

First quarter 2022



The first quarter in brief

- Group operating revenues increased by 15.4%
- Group profit before tax amounted to NOK 1,544 million, a year-over-year improvement of 8%, driven by strong profit growth for Hydro Power and structural growth in Branded Consumer Goods
- Orkla's Branded Consumer Goods business showed solid organic turnover growth of 7.7%, positively affected by high market growth in the Out of Home channels
- The war in Ukraine has caused a surge in raw material, freight, packaging and energy prices from an already high level due to value chain disruptions during the pandemic
- Branded Consumer Goods including Headquarters posted a -2.4% decline in operating profit EBIT (adj.), negatively impacted by high raw material, freight, packaging and energy prices
- Jotun continued to see substantial sales growth, but operating profit declined primarily due to higher raw material costs
- Adjusted earnings per share were NOK 1.24 for the quarter, a year-over-year decline of 2%

Key figures for the Orkla Group as at 31 March

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

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Group			
Operating revenues	13 271	11 503	50 441
EBIT (adj.)	1 532	1 297	6 145
Profit/loss from associates and joint ventures	238	331	855
Profit/loss before taxes	1 544	1 434	6 366
Earnings per share, diluted (NOK)	1.09	1.15	4.82
Earnings per share (adj.), diluted (NOK)	1.24	1.27	5.17
Branded Consumer Goods			
Operating revenues	12 791	11 276	49 204
- Organic revenue growth	7.7%	0.5%	4.3%
Branded Consumer Goods incl. headquarters (HQ)			
EBIT (adj.)	1 179	1 208	5 433
EBIT (adj.) margin	9.2%	10.7%	11.0%

Orkla President and CEO Nils K. Selte comments:

These are exceptional times, where the situation in Ukraine is affecting both the availability and prices of a number of raw materials and input factors. Furthermore, we are seeing a sharp rise in energy prices from an already high level. A protracted conflict is likely to generate even greater uncertainty and imbalance in the global flow of goods. For Orkla, it is crucial to maintain good delivery performance and deal with cost increases.

Orkla's platform is strong brands, local consumer insight, flexible supply chains and powerful innovation communities. The strategy communicated at Orkla's Capital Markets Day on 23 November of last year remains unchanged. We will achieve our targets, in both our core businesses and in priority areas such as consumer health, plant-based products and Out of Home.

My role is to ensure that we accelerate our pace, growth and value creation. To achieve our goals, we will make adjustments in our current organisational model. Our ambition is for our companies to have sufficient autonomy and decision-making authority to ensure that they have the necessary flexibility and speed to act on the opportunities and changes that arise.

In the time to come, we will assess our portfolio of companies and products. We will be more open to divestments, partnerships or stock market listing of businesses if we find it expedient.



Photo: Thomas Brun, NTB

Nils K. Selte

President and CEO

Market growth

In the first quarter of 2022, a considerable number of Orkla's businesses were impacted by the market developments resulting from Russia's invasion of Ukraine. The situation in Ukraine has regional and global ramifications, particularly for raw material and energy prices. A protracted conflict will continue to affect both the availability and prices of a variety of raw materials and other input factors. In addition to already high uncertainty and imbalance in global flows of goods due to the coronavirus pandemic, the war is creating greater uncertainty with regard to global food security. Ukraine is one of the world's four largest exporters of important agricultural products such as wheat, barley, maize and rapeseed. Ukraine is also the world's biggest producer and exporter of sunflower oil, and together with Russia accounts for a total of 80% of global production. The war is expected to have significant consequences for the market for vegetable oils.

Orkla is exposed to a broad range of raw material categories. The effects of the coronavirus pandemic, followed by the war in Ukraine, have caused bottlenecks and value chain disruptions. Combined with strong demand, this has resulted in a further increase in the market prices of raw materials in the first quarter of 2022. Price increases have been especially high for vegetable oils, grain, meat, vegetables, dairy products and packaging. These global value chain disruptions have also led to increased freight prices and transport delays. The combination of higher raw material and packaging prices and freight rates had a further negative impact on Orkla's purchasing costs in the first quarter of 2022.

Market growth in the Out of Home channels was high in the first quarter due to the fact that most of the countries in Europe have lifted the remaining

coronavirus restrictions and have been reopened for large parts of the quarter. At the same time, there was positive sales growth in the grocery channel in the quarter, albeit at a lower level compared with the abnormally high sales in the channel during the coronavirus pandemic.

Orkla has decided to end its ownership of its Russian business, Hamé Foods ZAO, which produces long shelf life food products in the Russian market and has stopped its imports and exports related to Russia and Belarus. Over time, Orkla's Branded Consumer Goods business has reduced its presence in Russia. Orkla has no factories in Ukraine, but has in the past made some of its purchases of tomato products and tomato paste from the region.

The war in Ukraine has caused a sharp surge in energy prices from an already high level. Energy prices in the Nordic region and large parts of Europe were significantly higher in the first quarter than in the corresponding period of 2021. This has resulted in increased production costs for Branded Consumer Goods. At the same time, the high energy prices have had a positive effect on Hydro Power's profit performance.

The Norwegian krone strengthened in the first quarter of 2022, year over year, which seen in isolation had a positive effect on purchasing prices in the period for Orkla's businesses in Norway. This effect has been more modest than the above-mentioned rise in raw material, packaging and freight prices. The stronger Norwegian krone led to negative currency translation effects in connection with consolidation.

Branded Consumer Goods’ performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–31.3.2022	7.7	-3.1	8.8	13.4

Figures may not add up due to rounding.

Branded Consumer Goods had strong turnover growth of 13.4% in the first quarter, driven by high organic and structural growth, partly offset by negative currency translation effects.

Organic turnover growth in the quarter was 7.7%. Orkla Food Ingredients saw increased activity in the Out of Home market, after a long period of negative coronavirus effects, which was the main driver for the strong organic sales growth of 21.1%. Orkla Foods delivered organic growth of 7.2%, which was broad-based across all markets and where turnover growth in the Out of Home channel was particularly positively affected by the reopening of several markets. Orkla Care contributed 5.9% organic growth, chiefly related to good growth in the international markets for Orkla Home & Personal Care and Orkla Wound Care.

Orkla Confectionery & Snacks saw a decline in organic turnover due to lower market growth in the grocery channel in Norway after the pandemic, and the phasing of sales between quarters in conjunction with the removal of the sugar tax in Norway in the first quarter of 2021. The timing of Easter also had a negative impact on turnover. In addition, turnover growth for Branded Consumer Goods was negatively affected by the performance of Orkla Consumer Investments, which primarily reflected lower year-over-year activity for Orkla House Care in the home improvement market.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.3.2022	-7.3	-2.6	7.6	-2.4

Figures may not add up due to rounding.

Branded Consumer Goods including Headquarters (HQ) posted a decline in first-quarter EBIT (adj.) of -2.4% with an underlying decline of -7.3% in EBIT (adj.) and negative currency translation effects. However, the fall was partly offset by strong structural growth.

The underlying profit decline in the first quarter was mainly caused by higher purchasing costs for raw materials and packaging, combined with increased freight and energy costs in all business areas. There was also an increase in other costs, which must be seen in conjunction with higher activity levels and increased sales volumes in the quarter, especially in Orkla Food Ingredients. Profit performance for the quarter was positively affected by non-recurring costs in the same quarter of 2021 related to the implementation of a new ERP system in Orkla Foods Sverige.

EBIT (adj.) margin growth change in percentage points	Underlying growth	Structure/ FX	Total	EBIT (adj.) margin 2022 (%)
R12M per 31.3.	-1.4	0.2	-1.3	10.6

Figures may not add up due to rounding.

Margin performance on a rolling 12-month basis for Branded Consumer Goods including HQ showed a decline of -1.3 percentage points as at 31 March 2022. Acquisitions and currency translation effects made a positive contribution in the quarter. Underlying performance was negative by -1.4 percentage points, driven by higher purchasing and energy costs and high wage inflation, as well as higher year-over-year costs due to increased activity levels.

Structural measures (M&A)

In January 2022, Orkla Care completed its purchase of 95% of the shares in Vesterålen Marine Olje AS through its wholly-owned subsidiary Orkla Health AS. The company is an important supplier of raw materials for Möller's Tran cod liver oil and is thus an acquisition of strategic significance for Orkla with regard to both the health area and sustainability. The company was consolidated into Orkla's financial statements as of 1 January 2022.

In February 2022, through its wholly-owned subsidiary Orkla Health AS, Orkla Care acquired 100% of the shares in Healthspan Group Limited, a leading supplier of dietary supplements in the UK market. Healthspan offers a broad range of dietary supplements and skin care products, and most of its sales are made directly to consumers. With this transaction, Orkla has strengthened its position in consumer health and online sales. The company was consolidated into Orkla's financial statements as of 1 March 2022.

Through its wholly-owned subsidiary Idun Industri AS, Orkla Food Ingredients acquired 70% of the shares in the Belgian company Hade coup in April 2022, thereby strengthening its position in the sale and distribution of ice cream ingredients and accessories in the Benelux region. The company was consolidated into Orkla's financial statements as of 1 April 2022.

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

Outlook

The short-term and long-term consequences of the war in Ukraine are unclear. A protracted conflict in Europe will affect both the availability and prices of raw materials and other input factors. The geopolitical uncertainty could also contribute to a further rise in energy prices from an already high

level, and generate greater uncertainty and imbalance in the global flow of goods. The already difficult situation caused by the pandemic has been aggravated by the war in Ukraine, resulting in further increases in transport prices, and greater uncertainty as to raw material availability. All of these elements are expected to impact adversely on Orkla in 2022. To maintain a good delivery performance, also in the time to come, Orkla continues to take mitigating action to ensure access to key raw materials and works continuously to rationalise its cost base.

The coronavirus pandemic has given rise to considerable uncertainty regarding changes in buying power and demand in many of the markets in which Orkla operates, particularly in the Baltics and Central Europe. Rising energy prices and higher inflation, exacerbated by the geopolitical uncertainty in Europe, will have a further negative impact on buying power in the time to come.

Orkla is exposed to a broad range of raw material categories such as vegetable oils, grain, meat, vegetables and dairy products. The war in Ukraine has led to further price surges from the already high level caused by global bottlenecks and value chain disruptions during the pandemic. Higher input prices have resulted in significant cost increases for Orkla's Branded Consumer Goods and will lead to further cost increases in future. Orkla has substantially increased prices in all markets in the quarter. The accelerating development of increased costs for raw materials and other input factors during the first quarter entails a need for further price increases during the next quarters.

Orkla is well equipped financially to face future challenges. As at 31 March 2022, 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.-31.3.		1.1.-31.12.
	2022	2021	2021
Operating revenues	13 271	11 503	50 441
EBIT (adj.)	1 532	1 297	6 145
Other income and expenses	(162)	(143)	(415)
Operating profit	1 370	1 154	5 730
Profit/loss from associates and joint ventures	238	331	855
Interest and financial items, net	(64)	(51)	(219)
Profit/loss before taxes	1 544	1 434	6 366
Taxes	(415)	(270)	(1 468)
Profit/loss for the period	1 129	1 164	4 898
Earnings per share, diluted (NOK)	1.09	1.15	4.82
Earnings per share (adj.), diluted (NOK)	1.24	1.27	5.17

Group operating revenues rose by 15% in the first quarter, driven by high organic sales improvement and strong structural growth in Branded Consumer Goods. In addition, there was continued strong growth in turnover for Industrial & Financial Investments, driven by higher power prices for Hydro Power. Growth was counteracted to some extent by the negative currency translation effects of a stronger Norwegian krone.

In the first quarter, the Group had EBIT (adj.) growth of 18%, driven by Hydro Power, partly offset by a decline in profit for some parts of Branded Consumer Goods.

In Branded Consumer Goods, profit improved for Orkla Foods and Orkla Food Ingredients, which were positively affected by the reopening of society in several markets after the stringent coronavirus restrictions in the same period of 2021. Higher sales volume due to increased demand year over year in the Out of Home market resulted in solid profit improvement for Orkla Food Ingredients.

Profit declined for Orkla Confectionery & Snacks, Orkla Care and Orkla Consumer Investments, all of which were negatively affected by higher raw material, energy, packaging and freight costs, as well as by negative currency translation effects. The decrease in profit for Orkla Confectionery & Snacks was partly related to a fall in volume and weaker market performance in the grocery sector after high market growth during the coronavirus pandemic. In Orkla Care, Orkla Home & Personal Care Norge was negatively impacted by the difficult market situation compared with pandemic-driven sales in the first quarter of 2021. The lower profit for Orkla Consumer Investments was primarily due to a decline in demand for painting tools from the high level in the same period of 2021.

The Group's "Other income and expenses» totalled NOK -162 million in the first quarter of 2022. Costs of NOK -116 million were incurred in the quarter related to the expensing and write-down of operations in Russia, as well as costs in connection with the Group's M&A activity. In the corresponding period of 2021, costs included the expensing and write-down of NOK -72 million related to ERP projects. See further details of other income and expenses in Note 3.

Profit from associates amounted to NOK 238 million in the first quarter. This was a decline from the same period in 2021 related to Jotun's lower contribution to profit owing to significantly higher raw material prices.

Net financial costs in the first quarter of 2022 were slightly higher than in 2021, chiefly due to higher liabilities in the quarter. The average borrowing rate was 1.6% in the quarter, compared with 1.7% in the corresponding period of 2021. The average gross debt level before lease liabilities in the quarter was NOK 13.1 billion, compared with NOK 8.3 billion year over year.

The effective tax rate, excluding associates and joint ventures, was substantially higher in the first quarter of 2022, year over year, due to higher economic rent tax as a result of Hydro Power's increased contribution to profit, and to the write-down of Orkla's business in Russia, which is not tax-deductible.

First-quarter earnings per share, diluted, were NOK 1.09, down 5% from the same period of 2021. Adjusted earnings per share, diluted, were NOK 1.24, equivalent to a year-over-year decline of 2%. For more information, see the section on Alternative Performance Measures (APM) on page 27.

Cash flow - Group

Orkla format

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Cash flow from Branded Consumer Goods incl. HQ			
EBIT (adj.)	1 179	1 208	5 433
Depreciation	491	441	1 924
Changes in net working capital	(939)	(515)	(456)
Net replacement investments	(584)	(652)	(2 625)
Cash flow from operations (adj.)	147	482	4 276
Cash flow effect from “Other income and expenses” and pensions	(78)	(172)	(525)
Cash flow from operations, Branded Consumer Goods incl. HQ	69	310	3 751
Cash flow from operations, Industrial & Financial Investments	361	137	692
Taxes paid	(520)	(352)	(907)
Dividends received, financial items and other payments	118	89	139
Cash flow before capital transactions	28	184	3 675
Dividends paid and purchase/sale of treasury shares	(11)	(406)	(3 130)
Cash flow before expansion	17	(222)	545
Expansion investments	(51)	(69)	(486)
Sale of companies (enterprise value)	29	-	-
Purchase of companies (enterprise value)	(1 033)	(1 750)	(7 030)
Net cash flow	(1 038)	(2 041)	(6 971)
Currency effects of net interest-bearing liabilities	425	573	593
Change in net interest-bearing liabilities	613	1 468	6 378
Net interest-bearing liabilities	13 371	7 848	12 758

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.

The comments on next page are based on the cash flow statement as presented in Orkla’s internal format and refer to the period 1 January to 31 March 2022. Reference is made to page 20 for the consolidated statement of cash flows IFRS and reconciliation of cash flows.

Cash flow from operations from Branded Consumer Goods incl. HQ was lower in 2022 than in 2021. This is mainly explained by the fact that working capital at the end of the first quarter of 2022 was negatively affected by increased inventory values due to higher raw material prices, as well as higher safety stocks in Orkla Foods. Furthermore, working capital was negatively impacted by the higher level of activity in Orkla Food Ingredients in the first quarter of 2022.

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 substantially lower as at 31 March 2022 than in the corresponding period of 2021.

In Industrial & Financial Investments, cash flow from operations as at 31 March 2022 was considerably higher, year over year, due to good profit improvement for Hydro Power.

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

Expansion investments included investments in increased production capacity in both Orkla Foods and Orkla Food Ingredients.

Purchases of companies totalled NOK 1,033 million in the first quarter and mainly consisted of the acquisition of 100% of the shares in Healthspan and 95% of the shares in Vesterålen Marine Olje AS. Sales of companies totalled NOK 29 million in the first quarter and consisted of the sale of the Alvo Park property in Latvia.

Net cash flow for the Group was NOK -1,038 million. Positive currency translation effects due to the stronger Norwegian krone reduced net interest-bearing liabilities by NOK 425 million in the first quarter of 2022. As at 31 March 2022, net interest-bearing liabilities before lease liabilities totalled NOK 11,546 million. Including lease liabilities related to IFRS 16, net interest-bearing liabilities amounted to NOK 13,371 million.

As at 31 March 2022, the equity ratio was 54.6%, compared with 55.8% as at 31 December 2021. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.9 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.-31.3.		1.1.-31.12.
	2022	2021	2021
Amounts in NOK million			
Operating revenues	4 788	4 299	18 760
- Organic revenue growth	7.2%	-4.7%	1.8%
EBIT (adj.)	531	507	2 471
EBIT (adj.) margin	11.1%	11.8%	13.2%

- Broad-based organic sales growth in the first quarter
- Strongest growth in sales to food service, convenience stores and petrol stations, but also improvement in sales to the grocery channel and exports
- Profit growth in the first quarter strongly negatively impacted by higher purchasing prices and energy costs

Orkla Foods saw an 11.4% increase in first-quarter sales, while organic growth was 7.2%. Growth was broad-based across all markets. Turnover growth in the quarter was good in the food service, convenience store and petrol station segments as well as in exports. Growth was positively affected by the reopening of society in several markets after stringent infection control measures against the pandemic in the same quarter of 2021. There was also turnover growth in sales to the grocery channel in the first quarter. Flavourings, ready-to-eat meals and pizza were the categories that contributed most to growth.

Orkla Foods delivered positive profit growth of 4.7% in the first quarter. This was largely driven by turnover growth, while the profit margin was negatively impacted by higher purchasing costs. The trend of strong cost increases across almost all categories for raw materials and packaging, as well as transport and energy costs, continued into the first quarter. This has been further reinforced by the war in Ukraine. Substantial price increases were implemented in all markets in the quarter, but the current trend in input prices will necessitate further price increases going forward. Apart from this, improved profit performance in the quarter reflected non-recurring costs and weak productivity in connection with the implementation of a new ERP system in Orkla Foods Sverige in the first quarter of 2021. The EBIT (adj.) margin was 11.1%, down 0.7 percentage points from the first quarter of 2021.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Operating revenues	1 679	1 701	7 337
- <i>Organic revenue growth</i>	-1.1%	6.9%	3.4%
EBIT (adj.)	191	241	1 113
EBIT (adj.) margin	11.4%	14.2%	15.2%

- Lower growth in the grocery channel following high pandemic-driven market growth
- Organic growth negatively affected by phasing of sales between quarters
- High increase in input costs

Orkla Confectionery & Snacks experienced a decline in first-quarter operating revenues of -1.3%. Organic growth was -1.1%. Market performance in the grocery sector was weaker in the quarter after especially high market growth in the past two years, and overall volume declined in the market. This applied particularly to the Norwegian market. Sales growth was somewhat negative due to the timing of Easter, which resulted in a phasing of sales from the first to the second quarter. Moreover, sales were extraordinarily high at the start of the first quarter of 2021 due to the removal of the sugar tax in Norway following temporary wholesaler destocking in the fourth quarter of 2020.

EBIT (adj.) for Orkla Confectionery & Snacks fell by -20.7% in the first quarter, year over year. Global market prices of input factors, transport and packaging increased substantially in the wake of the pandemic, a trend that was reinforced by the ongoing conflict in Ukraine. The higher costs will be compensated for by successive price increases to customers in the course of 2022. The EBIT (adj.) margin was 11.4% in the first quarter, a year-over-year decline of 2.8 percentage points.

Orkla Care

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Operating revenues	2 156	1 814	7 389
- <i>Organic revenue growth</i>	5.9%	4.2%	2.3%
EBIT (adj.)	283	296	1 066
EBIT (adj.) margin	13.1%	16.3%	14.4%

- A difficult market situation for Orkla Home & Personal Care Norge compared with pandemic-driven sales last year and for Orkla Health due to the war in Ukraine
- Orkla Wound Care, Riemann (sunscreen) and industrial sales showed a solid increase in sales compared with a weak quarter in 2021, which was negatively impacted by coronavirus restrictions
- Decline in profit for the quarter on account of higher freight and raw material costs, increased advertising spend and a negative sales mix

Orkla Care reported 18.9% sales growth in the first quarter, of which 5.9% was organic growth. Overall sales growth was helped by structural growth in the consumer health sector. Organic growth was driven by the reopening of international markets for Orkla Home & Personal Care and Orkla Wound Care, and by higher industrial sales. Orkla Health was negatively affected by the difficult situation in Ukraine, through both its export sales markets and cross-border trade in Finland. HSNG saw a strong increase in sales to fitness centres.

Profit fell by 4.4% in the quarter, driven by a strong increase in freight and raw material prices, and a rise in other costs. The EBIT (adj.) margin was 13.1% for the first quarter, compared with 16.3% for the same period of 2021.

Orkla Food Ingredients

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Operating revenues	3 124	2 546	12 012
- <i>Organic revenue growth</i>	21.1%	-2.0%	10.4%
EBIT (adj.)	140	80	646
EBIT (adj.) margin	4.5%	3.1%	5.4%

- Strong organic growth due to both increased volume and higher selling prices in the quarter
- EBIT (adj.) improvement driven by sales growth, boosted by acquisitions, but counteracted to some extent by currency translation effects and broad-based inflation
- Growing uncertainty as to availability of raw materials, combined with continued increase in raw material prices

Orkla Food Ingredients saw a 22.7% increase in first-quarter operating revenues, of which 21.1% was organic growth. The positive effects of acquisitions were largely counteracted by negative currency translation effects. Sales volumes were positively affected by the lifting of coronavirus restrictions, with an associated impact on demand in the Out of Home market compared with the first quarter of 2021. There was also price-driven growth due to increases in selling prices to customers to offset higher raw material prices.

EBIT (adj.) improved by 75.0% in the first quarter, driven by sales growth. Acquisitions made a positive contribution to profit, which was offset to some extent by currency translation effects and several factors that impacted negatively on operating costs, including a higher activity level, cost inflation and a difficult delivery situation for certain raw materials. There are growing challenges related to and uncertainty about the availability of raw materials and the continued rise in raw material prices.

The first-quarter EBIT (adj.) margin was 4.5%, a year-over-year improvement of 1.4 percentage points. The improvement was primarily driven by increased sales.

Orkla Consumer Investments

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Operating revenues	1 170	1 023	4 205
- <i>Organic revenue growth</i>	-4.3%	15.4%	4.8%
EBIT (adj.)	132	164	498
EBIT (adj.) margin	11.3%	16.0%	11.8%

- Lower sales of painting tools in the quarter compared with a high level last year
- Continued good sales growth for the pizza franchise restaurants
- Lower turnover and pressure on margin resulted in lower profit for the quarter, against strong comparables from the same period in 2021

Orkla Consumer Investments posted turnover growth of 14.4% in the first quarter, driven by structural growth from the acquisition of New York Pizza. Organic sales fell by -4.3% in the first quarter, primarily due to a drop in demand for painting tools from a high level in the same period of 2021. Solid growth in chain sales for franchised sales outlets in the pizza market made a positive contribution.

First-quarter EBIT (adj.) declined by -19.5% despite the positive contribution from the acquisition of New York Pizza. The decline in profit for the quarter was driven by a fall in turnover from painting tool sales. The decline must be seen in conjunction with strong comparables from the first quarter of 2021, when turnover was positively affected by the coronavirus pandemic. Increased 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 for the first quarter was 11.3%, compared with 16.0% for the same period of 2021.

Industrial & Financial Investments

Hydro Power

	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Volume (GWh)	511	477	2 065
Price* (øre/kWh)	149.4	48.9	75.8
EBIT (adj.) (NOK million)	345	86	702

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

EBIT (adj.) for Hydro Power was NOK 345 million in the first quarter of 2022, compared with NOK 86 million year over year. The increase is due to substantially higher power prices than in the same quarter of 2021. The high prices were strongly affected by high energy prices on the continent (gas, coal and CO₂ quotas), which in turn were affected by the war in Ukraine. The resource situation with low reservoir levels in South Norway and periods of little unregulated power (wind and solar) also contributed to the high power prices.

Power prices in the quarter averaged 149.4 øre/kWh, compared with 48.9 øre/kWh in the first quarter of 2021. Production has been slightly higher, year over year, due to higher inflow in Western Norway and totalled 511 GWh, compared with 477 GWh in the same period of 2021.

Operating costs in the first quarter of 2022 were slightly lower, year over year. Reservoir levels in Sauda were a little higher than normal at quarter end, while snowpack levels were somewhat lower than normal. The catchment area of the Glomma and Laagen rivers is affected by a snow situation and reservoir levels that are well below normal.

Financial Investments

First-quarter EBIT (adj.) for Orkla Financial Investments totalled NOK 8 million, compared with NOK 3 million in the same period of 2021.

Development of the existing real estate portfolio was the primary activity in the quarter. A property in Latvia previously used for yeast production was sold in the first quarter of 2022. This transaction did not affect EBIT (adj.).

Jotun (42.6% interest)

Operating revenues continued to increase in the first quarter with year-over-year sales growth of 15%. Adjusted for negative currency effects due to the stronger Norwegian krone, underlying sales growth was 17%. The strong top-line growth was driven by both higher sales volume and price increases to compensate for soaring raw material prices. This contributed to a two-digit percentage improvement in sales in all segments compared with the same period of 2021. As a result of the conflict in Ukraine, Jotun has decided to cease production in Russia indefinitely. The closure has had little impact on first-quarter top-line growth as the Russian business accounts for only 2-3% of the Group's overall turnover and operating profit.

Operating profit in the first quarter of 2022 fell, mainly as a result of lower gross margins. As mentioned earlier, raw material prices rose sharply during 2021. Jotun has therefore implemented price increases in all segments and has put in place cost control measures, thereby helping to slow the decline in profit. Profit has also been negatively impacted by costs related to suspension of production in Russia, but the effect so far has been limited.

The conflict between Russia and Ukraine is expected to have larger economic consequences for Jotun going forward. In addition, higher

inflation, global logistical challenges and the current coronavirus situation in China are creating greater uncertainty. At the same time, certain key markets, including the ship newbuilding market, are expected to develop positively, thereby contributing to continued growth. Jotun expects a further increase in raw material prices and continued pressure on gross margins in the short term, and further price increases to customers will therefore be necessary.

Other matters

At the Annual General Meeting on 20 April 2022, the following shareholder-elected members of Orkla's Board of Directors were re-elected for one year: Stein Erik Hagen (Board Chairman), Liselott Kilaas, Peter Agnefjäll and Anna Mossberg. Nils K. Selte, Ingrid Jonasson Blank and Anders Kristiansen did not stand for re-election. Christina Fagerberg and Rolv Erik Ryssdal were elected as new Board members for a period of one year. Christina Fagerberg has experience from corporate finance, transactions and portfolio management, while Rolv Erik Ryssdal has experience of leading companies through organic and structural growth and transformation processes.

The General Meeting approved a dividend of NOK 3.00 per share for the 2021 financial year, which was paid out on 3 May 2022. Orkla shares were listed ex-dividend as of 21 April 2022.

Nils K. Selte took up the position of Orkla President and CEO on 11 April 2022, succeeding Jaan Ivar Semlitsch who had headed the Group since August 2019. Nils K. Selte has been a member of Orkla's Board of Directors since 2014, in addition to chairing Orkla's Audit Committee in the same period.

To establish a corporate structure and culture that creates greater value and gives the individual businesses greater autonomy and responsibility, changes were made in Orkla's corporate structure as of 11 April 2022.

Atle Vidar Nagel Johansen was appointed Executive Vice President in charge of Orkla's Branded Consumer Goods business, which consists of four business areas: Orkla Foods Europe, Orkla India, Orkla Confectionery & Snacks and Orkla Care. Atle Vidar Nagel Johansen has been a member of the Group Executive Board since 2012, and previously held the position of CEO of the Orkla Foods business area. A new CEO will be appointed for Orkla Foods Europe. Ingvi T. Berg and Hege Holter Brekke report to Nagel Johansen and continue to head Orkla Confectionery & Snacks and Orkla Care, respectively. Orkla India became a separate business area and is headed by Sanjay Sharma.

Orkla Food Ingredients and Orkla Consumer & Financial Investments are separate business areas and will continue to be headed by Johan Clarin and Thomas Ljungqvist, respectively. Thomas Ljungqvist took up the post of Acting CEO of Orkla Consumer & Financial Investments on 16 February 2022, after Kenneth Haavet resigned as CEO of Orkla Consumer & Financial Investments.

Oslo, 4 May 2022

The Board of Directors of Orkla ASA

(This translation from Norwegian of Orkla's first quarter report of 2022 has been made for information purposes only.)

Condensed income statement

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Operating revenues	13 271	11 503	50 441
Operating expenses	(11 208)	(9 726)	(42 209)
Depreciation	(531)	(480)	(2 087)
EBIT (adj.)	1 532	1 297	6 145
Other income and expenses	(162)	(143)	(415)
Operating profit	1 370	1 154	5 730
Profit/loss from associates and joint ventures	238	331	855
Interest, net	(51)	(30)	(166)
Other financial items, net	(13)	(21)	(53)
Profit/loss before taxes	1 544	1 434	6 366
Taxes	(415)	(270)	(1 468)
Profit/loss for the period	1 129	1 164	4 898
Profit/loss attributable to non-controlling interests	47	17	90
Profit/loss attributable to owners of the parent	1 082	1 147	4 808

Earnings per share

Amounts in NOK	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Earnings per share	1.09	1.15	4.82
Earnings per share, diluted	1.09	1.15	4.82
Earnings per share (adj.)	1.24	1.27	5.17
Earnings per share (adj.), diluted	1.24	1.27	5.17

Condensed statement of comprehensive income

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Profit/loss for the period	1 129	1 164	4 898
Other items in comprehensive income			
Actuarial gains and losses pensions	-	-	54
Changes in fair value shares	-	(1)	38
Items not to be reclassified to profit/loss in subsequent periods	0	(1)	92
Change in hedging reserve	20	115	152
Carried against equity in associates and joint ventures	(92)	(92)	(32)
Translation effects	(507)	(800)	(761)
Items after tax to be reclassified to profit/loss in subsequent periods	(579)	(777)	(641)
The Group's comprehensive income	550	386	4 349
Comprehensive income attributable to non-controlling interests	30	6	78
Comprehensive income attributable to owners of the parent	520	380	4 271

Condensed statement of financial position

Assets

Amounts in NOK million	Note	31.3.2022	31.12.2021
Intangible assets		30 953	30 683
Property, plant and equipment		17 332	17 458
Associates, joint ventures and other financial assets	6	5 993	5 979
Non-current assets		54 278	54 120
Inventories		8 307	7 534
Trade receivables		7 280	6 528
Other receivables and financial assets	6	1 283	1 255
Cash and cash equivalents	6	1 863	1 127
Current assets		18 733	16 444
Total assets		73 011	70 564

Equity and liabilities

Amounts in NOK million	Note	31.3.2022	31.12.2021
Paid-in equity		1 967	1 967
Retained equity		37 002	36 474
Non-controlling interests		929	910
Equity		39 898	39 351
Provisions and other non-current liabilities		5 152	5 259
Non-current interest-bearing liabilities	6	12 262	10 731
Current interest-bearing liabilities	6	3 465	3 603
Trade payables		7 459	7 286
Other current liabilities		4 775	4 334
Equity and liabilities		73 011	70 564
Equity ratio		54.6%	55.8%

Condensed statement of changes in equity

Amounts in NOK million	1.1.–31.3.2022			1.1.–31.3.2021		
	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	38 441	910	39 351	37 242	462	37 704
The Group's comprehensive income	520	30	550	380	6	386
Dividends	-	(11)	(11)	-	(3)	(3)
Net purchase/sale of treasury shares	-	-	-	(403)	-	(403)
Option costs	8	-	8	-	-	-
Change in non-controlling interests	-	-	-	-	174	174
Equity 31 March	38 969	929	39 898	37 219	639	37 858

Condensed statement of cash flow IFRS

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Cash flow from operations before capital expenditure	1 017	1 102	7 177
Received dividends and paid financial items	89	82	83
Taxes paid	(520)	(352)	(907)
Cash flow from operating activities	586	832	6 353
Net capital expenditure	(583)	(583)	(2 606)
Net sale (purchase) of companies	(842)	(1 664)	(5 811)
Other payments	29	7	56
Cash flow from investing activities	(1 396)	(2 240)	(8 361)
Paid to shareholders	(11)	(406)	(3 130)
Cash flow from financing activities excl. paid to shareholders	1 563	(335)	3 099
Cash flow from financing activities	1 552	(741)	(31)
Currency effects cash and cash equivalents	(6)	(36)	(47)
Change in cash and cash equivalents	736	(2 185)	(2 086)
Cash and cash equivalents	1 863	1 028	1 127

Reconciliation operating activities against Orkla format; see page 9

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
<i>IFRS cash flow</i>			
Cash flow from operating activities	586	832	6 353
Net capital expenditure	(583)	(583)	(2 606)
Other payments	29	7	56
Cash flow from operating activities incl. capital expenditure	32	256	3 803
<i>Orkla format</i>			
Cash flow before capital transactions	28	184	3 675
New capitalised leases (incl. in net replacement expenditures in Orkla format)	55	141	614
Expansion investments	(51)	(69)	(486)
Comparative cash flow	32	256	3 803

Reconciliation cash and cash equivalents against net interest-bearing liabilities in Orkla format; see page 9

Change cash and cash equivalents IFRS cash flow	(736)	2 185	2 086
Change net interest-bearing liabilities IFRS cash flow	1 563	(335)	3 099
Net interest-bearing liabilities in purchased/sold companies	162	86	1 219
Interest-bearing liabilities new leases	55	141	614
Total currency effect net interest-bearing liabilities	(425)	(573)	(593)
Currency effect cash and cash equivalents	(6)	(36)	(47)
Change net interest-bearing liabilities Orkla format	613	1 468	6 378

Note 1 General information

Orkla ASA's condensed consolidated financial statements as at 31 March 2022 were approved at the Board of Directors' meeting on 4 May 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. No changes have been made in presentation or accounting policies nor have any other standards been adopted that materially affect the Group's financial reporting or comparisons with previous periods.

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

Note 2 Segments

	Operating revenues			EBIT (adj.)		
	1.1.-31.3.		1.1.-31.12.	1.1.-31.3.		1.1.-31.12.
Amounts in NOK million	2022	2021	2021	2022	2021	2021
Orkla Foods	4 788	4 299	18 760	531	507	2 471
Orkla Confectionery & Snacks	1 679	1 701	7 337	191	241	1 113
Orkla Care	2 156	1 814	7 389	283	296	1 066
Orkla Food Ingredients	3 124	2 546	12 012	140	80	646
Orkla Consumer Investments	1 170	1 023	4 205	132	164	498
Eliminations Branded Consumer Goods	(126)	(107)	(499)	-	-	-
Branded Consumer Goods	12 791	11 276	49 204	1 277	1 288	5 794
HQ/Eliminations	11	11	38	(98)	(80)	(361)
Branded Consumer Goods incl. HQ	12 802	11 287	49 242	1 179	1 208	5 433
Hydro Power	462	211	1 177	345	86	702
Financial Investments	28	26	110	8	3	10
Industrial & Financial Investments	490	237	1 287	353	89	712
Eliminations	(21)	(21)	(88)	-	-	-
Orkla	13 271	11 503	50 441	1 532	1 297	6 145

Note 3 Other income and expenses

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
M&A and integration costs	(35)	(30)	(161)
Final settlement employment relationships etc.	(3)	(12)	(69)
Gain/loss on transactions	14	0	165
Write-downs	(92)	(4)	(5)
Restructuring costs and other items	(46)	(97)	(345)
Total other income and expenses	(162)	(143)	(415)

Other expenses

In the first half of March, Orkla decided to end its ownership of the Russian company, Hamé Foods ZAO, which produces long shelf life food products for the Russian market. As a result of this decision, NOK 116 million was expensed and presented as “Other income and expenses” related to the write-down of book assets in the company along with other effects related to the the ending of Orkla’s ownership. No profit from the company has been recognised after the decision to end ownership was taken.

NOK 35 million in expenses were incurred in connection with the acquisition and integration of companies as at 31 March 2022. In addition, expenses totalling NOK 15 million were incurred in connection with restructuring and coordination projects in the Group in the first quarter of 2022.

Other income

NOK 10 million was taken to income in connection with an ongoing insurance settlement related to the recall of Husk products (Nordic region) and Colon-C products (Poland) in Orkla Care in connection with a salmonella outbreak. Expenses related to this outbreak were correspondingly recognised and are also included in “Other income and expenses”.

Orkla Eiendom (real estate) completed the sale of the Alvo Park property in Latvia. NOK 4 million related to the sale has been taken to income in the quarter and recognised as “Other income and expenses”.

Note 4 Statement of comprehensive income

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve) after tax. The hedging reserve included in equity as at 31 March 2022 (after tax) totalled NOK -35 million. Accumulated translation differences correspondingly amounted to NOK 1,272 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 38 million as at 31 March 2022.

Note 5 Acquisitions and disposals

Disposals of companies

In the first quarter, Orkla Eiendom completed the sale of the Alvo Park property in Latvia; see also Note 3.

Purchases of companies

Orkla Health (Orkla Care) has acquired 100% of the shares in Healthspan Group Limited, a leading supplier of dietary supplements in the UK market. Healthspan was established in 1996 and has since built up a strong brand and a broad range of dietary supplements and skin care products. A total of 92% of the company's sales are made directly to consumers and the company has around half a million active customers. Healthspan has a strong portfolio of over 400 different products, most of which are sold under the Healthspan brand. Healthspan had 170 employees with offices in Guernsey and proprietary distribution centres in the UK, Ireland and New Zealand. The parties have agreed on a purchase price of GBP 65 million on a cash and debt free basis. In addition, the agreement includes the possibility of up to GBP 20 million of additional purchase price depending on the company's results (EBITDA) in the next two financial years. In 2021, Healthspan had a turnover of GBP 50.0 million and normalised profit of GBP 4.7 million (EBITDA), with most of its turnover derived from the British Isles. The company was consolidated into Orkla's financial statements as of 1 March 2022. A preliminary analysis shows that excess value beyond book value in the company mainly consists of goodwill and trademarks and totals just under GBP 60 million.

In January 2022, Orkla Health (Orkla Care) acquired 95% of the shares in Vesterålen Marine Olje AS, which produces various raw materials based on white fish for use, for example, in cod liver oil production. Vesterålen Marine Olje has long been an important supplier of raw materials for Möller's Tran cod liver oil. Vesterålen Marine Olje also comprises the subsidiaries Vesterålen Marine Proteiner AS and Vesterålen Marine Ingredienser AS, in addition to a 30% interest in Vesterålen Marine Seaweed AS. In 2020,

Vesterålen Marine Olje and its subsidiaries had an aggregate turnover of NOK 60 million. Orkla has an option to purchase the remaining 5% of the company. The company was consolidated into Orkla's financial statements as of 1 January 2022.

Other matters

As at 31 March 2022, Orkla had purchased companies for a total of NOK 1,033 million at enterprise value.

As regards the companies acquired in 2021, the purchase price allocations for Cake Décor and For All Baking, Hans Kaspar, Ambassador92, Seagood Fort Deli, Proteinfabrikken and Sigurd Ecklund were finalised as at 31 March 2022. 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:

	31.3. 2022	31.12. 2021
Amounts in NOK million		
Non-current liabilities excl. leases	(10 837)	(9 215)
Current liabilities excl. leases	(3 065)	(3 195)
Non-current receivables (in “Financial Assets”)	383	395
Current receivables (in “Other receivables and financial assets”)	110	54
Cash and cash equivalents	1 863	1 127
Net interest-bearing liabilities excl. leases	(11 546)	(10 834)
Non-current lease liabilities	(1 425)	(1 516)
Current lease liabilities	(400)	(408)
Total net interest-bearing liabilities	(13 371)	(12 758)

Note 7 Interest and other financial items

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

	1.1.-31.3. 2022	1.1.-31.12. 2021
Amounts in NOK million		
Net interest costs excl. leases	(43)	(24)
Interest costs leases	(8)	(6)
Interest, net	(51)	(30)

	1.1.-31.3. 2022	1.1.-31.12. 2021
Amounts in NOK million		
Net foreign currency gain/loss	(1)	1
Interest on pensions ¹	(3)	(13)
Other financial items	(9)	(9)
Other financial items, net	(13)	(21)

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 March 2022, there were no special transactions between the Group and related parties.

Note 9 Treasury shares and options

Treasury shares

The Group owns 4,852,874 treasury shares. As at 31 March 2022, no changes had been made in Orkla’s holding of treasury shares.

Options

The following changes took place in Orkla’s holding of its own options in 2022:

Options held as at 1 January	3 854 529
Allocations	-
Terminations	(66 570)
Outstanding options as at 31 March	3 787 959

Note 10 Assessments relating to impairment

In the first quarter of 2022, write-downs were taken and expenses were recognised for a total of NOK 116 million related to the decision to end Orkla’s ownership of operations in Russia; see Note 3 for further information.

There were otherwise no indications of impairment of the Group’s assets as at 31 March 2022.

Market development in the first quarter of 2022 was affected by Russia’s invasion of Ukraine, which has regional and global consequences, particularly for raw material and energy prices. A protracted conflict will affect both the availability and prices of a range of raw materials and other inputs. The situation will be monitored closely with respect to whether this will result in indications of impairment for some of the Group companies.

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	
31 March 2022:				
Assets				
Investments	-	-	234	234
Derivatives	-	113	-	113
Liabilities				
Derivatives	-	299	-	299
31 December 2021:				
Assets				
Investments	-	-	206	206
Derivatives	-	59	-	59
Liabilities				
Derivatives	-	88	-	88

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

Note 12 Other matters

Purchase of Business Agreements

In April 2022, Orkla Food Ingredients purchased 70% of the shares in the Belgian company Hadecoup with a right to acquire the remaining ownership interest over the next five years. The company is a leading player in the sale and distribution of ice cream ingredients and accessories in Belgium. Hadecoup had operating profit (EBIT) of EUR 1.3 million (approx. NOK 13 million) in 2021. The company was consolidated into Orkla's financial statements as of 1 April 2022.

Other matters

Nils K. Selte took up the post of Orkla President and CEO on 11 April 2022, succeeding Jaan Ivar Semlitsch who has headed the Group since August 2019. At the same time, changes were made in Orkla's corporate structure, with a subsequent change in the Group Executive Board. This did not give rise to any changes in the Group's segment reporting in the first quarter of 2022. See also further information in the quarterly text in the section on "Other matters" on page 17 of this report.

On 20 April 2022, the General Meeting of Orkla ASA approved payment of the proposed dividend of NOK 3.00 per share. The dividend was paid out to shareholders on 3 May 2022 and totalled NOK 3.0 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 page 30.

EBIT (adj.)

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

EBIT (adj.) is one of the Group's 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 page 30.

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 low in the first quarter of 2022, chiefly due to the fact that the write-down of the business in Russia is not tax-deductible. Nor are expensed M&A costs tax-deductible, which means that the effective tax rate for OIE is normally lower than the Group’s tax rate. The effective tax rate for OIE as at 31 March 2022 is 2.5%, compared with 17.8% in the same period of 2021.

If other items of a special nature occur under the company’s operating profit or loss, adjustments will also be made for these items. No such adjustments had been made as at 31 March 2022 or in 2021.

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2022	2021	2021
Profit/loss attributable to owners of the parent	1 082	1 147	4 808
<i>Adjustments earnings per share (adj.):</i>			
Other income and expenses after tax	158	117	349
Adjusted profit for the period after non-controlling interests	1 240	1 264	5 157
Average externally owned shares (1000 shares)	996 578	999 314	997 105
Average externally owned shares, diluted (1000 shares)	996 578	999 314	997 105
Earnings per share (NOK)	1.09	1.15	4.82
Earnings per share, diluted (NOK)	1.09	1.15	4.82
Earnings per share (adj.) (NOK)	1.24	1.27	5.17
Earnings per share (adj.), diluted (NOK)	1.24	1.27	5.17

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 flow on page 9.

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 9. 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, Vesterålen Marine Olje, Healthspan, Sigurd Ecklund, Hans Kaspar, Núi Sírius, Cake Décor Limited, For All Baking Limited, Ambassador92 and Seagood Fort Deli. Adjustments have been made for the sale of Credin Russland, the water business in Latvia and the Struer brand, as well as for the ending of Orkla's ownership of Hamé Foods in Russia. A structural adjustment was made at business area level for the internal relocation of the Oolannin brand. In 2021, adjustments were also made for the acquisition of Proteinfabriken, Norgesplaster, Win Equipment, Gortrush and Havrefras and the sale of SaritaS, Vestlandslefsa, Italiensk Bakeri, Gorm's, the closure of Pierre Robert Sverige and the loss of distribution agreements with Panzani.

Organic growth by business area

Sales revenues change %	1.1.-31.3.2022			
	Organic growth	FX	Structure	Total
Orkla Foods	7.2	-2.7	6.8	11.4
Orkla Confectionery & Snacks	-1.1	-2.7	2.5	-1.3
Orkla Care	5.9	-3.6	16.6	18.9
Orkla Food Ingredients	21.1	-4.0	5.6	22.7
Orkla Consumer Investments	-4.3	-2.3	21.1	14.4
Branded Consumer Goods	7.7	-3.1	8.8	13.4

Sales revenues change %	1.1.-31.3.2021				1.1.-31.12.2021			
	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	-4.7	-1.3	-0.9	-6.9	1.8	-3.4	4.2	2.5
Orkla Confectionery & Snacks	6.9	-0.7	-	6.2	3.4	-3.3	2.2	2.3
Orkla Care	4.2	-0.1	3.4	7.5	2.3	-2.7	7.4	7.0
Orkla Food Ingredients	-2.0	-2.7	3.6	-1.1	10.4	-5.2	7.1	12.3
Orkla Consumer Investments	15.4	-1.5	-3.4	10.4	4.8	-3.5	8.1	9.3
Branded Consumer Goods	0.5	-1.4	0.5	-0.4	4.3	-3.7	5.2	5.8

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

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.-31.3.2021	9.7	-2.4	2.1	9.5
1.1.-31.12.2021	-3.4	-3.4	6.8	-0.1

EBIT (adj.) margin growth change percentage points	Underlying growth	Structure/ FX	Total	EBIT (adj.) margin (%)
R12M per 31.3.2021	0.6	0.1	0.7	11.9
1.1.-31.12.2021	-0.9	0.3	-0.7	11.0

Figures may not add up due to rounding.

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

Photo
Bjørn Wad