Orkla

Fourth quarter

2021

The fourth quarter in brief

- Group profit before tax amounted to NOK 1,841 million, a year-over-year improvement of 43%, positively affected by strong profit growth for Hydro Power
- Organic turnover growth for Branded Consumer Goods was 5.5%. Particularly high market growth in the Out of Home channels during the quarter
- Branded Consumer Goods including Headquarters saw a decline of -6.1% in operating profit EBIT (adj.), negatively impacted by higher raw material, freight and energy prices
- Prices were increased in the fourth quarter to offset higher prices on input factors. Orkla will implement further price increases going forward
- Solid sales growth for Jotun, but a decline in operating profit due to higher raw material prices
- Adjusted earnings per share, diluted were NOK 1.40 for the quarter, a year-over-year decline of 2%
- The Board of Directors of Orkla has the intention to propose a dividend for the 2021 financial year of NOK 3.00 per share, an increase of 25 øre from the previous year

Key figures for the Orkla Group as at 31 December

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

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Group				
Operating revenues	50 441	47 137	14 027	12 622
EBIT (adj.)	6 145	5 492	1 871	1 573
Profit/loss from associates and joint ventures	855	1 000	105	225
Profit/loss before taxes	6 366	5 348	1 841	1 290
Earnings per share, diluted (NOK)	4.82	4.37	1.32	1.14
Earnings per share (adj.), diluted (NOK)	5.17	5.04	1.40	1.43
Branded Consumer Goods				
Operating revenues	49 204	46 521	13 482	12 443
- Organic revenue growth	*4.3%*	*1.6%*	*5.5%*	*1.3%*
Branded Consumer Goods incl. headquarters (HQ)				
EBIT (adj.)	5 433	5 440	1 452	1 546
EBIT (adj.)-margin	11.0%	11.7%	10.8%	12.4%

Orkla President and CEO Jaan Ivar Semlitsch comments:
Orkla's Branded Consumer Goods area had good revenue growth in 2021. We made several strategically important acquisitions and we strengthened our positions within our strategic growth areas: Plant-based products, Consumer Health and Out of Home. In the fourth quarter, Orkla's Branded Consumer Goods area achieved an increase in operating revenues of 8.4% and organic sales growth was 5.5%. At the same time, we were hit by significant price increases for important input factors, as well as higher energy and freight costs.

We have focused on compensating for the high costs of input factors by means of price increases to customers in the quarter, but as a result of further increases in input factor prices it will be necessary to adjust prices further in 2022.

The pandemic has continued to impact on much of our everyday life towards the end of 2021 and at the start of 2022. How the pandemic will affect us going forward is still uncertain. Even though society is now opening up, I want to emphasise that our paramount priorities are still to protect the health and safety of our employees and secure the flow of goods in every market where we are present. It is vital that we, as an institution of critical importance to society, keep our wheels turning. We have a very high service level and Orkla has built up buffer stocks where possible in the event of increased sickness absence or other production-related disruptions. We are well prepared for a variety of scenarios involving potentially further increased sickness absence due to omicron, and with our local presence we are also well set to handle local challenges in each market.

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. Market growth has been high in the grocery channel in most categories and markets, but weaker in the Out of Home channels.

Several countries in Europe reopened for large parts of the fourth quarter and this had a positive impact on market growth in the Out of Home channels. Towards the end of the quarter, coronavirus restrictions were reintroduced. However, there are signs that the market growth in the Out of Home channels has not been as negatively affected by the more stringent restrictions as in earlier phases of the pandemic. Sales in the grocery channel were good in the quarter.

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 had a further negative impact on Orkla's purchasing costs in the fourth quarter of 2021.

The Norwegian krone strengthened in the fourth quarter of 2021, year over year, which isolated 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 rise in 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 fourth quarter were substantially higher than power prices in the corresponding period of 2020. This has resulted in higher production costs for Branded Consumer Goods. At the same time, the high power prices had a positive effect on Hydro Power's profit performance.

Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–31.12.2021	4.3	-3.7	5.2	5.8
1.10.–31.12.2021	5.5	-5.4	8.3	8.4

Figures may not add up due to rounding.

Turnover growth for Branded Consumer Goods in the fourth quarter was driven by organic and structural growth, partly offset by negative currency translation effects. The structural growth is ascribable to high acquisition activity throughout 2021, with acquisitions in all the business areas.

Organic turnover growth in the quarter was 5.5%. Orkla Foods showed good turnover growth across most markets. The business area's turnover growth in the Out of Home channel was positively affected by the reopening of society during large periods of the fourth quarter. Orkla Food Ingredients posted 16.1% organic turnover growth, also positively affected by increased demand in the Out of Home channels compared with the corresponding period of 2020. Orkla Confectionery & Snacks contributed organic growth of 5.5%, partly due to weak year-over-year comparables.

There was organic turnover decline in Orkla Consumer Investments, primarily due to high activity in the home improvement market in the corresponding period of 2020 for Orkla House Care. The organic turnover growth for Orkla Care was -1.2%. Both Orkla Home & Personal Care Norge and Orkla Health faced high year-over-year sales figures, affected by strong market growth in several categories due to the coronavirus pandemic.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.12.2021	-3.4	-3.4	6.8	-0.1
1.10.–31.12.2021	-9.1	-4.5	7.6	-6.1

Figures may not add up due to rounding.

Branded Consumer Goods incl. Headquarters (HQ) saw a decline of -6.1% in EBIT (adj.) in the fourth quarter, driven by a -9.1% fall in underlying EBIT (adj.) and negative currency translation effects. However, the decline was partly offset by strong structural growth.

The decline in underlying profit for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care in the fourth quarter was mainly caused by the higher purchasing costs of raw materials and packaging, and higher freight and energy costs. A rise in production costs also had an adverse effect on underlying profit growth in the fourth quarter, and must be seen in conjunction with abnormally low costs in 2020 due to the lower level of activity as a result of the coronavirus pandemic.

EBIT (adj.) margin growth change in percentage points	Underlying growth	Structure/ FX	Total	EBIT (adj.) margin 2021 (%)
1.1.–31.12.2021	-0.9	0.3	-0.7	11.0

Figures may not add up due to rounding.

Margin performance on a rolling 12-month basis as at 31 December 2021 for Branded Consumer Goods incl. HQ declined by -0.7 percentage points. Acquisitions and currency translation effects contributed positively in the quarter. The underlying performance was negative, with a decline of -0.9 percentage points driven by increased purchasing costs, a substantial increase in energy costs and higher costs due to a higher activity level than in 2020.

Structural measures (M&A)

Through New York Pizza, Orkla entered into an agreement to purchase the three German pizza chains Stückwerk, Flying Pizza and Pizza Planet. 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 January 2022, Orkla Health completed an agreement to purchase 95% of the shares in Vesterålen Marine Olje AS. The company has been an important supplier of raw materials for Möller's Tran cod liver oil, and is thus an acquisition of strategic significance for Orkla as regards both the health area and sustainability. The company was consolidated into Orkla's financial statements as of 1 January 2022.

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

Outlook

Coronavirus restrictions were reintroduced at the end of the fourth quarter as a result of a rise in infection rates after society reopened in several of Orkla's biggest geographical markets. The coronavirus restrictions have been less stringent than earlier in the pandemic and there are indications that the restrictions will also be of shorter duration. The new virus variant may impact negatively on Orkla's value chain and could lead to production disruptions at Orkla's factories in the event of major outbreaks of infection. To ensure a high delivery rate, also in the time to come, Orkla has taken mitigating measures and built up buffer stocks where possible as a precaution in the event of increased sickness absence.

Growth in the Out of Home channels was positive in the fourth quarter due to the reopening of society in several of Orkla's biggest geographical markets. There is uncertainty as to the degree to which the new restrictions, which were introduced towards the end of the fourth quarter, will affect growth in Orkla's sales channels. There are signs that the Out of Home channels were not as negatively impacted by the more stringent restrictions as in earlier phases of the pandemic, while sales growth in the grocery channel could be positively affected by new restrictions. The situation in India, the Baltics and certain countries in Central Europe is still uncertain in the light of rising infection rates due to the omicron variant.

Orkla is exposed to a broad range of raw material categories such as vegetable oils, grains, meat, vegetables and dairy products, where there have been large price increases. The price increases for input factors have resulted in significant cost increases for Orkla's Branded Consumer Goods and will lead to further cost increases in 2022. Orkla has started to compensate for these increases by raising prices in the fourth quarter of 2021 and announced price increases in the first quarter of 2022. As a result of further price increases on input factors during the fourth quarter of 2021, Orkla will implement further price increases to customers. These will mainly have effect towards the end of the second quarter or at the beginning of the third quarter of 2022.

The global value chain disruptions have led to increased transport prices, and to a certain extent also delivery delays. The possibility of new waves of infection is contributing to uncertainty concerning the delivery situation going forward.

Orkla is well equipped financially to face future challenges. As at 31 December 2021, the Group had a net interest-bearing liability of 1.5 x EBITDA (on a 12-month rolling EBITDA basis).

Financial matters - Group

Main figures profit/loss

Amounts in NOK million	1.1.–31.12. 2021	1.1.–31.12. 2020	1.10.–31.12. 2021	1.10.–31.12. 2020
Operating revenues	**50 441**	**47 137**	**14 027**	**12 622**
EBIT (adj.)	**6 145**	**5 492**	**1 871**	**1 573**
Other income and expenses	(415)	(930)	(88)	(468)
Operating profit	**5 730**	**4 562**	**1 783**	**1 105**
Profit/loss from associates and joint ventures	855	1 000	105	225
Interest and financial items, net	(219)	(214)	(47)	(40)
Profit/loss before taxes	**6 366**	**5 348**	**1 841**	**1 290**
Taxes	(1 468)	(926)	(503)	(141)
Profit/loss for the period	**4 898**	**4 422**	**1 338**	**1 149**
Earnings per share, diluted (NOK)	4.82	4.37	1.32	1.14
Earnings per share (adj.), diluted (NOK)	5.17	5.04	1.40	1.43

Group operating revenues increased by 11% in the fourth quarter, driven by good organic sales improvement and solid structural growth in Branded Consumer Goods. In addition, there was strong turnover growth in Industrial & Financial Investments, driven by higher power prices for Hydro Power. Growth was offset to some extent by the negative currency translation effects of the stronger Norwegian krone.

In the same period, the Group saw 19.0% 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 Food Ingredients and Orkla Consumer Investments, where acquisitions made a positive contribution to profit. In addition, Orkla Food Ingredients had profit growth due to increased sales volume in the Out of Home channels, compared with lower demand in the fourth quarter of 2020. Growth in Orkla Consumer Investments was chiefly driven by structural growth from New York Pizza, as well as a positive profit performance across most of the business units.

Profit decreased in Orkla Foods, Orkla Confectionery & Snacks and Orkla Care, which were all negatively affected by the higher costs of raw materials, energy and freight, combined with negative currency translation effects. The decline in profit for Orkla Care was due to lower sales and higher input factor costs, which were partly offset by structural growth resulting from the acquisition of NutraQ.

The Group's "Other income and expenses" amounted to NOK -88 million in the fourth quarter of 2021, a year-over-year decrease of NOK -380 million. Costs related to the reassessment of various indirect taxes for earlier years, high M&A activity and restructuring and reorganisation projects were incurred in the quarter. In the corresponding period of 2020, costs included the expensing and write-down of NOK -437 million related to ERP projects. See further details for other income and expenses in Note 3.

Profit from associates amounted to NOK 105 million in the fourth quarter. The year-over-year decline was related to Jotun's lower contribution to profit due to the substantially higher prices of raw materials.

Net financial costs in the fourth quarter were slightly higher, year over year, mainly due to higher liabilities in the quarter. The average borrowing rate was 1.3% in the quarter, compared with 1.5% in the corresponding period of 2020. The average gross debt level before lease liabilities in the quarter was NOK 13.3 billion, compared with NOK 8.7 billion year over year.

The effective tax rate, excluding associates and joint ventures, was substantially higher in the fourth 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 fourth quarter were NOK 1.32, a year-over-year increase of 16%. Adjusted earnings per share, diluted were NOK 1.40, equivalent to a decline of 2% from the previous year. See the section on Alternative Performance Measures (APM) on page 18 for more information.

The Board of Directors of Orkla has the intention to propose a dividend for the 2021 financial year of NOK 3.00 per share, an increase of 25 øre from the previous year. At a Board meeting on 14 March 2022, the Board of Directors will decide on the dividend proposal to the General Meeting.

Cash flow – Group

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

Orkla-format

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Cash flow from Branded Consumer Goods incl. HQ				
EBIT (adj.)	5 433	5 440	1 452	1 546
Depreciation	1 924	1 783	532	454
Changes in net working capital	(456)	670	368	511
Net replacement investments	(2 625)	(2 251)	(886)	(646)
Cash flow from operations (adj.)	**4 276**	**5 642**	**1 466**	**1 865**
Cash flow effect from "Other income and expenses" and pensions	(525)	(291)	(156)	(195)
Cash flow from operations, Branded Consumer Goods incl. HQ	**3 751**	**5 351**	**1 310**	**1 670**
Cash flow from operations, Industrial & Financial Investments	**692**	**87**	**322**	**(3)**
Taxes paid	(907)	(1 152)	(219)	(269)
Dividends received, financial items and other payments	139	91	(52)	(28)
Cash flow before capital transactions	**3 675**	**4 377**	**1 361**	**1 370**
Dividends paid and purchase/sale of treasury shares	(3 130)	(2 609)	(4)	55
Cash flow before expansion	**545**	**1 768**	**1 357**	**1 425**
Expansion investments	(486)	(479)	(176)	(176)
Sale of companies (enterprise value)	0	200	0	95
Purchase of companies (enterprise value)	(7 030)	(733)	(122)	(35)
Net cash flow	**(6 971)**	**756**	**1 059**	**1 309**
Currency effects of net interest-bearing liabilities	593	(585)	211	267
Change in net interest-bearing liabilities	**6 378**	**(171)**	**(1 270)**	**(1 576)**
Net interest-bearing liabilities	**12 758**	**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 at the end of the fourth quarter of 2021 was negatively impacted by higher inventory values due to higher raw material prices, and the effects of accrual-based reporting on customer bonuses and discounts. 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 entry into new long-term leases. Investments related to ERP projects were considerably lower as at 31 December 2021 than in the corresponding period of 2020.

In Industrial & Financial Investments, cash flow from operations as at 31 December 2021 was considerably higher, year over year, due to good 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 consist of the payout of dividends totalling NOK 2,784 million. Net buybacks of Orkla shares totalled NOK 346 million as at 31 December 2021. See further details regarding Orkla shares in Note 9.

Expansion investments largely consisted 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 7,030 million in 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.

Net cash flow for the Group was NOK -6,971 million. Positive currency translation effects due to the stronger Norwegian krone reduced net interest-bearing liabilities by NOK 593 million in 2021. As at 31 December 2021, net interest-bearing liabilities before lease liabilities amounted to NOK 10,834 million. Including lease liabilities related to IFRS 16, net interest-bearing liabilities totalled NOK 12,758 million.

As at 31 December 2021, the equity ratio was 55.8%, compared with 59.8% as at 31 December 2020. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.5 years. Orkla's financial position is robust, with cash reserves and credit lines that exceed known future capital needs.

BUSINESS AREAS
Branded Consumer Goods

Orkla Foods

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Operating revenues	18 760	18 301	5 139	4 871
- Organic revenue growth	*1.8%*	*3.7%*	*4.1%*	*1.7%*
EBIT (adj.)	2 471	2 641	729	817
EBIT (adj.) margin	13.2%	14.4%	14.2%	16.8%

- Broad-based organic sales growth in the fourth quarter
- Strongest growth in sales to food service, convenience stores and petrol stations, but also improvement in sales to the grocery channel and exports
- Weak profit performance in the fourth quarter, primarily due to higher purchasing prices and energy costs

Orkla Foods saw a 5.5% increase in sales in the fourth quarter, of which 4.1% was organic growth. Growth was broad-based across most markets. Turnover growth in the fourth quarter was good in the food service, convenience store and petrol station segments as well as in exports, which were positively affected by the reopening of society in several markets after stringent infection control measures against the pandemic. There was also turnover growth in the grocery channel, but of a more moderate nature. Flavourings, ready-to-eat meals and pizza are categories that contributed to fourth-quarter growth, and sales of plant-based products continued to show a positive trend.

Orkla Foods posted a decline of -10.8% in fourth-quarter profit, largely driven by higher purchasing costs. In addition, both transport and energy costs increased, the latter having a particularly negative impact towards the end of 2021. Price increases were implemented in all markets which gradually took effect in the fourth quarter and will continue to have effect throughout the first quarter of 2022, but the development in input prices will necessitate further price increases to customers going forward. Profit performance both in the fourth quarter and for the full year was also negatively impacted by higher costs related to the rollout of a new ERP system in Orkla Foods Sverige.

The EBIT (adj.) margin declined to 14.2%, down 2.6 percentage points from the fourth quarter of 2020.

Orkla Confectionery & Snacks

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Operating revenues	7 337	7 171	2 152	2 062
- Organic revenue growth	*3.4%*	*2.0%*	*5.5%*	*-1.6%*
EBIT (adj.)	1 113	1 203	394	421
EBIT (adj.) margin	15.2%	16.8%	18.3%	20.4%

- Continued market growth, but at a somewhat lower rate than in earlier quarters
- Rise in costs of key raw materials, energy and transport
- Price increases gradually implemented during the quarter

Orkla Confectionery & Snacks posted 4.4% growth in fourth-quarter operating revenues, of which 5.5% was organic growth. Growth was mainly based on volume growth resulting from market growth and a slight increase in market shares. Market growth tapered off somewhat in the Nordic region, while there is higher growth in the Baltics. Some of the growth in Norway was due to low sales in the corresponding period of 2020 due to temporary wholesaler destocking as a result of the removal of the sugar tax in Norway as of 1 January 2021.

EBIT (adj.) for Orkla Confectionery & Snacks amounted to NOK 394 million in the fourth quarter. This was a reported decline of -6.4% from 2020, related in part to negative currency translation effects. The costs of key raw materials, energy and transport continued to increase during the quarter, and are expected to remain high. Increases in prices to customers were gradually implemented during the quarter, and will continue in the first half of 2022. The EBIT (adj.) margin was 18.3% in the fourth quarter, a year-over-year decline of 2.1 percentage points.

Orkla Care

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Operating revenues	7 389	6 905	1 931	1 822
- Organic revenue growth	*2.3%*	*9.2%*	*-1.2%*	*8.7%*
EBIT (adj.)	1 066	1 019	200	203
EBIT (adj.) margin	14.4%	14.8%	10.4%	11.1%

- A difficult market situation for Orkla Home & Personal Care Norge compared with pandemic-driven sales in 2020
- Orkla Wound Care delivered a solid quarter compared with a weak 2020, but also showed good underlying growth in cross-market demand
- Increased costs for input factors had a negative effect on several business units in the quarter

Orkla Care reported 6.0% sales growth in the fourth quarter, of which -1.2% was organic growth. Overall sales growth was positively affected by structural growth through NutraQ. Orkla Home & Personal Care Norge faced high sales figures from a 2020 affected by pandemic-driven sales. Orkla Health faced a strong quarter in 2020 which included the phasing of large deliveries to the international market that were more evenly distributed throughout the year in 2021. HSNG has had a good sales development for the year as a whole, but the business unit had a decline in sales in the fourth quarter as a result of a weaker "Black Week" compared with the corresponding quarter in 2020, partly offset by a strong increase in sales towards fitness centres. Orkla Wound Care delivered another strong quarter after improvement from 2020-results weakened by the pandemic.

Profit declined by 1.5% and the EBIT (adj.) margin was 10.4% for the fourth quarter compared with 11.1% year over year, due to higher costs for input factors.

Orkla Food Ingredients

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Operating revenues	12 012	10 696	3 306	2 834
- Organic revenue growth	*10.4%*	*-5.9%*	*16.1%*	*-4.3%*
EBIT (adj.)	646	500	156	135
EBIT (adj.) margin	5.4%	4.7%	4.7%	4.8%

- Strong organic growth due to both increased volume and higher selling prices in the quarter
- EBIT (adj.) improvement driven by acquisitions, counteracted by high raw material costs and increased freight prices
- Continued rise in raw material prices, and uncertain access to certain raw materials at start of 2022

Orkla Food Ingredients saw a 16.7% increase in fourth-quarter operating revenues, of which 16.1% was organic growth. The positive effects of acquisitions were counteracted to some extent by negative currency translation effects. Sales volumes were positively affected by fewer coronavirus restrictions, with an associated impact on demand in the Out of Home market compared with 2020. There was also price-driven growth due to increased selling prices to customers in order to offset higher raw material prices.

EBIT (adj.) improved by 15.6% in the fourth quarter. Acquisitions contributed positively to profit. The improvement was offset to some extent by several factors that affected operating costs, including a higher activity level, cost inflation, a difficult delivery situation for certain raw materials and a lack of manpower. The fourth-quarter EBIT (adj.) margin was 4.7%, a year-over-year decline of 0.1 percentage point. The margin was positively affected by accretive effects from acquisitions, but negatively impacted by higher purchasing costs.

Orkla Consumer Investments

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Operating revenues	4 205	3 847	1 092	969
- Organic revenue growth	*4.8%*	*2.1%*	*-5.7%*	*12.8%*
EBIT (adj.)	498	404	92	72
EBIT (adj.) margin	11.8%	10.5%	8.4%	7.4%

- Continued strong sales growth for the pizza franchise restaurants
- Sales of painting tools were lower in the quarter compared with a high level in 2020
- Profit improvement across all business units except the textile business

Orkla Consumer Investments posted 12.7% growth in turnover in the fourth quarter, driven by structural growth from the acquisition of New York Pizza, including the three German pizza chains. Organic growth declined by -5.7%, mainly as a result of the drop in demand for painting tools from a high level, year over year. Continued solid growth in chain sales for franchised sales outlets in the pizza market made a positive contribution.

EBIT (adj.) increased by 27.8% in the fourth quarter, chiefly driven by the acquisition of New York Pizza. All business units except for the textile business contributed positively to fourth-quarter profit growth. Higher freight and raw material costs continued to impact negatively on several business units in the quarter, where the implementation of pricing measures has only partially offset this effect so far. The EBIT (adj.) margin in the fourth quarter was 8.4%, up 1.0 percentage point from the same period in 2020.

Industrial & Financial Investments

Hydro Power

	1.1.–31.12.		1.10.–31.12.	
	2021	2020	2021	2020
Volume (GWh)	2 065	2 884	633	702
Price* (øre/kWh)	75.7	9.8	126.5	13.6
EBIT (adj.) (NOK million)	702	42	415	25

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

EBIT (adj.) for Hydro Power was NOK 415 million in the fourth quarter of 2021, compared with NOK 25 million year over year. The increase was due to substantially higher power prices than in the same quarter of 2020. Long periods of low temperatures and high consumption, coupled with extremely high fossil fuel prices (gas, coal and CO_2), contributed to increased power prices. Power prices in the quarter averaged 126.5 øre/kWh, compared with 13.6 øre/kWh in the fourth quarter of 2020. Production has been slightly lower year over year due to less precipitation and lower inflow, and totalled 633 GWh, compared with 702 GWh in the same period of 2020.

Reservoir levels for the Glomma and Laagen rivers were at 69% of the normal level, while reservoir levels in Sauda were a little higher than normal at quarter end. However, snowpack levels in Sauda were considerably lower than normal at quarter end.

Financial Investments

Fourth-quarter EBIT (adj.) for Financial Investments totalled NOK 4 million, compared with NOK 2 million in the corresponding period of 2020. No real estate transactions were carried out in the fourth quarter. Development of the existing real estate portfolio was the primary activity in the quarter.

Jotun (42.6% interest)

Jotun's positive sales performance continued in the fourth quarter of 2021 with reported sales growth of 10%, year over year. Adjusted for negative currency effects due to the stronger Norwegian krone, underlying sales growth was 15%. The strong underlying growth was primarily driven by higher retail prices to compensate for a substantial increase in raw material costs over the past 18 months. Sales growth was strongest in Protective Coatings and Powder Coatings, but sales in all segments rose in the quarter.

Fourth-quarter operating profit fell as a result of lower gross margins. Raw material prices increased close to 60% in the course of 2021, impacting negatively on profitability. To counteract the extraordinary rise in raw material prices, all segments have implemented price increases, along with cost control measures. This has helped to curb the decline in profit, but further price increases will be necessary in the time to come.

Jotun is also starting off the new year with a positive sales performance and anticipates further growth in 2022. The coronavirus situation and the imbalance in raw material supply chains continue to pose challenges. In the coming period, raw material prices are expected to be more stable, but there will still be pressure on gross margins due to considerably higher raw material costs compared with 2020.

Oslo, 9 February 2022
The Board of Directors of Orkla ASA

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

Condensed income statement

Amounts in NOK million	Note	1.1.–31.12. 2021	1.1.–31.12. 2020	1.10.–31.12. 2021	1.10.–31.12. 2020
Operating revenues	2	50 441	47 137	14 027	12 622
Operating expenses		(42 209)	(39 701)	(11 583)	(10 558)
Depreciation		(2 087)	(1 944)	(573)	(491)
EBIT (adj.)	2	**6 145**	**5 492**	**1 871**	**1 573**
Other income and expenses	3	(415)	(930)	(88)	(468)
Operating profit		**5 730**	**4 562**	**1 783**	**1 105**
Profit/loss from associates and joint ventures		855	1 000	105	225
Interest, net	7	(166)	(162)	(45)	(30)
Other financial items, net	7	(53)	(52)	(2)	(10)
Profit/loss before taxes		**6 366**	**5 348**	**1 841**	**1 290**
Taxes		(1 468)	(926)	(503)	(141)
Profit/loss for the period		**4 898**	**4 422**	**1 338**	**1 149**
Profit/loss attributable to non-controlling interests		90	51	24	10
Profit/loss attributable to owners of the parent		4 808	4 371	1 314	1 139

Earnings per share

Amounts in NOK	1.1.–31.12. 2021	1.1.–31.12. 2020	1.10.–31.12. 2021	1.10.–31.12. 2020
Earnings per share	4.82	4.37	1.32	1.14
Earnings per share, diluted	4.82	4.37	1.32	1.14
Earnings per share (adj.)	5.17	5.04	1.40	1.43
Earnings per share (adj.), diluted	5.17	5.04	1.40	1.43

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.12. 2021	1.1.–31.12. 2020	1.10.–31.12. 2021	1.10.–31.12. 2020
Profit/loss for the period		**4 898**	**4 422**	**1 338**	**1 149**
Other items in comprehensive income					
Items after tax <u>not</u> to be reclassified to profit/loss in subsequent periods:					
Actuarial gains and losses pensions		54	(16)	54	(3)
Changes in fair value shares		38	42	39	(1)
Items after tax to be reclassified to profit/loss in subsequent periods:					
Change in hedging reserve	4	152	(107)	(10)	(47)
Carried against equity in associates and joint ventures	4	(32)	(91)	(72)	(315)
Translation effects	4	(761)	1 114	(278)	(684)
The Group's comprehensive income		**4 349**	**5 364**	**1 071**	**99**
Comprehensive income attributable to non-controlling interests		78	62		
Comprehensive income attributable to owners of the parent		4 271	5 302		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	31.12. 2021	31.12. 2020
Intangible assets		30 683	24 334
Property, plant and equipment		17 458	16 274
Associates, joint ventures and other financial assets	6	5 979	5 368
Non-current assets		**54 120**	**45 976**
Inventories		7 314	6 530
Inventory of development property		220	96
Trade receivables		6 528	6 256
Other receivables and financial assets	6	1 255	936
Cash and cash equivalents	6	1 127	3 213
Current assets		**16 444**	**17 031**
Total assets		**70 564**	**63 007**

Equity and liabilities

Amounts in NOK million	Note	31.12. 2021	31.12. 2020
Paid-in equity		1 967	1 972
Retained equity		36 474	35 270
Non-controlling interests		910	462
Equity		**39 351**	**37 704**
Provisions and other non-current liabilities		5 259	5 071
Non-current interest-bearing liabilities	6	10 731	9 359
Current interest-bearing liabilities	6	3 603	664
Trade payables		7 286	6 526
Other current liabilities		4 334	3 683
Equity and liabilities		**70 564**	**63 007**
Equity ratio		55.8%	59.8%

Condensed statement of changes in equity

	1.1.–31.12.2021			1.1.–31.12.2020		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interests	Total equity	Attributed to equity holders of the parent	Non-controlling interests	Total equity
Equity 1 January	37 242	462	37 704	34 452	460	34 912
The Group's comprehensive income	4 271	78	4 349	5 302	62	5 364
Dividends	(2 739)	(45)	(2 784)	(2 598)	(68)	(2 666)
Net purchase/sale of treasury shares	(346)	-	(346)	57	-	57
Option costs	13	-	13	-	-	-
Change in non-controlling interests	-	415	415	29	8	37
Equity 31 December	**38 441**	**910**	**39 351**	**37 242**	**462**	**37 704**

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–31.12. 2021	1.1.–31.12. 2020	1.10.–31.12. 2021	1.10.–31.12. 2020
Cash flow from operations before capital expenditure		7 177	7 688	2 616	2 286
Received dividends and paid financial items		83	62	(51)	(28)
Taxes paid		(907)	(1 152)	(219)	(269)
Cash flow from operating activities		**6 353**	**6 598**	**2 346**	**1 989**
Net capital expenditure		(2 606)	(2 446)	(855)	(639)
Net sale (purchase) of companies	5	(5 811)	(507)	(82)	58
Other payments		56	29	(1)	0
Cash flow from investing activities		**(8 361)**	**(2 924)**	**(938)**	**(581)**
Net paid to shareholders		(3 130)	(2 609)	(4)	55
Change in interest-bearing liabilities and receivables		3 099	324	(1 518)	(194)
Cash flow from financing activities		**(31)**	**(2 285)**	**(1 522)**	**(139)**
Currency effects cash and cash equivalents		(47)	155	(9)	(4)
Change in cash and cash equivalents		**(2 086)**	**1 544**	**(123)**	**1 265**
Cash and cash equivalents	6	**1 127**	**3 213**		

Reconciliation operating activities against Orkla-format; see page 6

IFRS cash flow				
Cash flow from operating activities	6 353	6 598	2 346	1 989
Net capital expenditure	(2 606)	(2 446)	(855)	(639)
Other payments	56	29	(1)	0
Cash flow from operating activities incl. capital expenditure	3 803	4 181	1 490	1 350
Orkla-format				
Cash flow before capital transactions	3 675	4 377	1 361	1 370
New capitalised leases (incl. in net replacement expenditures in Orkla-format)	614	283	305	156
Expansion investments	(486)	(479)	(176)	(176)
Comparative cash flow	3 803	4 181	1 490	1 350

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

Change cash and cash equivalents IFRS cash flow	2 086	(1 544)	123	(1 265)
Change net interest-bearing liabilities IFRS cash flow	3 099	324	(1 518)	(194)
Net interest-bearing liabilities in purchased/sold companies	1 219	26	40	(2)
Interest-bearing liabilities new leases	614	283	305	156
Total currency effect net interest-bearing liabilities	(593)	585	(211)	(267)
Currency effect cash and cash equivalents	(47)	155	(9)	(4)
Change net interest-bearing liabilities Orkla-format	6 378	(171)	(1 270)	(1 576)

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements as at 31 December 2021 were approved at the Board of Directors' meeting on 9 February 2022. 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 allocated 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 1.1.–31.12. 2021	2020	1.10.–31.12. 2021	2020	EBIT (adj.) 1.1.–31.12. 2021	2020	1.10.–31.12. 2021	2020
Orkla Foods	18 760	18 301	5 139	4 871	2 471	2 641	729	817
Orkla Confectionery & Snacks	7 337	7 171	2 152	2 062	1 113	1 203	394	421
Orkla Care	7 389	6 905	1 931	1 822	1 066	1 019	200	203
Orkla Food Ingredients	12 012	10 696	3 306	2 834	646	500	156	135
Orkla Consumer Investments	4 205	3 847	1 092	969	498	404	92	72
Eliminations Branded Consumer Goods	(499)	(399)	(138)	(115)	-	-	-	-
Branded Consumer Goods	**49 204**	**46 521**	**13 482**	**12 443**	**5 794**	**5 767**	**1 571**	**1 648**
HQ/Eliminations	38	61	6	22	(361)	(327)	(119)	(102)
Branded Consumer Goods incl. HQ	**49 242**	**46 582**	**13 488**	**12 465**	**5 433**	**5 440**	**1 452**	**1 546**
Hydro Power	1 177	519	533	145	702	42	415	25
Financial Investments	110	124	31	36	10	10	4	2
Industrial & Financial Investments	**1 287**	**643**	**564**	**181**	**712**	**52**	**419**	**27**
Eliminations	(88)	(88)	(25)	(24)	-	-	-	-
Orkla	**50 441**	**47 137**	**14 027**	**12 622**	**6 145**	**5 492**	**1 871**	**1 573**

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–31.12. 2021	2020	1.10.–31.12. 2021	2020
M&A and integration costs	(161)	(105)	(39)	(49)
Final settlement employment relationships etc.	(69)	(136)	(5)	(25)
Gain/loss on transactions	165	145	44	40
Write-downs	(5)	(511)	(1)	(270)
Restructuring costs and other items	(345)	(323)	(87)	(164)
Total other income and expenses	**(415)**	**(930)**	**(88)**	**(468)**

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 123 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 second half of 2021.

Several restructuring and coordination projects were carried out in the Group in 2021. The biggest projects were the relocation of production from Felix Austria to Orkla Foods Česko a Slovensko in Orkla Foods, the integration of Orkla Foods Danmark with Orkla Confectionery & Snacks Danmark, the integration of Hamé and Vitana to form Orkla Foods Česko a Slovensko (Orkla Foods) 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 were restructured.

In the fourth quarter, NOK 41 million was expensed related to the reassessment of indirect taxes, the bulk of which concerns reassessment of CO_2 emissions taxes in Orkla Foods Sverige, for 2019 and 2020.

In the fourth quarter, Orkla Food Ingredients sold the company Credin LLC (Russia) at a loss of NOK 6 million recognised as "Other income and expenses"

Costs totalling NOK 161 million had been incurred in connection with the acquisition and integration of companies as at 31 December 2021.

Other revenues

A total of NOK 108 million was taken to income in connection with two insurance settlements as at 31 December 2021. The largest settlement 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.

NOK 24 million was taken to income in connection with the refund of government taxes in the period 2014–2020.

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. In the fourth quarter of 2021, fixed assets and inventories in Orkla Foods related to both a bottled water company in Orkla Latvija and a small part of the Struer firm (Orkla Foods Sverige) were sold in the fourth quarter of 2021. A total of NOK 7 million related to these transactions was recognised under "Other income and expenses" in the fourth quarter.

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve) after tax. The hedging reserve included in equity as at 31 December 2021 (after tax) totalled NOK -55 million. Accumulated translation differences correspondingly amounted to NOK 1,683 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 130 million as at 31 December 2021.

NOTE 5 ACQUISITIONS AND DISPOSALS

Disposals of companies
In December 2021, Orkla Food Ingredients sold the company Credin LLC (Russia); see also Note 3.

Acquisitions of companies
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 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 grew 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 has purchased 75% of the shares in New York Pizza, one of the leading pizza chains in the Netherlands. In 2020, 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 which also delivers to 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 and October, New York Pizza purchased the German pizza chains Stückwerk, Flying Pizza and Pizza Plant. These three chains have a total of 105 sales outlets in Germany.

Orkla Confectionery & Snacks has purchased the Icelandic company Nói Síríus HF ("Nói Síríus"), the leading manufacturer of chocolate and confectionery in Iceland. Nói Síríus has several well-known chocolate brands, and over 70% of Nói Síríus'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 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. Nói Síríus 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 Food Ingredients has purchased 100% of the Swiss company Hans Kaspar AG, 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. 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.

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

Orkla Food Ingredients acquired the Polish sales and distribution company Ambasador92 Sp. z o.o. Ambasador92 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 sport 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.

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

Other matters

As at 31 December 2021, Orkla had purchased companies for a total of NOK 7,030 million at enterprise value.

The purchase price allocations for all companies acquired in 2020 were finalised in 2021. No material changes were made in the purchase price allocations.

NOTE 6 NET INTEREST-BEARING LIABILITIES

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

Amounts in NOK million	31.12. 2021	31.12. 2020
Non-current liabilities excl. leases	(9 215)	(8 207)
Current liabilities excl. leases	(3 195)	(329)
Non-current receivables (in "Financial Assets")	395	370
Current receivables (in "Other receivables and financial assets")	54	60
Cash and cash equivalents	1 127	3 213
Net interest-bearing liabilities excl. leases	**(10 834)**	**(4 893)**
Non-current lease liabilities	(1 516)	(1 152)
Current lease liabilities	(408)	(335)
Total net interest-bearing liabilities	**(12 758)**	**(6 380)**

NOTE 7 INTEREST AND OTHER FINANCIAL ITEMS

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

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Net interest costs excl. leases	(136)	(130)	(36)	(23)
Interest costs leases	(30)	(32)	(9)	(7)
Interest, net	**(166)**	**(162)**	**(45)**	**(30)**

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Dividends	0	1	0	0
Net foreign currency gain/loss	2	4	0	2
Interest on pensions[1]	(24)	(29)	5	(2)
Other financial items	(31)	(28)	(7)	(10)
Other financial items, net	**(53)**	**(52)**	**(2)**	**(10)**

[1]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 31 December 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 in 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 31 December	**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 allocated once a year, and the first allocation was made on 2 June 2021. The following changes took place in Orkla's holding of its own options in 2021:

Outstanding options as at 1 January	0
Allocations	3 957 529
Terminations	(103 000)
Outstanding options as at 31 December	**3 854 529**

Each option entitles the holder to purchase one share in Orkla ASA. The strike 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 allocated (16 April 2024), while option allocations 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

There were no indications of impairment of the Group's assets as at 31 December 2021, and no material write-downs were taken in 2021.

NOTE 11 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

	Measurement level			
Amounts in NOK million	Level 1	Level 2	Level 3	Total
31 December 2021:				
Assets				
Investments	-	-	206	206
Derivatives	-	59	-	59
Liabilities				
Derivatives	-	88	-	88
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 January 2022, Orkla Health purchased 95% of the shares in Vesterålen Marine Olje AS, which produces various raw materials based on white fish, which are used in the manufacture of cod liver oil. Vesterålen has long been an important supplier of raw materials for Möllers Tran cod liver oil. Vesterålen Marine Olje also comprises the subsidiaries Vesterålen Marine Proteins AS and Vesterålen Marine Ingredienser AS, in addition to a 30% ownership interest in Vesterålen Marine Seaweed AS. In 2020, Vesterålen Marine Olje and its subsidiaries had an aggregate turnover of NOK 60 million. The company was consolidated in Orkla's financial statements as of 1 January 2022.

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 was not 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 31 December 2021. As at 31 December 2020, adjustments were made for a gain on the sales of the associates Andersen & Mørck AS and Allkärrsplans Utvecklings AB. An adjustment was also made in 2020 for the reversal of a net deferred tax liability of NOK 75 million related to activities outside Norway.

In the second quarter of 2021, Orkla allocated 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.–31.12.		1.10.–31.12.	
Amounts in NOK million	2021	2020	2021	2020
Profit/loss attributable to owners of the parent	4 808	4 371	1 314	1 139
Adjustments earnings per share (adj.):				
Other income and expenses after tax	349	778	79	372
Gain on sale of associates and joint venture	0	(29)	0	0
Reversal of deferred tax related to operations outside Norway	0	(75)	0	(75)
Adjusted profit for the period after non-controlling interests	**5 157**	**5 045**	**1 393**	**1 436**
Average externally owned shares (1000 shares)	997 105	1 000 461	996 578	1 000 922
Average externally owned shares, diluted (1000 shares)	997 105	1 000 461	996 578	1 000 922
Earnings per share (NOK)	4.82	4.37	1.32	1.14
Earnings per share, diluted (NOK)	4.82	4.37	1.32	1.14
Earnings per share (adj.) (NOK)	5.17	5.04	1.40	1.43
Earnings per share (adj.), diluted (NOK)	5.17	5.04	1.40	1.43

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, Nói Síríus, Cake Décor Limited, For All Baking Limited, Ambasador92, Proteinfabrikken, Seagood Fort Deli, Norgesplaster, Win Equipment, Gortrush and Havrefras. Adjustments have been made for the sale of Credin Russia, 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 the acquisitions of Lecora, Easyfood, Confection by Design, Risberg, Kanakis, Credin Sverige, Vamo, Kotipizza, Helga, Anza Verimex and the sale of Glyngøre.

Organic growth by business area

	1.1.–31.12.2021				1.10.–31.12.2021			
Sales revenues change %	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	1.8	-3.4	4.2	2.5	4.1	-4.6	6.0	5.5
Orkla Confectionery & Snacks	3.4	-3.3	2.2	2.3	5.5	-5.2	4.0	4.4
Orkla Care	2.3	-2.7	7.4	7.0	-1.2	-4.6	11.9	6.0
Orkla Food Ingredients	10.4	-5.2	7.1	12.3	16.1	-7.5	8.1	16.7
Orkla Consumer Investments	4.8	-3.5	8.1	9.3	-5.7	-5.7	24.0	12.7
Branded Consumer Goods	**4.3**	**-3.7**	**5.2**	**5.8**	**5.5**	**-5.4**	**8.3**	**8.4**

	1.1.–31.12.2020				1.10.–31.12.2020			
Sales revenues change %	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	3.7	5.8	-0.4	9.1	1.7	4.2	-1.6	4.3
Orkla Confectionery & Snacks	2.0	6.4	-	8.5	-1.6	5.4	-	3.8
Orkla Care	9.2	6.2	1.9	17.3	8.7	5.3	2.5	16.4
Orkla Food Ingredients	-5.9	6.8	3.1	3.9	-4.3	4.8	1.6	2.1
Orkla Consumer Investments	2.1	5.9	5.7	13.6	12.8	4.2	-5.9	11.1
Branded Consumer Goods	**1.6**	**6.2**	**1.3**	**9.1**	**1.3**	**4.7**	**-0.3**	**5.6**

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

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.12.2021	-3.4	-3.4	6.8	-0.1
1.10.–31.12.2021	-9.1	-4.5	7.6	-6.1

EBIT (adj.) change %	Underlying growth	FX	Struktur	Sum
1.1.–31.12.2020	5.4	6.4	1.8	13.7
1.10.–31.12.2020	2.1	4.5	0.8	7.4

EBIT (adj.) margin growth change percentage points	Underlying growth	Structure/FX	Total	EBIT (adj.) margin 2021 (%)
1.1.–31.12.2021	-0.9	0.3	-0.7	11.0

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

Figures may not add up due to rounding.

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

Photos: Bjørn Wad