of a new ERP system at Orkla Foods Sverige. Margin performance was also negatively affected by higher advertising spend.

Structural measures (M&A)

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 franchised sales outlets. New York Pizza was consolidated into Orkla's financial statements as of 1 August 2021.

Through New York Pizza, Orkla has entered into an agreement to purchase the three German pizza chains Stückwerk, Flying Pizza and Pizza Planet, which have a combined total of 105 sales outlets in Germany. These acquisitions give New York Pizza 342 franchised sales outlets, 234 in the Netherlands, 107 in Germany and one in Belgium, and ensure Orkla a solid foothold in a growing German pizza market. Stückwerk was consolidated into Orkla's financial statements as of 1 September 2021, while Flying Pizza and Pizza Planet were consolidated as of 1 October 2021.

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. NutraQ was consolidated into Orkla's financial statements as of 1 July 2021.

Orkla Food Ingredients purchased 100% of the shares in the Norwegian company Sigurd Ecklund AS in June 2021. The company supplies products to confectioners, bakeries, restaurants and hotels. In July 2021, Orkla Food Ingredients entered into an agreement to purchase 100% of the shares in the Swiss company Hans Kaspar, a

supplier of confectionery and ice cream ingredients. The companies were consolidated into Orkla's financial statements on 1 July 2021 and 1 August 2021, respectively.

In October 2021, Orkla Latvija entered into an agreement to sell the company's bottled water business in Latvia. The agreement covers the Everest brand and related production equipment. The purpose of the sale is to concentrate the operations in Latvia on the core categories within Confectionery & Snacks and Foods.

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

Outlook

After a year and a half of relatively stringent coronavirus restrictions, the authorities in several of Orkla's biggest geographical markets such as Norway, Denmark and Sweden, as well as a number of other countries in Europe, lifted most of the restrictions in the third quarter. Society in these countries has now largely reopened, and this is expected to generate positive market growth in the Out of Home channels going forward. At the same time, it is assumed that the abnormally high sales in the grocery channel during the coronavirus pandemic will normalise, but there is uncertainty as to the pace and extent of this process.

Despite the reopening of society in several countries, the coronavirus situation in some of Orkla's other geographical markets remains uncertain. In India, the Baltics and some countries in Central Europe, for example, the vaccination rate is low, and infection rates are still high. This gives rise to general uncertainty as to how long it will take to achieve normalisation, including changes in buying power and demand in these markets.

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 will result in higher costs for Orkla for the rest of this year and into next year. Orkla will compensate for these increases by raising prices, but some delays are expected in price increases in response to the effects of higher costs.

The global value chain disruptions have also resulted in increased transport prices, and to a certain extent also delivery delays. This is causing some uncertainty regarding the delivery situation going forward.

Orkla is well equipped financially to face future challenges. As at 30 September 2021, the Group had a net interest-bearing liability of 1.7 x EBITDA (on a 12-month rolling EBITDA basis).

Financial matters - Group

Main figures profit/loss

	1.1.-30.9.		1.1.-31.12.	1.7.-30.9.	
Amounts in NOK million	2021	2020	2020	2021	2020
Operating revenues	36 414	34 515	47 137	13 139	11 909
EBIT (adj.)	4 274	3 919	5 492	1 712	1 571
Other income and expenses	(327)	(462)	(930)	(66)	(121)
Operating profit	3 947	3 457	4 562	1 646	1 450
Profit/loss from associates and joint ventures	750	775	1 000	164	314
Interest and financial items, net	(172)	(174)	(214)	(63)	(58)
Profit/loss before taxes	4 525	4 058	5 348	1 747	1 706
Taxes	(965)	(785)	(926)	(410)	(325)
Profit/loss for the period	3 560	3 273	4 422	1 337	1 381
Earnings per share, diluted (NOK)	3.50	3.23	4.37	1.31	1.36
Earnings per share (adj.), diluted (NOK)	3.77	3.61	5.04	1.37	1.46

Group operating revenues increased by 10.3% in the third quarter, driven by organic sales improvement and strong 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 to some extent by negative currency translation effects of a stronger Norwegian krone.

In the same period, the Group saw 9.0% growth in EBIT (adj.), driven by Hydro Power, as well as improvement for Branded Consumer Goods related to structural growth.

In Branded Consumer Goods incl. HQ, there was profit improvement for Orkla Care, Orkla Foods and Orkla Food Ingredients. Growth for Orkla Care was driven by continued good top-line growth, combined with structural growth from the acquisition of NutraQ. The improvement for Orkla Foods was mainly related to structural growth from the acquisition of Eastern, as well as the positive effects of good top-line growth. Growth was counteracted to some extent by higher purchasing costs, along with higher costs related to a new ERP system in Orkla Foods Sverige and recall costs. The growth in Orkla Food Ingredients was chiefly driven by structural growth.

Orkla Consumer Investments saw a decline, primarily related to Orkla House Care, with a drop in sales from a strong third quarter in 2020 and higher raw material and freight costs. There was also a decline in Orkla Confectionery & Snacks, driven by a strong increase in raw material prices and lower production efficiency.

The Group's "Other income and expenses" amounted to NOK -66 million in the third quarter of 2021, a decrease of NOK -121 million year over year. Costs arising from high M&A activity, as well as from restructuring and reorganisation projects, were incurred in the quarter. In the corresponding period of 2020, costs included write-downs of goodwill and trademarks. See further details for other income and expenses in Note 3.

Profit from associates amounted to NOK 164 million in the third quarter. There was a year-over-year decline related to Jotun's lower contribution to profit due to the substantially higher prices of raw materials, input factors and freight rates.

Net financial costs in the third quarter were slightly higher, year over year, mainly due to higher liabilities in the quarter. The average borrowing rate was 1.4% in the period, compared with 1.7% in the corresponding period of 2020. The average debt level in the quarter was NOK 13.9 billion, compared with NOK 8.9 billion in the corresponding period of 2020.

The effective tax rate, excluding associates and joint ventures, was higher in the third quarter of 2021, year over year, on account of higher economic rent tax due to the increased contribution to profit from Hydro Power.

Earnings per share, diluted in the third quarter were NOK 1.31, a year-over-year decline of 4%. Adjusted earnings per share, diluted were NOK 1.37, equivalent to a decline of 6% from the previous year. See the section on Alternative Performance Measures (APM) on page 18 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 September 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.–30.9. 2021	1.1.–30.9. 2020	1.1.–31.12. 2020	1.7.–30.9. 2021	1.7.–30.9. 2020
Cash flow from Branded Consumer Goods incl. HQ					
EBIT (adj.)	3 981	3 894	5 440	1 619	1 571
Depreciation	1 392	1 329	1 783	502	448
Changes in net working capital	(824)	159	670	(176)	54
Net replacement expenditures	(1 739)	(1 605)	(2 251)	(651)	(504)
Cash flow from operations (adj.)	2 810	3 777	5 642	1 294	1 569
Cash flow effect from "Other income and expenses" and pensions	(369)	(96)	(291)	(88)	13
Cash flow from operations, Branded Consumer Goods incl. HQ	2 441	3 681	5 351	1 206	1 582
Cash flow from operations, Industrial & Financial Investments	370	90	87	158	27
Taxes paid	(688)	(883)	(1 152)	(87)	(220)
Dividends received, financial items and other payments	191	119	91	117	112
Cash flow before capital transactions	2 314	3 007	4 377	1 394	1 501
Dividends paid and purchase/sale of treasury shares	(3 126)	(2 664)	(2 609)	(13)	(14)
Cash flow before expansion	(812)	343	1 768	1 381	1 487
Expansion investments	(310)	(303)	(479)	(80)	(76)
Sale of companies (enterprise value)	0	105	200	0	10
Purchase of companies (enterprise value)	(6 908)	(698)	(733)	(1 462)	(21)
Net cash flow	(8 030)	(553)	756	(161)	1 400
Currency effects of net interest-bearing liabilities	382	(852)	(585)	46	(101)
Change in net interest-bearing liabilities	7 648	1 405	(171)	115	(1 299)
Net interest-bearing liabilities	14 028	7 956	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. This is mainly explained by the fact that working capital in the first nine months of 2020 was positively impacted by deferred payment deadlines for indirect taxes throughout 2020 due to government measures in response to the coronavirus pandemic. Working capital was also negatively impacted by accrual-based reporting throughout the year. The average amount of funds tied up in working capital as a percentage of sales continues to decrease, although more slowly than in 2020.

The largest project under "Net replacement investments" was the ongoing construction of a new biscuit factory in Latvia. Net replacement investments also included several other ongoing factory projects, and the entry into new long-term leases. Investments related to ERP projects were considerably lower as at 30 September 2021 than in the corresponding period of 2020.

In Industrial & Financial Investments, cash flow from operations as at 30 September 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 mainly consisted of the payout of dividends totalling NOK 2,780 million. Buybacks of Orkla shares totalled NOK 346 million as at 30 September 2021. See further details regarding Orkla shares in Note 9.

Expansion investments largely consist of investments in increased production capacity for plant-based products in both Orkla Foods and Orkla Food Ingredients. Investments were also made to increase production capacity in Central Europe.

Acquisitions of companies totalled NOK 6,908 million in the first nine months of 2021 and mainly consisted of the purchase of 100% of the shares in NutraQ, 67.8% of the shares in Eastern Condiments and 75% of the shares in New York Pizza. As at 30 September 2021, no companies had been sold.

Net cash flow for the Group was NOK -8,030 million. Positive currency translation effects due to the stronger Norwegian krone reduced net interest-bearing liabilities by NOK 382 million in the period. As at 30 September 2021, net interest-bearing liabilities before lease liabilities amounted to NOK 12,273 million. Including lease liabilities related to IFRS 16, net interest-bearing liabilities totalled NOK 14,028 million.

As at 30 September 2021, the equity ratio was 54.2%, compared with 59.8% as at 31 December 2020. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.4 years. Orkla's financial position is robust, with cash reserves and credit lines that exceed known future capital needs.

BUSINESS AREAS

Branded Consumer Goods

Orkla Foods

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2021	2020	2020	2021	2020
Operating revenues	13 621	13 430	18 301	4 857	4 474
- Organic revenue growth	0.9%	4.5%	3.7%	4.7%	3.7%
EBIT (adj.)	1 742	1 824	2 641	718	683
EBIT (adj.) margin	12.8%	13.6%	14.4%	14.8%	15.3%

- Broad-based organic sales growth in the third quarter across several markets
- Highest growth in sales to food service, convenience stores and petrol stations, but also continued positive growth in sales to the grocery channel
- Profit growth in the third quarter due to increased turnover and structural growth, partly counteracted by higher purchasing costs and costs related to the rollout of a new ERP system at Orkla Foods Sweden

Orkla Foods saw an 8.6% increase in sales in the third quarter, of which 4.7% was organic growth. Growth was broad-based across most markets, but in some markets must be seen in conjunction with slightly weaker sales in the second quarter of 2021 and year-over-year differences in campaign schedules. Third-quarter turnover growth was good in the food service, convenience store and petrol station segments, which were positively impacted by a gradual reopening in several markets after stringent coronavirus restrictions. Turnover growth to the grocery sector remained good, while export sales were negatively impacted by the coronavirus pandemic.

Orkla Foods delivered positive profit growth of 5.1% in the third quarter, driven by structural growth and the positive effects of higher turnover. However, the profit growth in the quarter was partly counteracted by higher purchasing costs across all markets. Prices rose for several raw material categories, packaging, and transport and energy. This is expected to continue and will necessitate further price increases going forward. Profit performance both in the quarter and year to date has been negatively impacted by higher costs related to the rollout of a new ERP system in Orkla Foods Sverige. Costs on the order of NOK 20 million were also incurred in the third quarter in connection with the recall of products in Norway, Denmark and Sweden. The EBIT (adj.)-margin declined to 14.8%, down 0.5% from the third quarter of 2020.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2021	2020	2020	2021	2020
Operating revenues	5 185	5 109	7 171	1 847	1 783
- Organic revenue growth	2.5%	3.6%	2.0%	2.2%	4.5%
EBIT (adj.)	719	782	1 203	280	332
EBIT (adj.) margin	13.9%	15.3%	16.8%	15.2%	18.6%

- Market growth remained good in Nordic grocery sector, but tapered off somewhat in the quarter
- Sharp rise in raw material prices in the third quarter
- Lower production efficiency led to higher costs

Orkla Confectionery & Snacks posted 3.6% growth in third-quarter operating revenues. Organic growth was 2.2%. The coronavirus pandemic has resulted in abnormally high volume growth in the Nordic grocery sector, which continued in the third quarter but at a lower level.

Orkla Confectionery & Snacks saw a decline in EBIT (adj.) in the third quarter, where profit performance was negatively impacted by higher purchasing prices, particularly for vegetable oil and packaging, as well as higher energy and freight prices. The cost increases are expected to continue in the coming quarters and will be compensated for by price increases. The uncertainty and volatility of future market growth due to the coronavirus pandemic has shortened the supply chain planning horizon, resulting in lower production efficiency and higher costs in the quarter. The EBIT (adj.) margin was 15.2% in the third quarter, a year-over-year decline of 3.4 percentage points.

Orkla Care

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2021	2020	2020	2021	2020
Operating revenues	5 458	5 083	6 905	2 020	1 752
- <i>Organic revenue growth</i>	3.5%	9.3%	9.2%	3.8%	11.5%
EBIT (adj.)	866	816	1 019	359	276
EBIT (adj.) margin	15.9%	16.1%	14.8%	17.8%	15.8%

- Solid sales growth for Orkla Health in the quarter, driven by continued good underlying cross-market growth
- Orkla Wound Care saw strong growth following a weak 2020 with coronavirus restrictions
- Good growth in EBIT (adj.) driven by a higher top line

Orkla Care had sales growth of 15.3% in the third quarter, of which 3.8% was organic growth. Orkla Health showed sales growth across several markets, driven in particular by the omega-3 and vitamin supplements categories. Orkla Wound Care continued to deliver good sales growth, although compared with weak figures for the corresponding period of 2020 due to extensive coronavirus restrictions in several key markets. Orkla Home & Personal Care's performance was flat compared with last year, while HSNQ showed stable growth, but at a somewhat more moderate rate than in previous quarters.

The 30.1% rise in third-quarter profit was driven by structural growth from NutraQ and the positive effects of organic sales growth. There were also some positive accrual-based accounting effects in the quarter. The profit growth was offset to some extent by higher purchasing prices, and this is expected to result in cost increases going forward. The EBIT (adj.) margin was 17.8% in the third quarter, compared with 15.8% for the same period of 2020, primarily driven by structural growth and a positive product mix.

Orkla Food Ingredients

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2021	2020	2020	2021	2020
Operating revenues	8 706	7 862	10 696	3 189	2 819
- <i>Organic revenue growth</i>	8.4%	-6.5%	-5.9%	7.3%	-1.5%
EBIT (adj.)	490	365	500	205	193
EBIT (adj.) margin	5.6%	4.6%	4.7%	6.4%	6.8%

- Organic growth due to both increased volume and price increases
- EBIT (adj.) improvement driven by acquisitions, counteracted by cost increases
- Sharp rise in raw material prices

Orkla Food Ingredients saw a 13.1% increase in third-quarter operating revenues, of which 7.3% was organic growth. Sales growth was broad-based for both categories and geographies, and was positively impacted by fewer coronavirus restrictions, year over year, in the Out of Home market. Sales of plant-based products also contributed positively to organic growth.

EBIT (adj.) increased by 6.2% in the third quarter. Acquisitions made a positive contribution to profit growth, but there were negative currency translation effects in the quarter. The EBIT (adj.) margin was 6.4% in the quarter, a year-over-year decline of 0.4 percentage points. The EBIT (adj.) margin was negatively affected by cost increases.

Orkla Consumer Investments

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2021	2020	2020	2021	2020
Operating revenues	3 113	2 878	3 847	1 134	1 051
- <i>Organic revenue growth</i>	8.5%	-1.4%	2.1%	-1.7%	7.2%
EBIT (adj.)	406	332	404	133	141
EBIT (adj.) margin	13.0%	11.5%	10.5%	11.7%	13.4%

- Solid cross-market sales growth for the pizza franchise restaurants
- Lower sales of painting tools compared with strong year-over-year sales figures
- Sharp increase in freight costs and raw material prices

Orkla Consumer Investments posted 7.9% turnover growth in the third quarter, driven by structural growth, including the acquisition of New York Pizza, which was consolidated as of August 2021. Organic growth declined by -1.7% as a result of the drop in demand for painting tools and particularly strong sales for Orkla House Care in the same period of 2020. Continued solid growth in chain sales for franchised sales outlets in the pizza market contributed positively.

EBIT (adj.) declined by -5.7% in the third quarter, driven by reduced turnover in Orkla House Care and higher freight and raw material costs for several companies. Cost inflation is expected to continue and the companies affected will implement necessary pricing measures. There was profit growth in the pizza franchise business in the quarter. The third-quarter EBIT (adj.) margin was 11.7%, down 1.7 percentage points year over year.

Industrial & Financial Investments

Hydro Power

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2021	2020	2020	2021	2020
Volume (GWh)	1 432	2 182	2 884	406	853
Price* (øre/kWh)	59.1	8.5	9.8	80.9	5.3
EBIT (adj.) (NOK million)	287	17	42	89	(3)

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

EBIT (adj.) for Hydro Power was NOK 89 million in the third quarter of 2021, compared with NOK -3 million year over year. The profit improvement is due to considerably higher power prices due to a very dry summer and early autumn that also resulted in low reservoir levels. Power prices were also affected by the high levels of coal and gas prices on the continent, and the high CO₂ price. The average power price in the quarter was 80.9 øre/kWh, compared with 5.3 øre/kWh in the third quarter of 2020. Power production was significantly lower than in the third quarter of 2020 due to low precipitation and lower inflow, and totalled 406 GWh compared with 853 GWh year over year.

Reservoir levels for the Glomma and Laagen rivers were at 80% of the normal level, and reservoir levels in Sauda were well below normal at quarter end.

Financial Investments

Third-quarter EBIT (adj.) for Financial Investments totalled NOK 4 million, compared with NOK 3 million in the same quarter 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 third quarter, but at a somewhat lower growth rate than in the first half of 2021. There has been sales growth for the Decorative Paints, Protective Coatings and Powder Coatings segments so far this year, while sales for Marine Coatings decreased due to lower ship newbuilding activity.

Third-quarter operating profit declined, mainly due to a substantial increase in raw material costs. Raw material prices have risen steadily since the end of 2020 due to a supply and demand imbalance. This has led to a lasting and increasingly negative effect on Jotun's raw material costs in the course of 2021.

Lower newbuilding activity in the shipping industry and a continued rise in raw material prices are creating uncertainty for Jotun in the short term. Cost increases from higher raw material prices are expected to continue, which will have negative effects in the short term on operating profit in the coming months. Price increases have been implemented in all segments as a means of compensating for the strong rise in raw material costs.

Jotun is still well positioned for further profitable growth, and the company continues to pursue its long-term growth strategy and investment plan.

Oslo, 28 October 2021

The Board of Directors of Orkla ASA

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

Condensed income statement

Amounts in NOK million	Note	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
		2021	2020	2020	2021	2020
Operating revenues	2	36 414	34 515	47 137	13 139	11 909
Operating expenses		(30 626)	(29 143)	(39 701)	(10 884)	(9 849)
Depreciation		(1 514)	(1 453)	(1 944)	(543)	(489)
EBIT (adj.)	2	4 274	3 919	5 492	1 712	1 571
Other income and expenses	3	(327)	(462)	(930)	(66)	(121)
Operating profit		3 947	3 457	4 562	1 646	1 450
Profit/loss from associates and joint ventures		750	775	1 000	164	314
Interest, net	7	(121)	(132)	(162)	(47)	(43)
Other financial items, net	7	(51)	(42)	(52)	(16)	(15)
Profit/loss before taxes		4 525	4 058	5 348	1 747	1 706
Taxes		(965)	(785)	(926)	(410)	(325)
Profit/loss for the period		3 560	3 273	4 422	1 337	1 381
Profit/loss attributable to non-controlling interests		66	41	51	27	22
Profit/loss attributable to owners of the parent		3 494	3 232	4 371	1 310	1 359

Earnings per share

Amounts in NOK	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2021	2020	2020	2021	2020
Earnings per share	3.50	3.23	4.37	1.31	1.36
Earnings per share, diluted	3.50	3.23	4.37	1.31	1.36
Earnings per share (adj.)	3.77	3.61	5.04	1.37	1.46
Earnings per share (adj.), diluted	3.77	3.61	5.04	1.37	1.46

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
		2021	2020	2020	2021	2020
Profit/loss for the period		3 560	3 273	4 422	1 337	1 381
Other items in comprehensive income						
<i>Items after tax not to be reclassified to profit/loss in subsequent periods:</i>						
Actuarial gains and losses pensions		0	(13)	(16)	0	0
Changes in fair value shares		(1)	43	42	0	44
<i>Items after tax to be reclassified to profit/loss in subsequent periods:</i>						
Change in hedging reserve	4	162	(60)	(107)	21	11
Carried against equity in associates and joint ventures	4	40	224	(91)	98	(18)
Translation effects	4	(483)	1 798	1 114	(30)	230
The Group's comprehensive income		3 278	5 265	5 364	1 426	1 648
Comprehensive income attributable to non-controlling interests		59	65	62		
Comprehensive income attributable to owners of the parent		3 219	5 200	5 302		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	30.9. 2021	31.12. 2020
Intangible assets		30 129	24 334
Property, plant and equipment		17 404	16 274
Associates, joint ventures and other financial assets	6	5 905	5 368
Non-current assets		53 438	45 976
Inventories		7 243	6 530
Inventory of development property		155	96
Trade receivables		7 079	6 256
Other receivables and financial assets	6	1 273	936
Cash and cash equivalents	6	1 250	3 213
Current assets		17 000	17 031
Total assets		70 438	63 007

Equity and liabilities

Amounts in NOK million	Note	30.9. 2021	31.12. 2020
Paid-in equity		1 967	1 972
Retained equity		35 417	35 270
Non-controlling interests		773	462
Equity		38 157	37 704
Provisions and other non-current liabilities		5 157	5 071
Non-current interest-bearing liabilities	6	11 190	9 359
Current interest-bearing liabilities	6	4 591	664
Trade payables		7 132	6 526
Other current liabilities		4 211	3 683
Equity and liabilities		70 438	63 007
Equity ratio		54.2%	59.8%

Condensed statement of changes in equity

Amounts in NOK million	1.1.–30.9.2021			1.1.–30.9.2020		
	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	3 219	59	3 278	5 200	65	5 265
Dividends	(2 739)	(41)	(2 780)	(2 601)	(63)	(2 664)
Net purchase/sale of treasury shares	(346)	-	(346)	-	-	-
Option costs	8	-	8	-	-	-
Change in non-controlling interests	-	293	293	29	9	38
Equity 30 September	37 384	773	38 157	37 080	471	37 551

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
		2021	2020	2020	2021	2020
Cash flow from operations before capital expenditure		4 561	5 402	7 688	2 016	2 115
Received dividends and paid financial items		134	90	62	94	106
Taxes paid		(688)	(883)	(1 152)	(87)	(220)
Cash flow from operating activities		4 007	4 609	6 598	2 023	2 001
Net capital expenditure		(1 751)	(1 807)	(2 446)	(661)	(568)
Net sale (purchase) of companies	5	(5 729)	(565)	(507)	(1 206)	(11)
Other payments		57	29	29	23	6
Cash flow from investing activities		(7 423)	(2 343)	(2 924)	(1 844)	(573)
Net paid to shareholders		(3 126)	(2 664)	(2 609)	(13)	(14)
Change in interest-bearing liabilities and receivables		4 617	518	324	225	(859)
Cash flow from financing activities		1 491	(2 146)	(2 285)	212	(873)
Currency effects cash and cash equivalents		(38)	159	155	(6)	(6)
Change in cash and cash equivalents		(1 963)	279	1 544	385	549
Cash and cash equivalents	6	1 250	1 948	3 213		

Reconciliation operating activities against Orkla-format; see page 6

<i>IFRS cash flow</i>						
Cash flow from operating activities		4 007	4 609	6 598	2 023	2 001
Net capital expenditure		(1 751)	(1 807)	(2 446)	(661)	(568)
Other payments		57	29	29	23	6
Cash flow from operating activities incl. capital expenditure		2 313	2 831	4 181	1 385	1 439
<i>Orkla-format</i>						
Cash flow before capital transactions		2 314	3 007	4 377	1 394	1 501
New capitalised leases (incl. in net replacement expenditures in Orkla-format)		309	127	283	71	14
Expansion investments		(310)	(303)	(479)	(80)	(76)
Comparative cash flow		2 313	2 831	4 181	1 385	1 439

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

Change cash and cash equivalents IFRS cash flow		1 963	(279)	(1 544)	(385)	(549)
Change net interest-bearing liabilities IFRS cash flow		4 617	518	324	225	(859)
Net interest-bearing liabilities in purchased/sold companies		1 179	28	26	256	-
Interest-bearing liabilities new leases		309	127	283	71	14
Total currency effect net interest-bearing liabilities		(382)	852	585	(46)	101
Currency effect cash and cash equivalents		(38)	159	155	(6)	(6)
Change net interest-bearing liabilities Orkla-format		7 648	1 405	(171)	115	(1 299)

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements as at 30 September 2021 were approved at the Board of Directors' meeting on 28 October 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.–30.9.		1.1.–31.12.	1.7.–30.9.		1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2021	2020	2020	2021	2020	2021	2020	2020	2021	2020
Orkla Foods	13 621	13 430	18 301	4 857	4 474	1 742	1 824	2 641	718	683
Orkla Confectionery & Snacks	5 185	5 109	7 171	1 847	1 783	719	782	1 203	280	332
Orkla Care	5 458	5 083	6 905	2 020	1 752	866	816	1 019	359	276
Orkla Food Ingredients	8 706	7 862	10 696	3 189	2 819	490	365	500	205	193
Orkla Consumer Investments	3 113	2 878	3 847	1 134	1 051	406	332	404	133	141
Eliminations Branded Consumer Goods	(361)	(284)	(399)	(133)	(98)	-	-	-	-	-
Branded Consumer Goods	35 722	34 078	46 521	12 914	11 781	4 223	4 119	5 767	1 695	1 625
HQ/Eliminations	32	39	61	17	5	(242)	(225)	(327)	(76)	(54)
Branded Consumer Goods incl. HQ	35 754	34 117	46 582	12 931	11 786	3 981	3 894	5 440	1 619	1 571
Hydro Power	644	374	519	202	115	287	17	42	89	(3)
Financial Investments	79	88	124	25	26	6	8	10	4	3
Industrial & Financial Investments	723	462	643	227	141	293	25	52	93	0
Eliminations	(63)	(64)	(88)	(19)	(18)	-	-	-	-	-
Orkla	36 414	34 515	47 137	13 139	11 909	4 274	3 919	5 492	1 712	1 571

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2021	2020	2020	2021	2020
M&A and integration costs	(122)	(56)	(105)	(43)	(8)
Final settlement employment relationships etc.	(64)	(111)	(136)	(6)	(17)
Gain/loss on transactions	121	105	145	44	30
Write-downs	(4)	(241)	(511)	0	(104)
Restructuring costs and other items	(258)	(159)	(323)	(61)	(22)
Total other income and expenses	(327)	(462)	(930)	(66)	(121)

Other expenses

A project has been 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 it is expected that certain functionalities will no longer 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 was incurred in costs related to this project in the first half of 2021, which were reported as "Other income and expenses". No costs were incurred in connection with the project in the third quarter.

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 major projects now ongoing in the Group are the integration of Orkla Foods Danmark and Orkla Confectionery & Snacks Danmark and the construction of a chocolate and a biscuit factory in Latvia (Orkla Confectionery & Snacks). In addition, the sales, marketing and product development functions in Orkla Foods Norge have been restructured.

Costs totalling NOK 122 million have been incurred in connection with the acquisition and integration of companies as at 30 September 2021.

Other revenues

Just under NOK 90 million was taken to income in connection with two insurance settlements as at 30 September 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.

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 was taken to income in connection with this agreement in the second quarter of 2021.

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.

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 September 2021 (after tax) totalled NOK -45 million. Accumulated translation differences correspondingly amounted to NOK 1,997 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 202 million as at 30 September 2021.

NOTE 5 ACQUISITIONS AND DISPOSALS

Acquisitions of companies in the third quarter

Orkla has purchased 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 dough manufacturing turnover), equivalent to approximately NOK 555 million. Chain sales have increased by an average of 12% per year since 2008, driven by organic growth and the rollout of new sales outlets. Over the last 12 months to 30 April 2021, New York Pizza generated normalized operating profit 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. At the time of acquisition, New York Pizza had 232 franchised 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. New York Pizza was consolidated into Orkla's financial statements as of 1 August 2021. In September, New York Pizza purchased the German pizza chain Stückwerk, which has 32 sales outlets.

Orkla Food Ingredients has purchased 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 ingredients for chocolate and ice cream producers, and has 31 employees today. The company had a turnover of CHF 13.3 million (about NOK 125 million) in 2020. Hans Kaspar was consolidated into Orkla's financial statements as of 1 August 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. Sigurd Ecklund AS was consolidated into Orkla's financial statements as of 1 July 2021.

Other acquisitions in 2021

In June, 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 VitaePro health concept and the Oslo Skin Lab beauty concept. 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 about 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.

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.

Orkla Confectionery & Snacks has purchased the Icelandic company Núi Sírius HF ("Núi Sírius"), the leading manufacturer of chocolate and confectionery in Iceland. Núi Sírius has several well-known chocolate brands, and over 70% of Núi Sírius'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 Sírius 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 had 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.

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 company was consolidated into Orkla's financial statements as of 1 March 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.

Other matters

As at 30 September 2021, Orkla had purchased companies for a total of NOK 6,908 million at enterprise value.

As regards companies acquired in 2020, the purchase price allocations for Norgesplaster and Win Equipment were finalised as at 30 September 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:

	30.9.	31.12.
Amounts in NOK million	2021	2020
Non-current liabilities excl. leases	(9 818)	(8 207)
Current liabilities excl. leases	(4 208)	(329)
Non-current receivables (in "Financial Assets")	393	370
Current receivables (in "Other receivables and financial assets")	110	60
Cash and cash equivalents	1 250	3 213
Net interest-bearing liabilities excl. leases	(12 273)	(4 893)
Non-current lease liabilities	(1 372)	(1 152)
Current lease liabilities	(383)	(335)
Total net interest-bearing liabilities	(14 028)	(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.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2021	2020	2020	2021	2020
Net interest costs excl. leases	(100)	(107)	(130)	(40)	(35)
Interest costs leases	(21)	(25)	(32)	(7)	(8)
Interest, net	(121)	(132)	(162)	(47)	(43)

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2021	2020	2020	2021	2020
Dividends	0	1	1	0	0
Net foreign currency gain/loss	2	2	4	1	(2)
Interest on pensions ¹	(29)	(27)	(29)	(8)	(8)
Other financial items	(24)	(18)	(28)	(9)	(5)
Other financial items, net	(51)	(42)	(52)	(16)	(15)

¹Includes 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 September 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 September 2021:

Treasury shares as at 1 January	501 800
External purchase of treasury shares	5 000 000
Employee share purchase programme	(648 926)
Treasury shares as at 30 September	4 852 874

Options

In 2020, Orkla introduced a share option-based long-term incentive (LTI) programme that replaced the previous cash-based LTI programme. Under this 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 September 2021.

In accordance with adopted principles, the Group has carried out impairment tests for all intangible assets with an indefinite useful life and for all goodwill prior to the preparation and presentation of the financial statements for the third quarter. Based on this year's tests, there was no need to write down any of the Group's assets.

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	
30 September 2021:				
Assets				
Investments	-	-	157	157
Derivatives	-	105	-	105
Liabilities				
Derivatives	-	112	-	112
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

Purchase of Business Agreements

In October 2021, New York Pizza purchased the Flying Pizza and Pizza Planet pizza chains, which have a combined total of 73 franchised sales outlets in Germany. In June, Orkla entered into an agreement to purchase 75% of the shares in New York Pizza; see Note 5.

In October 2021, Orkla Latvija entered into an agreement to sell the company's bottled water business in Latvia. The agreement covers the Everest brand and related production equipment. The purpose of the sale is to concentrate the operations in Latvia on the core categories in Confectionery & Snacks and Foods. The agreement is subject to the approval of the Latvian competition authorities and is expected to be completed before the end of the year.

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 September 2021. As at 30 September 2020, adjustments were made for a gain on the sales of the associates Andersen & Mørck AS and Allkårsplans 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.–30.9.		1.1.–31.12.		1.7.–30.9.	
Amounts in NOK million	2021	2020	2020	2021	2020	
Profit/loss attributable to owners of the parent	3 494	3 232	4 371	1 310	1 359	
<i>Adjustments earnings per share (adj.):</i>						
Other income and expenses after tax	270	405	778	59	100	
Gain on sale of associates and joint venture	0	(29)	(29)	0	0	
Reversal of deferred tax related to operations outside Norway	0	-	(75)	0	0	
Adjusted profit for the period after non-controlling interests	3 764	3 608	5 045	1 369	1 459	
Average externally owned shares (1000 shares)	997 283	1 000 306	1 000 461	996 578	1 000 306	
Average externally owned shares, diluted (1000 shares)	997 283	1 000 306	1 000 461	996 578	1 000 306	
Earnings per share (NOK)	3.50	3.23	4.37	1.31	1.36	
Earnings per share, diluted (NOK)	3.50	3.23	4.37	1.31	1.36	
Earnings per share (adj.) (NOK)	3.77	3.61	5.04	1.37	1.46	
Earnings per share (adj.), diluted (NOK)	3.77	3.61	5.04	1.37	1.46	

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 (acquisitions and disposals)

Structural growth includes adjustments for the acquisition of the businesses Eastern, NutraQ, New York Pizza, Sigurd Ecklund, Hans Kaspar, Nõi 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, Anza Verimex and the sale of Glyngøre.

Organic growth by business area

Sales revenues change %	1.1.–30.9.2021				1.7.–30.9.2021			
	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	0.9	-3.0	3.5	1.4	4.7	-1.8	5.8	8.6
Orkla Confectionery & Snacks	2.5	-2.5	1.5	1.5	2.2	-1.8	3.2	3.6
Orkla Care	3.5	-2.0	5.9	7.4	3.8	-1.9	13.4	15.3
Orkla Food Ingredients	8.4	-4.4	6.8	10.7	7.3	-2.6	8.5	13.1
Orkla Consumer Investments	8.5	-2.8	2.6	8.2	-1.7	-1.7	11.3	7.9
Branded Consumer Goods	3.8	-3.1	4.1	4.8	4.1	-2.0	7.5	9.6

Sales revenues change %	1.1.–30.9.2020				1.7.–30.9.2020				1.1.–31.12.2020			
	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	4.5	6.5	0.0	11.0	3.7	5.5	-1.2	7.9	3.7	5.8	-0.4	9.1
Orkla Confectionery & Snacks	3.6	6.9	-	10.5	4.5	6.7	-	11.2	2.0	6.4	-	8.5
Orkla Care	9.3	6.5	1.7	17.6	11.5	6.5	2.6	20.6	9.2	6.2	1.9	17.3
Orkla Food Ingredients	-6.5	7.5	3.6	4.6	-1.5	6.9	1.3	6.7	-5.9	6.8	3.1	3.9
Orkla Consumer Investments	-1.4	6.5	9.4	14.5	7.2	6.5	4.6	18.2	2.1	5.9	5.7	13.6
Branded Consumer Goods	1.8	6.8	1.9	10.4	3.8	6.3	0.6	10.6	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.–30.9.2020	6.8	7.2	2.2	16.3
1.7.–30.9.2020	7.6	6.2	1.3	15.2
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 30.9.2020	0.5	0.0	0.5	11.6
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: Anne Valeur / Bjørn Wad