Orkla

Fourth quarter
2019

The fourth quarter in brief

- In the fourth quarter, Orkla's Branded Consumer Goods business posted organic growth of 2.0% and good improvement in adjusted operating profit (EBIT adj.)
- Good performance by Orkla Foods and Orkla Confectionery & Snacks
- Profit growth for Orkla Food Ingredients, mainly driven by acquisitions
- Top and bottom-line growth for Orkla Care, compared with a weak quarter in 2018
- Strong finish to 2019 for Jotun
- Group profit before tax amounted to NOK 1,487 million, a considerable increase from a weak 2018 due to good growth for both Branded Consumer Goods and Jotun
- Adjusted earnings per share amounted to NOK 4.24 for the year, up 17% from 2018

Orkla President and CEO Jaan Ivar Semlitsch comments:
Orkla finished 2019 with a good quarter in which we achieved improvement in both sales and profit. We are glad to see that organic growth has gradually picked up and that our margins have positive development. However, it must be mentioned that we are measuring against a weak fourth quarter in 2018, particularly for Orkla Care.

The business units in Orkla Care that are now being moved to Orkla Consumer & Financial Investments have in total experienced a challenging quarter. In the course of the year, a number of actions were taken to turn the trend around in both these and the remaining companies in Orkla Care, and further steps will be taken in 2020.

Our stated 2021-targets remain unchanged and we have made good progress towards these targets. Orkla has a solid portfolio of innovations in prioritized areas and we are seeing good contributions to growth from them. A good example is the strong growth we are experiencing for plant-based innovations. Going forward it will be important to leverage our strong brands to further improve organic growth.

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.

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2019	2018	2019	2018
Branded Consumer Goods				
Operating revenues	41 545	39 592	11 471	10 607
- Organic revenue growth	*1.4%*	*-0.2%*	*2.0%*	*-0.9%*
Branded Consumer Goods incl. headquarters (HQ)				
EBIT (adj.)	4 714	4 387	1 422	1 277
EBIT (adj.)-margin	11.3%	11.1%	12.4%	12.0%
Group				
Operating revenues	43 615	40 837	12 017	10 983
EBIT (adj.)	5 088	4 777	1 515	1 408
Profit/loss from associates and joint ventures	659	264	147	(43)
Profit/loss before taxes	4 931	4 358	1 487	1 017
Earnings per share (NOK)	3.84	3.24	1.28	0.74
Earnings per share (adj.) (NOK)	4.24	3.62	1.27	0.98

Jaan Ivar Semlitsch
President and CEO

Market growth

Most of the markets in which Orkla's Branded Consumer Goods business operates show stable, but moderate growth. The growth is higher in the Baltics and Central Europe than in the Nordic markets, and in channels outside the grocery retail trade. All in all, the market growth is considered to be slightly above 2%.

Orkla is exposed to a broad range of raw material categories. The price development on different raw materials has varied, but increased in total and impacted Orkla's purchasing costs negatively in the fourth quarter of 2019. This is mainly due to increased prices on vegetable oils, meat, dairy products and cocoa.

Overall, foreign currency rate development impacted purchasing prices negatively, compared with the same period of 2018. Both the Norwegian and the Swedish krone continued to decline against the euro, negatively impacting purchasing costs.

Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–31.12.2019	1.4	1.2	2.4	4.9
1.10.–31.12.2019	2.0	3.1	3.1	8.1

Figures may not add up due to rounding.

Turnover growth for Branded Consumer Goods in the fourth quarter was driven by organic growth, acquisitions and currency translation effects. Organic turnover growth was 2.0% with growth in all business areas, although with differences within the portfolio.

Orkla Confectionery & Snacks delivered strong growth driven by improvement in the confectionery and snacks segments, supported by continued positive market development and a change as of 1 January 2019 in the sugar tax that negatively impacted sales in the fourth quarter of 2018. In Orkla Foods, plant-based products and continued strong growth in Sweden particularly contributed to progress in the quarter. The positive development for Orkla Home & Personal Care and Orkla Health contributed to turnover growth for Orkla Care, although compared with a weak quarter in 2018. Orkla Food Ingredients had moderate sales growth in the quarter.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.12.2019	4.0	1.4	2.0	7.5
1.10.–31.12.2019	4.6	3.2	3.5	11.4

Figures may not add up due to rounding.

Branded Consumer Goods including Headquarters ("HQ") posted a 11.4% improvement in fourth-quarter EBIT (adj.), 4.6% of which was underlying growth. The improvement was chiefly due to top-line growth spurred by revenue management initiatives and positive mix effects, but cost improvements also contributed to higher profitability. All business areas achieved profit improvement in the fourth quarter. HQ somewhat reduced the profit growth, due to high pension costs and accrual effects. Both acquisitions and currency translation effects also contributed positively in the quarter.

	Underlying				
EBIT (adj.) margin growth change in percentage points	Variable cost	Other	FX/ Structure	Total	EBIT (adj.) margin 2019 (%)
1.1.–31.12.2019	0.5	-0.2	0.0	0.3	11.3

Figures may not add up due to rounding.

Margin performance on a rolling 12-month basis as at 31 December 2019 for Branded Consumer Goods including HQ showed an improvement of 0.3 percentage points. The EBIT (adj.) margin was positively affected by revenue management initiatives and a shift towards more profitable categories and products, as well as by cost improvements. However, the improvements were counteracted by higher purchasing costs, and increased HQ costs compared with a low level in 2018.

Orkla will continue its efforts to improve margins. In the short term, priority will be given to improving mix, reducing complexity and revenue management.

Structural measures (M&A)

In the fourth quarter, Orkla Care took over the remaining 50% of the shares in the former joint venture company Anza Verimex Holding, which is market leader for the sale and distribution of painting tools in the Netherlands and Belgium. This purchase provides an attractive platform for further expansion in the painting tool category in Benelux. As a partly owned company, the business's profit or loss has been reported as "profit/loss from associates and joint ventures" using the equity method, but as of 1 October 2019 the wholly-owned company was consolidated into Orkla's income statement.

Orkla has purchased 20% of the Icelandic company Nói Síríus HF, Iceland's leading manufacturer of chocolate and confectionery. The company's results were included in Orkla's financial statements as of 1 December 2019 as part of "profit/loss from associates and joint ventures".

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

Through its wholly-owned subsidiary Capto Eiendom AS ("Capto Eiendom"), Orkla entered into an agreement to sell its Oslo Business Park property to Stor-Oslo Eiendom, effective 20 November 2019. Oslo Business Park was owned by Capto Eiendom (50%) and Winta Eiendom (50%). Under the agreement, both parties sold their entire stake. The transaction generated a gain of NOK 35 million, reported on the line for "profit/loss from associates and joint ventures" in Orkla's income statement for the fourth quarter of 2019.

See Note 5 and 12 for further information on acquisitions and disposals.

Outlook

Orkla continues to face strong competition from both international players and the retail trade's private labels. At the same time, there is a shift in consumer preferences, where local players are gaining ground at the expense of major global brands. With over 300 local brands and a strong local focus on innovations, Orkla is well positioned to respond to this shift. In addition, a channel shift is taking place with consumers moving away from traditional grocery retailers in many product categories. Orkla is addressing the change in a variety of ways, including increased focus on presence in new channels outside traditional grocery retail and on making strategic acquisitions that offer access to other channels.

While strategically relevant acquisitions will remain a key element of Orkla's growth strategy and value creation model, the Group will focus more attention on reducing complexity through more active portfolio management.

Orkla targets long-term organic growth at least in line with market growth. In the short term market growth is expected to be aligned with the 2019 level. Market growth is also expected to remain challenging for Orkla Care. For 2018-2021, Orkla targets EBIT (adj.) margin growth of minimum 1.5 percentage points adjusted for acquisitions, disposals and currency effects.

There is great uncertainty attached to future raw material price development. Orkla is exposed to a broad range of raw material categories, and prices are in total expected to increase going forward.

The UK exited the European Union as of 31 January 2020. There will be a transitional period up until the end of the year, where a permanent cooperation agreement will be negotiated. Orkla has production in the UK, in addition to extensive trade between the UK and the EU as well as Norway, and consequently could be affected by the outcome.

Financial matters - Group

Main figures profit/loss

Amounts in NOK million	1.1.–31.12. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
Operating revenues	**43 615**	**40 837**	**12 017**	**10 983**
EBIT (adj.)	**5 088**	**4 777**	**1 515**	**1 408**
Other income and expenses	(561)	(482)	(136)	(296)
Operating profit	**4 527**	**4 295**	**1 379**	**1 112**
Profit/loss from associates and joint ventures	659	264	147	(43)
Interest and financial items, net	(255)	(201)	(39)	(52)
Profit/loss before taxes	**4 931**	**4 358**	**1 487**	**1 017**
Taxes	(1 033)	(1 004)	(218)	(271)
Profit/loss for the period	**3 898**	**3 354**	**1 269**	**746**
Earnings per share (NOK)	3.84	3.24	1.28	0.74
Earnings per share (adj.) (NOK)	4.24	3.62	1.27	0.98

Group operating revenues increased by 9.4% in the fourth quarter, driven by organic and structural growth in Branded Consumer Goods in addition to the integration of Kotipizza Group. Currency translation effects arising from consolidation had a positive impact on Branded Consumer Goods' operating revenues.

In the same period, the Group's EBIT (adj.) grew by 7.6%, driven by higher contributions to profit from all Branded Consumer Goods' business areas. Orkla Investments experienced decline in the quarter due to Hydro Power, which was affected by both lower power prices and lower volumes.

The Group's other income and expenses totalled NOK -136 million in the fourth quarter. The largest items were related to costs and severance agreements in connection with the reorganisation of HQ, and restructuring projects at Orkla Foods and Orkla Care. Furthermore, fixed assets were written down due to factory relocation in Orkla Confectionery & Snacks.

Profit from associates improved by NOK 190 million in the fourth quarter, mainly due to good growth and margin development in Jotun, compared with the same period of 2018. Jotun's contribution to profit was also positively affected by accrual effects related to tax and minority interests. Gain on the sale of Oslo Business Park was NOK 35 million.

Net financial costs in the fourth quarter were lower than in 2018, chiefly due to the lower average borrowing rate of 2.0% in the period, compared with 3.2% in the corresponding period of 2018. Net interest-bearing liabilities at year end totalled NOK 4.9 billion, excluding lease liabilities under IFRS 16 (NOK 1.7 billion). See Note 1 for more information on IFRS 16.

The effective tax rate in the fourth quarter was lower, year over year, due to the reversal of a net deferred tax liability. This has no effect on cash flow in the quarter.

Earnings per share in the fourth quarter was NOK 1.28, up 73% from 2018. Adjusted earnings per share was NOK 1.27, corresponding to a growth of 30% year over year. See the section on Alternative Performance Measures (APM) on page 18 for more information.

Cash flow – Group

The comments below are based on the cash flow statement as presented in Orkla's internal format and refer to the period 1 January to 31 December 2019. Reference is made to page 13 for the consolidated statement of cash flows IFRS and reconciliation of cash flows.

Orkla-format

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2019	2018	2019	2018
Cash flow from Branded Consumer Goods incl. HQ				
EBIT (adj.)	4 714	4 387	1 422	1 277
Amortisation, depreciation and impairment charges	1 493	1 154	392	301
Changes in net working capital	830	(190)	738	702
Net replacement expenditures	(1 816)	(1 393)	(663)	(410)
Cash flow from operations (adj.)	**5 221**	**3 958**	**1 889**	**1 870**
Cash flow effect from "Other income and expenses" and pensions	(449)	(496)	(129)	(208)
Cash flow from operations, Branded Consumer Goods incl. HQ	**4 772**	**3 462**	**1 760**	**1 662**
Cash flow from operations, Orkla Investments	**161**	**26**	**98**	**(11)**
Taxes paid	(1 129)	(904)	(221)	(160)
Dividends received, financial items and other payments	(167)	(1)	(25)	(73)
Cash flow before capital transactions	**3 637**	**2 583**	**1 612**	**1 418**
Dividends paid and purchase/sale of treasury shares	(2 589)	(4 063)	(4)	-
Cash flow before expansion	**1 048**	**(1 480)**	**1 608**	**1 418**
Expansion investments	(631)	(531)	(160)	(177)
Sale of companies (enterprise value)	582	47	532	47
Purchase of companies (enterprise value)	(3 063)	(1 080)	(234)	(258)
Net cash flow	**(2 064)**	**(3 044)**	**1 746**	**1 030**
Currency effects of net interest-bearing liabilities	(3)	21	(46)	(231)
Change in net interest-bearing liabilities	**2 067**	**3 023**	**(1 700)**	**(799)**
Interest-bearing liabilities implementation IFRS 16, 1 January 2019	1 447	-		
Net interest-bearing liabilities	**6 551**	**3 037**		

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 (excluding Orkla Investments) was significantly higher in 2019, year over year, primarily due to a positive development in working capital and increased operating profit. The improvement in working capital was mainly ascribable to an improvement in accounts payable. Reduced inventories also made a positive contribution.

Ongoing investments in new ERP systems resulted in higher replacement investments. The implementation of IFRS 16 also increased replacement investments, as well as depreciations and write-downs.

In Orkla Investments, the cash flow in 2019 was positively affected by the inclusion of Kotipizza Group and lower replacement investments than last year related to the new headquarter.

Dividends received, financial items and other payments were primarily related to financial items, payment of the remaining liability in connection with the sale of Sapa (see Note 12), and dividends received from Jotun.

Expansion investments increased, year over year. The increase was chiefly related to higher investments in Orkla Foods, particularly from an ongoing investment programme for pizza production at Stranda, Norway.

In 2019, Treschows gate 16, Oslo Business Park, the Glyngøre brand and the Russian nut company Chaka were sold. Acquisitions of companies totalled NOK 3,063 million, the largest transaction being Kotipizza Group. There were also several transactions in Orkla Foods, Orkla Food Ingredients and Orkla Care.

Net cash flow for the Group totalled NOK -2,064 million. As at 31 December 2019, net interest-bearing liabilities excluding leases amounted to NOK 4,895 million. Including lease liabilities under IFRS 16, net interest-bearing liabilities totalled NOK 6,551 million. See Note 1 for further information on IFRS 16.

As at 31 December 2019, the equity ratio was 60.8%, compared with 63.1 % as at 1 January 2019, adjusted for IFRS 16 effects. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.7 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. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
Operating revenues	16 776	16 000	4 672	4 366
- Organic revenue growth	*1.8%*	*1.5%*	*1.5%*	*2.7%*
EBIT (adj.)	2 276	2 048	734	651
EBIT (adj.) margin	13.6%	12.8%	15.7%	14.9%

- Continued strong growth in Sweden and good development for plant-based products – also good growth in several of the largest brands
- Price increases compensated for continued negative currency effects and higher raw material prices
- Profit growth of 12.7%, mainly due to higher turnover, but also from cost improvements

Orkla Foods increased sales by 7.0% in the fourth quarter, largely driven by currency translation effects and structural growth, while organic growth was 1.5%. The strong growth for plant-based products continued, well supported by the business area's innovation work. In addition, higher campaign activity somewhat increased sales. On the other hand, as earlier in the year, Denmark had a slight decline due to close-down of production and associated loss of low-margin sales.

Orkla Foods achieved good profit growth in the fourth quarter, primarily driven by higher turnover. Profit was also positively affected by cost improvements from both improvement initiatives and structural projects. The negative effects of the weaker Swedish and Norwegian krone, combined with higher raw material prices, continued in the fourth quarter. However, these effects were offset by price increases and more active portfolio management. The EBIT (adj.) margin improved to 15.7%, up 0.8 percentage points from the fourth quarter of 2018.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–31.12. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
Operating revenues	6 612	6 246	1 987	1 840
- Organic revenue growth	*4.6%*	*-3.4%*	*5.0%*	*-4.5%*
EBIT (adj.)	1 094	1 006	398	370
EBIT (adj.) margin	16.5%	16.1%	20.0%	20.1%

- Organic turnover growth in the quarter, partly explained by a weak fourth quarter in 2018
- Generally good market growth, especially for the snacks category
- Higher raw material prices affected the quarter negatively

Orkla Confectionery & Snacks had an improvement of 8.0% in fourth-quarter operating revenues. Organic growth was 5.0%, compared with a weak fourth quarter in 2018. The change in the sugar tax in Norway as of 1 January 2019 resulted in a displacement of sales from the fourth quarter of 2018 to the first quarter of 2019. Additionally, there was good sales growth for snacks. The market continued its positive development, especially for the snacks category.

EBIT (adj.) for Orkla Confectionery & Snacks increased by 7.6% in the fourth quarter, compared with the same period of 2018. Organic growth and the positive effects of cost improvement projects were to some extent offset by increased prices of key raw materials such as cocoa, negative currency effects and weak profit development for the Danish business. The EBIT (adj.) margin was 20.0% in the fourth quarter, a year-over-year decline of 0.1 percentage points.

Orkla Care

Amounts in NOK million	1.1.–31.12. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
Operating revenues	8 170	8 075	2 125	1 994
- Organic revenue growth	*-0.9%*	*-1.8%*	*2.4%*	*-5.2%*
EBIT (adj.)	1 080	1 084	233	208
EBIT (adj.) margin	13.2%	13.4%	11.0%	10.4%

- Organic sales growth in the fourth quarter, compared with a weak quarter in 2018
- Top and bottom-line growth, mainly linked to Orkla Home & Personal Care and Orkla Health
- Challenging quarter for Pierre Robert Group

Orkla Care achieved 6.6% sales growth in the fourth quarter, of which 2.4% was organic growth. Organic growth was chiefly driven by improvement for Orkla Home & Personal Care and Orkla Health, particularly outside Norway. Market growth is still weak in the Norwegian grocery retail sector. Orkla Health had sales growth in Poland and higher export volumes, but this must be seen in conjunction with a weak quarter in 2018. Pierre Robert Group had weak sales development in Norway and Sweden in the quarter.

Profit improved by 12.0% in the quarter, due to the positive development in the health segment in Poland, higher profit for the Home and Personal Care categories driven by operations outside Norway, and acquisitions by Orkla House Care. Profit growth was hampered by the weak performance in Pierre Robert Group. The EBIT (adj.) margin in the fourth quarter was 11.0%, compared with 10.4% in 2018.

Orkla Food Ingredients

Amounts in NOK million	1.1.–31.12. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
Operating revenues	10 292	9 562	2 776	2 486
- Organic revenue growth	*0.6%*	*1.2%*	*0.4%*	*-0.9%*
EBIT (adj.)	626	533	169	140
EBIT (adj.) margin	6.1%	5.6%	6.1%	5.6%

- Growth in operating revenues in the fourth quarter
- Higher raw material prices impacted the quarter negatively, but were compensated for by price increases
- Profit growth and improved EBIT (adj.) margin, mainly due to acquisitions

Orkla Food Ingredients reported an 11.7% increase in fourth-quarter operating revenues, which was primarily driven by acquisitions. There was good growth, mainly in markets outside Scandinavia, in addition to strong growth for the vegan portfolio (under the Naturli' brand) and frozen cakes.

EBIT (adj.) increased by 20.7% in the fourth quarter. Profit growth was chiefly driven by acquisitions. The quarter was affected by higher raw material prices, which are also expected to have a stronger negative impact in 2020.

The EBIT (adj.) margin for the fourth quarter was 6.1%, an increase of 0.5 percentage points. The improvement is primarily due to the accretive effect of acquisitions.

Orkla Investments

Hydro Power

	1.1.–31.12.		1.10.–31.12.	
	2019	2018	2019	2018
Volume (GWh)	2 156	2 320	534	658
Price* (øre/kWh)	38.4	42.2	39.0	46.0
EBIT (adj.) (mill. NOK)	292	390	72	132

*Source: Nord Pool Spot, Monthly System Price.

EBIT (adj.) for Hydro Power amounted to NOK 72 million in the fourth quarter, compared with NOK 132 million in the same quarter of 2018. The decline is chiefly due to lower production, year over year, combined with a fall in power prices. Fourth-quarter production totalled 534 GWh, down from 658 GWh in the same quarter of 2018. Operating costs in the fourth quarter were slightly lower than in the corresponding quarter of 2018.

At quarter end, the reservoir and snowpack levels in Sauda were slightly lower than normal. Both the reservoir and snowpack levels for Glomma were slightly higher than normal.

Financial Investments

EBIT (adj.) for Financial Investments totalled NOK 21 million (NOK -1 million) in the fourth quarter and was primarily related to Kotipizza and Orkla Eiendom. The most important event for Orkla Eiendom in the quarter was the sale of its stake in Oslo Business Park AS. The transaction generated a gain of NOK 35 million, reported on the line "profit/loss from associates and joint ventures".

Kotipizza Group

Kotipizza Group posted fourth-quarter operating revenues of NOK 281 million, compared with NOK 250 million, year over year. Comparable chain sales grew by 4% in the quarter, primarily driven by an increased number of customers. Two new Kotipizza restaurants were opened in the fourth quarter. EBIT (adj.) amounted to NOK 19 million in the quarter, on par with the corresponding period of 2018. Profit was negatively impacted by higher marketing costs and expenses related to the move to a new office.

Jotun (42.6% interest)

The growth in Jotun continued in the fourth quarter, which was driven by strong sales growth in Protective Coatings, combined with positive development in Marine Coatings and Decorative Paints. Sales in the shipbuilding and offshore segments continued to increase, after a long period of challenging conditions in these markets. To compensate for higher raw material costs, Jotun has previously raised its selling prices, which continued to contribute to top-line growth. Operating profit improved significantly in the fourth quarter, mainly due to strong sales growth and higher profit margin. Jotun's contribution to fourth-quarter profit was also positively affected by accrual effects related to taxes and minority interests.

Jotun expects continued sales growth in 2020, but increasing trade policy and geopolitical tensions and the prospects of lower global growth are creating increased uncertainty. A decline in newbuilding activity in the shipping sector is also expected to affect growth opportunities in the ship paint segment, which had a positive development in 2019.

Other matters

In order to strengthen strategic priorities in the Group, changes were made in Orkla's corporate structure as of 1 November 2019. Orkla Consumer & Financial Investments was established as a new business area, and was further split into two parts:

- Orkla Consumer Investments, consisting of Orkla House Care, Lilleborg, Pierre Robert Group, Kotipizza and Gorm's
- Industrial & Financial Investments, consisting of Hydro Power, Orkla Eiendom, Venture and Orkla's minority interest in Jotun

Orkla Consumer Investments is part of Branded Consumer Goods and included in this reporting as of 1 January 2020. Industrial & Financial Investments will be presented in the same way as the former Orkla Investments. The fourth-quarter report is based on the former corporate structure, while the Annual Report 2019 will be based on the new structure.

Karl Otto Tveter stepped down from Orkla's Group Executive Board on 1 November 2019 and is now reporting to the EVP Orkla Consumer & Financial Investments until 1 May 2020. He will subsequently be associated with Orkla as a lawyer and adviser. Terje Andersen served as Acting EVP Orkla Consumer & Financial Investments until Kenneth Haavet took over on 1 February 2020.

Sverre Prytz took up his duties as EVP for M&A and Strategy on 1 December 2019.

Harald Ullevoldsæter has been appointed as new EVP and CFO for Orkla ASA as from 1 March 2020. He will succeed Jens Bjørn Staff, who is leaving Orkla to take up the post as CEO of Skagerak Energi; see the press release dated 14 November 2019.

A long-term production agreement between Orkla Home & Personal Care and Unilever lapsed renewal during the fourth quarter of 2019. The agreement will cease with effect from 1 July 2021. Orkla sources several products under this agreement, including some home care products carrying the brands Sun, OMO and Jif. These brands will still be owned by Orkla and will therefore be unaffected by the termination of the agreement. Alternative sourcing solutions are currently being assessed.

On 12 November 2019, the Norwegian Competition Authority opened an investigation at Lilleborg AS to examine purchasing terms and conditions between the suppliers and the grocery chains in the Norwegian market. Lilleborg AS is assisting by facilitating an efficient investigation.

Oslo, 5 February 2020
The Board of Directors of Orkla ASA

(This translation from Norwegian of Orkla's fourth quarter report of 2019 has been made for information purposes only.)

Condensed income statement

Amounts in NOK million	Note	1.1.–31.12. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
Operating revenues	2	43 615	40 837	12 017	10 983
Operating expenses		(36 784)	(34 846)	(10 041)	(9 259)
Depreciation, amortisation and write-downs		(1 743)	(1 214)	(461)	(316)
EBIT (adj.)	2	**5 088**	**4 777**	**1 515**	**1 408**
Other income and expenses	3	(561)	(482)	(136)	(296)
Operating profit		**4 527**	**4 295**	**1 379**	**1 112**
Profit/loss from associates and joint ventures		659	264	147	(43)
Interest, net	7	(192)	(159)	(34)	(37)
Other financial items, net	7	(63)	(42)	(5)	(15)
Profit/loss before taxes		**4 931**	**4 358**	**1 487**	**1 017**
Taxes		(1 033)	(1 004)	(218)	(271)
Profit/loss for the period		**3 898**	**3 354**	**1 269**	**746**
Profit/loss attributable to non-controlling interests		60	82	(12)	2
Profit/loss attributable to owners of the parent		3 838	3 272	1 281	744

Earnings per share

Amounts in NOK	1.1.–31.12. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
Earnings per share	3.84	3.24	1.28	0.74
Earnings per share (adj.)	4.24	3.62	1.27	0.98

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.12. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
Profit/loss for the period		3 898	3 354	1 269	746
Other items in comprehensive income					
Items after tax not to be reclassified to profit/loss in subsequent periods					
Actuarial gains and losses pensions		(244)	(66)	(244)	(66)
Changes in fair value shares		1	(4)	0	3
Items after tax to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve	4	58	70	50	(13)
Carried against equity in associates and joint ventures	4	29	10	(80)	217
Translation effects	4	(149)	(40)	99	896
The Group's comprehensive income		**3 593**	**3 324**	**1 094**	**1 783**
Comprehensive income attributable to non-controlling interests		58	82		
Comprehensive income attributable to owners of the parent		3 535	3 242		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	31.12. 2019	1.1.[1] 2019	31.12. 2018
Intangible assets		22 754	20 610	20 610
Property, plant and equipment		15 402	14 043	12 760
Associates, joint ventures and other financial assets	6	4 584	4 337	4 337
Non-current assets		**42 740**	**38 990**	**37 707**
Inventories		5 868	5 875	5 875
Inventory of development property		90	132	132
Trade receivables		6 078	5 990	5 990
Other receivables and financial assets	6	968	827	827
Cash and cash equivalents	6	1 669	1 978	1 978
Current assets		**14 673**	**14 802**	**14 802**
Total assets		**57 413**	**53 792**	**52 509**

[1]Including effects of implementing IFRS 16 Leases.

Equity and liabilities

Amounts in NOK million	Note	31.12. 2019	1.1.[1] 2019	31.12. 2018
Paid-in equity		1 972	1 971	1 971
Retained equity		32 480	31 546	31 658
Non-controlling interests		460	436	451
Equity		**34 912**	**33 953**	**34 080**
Provisions and other non-current liabilities		4 800	4 589	4 626
Non-current interest-bearing liabilities	6	7 783	5 916	4 775
Current interest-bearing liabilities	6	803	761	455
Trade payables		5 591	4 907	4 907
Other current liabilities		3 524	3 666	3 666
Equity and liabilities		**57 413**	**53 792**	**52 509**
Equity ratio		60.8%	63.1%	64.9%

Condensed statement of changes in equity

	1.1.–31.12.2019			1.1.–31.12.2018		
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 the beginning of the period	33 629	451	34 080	34 408	430	34 838
Effect of implementing IFRS 16	(112)	(15)	(127)	-	-	-
Equity 1 January	33 517	436	33 953	34 408	430	34 838
The Group's comprehensive income	3 535	58	3 593	3 242	82	3 324
Dividends	(2 599)	(49)	(2 648)	(2 643)	(42)	(2 685)
Net purchase/sale of treasury shares	59	-	59	(1 378)	-	(1 378)
Change in non-controlling interests	(60)	15	(45)	-	(19)	(19)
Equity at close of period	**34 452**	**460**	**34 912**	**33 629**	**451**	**34 080**

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–31.12. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
Cash flow from operations before capital expenditure		7 220	5 251	2 661	2 256
Received dividends and paid financial items		30	41	(27)	(66)
Taxes paid		(1 129)	(904)	(221)	(160)
Cash flow from operating activities		**6 121**	**4 388**	**2 413**	**2 030**
Net capital expenditure		(2 468)	(2 294)	(716)	(782)
Net sale (purchase) of companies	5	(2 426)	(925)	149	(156)
Other payments		(197)	(42)	2	(7)
Cash flow from investing activities		**(5 091)**	**(3 261)**	**(565)**	**(945)**
Net paid to shareholders		(2 589)	(4 063)	(4)	-
Change in interest-bearing liabilities and receivables		1 249	84	(1 512)	(388)
Cash flow from financing activities		**(1 340)**	**(3 979)**	**(1 516)**	**(388)**
Currency effects cash and cash equivalents		1	(4)	15	11
Change in cash and cash equivalents		**(309)**	**(2 856)**	**347**	**708**
Cash and cash equivalents	6	**1 669**	**1 978**		

Reconciliation operating activities against Orkla-format (see page 6)

IFRS cash flow				
Cash flow from operating activities	6 121	4 388	2 413	2 030
Net capital expenditure	(2 468)	(2 294)	(716)	(782)
Other payments	(197)	(42)	2	(7)
Cash flow from operating activities included capital expenditure	3 456	2 052	1 699	1 241
Orkla-format				
Cash flow before capital transactions	3 637	2 583	1 612	1 418
New capitalised leases (included in net replacement expenditures in Orkla-format)	450	-	247	-
Expansion investments	(631)	(531)	(160)	(177)
Comparative cash flow	3 456	2 052	1 699	1 241

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

Change cash and cash equivalents IFRS cash flow	309	2 856	(347)	(708)
Change net interest-bearing liabilities IFRS cash flow	1 249	84	(1 512)	(388)
Net interest-bearing liabilities in purchased/sold companies	55	108	(149)	55
Interest-bearing liabilities new leases	450	-	247	-
Total currency effect net interest-bearing liabilities	3	(21)	46	231
Currency effect cash and cash equivalents	1	(4)	15	11
Change net interest-bearing liabilities Orkla-format	2 067	3 023	(1 700)	(799)

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements as at 31 December 2019 were approved at the Board of Directors' meeting on 5 February 2020. The figures in the statements have not been audited. Orkla ASA (organisation no. NO 910 747 711) is a public limited liability company and its offices are located at Skøyen in Oslo, Norway. Orkla shares are traded on the Oslo Stock Exchange. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of calculation have been applied as in the last annual financial statements, except for the treatment of leases (see next paragraph).

IFRS 16 Leases

The Group has implemented IFRS 16 Leases since 1 January 2019. The standard requires that discounted right-of-use leases with associated payment liabilities be capitalised as an asset. Orkla has chosen to apply the modified retrospective method when implementing IFRS 16, which gives rise to an equity effect upon implementation. The comparative figures have not been restated, but a new balance as at 1 January 2019 is presented in the statement of financial position.

The companies in the Orkla Group own virtually all their own means of production and production facilities. The Group's lease agreements largely concern office and warehouse premises and vehicles such as cars and forklifts. Orkla's lease agreements with Statkraft, whereby AS Saudefaldene has use of all power stations until 2030, are deemed to fall within the scope of IFRS 16. Orkla has a right to terminate the agreements with Statkraft at any time subject to three to four years' notice, and extension of the leases is considered annually. Between three and four years' rent will be capitalised at all times. No need to write down any of the leases has been identified in connection with implementation of IFRS 16.

As at 1 January 2019, Orkla had capitalised right-of-use assets totalling NOK 1,283 million and lease liabilities totalling NOK 1,447 million. Leased means of production and vehicles account for approximately 20% of right-of-use assets. The remainder of the capitalised amount is related to leased office and warehouse premises and leases in Sauda. The effect on retained earnings amounts to NOK 112 million after a reduction of NOK 37 million in deferred tax and a reduction of NOK 15 million in non-controlling interests. Most of the effect on equity relates to the Sauda lease. This reduces the equity ratio by 1.8 percentage points.

Under IFRS 16, the capitalised leases must be depreciated over the lease period and presented together with the Group's other depreciations. For 2019 this results in a limited annual increase in the Group's operating profit of approx. NOK 20 million, through an increase in annual depreciations of NOK 472 million and a reduction in other operating expenses of approx. NOK 492 million. The effect on interest amounts to NOK 35 million in 2019. Actual effects on profit differ somewhat from estimates from prior periods and are particularly impacted by new lease agreements entered into in 2019. Orkla's acquisition of Kotipizza Group Oyj in 2019, in particular, increased the number of the Group's leases. Kotipizza leases premises, among other things, in connection with its restaurant operations. See also Note 5.

Other matters

No changes have otherwise 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. The acquisitions are presented in Note 5 and 12.

NOTE 2 SEGMENTS

Amounts in NOK million	Operating revenues 1.1.–31.12. 2019	Operating revenues 1.1.–31.12. 2018	Operating revenues 1.10.–31.12. 2019	Operating revenues 1.10.–31.12. 2018	EBIT (adj.) 1.1.–31.12. 2019	EBIT (adj.) 1.1.–31.12. 2018	EBIT (adj.) 1.10.–31.12. 2019	EBIT (adj.) 1.10.–31.12. 2018
Orkla Foods	16 776	16 000	4 672	4 366	2 276	2 048	734	651
Orkla Confectionery & Snacks	6 612	6 246	1 987	1 840	1 094	1 006	398	370
Orkla Care	8 170	8 075	2 125	1 994	1 080	1 084	233	208
Orkla Food Ingredients	10 292	9 562	2 776	2 486	626	533	169	140
Eliminations Branded Consumer Goods	(305)	(291)	(89)	(79)	-	-	-	-
Branded Consumer Goods	**41 545**	**39 592**	**11 471**	**10 607**	**5 076**	**4 671**	**1 534**	**1 369**
HQ/Eliminations	53	34	20	1	(362)	(284)	(112)	(92)
Branded Consumer Goods incl. HQ	**41 598**	**39 626**	**11 491**	**10 608**	**4 714**	**4 387**	**1 422**	**1 277**
Hydro Power	826	1 025	202	307	292	390	72	132
Financial Investments	1 270	200	349	63	82	0	21	(1)
Orkla Investments	**2 096**	**1 225**	**551**	**370**	**374**	**390**	**93**	**131**
Eliminations	(79)	(14)	(25)	5	-	-	-	-
Orkla	**43 615**	**40 837**	**12 017**	**10 983**	**5 088**	**4 777**	**1 515**	**1 408**

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–31.12. 2019	1.1.–31.12. 2018	1.10.–31.12. 2019	1.10.–31.12. 2018
M&A and integration costs	(130)	(129)	(40)	(83)
Final settlement employment relationships etc.	(80)	(114)	(39)	(83)
Gain/loss on transactions	356	54	43	54
Write-downs	(477)	(55)	(21)	(55)
Restructuring costs and other items	(230)	(238)	(79)	(129)
Total other income and expenses	**(561)**	**(482)**	**(136)**	**(296)**

Income

Orkla purchased the remaining 50% of the shares in the joint venture Anza Verimex in the fourth quarter. As a result of Anza Verimex's transition from a joint venture to a subsidiary, all the company's assets have been recognised at fair value. This has resulted in the recognition of NOK 33 million in revenues; see Note 5.

Orkla sold the property at Treschows gate 16 to the City of Oslo in the third quarter. The property is regulated for use as a school, and the agreement was approved by the Oslo City Council on 25 September 2019. The transaction generated a gain of NOK 294 million for Orkla.

In the first and second quarters, gains were recognised in connection with the sale of the Glyngøre brand and a former industrial property in Kristiansund.

Write-downs

The performance of the UK business in House Care has been weak since the business was acquired in September 2016. In 2018, a project was initiated to restore profitability to at least the level at which Orkla purchased the business. However, the market situation is still very challenging, and the risk related to the company's required profit growth is considered to be too high to justify the book values. Consequently, Orkla wrote down the goodwill related to the business by NOK 238 million in the third quarter. The goal of the restructuring project remains unchanged.

Write-downs of brands totalling NOK 181 million were also taken in the third quarter. The write-downs are primarily in Orkla Health, the largest of which concern Gerimax and Colon C. These brands have not achieved satisfactory growth in the last few years. Orkla Foods' Swedish mince brand Krögarklass was also written down, and a write-down was taken in connection with a common ERP project currently in progress in Orkla Food Ingredients.

In the fourth quarter, a write-down of means of production totalling NOK 21 million was taken in Orkla Confectionery & Snacks in connection with a planned factory relocation.

Other items

As communicated in the third quarter, a project has been 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 to meet specific needs. This is intended to result in significant cost savings at Orkla's headquarters. In 2019, a total of approximately 50 million was expensed in connection with this project.

A number of restructuring and coordination projects are currently being carried out. The biggest projects in 2019 were the consolidation of out-of home and grocery operations in Orkla Foods Norge, the merger of Hamé and Vitana, coordination projects in Orkla Food Ingredients, and preliminary projects related to the construction of a pizza factory at Stranda and a chocolate and biscuits factory in Latvia. Furthermore, a restructuring programme was initiated in Orkla Care.

Orkla has been engaged in litigation with the Norwegian agricultural authorities concerning historical classification of goods in the price rebate and export duty refund schemes. The matter was appealed to the Ministry of Agriculture, and a decision was made that to some extent upheld Orkla's appeal. In connection with this matter, a total of NOK 12 million was expensed in the third quarter.

Transaction costs were incurred in connection with the purchase of companies, the biggest acquisition in 2019 being Kotipizza; see Note 5. Orkla also sold the Russian nut company Chaka, and accumulated negative translation differences and transaction costs related to the sale of the company were expensed.

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 2019 (after tax) totalled NOK -100 million. Accumulated translation differences correspondingly amounted to NOK 1,377 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 253 million as at 31 December 2019.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Acquisitions in the fourth quarter

Orkla House Care has completed an agreement to take over the remaining 50% of the shares in the joint venture Anza Verimex Holding. Since 2018, Orkla House Care has owned 50% of the company which is market leader for the sale and distribution of painting tools in the Netherlands and Belgium. The business that is to be transferred consists of Anza Verimex Holding B.V. (Netherlands) and its two subsidiaries PGZ Nederland B.V. (Netherlands) and Anza Verimex NV (Belgium). Going forward, the companies will be operated under the name Orkla House Care Benelux. The companies involved in the transaction had an aggregate turnover of just under EUR 20 million (approx. NOK 200 million) in 2018 and around 10 employees. While the joint venture was part-owned by Orkla, the business's profit was reported as "Profit/loss from associates and joint ventures" using the equity method, but as of 1 October 2019 the wholly-owned company was consolidated into Orkla's financial statements. As a result of the company's transition from a joint venture to a subsidiary, all the company's assets have been recognised at fair value. This has resulted in recognition of NOK 33 million in income under "Other income and expenses" related to the adjustment in the value of the previously recognised interest as a joint venture.

Orkla has purchased 20% of the Icelandic company Nói Síríus, Iceland's leading manufacturer of chocolate and confectionery. Nói Síríus is market-leading in Iceland and over 70% of the company's turnover comes from its domestic market. The company also has a growing share of exports and tax-free sales. The company also distributes certain strong global branded consumer brands of chocolate, snacks and breakfast products. Nói Síríus has around 150 employees and the company's turnover totalled ISK 3,436 million (approx. NOK 244 million) in 2018. Under the agreement, Orkla has an option to acquire the remaining shares after 2020. The company's results were included in Orkla's financial statements as of 1 December 2019 as part of "profit/loss from associates and joint ventures".

Other acquisitions

On 22 November 2018, Orkla made an offer to purchase all the shares in Kotipizza Group Oyj ("Kotipizza"). Kotipizza was listed on Nasdaq Helsinki, and as at 31 December 2018, Orkla owned 11% of the shares. The share purchase offer was completed in accordance with its conditions in the first quarter of 2019. Kotipizza is a leading player in the growing Finnish restaurant market, and Finland is one of Orkla's home markets. The restaurants are mainly franchise-operated. Kotipizza has 95 employees. The offer price was EUR 23 per share (approx. NOK 224 per share), which values Kotipizza's equity at around EUR 146.1 million (approx. NOK 1.4 billion). Kotipizza had a total net turnover of EUR 84.1 million (approx. NOK 789 million) in the 2017 financial year and EBIT of EUR 6.4 million (approx. NOK 60 million). Kotipizza was consolidated into the Group's financial statements as of 1 February 2019.

Orkla Foods acquired Lecora, a Swedish manufacturer of frozen and chilled vegan and vegetarian dishes. A large portion of the company's product assortment is organic. Lecora has 35 employees and the company had a turnover of SEK 95.9 million (approx. NOK 88.2 million) in 2018, and EBIT of SEK 5.9 million (approx. NOK 5.4 million). The company was consolidated into the income statement as of 1 April 2019.

Orkla Foods acquired 43.5% of the shares in the Portuguese company Asteriscos e Reticências, S.A. The company produces fermented tea-based health drinks sold all over Europe under the Captain Kombucha brand. The company's turnover increased from EUR 0.9 milllion (approx. NOK 9 million) in the start-up year 2017 to EUR 3.1 million (approx. NOK 30 million) in 2018. Orkla's equity interest will be recognised using the equity method, and the company was consolidated into the income statement as of 1 April 2019.

In December 2018, Orkla entered into an agreement to purchase 90% of the shares in Easyfood A/S, a Danish manufacturer of bake-off bakery goods for the out-of-home channel. Easyfood has established itself as a solid supplier to the out-of-home market in Denmark and has a growing customer base. Easyfood currently has 144 employees. At the end of October 2018, the company had a turnover of DKK 316.1 million (approx. NOK 415 million) for the last 12 months, and normalised EBITDA of DKK 33.7 million (approx. NOK 44 million) in the same period. The acquisition was approved by the relevant competition authorities, and the company was consolidated into the Group's financial statements as of 1 May 2019. Orkla has an option to purchase the remaining 10% of the company.

Orkla Food Ingredients purchased the majority of the shares in the Greek company Stelios Kanakis Industrial and Commercial S.A. ("Kanakis"). Kanakis is market leader for the sale and distribution of confectionery, bakery and ice cream ingredients in Greece. Kanakis was listed on the Athens stock exchange. Upon completion of the squeeze-out process, Orkla will own 80% and the Kanakis family 20% of the company. Kanakis has 73 employees and had a turnover of EUR 20.2 million (approx. NOK 197 million) in 2018, and EBIT of EUR 3.0 million (approx. NOK 29 million). The company was consolidated into Orkla's financial statements as of 1 April 2019.

Orkla Food Ingredients purchased Zeelandia Sweden AB, a supplier of margarine, vegetable oils and bakery ingredients to the Swedish market. The company has most of its sales in Sweden, and exports to Finland, the Baltics and Norway. The company has around 60 employees and its turnover totalled EUR 22.9 million (approx.

NOK 222.5 million) in 2018. The agreement was approved by the Swedish competition authorities, and the company was consolidated into Orkla's financial statements as of 1 June 2019.

Orkla Food Ingredients acquired the Swedish sales and distribution company Bo Risberg Import AB ("Risberg"). Risberg holds a strong position in high-growth categories in Sweden, supplying products such as Asian spices, sauces, spice mixes and other high-quality flavourings. The company has five employees and achieved a turnover of SEK 83 million (approx. NOK 77 million) in 2018. The company was consolidated into Orkla's financial statements as of 1 June 2019.

Orkla Food Ingredients purchased British caramel manufacturer Confection by Design Ltd. Confection by Design offers fudge and toffee to ice cream manufacturers, bakeries and confectioners, and approximately two thirds of its portfolio is distributed by Orkla's UK subsidiary Orchard Valley Foods. The company has 35 employees and its turnover totalled GBP 5.7 million (approx. NOK 63 million) in the financial year ending 30 June 2019. The company was consolidated into Orkla's financial statements as of 1 July 2019.

Orkla Food Ingredients purchased the Netherlands company Vamo produkten voor de Bakkerij B.V. ("Vamo"). Vamo manufactures specialised concentrates and ingredient mixes for sale to manufacturers of artisan and industrial bakery products. The company also holds a leading position in the Benelux in special ingredients for corn-based products, a segment that has seen good growth in Europe for several years. Vamo has 20 employees and had a turnover of EUR 12.4 million (approx. NOK 120 million) in 2018 and EBIT of EUR 1.6 million (approx. NOK 15 million). The company was consolidated into Orkla's financial statements as of 1 September 2019.

Orkla Food Ingredients also acquired non-controlling interests in companies including the NIC and Dragsbæk groups.

Sales of companies/brands
In the fourth quarter, Orkla sold the property Oslo Business Park to Stor-Oslo Eiendom. Orkla owned 50% of Oslo Business Park. The transaction generated a gain of NOK 35 million. A seller's credit for a term of up to five years was granted in connection with the sale.

In July 2019, Orkla signed an agreement with the City of Oslo on the sale of the property at Treschows gate 16. The agreement was approved by the Oslo City Council on 25 September 2019, and a gain of NOK 294 million on the sale was taken to income in the third quarter. Payment for the property was received on 7 October and will therefore have cash flow effect in the fourth quarter of 2019.

In the second quarter, Orkla Foods Danmark sold the Glyngøre brand, Denmark's best-known herring and tuna brand. The brand had net sales of DKK 43 million (approx. NOK 56 million) in 2018. The sale of the Russian nut company Chaka was completed in the first quarter of 2019.

Other matters
As at 31 December 2019, Orkla had purchased companies for a total of NOK 3,063 million at enterprise value.

The purchase price allocations for all the companies acquired in 2018 were finalised as at 31 December 2019. No material changes were made in relation to the preliminary purchase price allocations.

NOTE 6 NET INTEREST-BEARING LIABILITIES

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

Amounts in NOK million	31.12. 2019	1.1. 2019	31.12. 2018
Non-current liabilities excl. leases	(6 488)	(4 775)	(4 775)
Current liabilities excl. leases	(442)	(455)	(455)
Non-current receivables (in "Financial Assets")	263	209	209
Current receivables (in "Other receivables and financial assets")	103	6	6
Cash and cash equivalents	1 669	1 978	1 978
Net interest-bearing liabilities excl. leases	**(4 895)**	**(3 037)**	**(3 037)**
Non-current lease liabilities	(1 295)	(1 141)	-
Current lease liabilities	(361)	(306)	-
Total net interest-bearing liabilities	**(6 551)**	**(4 484)**	**(3 037)**

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	2019	2018	2019	2018
Net interest costs excl. leases	(157)	(159)	(21)	(37)
Interest costs leases	(35)	-	(13)	-
Interest, net	**(192)**	**(159)**	**(34)**	**(37)**

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2019	2018	2019	2018
Dividends	21	3	2	-
Net foreign currency gain/loss	2	(3)	1	(5)
Interest on pensions[1]	(54)	(29)	-	(7)
Other financial items	(32)	(13)	(8)	(3)
Other financial items, net	**(63)**	**(42)**	**(5)**	**(15)**

[1]Includes hedging of the pension plan for employees with salaries over 12G.

NOTE 8 RELATED PARTIES

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

As at 31 December 2019, there were no special transactions between the Group and related parties.

The Group has intercompany balances totalling NOK 6 million with associates within Orkla's real estate investments.

NOTE 9 TREASURY SHARES

The following changes took place in Orkla's holding of treasury shares between 1 January 2019 and 31 December 2019:

Treasury shares 1 January 2019	19 410 259
Cancellation of treasury shares	(17 500 000)
Sale of shares to employees	(785 077)
Treasury shares 31 December 2019	**1 125 182**

A decision was taken at the Annual General Meeting on 25 April 2019 to cancel 17,500,000 treasury shares. The cancellation was formally implemented in August.

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

Goodwill, brands and ERP projects were written down by a total of NOK 456 million in the third quarter; see Note 3. A write-down of means of production totalling NOK 21 million was taken in Orkla Confectionery & Snacks in connection with a planned factory relocation in the fourth quarter.

As at 31 December 2019, there were otherwise no indications of any impairment in the value of any of the Group's other assets.

NOTE 11 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

	Measurement level			
Amounts in NOK million	Level 1	Level 2	Level 3	Total
31 December 2019:				
Assets				
Investments	-	-	104	104
Derivatives	-	121	-	121
Liabilities				
Derivatives	-	151	-	151
31 December 2018:				
Assets				
Investments	157	-	94	251
Derivatives	-	102	-	102
Liabilities				
Derivatives	-	361	-	361

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

NOTE 12 OTHER MATTERS

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

A long-term production agreement between Orkla Home & Personal Care and Unilever lapsed renewal during the fourth quarter of 2019. The agreement will cease with effect from 1 July 2021. Orkla sources several products under this agreement, including some home care products carrying the brands Sun, OMO and Jif. These brands will still be owned by Orkla and will therefore be unaffected by the termination of the agreement. Alternative sourcing solutions are currently being assessed.

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

After the sale of its stake in Sapa in 2017, Orkla retained certain liabilities arising from its former ownership. These are primarily related to guarantees and specific indemnities given to Norsk Hydro. In the second quarter of 2019, Orkla paid approximately NOK 200 million to Norsk Hydro in connection with the settlement reached between subsidiaries of Norsk Hydro and the US Department of Justice (DOJ), Civil and Criminal Divisions. The remaining provision as of 31 December 2019 is deemed to be sufficient to cover Orkla's remaining liabilities.

Orkla Food Ingredients has signed and completed an agreement to purchase 70 per cent of the shares in Win Equipment ("Win"), a leading supplier of soft serve ice cream machines in the Netherlands. Win assembles, sells and services 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. The company had a turnover of EUR 5.6 million (approx. NOK 57 million) in 2019. The company will be consolidated into Orkla's financial statements as of 1 February 2020.

On 25 April 2019, the General Meeting of Orkla ASA adopted a resolution to pay out the proposed dividend of NOK 2.60 per share. The dividend was paid to shareholders on 7 May 2019, and totalled approximately NOK 2.6 billion.

There have been no other 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 the Group's key financial figure, 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, and EBIT (adj.) is used as a basis for and indicator of the Group's future profitability.

EBIT (adj.) is presented on a separate line in the Group's income statement and in segment reporting (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 turnover at last year's currency exchange rates. Comparative figures are not restated when implementing IFRS 16, but the effects of the new accounting standard are neutralised in the calculation. 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. Underlying EBIT (adj.) growth is a heavily weighted factor in determining executive remuneration.

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 in 2019 is lower than the Group's tax rate due to the write-down of goodwill with no tax effect and to high non-deductible transaction costs.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. In the fourth quarter, an adjustment was made for a gain on the sale of the joint venture Oslo Business Park and the reversal of a net deferred tax liability related to planned dividends from the Baltics.

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2019	2018	2019	2018
Profit for the period after non-controlling interests	3 838	3 272	1 281	744
Adjustments *EPS (adj.)*				
Other income and expenses after tax	508	384	105	239
Gain on sale of joint venture	(35)	-	(35)	-
Reversal of deferred tax on dividend Estonia/Latvia	(74)	-	(82)	-
Adjusted profit for the period after non-controlling interests	**4 237**	**3 656**	**1 269**	**983**
Average externally owned shares (1000 shares)	999 929	1 008 810	1 000 306	999 521
Earnings per share (adj.) (NOK)	4.24	3.62	1.27	0.98

Net replacement and expansion investments

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

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

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

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

Net interest-bearing liabilities

Net interest-bearing liabilities, together with equity, constitute the Group's capital. 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.

Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Struer, HSNG, Werners, County's, Igos, Lecora, Easyfood, Kanakis Group, Risberg, Zeelandia, Confection by Design, Vamo and Anza Verimex, and adjustments for the sale of Glyngøre and Mrs. Cheng's.

Organic growth by business area

Sales revenues change %	1.1.–31.12.2019 Organic growth	FX	Structure	Total	1.10.–31.12.2019 Organic growth	FX	Structure	Total
Orkla Foods	1.8	1.2	1.9	4.9	1.5	2.9	2.6	7.0
Orkla Confectionery & Snacks	4.6	1.3	-	5.9	5.0	3.0	-	8.0
Orkla Care	-0.9	0.8	1.3	1.2	2.4	2.3	1.9	6.6
Orkla Food Ingredients	0.6	1.5	5.5	7.6	0.4	4.0	7.3	11.7
Branded Consumer Goods	1.4	1.2	2.4	4.9	2.0	3.1	3.1	8.1

Sales revenues change %	1.1.–31.12.2018 Organic growth	FX	Structure	Total	1.10.–31.12.2018 Organic growth	FX	Structure	Total
Orkla Foods	1.5	-0.3	-1.9	-0.8	2.7	-2.0	-1.1	-0.4
Orkla Confectionery & Snacks	-3.4	0.4	-	-3.0	-4.5	-0.9	-	-5.3
Orkla Care	-1.8	0.2	9.5	8.0	-5.2	-0.9	9.4	3.3
Orkla Food Ingredients	1.2	1.1	7.6	9.9	-0.9	-1.2	5.2	3.2
Branded Consumer Goods	-0.2	0.2	2.8	2.8	-0.9	-1.4	2.4	0.2

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

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.12.2019	4.0	1.4	2.0	7.5
1.10.–31.12.2019	4.6	3.2	3.5	11.4

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.12.2018	0.8	-0.2	1.2	1.8
1.10.–31.12.2018	-3.5	-1.3	-0.3	-5.1

EBIT (adj.) margin growth change percentage points	Underlying Variable cost	Underlying Other	FX/ Structure	Total	EBIT (adj.) margin 2019 (%)
1.1.–31.12.2019	0.5	-0.2	0.0	0.3	11.3

EBIT (adj.) margin growth change percentage points	Underlying Variable cost	Underlying Other	FX/ Structure	Total	EBIT (adj.) margin 2018 (%)
1.1.–31.12.2018	0.0	0.1	-0.2	-0.1	11.1

Figures may not add up due to rounding.

More information about Orkla may be found at www.orkla.com/investor-relations

Photo: Ole Walter Jacobsen
Orkla employees, their children and friends are models in the photos.