



Fourth quarter 2020



The fourth quarter in brief

- Orkla's Branded Consumer Goods business including Headquarters achieved a 7.4% improvement in EBIT (adj.), of which 2.1% was underlying EBIT (adj.) growth. Growth due to top-line improvement was curbed to some extent by higher advertising spend
- Branded Consumer Goods achieved organic growth of 1.3%. Good growth in the grocery sector was partly offset by a decline in the Out of Home sector
- Considerable profit growth for Jotun - continued improvement
- Adjusted earnings per share were NOK 1.43 for the quarter, equivalent to a year-over-year increase of 12.6%
- Group profit before tax amounted to NOK 1,290 million, compared with NOK 1,487 million in the same quarter of 2019. The decline is chiefly due to write-downs and recognition of expenses totalling NOK 437 million related to ongoing ERP projects
- The Board of Directors of Orkla has the intention to propose a dividend for the 2020 financial year of NOK 2.75 per share, an increase of 15 øre from the previous year

Key figures for the Orkla Group as at 31 December

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

Amounts in NOK million	1.1.-31.12.		1.10.-31.12.	
	2020	2019	2020	2019
Group				
Operating revenues	47 137	43 615	12 622	12 017
EBIT (adj.)	5 492	5 088	1 573	1 515
Profit/loss from associates and joint ventures	1 000	659	225	147
Profit/loss before taxes	5 348	4 931	1 290	1 487
Earnings per share (NOK)	4.37	3.84	1.14	1.28
Earnings per share (adj.) (NOK)	5.04	4.24	1.43	1.27
Branded Consumer Goods				
Operating revenues	46 521	42 632	12 443	11 778
- Organic revenue growth	1.6%	1.3%	1.3%	1.9%
Branded Consumer Goods incl. headquarters (HQ)				
EBIT (adj.)	5 440	4 786	1 546	1 439
EBIT (adj.)-margin	11.7%	11.2%	12.4%	12.2%

Orkla President and CEO Jaan Ivar Semlitsch comments:

We are entering 2021 with cautious optimism due to the start of vaccination and a hope that we can gradually return to a more normal everyday life. In light of the continued presence of infection in society, however, we are still in full preparedness mode in response to the coronavirus situation. At Orkla the same priorities still apply as at the start of the pandemic: protecting our employees and preventing the spread of infection, maintaining production and delivery capacity as a critical societal function and ensuring a strong balance sheet.

Orkla ended 2020 with a satisfactory quarter, with both top and bottom-line growth. The positive organic growth also continued in the fourth quarter despite the fact that our companies that are exposed to non-grocery channels have again seen lower demand due to the reintroduction of coronavirus restrictions in most countries. To strengthen the market position of our branded products and the Group's long-term competitiveness, we increased our advertising spend in the fourth quarter.

Sustainability is high on the agenda at Orkla and it is therefore gratifying that we have been included in the Dow Jones Sustainability Index Europe for the tenth year in a row. I am also proud that we were ranked in 2020 as one of the best listed companies for climate leadership and that we have been included on the Corporate Knights Global 100 list of the world's most sustainable companies.

Despite a very unusual and demanding year in 2020, I want to emphasise how privileged I feel to be able to lead a group in which we have also been able to pursue more long-term plans. I firmly believe that we will continue to develop Orkla as a leading branded goods company, and on that occasion we made changes in the Group Executive Board at the end of the year. I am convinced that these changes will position us even more strongly to deliver on our long-term strategic ambitions.



Jaan Ivar Semlitsch
President and CEO

Market growth

Infection control considerations and travel bans gave rise to major changes in consumer behaviour in 2020. Altered buying patterns during the coronavirus pandemic have significantly affected growth in various sales channels, categories and geographical markets. Previously, there was higher growth in the Baltics and Central Europe than in the Nordic markets, and higher growth in certain non-grocery channels. During the pandemic, as a result of coronavirus-related restrictions in Orkla's key markets, Orkla's businesses have experienced a shift from out-of-home consumption to increased in-home consumption. This change has led to higher growth in the grocery channel, while there has been a decline in the Out of Home segment. Reduced travel has also had a positive impact on market growth, especially in the Nordic region.

The fourth quarter of 2020 was affected by a new tightening of constraints in several of Orkla's markets after the authorities temporarily eased restrictions during the summer and early autumn. As a result of new infection mitigation measures, the Out of Home sector again saw lower activity, yet the sector was not as severely impacted as during the first social lockdown.

Orkla is exposed to a broad range of raw material categories. Overall, raw material prices were higher in the fourth quarter, with a sharp rise in prices of vegetable oils and grains. Prices of sugar, dairy products and several other raw material categories also increased.

The weakening of the Norwegian krone against the euro has slowed, but foreign currency rate changes continued to impact negatively on purchasing prices in the fourth quarter, compared with the same period of 2019. However, the weakening of the Norwegian krone contributed to positive currency translation effects in the consolidated financial statements.

Energy prices in Norway in the fourth quarter were substantially lower than in 2019 due to a significant power surplus and reduced interconnector capacity in the Norwegian market. At quarter end, interconnector capacity was close to normal, resulting in a rising trend in energy prices. The low energy prices in the fourth quarter resulted in reduced production costs for Branded Consumer Goods, but had a substantially larger negative effect on profit performance for Hydro Power.

Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–31.12.2020	1.6	6.2	1.3	9.1
1.10.–31.12.2020	1.3	4.7	-0.3	5.6

Figures may not add up due to rounding.

Turnover growth for Branded Consumer Goods in the fourth quarter was driven by organic growth and currency translation effects. Organic turnover growth was 1.3%. There is still good growth in the grocery channel, positively affected by strong market growth in several geographies. Growth has been offset to some extent by reduced demand from non-grocery channels, which have been negatively impacted by reintroduced restrictions. As a result, business area performance varied significantly in the fourth quarter.

Orkla Care had organic growth of 8.7%, positively impacted by continued strong market growth in several categories due to the coronavirus crisis. Orkla Consumer Investments contributed 12.8% organic sales growth, primarily related to continued high activity in the home improvement market entailing use of paintbrushes and other painting equipment. Orkla Foods also had growth in the quarter, positively affected by good market growth in the grocery channel.

Growth was partly offset by a decline for Orkla Food Ingredients due to lower activity in the Out of Home sector, and lower growth for Orkla Confectionery & Snacks which was negatively impacted by shifts in the timing of sales to the third quarter of 2020 and first quarter of 2021.

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

Figures may not add up due to rounding.

Branded Consumer Goods incl. Headquarters (HQ) saw an improvement of 7.4% in fourth-quarter EBIT (adj.), of which 2.1% was underlying growth. The profit improvement was primarily due to turnover growth and cost reduction programmes. Profit growth was partly offset by a considerable increase in advertising spend in the quarter and higher depreciation as a result of a higher level of investment in the past few years. Profit performance was also negatively affected by various accrual effects in the quarter.

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

Figures may not add up due to rounding.

Margin growth on a rolling 12-month basis as at 31 December 2020 for Branded Consumer Goods including HQ showed an improvement of 0.5 percentage points. The margin improvement was driven by revenue management, product mix, increased production efficiency and other cost improvements, but was offset by higher advertising spend and increased depreciation.

Structural measures (M&A)

Through its wholly-owned subsidiary NIC Enterprises Limited, Orkla Food Ingredients completed an agreement to purchase 100% of the shares in the sales and distribution company Gortrush Trading Ltd. ("Gortrush"). Gortrush is a well-established supplier of ice cream ingredients and accessories to wholesalers in Ireland, Northern Ireland and the rest of the UK. The company was consolidated into Orkla's financial statements as of 1 December 2020.

In the fourth quarter, Orkla Care Polen signed an agreement to sell the company's skin care business in Poland. The agreement concerned the sale of the Soraya and Dermika brands and related production facilities. The purpose of the sale was to simplify the portfolio and concentrate Orkla Care's Polish operations on the health, wound care and personal care categories. The sale was approved by the relevant competition authorities and was completed on 31 December 2020.

An agreement was entered into in the fourth quarter on the sale of the Danish pizza restaurant chain Gorm's which reduced Orkla's equity interest from 66.67% to 19.99%.

In the fourth quarter, Frödinge became part of Odense Marcipan Group, which belongs to Orkla Food Ingredients. The purpose of moving Frödinge from Orkla Foods Sverige was to optimise Orkla's portfolio, as Frödinge is a good fit with Orkla Food Ingredients' existing portfolio.

In January 2021, through its wholly-owned Swedish subsidiary Health and Sports Nutrition Group AB ("HSNG"), Orkla Care completed an agreement to purchase 100% of the shares in Proteinfabrikken AS. Besides its own products, Proteinfabrikken sells and distributes a number of other brands and products in the sports nutrition, food products and fitness equipment categories. In 2014, Orkla Care purchased a minority shareholding

of 16.7% in Proteinfabrikken. The company was consolidated into Orkla's financial statements as of 1 January 2021.

In the third quarter, Orkla entered into an agreement to purchase 67.8% of the shares in Eastern Condiments Private Limited in India. The process of completing the transaction is still ongoing.

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

Outlook

After the gradual reopening of society in the third quarter, coronavirus restrictions were reintroduced in many of the markets in which Orkla operates. The outlook going forward is still uncertain, but encouraging vaccine news offers a hope of the situation normalising in the course of 2021. Buying power will depend on the infection situation, how long it will be necessary to maintain infection control measures and whether there will be new rounds of lay-offs and higher unemployment. This creates continued uncertainty as to demand. However, the situation varies from market to market due to differences in the spread of infection and the infection control measures imposed by local authorities and the varying impact on the population's buying power. This last factor has created particularly strong uncertainty in the Baltics and Central Europe.

So far, Orkla has succeeded in maintaining close to normal value chain operations during the coronavirus pandemic. All 105 factories continued to operate at almost full capacity in the fourth quarter, and Orkla has achieved a good service level.

Orkla is exposed to a broad range of raw material categories and prices are expected to rise overall going forward. However, there is still uncertainty as regards both future raw material price movements and currency rate fluctuations.

Orkla is well equipped financially to deal with continued uncertainty. The Group has a strong balance sheet with net interest-bearing liabilities of 0.9 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 the 2018-2021 period, Orkla has targeted EBIT (adj.) margin growth of minimum 1.5 percentage points adjusted for acquisitions, disposals and currency effects. The first two years show an improvement of 0.7 percentage points, which means that the target is considered hard to reach. Increased advertising spend in 2020 to strengthen Orkla's brands, sales growth and long-term competitiveness is expected to continue in 2021, and in the short term will have a negative impact on margin improvement.

Financial matters - Group

Main figures profit/loss

Amounts in NOK million	1.1.-31.12.		1.10.-31.12.	
	2020	2019	2020	2019
Operating revenues	47 137	43 615	12 622	12 017
EBIT (adj.)	5 492	5 088	1 573	1 515
Other income and expenses	(930)	(561)	(468)	(136)
Operating profit	4 562	4 527	1 105	1 379
Profit/loss from associates and joint ventures	1 000	659	225	147
Interest and financial items, net	(214)	(255)	(40)	(39)
Profit/loss before taxes	5 348	4 931	1 290	1 487
Taxes	(926)	(1 033)	(141)	(218)
Profit/loss for the period	4 422	3 898	1 149	1 269
Earnings per share (NOK)	4.37	3.84	1.14	1.28
Earnings per share (adj.) (NOK)	5.04	4.24	1.43	1.27

Group operating revenues increased by 5.0% in the fourth quarter, driven by organic growth and positive currency translation effects for Branded Consumer Goods.

In the same period, the Group had 3.8% growth in EBIT (adj.), driven by higher contribution to profit totalling 7.4% from Branded Consumer Goods incl. HQ. There were positive currency translation effects in all business areas, in addition to good profit improvement for Orkla Foods, driven by top-line growth and cost efficiency improvements. Orkla Consumer Investments also saw good profit improvement in the quarter, mainly due to strong top-line growth in the painting equipment market. This growth was offset to some extent by a decline in profit for Orkla Food Ingredients, due to the negative impact of the reintroduction of coronavirus restrictions. Despite good turnover growth, Orkla Care delivered an almost flat profit performance on account of advertising spend and negative accrual effects.

Industrial & Financial Investments saw a decline in profit in the fourth quarter as a result of still substantially lower power prices for Hydro Power.

The Group's "other income and expenses" totalled NOK -468 million in the fourth quarter. The largest item is related to ERP projects, which necessitated recognition of expenses and write-downs totalling approx. NOK 550 million, of which approx. NOK

500 million relates to a new ERP platform for the Orkla Foods, Orkla Confectionery & Snacks and Orkla Care business areas. NOK 51 million relates to a new common ERP platform in the Orkla Food Ingredients business area. Of the total amount of approx. NOK 550 million, NOK 437 million was expensed in the fourth quarter of 2020. The remainder will be expensed under "other income and expenses" in 2021, mainly in the first quarter. The ERP project, which includes the construction of a common template for Branded Consumer Goods (excluding OFI) has been considerably more complicated and time-consuming than originally estimated when the project was commenced in 2017. Furthermore, the coronavirus pandemic has made it necessary to draw up new plans, and caused further delays and hence increased use of resources. Nonetheless, a major milestone was reached in early February 2021 when the Group's largest business, Orkla Foods Sverige, rolled out the new ERP solution. Plans are now being made for a gradual implementation of ERP for most Branded Consumer Goods' businesses over the next 7-8 years.

Expenses were also incurred in the fourth quarter related to several restructuring and reorganisation projects and M&A activities. These expenses were partly offset by the recognition in income of the gain on the sale of buildings in Romania and the sale of buildings in Ishøj. See further details of other income and expenses in Note 3.

Profit from associates amounted to NOK 225 million in the fourth quarter. The improvement of NOK 78 million, year over year, was mainly due to good sales growth and a stronger gross margin for Jotun.

Net financial costs in the quarter were on par with last year's figures. The positive effect from a lower average borrowing rate of 1.5% in the period, compared with 2.0% in the same period of 2019, was offset by higher costs related to pension schemes.

The effective tax rate in the fourth quarter was lower, year over year, chiefly due to lower economic rent tax and the reversal of a provision related to operations outside Norway.

Earnings per share in the fourth quarter were NOK 1.14, a year-over-year decrease of 10.9%. Adjusted earnings per share were NOK 1.43, equivalent to growth of 12.6% from the previous year. See the section on Alternative Performance Measures (APM) on page 18 for more information.

The Board of Directors of Orkla has the intention to propose a dividend for the 2020 financial year of NOK 2.75 per share, an increase of 15 øre from the previous year. At a Board meeting on 15 March 2021, the Board of Directors will decide on the dividend proposal to the General Meeting.

Cash flow – Group

The comments below are based on the cash flow statement as presented in Orkla's internal format and refer to the period 1 January to 31 December 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.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
Cash flow from Branded Consumer Goods incl. HQ				
EBIT (adj.)	5 440	4 786	1 546	1 439
Depreciation and amortisation	1 783	1 581	454	419
Changes in net working capital	670	812	511	739
Net replacement expenditures	(2 251)	(1 931)	(646)	(714)
Cash flow from operations (adj.)	5 642	5 248	1 865	1 883
Cash flow effect from "Other income and expenses" and pensions	(291)	(450)	(195)	(129)
Cash flow from operations, Branded Consumer Goods incl. HQ	5 351	4 798	1 670	1 754
Cash flow from operations, Industrial & Financial Investments	87	135	(3)	104
Taxes paid	(1 152)	(1 129)	(269)	(221)
Dividends received, financial items and other payments	91	(167)	(28)	(25)
Cash flow before capital transactions	4 377	3 637	1 370	1 612
Dividends paid and purchase/sale of treasury shares	(2 609)	(2 589)	55	(4)
Cash flow before expansion	1 768	1 048	1 425	1 608
Expansion investments	(479)	(631)	(176)	(160)
Sale of companies (enterprise value)	200	582	95	532
Purchase of companies (enterprise value)	(733)	(3 063)	(35)	(234)
Net cash flow	756	(2 064)	1 309	1 746
Currency effects of net interest-bearing liabilities	(585)	(3)	267	(46)
Change in net interest-bearing liabilities	(171)	2 067	(1 576)	(1 700)
Net interest-bearing liabilities	6 380	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 incl. HQ was higher in 2020 than in 2019, primarily due to improved EBIT (adj.). There is still an improvement in working capital, despite a temporary inventory build-up due to focus on ensuring a high service level for the business areas that have seen increased demand.

The current implementation of new ERP systems and several ongoing factory projects resulted in increased replacement investments. In 2020, there was also an increase in depreciation related to higher investments in earlier periods. Currency translation effects also affect these components.

In Industrial & Financial Investments, cash flow from operations both in the fourth quarter of 2020 and for the full year 2020 was lower, year over year, due to the decline in profit for Hydro Power.

Dividends received, financial items and other payments chiefly consist of 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. The majority of the expansion in 2020 was related to the investment programme for pizza production at Stranda, Norway, and to increased production capacity for plant-based products.

The logistics company Andersen & Mørck was sold in 2020. Furthermore, Orkla Eiendom sold a minority interest (40.5%) in Alkärrsplans Utvecklings AB and a minority interest (20%) in the property development company Sandakerveien 56. In the fourth quarter of 2020, Orkla Care sold the Skin Care business in Poland.

Acquisitions of companies totalled NOK 733 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, Gortrush Trading and the remaining shares in Orchard Valley Foods. Minor investments were also made in the Venture portfolio.

Net cash flow for the Group was NOK 756 million. Negative currency translation effects due to the weaker Norwegian krone increased net interest-bearing liabilities by NOK 585 million compared with the end of 2019. As at 31 December 2020, net interest-bearing liabilities before lease liabilities totalled NOK 4,893 million. Including lease liabilities related to IFRS 16, net interest-bearing liabilities totalled NOK 6,380 million.

As at 31 December 2020, the equity ratio was 59.8%, compared with 60.8% as at 31 December 2019. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.2 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.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
Operating revenues	18 301	16 776	4 871	4 672
- Organic revenue growth	3.7%	1.8%	1.7%	1.5%
EBIT (adj.)	2 641	2 276	817	734
EBIT (adj.) margin	14.4%	13.6%	16.8%	15.7%

- Organic sales growth in the fourth quarter mainly driven by the Nordics and India
- Sales to grocery customers continued to increase in the fourth quarter due to the coronavirus pandemic, while non-grocery sales fell
- Reported profit growth of 11.3% in the fourth quarter was driven by higher turnover, cost reductions and positive currency-related consolidation effects

Orkla Foods reported an increase of 4.3% in sales in the fourth quarter, of which 1.7% was organic growth. Sales improved in the Nordic region and India, while sales declined slightly in Central Europe in the quarter. Changes in buying patterns during the coronavirus pandemic continued to generate higher sales to the grocery sector in the fourth quarter, while stricter restrictions during the quarter resulted in weaker sales to the Out of Home, convenience store, petrol station and exports segments than in 2019. Flavourings, ready meals and vegetables are categories that contributed to good growth in the fourth quarter, and sales of plant-based products continue to show a positive trend.

Orkla Foods saw good overall profit growth in the fourth quarter, due to the lag in effect of price increases in response to higher purchasing costs earlier in the year, and to reduced production costs. This was offset to some extent by increased advertising spend, particularly in India. Profit was also somewhat negatively affected by higher maintenance costs and increased depreciation from investments in technology and capacity. The negative currency effects of the weaker Swedish and Norwegian kroner have diminished, while raw material prices continued to rise in the fourth quarter. Positive consolidation effects from changes in currency exchange rates contributed substantially to profit growth. The EBIT (adj.) margin improved to 16.8%, up 1.1 percentage point from the fourth quarter of 2019.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
Operating revenues	7 171	6 612	2 062	1 987
- Organic revenue growth	2.0%	4.6%	-1.6%	5.0%
EBIT (adj.)	1 203	1 094	421	398
EBIT (adj.) margin	16.8%	16.5%	20.4%	20.0%

- Good market growth in the Nordic grocery sector, market growth still weak in the Baltics
- Organic sales decline driven by phasing of sales between quarters
- Positive contribution from cost improvement programmes

Orkla Confectionery & Snacks posted 3.8% growth in fourth-quarter operating revenues. The increase was driven by positive currency translation effects. Organic growth was -1.6%. Fourth-quarter sales were negatively affected by temporary wholesaler destocking due to the removal of the sugar tax as of 1 January 2021 in Norway. Sales were also negatively impacted by a shift in sales of seasonal goods between the third and fourth quarters. Market growth in the Nordic grocery sector has been high, whereas demand and sales declined in the Baltics and in non-grocery channels. In Denmark, reduced listing by a major customer continued to have a negative impact; however, this was offset in part by good sales growth and increased market share with other customers. A new agreement was recently signed with the customer in question which will gradually contribute to improved sales in Denmark.

Fourth-quarter EBIT (adj.) for Orkla Confectionery & Snacks increased by 5.8%, year over year. Profit growth was largely driven by positive currency translation effects, as well as cost improvement programmes. The EBIT (adj.) margin was 20.4% in the fourth quarter, a year-over-year improvement of 0.4 percentage points.

Orkla Care

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
Operating revenues	6 905	5 887	1 822	1 565
- Organic revenue growth	9.2%	0.0%	8.7%	6.0%
EBIT (adj.)	1 019	855	203	205
EBIT (adj.) margin	14.8%	14.5%	11.1%	13.1%

- Continued good organic sales growth for Orkla Care, driven by significant growth for Orkla Health and HSNB
- Strong market growth for several of Orkla Care's categories
- Increased advertising spend and substantial periodisation differences in the fourth quarter of 2020, compared with the same period of 2019

In the fourth quarter, Orkla Care had sales growth of 16.4%, of which 8.7% was organic growth. There has been strong market growth for several of Orkla Care's categories which has had a positive impact on sales growth. Growth in the quarter was positively impacted by Orkla Health in particular, which saw strong sales growth in all markets, especially the Norwegian and export markets, and by HSNB which continued its strong sales growth. While Home & Personal Care has still delivered growth, it has levelled off slightly, partly because it is measured against a strong fourth quarter in 2019. Orkla Wound Care continued with negative organic growth in the fourth quarter as a result of comprehensive coronavirus-related restrictions in several key markets.

Profit fell by 1.0% in the fourth quarter despite strong growth in sales, driven by higher advertising spend, non-recurring costs and periodisation in the quarter. The fourth-quarter EBIT (adj.) margin was 11.1%, compared with 13.1% in 2019, mainly due to the previously mentioned non-recurring effects and a negative product mix. Lower margins in HSNB, compared with the rest of the Orkla Care portfolio, had a dilutive effect.

Orkla Food Ingredients

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
Operating revenues	10 696	10 292	2 834	2 776
- Organic revenue growth	-5.9%	0.6%	-4.3%	0.4%
EBIT (adj.)	500	626	135	169
EBIT (adj.) margin	4.7%	6.1%	4.8%	6.1%

- Negative organic growth due to lower activity in the Out of Home segment
- Decline in EBIT (adj.) driven by lower sales, but partly offset by profit protection measures, currency translation effects and acquisitions
- Still great uncertainty regarding future outlook in light of infection control restrictions

Orkla Food Ingredients had an increase of 2.1% in fourth-quarter operating revenues. The increase was driven by acquisitions and positive currency translation effects. Organic growth was -4.3%, the decline being due to the reintroduction of coronavirus-related restrictions which in turn resulted in a decline in the Out of Home segment. The decline was evident in the vast majority of the business area's main markets in Europe. There is still great uncertainty as regards future developments, which will depend on how the pandemic evolves and associated government restrictions.

EBIT (adj.) declined by -20.1% in the fourth quarter. The fall in profit was a consequence of the decline in sales, but was counteracted to some extent by profit protection measures that reduced fixed costs, positive currency translation effects and acquisitions. There has been no significant loss on accounts receivable or inventory obsolescence due to the coronavirus crisis, but there is still a risk attached to the former in 2021.

The EBIT (adj.) margin was 4.8% in the fourth quarter, a reduction of 1.3 percentage points compared with 2019.

Orkla Consumer Investments

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
Operating revenues	3 847	3 385	969	872
- Organic revenue growth	2.1%	-3.4%	12.8%	-7.1%
EBIT (adj.)	404	297	72	45
EBIT (adj.) margin	10.5%	8.8%	7.4%	5.2%

- Continued high activity in the home improvement market brought improvement for Orkla House Care
- Solid sales growth for Kotipizza's pizza restaurants
- Good profit improvement, partly due to weak comparative figures

Orkla Consumer Investments had organic sales improvement of 12.8% in the fourth quarter. The organic sales growth was primarily driven by Orkla House Care with increased sales in all markets due to a general rise in activity in the home improvement market, and thus higher sales of painting equipment. Good organic growth for Kotipizza driven by solid sales growth of 20% for the pizza restaurants in the quarter, was counteracted to some extent by an otherwise weak restaurant market which resulted in lower growth in the wholesale business. Lilleborg also saw improvement in the quarter, primarily due to higher demand for disinfectants. Demand in the textile business Pierre Robert Group is still negatively impacted by social restrictions related to the coronavirus pandemic. On the positive side, online sales show good growth.

The 60% improvement in profit in the fourth quarter is due to good underlying growth and positive currency translation effects. Growth was broad-based, but must be seen in conjunction with weak comparative figures from the fourth quarter of 2019 due to a low contribution to profit from Pierre Robert Group. The EBIT (adj.) margin was 7.4%, up 2.2 percentage points compared with 2019.

Industrial & Financial Investments

Hydro Power

	1.1.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
Volume (GWh)	2 884	2 156	702	534
Price* (øre/kWh)	9.8	38.7	13.6	39.3
EBIT (adj.) (NOK million)	42	292	25	72

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

EBIT (adj.) for Hydro Power amounted to NOK 25 million in the fourth 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 13.6 øre/kWh, compared with 39.3 øre/kWh in the fourth quarter of 2019. Production was higher than in the fourth quarter of 2019, totalling 702 GWh.

At the start of 2021, power prices have increased and were around 50 øre/kWh at the end of January.

Financial Investments

EBIT (adj.) for Orkla Financial Investments totalled NOK 2 million in the fourth quarter of 2020, compared with NOK 4 million in 2019. 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)

Sales growth for Jotun continued in the fourth quarter of 2020, with a year-over-year increase of 4%. Currency exchange effects had little impact on sales growth in the quarter. Sales increased in all segments, except for Marine Coatings where sales were weaker due to lower activity in the newbuilding and ship maintenance markets. Sales growth was strongest in Decorative Paints, as a result of a substantial improvement in South East Asia and the Middle East, where the coronavirus pandemic has previously had the greatest negative impact on sales. In Scandinavia and Turkey, too, where the coronavirus pandemic has led to a strong increase in demand for paint, sales continued to improve.

Operating profit in the fourth quarter more than doubled, year over year, and operating margin increased from 5.9% in 2019 to 11.9%. The positive profit performance is explained by higher sales, stronger gross margins and effective cost control.

Jotun is starting the new year with a positive sales performance and expects growth to continue in 2021. However, the coronavirus situation creates increased uncertainty, and the growth rate will be affected by lower newbuilding activity in the shipping sector, a weak oil and gas market, and lower growth in Scandinavia where sales were extraordinarily high in 2020. In addition, raw material prices, where there has been a rising trend, are expected to continue to increase. Although there is still uncertainty as to the long-term consequences of the coronavirus pandemic, Jotun has a robust business model that ensures that the company is well positioned to achieve further profitable growth.

Other matters

On 14 January 2021 changes were made in Orkla's Group Executive Board. Atle Vidar Nagel Johansen was appointed CEO of the business area Orkla Foods. He previously held the position of CEO of the Orkla Care business area. Ann-Beth Freuchen, who headed Orkla Foods Nordic & Baltics, left the Group. Johan Wilhelmsson stepped down from the Group Executive Board, but continues to serve as CEO of Orkla Foods International which has now become part of Orkla Foods.

Hege Holter Brekke was appointed CEO of the Orkla Care business area. She was previously CEO of the Orkla Health business unit.

Ingvill T. Berg was appointed CEO of the Orkla Confectionery & Snacks business area. She succeeded Jeanette Hauan Fladby who left the Group. Ingvill T. Berg previously held the position of CEO of the Orkla Confectionery & Snacks Norge business unit.

Oslo, 10 February 2021
The Board of Directors of Orkla ASA

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

Condensed income statement

Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2020	2019	2020	2019
Operating revenues	2	47 137	43 615	12 622	12 017
Operating expenses		(39 701)	(36 784)	(10 558)	(10 041)
Depreciation and amortisation		(1 944)	(1 743)	(491)	(461)
EBIT (adj.)	2	5 492	5 088	1 573	1 515
Other income and expenses	3	(930)	(561)	(468)	(136)
Operating profit		4 562	4 527	1 105	1 379
Profit/loss from associates and joint ventures		1 000	659	225	147
Interest, net	7	(162)	(192)	(30)	(34)
Other financial items, net	7	(52)	(63)	(10)	(5)
Profit/loss before taxes		5 348	4 931	1 290	1 487
Taxes		(926)	(1 033)	(141)	(218)
Profit/loss for the period		4 422	3 898	1 149	1 269
Profit/loss attributable to non-controlling interests		51	60	10	(12)
Profit/loss attributable to owners of the parent		4 371	3 838	1 139	1 281

Earnings per share

Amounts in NOK	1.1.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
Earnings per share	4.37	3.84	1.14	1.28
Earnings per share (adj.)	5.04	4.24	1.43	1.27

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2020	2019	2020	2019
Profit/loss for the period		4 422	3 898	1 149	1 269
Other items in comprehensive income					
<i>Items after tax not to be reclassified to profit/loss in subsequent periods</i>					
Actuarial gains and losses pensions		(16)	(244)	(3)	(244)
Changes in fair value shares		42	1	(1)	0
<i>Items after tax to be reclassified to profit/loss in subsequent periods</i>					
Change in hedging reserve	4	(107)	58	(47)	50
Carried against equity in associates and joint ventures	4	(91)	29	(315)	(80)
Translation effects	4	1 114	(149)	(684)	99
The Group's comprehensive income		5 364	3 593	99	1 094
Comprehensive income attributable to non-controlling interests		62	58		
Comprehensive income attributable to owners of the parent		5 302	3 535		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	31.12. 2020	31.12. 2019
Intangible assets		24 334	22 754
Property, plant and equipment		16 274	15 402
Associates, joint ventures and other financial assets	6	5 368	4 584
Non-current assets		45 976	42 740
Inventories		6 530	5 868
Inventory of development property		96	90
Trade receivables		6 256	6 078
Other receivables and financial assets	6	936	968
Cash and cash equivalents	6	3 213	1 669
Current assets		17 031	14 673
Total assets		63 007	57 413

Equity and liabilities

Amounts in NOK million	Note	31.12. 2020	31.12. 2019
Paid-in equity		1 972	1 972
Retained equity		35 270	32 480
Non-controlling interests		462	460
Equity		37 704	34 912
Provisions and other non-current liabilities		5 071	4 800
Non-current interest-bearing liabilities	6	9 359	7 783
Current interest-bearing liabilities	6	664	803
Trade payables		6 526	5 591
Other current liabilities		3 683	3 524
Equity and liabilities		63 007	57 413
Equity ratio		59.8%	60.8%

Condensed statement of changes in equity

	1.1.–31.12.2020			1.1.–31.12.2019		
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	-	-	0	(112)	(15)	(127)
Equity 1 January	34 452	460	34 912	33 517	436	33 953
The Group's comprehensive income	5 302	62	5 364	3 535	58	3 593
Dividends	(2 598)	(68)	(2 666)	(2 599)	(49)	(2 648)
Net purchase/sale of treasury shares	57	-	57	59	-	59
Change in non-controlling interests	29	8	37	(60)	15	(45)
Equity at close of period	37 242	462	37 704	34 452	460	34 912

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2020	2019	2020	2019
Cash flow from operations before capital expenditure		7 688	7 220	2 286	2 661
Received dividends and paid financial items		62	30	(28)	(27)
Taxes paid		(1 152)	(1 129)	(269)	(221)
Cash flow from operating activities		6 598	6 121	1 989	2 413
Net capital expenditure		(2 446)	(2 468)	(639)	(716)
Net sale (purchase) of companies	5	(507)	(2 426)	58	149
Other payments		29	(197)	0	2
Cash flow from investing activities		(2 924)	(5 091)	(581)	(565)
Net paid to shareholders		(2 609)	(2 589)	55	(4)
Change in interest-bearing liabilities and receivables		324	1 249	(194)	(1 512)
Cash flow from financing activities		(2 285)	(1 340)	(139)	(1 516)
Currency effects cash and cash equivalents		155	1	(4)	15
Change in cash and cash equivalents		1 544	(309)	1 265	347
Cash and cash equivalents	6	3 213	1 669		

Reconciliation operating activities against Orkla-format; see page 6

<i>IFRS cash flow</i>					
Cash flow from operating activities		6 598	6 121	1 989	2 413
Net capital expenditure		(2 446)	(2 468)	(639)	(716)
Other payments		29	(197)	0	2
Cash flow from operating activities incl. capital expenditure		4 181	3 456	1 350	1 699
<i>Orkla-format</i>					
Cash flow before capital transactions		4 377	3 637	1 370	1 612
New capitalised leases (incl. in net replacement expenditures in Orkla-format)		283	450	156	247
Expansion investments		(479)	(631)	(176)	(160)
Comparative cash flow		4 181	3 456	1 350	1 699

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

Change cash and cash equivalents IFRS cash flow	(1 544)	309	(1 265)	(347)
Change net interest-bearing liabilities IFRS cash flow	324	1 249	(194)	(1 512)
Net interest-bearing liabilities in purchased/sold companies	26	55	(2)	(149)
Interest-bearing liabilities new leases	283	450	156	247
Total currency effect net interest-bearing liabilities	585	3	(267)	46
Currency effect cash and cash equivalents	155	1	(4)	15
Change net interest-bearing liabilities Orkla-format	(171)	2 067	(1 576)	(1 700)

NOTES

Note 1 General information

Orkla ASA's condensed consolidated financial statements as at 31 December 2020 were approved at the Board of Directors' meeting on 10 February 2021. The figures in the statements have not been audited. Orkla ASA (organisation no. NO 910 747 711) is a public limited liability company and its offices are located at Skøyen in Oslo, Norway. Orkla shares are traded on the Oslo Stock Exchange. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of calculation have been applied as in the last annual financial statements. 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.

Note 2 Segments

Amounts in NOK million	Operating revenues				EBIT (adj.)			
	1.1.–31.12.		1.10.–31.12.		1.1.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019	2020	2019	2020	2019
Orkla Foods	18 301	16 776	4 871	4 672	2 641	2 276	817	734
Orkla Confectionery & Snacks	7 171	6 612	2 062	1 987	1 203	1 094	421	398
Orkla Care	6 905	5 887	1 822	1 565	1 019	855	203	205
Orkla Food Ingredients	10 696	10 292	2 834	2 776	500	626	135	169
Orkla Consumer Investments	3 847	3 385	969	872	404	297	72	45
Eliminations Branded Consumer Goods	(399)	(320)	(115)	(94)	-	-	-	-
Branded Consumer Goods	46 521	42 632	12 443	11 778	5 767	5 148	1 648	1 551
HQ/Eliminations	61	52	22	20	(327)	(362)	(102)	(112)
Branded Consumer Goods incl. HQ	46 582	42 684	12 465	11 798	5 440	4 786	1 546	1 439
Hydro Power	519	826	145	202	42	292	25	72
Financial Investments	124	182	36	43	10	10	2	4
Industrial & Financial Investments	643	1 008	181	245	52	302	27	76
Eliminations	(88)	(77)	(24)	(26)	-	-	-	-
Orkla	47 137	43 615	12 622	12 017	5 492	5 088	1 573	1 515

Note 3 Other income and expenses

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
M&A and integration costs	(105)	(130)	(49)	(40)
Final settlement employment relationships etc.	(136)	(80)	(25)	(39)
Gain/loss on transactions	145	356	40	43
Write-downs	(511)	(477)	(270)	(21)
Restructuring costs and other items	(323)	(230)	(164)	(79)
Total other income and expenses	(930)	(561)	(468)	(136)

Income

Buildings owned by Orkla Care (Denmark) and Orkla Food Ingredients (Romania) were sold in the third and fourth quarters. The sales generated a total gain of NOK 53 million. In the second quarter, NOK 67 million related to the refund of indirect taxes for the period 2017-2019 was taken to income.

In the third quarter Orkla Foods Norge sold the Vestlandslefsa brand at a gain of NOK 16 million, and in the first quarter a gain of NOK 5 million on the sale of the SaritaS brand was recognised in income. Both these transactions are disclosed in Note 5.

Write-downs

A project is being implemented in the Group with a view to establishing a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care. The ERP project, entailing the construction of a common process core, or template, has been considerably more complex and time-consuming than originally anticipated when the project was started in 2017, and certain functionalities are no longer expected to be used. Furthermore, the coronavirus pandemic has necessitated extensive replanning, further postponements and consequently increased resource use. Write-downs and costs related to the project, totalling NOK 386 million, were expensed in the fourth quarter of 2020. No further amounts will be capitalised in the balance sheet for this ERP project, in which some activities are still being carried out at the start of 2021. A total of over NOK 100 million is expected to be incurred in connection with this ERP project in 2021, mainly in the first quarter, which will be reported as "Other income and expenses".

The Orkla Food Ingredients business area also has an ongoing project to establish a common ERP platform. This project was written down and NOK 51 million was expensed in the fourth quarter of 2020, mainly because it has become more complex and time-consuming than originally anticipated, and certain functionalities are no longer expected to be used.

Write-downs of other IT systems, totalling NOK 27 million, were also taken in 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.

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, in the third quarter. A minor trademark in Orkla Confectionery & Snacks was also written down. A small goodwill item in Orkla Care was written down in the fourth quarter.

A production line in MTR (Orkla Foods) was written down by NOK 14 million as at 31 December 2020. 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. Orkla purchased 67% of Gorm's in 2018 with an option to increase its interest to 100%. Gorm's was very negatively impacted by the coronavirus crisis in 2020. The risk related to the profit performance required from the company was assessed as too high to justify Orkla's carrying values, and the business was therefore written down. An agreement on the sale of an equity interest in Gorm's was entered into in the fourth quarter, which entailed the reduction of Orkla's interest to 19.99%. A total of NOK 89 million for write-downs and translation differences related to Gorm's in 2020 has been expensed on the line for "Other income and expenses".

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 was extended into 2020, and approx. NOK 65 million was expensed in connection with this project as at 31 December 2020.

Major restructuring projects have been carried out in Orkla Care and Pierre Robert Group (Orkla Consumer Investments) respectively. The total costs for these projects amounted to approx. NOK 79 million as at 31 December 2020. In Orkla Care, a restructuring programme has been carried out that affects all the companies in the business area. Pierre Robert Group has entirely restructured the company, and in this connection the business in Sweden was closed down as of 30 June 2020.

Several coordination projects are also being carried out currently in Orkla Foods International, the biggest of which is the merger of Hamé and Vitana. Expenses totalling NOK 67 million were incurred in connection with this project in 2020. Other restructuring and coordination projects now ongoing in the Group are mainly the relocation of production from Felix Austria to Hamé, construction of a chocolate and a biscuits factory in Latvia (Orkla Confectionery & Snacks), 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 of 2020.

Note 4 Statement of comprehensive income

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve) after tax. The hedging reserve included in equity as at 31 December 2020 (after tax) totalled NOK -207 million. Accumulated translation differences correspondingly amounted to NOK 2,480 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 162 million as at 31 December 2020.

Note 5 Acquisitions and disposals

Acquisitions in the fourth quarter

Orkla Food Ingredients purchased 100% of the shares in the sales and distribution company Gortrush Trading Ltd. ("Gortrush"). Gortrush is a well-established supplier of ice cream ingredients and accessories to wholesalers, ice cream parlors and distributors in Ireland, Northern Ireland and the rest of the UK. The company has 13 employees and had a turnover of GBP 4.5 million (approx. NOK 54 million) in the last 12 months as at 30 September 2020. The company was consolidated into Orkla's financial statements as of 1 December 2020.

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 the acquisition of Norgesplaster strengthens Orkla Wound Care's 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.

Acquisitions were made of small equity interests in some companies. The purchases are largely part of Orkla's venture portfolio.

Other matters

As at 31 December 2020, Orkla had purchased companies for a total of NOK 733 million at enterprise value.

The purchase price allocations for all the companies acquired in 2019 were finalised as at 31 December 2020. No material changes were made in relation to the preliminary price allocations.

Sales of companies and brands

Orkla Care Polen sold the company's skin care business in Poland in the fourth quarter. The objective of the sale was to simplify the portfolio and concentrate Orkla's Polish operations on the health, wound care and personal care categories. The agreement covers the sale of the Soraya and Dermika brands, 145 persons employed in the business and the production facilities in Radzymin including production equipment. Orkla's Polish skin care business became part of Orkla Care Polen through the acquisition of Cederroth in 2015. Orkla's net sales revenues from the divested business totalled PLN 56 million (approx. NOK 144 million) in 2019. The sale was approved by relevant competition authorities and was completed on 31 December 2020. This sale had no material effect on profit or loss.

An agreement was entered into in the fourth quarter on the sale of the Danish pizza restaurant chain Gorm's, which entails a reduction of Orkla's equity interest from 66.67% to 19.99%. See also the information disclosed in Note 3.

Orkla Food Norge sold the Vestlandslefsa brand in the third quarter. The aim of the sale was to simplify the portfolio and concentrate production at Stranda on pizza. 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 generated a gain of NOK 16 million and was 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 was recognised as "Other income and expenses"; see also Note 3.

In the second quarter, Orkla Eiendom sold its shares in its associate Alkärrsplans 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 was recognised on the line for "Associates and joint ventures". In the first quarter, Orkla also sold a stake (20%) in the company Sandakerveien 56 to a business partner. Since the transaction concerned the sale of a minority shareholding, it has only been 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:

	31.12.	31.12.
Amounts in NOK million	2020	2019
Non-current liabilities excl. leases	(8 207)	(6 488)
Current liabilities excl. leases	(329)	(442)
Non-current receivables (in "Financial Assets")	370	263
Current receivables (in "Other receivables and financial assets")	60	103
Cash and cash equivalents	3 213	1 669
Net interest-bearing liabilities excl. leases	(4 893)	(4 895)
Non-current lease liabilities	(1 152)	(1 295)
Current lease liabilities	(335)	(361)
Total net interest-bearing liabilities	(6 380)	(6 551)

Note 7 Interest and other financial items

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

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2020	2019	2020	2019
Net interest costs excl. leases	(130)	(157)	(23)	(21)
Interest costs leases	(32)	(35)	(7)	(13)
Interest, net	(162)	(192)	(30)	(34)

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2020	2019	2020	2019
Dividends	1	21	0	2
Net foreign currency gain/loss	4	2	2	1
Interest on pensions ¹	(29)	(54)	(2)	1
Other financial items	(28)	(32)	(10)	(9)
Other financial items, net	(52)	(63)	(10)	(5)

¹Includes 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 31 December 2020, there were no special transactions between the Group and related parties.

Note 9 Treasury shares

The following changes took place in Orkla's holding of treasury shares between 1 January 2020 and 31 December 2020:

Treasury shares as at 1 January 2020	1 125 182
Employee share purchase programme	(623 382)
Treasury shares as at 31 December 2020	501 800

Note 10 Assessments relating to impairment

In the fourth quarter of 2020, write-downs and expenses totalling NOK 437 million were recognised in connection with ongoing ERP projects. A small goodwill item in Orkla Care was also written down.

All write-downs taken in 2020 are disclosed in Note 3.

There were otherwise no indications of impairment of the value of the Group's assets as at 31 December 2020. Many Orkla businesses have been affected by the coronavirus crisis and the situation is carefully monitored for indications of a need for write-downs.

Note 11 Shares and financial assets

Shares and financial assets recognised at fair value:

Amounts in NOK million	Measurement level			
	Level 1	Level 2	Level 3	Total
31 December 2020:				
Assets				
Investments	-	-	140	140
Derivatives	-	170	-	170
Liabilities				
Derivatives	-	206	-	206
31 December 2019:				
Assets				
Investments	-	-	104	104
Derivatives	-	121	-	121
Liabilities				
Derivatives	-	151	-	151

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

Note 12 Other matters*Agreements to purchase a company*

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.

In January 2021, Orkla Care signed and completed an agreement to purchase 100% of the shares in Proteinfabrikken AS. Orkla Care already owned 16.7% of the company after having acquired a minority shareholding in 2014. Proteinfabrikken sells a broad range of proprietary sports nutrition products under the PF brand. Proteinfabrikken has seven employees. In 2019 Proteinfabrikken had a turnover of NOK 82 million. The company will be consolidated into Orkla's financial statements as of 1 January 2021.

Other matters

A distribution agreement between Orkla Foods Česko a Slovensko in the Czech Republic and the company Panzani was terminated with effect from 1 March 2020. Under the agreement, Orkla 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 for the 2019 financial year. The dividend was paid to shareholders on 27 April 2020 and totalled approximately NOK 2.6 billion. The Board of Directors of Orkla has the intention to propose a dividend for the 2020 financial year of NOK 2.75 per share. At a Board meeting on 15 March 2021, the Board of Directors will decide on the dividend proposal to the General Meeting.

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 31 December 2020, an adjustment was made for gains on the sales of the associates Andersen & Mørck and Allkärrensplans Utvecklings AB. In 2019 an adjustment was made for the sale of the joint venture Oslo Business Park. Adjustments were made in both 2020 and 2019 for the reversal of a provision for tax related to operations outside Norway.

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2020	2019	2020	2019
Profit for the period after non-controlling interests	4 371	3 838	1 139	1 281
<i>Adjustments EPS (adj.):</i>				
Other income and expenses after tax	778	508	372	105
Gain on sale of associates and joint venture	(29)	(35)	0	(35)
Reversal of deferred tax related to operations outside Norway	(75)	(74)	(75)	(82)
Adjusted profit for the period after non-controlling interests	5 045	4 237	1 436	1 269
Average externally owned shares (1000 shares)	1 000 461	999 929	1 000 922	1 000 306
Earnings per share (adj.) (NOK)	5.04	4.24	1.43	1.27

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

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

Net interest-bearing liabilities

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

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

Net interest-bearing liabilities are reconciled in Note 6.

Organic growth by business area

	1.1.–31.12.2020			
Sales revenues change %	Organic growth	FX	Structure	Total
Orkla Foods	3.7	5.8	-0.4	9.1
Orkla Confectionery & Snacks	2.0	6.4	-	8.5
Orkla Care	9.2	6.2	1.9	17.3
Orkla Food Ingredients	-5.9	6.8	3.1	3.9
Orkla Consumer Investments	2.1	5.9	5.7	13.6
Branded Consumer Goods	1.6	6.2	1.3	9.1

	1.1.–31.12.2019			
Sales revenues change %	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	0.7	1.1	1.9
Orkla Food Ingredients	0.6	1.5	5.5	7.6
Orkla Consumer Investments	-3.4	2.2	42.7	41.5
Branded Consumer Goods	1.3	1.3	4.8	7.4

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

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

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

Figures may not add up due to rounding.

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

Photos: Anne Valeur and Bjørn Wad

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, Havrefras and Gortrush. Adjustments have been made for the sale of Glyngøre, SaritaS, Vestlandslefsa, Gorm's 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. A structural adjustment was made at business area level for the internal relocation of Frødinge.

	1.10.–31.12.2020			
Sales revenues change %	Organic growth	FX	Structure	Total
Orkla Foods	1.7	4.2	-1.6	4.3
Orkla Confectionery & Snacks	-1.6	5.4	-	3.8
Orkla Care	8.7	5.3	2.5	16.4
Orkla Food Ingredients	-4.3	4.8	1.6	2.1
Orkla Consumer Investments	12.8	4.2	-5.9	11.1
Branded Consumer Goods	1.3	4.7	-0.3	5.6

	1.10.–31.12.2019			
Sales revenues change %	Organic growth	FX	Structure	Total
Orkla Foods	1.5	2.9	2.6	7.0
Orkla Confectionery & Snacks	5.0	3.0	-	8.0
Orkla Care	6.0	2.3	-	8.3
Orkla Food Ingredients	0.4	4.0	7.3	11.7
Orkla Consumer Investments	-7.1	5.1	52.3	50.3
Branded Consumer Goods	1.9	3.3	5.5	10.7

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.12.2019	4.1	1.4	3.4	9.0
1.10.–31.12.2019	4.4	3.2	5.1	12.8

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