Board of Directors´ report

The year 2020 was heavily impacted by the coronavirus pandemic, where Orkla’s primary focus was on safeguarding the employees and preventing infection, ensuring the flow of goods in all markets and maintaining a good cash flow and a strong balance sheet. Orkla also continued its efforts to develop a business model in which local responsibility is balanced by realisation of synergies and economies of scale across companies and business areas. The Group also concentrated on more long-term initiatives, in part through the acquisition of several companies.

02

All alternative performance measures (APM) are presented on page 260. Figures in parentheses refer to the corresponding period of the previous year.

Operations in 2020

The Group increased turnover by 8.1 per cent in 2020 through organic growth in the Branded Consumer Goods business and positive currency translation effects, as well as contributions from acquired companies. The Group's EBIT (adj.) growth in 2020 was 7.9 per cent, driven by profit improvement for Branded Consumer Goods. Hydro Power saw a decline, due to substantially lower power prices as a result of a large power surplus and limited interconnector capacity with other countries.

The Branded Consumer Goods business achieved organic growth of 1.6 per cent in 2020. The coronavirus pandemic led to major changes in shopping patterns in the markets for Orkla products. In 2020, there was generally strong growth in the grocery channel, resulting in good overall growth for most of the business areas. Growth was offset to some extent by reduced activity in the Out of Home sector, which resulted in a sales decline particularly for Orkla Food Ingredients, but also for some of the operations in the other business areas. Branded Consumer Goods including Headquarters had EBIT (adj.) growth of 13.7 per cent, as a result of underlying growth and positive currency translation effects, and positive contributions from acquired companies.

Orkla has worked resolutely to give people sustainable choices in everyday life, and plant-based and environmentally friendly products contributed good growth in 2020. Examples are the Anamma, NATURLI'® and recently launched Frankful brands. This will also provide an important platform for future innovation work. Moreover, Orkla has focused on launching strong innovations under its brands to strengthen its position as a leading branded

Operating revenues by business area

Orkla Foods	39%
Orkla Confectionery & Snacks	15%
Orkla Care	15%
Orkla Food Ingredients	22%
Orkla Consumer Investments	8%
Industrial & Financial Investments	1%

consumer goods company. Strong innovations in response to trends and consumer needs are a critical success factor for Orkla.

Description of structural changes

Throughout 2020, the Group continued to maintain strong focus on structural growth aimed at building Orkla's position as a leading branded consumer goods-based group offering both products and services. In addition, the Group gave priority to simplifying its portfolio and concentrating on selected core areas. As part of Orkla's focus on optimising its portfolio, Frödinge was moved from Orkla Foods to Orkla Food Ingredients in the fourth quarter of 2020.

Orkla Foods

In September 2020, Orkla entered into an agreement to acquire 67.8 per cent of the shares in the food and spice company Eastern Condiments Private Limited ("Eastern") in India. Orkla already holds a position in the Indian food market through MTR, and Eastern will be merged into the Orkla-owned company MTR Foods Private Limited. Orkla will have an equity interest of 90.01 per cent in the new company. This transaction will give Orkla a stronger, solid platform for further growth in the Indian food market. The process of completing the transaction is still ongoing.

In June 2020, Orkla purchased the Havrefras brand, including Rug Fras and Mini Fras, from PepsiCo, Inc. The brand holds a strong market position in Scandinavia in healthy breakfast cereals. Prior to the purchase, Orkla distributed the Havrefras products on behalf of PepsiCo in Norway, Sweden and Denmark.

In March 2020, Orkla 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 product portfolio of sauces and ready meals. In July 2020, Orkla sold the Vestlandslefsa brand, including recipes, production equipment and the Li-Klenning brand. Both brands were part of Orkla Foods Norge and the purpose of the disposals was to simplify the portfolio and concentrate activities on selected priority areas.

Orkla Care

Orkla purchased Norgesplaster Holding AS ("Norgesplaster") in April 2020. Norgesplaster holds strong market positions in wound care and first aid equipment. Through this acquisition, Orkla has strengthened its presence in the pharmacy channel in Norway and in the market for first aid products.

Orkla acquired 100 per cent of the shares in Proteinfabrikken AS, in which Orkla already owned a minority shareholding of 16.7 per cent acquired in 2014. Proteinfabrikken sells a broad range of proprietary sports nutrition products and distributes a number of other brands and products in the sports nutrition, food and fitness equipment categories. The company was consolidated into Orkla's financial statement as of 1 January 2021.

In February 2021, Orkla entered into an agreement to acquire 100 per cent of the shares in NutraQ 2 AS ("NutraQ"), which is a leading supplier of subscription-based health and beauty products in the Nordic region. NutraQ is behind the two well-known health and beauty concepts VitaePro and Oslo Skin Lab. NutraQ also owns the two men's health brands Maxulin and Provexin, and the Vesterålens Naturprodukter brand that offers Omega-3 and various vitamin supplements. NutraQ was established in Norway in 2002, and has since also established operations in Denmark, Finland and Sweden. The agreement is subject to the approval of the relevant competition authorities, and the acquisition is expected to be completed by the end of the third quarter of 2021.

In December 2020, Orkla sold the Soraya and Dermika brands and associated production in Poland. The purpose of the sale was to simplify the portfolio and concentrate Orkla's Polish operations on the health, wound care and personal care categories.

Orkla Food Ingredients

In February, Orkla purchased 70 per cent of the shares in Win Equipment, a leading supplier of soft serve ice cream machines in the Netherlands. Orkla has built up a solid position in the Netherlands in ice cream ingredients and accessories, and the businesses are a good fit.

In December 2020, Orkla acquired the sales and distribution company Gortrush Trading Ltd. ("Gortrush"). Gortrush is a supplier of ice cream ingredients and accessories to wholesalers, ice cream parlours and distributors in Ireland, Northern Ireland and the rest of the UK.

Orkla sold its shareholding (51 per cent) in Italiensk Bakeri AS in December. Orkla will maintain a close supplier/customer relationship with Italiensk Bakeri.

Orkla Consumer Investments

Orkla decided to close the Swedish business in Pierre Robert Group, and activities were gradually reduced during the first half of 2020. The company was wound up on 30 June 2020.

In the fourth quarter, an agreement was entered into on the sale of the Danish pizza chain restaurant chain Gorm's, entailing a reduction of Orkla's equity interest from 66.67 per cent to 19.99 per cent.

Industrial & Financial Investments

In January, Orkla sold its remaining shares (24 per cent) in the logistics company Andersen & Mørck AS. The sale generated a gain of NOK 15 million.

Orkla sold its shares in the real estate company Alkärrsplans Utvecklings AB in the second quarter of 2020 with a profit effect of NOK 14 million.

For more information on the acquisition and disposal of businesses, see Notes 5 and 6.

Results in 2020

The Group

Condensed income statement

Amounts in NOK million	2020	2019
Operating revenues	47 137	43 615
EBIT (adj.)	**5 492**	**5 088**
Other income and expenses	(930)	(561)
Operating profit	**4 562**	**4 527**
Profit/loss from associates and joint ventures	1 000	659
Interest and financial items, net	(214)	(255)
Profit/loss before tax	**5 348**	**4 931**
Taxes	(926)	(1 033)
Profit/loss for the year	**4 422**	**3 898**

The increase of 8.1 per cent in operating revenues in 2020 was a result of organic growth, positive currency translation effects, and contributions from acquisitions in the Branded Consumer Goods business. In general, Branded Consumer Goods had good growth in the grocery market, particularly in the Nordic region. There was strong growth in some categories such as cleaning and personal care, as well as painting equipment due to increased activity in the home improvement market. This resulted in organic growth for all business areas, except for Orkla Food Ingredients, which experienced substantially lower demand in the Out of Home segment due to the coronavirus pandemic and associated restrictions in its markets.

Group EBIT (adj.) grew by 7.9 per cent in 2020. Growth was driven by profit improvement in Branded Consumer Goods, including contributions from acquired companies. Industrial & Financial Investments had a negative impact on profit growth, with a decline in profit for Hydro Power that was mainly due to substantially lower power prices on account of a large power surplus and limited interconnector capacity with other countries. For further comments on Branded Consumer Goods, see the section on "Comments on the profit performance of the individual business areas".

The Group's "other income and expenses" were higher in 2020, year over year. The increase was largely related to write-downs and recognition of expenses related to ERP projects, and write-downs related to PRG Finland and Gorm's. Costs were expensed in connection with acquisitions and integration, in addition to costs related to several improvement processes in the Group, particularly in connection with restructuring. Other income includes gains on the sale of real estate and brands, including the SaritaS and Vestlandslefsa brands, and factory properties in Romania and Ishøj.

Profit from associates and joint ventures mainly consists of Orkla's 42.6 per cent equity interest in Jotun. The investment is presented using the equity method. Jotun delivered a record-high contribution in 2020 of NOK 970 million (NOK 625 million), driven by solid sales growth and higher gross margins.

Results from foreign entities are translated into Norwegian kroner based on average monthly exchange rates. In 2020, due to fluctuations in the foreign currency market and a weaker Norwegian krone, the Group had positive currency translation effects of NOK 2,654 million on operating revenues and NOK 305 million on EBIT (adj.).

Orkla is subject to ordinary company tax in the countries in which the Group operates. The tax rate (adjusted for profit from associates) for the 2020 financial year was 21.3 per cent, compared with 24.2 per cent in 2019. The year-over-year change in the tax rate is mainly due to lower economic rent tax on hydropower. See Note 16 for other comments.

Earnings per share in 2020 were NOK 4.37, compared with NOK 3.84 in 2019. Adjusted earnings per share were NOK 5.04, compared with NOK 4.24 in the previous year.

Financial situation and capital structure

Cash flow

The comments below are based on the cash flow statement as presented in Orkla's internal format (see Note 38). Cash flow from operations from Branded Consumer Goods incl. Headquarters was higher in 2020 than in 2019, mainly due to improved EBIT (adj.). Working capital continues to improve, despite a temporary build-up of inventory owing to focus on ensuring a high service level for the business areas that have experienced higher demand.

Due to the ongoing implementation of new ERP systems and several factory projects currently in progress, replacement investments increased.

In 2020, there was also an increase in depreciation related to a higher level of investment in earlier periods. Currency translation effects also affected these components. In Industrial & Financial Investments, cash flow from operations for 2020 were lower than in 2019 due to lower profit from Hydro Power.

Dividends received, financial items and other payments mainly consist of dividends received from Jotun, paid financial items and the sale of shares representing a small shareholding.

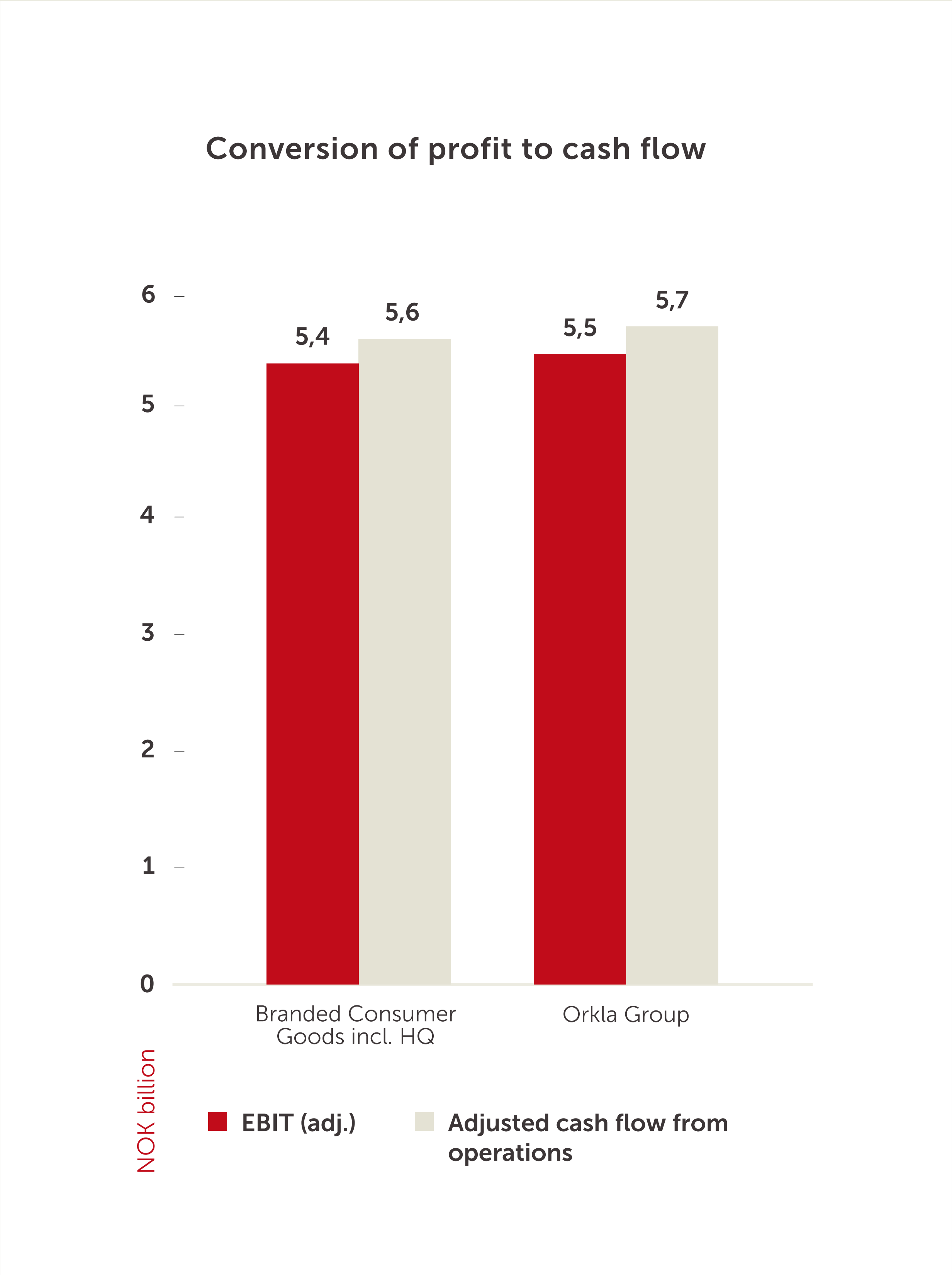
Expansion investments were slightly lower, year over year, in 2020. Most of the expansion in 2020 was related to the investment programme for pizza production at Stranda, Norway, and increased production capacity for plant-based products.

The logistics company Andersen & Mørch was sold in 2020. In addition, Orkla Eiendom sold a minority interest (40.5 per cent) in Alkärrsplans Utvecklings AB and a minority interest (20 per cent) in the real estate 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 mainly consisted of the purchase of the Havrefras brand and the purchase of 100 per cent of the shares in Norgesplaster. Furthermore, Orkla Food Ingredients completed the 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 amounted to NOK 756 million. Negative currency translation effects due to the weaker Norwegian krone increased net interest-bearing liabilities by NOK 585 million compared

Amounts in NOK million	2020	2019
Cash flow from Branded Consumer Goods incl. HQ		
EBIT (adj.)	5 440	4 786
Depreciation	1 783	1 581
Change in net working capital	670	812
Net replacement investments	(2 251)	(1 931)
Cash flow from operations (adj.)	**5 642**	**5 248**
Cash flow effect "Other income" and "Other expenses" and pensions	(291)	(450)
Cash flow from operations Branded Consumer Goods incl. HQ	**5 351**	**4 798**
Cash flow from operations Industrial & Financial Investments	**87**	**135**
Taxes paid	(1 152)	(1 129)
Dividends received, financial items and other payments	91	(167)
Cash flow before capital transactions	**4 377**	**3 637**
Dividends paid and sale/purchase of treasury shares	(2 609)	(2 589)
Cash flow before expansion	**1 768**	**1 048**
Expansion investments	(479)	(631)
Sale of companies (enterprise value)	200	582
Purchase of companies (enterprise value)	(733)	(3 063)
Net cash flow	**756**	**(2 064)**
Currency effects of net interest-bearing liabilities	(585)	(3)
Change in net interest-bearing liabilities	**(171)**	**2 067**
Net interest-bearing liabilities	**6 380**	**6 551**



with the end of 2019. At the end of 2020, net interest-bearing liabilities before leases totalled NOK 4,893 million. Including lease liabilities related to IFRS 16, net interest-bearing liabilities totalled NOK 6,380 million (see Note 21 for further information on IFRS 16). The Group's liabilities are denominated in different currencies depending on its net investments in countries other than Norway, and liabilities will therefore fluctuate in step with currency rate changes.

As at 31 December 2020, the equity ratio was 59.8 per cent, compared with 60.8 per cent 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.

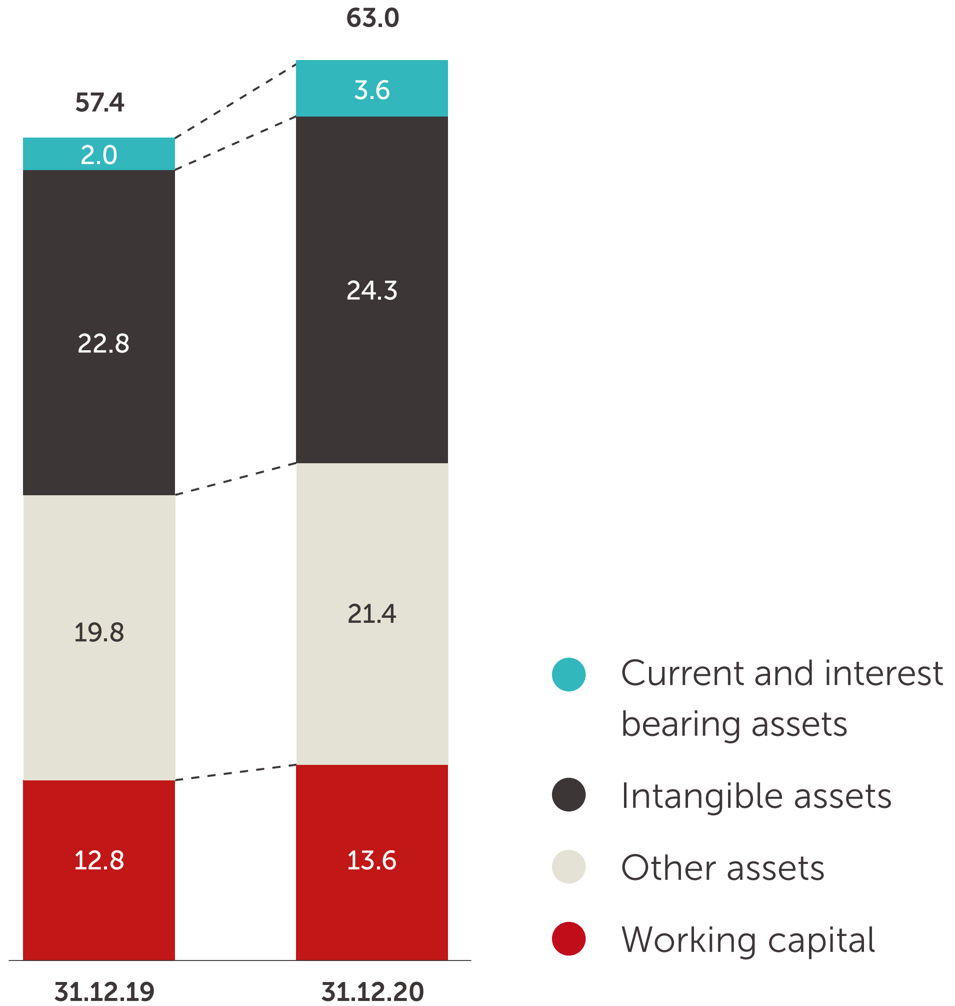
Contracts and financial hedge instruments

Orkla generally has few long-term purchasing and sale contracts. Financial hedging instruments are used in connection with management of currency and interest rate risk as well as certain incentive programmes and pension plans. In Hydro Power, AS Saudefaldene has some long-term power contracts. Further details regarding power contracts may be found in Note 34.

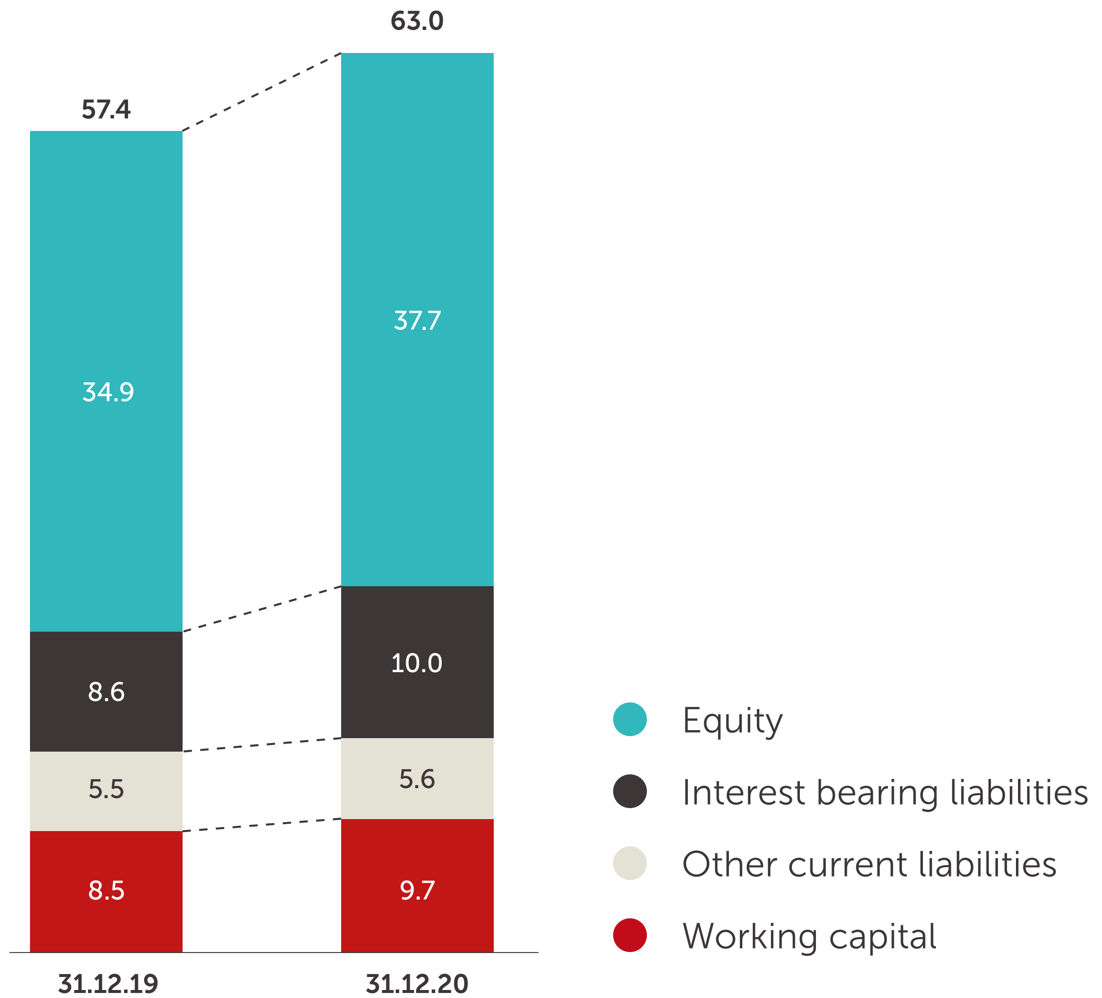
Capital structure

The consolidated statement of financial position totalled NOK 63.0 billion at year end, compared with NOK 57.4 billion in 2019. Net interest-bearing liabilities at the end of 2020 totalled NOK 6.4 billion including lease liabilities, which is a small reduction from NOK 6.6 billion at the end of 2019. This implies a net interest-bearing debt to EBITDA ratio of 0.9, which is below Orkla's goal of up to 2.5. Orkla's financial position is robust, with cash reserves, credit lines and the flexibility to support its business priorities. Group equity totalled NOK 37.7 billion at year end, with an equity ratio of 59.8 per cent (60.8 per cent).

Assets
NOK billion



Equity and liabilities
NOK billion



The Orkla share

At year end, there were 1,000,929,170 shares outstanding, and Orkla owned 501,800 treasury shares. The number of shareholders was 41,585 at the end of 2020, compared with 36,450 at the end of 2019. The proportion of shares held by foreign investors decreased by 3 percentage points to 51 per cent. The Orkla share price was NOK 87.00 at the end of the last trading day in 2020. At year-end 2019, the share price was NOK 88.96. Taking into account the dividend, the return on the Orkla share was 0.5 per cent in 2020, while the return on the Orkla Stock Exchange Benchmark Index (OSEBX) was 4.6 per cent. Orkla shares were traded on the Oslo Stock Exchange for a total of NOK 42.2 billion in 2020. Further information on shares and shareholders may be found on page 264. As of 22 February 2021, it has been decided to initiate a share buyback program for up to five million shares in the market.

Risk management

The Board of Directors attaches importance to ensuring that risk is managed systematically in all parts of the Group and considers this a prerequisite for long-term value creation for shareholders, employees, and society at large. Orkla has adopted a structured approach to identifying risk factors and taking action to mitigate risk in its operations and regarding sustainability. In accordance with the Group's Risk Management instructions, risk assessments must be carried out routinely in all units and presented to and discussed by the internal boards of directors as part of the budget process. When important decisions are to be made on matters such as acquisitions, disposals and major investments, the same requirement applies to risk assessment as in connection with routine risk management.

The units' risk assessments are consolidated to create an overall risk picture for Orkla, which also includes a longer-term, systematic risk assessment. Orkla's overall risk picture is reviewed by the Group Executive Board and discussed by the Board of Directors, in addition to being reviewed regularly by the Board's Audit Committee. Within Branded Consumer Goods, Orkla has a diversified company and product portfolio, which reduces the risk of significant profit fluctuations.

2020 was heavily impacted by the coronavirus pandemic, which caused increased uncertainty, mainly in the short term, but also increased uncertainty as to possible long-lasting consequences. The grocery market has undergone changes in the past few years, including increased competition from new sales channels, and Orkla has an ambition of growing in channels with higher growth than the traditional grocery sector. However, the outbreak of the coronavirus pandemic has led to strong market growth in the grocery sector, including online shopping. At the same time, demand has declined in Out of Home channels such as restaurants, canteens and the catering segment. This has led to greater uncertainty as regards future growth in the various sales channels.

The outbreak of the coronavirus pandemic has also given rise to a new, short-term risk related to interruptions in production and supply of goods due to outbreaks of infection that have continued to occur in 2021. Infection rates are rising in several of Orkla's markets and there are major local outbreaks of infection. This poses a growing risk not just at Orkla factories, but also in other parts of the value chain and for Orkla's suppliers. Developments are being followed closely by the companies and central Group staff, and detailed plans are being drawn up to deal with various scenarios.

Raw material prices increased in the course of 2020 for several of the large raw material categories, and there is risk related to further price rises. The coronavirus pandemic has also led to increased uncertainty as to the availability of several categories of raw materials. There is also risk related to currency fluctuations, but many Orkla companies do a substantial share of their sourcing in local currencies, thereby reducing the overall impact of changes in relation to other currencies. The risk of higher costs and scarcity of raw materials and resources is mitigated through close follow-up of suppliers, inventory build-up in some areas, increased resource efficiency, and approval and use of alternative raw materials.

Orkla's main geographical markets are characterised by high customer concentration and, to some extent, a growing proportion of the retail trade's private labels. In the grocery market, priority is given to close follow-up of customers, joint projects and collaboration across business areas as the foremost initiatives for maintaining volumes and margins.

Changing trends and consumer preferences pose a risk if Orkla fails to keep close track of developments and make the necessary adjustments to the new situation. In particular, there is substantial growth in demand for plant-based food, organic products, locally produced food and products that offer proven health benefits. Sustainability is an increasingly important issue for consumers, especially in the Nordic region and Western Europe. Orkla works systematically to offer new innovations in response to trends and has intensified its focus on plant-based products and climate-friendly products. To reduce risk, Orkla attaches importance to gaining good consumer insight through experience sharing and consumer testing and close follow-up of customers. Inadequate food safety can potentially have significant consequences for consumers. Orkla has a central food safety team who work continuously to ensure improvements and conduct audits at Orkla's factories, in addition to supplier audits.

Orkla is increasingly dependent on IT systems and the proper handling of information. The risk of malicious data attacks is on the rise, and cyber threats are growing in severity and intensity. The risk picture has changed due to the coronavirus pandemic and increased use of remote working. The new work situation has increased pressure on the Group to ensure capacity and uptime on Orkla's IT systems. A cyber attack could be detrimental to Orkla's operations in a number of areas, such as reputation, sales and production, and cause the loss of intangible assets. Important risk-mitigating measures include contigency plans, employee training and awareness-raising, and updating of older IT infrastructure.

There is an inherent risk of fire, occupational accidents or other serious incidents in Orkla's production environments. The risk to occupational health and psychosocial conditions is deemed to be rising somewhat due to the pandemic and measures such as working from home, in addition to increased pressure in factories as a result of strict infection control rules. Occupational safety is monitored through routine audits, and sickness absence is measured and followed up. Production units make active efforts to prevent and avoid production interruptions, and Group staff at central level also follow up on supply chain and insurance matters. Webinars and e-learning courses are held on a variety of important topics.

The ongoing climate changes entail risk which in the longer run could affect the availability of raw materials, and the quality and prices of several of Orkla's input factors. Prices are expected to remain volatile in the coming years. The risk of Orkla's own production being affected by flooding or other consequences of extreme weather is considered to be low.

Comments on the profit performance of the individual business areas

Orkla is a leading supplier of branded consumer goods and concept solutions to the grocery, food service and bakery sectors with the Nordics, Baltics and selected countries in Central Europe as its main markets. The Group also holds strong positions in selected product categories in India and other selected markets. The Branded Consumer Goods business consists of five business areas: Orkla Foods, Orkla Confectionery & Snacks, Orkla Care, Orkla Food Ingredients and Orkla Consumer & Financial Investments. Orkla Consumer & Financial Investments consists of the two areas Orkla Consumer Investments, which is part of Orkla's Branded Consumer Goods business, and Industrial & Financial Investments which consists of the Hydro Power and Financial Investments segments outside the Branded Consumer Goods business area, and Orkla's ownership interest in Jotun. For a further description of the individual business areas in Branded Consumer Goods, and Industrial & Financial Investments, see Note 7. Associates consist primarily of Jotun (42.6 per cent interest); see Note 6.

The financial statements of the holding company Orkla ASA cover all activities at Orkla Headquarters. These activities include the Group's executive management and the following shared and centralised functions:

- Group Functions
  - Group HR
  - Compensation & Benefits
  - Corporate Communication & Corporate Affairs
  - Orkla Services
  - Internal Audit
  - Legal & Compliance
  - Environment, Health & Safety (EHS)
- Group Finance
- Strategy and M&A
- Group sales
- Digital sales & Amazon Lead Team
- Orkla Marketing & Innovation
- Orkla Group Procurement
- Orkla IT

The departments carry out parent-company responsibilities within the Group, perform assignments and provide support for the Group's operational companies, and charge them for these services.

Branded Consumer Goods incl. Headquarters

	Operating revenues		Organic growth(%)	EBIT (adj.)**		EBIT (adj.)-margin (%)**	
Amounts in NOK million	2020	△ (%)	2020	2020	△ (%)	2020	△ (bps)
Orkla Foods	18 301	9.1	3.7	2 641	16.0	14.4	80
Orkla Confectionery & Snacks	7 171	8.5	2.0	1 203	10.0	16.8	30
Orkla Care	6 905	17.3	9.2	1 019	19.2	14.8	30
Orkla Food Ingredients	10 696	3.9	-5.9	500	-20.1	4.7	-140
Orkla Consumer Investments	3 847	13.6	2.1	404	36.0	10.5	170
Orkla Headquarters				-327	-9,7		
Total Branded Consumer Goods*	**46 521**	**9.1**	**1.6**	**5 440**	**13.7**	**11.7**	**50**

*Intercompany sales between business areas have been eliminated.
**Branded Consumer Goods incl. Headquarters.

Operating revenues, change as %	FX	Structure	Organic growth	Total
Branded Consumer Goods	6.2	1.3	1.6	9.1

Branded Consumer Goods

Operating revenues for Branded Consumer Goods increased by 9.1 per cent due to organic growth, positive currency translation effects and acquisitions. Branded Consumer Goods had organic growth of 1.6 per cent in 2020. Growth in the grocery sector was generally good as a result of strong market growth, but this growth was counteracted to some extent by lower activity in the Out of Home sector due to coronavirus pandemic restrictions.

The prices of the international raw materials to which Orkla is exposed increased on average in 2020, particularly for vegetable oils, dairy products and meat, according to the FAO Food Price Index[1]. However, the index cannot be seen in direct conjunction with the rise in Orkla's sourcing costs, as the categories of raw material sourced by Orkla are broader than those covered by the index, and prices differ to some extent due to European and Norwegian agricultural policies and associated import regulation. The weakening of the Norwegian krone against the euro by -8.8%, compared with 2019, also contributed to higher sourcing costs for Orkla's Norwegian businesses.

EBIT (adj.) growth for Branded Consumer Goods incl. Headquarters was 13.7 per cent, chiefly as a result of top-line growth and cost improvements, combined with positive currency translation effects and structural growth. The EBIT (adj.) margin for Branded Consumer Goods incl. Headquarters was 11.7 per cent in 2020, compared with 11.2 per cent the year before. Margin improvement was driven by revenue management initiatives, good product mix, higher production efficiency and other cost improvements, but was offset to some extent by higher advertising spend and increased depreciation.

[1] The FAO Food Price Index measures the change in certain international food commodity prices. The index consists of the average of five commodity group price indices, and is published by the Food and Agriculture Organisation of the United Nations.

Orkla Foods

Operating revenues for Orkla Foods grew by 9.1 per cent in 2020, positively impacted by currency translation effects. Organic growth was 3.7 per cent, driven by improvement in most markets. The growth was chiefly related to market growth and higher sales to grocery customers due to the coronavirus pandemic, while sales to the Out of Home sector, convenience stores, petrol stations and export sales declined. There was good growth in sales of plant-based products, a focus area for Orkla Foods. There was profit growth in most markets in 2020, driven mainly by higher sales and increased productivity, as well as the positive consolidation effects of changes in currency exchange rates. Increased prices to customers and active portfolio management compensated for higher raw material costs and the negative effects on sourcing of a considerably weaker Norwegian krone. The EBIT (adj.) margin was 14.4 per cent (13.6 per cent).

Orkla Confectionery & Snacks

Operating revenues for Orkla Confectionery & Snacks increased in 2020 by 8.5 per cent. Organic growth was 2.0 per cent. Sales were strong in Norway, driven by high market growth which was positively impacted by the coronavirus pandemic. Sweden and Finland also saw good sales growth. In the Baltics, turnover growth was negative. The coronavirus pandemic led to a decline in demand and sales, due in particular to reduced tourism and lower buying power. Reduced listing by a major customer in Denmark also had a negative impact on turnover. Profit growth was driven by top-line growth, and by positive contributions from cost improvement programmes. Higher raw material costs and negative currency effects were compensated for by price increases. The EBIT (adj.) margin was 16.8 per cent (16.5 per cent).

Orkla Care

Orkla Care had sales growth of 17.3 per cent in 2020, positively impacted by both structural changes and currency translation effects. Organic growth was 9.2 per cent. The coronavirus pandemic led to strong market growth for several of Orkla Care's categories. There was strong organic growth in Orkla Home & Personal Care, driven by market growth in the cleaning and personal care categories, and broad-based growth for Orkla Health, with particularly good growth in Norway and internationally. HSNG also had a strong year with solid growth in online sales. Growth for the business area was offset to some extent by a decline for Orkla Wound Care, which experienced a substantial fall in demand due to lockdowns and comprehensive coronavirus-related restrictions in several key markets during the year. The EBIT (adj.) margin was 14.8 per cent (14.5 per cent). Profit growth was driven by strong sales growth and the implementation of restructuring programmes. These effects were partly offset by negative mix effects and higher advertising spend.

Orkla Food Ingredients

Operating revenues for Orkla Food Ingredients in 2020 increased by 3.9 per cent. The growth was driven by acquisitions and positive currency translation effects. There was an organic sales decline of -5.9 per cent which was due to substantially reduced demand in the Out of Home segment as a result of the coronavirus pandemic. Sales to the Out of Home segment account for around 60 per cent of the business area's turnover. 2020 was a weaker year particularly for ice cream ingredients, as the coronavirus pandemic and associated lockdown occurred at the start of the season, i.e. before spring and summer, for this segment. The decline in profit is primarily due to lower sales volume, which was offset to some extent by substantially reduced costs due to profit protection measures. The EBIT (adj.) margin was 4.7 per cent (6.1 per cent).

Orkla Consumer Investments

Operating revenues for Orkla Consumer Investments rose by 13.6 per cent in 2020, positively impacted by both structural changes and currency translation effects. Organic growth was 2.1 per cent and was driven by higher sales of painting tools for Orkla House Care due to increased activity in home improvement markets in connection with the coronavirus pandemic. Lilleborg also had improved sales, primarily due to higher demand for disinfectants. Lower sales for Pierre Robert Group, closed restaurants for Gorm's and a decline in sales for Kotipizza Group's wholesale business reduced organic growth. The improvement in profit was mainly driven by strong top-line growth in House Care. Kotipizza also saw strong profit growth, driven by good sales for the pizza restaurants. The EBIT (adj.) margin was 10.5 per cent (8.8 per cent).

Orkla Headquarters

EBIT (adj.) from Headquarters amounted to NOK -327 million in 2020 (NOK -362 million). The year-over-year improvement in profit is mainly related to the restructuring project that was completed at Orkla Headquarters, and high severance pay costs in 2019.

Industrial & Financial Investments

Jotun (42.6 per cent interest)

Amounts in NOK million	2020	2019
Operating revenues (100 %)	21 070	19 652
EBIT (100 %)	3 489	2 320
Contribution to profit	970	625

Jotun achieved record high turnover and operating profit in 2020. The coronavirus pandemic hampered top-line growth in several important markets, especially in the Middle East and Southeast Asia, but Jotun’s broad sectoral and geographical footprint ensured revenue growth even in a pandemic year.

The marked growth in operating profit is chiefly due to better gross margins as a result of lower raw material costs, in addition to good cost control. All segments reported a considerable improvement in profit. Positive currency translation effects, on account of the weaker Norwegian krone, also contributed to the good result in 2020.

Hydro Power

Amounts in NOK million	2020	2019
Volume (GWh)	2 884	2 156
Price (øre/kWh)	9.8	38.7
Operating revenues	519	826
EBIT (adj.)	42	292

The decline in profit was chiefly due to substantially lower power prices. Production volume was higher than in 2019. The historically low power prices were due to a large resource surplus of water and snow, combined with limited interconnector capacity with other countries. Operating costs in the period were slightly lower than in 2019. At the end of 2020, the reservoir level in Sauda was higher than normal, while the snowpack level was lower than normal. Reservoir levels for Glomma and Laagen were higher than normal, while snowpack levels were slightly lower than normal at year end.

Financial Investments

EBIT (adj.) for Financial Investments amounted to NOK 10 million in 2020 (NOK 10 million). There were no transactions in the period that affect EBIT (adj.).

Research and development (innovation)

Innovation is one of Orkla’s primary tools for creating organic growth and therefore a key part of day-to-day operations. Orkla’s innovation work is based on a cross-functional focus that spans from insight to idea and then to launch. Consumer, customer and market insights are combined with technological expertise to develop products and solutions that delight consumers and better meet their needs.

Orkla’s strength lies in its local presence, with in-depth insight into local consumer needs and how this knowledge can be translated into powerful innovations. Orkla applies this consumer insight, brand understanding and product development capacity across the Group. At the core of all innovation work lies the actual user experience, ranging from taste and functional properties to how intuitive and simple a product is to use. Good examples of innovations in 2020 are the launch of the Nidar

Favoritter large chocolate tablet that combines three tastes in a single tablet, Jordan Easypad terrasse which makes it much easier to stain or oil a wood deck, Salvequick Blister Rescue and Sonneveld Bakery Solutions.

Innovations driven by increased consumer focus on health and sustainability were key features of many launches in 2020. NATURLI'® plant-based products in Norway and the climate-friendly taco brand Frankful in Sweden are examples of such innovations. Savett Alcogel is an example of the rapid development of a new product in Sweden and Finland that was quickly launched in response to the coronavirus pandemic.

In 2020, Orkla's strong branded products again played a key role for success in new areas and new target groups. Examples include Zalo dishwasher detergent, Gevita SHE dietary supplements for women in menopause, OLW Choco Cheez in Sweden and Sunsilk deodorant and shower soap launches.

In the years to come, continuous efforts will be made to ensure that Orkla's local brands are consumers' first choice by making them a better, simpler and more sustainable part of everyday living. New channels and digital transformation are also areas of focus placed high on the agenda.

Competence

Learning is a fundamental part of Orkla's strategy and culture, and the Group's competitiveness and attractiveness as employer are strengthened through continuous human resource development. Orkla has a long tradition of investing in its employees' development, and learning takes place in a variety of ways – through personal experience acquired on the job, through interaction with other employees, coaching and networks, and through formal training such as participation in courses and seminars. Orkla also carries out a systematic, annual evaluation of leadership and organisation. Development areas have been identified, and action was initiated to remedy any gaps.

Orkla's global competence-building activities ensure and underpin instruction and training within Orkla's defined core competencies; digital skills, leadership and culture. These global activities supplement and support local activities to develop expertise in each function. A variety of global training programmes are run by the Orkla Academies, and leadership programmes and the training portfolio are continually expanded. There is continuous, active focus on developing instructive, high-quality and cost-effective educational methods, content and technology.

Orkla was already in the process of developing a modern, digitally-supported training programme when the coronavirus pandemic broke out in 2020. The pandemic gave added impetus to Orkla's active entry into the digital domain. The Group's general knowledge of virtual communication methods was significantly strengthened in the course of 2020, laying a good basis for virtual training. Although Orkla does not intend to convert all its courses to virtual format, virtual and digital training has become a strong alternative, or supplement, to physical gatherings. In 2020, Orkla adapted most of its existing programmes to digital learning and launched new courses in digital skills, such as virtual facilitation techniques and virtual team leadership. Orkla also upgraded the training offered to management staff by updating the Group's leadership development programme, introduced a new digital academy for value chain operation and development, and renewed the majority of Orkla's academies.

Corporate responsibility

Orkla' sustainability strategy

Business and industry have a responsibility for helping to solve the global challenges posed by climate change, raw material availability and consumer health, in addition to which these challenges give rise to commercial risk and opportunities. Orkla wishes to contribute to sustainable development by offering products that promote a healthy, sustainable lifestyle, reduce greenhouse gas emissions and foster sustainable business practices in every part of the value chain. Sustainability work is pivotal to Orkla's ability to create growth, trust and competitive operations. Orkla has adopted general sustainability targets up to 2025 that apply to the entire Group and cover the following main topics: nutrition and wellness, safe products, sustainable sourcing, environmental engagement and care for people and society.

Directive on corporate responsibility

Orkla's directive on corporate responsibility describes the overarching principles defining how the Group companies are to address issues relating to human and workers' rights, the external environment, occupational health and safety (EHS), anti-corruption and other important areas of corporate responsibility. The directive has been approved by Orkla's Board of Directors and applies to the entire Group. Orkla's Responsible Employer and Human Rights Policy provides detailed guidelines for the way Orkla companies are to deal with the human and workers' rights issues considered most relevant for their day-to-day operations. Orkla companies prepare an annual assessment of risk of non-compliance with this policy and a plan for further efforts to safeguard human rights. Orkla's EHS policy and standard set out detailed principles and requirements for work related to the external environment and occupational health and safety, which is monitored through internal audits. The Orkla Code of Conduct describes the Group's standards and expectations in respect of individual managers, employees and Board members with regard to important behavioural issues such as respect and tolerance, business ethics and environmental and anti-corruption standards.

Governance procedures for corporate responsibility

The CEO of each Orkla company is responsible for implementing the Group's directive on corporate responsibility and drawing up action plans for sustainability work based on Orkla's sustainability targets up to 2025. This work must be integrated into the company's operations and be based on the precautionary principle and the principle of continuous improvement. The companies' prioritisation of resource use must be based on an assessment of both the business's and stakeholders' needs.

Orkla's governing documents are accessible to all the companies through the Group's web-based governance portal. To ensure that employees are familiar with Orkla's directive, internal training is provided by both the Group and the companies. The training has created greater awareness and knowledge of corporate responsibility and sustainability issues, promoted more active engagement and ensured a more uniform approach to efforts in these areas.

Orkla monitors the companies' corporate responsibility and sustainability work by means of annual internal status reports. Sickness absence and injuries are monitored monthly, and status as regards food safety is tracked quarterly. Orkla has internal sustainability, EHS and food safety networks that are used to promote learning, experience sharing, collaboration and reporting. In 2020, Orkla's Sustainability Committee was established to facilitate coordination of sustainability work across business areas and functions, initiate joint development activities and provide support for Orkla's Group Executive Board. Country-based sustainability networks were also established in Norway, Sweden and Denmark. The purpose of these networks is to discuss important issues, initiate joint activities and coordinate stakeholder dialogue, communications activities and development projects.

Orkla's Board of Directors monitors the Group's efforts by means of an annual assessment of progress in sustainability work, quarterly reviews of changes in key EHS indicators and ongoing discussion of individual matters considered to be of material importance for Orkla's operations. Orkla's Group Director for Corporate Communications and Corporate Affairs has administrative responsibility for Orkla's corporate responsibility work, and determines which matters are to be submitted to the Board of Directors. The Board also assesses Orkla's annual sustainability reporting.

Orkla's whistle-blowing function enables employees to alert the Group's governing bodies to possible breaches of the Orkla Code of Conduct. The whistle-blowing function is administered by Orkla's internal audit staff on behalf of Orkla's Audit Committee and is independent of Orkla's line management. Employees can report concerns anonymously and in their mother tongue. Orkla's internal ethics board is headed by Orkla's chief audit officer, and also comprises Orkla's heads of compliance, sustainability and tax. The ethics board is involved when necessary to discuss whistle-blowing matters.

Alignment with external principles

Orkla has been a signatory to the UN Global Compact since 2005 and is a member of the Ethical Trading Initiative Norway (IEH). Since 2008, the Group has reported environmental information to the investor-initiated CDP, and has supported the CDP's two initiatives, "Commit to report climate change information in mainstream reports as a fiduciary duty" and "Commit to remove commodity-driven deforestation from all supply chains by 2020". Orkla has also signed the UN's New York Declaration on Forests. In 2020, Orkla supported the Global Compact's campaign "Uniting Business and Governments to Recover Better". Through Orkla's sustainability work, the Group contributes to achieving several of the global Sustainable Development Goals up to 2030, which were launched by the UN in 2015.

In 2020, for the tenth consecutive year, Orkla was included in the Dow Jones Sustainability Index Europe. The Board of Directors is pleased that Orkla has made good progress in developing products for a healthy, sustainable lifestyle, reducing greenhouse gas emissions from its operations and promoting sustainable raw material production.

Reporting on corporate responsibility

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is required to report on its corporate responsibility and selected related issues. An account of the Group's efforts to address these issues in 2020 is provided in Orkla's sustainability report, which is included in this Annual Report, under the sections:

- "Orkla's sustainability work", page 56 (corporate responsibility)
- "Environmental engagement", page 68 (environment)
- "Sustainable sourcing", page 85 (human rights, workers' rights, social conditions and environment in the supply chain)
- "Care for people and society", pages 125 (human and workers' rights in own company, equality and non-discrimination, working environment, injuries, accidents, sickness absence, anti-corruption, social conditions)

In its sustainability reporting for 2020, Orkla attached importance to applying the Oslo Stock Exchange's guidance on reporting corporate responsibility and GRI Standards. More information on the principles on which Orkla's reporting is based is provided on page 65.

Personnel and administration

As at 31 December 2020, the Group had 18,110 (18,348) employees. Of these, 2,946 (2,947) worked in Norway, 5,870 (6,028) in other Nordic countries and 9,294 (9,373) in countries outside the Nordic region. Collaboration between management and the employee organisations functions well and makes a valuable contribution to finding constructive solutions to the challenges faced by the Group and the individual companies.

In February 2020, Kenneth Haavet took up the position of CEO of the Orkla Consumer & Financial Investments business area, which was established as a new business area in November 2019.

Harald Ullevoldsæter took up the position of CFO of Orkla ASA on 1 March 2020, succeeding Jens Bjørn Staff.

In January 2021, President and CEO Jaan Ivar Semlitsch made the following changes in Orkla's Group Executive Board:

- Atle Vidar Nagel Johansen was appointed CEO of the Orkla Foods business area. He previously held the position of CEO of Orkla Care. Ann-Beth Freuchen, who headed Orkla Foods Nordics & Baltics, left the Group. Johan Wilhelmsson stepped down from the Group Executive Board, but continues to serve as CEO of Orkla Foods International.
- 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.

At Orkla's Annual General Meeting in April 2020, Stein Erik Hagen, Ingrid Jonasson Blank, Liselott Kilaas, Peter Agnefjäll, Nils K. Selte and Caroline Hagen Kjos (personal deputy for Stein Erik Hagen and Nils K. Selte) were re-elected as shareholder-elected members of Orkla's Board of Directors. Grace Reksten Skaugen and Lars Dahlgren were not up for re-election, and Anna Mossberg and Anders Kristiansen were elected as new Board members. Stein Erik Hagen was re-elected as Chairman of the Board. All of the shareholder-elected Board members were elected for a term of one year, i.e. until the 2021 Annual General Meeting.

Of a total of seven shareholder-elected members of Orkla's Board of Directors, three are women and four are men. Among the employee-elected Board members and their deputies, both genders are represented. Orkla ASA therefore fulfils the requirement in section 6-11a of the Public Limited Liability Companies Act regarding representation of both genders on the Board of Directors.

The Board of Directors wishes to thank all employees for their efforts and for the results achieved in 2020.

Corporate governance (Statement of Policy on Corporate Governance)

Orkla's governance systems are based on principles set out in the Norwegian Code of Conduct for Corporate Governance, and are largely aligned with applicable international guidelines on good corporate governance. An overall statement of policy on corporate governance at Orkla may be found on page 43 of this Annual Report. The statement of policy will be an item of business for discussion at the 2021 Annual General Meeting on 15 April.

Pay and other remuneration of senior executives

The Board of Directors has a separate Compensation Committee, which deals with all material matters related to pay and other remuneration of senior executives before such matters are formally discussed and decided by the Board of Directors. In accordance with Norwegian company legislation, the Board of Directors has also prepared a separate statement of guidelines on the pay and other remuneration of senior executives, included in Note 5 to the financial statements for Orkla ASA, which will be presented and discussed at the 2021 Annual General Meeting. The note also provides details of remuneration and contractual arrangements.

Accounting policies

The consolidated financial statements for 2020 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by EU. The financial statements for the parent company have been prepared in accordance with section 3-9 of the Norwegian Accounting Act (simplified IFRS). The explanation of accounting policies in Notes 1-4 and in respective notes describes important matters relating to accounting treatment under IFRS.

The consolidated financial statements have been prepared and presented on the basis of the going concern assumption, and in accordance with section 3-3 of the Accounting Act the Board of Directors confirms that use of the going-concern assumption is appropriate.

Orkla ASA

Orkla ASA is the parent company in the Orkla Group and supplies and performs services for the Group's other companies. In 2020, Orkla ASA delivered profit after tax of NOK 1,958 million (NOK 3,806 million). At year end, Orkla ASA had total assets of NOK 51,065 million (NOK 49,505 million), equivalent to an increase of 3.2 per cent, compared with the previous year. The equity ratio was 66.0 per cent (69.3 per cent).

Allocation of comprehensive income

In 2020, Orkla ASA posted comprehensive income of NOK 1,914 million. The Board of Directors proposes the following allocation:

Proposed dividend	NOK 2 753 million
Transferred from equity	NOK 839 million

As at 31 December 2020, Orkla ASA had total equity of NOK 33.7 billion (NOK 34.3 billion). The Board of Directors has determined that Orkla ASA had adequate equity and liquidity at the end of 2020. The Board of Directors proposes to pay an ordinary dividend of NOK 2.75 per share for the 2020 financial year.

Outlook

After the gradual reopening of society in the third quarter of 2020, restrictions were reimposed in the fourth quarter due to the coronavirus pandemic in many of the markets in which Orkla operates. The outlook is still uncertain, but encouraging vaccine news offers a hope that the situation will normalise 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 one market to another due to differences in the spread of infection and the infection control measures adopted 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.

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 attached to 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 a net interest-bearing debt to EBITDA ratio of 0.9 (on a rolling 12-month 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 approximately 0.7 percentage points, which means that the target is considered hard to reach. Higher advertising spend in 2020 to strengthen Orkla's brands, sales growth and long-term competitiveness is expected to continue in 2021, and will impact negatively on margin improvement in the short term.

Oslo, 15 March 2021

Orkla's Board of Directors

Stein Erik Hagen Chairman of the Board	Ingrid Jonasson Blank	Nils K. Selte
Liselott Kilaas	Peter Agnefjäll	Anna Mossberg
Anders Kristiansen	Terje Utstrand	Sverre Josvanger
Karin Hansson	Roger Vangen	Jaan Ivar Semlitsch President and CEO

(This translation of the Board of Directors' report from Norwegian has been made for information purposes only)