First half 2020

The first half-year in brief

- Group profit before tax amounted to NOK 2,352 million, a year-over-year improvement of 8.5%
- Operating profit EBIT (adj.) for Branded Consumer Goods including Headquarters rose by 17%, of which 6.3% was underlying growth
- Organic growth was 0.7%, but varied substantially between business areas. In general, there was good sales growth in the grocery sector, but Out of Home was negatively impacted by restrictions
- Operating profit was positively impacted by significant cost savings
- Continued substantial growth and increased profitability for Jotun
- Adjusted earnings per share were NOK 2.15 for the first half-year, which was an increase of 21% from the same period of 2019

Key figures for the Orkla Group as at 30 June

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

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2020	2019	2019	2020	2019
Group					
Operating revenues	22 606	20 718	43 615	11 099	10 542
EBIT (adj.)	2 348	2 129	5 088	1 205	1 109
Profit/loss from associates and joint ventures	461	346	659	248	181
Profit/loss before taxes	2 352	2 168	4 931	1 200	1 178
Earnings per share (NOK)	1.87	1.64	3.84	0.95	0.90
Earnings per share (adj.) (NOK)	2.15	1.78	4.24	1.10	0.93
Branded Consumer Goods					
Operating revenues	22 297	20 205	42 632	10 981	10 337
- Organic revenue growth	*0.7%*	*0.9%*	*1.3%*	*-3.8%*	*1.0%*
Branded Consumer Goods incl. headquarters (HQ)					
EBIT (adj.)	2 323	1 983	4 786	1 220	1 048
EBIT (adj.) margin	10.4%	9.8%	11.2%	11.1%	10.1%

Orkla President and CEO Jaan Ivar Semlitsch comments:

We can look back on a half-year that we will remember and that has been marked by the biggest crisis we have ever faced in peacetime. When the coronavirus crisis struck, it was clear to us at Orkla that we had to assume our responsibility to society and supply the food, household cleaning products and personal hygiene articles that people needed. The government confirmed early on that Orkla's businesses were to be considered of critical importance to society in many of our markets. At the same time, our highest priority has been to take care of our employees and prevent the spread of infection. It is therefore gratifying to see that we have succeeded in maintaining close to normal operation in the value chain. At our factories, strict, new infection control measures and work procedures were introduced, supplementing the existing quality and hygiene requirements, and infection among our employees has been limited. To meet demand, we ramped up production at several sites, and we have managed to maintain a satisfactory service level since the onset of the crisis in March.

The sales pattern in the majority of our markets was close to normal at the start of the year, but the measures and restrictions imposed by the authorities to limit the coronavirus pandemic led to a noticeable change in consumer demand patterns. In the first half-year, we have seen increased demand in the grocery sector, partly due to the initial consumer stockpiling of food and cleaning products, and to stable growth in the past few months. The channel has been positively affected by good market growth resulting from the fact that people are spending more time at home. On the other hand, our companies that are exposed to non-grocery channels have experienced a considerable fall in demand as a result of government restrictions. Towards the end of the first half-year, we have now seen an improvement in demand as society gradually reopens.

The coronavirus pandemic has shown us many of Orkla's strengths. We have strong local brands that people look for in a crisis. We have a value chain and a supply chain that have functioned effectively, despite numerous challenges. Based on our product portfolio, our competent employees, and our solid financial cash flow statement and balance sheet, I am confident that Orkla is well positioned to continue to navigate this difficult situation and will emerge strengthened from the coronavirus crisis.

Jaan Ivar Semlitsch
President and CEO

Market growth

In the months before the coronavirus pandemic broke out, most of the markets for Orkla's Branded Consumer Goods business had stable, but moderate growth. There was higher growth in the Baltics and Central Europe than in the Nordic markets, and higher growth in certain non-grocery channels. However, the coronavirus crisis has led to considerable growth in the grocery sector in the first half-year of 2020, at first driven by initial stockpiling, but market growth has also been higher than normal in the second quarter, driven by the fact that people are spending more time at home. At the same time, the impact of the crisis on other areas, such as the Out of Home segment, industry and the ingredients market, has been highly negative. While activity has gradually improved as the government eases restrictions, it is still at a substantially lower level than at the start of the year.

Orkla is exposed to a broad range of raw material categories. Overall, raw material prices have been higher, impacting negatively on Orkla's sourcing costs in the first half of 2020. The biggest cost drivers were the increased prices of meat, sugar and vegetable oils, in addition to high price increases in several other raw material categories.

On the whole, foreign currency rate developments have been negative and the weakening of the Norwegian krone against the euro, in particular, has had a negative impact on input prices in the first half-year, compared with the same period of 2019. On the other hand, the weakening of the Norwegian krone has contributed to positive currency translation effects in connection with consolidation.

Energy prices have declined sharply in the first half-year and are expected to remain at a considerably lower level in 2020 than in 2019. The low power prices have resulted in reduced production costs for Branded Consumer Goods, but had a corresponding negative effect on Hydro Power's profit performance.

Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–30.6.2020	0.7	7.1	2.6	10.4
1.4.–30.6.2020	-3.8	8.6	1.4	6.2

Figures may not add up due to rounding.

First-half turnover growth for Branded Consumer Goods was chiefly related to acquisitions and positive currency translation effects. Organic turnover growth was 0.7%, with good organic growth in the grocery channel that was offset to some extent by lower demand in non-grocery channels. The performance of the different business areas varied considerably, with good top-line growth for Orkla Foods and Orkla Care, positively affected by strong market growth in the grocery channel. Growth for Orkla Foods was counteracted to some degree by a decline in the Out of Home sector. Orkla Food Ingredients and Orkla Consumer Investments, which sell extensively to non-grocery channels, saw a decline. The Out of Home and industry sectors were largely impacted by lower demand due to infection control measures. Overall, Orkla Confectionery & Snacks had moderate sales growth in the first half-year, with good growth particularly in Norway, but declining sales in the Baltics on account of the coronavirus crisis.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.6.2020	6.3	7.9	2.8	17.1
1.4.–30.6.2020	4.6	9.5	2.2	16.4

Figures may not add up due to rounding.

In the first half-year, Branded Consumer Goods including Headquarters (HQ) had an improvement of 17.1% in EBIT (adj.), of which underlying growth accounted for 6.3%. The profit improvement was partly related to turnover growth, as well as to cost reductions, some of which were of a temporary nature due to the coronavirus crisis. Profit growth was negatively affected by higher input costs, including negative currency effects due to the weaker Norwegian krone against the euro.

EBIT (adj.) margin growth change in percentage points	Underlying growth	Structure/ FX	Total	EBIT (adj.) margin 2020 (%)
R12M	0.4	-0.1	0.3	11.4

Figures may not add up due to rounding.

Margin growth on a rolling 12-month basis as at 30 June 2020 for Branded Consumer Goods including HQ showed an improvement of 0.3 percentage points. The margin improvement was driven by increased production efficiency and positive mix effects, as well as to the aforementioned cost improvements.

The coronavirus crisis may lead to short-term priorities which could temporarily weaken margin performance. In the longer term, however, Orkla will continue its work to improve margins, including focus on improved mix, reduced complexity and revenue management.

Structural measures (M&A)

Orkla Wound Care has signed and completed an agreement to purchase 100% of the shares in Norgesplaster Holding AS ("Norgesplaster"). The company holds good market positions in the wound care and first aid equipment markets. With the acquisition of Norgesplaster, Orkla Wound Care has strengthened its presence in the pharmacy channel and the market for first aid products. The company was consolidated into Orkla's financial statements as of 1 April 2020.

Through its wholly-owned subsidiary Orkla Foods Sverige AB, Orkla has signed and completed an agreement with PepsiCo, Inc. to purchase the Havrefras brand, including Rug Fras and Mini Fras. The brand holds a strong market position in Scandinavia in healthy breakfast cereals. Orkla currently distributes Havrefras products on behalf of PepsiCo in Norway, Sweden and Denmark. The agreement came into effect as of 1 June 2020.

Through its wholly-owned subsidiary Idun Industri AS, Orkla Food Ingredients has signed and completed an agreement to purchase 70% of the shares in Win Equipment, a leading supplier of soft serve ice cream machines in the Netherlands. Orkla Food Ingredients has built up a solid position in the Netherlands in ice cream ingredients and accessories, and the businesses complement each other well. The company was consolidated into Orkla's financial statements as of 1 February 2020.

Orkla Foods Norge has sold the SaritaS brand to the newly established company Indian Gourmet AS. The agreement concerns full disposal of the SaritaS brand, which includes a product portfolio of sauces and ready meals. The agreement entered into effect on 2 March 2020. Orkla Foods Norge has also signed an agreement to sell the Vestlandslefsa brand. The agreement concerns the divestment of the Vestlandslefsa brand, including recipes and production equipment. It also includes the Li-Klenning trademark. The agreement entered into effect on 6 July 2020. The purpose of the divestments are to streamline the portfolio and concentrate the business on selected core areas.

Orkla Eiendom has sold its remaining shares (24%) in the logistics company Andersen & Mørck AS, at a gain of NOK 15 million. In addition, Orkla Eiendom has entered into and completed an agreement to sell its shares in the property company Alkärrsplans Utvecklings AB with a profit effect of NOK 14 million. The gain on these sales has been recognised on the line "Profit/loss from associates and joint ventures" in Orkla's income statement.

It was decided to discontinue Pierre Robert Group's Swedish business, and activity has gradually been reduced over the first half-year. The company was discontinued on 30 June 2020.

See Notes 5 and 12 for more information on acquisitions and disposals.

Outlook

In the first half-year, Orkla has been impacted by the coronavirus pandemic that has created an extraordinary climate of uncertainty, which to some extent is expected to continue going forward.

The first half-year has seen an increase in demand for food and household cleaning products for the grocery channel, partly due to initial stockpiling, especially in March, but also due to increased market growth in the past few months as a result of a shift towards increased in-home consumption and away from out-of-home consumption. However, there is uncertainty related to future developments as society gradually reopens in each country.

Due to the Group's broad range of categories and channels, the coronavirus crisis also has considerable negative effects on demand in some parts of the business. This applies to the Orkla companies that primarily manufacture goods for out-of-home consumption, such as Orkla Food Ingredients, the restaurant businesses and, to a certain degree, Orkla Foods. All in all, the turnover of the companies that are particularly negatively impacted by coronavirus restrictions accounts for around one fourth of Branded Consumer Goods' total turnover. Sales figures for the Out of Home channel showed an index of 40-60 for April. However, activity picked up again at the end of the first half-year after society gradually began to reopen, but is still at a lower level (index ~80-90).

In the first half-year, Orkla has succeeded in maintaining close to normal supply chain operations. Extensive actions have been taken to safeguard health, safety and service levels at factories. Nevertheless, challenges may arise in terms of securing sufficient availability of raw materials, packaging and seasonal farm workers, depending on how the coronavirus crisis evolves. The situation still varies from market to market due to differences in the spread of infection and infection control measures imposed by local authorities.

There is still uncertainty as to future developments in raw material prices and currency rate fluctuations. Orkla is exposed to a broad range of raw material categories and overall prices are expected to rise. The weak exchange rate of the Norwegian krone has already had a negative impact on input costs in the first half for the Norwegian businesses, and price increases have been implemented with effect from 1 July to compensate for increased raw material prices. On the other hand, Orkla will see positive currency translation effects on reported figures if the Norwegian krone remains weak.

Orkla is well equipped financially to deal with continued uncertainty. The Group has a strong balance sheet with net interest-bearing liabilities of 1.3 x EBITDA (on a 12-month rolling basis). The Group's liquid reserves increased in the first half-year, even after paying out a dividend, as a result of positive cash flow and funding actions.

Orkla maintains its objective of long-term organic growth at least in line with market growth. For 2018-2021, Orkla targets EBIT (adj.) margin growth of minimum 1.5 percentage points adjusted for acquisitions, sales and currency effects. In light of the current extraordinary situation, it may be necessary to set short-term priorities that could result in differences in margin performance compared with the target for 2018-2021.

Financial matters – Group

Main figures profit/loss

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2020	2019	2019	2020	2019
Operating revenues	**22 606**	**20 718**	**43 615**	**11 099**	**10 542**
EBIT (adj.)	**2 348**	**2 129**	**5 088**	**1 205**	**1 109**
Other income and expenses	(341)	(158)	(561)	(176)	(39)
Operating profit	**2 007**	**1 971**	**4 527**	**1 029**	**1 070**
Profit/loss from associates and joint ventures	461	346	659	248	181
Interest and financial items, net	(116)	(149)	(255)	(77)	(73)
Profit/loss before taxes	**2 352**	**2 168**	**4 931**	**1 200**	**1 178**
Taxes	(460)	(480)	(1 033)	(240)	(250)
Profit/loss for the period	**1 892**	**1 688**	**3 898**	**960**	**928**
Earnings per share (NOK)	1.87	1.64	3.84	0.95	0.90
Earnings per share (adj.) (NOK)	2.15	1.78	4.24	1.10	0.93

Group operating revenues increased by 9.1% in the first half-year, driven by positive currency translation effects in connection with consolidation, as well as structural and, to some extent, organic growth in Branded Consumer Goods.

In the same period, the Group had 10.3% growth in EBIT (adj.), driven by higher contributions to profit from all business areas except Orkla Food Ingredients, which was significantly impacted by the coronavirus crisis. Orkla Foods and Orkla Care, in particular, saw strong profit improvement in the first half-year, driven by higher demand as a result of the coronavirus crisis and positive currency translation effects. Industrial & Financial Investments experienced a decline in profit in the first half-year due to considerably lower power prices in Hydro Power.

The Group's other income and expenses totalled NOK -341 million in the first half-year. A write-down was taken in the second quarter of goodwill and fixed assets related to the Danish pizza restaurant chain Gorm's. Other large items were related to costs and severance agreements in connection with the reorganisation of HQ, restructuring projects in Orkla Foods, Orkla Care and Orkla Consumer Investments, and the write-down of IT systems. In addition, the purchase of the remaining interest in Orchard Valley Foods led to an extra cost due to a difference between the estimated and actual purchase price. See further details regarding other income and expenses in Note 3.

Profit from associates amounted to NOK 461 million in the first half-year. The improvement of NOK 115 million, year over year, was chiefly due to good growth and margin performance, as well as positive currency translation effects, in Jotun. The gain on the sale of minority interests in Alkärrsplans Utvecklings AB and the logistics company Andersen & Mørck AS amounted to NOK 29 million.

Net financial costs in the first half-year were lower than in 2019, mainly due to a lower average borrowing rate of 1.8% in the period compared with 2.8% in the corresponding period of 2019, and lower pension plan costs.

The effective tax rate in the first half-year was lower, year over year, primarily due to lower economic rent tax as a result of the lower contribution to profit from Hydro Power, but was partly offset by write-downs with no tax effect.

Earnings per share in the first half-year were NOK 1.87, a year-over-year increase of 14%. Adjusted earnings per share were NOK 2.15, equivalent to growth of 21% from the previous year. See the section on Alternative Performance Measures (APM) on page 17 for more information.

Cash flow – Group

The comments below are based on the cash flow statement as presented in Orkla's internal format and refer to the period 1 January to 30 June 2020. Reference is made to page 13 for the consolidated statement of cash flows IFRS and reconciliation of cash flows.

Orkla-format

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2020	2019	2019	2020	2019
Cash flow from Branded Consumer Goods incl. HQ					
EBIT (adj.)	2 323	1 983	4 786	1 220	1 048
Depreciation and amortisation	881	769	1 581	451	387
Changes in net working capital	105	(364)	812	227	(538)
Net replacement expenditures	(1 101)	(767)	(1 931)	(500)	(414)
Cash flow from operations (adj.)	**2 208**	**1 621**	**5 248**	**1 398**	**483**
Cash flow effect from "Other income and expenses" and pensions	(109)	(191)	(450)	8	(81)
Cash flow from operations, Branded Consumer Goods incl. HQ	**2 099**	**1 430**	**4 798**	**1 406**	**402**
Cash flow from operations, Industrial & Financial Investments	**63**	**(24)**	**135**	**(24)**	**32**
Taxes paid	(663)	(775)	(1 129)	(212)	(322)
Dividends received, financial items and other payments	7	(181)	(167)	(58)	(204)
Cash flow before capital transactions	**1 506**	**450**	**3 637**	**1 112**	**(92)**
Dividends paid and purchase/sale of treasury shares	(2 650)	(2 582)	(2 589)	(2 641)	(2 578)
Cash flow before expansion	**(1 144)**	**(2 132)**	**1 048**	**(1 529)**	**(2 670)**
Expansion investments	(227)	(319)	(631)	(108)	(180)
Sale of companies (enterprise value)	95	47	582	34	37
Purchase of companies (enterprise value)	(677)	(2 637)	(3 063)	(591)	(946)
Net cash flow	**(1 953)**	**(5 041)**	**(2 064)**	**(2 194)**	**(3 759)**
Currency effects of net interest-bearing liabilities	(751)	164	(3)	334	6
Change in net interest-bearing liabilities	**2 704**	**4 877**	**2 067**	**1 860**	**3 753**
Interest-bearing liabilities implementation IFRS 16, 1 January 2019	-	1 447	1 447	-	-
Net interest-bearing liabilities	**9 255**	**9 361**	**6 551**		

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 from Branded Consumer Goods and HQ was higher in 2020 than in 2019, primarily due to improved EBIT (adj.) and reduced working capital this year, compared with an increase in working capital last year. The reduction in working capital as at 30 June is mainly due to the timing of indirect taxes, where the deadline for payment of several large items was deferred from the second quarter to the third quarter. There was also an underlying improvement in accounts payable. The positive effects on working capital were offset to some extent by a temporary stock build-up, mainly from the business areas that have seen higher demand due to the coronavirus crisis. The average amount of funds tied up in working capital in the first half-year shows an improvement relative to turnover.

There was an increase in replacement investments, mainly driven by the ongoing implementation of new ERP systems, several ongoing factory projects and the entry into long-term leases for business premises.

In Industrial & Financial Investments, cash flow from operations in the first half of 2020 was chiefly driven by positive contributions from Hydro Power.

Dividends received, financial items and other payments were primarily related to financial items paid, dividends from Jotun and the sale of shares with low equity interest.

Expansion investments were somewhat lower in 2020 than in 2019, when the main driver was the investment programme for pizza production at Stranda, Norway.

The logistics company Andersen & Mørck was sold in the first half of 2020. Further, Orkla Eiendom sold a minority interest (40.5%) in Alkärrsplans Utvecklings AB and a minority interest (20%) in the property development company Sandakerveien 56. Acquisitions of companies totalled NOK 677 million, and chiefly consisted of the purchase of the Havrefras brand and the acquisition of 100% of the shares in Norgesplaster. In addition, Orkla Food Ingredients completed its purchases of Win Equipment and the remaining shares in Orchard Valley Foods.

Net cash flow for the Group was NOK -1,953 million. Negative currency translation effects due to the weakened Norwegian krone increased net interest-bearing liabilities by NOK 751 million compared with the end of 2019. At the end of the first half of 2020, net interest-bearing liabilities before leases totalled NOK 7,639 million. Including lease liabilities under IFRS 16, net interest-bearing liabilities amounted to NOK 9,255 million.

As at 30 June 2020, the equity ratio was 57.8%, compared with 60.8% as at 31 December 2019. 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.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Operating revenues	8 956	7 959	16 776	4 338	4 070
- Organic revenue growth	*5.0%*	*2.4%*	*1.8%*	*-0.7%*	*3.1%*
EBIT (adj.)	1 141	926	2 276	606	496
EBIT (adj.) margin	12.7%	11.6%	13.6%	14.0%	12.2%

- Good, broad-based organic sales growth throughout the first half-year, but with timing differences between the first and second quarters due to coronavirus-related stockpiling
- Increased sales to grocery customers partly offset by lower sales to out-of-home sector, convenience stores, petrol stations and exports
- Profit growth of 23% driven by higher turnover, cost improvements both of a one-off nature and more lasting improvements, and positive currency translation effects

Orkla Foods had an increase of 12.5% in sales in the first half-year, of which 5.0% was organic growth, as well as positive currency translation effects and structural growth. There were improvements in all markets in the first half-year, except for Denmark and Latvia where the coronavirus situation resulted in a decline in sales due to higher exposure to non-grocery customers. It is particularly gratifying to see that India, which had a weak first quarter due to the coronavirus crisis lockdown, has made a strong recovery in the second quarter. In all markets, grocery sales have increased substantially, positively affected by good market growth. Canned goods, frozen ready meals and ketchup are categories that have contributed to good growth so far this year, and sales of plant-based products continued to show a positive trend. On the other hand, sales to the out-of-home sector, convenience stores, petrol stations and exports were lower.

There was good profit growth in most of Orkla Foods' markets in the first half-year, driven by both higher turnover and cost improvements. The negative effects on input costs due to the weakened Norwegian krone, and higher raw material prices, continued in the first half-year. Price increases and more active portfolio management compensated for these factors to some extent, but it will take time to compensate for new cost increases and the currency devaluation in the first half-year. Reduced travel, seminar and conference activities, as well as tax relief in some markets, has resulted in lowered costs. Profit was also positively impacted by currency translation effects. The EBIT (adj.) margin improved, coming in at 12.7%, up 1.1 percentage points from the first half of 2019.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Operating revenues	3 326	3 021	6 612	1 724	1 519
- Organic revenue growth	*3.1%*	*4.5%*	*4.6%*	*4.1%*	*5.4%*
EBIT (adj.)	450	402	1 094	241	191
EBIT (adj.) margin	13.5%	13.3%	16.5%	14.0%	12.6%

- Good sales growth in several of the Nordic markets, positively impacted by high market growth
- Decline in demand in the Baltics due to the coronavirus crisis, and reduced listings with a customer in Denmark
- Improvement in reported profit positively affected by currency translation effects and non-recurring items substantially relating to other periods

Orkla Confectionery & Snacks had 10.1% growth in operating revenues in the first half-year. Organic growth was 3.1%. Sales increased in the Nordic countries except for Denmark, where sales were negatively affected by reduced listings with a major customer. In the Baltics, the coronavirus crisis led to a substantial decline in demand. The grocery market developed positively in the Nordic region in the first half-year, but the improvement was offset to some extent by a considerable fall in sales in other channels such as convenience stores and the out-of-home sector.

First half-year EBIT (adj.) for Orkla Confectionery & Snacks increased by 11.9%, year over year. Profit growth was positively impacted by good growth in the grocery sector, non-recurring effects and currency translation effects. However, higher input prices due to both increased market prices and a weakened Norwegian krone, and reduced listing in Denmark, impacted negatively on EBIT (adj.) growth. The first-half EBIT (adj.) margin was 13.5%, a year-over-year improvement of 0.2 percentage points.

Orkla Care

Amounts in NOK million	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Operating revenues	3 331	2 869	5 887	1 643	1 408
- Organic revenue growth	*8.2%*	*-4.0%*	*0.0%*	*5.3%*	*-4.5%*
EBIT (adj.)	540	413	855	243	192
EBIT (adj.) margin	16.2%	14.4%	14.5%	14.8%	13.6%

- Strong sales and profit growth for Orkla Home & Personal Care due to stockpiling in March and continued good growth in second quarter
- Substantial growth for Orkla Health driven by sales in Norway and exports
- Weak second quarter for Orkla Wound Care as large customer segments have been negatively affected by coronavirus restrictions

Orkla Care had sales growth of 16.1% in the first half-year, of which 8.2% was organic growth. Orkla Home & Personal Care saw strong sales growth in the household cleaning and personal hygiene categories due to stockpiling in March, in addition to which the categories had good growth in the second quarter in the grocery channel. However, some categories, especially sunscreen, were negatively impacted by the coronavirus crisis. Orkla Health had good sales growth in Norway and increased exports, but compared with weak figures in 2019. The positive performance at the start of the year has turned around for Orkla Wound Care, which experienced a sharp fall in demand in the second quarter due to lockdowns and extensive restrictions in several important markets. HSNG reported strong growth in sales in both online and offline channels in the first half-year.

Profit improvement of 30.8% in the first half-year was driven by higher demand due to the coronavirus crisis, the positive effects of ongoing restructuring programmes and positive currency translation effects. The improvement has been offset somewhat by the weak performance of Orkla Wound Care. The EBIT (adj.) margin in the first half-year was 16.2%, compared with 14.4% in 2019.

Orkla Food Ingredients

Amounts in NOK million	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Operating revenues	5 043	4 875	10 292	2 469	2 584
- Organic revenue growth	*-9.2%*	*0.6%*	*0.6%*	*-16.3%*	*0.1%*
EBIT (adj.)	172	272	626	101	195
EBIT (adj.) margin	3.4%	5.6%	6.1%	4.1%	7.5%

- Significantly impacted by the coronavirus crisis, with considerably lower sales in the Out of Home sector including ice cream ingredients in the first half-year
- Considerable decline in profit and weaker EBIT (adj.) margin, which was partially offset by lower fixed costs due to profit protection measures
- Positive tendency in demand and consumption towards end of period due to lifting of restrictions in several home markets

Orkla Food Ingredients had a 3.4% increase in operating revenues in the first half of 2020. The increase was driven by acquisitions and positive currency translation effects. Organic growth was -9.2%, due to a sharp decline in the Out of Home sector as a direct consequence of government coronavirus restrictions. Out of Home accounts for the biggest percentage of Orkla Food Ingredients' sales. Ice cream ingredients, which accounts for around 15% of annual turnover, was particularly heavily affected in the period, which includes the season start. The bakery business related to the Out of Home channel also saw lower demand, but a positive tendency for demand and consumption was seen at the end of the period. There is still great uncertainty as regards future performance, which will depend on how the pandemic evolves and associated government restrictions.

In the first half-year, EBIT (adj.) decreased by 36.8%. The decline in the Out of Home sector had a greater impact on profitability than on sales, since turnover in this channel has relatively higher margins. This was counteracted to some extent by profit protection measures that reduced the fixed costs. The half-year was also affected by higher input costs. There have been no material losses on receivables or inventory obsolescence as a result of the coronavirus crisis.

The EBIT (adj.) margin in the first half-year was 3.4%, a year-over-year reduction of 2.2 percentage points.

Orkla Consumer Investments

Amounts in NOK million	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Operating revenues	1 827	1 624	3 385	900	829
- Organic revenue growth	*-6.0%*	*-3.7%*	*-3.4%*	*-8.1%*	*-5.4%*
EBIT (adj.)	191	156	297	99	68
EBIT (adj.) margin	10.5%	9.6%	8.8%	11.0%	8.2%

- Good profit growth for Orkla House Care
- Organic sales decline in the Out of Home segment, primarily due to the coronavirus crisis
- Weak performance for the textile business, which has been substantially affected by the coronavirus crisis

Orkla Consumer Investments had sales growth of 12.5% in the first half-year, driven by structural growth related to acquisitions in Orkla House Care and the takeover of Kotipizza in February 2019. An organic sales decline of 6,0% was primarily due to lower sales in Pierre Robert Group, the closure of Gorm's restaurants and reduced wholesale activity in Kotipizza Group. In the first half-year, the restaurant businesses Kotipizza in Finland and Gorm's in Denmark have been impacted by stringent coronavirus restrictions. Nonetheless, Kotipizza achieved sales growth for its pizza restaurants in the first half-year, but the growth was offset by lower activity in other parts of the business. Orkla House Care has seen solid organic growth driven by its operations in the Nordic region where demand has been good.

Profit improvement of 22.4% in the first half-year was driven by acquired companies and strong growth in profit from Orkla House Care. The improvement was offset by weak profit from the restaurants in Denmark, which were affected by the coronavirus restrictions, and by a decline for the textile business. This is linked in part to the textile business in Sweden, which was discontinued at the end of the first half-year.

Industrial & Financial Investments

Hydro Power

	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Volume (GWh)	1 329	995	2 156	685	519
Price* (øre/kWh)	10.1	41.5	38.7	4.9	35.9
EBIT (adj.) (NOK million)	20	142	292	(19)	69

*Source: Nord Pool (monthly spot area prices Oslo and Kristiansand).

EBIT (adj.) for Hydro Power amounted to NOK 20 million in the first half-year, compared with NOK 142 million in the corresponding period of last year. The decline in profit is mainly due to substantially lower power prices owing to a considerable power surplus and reduced interconnector capacity. Power production was higher than in the first half-year of 2019. The power price in Southern Norway in the first half-year was 10.1 øre/kWh, compared with 41.5 øre/kWh in the first half of 2019. First-half production totalled 1,329 GWh, compared with 995 GWh in the same period of 2019. Operating costs in the first half of 2020 were approximately on a par with the same period of last year.

At the end of the first half-year, reservoir levels for the Glomma and Laagen rivers, as well as the reservoirs in Sauda, were a little higher than normal. Snowpack levels are still well above normal and will ensure a substantial power surplus throughout the summer.

Financial Investments

EBIT (adj.) for Financial Investments totalled NOK 5 million in the first quarter, compared with NOK 4 million last year. The most important events in the first half of 2020 for Orkla Eiendom were the sale of shares in Andersen & Mørck AS and the shares in Alkärrsplans Utvecklings AB which generated a total gain of NOK 29 million, reported on the line "Profit/loss from associates and joint ventures".

Jotun (42.6% interest)

Jotun's operating revenues increased by 9.9% in the first half of 2020 compared with the same period of last year. Adjusted for positive currency effects due to the weaker Norwegian krone, underlying sales growth was 1,0%. The low underlying growth in operating revenues is chiefly due to the coronavirus pandemic, which has hampered sales growth in all segments, especially for Powder Coatings where sales declined. Sales of Protective Coatings and Decorative Paints were approximately on a par with last year's sales, while sales of Marine Coatings continued to grow, driven by higher activity in the maintenance market.

Operating profit rose by 31.3% in the first half-year, compared with the same period last year. In addition to positive currency translation effects, the profit improvement is explained by a stronger gross margin due to previously implemented price increases and somewhat lower raw material costs.

Despite a positive financial performance during the coronavirus crisis so far, there is considerable uncertainty attached to future developments. In the short term, Jotun anticipates a decline in sales volume due to ongoing infection control measures and weaker prospects of economic growth in several key markets. In the longer term, lower market activity is expected in the offshore sector and ship newbuildings, which could have a considerable impact on sales in Marine Coatings and Protective Coatings. However, there is particularly high uncertainty as regards the future impact of the coronavirus crisis on long-term economic conditions.

Other matters

At the Annual General Meeting held on 16 April, the following members of Orkla's Board of Directors were re-elected for one year: Stein Erik Hagen (Chair), Ingrid Jonasson Blank, Liselott Kilaas, Peter Agnefjäll and Nils K. Selte. Grace Reksten Skaugen and Lars Dahlgren did not stand for re-election, and Anna Mossberg and Anders Kristiansen were elected as new members of the Board. Anna Mossberg has experience from telecommunications and digitalisation, while Anders Kristiansen has experience from office equipment retailing and in recent years from the fashion industry.

The General Meeting approved payment of a dividend of NOK 2.60 per share for the 2019 financial year, which was paid out on 27 April 2020. Orkla shares were listed ex-dividend as from 17 April.

Harald Ullevoldsæter took up his post as new Executive Vice President and Chief Financial Officer at Orkla ASA as of 1 March 2020.

Kenneth Haavet took up his post as new Executive Vice President and Head of Orkla Consumer & Financial Investments as of 1 February 2020.

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 2020 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 2020
The Board of Directors of Orkla ASA

Stein Erik Hagen Chairman of the Board	Peter Agnefjäll	Ingrid Jonasson Blank	Liselott Kilaas	Nils K. Selte	Anna Mossberg
Anders Kristiansen	Terje Utstrand	Karin Hansson	Sverre Josvanger	Roger Vangen	Jaan Ivar Semlitsch President and CEO

(This translation from Norwegian of Orkla's first half report of 2020 has been made for information purposes only.)

Condensed income statement

Amounts in NOK million	Note	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Operating revenues	2	22 606	20 718	43 615	11 099	10 542
Operating expenses		(19 294)	(17 741)	(36 784)	(9 402)	(9 007)
Depreciation and amortisation		(964)	(848)	(1 743)	(492)	(426)
EBIT (adj.)	2	**2 348**	**2 129**	**5 088**	**1 205**	**1 109**
Other income and expenses	3	(341)	(158)	(561)	(176)	(39)
Operating profit		**2 007**	**1 971**	**4 527**	**1 029**	**1 070**
Profit/loss from associates and joint ventures		461	346	659	248	181
Interest, net	7	(89)	(103)	(192)	(46)	(53)
Other financial items, net	7	(27)	(46)	(63)	(31)	(20)
Profit/loss before taxes		**2 352**	**2 168**	**4 931**	**1 200**	**1 178**
Taxes		(460)	(480)	(1 033)	(240)	(250)
Profit/loss for the period		**1 892**	**1 688**	**3 898**	**960**	**928**
Profit/loss attributable to non-controlling interests		19	48	60	10	29
Profit/loss attributable to owners of the parent		1 873	1 640	3 838	950	899

Earnings per share

Amounts in NOK	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Earnings per share	1.87	1.64	3.84	0.95	0.90
Earnings per share (adj.)	2.15	1.78	4.24	1.10	0.93

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Profit/loss for the period		1 892	1 688	3 898	960	928
Other items in comprehensive income						
Items after tax not to be reclassified to profit/loss in subsequent periods						
Actuarial gains and losses pensions		(13)	-	(244)	-	-
Changes in fair value shares		(1)	(1)	1	-	(1)
Items after tax to be reclassified to profit/loss in subsequent periods						
Change in hedging reserve	4	(71)	(12)	58	(21)	(7)
Carried against equity in associates and joint ventures	4	242	32	29	(246)	19
Translation effects	4	1 568	(533)	(149)	(733)	6
The Group's comprehensive income		**3 617**	**1 174**	**3 593**	**(40)**	**945**
Comprehensive income attributable to non-controlling interests		40	38	58		
Comprehensive income attributable to owners of the parent		3 577	1 136	3 535		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	30.6. 2020	31.12. 2019
Intangible assets		24 717	22 754
Property, plant and equipment		16 421	15 402
Associates, joint ventures and other financial assets	6	5 262	4 584
Non-current assets		**46 400**	**42 740**
Inventories		6 870	5 868
Inventory of development property		87	90
Trade receivables		6 484	6 078
Other receivables and financial assets	6	916	968
Cash and cash equivalents	6	1 399	1 669
Current assets		**15 756**	**14 673**
Total assets		**62 156**	**57 413**

Equity and liabilities

Amounts in NOK million	Note	30.6. 2020	31.12. 2019
Paid-in equity		1 972	1 972
Retained equity		33 485	32 480
Non-controlling interests		460	460
Equity		**35 917**	**34 912**
Provisions and other non-current liabilities		5 149	4 800
Non-current interest-bearing liabilities	6	9 553	7 783
Current interest-bearing liabilities	6	1 502	803
Trade payables		6 059	5 591
Other current liabilities		3 976	3 524
Equity and liabilities		**62 156**	**57 413**
Equity ratio		57.8%	60.8%

Condensed statement of changes in equity

	1.1.–30.6.2020			1.1.–30.6.2019		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interests	Total equity	Attributed to equity holders of the parent	Non-controlling interests	Total equity
Equity at start of period	34 452	460	34 912	33 629	451	34 080
Effect of implementing IFRS 16	-	-	-	(112)	(15)	(127)
Equity 1 January	34 452	460	34 912	33 517	436	33 953
The Group's comprehensive income	3 577	40	3 617	1 136	38	1 174
Dividends	(2 601)	(49)	(2 650)	(2 599)	(42)	(2 641)
Net purchase/sale of treasury shares	-	-	-	59	-	59
Change in non-controlling interests	29	9	38	(79)	40	(39)
Equity at close of period	**35 457**	**460**	**35 917**	**32 034**	**472**	**32 506**

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
Cash flow from operations before capital expenditure		3 287	2 403	7 220	1 907	900
Received dividends and paid financial items		(16)	4	30	(55)	(41)
Taxes paid		(663)	(775)	(1 129)	(212)	(322)
Cash flow from operating activities		**2 608**	**1 632**	**6 121**	**1 640**	**537**
Net capital expenditure		(1 239)	(1 149)	(2 468)	(594)	(605)
Net sale (purchase) of companies	5	(554)	(2 386)	(2 426)	(529)	(852)
Other payments		23	(185)	(197)	(3)	(163)
Cash flow from investing activities		**(1 770)**	**(3 720)**	**(5 091)**	**(1 126)**	**(1 620)**
Net paid to shareholders		(2 650)	(2 582)	(2 589)	(2 641)	(2 578)
Change in interest-bearing liabilities and receivables		1 377	3 683	1 249	1 495	3 349
Cash flow from financing activities		**(1 273)**	**1 101**	**(1 340)**	**(1 146)**	**771**
Currency effects cash and cash equivalents		165	(41)	1	(2)	2
Change in cash and cash equivalents		**(270)**	**(1 028)**	**(309)**	**(634)**	**(310)**
Cash and cash equivalents	6	**1 399**	**950**	**1 669**		

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

IFRS cash flow					
Cash flow from operating activities	2 608	1 632	6 121	1 640	537
Net capital expenditure	(1 239)	(1 149)	(2 468)	(594)	(605)
Other payments	23	(185)	(197)	(3)	(163)
Cash flow from operating activities incl. capital expenditure	1 392	298	3 456	1 043	(231)
Orkla-format					
Cash flow before capital transactions	1 506	450	3 637	1 112	(92)
New capitalised leases (included in net replacement expenditures in Orkla-format)	113	167	450	39	41
Expansion investments	(227)	(319)	(631)	(108)	(180)
Comparative cash flow	1 392	298	3 456	1 043	(231)

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

Change cash and cash equivalents IFRS cash flow	270	1 028	309	634	310
Change net interest-bearing liabilities IFRS cash flow	1 377	3 683	1 249	1 495	3 349
Net interest-bearing liabilities in purchased/sold companies	28	204	55	28	57
Interest-bearing liabilities new leases	113	167	450	39	41
Total currency effect net interest-bearing liabilities	751	(164)	3	(334)	(6)
Currency effect cash and cash equivalents	165	(41)	1	(2)	2
Change net interest-bearing liabilities Orkla-format	2 704	4 877	2 067	1 860	3 753

NOTES

Note 1 General information

Orkla ASA's condensed consolidated financial statements as at 30 June 2020 were approved at the Board of Directors' meeting on 12 July 2020. The figures in the statements have not been audited. Orkla ASA (organisation no. NO 910 747 711) is a public limited liability company and its offices are located at Skøyen in Oslo, Norway. Orkla shares are traded on the Oslo Stock Exchange. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of calculation have been applied as in the last annual financial statements. No changes have been made in presentation or accounting policies nor have any other standards been adopted that materially affect the Group's financial reporting or comparisons with previous periods.

The Group has purchased new businesses. See Notes 5 and 12 for more information on acquisitions and disposals.

Notes cont. on next page.

Note 2 Segments

Amounts in NOK million	Operating revenues 1.1.–30.6. 2020	Operating revenues 1.1.–30.6. 2019	Operating revenues 1.1.–31.12. 2019	Operating revenues 1.4.–30.6. 2020	Operating revenues 1.4.–30.6. 2019	EBIT (adj.) 1.1.–30.6. 2020	EBIT (adj.) 1.1.–30.6. 2019	EBIT (adj.) 1.1.–31.12. 2019	EBIT (adj.) 1.4.–30.6. 2020	EBIT (adj.) 1.4.–30.6. 2019
Orkla Foods	8 956	7 959	16 776	4 338	4 070	1 141	926	2 276	606	496
Orkla Confectionery & Snacks	3 326	3 021	6 612	1 724	1 519	450	402	1 094	241	191
Orkla Care	3 331	2 869	5 887	1 643	1 408	540	413	855	243	192
Orkla Food Ingredients	5 043	4 875	10 292	2 469	2 584	172	272	626	101	195
Orkla Consumer Investments	1 827	1 624	3 385	900	829	191	156	297	99	68
Eliminations Branded Consumer Goods	(186)	(143)	(320)	(93)	(73)	-	-	-	-	-
Branded Consumer Goods	**22 297**	**20 205**	**42 632**	**10 981**	**10 337**	**2 494**	**2 169**	**5 148**	**1 290**	**1 142**
HQ/Eliminations	34	20	52	15	10	(171)	(186)	(362)	(70)	(94)
Branded Consumer Goods incl. HQ	**22 331**	**20 225**	**42 684**	**10 996**	**10 347**	**2 323**	**1 983**	**4 786**	**1 220**	**1 048**
Hydro Power	259	422	826	96	192	20	142	292	(19)	69
Financial Investments	62	104	182	28	24	5	4	10	4	(8)
Industrial & Financial Investments	**321**	**526**	**1 008**	**124**	**216**	**25**	**146**	**302**	**(15)**	**61**
Eliminations	(46)	(33)	(77)	(21)	(21)	-	-	-	-	-
Orkla	**22 606**	**20 718**	**43 615**	**11 099**	**10 542**	**2 348**	**2 129**	**5 088**	**1 205**	**1 109**

Note 3 Other income and expenses

Amounts in NOK million	1.1.–30.6. 2020	1.1.–30.6. 2019	1.1.–31.12. 2019	1.4.–30.6. 2020	1.4.–30.6. 2019
M&A and integration costs	(48)	(68)	(130)	(32)	(13)
Final settlement employment relationships etc.	(94)	(32)	(80)	(39)	(8)
Gain/loss on transactions	75	21	356	70	25
Write-downs	(137)	0	(477)	(106)	0
Restructuring costs and other items	(137)	(79)	(230)	(69)	(43)
Total other income and expenses	**(341)**	**(158)**	**(561)**	**(176)**	**(39)**

Write-downs
In the second quarter, a write-down was taken on the Danish pizza restaurant chain Gorm's, amounting to NOK 102 million, which includes a write-down of goodwill and property, plant and equipment. Orkla purchased 67% of Gorm's in 2018 with an option to increase its stake to 100%. Gorm's has been heavily impacted negatively by the coronavirus crisis in 2020. The risk related to the profit performance required in the company going forward is assessed as too high to justify Orkla's carrying values, and consequently the business has been written down. The probability of the option being exercised is considered to be very low.

Write-downs of IT systems totalling NOK 35 million were taken in the first half of 2020. These are related to Group projects where the systems have not been used as intended and are thus not considered to have any real value.

Other costs
In 2019, a project was started to ensure that the Group is optimally organised to increase organic growth and reduce complexity by strengthening the business areas and tailoring the Group's support functions to meet specific needs. The project is intended to generate substantial savings at Orkla Headquarters. The project has been extended into 2020, and a total of just under NOK 60 million was expensed in connection with this project in the first half of 2020.

Two major restructuring projects have been carried out in Orkla Care and Pierre Robert Group respectively, where the total costs for both projects amount to over NOK 70 million. In Orkla Care, a restructuring programme has been carried out that affects all the companies in the business area. Pierre Robert Group (in the Orkla Consumer Investments business area) has carried out an overall restructuring, and in this connection the business in Sweden was closed down as of 30 June. As a result of this closure, costs were incurred in connection with employee severance pay and a write-down of NOK 13 million was taken on inventory in Sweden related to winding-up of customer contracts.

The other main restructuring and coordination projects currently being carried out in the Group are the merger of Hamé and Vitana, and the construction of a chocolate and biscuits factory in Latvia.

In the first quarter, Orkla Food Ingredients purchased the remaining 15% of the shares in the UK sales and distribution company Orchard Valley Foods. Orkla acquired 85% of the shares in 2017, at the same time entering into an option agreement on the purchase of the remaining 15% shareholding. As a result of the option agreement, a provision was made at the time of acquisition for a debt related to the remaining purchase of the company. The difference of NOK 22 million between the actual and estimated purchase price was recognised in the income statement in the first quarter.

Income
In the second quarter, NOK 67 million was taken to income in connection with refunds of indirect taxes for the period 2017-2019. In the first quarter, a gain of NOK 5 million was recognised in income in connection with the sale of the SaritaS brand: see Note 5.

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 June 2020 (after tax) totalled NOK -171 million. Accumulated translation differences correspondingly amounted to NOK 2,945 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 495 million as at 30 June 2020.

Note 5 Acquisition and sale of companies

Acquisitions in the second quarter
Orkla Care signed and completed an agreement to purchase 100% of the shares in Norgesplaster Holding AS ("Norgesplaster"). The company holds good positions in the wound care and first aid equipment market, and with the acquisition of Norgesplaster Orkla Wound Care has strengthened its presence in the pharmacy channel and the market for first aid products. The product portfolio is mainly marketed under the Norgesplaster and Snøgg brands, and is primarily sold in the pharmacy channel, B2B, through distributors and as exports. The company has 66 employees. In 2019, Norgesplaster had a turnover of NOK 170 million and EBITDA of NOK 17 million. The company was consolidated into Orkla's financial statements as of 1 April 2020.

Orkla Foods signed and completed an agreement with PepsiCo, Inc. ("PepsiCo") to purchase the Havrefras brand, including Rug Fras and Mini Fras, which holds a strong market position in Scandinavia in healthy breakfast cereals. Orkla has distributed Havrefras products for PepsiCo in Norway, Sweden and Denmark. The Havrefras products are market leaders for healthy breakfast cereals in Denmark and Sweden and number two in Norway. The acquisition of Havrefras is in line with Orkla's strategy of further developing a portfolio with a strong health profile. The agreement includes no employees or production facilities. The agreement came into effect as of 1 June 2020.

Acquisitions in the first quarter
Orkla Food Ingredients purchased 70% of the shares in Win Equipment ("Win"), a leading supplier of soft serve ice cream machines in the Netherlands. Win adapts and sells machines for the production of soft serve ice cream, milkshakes and frozen yoghurt to customers including cafes, restaurants, bakeries, convenience stores and petrol stations. The company has 30 employees. In 2019, the company had a turnover of EUR 5.6 million (approx. NOK 57 million). The company was consolidated into Orkla's financial statements as of 1 February 2020.

Orkla Food Ingredients has purchased the remaining 15% of the shares in the UK sales and distribution company Orchard Valley Foods. Orkla acquired 85% of the shares in 2017, at the same time entering into an option agreement on the purchase of the remaining 15% shareholding; see also Note 3.

Other matters
As at 30 June 2020, Orkla had purchased companies for a total of NOK 677 million at enterprise value.

With regard to the companies acquired in 2019, the purchase price allocations for Kotipizza Group (Orkla Consumer Investments), Easyfood (Orkla Foods), Kanakis (Orkla Food Ingredients) and Risberg (Orkla Food Ingredients) were finalised as at 30 June 2020. No material changes were made in relation to the preliminary price allocations.

Sale of companies and brands
Orkla Eiendom has entered into an agreement on the sale of shares in its associate Alkärrsplans Utvecklings AB, and a gain of NOK 14 million has been taken to income in connection with the transaction.

In the first quarter, Orkla Foods Norge sold the SaritaS brand to the newly established company Indian Gourmet AS. The agreement concerns the full disposal of the SaritaS brand, which includes a portfolio of sauces and ready meals. The agreement entered into effect on 2 March 2020. The transaction generated a gain of NOK 5 million, which has been recognised as "Other income and expenses"; see also Note 3.

Orkla sold its associate Andersen & Mørck in the first quarter. The company is a logistics firm in which Orkla has had a 24% equity interest. The transaction generated a gain of NOK 15 million. Orkla sold a stake (20%) in the company Sandakerveien 56 to a business partner. Since the transaction concerns the sale of a minority shareholding, it will only be presented as an equity transaction.

Note 6 Net interest-bearing liabilities

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

Amounts in NOK million	30.6. 2020	31.12. 2019
Non-current liabilities excl. leases	(8 311)	(6 488)
Current liabilities excl. leases	(1 128)	(442)
Non-current receivables (in "Financial Assets")	398	263
Current receivables (in "Other receivables and financial assets")	3	103
Cash and cash equivalents	1 399	1 669
Net interest-bearing liabilities excl. leases	**(7 639)**	**(4 895)**
Non-current lease liabilities	(1 242)	(1 295)
Current lease liabilities	(374)	(361)
Total net interest-bearing liabilities	**(9 255)**	**(6 551)**

Note 7 Interest and other financial items

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

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2020	2019	2019	2020	2019
Net interest costs excl. leases	(72)	(88)	(157)	(38)	(45)
Interest costs leases	(17)	(15)	(35)	(8)	(8)
Interest, net	**(89)**	**(103)**	**(192)**	**(46)**	**(53)**

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2020	2019	2019	2020	2019
Dividends	1	11	21	1	3
Net foreign currency gain/loss	4	0	2	0	0
Interest on pensions[1]	(19)	(39)	(54)	(25)	(18)
Other financial items	(13)	(18)	(32)	(7)	(5)
Other financial items, net	**(27)**	**(46)**	**(63)**	**(31)**	**(20)**

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

Note 8 Related parties

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

In the first half of 2020, there were no special transactions between the Group and related parties.

Note 9 Treasury shares

The Group owns 1,125,182 treasury shares. There were no changes in Orkla's holding of treasury shares in the first half of 2020.

Note 10 Assessments relating to impairment

In the first half of 2020, IT systems were written down by a total of NOK 35 million and carrying values in the pizza restaurant chain Gorm's by NOK 102 million. This is disclosed in Note 3.

As at 30 June 2020, there were otherwise no indications of any impairment in the value of any of the Group's assets. Many of Orkla's businesses have been affected by the coronavirus crisis and the situation is being carefully monitored for indications of a need for write-downs. The performance of Pierre Robert Finland has been weaker than anticipated since the company was acquired, in addition to which the company has been negatively impacted by the coronavirus crisis. The situation going forward will be followed up closely in relation to its anticipated profit performance.

Note 11 Shares and financial assets

Shares and financial assets recognised at fair value:

	Measurement level			
Amounts in NOK million	Level 1	Level 2	Level 3	Total
30 June 2020:				
Assets				
Investments	-	-	98	98
Derivatives	-	133	-	133
Liabilities				
Derivatives	-	240	-	240
31 December 2019:				
Assets				
Investments	-	-	104	104
Derivatives	-	121	-	121
Liabilities				
Derivatives	-	151	-	151

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

Note 12 Other matters

Orkla Foods Norge has signed an agreement to divest the Vestlandslefsa brand. The purpose of the sale is to streamline the portfolio and concentrate production at Stranda on pizza. The buyer is Skagerrak-Holding AS and its subsidiary Baxt Lierne AS, where Baxt is a well-known supplier of bakery products in Norway. The agreement concerns disposal of the Vestlandslefsa brand, including recipes and production equipment. It also includes the Li-Klenning trademark. Orkla's net sales revenues from the lefse products that are to be divested totalled around NOK 20 million in 2019. The agreement entered into effect as of 6 July 2020.

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

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

On 16 April 2020, 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 27 April 2020 and totalled approximately NOK 2.6 billion.

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

Alternative performance measures (APM)

Organic growth

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

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

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

EBIT (adj.)

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

EBIT (adj.) is one of the Group's key financial figures, 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.

EBIT (adj.) is presented on a separate line in the Group's income statement and in segment reporting; see 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 EBIT (adj.) at last year's currency exchange rates. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

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

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 is lower than the Group's tax rate in both 2020 and 2019 due to non-deductible transaction costs, write-downs and the effect on profit or loss of the purchase of the remaining shares in Orchard Valley Foods in 2020.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. As at 30 June 2020, an adjustment has been made for gains on the sales of the associates Andersen & Mørck and Allkärrsplans Utvecklings AB.

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2020	2019	2019	2020	2019
Profit for the period after non-controlling interests	1 873	1 640	3 838	950	899
Adjustments EPS (adj.)					
Other income and expenses after tax	302	140	508	162	34
Gain on sale of joint venture	(29)	-	(35)	(14)	-
Reversal of deferred tax on dividend Estonia/Latvia	-	-	(74)	-	-
Adjusted profit for the period after non-controlling interests	**2 146**	**1 780**	**4 237**	**1 098**	**933**
Average externally owned shares (1000 shares)	1 000 306	999 547	999 929	1 000 306	999 573
Earnings per share (adj.) (NOK)	2.15	1.78	4.24	1.10	0.93

Net replacement and expansion investments

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

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

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

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

Net interest-bearing liabilities

Net interest-bearing liabilities 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 Lecora, Easyfood, Confection by Design, Win Equipment, Norgesplaster, Risberg, Kanakis, Credin Sverige, Vamo, Kotipizza, Anza Verimex, Helga and adjustments for the sale of Glyngøre and SaritaS. Adjustments have also been made for the loss of the distribution agreements with Panzani and OTA Solgryn. In addition, adjustments were made in 2019 for HSNG, Struer, County Confectionery, Werner, Igos, Gorm's and the sale of Mrs. Cheng's.

Organic growth by business area

	1.1.–30.6.2020				1.4.–30.6.2020			
Sales revenues change %	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	5.0	6.9	0.7	12.5	-0.7	8.1	-0.9	6.6
Orkla Confectionery & Snacks	3.1	7.0	-	10.1	4.1	9.4	-	13.5
Orkla Care	8.2	6.6	1.3	16.1	5.3	8.7	2.7	16.7
Orkla Food Ingredients	-9.2	7.9	4.8	3.4	-16.3	9.1	2.8	-4.5
Orkla Consumer Investments	-6.0	6.5	12.0	12.5	-8.1	8.3	8.3	8.6
Branded Consumer Goods	**0.7**	**7.1**	**2.6**	**10.4**	**-3.8**	**8.6**	**1.4**	**6.2**

	1.1.–30.6.2019				1.4.–30.6.2019				1.1.–31.12.2019			
Sales revenues change %	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	2.4	-0.1	1.1	3.4	3.1	0.5	2.3	5.9	1.8	1.2	1.9	4.9
Orkla Confectionery & Snacks	4.5	0.2	-	4.6	5.4	0.6	-	5.9	4.6	1.3	-	5.9
Orkla Care	-4.0	-0.2	2.2	-1.9	-4.5	0.3	-	-4.2	0.0	0.8	1.1	1.9
Orkla Food Ingredients	0.6	0.2	4.2	5.0	0.1	0.5	4.4	5.0	0.6	1.5	5.5	7.6
Orkla Consumer Investments	-3.7	0.9	36.5	33.6	-5.4	1.2	44.8	40.5	-3.4	1.0	43.9	41.5
Branded Consumer Goods	**0.9**	**0.1**	**4.1**	**5.1**	**1.0**	**0.5**	**4.7**	**6.2**	**1.3**	**1.2**	**4.9**	**7.4**

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

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–30.6.2019	4.5	0.1	2.3	7.0
1.4.–30.6.2019	0.5	0.6	2.7	3.8
1.1.–31.12.2019	4.1	1.4	3.4	9.0

EBIT (adj.) margin growth change percentage points	Underlying growth	Structure/FX	Total	EBIT (adj.) margin 2019 (%)
R12M per 30.6.2019	0.3	-0.2	0.1	11.1
1.1.–31.12.2019	0.3	-0.1	0.2	11.2

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 and Bjørn Wad / The models in the photos are Orkla employees.