

# Third quarter 2022





# The third quarter in brief

- Group profit before tax totalled NOK 2,245 million, a year-over-year improvement of 29%, partly driven by strong profit growth for Hydro Power
  - Orkla’s Branded Consumer Goods business showed organic turnover growth of 9%. The growth was driven by price increases to compensate for the unusually large increase in input costs
  - The Branded Consumer Goods business including Headquarters saw a decline in EBIT (adj.) of 11%, impacted by broad-based increases in costs, also other than input costs
- Good profit growth for Orkla Food Ingredients and Orkla India
  - Very strong quarter for Jotun driven by sales growth. EBITA increased by 75% in the third quarter
  - Adjusted earnings per share were NOK 1.58 for the third quarter, equivalent to a year-over-year increase of 15%

## Key figures for the third quarter as at 30 September

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

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.		1.7.–30.9.	
	2022	2021	2021	2022	2021	
<b>Group</b>						
Operating revenues	42 314	36 414	50 441	14 752	13 139	
EBIT (adj.)	5 508	4 274	6 145	2 223	1 712	
Profit/loss from associates and joint ventures	714	750	855	238	164	
Profit/loss before taxes	5 643	4 525	6 366	2 245	1 747	
Earnings per share, diluted (NOK)	3.88	3.50	4.82	1.50	1.31	
Earnings per share (adj.), diluted (NOK)	4.15	3.77	5.17	1.58	1.37	
<b>Branded Consumer Goods</b>						
Operating revenues	40 202	35 722	49 204	13 887	12 914	
- Organic revenue growth	9.6%	3.8%	4.3%	9.0%	4.1%	
<b>Branded Consumer Goods incl. headquarters (HQ)</b>						
EBIT (adj.)	3 773	3 981	5 433	1 446	1 619	
EBIT (adj.) margin	9.4%	11.1%	11.0%	10.4%	12.5%	

**Orkla President and CEO Nils K. Selte comments:**

We have been through a quarter with good organic growth, while at the same time Orkla's Branded Consumer Goods business was impacted by high cost increases. We have implemented price increases to compensate for higher input costs, and we are now seeing that inflation is impacting broadly on every part of our value chains – not just through increased raw material prices. We expect this to continue and are planning accordingly. It will be countered with strengthened cost improvement initiatives and further price increases to our customers.

Since I took up my post as President and CEO on 11 April this year, efforts to establish a structure and culture that promote increased value creation in Orkla have been a key focus. The goal is to establish a business model that enables us to deliver more rapidly on our strategy, realise our financial targets and increase value creation in the group.

We are transforming Orkla into a leading branded consumer goods and consumer-oriented investment company with a long-term, industrial focus. Our competitive strength lies in our strong brands, deep industry understanding, consumer insight and innovative strength, combined with investment expertise and active ownership.

Today we present the frameworks for our future business model and organisational structure. We have redefined Orkla's ownership role at group level, and will work to establish a number of independent portfolio companies going forward. We will also establish three "business service" companies that will ensure that we continue to realise key synergies.

Through these changes, Orkla will in the future be able to ensure greater structural flexibility and speed, and contribute to placing increased

responsibility for value creation with the portfolio companies. I am convinced that this, combined with active ownership, will generate positive value creation for our shareholders in the future.

As part of this transformation, Orkla is announcing its new executive management team, which has broad industrial, ownership and investment expertise. I firmly believe that this team, along with the rest of our organisation, will contribute to increased value creation for Orkla going forward.

**Nils K. Selte**

President and CEO

Market trends

A considerable number of Orkla’s businesses have been impacted by the war in Ukraine. The war has regional and global ramifications, particularly for the raw material and energy market. The scarcity of key raw materials, energy and other input factors have driven market prices up and created greater uncertainty regarding the global raw material and food situation.

Orkla is to some extent exposed to spot prices in the raw material market, but has a greater share of long-term purchasing contracts that can result in a lag in relation to spot market prices. As a result of this and the significantly higher market price level than in the third quarter of 2021, Orkla continues to see large increases in costs for input factors. To compensate for the higher costs, Orkla has implemented price increases in all markets during the quarter. Furthermore, general cost inflation has been high in several of the markets in which Orkla is present, and costs other than input factor costs were substantially higher in the third quarter, year over year.

Energy prices in the Nordic region and large parts of Europe were significantly higher in the third quarter, year over year, reaching their peak so far this year. The continuously rising prices have resulted in increased production costs for the Branded Consumer Goods business, and contributed to higher costs for purchased raw materials and packaging. At the same time, the energy prices had a positive effect on Hydro Power’s profit performance.

In most of the markets in which Orkla operates, volume declined in the grocery channel in the third quarter, year over year. In 2021, sales volume was abnormally high in the grocery channel due to coronavirus restrictions

and infection protection measures in several countries in Europe. Moreover, weaker buying power and generally high price increases in the market have had a negative impact on volume performance. Sales growth in the Out of Home channels has been good in the third quarter, year over year, although lower compared with growth in the first half of 2022.

Branded Consumer Goods’ performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–30.9.2022	9.6	-2.2	5.2	12.5
1.7.–30.9.2022	9.0	-2.7	1.2	7.5

Figures may not add up due to rounding.

Turnover growth for the Branded Consumer Goods business in the third quarter was related to organic and structural growth, partly counteracted by negative currency translation effects. Organic turnover growth in the quarter was 9.0%, and was related to price increases. All business areas had organic growth in the quarter. There was some decline in volume, especially for several of the Norwegian companies, mainly as a result of normalisation of volume levels after the pandemic. Several of the Norwegian companies saw reduced sales volume in the third quarter, due to higher sales than normal prior to price increases as of 1 July 2022.

Orkla Food Ingredients delivered strong organic growth of 20.9% in the quarter, largely due to price increases. The organic growth was broad-based across categories and geographies. Orkla India had organic growth of 20.1% due to good sales growth in its home market and normalisation of export sales which were negatively affected by the coronavirus pandemic in the

same period of last year. Orkla Foods Europe delivered broad-based organic growth of 4.2% in the third quarter. There was also organic turnover growth of 7.5% in Orkla Confectionery & Snacks. Orkla Care contributed 3.7% organic growth with good sales growth in international markets. Turnover growth in Orkla Consumer Investments was slightly positive at 0.7%. There was good sales growth in the pizza franchise restaurants, counteracted by the continued decline in sales of painting tools for Orkla House Care, particularly in the UK.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.9.2022	-7.5	-1.8	4.1	-5.2
1.7.–30.9.2022	-8.6	-2.3	0.2	-10.7

Figures may not add up due to rounding.

Branded Consumer Goods including Headquarters (HQ) saw a decline of 10.7% in EBIT (adj.) and a decline in underlying EBIT (adj.) of 8.6% in the third quarter.

The underlying profit decline was chiefly caused by high cost inflation in all the business areas, and some decline in volume. The cost increases must partly be seen in conjunction with higher activity levels in the period, especially in Orkla Food Ingredients, compared with the somewhat lower activity level same period last year. Furthermore, input factor costs across the Branded Consumer Goods business were significantly higher compared with the same period of 2021.

EBIT (adj.) margin growth change in percentage points	Underlying growth	Structure/ FX	Total	EBIT (adj.) margin 2022 (%)
R12M per 30.9.2022	-1.7	0.0	-1.7	9.7

Figures may not add up due to rounding.

Margin performance on a rolling 12-month basis for Branded Consumer Goods including HQ showed an underlying decline of 1.7 percentage points, driven by higher costs of inputs factors, substantially higher energy costs and high cost inflation. The effects of acquisitions and currency translation were neutral in the period.

**Structural measures (M&A)**

Orkla Food Ingredients has entered into an agreement to purchase 84% of the shares in Denali Ingredients, a leading ice cream ingredients company in the USA. This acquisition strengthens Orkla’s position as a leading supplier of ingredients to the ice cream and chocolate industry, and increases its exposure to markets and categories with higher growth. At the same time, a process is being initiated to seek a long-term partner for Orkla Food Ingredients. The transaction must be approved by relevant authorities and is expected to be completed in the fourth quarter of 2022. Denali Ingredients will be consolidated into Orkla’s financial statements as of the date of completion.

Orkla Consumer & Financial Investments has entered into an agreement to purchase 74% of the shares in Da Grasso, one of Poland’s leading pizza franchise chains with 193 sales outlets. The transaction is expected to be completed in the fourth quarter of 2022.

Orkla Latvija has sold its convenience business in Latvia and Lithuania, which mainly consisted of fresh sandwiches sold through convenience stores and petrol stations. The business was part of Orkla's acquisition of NP Foods in 2016 and has been organised in the subsidiaries Margiris UAB (Lithuania) and SIA Fresh Food Production (Latvia). Margiris UAB ceased to be reported in Orkla's financial statements as of 1 June 2022, and SIA Fresh Food Production will cease to be reported as of 1 October 2022.

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

### Outlook

The war in Ukraine has a significant negative impact on the availability and prices of raw materials and other input factors, and the longer-term consequences of a protracted conflict in Europe are unclear. The geopolitical uncertainty could also contribute to energy prices remaining at a very high level or continuing to rise, and result in raw material scarcity and imbalance in the global flow of goods. These elements are expected to impact on Orkla's Branded Consumer Goods business throughout 2022 and into 2023. To maintain a good delivery performance, Orkla continues to take mitigating actions to ensure access to key raw materials.

The increases in input prices have resulted in substantially higher costs for Orkla's Branded Consumer Goods business, which are expected to continue. Due to purchasing contracts that cover several of the key raw material categories forward in time, purchasing prices will lag behind changes in spot market prices. Orkla is also experiencing increases in costs other than costs for input factors. These elements reinforce the need for further price increases going forward. High inflation is expected to impact negatively on

volume, due to lower buying power and demand in many of the markets in which Orkla operates, especially in the Baltics and Central Europe.

To improve the profitability performance of the Branded Consumer Goods business, it is a key priority to continuously rationalise and optimise the value chain, but also to carry out cost-cutting measures. Such measures have been implemented in several of Orkla's business areas, and further measures will be initiated in the time to come.

On 28 September, the Government proposed to introduce changes in taxes for the hydropower industry, including increasing the resource rent tax rate on hydropower from 37% to 45%, effective 1 January 2022. The proposed changes have not been taken into account in the tax for Hydro Power as at 30 September 2022, since the proposals have not been approved by the Norwegian Storting. If the proposals are approved, they will affect the group's total tax cost for 2022. Besides the changes in resource rent tax, a windfall tax of 23% of power prices exceeding 70 øre/kWh is proposed. If approved, the windfall tax will impact negatively on EBIT (adj.) for Hydro Power as from 28 September 2022.

Orkla is well-equipped financially to face future challenges. As at 30 September 2022, the group had a net interest-bearing liability of 1.7 x EBITDA (on a 12-month rolling EBITDA basis).



Financial matters - Group

Main figures profit/loss

Amounts in NOK million	1.1.-30.9.		1.1.-31.12.		1.7.-30.9.	
	2022	2021	2021	2022	2021	
Operating revenues	42 314	36 414	50 441	14 752	13 139	
EBIT (adj.)	5 508	4 274	6 145	2 223	1 712	
Other income and expenses	(313)	(327)	(415)	(101)	(66)	
Operating profit	5 195	3 947	5 730	2 122	1 646	
Profit/loss from associates and joint ventures	714	750	855	238	164	
Interest and financial items, net	(266)	(172)	(219)	(115)	(63)	
Profit/loss before taxes	5 643	4 525	6 366	2 245	1 747	
Taxes	(1 595)	(965)	(1 468)	(685)	(410)	
Profit/loss for the period	4 048	3 560	4 898	1 560	1 337	
Earnings per share, diluted (NOK)	3.88	3.50	4.82	1.50	1.31	
Earnings per share (adj.), diluted (NOK)	4.15	3.77	5.17	1.58	1.37	

Group operating revenues rose by 12.3% in the third quarter, driven by organic sales improvement due to price increases, offset to some extent by a slight decline in volume and negative currency translation effects. In addition, there was strong growth in turnover for Industrial & Financial Investments, driven by higher power prices for Hydro Power.

In the third quarter, the group had EBIT (adj.) growth of 29.8%, driven by Hydro Power, partly offset by a decline in profit for Branded Consumer Goods.

In Branded Consumer Goods, Orkla Food Ingredients saw profit improvement driven by price increases, as well as higher sales volume for margarine products. Profit performance for Orkla India was also positive, mainly due to high sales.

Profit declined for Orkla Foods Europe, Orkla Care and Orkla Consumer Investments, chiefly due to higher costs. For Orkla Consumer Investments, the decline in profit was also due to lower demand for painting tools compared with a high level of demand in the same period of 2021. There was positive profit growth for Orkla Confectionery & Snacks, where price increases were offset to some extent by weak volume development and a strong increase in raw material and energy costs.

The Group's "Other income and expenses" totalled NOK -101 million in the third quarter of 2022. Costs of NOK -112 million related to write-downs of brands were incurred in the period, related to Harris in Orkla House Care and four small brands in Orkla Health. Costs were also incurred in connection with high M&A activity. This was offset to some extent by revenues from the sale of a convenience business in Orkla Latvija, as well as revenues from the sale of property in Orkla Foods Česko a Slovensko. See further details regarding other income and expenses in Note 3.

Profit from associates amounted to NOK 238 million in the third quarter. This was a solid increase, year over year, related to Jotun's higher contribution to profit. It was offset to some extent by write-downs of NOK -19 million related to the associated company Asteriscos e Reticencias S.A.

Net financial costs in the third quarter of 2022 were higher than in the same period of 2021, primarily due to a higher borrowing rate, but also higher liabilities. The average borrowing rate was 2.6% in the quarter, compared with 1.4% year over year. The average gross debt level before lease liabilities in the quarter was NOK 16.5 billion, compared with NOK 14.0 billion in the corresponding period of 2021.

The effective tax rate, excluding associates and joint ventures, was considerably higher in the third quarter of 2022, year over year, due to Hydro Power's increased contribution to profit.

Earnings per share, diluted, for the third quarter were NOK 1.50, a year-over-year increase of 15%. Adjusted earnings per share, diluted, were NOK 1.58, equivalent to a year-over-year increase of 15%. For more information, see the section on Alternative Performance Measures (APM) on page 29.



## Cash flow – Group

### Orkla format

	1.1.–30.9.		1.1.–31.12.		1.7.–30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021	
Cash flow from Branded Consumer Goods incl. HQ						
EBIT (adj.)	3 773	3 981	5 433	1 446	1 619	
Depreciation	1 504	1 392	1 924	511	502	
Changes in net working capital	(2 794)	(824)	(456)	(943)	(176)	
Net replacement investments	(2 081)	(1 739)	(2 625)	(665)	(651)	
Cash flow from operations (adj.)	402	2 810	4 276	349	1 294	
Cash flow effect from “Other income and expenses” and pensions	(218)	(369)	(525)	(62)	(88)	
Cash flow from operations, Branded Consumer Goods incl. HQ	184	2 441	3 751	287	1 206	
Cash flow from operations, Industrial & Financial Investments	1 982	370	692	1 202	158	
Taxes paid	(1 168)	(688)	(907)	(167)	(87)	
Dividends received, financial items and other payments	88	191	139	27	117	
Cash flow before capital transactions	1 086	2 314	3 675	1 349	1 394	
Dividends paid and purchase/sale of treasury shares	(2 997)	(3 126)	(3 130)	(13)	(13)	
Cash flow before expansion	(1 911)	(812)	545	1 336	1 381	
Expansion investments	(228)	(310)	(486)	(71)	(80)	
Sale of companies (enterprise value)	132	-	-	100	-	
Purchase of companies (enterprise value)	(1 157)	(6 908)	(7 030)	(9)	(1 462)	
Net cash flow	(3 164)	(8 030)	(6 971)	1 356	(161)	
Currency effects of net interest-bearing liabilities	(578)	382	593	(260)	46	
Change in net interest-bearing liabilities	3 742	7 648	6 378	(1 096)	115	
Net interest-bearing liabilities	16 500	14 028	12 758			

The comments below are based on the cash flow statement as presented in Orkla’s internal format and refer to the period 1 January to 30 September 2022. Reference is made to page 21 for the consolidated statement of cash flows IFRS and reconciliation of cash flows.

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 including HQ was substantially lower in the first nine months of 2022 than in the corresponding period of 2021, primarily due to increased working capital. Working capital as at 30 September 2022 was negatively affected by increased inventory values due to significantly higher raw material prices, as well as increased safety stocks. Customer receivables have also increased due to turnover growth.

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, entry into new long-term leases and investments related to ERP projects.

In Industrial & Financial Investments, cash flow from operations as at 30 September 2022 was substantially higher, year over year, due to profit improvement for Hydro Power.

Taxes paid were significantly higher as at 30 September 2022, compared with the same period of 2021. The increase was mainly due to higher taxes for Hydro Power on profit in 2021.

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

Expansion investments include investments in increased production and warehouse capacity, mainly in Orkla Foods Europe, Orkla Food Ingredients and Orkla Care.

Purchases of companies totalled NOK -1,157 million in the first nine months and largely consisted of the acquisition of 100% of the shares in Healthspan Group Limited and 95% of the shares in Vesterålen Marine Olje AS. Sales of companies totalled NOK 132 million in the first nine months and mainly consisted of the sale of the Alvo Park property in Latvia, the sale of property in Orkla Foods Česko a Slovensko, and the sale of the convenience business in Orkla Latvija.

Net cash flow for the group was NOK -3,164 million. Negative currency translation effects due to the weaker Norwegian krone increased net interest-bearing liabilities by NOK 578 million. As at 30 September 2022, net interest-bearing liabilities before lease liabilities totalled NOK 14,652 million. Including lease liabilities under IFRS 16, net interest-bearing liabilities amounted to NOK 16,500 million.

As at 30 September 2022, the equity ratio was 53.5%, compared with 55.8% as at 31 December 2021. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.4 years. Orkla’s financial position is robust, with cash reserves and credit lines that exceed known future capital needs.

Business areas

Branded Consumer Goods

When Nils K. Selte took up his post as President and CEO on 11 April 2022, changes were made in Orkla’s corporate structure. In Orkla’s Branded Consumer Goods business, the Orkla Foods business area was divided into Orkla Foods Europe and Orkla India. The change was implemented in internal and external reporting as of third quarter 2022.

Orkla Foods Europe

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
Operating revenues	12 897	12 313	16 891	4 340	4 312
- Organic revenue growth	7.2%	0.5%	1.4%	4.2%	4.7%
EBIT (adj.)	1 400	1 580	2 243	526	652
EBIT (adj.) margin	10.9%	12.8%	13.3%	12.1%	15.1%

- Organic sales growth in the third quarter due to price increases
- In sum, a normalised situation in the quarter compared with the corresponding quarter of 2021 which was positively affected by the pandemic
- Profit performance was substantially negatively impacted by continuing increases in purchasing prices, energy costs and growing inflation

Orkla Foods Europe saw an increase of 0.6% in sales in the third quarter, while organic growth was 4.2%. The improvement was broad-based across most markets, but sales declined in Norway and Denmark, partly on account

of the strong sales at the end of the second quarter. Sales to the food service, convenience store and petrol station segments and export sales continued the good improvement trend from the first half of 2022, while there was more moderate sales growth and weak volume development in the grocery market. The positive effects of reopening after the pandemic were tapering off, and a more normal summer holiday situation with more consumers vacationing abroad than last year impacted negatively on sales figures. In addition, volume growth was weaker across markets due to higher consumer prices. Market shares were relatively stable. Condiments and pizza were the categories that contributed most to the growth in the quarter.

There was negative profit growth of 19.3% in the third quarter. Profit performance was largely affected by higher raw material, packaging and energy costs, combined with increasing inflation for costs other than input factors. The trend of a strong increase in purchasing prices for almost all input factors, as well as in transport and energy costs, continued into the third quarter. The war in Ukraine continues to be a reinforcing factor. Price increases were implemented in all markets in the quarter, but the current trend will necessitate further price increases going forward.

Profit performance in the first half of 2022 was positively impacted by non-recurring costs and weak productivity in connection with the implementation of a new ERP system at Orkla Foods Sverige in 2021. These effects were considerably more moderate in the third quarter. Performance both in the quarter and year-to-date was negatively affected by structural changes and currency translation effects.

The EBIT (adj.) margin for the third quarter was 12.1%, down 3.0 percentage points year over year.



**Orkla India**

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
Operating revenues	1 877	1 308	1 869	689	545
- <i>Organic revenue growth</i>	17.3%	6.6%	6.7%	20.1%	4.8%
EBIT (adj.)	230	162	228	93	66
EBIT (adj.) margin	12.3%	12.4%	12.2%	13.5%	12.1%

- Good sales growth in the home market and normalisation of export sales
- Positive profit performance in the quarter, chiefly due to good sales
- Integration of Eastern proceeding as planned

Orkla India saw a 26.4% increase in third-quarter sales, while organic growth was 20.1%. The improvement was broad-based across key categories and most markets. Sales to the grocery sector were strong. During the pandemic, export sales were negatively affected by the fact that fewer of India's inhabitants could work abroad, and part of the growth in 2022 can be ascribed to the gradual normalisation of this situation. There was stable growth in sales of both masalas and pure spice mixtures, with double-digit growth in the quarter.

Profit performance was good in the third quarter, with growth of 40.9%, largely driven by price- and volume-related sales growth. Cost increases across key input factors have continued into the third quarter, making it necessary to implement further price increases. Profit growth was offset to some extent by increased advertising spend and campaigns to strengthen brands.

The EBIT (adj.) margin was 13.5% in the third quarter, up 1.4 percentage points from the third quarter of 2021.

The integration of Eastern is on track and Orkla India is delivering on the synergy plan implemented in connection with the acquisition. The most important improvements include the upgrading and sharing of expertise and collaboration on exports, especially to the Middle East. Orkla's value creation model is being implemented rapidly throughout the value chain.

**Orkla Confectionery & Snacks**

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
Operating revenues	5 332	5 185	7 337	1 889	1 847
- <i>Organic revenue growth</i>	5.1%	2.5%	3.4%	7.5%	2.2%
EBIT (adj.)	644	719	1 113	286	280
EBIT (adj.) margin	12.1%	13.9%	15.2%	15.1%	15.2%

- Weak volume development in the grocery market
- Strong increase in raw material and energy prices
- Price increases to customers implemented successively during 2022

Orkla Confectionery & Snacks had an increase of 2.3% in third-quarter operating revenues, and organic growth was 7.5%. The growth was driven by price increases, while volume development was negative. Some of the volume decline was ascribable to phasing of sales between the second and third quarters. Market growth in the grocery sector was negative, to some extent explained by especially high market growth in the past two years. This applied particularly to the Norwegian market. The market development outside the grocery sector was more positive.

EBIT (adj.) for Orkla Confectionery & Snacks rose 2.1% in the third quarter, year over year. Prices of input factors, transport and packaging increased substantially in the wake of the pandemic, a trend that was reinforced by the war in Ukraine. The higher costs have been compensated for by successive price increases to customers so far in 2022. At the same time, costs for input factors continued to rise, also in the third quarter.

Orkla Care

	1.1.-30.9.		1.1.-31.12.	1.7.-30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
Operating revenues	6 452	5 458	7 389	2 170	2 020
- <i>Organic revenue growth</i>	5.8%	3.5%	2.3%	3.7%	3.8%
EBIT (adj.)	766	866	1 066	258	359
EBIT (adj.) margin	11.9%	15.9%	14.4%	11.9%	17.8%

- In Orkla Home and Personal Care, turnover in markets outside Norway and to industrial customers grew, while growth in sales to the grocery sector in Norway remained substantially negative
- Orkla Wound Care and HSNG both contributed organic growth in the quarter
- Decline in profit due to strong increases in costs for input factors related to production as well as in energy, freight and other costs

Orkla Care had 7.4% sales growth in the third quarter, of which 3.7% was organic growth. Structural growth was driven by Healthspan. Price increases, industrial sales and growth in international markets drove organic growth despite a decline in several Nordic markets. Orkla Health saw a decline in organic sales in the quarter, driven by corrections in several markets following high demand during the coronavirus pandemic.

The 28.1% decline in third-quarter profit was driven by a margin decline. The third-quarter EBIT (adj.) margin was 11.9%, compared with 17.8% for the same period in 2021, which was particularly strong. Price increases were implemented in all markets in the quarter, but the price increases to customers have not been sufficient to offset the strong increase in costs for input factors, a trend that has continued during the quarter. The current situation will necessitate further price increases going forward. Negative mix effects also pulled the EBIT (adj.) margin down.



Orkla Food Ingredients

	1.1.-30.9.		1.1.-31.12.		1.7.-30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021	
Operating revenues	10 527	8 706	12 012	3 744	3 189	
- <i>Organic revenue growth</i>	21.3%	8.4%	10.4%	20.9%	7.3%	
EBIT (adj.)	655	490	646	252	205	
EBIT (adj.) margin	6.2%	5.6%	5.4%	6.7%	6.4%	

- Broad-based sales growth across categories and geographies
- EBIT (adj.) improvement driven by solid revenue management, to some extent counteracted by the continued rise in raw material prices and high inflation
- Uncertainty ahead related to buying power in the market, availability of raw materials and high cost inflation

Orkla Food Ingredients saw an increase in third-quarter operating revenues of 17.4%, and organic growth was 20.9%. Organic growth was largely price-driven due to increases in selling prices to customers to offset higher raw material costs. Organic growth was broad-based across categories and geographies, with particularly good growth for margarine products and continued good growth for bakery ingredients. Sales of ingredients to the ice cream and confectionery industry were negatively impacted by lower demand and cold weather at the end of the third quarter.

EBIT (adj.) showed a 22.9% improvement in the third quarter, driven by sales growth. Acquisitions made a positive contribution to profit, but it was more than offset by negative currency translation effects. EBIT (adj.) improvement was driven by solid revenue management, counteracted to some extent by higher operating costs due to cost inflation and higher activity. There are constant challenges and uncertainty related to the availability of raw materials, as well as to the still rising raw material prices. High inflation across Europe also generates uncertainty about future buying power.

The EBIT (adj.) margin was 6.7% in the third quarter, a year-over-year improvement of 0.3 percentage points. The improvement was primarily linked to economies of scale related to costs other than input factors.

Orkla Consumer Investments

	1.1.-30.9.		1.1.-31.12.	1.7.-30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
Operating revenues	3 528	3 113	4 205	1 205	1 134
- Organic revenue growth	-2.5%	8.5%	4.8%	0.7%	-1.7%
EBIT (adj.)	342	406	498	113	133
EBIT (adj.) margin	9.7%	13.0%	11.8%	9.4%	11.7%

- Good sales growth for the pizza franchise restaurants
- Continued decline in painting tool sales, especially in the UK
- High energy and raw material costs continued to squeeze margins

Orkla Consumer Investments posted 6.3% growth in turnover in the third quarter, driven by structural growth from the acquisition of New York Pizza. Organic sales grew by 0.7% in the quarter, where solid growth in chain sales for pizza franchise outlets, boosted by price increases, had a positive impact. Orkla House Care saw a decline in third-quarter sales driven by negative development in the UK.

Profit in the third quarter declined by 15.0% despite the positive contribution from the acquisition of New York Pizza. The decline was mainly driven by lower demand for painting tools, primarily in the UK. Increased energy and raw material costs, combined with generally high cost inflation, continued to squeeze margins in all the companies, contributing to a decline in overall profit for Orkla Consumer Investments in the quarter.

The EBIT (adj.) margin for the third quarter was 9.4%, a year-over-year decline of 2.3 percentage points.

## Industrial & Financial Investments

### Hydro Power

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2022	2021	2021	2022	2021
Volume (GWh)	1 602	1 432	2 065	512	406
Price* (øre/kWh)	200.8	58.7	75.8	289.9	80.3
EBIT (adj.) (NOK million)	1 697	287	702	773	89

\*Source: Nord Pool (average spot area prices for the Eastern Norway (NO1))

EBIT (adj.) for Hydro Power was NOK 773 million in the third quarter of 2022, compared with NOK 89 million year over year. The increase was due to substantially higher power prices than in the same quarter of 2021. High gas, coal and CO<sub>2</sub> prices continued to prevail on the European energy market, and there have been long periods with little unregulated power. The price level in the third quarter of 2022 has been record-high. Low reservoir levels in South Norway, due to a dry summer and dry start to the autumn season, combined with the energy crisis on the continent, were the primary explanation for the high price level. The power price in Eastern Norway in the quarter was 289.9 øre/kWh, compared with 80.3 øre/kWh in the third quarter of 2021. Production was higher in the quarter due to somewhat higher inflow, and reached 512 GWh compared with 406 GWh year over year.

At quarter end, reservoir levels for the Glomma and Laagen rivers were normal, while reservoir levels in Sauda were lower than normal.

The Government has proposed to increase the resource rent tax rate for hydropower from 37% to 45%, effective 1 January 2022. The proposed

tax changes, with retroactive effect to 1 January 2022, amount to a total of NOK 85 million as at 30 September 2022. This has not been taken into account in the financial statements as at 30 September 2022 because the proposal has not been approved. In addition to the changes in resource rent tax, a windfall tax of 23% of power prices over 70 øre/kWh has been proposed. If approved, the windfall tax will affect EBIT (adj.) in Hydro Power as from 28 September 2022.

### Financial Investments

EBIT (adj.) for Financial Investments totalled NOK 4 million in the third quarter, compared with NOK 4 million in the same period of 2021. No property transactions were carried out in the period. Development of the existing real estate portfolio was the main activity in the quarter.

### Jotun (42.6% interest)

Higher sales volumes and price increases resulted in strong top-line growth for Jotun in the third quarter, year over year. All segments (Decorative Paints, Protective Coatings, Powder Coatings and Marine Coatings) achieved double-digit percentage-wise sales growth in the quarter.

The strong top-line growth contributed to an increase in operating profit. EBITA rose by 75% in the third quarter. However, the profit margin was under pressure due to high raw material prices and significant global unrest.

Jotun anticipates further sales growth going forward. High raw material prices will continue to pose a challenge, but after a long period of strong increases, there are now signs that prices are levelling off in the raw material market. Furthermore, it is highly uncertain how the war in Ukraine,



the energy crisis in Europe, the turbulence in the logistics markets and the coronavirus pandemic, especially in China, will develop. Jotun is well positioned for further profitable growth, and the company remains committed to its long-term growth strategy and investment plan.

#### **Other matters**

Maria Syse-Nybraaten joined Orkla as EVP and CEO of the Orkla Consumer & Financial Investments business area on 1 October 2022. She took over the position after Thomas Ljungqvist who served in an acting capacity since 16 February this year.

In order to establish a new organisation that provides an enabling environment for growth and value creation, it has been decided to make changes in Orkla's corporate structure and executive management team as of 26 October 2022.

The new executive management team consists of nine EVPs, five of whom form the investment team and four of whom each head their respective corporate function. The five EVPs in the investment team, also called “Investment Executives”, are: Maria Syse-Nybraaten, Audun Stensvold, Øyvind Torpp, Atle Vidar Nagel Johansen and Hege Holter Brekke. Harald Ullevoldsæter will continue to serve as EVP Finance & CFO, and Håkon Mageli as EVP Communications & Corporate Affairs. Christer Grönberg has been appointed EVP HR and Camilla T. Robstad has been appointed EVP Legal & Compliance. The new executive management team will be operational from mid-December 2022.

Twelve independent portfolio companies will be established: Jotun, Orkla Foods Europe, Orkla Food Ingredients, Orkla Confectionery & Snacks, Orkla Health, Orkla Home & Personal Care, Orkla India, Pizza Out of Home, Orkla House Care, Health and Sports Nutrition Group, Pierre Robert Group and Lilleborg. The new operating model will be implemented by 1 March 2023, and external reporting will be based on the new structure as from the second quarter of 2023.

Oslo, 26 October 2022

#### **The Board of Directors of Orkla ASA**

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

**Condensed income statement**

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
Operating revenues	42 314	36 414	50 441	14 752	13 139
Operating expenses	(35 182)	(30 626)	(42 209)	(11 978)	(10 884)
Depreciation	(1 624)	(1 514)	(2 087)	(551)	(543)
<b>EBIT (adj.)</b>	<b>5 508</b>	<b>4 274</b>	<b>6 145</b>	<b>2 223</b>	<b>1 712</b>
Other income and expenses	(313)	(327)	(415)	(101)	(66)
<b>Operating profit</b>	<b>5 195</b>	<b>3 947</b>	<b>5 730</b>	<b>2 122</b>	<b>1 646</b>
Profit/loss from associates and joint ventures	714	750	855	238	164
Interest, net	(226)	(121)	(166)	(99)	(47)
Other financial items, net	(40)	(51)	(53)	(16)	(16)
<b>Profit/loss before taxes</b>	<b>5 643</b>	<b>4 525</b>	<b>6 366</b>	<b>2 245</b>	<b>1 747</b>
Taxes	(1 595)	(965)	(1 468)	(685)	(410)
<b>Profit/loss for the period</b>	<b>4 048</b>	<b>3 560</b>	<b>4 898</b>	<b>1 560</b>	<b>1 337</b>
Profit/loss attributable to non-controlling interests	185	66	90	56	27
Profit/loss attributable to owners of the parent	3 863	3 494	4 808	1 504	1 310

**Earnings per share**

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK	2022	2021	2021	2022	2021
Earnings per share	3.88	3.50	4.82	1.50	1.31
Earnings per share, diluted	3.88	3.50	4.82	1.50	1.31
Earnings per share (adj.)	4.15	3.77	5.17	1.58	1.37
Earnings per share (adj.), diluted	4.15	3.77	5.17	1.58	1.37

**Condensed statement of comprehensive income**

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
<b>Profit/loss for the period</b>	<b>4 048</b>	<b>3 560</b>	<b>4 898</b>	<b>1 560</b>	<b>1 337</b>
<b>Other items in comprehensive income</b>					
Actuarial gains and losses pensions	-	-	54	-	-
Changes in fair value shares	(53)	(1)	38	(3)	-
<b>Items not to be reclassified to profit/loss in subsequent periods</b>	<b>(53)</b>	<b>(1)</b>	<b>92</b>	<b>(3)</b>	<b>0</b>
Change in hedging reserve	110	162	152	62	21
Carried against equity in associates and joint ventures	576	40	(32)	257	98
Translation effects	1 017	(483)	(761)	455	(30)
<b>Items after tax to be reclassified to profit/loss in subsequent periods</b>	<b>1 703</b>	<b>(281)</b>	<b>(641)</b>	<b>774</b>	<b>89</b>
<b>The Group's comprehensive income</b>	<b>5 698</b>	<b>3 278</b>	<b>4 349</b>	<b>2 331</b>	<b>1 426</b>
Comprehensive income attributable to non-controlling interests	255	59	78		
Comprehensive income attributable to owners of the parent	5 443	3 219	4 271		

## Condensed statement of financial position

### Assets

Amounts in NOK million	Note	30.9.2022	31.12.2021
Intangible assets		32 481	30 683
Property, plant and equipment		18 650	17 458
Associates, joint ventures and other financial assets	6	6 964	5 979
<b>Non-current assets</b>		<b>58 095</b>	<b>54 120</b>
Inventories		10 032	7 534
Trade receivables		8 002	6 528
Other receivables and financial assets	6	1 379	1 255
Cash and cash equivalents	6	1 075	1 127
<b>Current assets</b>		<b>20 488</b>	<b>16 444</b>
<b>Total assets</b>		<b>78 583</b>	<b>70 564</b>

### Equity and liabilities

Amounts in NOK million	Note	30.9.2022	31.12.2021
Paid-in equity		1 968	1 967
Retained equity		38 914	36 474
Non-controlling interests		1 122	910
<b>Equity</b>		<b>42 002</b>	<b>39 351</b>
Provisions and other non-current liabilities		5 338	5 259
Non-current interest-bearing liabilities	6	14 301	10 731
Current interest-bearing liabilities	6	3 679	3 603
Trade payables		7 937	7 286
Other current liabilities		5 324	4 334
<b>Equity and liabilities</b>		<b>78 583</b>	<b>70 564</b>
Equity ratio		53.5%	55.8%

## Condensed statement of changes in equity

Amounts in NOK million	1.1.–30.9.2022			1.1.–30.9.2021		
	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	5 443	255	5 698	3 219	59	3 278
Dividends	(2 989)	(51)	(3 040)	(2 739)	(41)	(2 780)
Net purchase/sale of treasury shares	43	-	43	(346)	-	(346)
Option costs	23	-	23	8	-	8
Change in non-controlling interests	(79)	8	(71)	-	293	293
<b>Equity 30 September</b>	<b>40 882</b>	<b>1 122</b>	<b>42 004</b>	<b>37 384</b>	<b>773</b>	<b>38 157</b>



## Condensed statement of cash flow IFRS

	1.1.-30.9.		1.1.-31.12.	1.7.-30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
Cash flow from operations before capital expenditure	4 266	4 561	7 177	2 161	2 016
Received dividends and paid financial items	79	134	83	66	94
Taxes paid	(1 168)	(688)	(907)	(167)	(87)
<b>Cash flow from operating activities</b>	<b>3 177</b>	<b>4 007</b>	<b>6 353</b>	<b>2 060</b>	<b>2 023</b>
Net capital expenditure	(2 063)	(1 751)	(2 606)	(637)	(661)
Net sale (purchase) of companies	(866)	(5 729)	(5 811)	91	(1 206)
Other payments	9	57	56	(39)	23
<b>Cash flow from investing activities</b>	<b>(2 920)</b>	<b>(7 423)</b>	<b>(8 361)</b>	<b>(585)</b>	<b>(1 844)</b>
Paid to shareholders	(2 997)	(3 126)	(3 130)	(13)	(13)
Cash flow from financing activities excl. paid to shareholders	2 673	4 617	3 099	(1 525)	225
<b>Cash flow from financing activities</b>	<b>(324)</b>	<b>1 491</b>	<b>(31)</b>	<b>(1 538)</b>	<b>212</b>
Currency effects cash and cash equivalents	15	(38)	(47)	0	(6)
<b>Change in cash and cash equivalents</b>	<b>(52)</b>	<b>(1 963)</b>	<b>(2 086)</b>	<b>(63)</b>	<b>385</b>
<b>Cash and cash equivalents</b>	<b>1 075</b>	<b>1 250</b>	<b>1 127</b>		

## Reconciliation operating activities against Orkla format; see page 9

	1.1.-30.9.		1.1.-31.12.	1.7.-30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
<b>IFRS cash flow</b>					
Cash flow from operating activities	3 177	4 007	6 353	2 060	2 023
Net capital expenditure	(2 063)	(1 751)	(2 606)	(637)	(661)
Other payments	9	57	56	(39)	23
<b>Cash flow from operating activities incl. capital expenditure</b>	<b>1 123</b>	<b>2 313</b>	<b>3 803</b>	<b>1 384</b>	<b>1 385</b>
<b>Orkla format</b>					
Cash flow before capital transactions	1 086	2 314	3 675	1 349	1 394
New capitalised leases (incl. in net replacement expenditures in Orkla format)	265	309	614	106	71
Expansion investments	(228)	(310)	(486)	(71)	(80)
<b>Comparative cash flow</b>	<b>1 123</b>	<b>2 313</b>	<b>3 803</b>	<b>1 384</b>	<b>1 385</b>

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

Change cash and cash equivalents IFRS cash flow	52	1 963	2 086	63	(385)
Change net interest-bearing liabilities IFRS cash flow	2 673	4 617	3 099	(1 525)	225
Net interest-bearing liabilities in purchased/sold companies	159	1 179	1 219	0	256
Interest-bearing liabilities new leases	265	309	614	106	71
Total currency effect net interest-bearing liabilities	578	(382)	(593)	260	(46)
Currency effect cash and cash equivalents	15	(38)	(47)	0	(6)
<b>Change net interest-bearing liabilities Orkla format</b>	<b>3 742</b>	<b>7 648</b>	<b>6 378</b>	<b>(1 096)</b>	<b>115</b>

## Note 1 General information

Orkla ASA's condensed consolidated financial statements as at 30 September 2022 were approved at the Board of Directors' meeting on 26 October 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.

On 11 April 2022 changes were made in Orkla's corporate structure, and Orkla India was established as a separate business area. As from the third quarter of 2022, this change was carried out in the financial reporting and the previously reported business area Orkla Foods has been divided into Orkla Foods Europe and Orkla India. No other changes have been made in presentation 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 Note 5 and Note 12.

## Note 2 Segments

Amounts in NOK million	Operating revenues					EBIT (adj.)				
	1.1.-30.9.		1.1.-31.12.	1.7.-30.9.		1.1.-30.9.		1.1.-31.12.	1.7.-30.9.	
	2022	2021	2021	2022	2021	2022	2021	2021	2022	2021
Orkla Foods Europe	12 897	12 313	16 891	4 340	4 312	1 400	1 580	2 243	526	652
Orkla India	1 877	1 308	1 869	689	545	230	162	228	93	66
Orkla Confectionery & Snacks	5 332	5 185	7 337	1 889	1 847	644	719	1 113	286	280
Orkla Care	6 452	5 458	7 389	2 170	2 020	766	866	1 066	258	359
Orkla Food Ingredients	10 527	8 706	12 012	3 744	3 189	655	490	646	252	205
Orkla Consumer Investments	3 528	3 113	4 205	1 205	1 134	342	406	498	113	133
Eliminations Branded Consumer Goods	(411)	(361)	(499)	(150)	(133)	-	-	-	-	-
<b>Branded Consumer Goods</b>	<b>40 202</b>	<b>35 722</b>	<b>49 204</b>	<b>13 887</b>	<b>12 914</b>	<b>4 037</b>	<b>4 223</b>	<b>5 794</b>	<b>1 528</b>	<b>1 695</b>
HQ/Eliminations	24	32	38	17	17	(264)	(242)	(361)	(82)	(76)
<b>Branded Consumer Goods incl. HQ</b>	<b>40 226</b>	<b>35 754</b>	<b>49 242</b>	<b>13 904</b>	<b>12 931</b>	<b>3 773</b>	<b>3 981</b>	<b>5 433</b>	<b>1 446</b>	<b>1 619</b>
Hydro Power	1 993	644	1 177	854	202	1 697	287	702	773	89
Financial Investments	175	79	110	31	25	38	6	10	4	4
<b>Industrial &amp; Financial Investments</b>	<b>2 168</b>	<b>723</b>	<b>1 287</b>	<b>885</b>	<b>227</b>	<b>1 735</b>	<b>293</b>	<b>712</b>	<b>777</b>	<b>93</b>
Eliminations	(80)	(63)	(88)	(37)	(19)	-	-	-	-	-
<b>Orkla</b>	<b>42 314</b>	<b>36 414</b>	<b>50 441</b>	<b>14 752</b>	<b>13 139</b>	<b>5 508</b>	<b>4 274</b>	<b>6 145</b>	<b>2 223</b>	<b>1 712</b>

### Note 3 Other income and expenses

	1.1.–30.9.		1.1.–31.12.		1.7.–30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021	
M&A and integration costs	(92)	(122)	(161)	(35)	(43)	
Final settlement employment relationships etc.	(18)	(64)	(69)	(5)	(6)	
Gain/loss on transactions	90	121	165	71	44	
Write-downs	(208)	(4)	(5)	(116)	0	
Restructuring costs and other items	(85)	(258)	(345)	(16)	(61)	
<b>Total other income and expenses</b>	<b>(313)</b>	<b>(327)</b>	<b>(415)</b>	<b>(101)</b>	<b>(66)</b>	

#### Other income

Orkla Foods Česko a Slovensko sold a property in Maratice, Czech Republic, in the third quarter of 2022. A gain of NOK 35 million related to the disposal has been taken to income and reported as “Other income and expenses”.

In the second and third quarters, Orkla Latvija sold its convenience business in Latvia and Lithuania at a total gain of NOK 19 million. See also further information on the disposal in Note 5. NOK 12 million has also been taken to income in Orkla Foods Europe related to the sale of a bottled water business in Orkla Latvija that was completed in 2021.

In the second quarter of 2022, Orkla Confectionery & Snacks sold the Kung Oscar ginger snap brand at a gain of NOK 5 million.

NOK 11 million was taken to income as at 30 September 2022 related to an ongoing insurance settlement in connection with 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 also recognised in “Other income and expenses”.

Orkla Eiendom sold the Alvo Park property in Latvia in the first quarter of 2022. A total of NOK 4 million related to this sale was taken to income.

#### Other expenses

Write-downs of brands and goodwill totalling NOK 116 million were taken in the third quarter of 2022. The largest write-down concerns the Harris brand in Orkla House Care UK (Orkla Consumer Investments). The brand was written down because the company has not shown satisfactory growth over time despite an upswing during the pandemic. Write-downs of four minor brands totalling NOK 48 million in Orkla Health (Orkla Care) and of a goodwill item in Orchard Valley Australia (Orkla Food Ingredients) of NOK 4 million were also taken. See also Note 10.

In the first half of March 2022, Orkla decided to end its ownership of its Russian business, Hamé Foods ZAO, which produces long shelf life food products for the Russian market. As a result of this decision, NOK 119 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 ending of Orkla’s ownership. No profit from the company has been recognised after the decision to end ownership was taken.

NOK 92 million in expenses were incurred in connection with the acquisition and integration of companies as at 30 September 2022. In addition, expenses totalling NOK 55 million were incurred in connection with restructuring and coordination projects in the group as at 30 September 2022. The biggest projects are a project related to the construction of a new biscuit factory in Latvia (Confectionery & Snacks) and an ongoing project at Orkla Headquarters to establish a new business model with a clearer ownership role at ASA level and with more autonomous portfolio companies in the group.

## Note 4 Statement of comprehensive income

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve) after tax. The hedging reserve included in equity as at 30 September 2022 (after tax) totalled NOK 55 million. Accumulated translation differences correspondingly amounted to NOK 2,796 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 706 million as at 30 September 2022.

## Note 5 Acquisitions and disposals

### *Disposals of companies*

Orkla Foods Česko a Slovensko sold a property in Maratice, Czech Republic, in the third quarter of 2022. In the first quarter of 2022, Orkla Eiendom completed the sale of the Alvo Park property in Latvia. See also Note 3 “Other income and expenses”.

In the second and third quarters, Orkla Latvija sold its convenience business in Latvia and Lithuania. The business mainly consisted of the sale of fresh sandwiches through local convenience stores and petrol stations. The convenience business was part of Orkla’s acquisition of NP Foods in 2016 and has been organised in the subsidiaries SIA Fresh Food Production (Latvia) and Margiris UAB (Lithuania). In total, the convenience business generated around EUR 10 million in sales revenues in 2021. The business has no longer been included in Orkla’s financial reporting as from 1 June 2022 (approx. EUR 4 million in annual sales) and from 1 October 2022 (approx. EUR 6 million in annual sales). See also Note 3.

### *Purchases of companies*

In February 2022, Orkla Health (Orkla Care) 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 based 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 brands 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.

In April 2022, Orkla Food Ingredients acquired 70% of the shares in the Belgian company Hadecoup. 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. Orkla has an obligation to purchase the remaining ownership interest in the company over the next five years, and this obligation has been recognised as a liability in the balance sheet.

In the second quarter of 2022, Orkla Food Ingredients purchased 30% of the shares in the company NIC Nederland BV from minority shareholders. There is still a remaining minority shareholding of 5% in the company.

*Other matters*

As at 30 September 2022, Orkla had purchased companies for a total of NOK 1,157 million at enterprise value.

The purchase price allocations for all companies acquired in 2021 were finalised as at 30 September 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:

	30.9. 2022	31.12. 2021
Amounts in NOK million		
Non-current liabilities excl. leases	(12 872)	(9 215)
Current liabilities excl. leases	(3 260)	(3 195)
Non-current receivables (in “Financial Assets”)	392	395
Current receivables (in “Other receivables and financial assets”)	13	54
Cash and cash equivalents	1 075	1 127
<b>Net interest-bearing liabilities excl. leases</b>	<b>(14 652)</b>	<b>(10 834)</b>
Non-current lease liabilities	(1 429)	(1 516)
Current lease liabilities	(419)	(408)
<b>Total net interest-bearing liabilities</b>	<b>(16 500)</b>	<b>(12 758)</b>

## Note 7 Interest and other financial items

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

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
Net interest costs excl. leases	(201)	(100)	(136)	(91)	(40)
Interest costs leases	(25)	(21)	(30)	(8)	(7)
<b>Interest, net</b>	<b>(226)</b>	<b>(121)</b>	<b>(166)</b>	<b>(99)</b>	<b>(47)</b>

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2022	2021	2021	2022	2021
Net foreign currency gain/loss	(5)	2	2	(2)	1
Interest on pensions <sup>1</sup>	(11)	(29)	(24)	(4)	(8)
Other financial items	(24)	(24)	(31)	(10)	(9)
<b>Other financial items, net</b>	<b>(40)</b>	<b>(51)</b>	<b>(53)</b>	<b>(16)</b>	<b>(16)</b>

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

## Note 8 Related parties

The Orkla Group makes annual sales to companies in the Canica system for around NOK 24 million. The Canica system is controlled by Orkla Board Chairman Stein Erik Hagen (largest shareholder in Orkla with 25.003% of issued shares). The sales are agreed on market terms.

As at 30 September 2022, there were no special transactions between the Group and related parties.

## Note 9 Treasury shares and options

### Treasury shares

Changes in Orkla's holding of treasury shares in 2022:

Treasury shares as at 1 January	4 852 874
Employee share purchase programme	(565 894)
<b>Treasury shares as at 30 September</b>	<b>4 286 980</b>

### Options

Changes in Orkla's holding of options outstanding in 2022:

Options outstanding as at 1 January	3 854 529
Allocations	2 980 120
Terminations	(283 169)
<b>Options outstanding as at 30 September</b>	<b>6 551 480</b>

On 6 May 2022, as part of Orkla's long-term incentive programme for executive management, described in its executive remuneration guidelines, a total of 2,980,120 options in Orkla were allocated, 462,972 of which were allocated to primary insiders. Information on the programme is provided in Orkla's Annual Report.

## Note 10 Assessments relating to impairment

In the first nine months of 2022, write-downs were taken and expenses were recognised for a total of NOK 119 million related to the decision to end Orkla's ownership of its business in Russia; see Note 3 for further information.

In accordance with adopted principles, the group has carried out impairment tests for all intangible assets with an indefinite useful life and for all goodwill prior to the preparation and presentation of the financial statements for the third quarter. Based on this year's tests, the Harris brand in House Care UK (Orkla Consumer Investments) was written down by NOK 64 million. In addition, four small brands in Orkla Health (Orkla Care) were written down by a total of NOK 48 million, as well as a goodwill item in Orchard Valley Australia (Orkla Food Ingredients) of NOK 4 million. See also Note 3 for information on write-downs taken in 2022.

The performance of Orkla Confectionery & Snacks Latvija has been weaker than anticipated since the company was acquired. The company has also been negatively impacted by the coronavirus pandemic. Based on anticipated cash flows, Orkla Confectionery & Snacks Latvija justifies its carrying value, but its performance going forward will be monitored closely in relation to anticipated profit performance. There were otherwise no indications of impairment of the group's assets as at 30 September 2022.

Market growth in the first nine months of 2022 has been affected by Russia's invasion of Ukraine, combined with the after-effects of the pandemic. The situation in Ukraine 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	
<b>30 September 2022:</b>				
<b>Assets</b>				
Investments	-	-	201	201
Derivatives	-	2	-	2
<b>Liabilities</b>				
Derivatives	-	453	-	453
<b>31 December 2021:</b>				
<b>Assets</b>				
Investments	-	-	206	206
Derivatives	-	59	-	59
<b>Liabilities</b>				
Derivatives	-	88	-	88

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

## Note 12      Other matters

Nils K. Selte took up the post of Orkla President and CEO on 11 April 2022, succeeding Jaan Ivar Semlitsch who 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. As a result of these changes, changes were made in the Group's segment reporting in the third quarter of 2022. See also further information in Note 1.

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.

Orkla Food Ingredients (OFI) has entered into an agreement to purchase 84% of the shares in Denali Ingredients, a leading ice cream ingredients company in the USA. At the same time, a process is being initiated to seek a long-term partner for Orkla Food Ingredients. In the past 15 years, Denali Ingredients has had strong organic growth of more than 10% per year. The company has 160 employees. Denali Ingredients is expected to have a turnover in the current financial year 2022 of USD 99 million, equivalent to approx. NOK 1.1 billion (the financial year ends on 30 September) and run-rate operating profit (normalised EBITDA) of USD 14.4 million, equivalent to NOK 156 million. The seller is Denali Companies LLC, owned and operated by the founding family of Wally and June Blume. Denali Ingredients encompasses the entities Denali Ingredients LLC, Denali Staffing LLC, Denali Investment Properties LLC and Denali Equipment LLC. The seller and Denali Ingredients CEO Neal Glaeser will as part of the transaction invest in Denali Ingredients with a combined stake of ~16%. Mr Glaeser will continue in his role as CEO. The transaction values Denali Ingredients at USD 200 million on a 100% and cash and debt-free basis, which is equivalent to NOK 2.2 billion. In addition to the initial purchase price, the agreement includes a potential top-up payment if the company delivers strong growth in the coming years. The transaction is subject to regulatory approval and is expected to be completed in the fourth quarter of 2022. Denali Ingredients will be consolidated into Orkla's financial statements from the date of completion.

Orkla Consumer & Financial Investments has entered into an agreement to purchase 74% of the shares in Da Grasso, one of Poland's leading pizza franchise chains with 193 outlets. Da Grasso had a turnover of EUR 13.6 million (NOK 136 million) in 2021. Normalised operating profit (EBITDA) amounted to EUR 2.5 million (NOK 25 million). The company has 51 employees. Da Grasso is owned by Karolina Rozwandowicz (95%) and the CEO Magdalena Piróg (5%). Both will continue as shareholders in partnership with Orkla. Following the transaction, Orkla will own 74% of the shares in the company and the minority shareholders will own the remaining shares. With the investment in Da Grasso, Orkla's network will consist of 860 pizza franchise outlets in Finland, Benelux, Germany and Poland. The portfolio will comprise leading brands such as Kotipizza, New York Pizza and Da Grasso. The transaction is expected to be completed in the fourth quarter.

Orkla Confectionery & Snacks is ending its agreement with PepsiCo. In 2015 Orkla entered into a sales and distribution agreement with PepsiCo for their juice, cereals and snacks products in the Nordics, including such brands as Tropicana, Quaker, Doritos and Lay's. The snacks part of the agreement expires at the end of 2022 and will not be extended. Orkla and PepsiCo will continue their cooperation in other categories, and Orkla Foods Europe will continue as the distributor for Quaker and Tropicana in the Nordics in 2023.

There have otherwise 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 32.

### 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 translating 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 32.

### 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 as at 30 September 2022, chiefly due to the fact that the write-down of the business in Russia and expensed M&A costs are not tax-deductible. Non-taxable gains (sales of shares) recognised in OIE in the third quarter increase the tax rate for OIE slightly. In the third quarter seen in isolation, the effective tax rate for OIE is higher than the group’s tax rate as a result of these gains. The effective tax rate for OIE as at 30 September 2022 is 13% and 29% in the third quarter.

If other items of a special nature occur under the company’s operating profit or loss, adjustments will also be made for these items. No such adjustments had been made as at 30 September 2022 or in 2021.

		1.1.–30.9.	1.1.–31.12.		1.7.–30.9.
Amounts in NOK million	2022	2021	2021	2022	2021
Profit/loss attributable to owners of the parent	3 863	3 494	4 808	1 504	1 310
<i>Adjustments earnings per share (adj.):</i>					
Other income and expenses after tax	272	270	349	71	59
<b>Adjusted profit for the period after non-controlling interests</b>	<b>4 135</b>	<b>3 764</b>	<b>5 157</b>	<b>1 575</b>	<b>1 369</b>
Average externally owned shares (1000 shares)	996 785	997 283	997 105	997 144	996 578
Average externally owned shares, diluted (1000 shares)	996 808	997 283	997 105	997 201	996 578
Earnings per share (NOK)	3.88	3.50	4.82	1.50	1.31
Earnings per share, diluted (NOK)	3.88	3.50	4.82	1.50	1.31
Earnings per share (adj.) (NOK)	4.15	3.77	5.17	1.58	1.37
Earnings per share (adj.), diluted (NOK)	4.15	3.77	5.17	1.58	1.37

**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 New York Pizza, Vesterålen Marine Olje, Healthspan, Hans Kaspar and Hadecoup. Adjustments have been made for the sale of Credin Russland, the water business in Latvia, the Struer brand and the convenience business in Orkla Latvija, 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 and plant-based production. In 2021, adjustments were also made for the acquisition of Eastern, NutraQ, New York Pizza, Sigurd Ecklund, Hans Kaspar, Núi Sírius, Cake Décor Limited, For All Baking Limited, Ambassador92, Proteinfabrikken, SeaGood Fort Deli, Norgesplaster, Win Equipment, Gortrush and Havrefras and the sale of SaritaS, Vestlandslefsa, Italiensk Bakeri, Gorm's, the skin care business in Poland and the closure of Pierre Robert Sverige. Adjustments were also made for the loss of the distribution agreements with Panzani and OTA Solgryn, and a structural adjustment was made at business area level for the internal relocation of Frödinge.

Organic growth by business area

Sales revenues change %	1.1.–30.9.2022				1.7.–30.9.2022			
	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods Europe	7.2	-2.3	-0.1	4.7	4.2	-3.0	-0.6	0.6
Orkla India	17.3	6.5	19.8	43.5	20.1	6.8	-0.4	26.4
Orkla Confectionery & Snacks	5.1	-2.2	-	2.8	7.5	-2.7	-2.4	2.3
Orkla Care	5.8	-2.8	15.2	18.2	3.7	-3.1	6.9	7.4
Orkla Food Ingredients	21.3	-2.9	2.6	20.9	20.9	-3.7	0.2	17.4
Orkla Consumer Investments	-2.5	-1.8	17.6	13.3	0.7	-2.3	7.9	6.3
<b>Branded Consumer Goods</b>	<b>9.6</b>	<b>-2.2</b>	<b>5.2</b>	<b>12.5</b>	<b>9.0</b>	<b>-2.7</b>	<b>1.2</b>	<b>7.5</b>

Sales revenues change %	1.1.–30.9.2021				1.7.–30.9.2021				1.1.–31.12.2021			
	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods Europe	0.5	-2.1	-0.3	-1.9	4.7	-1.4	0.2	3.4	1.4	-2.7	-0.2	-1.4
Orkla India	6.6	58.8	-15.5	49.9	4.8	-7.0	83.4	81.2	6.7	-14.0	67.6	60.2
Orkla Confectionery & Snacks	2.5	-2.5	1.5	1.5	2.2	-1.8	3.2	3.6	3.4	-3.3	2.2	2.3
Orkla Care	3.5	-2.0	5.9	7.4	3.8	-1.9	13.4	15.3	2.3	-2.7	7.4	7.0
Orkla Food Ingredients	8.4	-4.4	6.8	10.7	7.3	-2.6	8.5	13.1	10.4	-5.2	7.1	12.3
Orkla Consumer Investments	8.5	-2.8	2.6	8.2	-1.7	-1.7	11.3	7.9	4.8	-3.5	8.1	9.3
<b>Branded Consumer Goods</b>	<b>3.8</b>	<b>-3.1</b>	<b>4.1</b>	<b>4.8</b>	<b>4.1</b>	<b>-2.0</b>	<b>7.5</b>	<b>9.6</b>	<b>4.3</b>	<b>-3.7</b>	<b>5.2</b>	<b>5.8</b>

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

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.9.2021	-1.1	-3.0	6.4	2.2
1.7.–30.9.2021	-3.9	-1.7	8.8	3.1
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 pr. 30.9.2021	-0.4	0.2	-0.2	11.5
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