Orkla

First half
2019

The first half in brief

- Orkla's Branded Consumer Goods business showed organic growth, good improvement in operating profit and improved margins in the first half
- Broad-based top-line and profit growth for Orkla Foods and Orkla Confectionery & Snacks
- Orkla Food Ingredients delivered a solid half year, with profit growth in most markets
- A challenging first half for Orkla Care with top-line and profit decline
- Strong improvement for Jotun with a 45% increase in operating profit
- Group profit before tax amounted to NOK 2,168 million, an improvement of 10% on last year
- Adjusted earnings per share were NOK 1.78, up 12% from last year

Key figures for the Orkla Group as at 30 June

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

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2019	2018	2018	2019	2018
Branded Consumer Goods					
Operating revenues	19 738	19 202	39 592	10 051	9 705
- Organic revenue growth	*1.0%*	*-0.1%*	*-0.2%*	*1.1%*	*-0.2%*
Branded Consumer Goods incl. headquarters (HQ)					
EBIT (adj.)	1 955	1 851	4 387	1 030	1 008
EBIT (adj.) margin	9.9%	9.6%	11.1%	10.2%	10.4%
Group					
Operating revenues	20 718	19 728	40 837	10 542	10 017
EBIT (adj.)	2 129	2 016	4 777	1 109	1 119
Profit/loss from associates and joint ventures	346	191	264	181	105
Profit/loss before taxes	2 168	1 977	4 358	1 178	1 091
Earnings per share (NOK)	1.64	1.49	3.24	0.90	0.82
Earnings per share (adj.) (NOK)	1.78	1.59	3.62	0.93	0.89

Acting President and CEO Terje Andersen comments:
Orkla's Branded Consumer Goods business can look back on a satisfactory first half, with organic growth, good improvement in operating profit and improved margins. Although the overall picture is positive, it is marred by the poor performance of Orkla Care.

The top-line growth in the first half was driven by broad-based improvement for Orkla Foods and Orkla Confectionery & Snacks. Orkla Foods achieved good growth in most markets except Denmark, where we have exited some low-profit contracts. This resulted in a top-line reduction, but had limited impact on contribution margin. Orkla Confectionery & Snacks also saw broad improvement, with volume growth in all four Nordic markets. The normalisation of retail inventory levels following the reversal of the sugar tax boosted growth in Norway. Orkla Food Ingredients reported weaker top-line growth, but a shift towards more profitable sales nonetheless produced good improvement in EBIT (adj.) and better operating margins.

Orkla Care has seen a challenging first half, with lacklustre growth at both the top-line level and in operating profit. The challenges are partly related to a difficult market shift in the grocery retail trade in Norway, in addition to which we are seeing a weak trend in weight management categories. We work continuously to increase our presence in channels other than the grocery retail sector, and on addressing the changed market conditions. However, this work will take time. Organisational changes were made in Orkla Care in the first half. This restructuring is an effort to strengthen operational focus in every unit.

Along with our constant efforts to increase the efficiency of our existing operations, acquisitions are also an important part of Orkla's value creation strategy. We made several acquisitions in the first half, aimed at strengthening Orkla's position in selected categories and geographies. Among other things, we took over Kotipizza Group, which gives us a solid position in the pizza category and the out-of-home sector in Finland. Moreover, we made a number of acquisitions in Orkla Foods and Orkla Food Ingredients.

Terje Andersen
Acting President and CEO

Market growth

Most of the markets in which Orkla's Branded Consumer Goods business operates show stable, but moderate growth. Growth is higher in the Baltics and Central Europe than in the Nordic markets, and in channels outside the grocery retail trade.

The global FAO Food Price index declined slightly in the first half of 2019, largely due to the high price of vegetable oils in 2018. However, the trend for raw materials in the index varies. In light of Orkla's exposure to the raw materials market, the index cannot be seen in direct connection with changes in Orkla's purchasing costs. Overall, foreign currency fluctuations impacted negatively on purchasing costs compared with the same period of last year. The weakening of the Swedish krone against the euro and the Norwegian krone against the dollar had a particularly negative effect on purchasing costs.

At the start of 2019, energy prices were higher than in 2018, resulting in increased production costs for Branded Consumer Goods in the first half. Prices levelled off during the second quarter and are now at around the same level as last year.

Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–30.6.2019	1.0	0.0	1.8	2.8
1.4.–30.6.2019	1.1	0.5	2.0	3.6

Figures may not add up due to rounding.

Turnover growth for Branded Consumer Goods in the first half was driven by acquisitions and organic growth. Organic turnover grew by 1.0%, driven by growth in all the business areas except Orkla Care. Orkla Foods reported improvement in most markets, while Orkla Confectionery & Snacks achieved good organic growth driven by improvement in the Nordic region. Orkla Food Ingredients saw positive organic growth with a shift towards more profitable sales.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.6.2019	4.4	0.1	1.1	5.6
1.4.–30.6.2019	0.3	0.5	1.5	2.2

Figures may not add up due to rounding.

Branded Consumer Goods including Headquarters (HQ) achieved EBIT (adj.) growth of 5.6% in the first half, primarily due to top-line growth and positive mix effects. In addition did Orkla's continuous work with cost efficiency contribute positively.

HQ lowered first-half profit more than last year. Share price fluctuations impacted negatively on bonus provisions in the period, in addition to which there were some positive one-off effects in the first half of 2018.

EBIT (adj.) margin growth change in percentage points	Underlying				
	Variable cost	Other	FX/ Structure	Total	EBIT (adj.) margin 2019 (%)
R12M	0.3	0.0	-0.2	0.1	11.2

Figures may not add up due to rounding.

Margin performance on a rolling 12-month basis as at 30 June 2019 for Branded Consumer Goods including HQ showed an improvement of 0.1 percentage point, negatively impacted by the dilutive effects of acquired companies. The underlying margin improvement of 0.3 percentage points was driven by the positive effects of revenue management, and a shift towards more profitable categories and products. This improvement was counteracted by higher purchasing costs partly due to negative currency effects and higher energy prices.

Orkla will continue its efforts to realise synergies and improve value chain efficiency. In the short term, priority will be given to increasing margin by means of an improved mix, reduced complexity and revenue management.

Structural measures (M&A)

Orkla's acquisition of Kotipizza Group was completed with effect from 1 February 2019. The acquisition of Kotipizza is an important element of Orkla's strategy for the pizza category and increased exposure to the out-of-home sector.

In the first half, Orkla Foods completed an agreement to purchase Lecora, a Swedish manufacturer of frozen and chilled vegan and vegetarian dishes. The acquisition of Lecora strengthens Orkla Foods' position in the Swedish out-of-home sector, and expands its portfolio of organic, vegan and vegetarian food products. Orkla Foods also completed an agreement to purchase 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 acquisition of Easyfood A/S was also approved and completed in the first half. Easyfood is a Danish manufacturer of bake-off goods, and the acquisition strengthens Orkla's exposure to the out-of-home sector. In line with its strategy of concentrating activities in priority growth areas, Orkla Foods completed an agreement in the first half to sell Glyngøre, a brand for processed seafood for the Danish grocery retail and food service segment.

In the first half, Orkla Food Ingredients completed its purchase of a majority shareholding in the Greek company, Stelios Kanakis Industrial and Commercial S.A. ("Kanakis"). Kanakis is market leader for sale and distribution of confectionery, bakery and ice cream ingredients in Greece, and is well positioned in a high-growth region. Orkla Food Ingredients also completed its purchase of Zeelandia Sweden AB, which supplies margarine, vegetable oils and bakery ingredients to the Swedish market. The acquisition of this company is strategically important for strengthening Orkla's position in well acquainted categories in the Nordic markets. Furthermore, Orkla Food Ingredients completed its purchase of Bo Risberg Import AB and Confection by Design Ltd. in the first half.

Orkla Investments has entered into an agreement with the City of Oslo on the sale of a former industrial property. The agreement is contingent on the approval of the Oslo City Council, and is expected to be completed in the second half of 2019.

The sale of the Russian nut company, Chaka, was completed in the first half.

See note 5 for more information on acquired and sold companies.

Outlook

Orkla continues to face strong competition from both international players and the retail trade's private labels. However, we are also seeing 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 innovation, Orkla is well positioned to respond to this shift. Furthermore, a channel shift is taking place with consumers moving away from traditional grocery retailers in many product categories. This change is most evident in Orkla Care's categories. Orkla is addressing this change in a variety of ways, including increasing focus on presence in new channels outside the traditional grocery retail sector and on making strategic acquisitions that offer access to other channels.

Orkla targets long-term organic growth at least in line with market growth. For the 2019-2021 period, Orkla targets growth in EBIT (adj.) margin of a minimum of 1.5 percentage points adjusted for acquisitions, divestments and currency effects.

Strategically relevant acquisitions will remain a key element of Orkla's growth strategy and value creation model. At the same time, the Group will focus more on reducing its complexity through more active portfolio management.

The UK's planned exit from the EU on 29 March 2019 was postponed until 31 October, but with the possibility of earlier withdrawal. Orkla has production operations in the UK, as well as substantial exports and imports between the UK and the EU and Norway, and consequently could be affected by the final outcome. Orkla is tracking the situation closely and making ongoing assessments and taking action.

Financial matters - Group

Main figures profit/loss

Amounts in NOK million	1.1.–30.6. 2019	1.1.–30.6. 2018	1.1.–31.12. 2018	1.4.–30.6 2019	1.4.–30.6 2018
Operating revenues	20 718	19 728	40 837	10 542	10 017
EBIT (adj.)	2 129	2 016	4 777	1 109	1 119
Other income and expenses	(158)	(124)	(482)	(39)	(97)
Operating profit	1 971	1 892	4 295	1 070	1 022
Profit/loss from associates and joint ventures	346	191	264	181	105
Interest and financial items, net	(149)	(106)	(201)	(73)	(36)
Profit/loss before taxes	2 168	1 977	4 358	1 178	1 091
Taxes	(480)	(410)	(1 004)	(250)	(234)
Profit/loss for the period	1 688	1 567	3 354	928	857
Earnings per share (NOK)	1.64	1.49	3.24	0.90	0.82
Earnings per share (adj.) (NOK)	1.78	1.59	3.62	0.93	0.89

Group operating revenues increased 5.0% in the first half, driven by organic and structural growth for Branded Consumer Goods and the integration of Kotipizza Group. Currency translation effects arising from consolidation had a limited impact on Branded Consumer Goods' operating revenues.

In the same period, the Group achieved EBIT (adj.) growth of 5.6%, driven by Branded Consumer Goods. The improvements in Branded Consumer Goods were related to profit growth in all the business areas except Orkla Care. In Orkla Investments, the positive effects of the inclusion of Kotipizza Group were offset by lower contributions to profit primarily from Hydro Power.

The Group's other income and expenses amounted to NOK -158 million in the first half. The largest items consisted of transaction costs related to the acquisition of Kotipizza Group, accounting effects related to the completion of the sale of Chaka, restructuring projects and costs related to the move to Orkla's new headquarters. These expenses were somewhat offset by the the sale of Glyngøre.

First-half profit from associates improved by NOK 155 million due to good growth and margin improvement for Jotun.

Net financial costs in the first half were slightly higher than last year. At the end of June, net interest-bearing liabilities totalled NOK 7.8 billion, excluding lease liabilities under IFRS 16 (NOK 1.6 billion). The borrowing rate averaged 2.8% in the first half, compared with 3.5% in the corresponding period of 2018. See Note 1 for more information on IFRS 16.

Despite lower tax rates in Norway and Sweden in 2019, the effective tax rate for Orkla in the first half of 2019 was higher than in 2018. This is primarily due to positive one-off effects in the first half of 2018.

First-half earnings per share amounted to NOK 1.64, up 10% from 2018. Adjusted earnings per share were NOK 1.78, equating to growth of 12%.

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 30 June 2019. Reference is made to page 13 for the condensed statement of cash flow – IFRS and reconciliation of cash flows.

Orkla-format

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2019	2018	2018	2019	2018
Cash flow from Branded Consumer Goods incl. HQ					
EBIT (adj.)	1 955	1 851	4 387	1 030	1 008
Amortisation, depreciation and impairment charges	731	571	1 154	364	285
Changes in net working capital	(351)	(649)	(190)	(534)	(87)
Net replacement expenditures	(730)	(683)	(1 393)	(382)	(302)
Cash flow from operations (adj.)	1 605	1 090	3 958	478	904
Cash flow effect from "Other income and expenses" and pensions	(191)	(208)	(496)	(81)	(91)
Cash flow from operations, Branded Consumer Goods incl. HQ	1 414	882	3 462	397	813
Cash flow from operations, Orkla Investments	(8)	66	26	37	(47)
Taxes paid	(775)	(689)	(904)	(322)	(213)
Dividends received, financial items and other payments	(181)	4	(1)	(204)	(31)
Cash flow before capital transactions	450	263	2 583	(92)	522
Dividends paid and purchase/sale of treasury shares	(2 582)	(3 355)	(4 063)	(2 578)	(3 351)
Cash flow before expansion	(2 132)	(3 092)	(1 480)	(2 670)	(2 829)
Expansion investments	(319)	(245)	(531)	(180)	(210)
Sale of companies (enterprise value)	47	-	47	37	-
Purchase of companies (enterprise value)	(2 637)	(769)	(1 080)	(946)	(289)
Net cash flow	(5 041)	(4 106)	(3 044)	(3 759)	(3 328)
Currency effects of net interest-bearing liabilities	164	257	21	6	107
Change in net interest-bearing liabilities	4 877	3 849	3 023	3 753	3 221
Interest-bearing liabilities implementation IFRS 16, 1 January 2019	1 447	-	-	-	
Net interest-bearing liabilities	9 361	3 863	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 at the end of the first half, year over year, chiefly due to lower seasonal build up in working capital, coupled with an improvement in EBIT (adj.). The improvement in working capital was partly ascribable to accruals accounting and partly to an underlying improvement.

Cash flow from Orkla Investments in the first half was affected by positive results for Kotipizza Group. This was offset by lease effects for Hydro Power as a result of IFRS 16, as well as investments by Orkla Real Estate.

The line in the table for dividends received and financial items reflects a disbursement related to the remaining liability in connection with the sale of Sapa; see the disclosure in Note 12.

In the first half of 2019, expansion investments rose compared with the same period of 2018. The increase was primarily due to higher investments by Orkla Foods, including the ongoing investment programme for pizza production at Stranda, Norway.

The brand Glyngøre and the Russian nut company Chaka, was sold in the first half. Acquisitions of companies totalled NOK 2,637 million, of which Kotipizza Group was the largest transaction.

Net cash flow for the Group amounted to NOK -5,041 million. Positive currency translation effects totalling NOK 164 million, arising from exchange rate fluctuations, reduced net interest-bearing liabilities correspondingly. At the end of the first half, net interest-bearing liabilities excluding leases totalled NOK 7,784 million. Including lease effects under IFRS 16, net interest-bearing liabilities totalled NOK 9,361 million. See Note 1 for further information on IFRS 16.

At the end of June 2019, the equity ratio was 58.2%, compared with 63.1% as at 1 January 2019, adjusted for IFRS 16 effects. The average remaining life of liabilities and unutilised credit lines is 3.6 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

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2019	2018	2018	2019	2018
Operating revenues	7 959	7 697	16 000	4 070	3 845
- Organic revenue growth	*2.4%*	*1.0%*	*1.5%*	*3.1%*	*0.4%*
EBIT (adj.)	926	839	2 048	496	439
EBIT (adj.) margin	11.6%	10.9%	12.8%	12.2%	11.4%

- Orkla Foods achieved 3.4% growth in operating revenues
- Good, broad-based organic sales growth
- Profit growth due to both higher sales and cost improvements
- Price increases compensated for continued negative impact of weak Swedish krone and higher raw material prices

Orkla Foods reported a turnover growth of 3.4%, primarily driven by revenue management. Organic growth was 2.4% due to good growth in the majority of its markets. After a challenging 2018, the Norwegian business saw improvement in the first half. The businesses in Central Europe and India reported good progress in sales and profit. Sales rose in most categories, with the biggest increase deriving from ready meals where vegetarian products made a strong contribution. Orkla Foods Denmark, on the other hand, saw a decline due to the discontinuation of low-margin sales.

Profit improved in all markets in the first half. Growth was largely driven by higher sales, but also by lower costs resulting from improvement initiatives and structural projects. In 2018, profit was substantially lowered by a weak Swedish krone and higher raw material costs. These effects continued into 2019. Price increases combined with more active portfolio management have compensated for these factors and contributed to higher profitability. The EBIT (adj.) margin improved in most markets and reached 11.6%, up 0.7 percentage points year over year.

Orkla Confectionery & Snacks

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2019	2018	2018	2019	2018
Operating revenues	3 021	2 888	6 246	1 519	1 435
- Organic revenue growth	*4.5%*	*-4.4%*	*-3.4%*	*5.4%*	*-5.9%*
EBIT (adj.)	402	358	1 006	191	171
EBIT (adj.) margin	13.3%	12.4%	16.1%	12.6%	11.9%

- Good growth in turnover, chiefly driven by higher volumes
- High growth at start of year must be seen in connection with restocking after the change in the sugar tax in Norway
- Good market growth, especially for the snacks category
- Cost improvement programmes continued to have good effect

Orkla Confectionery & Snacks reported a 4.5% organic increase in operating revenues in the first half. Growth was primarily driven by higher volumes. Price increases compensated for the higher prices of key raw materials such as potatoes, wheat and cocoa. In Norway, growth was also boosted by the normalisation of inventory levels in the retail trade following the reversal of the 2018 sugar tax increase to the 2017 level. This year's innovations have contributed positively in most markets. The biggest innovations in the first half were Stratos Salty Caramel (Norway), Smash! (Denmark), launches of snacks made of alternative raw materials such as lentils and chickpeas (Sweden) and launches of chocolate-covered snacks (Finland). Market growth was good, particularly for the snacks category in Sweden, Finland and the Baltics.

EBIT (adj.) for Orkla Confectionery & Snacks rose 12.3% in the first half, year over year. In addition to turnover growth, cost improvement projects continue to generate good results. Profit was somewhat reduced by negative real currency impacts, related in particular to the weak Swedish krone. Profit growth tapered off slightly towards the end of the first half. The EBIT (adj.) margin was 13.3%, up 0.9 percentage points from 2018.

Orkla Care

Amounts in NOK million	1.1.–30.6. 2019	1.1.–30.6. 2018	1.1.–31.12. 2018	1.4.–30.6. 2019	1.4.–30.6. 2018
Operating revenues	4 019	4 108	8 075	1 948	2 032
- Organic revenue growth	*-3.7%*	*0.4%*	*-1.8%*	*-4.5%*	*1.3%*
EBIT (adj.)	541	562	1 084	242	264
EBIT (adj.) margin	13.5%	13.7%	13.4%	12.4%	13.0%

- Organic sales decline
- Challenging market changes in Home & Personal Care categories in Norway, and weak performance for Orkla Health
- Decline in EBIT (adj.) margin due to weak top-line growth, partly offset by cost improvements

Orkla Care saw a -2.2% fall in sales in the first half, chiefly driven by challenging market trends on several home markets. Organic sales declined by -3.7%.

Orkla Home & Personal Care is impacted by a difficult grocery retail market in Norway. Orkla Health also faces challenges in its markets, particularly in weight management categories.

Pierre Robert experienced a sales downturn after high sales last year driven by new launches in Finland and high campaign intensity in Norway.

The EBIT (adj.) margin for the first half was 13.5%. The year-over-year decline was due to slow top-line growth, which was only partly counteracted by cost improvements.

Orkla Food Ingredients

Amounts in NOK million	1.1.–30.6. 2019	1.1.–30.6. 2018	1.1.–31.12. 2018	1.4.–30.6. 2019	1.4.–30.6. 2018
Operating revenues	4 875	4 644	9 562	2 584	2 462
- Organic revenue growth	*0.6%*	*2.2%*	*1.2%*	*0.1%*	*2.7%*
EBIT (adj.)	272	233	533	195	176
EBIT (adj.) margin	5.6%	5.0%	5.6%	7.5%	7.1%

- Growth in first-half operating revenues
- Broad-based profit improvement driven by sales of products with higher margin
- Improved EBIT (adj.) margin

In the first half of 2019, Orkla Food Ingredients achieved a revenue increase of 5.0%. Growth was mainly driven by acquisitions, but also some organic growth. Even after slow growth in sales in the last two months, ice cream ingredients made an overall contribution to growth in the first half. The sales and distribution units in Sweden, Finland and the Baltics have also seen good improvement in sales. The growth derives primarily from price compensation for higher purchasing costs. The strategy to be more selective on tenders impacted negatively on sales figures, but had a positive effect on margins.

EBIT (adj.) rose 16.7% in the first half. Profit growth was broad-based. The good competitive position of Orkla Food Ingredients' companies and a strategy focused on improving product mix had a positive effect on contribution margin and profit.

The EBIT (adj.) margin was 5.6%, an increase of 0.6 percentage points in the first half. The improvement is due to a higher gross margin and lower fixed cost growth.

Orkla Investments

Hydro Power

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2019	2018	2018	2019	2018
Volume (GWh)	995	1 097	2 320	519	615
Price* (øre/kWh)	40.1	37.3	42.2	34.6	37.4
EBIT (adj.) (NOK million)	142	156	390	69	97

*Source: Nord Pool Spot, Monthly System Price.

Hydro Power reported a 9% fall in EBIT (adj.) in the first half. The decline in profit is chiefly due to lower production volume. Production in the first half totalled 995 GWh, compared with 1,097 GWh in the same period of 2018. First-half operating costs were approximately on a par with the same period of last year. At the end of June, the reservoir level in Sauda was slightly lower than normal, as was the reservoir level in Glomma. Snowpack levels in both western and eastern Norway were lower than normal.

Financial Investments

First-half EBIT (adj.) for Orkla Financial Investments totalled NOK 32 million (NOK 9 million)[1]. First-half profit derived primarily from Kotipizza and Orkla Real Estate's delivery of housing units at Sofienlunden in Oslo. Otherwise, the main activity in the first half was the completion of and move to Orkla's new headquarters.

Kotipizza Group

Kotipizza was consolidated into Orkla Financial Investments as from 1 February 2019. Kotipizza Group reported operating revenues of NOK 418 million in the first half, compared with NOK 354 million year over year. First-half EBIT (adj.) amounted to NOK 35 million, compared with NOK 25 million in the corresponding period of 2018. Comparable chain sales rose 8% in the first half, the increase was primarily driven by a higher number of customers. In the first half of 2018, EBIT (adj.) was negatively impacted by one-off effects, resulting in weak comparative figures.

Jotun (42.6% interest)

Jotun delivered sales growth of 7.5% in the first six months, driven by price increases and stronger growth in the Protective and Marine Coatings segments. After a lengthy period of challenging market conditions in the shipbuilding and offshore industries, sales have started to pick up in both these markets. Reported sales growth was influenced by positive currency translation effects of 2%.

Operating profit improved 45% year to date compared to the same period last year. The improvement is explained by higher gross margins and good cost control. Last year's implemented price increases, combined with stabilising raw material costs gradually improved gross margins in first half.

[1]Figures in parentheses are for the corresponding period of the previous year.

Other matters

At the Annual General Meeting on 25 April 2019, Orkla's Board of Directors was re-elected for one year, with Stein Erik Hagen as Board Chairman and Grace Reksten Skaugen as Deputy Chair. The General Meeting approved a dividend of NOK 2.60 per share for the 2018 financial year, which was paid out on 7 May 2019. Orkla shares were listed exclusive of dividend as from 26 April 2019.

In the second quarter, the employee share purchase programme was implemented based on the closing price of the Orkla share on 24 May 2019, minus a 25% discount. The discounted share price was NOK 56.69.

Peter A. Ruzicka resigned as Orkla President and CEO on 7 May 2019, after presenting the results for the first quarter of 2019. On 5 June 2019, it was announced that Jaan Ivar Semlitsch will succeed Mr. Ruzicka as Orkla President and CEO. His first day in the position will be 15 August 2019. Terje Andersen was appointed Acting President and CEO from 7 May 2019 until the new President and CEO is in place.

Declaration by the Board of Directors

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2019 have been prepared in conformity with IAS 34 Interim Reporting, and that the information in the financial statements provides a fair view of the enterprise and the Group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 11 July 2019
The Board of Directors of Orkla ASA

Stein Erik Hagen Chairman of the Board	Grace Reksten Skaugen Deputy Chair of the Board	Peter Agnefjäll	Ingrid Jonasson Blank	Lars Dahlgren	Liselott Kilaas
Nils K. Selte	Terje Utstrand	Karin Hansson	Sverre Josvanger	Roger Vangen	Terje Andersen Acting President and CEO

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

Condensed income statement

Amounts in NOK million	Note	1.1.–30.6. 2019	1.1.–30.6. 2018	1.1.–31.12. 2018	1.4.–30.6. 2019	1.4.–30.6. 2018
Operating revenues	2	20 718	19 728	40 837	10 542	10 017
Operating expenses		(17 741)	(17 110)	(34 846)	(9 007)	(8 594)
Depreciation, amortisation and write-downs		(848)	(602)	(1 214)	(426)	(304)
EBIT (adj.)	2	2 129	2 016	4 777	1 109	1 119
Other income and expenses	3	(158)	(124)	(482)	(39)	(97)
Operating profit		1 971	1 892	4 295	1 070	1 022
Profit/loss from associates and joint ventures		346	191	264	181	105
Interest, net	7	(103)	(82)	(159)	(53)	(32)
Other financial items, net	7	(46)	(24)	(42)	(20)	(4)
Profit/loss before taxes		2 168	1 977	4 358	1 178	1 091
Taxes		(480)	(410)	(1 004)	(250)	(234)
Profit/loss for the period		1 688	1 567	3 354	928	857
Profit/loss attributable to non-controlling interests		48	51	82	29	29
Profit/loss attributable to owners of the parent		1 640	1 516	3 272	899	828

Earnings per share

Amounts in NOK	1.1.–30.6. 2019	1.1.–30.6. 2018	1.1.–31.12. 2018	1.4.–30.6. 2019	1.4.–30.6. 2018
Earnings per share	1.64	1.49	3.24	0.90	0.82
Earnings per share (adj.)	1.78	1.59	3.62	0.93	0.89

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–30.6. 2019	1.1.–30.6. 2018	1.1.–31.12. 2018	1.4.–30.6. 2019	1.4.–30.6. 2018
Profit/loss for the period		1 688	1 567	3 354	928	857
Other items in comprehensive income						
Items after tax not to be reclassified to profit/loss in subsequent periods						
Actuarial gains and losses pensions		-	-	(66)	-	-
Changes in fair value shares		(1)	(7)	(4)	(1)	(7)
Items after tax to be reclassified to profit/loss in subsequent periods						
Change in hedging reserve	4	(12)	42	70	(7)	16
Carried against equity in associates and joint ventures	4	32	(99)	10	19	86
Translation effects	4	(533)	(914)	(40)	6	(354)
The Group's comprehensive income		1 174	589	3 324	945	598
Comprehensive income attributable to non-controlling interest		38	43	82		
Comprehensive income attributable to owners of the parent		1 136	546	3 242		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	30.6. 2019	1.1.[1] 2019	31.12. 2018
Intangible assets		22 278	20 610	20 610
Property, plant and equipment		14 511	14 043	12 760
Associates, joint ventures and other financial assets	6	4 665	4 337	4 337
Non-current assets		41 454	38 990	37 707
Inventories		6 027	5 875	5 875
Inventory of development property		111	132	132
Trade receivables		6 310	5 990	5 990
Other receivables	6	963	814	814
Shares and financial assets		4	13	13
Cash and cash equivalents	6	950	1 978	1 978
Current assets		14 365	14 802	14 802
Total assets		55 819	53 792	52 509

[1]Including effects of implementing IFRS 16 Leases.

Equity and liabilities

Amounts in NOK million	Note	30.6. 2019	1.1.[1] 2019	31.12. 2018
Paid in equity		1 972	1 971	1 971
Retained equity		30 062	31 546	31 658
Non-controlling interests		472	436	451
Equity		32 506	33 953	34 080
Provisions and other non-current liabilities		4 406	4 589	4 626
Non-current interest-bearing liabilities	6	7 876	5 916	4 775
Current interest-bearing liabilities	6	2 672	761	455
Trade payables		5 097	4 907	4 907
Other current liabilities		3 262	3 666	3 666
Equity and liabilities		55 819	53 792	52 509
Equity ratio		58.2%	63.1%	64.9%

Condensed statement of changes in equity

	1.1.–30.6.2019			1.1.–30.6.2018		
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 1 January	33 629	451	34 080	34 408	430	34 838
The Group's comprehensive income	1 136	38	1 174	546	43	589
Dividends	(2 599)	(42)	(2 641)	(2 649)	(20)	(2 669)
Net purchase/sale of treasury shares	59	-	59	(686)	-	(686)
Effect of implementing IFRS 16	(112)	(15)	(127)	-	-	-
Change in non-controlling interests	(79)	40	(39)	4	(8)	(4)
Equity at close of period	32 034	472	32 506	31 623	445	32 068

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–30.6. 2019	1.1.–30.6. 2018	1.1.–31.12. 2018	1.4.–30.6. 2019	1.4.–30.6. 2018
Cash flow from operations before capital expenditure		2 403	1 787	5 251	900	1 197
Received dividends and paid financial items		4	30	41	(41)	(24)
Taxes paid		(775)	(689)	(904)	(322)	(213)
Cash flow from operating activities		1 632	1 128	4 388	537	960
Net capital expenditure		(1 149)	(1 084)	(2 294)	(605)	(641)
Net sale (purchase) of companies	5	(2 386)	(734)	(925)	(852)	(262)
Other payments		(185)	(26)	(42)	(163)	(7)
Cash flow from investing activities		(3 720)	(1 844)	(3 261)	(1 620)	(910)
Net paid to shareholders		(2 582)	(3 355)	(4 063)	(2 578)	(3 351)
Change in interest-bearing liabilities and receivables		3 683	126	84	3 349	60
Cash flow from financing activities		1 101	(3 229)	(3 979)	771	(3 291)
Currency effects cash and cash equivalents		(41)	(12)	(4)	2	(6)
Change in cash and cash equivalents		(1 028)	(3 957)	(2 856)	(310)	(3 247)
Cash and cash equivalents	6	950	877	1 978		

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

IFRS cash flow					
Cash flow from operating activities	1 632	1 128	4 388	537	960
Net capital expenditure	(1 149)	(1 084)	(2 294)	(605)	(641)
Other payments	(185)	(26)	(42)	(163)	(7)
Cash flow from operating activities incl. capital expenditure	298	18	2 052	(231)	312
Orkla-format					
Cash flow before capital transactions	450	263	2 583	(92)	522
New capitalised leases (included in net replacement expenditures in Orkla-format)	167	-	-	41	-
Expansion investments	(319)	(245)	(531)	(180)	(210)
Comparative cash flow	298	18	2 052	(231)	312

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

Change cash and cash equivalents IFRS cash flow	1 028	3 957	2 856	310	3 247
Change net interest-bearing liabilities IFRS cash flow	3 683	126	84	3 349	60
Net interest-bearing liabilities in purchased/sold companies	204	35	108	57	27
Interest-bearing liabilities new leases	167	-	-	41	-
Total currency effect net interest-bearing liabilities	(164)	(257)	(21)	(6)	(107)
Currency effect cash and cash equivalents	(41)	(12)	(4)	2	(6)
Change net interest-bearing liabilities Orkla-format	4 877	3 849	3 023	3 753	3 221

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements as at 30 June 2019 were approved at the Board of Directors' meeting on 11 July 2019. 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 principles and methods of calculation have been applied as in the last annual financial statements.

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 the new rules, the capitalised leases will have to be depreciated over the lease period and presented together with the Group's other depreciations. The interest effect of the discounting will be presented as a financial item. This results in a limited annual increase in the Group's operating profit of approx. NOK 20 million for leases held by the Group as at 1 January 2019. Leases as at 1 January 2019 increase annual depreciations by approx. NOK 390 million and reduce other operating costs by approx. NOK 410 million. The effect on interest will amount to approx. NOK 25 million per year. Actual effects on profit will be impacted by new lease agreements entered into in 2019. Orkla has acquired Kotipizza Group Oyj in 2019; see Note 5. Kotipizza leases premises, among other things, in connection with its restaurant operations and will thus affect profit and statement of financial position figures related to leases in 2019.

Other matters

No changes have otherwise been made in presentation or accounting principles 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.

NOTE 2 SEGMENTS

Amounts in NOK million	Operating revenues 1.1.–30.6. 2019	Operating revenues 1.1.–30.6. 2018	Operating revenues 1.1.–31.12. 2018	Operating revenues 1.4.–30.6. 2019	Operating revenues 1.4.–30.6. 2018	EBIT (adj.) 1.1.–30.6. 2019	EBIT (adj.) 1.1.–30.6. 2018	EBIT (adj.) 1.1.–31.12. 2018	EBIT (adj.) 1.4.–30.6. 2019	EBIT (adj.) 1.4.–30.6. 2018
Orkla Foods	7 959	7 697	16 000	4 070	3 845	926	839	2 048	496	439
Orkla Confectionery & Snacks	3 021	2 888	6 246	1 519	1 435	402	358	1 006	191	171
Orkla Care	4 019	4 108	8 075	1 948	2 032	541	562	1 084	242	264
Orkla Food Ingredients	4 875	4 644	9 562	2 584	2 462	272	233	533	195	176
Eliminations Branded Consumer Goods	(136)	(135)	(291)	(70)	(69)	-	-	-	-	-
Branded Consumer Goods	19 738	19 202	39 592	10 051	9 705	2 141	1 992	4 671	1 124	1 050
HQ/Eliminations	20	23	34	10	12	(186)	(141)	(284)	(94)	(42)
Branded Consumer Goods incl. HQ	19 758	19 225	39 626	10 061	9 717	1 955	1 851	4 387	1 030	1 008
Hydro Power	422	428	1 025	192	235	142	156	390	69	97
Financial Investments	572	87	200	311	72	32	9	0	10	14
Orkla Investments	994	515	1 225	503	307	174	165	390	79	111
Eliminations	(34)	(12)	(14)	(22)	(7)	-	-	-	-	-
Orkla	20 718	19 728	40 837	10 542	10 017	2 129	2 016	4 777	1 109	1 119

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–30.6. 2019	1.1.–30.6. 2018	1.1.–31.12. 2018	1.4.–30.6 2019	1.4.–30.6 2018
M&A and integration costs	(68)	(20)	(129)	(13)	(15)
Final settlement employment relationships etc.	(32)	(21)	(114)	(8)	(19)
Gain/write-downs relating to coordination projects	21	-	(1)	25	-
Restructuring costs and other items	(79)	(83)	(238)	(43)	(63)
Total other income and expenses	(158)	(124)	(482)	(39)	(97)

The Group is developing and is carrying out a number of restructuring and coordination projects. The biggest projects with impact in the first half were the merger of out-of-home and grocery retail activities in Orkla Foods Norge, the integration of and organisational changes in HSNG and a pilot project related to the pizza project at Stranda. Expenses were also incurred in connection with the move to Orkla's new headquarters at Skøyen. In addition, gains were recognised in connection with the sale of the Glyngøre brand and a former industrial property in Kristiansund.

In the first quarter, Orkla completed its acquisition of Kotipizza (see Note 5) and sold the nut company Chaka in Russia. Transaction costs were incurred in connection with these transactions, and accumulated negative translation differences were expensed in connection with the disposal of Chaka.

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve) after tax. The tax effect as at 30 June 2019 related to the hedging reserve amounts to NOK 4 million (NOK 6 million in 2018).

The hedging reserve included in equity as at 30 June 2019 (after tax) totalled NOK -170 million. Accumulated translation differences correspondingly amounted to NOK 991 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 256 million as at 30 June 2019.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Acquisitions in the second quarter

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 from 1 May 2019.

Orkla Food Ingredients AS has 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 from 1 April 2019.

Orkla Food Ingredients has 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 from 1 June 2019.

Orkla Food Ingredients has 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 permanent 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 from 1 June 2019.

Orkla Food Ingredients has also 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 statement of financial position as from 30 June 2019 and was consolidated into the income statement as from 1 July 2019.

In both the first and second quarters, Orkla Food Ingredients also acquired non-controlling interests in companies including the NIC and Dragsbæk groups.

Acquisitions in the first quarter
On 22 November 2018, Orkla made a tender 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 from 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 from 1 April 2019.

Orkla Foods signed and completed an agreement to purchase 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 in the income statement using the equity method as from 1 April 2019.

Sales of companies/brands
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. 56 million) in 2018. The sale of the Russian nut company Chaka was completed in the first quarter of 2019.

Other matters
As at 30 June 2019, Orkla had purchased companies for a total of NOK 2,637 million at enterprise value.

With regard to the companies acquired in 2018, the purchase price allocations for HSNG (Orkla Care), Struer Brød (Orkla Foods), Werners Gourmetservice (Orkla Food Ingredients) and the Gorms pizza restaurant chain (Financial Investments) were finalised as at 30 June 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	30.6. 2019	1.1. 2019	31.12. 2018
Non-current liabilities excl. leases	(6 651)	(4 775)	(4 775)
Current liabilities excl. leases	(2 320)	(455)	(455)
Non-current receivables (in "Financial Assets")	231	209	209
Current receivables (in "Other receivables")	6	6	6
Cash and cash equivalents	950	1 978	1 978
Net interest-bearing liabilities excl. lease liabilities	(7 784)	(3 037)	(3 037)
Non-current lease liabilities	(1 225)	(1 141)	-
Current lease liabilities	(352)	(306)	-
Total net interest-bearing liabilities	(9 361)	(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.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2019	2018	2018	2019	2018
Net interest costs excl. leases	(88)	(82)	(159)	(45)	(32)
Interest costs leases	(15)	-	-	(8)	-
Interest, net	(103)	(82)	(159)	(53)	(32)

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2019	2018	2018	2019	2018
Dividends	11	-	3	3	-
Net foreign currency gain/loss	-	2	(3)	-	-
Interest on pensions	(57)	(24)	(17)	(21)	(12)
Other financial items	-	(2)	(25)	(2)	8
Other financial items, net	(46)	(24)	(42)	(20)	(4)

NOTE 8 RELATED PARTIES

The Canica system, controlled by Orkla Board Chairman Stein Erik Hagen (largest shareholder, with 24.5% of issued shares), and Orkla both have equity interests in one real estate investment. Canica AS has signed 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.

There were no special transactions between the Group and related parties as at 30 June 2019.

The Group has intercompany balances totalling NOK 27 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 31 December 2018 and 30 June 2019:

Treasury shares 1 January 2019	19 410 259
Sale of shares to employees	(785 571)
Treasury shares 30 June 2019	18 624 688

A decision was taken at the Annual General Meeting on 25 April 2019 to cancel 17,500,000 treasury shares. As at 30 June 2019, the cancellation had not been formally implemented.

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

The UK business in House Care has delivered a weak performance since it was acquired in September 2016. A project was initiated in 2018 to bring profitability back to at least the level at which Orkla purchased the business. The situation in Harris is closely monitored, and future sub-targets have been defined. As at 30 June 2019 these sub-targets had been reached, but the market situation is challenging. There is still risk related to whether the business can fulfil the basic assumptions for justification of its book values.

As at 30 June 2019, there were otherwise no indications of any impairment in the value of any other of the Group's 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
30 June 2019:				
Assets				
Investments	-	-	86	86
Derivatives	-	63	-	63
Liabilities				
Derivatives	-	243	-	243
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

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, an agreement was reached between subsidiaries of Norsk Hydro and the US Department of Justice (DOJ), Civil and Criminal Divisions, related to the case referred to in Note 6 of Orkla's Annual Financial Statements for 2016. In accordance with the agreement, a subsidiary of Norsk Hydro has paid approx. NOK 400 million (USD 46.9 million) to the US authorities. Orkla has indemnified Norsk Hydro for 50% of this amount, i.e. approx. NOK 200 million. The amount is covered in its entirety by previous provisions.

Orkla has entered into an agreement with the City of Oslo on the sale of the property at Treschows gate 16 for the amount of NOK 412 million. The agreement is contingent on the approval of the Oslo City Council. Subject to the positive decision of the Oslo City Council, the transaction is expected to be completed in the course of the second half of 2019.

Orkla is engaged in litigation with the agricultural authorities concerning historical classification of goods in the price rebate and export duty refund schemes.

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 approx. 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 the calculation of 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 tax rate for OIE in 2019 is lower than the Group's tax rate due 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. There were no such items in the first half of 2019 or in 2018.

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 and Zeelandia and for the sale of Mrs. Cheng's.

Organic growth by business area

Sales revenues change %	1.1.–30.6.2019 FX	Structure	Organic growth	Total	1.4.–30.6.2019 FX	Structure	Organic growth	Total
Orkla Foods	-0.1	1.1	2.4	3.4	0.5	2.3	3.1	5.9
Orkla Confectionery & Snacks	0.2	-	4.5	4.6	0.6	-	5.4	5.9
Orkla Care	-	1.5	-3.7	-2.2	0.3	-	-4.5	-4.1
Orkla Food Ingredients	0.2	4.2	0.6	5.0	0.5	4.4	0.1	5.0
Branded Consumer Goods	-	1.8	1.0	2.8	0.5	2.0	1.1	3.6

Sales revenues change %	1.1.–30.6.2018 FX	Structure	Organic growth	Total	1.4.–30.6.2018 FX	Structure	Organic growth	Total	1.1.–31.12.2018 FX	Structure	Organic growth	Total
Orkla Foods	1.1	-2.5	1.0	-0.5	-1.0	-2.7	0.4	-3.3	-0.3	-1.9	1.5	-0.8
Orkla Confectionery & Snacks	1.6	-	-4.4	-2.8	-0.2	-	-5.9	-6.0	0.4	-	-3.4	-3.0
Orkla Care	1.0	10.5	0.4	11.9	-0.5	11.3	1.3	12.1	0.2	9.5	-1.8	8.0
Orkla Food Ingredients	2.5	10.0	2.2	14.8	0.1	7.4	2.7	10.2	1.1	7.6	1.2	9.9
Branded Consumer Goods	1.5	3.3	-0.1	4.7	-0.5	2.8	-0.2	2.1	0.2	2.8	-0.2	2.8

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

EBIT (adj.) change %	FX	Structure	Underlying growth	Total
1.1.–30.6.2018	0.8	2.8	-0.2	3.4
1.4.–30.6.2018	-0.9	2.1	4.5	5.8
1.1.–31.12.2018	-0.2	1.2	0.8	1.8

EBIT (adj.) margin growth change in percentage points	FX/ Structure	Underlying Variable cost	Underlying Other	Total	EBIT (adj.) margin 2018 (%)
R12M per 30.6.2018	-0.1	-0.1	0.4	0.2	11.1
1.1.–31.12.2018	-0.2	0.0	0.1	-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.