Second quarter results 2021

15 July 2021

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Summary of financials for the quarter

- Group EBIT(adj.)* growth of 5% in Q2
- Profit improvement in Hydro Power offset by negative development in Branded Consumer Goods
- Adjusted EPS* increased by +4% to NOK 1.14 in the quarter

*All Alternative Performance Measures (APM) are presented in the appendix

Highlights for the quarter

- Volume driven organic revenue growth of 6.9%, but weak profit conversion in the quarter
- Strong recovery for Orkla Food Ingredients
- Continue to deliver on our M&A strategy

Orkla

Good momentum in our three prioritized platforms for growth in Q2

Plant based	Out of Home	Health
		
• Organized as separate unit; Orkla Alternative Proteins • Investments in production facilities at Eslöv and Grønvang	• Acquisition of New York Pizza* • Kotipizza robust through Covid-19 • Recovery for Orkla Food Ingredients	• Completed acquisition of NutraQ • 9% growth for Møllers • Continued strong market growth

*Pending approval from local competition authorities

Orkla

Continue to deliver on M&A strategy in Q2

- Acquisition of New York Pizza*
- Completed acquisition of NutraQ
- Acquisition of Nói Siríus
- Add-ons in Orkla Food Ingredients

*Pending approval competition authorities

Financial performance

Harald Ullevoldsæter, CFO

Group EPS (adj.) +4% supported by Hydro Power and Jotun but offset by weak profit conversion in BCG

Key figures	Q2-21	Q2-20	∆ Q2
Operating revenues BCG	11,532	10,981	+5%
EBIT (adj.) BCG	1,240	1,290	-4%
EBIT (adj.) HQ	-86	-70	
EBIT (adj.) BCG incl. HQ	**1,154**	**1,220**	**-5%**
EBIT (adj.) Orkla Industrial & Financial Investments	111	-15	
Other income and expenses	-118	-176	
EBIT	**1,147**	**1,029**	**+11%**
Profit from associates	255	248	+3%
Net interest and other financial items	-58	-77	
Profit before tax	**1,344**	**1,200**	**+12%**
Taxes	-285	-240	
Profit after tax	**1,059**	**960**	**+10%**
Adjusted EPS diluted (NOK)	**1.14**	**1.10**	**+4%**
Reported EPS diluted (NOK)	1.04	0.95	+9%

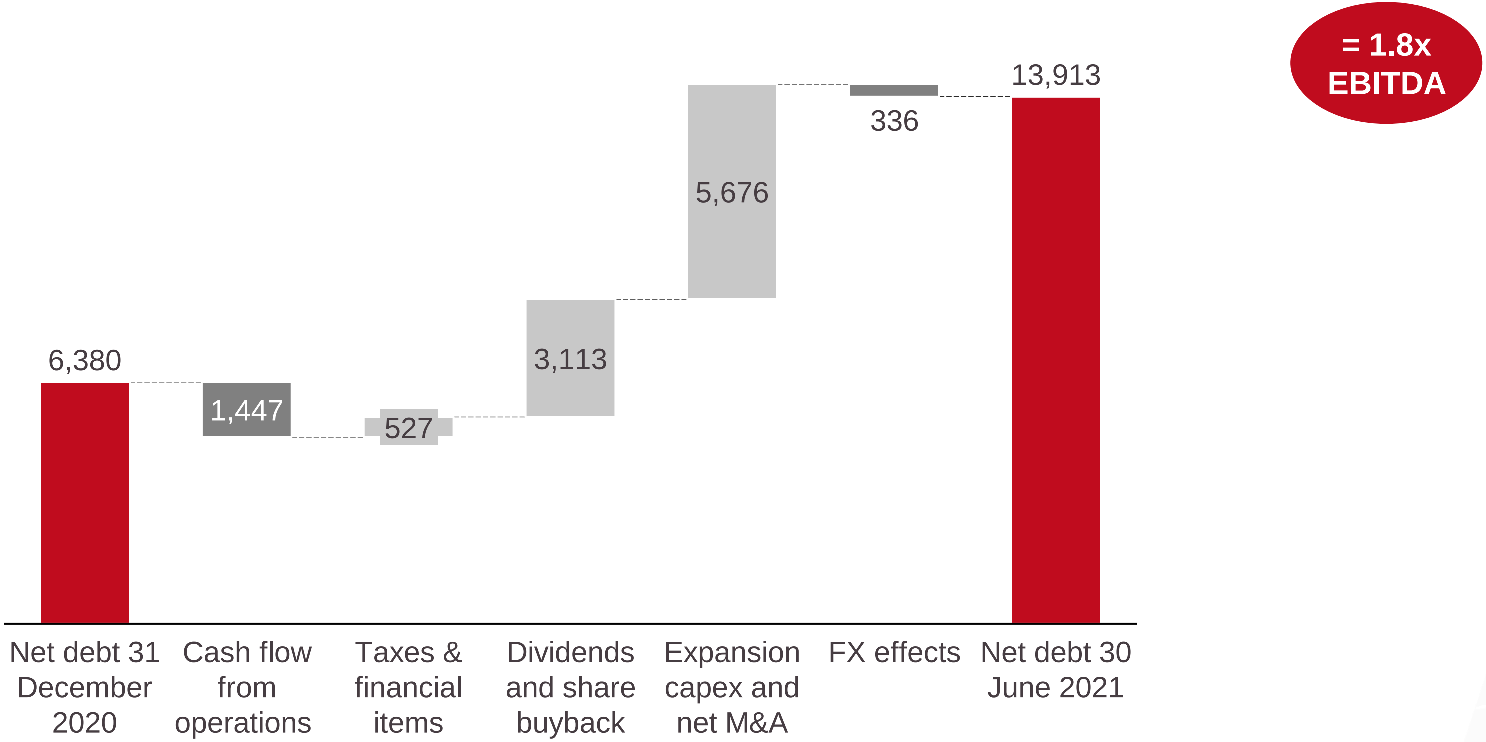
Amounts in NOK million

Positive cash flow from operations year to date

Cash flow from operations per 30.6 (pre-tax)	YTD Q2-21	YTD Q2-20
Orkla Branded Consumer Goods (BCG, incl. HQ)		
EBIT (adj.)	2,362	2,323
Depreciation	890	881
Change in net working capital	-648	105
Net replacement investments	-1,088	-1,101
Total BCG cash flow from operations (adj.)	1,516	2,208
Cash flow from other income & exp. and pensions	-281	-109
Industrial & Financial Investments	212	63
Total Orkla cash flow from operations	1,447	2,162

Amounts in NOK million

Aqcusitions increase net interest bearing debt



 Amounts in NOK million

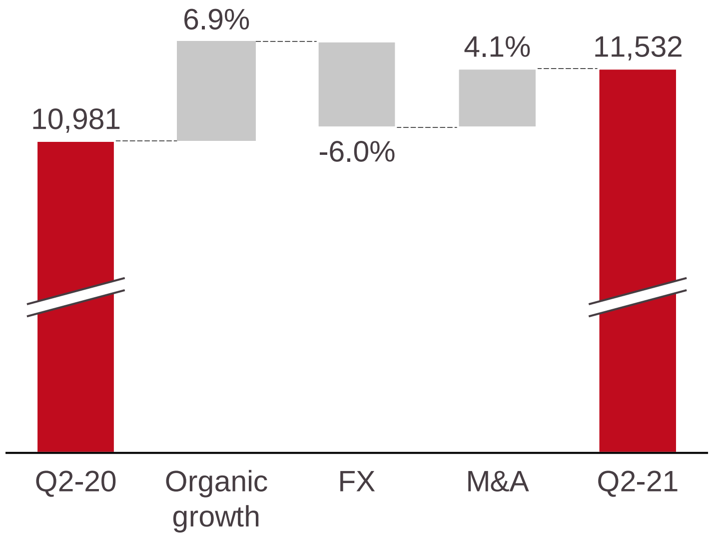
Orkla

Branded Consumer Goods

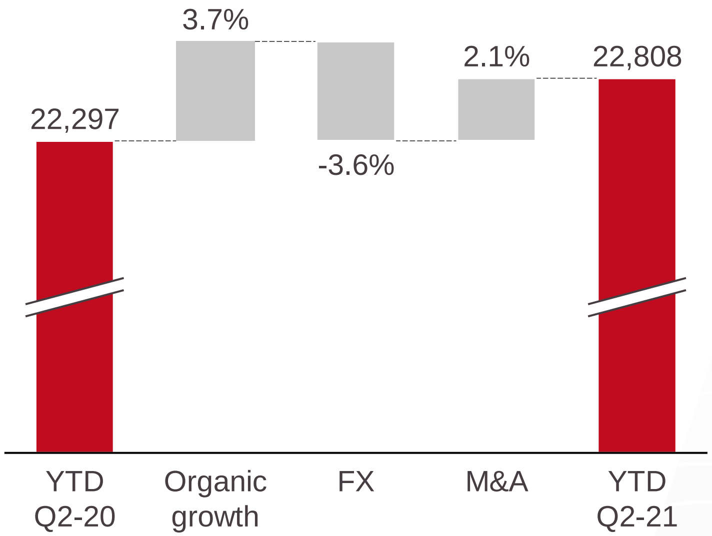
Branded Consumer Goods

Organic top line growth of 6.9% in Q2 and 3.7% YTD

BCG revenue, Q2-20 → Q2-21 (MNOK)



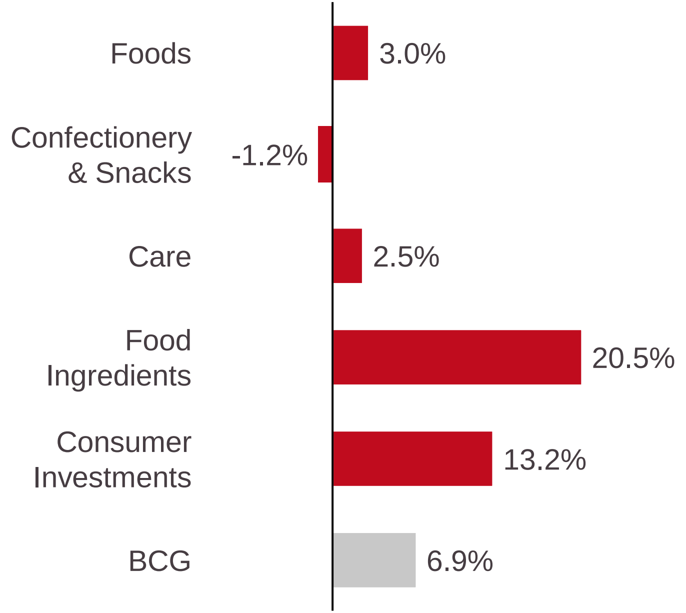
BCG revenue, YTD Q2-20 → YTD Q2-21 (MNOK)



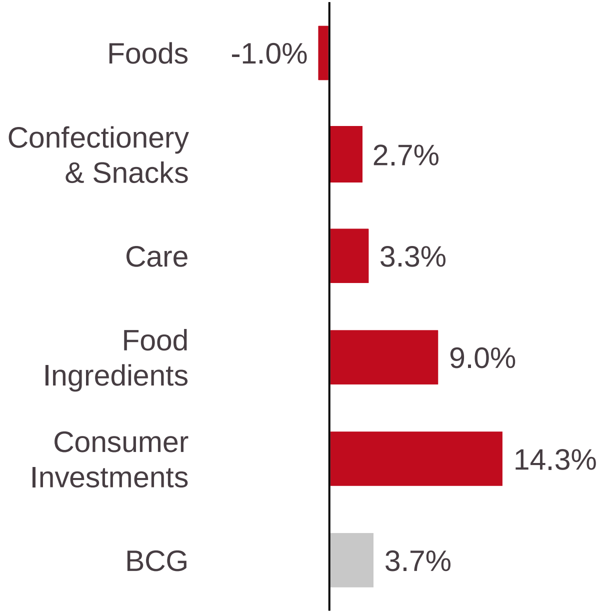
 All Alternative Performance Measures (APM) are presented in the appendix

Strong comeback in Out of Home drives organic growth

Organic growth Q2-21 by business area



Organic growth YTD Q2-21 by business area



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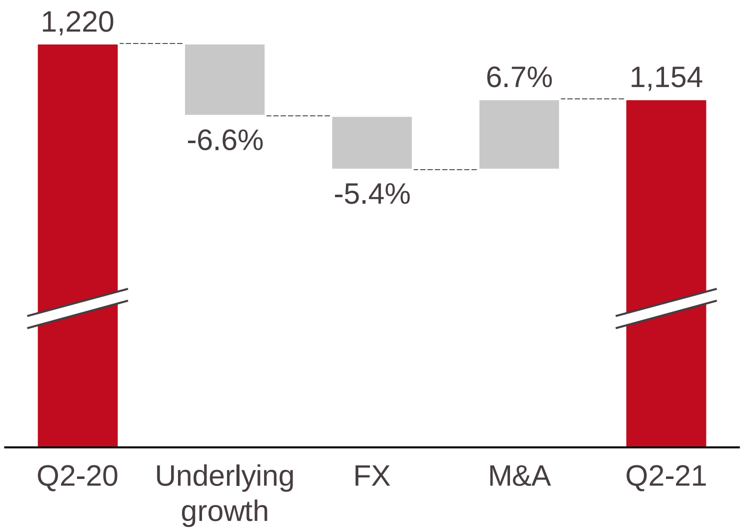
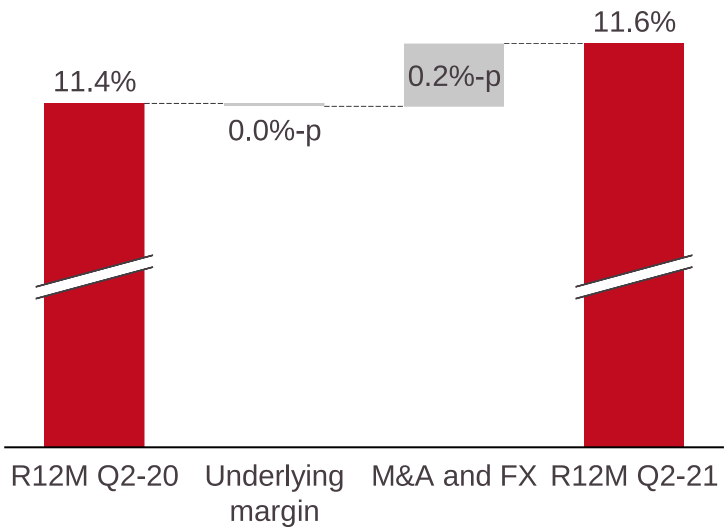
Branded Consumer Goods incl. HQ

Weak profit conversion driven by cost increases and negative mix effects

∆ Q2 U.EBIT (adj.), MNOK



∆ R12M U.EBIT (adj.) margin



All Alternative Performance Measures (APM) are presented in the appendix

Orkla Foods

Improved sales in Q2 but negative profit growth mainly from ERP implementation

	Q2-21	YTD Q2-21
Revenues	**4,465**	**8,764**
Organic growth	*+3.0%*	*-1,0%*
EBIT (adj.)	**517**	**1,024**
EBIT (adj.) growth	*-14.7%*	*-10.3%*
EBIT (adj.) margin	**11.6%**	**11.7%**
Change vs LY	*-2.4%-p*	*-1.0%-p*

- Organic sales growth in Q2 across most markets
- YTD sales decline driven by Covid-19 effects and lower activities in Sweden
- EBIT (adj.) decrease from positive Covid-19 effects last year and costs from implementation of new ERP system in Sweden this year

Revenues and EBIT (adj.) figures in NOK million

Orkla Confectionery & Snacks

Market growth offset by phasing of sales and non-periodic items

	Q2-21	YTD Q2-21
Revenues	**1,637**	**3,338**
Organic growth	*-1.2%*	*2.7%*
EBIT (adj.)	**198**	**439**
EBIT (adj.) growth	*-17.8%*	*-2.4%*
EBIT (adj.) margin	**12.1%**	**13.2%**
Change vs LY	*-1.9%-p*	*-0.3%-p*

- Unusual high market growth in the Nordics from May 2020 continued in the quarter, however at a lower pace
- Sales and EBIT (adj.) development negatively affected by non-periodic items in 2020 and timing of Easter
- Increased raw material and packaging costs

 Revenues and EBIT (adj.) figures in NOK million

Orkla Care

Topline growth offset by cost increases

	Q2-21	YTD Q2-21
Revenues	**1,624**	**3,438**
Organic growth	*2.5%*	*3.3%*
EBIT (adj.)	**211**	**507**
EBIT (adj.) growth	*-13.2%*	*-6.1%*
EBIT (adj.) margin	**13.0%**	**14.7%**
Change vs LY	*-1.8%-p*	*-1.5%-p*

- Strong sales growth in Health, Wound Care and HSNG categories. Decline in hand sanitizers and alcogel as last year's growth is reversed
- EBIT (adj.) decline due to increase in operational costs on the back of low spend in same period last year
- EBIT (adj.) margin negatively impacted by diluting sales mix

Revenues and EBIT (adj.) figures in NOK million

Orkla Food Ingredients

Strong recovery against weak comparables

	Q2-21	YTD Q2-21
Revenues	**2,971**	**5,517**
Organic growth	*20.5%*	*9.0%*
EBIT (adj.)	**205**	**285**
EBIT (adj.) growth	*103.0%*	*65.7%*
EBIT (adj.) margin	**6.9%**	**5.2%**
Change vs LY	*2.8%-p*	*1.8%-p*

- Volume recovery as markets gradually reopen, some segments however still hampered by restrictions
- Margin improvement driven by scale/recovery
- Uncertainty going forward as to both price increases on and access to raw materials

Revenues and EBIT (adj.) figures in NOK million

Orkla Consumer Investments

Solid growth across the portfolio partly driven by temporary demand boost

	Q2-21	YTD Q2-21
Revenues	**956**	**1,979**
Organic growth	*13.2%*	*14.3%*
EBIT (adj.)	**109**	**273**
EBIT (adj.) growth	*10.1%*	*42.9%*
EBIT (adj.) margin	**11.4%**	**13.8%**
Change vs LY	*0.4%-p*	*3.3%-p*

- Continued sales growth for painting tools in Q2 driven by UK market due to partial lock down last year
- Kotipizza continues to deliver solid growth. Increased focus on new store opening ahead
- Rapidly rising freight rates and input costs impacting results



Revenues and EBIT (adj.) figures in NOK million

Investments - Jotun (42.6%)

Sales and profit growth for Jotun - tougher times ahead

Jotun 100% basis	YTD Q2-21
Revenues	**11,297**
Revenue growth	*8,6%*
EBITA	**2,079**
EBITA growth	*17,4%*
Orkla share (42.6%) of net profit	

- Sales growth in Decorative, Protective and Powder segments. Continued slowdown in Marine coatings
- Margin pressure in all segments driven by rapidly increasing raw material prices. Price actions initiated to dampen the effect
- Earnings growth in first half-year driven by increased sales. Margin pressure and Marine slowdown caused weaker earnings in Q2

Financial figures in NOK million

Closing remarks

Satisfactory first half of 2021, we expect headwind going forward

Summing up Q2

- Volumes returning in Out of Home
- Weak profit conversion for Branded Consumer Goods
- M&A transactions in line with strategy

Outlook

- Increased raw material prices
- Normalised in-home consumption
- Continue to pursue growth opportunities and cost improvements

Q&A

Jaan Ivar Semlitsch, President & CEO

Harald Ullevoldsæter, CFO

Save the date
Orkla Capital Markets Day
23 November 2021

Appendices

Profit growth in Hydro Power from significant increase in power prices

Hydro Power

Fully consolidated into Orkla's financial statements

Volume (GWh):
Q2: 549 (685)
YTD: 1,026 (1,329)

Power prices[1] (øre/kWh):
Q2: 46.9 (4.9)
YTD: 47.9 (10.1)

EBIT adj. (NOK million):
Q2: 112 (-19)
YTD: 198 (20)

Financial Investments

Fully consolidated into Orkla's financial statements

Book value real estate:
NOK 1.8 billion

Jotun (42.6%)

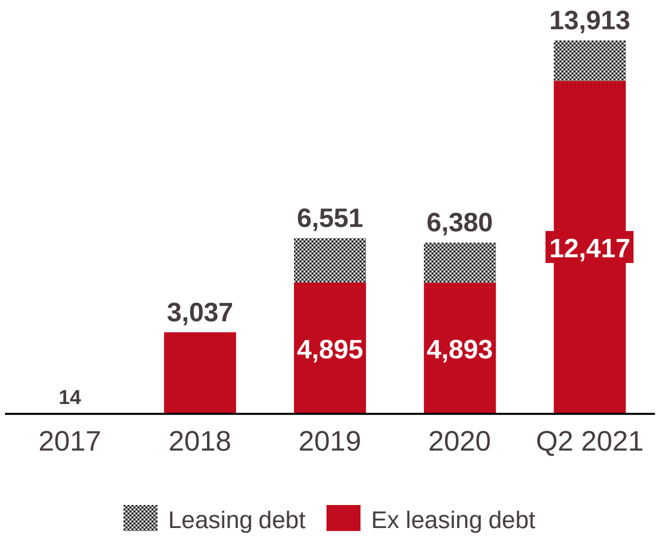
Accounted for using equity method

JOTUN

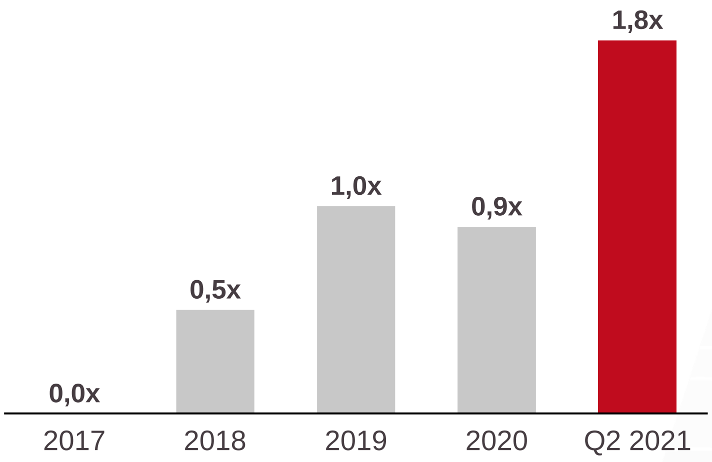
[1]Source: Nord Pool Spot, Monthly System Price

Strong balance sheet and financial flexibility

Net interest-bearing liabilities (NOK million)



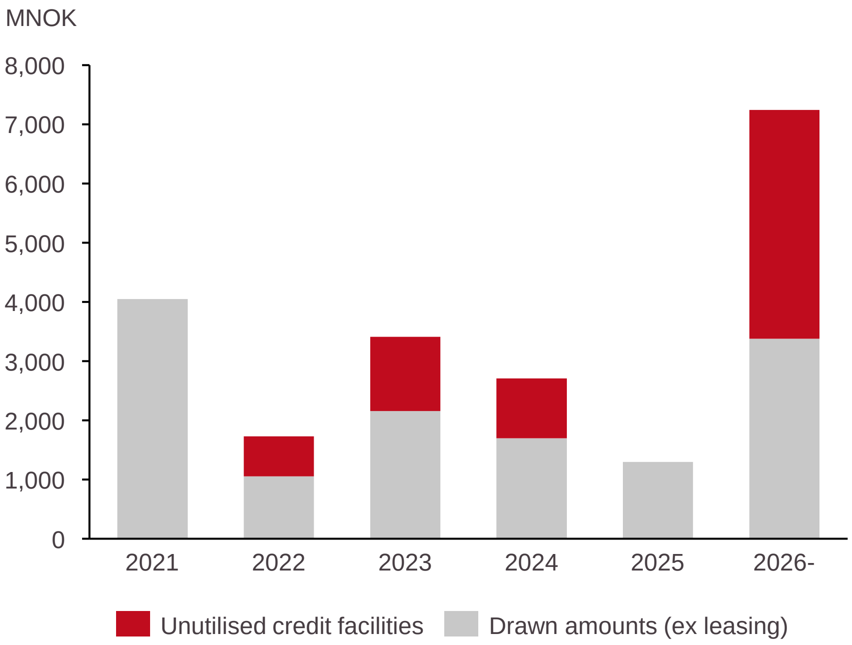
NIBD / R12 EBITDA



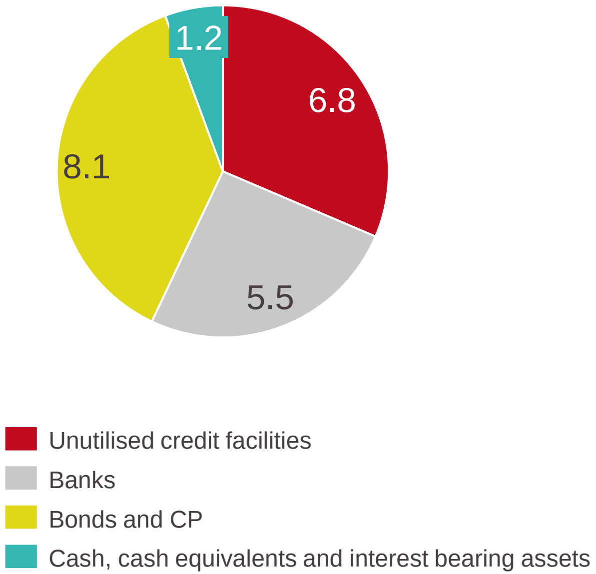
Amounts in NOK million

Funding sources and maturity profile

Debt maturity → average maturity 3.2 years



Funding sources (in BNOK)



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.

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). 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.

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.

Alternative Performance Measures (APM)

Earnings per share (adj.)

Earnings per share (adj.) show earnings per share adjusted for “Other income and expenses” (OIE) after estimated tax. Items included in OIE are specified in Note 3. The effective tax rate for OIE is lower than the Group’s tax rate in both 2021 and 2020 due to non-deductible transaction costs. Write-downs were also taken in 2020 with no tax effect.

If other items of a special nature occur under the company’s operating profit or loss, adjustments will also be made for these items. No such adjustments had been made as at 30 June 2021. As at 30 June 2020, adjustments were made for a gain on the sale of the associates Andersen & Mørck AS and Allkärrsplans Utvecklings AB.

In the second quarter of 2021, Orkla awarded share options to senior executives (see Note 9). This could have a dilutive effect for other shareholders and diluted figures are therefore presented for earnings per share and diluted earnings per share.

Net replacement and expansion investments

When making decisions regarding investments, the Group distinguishes between replacement and expansion investments. Expansion investments are the part of overall reported investments considered to be investments either in new geographical markets or new categories, or which represent significant increases in capacity.

Net replacement investments include new leases and are reduced by the value of sold fixed assets to sales value.

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

Net 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.

Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Eastern, Nói Siríus, Cake Décor Limited, For All Baking Limited, Ambasador92, Proteinfabrikken, Seagood Fort Deli, Norgesplaster, Win Equipment, Gortrush and Havrefras. Adjustments have been made for the sale of SaritaS, Vestlandslefsa, Italiensk Bakeri, Gorm’s and the skin care business in Poland, as well as for the closure of Pierre Robert Sverige. Adjustments have also been made for the loss of the distribution agreements with Panzani and OTA Solgryn. A structural adjustment was made at business area level for the internal relocation of Frödinge. In 2020, adjustments were also made for Lecora, Easyfood, Confection by Design, Risberg, Kanakis, Credin Sverige, Vamo, Kotipizza, Helga and Anza Verimex, as well as the sale of Glyngøre.

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