Third quarter
2018

Orkla

The third quarter in brief

- Moderate organic sales growth for Branded Consumer Goods in the third quarter.
- Improved sales and profit for Orkla Confectionery & Snacks and Orkla Food Ingredients.
- Good growth for Orkla Foods in most markets, but offset by continued weak development towards the Norwegian grocery market.
- Growth in Orkla Care affected by weak performances in Poland and the UK.
- Sales growth and stabilised raw material cost trends for Jotun.
- Earnings per share for continuing operations amounted to NOK 1.01 (+3%).

Key figures for the Orkla Group as at 30 September

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

Amounts in NOK million	9 months 2018	Δ vs 2017	3Q-2018	Δ vs 2017	R12M
Branded Consumer Goods					
Operating revenues	28 985	3.8%	9 783	2.1%	39 572
- Organic revenue growth		*0.0%*		*0.2%*	
EBIT (adj.)	3 302	3.1%	1 310	3.4%	4 741
EBIT (adj.)-margin	11.4%	-0.1%-p	13.4%	0.2%-p	12.0%
- Underlying margin growth		*0.1%-p*		*0.5%-p*	*0.4%-p*
Group					
Operating revenues	29 854	4.0%	10 126	2.7%	40 705
EBIT (adj.)	3 369	5.5%	1 353	6.8%	4 812
Profit/loss from associates and JVs	307	-21%	116	13%	229
Profit/loss before taxes	3 341	2%	1 364	4%	4 650
Earnings per share from continuing operations (NOK)	2.50	0.4%	1.01	3.1%	3.46

President and CEO Peter A. Ruzicka comments:
Orkla achieved moderate organic sales growth in the third quarter. Good growth for Orkla Confectionery & Snacks due to improvement in the snacks category and organic growth in Orkla Food Ingredients, were offset by a decline for Orkla Care. Orkla Foods saw growth in all its companies outside Norway, but was hampered by its continued weak performance towards the Norwegian grocery market. We continue to strengthen our portfolio in categories, channels and geographies with higher growth.

So far in 2018, our organic sales growth has been too weak, in addition our fixed costs have increased. The higher costs are partly explained by targeted investments, but we nonetheless see an imbalance in this situation. We are addressing the rise in costs, and have launched a number of actions in the third quarter to turn this trend around. In Orkla Foods' companies in the Czech Republic and Slovakia, we have decided to merge Hamé and Vitana into a single company, Orkla Foods Česko a Slovensko. At the same time, Orkla Food Ingredients has decided to establish a common management structure for its companies in Denmark. Efforts to achieve cost improvements will be given high priority going forward.

In the central government budget for 2018, the Storting (Norwegian parliament) decided, on five weeks' notice, to increase the taxes on chocolate and confectionery by 83%. This huge increase in taxes has resulted in growth of online and cross-border shopping. We are pleased that the Government, in its draft government budget for 2019, proposes to reverse last year's decision, by restoring the tax to its 2017 level. However, it remains to be seen whether the Storting, too, will adopt this change. It is also important to keep in mind that the tax is nonetheless one of the highest in the world and that the fundamental problems related to this tax are still present. It will continue to be a significant disadvantage in 2019 in competition with cross-border trade and online shopping, and will continue to create competitive differences in the market.

Market growth

In most of the markets in which Orkla's branded consumer goods business has a presence, growth has been moderate in the recent past.

The global FAO Food Price index declined slightly in the third quarter, year over year, but price trends for raw materials in the index have varied. The range of categories of raw materials purchased by Orkla is broader than that covered by the FAO index, and different prices apply to some extent due to European and Norwegian regulation. Currency fluctuations have impacted adversely on Orkla's procurement costs, compared with the same period of last year. In particular, the continued strong EUR against the SEK and, to some extent, the NOK, has had a negative effect.

Branded Consumer Goods' performance

Sales revenues changes %	FX	Structure	Organic growth	Total
1.1.–30.9.2018	0.9	2.9	0.0	3.8
1.7.–30.9.2018	-0.4	2.3	0.2	2.1

Turnover growth for Branded Consumer Goods in the third quarter was driven by acquisitions, but was negatively impacted by currency translation effects. Organic turnover increased with 0.2%. Adjusted for the loss of the distribution agreement with Wrigley, the growth was 0.8%. Organic growth was largely driven by good growth for Orkla Foods' companies in Central Europe, Finland and India. Ice cream ingredients in Orkla Food Ingredients and Orkla Care's Wound Care business also contributed to the third-quarter growth. Orkla Confectionery & Snacks achieved good organic growth adjusted for the loss of the distribution agreement, driven by the snacks category. On the other hand, the continued weak performance of Orkla House Care, and lower results for Orkla Health's Polish business, had a negative effect on growth. The Norwegian market remains challenging, particularly for Orkla Foods, largely due to changes in the pattern of grocery retailers' campaign activities.

EBIT (adj.) margin growth changes %-points	FX/ Structure	Underlying Variable cost	Underlying Other	Total	EBIT (adj.)-margin 2018 (%)
1.7.–30.9.2018	-0.3	0.2	0.3	0.2	13.4
R12M	-0.2	0.1	0.3	0.2	12.0

Branded Consumer Goods' EBIT (adj.) margin was improved by 0.2 percentage points in the third quarter despite the dilutive effects of acquisitions. The margin improvement in variable costs in the third quarter was driven by the loss of contracts with low profitability and the effects of earlier price increases to compensate for higher raw material costs. Raw material prices have largely been stable, but the currency effects arising from raw material sourcing remain a challenge, especially in Sweden, but to some extent also in Norway. The margin improvement related to other costs was driven by positive effects resulting from a change in Orkla's long-term incentive (LTI) programme for senior managers and the timing of costs related to the employee share purchase programme. These factors had an effect of approximately NOK 20 million and NOK 25 million, respectively, for Branded Consumer Goods.

Margin performance on a rolling 12-month basis shows an underlying improvement of 0.4 percentage points, primarily driven by cost improvements and acquisition synergies.

Orkla will continue its efforts to rationalise its existing operations by means of its factory restructuring programme and by realising synergies from acquired companies. For example, Orkla has decided to integrate the two companies Hamé and Vitana and establish a single, leading food company in the Czech Republic and Slovakia, Orkla Foods Česko a Slovensko.

Structural measures (M&A)

In the third quarter, Orkla Food Ingredients completed its acquisition of the Danish company, Igos A/S, thereby expanding its assortment of marmalades and fruit fillings. In October, Orkla Food Ingredients also purchased the British chocolate and caramel manufacturer County Confectionery Ltd. This acquisition will complement Orkla Food Ingredients' position as a supplier of ingredients and accessories to the bakery, chocolate and ice cream markets in the UK and Europe.

See Notes 5 and 13 for more information on acquisitions.

Outlook

Orkla continues to face strong competition from international brands and the retail trade's private labels. However, there is also a shift on the part of consumers, where local players are gaining ground at the expense of major global branded consumer goods. With over 300 local brands and a strong local focus on innovations, Orkla is well positioned for this shift. Furthermore, a channel shift is taking place with consumers moving away from traditional channels in many product categories. Orkla is addressing this change in a variety of ways, including intensifying its focus on ensuring a presence in new channels outside the traditional grocery retail sector and on making strategic acquisitions that offer access to potential customers in other channels.

Financial matters - Group

Main figures profit/loss

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2018	2017	2017	2018	2017
Operating revenues	29 854	28 710	39 561	10 126	9 858
EBIT (adj.)	3 369	3 192	4 635	1 353	1 267
Other income and expenses	(186)	(200)	(201)	(62)	3
Operating profit	3 183	2 992	4 434	1 291	1 270
Profit/loss from associates and joint ventures	307	391	313	116	103
Interest and financial items, net	(149)	(121)	(176)	(43)	(61)
Profit/loss before taxes	3 341	3 262	4 571	1 364	1 312
Taxes	(733)	(660)	(980)	(323)	(290)
Profit/loss continuing operations	2 608	2 602	3 591	1 041	1 022
Discontinued operations	-	5 024	5 066	-	4 439
Profit/loss for the period	2 608	7 626	8 657	1 041	5 461
Earnings per share from continuing operations (NOK)	2.50	2.49	3.46	1.01	0.98

Group operating revenues increased by 2.7% in the third quarter, mainly driven by structural growth. Currency translation effects in connection with consolidation had a slight negative effect on Branded Consumer Goods' operating revenues.

In the same period, the Group posted EBIT (adj.) growth of 7%, driven by structural growth for Branded Consumer Goods and reduction in headquarter (HQ) costs. This reduction in HQ costs was the result of a change in Orkla's long-term incentive (LTI) programme of approximately NOK 15 million and the timing effect of the employee share purchase programme, amounting to approximately NOK 15 million. Currency translation effects arising from consolidation had a positive effect of NOK 7 million for Branded Consumer Goods.

The Group's other income and expenses totalled NOK -62 million in the third quarter, related in part to restructuring and acquisitions.

Profit from associates rose 13% in the third quarter, due to the increased contribution from Jotun.

Net interest expense was lower in the third quarter, year over year, on account of the Group's lower debt level. The average borrowing rate was 3.5% in the period, compared with 2.0% in 2017, due to the higher proportion of debt at fixed interest rates.

Taxes increased, year over year, primarily due to the higher contribution to profit from the Group's energy operations in Norway, which have a higher effective tax rate.

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

Earnings per share for continuing operations amounted to NOK 1.01 in the third quarter, an improvement of 3.1% from last year.

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

Orkla-format

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2018	2017	2017	2018	2017
Operating profit*	3 181	2 975	4 423	1 299	1 258
Amortisation, depreciation and impairment charges*	896	915	1 313	294	290
Gains from operations moved to capital expenditures and sale of companies*	(2)	(28)	(299)	(2)	(26)
Changes in net working capital*	(998)	(343)	18	(276)	(47)
Net replacement expenditures*	(985)	(743)	(1 050)	(301)	(259)
Cash flow from operations*	2 092	2 776	4 405	1 014	1 216
Cash flow from operations, Financial Investments	(255)	(149)	(290)	(125)	(65)
Taxes paid	(744)	(457)	(934)	(55)	(92)
Dividends received, financial items and other payments	72	1 581	1 574	68	58
Cash flow before capital transactions	1 165	3 751	4 755	902	1 117
Dividends paid and purchase/sale of treasury shares	(4 063)	(2 766)	(7 740)	(708)	(12)
Cash flow before expansion	(2 898)	985	(2 985)	194	1 105
Expansion investments	(354)	(125)	(206)	(109)	(11)
Sale of companies (enterprise value)	-	147	12 520	-	-
Purchase of companies (enterprise value)	(822)	(737)	(901)	(53)	(6)
Net purchase/sale shares and financial assets	-	46	43	-	-
Net cash flow	(4 074)	316	8 471	32	1 088
Currency effects of net interest-bearing liabilities	252	(238)	(429)	(5)	226
Change in net interest-bearing liabilities	3 822	(78)	(8 042)	(27)	(1 314)
Net interest-bearing liabilities	3 836	7 978	14		
Net interest-bearing liabilities / EBITDA (R12M)	0.6	1.4	0.0		

*Excluding Financial Investments.

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

Cash flow from operations (excluding Financial Investments) was lower in the first nine months, year over year, chiefly due to increased working capital and higher net replacement investments. The increase in working capital is attributable to periodical timing effect between third and fourth quarters, and to positive one-off effects in 2017. Working capital has generally increased, with levels varying substantially from one company to another, and steps have been taken to remedy this situation. The rise in net replacement investments was mainly related to the Group's ongoing ERP project, as well as ongoing factory improvement and restructuring programmes.

Tax paid increased, year over year, largely due to timing differences in accounting for tax paid in Norway, and will be evened out in the fourth quarter.

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

The increases in dividends paid and the purchase/sale of treasury shares are mainly due to the Group's programme to buy back Orkla shares for cancellation purposes. In the course of the year, Orkla has bought back 2% of shares outstanding.

No companies were sold in the first nine months, whereas in 2017 companies in Orkla's real estate portfolio were sold for NOK 147 million. Companies acquired in 2018 were chiefly related to Branded Consumer Goods, the largest acquisition being HSNG.

Net cash flow for the Group amounted to NOK -4,074 million. Positive translation effects of NOK 252 million arising from exchange rate fluctuations helped to reduce net interest-bearing liabilities. As at 30 September 2018, the net interest-bearing liabilities totalled to NOK 3,836 million.

As at 30 September 2018, the equity ratio was 64.6%, compared with 65.2% as at 31 December 2017. The average remaining life of long-term liabilities and unutilised credit lines is 4.1 years. Orkla's financial position is robust, with substantial cash reserves and credit lines, and no large loans that fall due in the next two years.

Business areas

Branded Consumer Goods

Orkla Foods

Amounts in NOK million	9 months 2018	Δ vs 2017	3Q-2018	Δ vs 2017	R12M
Operating revenues	11 634	-0.9%	3 937	-1.7%	16 018
- Organic revenue growth		*1.0%*		*1.1%*	
EBIT (adj.)	1 397	2.3%	558	3.3%	2 086
EBIT (adj.) margin	12.0%	0.4%-p	14.2%	0.7%-p	13.0%

- Good organic sales growth in most markets
- Continued negative effects of changes in campaign activity patterns in the Norwegian retail sector
- Procurement costs negatively impacted by the significantly weakened Swedish krone
- The EBIT (adj.) margin was 0.7 percentage points higher than last year due to sales growth, cost improvements and the positive effects of accruals

Orkla Foods posted a 1.7% decline in sales in the third quarter due to the disposal of a business and negative currency effects arising from consolidation. However, it saw a 1.1% organic improvement as a result of good growth in all markets except Norway. Sales in Norway are still negatively impacted by category-related shifts in retailers' campaign patterns and consumers being charged higher prices by the major Norwegian grocery chains. These factors had a negative effect on volume growth in important categories. Sales grew in other markets, especially in Central Europe and Finland.

EBIT (adj.) rose by 3.3% in the third quarter. Organic sales growth and cost improvements contributed positively, but profit was substantially negatively affected by the higher raw material costs in Sweden due to the weaker Swedish krone. The positive effects of accruals compared with the third quarter of last year were offset by the sale of businesses and negative currency effects in connection with consolidation. The EBIT (adj.) margin was 14.2% (13.5%)[1], the improvement being driven by lower costs, related in part to the operational divestments in Denmark.

Orkla Confectionery & Snacks

Amounts in NOK million	9 months 2018	Δ vs 2017	3Q-2018	Δ vs 2017	R12M
Operating revenues	4 406	-2.0%	1 518	-0.5%	6 349
- Organic revenue growth		*-3.0%*		*-0.2%*	
EBIT (adj.)	636	-2.2%	278	5.7%	1 031
EBIT (adj.) margin	14.4%	-0.1%-p	18.3%	1.1%-p	16.2%

- Organic turnover growth of 3.5% adjusted for loss of a distribution agreement with Wrigley
- Changes in timing of campaigns and launches from the previous quarter contributed positively
- Cost improvement programmes still impacting positively on profit

Orkla Confectionery & Snacks reported third-quarter operating revenues on a par with 2017. Organic sales declined by 0.2% in the quarter. Adjusted for the loss of the distribution agreement with Wrigley, there was good organic sales growth of 3.5%. The higher sugar tax imposed as from 1 January resulted in negative volume growth in the confectionery category in Norway. This was counteracted in the third quarter by changes in the timing of campaigns and higher sales of new products launched. The snacks category showed improvement after a decline in the first half.

EBIT (adj.) for Orkla Confectionery & Snacks showed a 5.7% improvement in the third quarter. The positive effects on profit of successful cost improvement projects in the supply chain were partly offset by negative currency effects and higher energy prices. The EBIT (adj.) margin was 18.3% in the quarter, equivalent to an increase of 1.1 percentage points, driven by improved margin contribution and the aforementioned cost improvements.

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

Orkla Care

Amounts in NOK million	9 months 2018	Δ vs 2017	3Q-2018	Δ vs 2017	R12M
Operating revenues	6 081	9.6%	1 973	5.1%	8 011
- Organic revenue growth		*-0.6%*		*-2.6%*	
EBIT (adj.)	876	3.4%	314	-4.0%	1 103
EBIT (adj.) margin	14.4%	-0.9%-p	15.9%	-1.5%-p	13.8%

- Organic sales decline of -2.6% driven by weak performances in Poland and the UK
- EBIT (adj.) margin decline arising from the dilutive effects of acquisitions and higher procurement costs due to the weaker Norwegian and Swedish krone, and a decline in organic sales

Orkla Care posted 5.1% sales growth in the third quarter, driven by acquisitions. Organic sales declined by -2.6%. The decline was mainly related to Orkla Health, Orkla House Care and Pierre Robert. Orkla Health saw negative organic growth, driven by weak sales in Poland due to wholesalers' inventory reductions, and negative sales growth in the Nordic markets. Orkla House Care continued to see declining sales in its British business. The company in question lost a distribution agreement with a major customer in the third quarter of 2017, and this, combined with the difficult British market, has resulted in a still substantial decrease in profit for the entire business. Several actions have been initiated to improve operations, which will bring a gradual improvement in results. Pierre Robert posted negative organic growth, year over year, primarily due to high campaign activity in Finland and Norway in 2017.

Orkla Home & Personal Care achieved broad-based organic growth throughout the Nordic region, compared with a weaker quarter in 2017. Orkla Wound Care reported broad-based organic growth, driven by good market growth after a hot summer.

The EBIT (adj.) margin was 15.9% (17.4%)[1] in the third quarter. The decline from last year was primarily related to the dilutive effects of the inclusion of acquisitions, but also to a decline in organic sales, coupled with higher procurement costs as a result of the weaker Norwegian and Swedish krone.

Orkla Food Ingredients

Amounts in NOK million	9 months 2018	Δ vs 2017	3Q-2018	Δ vs 2017	R12M
Operating revenues	7 076	12.4%	2 432	8.3%	9 486
- Organic revenue growth		*1.9%*		*1.4%*	
EBIT (adj.)	393	15.2%	160	16.8%	521
EBIT (adj.) margin	5.6%	0.2%-p	6.6%	0.5%-p	5.5%

- Improved sales and profit from ice cream ingredients in the third quarter
- Effects of acquisitions still positive
- Bakery ingredients companies on a par with the third quarter of 2017

Orkla Food Ingredients reported an 8.3% improvement in third-quarter operating revenues. Organic sales grew by 1.4% in the third quarter. Good summer weather boosted top-line revenues for ice cream ingredients. Operating revenues from the sales and distribution units in Orkla Food Ingredients showed a certain volume decline due to the loss of some low-profitability contracts. Sales of vegan products from Dragsbæk continued to show good growth.

EBIT (adj.) for Orkla Food Ingredients rose by 17% in the third quarter. The improvement was largely generated by ice cream ingredients. Structural growth from acquisitions contributed positively to profit growth. The EBIT (adj.) margin was 6.6%, up from 6.1% last year.

Orkla Investments

Hydro Power

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2018	2017	2017	2018	2017
Volume (GWh)	1 662	1 994	2 729	565	722
Price* (øre/kWh)	41.0	26.8	27.4	48.4	26.7
EBIT (adj.) (NOK million)	258	213	316	102	80

*Source: Nord Pool Spot, Monthly System Price.

EBIT (adj.) increased by 28% in the third quarter. The increase is attributable to higher power prices than in the same quarter of last year, while production volume was lower. Operating costs in the third quarter of 2018 were slightly higher, year over year, due to increased maintenance costs. At quarter end, the reservoir level in Sauda was well above normal due to the rainy autumn, while reservoir levels in Glomma and Laagen were at 94% of the normal level.

Financial Investments

EBIT (adj.) for Orkla Financial Investments amounted to NOK -8 million (NOK 12 million)[1] in the third quarter. No transactions were carried out in the period, while figures for the third quarter of 2017 included the positive effects of the sale of a property in Fredrikstad. The most important current project is the construction of a new head office, which is expected to be completed in the first quarter of 2019.

Jotun (42.6% interest)

Jotun continued to achieve growth in the third quarter, driven by higher sales for Decorative Paints and improvement in Protective Coatings. Sales in Marine Coatings are weaker than last year, and are still affected by the cyclical downturn in the shipping industry. The decline in gross margin has levelled off, and margin is expected to improve gradually. Raw material costs have stabilised and Jotun will continue to adjust its selling prices to compensate for a period of rapidly rising raw material prices. First nine months profit was still weaker, year over year.

Growth for Decorative Paints and Protective Coatings is expected to continue, while the market for Marine Coatings and Powder Coatings is expected to remain weak for the remainder of 2018. The newbuilding orderbook in the shipping industry has improved.

Other matters

As previously announced, Orkla has made changes in its Group executive management as of 1 October, with a view to strengthening strategic priorities. Johan Wilhelmsson has joined the Group Executive Board as Executive Vice President, CEO Orkla Foods (International) and Jeanette Hauan Fladby has joined the Group Executive Board as Executive Vice President, CEO Orkla Confectionery & Snacks. After successfully divesting of businesses outside the Group’s core area, Terje Andersen has stepped down from the Group Executive Board. For further information on changes in areas of responsibility, reference to the press releases dated 13 July 2018 and 27 August 2018.

Oslo, 24 October 2018
The Board of Directors of Orkla ASA

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

Condensed income statement

Amounts in NOK million	Note	1.1.–30.9. 2018	1.1.–30.9. 2017	1.1.–31.12. 2017	1.7.–30.9. 2018	1.7.–30.9. 2017
Operating revenues	2	29 854	28 710	39 561	10 126	9 858
Operating expenses		(25 587)	(24 636)	(33 742)	(8 477)	(8 297)
Depreciation, amortisation and write-downs		(898)	(882)	(1 184)	(296)	(294)
EBIT (adj.)	2	3 369	3 192	4 635	1 353	1 267
Other income and expenses	3	(186)	(200)	(201)	(62)	3
Operating profit		3 183	2 992	4 434	1 291	1 270
Profit/loss from associates and joint ventures		307	391	313	116	103
Interest, net		(122)	(123)	(149)	(40)	(47)
Other financial items, net	7	(27)	2	(27)	(3)	(14)
Profit/loss before taxes		3 341	3 262	4 571	1 364	1 312
Taxes		(733)	(660)	(980)	(323)	(290)
Profit/loss continuing operations		2 608	2 602	3 591	1 041	1 022
Discontinued operations	11	-	5 024	5 066	-	4 439
Profit/loss for the period		2 608	7 626	8 657	1 041	5 461
Profit/loss attributable to non-controlling interests		80	67	75	29	27
Profit/loss attributable to owners of the parent		2 528	7 559	8 582	1 012	5 434

Earnings per share

Amounts in NOK	1.1.–30.9. 2018	1.1.–30.9. 2017	1.1.–31.12. 2017	1.7.–30.9. 2018	1.7.–30.9. 2017
Earnings per share	2.50	7.43	8.43	1.01	5.34
Earnings per share for continuing operations	2.50	2.49	3.46	1.01	0.98

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–30.9. 2018	1.1.–30.9. 2017	1.1.–31.12. 2017	1.7.–30.9. 2018	1.7.–30.9. 2017
Profit/loss for the period		2 608	7 626	8 657	1 041	5 461
Items after tax not to be reclassified to profit/loss in subsequent periods						
Actuarial gains and losses pensions		-	-	(30)	-	-
Changes in fair value shares		(7)	-	-	-	-
Items after tax to be reclassified to profit/loss in subsequent periods						
Change in unrealised gains on shares	4	-	(53)	(53)	-	-
Change in hedging reserve	4	83	68	75	41	9
Carried against equity in associates and discontinued operations	4	(207)	(1 122)	(1 026)	(108)	(1 334)
Translation effects	4	(936)	364	1 088	(22)	(156)
The Group's comprehensive income		1 541	6 883	8 711	952	3 980
Comprehensive income attributable to non-controlling interest		70	73	90		
Comprehensive income attributable to owners of the parent		1 471	6 810	8 621		

Condensed statement of financial position

Assets

Amounts in NOK million	Note	30.9. 2018	31.12. 2017
Intangible assets		19 859	19 921
Property, plant and equipment		11 936	11 683
Associates, joint ventures and other financial assets	6	4 018	4 108
Non-current assets		35 813	35 712
Inventories		5 863	5 684
Inventory of development property		132	113
Trade receivables		6 088	6 165
Other receivables	6	864	883
Shares and financial assets		11	17
Cash and cash equivalents	6	1 270	4 834
Current assets		14 228	17 696
Total assets		50 041	53 408

Equity and liabilities

Amounts in NOK million	Note	30.9. 2018	31.12. 2017
Paid in equity		1 971	1 995
Earned equity		29 886	32 413
Non-controlling interests		456	430
Equity		32 313	34 838
Provisions and other non-current liabilities		4 400	4 734
Non-current interest-bearing liabilities	6	4 663	4 820
Current interest-bearing liabilities	6	687	359
Trade payables		4 580	4 940
Other current liabilities		3 398	3 717
Equity and liabilities		50 041	53 408
Equity ratio (%)		64.6	65.2

Condensed statement of changes in equity

	1.1.–30.9.2018			1.1.–30.9.2017		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interest	Total equity	Attributed to equity holders of the parent	Non-controlling interest	Total equity
Equity 1 January	34 408	430	34 838	33 474	402	33 876
The Group's comprehensive income	1 471	70	1 541	6 810	73	6 883
Dividends	(2 649)	(36)	(2 685)	(2 644)	(47)	(2 691)
Net purchase/sale of treasury shares	(1 378)	-	(1 378)	(75)	-	(75)
Change in non-controlling interests	5	(8)	(3)	(1)	(8)	(9)
Equity at close of period	31 857	456	32 313	37 564	420	37 984

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–30.9. 2018	1.1.–30.9. 2017	1.1.–31.12. 2017	1.7.–30.9. 2018	1.7.–30.9. 2017
Cash flow from operations before capital expenditure		2 995	3 614	5 496	1 208	1 453
Received dividends and paid financial items		107	1 560	1 505	77	52
Taxes paid		(744)	(457)	(934)	(55)	(92)
Cash flow from operating activities		2 358	4 717	6 067	1 230	1 413
Net capital expenditure		(1 512)	(1 112)	(1 587)	(428)	(313)
Net sale (purchase) of companies	5	(769)	(503)	11 544	(35)	(6)
Net sale shares and financial assets		-	46	43	-	-
Other payments		(35)	21	69	(9)	6
Cash flow from investing activities		(2 316)	(1 548)	10 069	(472)	(313)
Net paid to shareholders		(4 063)	(2 766)	(7 740)	(708)	(12)
Change in interest-bearing liabilities and receivables		472	(74)	(4 783)	346	(570)
Cash flow from financing activities		(3 591)	(2 840)	(12 523)	(362)	(582)
Currency effects cash and cash equivalents		(15)	8	17	(3)	(6)
Change in cash and cash equivalents		(3 564)	337	3 630	393	512
Cash and cash equivalents	6	1 270	1 541	4 834		

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

IFRS cash flow					
Cash flow from operating activities	2 358	4 717	6 067	1 230	1 413
Net capital expenditure	(1 512)	(1 112)	(1 587)	(428)	(313)
Other payments	(35)	21	69	(9)	6
Cash flow from operating activities incl. capital expenditure	811	3 626	4 549	793	1 106
Orkla-format					
Cash flow before capital transactions	1 165	3 751	4 755	902	1 117
Expansion investments	(354)	(125)	(206)	(109)	(11)
Cash flow before capital transactions incl. expansion investments	811	3 626	4 549	793	1 106

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

Change cash and cash equivalents IFRS cash flow	3 564	(337)	(3 630)	(393)	(512)
Change net interest-bearing liabilities IFRS cash flow	472	(74)	(4 783)	346	(570)
Net interest-bearing liabilities in purchased/sold companies	53	87	(75)	18	-
Total currency effect net interest-bearing liabilities	(252)	238	429	5	(226)
Currency effect cash and cash equivalents	(15)	8	17	(3)	(6)
Change net interest-bearing liabilities Orkla-format	3 822	(78)	(8 042)	(27)	(1 314)

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first nine months of 2018 were approved at the Board of Directors' meeting on 24 October 2018. The figures in the statements have not been audited. Orkla ASA (organisation no. NO 910 747 711) is a public limited liability company and its offices are located at Skøyen in Oslo, Norway. Orkla shares are traded on the Oslo Stock Exchange. 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.

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

Implementation of *IFRS 9 Financial Instruments* has little relevance for the Group and none of the standard's rules regarding classification, impairment testing or hedge accounting will materially affect the financial statements. Historical figures have not been restated and no changes have been made in the statement of changes in equity. The hedging relationships that qualify for hedge accounting under IAS 39 will continue to quality under IFRS 9. In future, moreover, more hedging relationships may qualify for hedge accounting under IFRS 9. This will not have any material effect on the financial statements either. As at 30 September 2018, Orkla had only a limited number of financial assets in the statement of financial position. A new set of rules prescribing whether changes in the value of this type of asset are to be recognised in the ordinary income statement or merely reflected in the statement of comprehensive income will therefore not have any material effect.

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

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

The Group has amended its Long-Term Incentive (LTI) programme; see Note 11 to the Annual Report for 2017. The new programme is based on a new entitlement model and will apply as from 2019. The bonuses in the current programme were earned in full in 2017. The figures reported in both the third quarter and as of 30 September 2018 have been affected by the change in the recognition method; see the explanation in the quarterly report. The employee share purchase programme was implemented in the second quarter of 2018, as opposed to the third quarter of 2017.

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

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

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

NOTE 2 SEGMENTS

	Operating revenues					Operating profit - 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	2018	2017	2017	2018	2017	2018	2017	2017	2018	2017
Orkla	29 854	28 710	39 561	10 126	9 858	3 369	3 192	4 635	1 353	1 267
Branded Consumer Goods	28 985	27 923	38 510	9 783	9 584	3 302	3 204	4 643	1 310	1 267
Orkla Foods	11 634	11 742	16 126	3 937	4 007	1 397	1 366	2 055	558	540
Orkla Confectionery & Snacks	4 406	4 496	6 439	1 518	1 525	636	650	1 045	278	263
Orkla Care	6 081	5 549	7 479	1 973	1 878	876	847	1 074	314	327
Orkla Food Ingredients	7 076	6 293	8 703	2 432	2 246	393	341	469	160	137
Eliminations Branded Consumer Goods	(212)	(157)	(237)	(77)	(72)	-	-	-	-	-
Orkla Investments	855	759	1 027	340	266	259	227	324	94	92
Hydro Power	718	619	866	290	218	258	213	316	102	80
Financial Investments	137	140	161	50	48	1	14	8	(8)	12
HQ/Other Business/Eliminations	14	28	24	3	8	(192)	(239)	(332)	(51)	(92)

NOTE 3 OTHER INCOME AND EXPENSES

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2018	2017	2017	2018	2017
M&A and integration costs	(46)	(93)	(149)	(26)	(27)
Final settlement employment relationships etc.	(31)	(56)	(89)	(10)	(5)
Gain/write-downs relating to coordination projects	-	2	192	-	49
Restructuring costs and other items	(109)	(53)	(155)	(26)	(14)
Total other income and expenses	(186)	(200)	(201)	(62)	3

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

Costs have been incurred in the final stage of several Orkla Care projects. Costs have also been incurred for a coordination project organised by Orkla's Headquarters, and for preparations for and planning of the move to the new Orkla Headquarters, Orkla House. The move is scheduled for the first quarter of 2019. Additional costs will be incurred in the period prior to the move and during the actual move.

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

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of shares and financial assets (unrealised gains) and hedging instruments (hedging reserve). These figures are presented after tax. The tax effect as at 30 September 2018 related to changes in unrealised gains is NOK 0 million (NOK 0 million in 2017), and the tax effect related to changes in the hedging reserve amounts to NOK 5 million (NOK 0 million in 2017).

Unrealised gains/losses on shares and the hedging reserve included in equity as at 30 September 2018 (after tax) totalled NOK 0 million and NOK -145 million, respectively. Accumulated translation differences correspondingly amounted to NOK 628 million, and accumulated items recognised in equity in associates amounted to NOK 7 million as at 30 September 2018.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Acquisitions in the third quarter

Orkla Food Ingredients purchased the Danish marmalade and fruit mix manufacturer Igos A/S. The company has 17 employees, and had a turnover of DKK 44 million (approx. NOK 56 million) in 2017 and EBIT of DKK 2.9 million (approx. NOK 3.7 million). The company was consolidated into Orkla's financial statements as of 1 July 2018.

Otherwise, only minor acquisitions were made in the third quarter.

Other acquisitions

Orkla Care purchased the Swedish company Health and Sports Nutrition Group HSNG AB ("HSNG"). HSNG runs the e-commerce portals Gymgrossisten and Bodystore, and is the biggest online health and sports nutrition player in the Nordic region. HSNG has around 170 employees. For the last rolling 12 months as at 1 October 2017, HSNG's turnover totalled SEK 772.8 million (approx. NOK 757 million) and EBITDA was SEK 38.4 million (approx. NOK 38 million). The company was consolidated into Orkla's financial statements as of 1 February 2018.

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

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

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

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

Other matters

As at 30 September 2018, Orkla had purchased companies for a total of NOK 822 million on a debt-free basis. See also Note 13 for agreements entered into on the purchase of companies.

With regard to the companies acquired in 2017, the purchase price allocations for Riemann Holding AS, Orchard Valley Foods Limited, SR Food AS, Laan Heiloo BV and Eis Ludwig Gräbner GmbH were finalised in the third quarter of 2018. No material changes were made in relation to the preliminary purchase price allocations.

NOTE 6 NET INTEREST-BEARING LIABILITIES

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

Amounts in NOK million	30.9. 2018	31.12. 2017
Non-current interest-bearing liabilities	(4 663)	(4 820)
Current interest-bearing liabilities	(687)	(359)
Non-current interest-bearing receivables (in "Financial Assets")	206	276
Current interest-bearing receivables (in "Other receivables")	38	55
Cash and cash equivalents	1 270	4 834
Net interest-bearing liabilities	(3 836)	(14)

NOTE 7 OTHER FINANCIAL ITEMS, NET

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

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2018	2017	2017	2018	2017
Gains, losses and write-downs shares and financial assets	0	48	47	0	(4)
Dividends	3	7	7	3	4
Net foreign currency gain/loss	2	1	(3)	0	1
Interest on pensions	(35)	(33)	(58)	(11)	(11)
Other financial items	3	(21)	(20)	5	(4)
Total	(27)	2	(27)	(3)	(14)

NOTE 8 RELATED PARTIES

The Canica system, controlled by Orkla Board Chairman Stein Erik Hagen (largest shareholder, with 24.5% of issued shares), and Orkla both have equity interests in one real estate investment. Canica AS has signed an agreement with Orkla ASA to lease office premises at Karenslyst allé 6. In addition, the Orkla Group makes sales to companies in the Canica system.

There were no special transactions between the Group and related parties as at 30 September 2018.

The Group has intercompany balances totalling NOK 29 million with associates within Orkla's real estate investments.

NOTE 9 TREASURY SHARES

The number of treasury shares held by Orkla changed as follows in the period from 1 January 2018 to 30 September 2018.

Change in number of treasury shares:	
Treasury shares 1 January 2018	176 933
External purchases of treasury shares	20 000 000
Sale of shares to employees	(766 674)
Treasury shares 30 September 2018	19 410 259

The shares are mainly purchased for cancellation purposes.

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

In line with adopted principles, the Group has carried out impairment tests for all intangible assets with an indefinite useful life and for all goodwill prior to the preparation and presentation of financial statements for the third quarter.

The UK business in House Care has delivered a weak performance since it was acquired in September 2016. A project has been initiated to bring profitability back to at least the level at which Orkla purchased the business. The project will not be formally approved until the fourth quarter, and therefore no accounting action was taken in the third quarter. The project will generally entail a relaunch of the Harris brand, with substantial simplification of the complexity of both product assortment and warehouse structure.

As at 30 September 2018, there were no indications of any impairment in the value of any other of the Group's assets.

In the 2017 financial statements, it was commented that as a result of the roll-out of a new common ERP template (Project One), it may be necessary to write down existing ERP systems that become superfluous. Any write-downs taken will be recognised as "Other income and expenses" as and when the individual companies decide to start the roll-out.

NOTE 11 DISCONTINUED OPERATIONS

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

Profit and loss as at 30 September 2018 are as follows:

	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
Amounts in NOK million	2018	2017	2017	2018	2017
Profit from joint venture	-	800	800	-	215
Gain on sale	-	4 224	4 266	-	4 224
Discontinued operations	-	5 024	5 066	-	4 439

NOTE 12 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

	Measurement level			
Amounts in NOK million	Level 1	Level 2	Level 3	Total
30 September 2018:				
Assets				
Investments	-	-	89	89
Derivatives	-	84	-	84
Liabilities				
Derivatives	-	207	-	207
31 December 2017:				
Assets				
Investments	-	-	85	85
Derivatives	-	166	-	166
Liabilities				
Derivatives	-	373	-	373

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

NOTE 13 OTHER MATTERS

Orkla Food Ingredients signed and completed an agreement to purchase the British chocolate and caramel manufacturer County Confectionery Ltd. The company has 95 employees and its turnover toalled GBP 8.6 million (approx. NOK 94 million) in the financial year ending in May 2018. The company was consolidated into Orkla's financial statements as of 1 October 2018.

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

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

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

Alternative Performance Measures (APMs)

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

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

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

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

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

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

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

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

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