First half 2018

The first half in brief

- Branded Consumer Goods achieved 4.7% turnover growth in the first half of 2018. Organic turnover growth, adjusted for the loss of the distribution agreement with Wrigley, was 0.7%.
- Good growth in the Finnish and Central European companies.
- Ice cream ingredients showed good growth in the second quarter, compensating for the weak start to the season.
- Sales growth in Scandinavia was weaker than last year. This applied in particular to Norway, where the level of campaign activity to promote Orkla products was lower and volume declined as a result of the sugar tax.
- Flat underlying margin growth for the first half, with some improvement in the second quarter.
- Changes are being made in the Group Executive Board to strengthen strategic priorities.

Key figures for the Orkla Group as at 30 June

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

Amounts in NOK million	1H-2018	Δ vs 2017	2Q-2018	Δ vs 2017	R12M
Branded Consumer Goods					
Operating revenues	19 202	4.7%	9 705	2.1%	39 373
- Organic revenue growth		*-0.1%*		*-0.2%*	
EBIT (adj.)	1 992	2.8%	1 050	3.3%	4 698
EBIT (adj.) margin	10.4%	-0.2%-p	10.8%	0.1%-p	11.9%
- Underlying margin growth		*0.0%-p*		*0.2%-p*	
Group					
Operating revenues	19 728	4.6%	10 017	2.5%	40 437
EBIT (adj.)	2 016	4.7%	1 119	9.2%	4 726
Profit/loss from associates and JVs	191	-34%	105	-9%	216
Profit/loss before taxes	1 977	1%	1 091	13%	4 598
Earnings per share from continuing operations (NOK)	1.49	-1.3%	0.82	9.3%	3.43

President and CEO Peter A. Ruzicka comments:
Orkla continues to achieve good growth in Central Europe, Finland and India, but growth in Scandinavia and especially Norway has been weak. Several of the Norwegian companies have seen lower product campaign activity and lower demand, partly due to a drastic increase in sugar tax.

We are continuing our efforts to improve our supply chain efficiency and, in the second quarter, have announced the closure and restructuring of another two factories. Equally important is our ongoing work to continuously improve production and procurement which, combined with restructuring, made a positive contribution to the development in cost base.

Orkla is making changes in its Group Executive Board. The purpose is to strengthen the Group's strategic priority areas and utilise our executive leadership team in the best possible way.

Our focus in the future will be on turning performance around in our Norwegian companies, while continuing our efficiency improvement work and our efforts to reorient our portfolio towards categories, channels and geographies with higher growth.

Market growth

Most of the markets in which Orkla's branded consumer goods business has a presence have seen moderate growth recently. Since the start of the year, the Norwegian market has been impacted by the substantial increase in the sugar tax, which has resulted in price increases and declining volumes in the retail sector in the categories affected.

The global FAO Food Price index has been relatively stable in the first half of 2018, but the trend for raw materials in the index has varied. Foreign currency fluctuation also contributes to higher procurement costs, and the weakening of the Swedish krone against the euro has had a particularly negative effect on purchasing prices in the first half compared with the same period of last year.

Branded Consumer Goods' performance

Sales revenues changes %	FX	Structure	Organic growth	Total
1.1.–30.6.2018	1.5	3.3	-0.1	4.7
1.4.–30.6.2018	-0.5	2.8	-0.2	2.1

Turnover growth for Branded Consumer Goods in the first half was driven by acquisitions and positive currency translation effects. Organic turnover dropped 0.1%, but improved by 0.7% when adjusted for the loss of the distribution agreement with Wrigley. Organic growth was largely driven by good development in Central Europe and Finland. Moreover, Orkla Food Ingredients delivered good growth driven by ice cream ingredients, vegan products and bakery ingredients. In the first half, the Norwegian market has seen lower campaign activity to promote Orkla products in Orkla Foods and Orkla Confectionery & Snacks, partly due to the higher sugar tax.

		Underlying			
EBIT (adj.) margin growth changes %-points	FX/ Structure	Variable cost	Others	Total	EBIT (adj.)-margin 2018 (%)
1.1.–30.6.2018	-0.2	0	0	-0.2	10.4
1.4.–30.6.2018	-0.1	0.3	0	0.1	10.8
Figures may not add up due to rounding.					

Branded Consumer Goods' EBIT (adj.) margin was reduced by 0.2 percentage points in the first half due to the dilutive effects from acquired companies. The negative underlying development from the first quarter was turned around, resulting in flat underlying growth for the first half as a whole.

The margin improvement in the second quarter was mainly driven by the effects of earlier price increases to compensate for higher raw material costs. Raw material prices have stabilised, but the currency effects arising from raw material sourcing remain a challenge. Cost reduction programmes are still generating good effects, and part of the savings has been reinvested in new growth areas. Lower advertising costs were partly offset by higher periodic costs related to the employee share purchase programme.

Orkla will continue its efforts to rationalise its existing operations through its factory restructuring programme and by extracting synergies from acquired companies. In the first half of 2018, another two factories were shut down, and eight are in the process of closing. In June, the Board of Directors of Orkla ASA decided to consolidate the Group's biscuits production, and to build a new biscuit factory outside Riga, Latvia. As a result of this decision, the present biscuits production operations in Kungälv, Sweden and in Riga are to be closed down and moved to the new factory. This change will be implemented by the end of 2022, and is part of the Group's strategy of concentrating production in fewer, but more efficient factories. In May, moreover, the Board of Directors of Orkla Foods Finland decided to discontinue production of vegetables and herring in Turku, Finland. The factory is planned closed by the end of 2018.

Structural measures (M&A)

In the first half of 2018, Orkla Food Ingredients continued to expand in sales and distribution business by acquiring a majority shareholding in the Swedish sales and distribution company Werners. This acquisition supplements Orkla's strong position as supplier in the bakery, confectionery and café sectors in Sweden. In July, Orkla Food Ingredients purchased the Danish company Igos A/S, thereby expanding its assortment of marmalades and fruit fillings.

In the first quarter, Orkla Care completed its purchase of the Swedish company Health and Sport Nutrition Group (HSNG) to further strengthen its presence in digital marketing and sales. Orkla Care also increased its presence in painting tools in the Netherlands and Belgium through transactions in Anza Verimex NV and PGZ International B.V. In the first quarter, Orkla Foods completed its purchase of the Danish bakery Struer Brød A/S, which produces breakfast cereals and for which Orkla is the most important customer. Through Orkla Investments, Orkla invested in the Danish pizza restaurant chain Gorm's in the first quarter. The investment in Gorm's gives Orkla a position in the Danish pizza market and in a new sales channel with good growth.

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

Outlook

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 in strength at the expense of major global manufacturers. With over 300 local brands and a strong focus on innovations, Orkla is well positioned for this shift. Furthermore, consumers are moving away from traditional channels in many product categories. Orkla is addressing this change in various ways, including intensifying its 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 the new channels.

Financial matters - Group

Main figures profit/loss

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2018	2017	2017	2018	2017
Operating revenues	19 728	18 852	39 561	10 017	9 771
EBIT (adj.)	2 016	1 925	4 635	1 119	1 025
Other income and expenses	(124)	(203)	(201)	(97)	(116)
Operating profit	1 892	1 722	4 434	1 022	909
Profit/loss from associates and joint ventures	191	288	313	105	115
Interest and financial items, net	(106)	(60)	(176)	(36)	(57)
Profit/loss before taxes	1 977	1 950	4 571	1 091	967
Taxes	(410)	(370)	(980)	(234)	(185)
Profit/loss continuing operations	1 567	1 580	3 591	857	782
Discontinued operations	-	585	5 066	-	273
Profit/loss for the period	1 567	2 165	8 657	857	1 055
Earnings per share from continuing operations (NOK)	1.49	1.51	3.46	0.82	0.75

Group operating revenues increased by 5% in the first half of 2018, primarily driven by structural growth and positive currency translation effects arising from consolidation in Branded Consumer Goods.

In the same period, the Group achieved EBIT (adj.) growth of 5%. Currency translation effects arising from consolidation had a positive effect of NOK 14 million on Branded Consumer Goods. Good growth in Orkla Investments was driven by higher profit for Hydro Power and revenue deriving from a past real estate transaction in Orkla Investments.

The Group's other income and expenses totalled NOK -124 million in the first half, related in part to acquisitions and integration, as well as the costs of the pre-project for the Group's ERP project.

The Group's first-half operating profit grew by 10% from the same period of last year.

Profit from associates declined in the first half on account of weaker results from Jotun.

Net interest expense increased in the first half despite the lower gross debt level. The average borrowing rate was 3.5% in the period, compared with 1.7% in 2017, due to the higher proportion of debt at fixed interest rates. Moreover, there were non-periodic costs related to interest rate hedges. The change in other net financial items from the same period of last year is explained by the gain on the sale of Orkla's remaining shareholdings in the Solsten Nordic Equities Fund in the first quarter of 2017.

Tax for the first half of 2018 increased, year over year, mainly due to the increase in economic rent tax related to power operations in Norway. Earnings per share for continuing operations amounted to NOK 1.49 in the first half, approximately on a par with last year.

Profit for discontinued operations in 2017 consists entirely of profit from Sapa.

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 2018. Reference is made to page 11 for the consolidated 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	2018	2017	2017	2018	2017
Operating profit*	1 882	1 717	4 423	1 009	911
Amortisation, depreciation and impairment charges*	602	625**	1 313	300	298
Gains from operations moved to capital expenditures and sale of companies*	-	(2)	(299)	1	(1)
Changes in net working capital*	(722)	(296)	18	(148)	(134)
Net replacement expenditures*	(684)	(484)	(1 050)	(302)	(244)
Cash flow from operations*	1 078	1 560	4 405	860	830
Cash flow from operations, Financial Investments	(130)	(84)	(290)	(94)	(78)
Taxes paid	(689)	(365)	(934)	(213)	(142)
Dividends received, financial items and other payments	4	1 523	1 574	(31)	1 508
Cash flow before capital transactions	263	2 634	4 755	522	2 118
Dividends paid and purchase/sale of treasury shares	(3 355)	(2 754)	(7 740)	(3 351)	(2 640)
Cash flow before expansion	(3 092)	(120)	(2 985)	(2 829)	(522)
Expansion investments	(245)	(114)	(206)	(210)	(60)
Sale of companies (enterprise value)	-	147	12 520	-	41
Purchase of companies (enterprise value)	(769)	(731)	(901)	(289)	(531)
Net purchase/sale shares and financial assets	-	46	43	-	(42)
Net cash flow	(4 106)	(772)	8 471	(3 328)	(1 114)
Currency effects of net interest-bearing liabilities	257	(464)	(429)	107	(362)
Change in net interest-bearing liabilities	3 849	1 236	(8 042)	3 221	1 476
Net interest-bearing liabilities	3 863	9 292	14		
Net interest-bearing liabilities / EBITDA (R12M)	0.7	1.7	0.0		

*Excluding Financial Investments.
**The amount includes NOK 43 million in write-down of property, plant and equipment due to discontinuing the production of mayonnaise-based salads (Denja).

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 Financial Investments) was lower in the first half of 2018 than in the corresponding period of last year, chiefly due to increased working capital and higher net replacement investments. There was a seasonal build-up of working capital in the first half, but the level was higher than in the same period of last year. Working capital in 2017 reflected positive non-recurring effects, but the level in 2018 is nonetheless high. The working capital level varies significantly from one company to another, and steps have been taken to remedy this situation in future. The increase in net replacement investments was mainly related to higher IT investments in the Group, as well as current factory improvement and restructuring programmes.

Tax paid increased, year over year, largely due to timing differences in accounting for tax paid in Norway and Denmark.

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

The increase in dividends paid and purchased and sold treasury shares is mainly due to the purchase of treasury shares and the sale of shares to employees.

No companies were sold in the first half, whereas companies in Orkla's real estate portfolio were sold for NOK 147 million in 2017. Companies were mainly purchased by Branded Consumer Goods, the largest acquisition being HSNG.

Net cash flow for the Group amounted to NOK -4,106 million. Positive translation effects of NOK 257 million arising from exchange rate fluctuations helped to reduce net interest-bearing liabilities, which totalled NOK 3,863 million.

As at 30 June 2018, the equity ratio was 64.8%, compared with 65.2% as at 31 December 2017. The average remaining life of long-term liabilities and unutilised credit lines is 4.5 years. Orkla's financial position is robust, with substantial cash reserves and credit lines, and no large loans that fall due in the next three years.

Business areas

Branded Consumer Goods

Orkla Foods

Amounts in NOK million	1H-2018	Δ vs 2017	2Q-2018	Δ vs 2017	R12M
Operating revenues	7 697	-0.5%	3 845	-3.3%	16 088
- Organic revenue growth		*1.0%*		*0.4%*	
EBIT (adj.)	839	1.6%	439	1.2%	2 068
EBIT (adj.) margin	10.9%	0.2%-p	11.4%	0.5%-p	12.9%

- Organic sales growth in Central Europe, India and Finland
- The EBIT (adj.) margin was 0.2 percentage points higher than last year due to cost improvements and lower advertising costs

Orkla Foods saw a 0.5% decline in sales in the first half due to the disposal of a business in Denmark. However, it posted organic growth of 1.0%, where good growth in Central Europe, India and Finland was partly offset by weak volume growth in Scandinavia. Sales in Norway were particularly disappointing, the primary causes being category-related shifts in retailers' campaign patterns and consumers being charged higher prices by the Norwegian grocery chains. These factors impacted on volume growth in key categories.

The biggest innovations in the first half were TORO flavour bases and pizza launches under the Grandiosa and Big One brands. Both the bases and the pizzas were well received in the market and boosted sales growth. Launches under the Anamma vegetarian brand in Sweden also contributed positively so far this year. Market share growth remains a challenge for Foods, especially in categories outside its core areas.

EBIT (adj.) rose by 1.6% in the first half of 2018. Cost improvements and lower advertising costs than in 2017 made a positive contribution, while growth was affected by the previously mentioned decline in sales in Scandinavia. Structural effects also impacted negatively on profit. The EBIT (adj.) margin was 10.9% (10.7%)[1].

Orkla Confectionery & Snacks

Amounts in NOK million	1H-2018	Δ vs 2017	2Q-2018	Δ vs 2017	R12M
Operating revenues	2 888	-2.8%	1 435	-6.0%	6 356
- Organic revenue growth		*-4.4%*		*-5.9%*	
EBIT (adj.)	358	-7.5%	171	-8.1%	1 016
EBIT (adj.) margin	12.4%	-0.6%-p	11.9%	-0.3%-p	16.0%

- Flat organic sales growth in the first half after adjustment for loss of a distribution agreement with Wrigley
- Generally weak volume growth for the confectionery category in Norway, due in part to the increased sugar tax, cross-border shopping and a shift in campaign focus
- Good sales growth outside Norway
- Cost improvement programmes continued to boost profit

Orkla Confectionery & Snacks saw a decline of 2.8% in first-half operating revenues and a 4.4% organic sales decline. Adjusted for the loss of a distribution agreement with Wrigley, organic growth was flat. The launch of chewing gum under Orkla's own Solidox brand was well received in the Norwegian market, in line with the ambition. A substantial increase (83%) in the sugar tax in Norway as from 1 January 2018 has resulted in high increases in chocolate and confectionery prices. Volume growth in the market has been negative, especially in the second quarter. There has been significant growth in cross-border shopping and duty-free imports, as well as in closely related categories that are not subject to the increased tax. Organic sales growth was good outside Norway.

EBIT (adj.) for Orkla Confectionery & Snacks fell by 7.5% in the first half of 2018. Cost improvement projects in the supply chain made a positive contribution, but were counteracted by low volume growth in Norway. Overall, the other markets saw good growth. The EBIT (adj.) margin was 12.4% at the end of the first half, equivalent to a reduction of 0.6 percentage points driven in part by volume decline and the weakening of the Swedish krone which impacted on procurement costs.

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

Orkla Care

Amounts in NOK million	1H-2018	Δ vs 2017	2Q-2018	Δ vs 2017	R12M
Operating revenues	4 108	11.9%	2 032	12.1%	7 916
- Organic revenue growth		*0.4%*		*1.3%*	
EBIT (adj.)	562	8.1%	264	7.8%	1 116
EBIT (adj.) margin	13.7%	-0.5%-p	13.0%	-0.5%-p	14.1%

- Turnover and EBIT (adj.) growth, primarily driven by acquisitions
- EBIT (adj.)-margin decline arising from the dilutive effects of acquisitions and higher procurement costs due to the weaker Norwegian and Swedish krone
- Growth negatively impacted by continued decline in House Care UK

Orkla Care achieved 11.9% growth in first-half sales. Organic sales growth was 0.4%. The improvement was mainly attributable to good growth for Pierre Robert Group and Lilleborg, related to both new launches and broader distribution. Orkla Health had negative organic growth, partly related to somewhat weak market growth in the Nordic markets in particular, and to strong comparative figures from last year. House Care achieved organic growth in most of its markets, but the continued decline in sales for the British business resulted in negative growth. House Care UK lost a distribution agreement with a major customer in the third quarter of 2017, and this, combined with the difficult British market, has resulted in a still substantial decrease in profit for the business. Several actions have been initiated to improve operations, which will result in a gradual improvement in results towards the end of the year.

EBIT (adj.) grew by 8% in the first half. Profit improvement was mainly driven by contributions from acquisitions. The first-half EBIT (adj.) margin was 13.7% (14.2%)[1]. The decline from last year was due to the dilutive effects of the inclusion of acquisitions and higher procurement costs on account of the weaker Norwegian and Swedish krone.

Orkla Food Ingredients

Amounts in NOK million	1H-2018	Δ vs 2017	2Q-2018	Δ vs 2017	R12M
Operating revenues	4 644	14.8%	2 462	10.2%	9 300
- Organic revenue growth		*2.2%*		*2.7%*	
EBIT (adj.)	233	14.2%	176	16.6%	498
EBIT (adj.) margin	5.0%	0.0%-p	7.1%	0.3%-p	5.4%

- After weak sales and profit from ice cream ingredients in the first quarter, second-quarter results were strong due to good summer weather, especially in the Nordics
- Acquisitions had a positive impact on profit growth
- Successful efficiency improvement projects in Finland and Romania

Orkla Food Ingredients posted an improvement of 14.8% in first-half operating revenues. Organic sales growth for the first half was 2.2%. Good summer weather led to higher top-line revenues for ice cream ingredients. Turnover was also boosted by successful launches in vegan products (via Dragsbæk) and good sales of bread mixes and bread improvers in the Benelux countries.

First-half EBIT (adj.) increased by 14%, partly due to structural growth. The sales and distribution units have reported good profit growth as a result of higher gross margins in almost every market. Successful efficiency improvement projects (i.a. in Finland and Romania) also contributed positively. The EBIT (adj.) margin was 5.0%, on a par with last year.

Orkla Investments

Hydro Power

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2018	2017	2017	2018	2017
Volume (GWh)	1 097	1 272	2 729	615	736
Price* (øre/kWh)	37.3	26.8	27.4	37.4	25.7
EBIT (adj.) (NOK million)	156	133	316	97	79

*Source: Nord Pool Spot, Monthly System Price.

EBIT (adj.) amounted to NOK 156 million (NOK 133 million)[1] for Hydro Power in the first half of 2018. The increase is chiefly attributable to higher power prices, while production volumes were lower. First-half operating costs were at approximately the same level as in the corresponding period of 2017. At the end of June, reservoir levels were lower than normal.

Financial Investments

EBIT (adj.) for Orkla Financial Investments amounted to NOK 9 million (NOK 2 million)[1] in the first half of 2018. The profit is related to a revenue arising from a past real estate transaction in Switzerland. Otherwise, there were no transactions in the period. The single most important project is the construction of Orkla's new head office, which is progressing as planned.

Jotun (42.6% interest)

In the first half of 2018, Jotun delivered higher sales revenues, driven by good growth for Decorative Paints and improvements in Protective Coatings. Marine Coatings was still affected by the cyclical downturn in shipping and continued to see declining sales. After a slow start to the year, Jotun has seen an improvement in second-quarter results, driven by sales growth, higher retail prices and low cost growth. Raw material costs have continued to rise, but at a slower rate. Implementation of price increases have gradually led to a levelling out of the sharp decline in gross margin. Nevertheless, the first half has ended with poorer results than for the same period of 2017 due to unrealised currency effects.

Decorative Paints and Protective Coatings are still expected to deliver growth, while the market for Marine Coatings is expected to remain slow.

Other matters

Orkla will make changes in its Group Executive Board as from 1 October this year with a view to strengthening strategic priorities. For further information on changes in responsibilities, reference is made to Orkla's press release of 13 July 2018.

In the second quarter, the employee share purchase programme was implemented on the basis of the Orkla share's closing price on 1 June 2018, minus a 25% discount. The purchase price was thus fixed at NOK 55.61 after deducting the discount. The share purchase programme was implemented in the second quarter this year, rather than the third quarter as in 2017, and had a periodic negative impact on results compared with last year.

At the Annual General Meeting held on 12 April 2018, 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. Lisbeth Valther stepped down from the Board and Peter Agnefjäll was elected as new Board member. Mr Agnefjäll served as CEO and President of IKEA Group until September 2017, and has participated in building up, developing and renewing a major, successful, international business for many years. The General Meeting approved a dividend of NOK 2.60 per share for the 2017 financial year, which was paid out on 25 April 2018. Orkla shares were listed exclusive of dividend as from 13 April.

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 2018 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, 12 July 2018
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	Peter A. Ruzicka President and CEO

(This translation of Orkla's first half report of 2018 has been made for information purposes only.)

Condensed income statement

Amounts in NOK million	Note	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–31.12. 2017	1.4.–30.6. 2018	1.4.–30.6. 2017
Operating revenues	2	19 728	18 852	39 561	10 017	9 771
Operating expenses		(17 110)	(16 339)	(33 742)	(8 594)	(8 446)
Depreciation, amortisation and write-downs		(602)	(588)	(1 184)	(304)	(300)
EBIT (adj.)	2	2 016	1 925	4 635	1 119	1 025
Other income and expenses	3	(124)	(203)	(201)	(97)	(116)
Operating profit		1 892	1 722	4 434	1 022	909
Profit/loss from associates and joint ventures		191	288	313	105	115
Interest, net		(82)	(76)	(149)	(32)	(39)
Other financial items, net	7	(24)	16	(27)	(4)	(18)
Profit/loss before taxes		1 977	1 950	4 571	1 091	967
Taxes		(410)	(370)	(980)	(234)	(185)
Profit/loss continuing operations		1 567	1 580	3 591	857	782
Discontinued operations	11	-	585	5 066	-	273
Profit/loss for the period		1 567	2 165	8 657	857	1 055
Profit/loss attributable to non-controlling interests		51	40	75	29	25
Profit/loss attributable to owners of the parent		1 516	2 125	8 582	828	1 030

Earnings per share

Amounts in NOK	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–31.12. 2017	1.4.–30.6. 2018	1.4.–30.6. 2017
Earnings per share	1.49	2.09	8.43	0.82	1.01
Earnings per share for continuing operations	1.49	1.51	3.46	0.82	0.75

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–31.12. 2017	1.4.–30.6. 2018	1.4.–30.6. 2017
Profit/loss for the period		1 567	2 165	8 657	857	1 055
Items after tax not to be reclassified to profit/loss in subsequent periods						
Actuarial gains and losses pensions		-	-	(30)	-	-
Changes in fair value shares		(7)	-	-	(7)	-
Items after tax to be reclassified to profit/loss in subsequent periods						
Change in unrealised gains on shares	4	-	(53)	(53)	-	-
Change in hedging reserve	4	42	59	75	16	31
Carried against equity in associates and discontinued operations	4	(99)	212	(1 026)	86	52
Translation effects		(914)	520	1 088	(354)	407
The Group's comprehensive income		589	2 903	8 711	598	1 545
Comprehensive income attributable to non-controlling interests		43	52	90		
Comprehensive income attributable to owners of the parent		546	2 851	8 621		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	30.6. 2018	31.12. 2017
Intangible assets		19 854	19 921
Property, plant and equipment		11 809	11 683
Associates, joint ventures and other financial assets	6	4 112	4 108
Non-current assets		35 775	35 712
Inventories		5 799	5 684
Inventory of development property		125	113
Trade receivables		6 037	6 165
Other receivables	6	894	883
Shares and financial assets		10	17
Cash and cash equivalents	6	877	4 834
Current assets		13 742	17 696
Total assets		49 517	53 408

Equity and liabilities

Amounts in NOK million	Note	30.6. 2018	31.12. 2017
Paid in equity		1 983	1 995
Earned equity		29 640	32 413
Non-controlling interests		445	430
Equity		32 068	34 838
Provisions and other non-current liabilities		4 485	4 734
Non-current interest-bearing liabilities	6	4 673	4 820
Current interest-bearing liabilities	6	302	359
Trade payables		4 796	4 940
Other current liabilities		3 193	3 717
Equity and liabilities		49 517	53 408
Equity ratio (%)		64.8	65.2

Condensed statement of changes in equity

	1.1.–30.6.2018			1.1.–30.6.2017		
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	546	43	589	2 851	52	2 903
Dividends	(2 649)	(20)	(2 669)	(2 644)	(35)	(2 679)
Net purchase/sale of treasury shares	(686)	-	(686)	(75)	-	(75)
Change in non-controlling interests	4	(8)	(4)	(3)	(3)	(6)
Equity at close of period	31 623	445	32 068	33 603	416	34 019

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–31.12. 2017	1.4.–30.6. 2018	1.4.–30.6. 2017
Cash flow from operations before capital expenditure		1 787	2 161	5 496	1 197	1 130
Received dividends and financial items		30	1 508	1 505	(24)	1 487
Taxes paid		(689)	(365)	(934)	(213)	(142)
Cash flow from operating activities		1 128	3 304	6 067	960	2 475
Net capital expenditure		(1 084)	(799)	(1 587)	(641)	(438)
Net sale (purchase) of companies	5	(734)	(497)	11 544	(262)	(419)
Net sale shares and financial assets		-	46	43	-	(42)
Other payments		(26)	15	69	(7)	21
Cash flow from investing activities		(1 844)	(1 235)	10 069	(910)	(878)
Net paid to shareholders		(3 355)	(2 754)	(7 740)	(3 351)	(2 640)
Change in interest-bearing liabilities and receivables		126	496	(4 783)	60	1 018
Cash flow from financing activities		(3 229)	(2 258)	(12 523)	(3 291)	(1 622)
Currency effects cash and cash equivalents		(12)	14	17	(6)	10
Change in cash and cash equivalents		(3 957)	(175)	3 630	(3 247)	(15)
Cash and cash equivalents	6	877	1 029	4 834		

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

IFRS cash flow					
Cash flow from operating activities	1 128	3 304	6 067	960	2 475
Net capital expenditure	(1 084)	(799)	(1 587)	(641)	(438)
Other payments	(26)	15	69	(7)	21
Cash flow from operating activities incl. capital expenditure	18	2 520	4 549	312	2 058
Orkla-format					
Cash flow before capital transactions	263	2 634	4 755	522	2 118
Expansion investments	(245)	(114)	(206)	(210)	(60)
Cash flow before capital transactions incl. expansion investments	18	2 520	4 549	312	2 058

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

Change cash and cash equivalents IFRS cash flow	3 957	175	(3 630)	3 247	15
Change net interest-bearing liabilities IFRS cash flow	126	496	(4 783)	60	1 018
Net interest-bearing liabilities in purchased/sold companies	35	87	(75)	27	71
Total currency effect net interest-bearing liabilities	(257)	464	429	(107)	362
Currency effect cash and cash equivalents	(12)	14	17	(6)	10
Change net interest-bearing liabilities Orkla-format	3 849	1 236	(8 042)	3 221	1 476

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first half of 2018 were approved at the meeting of the Board of Directors on 12 July 2018. 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. The 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.

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

The Group adopted two new IFRS standards as of 1 January 2018:

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 30 June 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 not have any material effect.

IFRS 15 Revenue from Contracts with Customers provides a comprehensive framework for revenue recognition. The main message in IFRS 15 is that revenue must be recognised in such a way that the expected consideration is recorded as income according to a pattern that reflects the transfer of goods or services to the customer. The main challenge in this respect lies in bundled deliveries, a topic on which little guidance was provided in the earlier IAS 18. Bundled deliveries mean deliveries where it is difficult to make a distinction between the purchased product and supplementary deliveries. Having examined in detail the companies' recognition of revenue in the light of the new standard, Orkla has determined that there are no material matters of this nature in either the first half of 2018 or in earlier years, apart from additional disclosure requirements in the annual financial statements for 2018. Applying a retrospective implementation method thus entails no changes in comparative figures, and the transition has no effect on the Group's statement of changes in equity. This also applies to the way in which the Group recognises and treats discounts and bonuses. Consequently, the introduction of IFRS 15 does not materially affect the Group.

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 is now working on a system and on charting and identifying matters related to the new IFRS 16 Leases. Reference is made to Note 34 in the 2017 Annual Report for further description of the implementation effect. IFRS 16 Leases will be implemented as from 1 January 2019.

The Group has purchased new businesses. The acquisitions are presented in Note 5 and 13.

NOTE 2 SEGMENTS

Amounts in NOK million	Operating revenues 1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–31.12. 2017	1.4.–30.6. 2018	1.4.–30.6. 2017	Operating profit - EBIT (adj.) 1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–31.12. 2017	1.4.–30.6. 2018	1.4.–30.6. 2017
Orkla	19 728	18 852	39 561	10 017	9 771	2 016	1 925	4 635	1 119	1 025
Branded Consumer Goods	19 202	18 339	38 510	9 705	9 505	1 992	1 937	4 643	1 050	1 016
Orkla Foods	7 697	7 735	16 126	3 845	3 977	839	826	2 055	439	434
Orkla Confectionery & Snacks	2 888	2 971	6 439	1 435	1 527	358	387	1 045	171	186
Orkla Care	4 108	3 671	7 479	2 032	1 813	562	520	1 074	264	245
Orkla Food Ingredients	4 644	4 047	8 703	2 462	2 234	233	204	469	176	151
Eliminations Branded Consumer Goods	(135)	(85)	(237)	(69)	(46)	-	-	-	-	-
Orkla Investments	515	493	1 027	307	257	165	135	324	111	74
Hydro Power	428	401	866	235	219	156	133	316	97	79
Financial Investments	87	92	161	72	38	9	2	8	14	(5)
HQ/Other Business/Eliminations	11	20	24	5	9	(141)	(147)	(332)	(42)	(65)

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–30.6. 2018	1.1.–30.6. 2017	1.1.–31.12. 2017	1.4.–30.6. 2018	1.4.–30.6. 2017
M&A and integration costs	(20)	(66)	(149)	(15)	(24)
Final settlement employment relationships etc.	(21)	(51)	(89)	(19)	(51)
Gain/write-downs relating to coordination projects	-	(47)	192	-	(4)
Other restructuring costs and special IFRS effects	(83)	(39)	(155)	(63)	(37)
Total other income and expenses	(124)	(203)	(201)	(97)	(116)

The Group is developing and several coordination and improvement projects are still in progress. The largest of these are related to the coordination of chocolate production in Latvia, a competitiveness project in Kungälv, both implemented by Orkla Confectionery & Snacks, and several projects in Orkla Foods. The pizza project in Stranda is in a start-up phase and early project costs are being expensed. The main project will be capitalised.

Costs have also been incurred in the final stage of several projects in Orkla Care. There are still some costs related to Project One, and costs have been incurred for a coordination project organised from Orkla's head office.

M&A costs have also been incurred in connection with some small projects.

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 30 June 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 6 million (NOK 4 million in 2017).

Unrealised gains/losses on shares and the hedging reserve included in equity as at 30 June 2018 (after tax) totalled NOK 0 million and NOK -186 million, respectively. Accumulated translation differences correspondingly amounted to NOK 650 million, and accumulated items recognised in equity in associates amounted to NOK 115 million as at 30 June 2018.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Acquisitions in the second quarter

Orkla has increased its ownership stake in the joint venture company Anza Verimex NV to 50% At the same time, Orkla has taken 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 are expected to have an aggregate turnover of just under EUR 20 million (approx. NOK 190 million) in 2017 and approximately 20 employees. The company's results will be 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 has 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 anticipates a turnover of SEK 180 million (ca. 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 has 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.

Acquisitions in the first quarter

Orkla Care has 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 has 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 amounting to DKK 9.8 million (approx. NOK 13 million). The company was consolidated into Orkla's financial statements as of 1 February 2018.

Other matters

As at 30 June 2018, Orkla had purchased companies for a total of NOK 769 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, the purchase price allocations for Riemann Holding AS, Orchard Valley Foods Limited, SR Food AS, Laan Heiloo BV and Eis Ludwig Gräbner GmbH were finalised in the first half of 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	30.6. 2018	31.12. 2017
Non-current interest-bearing liabilities	(4 673)	(4 820)
Current interest-bearing liabilities	(302)	(359)
Non-current interest-bearing receivables (in "Financial Assets")	228	276
Current interest-bearing receivables (in "Other receivables")	7	55
Cash and cash equivalents	877	4 834
Net interest-bearing liabilities	(3 863)	(14)

NOTE 7 OTHER FINANCIAL ITEMS, NET

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

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2018	2017	2017	2018	2017
Gains, losses and write-downs shares and financial assets	-	52	47	-	-
Dividends	-	3	7	-	3
Net foreign currency gain/loss	2	0	(3)	0	(1)
Interest on pensions	(24)	(22)	(58)	(12)	(11)
Other financial items	(2)	(17)	(20)	8	(9)
Total	(24)	16	(27)	(4)	(18)

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 material transactions between the Group and related parties as at 30 June 2018.

The Group has intercompany balances totalling NOK 29 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 period from 1 January 2018 to 30 June 2018.

Change in number of treasury shares:	
Treasury shares 1 January 2018	176 933
External purchases of treasury shares	10 000 000
Sale of shares to employees	(766 674)
Treasury shares 30 June 2018	9 410 259

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

The UK business in House Care has delivered a weak performance since it was acquired in September 2016. Several actions have been initiated to improve the operations and results are gradually expected to improve. The situation in the UK will be reassessed for impairment in the third quarter. As at 30 June 2018, there were no other indications of any impairment in the value of any of the Group's assets.

In the 2018 financial statements, it was commented that 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 taken 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% ownership 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 30 June 2018 are as follows:

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2018	2017	2017	2018	2017
Profit from joint venture	-	585	800	-	273
Gain on sale	-	-	4 266	-	-
Discontinued operations	-	585	5 066	-	273

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
30 June 2018:				
Assets				
Investments	-	-	83	83
Derivatives	-	101	-	101
Liabilities				
Derivatives	-	246	-	246
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

Orkla Food Ingredients signed and completed an agreement to purchase the Danish marmalade and fruit mix manufacturer Igos A/S on 5 July 2018. The company will be consolidated into Orkla's financial statements as of 1 July 2018.

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 (APMs)

EBIT (adj.)
EBIT (adj.) is operating profit or loss before other income and expenses (OIE). The main purpose of this performance measure is to identify material non-recurring items and items substantially relating to other periods to make the changes in and comparability of the items presented in EBIT (adj.) more relevant to the company.

Organic growth
Reported turnover growth adjusted for the effects of acquisitions and sales of companies and foreign currency, as follows: acquired companies are excluded 12 months after the transaction date. Sold companies are pro forma excluded 12 months prior to the transaction date. Currency effects (from companies/businesses that report in a currency other than the presentation currency) are neutralised by recomputing this year's turnover at last year's currency exchange rates. The main purpose of this alternative performance measure (APMs) is to show like-for-like growth in the business portfolio exclusive of acquired and sold companies in the last 12 months prior to the reporting date.

Underlying growth
Reported change adjusted for the effects of acquisitions and sales of companies and foreign currency, as follows: acquired companies are included after the transaction date and adjusted by also pro forma including the acquired companies in the 12 months prior to the transaction date. Sold companies are pro forma excluded 12 months prior to the transaction date. Currency effects (from companies/businesses that report in a currency other than the presentation currency) are neutralised by recomputing this year's turnover at last year's currency exchange rates. The main purpose of this alternative performance measure (APMs) is to show like-for-like growth for existing operations at the reporting date.

Structure (acquired and sold companies)
Structural growth includes adjustments for the acquisition of Agrimex, Struer, Riemann, HSNG, Orchard Valley, SR Food, Arne B. Corneliussen, Werners and various minor acquisitions in Orkla Food Ingredients, as well as an adjustment for the sale of K-Salat.

Targeted EBIT (adj.) growth
Annual EBIT (adj.) growth of 6-9% including minor acquisitions and sales, adjusted for currency effects and major acquisitions and divestments.

Expansion investments
Expansion investments are defined as investments in new geographical markets or new categories or investments that represent significant increases in capacity.

R12M
Rolling 12 months: figures presented as a total of the latest 12 months.

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.