Orkla

5 May 2022

First quarter results 2022

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Summary of financials for the quarter

- Group EBIT(adj.)* growth of 18%
- Organic growth of 7.7% for Branded Consumer Goods
- Profit decline for Branded Consumer Goods offset by strong performance for Hydro Power
- Earnings per share (adj.) diluted of 1.24 NOK per share (-2%)

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

Kari Lindtvedt, SVP Investor Relations

Financial performance

Strong sales growth, EBIT growth driven by Hydro Power

Key figures	Q1-22	Q1-21	∆ Q1
Operating revenues BCG	12,791	11,276	+13.4%
EBIT (adj.) BCG	1,277	1,288	-0.9%
EBIT (adj.) HQ	-98	-80	
EBIT (adj.) BCG incl. HQ	**1,179**	**1,208**	**-2.4%**
EBIT (adj.) Industrial & Financial Investments	353	89	
Other income and expenses	-162	-143	
EBIT	**1,370**	**1,154**	**+18.7%**
Profit from associates	238	331	-28.1%
Net interest and other financial items	-64	-51	
Profit before tax	**1,544**	**1,434**	**+7.7%**
Taxes	-415	-270	
Profit after tax	**1,129**	**1,164**	**-3.0%**
Adjusted EPS diluted (NOK)	**1.24**	**1.27**	**-2.4%**
Reported EPS diluted (NOK)	1.09	1.15	-5.2%

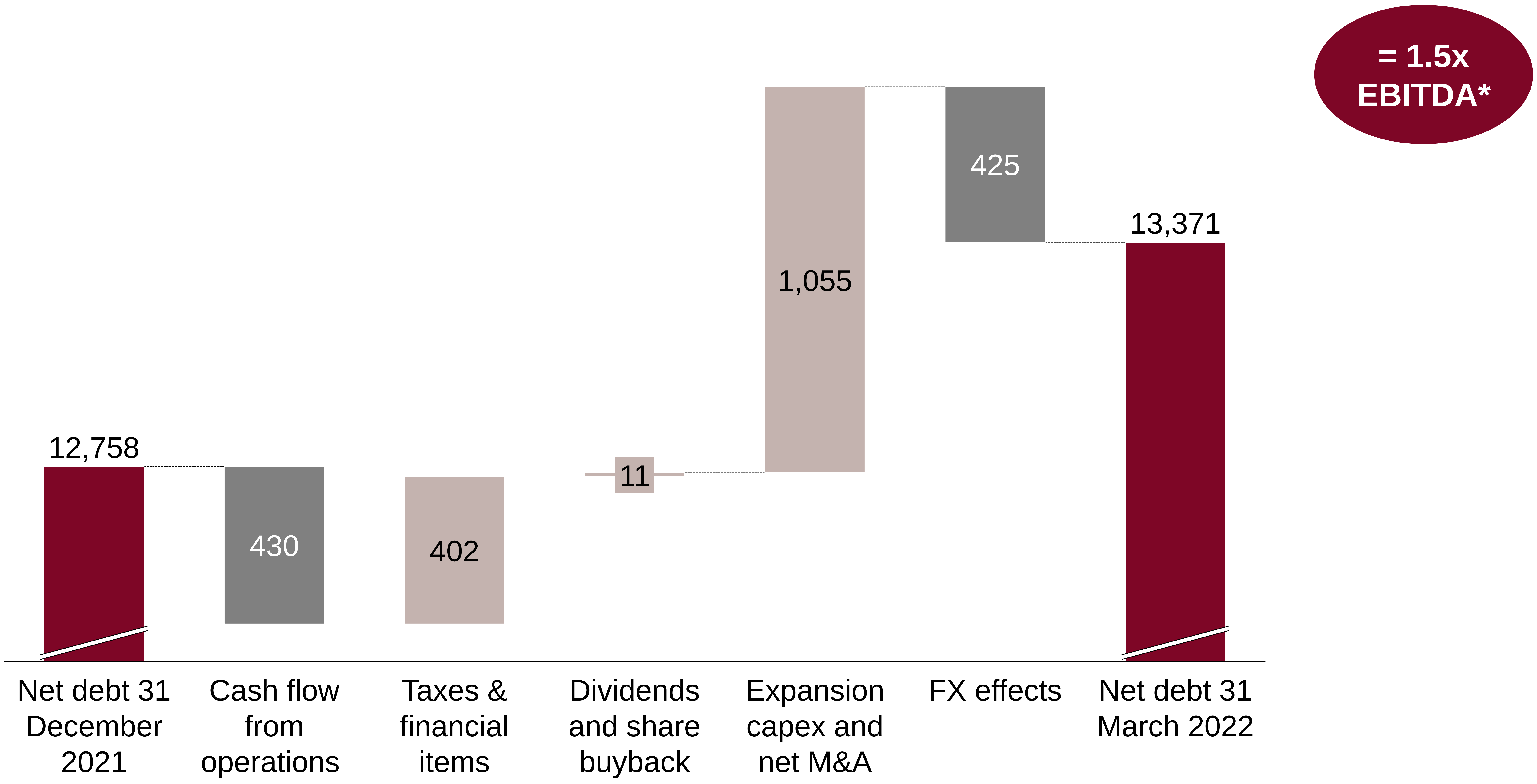
Amounts in NOK million

Positive cash flow from operations in the quarter

Cash flow from operations as at 31.3 (pre-tax)	Q1-22	Q1-21
Orkla Branded Consumer Goods (BCG, incl. HQ)		
EBIT (adj.)	1,179	1,208
Depreciation	491	441
Change in net working capital	-939	-515
Net replacement investments	-584	-652
Total BCG cash flow from operations (adj.)	**147**	**482**
Cash flow from other income & exp. and pensions	-78	-172
Industrial & Financial Investments	361	137
Total Orkla cash flow from operations	**430**	**447**

Amounts in NOK million

Acquisitions increase net interest bearing debt



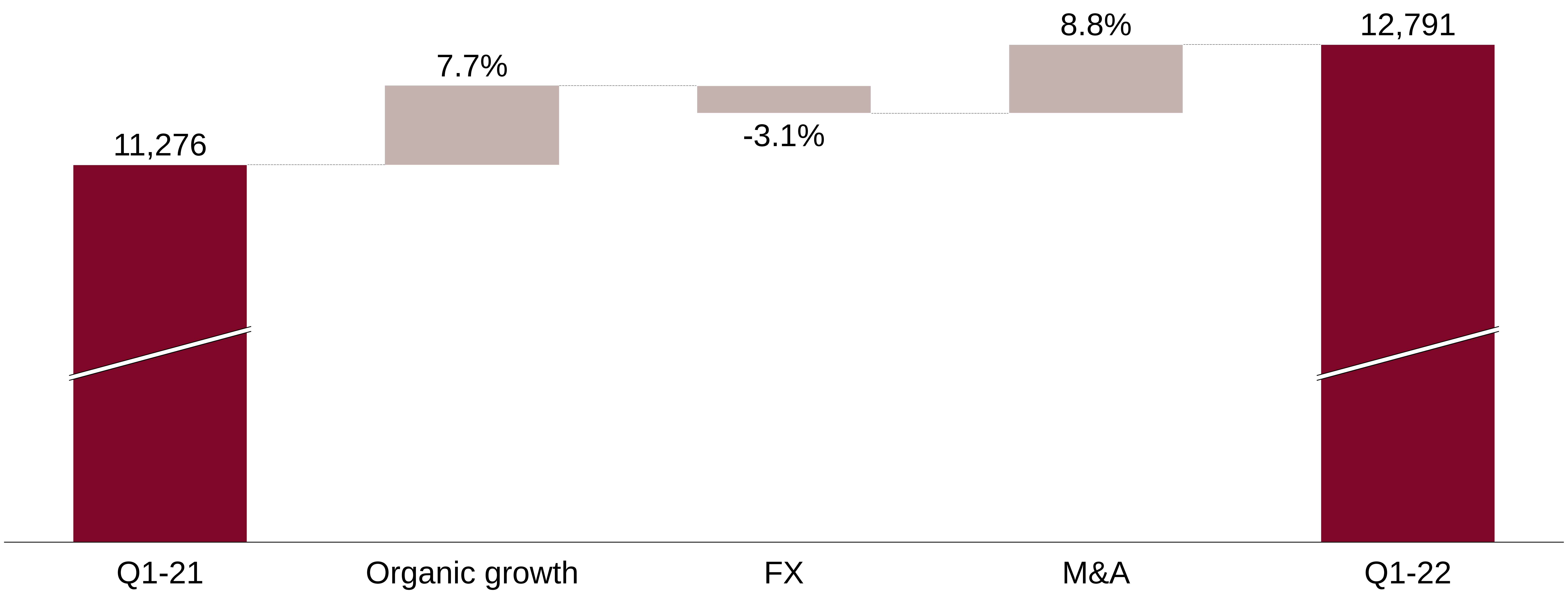
Amounts in NOK million

* Including acquired businesses in EBITDA

Branded Consumer Goods (BCG)

Organic top line growth of 7.7% in Q1

BCG revenue, Q1-21 → Q1-22 (MNOK)



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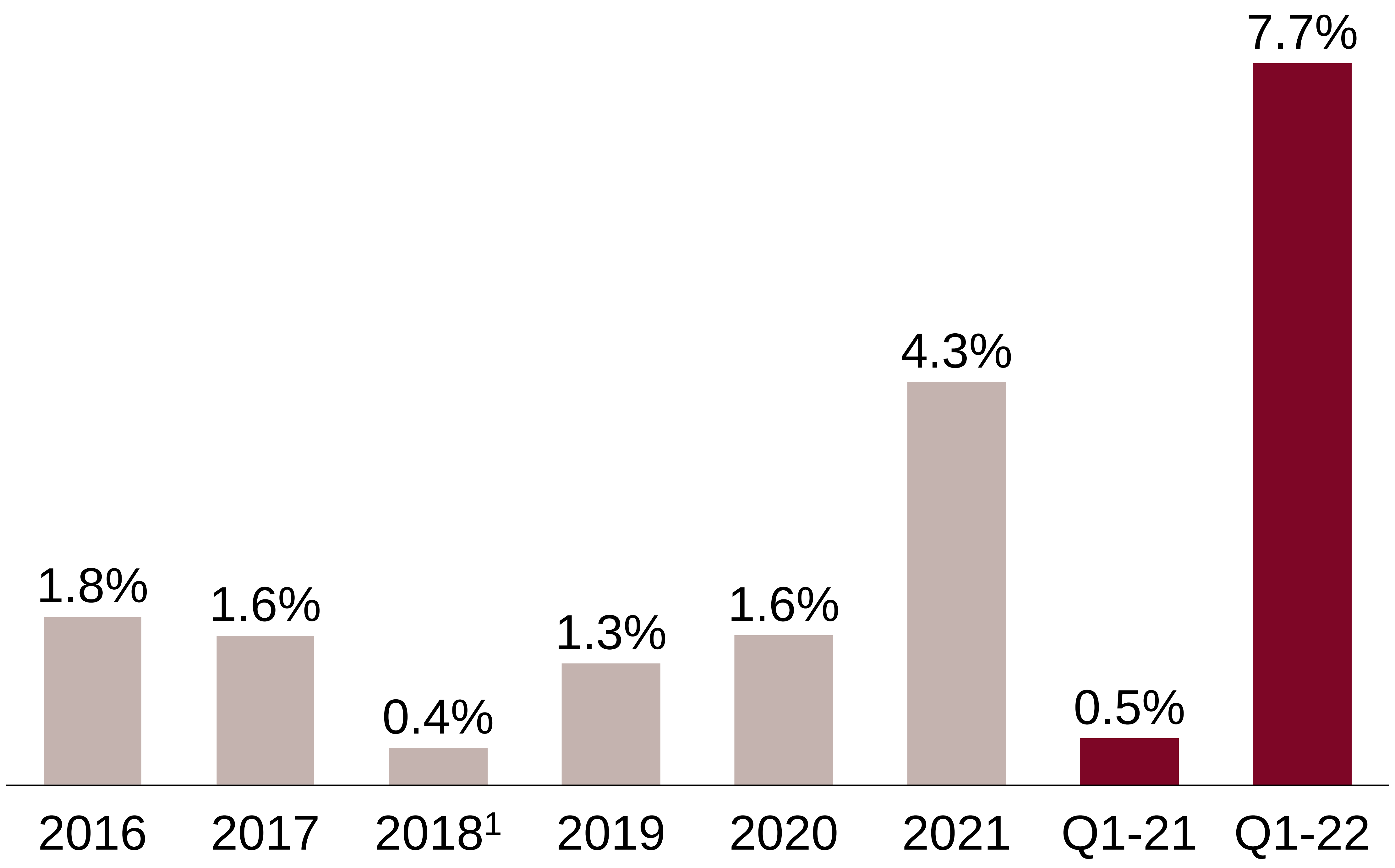
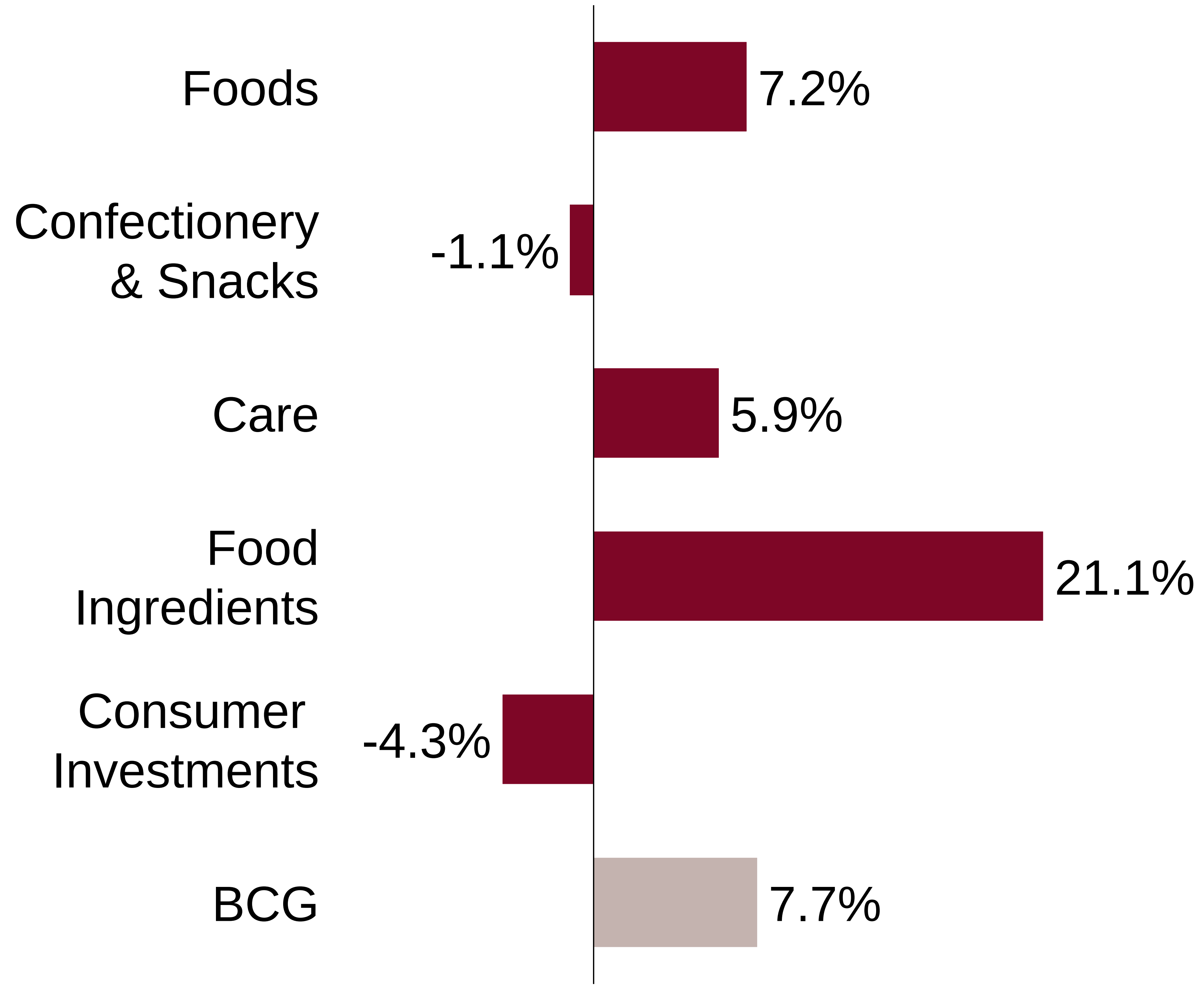
All Alternative Performance Measures (APM) are presented in the appendix

Strong organic growth despite mixed Covid-19 recovery picture

Organic growth for Branded Consumer Goods



Organic growth Q1-22 by business area



All Alternative Performance Measures (APM) are presented in the appendix.
[1]Adjusted for loss of Wrigley distribution agreement.

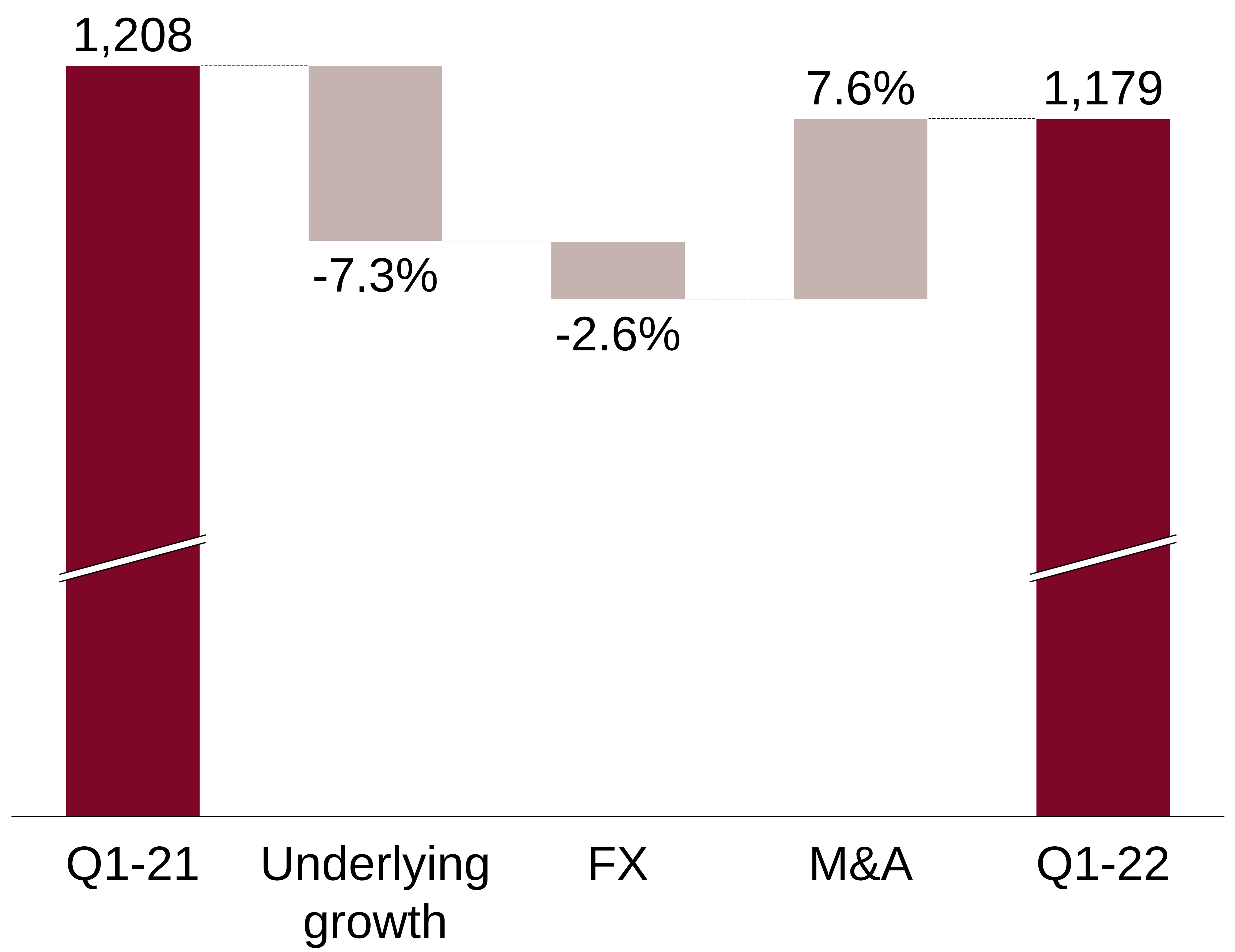
Continued progress for Orkla's three prioritized growth initiatives YTD 2022

		2021 baseline	Reported Q1-22*
	**Consumer Health** Grow at least 50% by 2025	Revenue BNOK 4.6**	Growth 32%
	**Out of Home** A European leader in pizza franchise	Consumer sales MEUR ~337 **/*** No of outlets 663	Growth 146% No of outlets 669
	**Plant-based** BNOK 3 turnover by 2025	Revenue BNOK 1	Growth 15%

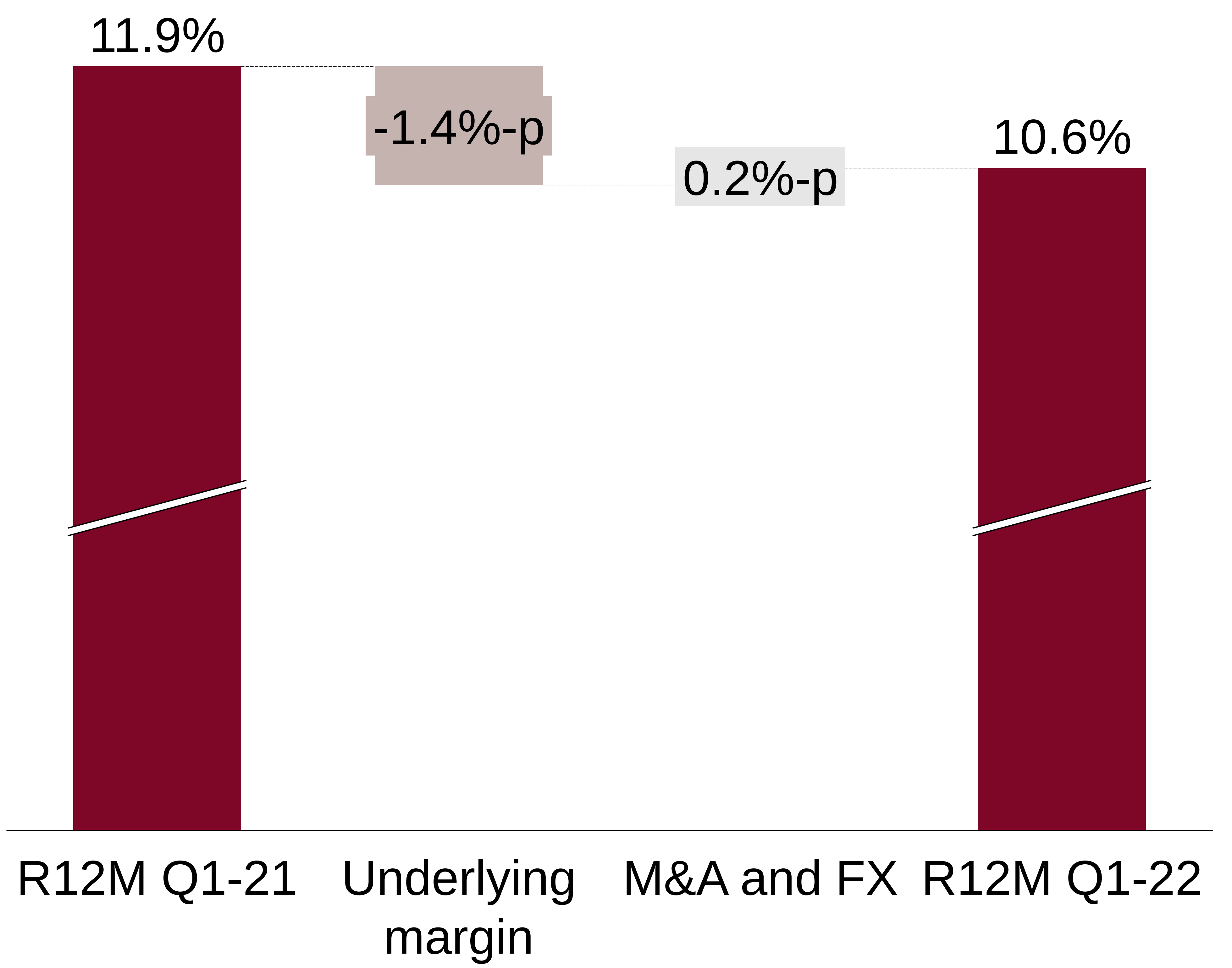
* Reported figures including M&A, not adjusted for FX
**Includes 12-month effect of NutraQ and New York Pizza
*** Excl. VAT

Profit conversion negatively impacted by cost increases

∆ Q1 U.EBIT (adj.), MNOK



∆ R12M U.EBIT (adj.) margin



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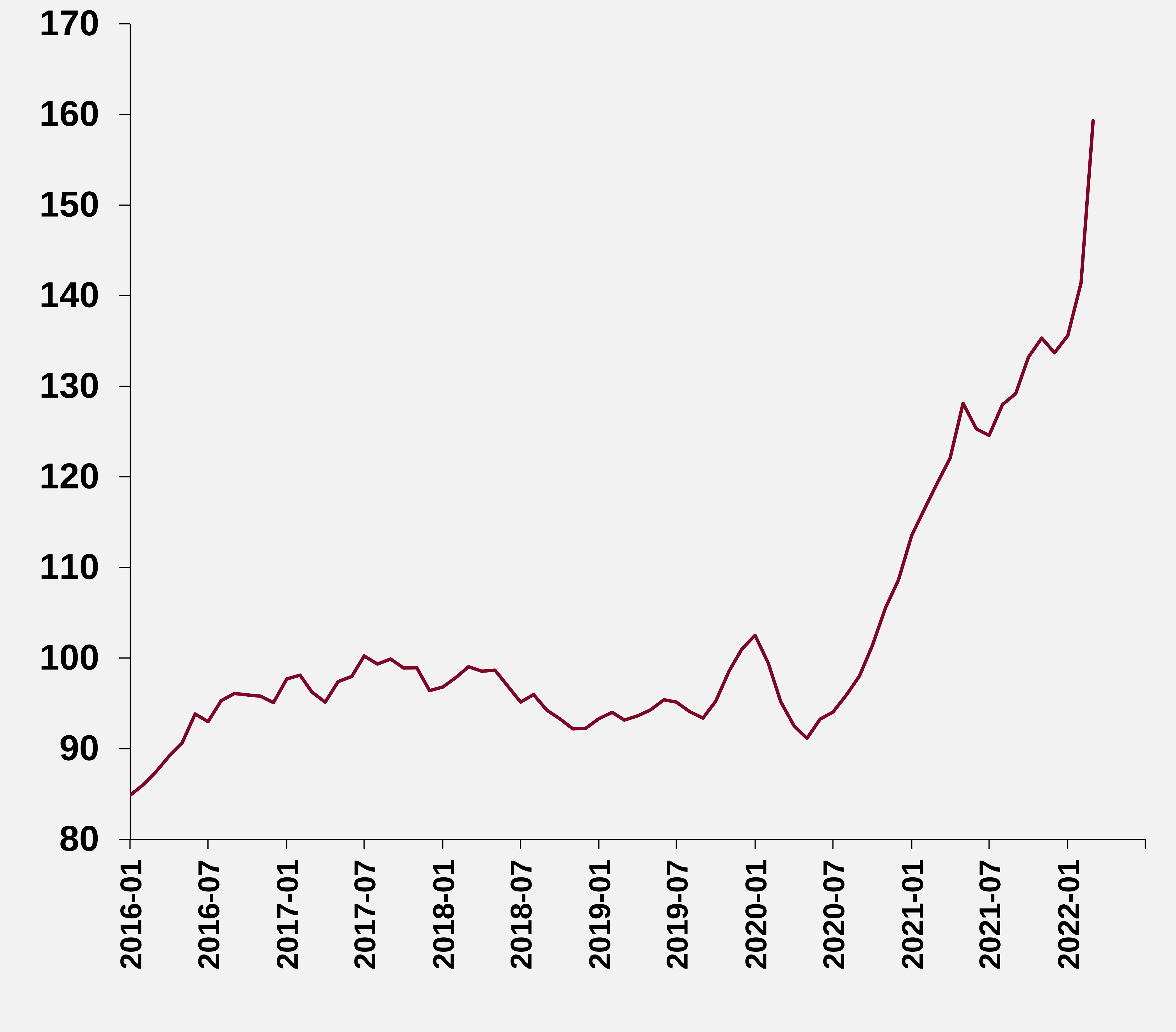
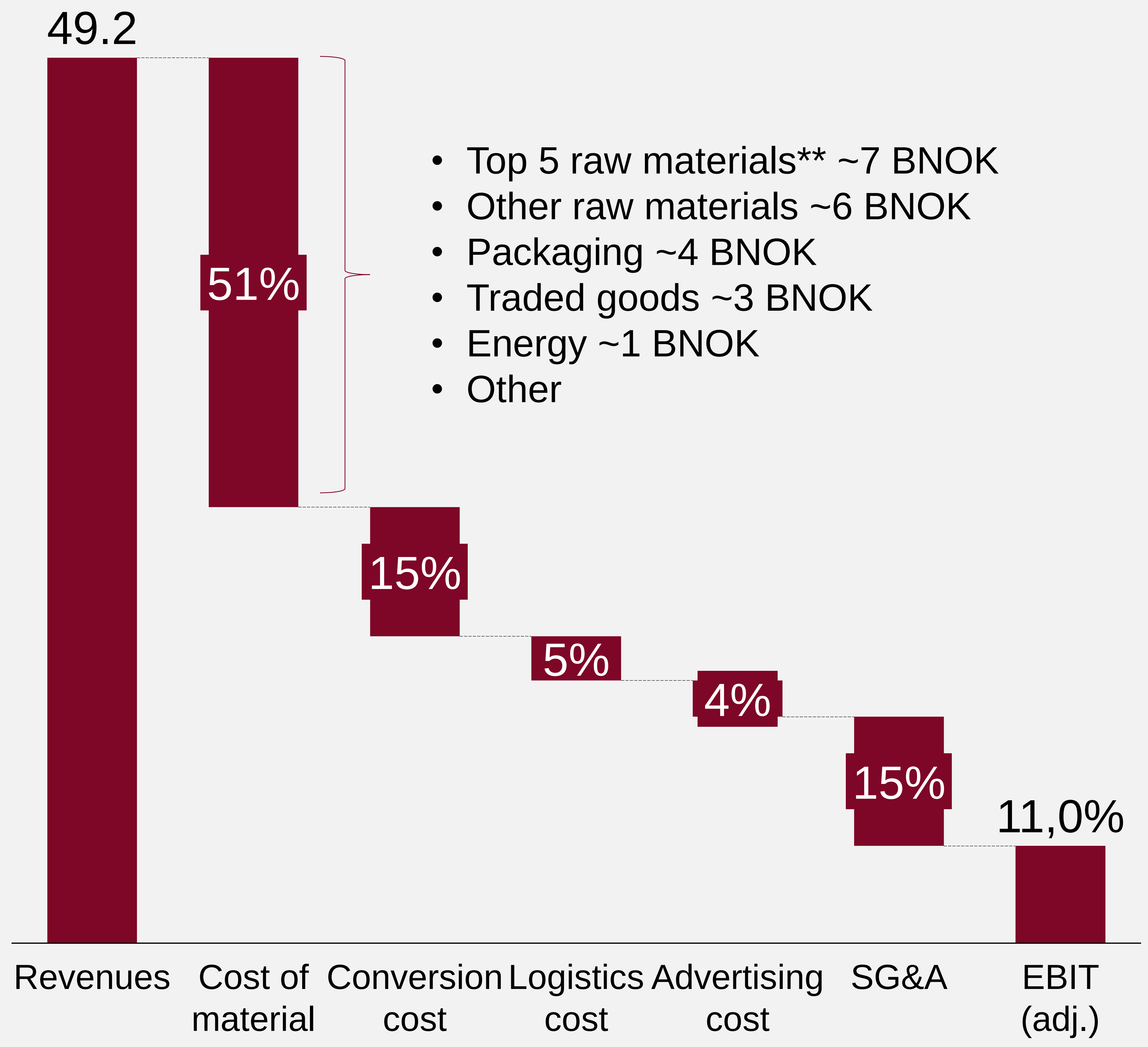
All Alternative Performance Measures (APM) are presented in the appendix
Numbers may not add up due to rounding

Global commodity markets impacted by geopolitical situation

FAO Food Prices Index per month 2016 – 2022 (March)*



BCG incl. HQ costs 2021 (BNOK), % of revenues



- Top 5 raw materials** ~7 BNOK
- Other raw materials ~6 BNOK
- Packaging ~4 BNOK
- Traded goods ~3 BNOK
- Energy ~1 BNOK
- Other

*FAO Food Price Index: base period 2014-16 index 100
Orkla source categories not included in FAO Index and on protected European and Norwegian markets where pricing compared with world market can differ. Contract positions will also impact the actual input cost.
** Orkla's top 5 largest product groups (excl. packaging) in 2021 were vegetable oil and margarine, additives, dairy products, grain-based products and animal meat.

Continued strong sales but profit hampered by higher input cost and energy prices

	Q1-22	Q1-21
Revenues	**4,788**	**4,299**
Organic growth	*+7.2%*	*-4.7%*
EBIT (adj.)	**531**	**507**
EBIT (adj.) growth	*+4.7%*	*-5.2%*
EBIT (adj.) margin	**11.1%**	**11.8%**
Change vs LY	*-0.7%-p*	*+0.2%-p*

- Broad-based organic sales growth across all markets
- Recovering sales trend for Out of Home channels continues in Q1 and moderate growth in Grocery
- Profitability hampered by higher input costs and energy prices

Revenues and EBIT (adj.) figures in NOK million

Orkla Confectionery & Snacks

Negative top-line and EBIT (adj.) performance driven by market decline and input cost increases

	Q1-22	Q1-21
Revenues	**1,679**	**1,701**
Organic growth	***-1.1%***	***6.9%***
EBIT (adj.)	**191**	**241**
EBIT (adj.) growth	***-20.7%***	***15.3%***
EBIT (adj.) margin	**11.4%**	**14.2%**
Change vs LY	***-2.8%-p***	***1.2%-p***

- Negative market growth in Q1 – assumed volume decline of 3.5-4.5%
- Sales growth also affected by phasing due to Easter and sugar tax removal last year
- High input cost increases exceeds executed price increases

Revenues and EBIT (adj.) figures in NOK million

Orkla Care

Strong top-line growth, weak profit progress

	Q1-22	Q1-21
Revenues	**2,156**	**1,814**
Organic growth	*5.9%*	*4.2%*
EBIT (adj.)	**283**	**296**
EBIT (adj.) growth	*-4.4%*	*-0.3%*
EBIT (adj.) margin	**13.1%**	**16.3%**
Change vs LY	*-3.2 %-p*	*-1.3 %-p*

- Strong growth in Wound Care, HSNG and OHPC outside Norway. Decline in Norwegian grocery from Covid-19 level
- Profitability affected by high input cost increases, freight, negative mix effects and advertising spend
- NutraQ, Vesterålen Marine Oil and Healthspan included in Consumer Health Category affecting structural growth.

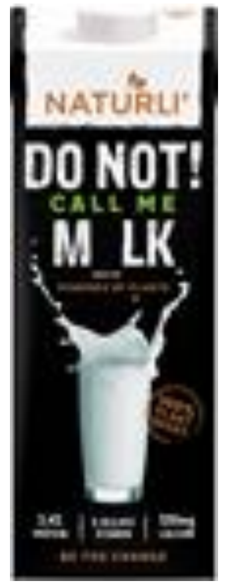
Revenues and EBIT (adj.) figures in NOK million

Strong performance due to volume growth and price increases

	Q1-22	Q1-21
Revenues	**3,124**	**2,546**
Organic growth	*+21.1%*	*-2.0%*
EBIT (adj.)	**140**	**80**
EBIT (adj.) growth	*+75.0%*	*+12.7%*
EBIT (adj.) margin	**4.5%**	**3.1%**
Change vs LY	*+1.4%-p*	*+0.3%-p*

- Strong volume and price driven organic growth against somewhat weak comparables
- EBIT (adj.) growth due to sales growth, supported by acquired companies, but dampened by currency effects (strong NOK) and cost inflation
- Recovered from the pandemic impact, but faces heavy supply uncertainty and continued firming input costs for the rest of 2022



Revenues and EBIT (adj.) figures in NOK million

Painting tools sales lower than in strong quarter last year. Pizza franchise network maintains solid performance

	Q1-22	Q1-21
Revenues	**1,170**	**1,023**
Organic growth	*-4.3%*	*15.4%*
EBIT (adj.)	**132**	**164**
EBIT (adj.) growth	*-19.5%*	*78.0%*
EBIT (adj.) margin	**11,3%**	**16,0%**
Change vs LY	*-4.7%-p*	*6.1%-p*

- Sales decline for painting tools compared to exceptionally strong demand last year.
- Solid growth in consumer sales across pizza franchise network.
- Lower sales and margin pressure result in profit decline compared to a strong quarter last year.




Revenues and EBIT (adj.) figures in NOK million

Solid sales growth for Jotun. Raw material price inflation results in earnings decline

Jotun 100% basis	Q1-22
Revenues	**6,287**
Revenue growth	*14.6%*
EBITA	**895**
EBITA growth	*-20.1%*
Orkla share (42.6%) of net profit	

- Solid sales increase in Q1 with growth in all segments.
- Margin pressure driven by continued increase in raw material prices. Price actions initiated to dampen the effect
- Raw material prices are driving earnings down. Good cost control contributes positively to mitigating this effect

Nils K. Selte, President & CEO

Closing remarks

Closing remarks

Immediate priorities

- Ensure continued service delivery of products
- Mitigate cost inflation
- Create more empowered, autonomous and agile Business Areas
- Accelerate our focus on structural opportunities and capital allocation

Nils K. Selte, President & CEO
Atle Vidar N. Johansen, EVP BCG
Kari Lindtvedt, SVP Investor Relations

Q&A

Upcoming event:

Second quarter 2022
14 July 2022

Appendices

Power price surge drives earnings growth in Hydro Power

Hydro Power

Fully consolidated into Orkla's financial statements

Volume (GWh):
Q1: 511 (477)

Power prices[1] (øre/kWh):
Q1: 149,4 (48,9)

EBIT adj. (NOK million):
Q1: 345 (86)

Financial Investments

Fully consolidated into Orkla's financial statements

Book value real estate:
NOK 1.9 billion

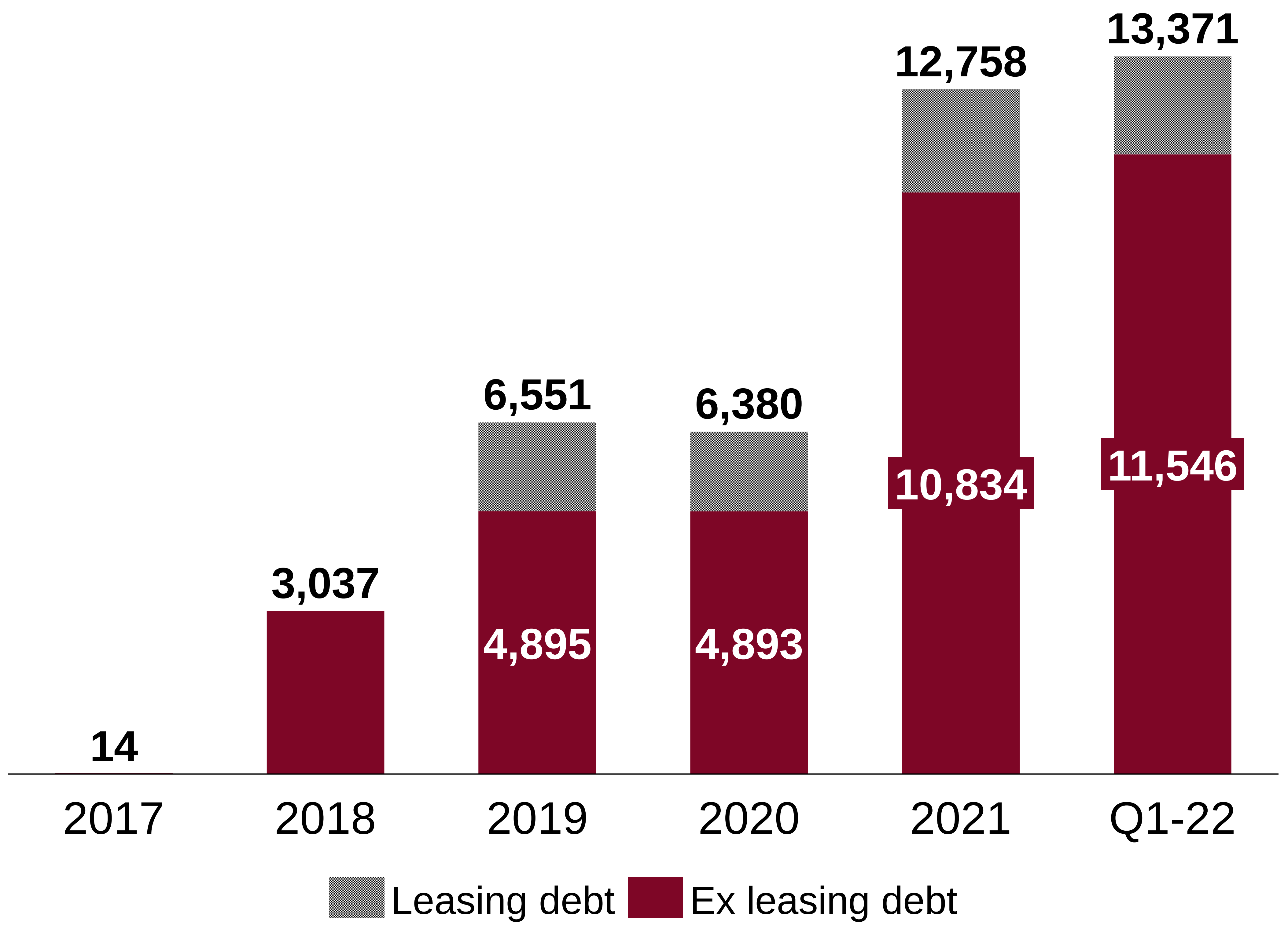
Jotun (42.6%)

Accounted for using equity method

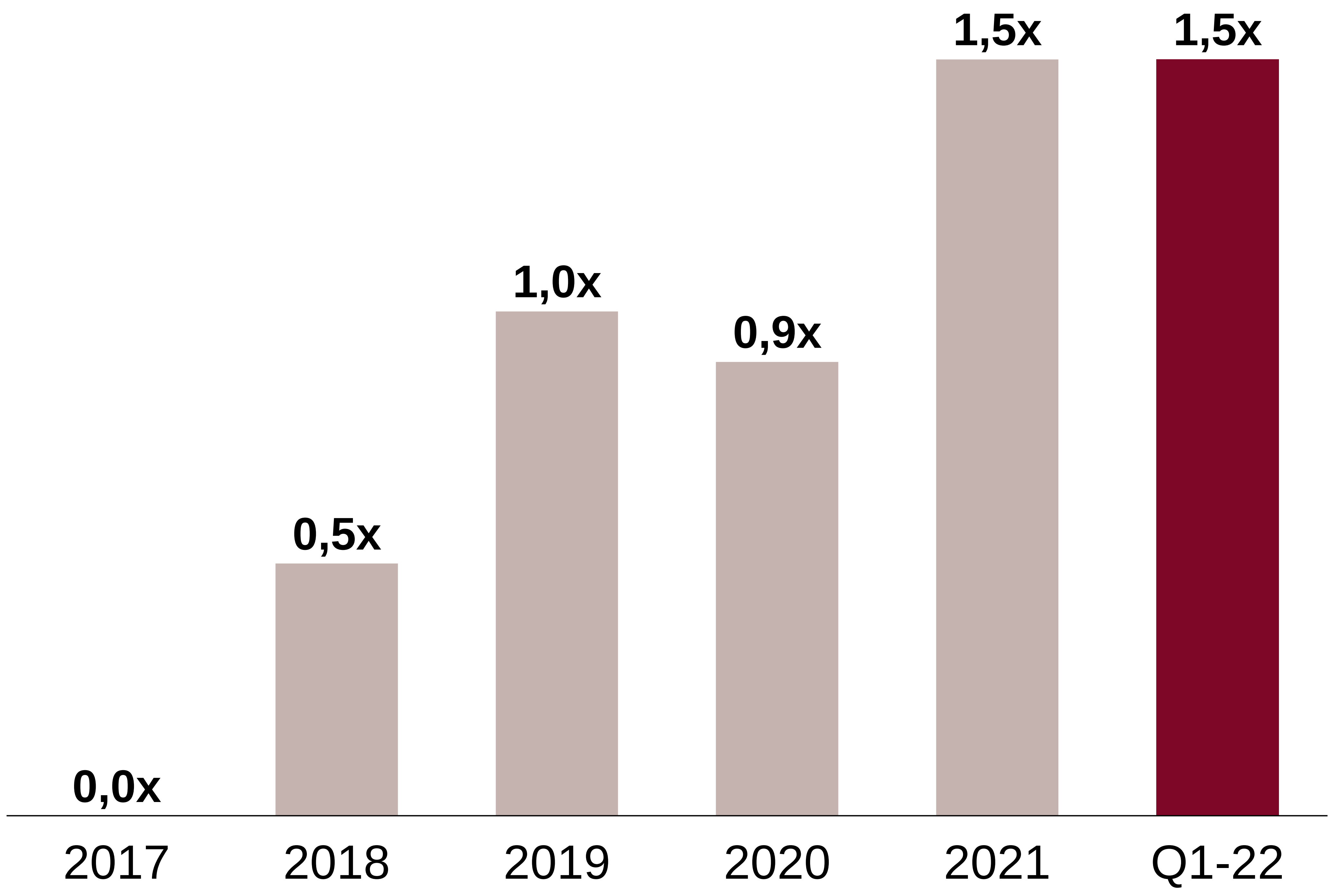
[1]Source: Nord Pool Spot, Monthly System Price

Strong balance sheet and financial flexibility

Net interest-bearing liabilities (NOK million)



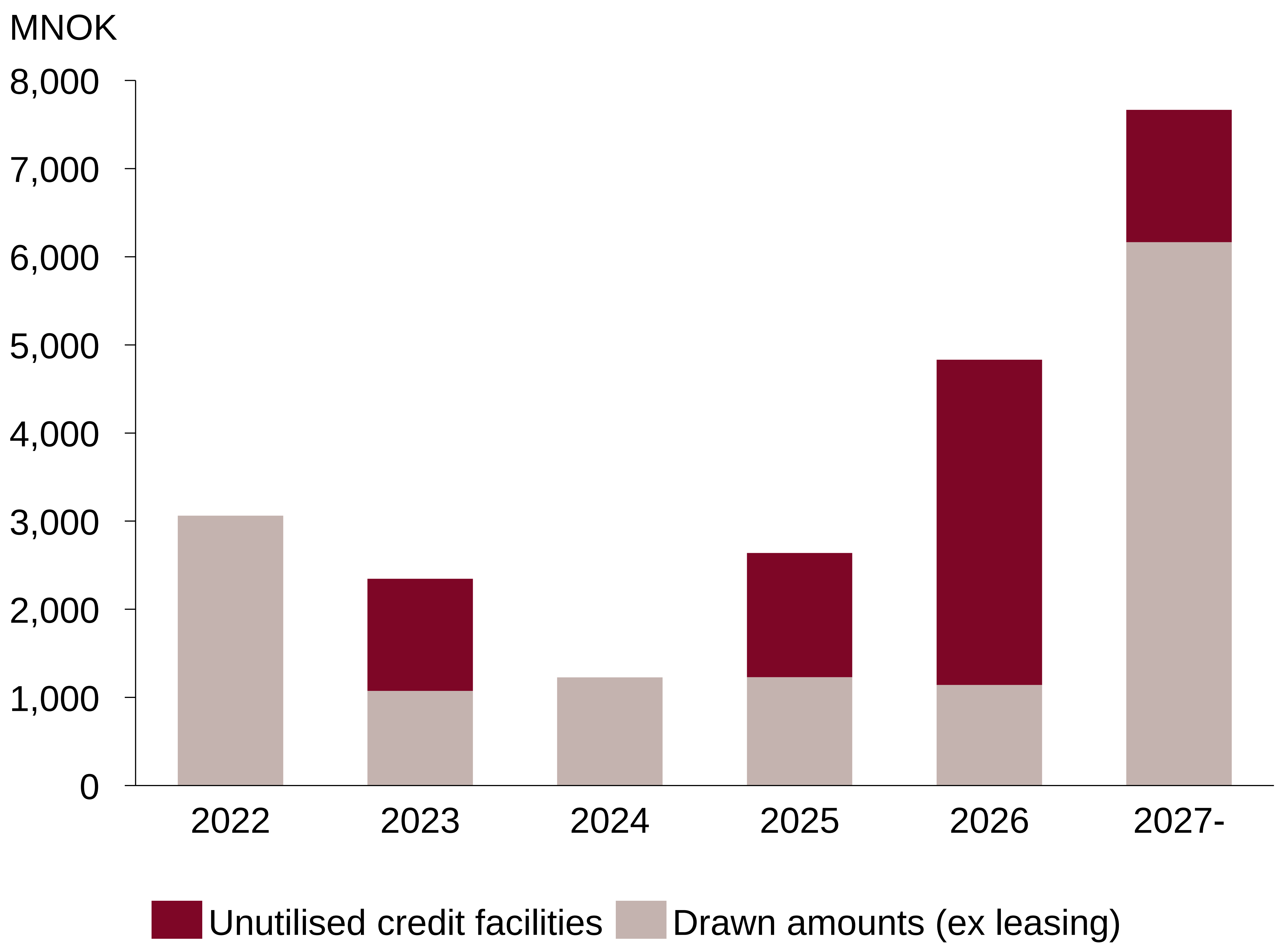
NIBD / R12 EBITDA



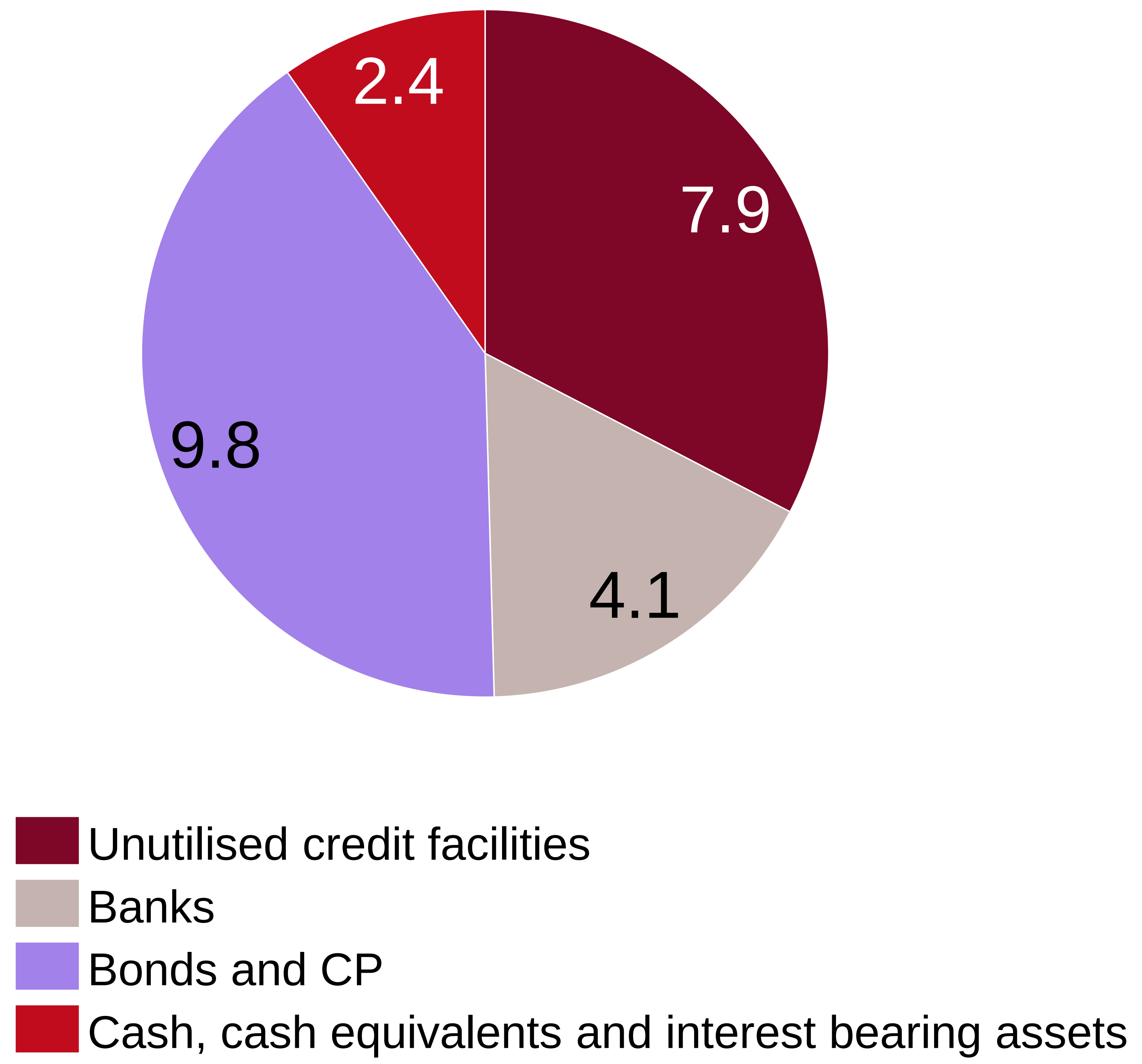
Amounts in NOK million

Funding sources and maturity profile

Debt maturity → average maturity 3.9 years



Funding sources (in BNOK)



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

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

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, NutraQ, New York Pizza, Vesterålen Marine Olje, Healthspan, Sigurd Ecklund, Hans Kaspar, Nói Síríus, Cake Décor Limited, For All Baking Limited, Ambasador92 and Seagood Fort Deli. Adjustments have been made for the sale of Credit Russland, the water business in Latvia and the Struer brand, as well as for the ending of Orkla’s ownership of Hamé Foods in Russia. A structural adjustment was made at business area level for the internal relocation of the Oolannin brand. In 2021, adjustments were also made for the acquisition of Proteinfabrikken, Norgesplaster, Win Equipment, Gortrush and Havrefras and the sale of SaritaS, Vestlandslefsa, Italiensk Bakeri, Gorm’s, the closure of Pierre Robert Sverige and the loss of distribution agreements with Panzani.

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