Fourth quarter 2018

The fourth quarter in brief

- Orkla Group had in the fourth quarter a growth of 1.2% in operating revenues driven by acquisitions and Orkla Investments.
- Orkla's Branded Consumer Goods business saw a 0.9% organic decline in sales in the fourth quarter and a 3.5% underlying decline in EBIT (adj.), compared with a strong quarter in 2017.
- Good organic growth for Orkla Foods, and strong profit and margin improvement in Orkla Food Ingredients.
- A weak result at Orkla Care due to destocking by wholesalers in Poland.
- Shift in the timing of sales in Orkla Confectionery & Snacks from the fourth quarter of 2018 to the first quarter of 2019 due to the reversal of the Norwegian confectionery tax on 1 January 2019.
- Substantial changes in other income and expenses in the quarter, related in part to accounting write-downs, contributed to a significant fall in pre-tax profit.
- Earnings per share for continuing business amounted to NOK 0.74 (-23%).

Key figures for the Orkla Group as at 31 December

All Alternative Performance Measures (APMs) are presented on the last pages in this report.

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2018	2017	2018	2017
Branded Consumer Goods incl. headquarters (HQ)				
Operating revenues	39 626	38 562	10 608	10 591
- Organic revenue growth	*-0.2%*	*1.6%*	*-0.9%*	*2.8%*
EBIT (adj.)	4 387	4 311	1 277	1 346
EBIT (adj.)-margin	11.1%	11.2%	12.0%	12.7%
Group				
Operating revenues	40 837	39 561	10 983	10 851
EBIT (adj.)	4 777	4 635	1 408	1 443
Profit/loss from associates and JVs	264	313	(43)	(78)
Profit/loss before taxes	4 358	4 571	1 017	1 309
Earnings per share from continuing operations (NOK)	3.24	3.46	0.74	0.96

President and CEO Peter A. Ruzicka comments:
The end of 2018 was a challenging period for Orkla, and the fourth quarter culminated in negative organic growth. Results in 2018 were affected by the weak performance of House Care UK and Health Poland. The ongoing turnaround in House Care UK is expected to gradually produce positive effects in the course of 2019. For Health Poland, the fourth quarter was also disappointing. The wholesaler segment in Poland more than halved its stock levels, while wholesaler to retailer sales were relatively stable. In the light of this we anticipate a gradual improvement in 2019.

It is pleasant to see that several areas delivered growth in the fourth quarter. Orkla Foods delivered solid organic, top-line growth of 2.7%, with positive growth in almost all markets. Orkla Food Ingredients has continued its margin improvement efforts, for instance by focusing more actively on price, and its improvement and restructuring projects. As a result, profit and margin improved substantially in the quarter.

Through the acquisition in 2019 of Finland's leading pizza brand, Kotipizza, we strengthened our position in one of our core categories. Both Kotipizza and the purchase of Easyfood, a Danish manufacturer of bake-off bakery goods, have reinforced our position in the out-of-home channel.

Ongoing cost reduction programmes are delivering as planned, but the significant challenges in Poland and the UK have resulted in a year of virtually flat organic growth and margin development.

Peter A. Ruzicka
President and CEO

Market growth

In most of the markets in which Orkla's branded consumer goods business operates, growth is stable, but moderate. However, growth varies from one category to another. There is higher growth in the Baltics and Central Europe than in the Nordic markets, as well as in channels outside the grocery sector.

The global FAO Food Price index declined slightly in the second half of 2018, year over year, but price trends for raw materials in the index vary. The range of categories of raw materials purchased by Orkla is broader than that covered by the FAO index, and different prices apply to some extent due to European and Norwegian agricultural policy and associated import regulation. Currency fluctuations impacted adversely on Orkla's procurement costs, compared with the same period of 2017. The Swedish krone, in particular, weakened against the euro by 8.4% during the year.

Branded Consumer Goods' performance

Sales revenues changes %	FX	Structure	Organic growth	Total
1.1.–31.12.2018	0.2	2.8	-0.2	2.8
1.10.–31.12.2018	-1.4	2.4	-0.9	0.2

Figures may not add up due to rounding-off.

Turnover growth for Branded Consumer Goods in the fourth quarter was driven by acquisitions, but was negatively impacted by currency translation effects. Organic turnover declined by 0.9%. Adjusted for the loss of the distribution agreement with Wrigley, it declined by 0.3%. Good organic growth for Orkla Foods was offset by a decline in the other business areas. The improvement for Orkla Foods was driven by organic growth in all companies except for Orkla Foods Danmark. The organic decline in sales for Orkla Care can be ascribed in its entirety to the negative development of Orkla Health. Orkla Confectionery & Snacks is still feeling the effect of the loss of the distribution agreement with Wrigley. Furthermore, the Norwegian company was adversely affected by temporary destocking by grocery chains in the fourth quarter, due to the reduction in the confectionery tax as from 1 January 2019.

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

Figures may not add up due to rounding-off.

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

Figures may not add up due to rounding-off.

Branded Consumer Goods, including Headquarter (HQ), saw negative EBIT (adj.) growth of 5.1% in the fourth quarter, primarily due to negative underlying EBIT (adj.) growth of 3.5%. The underlying decline was attributable to a reduced top line and the higher prices of input factors, partly driven by currency headwinds, especially for the Swedish companies. Orkla Food Ingredients achieved good fourth-quarter growth in EBIT (adj.) due to improved profitability, the effects of improvement programmes and price increases.

Margin performance for the full year 2018 for Branded Consumer Goods showed a decline of -0.1 percentage points, negatively impacted by the dilutive effects of acquisitions. There was flat margin development in variable costs. Price increases have been counteracted by currency effects related to raw material procurement, especially in Sweden. In addition, higher energy prices impacted negatively on production costs. The margin improvement related to other costs was primarily associated with HQ due to reduced liability for accrued bonus for Orkla's long-term incentive programme (LTI) for senior managers, partly as a result of the reduction in the Orkla share price during the year.

Orkla will continue its efforts to rationalise its existing operations through its factory restructuring programme and the realisation of synergies from acquisitions.

Structural measures (M&A)

In the fourth quarter, Orkla announced its offer to purchase all the shares in Kotipizza, Finland's largest pizza restaurant chain. The result as at 5 February 2019 shows that acceptances received, together with shares purchased by Orkla in the market, account for approximately 99.29% of all shares and votes in Kotipizza. The acquisition of Kotipizza is an important part of Orkla's strategy for the pizza category and increased exposure to the out-of-home channel.

Orkla Foods Danmark entered into an agreement in the fourth quarter to purchase the company Easyfood A/S, a Danish manufacturer of bake-off bakery goods for the out-of-home channel. Easyfood is well positioned in a growing market for food on the go.

Orkla already holds a strong position in the Danish grocery sector, and the acquisition of Easyfood will strengthen Orkla in the out-of-home market, as well as in channels with higher growth than the traditional grocery sector. Furthermore, Orkla Foods Danmark has purchased the Pama brand, which is market leader in Denmark in porridge rice. Orkla Foods Danmark is currently distributor for Pama products on behalf of PepsiCo.

Orkla Food Ingredients completed its purchase of the British chocolate and caramel manufacturer, County Confectionery Ltd., in the fourth quarter. County's customer base is primarily industrial. This acquisition will complement Orkla Food Ingredients' position as supplier of ingredients and accessories to the bakery, chocolate and ice cream markets in the UK and Europe.

During the quarter, Orkla continued to optimise its product portfolio through Orkla Foods Sverige's sale of its Mrs. Cheng's brand to Continental Foods. The sale was effective as from 4 December 2018. In addition, an agreement was signed in December to sell the Russian nut company, Chaka.

See Notes 5 and 13 for more information on acquired and sold companies.

Outlook

Orkla held its Capital Markets Day in London on 31 October 2018. The strategy of being a leading branded consumer goods company remains unchanged. Orkla targets organic growth at least in line with market growth for the 2019-2021 strategy period. For the same period, Orkla targets growth in EBIT (adj.) margin of a minimum of 1.5 percentage points adjusted for acquisitions, disposals and currency effects.

Orkla continues to face strong competition from international brands and the retail trade's private labels. However, we are also seeing a shift on the part of consumers, where local players are gaining ground at the expense of major global manufacturers. With over 300 local brands and a strong local focus on innovations, 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. Orkla is addressing this change in a variety of ways, including intensifying its organic focus on ensuring a presence in new channels outside the traditional grocery retail sector and on making strategic acquisitions that offer access to potential customers in other channels.

Strategically appropriate 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 Norwegian confectionery tax was reduced on 1 January 2019. This resulted in temporary destocking by Norwegian grocery chains in the fourth quarter, which is expected to be reversed in the first quarter of 2019. This particularly affects Orkla Confectionery & Snacks Norge.

The UK has decided to withdraw from the EU on 29 March 2019. It is possible that it will make this exit without an agreement in place. Orkla has production operations in the UK, as well as substantial exports and imports from the UK to the EU and Norway, and consequently may be affected by the final outcome. Orkla is tracking the situation closely and is considering possible action on an ongoing basis.

Financial matters - Group

Main figures profit/loss

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2018	2017	2018	2017
Operating revenues	40 837	39 561	10 983	10 851
EBIT (adj.)	4 777	4 635	1 408	1 443
Other income and expenses	(482)	(201)	(296)	(1)
Operating profit	4 295	4 434	1 112	1 442
Profit/loss from associates and joint ventures	264	313	(43)	(78)
Interest and financial items, net	(201)	(176)	(52)	(55)
Profit/loss before taxes	4 358	4 571	1 017	1 309
Taxes	(1 004)	(980)	(271)	(320)
Profit/loss continuing operations	3 354	3 591	746	989
Discontinued operations	-	5 066	-	42
Profit/loss for the period	3 354	8 657	746	1 031
Earnings per share from continuing operations (NOK)	3.24	3.46	0.74	0.96

Group operating revenues rose 1.2% in the fourth quarter, chiefly driven by structural growth in Branded Consumer Goods and improvement for Hydro Power. Currency translation effects related to consolidation had a negative effect of NOK 146 million on Branded Consumer Goods' operating revenues.

In the same period, the Group had a decline in EBIT (adj.) of 2.4%, attributable to the weak performance of Branded Consumer Goods that was only partly counteracted by improvements for Orkla Investments. The improvements in Orkla Investments were mainly a result of profit growth for Hydro Power due to higher power prices in the period. Currency translation effects in connection with consolidation had a negative impact of NOK 17 million on profit for Branded Consumer Goods.

The Group's other income and expenses totalled NOK -296 million in the fourth quarter, the largest items being related to workforce downsizing in connection with the discontinuation of the merchandising function in Norway and restructuring in Harris. Comparative figures for the fourth quarter of 2017 were particularly low due to the gain on the sale of K-Salat in Orkla Foods Danmark.

Fourth-quarter profit from associates rose by NOK 35 million, due to the improved performance of Jotun, year over year.

Net financial costs in the fourth quarter were at the same level as in 2017. Gross interest-bearing liabilities were stable throughout 2018, while net interest-bearing liabilities increased by NOK 3.0 billion. The borrowing rate averaged 3.2% in the period, compared with 3.6% in 2017.

Fourth-quarter taxes were lower in absolute NOK, while the tax rate was higher than in 2017. The higher tax rate was mainly due to the increase in the special tax on hydropower, the ground rent tax rate, as a result of the higher contribution to profit from Orkla's energy operations in Norway.

Earnings per share for continuing business amounted to NOK 0.74 in the fourth quarter, down 23% from 2017.

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 2018. Reference is made to page 11 for the consolidated statement of cash flow – IFRS and reconciliation of cash flows.

Orkla-format

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2018	2017	2018	2017
Cash flow from Branded Consumer Goods incl. HQ				
EBIT (adj.)	4 387	4 311	1 277	1 346
Amortisation, depreciation and impairment charges	1 154	1 107	301	285
Changes in net working capital	(190)	27	702	417
Net replacement expenditures	(1 393)	(1 048)	(410)	(308)
Cash flow from operations (adj.)	3 958	4 397	1 870	1 740
Cash flow effect from "Other income and expenses" and pensions	(496)	(348)	(208)	(198)
Cash flow from operations, Branded Consumer Goods incl. HQ	3 462	4 049	1 662	1 542
Cash flow from operations, Orkla Investments	26	66	(11)	(54)
Taxes paid	(904)	(934)	(160)	(477)
Dividends received, financial items and other payments	(1)	1 574	(73)	(7)
Cash flow before capital transactions	2 583	4 755	1 418	1 004
Dividends paid and purchase/sale of treasury shares	(4 063)	(7 740)	-	(4 974)
Cash flow before expansion	(1 480)	(2 985)	1 418	(3 970)
Expansion investments	(531)	(206)	(177)	(81)
Sale of companies (enterprise value)	47	12 520	47	12 373
Purchase of companies (enterprise value)	(1 080)	(901)	(258)	(164)
Net purchase/sale shares and financial assets	-	43	-	(3)
Net cash flow	(3 044)	8 471	1 030	8 155
Currency effects of net interest-bearing liabilities	21	(429)	(231)	(191)
Change in net interest-bearing liabilities	3 023	(8 042)	(799)	(7 964)
Net interest-bearing liabilities	3 037	14		
Net interest-bearing liabilities / EBITDA	0.5	0.0		

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 was lower at year end compared with 2017, primarily due to an increase in working capital and net replacement investments. Working capital in 2017 was affected by positive one-off effects. In 2018, there was a general increase in working capital, with significant variations from company to company, and steps were taken to prevent this in the future. At the end of 2018, the working capital turnover ratio in 2018 averaged 13%. The rise in net replacement investments was mainly related to the Group's ongoing ERP project, as well as factory improvement and restructuring programmes.

In 2017, Orkla received a dividend from Sapa totalling NOK 1,500 million.

In the course of the year, Orkla bought back own treasury shares equivalent to 2% of the number of shares outstanding for a total of NOK 1,435 million. In the fourth quarter of 2017, Orkla paid out an extraordinary dividend in connection with the sale of Sapa.

In 2018, expansion investments increased compared with 2017. The increase mainly consists of higher investments in Orkla Foods, including among others, the investment programme for pizza production at Stranda.

The Mrs. Cheng's brand was sold in the fourth quarter of 2018. In 2017 sold companies amounted to a total of NOK 12,520 million, of which Sapa constituted the largest share. Health and Sport Nutrition Group (HSNG) was the biggest acquisition in 2018.

Net cash flow for the Group amounted to NOK -3,044 million. Positive currency translation effects totalling NOK 21 million arising from exchange rate fluctuations reduced net interest-bearing liabilities. At year end, net interest-bearing liabilities amounted to NOK 3,037 million.

At the end of 2018, the equity ratio was 64.9%, compared with 65.2% as at 31 December 2017. The average remaining life of liabilities and unutilised credit lines is 4.0 years. Orkla's financial position is robust, with cash reserves and credit lines that exceed known future capital expenditures, and no large loans that fall due in the next two years.

Business areas

Branded Consumer Goods

Orkla Foods

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2018	2017	2018	2017
Operating revenues	16 000	16 126	4 366	4 384
- Organic revenue growth	*1.5%*	*1.4%*	*2.7%*	*1.3%*
EBIT (adj.)	2 048	2 055	651	689
EBIT (adj.) margin	12.8%	12.7%	14.9%	15.7%

- Orkla Foods saw a 0.4% decline in the fourth quarter
- Good organic sales growth in most markets
- Continued negative effects of significantly weakened Swedish krone
- Profit and margin negatively impacted by sales of businesses, factory-related projects and the negative timing effects compared to last year

Orkla Foods saw a 0.4% decline in sales in the fourth quarter due to the sale of businesses (K-Salat and Mrs. Cheng's) and currency effects arising from consolidation. However, it posted a 2.7% organic improvement due to good growth in all markets, except for the intentional winding-up of low-margin sales in Denmark. Sales in Norway showed good growth after a challenging period up to the end of the third quarter. Central Europe and India achieved especially good growth. In terms of categories, baking mixes and breakfast cereals made the biggest contribution to growth in the quarter.

Most of the markets saw profit growth in the fourth quarter. Growth was largely driven by higher sales, but also by cost improvements. Nonetheless, EBIT (adj.) fell by 5.5% in the fourth quarter due to negative currency effects arising from consolidation, the sale of businesses and higher costs due to factory-related projects. Furthermore, there were relatively substantial negative timing effects compared to last year, especially in Norway. Although there was positive growth in the EBIT (adj.) margin in most markets, it ended at 14.9% (15.7%)[1] for Orkla Foods for the above-mentioned reasons.

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

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–31.12. 2018	1.1.–31.12. 2017	1.10.–31.12. 2018	1.10.–31.12. 2017
Operating revenues	6 246	6 439	1 840	1 943
- Organic revenue growth	*-3.4%*	*3.1%*	*-4.5%*	*3.9%*
EBIT (adj.)	1 006	1 045	370	395
EBIT (adj.) margin	16.1%	16.2%	20.1%	20.3%

- Decline in operating revenues of 5.3 % in the fourth quarter
- Organic turnover decline in the fourth quarter
- Shift in timing of sales from the fourth quarter of 2018 to the first quarter of 2019 due to the reduction in confectionery tax as from 1 January 2019
- Profit boosted by cost improvement programmes

Orkla Confectionery & Snacks saw a 5.3% decline in operating revenues in the fourth quarter. Organic sales fell by 4.5%. Adjusted for the loss of the distribution agreement with Wrigley, sales declined by 1.2%. Fourth-quarter sales growth was negatively affected by temporary destocking by Norwegian grocery chains on account of the reduction in confectionery tax as of 1 January 2019. Sales performance in Denmark and Finland was good. There was positive growth in market shares, especially in Denmark and for confectionery in Norway.

EBIT (adj.) for Orkla Confectionery & Snacks declined by 6.3% in the fourth quarter. The fall in profit is primarily due to lower turnover, and to some extent weaker margins as a result of negative currency effects and higher energy prices. The decline was mitigated by cost improvement projects in the supply chain.

Orkla Care

Amounts in NOK million	1.1.–31.12. 2018	1.1.–31.12. 2017	1.10.–31.12. 2018	1.10.–31.12. 2017
Operating revenues	8 075	7 479	1 994	1 930
- Organic revenue growth	*-1.8%*	*2.9%*	*-5.2%*	*6.3%*
EBIT (adj.)	1 084	1 074	208	227
EBIT (adj.) margin	13.4%	14.4%	10.4%	11.8%

- Growth in operating revenues of 3.3% in the fourth quarter
- Organic sales decline of 5.2% driven by the weak performance of Orkla Health Poland
- Good growth for Home & Personal Care, Wound Care and Pierre Robert
- EBIT (adj.) margin decline arising from the dilutive effects of acquisitions and Health Poland

Orkla Care reported 3.3% growth in sales in the fourth quarter, chiefly driven by acquisitions. Organic sales fell by 5,2%. The decline was mainly related to negative organic growth in Orkla Health, primarily driven by weak sales in Poland and negative sales growth in the Nordic markets. The decline in Poland was caused by wholesaler destocking, while sales from wholesalers to retailers were relatively stable. Sales to wholesalers are therefore expected to normalise in 2019. Orkla House Care improved sales in the Nordic region, but saw a continued decline in sales in the British business, although profitability improved slightly. A major restructuring process has been initiated in the British operations which are expected to show gradual improvement in results in 2019.

Orkla Home & Personal Care achieved broad-based organic growth throughout the Nordic region, compared with a solid quarter in 2017. Orkla Wound Care saw good organic growth, driven by continued high market growth. Pierre Robert posted solid organic growth, primarily driven by high introductory product sales in Norway and Sweden.

The EBIT (adj.) margin was 10.4% (11.8%)[1] in the fourth quarter. The decline from 2017 was related to the dilutive effects from acquisitions and a significant fall in profit for Health Poland.

Orkla Food Ingredients

Amounts in NOK million	1.1.–31.12. 2018	1.1.–31.12. 2017	1.10.–31.12. 2018	1.10.–31.12. 2017
Operating revenues	9 562	8 703	2 486	2 410
- Organic revenue growth	*1.2%*	*0.5%*	*-0.9%*	*3.4%*
EBIT (adj.)	533	469	140	128
EBIT (adj.) margin	5.6%	5.4%	5.6%	5.3%

- Growth in operating revenues if 3.2% in the fourth quarter
- Positive contribution to profit from improvement and restructuring projects
- Positive impact on profit from active focus on prices in several markets

Orkla Food Ingredients posted an increase of 3.2% in fourth-quarter operating revenues. Organic sales declined by 0.9% due to volume losses of bakery ingredients (particularly margarine and fat products) in the Czech Republic, Slovakia and Poland and lower sales to certain industrial customers in Scandinavia (the majority of which were low-margin contracts). The vegan portfolio (Naturli') has continued to grow at the same rate as in earlier quarters due to frequent product launches and an expanding customer base.

EBIT (adj.) for Orkla Food Ingredients rose 9.4% in the fourth quarter. The improvement was largely related to higher profitability from sales of bread improvers and mixes in several markets outside Scandinavia, stronger focus on margin, and improvement and restructuring projects. Structural growth from acquisitions and the negative impact of currency translation exchange rates offset each other. The EBIT (adj.) margin was 5.6%, compared with 5.3% in 2017.

Orkla Investments

Hydro Power

	1.1.–31.12.		1.10.–31.12.	
	2018	2017	2018	2017
Volume (GWh)	2 320	2 729	658	735
Price* (øre/kWh)	42.2	27.4	46.0	29.5
EBIT (adj.) (NOK million)	390	316	132	103

*Source: Nord Pool Spot, Monthly System Price.

Fourth-quarter EBIT (adj.) for Hydro Power increased by 28% compared with 2017. The increase is mainly due to higher power prices than in 2017, while production volume was somewhat lower. Fourth-quarter operating costs were slightly higher, year over year, due to maintenance costs. At quarter end, the reservoir level in Sauda was slightly lower than normal. The reservoir level in Glomma was normal, while snowpack levels are far below normal in both western and eastern Norway.

Financial Investments

EBIT (adj.) for Orkla Financial Investments amounted to NOK -1 million (NOK -6 mill.)[1] in the fourth quarter. No real estate transactions were carried out in the period. The single most important project is the construction of a new head office, which is scheduled to be completed in the first quarter of 2019.

Jotun (42.6% interest)

Jotun continued to achieve growth in the fourth quarter, driven by higher sales for Decorative Paints, continued strong growth for Protective Coatings and price increases. Sales in Marine Coatings are still affected by the cyclical downturn in the shipping industry, but began to improve in the fourth quarter, especially in North East Asia. Given the higher profit in the fourth quarter, operating profit for the year is expected to be at the same level as in 2017. Operating profit for 2018 was still affected by higher raw material costs, but the sharp rise in raw material prices in 2017 and early 2018 has levelled off. This, combined with higher selling prices, stabilised the gross margin in the fourth quarter and profitability is gradually expected to improve going forward.

Growth for Decorative Paints and Protective Coatings is expected to continue, while the activity level in the market for Marine Coatings and Powder Coatings will be lower in 2019. However, the sale in Marine Coatings' performance is expected to improve towards the end of the year with increased deliveries to newbuildings.

Other matters

Stig Ebert Nilssen resigned from his position as Orkla Executive Vice President and CEO of Orkla Care as from 1 February 2019 to seek new challenges outside Orkla. Mr Nilssen has been a member of Orkla's Group Executive Board and CEO of Orkla Care since 2013. Lasse Ruud-Hansen has been appointed acting CEO of Orkla Care.

Oslo, 5 February 2019
The Board of Director of Orkla ASA

(This translation from Norwegian of Orkla's fourth quarter report of 2018 has been made for information purposes only.)

Condensed income statement

Amounts in NOK million	Note	1.1.–31.12. 2018	1.1.–31.12. 2017	1.10.–31.12. 2018	1.10.–31.12. 2017
Operating revenues	2	40 837	39 561	10 983	10 851
Operating expenses		(34 846)	(33 742)	(9 259)	(9 106)
Depreciation, amortisation and write-downs		(1 214)	(1 184)	(316)	(302)
EBIT (adj.)	2	4 777	4 635	1 408	1 443
Other income and expenses	3	(482)	(201)	(296)	(1)
Operating profit		4 295	4 434	1 112	1 442
Profit/loss from associates and joint ventures		264	313	(43)	(78)
Interest, net		(159)	(149)	(37)	(26)
Other financial items, net	7	(42)	(27)	(15)	(29)
Profit/loss before taxes		4 358	4 571	1 017	1 309
Taxes		(1 004)	(980)	(271)	(320)
Profit/loss continuing operations		3 354	3 591	746	989
Discontinued operations	11	-	5 066	-	42
Profit/loss for the period		3 354	8 657	746	1 031
Profit/loss attributable to non-controlling interests		82	75	2	8
Profit/loss attributable to owners of the parent		3 272	8 582	744	1 023

Earnings per share

Amounts in NOK	1.1.–31.12. 2018	1.1.–31.12. 2017	1.10.–31.12. 2018	1.10.–31.12. 2017
Earnings per share	3.24	8.43	0.74	1.00
Earnings per share for continuing operations	3.24	3.46	0.74	0.96

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.12. 2018	1.1.–31.12. 2017	1.10.–31.12. 2018	1.10.–31.12. 2017
Profit/loss for the period		3 354	8 657	746	1 031
Items after tax not to be reclassified to profit/loss in subsequent periods					
Actuarial gains and losses pensions		(66)	(30)	(66)	(30)
Changes in fair value shares		(4)	-	3	-
Items after tax to be reclassified to profit/loss in subsequent periods					
Change in unrealised gains on shares	4	-	(53)	-	-
Change in hedging reserve	4	70	75	(13)	7
Carried against equity in associates and discontinued operations	4	10	(1 026)	217	96
Translation effects	4	(40)	1 088	896	724
The Group's comprehensive income		3 324	8 711	1 783	1 828
Comprehensive income attributable to non-controlling interest		82	90		
Comprehensive income attributable to owners of the parent		3 242	8 621		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	31.12. 2018	31.12. 2017
Intangible assets		20 610	19 921
Property, plant and equipment		12 760	11 683
Associates, joint ventures and other financial assets	6	4 337	4 108
Non-current assets		37 707	35 712
Inventories		5 875	5 684
Inventory of development property		132	113
Trade receivables		5 990	6 165
Other receivables	6	814	883
Shares and financial assets		13	17
Cash and cash equivalents	6	1 978	4 834
Current assets		14 802	17 696
Total assets		52 509	53 408

Equity and liabilities

Amounts in NOK million	Note	31.12. 2018	31.12. 2017
Paid in equity		1 971	1 995
Earned equity		31 658	32 413
Non-controlling interests		451	430
Equity		34 080	34 838
Provisions and other non-current liabilities		4 626	4 734
Non-current interest-bearing liabilities	6	4 775	4 820
Current interest-bearing liabilities	6	455	359
Trade payables		4 907	4 940
Other current liabilities		3 666	3 717
Equity and liabilities		52 509	53 408
Equity ratio (%)		64.9	65.2

Condensed statement of changes in equity

	1.1.–31.12.2018			1.1.–31.12.2017		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interest	Total equity	Attributed to equity holders of the parent	Non-controlling interest	Total equity
Equity 1 January	34 408	430	34 838	33 474	402	33 876
The Group's comprehensive income	3 242	82	3 324	8 621	90	8 711
Dividends	(2 643)	(42)	(2 685)	(7 738)	(52)	(7 790)
Net purchase/sale of treasury shares	(1 378)	-	(1 378)	50	-	50
Change in non-controlling interests	-	(19)	(19)	1	(10)	(9)
Equity at close of period	33 629	451	34 080	34 408	430	34 838

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–31.12. 2018	1.1.–31.12. 2017	1.10.–31.12. 2018	1.10.–31.12. 2017
Cash flow from operations before capital expenditure		5 251	5 496	2 256	1 882
Received dividends and paid financial items		41	1 505	(66)	(55)
Taxes paid		(904)	(934)	(160)	(477)
Cash flow from operating activities		4 388	6 067	2 030	1 350
Net capital expenditure		(2 294)	(1 587)	(782)	(475)
Net sale (purchase) of companies	5	(925)	11 544	(156)	12 047
Net sale shares and financial assets		-	43	-	(3)
Other payments		(42)	69	(7)	48
Cash flow from investing activities		(3 261)	10 069	(945)	11 617
Net paid to shareholders		(4 063)	(7 740)	-	(4 974)
Change in interest-bearing liabilities and receivables		84	(4 783)	(388)	(4 709)
Cash flow from financing activities		(3 979)	(12 523)	(388)	(9 683)
Currency effects cash and cash equivalents		(4)	17	11	9
Change in cash and cash equivalents		(2 856)	3 630	708	3 293
Cash and cash equivalents	6	1 978	4 834		

Reconciliation operating activities against Orkla-format (see page 5)

IFRS cash flow				
Cash flow from operating activities	4 388	6 067	2 030	1 350
Net capital expenditure	(2 294)	(1 587)	(782)	(475)
Other payments	(42)	69	(7)	48
Cash flow from operating activities incl. capital expenditure	2 052	4 549	1 241	923
Orkla-format				
Cash flow before capital transactions	2 583	4 755	1 418	1 004
Expansion investments	(531)	(206)	(177)	(81)
Cash flow before capital transactions incl. expansion investments	2 052	4 549	1 241	923

Reconciliation cash and cash equivalents against net interest-bearing liabilities in Orkla-format (see page 5)

Change cash and cash equivalents IFRS cash flow	2 856	(3 630)	(708)	(3 293)
Change net interest-bearing liabilities IFRS cash flow	84	(4 783)	(388)	(4 709)
Net interest-bearing liabilities in purchased/sold companies	108	(75)	55	(162)
Total currency effect net interest-bearing liabilities	(21)	429	231	191
Currency effect cash and cash equivalents	(4)	17	11	9
Change net interest-bearing liabilities Orkla-format	3 023	(8 042)	(799)	(7 964)

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the full year 2018 were approved at the Board of Directors' meeting on 5 February 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.

Changes were made in Orkla's Group Executive Board as of 1 October 2018. The former Orkla Foods has been restructured internally as "Orkla Foods Nordic and Baltics" and "Orkla Foods International", but is still presented as a single operating segment externally. In the segment information, "HQ" is aggregated with Branded Consumer Goods. HQ activities are chiefly related to Branded Consumer Goods.

The Orkla-format statement of cash flows has been adapted to the new reporting structure and begins by presenting "Cash flow from operations Branded Consumer Goods incl. HQ". Orkla Hydro Power and Orkla Investments are similarly presented as an aggregated item.

The Group adopted two new IFRS standards as of 1 January 2018, IFRS 9 and IFRS 15.

Implementation of *IFRS 9 Financial Instruments* has little relevance for the Group and none of the standard's rules regarding classification, impairment testing or hedge accounting will materially affect the financial statements. Historical figures have not been restated and no changes have been made in the statement of changes in equity. The hedging relationships that qualify for hedge accounting under IAS 39 will continue to quality under IFRS 9. In future, moreover, more hedging relationships may qualify for hedge accounting under IFRS 9. This will not have any material effect on the financial statements either. As at 31 December 2018, Orkla had only a limited number of financial assets in the statement of financial position. A new set of rules prescribing whether changes in the value of this type of asset are to be recognised in the ordinary income statement or merely reflected in the statement of comprehensive income will therefore have no material effect. The Group has decided that shares of this type are to be reported in the comprehensive income statement. The switch from an "incurred loss model" to an "expected loss model" has no material effect on the valuation of trade receivables.

IFRS 15 Revenue from Contracts with Customers provides a comprehensive framework for revenue recognition. The main message in IFRS 15 is that different performance obligations in the contract must be identified and expected consideration must be reported as revenue according to a pattern that reflects the transfer of the delivery, goods or services to the customer. Having examined in detail the companies' recognition of revenue in the light of the new standard, Orkla has determined that the standard does not entail material changes in revenue recognition compared with earlier years. The Group's deliveries largely consist of sales of consumer goods to wholesalers. On the whole, sales are considered to be isolated performance obligations that have been satisfied and recognised in income when goods are transferred to the counterparty, either when they leave the Group's factory premises or when they arrive at the customer's property. Sales are recognised as revenue at the expected value of the consideration after deducting benefits to customers including estimated bonus payments, discounts, joint marketing activities and markdowns of seasonal goods. The sales revenue is presented after deduction of value-added tax and other types of indirect taxes such as a sugar tax. The Group has applied a retrospective method for implementing the new revenue recognition standard. Implementation has not entailed any changes in comparative figures nor any effect on the Group's statement of changes in equity.

The new *IFRS 16 Leases* entered into force on 1 January 2019 and requires that discounted right-of-use assets and associated payment liabilities be recognised in the statement of financial position. Orkla has chosen to use the modified retrospective method in implementing IFRS 16, which thereby gives rise to an equity effect upon implementation, but the comparative figures do not change. In 2018, all leases in the Group were registered and right-of-use assets and lease liabilities were calculated. At the same, it was determined that Orkla's leasing agreements with Statkraft, whereby AS Saudefaldene has use of all stations until 2030, are deemed to fall within the scope of IFRS 16.

Based on the preliminary review, the Orkla Group will have capitalised right-of-use assets totalling around NOK 1.3 billion, while leasing liabilities will amount to around NOK 1.4 billion. This reduces the equity ratio by around 1.7%. Under the new rules, the capitalised leases will have to be written off over the lease period and presented together with the Group's other write-offs. The interest effect of the discounting will be presented as a financial item. This entails a limited increase in the Group's operating profit.

More detailed information on the implementation of IFRS 16 will be provided in the annual financial statements for 2018.

The Group has amended its Long-Term Incentive (LTI) programme. The new programme is based on a new entitlement model and will apply as from 2019. The bonuses in the current programme were earned in full in 2017.

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 and 13.

The Group sold its 50% stake in Sapa at the end of September 2017. Sapa's results are presented on a separate line as "Discontinued operations" in the comparative figures (see Note 11).

NOTE 2 SEGMENTS

	Operating revenues				EBIT (adj.)			
	1.1.–31.12.		1.10.–31.12.		1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017
Orkla Foods	16 000	16 126	4 366	4 384	2 048	2 055	651	689
Orkla Confectionery & Snacks	6 246	6 439	1 840	1 943	1 006	1 045	370	395
Orkla Care	8 075	7 479	1 994	1 930	1 084	1 074	208	227
Orkla Food Ingredients	9 562	8 703	2 486	2 410	533	469	140	128
Eliminations Branded Consumer Goods	(291)	(237)	(79)	(80)	-	-	-	-
Branded Consumer Goods	39 592	38 510	10 607	10 587	4 671	4 643	1 369	1 439
HQ/Eliminations	34	52	1	4	(284)	(332)	(92)	(93)
Branded Consumer Goods incl. HQ	39 626	38 562	10 608	10 591	4 387	4 311	1 277	1 346
Hydro Power	1 025	866	307	247	390	316	132	103
Financial Investments	200	161	63	21	0	8	(1)	(6)
Orkla Investments	1 225	1 027	370	268	390	324	131	97
Eliminations	(14)	(28)	5	(8)	-	-	-	-
Orkla	40 837	39 561	10 983	10 851	4 777	4 635	1 408	1 443

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–31.12. 2018	1.1.–31.12. 2017	1.10.–31.12. 2018	1.10.–31.12. 2017
M&A and integration costs	(129)	(149)	(83)	(56)
Final settlement employment relationships etc.	(114)	(89)	(83)	(33)
Gain/write-downs relating to coordination projects	(1)	192	(1)	190
Restructuring costs and other items	(238)	(155)	(129)	(102)
Total other income and expenses	(482)	(201)	(296)	(1)

Largest items in other income and expenses

Amounts in NOK million	1.1.–31.12. 2018	1.1.–31.12. 2017
Acquisition costs (M&A)	(64)	(46)
Restructuring Harris UK (2018) / Integration Harris (2017)	(57)	(37)
Relocation of vegetable production from Finland	(62)	-
Restructuring sales organisation	(39)	-
Relocation of cordial production from Denmark to Kumla in Sweden	(28)	-
Gain and restructuring in connection with sale of K-Salat and Pastella	-	82
Costs new common ERP project (Project One)	-	(42)
Restructuring administrative functions OHPC	-	(40)

Other income and expenses as at 31 December 2018 are the sum total of many different projects and initiatives. The largest single items are presented in the table above.

The UK business in House Care has delivered a weak performance since it was acquired in September 2016. A project has been initiated to bring profitability back to at least the level at which Orkla purchased the business. The project was formally approved in the fourth quarter. Inventories have been written down and provisions have been made. The project will mainly consist of a relaunch of the Harris brand with a substantial simplification of the complexity of both product assortment and inventory structure.

Changes are taking place in Orkla's framework conditions, and both Rema 1000 (1 January 2018) and COOP (from 1 July 2019) have terminated their merchandising agreements. As a result, winding-up and restructuring costs relating to the sales organisation are being incurred.

Other net expenses consist of the sale of a brand and the costs of various projects related to the constant development of the Group. Both One Orkla initiatives have been launched and a number of coordination and improvement projects are in progress. New projects concern the coordination of Orkla Care companies in Sweden and Finland, while the ongoing projects related to the coordination of chocolate production in Latvia and a competitiveness project in Kungälv, both implemented by Orkla Confectionery & Snacks, coordination projects in Orkla Food Ingredients and several projects in Orkla Foods will continue for some time to come. The pizza project in Stranda has been divided into several stages and early project costs in each stage will be expensed. The main project will be capitalised. Write-downs of fixed assets and inventories (Harris) in "Other income and expenses" amount to NOK 89 million.

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of shares and financial assets (unrealised gains) and hedging instruments (hedging reserve). These figures are presented after tax. The tax effect as at 31 December 2018 related to changes in unrealised gains is NOK 0 million (NOK 0 million in 2017), and the tax effect related to changes in the hedging reserve amounts to NOK 20 million (NOK 27 million in 2017).

Unrealised gains/losses on shares and the hedging reserve included in equity as at 31 December 2018 (after tax) totalled NOK 0 million and NOK -158 million, respectively. Accumulated translation differences correspondingly amounted to NOK 1,524 million, and accumulated items recognised in equity in associates amounted to NOK 224 million as at 31 December 2018.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Sales

In the fourth quarter, Orkla sold 100% of the Mrs Cheng's brand to Continental Foods. The purpose of the sale is to concentrate activities on fewer categories. The brand, which has a product portfolio of soya sauces and Thai casserole bases in Sweden, had net sales totalling SEK 23.5 million (approx. NOK 21.6 million) in 2017.

Acquisitions in the fourth quarter

Orkla Food Ingredients purchased the British chocolate and caramel manufacturer County Confectionery Ltd. The company has 95 employees, and had turnover of GBP 8.6 million (approx.. NOK 94 million) in the financial year ending in May 2018. The company was consolidated into Orkla's financial statements as of 1 October 2018.

In December, Orkla Foods purchased the Pama brand. Pama is a local brand for porridge rice products for consumers in Denmark and Sweden. Orkla Foods Denmark is currently distributor for Pama products on behalf of PepsiCo. The agreement covers the purchase of the Pama brand, and includes no employees or production facilities.

Orkla has purchased 11% of the shares in the company Kotipizza; see further information in Note 13.

There were otherwise only small acquisitions in the fourth quarter.

Other acquisitions

Orkla Care purchased the Swedish company Health and Sports Nutrition Group HSNG AB ("HSNG"). HSNG runs the e-commerce portals Gymgrossisten and Bodystore, and is the biggest online health and sports nutrition player in the Nordic region. HSNG has around 170 employees. For the last rolling 12 months as at 1 October, HSNG's turnover totalled SEK 772.8 million (approx. NOK 757 million) and EBITDA was SEK 38.4 million (approx. NOK 38 million). The company was consolidated into Orkla's financial statements as of 1 February 2018.

Orkla Foods purchased the Danish bakery Struer Brød A/S ("Struer"). Struer produces breakfast cereals and breadcrumbs, and Orkla was its most important customer. Struer has 44 employees. In 2016, Struer had a turnover of DKK 114 million (approx. NOK 148 million), about half of which consisted of sales to Orkla, and EBIT of DKK 9.8 million (approx. NOK 13 million). The company was consolidated into Orkla's financial statements as of 1 February 2018.

Orkla Care increased its ownership stake in the joint venture company Anza Verimex NV to 50%. At the same time, Orkla took over 50% of the painting tool operations in PGZ International B.V. ("PGZ"). Combined, these companies are market leader in this category in the Netherlands and Belgium. The companies had an aggregate turnover of just under EUR 20 million (approx. NOK 190 million) in 2017 and around 20 employees. The company's results are reported on the line for "Profit from associates and joint ventures" using the equity method. The company was consolidated into Orkla's financial statements as of 1 April 2018.

Orkla Food Ingredients purchased a majority shareholding in the Swedish sales and distribution company Werners Gourmetservice AB ("Werners"). Werners is market leader in Sweden for premium products for restaurants, confectioners and professional chefs, and has also established a presence in Denmark, Finland and Norway. Werners has a total of around 60 employees. The company's turnover was approximately SEK 180 million (approx. NOK 167 million) for the financial year that ended in April 2018. The company was consolidated into Orkla's financial statements as of 1 May 2018.

Orkla Food Ingredients purchased the Danish marmalade and fruit fillings manufacturer Igos A/S. The company has 17 employees, and had a turnover of DKK 44 million (approx. NOK 56 million) and EBIT of DKK 2.9 million (approx. NOK 3.7 million). The company was consolidated into Orkla's financial statements as of 1 July 2018.

Orkla purchased 67% of the Danish pizza restaurant chain Gorm's. Gorm's is market leader in the premium pizza restaurant segment in Denmark. The investment in Gorm's will give Orkla a prominent position in a new sales channel with good growth. Under the agreement, Orkla will have the opportunity to increase its stake to 100% ownership after an agreed period of time. The business had a total turnover of DKK 48 million (NOK 62 million) for the financial year ending 30 June 2017 and EBITDA of DKK 3 million (NOK 4 million). Gorm's has around 170 employees. The company was consolidated into Orkla's financial statements as of 1 April 2018, and is reported under Orkla Investments.

Other matters
As at 31 December 2018, Orkla had purchased companies for a total of NOK 1,080 million on a debt-free basis. See also Note 13 for agreements entered into on the purchase of companies.

With regard to the companies acquired in 2017, all the purchase price allocations were finalised as at 31 December 2018. 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 shown in the following table:

Amounts in NOK million	31.12. 2018	31.12. 2017
Non-current interest-bearing liabilities	(4 775)	(4 820)
Current interest-bearing liabilities	(455)	(359)
Non-current interest-bearing receivables (in "Financial Assets")	209	276
Current interest-bearing receivables (in "Other receivables")	6	55
Cash and cash equivalents	1 978	4 834
Net interest-bearing liabilities	(3 037)	(14)

NOTE 7 OTHER FINANCIAL ITEMS, NET

The various elements of other financial items, net, are shown in the following table:

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2018	2017	2018	2017
Gains, losses and write-downs shares and financial assets	-	47	-	(1)
Dividends	3	7	-	-
Net foreign currency gain/loss	(3)	(3)	(5)	(4)
Interest on pensions	(17)	(58)	18	(25)
Other financial items	(25)	(20)	(28)	1
Total	(42)	(27)	(15)	(29)

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 31 December 2018.

The Group has intercompany balances totalling NOK 27 million with associates within Orkla's real estate investments.

NOTE 9 TREASURY SHARES

The number of treasury shares held by Orkla changed as follows in the course of 2018.

Change in number of treasury shares:	
Treasury shares 1 January 2018	176 933
External purchases of treasury shares	20 000 000
Sale of shares to employees	(766 674)
Treasury shares 31 December 2018	19 410 259

The shares are mainly purchased for cancellation purposes.

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 has been initiated to bring profitability back to at least the level at which Orkla purchased the business. The situation in Harris will be closely monitored, and future sub-targets have been defined in the project that must be achieved in order to avoid impairment. For further information, see Note 3.

As at 31 December 2018, there were otherwise no indications of any impairment in the value of any other of the Group's assets. Write-downs presented in Note 3 "Other income and expenses" are due to the restructuring of operations.

As a result of the roll-out of a new common ERP template (Project One), it may be necessary to write down existing ERP systems that become superfluous. Any write-downs will be recognised as "Other income and expenses" as and when the individual companies decide to start the roll-out.

NOTE 11 DISCONTINUED OPERATIONS

In 2017, Orkla sold its 50% interest in Sapa. The results from Sapa are presented separately from the line "Profit/loss from associates and joint ventures" and have been transferred to the line "Discontinued operations" in the comparative figures. "Earnings per share for continuing operations" present the Group's earnings minus the share of profit or loss from Sapa.

Profit and loss as at 31 December 2018 are as follows:

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2018	2017	2018	2017
Profit from joint venture	-	800	-	-
Gain on sale	-	4 266	-	42
Discontinued operations	-	5 066	-	42

NOTE 12 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 2018:				
Assets				
Investments	157	-	94	251
Derivatives	-	102	-	95
Liabilities				
Derivatives	-	361	-	368
31 December 2017:				
Assets				
Investments	-	-	85	85
Derivatives	-	166	-	166
Liabilities				
Derivatives	-	373	-	373

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

NOTE 13 OTHER MATTERS

On 22 November 2018, Orkla made a tender offer to purchase all the shares in Kotipizza Group Oyj ("Kotipizza"). In February, the final results of the offer showed that the acceptances received represented approximately 99.29% of all shares and votes in Kotipizza. Orkla purchased 11% of the shares in the market before the end of the year. All of the conditions have now been fulfilled, and Orkla will consequently complete the share purchase offer in accordance with its conditions. Orkla intends to acquire 100% ownership of Kotipizza, which means that a subsequent offer period and the process of compulsory acquisition of the remaining Kotipizza shares will now be initiated.

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. Kotipizza was listed on Nasdaq Helsinki. 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 net aggregate 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).

Orkla has entered into an agreement to purchase 90 percent 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 parties have agreed on a purchase price that values the company at DKK 330 million (approx. NOK 433 million). The agreement is subject to the approval of the Danish competition authorities.

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

On 12 April 2018, the General Meeting of Orkla ASA adopted a resolution to pay out the proposed dividend of NOK 2.60 per share. The dividend, totalling over NOK 2.6 billion, was paid to shareholders on 25 April 2018.

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. The Group also uses organic growth performance as a factor in assessing executive remuneration for 2018 (paid out in 2019), but this will not apply from 2019.

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 prior to 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. 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 including Headquarters is shown directly in the text.

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 which is considered to be investments in either new geographical markets or new categories, or which represents significant increases in capacity.

Net replacement investments 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) 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 5.

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 bonds, bank loans, other loans, financial leasing and interest-bearing derivatives. Interest-bearing receivables include liquid assets, interest-bearing derivatives, and other interest-bearing assets.

Net interest-bearing liabilities constitute the Group's primary management parameter for funding and capital allocation, and are actively used in the Group's financial risk management strategy. The Orkla format cash flow statement therefore shows the change in net interest-bearing liabilities (see page 5).

Net interest-bearing liabilities are reconciled in Note 6.

Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Agrimex, Struer, Riemann, HSNG, Orchard Valley, SR-Food, Arne B. Corneliussen, Werners, County's and various minor acquisitions in Orkla Food Ingredients, and adjustment for the sale of K-Salat and Mrs. Cheng's.

Organic growth per business areas

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

	1.1.–31.12.2017				1.10.–31.12.2017			
Sales revenues changes %	FX	Structure	Organic growth	Total	FX	Structure	Organic growth	Total
Orkla Foods	0.5	2.3	1.4	4.2	4.5	-1.1	1.3	4.7
Orkla Confectionery & Snacks	0.3	-	3.1	3.4	4.4	-	3.9	8.2
Orkla Care	-0.1	8.2	2.9	11.0	3.6	1.7	6.3	11.6
Orkla Food Ingredients	0.7	5.5	0.5	6.6	5.7	7.2	3.4	16.3
Branded Consumer Goods	0.4	3.7	1.6	5.7	4.6	1.4	2.8	8.8

Underlying EBIT (adj.) changes with corresponding figures for Branded Consumer Goods incl. HQ

EBIT (adj.) changes %	FX	Structure	Underlying growth	Total
1.1.–31.12.2018	-0.2	1.2	0.8	1.8
1.10.–31.12. 2018	-1.3	-0.3	-3.5	-5.1

EBIT (adj.) changes %	FX	Structure	Underlying growth	Total
1.1.–31.12.2017	0.5	2.6	5.2	8.4
1.10.–31.12.2017	4.5	-0.4	11.7	15.8

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

		Underlying			
EBIT margin growth changes %-points	FX/ Structure	Variable cost	Other	Total	EBIT (adj.)-margin 2018 (%)
1.1.–31.12.2017	-0.1	-0.2	0.6	0.3	11.2

Figures may not add up due to rounding-off.

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.