



# Third quarter 2020





## The third quarter in brief

- Group profit before tax amounted to NOK 1,706 million, a year-over-year improvement of 33.7%
- Operating profit EBIT (adj.) for Branded Consumer Goods including Headquarters increased by 15.2%, of which 7.6% was underlying growth
- Broad-based organic growth of 3.8% in Branded Consumer Goods. Particularly good development in Orkla Care
- The reduction of coronavirus restrictions curbed the decline for Orkla Food Ingredients compared with the second quarter of 2020
- Jotun made a strong contribution of NOK 316 million to third-quarter profit, up 93% year over year
- Adjusted earnings per share were NOK 1.46 for the quarter, an increase of 23.7% from the same period of 2019

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

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

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2020	2019	2019	2020	2019
<b>Group</b>					
Operating revenues	34 515	31 598	43 615	11 909	10 880
EBIT (adj.)	3 919	3 573	5 088	1 571	1 444
Profit/loss from associates and joint ventures	775	512	659	314	166
Profit/loss before taxes	4 058	3 444	4 931	1 706	1 276
Earnings per share (NOK)	3.23	2.56	3.84	1.36	0.92
Earnings per share (adj.) (NOK)	3.61	2.96	4.24	1.46	1.18
<b>Branded Consumer Goods</b>					
Operating revenues	34 078	30 854	42 632	11 781	10 649
- Organic revenue growth	1.8%	1.1%	1.3%	3.8%	1.5%
<b>Branded Consumer Goods incl. headquarters (HQ)</b>					
EBIT (adj.)	3 894	3 347	4 786	1 571	1 364
EBIT (adj.) margin	11.4%	10.8%	11.2%	13.3%	12.8%

### Orkla President and CEO Jaan Ivar Semlitsch comments:

Since early March, the coronavirus pandemic has had a significant impact on Orkla and society as a whole. Our priorities during the ongoing coronavirus crisis have been focused on protecting the health and safety of our employees, preventing the spread of infection and ensuring deliveries of all our preferred products that people want. We have during the third quarter succeeded in maintaining close to normal operation in the value chain. All 108 factories are in full operation and we have achieved a satisfactory service level.

Overall, I am pleased with the results we deliver in the third quarter. We are experiencing broad-based organic growth driven by both price and volume, with particularly good growth in the grocery channel. It is also gratifying to see that Orkla Food Ingredients has had a more moderate decline in sales than in the previous quarter due to the less drastic coronavirus restrictions. The organic sales growth in the third quarter reflects our broad and diversified portfolio, with strong brands and innovative products.

It is at the same time important for us to think for the long term. We will continue to prioritise organic growth in the time to come, by focusing, among other things, on plant-based food. In addition, we work continuously to further improve profitability through revenue management, active portfolio management and cost improvements throughout our value chain.

Last, but not least, I am very pleased that we have signed an agreement to purchase 67.8% of the shares in Eastern Condiments in India. For Orkla, it is important that we deliver on our strategy of strengthening our footprint in our core areas, and Eastern is a strong local brand in a rapidly growing Indian market.



Jaan Ivar Semlitsch  
President and CEO

## Market growth

Orkla's Branded Consumer Goods business had stable, but moderate growth in most markets before the coronavirus pandemic broke out. There was higher growth in the Baltics and Central Europe than in the Nordic markets, as well as higher growth in certain non-grocery channels. The pandemic has led to major changes in people's travel, work and shopping habits. As a consequence of changes in consumer behaviour, market growth in the grocery channel remained strong in the third quarter, while the Out of Home sector has seen lower activity. In the third quarter, the Out of Home sector approached earlier levels as the government gradually eased restrictions. Towards the end of the quarter, however, new constraints were imposed in several markets due to a rise in infection rates, generating continued high uncertainty related to this channel.

Orkla is exposed to a broad range of raw material categories. Overall, raw material prices have been higher, impacting negatively on Orkla's input costs in the third quarter of 2020. Prices rose for meat in the Nordic region, vegetable oils, sugar and several other raw material categories.

On the whole, foreign currency rate developments have been negative for Orkla, and the weakening of the Norwegian krone against the euro, in particular, had a negative impact on input prices in the third quarter, compared with the same period of last year. On the other hand, the weakening of the Norwegian krone has contributed to positive currency translation effects in the consolidated financial statements.

At quarter end, energy prices were still at a substantially lower level than last year due to a significant power surplus and reduced interconnector capacity in the Norwegian market. The low power prices reduced production costs for Branded Consumer Goods, but had a negative effect on Hydro Power's profit performance.

## Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–30.9.2020	1.8	6.8	1.9	10.4
1.7.–30.9.2020	3.8	6.3	0.6	10.6

Figures may not add up due to rounding.

Turnover growth for Branded Consumer Goods in the third quarter was driven by solid organic growth and positive currency translation effects. Organic turnover growth was 3.8%, with growth in all business areas except Orkla Food Ingredients. However, the

latter experienced a substantially smaller decline than in the previous quarter. There was continued good growth in the grocery channel in the third quarter, offset to some extent by reduced demand in non-grocery channels. Nonetheless, the decline in the Out of Home sector has been less negative than in the first half of 2020.

Orkla Care was the business area that showed the biggest improvement with 11.5% organic turnover growth, positively impacted by strong market growth in many categories as a result of the coronavirus pandemic. Orkla Consumer Investments contributed with 7.2 % organic sales growth, primarily related to higher sales of paint-brushes and painting equipment in the UK following lockdowns during parts of the second quarter and a general pandemic-driven increase in activity in the home improvement market. Orkla Foods and Orkla Confectionery & Snacks also had good growth in the quarter, positively affected by good market growth in the grocery channel.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.9.2020	6.8	7.2	2.2	16.3
1.7.–30.9.2020	7.6	6.2	1.3	15.2

Figures may not add up due to rounding.

EBIT (adj.) for Branded Consumer Goods incl. Headquarters (HQ) in the third quarter improved by 15.2%, of which 7.6% was underlying growth. The profit improvement was primarily due to turnover growth, as well as to cost reductions, some of which were of a temporary nature due to the coronavirus crisis. Profit growth was offset to some extent by increased advertising spend in the quarter and higher depreciation as a result of a higher investment level in the past few years.

EBIT (adj.) margin growth change in percentage points	Underlying growth	Structure/FX	Total	EBIT (adj.) margin 2020 (%)
R12M	0.5	0.0	0.5	11.6

Figures may not add up due to rounding.

Margin growth on a rolling 12-month basis as at 30 September 2020 for Branded Consumer Goods incl. HQ showed an improvement of 0.5 percentage points. The margin improvement was driven by increased production efficiency, other cost improvements and positive mix effects.

### Structural measures (M&A)

Orkla has entered into an agreement to purchase 67.8% of the shares in Eastern Condiments Private Limited ("Eastern") in India. Orkla already holds a solid position in the Indian food market through MTR, and Eastern will be merged into the Orkla-owned company MTR Foods Private Limited. Orkla will have an interest of 90.01% in the new company. The acquisition will double Orkla's turnover in India. This transaction will give Orkla a stronger, solid platform for further growth in the Indian food market. The acquisition is expected to be approved by the competition authorities in the fourth quarter of 2020.

See notes 5 and 12 for more information on acquisitions and disposals.

### Outlook

The development in the third quarter was affected by the gradual reopening of society in many of the markets in which Orkla operates. Some parts of the business which saw increased demand in the first half-year are still experiencing positive effects to a certain extent as a result of the shift from out-of-home consumption towards increased at-home consumption, as well as less travel.

The parts of the business that were negatively impacted by coronavirus restrictions delivered a more positive performance than expected in the third quarter. The activity level of companies that chiefly manufacture goods for out-of-home consumption, such as Orkla Food Ingredients, the restaurant businesses and, to some extent, Orkla Foods, has stabilised and reverted to a more normal level, but is still indexed at 90-95 compared with last year.

The outlook going forward is still highly uncertain. This applies not least to whether the gradual trend in the direction of more normal market conditions for the Out of Home channels will continue. The future situation is also uncertain with regard to demand in some of Orkla's markets due to reduced buying power and increased unemployment on account of the pandemic. This applies especially to the Baltics and Central Europe.

The weak exchange rate of the Norwegian krone has impacted negatively on input costs in the third quarter for the Norwegian businesses. There is still uncertainty as regards future developments in raw material prices and currency rate fluctuations. Orkla is exposed to a broad range of raw material categories, and overall prices are expected to rise. On the other hand, Orkla will continue to see positive currency translation effects on reported figures if the Norwegian krone remains weak.

Orkla is well equipped financially to deal with continued uncertainty. The Group has a strong balance sheet with net interest-bearing liabilities of 1.1 x EBITDA (on a 12-month rolling basis).

Orkla maintains its objective of long-term organic growth at least in line with market growth. For 2018-2021, Orkla targets EBIT (adj.) margin growth of minimum 1.5 percentage points adjusted for acquisitions, disposals and currency effects, and a reduction of 3 percentage points in net working capital / net sales value.

## Financial matters - Group

### Main figures profit/loss

Amounts in NOK million	1.1.-30.9.		1.1.-31.12.		1.7.-30.9.	
	2020	2019	2019	2020	2019	
Operating revenues	34 515	31 598	43 615	11 909	10 880	
EBIT (adj.)	3 919	3 573	5 088	1 571	1 444	
Other income and expenses	(462)	(425)	(561)	(121)	(267)	
Operating profit	3 457	3 148	4 527	1 450	1 177	
Profit/loss from associates and joint ventures	775	512	659	314	166	
Interest and financial items, net	(174)	(216)	(255)	(58)	(67)	
Profit/loss before taxes	4 058	3 444	4 931	1 706	1 276	
Taxes	(785)	(815)	(1 033)	(325)	(335)	
Profit/loss for the period	3 273	2 629	3 898	1 381	941	
Earnings per share (NOK)	3.23	2.56	3.84	1.36	0.92	
Earnings per share (adj.) (NOK)	3.61	2.96	4.24	1.46	1.18	

Group operating revenues increased by 9.5% in the third quarter, driven by organic growth and positive currency translation effects in the Branded Consumer Good business.

In the same period, the Group posted 8.8% growth in EBIT (adj.), driven by higher contribution to profit totalling 15.2% from the Branded Consumer Goods incl. Headquarters. There was good growth from all business areas except Orkla Food Ingredients, which still experienced a number of negative effects due to the coronavirus crisis, although on a smaller scale than in the previous quarter. Orkla Care and Orkla Confectionery & Snacks saw particularly strong profit improvement in the third quarter, driven by increased demand due to the pandemic and positive currency translation effects. Industrial & Financial Investments had a decline in profit in the third quarter due to substantially lower power prices for Hydro Power.

The Group's other income and expenses totalled NOK -121 million in the third quarter. A write-down was taken in the third quarter of goodwill and trademarks related to the Finnish part of Pierre Robert Group's operations, and costs were incurred in connection with restructuring projects in Orkla Foods. These costs were partly offset by the recognition in income of the gain on the sale of the Vestlandslefsa brand and the sale of buildings in Ishøj. The high cost level in the corresponding period of 2019 was ascribable to several write-downs of goodwill and trademarks. See further details relating to other income and expenses in Note 3.

Profit from associates amounted to NOK 314 million in the third quarter. The year-over-year improvement of NOK 148 million was mainly due to good sales growth, boosted by positive currency effects and improved margins for Jotun.

Net third-quarter financial costs were lower than in 2019, chiefly due to a lower average borrowing rate of 1.7% in the period, compared with 2.3% in the corresponding period of 2019.

The effective tax rate in the third quarter was lower, year over year, mainly due to lower economic rent tax as a result of the lower contribution to profit from Hydro Power and write-downs with no tax effect in the third quarter of 2019.

Earnings per share in the third quarter were NOK 1.36, an increase of 47.8% year over year. Adjusted earnings per share were NOK 1.46, equivalent to growth of 23.7% from the previous year. See the section on Alternative Performance Measures (APM) on page 18 for more information.

## Cash flow – Group

The comments below are based on the cash flow statement as presented in Orkla's internal format and refer to the period 1 January to 30 September 2020. Reference is made to page 13 for the consolidated statement of cash flows IFRS and reconciliation of cash flows.

### Orkla-format

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.		1.7.–30.9.	
	2020	2019	2019	2020	2019	
Cash flow from Branded Consumer Goods incl. HQ						
EBIT (adj.)	3 894	3 347	4 786	1 571	1 364	
Depreciation and amortisation	1 329	1 162	1 581	448	393	
Changes in net working capital	159	73	812	54	437	
Net replacement expenditures	(1 605)	(1 217)	(1 931)	(504)	(450)	
Cash flow from operations (adj.)	3 777	3 365	5 248	1 569	1 744	
Cash flow effect from "Other income and expenses" and pensions	(96)	(321)	(450)	13	(130)	
Cash flow from operations, Branded Consumer Goods incl. HQ	3 681	3 044	4 798	1 582	1 614	
Cash flow from operations, Industrial & Financial Investments	90	31	135	27	55	
Taxes paid	(883)	(908)	(1 129)	(220)	(133)	
Dividends received, financial items and other payments	119	(142)	(167)	112	39	
Cash flow before capital transactions	3 007	2 025	3 637	1 501	1 575	
Dividends paid and purchase/sale of treasury shares	(2 664)	(2 585)	(2 589)	(14)	(3)	
Cash flow before expansion	343	(560)	1 048	1 487	1 572	
Expansion investments	(303)	(471)	(631)	(76)	(152)	
Sale of companies (enterprise value)	105	50	582	10	3	
Purchase of companies (enterprise value)	(698)	(2 829)	(3 063)	(21)	(192)	
Net cash flow	(553)	(3 810)	(2 064)	1 400	1 231	
Currency effects of net interest-bearing liabilities	(852)	43	(3)	(101)	(121)	
Change in net interest-bearing liabilities	1 405	3 767	2 067	(1 299)	(1 110)	
Interest-bearing liabilities implementation IFRS 16, 1 January 2019	-	1 447	1 447	-	-	
Net interest-bearing liabilities	7 956	8 251	6 551			

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 and Headquarters was higher in 2020 than in 2019, primarily due to improved EBIT (adj.) and reduced working capital as at 30 September 2020 compared with the same period of 2019. The reduction in working capital is mainly due to deferred deadlines for payment of public taxes, and continued underlying improvement in working capital. These factors are partly offset by a temporary inventory build-up in the business areas that have seen increased demand due to focus on ensuring a high service level.

The current implementation of new ERP systems, several ongoing factory projects and the entry into long-term leases for business premises resulted in increased replacement investments. In 2020, there has also been an increase in depreciation related to higher investments in earlier periods.

In Industrial & Financial Investments, cash flow from operations as at 30 September 2020 was chiefly driven by a positive EBITDA result in Hydro Power.

Dividends received, financial items and other payments were mainly related to dividends from Jotun, financial items paid and the sale of shares constituting a low equity interest.

Expansion investments were somewhat lower in 2020 than in 2019, when the investment programme for pizza production at Stranda, Norway was the main driver.

The logistics company Andersen & Mørck was sold in the first half of 2020. Further, Orkla Eiendom sold a minority interest (40.5%) in Alkärrsplans Utvecklings AB and a minority interest (20%) in the property development company Sandakerveien 56. Acquisitions of companies totalled NOK 698 million, and chiefly consisted of the purchase of the Havrefras brand and the acquisition of 100% of the shares in Norgesplaster. In addition, Orkla Food Ingredients completed its purchases of Win Equipment and the remaining shares in Orchard Valley Foods. Investments were also made in the Venture portfolio.

Net cash flow for the Group was NOK -553 million. Negative currency translation effects due to the weaker Norwegian krone increased net interest-bearing liabilities by NOK 852 million compared with the end of 2019. As at 30 September 2020, net interest-bearing liabilities before leases totalled NOK 6,441 million. Including lease liabilities related to IFRS 16, net interest-bearing liabilities totalled NOK 7,956 million.

As at 30 September 2020, the equity ratio was 58.9%, compared with 60.8% as at 31 December 2019. 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 expenditures.

## BUSINESS AREAS

### Branded Consumer Goods

#### Orkla Foods

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2020	2019	2019	2020	2019
Operating revenues	13 430	12 104	16 776	4 474	4 145
- Organic revenue growth	4.5%	1.9%	1.8%	3.7%	0.8%
EBIT (adj.)	1 824	1 542	2 276	683	616
EBIT (adj.) margin	13.6%	12.7%	13.6%	15.3%	14.9%

- Broad-based organic sales growth in the third quarter, positively impacted by the coronavirus pandemic
- Increased sales to grocery customers in most markets were partly offset by lower sales to the Out of Home sector, convenience stores, petrol stations and exports
- Reported third-quarter profit growth of 10.9% was driven by higher turnover and consolidation effects, partly offset by increased input prices and maintenance costs

Orkla Foods reported an increase of 7.9% in sales in the third quarter, of which 3.7% was organic growth. There was improvement in most markets in the quarter, due to the positive effects of the coronavirus pandemic which has led to growth in the grocery sector. At the same time, this has resulted in a decline in sales to the Out of Home sector, convenience stores, petrol stations and exports compared with last year, although performance was slightly better than in the second quarter. Flavourings, ready meals and drinks are categories that have contributed to good growth in the third quarter, and sales of plant-based products continue to show a positive trend.

There was good overall profit growth for Orkla Foods in the third quarter, with particularly good growth in India driven by both top-line growth and cost reductions. Profit wise, however, the quarter was relatively weak in Norway, due to negative mix effects from high campaign activity, increased input costs and higher production costs related to the start-up of the new pizza production line at Stranda. The profit development for Orkla Foods was also counteracted by higher maintenance costs, depreciation from increased technology and capacity investments as well as higher A&P spend compared to the same period last year. Positive consolidation effects from changes in currency rates made a significant contribution to profit growth. The EBIT (adj.) margin improved, coming in at 15.3%, a year-over-year increase of 0.4 percentage points.

#### Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2020	2019	2019	2020	2019
Operating revenues	5 109	4 625	6 612	1 783	1 604
- Organic revenue growth	3.6%	4.4%	4.6%	4.5%	4.2%
EBIT (adj.)	782	696	1 094	332	294
EBIT (adj.) margin	15.3%	15.0%	16.5%	18.6%	18.3%

- Good sales growth, positively affected by high market growth in the Nordic grocery sector
- Market growth still weak in the Baltics
- Positive contribution from cost improvement programmes

Orkla Confectionery & Snacks had growth of 11.2% in third-quarter operating revenues. Organic growth was 4.5%. Sales growth was positively affected by good market growth in the Nordic grocery sector, and by earlier sales of seasonal goods than in the same quarter of last year. The coronavirus pandemic generated high demand in the Nordic grocery sector with particularly positive effects in Norway. In the Baltics, however, there has been a considerable fall in demand and sales, particularly related to reduced tourism. Reduced listings with a major customer in Denmark continued to affect turnover negatively in the third quarter.

EBIT (adj.) for Orkla Confectionery & Snacks rose 12.9% in the third quarter, compared with the same period in 2019. Profit growth was driven by contributions from sales growth and currency translation effects. Cost improvement programmes continued to make a positive contribution to EBIT (adj.) growth. However, the growth in EBIT (adj.) was negatively impacted by higher input prices. The EBIT (adj.) margin was 18.6% in the third quarter, a year-over-year improvement of 0.3 percentage points.



## Orkla Care

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2020	2019	2019	2020	2019
Operating revenues	5 083	4 322	5 887	1 752	1 453
- Organic revenue growth	9.3%	-2.0%	0.0%	11.5%	2.0%
EBIT (adj.)	816	650	855	276	237
EBIT (adj.) margin	16.1%	15.0%	14.5%	15.8%	16.3%

- Continued good sales and profit growth for Orkla Home & Personal Care, driven by strong market growth in the biggest categories due to the coronavirus crisis
- Substantial growth for Orkla Health in most markets
- Sustained weak growth in the third quarter for Orkla Wound Care related to the coronavirus pandemic, but some improvement from the second quarter

In the third quarter, Orkla Care had sales growth of 20.6%, of which 11.5% was organic growth. Orkla Home & Personal Care saw strong sales growth for the cleaning product and personal care categories in the third quarter as a result of the coronavirus pandemic, although it levelled off slightly during the quarter. However, some categories have been negatively affected by the pandemic, especially sunscreen. Orkla Health saw good sales growth in Norway and increased exports, albeit compared with weak figures for 2019. Orkla Wound Care has experienced a strong fall in demand as a result of comprehensive coronavirus restrictions in several key markets, which has continued to some extent in the third quarter. Sales improved in the Nordic region in the third quarter, but growth has remained weak in other markets. HSNB reported strong sales growth in both online and offline channels in the third quarter.

Profit growth of 16.5% in the third quarter was driven by sales growth, positive effects of ongoing restructuring programmes and positive currency translation effects. The improvement was somewhat offset by the weak performance of Orkla Wound Care and increased advertising spend in the quarter. The EBIT (adj.) margin was 15.8% in the third quarter, compared with 16.3% in 2019, largely related to non-recurring effects and product mix.

## Orkla Food Ingredients

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2020	2019	2019	2020	2019
Operating revenues	7 862	7 516	10 292	2 819	2 641
- Organic revenue growth	-6.5%	0.7%	0.6%	-1.5%	0.8%
EBIT (adj.)	365	457	626	193	185
EBIT (adj.) margin	4.6%	6.1%	6.1%	6.8%	7.0%

- Gradual improvement and reduced volume effects during the quarter due to the relaxation of coronavirus restrictions
- EBIT (adj.) growth driven by profit protection measures, currency translation effects and acquisitions
- Still great uncertainty regarding new restrictions due to increased coronavirus infection in several key markets

Orkla Food Ingredients posted a 6.7% increase in operating revenues in the third quarter. The increase was driven by acquisitions and positive currency translation effects. Organic growth was -1.5% and was due to a decline in the Out of Home segment as a direct consequence of government coronavirus restrictions. The decline was particularly noticeable in regions that have seen a significant decrease in the number of visiting tourists, and in big cities due to the generally fewer people in urban settings and extensive use of remote working. There is still considerable uncertainty as to the future situation, which will depend on how the pandemic evolves and the consequent reintroduction of government restrictions. At the start of the fourth quarter, new restrictions were imposed in several of Orkla Food Ingredients' key markets in Europe in response to the growing number of cases of infection.

EBIT (adj.) improved by 4.3% in the third quarter. Profit growth was driven by profit protection measures that reduced fixed costs, positive currency translation effects and acquisitions. There have been no significant losses on trade receivables or inventory obsolescence as a result of the coronavirus crisis. The EBIT (adj.) margin was 6.8% in the third quarter, a year-over-year reduction of 0.2 percentage points.



## Orkla Consumer Investments

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2020	2019	2019	2020	2019
Operating revenues	2 878	2 513	3 385	1 051	889
- Organic revenue growth	-1.4%	-2.2%	-3.4%	7.2%	0.7%
EBIT (adj.)	332	252	297	141	96
EBIT (adj.) margin	11.5%	10.0%	8.8%	13.4%	10.8%

- Strong organic turnover growth
- Good profit performance from Orkla House Care
- Good sales growth for Kotipizza's pizza restaurants

Orkla Consumer Investments had sales growth of 18.2% in the third quarter driven by structural growth from acquisitions in Orkla House Care, in addition to a 7.2% improvement in organic sales. The organic sales growth was primarily related to Orkla House Care, with increased sales in the UK after lockdowns for parts of the second quarter and generally higher activity in the home improvement market in connection with the coronavirus pandemic. Lilleborg Profesjonell also saw improvement in the quarter, primarily as a result of higher demand for disinfectants.

The Kotipizza restaurant business was impacted in the third quarter by coronavirus restrictions. Nevertheless, Kotipizza's pizza restaurants achieved solid sales growth in the quarter.

The 46.9% improvement in profit in the third quarter was driven by acquisitions and strong growth in profit from Orkla House Care, coupled with growth for Kotipizza and Lilleborg Profesjonell. The improvement was offset by a decline for the textile business. The EBIT (adj.) margin was 13.4%, up 2.6 percentage points from last year.

## Industrial &amp; Financial Investments

## Hydro Power

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2020	2019	2019	2020	2019
Volume (GWh)	2 182	1 622	2 156	853	627
Price* (øre/kWh)	8.5	38.5	38.7	5.2	32.7
EBIT (adj.) (NOK million)	17	220	292	(3)	78

\*Source: Nord Pool (monthly spot area prices Oslo and Kristiansand).

EBIT (adj.) for Hydro Power amounted to NOK -3 million (NOK 78 million) in the third quarter of 2020. The decrease is due to substantially lower power prices owing to a considerable power surplus and reduced interconnector capacity in the Norwegian market. The power price in Southern Norway in the quarter was 5.2 øre/kWh, compared with 32.7 øre/kWh in the third quarter of 2019. Production was significantly higher, year over year, totalling 853 GWh (627 GWh), which contributed to a positive production volume variance.

Operating costs in the third quarter of 2020 were slightly lower, year over year. At the end of the quarter, the reservoir level in Sauda was a little higher than normal, while reservoir levels in the Glomma and Laagen rivers were slightly lower than normal.

## Financial Investments

EBIT (adj.) for Financial Investments totalled NOK 3 million in the third quarter, compared with NOK 2 million last year. No real estate transactions were carried out in the period. Development of the existing real estate portfolio was the primary activity in the period.

### **Jotun (42.6% interest)**

Jotun continued its sales growth in the third quarter, mainly driven by underlying growth in the Decorative Paints and Marine Coatings segments.

Operating profit further improved in the quarter as a result of good sales growth and improved gross margins due to somewhat lower raw material costs.

Despite a positive financial performance during the coronavirus crisis so far, there is considerable uncertainty attached to future developments. The gradual lifting of restrictions has had a short-term positive effect, but it is hard to predict how the coronavirus pandemic will affect profit performance in future.

### **Other matters**

The employee share purchase programme was implemented in the third quarter based on the closing price of the Orkla share on 11 September 2020, minus a discount of 25%. The discounted purchase price was NOK 68.93. A total of NOK 16 million was expensed in connection with the employee share discount.

Oslo, 28 October 2020  
The Board of Directors of Orkla ASA

(This translation from Norwegian of Orkla's third quarter report of 2020 has been made for information purposes only.)

## Condensed income statement

Amounts in NOK million	Note	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
		2020	2019	2019	2020	2019
Operating revenues	2	34 515	31 598	43 615	11 909	10 880
Operating expenses		(29 143)	(26 743)	(36 784)	(9 849)	(9 002)
Depreciation and amortisation		(1 453)	(1 282)	(1 743)	(489)	(434)
<b>EBIT (adj.)</b>	<b>2</b>	<b>3 919</b>	<b>3 573</b>	<b>5 088</b>	<b>1 571</b>	<b>1 444</b>
Other income and expenses	3	(462)	(425)	(561)	(121)	(267)
<b>Operating profit</b>		<b>3 457</b>	<b>3 148</b>	<b>4 527</b>	<b>1 450</b>	<b>1 177</b>
Profit/loss from associates and joint ventures		775	512	659	314	166
Interest, net	7	(132)	(158)	(192)	(43)	(55)
Other financial items, net	7	(42)	(58)	(63)	(15)	(12)
<b>Profit/loss before taxes</b>		<b>4 058</b>	<b>3 444</b>	<b>4 931</b>	<b>1 706</b>	<b>1 276</b>
Taxes		(785)	(815)	(1 033)	(325)	(335)
<b>Profit/loss for the period</b>		<b>3 273</b>	<b>2 629</b>	<b>3 898</b>	<b>1 381</b>	<b>941</b>
Profit/loss attributable to non-controlling interests		41	72	60	22	24
Profit/loss attributable to owners of the parent		3 232	2 557	3 838	1 359	917

## Earnings per share

Amounts in NOK	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2020	2019	2019	2020	2019
Earnings per share	3.23	2.56	3.84	1.36	0.92
Earnings per share (adj.)	3.61	2.96	4.24	1.46	1.18

## Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
		2020	2019	2019	2020	2019
<b>Profit/loss for the period</b>		<b>3 273</b>	<b>2 629</b>	<b>3 898</b>	<b>1 381</b>	<b>941</b>
<b>Other items in comprehensive income</b>						
<i>Items after tax not to be reclassified to profit/loss in subsequent periods</i>						
Actuarial gains and losses pensions		(13)	-	(244)	-	-
Changes in fair value shares		43	1	1	44	2
<i>Items after tax to be reclassified to profit/loss in subsequent periods</i>						
Change in hedging reserve	4	(60)	8	58	11	20
Carried against equity in associates and joint ventures	4	224	109	29	(18)	77
Translation effects	4	1 798	(248)	(149)	230	285
<b>The Group's comprehensive income</b>		<b>5 265</b>	<b>2 499</b>	<b>3 593</b>	<b>1 648</b>	<b>1 325</b>
Comprehensive income attributable to non-controlling interests		65	71	58		
Comprehensive income attributable to owners of the parent		5 200	2 428	3 535		

## Condensed statement of financial position

## Assets

Amounts in NOK million	Note	30.9. 2020	31.12. 2019
Intangible assets		24 858	22 754
Property, plant and equipment		16 550	15 402
Associates, joint ventures and other financial assets	6	5 506	4 584
<b>Non-current assets</b>		<b>46 914</b>	<b>42 740</b>
Inventories		6 875	5 868
Inventory of development property		91	90
Trade receivables		7 047	6 078
Other receivables and financial assets	6	870	968
Cash and cash equivalents	6	1 948	1 669
<b>Current assets</b>		<b>16 831</b>	<b>14 673</b>
<b>Total assets</b>		<b>63 745</b>	<b>57 413</b>

## Equity and liabilities

Amounts in NOK million	Note	30.9. 2020	31.12. 2019
Paid-in equity		1 972	1 972
Retained equity		35 108	32 480
Non-controlling interests		471	460
<b>Equity</b>		<b>37 551</b>	<b>34 912</b>
Provisions and other non-current liabilities		5 221	4 800
Non-current interest-bearing liabilities	6	9 517	7 783
Current interest-bearing liabilities	6	799	803
Trade payables		6 583	5 591
Other current liabilities		4 074	3 524
<b>Equity and liabilities</b>		<b>63 745</b>	<b>57 413</b>
Equity ratio		58.9%	60.8%

## Condensed statement of changes in equity

	1.1.–30.9.2020			1.1.–30.9.2019		
Amounts in NOK million	Attributed to equity holders of the parent	Non- controlling interests	Total equity	Attributed to equity holders of the parent	Non- controlling interests	Total equity
Equity at start of period	34 452	460	34 912	33 629	451	34 080
Effect of implementing IFRS 16	-	-	-	(112)	(15)	(127)
Equity 1 January	34 452	460	34 912	33 517	436	33 953
The Group's comprehensive income	5 200	65	5 265	2 428	71	2 499
Dividends	(2 601)	(63)	(2 664)	(2 599)	(45)	(2 644)
Net purchase/sale of treasury shares	-	-	-	59	-	59
Change in non-controlling interests	29	9	38	(87)	41	(46)
<b>Equity at close of period</b>	<b>37 080</b>	<b>471</b>	<b>37 551</b>	<b>33 318</b>	<b>503</b>	<b>33 821</b>



## Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–30.9.		1.1.–31.12.		1.7.–30.9.	
		2020	2019	2019	2020	2019	2019
Cash flow from operations before capital expenditure		5 402	4 559	7 220	2 115	2 156	
Received dividends and paid financial items		90	57	30	106	53	
Taxes paid		(883)	(908)	(1 129)	(220)	(133)	
<b>Cash flow from operating activities</b>		<b>4 609</b>	<b>3 708</b>	<b>6 121</b>	<b>2 001</b>	<b>2 076</b>	
Net capital expenditure		(1 807)	(1 752)	(2 468)	(568)	(603)	
Net sale (purchase) of companies	5	(565)	(2 575)	(2 426)	(11)	(189)	
Other payments		29	(199)	(197)	6	(14)	
<b>Cash flow from investing activities</b>		<b>(2 343)</b>	<b>(4 526)</b>	<b>(5 091)</b>	<b>(573)</b>	<b>(806)</b>	
Net paid to shareholders		(2 664)	(2 585)	(2 589)	(14)	(3)	
Change in interest-bearing liabilities and receivables		518	2 761	1 249	(859)	(922)	
<b>Cash flow from financing activities</b>		<b>(2 146)</b>	<b>176</b>	<b>(1 340)</b>	<b>(873)</b>	<b>(925)</b>	
Currency effects cash and cash equivalents		159	(14)	1	(6)	27	
<b>Change in cash and cash equivalents</b>		<b>279</b>	<b>(656)</b>	<b>(309)</b>	<b>549</b>	<b>372</b>	
<b>Cash and cash equivalents</b>	<b>6</b>	<b>1 948</b>	<b>1 322</b>	<b>1 669</b>			

## Reconciliation operating activities against Orkla-format; see page 6

<i>IFRS cash flow</i>							
Cash flow from operating activities		4 609	3 708	6 121	2 001	2 076	
Net capital expenditure		(1 807)	(1 752)	(2 468)	(568)	(603)	
Other payments		29	(199)	(197)	6	(14)	
Cash flow from operating activities incl. capital expenditure		2 831	1 757	3 456	1 439	1 459	
<i>Orkla-format</i>							
Cash flow before capital transactions		3 007	2 025	3 637	1 501	1 575	
New capitalised leases (incl. in net replacement expenditures in Orkla-format)		127	203	450	14	36	
Expansion investments		(303)	(471)	(631)	(76)	(152)	
Comparative cash flow		2 831	1 757	3 456	1 439	1 459	

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

Change cash and cash equivalents IFRS cash flow	(279)	656	309	(549)	(372)	
Change net interest-bearing liabilities IFRS cash flow	518	2 761	1 249	(859)	(922)	
Net interest-bearing liabilities in purchased/sold companies	28	204	55	-	-	
Interest-bearing liabilities new leases	127	203	450	14	36	
Total currency effect net interest-bearing liabilities	852	(43)	3	101	121	
Currency effect cash and cash equivalents	159	(14)	1	(6)	27	
Change net interest-bearing liabilities Orkla-format	1 405	3 767	2 067	(1 299)	(1 110)	

## NOTES

## Note 1 General information

Orkla ASA's condensed consolidated financial statements as at 30 September 2020 were approved at the Board of Directors' meeting on 28 October 2020. 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 purchased new businesses. See Notes 5 and 12 for more information on acquisitions and disposals.

Notes cont. on next page.

## Note 2 Segments

Amounts in NOK million	Operating revenues					EBIT (adj.)				
	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.		1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2020	2019	2019	2020	2019	2020	2019	2019	2020	2019
Orkla Foods	13 430	12 104	16 776	4 474	4 145	1 824	1 542	2 276	683	616
Orkla Confectionery & Snacks	5 109	4 625	6 612	1 783	1 604	782	696	1 094	332	294
Orkla Care	5 083	4 322	5 887	1 752	1 453	816	650	855	276	237
Orkla Food Ingredients	7 862	7 516	10 292	2 819	2 641	365	457	626	193	185
Orkla Consumer Investments	2 878	2 513	3 385	1 051	889	332	252	297	141	96
Eliminations Branded Consumer Goods	(284)	(226)	(320)	(98)	(83)	-	-	-	-	-
<b>Branded Consumer Goods</b>	<b>34 078</b>	<b>30 854</b>	<b>42 632</b>	<b>11 781</b>	<b>10 649</b>	<b>4 119</b>	<b>3 597</b>	<b>5 148</b>	<b>1 625</b>	<b>1 428</b>
HQ/Eliminations	39	32	52	5	12	(225)	(250)	(362)	(54)	(64)
<b>Branded Consumer Goods incl. HQ</b>	<b>34 117</b>	<b>30 886</b>	<b>42 684</b>	<b>11 786</b>	<b>10 661</b>	<b>3 894</b>	<b>3 347</b>	<b>4 786</b>	<b>1 571</b>	<b>1 364</b>
Hydro Power	374	624	826	115	202	17	220	292	(3)	78
Financial Investments	88	139	182	26	35	8	6	10	3	2
<b>Industrial &amp; Financial Investments</b>	<b>462</b>	<b>763</b>	<b>1 008</b>	<b>141</b>	<b>237</b>	<b>25</b>	<b>226</b>	<b>302</b>	<b>0</b>	<b>80</b>
Eliminations	(64)	(51)	(77)	(18)	(18)	-	-	-	-	-
<b>Orkla</b>	<b>34 515</b>	<b>31 598</b>	<b>43 615</b>	<b>11 909</b>	<b>10 880</b>	<b>3 919</b>	<b>3 573</b>	<b>5 088</b>	<b>1 571</b>	<b>1 444</b>

## Note 3 Other income and expenses

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2020	2019	2019	2020	2019
M&A and integration costs	(56)	(90)	(130)	(8)	(22)
Final settlement employment relationships etc.	(111)	(41)	(80)	(17)	(9)
Gain/loss on transactions	105	313	356	30	292
Write-downs	(241)	(456)	(477)	(104)	(456)
Restructuring costs and other items	(159)	(151)	(230)	(22)	(72)
<b>Total other income and expenses</b>	<b>(462)</b>	<b>(425)</b>	<b>(561)</b>	<b>(121)</b>	<b>(267)</b>

## Income

In the third quarter Orkla Foods Norway sold the Vestlandslefsa brand at a gain of NOK 16 million. A gain of NOK 5 million on the sale of the SaritaS brand was taken to income in the first quarter. Both of these transactions are disclosed in Note 5.

An office building and a warehouse owned by Orkla Care at Ishøj, Denmark were sold in the third quarter. The sales generated a total gain of NOK 14 million. In the second quarter, NOK 67 million was taken to income in connection with refunds of indirect taxes for the period 2017-2019.

## Write-downs

Pierre Robert Finland (Orkla Consumer Investments) has delivered a weaker performance than anticipated since it was acquired, in addition to which the company has been negatively impacted by the coronavirus crisis. The

market situation is still very challenging for the company. Consequently, goodwill and trademarks related to the business were written down by NOK 65 million and NOK 21 million, respectively. A minor brand in Orkla Confectionery & Snacks was also written down.

A production line in MTR (Orkla Foods) was written down by NOK 13 million in the third quarter. The production line was related to an unsuccessful product launch.

In the second quarter, the Danish pizza restaurant chain Gorm's (Orkla Consumer Investments) was written down by NOK 102 million, which includes the write-down of goodwill and property, plant and equipment. Orkla purchased 67% of Gorm's in 2018 with an option to increase its interest to 100%. Gorm's has been heavily impacted negatively by the coronavirus crisis in 2020. The risk related to the profit performance required in the company going forward is assessed as too high to justify Orkla's carrying values, and the business was therefore written down. The probability of the option being exercised is considered to be very low.

Write-downs of IT systems totalling NOK 35 million have been taken as at 30 September 2020. These are related to Group projects where the systems have not been used as intended and are thus not considered to have any real value.

## Other costs

In 2019, a project was started to ensure that the Group is optimally organised to increase organic growth and reduce complexity by strengthening the business areas and tailoring the Group's support functions. The project

is intended to generate substantial savings at Orkla Headquarters. The project has been extended into 2020, and a total of approx. NOK 60 million has been expensed in connection with this project as at 30 September 2020.

Two major restructuring projects have been carried out in Orkla Care and Pierre Robert Group (Orkla Consumer Investments) respectively, where the total costs for both projects amount to approx. NOK 75 million as at 30 September 2020. In Orkla Care, a restructuring programme has been carried out that affects all the companies in the business area. Pierre Robert Group has carried out an overall restructuring, and in this connection the business in Sweden was closed down as of 30 June 2020. As a result of this closure, in addition to costs related to employee severance pay, a write-down of NOK 13 million was also taken in the second quarter of 2020 on inventory in Sweden related to winding-up of customer contracts.

The other main restructuring and coordination projects currently being carried out in the Group are the merger of Hamé and Vitana, the construction of a chocolate and a biscuits factory in Latvia, and merger and relocation projects in Orkla Food Ingredients.

In the first quarter, Orkla Food Ingredients purchased the remaining 15% of the shares in the UK sales and distribution company Orchard Valley Foods. Orkla acquired 85% of the shares in 2017, at the same time entering into an option agreement on the purchase of the remaining 15% shareholding. As a result of the option agreement, a provision was made at the time of acquisition for a debt related to the remaining purchase of the company. The difference of NOK 22 million between the actual and estimated purchase price was recognised in the income statement in the first quarter.

#### Note 4 Statement of comprehensive income

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve) after tax. The hedging reserve included in equity as at 30 September 2020 (after tax) totalled NOK -160 million. Accumulated translation differences correspondingly amounted to NOK 3,175 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 477 million as at 30 September 2020.

#### Note 5 Acquisitions and disposals

##### Acquisitions

Orkla Care signed and completed an agreement to purchase 100% of the shares in Norgesplaster Holding AS ("Norgesplaster"). The company holds good positions in the wound care and first aid equipment market, and with the acquisition of Norgesplaster Orkla Wound Care has strengthened its presence in the pharmacy channel and the market for first aid products. The product portfolio is mainly marketed under the Norgesplaster and Snøgg brands, and is primarily sold in the pharmacy channel, B2B, through distributors and as exports. The company has 66 employees. In 2019, Norgesplaster had a turnover of NOK 170 million and EBITDA of NOK 17 million. The company was consolidated into Orkla's financial statements as of 1 April 2020.

Orkla Foods signed and completed an agreement with PepsiCo, Inc. ("PepsiCo") to purchase the Havrefras brand, including Rug Fras and Mini Fras, which holds a strong market position in Scandinavia in healthy breakfast cereals. Orkla has distributed Havrefras products for PepsiCo in Norway, Sweden and Denmark. The Havrefras products are market leaders for healthy breakfast cereals in Denmark and Sweden and number two in Norway. The acquisition of Havrefras is in line with Orkla's strategy of further developing a portfolio with a

strong health profile. The agreement includes no employees or production facilities. The agreement came into effect as of 1 June 2020.

Orkla Food Ingredients purchased 70% of the shares in Win Equipment ("Win"), a leading supplier of soft serve ice cream machines in the Netherlands. Win adapts and sells machines for the production of soft serve ice cream, milkshakes and frozen yoghurt to customers including cafes, restaurants, bakeries, convenience stores and petrol stations. The company has 30 employees. In 2019, the company had a turnover of EUR 5.6 million (approx. NOK 57 million). The company was consolidated into Orkla's financial statements as of 1 February 2020.

Orkla Food Ingredients purchased the remaining 15% of the shares in the UK sales and distribution company Orchard Valley Foods. Orkla acquired 85% of the shares in 2017, at the same time entering into an option agreement on the purchase of the remaining 15% shareholding; see also Note 3.

In the third quarter, only minor acquisitions were made of small ownership interests in some companies. The purchases are largely part of Orkla's venture portfolio.

##### Other matters

As at 30 September 2020, Orkla had purchased companies for a total of NOK 698 million at enterprise value.

With regard to the companies acquired in 2019, the purchase price allocations for Kotipizza Group, Easyfood, Kanakis, Vamo, Confection by Design and Risberg were finalised as at 30 September 2020. No material changes were made in relation to the preliminary price allocations.

##### Sales of companies and brands

Orkla Food Norge sold the Vestlandslefsa brand in the third quarter. The aim of the sale is to simplify the portfolio and concentrate production at Stranda on pizza. The buyer is Skagerrak-Holding AS and its subsidiary Baxt Lierne AS, where Baxt is a well-known supplier of bakery goods in Norway. The agreement covers the divestment of the Vestlandslefsa brand, including recipes and production equipment. It also covers the Li-Klenning brand. Orkla's net sales revenues from the divested lefse products totalled around NOK 20 million in 2019. The agreement entered into effect on 6 July 2020. The transaction has generated a gain of NOK 16 million and has been recognised as "Other income and expenses"; see also Note 3.

In the first quarter, Orkla Foods Norge sold the SaritaS brand to the newly established company Indian Gourmet AS. The agreement concerns the full disposal of the SaritaS brand, which includes a portfolio of sauces and ready meals. The agreement entered into effect on 2 March 2020. The transaction generated a gain of NOK 5 million, which has been recognised as "Other income and expenses"; see also Note 3.

In the second quarter, Orkla Eiendom sold its shares in its associate Alkärrensplans Utvecklings AB. A gain of NOK 14 million in connection with the transaction was taken to income on the line for "Associates and joint ventures".

Orkla sold its associate Andersen & Mørck in the first quarter. The company is a logistics firm in which Orkla has had a 24% interest. The transaction generated a gain of NOK 15 million which has been recognised on the line for "Associates and joint ventures". In the first quarter, Orkla sold a stake (20%) in the company Sandakerveien 56

to a business partner. Since the transaction concerns the sale of a minority shareholding, it is only presented as an equity transaction.

### Note 6 Net interest-bearing liabilities

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

	30.9. 2020	31.12. 2019
Amounts in NOK million		
Non-current liabilities excl. leases	(8 358)	(6 488)
Current liabilities excl. leases	(443)	(442)
Non-current receivables (in "Financial Assets")	404	263
Current receivables (in "Other receivables and financial assets")	8	103
Cash and cash equivalents	1 948	1 669
<b>Net interest-bearing liabilities excl. leases</b>	<b>(6 441)</b>	<b>(4 895)</b>
Non-current lease liabilities	(1 159)	(1 295)
Current lease liabilities	(356)	(361)
<b>Total net interest-bearing liabilities</b>	<b>(7 956)</b>	<b>(6 551)</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	2020	2019	2019	2020	2019	
Net interest costs excl. leases	(107)	(136)	(157)	(35)	(48)	
Interest costs leases	(25)	(22)	(35)	(8)	(7)	
<b>Interest, net</b>	<b>(132)</b>	<b>(158)</b>	<b>(192)</b>	<b>(43)</b>	<b>(55)</b>	

	1.1.–30.9.		1.1.–31.12.		1.7.–30.9.	
Amounts in NOK million	2020	2019	2019	2020	2019	
Dividends	1	19	21	-	8	
Net foreign currency gain/loss	2	1	2	(2)	1	
Interest on pensions <sup>1</sup>	(27)	(55)	(54)	(8)	(16)	
Other financial items	(18)	(23)	(32)	(5)	(5)	
<b>Other financial items, net</b>	<b>(42)</b>	<b>(58)</b>	<b>(63)</b>	<b>(15)</b>	<b>(12)</b>	

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

### Note 8 Related parties

The Canica system, controlled by Orkla Board Chairman Stein Erik Hagen (largest shareholder, with 24.97% of issued shares), has an agreement with Orkla ASA to lease office premises at Karenslyst allé 6. In addition, the Orkla Group makes sales to companies in the Canica system.

As at 30 September 2020, there were no special transactions between the Group and related parties.

### Note 9 Treasury shares

The Group owns 1,125,182 treasury shares. There were no changes in Orkla's holding of treasury shares as at 30 September 2020.

Shares were sold to employees at a 25% discount during the subscription period in the first half of September 2020. A total of 623,382 shares were subscribed for, and the sale was completed in October 2020.

### Note 10 Assessments relating to impairment

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 the tests conducted, goodwill and trademarks in Pierre Robert Finland were written down by a total of NOK 86 million, and a minor brand was written down in Orkla Confectionery & Snacks.

In the third quarter, production equipment in India was written down by NOK 13 million. In earlier quarters, IT systems were written down by NOK 35 million and carrying values in the pizza restaurant chain Gorm's by NOK 102 million. All write-downs are disclosed in Note 3.

Many of Orkla's businesses have been affected by the coronavirus crisis and the situation is being carefully monitored for indications of a need for write-downs.

### Note 11 Shares and financial assets

Shares and financial assets recognised at fair value:

	Measurement level			
Amounts in NOK million	Level 1	Level 2	Level 3	Total
<b>30 September 2020:</b>				
<b>Assets</b>				
Investments	-	-	139	139
Derivatives	-	132	-	132
<b>Liabilities</b>				
Derivatives	-	311	-	311
<b>31 December 2019:</b>				
<b>Assets</b>				
Investments	-	-	104	104
Derivatives	-	121	-	121
<b>Liabilities</b>				
Derivatives	-	151	-	151

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



**Note 12 Other matters***Agreement to purchase a company in India*

Orkla has entered into an agreement to purchase 67.8% of the shares in Eastern Condiments Private Limited ("Eastern") in India. The acquisition will double Orkla's turnover in India. Orkla already holds a strong position in the Indian food market through MTR, which has increased its sales revenues five-fold since Orkla acquired the company in 2007. Eastern will be merged into the company MTR Foods Private Limited ("MTR Foods"). Orkla will have an interest of 90.01% in the joint venture. The parties have agreed on a purchase price that values Eastern (100%) at INR 20 billion (approx. NOK 2.4 billion) at enterprise value. Eastern has seven factories in four different states in India and around 3,000 employees. In the last twelve months ending 30 June 2020, the company achieved a turnover of INR 9.0 billion (approx. NOK 1.1 billion) and normalised EBITDA of INR 1.1 billion (approx. NOK 129 million).

The agreement to purchase the majority shareholding in Eastern is subject to the approval of the Indian competition authorities. The subsequent merger process is expected to take around 15 months from the date of completion of the share purchase. The purchase agreement contains a clause that enables Orkla, in the long term, to take over full ownership of the merged entity.

*Other matters*

A distribution agreement between Orkla Foods Česko a Slovensko in the Czech Republic and the company Panzani has been terminated with effect from 1 March 2020. Under the agreement, Orkla has distributed a portfolio of Panzani products, predominantly dried pasta and sauces, to grocery retail customers in the Czech Republic, Slovakia and Hungary. Sales related to this agreement totalled NOK 111 million in 2019.

In November 2019, the Norwegian Competition Authority opened an investigation at Orkla-owned Lilleborg AS (Orkla Home & Personal Care) based on suspicions of a possible breach of the Competition Act, and the company is assisting the competition authorities by facilitating the investigation.

On 16 April 2020, the General Meeting of Orkla ASA adopted a resolution to pay out the proposed dividend of NOK 2.60 per share. The dividend was paid to shareholders on 27 April 2020 and totalled approximately NOK 2.6 billion.

There have been no material events after the statement of financial position date that would have had an impact on the financial statements or the assessments carried out.

## Alternative performance measures (APM)

### Organic growth

Organic growth shows like-for-like turnover growth for the Group's business portfolio and is defined as the Group's reported change in operating revenues adjusted for effects of the purchase and sale of companies and currency effects. In calculating organic growth, acquired companies will be excluded 12 months after the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's turnover at last year's exchange rates.

Organic growth is included in segment information and used to identify and analyse the turnover growth in the existing business portfolio. Organic growth provides an important picture of the Group's ability to carry out innovation, product development, correct pricing and brand-building.

Reconciliation of organic growth is shown in a separate table on the next page.

### EBIT (adj.)

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

EBIT (adj.) is one of the Group's key financial figures, internally and externally. The figure is used to identify and analyse the Group's profitability from normal operations and operating activities. Adjustment for items in OIE which to a limited degree are reliable measures of the Group's current operating profit or loss increases the comparability of profitability over time.

EBIT (adj.) is presented on a separate line in the Group's income statement and in segment reporting; see Note 2.

### Change in underlying EBIT (adj.)

Change in underlying EBIT (adj.) shows like-for-like EBIT (adj.) growth for the Group's business portfolio and is defined as the Group's reported change in EBIT (adj.) adjusted for effects of the purchase and sale of companies and currency effects. In calculating the change in underlying EBIT (adj.), acquired companies will be included pro forma 12 months before the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by calculating this year's EBIT (adj.) at last year's currency exchange rates. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

Underlying EBIT (adj.) growth is used for internal management purposes, including for identifying and analysing underlying profitability growth in the existing business portfolio, and provides a picture of the Group's ability to develop growth and improve profitability in the existing business. The measure is important because it shows the change in profitability on a comparable structure over time.

The reconciliation of change in underlying EBIT (adj.) for Branded Consumer Goods incl. HQ is shown directly in the text. Comparative figures are shown on the next page.

### Earnings per share (adj.)

Earnings per share (adj.) show earnings per share adjusted for other income and expenses (OIE) after estimated tax. Items included in OIE are specified in Note 3. The effective tax rate for OIE is lower than the Group's tax rate in both 2020 and 2019 due to non-deductible transaction costs, write-downs and the effect on profit or loss of the purchase of the remaining shares in Orchard Valley Foods in 2020.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. As at 30 September 2020, an adjustment has been made for gains on the sales of the associates Andersen & Mørck and Allkärrsplans Utvecklings AB.

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2020	2019	2019	2020	2019
Profit for the period after non-controlling interests	3 232	2 557	3 838	1 359	917
<i>Adjustments EPS (adj.)</i>					
Other income and expenses after tax	405	404	508	100	264
Gain on sale of associates and joint venture	(29)	-	(35)	-	-
Reversal of deferred tax on dividend Estonia/Latvia	-	-	(74)	-	-
<b>Adjusted profit for the period after non-controlling interests</b>	<b>3 608</b>	<b>2 961</b>	<b>4 237</b>	<b>1 459</b>	<b>1 181</b>
Average externally owned shares (1000 shares)	1 000 306	999 803	999 929	1 000 306	1 000 306
Earnings per share (adj.) (NOK)	3.61	2.96	4.24	1.46	1.18

### 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 in either 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 concern maintenance of existing operations and how large a part of the investments (expansion) are investments which must be expected to generate increased contributions to profit in future, exceeding expectations of normal operations.

Net replacement and expansion investments are presented in the statement of cash flows on page 6.

### Net interest-bearing liabilities

Net interest-bearing liabilities are the sum of the Group's interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans, lease liabilities and interest-bearing derivatives. Interest-bearing receivables include liquid assets, interest-bearing derivatives and other interest-bearing receivables.

Net interest-bearing liabilities are the Group's primary management parameter for financing and capital allocation, which is used actively in the Group's financial risk management strategy. The statement of cash flows (Orkla format) therefore shows the change in net interest-bearing liabilities at Group level; see page 6.

Net interest-bearing liabilities are reconciled in Note 6.

### Organic growth by business area

Sales revenues change %	1.1.–30.9.2020			
	Organic growth	FX	Structure	Total
Orkla Foods	4.5	6.5	0.0	11.0
Orkla Confectionery & Snacks	3.6	6.9	-	10.5
Orkla Care	9.3	6.5	1.7	17.6
Orkla Food Ingredients	-6.5	7.5	3.6	4.6
Orkla Consumer Investments	-1.4	6.5	9.4	14.5
<b>Branded Consumer Goods</b>	<b>1.8</b>	<b>6.8</b>	<b>1.9</b>	<b>10.4</b>

Sales revenues change %	1.1.–30.9.2019			
	Organic growth	FX	Structure	Total
Orkla Foods	1.9	0.5	1.7	4.0
Orkla Confectionery & Snacks	4.4	0.6	-	5.0
Orkla Care	-2.0	0.2	1.5	-0.3
Orkla Food Ingredients	0.7	0.7	4.9	6.2
Orkla Consumer Investments	-2.2	1.3	39.6	38.6
<b>Branded Consumer Goods</b>	<b>1.1</b>	<b>0.6</b>	<b>4.5</b>	<b>6.2</b>

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

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.9.2019	3.9	0.7	2.8	7.5
1.7.–30.9.2019	3.1	1.4	3.7	8.3
1.1.–31.12.2019	4.1	1.4	3.4	9.0

Figures may not add up due to rounding.

More information about Orkla may be found at: [investors.orkla.com](https://investors.orkla.com)

Photos: Bjørn Wad / The models in the photos are Orkla employees.

### Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Lecora, Easyfood, Confection by Design, Win Equipment, Norgesplaster, Risberg, Kanakis, Credin Sverige, Vamo, Kotipizza, Anza Verimex, Helga and Havrefras. Adjustments have been made for the sale of Glyngøre, SaritaS and Vestlandslefsa, and the closure of Pierre Robert Sverige. Adjustments have also been made for the loss of the distribution agreements with Panzani and OTA Solgryn. In addition, adjustments were made in 2019 for HSNG, Struer, County Confectionery, Werner, Igos, Gorm's and the sale of Mrs. Cheng's.

Sales revenues change %	1.7.–30.9.2020			
	Organic growth	FX	Structure	Total
Orkla Foods	3.7	5.5	-1.2	7.9
Orkla Confectionery & Snacks	4.5	6.7	-	11.2
Orkla Care	11.5	6.5	2.6	20.6
Orkla Food Ingredients	-1.5	6.9	1.3	6.7
Orkla Consumer Investments	7.2	6.5	4.6	18.2
<b>Branded Consumer Goods</b>	<b>3.8</b>	<b>6.3</b>	<b>0.6</b>	<b>10.6</b>

Sales revenues change %	1.7.–30.9.2019			
	Organic growth	FX	Structure	Total
Orkla Foods	0.8	1.6	2.8	5.3
Orkla Confectionery & Snacks	4.2	1.5	-	5.7
Orkla Care	2.0	1.1	-	3.1
Orkla Food Ingredients	0.8	1.6	6.3	8.6
Orkla Consumer Investments	0.7	2.2	46.0	48.9
<b>Branded Consumer Goods</b>	<b>1.5</b>	<b>1.6</b>	<b>5.4</b>	<b>8.5</b>

Sales revenues change %	1.1.–31.12.2019			
	Organic growth	FX	Structure	Total
Orkla Foods	1.8	1.2	1.9	4.9
Orkla Confectionery & Snacks	4.6	1.3	-	5.9
Orkla Care	0.0	0.8	1.1	1.9
Orkla Food Ingredients	0.6	1.5	5.5	7.6
Orkla Consumer Investments	-3.4	1.0	43.9	41.5
<b>Branded Consumer Goods</b>	<b>1.3</b>	<b>1.2</b>	<b>4.9</b>	<b>7.4</b>

EBIT (adj.) margin growth change percentage points	Underlying growth	Structure/FX	Total	EBIT (adj.) margin 2019 (%)
R12M pr. 30.9.2019	0.1	-0.2	-0.1	11.1
1.1.–31.12.2019	0.3	-0.1	0.2	11.2