Third quarter 2019

The third quarter in brief

- In the third quarter, Orkla's Branded Consumer Goods business posted organic growth of 1.5% and good improvement in operating profit (EBIT adj.)
- Continued good performance by Orkla Confectionery & Snacks
- Orkla Foods and Orkla Food Ingredients delivered good profit and margin growth
- Top-line growth for Orkla Care, but a decline in operating profit
- Continued improvement for Jotun
- Group profit before tax amounted to NOK 1,276 million, a reduction of 6% from last year due to write-downs primarily in Orkla Care
- Adjusted earnings per share amounted to NOK 1.18, an improvement of 11% from last year

Key figures for the Orkla Group as at 30 September

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

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2019	2018	2018	2019	2018
Branded Consumer Goods					
Operating revenues	30 074	28 985	39 592	10 336	9 783
- *Organic revenue growth*	*1.2%*	*0.0%*	*-0.2%*	*1.5%*	*0.2%*
Branded Consumer Goods incl. headquarters (HQ)					
EBIT (adj.)	3 292	3 110	4 387	1 337	1 259
EBIT (adj.) margin	10.9%	10.7%	11.1%	12.9%	12.9%
Group					
Operating revenues	31 598	29 854	40 837	10 880	10 126
EBIT (adj.)	3 573	3 369	4 777	1 444	1 353
Profit/loss from associates and joint ventures	512	307	264	166	116
Profit/loss before taxes	3 444	3 341	4 358	1 276	1 364
Earnings per share (NOK)	2.56	2.50	3.24	0.92	1.01
Earnings per share (adj.) (NOK)	2.96	2.64	3.62	1.18	1.06

Orkla President and CEO Jaan Ivar Semlitsch comments:

Orkla's Branded Consumer Goods business can look back on a satisfactory quarter, with both top-line and bottom-line growth. It is positive to see that after a relatively strong third quarter last year, we are still able to deliver profit growth, although performances vary between areas.

All four business areas delivered organic growth in the quarter. Despite profit improvement in three of the business areas, the bottom line was hampered by a decline in Orkla Care. The challenges previously communicated regarding Orkla Care's health categories still exist.

In the third quarter, moreover, we needed to take write-downs on brands and goodwill, primarily in the Orkla Care business area. Challenges in the health segment and painting tools category in the UK have made it necessary to take these write-downs now. Nevertheless, it is important to emphasise that despite uncertainty attached to the development in these areas, the UK business is following the restructuring plans that we previously announced. Furthermore, we are taking a number of actions to turn the trend in the health segment. This can create opportunities for these areas in the somewhat longer term.

As of 1 November 2019, a new corporate structure will be put in place, in which parts of Orkla Care will be incorporated into a new area along with Kotipizza and Gorm's. The purpose of this change includes strengthening the entities' operational focus, and grouping the companies that have a somewhat different profile than Orkla's other business areas.

Jaan Ivar Semlitsch
President and CEO

Market growth

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

The global FAO Food Price index rose slightly in the third quarter of 2019, compared with last year. The rise is chiefly due to the higher prices of sugar and meat, which have more than offset the lower prices of vegetable oils. However, Orkla's exposure to the raw material market is broader than the scope of the FAO index, and the index can therefore not be seen in direct conjunction with changes in Orkla's purchasing costs.

Overall, foreign currency trends impacted negatively on purchasing prices, compared with the same period last year. The decline of the Swedish krone against the Euro had a particularly negative effect on purchasing costs. The weakening of the Norwegian krone affected prices to some degree in the quarter, but is expected to have a greater negative impact going forward.

In the third quarter, energy prices were significantly lower than last year, thus reducing production costs for the Branded Consumer Goods business, but with negative effect on revenues in Hydro Power.

Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–30.9.2019	1.2	0.5	2.1	3.8
1.7.–30.9.2019	1.5	1.5	2.7	5.7

Figures may not add up due to rounding.

Turnover growth for Branded Consumer Goods in the third quarter was driven by acquisitions and organic growth. Organic turnover growth was 1.5% with growth in all the business areas, although with differences within the portfolio.

Orkla Confectionery & Snacks delivered strong growth driven by improvement in the confectionery and snacks categories, supported by a continued positive market trend. Growth for Orkla Foods was slightly lower than it has been so far this year, partly due to less campaign activity. The positive trend in Orkla Home & Personal Care's categories contributed to turnover growth for Orkla Care, although compared with a somewhat weak 2018. Orkla Food Ingredients continued its trend from previous quarters with moderate sales growth, skewed towards more profitable sales.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.9.2019	3.8	0.6	1.4	5.9
1.7.–30.9.2019	2.9	1.4	1.8	6.2

Figures may not add up due to rounding.

Branded Consumer Goods including Headquarters (HQ) posted a 6.2% improvement in EBIT (adj.) in the third quarter. Growth was mainly due to top-line growth from revenue management, and positive mix effects in Branded Consumer Goods.

While Branded Consumer Goods achieved improved operating profit, partly offset by Orkla Care, HQ reduced the profit growth. Although HQ's contribution to profit was more negative than last year, the negative result was relatively low. The increase from last year is partly due to positive one-off effects totalling around NOK 15 million in 2018. These were related to the reversal of bonus provisions in connection with the transition to a new long-term incentive programme for the Group. Branded Consumer Goods had similar positive effects of around NOK 20 million in 2018, related to the same change in incentive model.

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

Figures may not add up due to rounding.

Margin performance on a rolling 12-month basis as at 30 September 2019 for Branded Consumer Goods including HQ showed a flat trend, negatively impacted by the dilutive effects of acquired companies. The underlying margin improvement of 0.1 percentage points was boosted by revenue management effects including a shift towards more profitable categories and products. However, this was offset by higher purchasing costs and bonus-related costs.

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

Structural measures (M&A)

In the third quarter, Orkla ASA signed an agreement to purchase 20% of the Icelandic chocolate and confectionery manufacturer Nói-Siríus HF ("Nói Siríus"). Nói Siríus holds a strong position in Iceland and is a good fit with Orkla's portfolio of leading brands. Moreover, the acquisition gives Orkla the opportunity to strenghten its position in Iceland, which is a growing market.

Orkla Food Ingredients signed and completed an agreement in the quarter to purchase the Dutch company Vamo produkten voor de Bakkerij B.V. ("Vamo"). Vamo manufactures specialised concentrates and ingredient mixes, and complements Orkla Food Ingredients' position as a supplier of ingredients and accessories to the bakery market.

Furthermore, Orkla Care completed an agreement to take over the remaining 50% of the shares in the joint venture company Anza Verimex Holding, which is market leader in the sale and distribution of painting tools in the Netherlands and Belgium. This purchase provides an attractive platform for building further activities in the painting tool category in the Benelux.

On 25 September 2019, Orkla's sale of Treschows gate 16 to the City of Oslo was approved by the Oslo City Council. The transaction was reflected in the Group's financial statements in the third quarter.

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

Outlook

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

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

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

The situation regarding the UK's planned exit from the EU is still unresolved. Orkla has production operations in the UK, in addition to extensive trade between the UK and the EU as well as Norway, and consequently could be affected by the outcome. Orkla is tracking the situation closely and making continuous assessments, in addition to taking appropriate action.

Financial matters - Group

Main figures profit/loss

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2019	2018	2018	2019	2018
Operating revenues	**31 598**	**29 854**	**40 837**	**10 880**	**10 126**
EBIT (adj.)	**3 573**	**3 369**	**4 777**	**1 444**	**1 353**
Other income and expenses	(425)	(186)	(482)	(267)	(62)
Operating profit	**3 148**	**3 183**	**4 295**	**1 177**	**1 291**
Profit/loss from associates and joint ventures	512	307	264	166	116
Interest and financial items, net	(216)	(149)	(201)	(67)	(43)
Profit/loss before taxes	**3 444**	**3 341**	**4 358**	**1 276**	**1 364**
Taxes	(815)	(733)	(1 004)	(335)	(323)
Profit/loss for the period	**2 629**	**2 608**	**3 354**	**941**	**1 041**
Earnings per share (NOK)	2.56	2.50	3.24	0.92	1.01
Earnings per share (adj.) (NOK)	2.96	2.64	3.62	1.18	1.06

Group operating revenues rose 7.4% in the third quarter, driven by organic and structural growth in Branded Consumer Goods and the integration of Kotipizza Group. Currency translation effects arising from consolidation had a slight positive effect on Branded Consumer Goods' operating revenues.

In the same period, the Group had EBIT (adj.) growth of 6.7%, with a positive contribution to profit from both Branded Consumer Goods and Orkla Investments. The improvements in Branded Consumer Goods were related to profit growth in all business areas apart from Orkla Care. In Orkla Investments, growth was due to the inclusion of Kotipizza Group and positive effects from Orkla Eiendom. Hydro Power had profit decline from last year, primarily due to lower energy prices.

The Group's other income and expenses totalled NOK -267 million in the third quarter. The largest items were write-downs of goodwill related to Harris in Orkla House Care and a write-down related to the Gerimax and Colon C brands in Orkla Health. These expenses were partly offset by the gain of NOK 290 million on the sale of Treschows gate 16.

Profit from associates improved by NOK 50 million in the third quarter due to good growth in sales and margin year over year for Jotun.

Net financial costs in the quarter were slightly higher than last year due to higher debt. As at 30 September 2019, net interest-bearing liabilities totalled NOK 6.7 billion, excluding lease liabilities arising from IFRS 16 (NOK 1.5 billion). The average borrowing rate was 2.3% in the period, compared with 3.5% in the corresponding period of 2018. See Note 1 for more information on IFRS 16.

Despite reduced tax rates in Norway and Sweden in 2019, the effective tax rate for Orkla in the third quarter of 2019 was higher than in the corresponding period of 2018. This was primarily due to the write-down of goodwill related to Harris with no tax effect.

Earnings per share in the third quarter were NOK 0.92, down 9% from 2018. Adjusted earnings per share were NOK 1.18, equating to growth of 11%.

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 September 2019. Reference is made to page 12 for the consolidated statement of cash flows – IFRS and reconciliation of cash flows.

Orkla-format

Amounts in NOK million	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Cash flow from Branded Consumer Goods incl. HQ					
EBIT (adj.)	3 292	3 110	4 387	1 337	1 259
Amortisation, depreciation and impairment charges	1 101	853	1 154	370	282
Changes in net working capital	92	(892)	(190)	443	(243)
Net replacement expenditures	(1 153)	(983)	(1 393)	(423)	(300)
Cash flow from operations (adj.)	**3 332**	**2 088**	**3 958**	**1 727**	**998**
Cash flow effect from "Other income and expenses" and pensions	(320)	(288)	(496)	(129)	(80)
Cash flow from operations, Branded Consumer Goods incl. HQ	**3 012**	**1 800**	**3 462**	**1 598**	**918**
Cash flow from operations, Orkla Investments	**63**	**37**	**26**	**71**	**(29)**
Taxes paid	(908)	(744)	(904)	(133)	(55)
Dividends received, financial items and other payments	(142)	72	(1)	39	68
Cash flow before capital transactions	**2 025**	**1 165**	**2 583**	**1 575**	**902**
Dividends paid and purchase/sale of treasury shares	(2 585)	(4 063)	(4 063)	(3)	(708)
Cash flow before expansion	**(560)**	**(2 898)**	**(1 480)**	**1 572**	**194**
Expansion investments	(471)	(354)	(531)	(152)	(109)
Sale of companies (enterprise value)	50	-	47	3	-
Purchase of companies (enterprise value)	(2 829)	(822)	(1 080)	(192)	(53)
Net cash flow	**(3 810)**	**(4 074)**	**(3 044)**	**1 231**	**32**
Currency effects of net interest-bearing liabilities	43	252	21	(121)	(5)
Change in net interest-bearing liabilities	**3 767**	**3 822**	**3 023**	**(1 110)**	**(27)**
Interest-bearing liabilities implementation IFRS 16, 1 January 2019	1 447	-	-	-	-
Net interest-bearing liabilities	**8 251**	**3 836**	**3 037**		

At Group level, the bottom line of the Orkla-format cash flow statement is the change in net interest-bearing liabilities, an important management parameter for the Group (see Note 6). Cash flow from operations is used in business area management.

Cash flow from operations (excluding Orkla Investments) was significantly higher at the end of the third quarter, year over year, chiefly due to a positive trend in working capital. The improvement in working capital was partly ascribable to accruals accounting effects, but also to an improvement in accounts payable, where renegotiation of conditions with several suppliers has produced positive effects.

Replacement investments were higher due to ongoing investments in new ERP systems. The implementation of IFRS 16 also impacted on replacement investments, as well as on depreciation and write-downs.

Cash flow from Orkla Investments in the period was affected by the positive results delivered by Kotipizza Group and Orkla Eiendom. The sale of Treschows gate 16 was completed in the third quarter, but the cash flow effect will not be seen until the fourth quarter of 2019.

Dividends received, financial items and other payments chiefly reflect a disbursement relating to the remaining liability in connection with the sale of Sapa (see Note 12), and dividends received from Jotun.

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

In 2019, the Glyngøre brand and the Russian nut company Chaka were sold, whereas no assets were divested in the same period of 2018. Acquisitions of companies totalled NOK 2,829 million, the largest transaction being Kotipizza Group. There were also several transactions in Orkla Foods and Orkla Food Ingredients.

Net cash flow for the Group totalled NOK -3,810 million. Positive currency translation effects amounting to NOK 43 million, due to exchange rate fluctuations, reduced net interest-bearing liabilities correspondingly. As at 30 September 2019, net interest-bearing liabilities excluding leases amounted to NOK 6,739 million. Including lease effects under IFRS 16, net interest-bearing liabilities totalled NOK 8,251 million. See Note 1 for further information on IFRS 16.

As at 30 September 2019, the equity ratio was 59.3%, compared with 63.1% as at 1 January 2019, adjusted for IFRS 16 effects. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.5 years. Orkla's financial position is robust, with cash reserves and credit lines that exceed known future capital expenditures.

Business areas

Branded Consumer Goods

Orkla Foods

Amounts in NOK million	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Operating revenues	12 104	11 634	16 000	4 145	3 937
- Organic revenue growth	*1.9%*	*1.0%*	*1.5%*	*0.8%*	*1.1%*
EBIT (adj.)	1 542	1 397	2 048	616	558
EBIT (adj.) margin	12.7%	12.0%	12.8%	14.9%	14.2%

- Orkla Foods reported 5.3% growth in operating revenues, with moderate organic growth
- Price increases compensated for continued negative currency effects and higher raw material prices
- Profit growth of 10.4%, mainly from higher turnover

In the third quarter, Orkla Foods saw an increase in sales, primarily driven by structural growth. Organic growth amounted to 0.8%. A good performance related in particular to plant-based products in Sweden and progress in India was counteracted by lower campaign activity in Norway compared with last year. At the same time, Denmark continued to see a decline due to the loss of low-margin turnover.

Orkla Foods achieved good profit growth in the third quarter, mainly driven by increased turnover. Cost improvements due to both improvement initiatives and structural projects had a positive effect on profit. The negative effects of the weaker Swedish and Norwegian krone, coupled with higher raw material prices, continued into the third quarter. However, price increases and more active portfolio management compensated for this and boosted profitability growth. The EBIT (adj.) margin improved to 14.9%, up 0.7 percentage points from the third quarter of 2018.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Operating revenues	4 625	4 406	6 246	1 604	1 518
- Organic revenue growth	*4.4%*	*-3.0%*	*-3.4%*	*4.2%*	*-0.2%*
EBIT (adj.)	696	636	1 006	294	278
EBIT (adj.) margin	15.0%	14.4%	16.1%	18.3%	18.3%

- Strong organic turnover growth
- Generally good market growth, especially for the snacks category
- Cost improvement programmes continued to have good effect

Orkla Confectionery & Snacks posted a 5.7% improvement in operating revenues in the third quarter, with organic growth of 4.2% The improvement, was greatest in the chocolate and snacks categories, chiefly due to volume growth. Price increases offset the higher costs of key raw materials such as wheat and cocoa, and negative currency effects, particularly related to a weak Swedish krone. Market growth was good, especially for the snacks category in Sweden, Finland and the Baltics, and for the confectionery category in Norway.

EBIT (adj.) for Orkla Confectionery & Snacks rose 5.8% in the third quarter, year over year. In addtion to turnover growth, cost improvement projects continued to produce good results. The EBIT (adj.) margin amounted to 18.3% in the third quarter, the same level as in the third quarter of 2018.

Orkla Care

Amounts in NOK million	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Operating revenues	6 045	6 081	8 075	2 026	1 973
- Organic revenue growth	*-2.0%*	*-0.6%*	*-1.8%*	*1.7%*	*-2.6%*
EBIT (adj.)	847	876	1 084	306	314
EBIT (adj.) margin	14.0%	14.4%	13.4%	15.1%	15.9%

- Organic sales growth, but decline in operating profit
- Improvement for Home & Personal Care categories despite still challenging market trends
- Continued weak performance by Orkla Health

Orkla Care achieved 2.7% sales growth in the third quarter, with organic growth of 1.7%. Growth was driven by improvement for Orkla Home & Personal Care, Orkla Wound Care and HSNG. Market growth remained challenging in the Norwegian retail grocery sector, in addition to growing market shares for private label. This particularly affects the categories of Orkla Home & Personal Care and Orkla Health. Orkla Health is experiencing negative sales growth in all the Nordic markets. Growth is also weak for Pierre Robert in Sweden and Finland.

Profit declined by 2.5% in the third quarter, primarily due to challenges in the health segment and higher advertising spend. The third-quarter EBIT (adj.) margin amounted to 15.1%, compared with 15.9% in 2018.

Write-downs were taken in the quarter on the Gerimax and Colon C brands, and on goodwill in House Care UK (Harris). This is linked to the previously communicated challenges in the health segment in Orkla Health and painting tools in the UK (Harris). A number of actions have been initiated to ensure improvement in these areas in the longer term, and are progressing as planned.

Orkla Food Ingredients

Amounts in NOK million	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Operating revenues	7 516	7 076	9 562	2 641	2 432
- Organic revenue growth	*0.7%*	*1.9%*	*1.2%*	*0.8%*	*1.4%*
EBIT (adj.)	457	393	533	185	160
EBIT (adj.) margin	6.1%	5.6%	5.6%	7.0%	6.6%

- Growth in operating revenues in third quarter
- Broad-based profit growth, from both acquisitions and growth in higher-margin products
- EBIT (adj.) margin improved by 0.4 percentage points

Orkla Food Ingredients posted an 8.6% increase in third-quarter revenues. The increase was mainly driven by acquisitions. Good growth for bakery ingredients was offset by a somewhat slower period, year over year, for ice cream ingredients. The vegan portfolio, under the Naturli' brand, continued to show good growth.

EBIT (adj.) rose 15.6% in the third quarter. Profit growth was broad-based, driven by acquisitions and focus on a more profitable product mix.

The EBIT (adj.) margin was 7.0%, a year-over-year increase of 0.4 percentage points. The growth was due to a strong improvement in contribution margin, but was counteracted to some extent by higher fixed costs.

Orkla Investments

Hydro Power

	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Volume (GWh)	1 622	1 662	2 320	627	565
Price* (øre/kWh)	38.2	41.0	42.2	34.2	48.4
EBIT (adj.) (NOK million)	220	258	390	78	102

*Source: Nord Pool Spot, Monthly System Price.

EBIT (adj.) for Hydro Power amounted to NOK 78 million in the third quarter of 2019, compared with NOK 102 million in the same period of 2018. The reduction is mainly due to lower power prices, year over year. Production volume in the quarter totalled

627 GWh, compared with 565 GWh in 2018, resulting in a positive product volume variance. Operating costs in the third quarter of 2019 were slightly lower than in the third quarter of 2018. The reservoir level in Sauda was somewhat lower than normal at quarter end, as were the levels in Glomma and Laagen.

Financial Investments

Third-quarter EBIT (adj.) for Orkla Financial Investments totalled NOK 29 million, compared with NOK -8 million last year. The improvement was mainly related to integration of Kotipizza Group. A gain of NOK 290 million on the sale of the property Treschows gate 16 to the City of Oslo was reported on the line "Other income and expenses".

Kotipizza Group

Kotipizza Group posted operating revenues of NOK 283 million in the third quarter, compared with NOK 241 million, year over year. Third-quarter EBIT (adj.) amounted to NOK 27 million, compared with NOK 22 million in the corresponding period of 2018. Comparable chain sales increased by 6% in the period, primarily driven by the higher number of customers. Four new Kotipizza restaurants were opened in the third quarter. The improvement in EBIT (adj.) was an effect of sales growth combined with fixed cost stability.

Jotun (42.6% interest)

Jotun continued to achieve growth in the third quarter, driven by solid growth in industrial paint sales, improvement in ship paint sales and price increases. Price increases have been implemented in all segments to compensate for higher raw material costs. After a period of difficult market conditions in the shipbuilding and offshore industry, sales continue to pick up in both these segments.

Operating profit further improved as a result of solid sales growth and higher gross margins. Last year's increased retail prices, combined with more stable raw material costs in the current year, have gradually improved gross margins in the course of 2019. Furthermore, continuous cost control action has resulted in low growth in operating costs so far this year.

Other matters

Jaan Ivar Semlitsch took up his duties as Orkla President and CEO on 15 August 2019, after Peter A. Ruzicka stepped down from the position on 7 May 2019.

In order to strengthen strategic priorities in the Group, changes will be made in Orkla's corporate structure as of 1 November 2019, followed by a change in the Group Executive Board.

Orkla Consumer & Financial Investments will be a new business area, and will be divided into two parts:

- Consumer Investments, consisting of the Care Development Portfolio (Orkla House Care, Lilleborg and Pierre Robert), Kotipizza and Gorm's
- Industrial and Financial Investments, consisting of Hydro Power, Orkla Eiendom, Venture and Orkla's minority interest in Jotun.

Consumer Investments will be part of Branded Consumer Goods and will be included in this reporting as of 1 January 2020. Industrial and Financial Investments will be presented in the same way as the present Orkla Investments.

Furthermore, a dedicated Group function will be responsible for the purchase and sale of companies (M&A) and strategy development.

Kenneth Haavet has been appointed to head Orkla Consumer & Financial Investments, and will take up his post by 1 April 2020. Until Haavet begins, Terje Andersen will be in charge of the new business area, after which he will step down from the Group Executive Board and serve as head of Industrial and Financial Investments.

Sverre Prytz will take up the post of Executive Vice President for M&A and Strategy on 1 December 2019. Jaan Ivar Semlitsch will head the group function until Sverre Prytz is in place.

Karl Otto Tveter will step down from Orkla's Group Executive Board with effect from 1 November 2019 and will report to Terje Andersen until 1 May 2020. He will subsequently be associated with Orkla as a lawyer and adviser. For further information, reference is made to the press release of 10 October 2019.

Oslo, 23 October 2019
The Board of Directors of Orkla ASA

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

Condensed income statement

Amounts in NOK million	Note	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Operating revenues	2	31 598	29 854	40 837	10 880	10 126
Operating expenses		(26 743)	(25 587)	(34 846)	(9 002)	(8 477)
Depreciation, amortisation and write-downs		(1 282)	(898)	(1 214)	(434)	(296)
EBIT (adj.)	2	**3 573**	**3 369**	**4 777**	**1 444**	**1 353**
Other income and expenses	3	(425)	(186)	(482)	(267)	(62)
Operating profit		**3 148**	**3 183**	**4 295**	**1 177**	**1 291**
Profit/loss from associates and joint ventures		512	307	264	166	116
Interest, net	7	(158)	(122)	(159)	(55)	(40)
Other financial items, net	7	(58)	(27)	(42)	(12)	(3)
Profit/loss before taxes		**3 444**	**3 341**	**4 358**	**1 276**	**1 364**
Taxes		(815)	(733)	(1 004)	(335)	(323)
Profit/loss for the period		**2 629**	**2 608**	**3 354**	**941**	**1 041**
Profit/loss attributable to non-controlling interests		72	80	82	24	29
Profit/loss attributable to owners of the parent		2 557	2 528	3 272	917	1 012

Earnings per share

Amounts in NOK	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Earnings per share	2.56	2.50	3.24	0.92	1.01
Earnings per share (adj.)	2.96	2.64	3.62	1.18	1.06

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Profit/loss for the period		2 629	2 608	3 354	941	1 041
Other items in comprehensive income						
Items after tax not to be reclassified to profit/loss in subsequent periods						
Actuarial gains and losses pensions		-	-	(66)	-	-
Changes in fair value shares		1	(7)	(4)	2	-
Items after tax to be reclassified to profit/loss in subsequent periods						
Change in hedging reserve	4	8	83	70	20	41
Carried against equity in associates and joint ventures	4	109	(207)	10	77	(108)
Translation effects	4	(248)	(936)	(40)	285	(22)
The Group's comprehensive income		**2 499**	**1 541**	**3 324**	**1 325**	**952**
Comprehensive income attributable to non-controlling interest		71	70	82		
Comprehensive income attributable to owners of the parent		2 428	1 471	3 242		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	30.9. 2019	1.1.[1] 2019	31.12. 2018
Intangible assets		22 307	20 610	20 610
Property, plant and equipment		14 816	14 043	12 760
Associates, joint ventures and other financial assets	6	4 732	4 337	4 337
Non-current assets		**41 855**	**38 990**	**37 707**
Inventories		6 146	5 875	5 875
Inventory of development property		107	132	132
Trade receivables		6 288	5 990	5 990
Other receivables	6	1 340	814	814
Shares and financial assets		3	13	13
Cash and cash equivalents	6	1 322	1 978	1 978
Current assets		**15 206**	**14 802**	**14 802**
Total assets		**57 061**	**53 792**	**52 509**

[1]Including effects of implementing IFRS 16 Leases.

Equity and liabilities

Amounts in NOK million	Note	30.9. 2019	1.1.[1] 2019	31.12. 2018
Paid in equity		1 972	1 971	1 971
Retained equity		31 346	31 546	31 658
Non-controlling interests		503	436	451
Equity		**33 821**	**33 953**	**34 080**
Provisions and other non-current liabilities		4 424	4 589	4 626
Non-current interest-bearing liabilities	6	7 330	5 916	4 775
Current interest-bearing liabilities	6	2 492	761	455
Trade payables		5 354	4 907	4 907
Other current liabilities		3 640	3 666	3 666
Equity and liabilities		**57 061**	**53 792**	**52 509**
Equity ratio		59.3%	63.1%	64.9%

Condensed statement of changes in equity

	1.1.–30.9.2019			1.1.–30.9.2018		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interests	Total equity	Attributed to equity holders of the parent	Non-controlling interests	Total equity
Equity 1 January	33 629	451	34 080	34 408	430	34 838
The Group's comprehensive income	2 428	71	2 499	1 471	70	1 541
Dividends	(2 599)	(45)	(2 644)	(2 649)	(36)	(2 685)
Net purchase/sale of treasury shares	59	-	59	(1 378)	-	(1 378)
Effect of implementing IFRS 16	(112)	(15)	(127)	-	-	-
Change in non-controlling interests	(87)	41	(46)	5	(8)	(3)
Equity at close of period	**33 318**	**503**	**33 821**	**31 857**	**456**	**32 313**

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–30.9. 2019	1.1.–30.9. 2018	1.1.–31.12. 2018	1.7.–30.9. 2019	1.7.–30.9. 2018
Cash flow from operations before capital expenditure		4 559	2 995	5 251	2 156	1 208
Received dividends and paid financial items		57	107	41	53	77
Taxes paid		(908)	(744)	(904)	(133)	(55)
Cash flow from operating activities		**3 708**	**2 358**	**4 388**	**2 076**	**1 230**
Net capital expenditure		(1 752)	(1 512)	(2 294)	(603)	(428)
Net sale (purchase) of companies	5	(2 575)	(769)	(925)	(189)	(35)
Other payments		(199)	(35)	(42)	(14)	(9)
Cash flow from investing activities		**(4 526)**	**(2 316)**	**(3 261)**	**(806)**	**(472)**
Net paid to shareholders		(2 585)	(4 063)	(4 063)	(3)	(708)
Change in interest-bearing liabilities and receivables		2 761	472	84	(922)	346
Cash flow from financing activities		**176**	**(3 591)**	**(3 979)**	**(925)**	**(362)**
Currency effects cash and cash equivalents		(14)	(15)	(4)	27	(3)
Change in cash and cash equivalents		**(656)**	**(3 564)**	**(2 856)**	**372**	**393**
Cash and cash equivalents	6	**1 322**	**1 270**	**1 978**		

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

IFRS cash flow					
Cash flow from operating activities	3 708	2 358	4 388	2 076	1 230
Net capital expenditure	(1 752)	(1 512)	(2 294)	(603)	(428)
Other payments	(199)	(35)	(42)	(14)	(9)
Cash flow from operating activities included capital expenditure	1 757	811	2 052	1 459	793
Orkla-format					
Cash flow before capital transactions	2 025	1 165	2 583	1 575	902
New capitalised leases (included in net replacement expenditures in Orkla-format)	203	-	-	36	-
Expansion investments	(471)	(354)	(531)	(152)	(109)
Comparative cash flow	1 757	811	2 052	1 459	793

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

Change cash and cash equivalents IFRS cash flow	656	3 564	2 856	(372)	(393)
Change net interest-bearing liabilities IFRS cash flow	2 761	472	84	(922)	346
Net interest-bearing liabilities in purchased/sold companies	204	53	108	-	18
Interest-bearing liabilities new leases	203	-	-	36	-
Total currency effect net interest-bearing liabilities	(43)	(252)	(21)	121	5
Currency effect cash and cash equivalents	(14)	(15)	(4)	27	(3)
Change net interest-bearing liabilities Orkla-format	3 767	3 822	3 023	(1 110)	(27)

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements as at 30 September 2019 were approved at the Board of Directors' meeting on 23 October 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, except for the treatment of leases (see next paragraph).

IFRS 16 Leases

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

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

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

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

Other matters

No changes have otherwise been made in presentation or accounting principles nor have any other standards been adopted that materially affect the Group's financial reporting or comparisons with previous periods.

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

NOTE 2 SEGMENTS

	Operating revenues					EBIT (adj.)				
	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.		1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2019	2018	2018	2019	2018	2019	2018	2018	2019	2018
Orkla Foods	12 104	11 634	16 000	4 145	3 937	1 542	1 397	2 048	616	558
Orkla Confectionery & Snacks	4 625	4 406	6 246	1 604	1 518	696	636	1 006	294	278
Orkla Care	6 045	6 081	8 075	2 026	1 973	847	876	1 084	306	314
Orkla Food Ingredients	7 516	7 076	9 562	2 641	2 432	457	393	533	185	160
Eliminations Branded Consumer Goods	(216)	(212)	(291)	(80)	(77)	-	-	-	-	-
Branded Consumer Goods	**30 074**	**28 985**	**39 592**	**10 336**	**9 783**	**3 542**	**3 302**	**4 671**	**1 401**	**1 310**
HQ/Eliminations	33	33	34	13	10	(250)	(192)	(284)	(64)	(51)
Branded Consumer Goods incl. HQ	**30 107**	**29 018**	**39 626**	**10 349**	**9 793**	**3 292**	**3 110**	**4 387**	**1 337**	**1 259**
Hydro Power	624	718	1 025	202	290	220	258	390	78	102
Financial Investments	921	137	200	349	50	61	1	0	29	(8)
Orkla Investments	**1 545**	**855**	**1 225**	**551**	**340**	**281**	**259**	**390**	**107**	**94**
Eliminations	(54)	(19)	(14)	(20)	(7)	-	-	-	-	-
Orkla	**31 598**	**29 854**	**40 837**	**10 880**	**10 126**	**3 573**	**3 369**	**4 777**	**1 444**	**1 353**

NOTE 3 OTHER INCOME AND EXPENSES

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2019	2018	2018	2019	2018
M&A and integration costs	(90)	(46)	(129)	(22)	(26)
Final settlement employment relationships etc.	(41)	(31)	(114)	(9)	(10)
Gain on disposals	313	-	54	292	-
Write-downs	(456)	-	(55)	(456)	-
Restructuring costs and other items	(151)	(109)	(238)	(72)	(26)
Total other income and expenses	**(425)**	**(186)**	**(482)**	**(267)**	**(62)**

The Group sold the property at Treschows gate 16 to the City of Oslo in the third quarter. The property is regulated for use as a school, and the agreement was approved by the Oslo City Council on 25 September 2019. The transaction generated a gain of NOK 290 million for Orkla. Payment for the property was made on 7 October, which means that the transaction will be reflected in the cash flow statement in the fourth quarter. In the first and second quarters, gains were recognised in connection with the sale of the Glyngøre brand and a former industrial property in Kristiansund.

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

Write-downs of brands totalling NOK 181 million have been taken. The write-downs are primarily in Orkla Health, the largest of which concern Gerimax and Colon C. These brands have not achieved satisfactory growth in the last few years. Orkla Foods' Swedish mince brand Krögarklass has also been written down.

A number of restructuring and coordination projects are currently being carried out. At the end of the third quarter, the biggest projects were the consolidation of out-of home and grocery operations in Orkla Foods Norge, the merger of Hame and Vitana, coordination projects in Orkla Food Ingredients, and preliminary projects related to the construction of a pizza factory at Stranda and a chocolate and biscuits factory in Latvia. Furthermore, a write-down was taken in connection with a common ERP project currently in progress in Orkla Food Ingredients.

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

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

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve) after tax. The hedging reserve included in equity as at 30 September 2019 (after tax) totalled NOK -150 million. Accumulated translation differences correspondingly amounted to NOK 1,276 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 333 million as at 30 September 2019.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Acquisitions in the third quarter

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

Other acquisitions

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

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

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

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

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

Orkla Food Ingredients purchased Zeelandia Sweden AB, a supplier of margarine, vegetable oils and bakery ingredients to the Swedish market. The company has most of its sales in Sweden, and exports to Finland, the Baltics and Norway. The company has around 60 employees and its turnover totalled EUR 22.9 million (approx. NOK 222.5 million) in 2018. The agreement was approved by the Swedish competition authorities, and the company was consolidated into Orkla's financial statements as of 1 June 2019.

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

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

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

Sales of companies/brands

In July, Orkla signed an agreement with the City of Oslo on the sale of the property at Treschows gate 16. The agreement was approved by the Oslo City Council on 25 September, and a gain of approximately NOK 290 million was taken to income in the third quarter. Payment for the property was received on 7 October and will therefore not have any cash flow effect until the fourth quarter of 2019.

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

Other matters

As at 30 September 2019, Orkla had purchased companies for a total of NOK 2,829 million at enterprise value.

With regard to the companies acquired in 2018, the purchase price allocations for HSNG (Orkla Care), Struer Brød (Orkla Foods), Werners Gourmetservice (Orkla Food Ingredients) and the Gorms pizza restaurant chain (Financial Investments) were finalised as at 30 September 2019. No material changes were made in relation to the preliminary purchase price allocations.

NOTE 6 NET INTEREST-BEARING LIABILITIES

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

Amounts in NOK million	30.9. 2019	1.1. 2019	31.12. 2018
Non-current liabilities excl. leases	(6 176)	(4 775)	(4 775)
Current liabilities excl. leases	(2 134)	(455)	(455)
Non-current receivables (in “Financial Assets”)	241	209	209
Current receivables (in “Other receivables”)	8	6	6
Cash and cash equivalents	1 322	1 978	1 978
Net interest-bearing liabilities excl. lease liabilities	**(6 739)**	**(3 037)**	**(3 037)**
Non-current lease liabilities	(1 154)	(1 141)	-
Current lease liabilities	(358)	(306)	-
Total net interest-bearing liabilities	**(8 251)**	**(4 484)**	**(3 037)**

NOTE 7 INTEREST AND OTHER FINANCIAL ITEMS

The various elements of net interest and net other financial items are presented in the following tables:

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2019	2018	2018	2019	2018
Net interest costs excl. leases	(136)	(122)	(159)	(48)	(40)
Interest costs leases	(22)	-	-	(7)	-
Interest, net	**(158)**	**(122)**	**(159)**	**(55)**	**(40)**

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2019	2018	2018	2019	2018
Dividends	19	3	3	8	3
Net foreign currency gain/loss	1	2	(3)	1	-
Interest on pensions	(73)	(35)	(17)	(16)	(11)
Other financial items	(5)	3	(25)	(5)	5
Other financial items, net	**(58)**	**(27)**	**(42)**	**(12)**	**(3)**

NOTE 8 RELATED PARTIES

The Canica system, controlled by Orkla Board Chairman Stein Erik Hagen (largest shareholder, with 24.97% 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.

As at 30 September 2019, there were no special transactions between the Group and related parties.

The Group has intercompany balances totalling NOK 28 million with associates within Orkla's real estate investments.

NOTE 9 TREASURY SHARES

The following changes took place in Orkla's holding of treasury shares between 1 January 2019 and 30 September 2019:

Treasury shares 1 January 2019	19 410 259
Cancellation of treasury shares	(17 500 000)
Sale of shares to employees	(785 077)
Treasury shares 30 September 2019	**1 125 182**

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

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

Goodwill and brands were written down by a total of NOK 419 million in the third quarter. Write-downs totalling NOK 37 million were also taken in connection with ERP projects in the Group; see Note 3. As at 30 September 2019, there were otherwise no indications of any impairment in the value of any of the Group's other assets.

NOTE 11 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

	Measurement level			
Amounts in NOK million	Level 1	Level 2	Level 3	Total
30 September 2019:				
Assets				
Investments	-	-	98	98
Derivatives	-	52	-	52
Liabilities				
Derivatives	-	229	-	229
31 December 2018:				
Assets				
Investments	157	-	94	251
Derivatives	-	102	-	102
Liabilities				
Derivatives	-	361	-	361

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

NOTE 12 OTHER MATTERS

After the sale of its stake in Sapa in 2017, Orkla retained certain liabilities arising from its former ownership. These are primarily related to guarantees and specific indemnities given to Norsk Hydro. In the second quarter of 2019, an agreement was reached between subsidiaries of Norsk Hydro and the US Department of Justice (DOJ), Civil and Criminal Divisions, related to the case referred to in Note 6 of Orkla's Annual Financial Statements for 2016. In accordance with the agreement, a subsidiary of Norsk Hydro has paid approx. NOK 400 million (USD 46.9 million) to the US authorities. Orkla has indemnified Norsk Hydro for 50% of this amount, i.e. approx. NOK 200 million. The amount is covered in its entirety by previous provisions.

Orkla ASA purchased 20% of the Icelandic company Nói-Sirius HF ("Nói Sirius"), Iceland's leading chocolate and confectionery manufacturer. Nói Sirius is market leader in Iceland, and over 70% of the company's turnover is generated by domestic market sales. Moreover, a growing percentage of the company's sales are export and tax-free sales. The business also distributes some strong, global brands of chocolate, snacks and breakfast products. Nói Sirius has about 150 employees, and the company had a turnover of ISK 3,436 million (approx. NOK 244 million) in 2018. Under the agreement, Orkla has the possibility to purchase the remaining shares after 2020. The agreement is contingent on the approval of the Icelandic competition authorities.

Orkla House Care has completed an agreement to take over the remaining 50% of the shares in the joint venture company Anza Verimex Holding. Since 2018, Orkla House Care has owned 50% of the company which is market leader in the sale and distribution of painting tools in the Netherlands and Belgium. The business that is to be transferred consists of Anza Verimex Holding B.V. (Netherlands) and its two subsidiaries PGZ Nederland B.V. (Netherlands) and Anza Verimex NV (Belgium). In future, the companies will be operated under the name Orkla House Care Benelux. The companies involved in the transaction had an aggregate turnover of just under EUR 20 million (approx. NOK 200 million) in 2018 and around 10 employees. While the joint venture was partly-owned by Orkla, the business's profit was reported as "profit from associates and joint ventures" using the equity method, but the wholly-owned company was consolidated into Orkla's financial statements as of 1 October 2019.

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

There have been no other material events after the statement of financial position date that would have had an impact on the financial statements or the assessments carried out.

Alternative performance measures (APM)

Organic growth
Organic growth shows like-for-like turnover growth for the Group's business portfolio and is defined as the Group's reported change in operating revenues adjusted for effects of the purchase and sale of companies and currency effects. In the calculation of organic growth, acquired companies will be excluded 12 months after the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's turnover at last year's exchange rates.

Organic growth is included in segment information and used to identify and analyse the turnover growth in the existing business portfolio. Organic growth provides an important picture of the Group's ability to carry out innovation, product development, correct pricing and brand-building.

Reconciliation of organic growth is shown in a separate table on the next page.

EBIT (adj.)
EBIT (adj.) shows the Group's current operating profit before items that require special explanation, and is defined as reported operating profit or loss before "Other income and expenses" (OIE). Items included in OIE are disclosed in Note 3. These include M&A costs, restructuring or integration expenses, any major gains and write-downs on both tangible and intangible assets, and other items that only to a limited degree are reliable measures of the Group's current profitability. EBIT (adj.) margin and growth are derived figures calculated in relation to operating revenues.

EBIT (adj.) is the Group's key financial figure, internally and externally. The figure is used to identify and analyse the Group's profitability from normal operations and operating activities. Adjustment for items in OIE which to a limited degree are reliable measures of the Group's current operating profit or loss increases the comparability of profitability over time, and EBIT (adj.) is used as a basis for and indicator of the Group's future profitability.

EBIT (adj.) is presented on a separate line in the Group's income statement and in segment reporting (Note 2).

Change in underlying EBIT (adj.)
Change in underlying EBIT (adj.) shows like-for-like EBIT (adj.) growth for the Group's business portfolio and is defined as the Group's reported change in EBIT (adj.) adjusted for effects of the purchase and sale of companies and currency effects. In calculating the change in underlying EBIT (adj.), acquired companies will be included pro forma 12 months before the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by calculating this year's turnover at last year's currency exchange rates. Comparative figures are not restated when implementing IFRS 16, but the effects of the new accounting standard are neutralised in the calculation. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

Underlying EBIT (adj.) growth is used for internal management purposes, including for identifying and analysing underlying profitability growth in the existing business portfolio, and provides a picture of the Group's ability to develop growth and improve profitability in the existing business. The measure is important because it shows the change in profitability on a comparable structure over time. Underlying EBIT (adj.) growth is a heavily weighted factor in determining executive remuneration.

The reconciliation of change in underlying EBIT (adj.) for Branded Consumer Goods incl. HQ is shown directly in the text. Comparative figures are shown on the next page.

Earnings per share (adj.)
Earnings per share (adj.) show earnings per share adjusted for other income and expenses (OIE) after estimated tax. Items included in OIE are specified in Note 3. The effective tax rate for OIE in 2019 is lower than the Group's tax rate due to the write-down of goodwill with no tax effect and to high non-deductible transaction costs. Other items in other income and expenses, including the gain related to Treschows gate, have a tax effect. The effective tax rate related to OIE in the third quarter was 1% (20% in 2018), whereas it was 5% as at 30 September 2019 (21% in 2018).

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. There were no such items in the first nine months of 2019 or in 2018.

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

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

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

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

Net interest-bearing liabilities
Net interest-bearing liabilities, together with equity, constitute the Group's capital. Net interest-bearing liabilities are the sum of the Group's interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans, lease liabilities and interest-bearing derivatives. Interest-bearing receivables include liquid assets, interest-bearing derivatives and other interest-bearing receivables.

Net interest-bearing liabilities are the Group's primary management parameter for financing and capital allocation, which is used actively in the Group's financial risk management strategy. The statement of cash flows (Orkla format) therefore shows the change in net interest-bearing liabilities at Group level; see page 6.

Net interest-bearing liabilities are reconciled in Note 6.

Structure (acquired and sold companies)

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

Organic growth by business area

	1.1.–30.9.2019				1.7.–30.9.2019			
Sales revenues change %	FX	Structure	Organic growth	Total	FX	Structure	Organic growth	Total
Orkla Foods	0.5	1.7	1.9	4.0	1.6	2.8	0.8	5.3
Orkla Confectionery & Snacks	0.6	-	4.4	5.0	1.5	-	4.2	5.7
Orkla Care	0.3	1.0	-2.0	-0.6	1.0	-	1.7	2.7
Orkla Food Ingredients	0.7	4.9	0.7	6.2	1.6	6.3	0.8	8.6
Branded Consumer Goods	0.5	2.1	1.2	3.8	1.5	2.7	1.5	5.7

	1.1.–30.9.2018				1.7.–30.9.2018				1.1.–31.12.2018			
Sales revenues change %	FX	Structure	Organic growth	Total	FX	Structure	Organic growth	Total	FX	Structure	Organic growth	Total
Orkla Foods	0.3	-2.2	1.0	-0.9	-1.1	-1.7	1.1	-1.8	-0.3	-1.9	1.5	-0.8
Orkla Confectionery & Snacks	1.0	-	-3.0	-2.0	-0.2	-	-0.2	-0.5	0.4	-	-3.4	-3.0
Orkla Care	0.6	9.6	-0.6	9.6	-0.2	7.9	-2.6	5.1	0.2	9.5	-1.8	8.0
Orkla Food Ingredients	1.9	8.6	1.9	12.4	0.9	6.0	1.4	8.3	1.1	7.6	1.2	9.9
Branded Consumer Goods	0.9	2.9	-	3.8	-0.4	2.3	0.2	2.1	0.2	2.8	-0.2	2.8

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

EBIT (adj.) change %	FX	Structure	Underlying growth	Total
1.1.–30.9.2018	0.2	1.8	2.8	4.9
1.7.–30.9.2018	-0.6	0.3	7.4	7.2
1.1.–31.12.2018	-0.2	1.2	0.8	1.8

		Underlying			
EBIT (adj.) margin growth change in percentage points	FX/ Structure	Variable cost	Other	Total	EBIT (adj.) margin 2018 (%)
R12M pr. 30.9.2018	-0.2	0.1	0.4	0.3	11.2
1.1.–31.12.2018	-0.2	0.0	0.1	-0.1	11.1

Figures may not add up due to rounding.

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

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