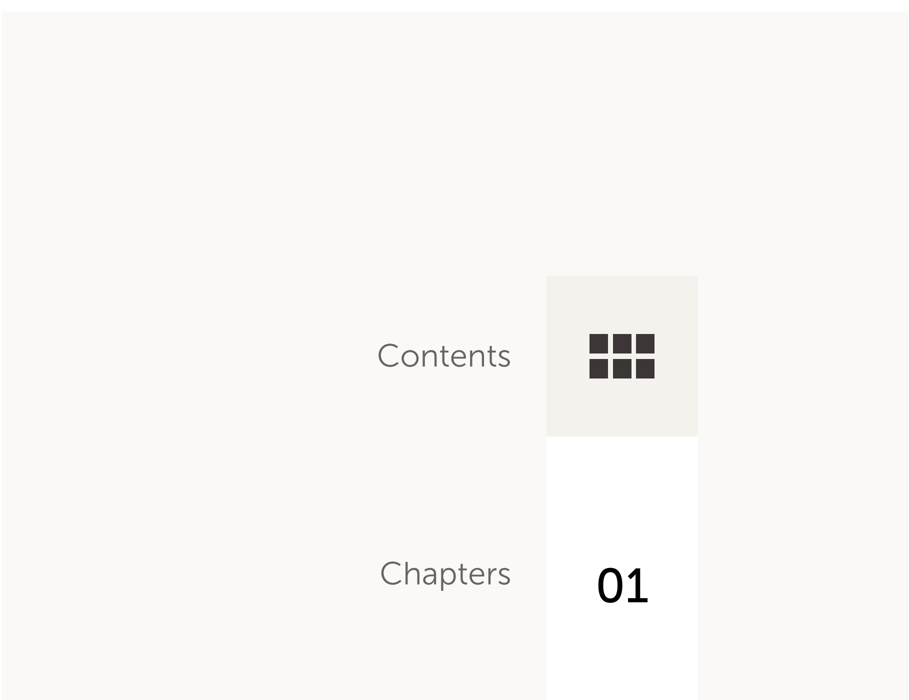
Annual Report 2019

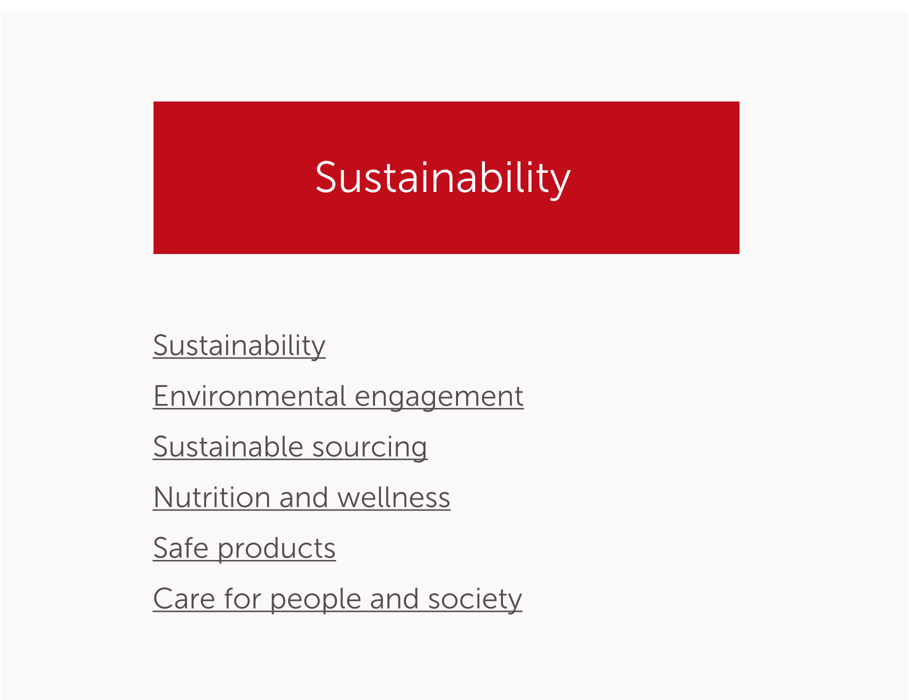
SUSTAINABILITY REPORT INCLUDED

Use of interactive PDF

This is an interactive PDF of Orkla´s Annual Report.
Here are some explanations for using the navigation system.



Flip through chapters or go to the contents page.



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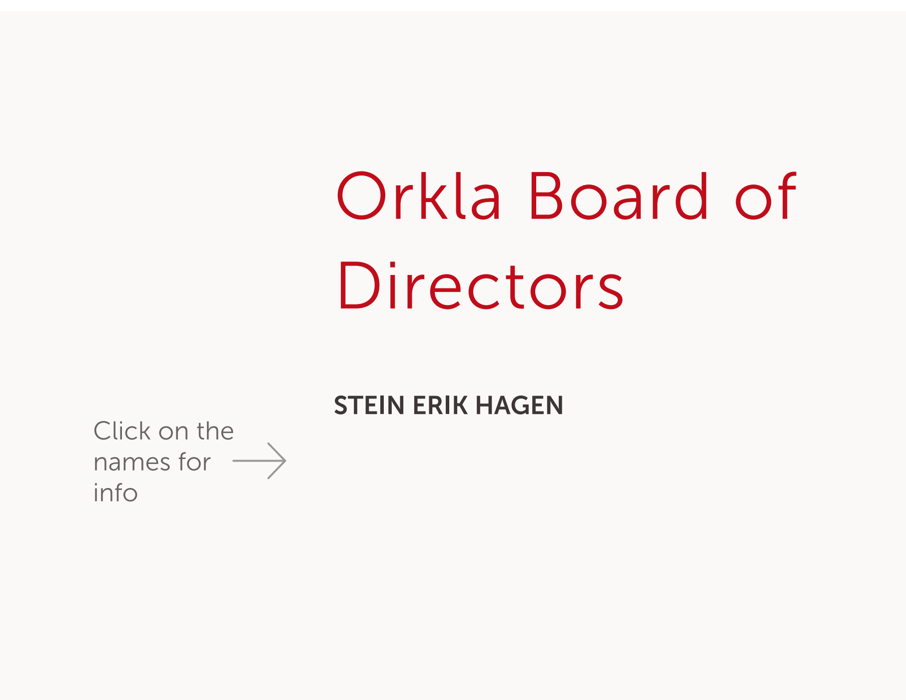

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Chapter summary

Sustainable growth with strong local brands

In 2019 Orkla strengthened its position as a leading branded consumer goods company through organic growth and several acquisitions. We focused even more strongly on sustainability and saw growth for plant-based products.

01

Jaan Ivar Semlitsch
President and CEO

Our vision is to be "Your friend in everyday life", which means that we aim to meet consumer desires and needs with strong local brands that respond to current trends. A growing number of our launches are designed to satisfy demand for more eco-friendly grocery products, healthier food and plant-based products. We strive to inspire and delight, and we want to be where consumers want to be.

In the past year, we have made a number of acquisitions in line with our strategy of growing in new channels. By purchasing Kotipizza, Lecora and Easyfood we strengthened our position in the out-of-home segment. In the health drink segment, we acquired 43.5 per cent of the Captain Kombucha brand, and we took over 20 per cent of Nói Síríus, an Icelandic chocolate and confectionery manufacturer that holds several number one positions in the local market.

The purchases of Vamo, Zeelandia, Kanakis, Bo Risberg Import and Confection by Design complemented Orkla Food Ingredients' position as supplier of ingredients and accessories to the bakery and ice cream market.

A highlight in Orkla's history was also marked in 2019 when Orkla House, the main base of the Nordic region's largest branded consumer goods company, was completed in March. More than 900 Orkla employees moved into a state-of-the-art office building constructed to high environmental standards and offering a wide range of services for the general public.

I myself had the pleasure and honour of experiencing Orkla House as my new place of work in August when I took up my duties as Orkla President and CEO. In my first few months, I have tried to visit as many of our businesses as possible. I have greatly appreciated these visits, through which I have become better acquainted with the different parts of the Group and, not least, with so many capable, competent and engaged employees.

When I was given the job, I said that it was a dream come true and now, at the end of my first six months, I can only say that it has been even more exciting, challenging, inspiring, educational, motivating and fun than I could possibly have imagined. Every day, I feel an enthusiasm, a sense of humility and great pleasure at being given the opportunity to head a group like Orkla, with so many competent people and strong local brands.

Our strategy of being a leading branded consumer goods company remains unchanged. We will continue to grow within our core areas and will seek to achieve growth both organically and through acquisitions. To succeed, we need to reduce the complexity of our operations and prioritise the activities that create value, by strengthening our portfolio in high-growth categories, channels and geographies.

In the past few months, we have made organisational changes in Group functions in order to ensure that we are optimally equipped to face an increasingly difficult competitive situation.

Our operational activities will be strengthened, and Orkla's business areas will be given an even clearer mandate and responsibilities.

Sustainability has become a natural part of our business model, and we have drawn up criteria for our definition of sustainability products. In the past year, we have introduced climate impact labelling on TORO soup packets, launched crisps in recyclable packets and focused on plant-based products. We are committed to helping to solve the global health and sustainability challenges and to supporting the UN's Global Goals. Through strong innovations, based on local consumer insight, we will continue to make each day better with local, sustainable brands.

A leading branded consumer goods company mobilising for sustainable growth

Orkla is a leading supplier of local branded goods with strong market positions based on local insight and presence and a sustainable business model.

Orkla's strategic objective is to strengthen its position as a leading branded consumer goods company in the Nordics, Baltics, Central Europe, India and other selected markets. Innovations based on the Group's unique local customer and consumer insight are an important growth driver. Orkla's business model revolves around taking leading positions in smaller markets. This gives the Group sufficient scale to exploit economies of scale and share best practices and resources, while also responding effectively to local consumer preferences through flexibility, local innovation and proximity to the market. In this way, Orkla will strengthen its long-term competitiveness and preserve its local presence.

Orkla has worked systematically for many years to develop healthier products, with a more sustainable value chain that promotes public health and has a smaller ecological footprint.

Orkla ASA is listed on the Oslo Stock Exchange and its headquarters is in Oslo.

Vision, values and mission

Orkla's vision is to be "your friend in everyday life". This vision is underpinned by the values "brave", "trustworthy" and "inspiring". Orkla's mission is to improve everyday life with local, sustainable and enjoyable local brands.

Leading positions in selected markets

Leader in the Nordics and Baltics
Orkla is the leading branded consumer goods company in the Nordic and Baltic regions.

Unique customer and consumer insight
Orkla is known for branded consumer products that hold #1 or strong #2 positions.

Orkla's products are sold in over

100 countries.

Breakdown of sales revenues by geographical region[1]

Norway	27%
Nordics ex. Norway	42%
Baltics	5%
Rest of Europe	23%
Rest of world	4%

[1]Excluding internal sales and other operating revenues.

Orkla's ten largest categories

Snacks
Ready meals
Dehydrated casseroles, soups and sauces
Confectionery
Sauces and flavourings
Hygiene
Pizza
Bread toppings
Biscuits
Wash and cleaning

Key figures

Operating revenues
43.6
NOK billion

EBIT (adj.)
5.1
NOK billion

EBIT (adj.) margin
11.7%

Earnings per share
3.84
NOK

Number of employees
18 348

All alternative performance measures (APM) are presented on page 227.

Goals and strategy

Sustainable, long-term value creation is Orkla's first priority

Orkla's aim is to strengthen the Group's long-term competitiveness and create higher growth and profitability, while preserving Orkla's strong local presence.

Orkla's strategic objective is to strengthen its position as a leading supplier of branded consumer goods and services in the Nordics, Baltics, Central Europe, India and other selected markets.

In line with the Group's strategy and financial targets, activities that drive organic growth and improve profitability are prioritised. Bold investments that build on already strong positions will spur organic growth.

Through acquisitions, Orkla will develop its operations in its home markets and within selected geographical areas channels or niches where we can achieve leading positions based on the Group's core competencies.

The primary driver for long-term value creation is organic growth for local brands and services

- Orkla strives to stand out in the eyes of consumers, customers and employees by purposefully improving its sustainability performance.
- Innovations based on the Group's unique local customer and consumer insight will be a main growth driver.
- Selected products will to a greater degree be launched in several of the Group's markets.
- Orkla will strengthen its presence in emerging sales channels and focus more targeted efforts on exporting selected branded goods.
- Increased investment in plant-based products based on established positions will create growth opportunities.
- Priority will be given to developing and strengthening customer relationships, with a shared goal of profitable growth.

Improved profitability through simplification and improved operational efficiency throughout the value chain

- Orkla will increase emphasis on exploiting economies of scale, reducing the complexity of its portfolio and creating cross-Group synergies. The Group will also extract synergies through the integration of acquired companies.
- Production will be concentrated on fewer production units where appropriate. Existing units will be further optimised, for instance through increased automation. This will free up resources for innovation, growth and competence building.
- Actions have been taken at Orkla's headquarters to strengthen the Group's local competitiveness by tailoring the expertise of the Group's support functions and strengthening the business areas to bring them even closer to their markets.
- By transitioning to renewable energy, efficient resource utilisation, reduction of food waste and resolute efforts to achieve sustainable raw material production and packing,

Orkla can help ensure a sustainable value chain for food and grocery products.

Acquisitions in Branded Consumer Goods

- Strategically appropriate acquisitions will remain a key element of Orkla's growth strategy and value creation model. At the same time, the Group will reduce its complexity to a greater degree through more active portfolio management.
- Through acquisitions, Orkla will strengthen its operations in selected geographical areas, channels or niches where we can achieve leading positions based on the Group's core competencies.

Financial targets

- Long-term organic growth that at least matches market growth
- Growth in underlying EBIT margin of at least 1.5 percentage points, adjusted for acquisitions and currency effects, in the period 2018–2021
- A reduction of 3 percentage points in net working capital / net sales value in the period 2018-2021

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Orkla's business areas in 2019

All alternative performance measures (APM) are presented on page 227.

Branded Consumer Goods incl. Headquarters

Operating revenues
42.7
NOK billion

Organic growth
1.3%

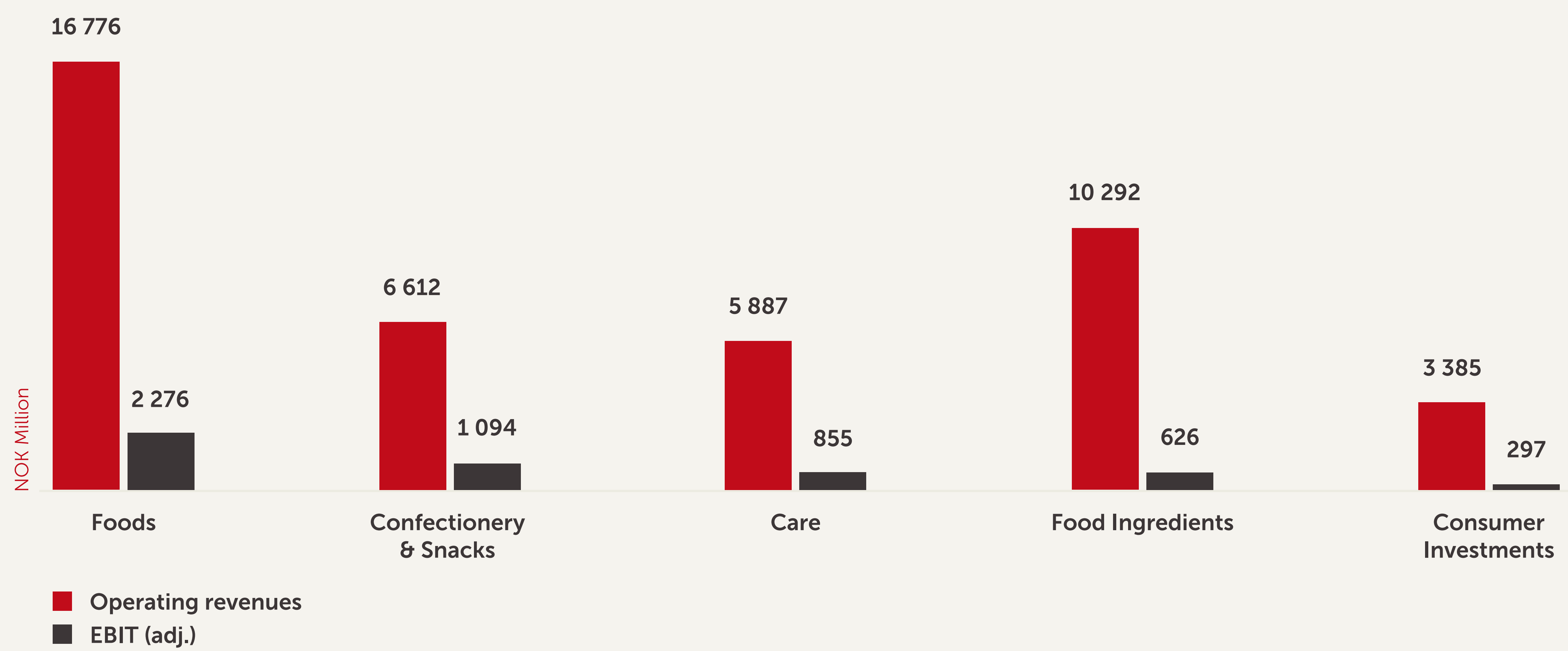
Number of employees
18 282

EBIT (adj.)
4.8
NOK billion

EBIT (adj.) margin
11.2 %

EBIT (adj.) growth
+9%

EBIT (adj.) margin growth
+10 bps



Branded Consumer Goods

	Foods	Confectionery & Snacks	Care	Food Ingredients	Consumer Investments
Share of operating revenues	39%	15%	14%	24%	8%
Share of EBIT (adj.)	44%	21%	17%	12%	6%
EBIT (adj.) margin	13.6%	16.5%	14.5%	6.1%	8.8%

Industrial & Financial Investments

Jotun* (42.6%)

EBIT

2.3
NOK billion

Hydro Power

EBIT (adj.)

0.3
NOK billion

Real estate

Book value real estate

1.8
NOK billion

*On a 100% basis.

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Orkla Foods

Orkla Foods is the largest business area, accounting for 38 per cent of Orkla's operating revenues.

Orkla Foods offers well-known local branded products to consumers in the Nordics, Baltics, Central Europe and India. The business area holds leading market positions in a number of categories, including frozen pizza, ketchup, soups, sauces, bread toppings and ready-to-eat meals. A growing percentage of turnover derives from plant-based foods. Orkla Foods primarily sells its products through the grocery retail trade, but also holds strong positions in the out-of-home, convenience store and petrol station sectors. Its many widely known brands include Grandiosa, TORO, Stabburet, Felix, Paulúns, Abba, Kalles, Beauvais, Den Gamle Fabrik, Spilva, Vitana and MTR.

Sales revenues by geographical region[1]

Norway	28%
Nordics ex. Norway	40%
Baltics	3%
Rest of Europe	22%
Rest of world	7%

[1] Excluding internal sales and other operating revenues

Key figures

Operating revenues
NOK 16.8 billion

EBIT (adj.)
NOK 2.3 billion

EBIT (adj.) growth
+11%

Organic growth
1.8%

EBIT (adj.) margin
13.6%

EBIT (adj.) margin growth
+80 bps

Number of employees
7 616

Orkla Confectionery & Snacks

Orkla Confectionery & Snacks's turnover accounts for 15 per cent of Orkla's operating revenues.

Orkla Confectionery & Snacks holds strong number one and number two positions in the confectionery, biscuits and snacks categories, with well-known local brands and tastes that delight consumers in the Nordic and Baltic countries. Its many widely known brands include KiMs, Nidar, Göteborgs Kex, Sætre, OLW, Panda, Laima, Selga, Adazu and Kalev.

Sales revenues by geographical region[1]

Norway	28%
Nordics ex. Norway	48%
Baltics	18%
Rest of Europe	5%
Rest of world	1%

[1] Excluding internal sales and other operating revenues

Key figures

Operating revenues
NOK 6.6 billion

EBIT (adj.)
NOK 1.1 billion

EBIT (adj.) growth
+9%

Organic growth
4.6%

EBIT (adj.) margin
16.5%

EBIT (adj.) margin growth
+40 bps

Number of employees
3 140

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Orkla Care

Orkla Care accounts for 13 per cent of Orkla's operating revenues and is organised into four business units.

The two largest business units are Orkla Home & Personal Care, which holds leading positions in the personal care and cleaning products segments, and Orkla Health, which has strong brands in the dietary supplement, sport nutrition and weight control segments. Orkla Care is also well positioned in several European countries in wound care and first aid equipment (Orkla Wound Care). HSNG runs the e-commerce portals Gymgrossisten and Body-store, and is the largest e-commerce operator in the Nordic region in health and sport nutrition. Well-known brands include Zalo, Jif, Sun, Define, Sunsilk, Blenda, P20, Möller's, Collett, Nutrilett, Maxim and Salvequick.

Sales revenues by geographical region[1]

Norway	34%
Nordics ex. Norway	40%
Baltics	1%
Rest of Europe	19%
Rest of world	5%

[1] Excluding internal sales and other operating revenues

Key figures

Operating revenues
NOK 5.9 billion

EBIT (adj.)
NOK 0.9 billion

EBIT (adj.) growth
+2%

Organic growth
0.0%

EBIT (adj.) margin
14.5%

EBIT (adj.) margin growth
-10 bps

Number of employees
1 953

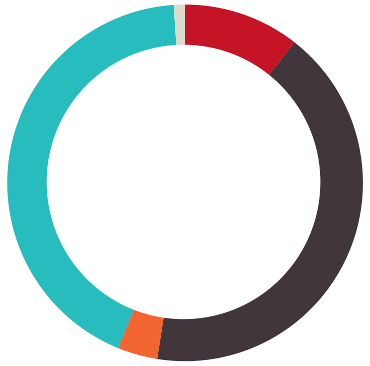
Orkla Food Ingredients

Orkla Food Ingredients accounts for 24 per cent of Orkla's operating revenues. Orkla Food Ingredients is the leading supplier of bakery and ice cream ingredients in the Nordic region, in addition to holding growing positions in Europe.

The business area manufactures, sells and distributes ingredients and products to the bakery and ice cream market in 23 countries. The Nordic region accounts for approximately half of all sales. Sales of bakery ingredients to artisanal and industrial bakeries account for around 65 per cent of sales. Ice cream ingredients account for approximately 15 per cent of sales and around 20 per cent are direct-to-consumer sales under well-known brands such as Odense Marcipan, Mors hjemmebakte, KronJäst, Bakkedal and Naturli'. A major share of Orkla Food Ingredients' sales is to industrial customers. Due to this factor, and to a substantial percentage of raw material sales, Orkla Food Ingredients' operating margin is lower than that of Branded Consumer Goods' other business areas.

Sales revenues by geographical region[1]

Norway	11%
Nordics ex. Norway	42%
Baltics	4%
Rest of Europe	43%
Rest of world	1%



[1] Excluding internal sales and other operating revenues

Key figures

Operating revenues
NOK 10.3 billion

EBIT (adj.)
NOK 0.6 billion

EBIT (adj.) growth
+17%

Organic growth
0.6%

EBIT (adj.) margin
6.1%

EBIT (adj.) margin growth
+50 bps

Number of employees
3 560

Orkla Consumer & Financial Investments

The Orkla Consumer & Financial Investments business area was established in 2019 and consists of two parts:

- Orkla Consumer Investments
- Industrial & Financial Investments

Orkla Consumer Investments:

Orkla Consumer Investments is part of Orkla's Branded Consumer Goods area and consists of Orkla's businesses in the painting tool (Orkla House Care), basic garments (Pierre Robert Group) and professional cleaning (Lilleborg) sectors and restaurant operations (Kotipizza Group and Gorm's).

Key figures for Orkla Consumer Investments

Operating revenues	EBIT (adj.)	EBIT (adj.) growth
NOK 3.4 billion	NOK 0.3 billion	+21%
Organic growth	**EBIT (adj.) margin**	**EBIT (adj.) margin growth**
-3.4%	8.8%	-150 bps
Number of employees		
1 624		

Sales revenues by geographical region[1]

●	Norway	35%
●	Nordics ex. Norway	46%
●	Baltics	0%
●	Rest of Europe	18%
●	Rest of world	1%

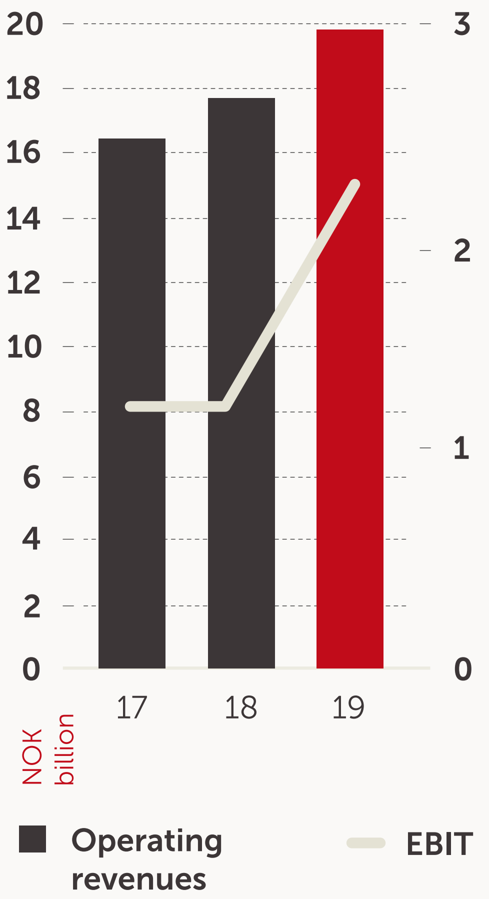
[1] Excluding internal sales and other operating revenues

Industrial & Financial Investments:

Orkla has some investments outside the Branded Consumer Goods business which are organised under Industrial & Financial Investments. These comprise the associate Jotun (42.6 per cent interest) and the consolidated businesses Hydro Power, Orkla Eiendom (real estate) and Orkla Ventures.

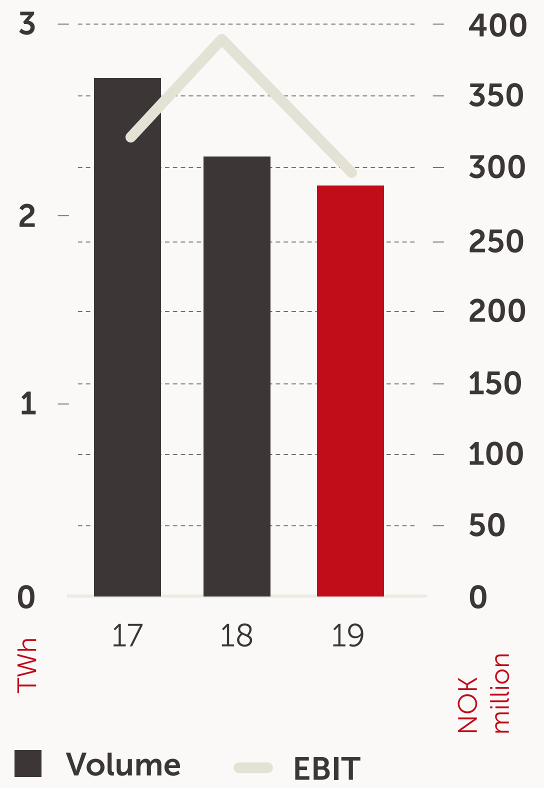
Jotun

Jotun is one of the leading global manufacturers of paint and powder coatings. Jotun's worldwide activities consist of the development, production, marketing and sale of a variety of paint systems, and are organised in the four segments Decorative Paints, Marine Coatings, Protective Coatings and Powder Coatings. The company's main markets are the Middle East, India, Africa, Northeast Asia, Southeast Asia and Scandinavia. Jotun is accounted for using the equity method and presented on the line "Profit/loss for associates and joint ventures" in the consolidated financial statements.



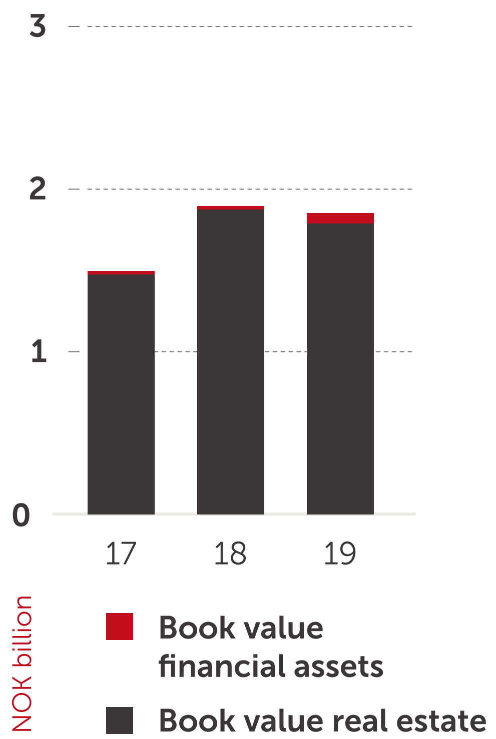
Hydro Power

Hydro Power consists of wholly-owned power plants in Sarpsfoss and power plants leased through Orkla's 85 per cent interest in the Saudefaldene power company. The Sauda power operations are regulated by a lease with Statkraft that will run until 31 December 2030. The power operations generate and supply electricity to the Nordic power market, and produce an average annual volume (2011–2019) totalling 2.5 TWh, of which around 1 TWh is a fixed delivery commitment with a zero net effect on profit.



Orkla Eiendom

Orkla Eiendom (real estate) is responsible for the development of properties freed up as a result of the restructuring of Branded Consumer Goods, and the development of the Group's new headquarters, which was completed in February 2019. As at 31 December 2019, Orkla's real estate investments had a book value of NOK 1.8 billion.



Orkla Ventures

Orkla Ventures was established in 2017 to reach out to a growing universe of entrepreneurial businesses and start-up companies. The purpose of Orkla Ventures is to invest in technology, concepts and business models that might be relevant for Orkla's businesses. Besides offering risk capital, Orkla provides both expertise and collaboration in relevant parts of the value chain.

Board of Directors' report 2019

In 2019, Orkla continued its efforts to develop its portfolio in geographies, categories and channels, and carried out cost initiatives across the value chain, in both supply chain and commercial functions. During the year, the Group also strengthened its position as a leading branded consumer goods company through the acquisition of several companies.

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All alternative performance measures (APM) are presented on page 227. Figures in parentheses are for the corresponding period of the previous year.

Operations in 2019

In 2019, Orkla continued its efforts to develop a business model in which local responsibility is balanced by increased realisation of synergies and economies of scale across companies and business areas. There was also focus on creating an efficient organisation with strong decision-making power. In the course of 2019, Orkla strengthened its position as a branded consumer goods company through several acquisitions. These transactions are described in the section "Description of structural changes".

Plant-based and eco-friendly products contributed to good growth in 2019, and will be an important platform for innovation going forward. Orkla has also continued its efforts to ensure good innovations under Orkla's existing, strong brands.

The Group increased turnover by 6.8 per cent in 2019 through organic growth in Branded Consumer Goods, contributions from acquired companies, and positive currency translation effects. Growth in Group EBIT (adj.) in 2019 was 6.5 per cent. The growth was driven by profit improvement for Branded Consumer Goods. Hydro Power experienced a decline due to less precipitation and lower production volume, as well as to slightly lower power prices during the year than in 2018.

Branded Consumer Goods achieved organic growth of 1.3 per

Operating revenues by business area

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cent in 2019. There was good growth in several business areas, partly offset by a decline in Orkla Consumer Investments. Branded Consumer Goods incl. Headquarters had 9.0 per cent growth in EBIT (adj.), as a result of underlying growth, as well as contributions and synergy effects from acquisitions.

Strong innovations in response to trends and consumer needs are a critical success factor for Orkla. The Group's innovation work is carried out continuously across companies and countries, and sustainability elements are a natural part of this work. Another important area of innovation in Orkla is the leveraging of strong brands in other product categories. To contribute to good, cost-effective solutions to the problems posed by plastic pollution, and to reduce greenhouse gas emissions from packaging, Orkla also engages actively in promoting use of new packaging innovations.

Description of structural changes

Throughout 2019, the Group maintained its focus on structural growth aimed at building Orkla's position as a leading branded consumer goods company offering both products and services. The main objective has been to increase exposure to areas with higher underlying growth. The Group has also made acquisitions of companies from which Orkla can derive cost synergies.

Orkla Foods

In March 2019, Orkla acquired Lecora AB, a Swedish manufacturer of frozen and chilled vegan and vegetarian dishes. Lecora is also market-leading for schnitzel, in addition to offering ready meals. A large portion of its product range is organic. Food service is the biggest customer group, but the company also makes some sales to the grocery trade.

In April 2019, Orkla's purchase of 90 per cent of the shares in Easyfood A/S, a Danish manufacturer of bake-off bakery goods for the out-of-home channel, was completed.

In March 2019, Orkla purchased 43.5 per cent of the shares in the Portuguese company Asteriscos e Reticências, S.A. The company produces fermented tea-based health drinks sold all over Europe under the Captain Kombucha brand.

Orkla sold the Glyngøre brand to Amanda Seafoods A/S in June 2019. The sale aimed to reduce portfolio complexity and concentrate the business on prioritised categories.

Orkla Confectionery & Snacks

Orkla purchased 20 per cent of the Icelandic company Nói Síríus HF, Iceland's leading manufacturer of chocolate and confectionery, in August 2019. Under the agreement, Orkla has an option to purchase the remaining shares after 2020.

Orkla Food Ingredients

In April 2019, Orkla purchased Zeelandia Sweden AB, a supplier of margarine, vegetable oils and bakery ingredients to the Swedish market. The company changed its name to Credin Sverige AB after the transaction.

In March 2019, Orkla acquired 80 per cent of the shares in

Stelios Kanakis Industrial and Commercial S.A. ("Kanakis"). Kanakis is market leader within sale and distribution of confectionery, bakery and ice cream ingredients in Greece.

Orkla purchased the Netherlands company Vamo produkten voor de Bakkerij B.V. ("Vamo") in September 2019. Vamo produces specialised concentrates and ingredient mixes for sale to manufacturers of artisan and industrial bakery products.

Orkla acquired the Swedish sales and distribution company Bo Risberg Import AB ("Risberg") in June 2019. A considerable percentage of the company's sales are made to hotels, restaurants and catering businesses. Risberg is also an important supplier to the Swedish grocery trade and food industry.

In July 2019, Orkla purchased the British caramel manufacturer Confection by Design Ltd. ("Confection by Design"). Confection by Design offers fudge and toffee to ice cream manufacturers, bakeries and confectioners. Around two-thirds of its portfolio are distributed by Orkla's UK subsidiary Orchard Valley Foods.

Orkla Consumer Investments

In January 2019, Orkla acquired all the shares in Kotipizza Group Oyj ("Kotipizza Group"), owner of Finland's largest pizza restaurant chain. Kotipizza Group is a leading player in the growing Finnish restaurant market, and Finland is one of Orkla's home markets. The restaurants are mainly franchises. Orkla was already a leading frozen pizza player in the Norwegian, Swedish and Finnish grocery trade, and with the investments in Gorm's and Kotipizza Group Orkla has strengthened its presence in the pizza category.

Orkla House Care took over the remaining 50 per cent of the shares in the joint venture Anza Verimex Holding B.V. in October 2019. Since 2018, Orkla House Care has owned 50 per cent of the company that is market leader for the sale and distribution of painting tools in the Netherlands and Belgium. The acquired companies consist of Anza Verimex Holding B.V. (Netherlands) and its two subsidiaries PGZ Nederland B.V. (Netherlands) and Anza Verimex NV (Belgium). Going forward, the companies will be operated under the name Orkla House Care Benelux.

Industrial & Financial Investments

In June 2019, Orkla entered into an agreement with the City of Oslo to sell the property at Treschows gate 16 at a purchase price of NOK 412 million. The agreement was approved by the Oslo City Council on 25 September 2019.

Through its wholly-owned subsidiary Capto Eiendom AS, Orkla sold its stake in the Oslo Business Park property to Stor-Oslo Eiendom AS in November 2019.

For more information on the acquisition and divestment of businesses; see Note 5.

The Group's results

Branded Consumer Goods

The increase of 7.4 per cent in operating revenues for Branded Consumer Goods was related to acquisitions, organic growth and positive currency translation effects. EBIT (adj.) growth for Branded Consumer Goods incl. Headquarters was 9.0 per cent, and was mainly a result of top-line growth, a favourable mix and structural growth. The change in reported operating profit (EBIT) for Branded Consumer Goods incl. Headquarters was 1.6 per cent where the difference from the growth in EBIT (adj.) was mainly due to the write-down of goodwill and trademarks in Orkla Care, and costs related to ongoing reorganisation processes and restructuring projects.

Branded Consumer Goods had organic growth of 1.3 per cent in 2019. Orkla Foods had broad-based improvement in most markets and Orkla Confectionery & Snacks could show good growth in all companies. Furthermore, the reversal of the sugar tax in Norway as of 1 January 2019 resulted in good growth for the categories concerned, due to a short-term change in customers' purchasing patterns. Orkla Food Ingredients had good growth in bakery ingredients and plant-based products. However, total growth was counteracted by Orkla Health's Norwegian and Swedish operations, a decline in sales for the Pierre Robert Group textile business, and Orkla Foods Danmark, the last as a result of production relocation and associated loss of low-margin sales.

The prices of the international raw materials to which Orkla is exposed increased, on average, in 2019, especially for meat and dairy products, according to the FAO Food Price Index[1]. Nevertheless, the index cannot be seen in direct conjunction with the development in Orkla's sourcing costs, as the range of raw material categories sourced by Orkla is broader than that covered by the FAO index, and different prices apply to some extent due to European and Norwegian agricultural policy and associated import regulation. A weaker Norwegian and Swedish krone against the euro (-2.6 per cent and -3.2 per cent respectively) compared with 2018 also contributed to higher sourcing costs.

EBIT (adj.) margin for Branded Consumer Goods incl. Headquarters was 11.2 per cent (11.1 per cent). The increase in profit margin was mainly driven by increased focus on revenue management, and favourable mix effects. The margin improvement was partly offset by the dilutive effect of acquisitions. Underlying margin improvement in 2019 was 0.3 percentage points.

[1] The FAO Food Price Index measures the change in certain international raw material prices. The index consists of the average of five commodity group price indices and is published by the United Nations (UN)'s organisation for food safety and nutrition.

The Group

Condensed income statement

Amounts in NOK million	2019	2018
Operating revenues	43 615	40 837
EBIT (adj.)	**5 088**	**4 777**
Other income and expenses	(561)	(482)
Operating profit/loss	**4 527**	**4 295**
Profit/loss from associates and joint ventures	659	264
Interest and financial items, net	(255)	(201)
Profit/loss before tax	**4 931**	**4 358**
Taxes	(1 033)	(1 004)
Profit/loss for the year	**3 898**	**3 354**

The increase of 6.8 per cent in operating revenues was driven by organic growth and contributions from acquisitions in Branded Consumer Goods, in addition to positive currency translation effects. Growth in Group EBIT (adj.) in 2019 was 6.5 per cent. The growth was driven by profit improvement for Branded Consumer Goods, including contributions from acquisitions. Profit growth was negatively impacted by Industrial & Financial Investments, where the positive contribution from higher rental income for Orkla Eiendom was counteracted by lower production volume and power prices, compared with 2018, for Hydro Power.

The Group's "other income and expenses" consisted largely of write-downs of goodwill related to Harris in Orkla House Care and write-downs related to Orkla Health's Gerimax and Colon C brands. Acquisition and integration expenses were also incurred, as well as expenses related to several improvement processes in the Group, particularly closures and changes in factory structure. Gains related in part to the sale of property and companies were significantly higher in 2019, year over year. The biggest gain was realised on the sale of Treschows gate 16. The sale of the Glyngøre brand and a factory property in Kristiansund also contributed positively. The change in reported operating profit (EBIT) for the Group was 5.4 per cent.

Profit from associates and joint ventures consists mainly of Orkla's 42.6 per cent interest in Jotun. The investment is presented using the equity method. Jotun delivered a record-high contribution in 2019 of NOK 625 million (NOK 258 million), driven by solid sales growth and higher gross margins.

Results from foreign entities are translated into Norwegian kroner, based on average monthly exchange rates. Due to currency fluctuations, the Group had positive currency translation effects in 2019 of NOK 523 million on operating revenues and NOK 61 million on EBIT (adj.).

Orkla is subject to ordinary corporate tax in the countries in which the Group operates. The tax rate (adjusted for profit from associates and joint ventures) for the 2019 financial year was 24.2 per cent (24.5 per cent). There were high non-deductible expenses including the write-down of goodwill in 2019, but this was counterbalanced by the reversal of a deferred tax liability in the Baltics. See Note 16 for further comments.

Earnings per share were NOK 3.84 (NOK 3.24). Adjusted for "other income and expenses" after estimated tax, earnings per share were NOK 4.24 (NOK 3.62).

Financial situation and capital structure

Cash flow

The comments below are based on the cash flow statement as presented in Orkla's format (see Note 38). Cash flow from operations from Branded Consumer Goods incl. Headquarters amounted to NOK 4,798 million (NOK 3,461 million). The increase, year over year, was mainly due to a positive development in working capital and increased operating profit. The improvement in working capital was chiefly driven by an improvement in accounts payable. Reduced inventory also contributed positively.

Net replacement investments totalled NOK 1,931 million (NOK 1,400 million). The increase was chiefly related to ongoing investments in new ERP systems. The implementation of IFRS 16 also increased replacement investments, in addition to depreciation and write-downs.

Cash flow from operations for Industrial & Financial Investments amounted to NOK 135 million (NOK 27 million).

Dividends received, financial items and other payments mainly consist of paid financial items, a disbursement related to the remaining liability in connection with the sale of Sapa (see Notes 4 and 26), and dividends received from Jotun.

Condensed cash flow Orkla-format

Amounts in NOK million	2019	2018
Cash flow from Branded Consumer Goods incl. Headquarters		
EBIT (adj.)	4 786	4 390
Amortisation, depreciation and write-downs	1 581	1 156
Change in net working capital	812	(189)
Net replacement investments	(1 931)	(1 400)
Cash flow from operations (adj.)	**5 248**	**3 957**
Cash flow effect "Other income", "Other expenses" and pensions	(450)	(496)
Cash flow from operations Branded Consumer Goods incl. Headquarters	**4 798**	**3 461**
Cash flow from operations Industrial & Financial Investments	**135**	**27**
Taxes paid	(1 129)	(904)
Dividends received, financial items and other payments	(167)	(1)
Cash flow before capital transactions	**3 637**	**2 583**
Dividends paid and sale/buyback of Orkla shares	(2 589)	(4 063)
Cash flow before expansion	**1 048**	**(1 480)**
Expansion investments	(631)	(531)
Sales of companies (enterprise value)	582	47
Purchases of companies (enterprise value)	(3 063)	(1 080)
Net cash flow	**(2 064)**	**(3 044)**
Currency effects of net interest-bearing liabilities	(3)	21
Change in net interest-bearing liabilities	**2 067**	**3 023**
Interest-bearing liabilities IFRS 16 1.1.2019	**1 447**	**-**
Net interest-bearing liabilities	**6 551**	**3 037**

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An ordinary dividend of NOK 2.60 per share was paid out for the 2018 financial year. Dividends paid totalled NOK 2,648 million (NOK 2,685 million). Sales of treasury shares (to employees) had a cash flow effect of NOK 59 million. In 2018, the Group carried out a programme to buy back Orkla shares for cancellation, and net purchases of Orkla shares totalled NOK -1,378 million in 2018.

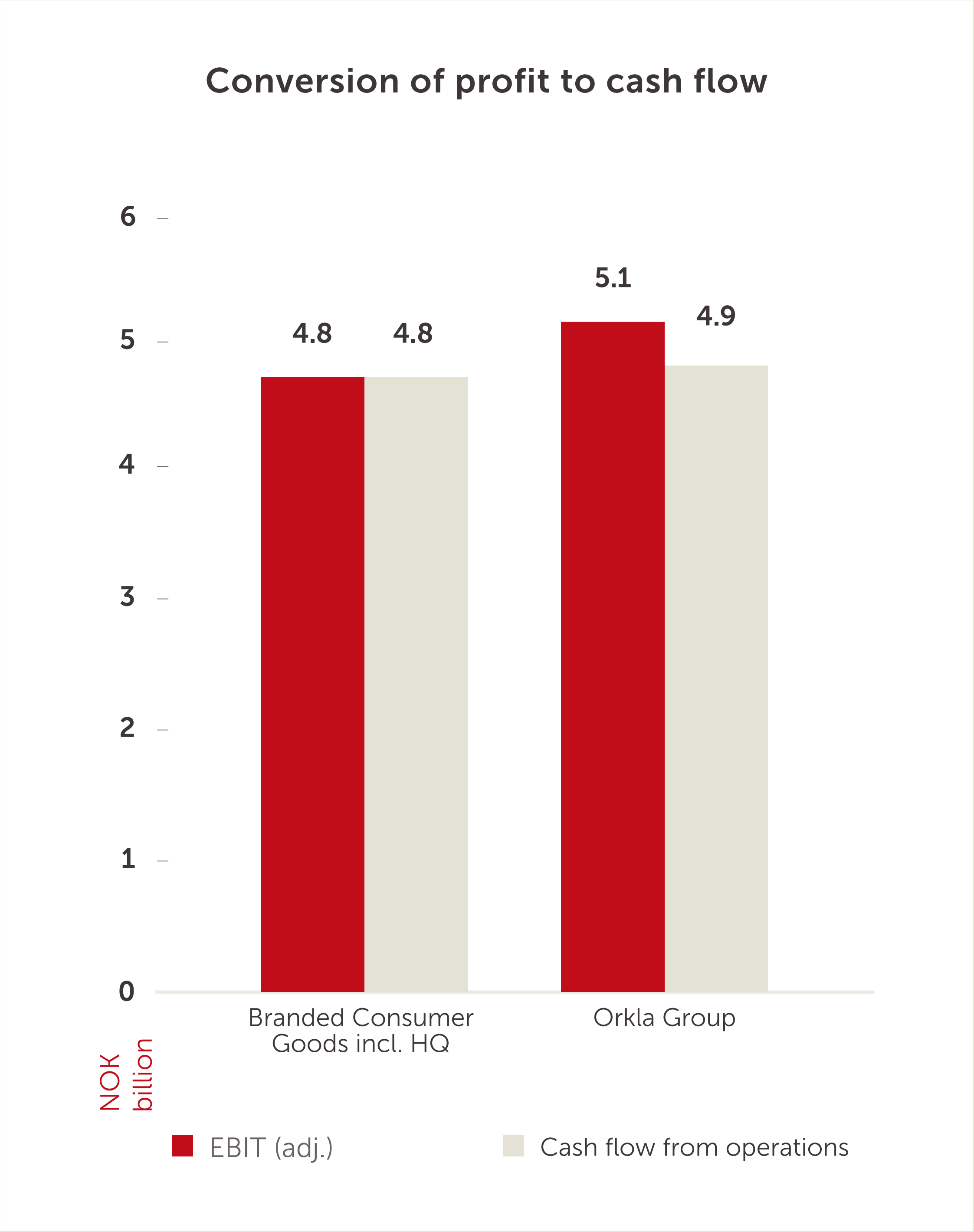
Expansion investments totalled NOK 631 million (NOK 531 million) in 2019. The increase was due to higher investments in Orkla Foods, particularly in connection with an ongoing investment programme for pizza production at Stranda, Norway.

Sales of companies totalled NOK 582 million (NOK 47 million), where the increase was mainly related to the sales of Treschows gate 16 and Oslo Business Park. Acquisitions of companies totalled NOK 3,063 million (NOK 1,080 million), the major share of which was related to the purchase of Kotipizza Group. Several other acquisitions were made in Branded Consumer Goods, the largest of which after Kotipizza Group was Easyfood in Orkla Foods.

Net cash flow for the Group amounted to NOK -2,064 million (NOK -3,044 million) in 2019. Net interest-bearing liabilities, before leases, amounted to NOK 4,895 million. Including lease effects related to IFRS 16, net interest-bearing liabilities totalled NOK 6,551 million (see Note 21 for further information on IFRS 16). The Group's liabilities are denominated in different currencies depending on its net investments in countries other than Norway, and liabilities will therefore fluctuate with currency rate changes.

Contracts and financial hedge instruments

Orkla generally has few long-term purchasing and sale contracts. In Hydro Power, AS Saudefaldene has some long-term power contracts. Further details regarding power contracts may be found in Note 34.



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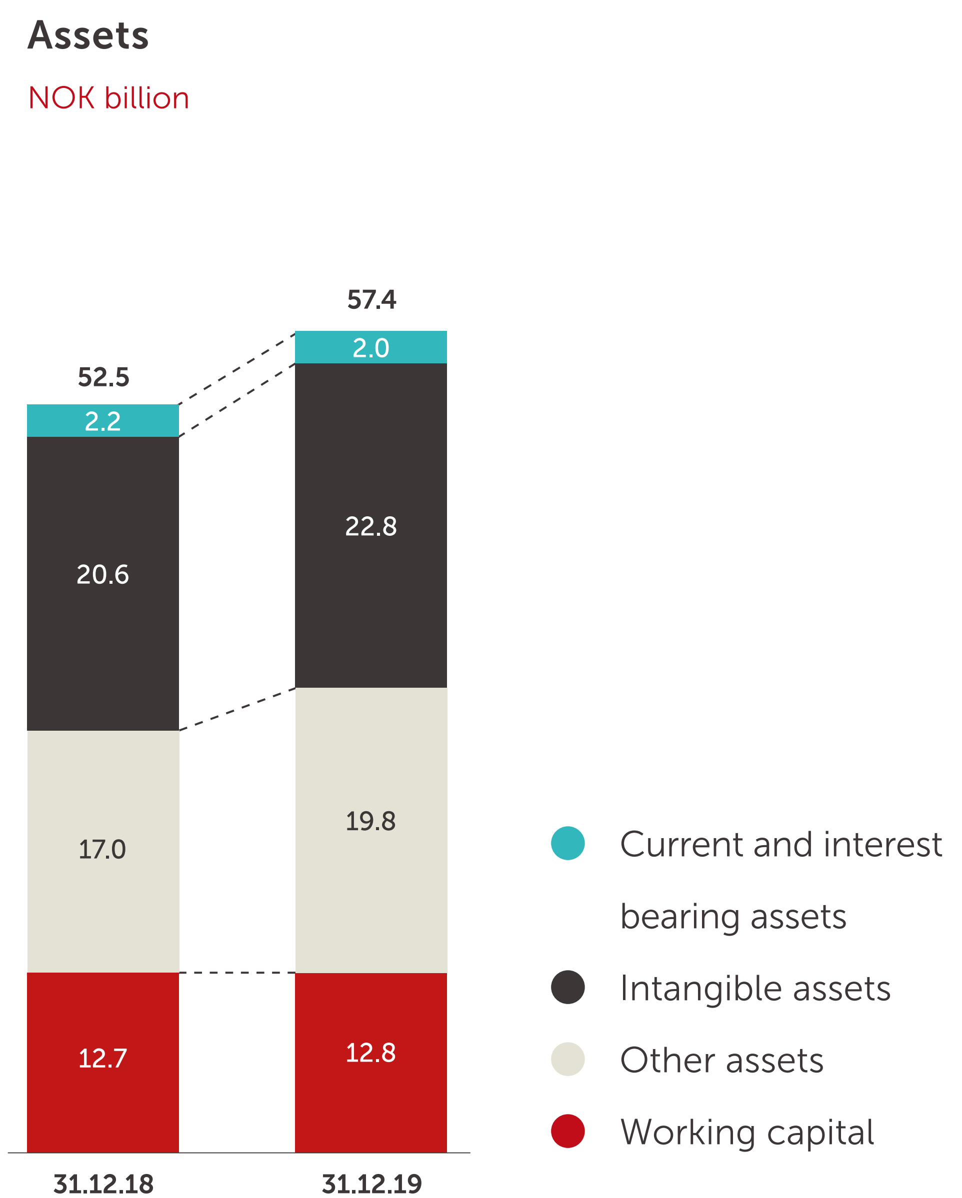
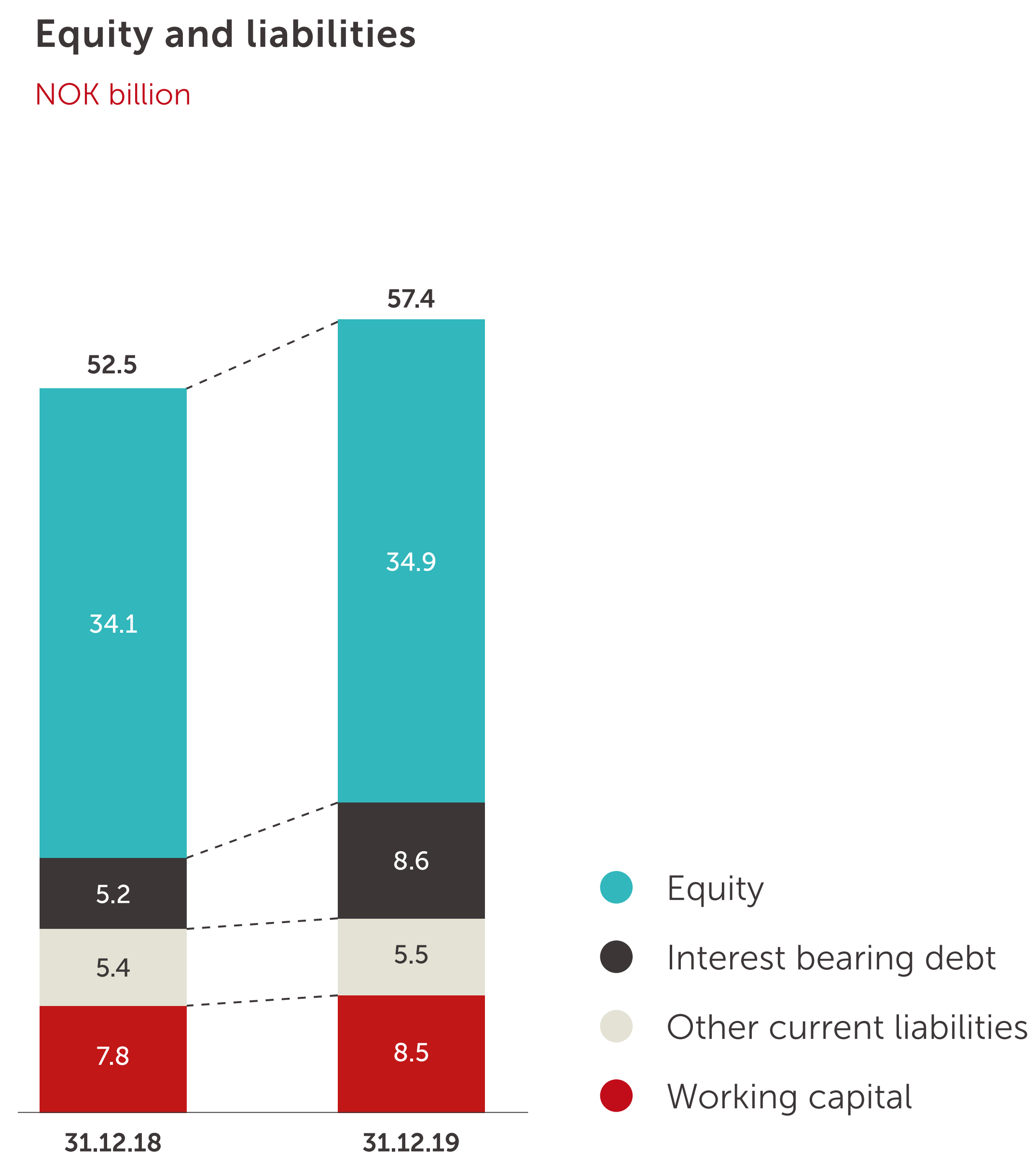

Assets
NOK billion
52.5
57.4
2.2
20.6
17.0
12.7
2.0
22.8
19.8
12.8
31.12.18
31.12.19
Current and interest bearing assets
Intangible assets
Other assets
Working capital


Equity and liabilities
NOK billion
52.5
57.4
34.1
5.2
5.4
7.8
34.9
8.6
5.5
8.5
31.12.18
31.12.19
Equity
Interest bearing debt
Other current liabilities
Working capital

Capital structure

The consolidated statement of financial position totalled NOK 57.4 billion at year end, compared with NOK 52.5 billion in 2018 (NOK 53.8 billion taking account of the implementation of IFRS 16). Net interest-bearing liabilities increased from NOK 3.0 billion to NOK 6.6 billion, NOK 1.4 billion of which comes from the recognition of liabilities related to lease agreements as at 1 January 2019 (upon transition to IFRS 16). Orkla's financial position is robust, with substantial cash reserves, credit lines and the flexibility to support its business priorities. Group equity totalled NOK 34.9 billion at year end, with an equity ratio of 60.8 per cent (64.9 per cent). The equity ratio as at 1 January 2019, taking account of the restated balance upon implementation of IFRS 16, was 63.1 per cent.

The Orkla share

As at 31 December 2019, there were 1,000,305,788 shares outstanding, and Orkla owned 1,125,182 treasury shares. The number of shareholders was 36,450 at the end of 2019, compared with 38,313 at the end of 2018. The proportion of shares held by foreign investors increased by 2.5 percentage points to 54 per cent. The Orkla share price was NOK 88.96 at the end of the last trading day in 2019. At year-end 2018, the share price was NOK 68.04. Taking into account the dividend, the return on the Orkla share in 2019 was 35.8 per cent, while the return on the Oslo Stock Exchange Benchmark Index (OSEBX) was 16.5 per cent. Orkla shares were traded on the Oslo Stock Exchange for a total of NOK 31.4 billion. Further information on shares and shareholders may be found on page 230.

Risk management

The Board of Directors attaches importance to ensuring that risk is managed systematically in all parts of the Group, and considers this a prerequisite for long-term value creation for shareholders, employees and society at large. Orkla has adopted a structured approach to identifying risk factors and taking action to mitigate risk in its operations. In accordance with the Group's Risk Management instructions, risk assessments must be carried out routinely in all units, and presented to and discussed by the internal boards of directors as part of the budget process. When important decisions are to be made on matters such as acquisitions, disposals and major investments, the same requirement applies to risk assessment as in connection with routine risk management.

The units' risk assessments are consolidated to create an overall risk picture for Orkla, which also includes a longer-term, systematic risk assessment. Orkla's overall risk picture is reviewed by the Group Executive Board and discussed by the Board of Directors, in addition to being reviewed regularly by the Board's Audit Committee.

Within Branded Consumer Goods, Orkla has a diversified company and product portfolio, which reduces the risk of significant profit fluctuations.

The grocery market is undergoing changes, including increased competition from new sales channels. Orkla has a strategic ambition of growing in channels with higher growth than the traditional grocery sector. At the same time, Orkla's main geographical markets are characterised by high customer concentration and to some extent a greater proportion of the retail trade's private labels. In the grocery market, close follow-up of customers, joint projects and collaboration across business areas are the foremost initiatives for maintaining volumes and margins.

In 2019, the Norwegian Competition Authority initiated investigations based on suspicion of differentiation in the prices offered by suppliers to the three Norwegian chain groups. Based on the result of these investigations new regulations may potentially be introduced.

There is risk related to changes in consumer behaviour and trends if Orkla fails to keep close track of changes and make the necessary adjustments to the new development. To reduce the risk, Orkla attaches importance to good consumer insight, experience sharing and consumer testing. Orkla works systematically to meet new trends with new innovations. Sustainability elements are increasingly important for consumers, particularly in the Nordic region and Western Europe. There is considerable growth in demand for plant-based food, locally-produced food and products that offer health benefits. Orkla has increased its focus on plant-based products

Inadequate food safety can potentially have major consequences for consumers. Orkla has a central food safety team who work continuously to ensure improvements and conduct audits at Orkla's factories, in addition to supplier audits.

Orkla is increasingly dependent on IT systems and the proper handling of information. At the same time, there is a growing risk of malicious data attacks. Such an attack could be detrimental to Orkla's operations in a number of areas, such as reputation, sales and production, and cause the loss of intangible assets. Important risk-mitigating measures include contingency plans, employee training and awareness-raising, and updating of older IT infrastructure.

Orkla also faces risk attached to fluctuations in currency rates and raw material prices. Many Orkla companies do a substantial share of their sourcing in local currencies, thereby reducing the overall impact of fluctuations against other currencies. The risk of cost increases and scarcity of raw materials and resources is countered through close monitoring of suppliers, more efficient use of resources, use of alternative raw materials and higher prices to customers.

There is an inherent risk of fire, occupational accidents or other serious incidents in Orkla's production environments. The production units make active efforts to prevent and avoid production interruptions. Group staff at central level also follow up on supply chain and insurance matters. Procedures and standards have been established that must be complied with, and employees receive training in the application of new standards.

There is risk related to ongoing climate change, which in the longer run could affect the availability of raw materials, and the quality and prices of several of Orkla's input factors.

Prices are expected to remain volatile in the coming years, but the consequences of extreme weather for Orkla are considered to be moderate in the short and medium term. The majority of Orkla's production and sourcing takes place in the Nordics, the Baltics and Eastern Europe, where water shortages and drought are less likely to occur than in areas with a warmer climate. The risk of Orkla's own production being affected by flooding or other consequences of extreme weather is considered to be low.

Comments on the profit performance of the individual business areas

Orkla is a leading supplier of branded consumer goods and concept solutions to the grocery, food service and bakery sectors with the Nordic and Baltic regions as its main markets. The Group also holds good positions in selected categories in Central Europe and India. The Branded Consumer Goods business consists of five business areas: Orkla Foods, Orkla Confectionery & Snacks, Orkla Care, Orkla Food Ingredients and Orkla Consumer Investments. Industrial & Financial Investments consists of the Hydro Power and Financial Investments segments. For a further description of the different business areas in Branded Consumer Goods, and Industrial & Financial Investments, see Note 7. Orkla's associates consist primarily of Jotun (42.6 per cent interest); see Note 6.

The financial statements of the holding company Orkla ASA cover all activities at Orkla Headquarters. These activities include the Group's top executive management and the following corporate and shared functions:

- Group Functions
    - Group HR
    - Compensation & Benefits
    - Corporate Communications & Corporate Affairs
    - Orkla Services
    - Internal Audit
    - Legal & Compliance
    - Environment, Health & Safety (EHS)
- Finance & IT
- Strategy and M&A
- Group Sales
- Orkla Marketing & Innovation
- Orkla Group Procurement

The departments largely carry out assignments and provide support for the Group's other companies and charge them for these services.

Branded Consumer Goods incl. Headquarters

	Operating revenues		Organic growth (%)	EBIT (adj.)**		EBIT (adj.)-margin (%)**	
Amounts in NOK million	2019	△ (%)	2019	2019	△ (%)	2019	△ (bps)
Orkla Foods	16 776	4.9	1.8	2 276	11.1	13.6	80
Orkla Confectionery & Snacks	6 612	5.9	4.6	1 094	8.7	16.5	40
Orkla Care	5 887	1.9	0.0	855	1.7	14.5	-10
Orkla Food Ingredients	10 292	7.6	0.6	626	17.4	6.1	50
Orkla Consumer Investments	3 385	41.5	-3.4	297	20.7	8.8	-150
Orkla Headquarters				-362	-27.5		
Total Branded Consumer Goods*	**42 632**	**7.4**	**1.3**	**4 786**	**9.0**	**11.2**	**10**

*Intercompany sales between business areas have been eliminated.
**Branded Consumer Goods incl. Headquarters.

Operating revenues, change as %	FX	Structure	Organic growth	Total
Branded Consumer Goods	1.2	4.9	1.3	7.4

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Orkla Foods

Operating revenues for Orkla Foods grew by 4.9 per cent in 2019, positively impacted by both structural changes and currency translation effects. Organic growth was 1.8 per cent, driven by broad-based improvement in most markets. Much of the growth came from plant-based products which are a priority area in Orkla Foods. However, there was negative development in organic sales in Denmark due to production relocation and associated loss of low-margin sales. There was profit growth in all markets in 2019, driven mainly by higher sales and an improved mix, but also due to cost improvements. In 2019, increased prices to customers and more active portfolio management compensated for higher raw material costs and the negative effects of the weaker Swedish and Norwegian krone. The EBIT (adj.) margin was 13.6 per cent (12.8 per cent).

Orkla Confectionery & Snacks

Operating revenues for Orkla Confectionery & Snacks increased in 2019 by 5.9 per cent. Organic growth was 4.6 per cent. Sales development was particularly strong in Norway, partly due to the short-term change in customers' purchasing patterns due to changes in the sugar tax. Outside Norway, sales growth was good in Sweden, Denmark and Finland, while the Baltic countries experienced moderate growth. Positive market development, particularly for the snacks category, contributed to sales growth. There was profit growth in all markets except for Denmark. Implemented cost improvement projects compensated for higher raw material costs and negative currency effects, and the EBIT (adj.) margin was 16.5 per cent (16.1 per cent).

Orkla Care

Operating revenues for Orkla Care corresponded to 1.9 per cent growth in sales in 2019. Organic growth was flat. Organic growth in Orkla Home & Personal Care and Orkla Wound Care was offset by a decline for Orkla Health and HSNG. Orkla Home & Personal Care and Orkla Wound Care had good growth outside Norway. A broad decline for Orkla Health, primarily related to Norway and Sweden, was counteracted to some extent by strong growth in Poland compared with a weak 2018. HSNG had good growth in e-commerce sales but experienced a decline in sales to franchises. The EBIT (adj.) margin was 14.5 per cent (14.6 per cent), positively impacted by mix effects and revenue management initiatives, but these effects were offset by increased advertising spend and depreciation.

Orkla Food Ingredients

Operating revenues for Orkla Food Ingredients in 2019 increased by 7.6 per cent. The organic growth of 0.6 per cent was related to good sales of bakery ingredients in several markets and continued good growth for plant-based products under the Naturli' brand. The strategic termination of some low-profitability sales agreements counteracted the growth in sales to some extent. In addition, it was a weaker year for ice cream ingredients, especially in the UK and the Benelux countries, compared with very good sales in 2018. The increase in EBIT (adj.) was generated by a combination of structural growth, organic improvement related to bakery ingredients, and a slightly more profitable product mix. The EBIT (adj.) margin was 6.1 per cent (5.6 per cent).

Orkla Consumer Investments

Operating revenues for Orkla Consumer Investments in 2019 increased by 41.5 per cent, primarily due to the acquisition of Kotipizza Group which was consolidated as of February 2019. Organic growth was -3.4 per cent, driven by a decline for Pierre Robert Group. Restaurant sales in Kotipizza Group and Gorm's increased by 12 per cent (5 per cent on a comparable basis). The EBIT (adj.) margin was 8.8 per cent (10.3 per cent), negatively impacted by the decline in profit for Pierre Robert Group, and the dilutive effect of Kotipizza Group.

Orkla Headquarters

EBIT (adj.) from Headquarters amounted to NOK -362 million in 2019 (NOK -284 million). Higher costs than in the previous year were mainly due to increased bonus expenses as a result of the increase in the Orkla share's market value during the year, a change from the previous year in the accounting policy for expensing Orkla's long term incentive (LTI) programme for executive management, and expenses related to increased pension obligations. In 2019, a restructuring project was initiated at Orkla Headquarters with a view to simplifying the present structure in order to create a more efficient organisation with strong decision-making power.

Industrial & Financial Investments

Jotun (42.6 per cent interest)

Amounts in NOK million	2019	2018
Operating revenues (100%)	19 652	17 660
EBIT (100 %)	2 320	1 361
Contribution to profit	625	258

Jotun achieved record high sales and operating profit in 2019. There was revenue growth in all regions and segments, with particularly strong growth in Protective Coatings driven by increased activity in the offshore sector. The marked growth in operating profit is mainly due to solid sales growth, and better gross margins as a result of higher retail prices and slightly lower raw material costs. Active cost control and a weaker Norwegian krone also contributed to the good result in 2019.

Hydro Power

Amounts in NOK million	2019	2018
Volume (GWh)	2 156	2 320
Price (øre/kWh)	38.4	42.2
Operating revenues	826	1 025
EBIT (adj.)	292	390

The decline in profit was due to lower production volume and somewhat lower power prices during the year. At year end, the reservoir and snowpack levels in Sauda were slightly lower than normal. Both the reservoir and snowpack levels for Glomma were higher than normal.

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Financial Investments
EBIT (adj.) for Financial Investments amounted to NOK 10 million in 2019 (NOK -3 million). The improvement in profit was due to lease revenues from Orkla's new headquarters.

Research and development (innovation)

Innovation is one of Orkla's primary tools for creating organic growth and therefore a key part of day-to-day operations. Orkla's innovation work is based on a cross-functional focus that spans from insight to idea and then to launch. Consumer, customer and market insights are combined with technological expertise to develop products and services that delight consumers and better meet their needs.

Orkla's strength lies in its local presence, which gives it in-depth insight into local consumer needs and how this knowledge can be translated into powerful innovations. At the same time, Orkla seeks to apply this consumer insight, brand understanding and product development capacity across the Group. In 2019, the Group increased focus on innovation across companies and countries. Examples include the further roll-out of Anamma from Sweden to Estonia, Norway and Lithuania, the Nordic launch of Jordan Green Clean children's toothbrushes, and Grumme cleaning products which were launched in Finland in 2019 under the Lumme brand.

At the core of all innovation work lies the actual user experience, ranging from taste and functional properties to how intuitive and simple a product is to use. Health and environmental aspects are also key drivers of innovation. Examples of priority areas of innovation are "Taste & Indulgence", "Health & Well-being", "Sustainability & Environment", "Plant-based" and "Simpler Everyday Life". A good example of innovation in 2019 is Maxim's new range of Hero protein bars. Other good examples are the launch of Stratos Salty Caramel, Jenny Skavlan X Pierre Robert, Dr Greve pharma and Grandiosa Mandagspizza. An important area of innovation lies in utilising our strong brands in other product categories, with the launch of Naturli' Chick Free chicken substitute as a good example of this focus. Innovation based on use of digital services will also be given higher priority going forward. A good example is Orkla Food Norges BareBraMat, which is a fully-integrated digital system for planning, purchasing and monitoring to ensure proper nutrition for children in kindergartens.

In the years to come, continuous efforts will be made to ensure that Orkla's local brands are consumers' first choice by making them a better, simpler and sustainable part of everyday living.

Competence

Learning is a fundamental part of Orkla's strategy and culture, and the Group's competitiveness and attractiveness as employer are strengthened through continuous human resource development. Orkla has a long tradition of investing in its employees' development, and learning takes place in several different ways – through personal experience acquired in day-to-day work, through interaction with other employees, coaching and networks, and through formal training such as participation in courses and seminars. Orkla also carries out a systematic, annual evaluation of leadership and organisation. Development areas have been identified, and actions were initiated to remedy any gaps.

Orkla's global competence-building activities ensure and underpin instruction and training within Orkla's defined core competencies, digital expertise, leadership and culture. These global activities supplement and support local activities to develop expertise in each function. A variety of global training programmes are run by the Orkla Academies, and leadership programmes and the training portfolio are constantly expanded. There is continuous, active focus on developing instructive, high-quality and cost-effective educational methods, content and technology.

Corporate responsibility

Orkla's sustainability strategy

Business and industry have a responsibility for helping to solve the global challenges posed by climate change, raw material availability and consumer health, in addition to which these challenges give rise to commercial risk and opportunities. Orkla wishes to contribute to sustainable development by offering products that promote a healthy, sustainable lifestyle, reduce greenhouse gas emissions and foster sustainable business practices in every part of the value chain. Sustainability work is pivotal to Orkla's ability to create growth, trust and competitive operations. Orkla has adopted general sustainability targets up to 2025 that apply to the entire Group and cover the following main topics: nutrition and wellness, safe products, sustainable sourcing, environmental engagement and care for people and society.

Directive on corporate responsibility

Orkla's directive on corporate responsibility describes the overarching principles defining how the Group companies are to address issues relating to human and workers' rights, the external environment, occupational health and safety (EHS), anti-corruption and other important areas of corporate responsibility. The directive has been approved by Orkla's Board of Directors and applies to the entire Group. Orkla's Responsible Employer and Human Rights Policy provides detailed guidelines for the way Orkla companies are to deal with the human and workers' rights issues considered most relevant for their day-to-day operations. Orkla companies prepare an annual assessment of risk of non-compliance with this policy and a plan for further efforts to safeguard human rights. Orkla's EHS policy and standard set out detailed principles and requirements for work related to the external environment and occupational health and safety, which is monitored through internal audits. The Orkla Code of Conduct describes the Group's standards and expectations in respect of individual managers, employees and Board members with regard to key human and workers' rights such as respect and tolerance, equality and non-discrimination, and environmental and anti-corruption standards.

Governance procedures for corporate responsibility

The CEO of each Orkla company is responsible for implementing the Group's directive on corporate responsibility and drawing up action plans for sustainability work based on Orkla's sustainability targets up to 2025. This work must be integrated into the company's operations and be based on the precautionary principle and the principle of continuous improvement. The companies' prioritisation of resource use must be based on an assessment of both the business's and stakeholders' needs.

Orkla's governing documents are accessible to all the companies through the Group's web-based governance portal. To ensure that employees are familiar with Orkla's directive, internal training is provided by both the Group and the companies. In 2019, around 88,000 hours of organised training were provided in topics related to corporate responsibility and sustainability, an average of 4.8 hours per employee. Several meetings and gatherings were also held in Orkla's internal professional networks. The training has created greater awareness and knowledge of corporate responsibility and sustainability issues in the Group, promoted more active engagement and ensured a more uniform approach to efforts in these areas.

Orkla monitors the companies' corporate responsibility and sustainability work by means of annual internal status reports. These reports are submitted in connection with business reviews and in connection with Orkla's external sustainability reporting. Sickness absence and injuries are monitored monthly, and status as regards food safety is tracked quarterly. Orkla has internal sustainability, EHS and food safety networks that are used to promote learning, experience sharing, collaboration and reporting.

Orkla's Board of Directors monitors the Group's efforts by means of an annual assessment of progress in sustainability work, quarterly reviews of changes in key EHS indicators and ongoing discussion of individual matters considered to be of material importance for Orkla's operations. Orkla's Group Director for Corporate Communications and Corporate Affairs has administrative responsibility for Orkla's corporate responsibility work, and determines which matters are to be submitted to the Board of Directors. The Board also discusses Orkla's annual sustainability reporting.

Orkla's whistle-blowing function enables employees to alert the Group's governing bodies to possible breaches of the Orkla Code of Conduct. The whistle-blowing function is administered by Orkla's internal audit staff on behalf of Orkla's Audit Committee and is independent of Orkla's line management. Employees can report concerns anonymously and in their mother tongue. Orkla's internal ethics board is headed by Orkla's chief audit officer, and also comprises Orkla's heads of compliance, sustainability and tax. The ethics board is involved when necessary to discuss whistle-blowing matters.

Alignment with external principles

Orkla has been a signatory to the UN Global Compact since 2005 and is a member of the Ethical Trading Initiative Norway (IEH). Since 2008, the Group has reported environmental information to the investor-initiated CDP, and has supported the CDP's two initiatives, "Commit to report climate change information in mainstream reports as a fiduciary duty" and "Commit to remove commodity-driven deforestation from all supply chains by 2020". Orkla has also signed the UN's New York Declaration on Forests. In 2019, Orkla supported the Global Compact's campaign, "Business Ambition for 1.5˚C: Our Only Future". Through Orkla's sustainability work, the Group contributes to achieving several of the global sustainable development goals up to 2030, which were launched by the UN in 2015.

In 2019, for the ninth consecutive year, Orkla was included in the Dow Jones Sustainability Index Europe. The Board of Directors is pleased that Orkla has made good progress in its efforts to develop products for a healthy, sustainable lifestyle, reduced greenhouse gas emissions from its operations and continued the positive development in its efforts to promote sustainable raw material production.

Reporting on corporate responsibility

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is required to report on its corporate responsibility and selected related issues. An account of the Group's efforts to address these issues in 2019 is provided in Orkla's sustainability report, which is included in this Annual Report, under the sections:

- "Orkla's sustainability work" page 57 (corporate responsibility)
- "Environmental engagement" page 64 (environment)
- "Sustainable sourcing" page 76 (human rights, workers' rights, social conditions and environment in the supply chain)
- "Care for people and society" page 107 (human and workers' rights in own company, equality and non-discrimination, working environment, injuries, accidents, sickness absence, anti-corruption, social conditions)

In its sustainability reporting for 2019, Orkla has attached importance to applying the Oslo Stock Exchange's guidance on reporting corporate responsibility. More information on the principles on which Orkla's reporting is based is provided on page 61.

Personnel and administration

As at 31 December 2019, the Group had 18,348 (18,510) employees. Of these, 2,947 (3,197) worked in Norway, 6,028 (5,743) in other Nordic countries and 9,373 (9,570) in countries outside the Nordic region. Collaboration between management and the employee organisations functions well and makes a valuable contribution to finding constructive solutions to the challenges faced by the Group and the individual companies.

Peter A. Ruzicka resigned as Orkla President and CEO at his own request on 7 May 2019. Mr Ruzicka took up the position of President and CEO on 10 February 2014. He served as member of Orkla's Board of Directors from 2008 to 2014 and from 2003 to 2005. He was member of the Corporate Assembly from 2006 to 2007.

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Terje Andersen served as Interim President and CEO from 7 May to 15 August 2019, when Jaan Ivar Semlitsch took over as Orkla President and CEO. Jaan Ivar Semlitsch previously held the position of CEO of Elkjøp Nordic, which he headed for more than six years. In the last year he was also CEO of the parent company Dixons Carphone's international operations.

With effect from 1 November 2019, changes were made in Orkla's Group Executive Board and corporate structure. A separate corporate function was given responsibility for the acquisition and sale of companies (M&A) and strategy development. Orkla Consumer & Financial Investments became a new business area in Orkla, consisting of two parts:

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

Sverre Prytz took up his duties as EVP for M&A and Strategy on 1 December 2019. Kenneth Haavet became new head of Orkla Consumer & Financial Investments on 1 February 2020.

After the change, Orkla consists of five business areas: Orkla Foods, Orkla Confectionery & Snacks, Orkla Food Ingredients, Orkla Care and Orkla Consumer & Financial Investments.

Karl Otto Tveter stepped down from Orkla's Group Executive Board with effect from 1 November 2019, and will leave Orkla on 30 April 2020. Mr Tveter will subsequently be associated

with Orkla as lawyer and adviser.

Harald Ullevoldsæter was appointed as new EVP and CFO of Orkla ASA as from 1 March 2020. He will succeed Jens Bjørn Staff, who has chosen to resign from his post to become CEO of Skagerak Energi.

At Orkla's Annual General Meeting in April 2019, Stein Erik Hagen, Grace Reksten Skaugen, Ingrid Jonasson Blank, Liselott Kilaas, Peter Agnefjäll, Nils Selte, Lars Dahlgren and Caroline Hagen Kjos (personal deputy for Stein Erik Hagen and Nils Selte) were re-elected as shareholder-elected members of Orkla's Board of Directors. Stein Erik Hagen was re-elected as Chairman of the Board and Grace Reksten Skaugen as Deputy Chair. All of the shareholder-elected Board members were elected for a term of one year, i.e. until the 2020 Annual General Meeting.

Of a total of seven shareholder-elected members of Orkla's Board of Directors, three are women and four are men. Among the employee-elected Board members and their deputies, both genders are represented. Orkla ASA therefore fulfils the requirement in section 6-11a of the Public Limited Liability Companies Act regarding representation of both genders on the Board of Directors.

The Board of Directors wishes to thank all employees for their efforts and for the results achieved in 2019.

Corporate governance (Statement of Policy on Corporate Governance)

Orkla's governance systems are based on principles set out in the Norwegian Code of Conduct for Corporate Governance, and are largely aligned with applicable international guidelines on good corporate governance. An overall statement of policy on corporate governance at Orkla may be found on page 44 of this Annual Report. The statement of policy will be an item of business for discussion at the 2020 Annual General Meeting.

Pay and other remuneration of senior executives

The Board of Directors has a separate Compensation Committee, which deals with all material matters related to pay and other remuneration of senior executives before such matters are formally discussed and decided by the Board of Directors. In accordance with Norwegian company legislation, the Board of Directors has also prepared a separate statement of guidelines on the pay and other remuneration of senior executives, included in Note 5 to the financial statements for Orkla ASA, which will be presented and discussed at the 2020 Annual General Meeting. The note also provides details of remuneration and contractual arrangements.

Accounting policies

The consolidated financial statements for 2019 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU. The financial statements for the parent company have been prepared in accordance with section 3-9 of the Norwegian Accounting Act (simplified IFRS). The explanation of accounting policies in

Notes 1-4 and in respective notes describes important matters relating to accounting treatment under IFRS. The consolidated financial statements have been prepared and presented on the basis of the going concern assumption, and in accordance with section 3-3 of the Accounting Act the Board of Directors confirms that use of the going-concern assumption is appropriate.

Orkla ASA

Orkla ASA is the parent company in the Orkla Group and supplies and performs services for the Group's other companies. In 2019, Orkla ASA delivered profit after tax of NOK 3,806 million (NOK 2,369 million). At year end, Orkla ASA had total assets of NOK 49,505 million (NOK 45,290 million), equivalent to an increase of 9.3 per cent, compared with the previous year. The equity ratio was 69.3 per cent (72.8 per cent).

Allocation of comprehensive income

In 2019, Orkla ASA posted comprehensive income of NOK 3,870 million. The Board of Directors proposes the following allocation:

Transferred to equity	NOK 1,269 million
Proposed dividend	NOK 2,601 million

As at 31 December 2019, Orkla ASA had total equity of NOK 34.3 billion (NOK 33.0 billion). The Board of Directors has determined that Orkla ASA had adequate equity and liquidity at the end of 2019. The Board of Directors proposes to pay an ordinary dividend of NOK 2.60 per share for the 2019 financial year.

Outlook

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

While strategically relevant acquisitions will remain a key element of Orkla's growth strategy and value creation model, the Group will to a greater degree reduce complexity through more active portfolio management.

Orkla targets long-term organic growth at least in line with market growth. In the short term, market growth is expected to be aligned with the 2019 level. Market growth is also expected to remain challenging for Orkla Care. For 2018-2021, Orkla targets EBIT (adj.) margin growth of minimum 1.5 percentage points adjusted for acquisitions, sales and currency effects.

There is great uncertainty attached to future raw material price development. Orkla is exposed to a broad range of raw material categories, and prices are, in total, expected to increase going forward.

The UK exited the European Union as of 31 January 2020. There will be a transitional period up until the end of the year, during which a permanent cooperation agreement will be negotiated. Orkla has production in the UK, in addition to trade between the UK and the EU as well as Norway, and consequently could be affected by the outcome.

Outbreak of coronavirus

There is currently an outbreak of a respiratory infection in large parts of the world, caused by a previously unknown coronavirus. The outbreak started in Hubei province, China, in December 2019, and was identified by the Chinese health authorities in January 2020. The disease has spread from China to many parts of the world, including Europe and Norway.

For the time being, Orkla is essentially operating as normal. The consequences going forwarddepend on the further evolution of the virus outbreak. The spread of infection may impact on employees, production, sourcing and demand. Orkla's businesses have implemented infection prevention measures, and plans have been made for dealing with the situation if employees should be confirmed to have coronavirus infection. Orkla has suspended all travel to areas with sustained spread of infection and has requested that its employees generally reduce all air travel.

So far, there have been no major production interruptions at Orkla's facilities. Orkla factories have emergency preparedness plans for maintaining critical operating processes in the event of the absence of a large number of employees due to sickness or quarantine. As far as sourcing is concerned, consequences have been limited so far, except for delays and limited availability of certain products from China. A prolongation and/or escalation of the crisis could affect both availability and purchasing prices in the time to come.

Orkla has experienced increased demand for certain products with a long shelf life in categoriesthat account for a small percentage of Orkla's portfolio. The business implications of the coronavirusoutbreak have been limited for Orkla so far, but the consequences going forward willdepend on the future development of the outbreak.

Oslo, 11 March 2020
The Board of Directors of Orkla ASA

Stein Erik Hagen Chairman of the Board	Grace Reksten Skaugen Deputy Chair of the Board
Ingrid Jonasson Blank	Lars Dahlgren
Liselott Kilaas	Nils K. Selte
Peter Agnefjäll	Terje Utstrand
Karin Hansson	Sverre Josvanger
Roger Vangen	Jaan Ivar Semlitsch President and CEO

[This translation of the Board of Directors' report from Norwegian has been made for information purposes only.]

Corporate governance

Orkla's principles for good corporate governance aim to lay the foundation for long-term value creation, to the benefit of shareholders, employees and society at large. Openness, transparency, accountability and equal treatment underpin confidence in the Orkla Group, both internally and externally, and constitute key elements in Orkla's efforts to foster a sound corporate business culture.

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1. Statement of policy on corporate governance

Orkla is required to report on corporate governance under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance; see section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2018, may be found at www.nues.no. This statement of policy will be an item of business at Orkla's Annual General Meeting on 16 April 2020. The company's auditor has assessed whether the information provided in this statement with regard to section 3-3b of the Accounting Act is consistent with the information provided in the annual financial statements. The auditor's statement may be found on page 222.

The Board of Directors at Orkla actively adheres to good corporate governance standards and will at all times ensure that Orkla complies with the requirements of section 3-3b of the Accounting Act and the Norwegian Code of Practice for Corporate Governance. This is done by ensuring that the topic of good governance is an integral part of the decision-making process in matters dealt with by the Board. Furthermore, the Board assesses and discusses the principles annually, and has also considered this statement at a Board meeting. The following statement of policy is structured in the same way as the Code of Practice, covers each point of the Code and describes how Orkla complies with the Code requirements.

2. Activities

Orkla's objectives, as defined in its Articles of Association, are as follows:

"The objectives of the company are to engage in activities comprising industry, commerce, forestry, transport, finance, the acquisition and sale of securities and other investments, the purchase, sale, development and management of real estate, the publication of newspapers, magazines and other media, services and any other activity connected with the aforementioned objectives. The activities are conducted by the company itself or by its subsidiaries in Norway and abroad."

In accordance with its objects clause, Orkla operates in several areas. The Group's core business is branded consumer goods, but the Group still has activities in the energy, real estate and financial investments sectors. As part of the developments in the Group's activities in the past few years, a proposal will be submitted to the General Meeting regarding certain changes to update the objectives defined in Orkla's Articles of Association.

The Orkla Compass comprises Orkla's vision, goals, strategic pillars, core values and business strategy, and sets a clear, common direction for the Group. Orkla's vision is to be "Your friend in everyday life", and Orkla's mission is "Improving everyday life with sustainable and enjoyable local brands." Orkla aims to outperform and create greater value than its competitors and other comparable companies. The Group will achieve this objective by working purposefully within the framework of five strategic pillars: (1) Consumers, (2) Customers,

(3) People, (4) Operations and (5) Society. Orkla's core values are "Brave", "Trustworthy" and "Inspiring".

Orkla is committed to promoting sustainable social development by operating in compliance with responsible business principles, systematically improving its operations in relation to areas such as the external environment, climate change and energy resources and investing in profitable business projects that can generate positive ripple effects for society. The Group's stance with regard to corporate responsibility has been defined in the Orkla Code of Conduct and the Group directive on corporate responsibility. The documents may be found on Orkla's website, and are described in further detail in a separate statement on Orkla's Corporate Responsibility (see section 3-3c of the Accounting Act). The statement also gives an account of the Group's efforts to address important corporate responsibility issues in 2019.

Orkla's strategy process is dynamic and covers a period of three years (STP). Every three years, a new three-year plan will be adopted that sets the strategic direction and defines goals for the Group, business areas and individual companies. During the STP, annual evaluations are carried out of the Group's goals, strategies and risk profile.

3. Equity and dividends

The Board of Directors ensures that the company has a capital structure adapted to its goals, strategy and risk profile, and conducts an annual evaluation of the structure. As at 31 December 2019, Group equity totalled NOK 34.9 billion. An ordinary dividend of NOK 2.60 per share was paid out for the 2018 financial year. Over time, Orkla shareholders shall receive a competitive return on their investment through a combination of dividends and an increase in the share price. Orkla has pursued a consistent shareholder and dividend policy for many years. On Orkla's Capital Markets Day in October 2018, it was announced that Orkla aims to increase its dividend from the current level of NOK 2.60, normally within 50–70 per cent of earnings per share. The dividend will be paid out on 27 April 2020 to shareholders of record on the date of the Annual General Meeting.

Authorisations empowering the Board of Directors to undertake share buybacks are limited to specific purposes and apply until the next general meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation.

At the Annual General Meeting in 2019, the Board of Directors was granted authorisation to buy back up to 100,000,000 Orkla shares so that the company can acquire and hold up to 10 per cent of its share capital. Shares acquired under this authorisation are to be cancelled or used in connection with employee incentive programmes, including the Group's employee share purchase programme. As at 31 December 2019, Orkla had not purchased any of its own shares under the current authorisation. As at 31 December 2019, Orkla held 1,125,182 treasury shares.

Questions concerning increases in share capital must be submitted to the General Meeting for decision. The company's transactions in its own shares are effected on the market at market price, in accordance with good stock exchange practice in Norway. There are otherwise no provisions in Orkla's Articles of Association that regulate the buyback or issue of shares.

4. Equal treatment of shareholders and transactions with related parties

Orkla has one class of share and each share entitles the holder to one vote. Each share has a nominal value of NOK 1.25. Further information on voting rights at general meetings is provided under point 6, General Meetings. The company's policy is to not dilute the shareholdings of existing shareholders. In accordance with this policy, there have been no real share capital increases in the company in recent years. Should the Board of Directors wish to propose to the General Meeting that a departure be made from the pre-emptive right of existing shareholders in the event of a capital increase, such a proposal will be justified by the common interests of the company and the shareholders, and the grounds for the proposal will be presented in the notice of the general meeting.

To avoid any detriment to the Group's reputation, the Board considers it important to pursue a policy of transparency and caution in connection with investments that could be perceived as an unfortunately close involvement, or close relationship, between the company and a member of the Board, executive management or parties related thereto. Procedural rules for such transactions have therefore been drawn up in the Rules of Procedure for the Board of Directors, which may be found on Orkla's website. According to the Rules of Procedure, the Board Chair must be informed of such transactions and must decide how the matter should be dealt with. If the matter concerns the Board Chair, this duty is incumbent upon the Deputy Chair of the Board. Further information on transactions between related parties is provided in Note 36 to the consolidated financial statements. In the event of non-immaterial transactions between the company and shareholders, a shareholder's parent company, Board members, executive management or parties related thereto, the Board of Directors will ensure that a valuation is carried out by an independent third party. The Board will similarly arrange for a valuation by an independent third party in the event of non-immaterial transactions between companies within the Group where there are minority shareholders.

5. Freely negotiable shares

All Orkla shares carry equal rights and are freely negotiable. No special limitations on transactions have been laid down in Orkla's Articles of Association. Article 3, second paragraph, of the Articles of Association states that "the Board of Directors may entirely or partly refuse to approve the transfer of shares if the company pursuant to statute or to regulations laid down pursuant to statute is given the discretionary right to refuse such approval or to apply other restrictions on sales". In this connection, it should be noted that the provisions of the Industrial Licensing Act requiring Board consent for acquisitions of shares representing more than 20 per cent of all shares in the company are applicable, due to Orkla's ownership interests in

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waterfalls. Transactions in the Orkla share are described in further detail on Orkla's website.

6. General meetings

Orkla seeks to ensure that as many shareholders as possible are able to exercise their rights by participating in general meetings, and that the general meeting is an effective meeting place for shareholders and the Board of Directors. The Annual General Meeting is held every year before the end of May. Information on shareholders' right to submit items of business for consideration at the general meeting is posted on the company's website. Notices of general meetings and related documents are made available on Orkla's website no later than 21 days prior to the date of the meeting. The final date for giving notice of attendance is three working days prior to the general meeting. Shareholders are given the opportunity to vote on the election of every single candidate to an office in the Nomination Committee and on the Board of Directors. The auditor and members of the Board of Directors and Nomination Committee are present at general meetings.

The voting right for a transferred share may be exercised when the transfer has been recorded by the Norwegian Central Securities Depository (VPS) within the time limit for giving notice of attendance at the general meeting, or if the share acquisition has been notified to the VPS and proof of the acquisition is presented at the general meeting. Under Norwegian law, only shares that are registered in the name of the shareholder may be voted. Shares that are registered in a nominee account must be reregistered in the VPS in order for the shareholder to be able to vote the shares. Further information may be found in the notice of the general meeting and on Orkla's website.

Shareholders who are unable to attend the general meeting may vote by proxy. Orkla will appoint the Board Chair or meeting chair to vote for the shareholders. The proxy form is designed in such a way that voting instructions may be given for each item of business that is to be considered. Shareholders who were unable to attend the Annual General Meeting in 2019 could, in addition to voting by proxy, cast a direct advance vote on the company's website or through VPS Investor Services. The Board of Directors has decided that shareholders may cast such direct advance votes again in 2020. Both the notice of the general meeting and Orkla's website provide further information regarding use of proxies, advance voting and shareholders' right to submit items of business for consideration at general meetings.

Under Article 12, second paragraph, of the Articles of Association, the Board of Directors may decide that documents concerning items of business to be considered at the general meeting are not to be sent to shareholders when the documents are made available on the company's website. This also applies to documents which by law must be included in or attached to the notice of the general meeting. A shareholder may nonetheless request that documents pertaining to items of business to be considered at the general meeting be sent to him or her. The provision in the Articles of Association departs from the general rule in Chapter 5 of the Public Limited

Liability Companies Act which prescribes that the annual financial statements, the report of the Board of Directors, the auditor's report and the Board of Directors' statement of guidelines for the remuneration of the executive management pursuant to section 6-16a must be sent to all shareholders no later than one week before the general meeting.

The general meeting is led by an independent chair proposed by the Board of Directors; this person will normally be the Chair of the Nomination Committee.

Members of the Board of Directors are present at general meetings, but normally not the entire Board has attended. No items of business at general meetings have made this necessary to date. The Board Chair, the general manager and the heads of the various business areas are always present in order to reply to any questions that may be raised.

7. The Nomination Committee

Under the Articles of Association, Orkla has a Nomination Committee that is elected by the General Meeting. The Rules of Procedure for the Nomination Committee may be found on Orkla's website. The Nomination Committee consists of two to five members, who are elected for a term of up to two years. The General Meeting elects the Chair and members of the Nomination Committee and determines its remuneration. The Committee is tasked with submitting the following reasoned recommendations:

Recommendation to the General Meeting:

- election of shareholder-elected members and deputy members to the company's Board of Directors
- election of members and the Chair of the Nomination Committee
- remuneration of the Board of Directors and the Nomination Committee

Recommendation to the body that elects the Chair of the Board of Directors:

- election of the Chair and Deputy Chair of the Board of Directors (or this purpose, the Nomination Committee is supplemented by a representative appointed by the employee representatives on the Board).

The Rules of Procedure for the Nomination Committee contain further guidelines for the preparation and implementation of elections to the Nomination Committee and the Board of Directors, as well as criteria for eligibility, general requirements regarding recommendations, the number of members in the Committee and their term of service, and detailed procedural rules for the work of the Nomination Committee. Information regarding the composition of the Nomination Committee, which members are up for election and how input and proposals may be submitted to the Committee is posted on Orkla's website under "Investor Relations".

The composition of the Nomination Committee is intended to ensure that the interests of all the shareholders are served, and meets the requirement of the Norwegian Code of Practice for Corporate Governance as regards independence of the company's management and Board of Directors. None of the members of the Nomination Committee are a member of the Board of Directors of Orkla ASA. Neither the general manager nor other senior executives are members of the Committee. Information regarding the composition of the Nomination Committee and the number of Orkla ASA shares owned by each Committee member as at 31 December 2019 may be found on page 260.

8. The Board of Directors, composition and independence

Orkla's Corporate Assembly was discontinued in 2013 in accordance with the agreement entered into with the employee unions. Consequently, the General Meeting elects shareholder-elected members to the Board directly. The composition of the Board of Directors is intended to serve the interests of all the shareholders and meet the company's need for competence, capacity and diversity. The Board's composition meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards Board members' independence of the company's executive management, main shareholders and material business relationships. Two of the Board members are defined as non-independent of the company's main shareholders. All the Board members are defined as independent of the company's executive management or material business relationships. There are few instances in which Board members are disqualified from considering Board matters. Representatives of the executive management are not members of the company's Board of Directors. Under Article 4 of Orkla's Articles of Association, the Chair, the Deputy Chair and the other shareholder-elected members of the Board may be elected for a term of up to two years. Since 2007, however, a term of one year for shareholder-elected members and deputy members has been adopted, on the grounds that an annual assessment of the overall composition of the Board will ensure greater flexibility. There are no other provisions in the Articles of Association governing the appointment and replacement of Board members.

Further pursuant to Article 4 of Orkla's Articles of Association, the shareholder-elected members of the Board of Directors are required to own shares in the company with a view to strengthening the shared financial interests of shareholders and Board members. In 2017, the General Meeting introduced an arrangement whereby parts of the fee paid to the shareholder-elected Board members are to be used to purchase Orkla shares. A more detailed description of the number of Orkla shares owned by each member of the Board, the members' background, qualifications and term of service, whether they are independent, how long they have been an Orkla Board member, how many Board meetings they have attended, and whether they have any material functions in other companies and organisations is provided on page 237.

Under Norwegian law and in accordance with Orkla's current system of corporate democracy, Group employees have the right to elect four members of the Board of Directors of Orkla ASA. The composition of the company's governing bodies is described on page 260.

9. The work of the Board of Directors

The tasks of the Board of Directors are laid down in the Rules of Procedure for the Board of Directors, which govern the Board's responsibilities and duties and the administrative procedures of the Board, including which matters are subject to Board consideration and rules for convening and holding meetings. The Board's Rules of Procedures also contain rules regarding the general manager's duty to inform the Board about important matters, and to ensure that Board decisions are implemented. There are also provisions intended to ensure that company employees and other parties involved are adequately informed of Board decisions, and see to it that the guidelines for preparing matters for Board consideration are followed. Other instructions to the Board and clarification of its duties, authorisations and responsibilities in respect of the general management are provided through routine communication.

The Rules of Procedure further establish that a Board member must not take part in the consideration of or a decision on an issue that is of such importance to himself or herself or to any related party that the member must be considered to have an obvious personal or financial interest in the matter. It is incumbent upon each Board member to consider on an ongoing basis whether there are matters which, from an objective point of view, are liable to undermine the general confidence in that Board member's independence and impartiality, or which could give rise to conflicts of interest in connection with the Board of Directors' consideration of the matter. Such matters must be taken up with the Board Chair. According to the Orkla Code of Conduct, employees must on their own initiative inform their superior if they should recuse themselves from dealing with or if they have a conflict of interest in connection with a matter, and consequently should not take part in considering such matters.

The Board of Directors adopts an annual meeting and activity plan that covers strategic planning, business issues and oversight activities. In 2019, eight meetings were held in accordance with the Board's activity plan, and two extraordinary meetings. In addition, the Board dealt with five matters in writing. A total of 97 matters were dealt with by the Board. The content of the Board's work is discussed in further detail in the Directors' Report.

Board matters are prepared by the general manager and the Corporate Secretariat in consultation with the Board Chair and Deputy Chair. The Board of Directors has established two permanent Board Committees, which are described in further detail below. These committees do not make decisions, but supervise the work of the company management on behalf of the Board and prepare matters for Board consideration within their specialised areas. In this preparatory process, the committees have the opportunity to draw on company resources, and to seek advice and recommendations from sources outside the company.

The Compensation Committee

The Compensation Committee is chaired by the Deputy Chair of the Board of Directors, Grace Reksten Skaugen, and its other members are Stein Erik Hagen and Terje Utstrand. The Group Director HR is the committee secretary. The composition

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of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence, and all the committee members are considered to be independent of executive management. The mandate of the committee is set out in the Rules of Procedure for the Board of Directors and in brief is as follows:

- prepare for consideration matters relating to the salary and terms of employment of the President and CEO to enable the entire Board, once a year, to participate in an evaluation of the President and CEO and in decisions concerning the latter's terms of employment
- prepare for consideration matters of principle relating to levels of pay, bonus systems, pension conditions, employment contracts and the like for senior Orkla executives

The committee will otherwise deal with special questions relating to compensation for Group employees insofar as the committee finds that these questions concern matters of particular importance for the Group's competitive position, corporate identity, recruitment ability, etc.

The Audit Committee

The Audit Committee is chaired by Nils K. Selte, and the other members are Ingrid Jonasson Blank and Sverre Josvanger. The Chief Internal Auditor is the secretary of the Audit Committee. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence and competence. The Nomination Committee's recommendation of candidates for election to the Board also contains information as to which Board members satisfy the requirements as regards independence and competence to sit on the Audit Committee. The committee's mandate is set out in the Board's Rules of Procedure and in brief is as follows:

- acertain that internal and external accounting reporting processes are organised appropriately and carried out efficiently, and are of high professional quality
- keep under review the effectiveness and relevance of the work of the internal audit staff and of the company's risk management systems
- monitor and assess the quality of the statutory audit of Group companies and the Group's financial statements
- help to ensure the independence of the external auditor and ensure compliance with applicable rules and guidelines regarding the provision of additional services by the auditor to the Group or Group companies
- initiate investigations, if necessary, and propose measures relating to the above-mentioned points
- annually review and, if necessary, update its mandate and submit its recommendations concerning its mandate to the Board of Directors

The Board of Directors' self-evaluation

Each year, the Board of Directors carries out an evaluation of its own activities and competence, and discusses improvements in the organisation and implementation of its work, both at individual level and as a group, in relation to the goals that were set for its work. The results are made available to the

Nomination Committee. An external partner is engaged at regular intervals to carry out the Board evaluation.

10. Risk management and internal control

A prerequisite for Orkla's system of decentralised responsibility is that the activities in every part of the Group meet general financial and non-financial requirements, and are carried out in accordance with the Group's common norms and values. The executive management of each company is responsible for risk management and internal control in the company with a view to ensuring:

- exploitation of business opportunities
- goal-oriented, safe, high-quality and cost-effective operations
- reliable financial reporting
- compliance with applicable legislation and regulations
- operations in accordance with Orkla's governing documents, including ethical and corporate responsibility standards

Orkla's risk management system is fundamental to the achievement of these goals. To ensure ongoing risk monitoring in individual companies, all boards of operational subsidiaries are required to carry out a thorough analysis of the company's risk picture and internal control function at least once a year, in addition to the risk analysis that is an integral part of the company's decision-making processes.

Great importance is attached in Orkla's governing documents, which are available to all employees through The Orkla Way web portal, to clarifying the standards that apply to Orkla's businesses, and who is responsible for monitoring compliance with the various standards.

Orkla has a dedicated compliance function. The compliance staff have a special responsibility for ensuring follow-up and compliance in the fields of personal data protection, data security and anti-corruption and business ethics. The staff are also tasked with helping to coordinate and prioritise other compliance-related work in collaboration with compliance officers in the various companies and central Group functions.

Risk management at Orkla

The Group's risk management lies within the remit of the finance functions and is intended to ensure that all risk of significance for Orkla's value creation is identified, analysed and effectively dealt with by business areas and specialised staffs. This entails, among other things, continuously monitoring important risk indicators in order to reassess the Group's level of risk and associated risk mitigation measures, if necessary, and ensuring that Orkla's risk management is in compliance with relevant regulatory requirements and reasonably satisfactory to Orkla's stakeholders. Designated risk management experts carry out detailed risk analyses in certain specialised fields and are responsible for selected measures to mitigate risk at Group level. The Central Finance staff are responsible for Orkla's risk management model, including:

- presenting Orkla's consolidated risk profile to the Group Executive Board, the Board of Directors and the Board's Audit Committee

- maintaining instructions and guidelines for risk management and reporting.

The Group's risk management programme is reviewed on a regular basis.

EHS

Risk identification is also an important tool in preventive environment, health and safety (EHS) efforts, and the Senior Vice President EHS ensures the systematic, continuous follow-up of this work. All companies and businesses report their ten main EHS risk factors and associated risk mitigation measures as part of the annual reporting process.

The internal audit function

The purpose of Orkla's internal audit function is to contribute to ensuring that the Board of Directors receives confirmation of the status of the Group's management mechanisms, risk management and internal control systems.

The responsibilities of the Internal Audit Department are as follows:

- carry out risk-based, customised and value-creating audit projects, with emphasis on operations
- carry out follow-up audits to ensure that previous recommendations are implemented
- conduct an audit of all newly acquired companies within one year of acquisition
- ensure professional and confidential management and investigation of matters reported through Orkla's whistleblowing channel
- monitor the external auditor with regard to compliance with the engagement agreement and world-wide agreement
- report annually to the Board of Directors and the Board's Audit Committee on the overall results of the Internal Audit function's activities in the last calendar year
- serve as secretary to the Board of Directors' Audit Committee
- serve as observer in the Finance and Tax Committees
- quality assure and approve CEO-related costs on behalf of the Board Chair
- provide advisory services to the line organisation when possible based on an assessment of independence, capacity and competence, and prioritisation of tasks.

Business ethics and corporate responsibility

There is systematic focus on business ethics and corporate responsibility at Orkla. Reference is made to the separate statement on Corporate Responsibility at Orkla.

The financial reporting process

The Orkla Group prepares and presents its financial statements in accordance with current IFRS rules. The Group's governing documents are assembled in The Orkla Way, and contain requirements and procedures for the preparation and presentation of interim reports and year-end reports. A set of Orkla accounting standards has also been drawn up, in which Orkla's ten main principles for financial reporting are set out. Financial information is reported through the Group's common reporting system, Hyperion Financial Management

(HFM). Every month, each company reports figures in HFM, based on output from its own Enterprise Resource Planning (ERP) system. HFM has a general chart of accounts and built-in control systems in the form of data check accounts and check reports designed to ensure that the information is consistent. The reporting is expanded in the year-end reporting process to meet various requirements for supplementary information. Financial data are consolidated and checked at several levels in the business areas.

11. Remuneration of the Board of Directors

All remuneration of the Board of Directors is disclosed in Note 5 to Orkla ASA's financial statements. The note shows that remuneration of the Board of Directors is not linked to the Group's performance and that no options have been issued to Board members.

12. Remuneration of the Executive Management

The Board's Compensation Committee presents a recommendation concerning the terms and conditions for the President and CEO to the Board of Directors and monitors the general terms and conditions for other senior executives in the Group. The Board assesses the President and CEO and his terms and conditions once a year. A description of the remuneration of the executive management and the Group's compensation and benefits policy, including the scope and design of bonus and share-price-related programmes, is given in the Board of Directors' statement of guidelines for the remuneration of executive management; see Note 5 to Orkla ASA's financial statements. A ceiling has been set for performance-related remuneration. The Board of Directors' statement of guidelines is made available to shareholders in a separate document pertaining to this item of business, together with the notice of the Annual General Meeting.

13. Information and communications

Orkla seeks to ensure that its accounting and financial reporting inspires investor confidence. Orkla's accounting procedures are highly transparent, and since 2005 Orkla has prepared and presented its financial statements in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors' Audit Committee monitors company reporting on behalf of the Board. Orkla strives to communicate actively and openly with the market. The company's annual and quarterly reports contain extensive information on the various aspects of the company's activities. The company's quarterly presentations are webcast directly and may be found on Orkla's website, along with the quarterly and annual reports under "Investor Relations". In 2019, the company's Annual General Meeting was webcast and simultaneously interpreted to English. Orkla normally holds a Capital Markets Day every other year, on which occasion the market is given an in-depth review of the Group's strategic direction and operational development. The Capital Markets Day presentations are webcast directly on the company's website.

All shareholders and other financial market players are treated equally as regards access to financial information. The Group's Investor Relations Department maintains regular contact with company shareholders, potential investors, analysts and other financial market stakeholders. The Board is regularly informed of this activity. The financial calendar for 2020 may be found on Orkla's website under "Investor Relations".

14. Takeovers

The Board of Directors will not seek to hinder or obstruct any takeover bid for the company's operations or shares. In the event of such a bid as discussed in section 14 of the Norwegian Code of Practice for Corporate Governance, the Board of Directors will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code of Practice. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether or not the shareholders should accept the bid. There are no other written guidelines for procedures to be followed in the event of a takeover bid. The Group has not found it appropriate to draw up any explicit basic principles for Orkla's conduct in the event of a takeover bid, other than the actions described above. The Board of Directors otherwise concurs with what is stated in the Code of Practice regarding this issue.

15. Auditor

The Board of Directors has determined the procedure for the external auditor's regular reporting to the Board. Every year, the external auditor presents to the Board his assessment of risk, internal control and the quality of financial reporting at Orkla, at the same time presenting his audit plan for the following year. The external auditor also takes part in the Board's discussions on the annual financial statements. The Board of Directors ensures that relevant matters may be discussed with the external auditor without the presence of the management. The external auditor and the President and CEO are invited to all meetings of the Board's Audit Committee. For information regarding the work of the internal auditor, reference is made to the section above on risk management and internal control. Orkla has established guidelines for the right of the general management to use the external auditor for services other than auditing. Responsibility for monitoring such use in detail has been delegated to the secretary of the Audit Committee, who is the Chief Audit Officer.

The secretary of the Audit Committee approves all material assignments in advance and receives an annual summary from the external auditor of services other than auditing that have been provided to Orkla, and comments specifically on these services in his annual report to the Audit Committee and the Board of Directors. Details of the company's use and remuneration of the external auditor are disclosed in Note 5 to the financial statements of Orkla ASA. The General Meeting is informed about the Group's overall remuneration of the auditor, broken down in accordance with statutory requirements into remuneration for statutory auditing and remuneration for other services. In connection with the auditor's participation in the Audit Committee and the Board of Directors' consideration of the annual financial statements, the auditor also confirms his independence.

01 Sustainability

Sustainable growth on the agenda

Orkla is now mobilising across companies and countries to develop more sustainable products and solutions.

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Orkla has made considerable progress on integrating sustainability work into business plans and day-to-day operations. All the business areas have intensified their efforts in the past few years, and we are seeing positive results from this work in all areas. We have drawn up criteria for our definition of sustainable products in Orkla and are now beginning to measure sales of these products. Our focus on plant-based food, healthier biscuits and snacks and more environmentally friendly grocery products contributed to sales growth for Orkla in 2019.

One of Europe's most sustainable companies

For the ninth consecutive year, Orkla was included in the Dow Jones list of Europe's most sustainable companies. The Dow Jones Sustainability Index is internationally recognised and serves as a key yardstick for investors and other stakeholders in assessing companies' non-financial performance.

Still included in FTSE4Good

Orkla has been included for the third year in a row in the FTSE4Good Index, which highlights companies with strong environmental, social and governance (ESG) practices. The Index was established by FTSE Russell, a wholly-owned subsidiary of the London Stock Exchange Group, and promotes greater focus on sustainability among companies and investors.

Orkla's footprint

By developing products and services that foster a healthy lifestyle, Orkla makes a positive contribution to public health. As a result of the product improvements that Orkla has carried out in the past five years, salt in our products has been reduced by 7 per cent and sugar by 10 per cent. Our food production makes us one of the biggest purchasers of agricultural and fish raw materials in the Nordic region. At the same time, our use of energy, water and packaging impacts on the environment. Orkla is also involved in certain global raw material chains that present complex economic, social and environmental challenges.

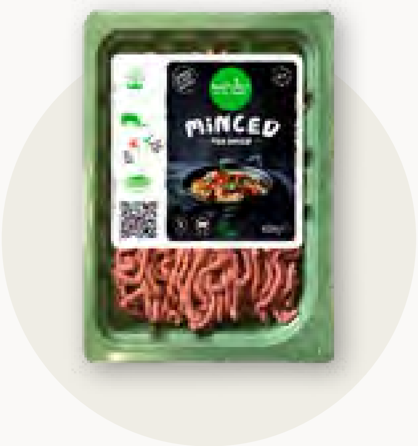
By switching to renewable energy, making efficient use of resources, reducing food waste and making targeted efforts to achieve sustainable raw material production, Orkla helps to ensure a sustainable value chain for food and grocery products. Through our presence in 30 countries, we create economic ripple effects for local communities in the form of jobs, tax revenues and sourcing from local suppliers. Orkla is a major employer, and by investing in human resource development and working systematically to ensure a good working environment, we contribute to the job satisfaction and personal development of our employees.

Sustainable growth

The global sustainability challenges are prompting changes in consumer preferences and customer demands. Across the Nordic countries, seven out of 10 consumers now say that sustainability is a factor in their purchasing decisions, according to the 2019 Sustainable Brand Index. Around 30 per cent also reply that they are willing to pay more for sustainable products. In most of the markets in which Orkla has a presence, there is growing demand for locally produced food, plant-based food and products that promote better health. Orkla's continued growth is contingent on our ability to offer products and services that make it easy for consumers to make everyday choices that have a positive impact on people, the environment and society. Orkla has therefore defined criteria for what we consider to be a sustainable product and has begun to measure sales of our most sustainable products. To be classified among our most sustainable products, the product must satisfy the criteria in at least two of the following three categories: sustainable raw materials, sustainable packaging and products that promote a healthy lifestyle. This classification is a useful management tool that helps us to monitor the progress made in this work. The criteria are linked to the targets that we have set for Orkla's sustainability work and will be further elaborated over time as our knowledge increases and our targets are revised. In 2019, we intensified our efforts to develop our current portfolio in a more sustainable direction, in addition to focusing increasingly actively on plant-based food, better-for-you products and more eco-friendly grocery products.

Jordan Green Clean
Eco-friendly toothbrush for children and adults with a handle made of 100 per cent recycled plastic and bristles made of renewable material.

Möller's
Möller's popular Omega-3 capsules in a bottle made of 100 per cent recycled plastic.



Naturli'
Naturli's entire product range is 100 per cent plant-based, and the products have been launched in several countries.

[Figure; A selection of our most sustainable products]

Movement for a sustainable lifestyle

To successfully transition to sustainable production and consumption, we consider it essential to make sustainability an integral factor in all our activities and to mobilise our entire organisation. The efforts to meet our sustainability targets are largely carried out by Orkla's many companies with the support of the Group's specialised functions. Orkla has an internal sustainability network that facilitates experience sharing and collaboration across companies and countries. The Group functions have also launched a number of initiatives at central level in recent years to transfer learning and best practices, establish common approaches and systems and optimise use of available resources. In 2019, to highlight commercial opportunities related to sustainability, the Group held a new series of Sustainability Master Classes for Marketing. The concept has been rolled out in 28 companies in nine countries and has generated extensive engagement within the Group.

Climate risk high on the agenda

Extreme weather has affected the production of certain agricultural raw materials sourced by Orkla, at times impacting on the price and availability of these raw materials. Changes in weather patterns have also led to higher energy prices in some of the countries in which we have production. We anticipate continued volatility in the prices of raw materials, energy and water in the years ahead, but consider that the consequences of extreme weather for Orkla will be moderate in the short and medium term. The bulk of Orkla's production and sourcing takes place in the Nordics, the Baltics and Eastern Europe, where there is less likelihood of water shortage and drought than in areas with a warmer climate. The risk of Orkla's own production being affected by floods or other consequences of extreme weather are deemed to be low. In 2019, Orkla placed climate risk even more clearly on the agenda and has begun a process to identify and report climate risk in line with the recommendations of the international financial initiative, the Task Force for Climate-related Financial Disclosures.

Status report on Orkla's sustainability work

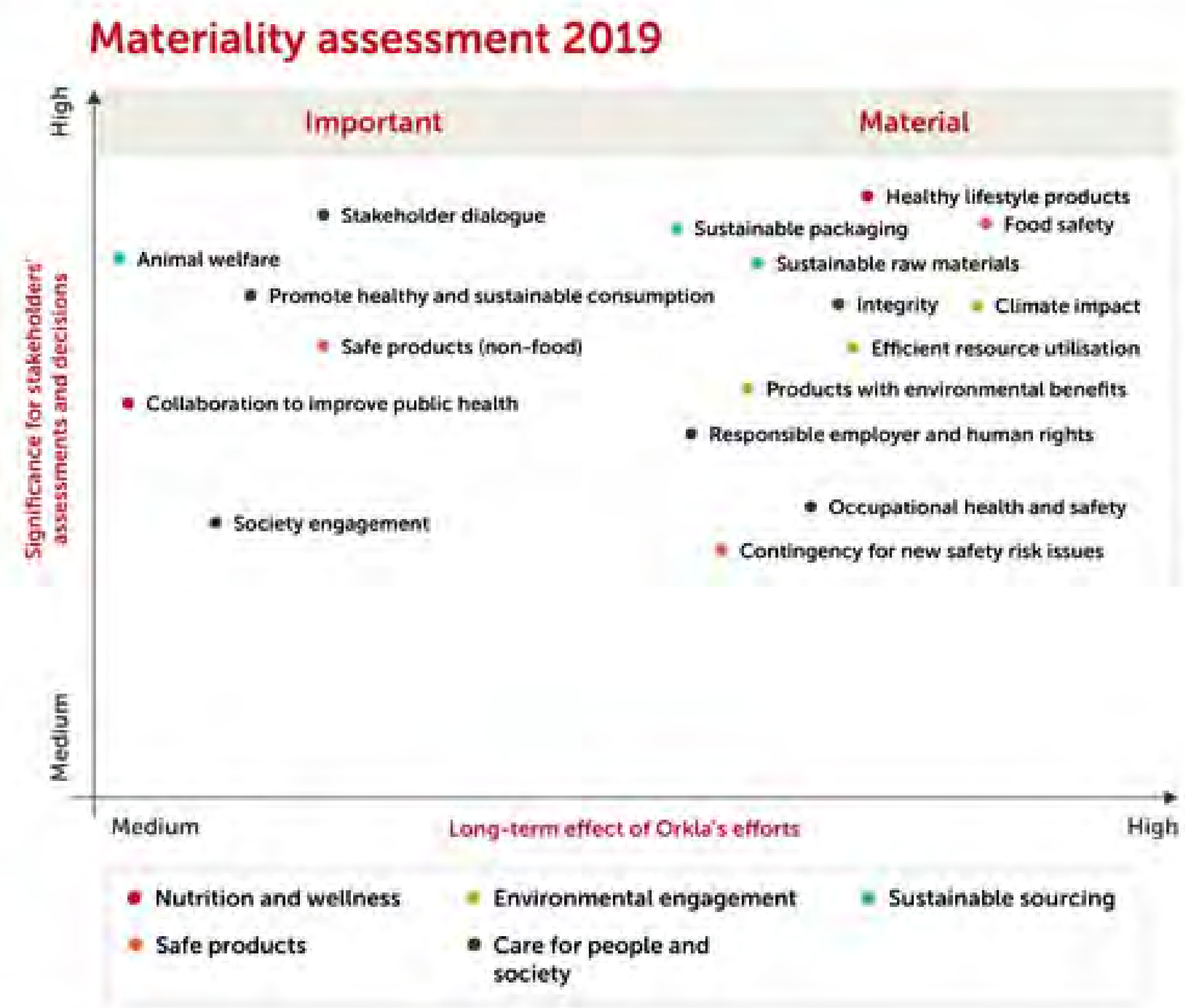
Our sustainability strategy comprises five main topics: sustainable raw materials, environmental engagement, nutrition and well-ness, safe products and care for people and society. These are areas in which we by virtue of our activities have considerable influence and responsibility, and where our efforts will be crucial to the Group's future growth and profitability.

Orkla's performance has improved in all five topical areas. In 2019, the companies launched a wide new range of healthy, vegetarian and organic food products, healthier snacks, health foods, well-being products, cleaning products with gentle ingredients and products that are good environmental choices. Products that promote a healthy lifestyle accounted for around 22 per cent of Orkla's turnover.

Orkla monitors its food safety work closely, and risk factors that arose in 2019 were handled in accordance with Orkla's contingency preparedness procedures, at no risk to consumer health. Orkla's factories also maintain good control of the risk of emissions and other undesirable environmental impacts, and are making good progress towards reducing energy consumption, water consumption and food waste from production. In the last five years (2014-2019), Orkla has reduced greenhouse gas emissions from its own operations by 58 per cent, and is already well on its way to meeting the target of 60 per cent reduction by 2025. Renewable energy accounted for a total of 43 per cent of our energy use in 2019. We intend to reach our target of 60 per cent renewable energy in 2025 by phasing out fossil fuels and increasing use of energy from renewable sources.

Orkla is making good headway in monitoring suppliers to ensure that the raw materials we use are sustainably produced. In 2019, we took further steps towards achieving our target of 100 per cent sustainable raw materials. The challenges in this area are complex, and a great deal of work still remains to be done.

The results of our sustainability work in 2019 and the targets for our further efforts are described in greater detail in separate chapters on each main topic.



Orkla's sustainability reporting

Orkla's sustainability reporting for 2019 has been prepared in accordance with the GRI Standards: Core option and the Oslo Stock Exchange's guidance on reporting on corporate responsibility. Orkla's sustainability reporting covers all topics defined as important and material, but greatest weight has been attached to the material topics. The reporting covers the same topics as in 2018. An overview of the indicators covered is presented on Orkla's website, under "Results and reporting".

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is required to report on corporate responsibility and selected responsibility topics. An account of the Group's work to address the relevant topics in 2019 may be found in the following chapters:

- "Orkla's sustainability work", page 57
- "Environmental engagement", page 64
- "Sustainable sourcing", page 76
- "Care for people and society", page 107

Unless otherwise stated, the key figures in Orkla's sustainability reporting cover all businesses in which Orkla owned more than a 50 per cent stake as at 31 December 2019. Key figures for emissions and energy and water consumption will be verified by the independent company Cemasys in the course of spring 2020. For information on the sustainability work carried out in Orkla's associate Jotun, we refer to the company's own report.

Corporate responsibility at Orkla

Orkla defines corporate responsibility as operating responsibly with respect for people and the environment. Orkla's directive on corporate responsibility describes the general principles governing the way the Group companies must address the issues of human and workers' rights, environment, health and safety (EHS), anti-corruption and other important areas of responsibility. The directive is based on the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. It has been adopted by Orkla's Board of Directors and applies to the entire Group, including wholly-owned subsidiaries. Orkla's corporate responsibility management procedures are described in the Report of the Board of Directors on page 36 of this report.

Healthy and sustainable products

GRI-ref.		Unit	2019	2018	2017
Sales of healthy and sustainable products					
Self-defined	Estimated share of turnover from products classified as "most sustainable products[1]	%	18	-	-
Self-defined	Estimated share of turnover from vegan products[2,3]	%	20	-	-
Self-defined	Estimated share of turnover from vegan and lacto-ovo vegetarian products[2,4]	%	55	-	-
Self-defined	Estimated share of turnover from products for a healthy lifestyle[2,5,6]	%	22	14	-
Self-defined	Estimated share of turnover from products with a balanced nutrient profile[2]	%	43	-	-
Self-defined	Estimated share of turnover from indulgence products[2]	%	35	-	-

[1] Includes Branded Consumer Goods, 57 % of revenue is classified
[2] Includes food producing companies, 66 % of revenue is classified
[3] Products suitable for vegan diet as defined by Food Drink Europe
[4] Products suitable for vegetarian diets as defined by Food Drink Europe. May contain egg and dairy ingredients.
[5] Includes foods with less salt, sugar and saturated fat, lacto-ovo vegetarian and vegan products, products with more than 50 % of whole-grain cereals, official nutrition labelling and products with specific health benefits
[6] Definition and basis for calculation has been changed from 2018 to 2019

02 Environmental engagement

Strong engagement for the environment

Climate change is one of the greatest challenges of our time. Working to reduce greenhouse gas emissions is therefore one of our most important tasks in the environmental area.

The big picture

In just a short time, the gravity of the challenges posed by climate change has changed the tone of social debate. According to a new report issued by the UN Climate Panel, we have only ten years to make radical changes in the way we live. Young people all over the world are striking for the climate and demanding that political leaders take more action to solve the climate crisis. At the same time, interest in sustainable investments is increasing dramatically, and climate risk is high on the agenda in business and industry and the financial community. For Orkla, business risk is primarily linked to the price and availability of key food raw materials. Few of our factories are located in areas where there is a risk of flooding or water shortage, but drought and extreme weather can lead to higher water and energy costs. Changes in regulatory frameworks or political framework conditions can also entail increased costs. There is growing consumer awareness of the importance of sustainable consumption and a more climate-friendly diet. In a survey commissioned by Orkla in the Nordics and Baltics, as many as seven out of 10 consumers state that they want environmentally-friendly products, but find it hard to tell whether a product is sustainable. For Orkla this offers significant opportunities for growth.

Our influence

Orkla's greenhouse gas emissions from our own operations are limited. The greatest impact comes from raw material production and at the consumption stage. We therefore work to reduce emissions in every part of the value chain. Orkla has ambitious goals for transitioning to low-carbon operations by focusing on product innovation, investing in renewable energy, reducing our energy use and waste and taking important action in the supplier chain. To create growth in the coming years, Orkla must have a portfolio of products and services with a competitive environmental profile. As a growing number of Orkla factories convert to using renewable energy, the climate impact of our products will be reduced. Our environmental work contributes to the achievement of the UN global Sustainable Development Goals 12, 13 and 17.

Our approach

Orkla has adopted a systematic, comprehensive approach to climate work. A detailed description of procedures and work processes may be found on Orkla's website.

Orkla's 2025 sustainability targets

- Transition to low-carbon operations
- Reduce greenhouse gas emissions by 60 per cent*
- Reduce energy and water consumption by 30 per cent*
- Target use of fossil fuel-free energy
- Reduce food waste by 50 per cent*
- Innovate products and processes

*Applies to own operations. Baseline year 2014

Business mobilisation to achieve the 1.5°C climate target

Joining a multitude of international companies, Orkla is stepping up to support the UN Global Compact campaign, "Business Ambition for 1.5°C: Our Only Future". The aim is to mobilise businesses to raise their climate ambitions and set science-based climate targets aligned with the 1.5°C target. At the start of 2020, the campaign was backed by 177 companies from 36 countries.

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Mobilising for the climate

There is an urgent need to find solutions to climate change challenges. Orkla has therefore set science-based climate targets and will take its share of responsibility for limiting global warming to a maximum of 1.5°C.

Science-based targets are a key element of Orkla's efforts to address climate risk and reduce greenhouse gas emissions. We also work systematically to reduce energy consumption, switch to renewable energy and reduce food and other types of waste across our operations in 30 countries. We are also stepping up our development of more climate-friendly food and grocery products with a smaller environmental footprint.

Developments in 2019

Reduced greenhouse gas emissions

In autumn 2019, Orkla was one of four Norwegian companies to have its climate targets validated for 1.5°C by the international Science Based Targets initiative (SBTi). We are well on our way to reaching our target of a 60 per cent reduction in greenhouse gas emissions from our own operations and purchased energy. In 2014–2019, we cut our greenhouse gas emissions by 58 per cent. This reduction is a result of improved energy efficiency and the transition to renewable energy in several of our businesses. We also purchase guarantees of origin for renewable electricity for all the electric power we use in Europe. These guarantees are linked to our own hydropower plants. The Indian company MTR Foods now meets 60 per cent of all its electricity needs with solar energy. Examples of other initiatives include Orkla Confectionery & Snacks Danmark, which uses surplus heat from crisp production to heat housing, while Orkla Suomi is planning to invest substantially in a biogas plant at its crisp factory on Åland. The new bakery at the Grandiosa factory at Stranda in Sunnmøre, Norway, has emphasised use of green, sustainable solutions in its production.

The effect of these efforts is a reduction of 9.3 per cent in greenhouse gas emissions from Orkla's operations in 2019. A total of 43 per cent of energy used is renewable.

Reduced energy consumption

Through Orkla's central energy programme, best practices are shared to lower our energy consumption, and a growing number of energy efficiency projects are being introduced across our business areas. Several factories have made process improvements that cut down on energy use. Investments have also been made in new, more energy-efficient production equipment. In total, Orkla has reduced its energy consumption by 14 per cent since 2014.*

Water consumption

Most of Orkla's operations are located in areas with a low to medium risk of water shortage. Nevertheless, many companies see the importance of implementing environmental initiatives to reduce their water consumption. Actions reported in 2019 include investments in water treatment and recycling, process

*Adjusted for acquisitions and disposals and higher turnover.

Greener pizza

At the end of 2019, work was completed on the new bakery at the Grandiosa factory at Stranda in Sunnmøre. Great emphasis has been placed on green, sustainable production solutions, one of which is to bake 1.3 million Grandiosa Classic pizzas using recovered energy from the start of 2020. During construction of the bakery, importance was attached to using environmentally friendly, local building materials as far as possible, and many actions were taken to reduce energy consumption.

improvements and training for our own employees. In total, Orkla has reduced its water consumption by 11 per cent since 2014*. Orkla primarily uses water from municipal waterworks, and wastewater is treated internally or at municipal treatment facilities. There were no serious incidents involving emissions in 2019.

Transport-related actions

Life-cycle assessments show that emissions from transport account for a minor part of the climate impact of Orkla products. Nonetheless, pallet optimisation and other actions designed to optimise transport of goods are an integral part of company practices. In 2019, Orkla companies took various steps to reduce the environmental impact of transport, ranging from providing eco-friendly driver training to choosing transport with the lowest possible emissions. Orkla Foods Sverige signed on to a voluntary transportation initiative launched by DLF, affirming its commitment to achieving 100 per cent fossil fuel-free transport by 2025. Orkla initiated a dialogue with and monitors transport suppliers to map emissions and promote improvement.

Putting climate risk on the agenda

In 2017, the Task Force for Climate-related Financial Disclosures (TCFD), which was established at the initiative of the Financial Stability Board, launched voluntary guidelines for climate-risk reporting. The guidelines have quickly become the leading framework for assessment and documentation of climate risk, and in 2019 Orkla initiated a process to be able to report in accordance with this framework. Through internal workshops, we have shared knowledge of the TCFD framework with key

*Adjusted for acquisitions and disposals and higher turnover.

in-house personnel and carried out a survey of the risk factors to which Orkla is exposed and the opportunities that this can offer. An overview is presented on page 69. Work on estimating potential risk impacts for Orkla's operations will continue in 2020.

The way forward

We will continue our efforts to improve energy efficiency and reduce water consumption, and will monitor our companies to ensure good progress towards the targets we have set. We will also develop an enhanced model for calculating green house gas emissions from raw materials and use it to initiate and track actions implemented in our supplier chain. Several companies are planning to employ this tool to map the climate footprint of individual products and use the information to guide customers in making good climate choices.

A week full of environmental activities

To promote internal engagement, Orkla organises an annual EHS Week. The topic for 2019 was environmental engagement, and a wide variety of activities were carried out in all 30 countries in which Orkla is present. Company and factory employees took part in activities ranging from clothing swap days, tree planting and community litter collection to bicycle competitions focused on getting to work in an eco-friendly way. Several initiatives were also implemented to reduce food waste and optimise use of raw materials in factories, and canteens featured vegetarian days.

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Climate risk

Operations and infrastructure

- Orkla's own production operations are exposed to a relatively limited degree to flooding, water scarcity, power failures or other acute physical risks, but such events will impact the countries in which we operate in the years to come. Several Orkla companies in areas exposed to water shortage or power supply interruptions, such as India and Romania, are taking risk-mitigating action. MTR Foods in India has established systems for collecting rain water, recycling water and ensuring access to locally produced solar energy. Annual water consumption costs are expected to rise in the years ahead.
- The costs of purchased energy have increased in the past few years due in part to new taxes and changes in precipitation, and we expect prices to continue to fluctuate in the coming years.

Raw material availability

- Climate change is causing water scarcity, erosion and changes in biodiversity that affect the basis for agriculture in vulnerable areas. This type of chronic physical climate risk is expected to lead to considerable fluctuation in the prices of cocoa, cotton, soya and other agricultural products from Asia, Africa, South America and Southern Europe in both the short and long term. In the years ahead, drought, flooding and other forms of extreme weather may also affect crop harvests in the rest of Europe and the USA. The anticipated effects of such acute physical climate risks are cost fluctuations, quality deficiencies and temporary supply problems for key raw materials such as grain, fruit, vegetables and animal products. Ocean warming is causing changes in the sustenance base and habitats of several species of fish, and could affect supply and prices.
- To reduce the risk of serious shortage of raw materials, Orkla is committed to promoting sustainable agriculture and fishing by monitoring its suppliers, purchasing certified raw materials, participating in improvement projects and engaging in political dialogue. We are also increasing our use of long-term contract farming agreements and are exploring the possibility of replacing certain raw materials with other alternatives.

Regulatory and operating frameworks

- Only one Orkla factory is currently covered by the EU emissions trading system (EU ETS), and we do not expect the changes planned in the system (phase 4) to affect this situation. In a 3-10-year perspective, changes in the regulatory framework for climate quotas could affect more businesses.
- Taxes on fossil-fuel energy sources are expected to increase further, and may affect Orkla's production and transport costs.
- In a 1-3-year perspective, changes in national manufacturer's liability systems are expected to raise the costs of handling used packaging, partly due to the European Strategy for Plastic in a Circular Economy. To contribute to good, cost-effective solutions to plastic pollution problems and reduce greenhouse gas emissions from packaging, Orkla is engaging actively in packaging innovation and collaboration on improvements in collection, sorting and recycling systems.
- We anticipate stricter regulation of fishing and production of agricultural raw materials vulnerable to climate change as part of the efforts to ensure sustainable fishing and agriculture. Orkla pursues a dialogue with government authorities on these issues, both directly and through its membership in national and international trade organisations.

Market and technology

- Consumers and professional customers are increasingly requesting information on the climate impact of individual products or raw materials, which necessitates new knowledge and expertise and could increase complexity. Orkla has developed a tool that makes it possible to map the climate footprint of food products, and has begun to provide information on this impact for selected products and customer groups. In the years to come, use of this tool will be expanded to include more companies and products. This is a difficult process that will have to be carried out over time.
- Production of many food raw materials is associated with high greenhouse gas emissions, high water consumption, risk of biodiversity loss and social challenges arising from climate change. Orkla's efforts to reduce greenhouse gas emissions in its supply chain and achieve sustainable raw material production mitigate the brand risk related to these challenges.

Climate possibilities

Increased resource efficiency

- In 2014-19, Orkla achieved a reduction of 14 per cent in energy consumption and 11 per cent in water consumption in its own operations. Efficiency improvement initiatives will generate a cost benefit and reduce the effect of potential increases in market prices. These initiatives also reduce Orkla's exposure to future tax increases. To reach Orkla's targets of reducing energy consumption and greenhouse gas emissions, investments must be made in energy-efficient production technology.
- The quantity of organic waste from Orkla's own operations was reduced by 14 per cent in the period 2014-2019. The targeted reduction up to 2025 is expected to reduce raw material and waste management costs.

Energy and transport

- Orkla's businesses are in the process of phasing out fossil-fuel heating oil and increasing investments in renewable energy. In addition, Orkla purchases guarantees of origin for all electricity for its own operations in Europe. Renewable energy accounted for 43 per cent of energy consumption in 2019. The transition to renewable energy is expected to generate a growing cost benefit in the years to come, in step with energy market price trends. It will also reduce exposure to climate-related energy taxes.
- Orkla produced 2156 GWh renewable energy from its own hydropower plants i 2019, at a power price of 38.4 Norwegian øre per KWh. Several factors could affect energy prices in the coming years. The price picture for energy options up to 2030 (Nasdaq) indicates lower energy prices in 2020, followed by higher prices.

Product innovation

- The increased interest in a plant-based diet offers substantial opportunity for growth for Orkla. Orkla's sales of vegetarian and vegan products totalled NOK 0.5 billion in 2019, and we are targeting strong growth in the next few years.
- Many Orkla companies are developing products that make it easier for consumers and professional customers to reduce their climate footprint or achieve more sustainable consumption in other ways. The companies work across business areas to make their product portfolio more sustainable, and in 2019 Orkla's most sustainable products generated 18 per cent of sales. This strengthens the companies' competitiveness, and our goal is to achieve a steady increase in sales of the most sustainable products in coming years.

Business development

- Orkla actively seeks climate-related investment opportunities, and considers both acquisitions that can strengthen its existing operations and new areas for growth. One example of such an area is seaweed cultivation for industrial food production. Several companies are also considering new business models, including models for a circular economy.

Putting climate-smart food on the menu

To meet our climate targets, we must reduce food waste and make it easier for consumers to eat a climate-friendly diet. Orkla carried out a number of new initiatives in 2019 to contribute to these objectives.

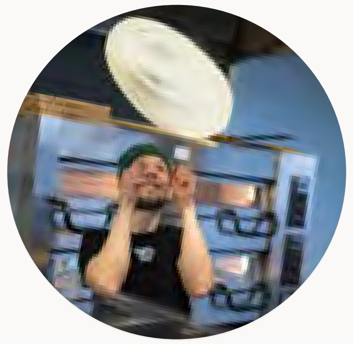
Developments in 2019

A driving force for climate impact labelling of food

To make it easier for consumers to make climate-smart choices at the dinner table, too, the TORO brand introduced a climate impact label for food. The label, which was developed in collaboration with the RISE Research Institute of Sweden, is based on the climate impact tool developed by Orkla in 2018. Orkla Foods Norway held workshops for the grocery retail and supplier industry, and is an active advocate of establishing a common standard for climate impact labelling of all food products. Several Orkla companies now employ the climate impact tool on which TORO's climate impact label is based. To inspire more restaurants and food service enterprises to operate more sustainably, Orkla Foods Sverige has launched recipes indicating the calculated climate impact and a digital tool that makes it easy to plan climate-smart weekly menus.

Reducing food waste

Orkla participates in industry initiatives to reduce food waste in both Norway and Sweden. In addition, several Orkla companies donate surplus food to good causes through various organisations in a number of countries. In India, food waste is high on the agenda at MTR Foods, which implemented several measures in 2019 that reduced food waste by a total of around 80 tonnes. In Sweden, Orkla Foods partners with consumers



Faulty products at a discount

Kotipizza, Finland's biggest pizza chain, became part of Orkla in 2019. The chain has put in place a variety of environmental initiatives, and in 2019 launched a campaign to reduce food waste. By putting "second-rate" pizzas on the menu at a discount, the chain avoids having to throw away pizzas with the wrong toppings or other harmless deficiencies. The restaurants that introduced this system have reduced food waste by 75 per cent, while customers and employees feel that they are helping to make a difference. In the first 30 days, more than 2,000 "second-rate" pizzas were sold, equivalent to a reduction of around 5 tonnes of greenhouse gas emissions.

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and provides tips on ways to promote climate-smart products and sell off products with a short shelf life. Several Orkla factories have special retail outlets where products with small quality defects are sold at a discount.

Profitable environmental measures at factories

Orkla works in a long-term perspective by transferring best practices, building skills and offering methods for reducing food waste. Three networks have been established, including one for the Group's potato crisp factories. Through this project, the crisp factories have reduced the amount of food waste by NOK 28.4 million in the past three years. In addition to tracking the networks' activities, Orkla has worked more directly with a total of 15 individual factories. This work has produced good results, contributing to NOK 40 million in cost savings in 2019. The next step is to examine analyses of pizza production in Stranda and of Orkla's Kalev factory.

Orkla and Scandic Hotels team up to reduce climate impacts

Starting in February 2020, Scandic is introducing menus showing the CO2 values of meals served at conferences and events held in all its Swedish hotels. Help and inspiration in calculating the climate impact are provided by OrklaFoodSolutions and the Next is Now concept. Based on the new menus, Scandic estimates that it will reduce the carbon footprint of each three-course menu by almost one third.

THE WAY FORWARD

Orkla companies are continuing their efforts to reduce food and other waste in order to reach the target of a 50 per cent reduction by 2025, and will be monitored to ensure that good progress is being made. We will pursue an active dialogue with local waste disposal sites to promote effective sorting and optimal utilisation of waste.

Voluntary agreement to reduce food waste

The IVL Swedish Environmental Research Institute has started a collaborative project to draw up a voluntary agreement for reducing food waste. Orkla Foods Sverige has participated in the project along with companies and organisations from every part of the food value chain in close dialogue with the Swedish authorities. The ambition is to establish the agreement in 2020. In Norway, Orkla helped to put in place a similar industry agreement in 2017, which has inspired participants to mobilise a concerted effort and contributed to reducing food waste in the Norwegian food industry and retail trade.

TORO launches climate impact labelling of food

A growing number of Norwegian consumers want to eat more climate-friendly food. In 2019, to make it easier to make climate-smart choices, TORO therefore launched a climate impact label for food. The label tells consumers which products leave a low carbon footprint per portion. The aim is to lower the threshold for choosing climate-smart options, so that consumers can be certain that the meal is not only easy to prepare, it also takes the environment into account. The climate impact label is based on a rating scale developed in partnership with the RISE Research Institute of Sweden. Products are ranked according to whether they have a high, medium, low or very low climate footprint. TORO has calculated the carbon footprint per portion, based on the meal preparation instructions on the packet. Recommended additional ingredients are also included in the calculation. For a product to qualify for the climate-friendly label, CO2 emissions for the meal must be either “low” or “very low”, i.e. 0.8 kg CO2e or lower, which are within the UN’s recommended levels.

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Environmental engagement

GRI-ref.	Indicators	Unit	2019	2018	2017	Baseline year 2014
Climate impact[1] and emissions						
305-1	Greenhouse gas emissions from own operations, Scope 1	tCO2e	120 820	120 580	129 345	134 320
305-1	Greenhouse gas emissions from bio-energy, Scope 1	tCO2e	446	368	369	274
305-2	Indirect greenhouse gas emissions, Scope 2, location-based calculation	tCO2e	64 780	73 600	74 620	94 800
305-2	Indirect greenhouse gas emissions, Scope 2, market-based calculation[2]	tCO2e	6 520	11 000	17 840	147 970
305-3	Estimated greenhouse gas emissions from raw materials and packaging, Scope 3[3]	tCO2e	1 618 700	1 526 500	1 340 300	1 187 700
305-4	Greenhouse gas emissions (Scope 1 and 2 market-based) per FTE[4]	tCO2e/FTE	7.2	7.5	8.4	15.6
305-4	Greenhouse gas emissions (Scope 1 and 2 market-based) per revenue[4]	tCO2e/ NOK million	2.9	3.2	3.8	6.9
305-6	Emissions of ozone-depleting substances (ODS)[5] used in cooling media	tCFC-11e	0.016	0.012	0.012	0.014
305-7	Emissions of sulphur dioxide	Tonnes	11	12	16	16
305-7	Emissions of nitrogen oxide	Tonnes	99	99	103	107
Efficient resource use						
302-1	Electricity from internally generated hydropower, sold	GWh	2 160	2 320	2 760	2 570
302-1	Total energy usage, own operations	GWh	1 087	1 100	1 116	1 085
302-1	Total energy usage from renewable fuel sources incl. Guarantees of Origin (market-based calculation)	GWh	466	464	437	-
302-1	Energy usage – fossil fuel[6]	GWh	567	566	596	494
302-1	Energy usage – fossil-free fuel	GWh	54	49	51	82
302-1	Energy usage – purchased electricity	GWh	421	438	424	464
302-1	Energy usage – purchased thermal energy, incl. remote heating	GWh	45	47	45	46
302-3	Energy usage per FTE[7]	MWh/FTE	61.5	62.4	63.5	65.9
302-3	Energy usage per revenue[7]	MWh/mill. NOK	24.9	26.9	28.4	28.9

Continued on next page

GRI-ref.	Indicators	Unit	2019	2018	2017	Baseline year 2014
Efficient resource use						
303-1	Total water withdrawal, own operations	Mill. m3	7.3	7.6	8.2	8.2
303-1	Water withdrawal from external water works	Mill. m3	4.6	5.0	5.1	7.3
303-1	Water withdrawal from groundwater	Mill. m3	2.8	2.6	3.2	0.8
303-1	Water withdrawal from collected rainwater and surface water	Mill. m3	0.0	0.0	0.0	0.0
303-3	Water recycled in own operations	%	0.0	0.1	0.1	-
303-4	Discharge of effluents to seawater	Mill. m3	0.1	0.1	0.0	-
303-4	Discharge of effluents to external treatment plants	Mill. m3	3.7	3.6	3.9	7.0
303-4	Discharge of effluents to surface water	Mill. m3	1.9	1.9	2.0	0.4
303-4	Emissions to water – BOD	Tonnes	5 160	5 760	5 430	4 870
303-4	Emissions to water – COD	Tonnes	5 950	6 650	6 050	5 900
303- 4	Emissions to water – particles	Tonnes	2 530	2 730	-	-
303-4	Discharge of effluents in areas of water scarcity	Mill. m3	0.1	0.1	0.1	0.1
306-2	Organic waste	Tonnes	84 080	85 600	74 850	90 000
306-2	Organic waste per revenue	Tonnes/mill. NOK	1.9	2.1	1.9	2.2
306-2	Non-hazardous waste – sorted	Tonnes	12 250	11 950	13 350	17 500
306-2	Non-hazardous waste – mixed	Tonnes	12 600	14 900	11 700	10 700
Other						
306-2	Hazardous waste	Tonnes	254	296	216	392
306-3	Spills, deviations from emission limits	Number	3	6	19	-
307-1	Fines and sanctions for non-compliance with environmental laws and/or regulations	Number	1	1	1	-
307-1	Fines for non-compliance with environmental laws and/or regulations	NOK million	0	0	0	0

[1] Calculations are based on the Greenhouse Gas Protocol Initiative (GHG Protocol). Include CO2, CH4, N2O, HFC, PFC, SF6 and NF3. Historic figures have been corrected based on new information
[2] Market-based emissions take into account the effect of Guarantees of Origin for electricity
[3] Raw materials and packaging estimated to account for 90-95 % of emissions from Scope 3 activities. The base year 2014 reflects historical figures, not adjusted for subsequent acquisitions
[4] The baseline year 2014 reflects historical figures, not adjusted for subsequent acquisitions
[5] ODS; Ozone depleting substances
[6] Includes use of natural gas, propane, oil, diesel, petrol. Orkla uses standard translation factors for different types of fuel
[7] Total energy usage in own operations, all types. The baseline year 2014 reflects historical figures, not adjusted for subsequent acquisitions

Partnership for sustainable raw material production

Orkla is now stepping up its efforts to ensure deforestation-free supply chains. We are also maintaining our focus on promoting sustainable raw material production.

The big picture

The destruction of the Amazonian rainforest and the forest fires in Brazil have pushed forest conservation higher up the international agenda. A new investor initiative sees rainforest destruction as a threat to the global economy and calls on companies to take immediate action to put an end to deforestation in their own operations and supply chains. At the same time, extreme weather and growing water scarcity are leading to less predictability in global raw material markets. Issues such as sustainable agriculture and modern slavery are giving rise to broad engagement and influencing both policies and business practices. More and more global food and drink companies are investing in their own improvement programmes for key raw materials.

Our influence

Orkla considers it important to use raw materials that are sustainably produced and to help ensure a stable supply of such resources. Our food production makes us one of the biggest purchasers of agricultural and fish raw materials in the Nordic region. Due to climate change, we need to intensify our efforts to promote sustainable agriculture. In several of our markets, we work closely with local farms to ensure access to locally-produced vegetables and important agricultural raw materials of high quality – from sugar beets in Skåne, Sweden to potatoes in every market where we manufacture crisps. Strong growth in the sale of plant-based foods has resulted in a scarcity of certain agricultural raw materials, and Orkla engages in dialogue with suppliers and the agricultural sector to promote production of these raw materials.

Some of the raw materials that Orkla sources, such as cocoa, soya and palm oil, are linked to complex social and environmental challenges. We therefore engage in improvement projects in the value chain, working closely with our suppliers. We set clearly defined requirements, follow up through regular dialogue and promote sustainable raw material production through certification programmes and other improvement activities. Looking ahead, we see a need to invest more in improvement programmes so as to contribute to sustainable development and ensure long-term access to important raw materials. Our sustainable sourcing efforts support the achievement of UN Sustainable Development Goals 2, 8, 14, 15 and 17.

Our approach

A detailed description of our sustainable sourcing procedures and work processes may be found on Orkla's website under "Results and reporting".

Orkla's 2025 sustainability targets

- Ensure respect for workers' rights
- Aim for 100 per cent raw materials from sustainable sources
- Aim for 100 per cent recyclable packaging
- Promote clean oceans and sustainable fishing

Call on business and industry for a Global Deal for Nature and People

Orkla wants to contribute to safeguarding biodiversity by improving our own operations, engaging actively in our supply chain, focusing on innovation and promoting sustainable business practices. In April 2019, Orkla signed WWF's appeal to business and industry to establish a binding Global Deal for Nature and People, similar to the Paris Accord on climate change. We at Orkla agree entirely with WWF and consider this initiative to be crucial to coordinating efforts across countries and achieving the necessary progress. According to WWF's Living Planet Report for 2018, global wildlife populations have declined in size by 60 per cent on average since 1970. The trend is also negative for important natural species and ecosystems.

Photo: Dmitry Deshevykh / WWF-Russia

Did you know that...?

- Orkla is a member of the Sustainable Agriculture Initiative Platform and participates in working groups to promote the sustainable production of almonds, dairy raw materials and wild-growing plants.
- Orkla Foods Sverige partners with the Swedish University of Agricultural Sciences on sustainable cultivation of Swedish legumes. The company also collaborates with the University of Lund on research on rapeseed as a protein source.
- Orkla Foods Sverige participates in the Sustainable Supply Chain for Food in Sweden, which is currently preparing a plan for the period up to 2030 to ensure sustainable Swedish agriculture.
- Naturli' works closely with Aarhus University on research on plant-based raw materials.

Developments in 2019

Deforestation-free supply chains

With regard to raw materials from tropical regions, Orkla has teamed up with selected suppliers who are carrying out special programmes to ensure deforestation-free raw material production. In 2019, we mapped the status of the suppliers' work and identified needs for improvement. In the case of palm oil, Orkla's suppliers have good procedures for training employees and monitoring mills and farms, and are seeing favourable results from large-scale improvement programmes. However, increased efforts are needed to support the transition to sustainable agriculture for the vast majority of small farmers. None of Orkla's branded consumer goods in the Nordic countries contain palm oil. Orkla's use of palm oil is primarily related to the companies in Orkla Food Ingredients and the margarine category. Efforts to monitor suppliers and achieve certification by the Roundtable for Sustainable Palm Oil (RSPO) have continued, and 87 per cent of palm oil is now certified.

Sustainable raw materials

Orkla saw a positive trend in the percentage of certified raw materials in 2019. Most of the cocoa, palm oil and soya purchased by Orkla from high-risk areas is now certified. Orkla has developed a new cocoa strategy and will increase its efforts to address challenges related to traceability, child labour and minimum wages in connection with cocoa production. The new strategy will be introduced in 2020 and will apply to all Orkla companies.

Following reports of breaches of workers' rights in connection with hazelnut farming in Turkey, Orkla conducted a more thorough risk assessment entailing visits to and dialogue with suppliers, farmers and UTZ. As a result, several Orkla companies decided to switch to use of UTZ-certified hazelnuts. With regard to cashew nuts, Orkla is participating in a three-year joint project run by Ethical Trade Norway with support from Norad. In 2019, a survey of risk factors at Vietnamese production facilities was carried out, and a dialogue on improvement action and follow-up was established.

Sustainable textiles

Pierre Robert Group is taking the lead in reducing textiles' environmental impact and raising consumer awareness of this issue. The company has now achieved 100 per cent certification for all its cotton products under the Pierre Robert brand, and is working to ensure a gradual transition for the rest of its portfolio. To increase awareness of workers' rights, the company has carried out a training programme for all employees at five Chinese factories in collaboration with the organisation QuizRR and Ethical Trade Norway.

Animal welfare

In 2019, Orkla engaged in dialogue with key suppliers concerning the Group's animal welfare policy, which was adopted in 2018. Several Orkla companies have switched to using eggs from free-range hens in their food products, and Orkla has drawn up a new policy aimed at fully transitioning to eggs from free-range hens by 2025 for all its own branded products. Pierre Robert is participating in a programme to improve working conditions and foster good animal welfare at merino sheep farms in South Africa. A total of 20 farms and seven suppliers are involved in the project, which is run by Ethical Trade Norway.

Sustainable fishing

Orkla collaborates closely with the Marine Stewardship Council to promote sustainable fishing, but the percentage of Orkla's fish raw materials that are MSC-certified did not increase as expected in 2019. Internationally agreed fishing quotas for both mackerel and herring are higher than the expert recommendations of the International Council for the Exploration of the Sea (ICES). Until this situation changes, it will be impossible to obtain certification of these raw materials. Orkla has therefore stepped up its dialogue with the Norwegian authorities to advocate increased political efforts to ensure sustainable fishing management.

The way forward

Climate change necessitates greater efforts to ensure sustainable agriculture and fishing. For Orkla, it means increased investment in improvement programmes for key raw materials such as cocoa. Another area of focus will be sustainable fishing in connection with brands such as Möller's, Abba, Kalles and Stabbur-Makrell. For certain raw materials, Orkla will expand its collaboration with contract farmers and support conversion to cultivation methods that reduce greenhouse gas emissions, safeguard biodiversity and provide greater protection against extreme weather.

Did you know that...?

Orkla has a total of around **6000** environmentally certified products, 19 per cent more than in 2018.

95% increase in Nordic Swan eco-labelled products

22% increase in UTZ or FairTrade-certified cocoa-based products.

Strong focus on environmentally friendly packaging

The environmental challenges posed by single-use plastic have created broad engagement aimed at finding new packaging solutions. Orkla is now mobilising across companies and countries to use recycled plastic and promote a transition to circular value chains.

In the past few years, Orkla has significantly increased its expertise on plastic and other packaging. Around 20 per cent of the packaging used by Orkla is plastic in various forms. Plastic has an important function in terms of protecting products and prolonging their shelf life, and it can be the best packaging material, even from an environmental perspective, if we prevent plastic pollution and succeed in recycling more plastic. In choosing packaging, we consider it important that both the material and its design make the packaging easy to recycle.

Developments in 2019

Focus on sustainable packaging

Orkla has increased its efforts to optimise packaging, reduce the amount of plastic used, design packaging to simplify recycling and develop new packaging solutions based on recoverable, recycled or renewable materials. We have strengthened our collaboration with centres of excellence, researchers, external experts, organisations and other companies to find effective, innovative solutions.

Design for recycling

Several of our companies have invested substantial resources in developing plastic packaging that can be recycled and turned into new plastic products. For instance, Orkla Confectionery & Snacks Norge has launched the market's first crisp packet in mono plastic and is planning to use this material in the rest of its snack portfolio as well. Several Nidar chocolate products have been relaunched in similar packaging that contains less air. A total of 94 per cent of the packaging that Orkla used in 2019 was made of materials that can be recycled.

Orkla's 2025 sustainability targets

- 100 per cent recyclable packaging
- 75 per cent packaging made from recycled materials
- 50 per cent plastic packaging made from recycled or renewable materials

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KiMs launches Norway's first recyclable crisp packet

Potato crisp packets made of metallised plastic have hitherto been the standard. As the first player on the Norwegian market, Orkla Confectionery & Snacks succeeded in developing a recyclable crisp packet. In autumn 2019, KiMs was relaunched in this innovative packet. By changing the packaging from metallised foil to mono-material plastic, packets can be recycled as plastic and not as residual waste as before. To make it easy for consumers, this information is marked clearly on the packet. Around 3.4 million recyclable crisp packets were released on the market in 2019, and the estimate for 2020 is around 10 million packets. In addition, the new packets are a little smaller, so that less plastic is used for the same amount of crisps. This will result in environmental savings of around 8.5 tonnes less plastic in 2020.

Packaging made of recycled and renewable materials

We make active efforts to use more recycled materials in our packaging, and recycled materials accounted for around 35 per cent of packaging in 2019. Möller's relaunched its popular omega-3 capsules in a 100 per cent recycled plastic bottle. We use recovered PET in our FUN Light and BOB dilutable fruit drink bottles, Felix ketchup bottles, and personal care and cleaning products. Jif wipes were launched in a renewable material containing no plastic. In the bakery sector, Bako introduced a broad selection of single-use products for the food service market in alternatives to plastic, and Nic launched plastic-free packaging options for the professional ice cream market. Kotipizza replaced straws, glasses and plastic lids with fiber-based alternatives in its pizza restaurants.

Orkla wants to help create a market for recycled materials by calling for such options and developing alternatives to fossil plastic that meet our food safety and product quality standards. There is a very limited supply of recycled plastic suitable for use as food packaging, and fiber-based alternatives often do not have the requisite barrier properties. We have therefore discussed these issues with packaging suppliers, the waste sector and external centres of expertise in order to understand the challenges and possibilities in this area.

The way forward

Sustainable packaging remains one of our highest priorities in 2020. We intend to engage actively in joint projects with suppliers, relevant expert communities and other companies to develop recyclable packaging and increase use of recycled

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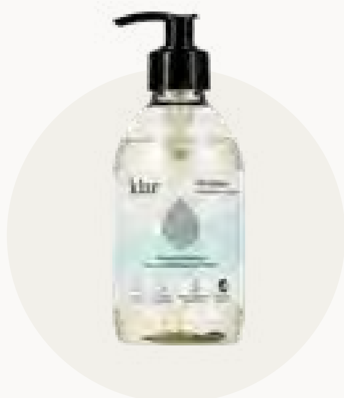
and renewable materials. We also wish to contribute actively to creating a market for recycled plastic by increasing our use of this material.



Aims to develop track-and-trace labelling of packaging

Orkla wants to increase its use of recycled plastic, but where food products are concerned it is hard at present to find material of this type that satisfies the necessary food safety requirements. In its hunt for new solutions, Orkla is participating in the international HolyGrail project, in which a number of leading companies are involved. The project is led by Procter & Gamble with funding from the Ellen MacArthur Foundation. The aim is to develop a digital watermark for packaging that makes it possible to track and trace packaging through the value chain. By identifying the type of plastic and earlier applications, plastic can be sorted more accurately and the quality of the recycled plastic is improved. As part of the project, Orkla has carried out demo tests of Idun ketchup bottles and Klar soap bottles.

Did you know that...?

We are engaged in several research projects aimed at building expertise on how we can reduce our dependency on plastic:

- Orkla Home & Personal Care is involved in a research project with NHH – Norwegian School of Economics, the Inland Norway University of Applied Sciences and several other players. One of Project SustainX's objectives is to provide insight into ways of influencing consumers to make greener choices, and how this knowledge can be integrated into new, profitable business models.
- Orkla participates actively in FuturePack, a three-year research project aimed at developing new expertise and technology to make tomorrow's plastic packaging more eco-friendly, using more bio-based and recycled plastics. The project is a joint endeavour between several universities, companies and organisations.
- Several Orkla companies are part of a Norwegian collaborative venture, the Design for Recycling project, under the auspices of Green Dot Norway. The object is to learn more about the kind of changes in material and design choices that could simplify recycling of packaging.
- Orkla Foods Sverige is participating in the STEPS research programme at the University of Lund, Sweden, to stay abreast of the latest developments in plastics research and gain insights that could be useful in promoting more sustainable use of plastic.

Strong engagement for clean oceans

Orkla wants to be a driving force in solving the challenges posed by marine plastic litter. We have therefore teamed up with the rest of the industry and the authorities to find solutions.

Millions of tonnes of plastic end up in the ocean every year. If we are to have a living ocean in the future, we must find new solutions to prevent more plastic from winding up in the ocean. We must both reduce our use of plastic and create a circular economy for plastic. Orkla is active in several areas to help achieve these objectives.

Orkla supports the European plastics declaration

Recycling more plastic is crucial to solving climate change challenges. Orkla therefore supports the Circular Plastics Alliance, a joint European initiative, and helped to draw up the Declaration of the Circular Plastics Alliance that was launched in autumn 2019. By signing the declaration, Orkla and the other players commit to designing products and packaging for recycling, using more recycled plastic and increasing demand for recycled plastics. The goal is to ensure that 10 million tonnes of recycled plastics are used to make products in Europe by 2025.

Developments in 2019

Collaboration to avoid marine plastic litter

Norway has assumed a leading global role in combating marine plastic litter. Several new initiatives, including a plastics partnership, were presented by the Norwegian Government at a UN conference held in Geneva on 4 May. Orkla was invited to share its experience from its work with plastics.

Road map for more sustainable plastic packaging

Orkla has headed the Forum for Circular Plastic Packaging, an industry project that has launched a road map for how players in the packaging value chain in Norway can contribute to realising the EU Strategy for Plastics in a Circular Economy. The project team submitted proposals for ways and means of achieving the EU goals for recycling plastic packaging, and presented the proposals to the Norwegian Government at the Arendal Week democracy festival in August 2019.

Orkla takes the Plastics Pledge

Orkla was one of the very first companies in Norway to sign the Plastics Pledge, aimed at strengthening the circular plastics economy. Companies that sign the pledge commit to working actively to increase the percentage of recycled plastics used in their packaging, avoiding unnecessary use of plastics and designing packaging that is easier to recycle. The Plastics Pledge, which is modelled on the EU's new sustainability goals for 2025 and 2030, was launched by Green Dot Norway.

Dialogue meetings with special interest organisations
Orkla engages in a constructive dialogue with both environmental organisations and external expert communities on the challenges posed by plastic pollution. In 2019, we participated in several external panel talks on plastic recycling and circular business models and had a number of meetings with In the Same Boat, an organisation that works extensively to clean up plastic litter along the coast of Norway.

Beach clean-ups
Orkla helps to remove plastic litter and garbage from beaches and works closely with organisations such as Keep Norway Tidy and the Keep Sweden Tidy Foundation. Orkla Suomi in Finland supports the John Nurminen Foundation and its work to keep the ocean clean in the Baltic Sea. The Orkla brand Klar has adopted a beach on the island of Håøya in the Oslo fjord, and organises several communal clean-ups every year. In Denmark, Naturli' Foods collaborates with Strandet, an organisation that specialises in reuse of marine plastic and giving it new life.

The way forward
Orkla will continue to collaborate with other players in the packaging value chain on important initiatives for improving the collection, sorting and recycling of used plastic packaging. Among other things, we will participate in the development work of the Circular Plastics Alliance and joint projects implemented by the Forum for Circular Plastic Packaging.

Sustainable sourcing

GRI-ref.	Indicators	Unit	2019	2018	2017
Responsible sourcing procedures					
308-1	Share of new suppliers screened for environmental risk	%	100	100	100
308-2	Suppliers screened for environmental risk through audit or self-assessment	Number	104[1]	307	373
308-2	Suppliers with identified environmental non-compliances	Number	5	7	8
308-2	Share of suppliers with environmental non-compliances where improvement has been agreed	%	100	100	-
308-2	Share of environmental non-compliances that have been remedied	%	63	75	55
308-2	Share of suppliers with environmental non-compliances where the agreement has been terminated	%	0	0	-
414-1	Share of new suppliers screened using social criteria	%	100	100	100
414-2	Suppliers screened using social criteria through audit or self-assessment	Number	104	75	67
414-2	Suppliers with identified social non-compliances	Number	46	33	35
414-2	Share of suppliers with social non-compliances where improvement has been agreed	%	100	100	-
414-2	Share of social non-compliances that have been remedied	%	78	57	26
414-2	Share of suppliers with social non-compliances where the agreement has been terminated	%	0	0	-
204-1	Share of sourcing from local suppliers[2]	%	56	56	63

[1] Excluding food safety audits
[2] Suppliers located in the same country as Orkla´s receiving business

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Sustainable sourcing

GRI-ref.	Indicators	Unit	2019	2018	2017
Sustainable raw materials					
301-1	Consumption of raw materials[3]	Tonnes	884 000	959 200	1 037 600
301-1	Share of renewable raw materials[4]	%	96	94	-
FP2	Share of certified cocoa (UTZ Certified or Fairtrade) of total volume purchased	%	77	77	67
FP2	Share of certified marine raw materials (MSC or ASC) of total volume purchased	%	78	85	92[5]
FP2	Share of certified palm oil and palm kernel oil of total volume purchased	%	87	75	42
	- RSPO SG	%	38	31	26
	- RSPO MB	%	18	17	12
	- RSPO Credits	%	31	28	4
FP2	Share of certified soya (Roundtable on Responsible Soy, ProTerra, Donau Soja, U.S. Soy Sustainability Assurance Protocol, EU Organic)	%	55	-	-
FP2	Share of hygiene and cleaning products with ecolabelling (Nordic Swan Ecolabelling, Good Environmental Choice)[8]	%	61	-	-
FP2	Share of Nordic Swan Ecolabelled textile products	%	5	4	11[6]
FP2	Share of certified (GOTS) organic cotton of total volume purchased	%	57	41	28[6]
FP2	Share of verified mulesing-free merino wool of total volume purchased	%	100	100	100

Sustainable sourcing

GRI-ref.	Indicators	Unit	2019	2018	2017
Sustainable packaging					
301-1	Share of packaging made from renewable materials[9]	%	29	31	-
301-2	Share of total packaging containing recycled materials[9]	%	35	44	-
Self-defined	Share of total packaging that is recyclable[9]	%	94	94	90
301-1	Packaging consumption, all types[9]	Tonnes	151 742	133 500	136 600
301-1	Plastic packaging consumption[7,9]	Tonnes	29 750	27 110	-
301-1	Consumption of packaging per revenue, all types[9]	Tonnes/mill NOK.	3 480	3 270	3 450

[1] Excluding food safety audits
[2] Suppliers located in the same country as Orkla's receiving business
[3] Raw materials used for own production, ex. finished goods purchased
[4] Agricultural raw materials, percentage of sourced value (purchase value)
[5] Concerns Orkla Foods
[6] Not adjusted for subsequently acquired business
[7] Includes both pure plastic packaging and composite materials
[8] Orkla Care ex Poland and Riemann
[9] More data in 2019 than in previous years because of improved reporting

Making it easier to make healthy everyday choices

We in the food industry must make it easier to eat healthily, green and sustainably. Orkla is therefore increasing its focus on plant-based food. We are also continuing our efforts to make popular favourites healthier and develop products in response to health trends.

The big picture

Strong focus on the connection between food, health and climate change has been placed clearly on the agenda by a number of new reports. The UN Climate Panel estimates that global consumption of meat must be halved if we are to reach the global climate targets. More and more consumers want to eat healthily and sustainably, and demand for plant-based food is soaring. Obesity-related lifestyle diseases are a major global health challenge, and authorities continue their efforts to improve the population’s diet. Labelling systems, taxes and other actions aimed at reducing consumption of sugar, salt and saturated fat are currently topics of active discussion in Europe. The shift towards increased consumption of plant-based food and healthier products is reinforced by the steadily growing demand from many grocery chains and other professional customers for this type of product. For Orkla this means opportunities for innovation.

Our influence

Orkla contributes to better public health by reducing the salt and sugar content in a growing number of foods and products that are part of the daily diet of many people. In Norway, the population’s sugar intake has decreased by 27 per cent in the past decade. The level of salt in product categories that traditionally contain a lot of salt has similarly declined since 2015, according to data from the concluding report of the Norwegian Salt Partnership.

Orkla is responding to the wellness trend with an ever-wider range of better-for-you snacks, biscuits and snack meals, and products tailored to meet various health needs. In the bakery industry, Orkla Food Ingredients offers an innovative portfolio of healthy, whole grain bakery products, and vegan breads and cakes. Orkla is well positioned for the green, plant-based trend and expects to see strong growth for this type of product in several markets. Orkla has set aggressive innovation targets, and all its companies have planned initiatives to increase sales of healthy products and reduce consumption of salt and sugar for the 2019–2021 strategy period.

Our approach

A detailed description of procedures and processes for our nutrition and wellness work may be found on Orkla’s website under “Results and reporting”.

Orkla’s 2025 sustainability targets

- Double consumption of products and services that promote a healthier lifestyle[1]
- Reduce salt and sugar by 15 per cent[2]
- Inspire people to adopt a healthier lifestyle[1]

[1]Applies to selected product types. Baseline year 2017.

[2]Applies to a reduction in overall consumption of salt and sugar from Orkla’s food products. Baseline year 2015.

Our nutrition and wellness work supports the achievement of the UN global Sustainability Development Goal 3.

Healthy growth with Paulúns

Orkla's health brand Paulúns has been launched in several markets with a broad assortment of products that make it easy to eat wholesome, well-balanced food all day long. All the products are made of good raw materials, are entirely sugar-free and contain no additives. Innovations launched in 2019 include the Los Angeles-inspired breakfast cereal Paulúns Nötsmörsbakad SOFT Müsli and new varieties of Paulúns Superlunch and Paulúns nut bars. Paulúns products are now sold in six countries, in Norway under the Bare Bra brand. Orkla's sales of these products totalled NOK 269 million in 2019, up 9 per cent from the previous year.

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Partnership to promote better public health

Orkla collaborates closely with the public authorities and the food industry in several countries to help improve public health. In 2019, we again made good progress in our work to make our existing product portfolio healthier, with less salt and sugar.

Interest in health and healthy food has long been a clear trend, not only in the Nordic region, but also in the Baltics and Central Europe. Orkla has worked purposefully for several years to make its product portfolio healthier and develop food products containing less salt and sugar. To succeed in influencing populations' taste preferences in a healthier direction the change must be gradual, and the industry and public authorities must pull together. Orkla therefore seeks to collaborate actively with the authorities and acts as a driving force for industry initiatives.

Developments in 2019

Healthier popular favourites

Orkla is achieving good progress in making its existing product portfolio healthier. All the business areas have placed this goal high on their agenda. Orkla's overall consumption of sugar and salt has been reduced by 10 per cent and 7 per cent, respectively, since 2015*. In 2019, we reduced the sugar content in categories such as jams, dilutable fruit drinks and other beverages, ketchup, biscuits, marzipan, cakes, slush ice, bars and chocolate. We reduced the salt content of our bread mixes, ready meals, sausages, sauces and dressings, ketchup, crisps and biscuits. The effect of this work is 1 825 tonnes less sugar and 83 tonnes less salt in 2019.

As a result of our long-term efforts to reduce sugar and salt in a broad range of products, Confectionery & Snacks Norge has the lowest average content of sugar and salt in all product categories.

A driving force for changing industry practice

In Norway, Orkla has committed to the agreement of intent to promote healthier food, which is a joint government-industry initiative with specific targets for reducing sugar and salt. Orkla has participated in meetings to follow up on the industry's work to make everyday food healthier. This partnership has proved successful, and the majority of all new products launched by Orkla now have a salt content on a par with or lower than the salt targets set by the Norwegian Salt Partnership. To achieve the same type of change in consumer preferences in other countries, it is essential that the entire industry join forces to reduce salt and sugar in its products. Modelled on the Norwegian agreement of intent to promote healthier food, the public authorities and the food and drink industry in Denmark are now establishing a partnership aimed at making it easier for Danish consumers to make healthy food choices. Orkla is actively involved in this process.

*Due to improved reporting procedures, the baseline data for 2019 has been changed slightly

Furthermore, Orkla is working to put in place a similar co-operation agreement between the industry and the public authorities in Sweden.

Researching new ways to reduce salt
In Sweden, Orkla works closely with the authorities, the food industry, research communities and other companies to find new, innovative ways of reducing salt in various food categories. The objective is to reduce salt without compromising on taste.

Healthy food for kindergarten and school children
The Orkla Foods companies want to contribute to a healthy diet for children, and are engaged in several new initiatives. Through the Next is Now concept, Orkla FoodSolutions is making it easier for Swedish schools to put healthier food and vegetarian dishes on the menu. They have also developed simple, sustainable recipes for children's favourite dishes that call for less meat and more vegetables. Orkla Foods Norge has developed the web portal Barebramat.no, which offers recipes and delivers food to kindergartens. The concept revolves around a more varied diet, more vegetables and fish, and making food more fun.

The way forward

Orkla has achieved a substantial reduction in its use of salt and sugar over many years and will continue to pursue this objective. We want to be a driving force in establishing a joint industry-government initiative in other markets where we have a presence. At the same time, we see a need to increase our research in order to achieve our target of a 15 per cent reduction by 2025. Several of our companies are currently increasing their focus on courses, guidance and other activities aimed at making it easier for public institutions and professional kitchens to serve healthy meals.

Healthier popular favourites

Knusper Müsli
Knusper Müsli contains no added sugar and is made of 48 per cent whole grain cereals. The box is made of recycled material (Austria)

FELIX
Felix organic ketchup, with less salt and sugar (Austria)

OLW-chips
Crisps made of lentils, chickpeas and beans. High protein content and 40 per cent less fat (Sweden)

BOB
Dilutable berry and fruit drink with no added sugar. (Sweden)

Did you know that...?

• Orkla's sales of products bearing the Green Keyhole healthy food label totalled around NOK 679 million in 2019, a rise of 37 per cent from the year before.

• Since 2015, Orkla Foods Sverige has eliminated 100 tonnes of salt from its food products.

• Orkla Confectionery & Snacks Norge has reduced the salt content in its snacks and biscuits by 7 per cent since 2015. The sugar content in its biscuits has been lowered by 7 per cent since 2018.

• Orkla Food Ingredients helps to promote a healthier bakery industry by organising inspirational courses and trade fairs, in addition to offering customers a dedicated web portal featuring healthier recipes and nutrition-related product information.

INNOVATIONS FOR A HEALTHIER LIFESTYLE

Placing our bets on plant-based products

We believe that tomorrow's sustainable, healthy food will contain more vegetables and less meat. Several Orkla launches in 2019 were therefore based on tasty, simple vegetarian and vegan solutions.

In 2019, Orkla increased its focus on plant-based food by launching several new products that make it easier to choose meatless everyday meals. At the same time, our strongest vegetarian and vegan brands, Naturli' and Anamma, were rolled out in a number of new markets. Orkla Confectionery & Snacks is experiencing strong growth with innovative new products like plant-based crisps.

Development in 2019

Sales growth for plant-based alternatives to meat

Orkla is seeing a sharp increase in sales of plant-based food, and sales of the two biggest brands, Anamma and Naturli', totalled NOK 500 million in 2019, up 40 per cent from the year before. Both Anamma and Naturli' offer plant-based alternatives to meat, including plant-based mince, burgers, sausages and other dinner options. Growth is strongest for vegan alternatives to burgers and minced meat, which are often used in family favourites like tacos and pasta. In 2019, the two brands were launched in several new markets. Naturli' has also increased its focus on exports to new markets.

A vegetable revolution in the freezer

Mandagspizza (Monday pizza) is Grandiosa's response to Meat-Free Monday. Launched in Norway in autumn 2019, this vegetable pizza is designed to make it even easier for consumers to choose a meat-free meal without compromising on taste. The pizza is topped with tempting, colourful vegetables and its taste has broad appeal. Grandiosa Mandagspizza has been well received in the market, and in just a short time has won a solid position in the meatless pizza category. At the same time, it is boosting growth for the Grandiosa brand since it also appeals to new target groups. The vegetable pizza does well in taste tests and was chosen as winner among other vegetarian launches assessed in TV 2's consumer investigative journalism programme, Matkontrollen.

Plant-based innovations

Danske Naturli' Foods has a broad range of innovative, plant-based food products, drinks and ice cream. New products in 2019 included Naturli' Chick Free, which is made of peas and has a high content of protein, fiber, vitamins and antioxidants. The packaging is made of at least 50 per cent recycled plastic.

Growth for vegetarian ready meals and pizza

Pizza is still a favourite food trend, and demand for good vegan pizzas is on the rise in Sweden. Anamma launched stone-baked vegan pizzas and VegoTexmex and VegoVesuvio mini PanPizzas, while Felix Veggie introduced new pies. Other innovations include crispy vegetarian vegetable balls from the Danish company Beauvais and Grandiosa Mandagspizza (Monday pizza) in Norway. In Sweden, Felix Veggie is expanding its assortment with vegetarian soups in three different flavours.

Lentil chips a big success

One of 2019's innovative healthy product launches is Göteborgs Utvalda's thin, crispy crackers made of root vegetables, available in two different flavours. OLW is launching plant-based snacks: Cheez Doodles and Cheez Balls made of broadbeans. Following up on the highly successful lentil and chickpea crisps, we are now continuing to develop healthier snacks made with exciting new plant-based bases.

The way forward

Plant-based food is a key priority area for Orkla, and we have ambitions of achieving significant growth going forward. At the same time, we are continuing our efforts to reduce salt and sugar in order to reach our 2025 targets.

Fast Fusion Friday

With the concept Fast Fusion Friday, Orkla FoodSolutions in Sweden is trying to make it a little more fun for schoolchildren to eat the right food and eat all their food. The dishes in the recipe collection are based on vegetarian raw materials with flavours from every corner of the world and have funny names. The servings themselves have a Street Food design to make Friday a special day. The carbon footprint of each recipe has been calculated to make it easy to see the climate impact of the meals.

Next is Now

Assisted by health and climate change experts and drawing on its own insights, Orkla FoodSolutions in Sweden is exploring what tomorrow's food and the next generation's eating habits will look like. Eight trends clearly dominate, which have been grouped under the Next is Now concept. To develop specific solutions, Orkla FoodSolutions has organised three Next is Now cookalongs, where experts meet cooks, industry meets small-scale customers and tradition meets innovation.

Is the grass greener? Researching climate-friendly alternatives

Naturli' has entered into partnership with scientists from the Technical University of Denmark – DTU and Aalborg University on the InnoGrass project. The project will run for 2.5 years and examines how protein can be extracted from grass and used as human food. In fact, grass protein has exactly the right combination of amino acids that is important for our diet. The protein is very reminiscent of soya protein, in addition to which grass can be grown more sustainably.

Nutrition and health

GRI-ref.		Unit	2019	2018	2017
Reduction of salt, saturated fat and sugar[1]					
Self-defined	Decrease in salt due to reduction activities	Kg %	83 600 0.8	192 000 2.0	80 000 -
Self-defined	Consumption of salt (own production) per revenue	Kg/million NOK	325	300	-
Self-defined	Decrease in saturated fat due to reduction activities	Kg	607 000	379 000	960 000
Self-defined	Decrease in sugar due to reduction activities	Kg %	1 825 000 2.1	3 382 000 2.7	1 040 000
Self-defined	Consumption of sugar (own production) per revenue	Kg/million NOK	2 660	3 800	-

[1] Concerns companies with food production. Historical figures have not been adjusted for subsequent changes in corporate structure

05 SAFE PRODUCTS

Safe products build trust

We take top quality and safe food seriously at Orkla. That's why we have common standards and systems to ensure good, cost-effective control of food safety risk in every part of our value chain.

The big picture

More and more consumers want to know where grocery products are manufactured, and which company is behind them. This calls for higher standards of transparency and traceability. However, the risk picture is complex, and fraud related to the quality of raw materials has emerged as a significant risk. Another clear trend is that a number of international grocery chains and suppliers are experimenting with block-chain technology to develop best practices for tracing raw materials and ensuring 100 per cent reliable information throughout the value chain.

Our influence

As a branded consumer goods company, we are dependent on trust. That is why Orkla's logo can be found on the back of the packaging of all our branded products as a guarantee that they meet the Group's stringent food and product safety requirements. By establishing common standards and systems, we ensure good, cost-effective control of food safety risk in every part of our value chain. Given the many raw materials, production sites and suppliers involved, Orkla's risk picture is complex. However, the gradual transition to fewer, larger factories and common suppliers across the Group companies is helping to reduce complexity. When we acquire new companies, we emphasise the importance of quickly implementing Orkla's solutions and laying the foundation for a strong food safety culture.

Our approach

A detailed description of our food safety procedures and work processes may be found on Orkla's website.

Our goals

Orkla has worked purposefully to ensure food and product safety for many years. These efforts support the achievement of UN global Sustainable Development Goals 12 and 17.

Orkla's 2025 sustainability targets

- 100 per cent food manufacturing facilities at green level
- 100 per cent approved suppliers
- Continue to ensure that all products are safe

Developments in 2019

Ensuring good control of food safety

Orkla has good control of food safety in its own operations. All the factories in the Group are regularly audited in compliance with the stringent requirements of the Orkla Food Safety Standard (OFFS). In 2019, Orkla's food safety team conducted 89 audits. The number of audits has increased significantly in the past three years due to the increase in acquisitions. Several follow-up audits have been carried out to bring newly-acquired companies up to an acceptable level. Experience shows that audit results improve noticeably after two or three follow-up audits. Orkla's central food safety team is also involved in all acquisition processes in the Group to assess risk at an early stage. At the same time, food fraud has been given greater prominence on the agenda with specific requirements for risk assessment of all raw materials and new control procedures. Orkla has not identified any cases of significant fraud.

Strengthening the food safety culture

An important step in combating and reducing food fraud is to have a strong quality culture and expertise to identify and deal with new risks in the value chain at an early stage. Orkla has therefore significantly expanded the range of courses offered to key company personnel by adding more types of courses. Course offerings have increased by 75 per cent in the last five years. Training is provided partly by Orkla's own staff, and partly in collaboration with external specialists from Campden BRI. Priority is given to building skills in areas such as control of critical production points, root cause analysis, allergen handling, internal audits and supplier monitoring. Orkla also provides in-depth, multi-module courses in handling food safety. To ensure constant focus on continuous improvement, Orkla trains internal auditors to conduct audits at their own factories, as a supplement to the central audits. In 2018, Orkla introduced a new requirement that all companies and factories must have plans for further developing and improving their food safety culture. To lay a basis for appropriate action, 36 Orkla factories are participating in a pilot project with partners including Taylor Shannon International and Campden BRI.

Sharing best practices

Orkla has established a common food safety and quality policy, with cross-company systems and work methods. Companies acquired by the Group are quickly introduced to Orkla's standards. Competence is also shared through quality networks and conferences. The Orkla Food Safety Conference was held for the third time with 130 participants from a large number of companies and countries. The conference is an important arena for internal knowledge-sharing and network-building.

Close supplier monitoring

Orkla requires its suppliers to meet strict standards and has a well-established approval and monitoring system. In 2018, responsibility for coordinating supplier audits was placed at business area level to ensure efficient use of resources and increase the expertise of the audit team. At the same time, fewer resources are now devoted to monitoring suppliers who can document their compliance with very high standards through BRC certification by recognised certification bodies. A total of 256 supplier audits were conducted in 2019, which is slightly higher than in 2018.

Efficient contingency management

In 2019, Orkla adopted new targets for all its companies: no recalls or withdrawals, and a substantial reduction in the number of consumer complaints. Procedures for reporting contingencies were improved with greater emphasis on learning from actual cases in order to prevent similar incidents. To provide training in efficient management of contingencies, Orkla organises exercises for companies' management teams. In 2019, five contingency exercises were held, in addition to a course in contingency and media handling for key personnel. Orkla had no serious Class 1 food safety emergencies, but more recalls or withdrawals were reported than in 2018. This is linked to the fact that Orkla has set clearer requirements for reporting such matters. Rapid response and good contingency handling have limited the harmful effects for consumers and customers, and the incidents have not resulted in high costs.

The way forward

Focus will be maintained on ensuring good, cost-effective control of food safety risk. More emphasis will also be placed on cyber security in Orkla's quality systems. In addition, Orkla attaches greater importance to quality-related risk, and is including this risk in the HACCP manual as a means of reducing the number of complaints. Orkla is in a phase of growth and expansion, and the integration of recently acquired companies will therefore continue to have high priority, with emphasis on a quick introduction to Orkla's systems and methods. A growing number of common solutions are being developed in various areas, and important work documents will be digitalised and simplified. More courses will be provided, and e-learning material will be developed to make it easier to share knowledge and expertise across the Orkla Group.

Safe grocery products

Orkla products must be safe to use. This is an absolute requirement. Customers and consumers must know that they are receiving the same high quality every single time they choose our well-known, popular branded cleaning, personal care and textile products.

Environmental assessments and safety are key factors in all product development, and just as in our food production, our non-food companies comply with strict product safety guidelines in every part of their value chain. The precautionary principle applies to all work, and in accordance with their duty of substitution, the companies systematically replace ingredients that could have a negative health or environmental impact with other ingredients. The companies keep close track of relevant external research to stay up to date on potential risks to health. There were no cases involving breaches of product safety rules in 2019, and almost 100 per cent of all products launched in 2019 underwent a health and safety assessment.

Developments in 2019

Orkla Home & Personal Care has its own laboratories which carry out extensive innovation to the benefit of consumers in the form of steadily improving products. The company uses only well-documented ingredients and always makes thorough environmental and safety assessments. The official Nordic Swan ecolabel has been used actively since 1983. Substitution work continued to have high priority in 2019. One result was a switch to a milder preservative in Zalo dishwashing liquid. Furthermore, fragrances containing the allergenic substance Lyral were replaced, and certain polymers with low biodegradability in nature were removed. The Klar range of sustainable, effective cleaning products launched several new Nordic Swan-labelled products, also for personal care, and the HTH and Dr. Greve range was relaunched with the Nordic Swan ecolabel on 27 of a total of 38 products.

Lilleborg develops effective, sustainable hygiene and cleaning systems for the professional market. In 2019, the company's Uniq Duotex mops were relaunched and awarded Class A classification for low emissions of microplastics. Digitalisation is high on the agenda, and in 2019 Lilleborg continued to roll out the eSmiley electronic self-monitoring food safety and HACCP system that makes it easier for food service establishments to verify food safety. In 2019, work was completed on the Lilleborg Control digital tool, which helps food manufacturers reduce their water and energy consumption. Increased use of low pressure technology in open plant cleaning (OPC) in the food industry based on Lilleborg's EnduroPower concept reduces use of water and energy in plants, in addition to minimising use of aerosols and cleaning more efficiently. The company's biggest-selling cleaning product, the Suma Daglig Rengjøring D26 daily cleaning detergent, is now fragrance-free. Lilleborg is an active user of the Nordic Swan ecolabel and was awarded the 2019 Nordic Swan Ecolabel prize for best label use in the corporate market.

In the course of 2019, 90 per cent of all merino wool garments from Pierre Robert Group were awarded the Nordic Swan Ecolabel. During the year, the company also switched to using 100 per cent organic cotton, mainly GOTS-certified, for all its cotton undergarments. In addition to setting stringent requirements for water and energy efficiency and use of pesticides, both GOTS and the Nordic Swan Ecolabel apply strict criteria for use of colorants and chemicals in the garments. Both certification systems also impose requirements regarding social and safety conditions for workers in every part of the production chain.

The way forward

The companies continue to focus on renewing Nordic Swan certification of existing products and on certifying new products with natural ingredients in 2021. Substitution will remain a high priority, with particular focus on fragrances and preservatives. In working to increase the percentage of recycled plastic in packaging, it will be important to protect personal care products from possible contamination from recycled plastics of unknown origin. Efforts to promote Enduro Power and more sustainable cleaning methods in the food industry will continue in 2020.

Safe products

GRI-ref.		Unit	2019	2018	2017
Safe food production[1]					
FP5	Share of production volume manufactured in compliance with the Orkla Food Safety Standard	%	100	100	100
FP5	Factories audited according to the Orkla Food Safety Standard	Number	89	102	79
FP5	Share of food manufacturing sites certified by independent third party	%	56	53	-
416-2	Incidents of non-compliance concerning food safety, risk level 1 (life threatening)	Number	0	0	0
416-2	Incidents of non-compliance concerning food safety, risk level 2 (serious health risk)	Number	24	8	12
Safe deliveries of raw materials					
Self-defined	Risk assessment of suppliers: Self-assessments	Number	1 668	1 810	1 790
Self-defined	Risk assessment of suppliers: Assessments carried out by Orkla	Number	1 434	1 350	1 170
Self-defined	Risk assessment of suppliers: Supplier audits	Number	264	237	320
Food safety training					
Self-defined	Participants in courses run by Orkla's Food Safety Team	Number	256	400	340
Self-defined	Extent of courses run by Orkla's Food Safety Team	Hours	3 900	3 130	2 380
Self-defined	Participants in courses run by Orkla factories	Number	7 430	4 500	4 900
Self-defined	Extent of courses run by Orkla factories	Hours	18 570	9 700	7 200

[1] Concerns companies with food production

06 CARE FOR PEOPLE AND SOCIETY

Mobilising all of Orkla

Orkla works to ensure a good future for our own operations, our employees and the society of which we are a part. To contribute to sustainable production and consumption, we are mobilising our employees across companies and countries and engaging actively in collaboration with others.

The big picture

If we are to succeed in limiting climate change and ensuring sustainable resource use, we must be prepared to make a genuine transition. These challenges, combined with new strong global competition and the development of new technology, are spurring innovative thinking about how value is created. For a company like Orkla this creates commercial risk, but also business opportunities linked to innovation and long-term market position. Many countries are struggling with growing economic disparities and high unemployment. These challenges underscore the vital role played by the business community in creating new jobs, increasing productivity and fostering respect for fundamental rights. At the start of a new decade, cooperation and new partnerships between business and industry, public authorities and other key social players are crucial to creating growth that is economically, environmentally and socially sustainable.

Our influence

Given our presence in many countries, it is important that Orkla finds local answers to the major global challenges. That is why we work to make sustainability an integral part of our operations and engage in dialogue with local stakeholders. We are committed to partnering with others to make it attractive to choose sustainable solutions and to make doing so profitable in the long term. Orkla wants to be an attractive employer that offers good working conditions and fair and competitive terms for all its employees. By investing in skills development and working systematically to ensure good occupational health and safety, we make a positive contribution to our employees' job satisfaction and personal development. The Orkla companies also create economic ripple effects for local communities in the form of jobs, tax revenues and sourcing from local suppliers.

Orkla's 2025 sustainability targets

- Create strong local engagement for sustainability
- Be a responsible employer
- Create healthy workplaces with zero injuries
- Create a culture of integrity everywhere
- Create local engagement that makes a positive difference

We contribute to the achievement of the UN's global Sustainable Development Goals 2, 3, 8, 12, 13, 14, 15 and 17.

Orkla's approach

Orkla has adopted a systematic, overarching approach to the topic "Care for people and society" that includes focus on stakeholder dialogue and social engagement, promoting healthy, sustainable consumption, being a responsible employer, fostering integrity and ensuring occupational health and safety. A detailed description of procedures and work processes may be found on Orkla's website under "Results and reporting".

Partnering to promote sustainable development

Through dialogue and collaboration with others, Orkla can make a real positive difference and contribute to attaining the UN's global Sustainable Development Goals. This is also important for building trust in Orkla as a company.

Develoments in 2019

A good stakeholder dialogue

At Orkla we engage in an ongoing dialogue with our different stakeholder groups in order to understand their concerns, discuss important topics that affect our operations, and adapt to changes in society. Partnering with others also enables us to achieve larger solutions and make more progress than we would be able to do on our own. We consider it important to adopt a common approach to stakeholder dialogue in all our key markets, and in 2019 we established a new, uniform organisational structure for our communications work across companies and countries. We engaged actively in dialogue and cooperation with other companies, organisations, research communities and public authorities to increase the collection, sorting and recycling of plastic packaging and develop forward-looking packaging. Sustainable food production, circular business models and climate impact labelling were also important topics of dialogue and collaboration. We continued to pursue our dialogue with government authorities and politicians at national level and in the EU on trade policy framework conditions, other factors relating to our operations and efforts to promote good public health and increase plastic recycling. Orkla's most important stakeholders and the topics of our dialogue in 2019 are summarised in a separate illustration and described in the respective thematic chapters.

Strong local engagement

Important dialogue in Almedalen and Arendal

The Almedalen Week in Sweden and Arendal Week in Norway have become key forums for business and industry, organisations, politicians and ordinary citizens to engage in dialogue on weighty societal issues. At both events, Orkla participated in several panel discussions on challenges and solutions related to food and climate change, plastic pollution, a circular economy and responsible sourcing practices. In Arendal, Orkla held a separate event on climate impact labelling of food and took part in the launch of a Norwegian road map for transitioning to circular plastic value chains.

The Orkla companies partner with local authorities, schools and organisations to make a positive contribution to their local communities. In 2019, Orkla provided a total of NOK 25.5 million in funding for various types of projects that benefit society. Examples of our local engagement:

- **Bringing joy to children in hospitals:** Orkla Health and Collett Vitaminbjørner vitamin bears support the Sykehusklovnene hospital clowns, who are a group of professional performers specialised in working with children in hospitals. Orkla Confectionery & Snacks Danmark supports the Danish Hospitalsklovne.

- **Active lifestyle:** Through the Mesikäpp brand, Orkla Eesti has conducted a campaign offering advice and tips for an active lifestyle, in addition to supporting activities for young people with disabilities.

- **Chrildren's Day**: Orkla Foods Česko a Slovensko has supported events for children in Bysice and other places in the Czech Republic, in continuation of the company's long-term engagement for children.

- **Kalles Kaviar Cup:** Every year, Orkla Foods Sverige and the Kalles brand support a football cup with around 1500 participants. Kalles also supports the Prostate Cancer Foundation.

- **Maskrosbarn** (Dandelion Children): In 2019 Orkla Confectionery and Snacks Sverige carried out various activities to help children in families with substance abuse problems as part of its long-term collaboration with the Maskrosbarn organisation.

The way forward

Orkla aims to strengthen cooperation between the companies in each country to achieve an active, productive stakeholder dialogue and maximise effect through concerted efforts. At the same time, we continue to pursue an active dialogue with public authorities, organisations and other industry players to prevent plastic pollution, reduce greenhouse gas emissions and promote a healthy diet.

Social responsibility in India

In 2019, Orkla-owned MTR Foods continued its strong social engagement. Its partnership with the Akshaya Patra Foundation on providing lunches for schoolchildren was expanded to include 61 schools with around 6000 pupils in Karnataka, where the company is located. In cooperation with the Bommasandra Industries Association, MTR Foods has granted funding to establish shops for ten street sellers who found themselves in a difficult situation with no income. The company has also launched a platform for voluntary engagement through which its employees can support local farmers by planting trees along the Cauvery River, one of the main water sources for Karnataka and Tamil Nadu. MTR Foods employees have donated more than 1,200 trees, thereby contributing to soil improvement and water flow in the river. In August, Karnataka suffered heavy rains and flooding, which caused deaths and extensive material damage. MTR Foods donated supplies and took part in the relief efforts for a total of some 1,800 families in 20 different areas.

Promoting more sustainable consumption

At Orkla, we are committed to making sustainability an integral part of our operations and an increasingly important source of innovation and growth. Several of our companies are engaged in initiatives to promote more sustainable consumption.

Developments in 2019

In 2019, Orkla and its brands carried out a variety of campaigns and initiatives to inspire consumers to adopt healthier, more sustainable consumption habits. We also launched several new products that make it easier to make good environmental choices in everyday life. Examples include:

- **Climate-friendly consumption:** In 2019, TORO launched the climate impact label to give guidance to consumers on the climate effects of TORO products and tips on making good climate-smart choices. Orkla Foods Česko a Slovensko plans to put a climate impact label on Vitana's dried products. Orkla Foods Sverige and Burlöv municipality teamed up to organise a climate week featuring vegetarian recipes designed for school kitchens.

- **Second-hand shopping:** Orkla continued its partnership with Tise, a start-up company with the vision of making the world more sustainable by making second-hand purchases and other green shopping choices fun and inspiring.

- **Health care made easy**: Orkla also collaborates with Your. MD, a web portal offering personal guidance on health issues and medical symptoms.

- **Next is Now:** Under the slogan "Next is Now", Orkla Foods Sverige invited experts on food, sustainability and health to share their knowledge and reflections on changes in Swedish food habits and how the food industry can facilitate healthy, sustainable food choices.

- **Sustainable bakeries:** Under the heading "Idun leads the way", the Idun Group brought representatives of large parts of the Norwegian bakery industry together at a trade fair to share knowledge of trends and inspire creative thinking. Among the innovations that attracted the most attention were a new range of vegan cakes and new packaging solutions that can replace plastic.

- **Brain health:** Möller's Pharma and the Norwegian Brain Council conducted a joint campaign to promote brain health and the benefits of omega-3. For each product sold, one Norwegian krone goes to the Council's projects.

- **A healthy diet:** Sonneveld has worked for many years to increase fiber and reduce salt in their bread mixes. In 2019, they took part in a EU-backed campaign to communi-

Pierre Robert x Jenny Skavlan

In 2019, Pierre Robert launched a new collection of Nordic Swan ecolabelled wool garments in cooperation with actress and clothing designer Jenny Skavland, who is well-known for her engagement in promoting garment reuse and sustainable fashion. The clothes have a timeless design and are made of high-quality materials to be able to last for season after season. The Nordic Swan ecolabel sets strict requirements for every part of the production process, from the sheep farm and wool dyeing process to clothing production and choice of packaging. In connection with the campaign, Jenny Skavland also provided advice and tips on clothing repair through video films and other communication channels. The launch is part of Pierre Robert's general focus on developing clothes that are good environmental choices, produced under good working conditions, and compliant with stringent animal welfare standards.

cate the nutritional benefits of eating bread. The campaign contributed to a 3.4 per cent increase in bread sales in the Netherlands.

- **Healthy lifestyle:** Orkla Lietuva partners with the Sveikatiada initiative on a programme to teach Lithuanian school children to lead a healthy lifestyle. Since 2009, around 35 000 children have taken part in the programme.
- **Sustainable fishing:** The majority of Orkla's fish products are MSC-certified, and Orkla worked closely with MSC in 2019 to raise awareness of the importance of sustainable fishing. Among other things, Abba partners with MSC to carry out a yearly consumer campaign.
- **Plastic clearing:** In cooperation with the Empower organisation, the team behind the Klar brand carried out a pilot project to enable effective collection of plastic waste in nature based on a digital deposit and tracking system. The purpose of the project was to build knowledge and test new circular solutions.

Research on food and health

To gain new insights and develop solutions for sustainable production and consumption, Orkla takes part in a number of research projects. Orkla Foods Sverige is involved in a joint project headed by the Skåne Food Innovation Network, aimed at shaping a strategy for attaining the vision of zero malnutrition among the elderly. Over several years, the company has developed a strong portfolio of nutritious foods especially designed for this target group.

Orkla has participated in Matfloken, a collaborative project between food companies and the Norwegian authorities aimed at gaining knowledge about people's attitudes towards food and sustainability that could be important input for value chain innovation. Orkla Foods Sverige has partnered with the Swedish University of Agricultural Sciences (SLU) on a project to develop new legumes, and a joint project with the University of Lund focused on better utilisation of protein from rapeseed.

Good, responsible marketing

Orkla is committed to responsible marketing to children and young people and has adopted a restrictive practice in this respect. Orkla supports the principles set out in the EU Pledge, and the companies have established procedures to ensure that their marketing of food and drink complies with these principles. Orkla sits on the board of the voluntary Food and Drink Industry Professional Practices Committee. In 2019, the Committee worked to promote responsible marketing through social media. Orkla also participated in drawing up voluntary guidelines for marketing through influencers in Norway, with a view to reducing body-related pressure. In addition, Orkla contributed to the creation of an expert committee on influencer marketing to help ensure sound, responsible marketing practices. In 2019, four cases of breaches of marketing and product labelling rules were reported. One company was given a small fine for incorrect use of health claims on its website, while another company received a small fine for non-compliance with origin labelling requirements in connection with the sale of an imported product. A third company was ordered to provide supplementary information on quantity discounts, while a fourth was required to make changes in its declaration of contents. The first three companies have made changes as ordered, while the fourth has appealed the decision.

The way forward

In the next few years, the companies will intensify their efforts to guide and inspire consumers and professional customers to make healthy, climate-friendly purchasing decisions. This will be done through the marketing of our products and in joint external projects.

Important topics for stakeholder dialogue in 2019

Employees
- A good, inclusive working environment
- Injury prevention
- Diversity and non-discrimination
- Skills development
- Restructuring of businesses
- 2025 sustainability targets

Authorities
- A circular value chain for plastics
- Reduction of food waste
- Partnership for better public health
- Sustainable fishing management
- Deforestation-free supply chains
- The Ethics Information Act
- Ongoing dialogue with supervisory authorities
- The Fair Trade Practices Act
- Agricultural policy and customs issues
- Supply chain due diligence

Customers and consumers
- Healthier products
- Food allergies
- Plastics and environmentally friendly packaging
- Reduction of food waste
- Sustainable raw materials
- Animal welfare
- Recycling of textiles and packaging
- Product safety
- Contingencies
- Product issues

Suppliers
- Sustainable packaging
- Deforestation-free supply chains
- Sustainable fish and seafood
- Improvement work cocoa (Ivory Coast)
- Improvement work cashew nuts and hazelnuts
- Sustainable textile production
- Animal welfare
- Compliance with Orkla's Supplier Code of Conduct

Important topics for stakeholder dialogue in 2019

Local communities*
- Environmental initiatives
- Restructuring of businesses
- Collaboration on vocational training
- Building projects

*Two Orkla factories received complaints from neighbours concerning noise or odours from production. Three factories received complaints from local authorities due to discharges of organic material in wastewater. All the factories have taken remedial action.

Advocacy organisations
- A circular value chain for plastics
- Marine environment protection
- Animal welfare
- Reduction of food waste
- A textile recycling system
- Renewable energy
- Reduction of supply chain greenhouse gas emissions
- Deforestation-free supply chains
- Sustainable fishing
- Supply chain due diligence

Research communities
- Circular business models
- Recycling of plastic
- Reduction of greenhouse gas emissions (Science Based Targets)
- Products' environmental impact
- Development of healthy, sustainably produced food
- Efficient resource use
- Food waste
- Omega-3 and fish

Investors
- Orkla's sustainability strategy
- Climate risk
- Risk management
- Reporting

A responsible employer

Orkla continued its efforts to develop good workplaces characterised by respect and consideration, human resource development, equal opportunities and fair working conditions.

Developments in 2019

Respect for human rights

In 2019, focus was maintained on ensuring that all the companies in the Group comply with the principles set out in Orkla's Responsible Employer and Human Rights Policy. The companies carried out several training initiatives and assessed the risk of non-compliance in the areas covered by the policy. The assessment was carried out by the companies' HR staff in dialogue with elected employee representatives and other key personnel. It showed that the risk of breaches of workers' rights in Orkla's operations is low. The companies have hiring procedures, employment contracts, wage setting and working hours that protect employee rights and ensure compliance with national statutory requirements.

Orkla is committed to offering fair, competitive conditions, and wages are determined through collective bargaining or benchmarking against other companies. The wages of the lowest paid employees exceed national minimum wage requirements, and Orkla has internal guidelines to ensure that all employees are paid a wage that meets their fundamental needs. In a few companies, a need was identified to increase the minimum wage, and these companies have made plans to do so. Most of the companies have established pension plans for permanent employees. None of the Orkla companies have employees under the age of 15, and most of them apply a minimum age limit of 18 years for employment. All the companies consider the risk of a breach of children's rights in their own operations to be low, and there are no cases of forced labour. In connection with the risk assessment in 2019, the companies identified relevant improvement initiatives to attain the goal of being a responsible employer.

«#A home to grow»

In 2018, as part of the focus on being an attractive employer, Orkla carried out a survey to determine what employees in every part of the Group appreciate most about working at Orkla. The insights gained in the survey have been used to formulate a general pledge to employees as to what Orkla must offer as employer. The new pledge - #a home to grow – was launched in 2019 through a number of internal gatherings and other communications initiatives. We also established a new programme for employee ambassadors, which sets out principles for ways in which every employee can engage actively in making Orkla an attractive workplace and be an ambassador for his or her own company.

Comprehensive professional development

Orkla wants to help provide good opportunities for development at all levels and in every country. In the past few years, our human resource development work has been significantly strengthened by better organisation, new central competence-building programmes and increased use of digital training. Orkla's strategy for professional development consists of a combination of learning and development through on-the-job training, social dialogue and formal courses. The scope of course-based training increased in 2019, compared with previous years. Among other things, we strengthened management training programmes by updating Orkla's leadership development programme for middle managers, launched a new introductory course for new management staff and carried out another round of Orkla's strategic leadership development programme for senior executives. Orkla also introduced new digital marketing, sales and digital skills academies. In addition, the companies provided extensive local training in work-related topics such as health, environment, safety and food safety.

A harmonised process and common IT tools for evaluating and following up on management staff and administrative employees were introduced in around 80 per cent of the companies, and our aim is for all the companies to undergo this process. Orkla's goal is to establish procedures ensuring that all its employees have regular development interviews. Unfortunately, not as much progress as hoped is being made in this area, and we see a need both to increase our efforts and improve reporting procedures.

Active employee involvement

Orkla is committed to promoting a corporate culture based on respect and care and to enabling the active involvement of employees in issues that are important for the Group's operations and the individual's work. To achieve this goal, a number of internal gatherings, meetings and other communications and culture-building initiatives were carried out in 2019 at both Orkla and company level. Good formal arrangements for dialogue between management and employee representatives also play an important role in ensuring appropriate handling of matters affecting employee interests. The corporate agreement governing collaboration between Orkla and employee unions expires in 2020 and will then be renegotiated. To supplement the central corporate democracy arrangements, we consider it important to ensure that every company in the Group has formal consultation channels. Around 85 per cent of Orkla employees work in companies that have established such channels. The percentage is somewhat lower than in 2018 due to the acquisition of new companies, and we will follow up on these companies to help improve formal consultation procedures.

Besides wage negotiations, the main topics of management-employee dialogue in 2019 were occupational health and safety and the restructuring projects described on page 122. When changes are carried out that affect the employees, the employee representatives must be involved at an early stage in line with a process agreed on with Orkla's main employee representatives. The period of notice at local level varies according to national legislation and the type of matter involved, but four to eight weeks' notice is typically given in connection with major changes.

Diversity and equal opportunity

Orkla strives to promote diversity and equality of opportunity, and in 2019, several of the companies drew up diversity policies based on Orkla's central diversity guidelines. We held a gathering for 100 employees in Norway which focused on unconscious discrimination, and the experience gained from that meeting will be used to improve training. Many of the companies have also carried out awareness-raising programmes on diversity and non-discrimination, and a total of some 5 000 employees took part in such training in 2019.

In 2019, Orkla decided to endorse the UN Standard of Conduct to support the business community in tackling discrimination against lesbian, gay, bi, trans and intersex (LGBTI) people, and we organised a simple event to highlight this issue in connection with the Oslo Pride Parade. We have also joined a Norwegian corporate network for LGBT in the workplace to promote learning and experience sharing.

Orkla has worked systematically for many years to increase the percentage of women in management positions. Women hold around 40 per cent of all management positions, which is considered satisfactory. The percentage of women in senior executive positions is 35.5 per cent. While the percentage has increased in the past few years, it will be difficult to reach the target of women in 40 per cent of management positions in 2020 and 50 per cent in 2025. Formal employee evaluations are carried out annually in every part of the Group, in which we make a point of looking for women management candidates. When recruiting new management team members at company or business area level, we adhere to the requirement that there must always be at least one woman candidate. In 2019, Orkla adopted a new digital recruitment tool to prevent unconscious bias in connection with recruitment to the Norwegian companies. The project has shown good results, and we are now planning to roll the tool out to more companies and countries.

Orkla has formal, harmonised recruitment and wage-setting procedures designed to prevent discrimination. Nevertheless, internal wage analyses show that there are certain differences in pay between female and male employees that cannot be explained by formal wage-setting criteria. We seek determinedly to avoid such disparities and have developed a database solution that makes it easier for companies to analyse wage data with a view to detecting undesirable differences. Orkla wants to help enable all parents to take parental leave irrespective of gender. In 2019, 4.9 per cent of Orkla's female and 1.3 per cent of male employees took parental leave.

In the past few years, Orkla has improved its internal procedures for handling and reporting grievances and whistle-blowing concerns. In 2019, there was one case of possible discrimination in connection with hiring, but no blameworthy circumstances were revealed.

The way forward

We will continue to promote human resource development, employee consultation and diversity in 2020, and will follow up on areas of improvement identified through risk assessment and management-employee dialogue. In particular, we will improve development interview procedures for blue-collar workers, increase digital training in the Group and carry out an awareness-raising programme on diversity and non-discrimination.

Integrity

Orkla seeks to foster a corporate culture based on integrity and good business practices, and in 2019 continued its efforts to promote good judgement and prevent ethical risk.

Developments in 2019

Corruption and other unethical business practices limit the possibilities of economic development and hamper competition on equal terms. In 2019, we maintained our long-term focus on ensuring high awareness of Orkla's Code of Conduct and preventing undesirable conduct. Orkla has zero tolerance for corruption, price-fixing agreements, market sharing or other measures that impede free competition. Orkla's anti-corruption manual, competition law manual and Code of Conduct describe the Group's standards and guidelines in this area. The anti-corruption manual was updated in 2019 to provide better guidance on dealing with risk factors. Orkla's internal audit staff is responsible for the Group's whistle-blowing system and for investigating and dealing with any matters reported. During the year, the staff addressed matters of varying scope and nature related to possible breaches of Orkla's Code of Conduct. Orkla uses a whistle-blowing channel that enables employees to report matters anonymously in their mother tongue and ensures that Orkla complies with personal data protection and information security rules.

Capital employed by geographical region

Norway	17 573	41%
Sweden	6 708	16%
Denmark	5 783	13%
Finland and Iceland	4 448	10%
Baltics	2 023	5%
Rest of Europe	5 829	13%
Rest of World	879	2%
Total (NOK million)	**43 243**	**100%**

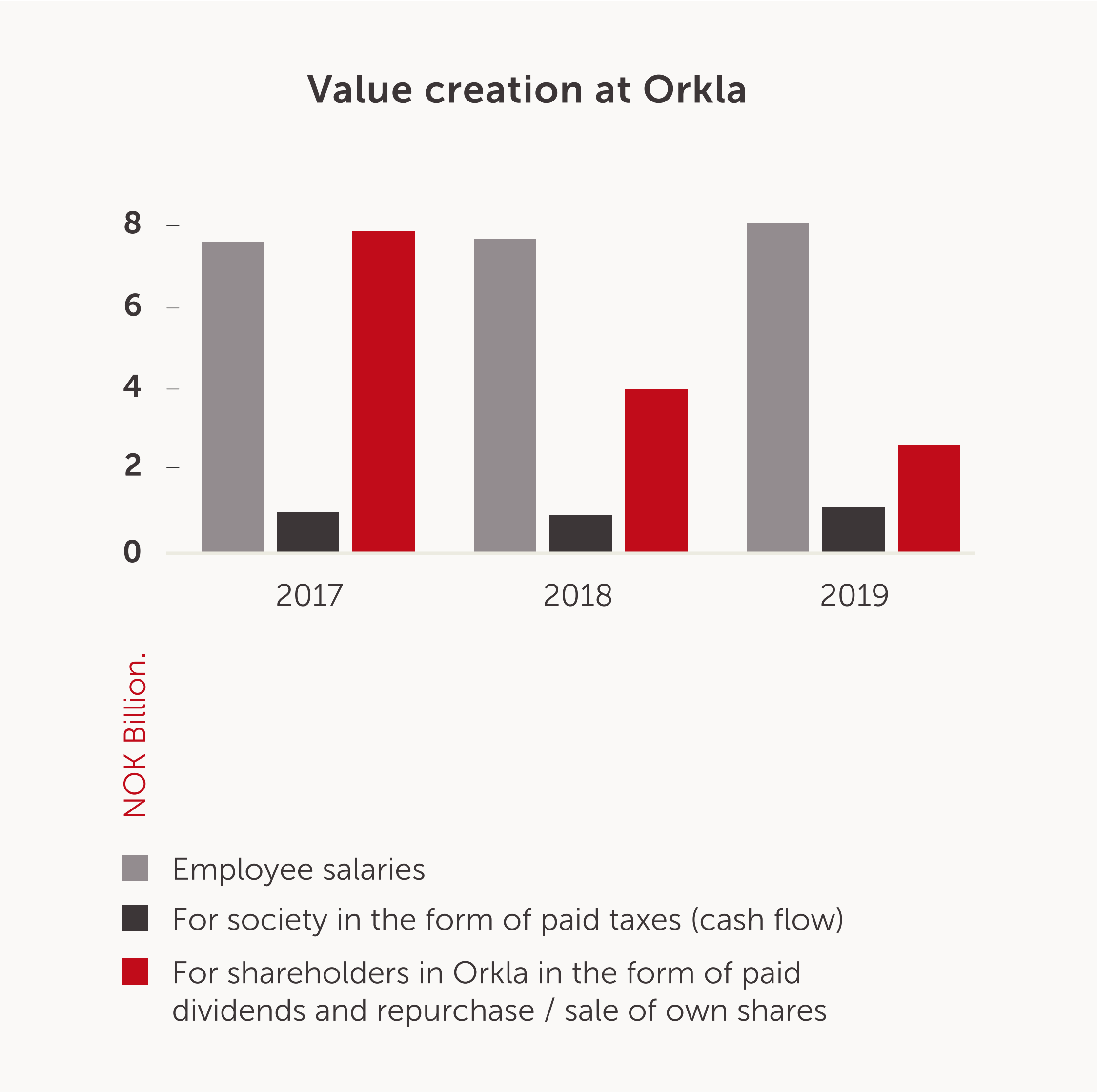
Orkla has reviewed its whistle-blowing procedures to make sure that they satisfy the new rules in the EU directive on protection of whistle-blowers, which enters into force as of 2020.

Orkla's ongoing e-learning programme in anti-corruption and competition law continued in 2019. Other training activities related to anti-corruption and Orkla's Code of Conduct were also carried out in several of the companies. Through Orkla's Supplier Code of Conduct, we require suppliers to have zero tolerance for corruption, and suppliers are monitored if necessary. In connection with acquisitions and major investments, Orkla assesses the risk of becoming involved in breaches of anti-corruption and competition law, and risk-mitigating action is taken whenever we consider the risk to be obvious. In 2019, the Norwegian Competition Authority opened an investigation of Orkla-owned Lilleborg AS based on suspicions of a possible breach of the Competition Act, and the company is assisting the competition authorities by facilitating an effective investigation.

Work on ensuring good internal control of personal data handling has continued, and Orkla has defined clear responsibility for monitoring these procedures in the companies and at Group level. In 2019, the companies reviewed the status of efforts to introduce procedures in this area and identified relevant improvement measures to ensure compliance with the EU Data Protection Directive. In 2019, the companies were contacted by numerous consumers requesting that they be deleted from e-mail address lists, and these requests were dealt with by the companies' consumer service function.

The way forward

Internal training programmes and focus on raising awareness of ethical issues will continue in 2020. The new anti-corruption manual will be translated into several languages and introduced through a new anti-corruption training programme. Orka will also continue to monitor companies to ensure that the personal data handling procedures are functioning as intended.



Orkla's influence in local communities

To create long-term, competitive operations, Orkla invested in new companies, production improvements and some major restructuring projects in 2019. The leading Finnish pizza chain, Kotipizza, which is broadly committed to sustainability, was Orkla's biggest investment in 2019. Orkla Foods is still implementing a five-year investment programme to expand pizza production at Stranda and has invested in modernisation of pickle production in Bzenec, Czech Republic. Production of vegetables and herring in Turku, Finland was closed down and transferred to other businesses within and outside Orkla in 2018-2019. The companies Vitana and Hamé were merged to form the Orkla Foods Česko a Slovensko company in 2019. Orkla Confectionery & Snacks began work on construction of a new, modern chocolate factory in Riga, Latvia, and drew up plans for a new biscuit factory in the same place. Orkla Food Ingredients merged the companies Condite and Prominent into a single company. These increased investments create positive ripple effects in the form of jobs and sourcing from local suppliers. At the same time, around 50 employees have lost their jobs as a result of the restructuring. Those concerned have been helped to find new employment or acquire further training. Employee representatives have been involved in the restructuring projects through regular consultation meetings, and Orkla has also emphasised the importance of openness and dialogue with key stakeholders in the local community.

Occupational health and safety

Orkla wants to promote the good health of its employees. We apply the same occupational health and safety requirements in every country in which we operate. Our companies work systematically to prevent injuries and foster a health-promoting environment.

A safe, healthy working environment is a fundamental right for all employees and essential to ensuring stable, efficient operations. Orkla's vision is to operate with zero injuries. We will achieve this goal by building a strong EHS culture where training and employee involvement at all levels are fundamental elements. Good risk management, systematic efforts to prevent injuries and occupational illnesses, and initiatives to promote a good working environment are crucial to achieving our zero vision. Risk assessment provides an essential basis for effective action plans, and all the companies regularly prepare such assessments. A significant share of risks across companies and countries is related to ergonomics, use of machinery, falls, storage and handling of chemicals, the psychosocial working environment and inadequate knowledge of safety risks and procedures. Orkla wants all its companies to establish principles for health-promoting workplaces, adapting the principles to conditions in each individual country. The companies' EHS work is based on the requirements and guidelines set out in Orkla's EHS standard. Our systematic improvement efforts focus on establishing a high level of knowledge and awareness and taking preventive action.

Developments in 2019

Systematic training and follow-up

Our EHS work is monitored at company and business area level through the submission of status reports to the management teams, the Group Executive Board and Orkla's Board of Directors. All Orkla factories have been audited in the past three years, and facilities that do not meet the requirements of Orkla's EHS Standard at the time of audit are tracked closely. Newly acquired companies are quickly introduced to Orkla's EHS standard. In addition to ensuring that the business units operate in compliance with laws and regulations, the purpose of the audits is to promote learning through systematic observation and feedback.

A strong EHS culture

The Orkla Golden Rules were developed in 2018 to strengthen our EHS culture and underpin our efforts to achieve zero-injury operations. These rules for safe, responsible behaviour were applied in 2019 to raise employee awareness of key topics in our EHS standard in all parts of Orkla. This was done, for instance, through Orkla's common EHS Week, which was held for the second year in a row. The event attracted broad interest, and more than 80 factories and other organisational units carried out internal training activities and improvement initiatives with focus on promoting a good working environment and good employee health. In connection with the EHS Week, the companies were asked to share examples of effective initiatives and practices, and Orkla awarded three internal prizes. Orkla Foods Česko a Slovensko won the prize for best EHS Week for having involved all its employees at 15 factories as well as its sales and office personnel. Orkla Home & Personal Care's factories in Sweden and Malaysia shared the prize for best EHS initiative for good, effective training activities, and Orkla Confectionery & Snacks Norge's factory in Trondheim won the prize for best EHS film. Additionally, both Orkla and the companies held a wide range of courses and gatherings. In 2019, a total of approx. 34,300 hours of organised EHS training were provided by the Group and the companies. To facilitate further development of the Group's EHS culture, information and training materials were prepared in 2019 to create an understanding of the importance of management-employee dialogue. These materials will now be rolled out throughout the company.

Health-promoting work

The recorded sickness absence rate at Orkla was 4.4 per cent in 2019, a significant improvement from 2018. The sickness absence rate is a complex issue determined by many factors at different levels which influence each other in different ways and to different degrees. The rate varies substantially from one country and company to another, and there is continuous focus on improving follow-up of absences and carrying out preventive activities. Preventive activities are important for avoiding future sickness absence, and we therefore also identify health risk so that we can take appropriate action. A number of Orkla companies have carried out risk assessments that show that ergonomics and the psychosocial/organisational working environment are the factors with the greatest impact on sickness related to work and occupational health. Important topics in connection with Orkla's EHS Week in 2019 were therefore team spirit and care for others. Several Česko companies have carried out training and other preventive activities related to the psychosocial working environment, substance abuse prevention and ergonomics.

Injuries

The number of injuries resulting in absence declined from 2018. The Lost Work Day Rate (LWDR) in 2019 was 3.5, a reduction of 15 per cent from the previous year. In 2019, there were fewer injuries with serious consequences and no breaches of official EHS rules were reported. Most of the injuries were of a less serious nature, such as cuts, blows or crushing injuries. All the incidents were followed up in the respective companies. Reporting and investigating EHS incidents provides important information for preventing future accidents and incidents, and helps create greater understanding and awareness of risk within the organisation. Overall, Orkla's performance in terms of reducing the number of occupational injuries has improved. Around two-thirds of Orkla's units had no injuries resulting in absence in 2019. The companies took a variety of actions to prevent injuries. In addition to extensive training and improvements in internal procedures, various types of safety action were taken such as increased use of personal safety equipment, better labelling and replacement of old equipment.

The way forward

Our efforts to prevent injury and promote health will continue with emphasis on the key principles in Orkla's EHS standard. In addition to training and risk mapping, new initiatives will be introduced to ensure that good progress is made towards our goal of zero injuries. To further reduce injuries, we will concentrate more actively on behaviour. Focus on employees' own safety behaviour and that of their colleagues must be strongly embedded in the organisation. Management-employee dialogue is an important tool in this process. Developing good, proactive EHS indicators for tracking companies' performance is also important.

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Care for people and society

GRI-ref.	Indicators	Unit	2019	2018	2017
Stakeholder dialogue and social engagement					
203-1	Support for external organisations and projects				
	- Investment in local infrastructure	NOK million	0	1.5	-
	- Financial support for projects beneficial to the community	NOK million	14.4	17.6	17.3
	- Value of products and work (pro-bono)	NOK million	11.1	11.4	12.3
415-1	Financial support received from government during the year				
	- Subsidies for operational investments, labour and environmental measures	NOK million	51.6	51.6[1]	14.6
	- Raw material price compensation	NOK million	159.3	159.8	161.2
202-2	Share of management team members recruited from the country where the business is located	%	93	91	95
415-1	Total value of political contributions	NOK million	0	0	0
417-2	Formal complaints and matters related to product labelling laws and regulations	Number	2	2	3
417-3	Formal complaints and matters related to marketing laws and regulations	Number	2	0	2
Responsible employer					
405-1	Employee diversity				
	- Total number of employees	Number	18 348	18 510	18 180
	- Share of administrative employees	%	44.3	47.0	40.5
	- Share of blue-collar workers	%	55.7	53.0	59.5
	- Share of employees under 30 years old	%	13.4	13.0	-
	- Share of employees 30-50 years old	%	53.0	51.7	-
	- Share of employees over 50 years old	%	33.6	35.3	-
	- Total share of women employees	%	47.3	47.8	48.7
	- Share of women administrative employees	%	51.5	47.5	47.4
	- Share of women blue-collar workers	%	44.0	48.1	49.7
405-1	Diversity in management				
	- Total number of managers at all levels	Number	2 082	1 850	1 820
	- Total share of women in management	%	39.9	41.4	40.0

[1] Adjusted compared to annual report 2018 due to reporting error

GRI-ref.	Indicators	Unit	2019	2018	2017
Responsible employer					
405-1	- Total share of managers under 30 years old	%	2.5	1.7	-
	- Total share of managers 30-50 years old	%	67.2	61.5	-
	- Total share of managers over 50 years old	%	30.3	36.8	-
	- Managers on Orkla's Group Executive Board	Number	10	10	9
	- Share of women on Orkla's Group Executive Board	%	20	20	11
	- Managers in management teams at Group, business area and company level	Number	391	338	382
	- Share of women in management teams at Group, business area and company level	%	35.5	34.9	34.3

GRI-ref.	Indicators	Unit	2019	2018	2017
Responsible employer					
401-1	Workforce changes - Number of new employee hires - Employee turnover (new employees/total number of employees[2])	 Number %	 1 909 10	 2 050 14	 1 810 10
404-1	Average hours of organised training per employee	Hours	8.5	6.8	7.0
412-1	Human rights risk assessment - Number of business units that have carried out risk assessment during the year - Share of business units that have carried out risk assessment during the year	 Number %	 41 93	 35 83	 - -
412-2	Employee training on human rights issues - Total number of hours of training - Share of employees who have received training during the year (unique individuals not registered)	 Hours %	 42 000 100	 29 700 74	 26 700 45
404-3	Share of employees covered by procedures for regular performance appraisal - Total - Management - Administrative employees - Sales personnel - Blue-collar workers	 % % % % %	 60 89 77 87 46	 61 86 85 88 48	 59 97 76 83 45
406-1	- Formal complaints or cases related to breaches of anti-discrimination regulation	Number	1	1	2

[2] Includes new employee hires and former employees assigned to a new job in merged companies

GRI-ref.	Indicators	Unit	2019	2018	2017
Integrity					
205-2	Anti-corruption training				
	- Number of employees trained during the year	Number	887	3 950	1 810
	- Share of employees trained during the year	%	4.8	21.3	9.9
205-3	Formal complaints and cases related to breaches of anti-corruption regulation	Number	0	1	0
206-1	Formal complaints and cases related to breaches of competition law	Number	1	0	0
418-1	Formal complaints and cases related to breaches of privacy regulation	Number	0	0	-
419-1	Non-compliance with laws and regulations in the social and economic area				
	- Value of significant fines	NOK million	0	0	-
	- Number of non-monetary sanctions	Number	0	0	-
	- Number of cases brought through dispute resolution mechanisms	Number	6	4	-

Occupational health and safety

GRI-ref.	Indicators	Unit	2019	2018	2017
403-10	Sickness absence[3]				
	- Sickness absence, total	%	4.4	4.8	4.7
	- Sickness absence, Norway	%	5.2	6.0	5.3
	- Sickness absence, Nordics (excl. Norway)	%	3.8	4.5	4.4
	- Sickness absence, rest of world	%	4.8	4.8	4.8
403-9	Injuries[3]				
	- Lost Workday Rate[4] (LDWR), total		3.5	4.1	5.7
	- Lost Workday Rate[4], Norway		1.6	2.1	3.8
	- Lost Workday Rate[4], Nordics (excl. Norway) and Baltics		4.7	5.6	7.2
	- Lost Workday Rate[4], rest of world		3.1	3.5	5.3
	- Total Recordable Rate[5](TRR), total		7.0	8.9	12.7
	- Total Recordable Rate[5] (TRR), Norway		5.7	8.5	9.3
	- Total Recordable Rate[5], Nordics (excl. Norway and Baltics)		10.8	12.2	16.2
	- Total Recordable Rate[5], rest of world		4.5	6.2	8.7
	- Work-related fatalities		0	0	0

[3] Historical figures have not been adjusted for changes in group structure
[4] Number of injuries leading to absence per million hours worked
[5] Number of injuries leading to absence, need for medical treatment or restricted work per million hours worked

Annual Financial Statements Orkla Group 2019

04

INCOME STATEMENT, EARNINGS PER SHARE AND STATEMENT OF COMPREHENSIVE INCOME

The Income Statement *presents revenues and expenses for the companies consolidated in the Group and measures the results of companies that are reported using the equity method. Results for the accounting period are measured in accordance with International Financial Reporting Standards (IFRS). All internal matters have been eliminated. The income statement distinguishes between what is deemed to be the Group's operations and what is deemed to be of a more financial nature. Special matters related to operating activities are presented on separate lines as "Other income" and "Other expenses". The notes explain the contents of the different lines of the statement.*
Earnings per Share *are calculated on the basis of profit or loss for the year attributable to owners of the parent divided by the average number of shares outstanding. Earnings per share (adj.) show earnings per share adjusted for other income and expenses after estimated tax and any other items of a special nature under the company's operating profit or loss.*
The Statement of Comprehensive Income *shows the result of all items that are credited/charged to equity, but are not included in profit or loss for the year and are not transactions with owners.*

Amounts in NOK million	Note	2019	2018
INCOME STATEMENT			
Sales revenues	7, 9	43 381	40 629
Other operating revenues	7, 9	234	208
Operating revenues	7, 9	43 615	40 837
Cost of materials	10	(21 696)	(20 348)
Payroll expenses	11, 12	(8 202)	(7 734)
Other operating expenses	13	(6 886)	(6 764)
Depreciation, amortisation and write-downs	7, 19, 20, 21	(1 743)	(1 214)
Operating profit before other income and expenses (EBIT adj.)	7	5 088	4 777
Other income	7, 14	379	54
Other expenses	7, 14	(940)	(536)
Operating profit	7	4 527	4 295
Profit/loss from associates and joint ventures	6	659	264
Interest income	15	18	24
Interest costs	15, 21	(210)	(183)
Other financial income	15	15	7
Other financial costs	15	(78)	(49)
Profit/loss before taxes		4 931	4 358
Taxes	16	(1 033)	(1 004)
Profit/loss for the year		3 898	3 354
Profit/loss attributable to non-controlling interests	33	60	82
Profit/loss attributable to owners of the parent		3 838	3 272

Amounts in NOK million	Note	2019	2018
EARNINGS PER SHARE			
Earnings per share (NOK)	17	3.84	3.24
Earnings per share (adj.) (NOK)	17	4.24	3.62
STATEMENT OF COMPREHENSIVE INCOME			
Profit/loss for the year		3 898	3 354
Other items in comprehensive income			
Items after tax not to be reclassified to profit/loss in subsequent periods			
Actuarial gains and losses pensions	12, 16	(244)	(66)
Changes in fair value shares		1	(4)
Items after tax to be reclassified to profit/loss in subsequent periods			
Change in hedging reserve	16, 31	58	70
Items charged to equity in associates and joint ventures	6	29	10
Translation effects		(146)	10
Hedging of net investment in foreign operations	31	(3)	(50)
Comprehensive income		3 593	3 324
Comprehensive income attributable to non-controlling interests	33	58	82
Comprehensive income attributable to owners of the parent		3 535	3 242

STATEMENT OF FINANCIAL POSITION

***The Statement of Financial Position** presents the Group's assets, broken down into non-current and current items, and shows how they have been financed, broken down into equity and non-current and current liabilities. All internal matters have been eliminated. As a result of the implementation of IFRS 16, the restated balance is shown as at 1 January 2019.*

The different standards determine how the items in the statement of financial position are to be treated. The statement of financial position items are explained in the notes to the financial statements.

Amounts in NOK million	Note	31.12. 2019	1.1.[1] 2019	31.12. 2018
ASSETS				
Property, plant and equipment	7, 20, 21	15 402	14 043	12 760
Intangible assets	7, 19	22 727	20 577	20 577
Deferred tax assets	16	27	33	33
Investments in associates and joint ventures	6, 7	4 176	3 849	3 849
Other assets	22	408	488	488
Total non-current assets		42 740	38 990	37 707
Inventories	23	5 868	5 875	5 875
Inventory of development property	23	90	132	132
Trade receivables	24	6 078	5 990	5 990
Other receivables and financial assets	24	968	827	827
Cash and cash equivalents	25	1 669	1 978	1 978
Total current assets		14 673	14 802	14 802
Total assets		57 413	53 792	52 509

[1]Including effects of implementing IFRS 16 Leases.

Amounts in NOK million	Note	31.12. 2019	1.1.[1] 2019	31.12. 2018
EQUITY AND LIABILITIES				
Paid-in equity	32	1 972	1 971	1 971
Retained earnings		32 480	31 546	31 658
Non-controlling interests	33	460	436	451
Total equity		34 912	33 953	34 080
Interest-bearing liabilities	21, 28, 29	7 783	5 916	4 775
Deferred tax	16	1 619	1 529	1 566
Provisions and other liabilities	26	3 181	3 060	3 060
Total non-current liabilities		12 583	10 505	9 401
Interest-bearing liabilities	21, 28, 29	803	761	455
Income tax payable	16	533	686	686
Trade payables	27	5 591	4 907	4 907
Other liabilities	27	2 991	2 980	2 980
Total current liabilities		9 918	9 334	9 028
Total equity and liabilities		57 413	53 792	52 509

STATEMENT OF CASH FLOWS

***The Statement of Cash Flows** in accordance with IFRS shows how the Group's cash flows are broken down into cash flow from operating, investing and financing activities, according to the indirect method. The cash flow statement explains the general changes in the Group's liquidity since the previous accounting period. Orkla also prepares a separate cash flow statement that is used for internal management purposes and is part of the basis for the comments in the Report of the Board of Directors and the presentation in the segment information; see Note 38.*

Amounts in NOK million	Note	2019	2018
Profit before taxes		4 931	4 358
Amortisation, depreciation and write-downs	14, 19, 20, 21	2 221	1 270
Changes in net working capital, etc.		471	(314)
Profit/loss from associates and joint ventures	6	(659)	(264)
Dividends received from associates and joint ventures	6	184	183
Gains, losses and write-downs shares and financial assets, moved to investing activities	15	9	-
Financial items without cash flow effect	15	93	59
Taxes paid	16	(1 129)	(904)
CASH FLOW FROM OPERATING ACTIVITIES		6 121	4 388
Sale of property, plant and equipment	8	54	38
Investments in property, plant and equipment and intangible assets	8	(2 522)	(2 332)
Sold companies	5, 6	432	47
Acquired companies	5, 6	(2 858)	(972)
Other capital transactions		(197)	(42)
CASH FLOW FROM INVESTING ACTIVITIES		(5 091)	(3 261)

Amounts in NOK million	Note	2019	2018
Dividends paid		(2 648)	(2 685)
Sale of treasury shares		59	57
Buy-back of treasury shares		-	(1 435)
Net paid to shareholders	32	(2 589)	(4 063)
Proceeds from borrowings		2 210	9
Repayments of borrowings		(434)	(9)
Repayments of lease liabilities	21	(492)	-
Net change in short-term debt/current liabilities		116	(36)
Net change in interest-bearing receivables		(151)	120
Net cash flow from/(used in) financing acitivites[1]	29, 38	1 249	84
CASH FLOW FROM FINANCING ACTIVITIES		(1 340)	(3 979)
Currency effect on cash and cash equivalents		1	(4)
Change in cash and cash equivalents		(309)	(2 856)
Cash and cash equivalents 1 January		1 978	4 834
Cash and cash equivalents 31 December	25	1 669	1 978
Change in cash and cash equivalents		(309)	(2 856)

[1]Reported excl. interest-bearing liabilities and receivables that are part of company acquisition and disposal transactions; see the reconciliation in Note 38.

STATEMENT OF CHANGES IN EQUITY

***Equity changes** from one period to the next in accordance with the Group's comprehensive income. Furthermore, transactions with owners will be presented as separate items. This applies to matters such as dividends to shareholders, share issues and the Group's purchase and sale of treasury shares. Equity cannot be distributed to shareholders in its entirety. The equity in Orkla ASA (see the annual financial statements for Orkla ASA) constitutes the basis of calculation for and the limitation on the dividends paid to the Group's shareholders.*

Amounts in NOK million	Share capital	Treasury shares	Premium fund	Total paid-in equity	Hedging reserve[1]	Items charged to equity in associates and JV[2]	Net translation effects	Other retained equity	Total Group	Non-controlling interests	Total equity
Equity 1 January 2018	1 274	0	721	**1 995**	(228)	214	1 564	30 863	**34 408**	**430**	**34 838**
Profit/loss for the year	-	-	-	**-**	-	-	-	3 272	**3 272**	**82**	**3 354**
Items in comprehensive income	-	-	-	**-**	70	10	(40)	(70)	**(30)**	**-**	**(30)**
Group comprehensive income	-	-	-	**-**	70	10	(40)	3 202	**3 242**	**82**	**3 324**
Dividends paid	-	-	-	**-**	-	-	-	(2 643)	**(2 643)**	**(42)**	**(2 685)**
Net purchase of treasury shares	-	(24)	-	**(24)**	-	-	-	(1 354)	**(1 378)**	**-**	**(1 378)**
Change in non-controlling interests (see Note 33)	-	-	-	**-**	-	-	-	-	**-**	**(19)**	**(19)**
Equity 31 December 2018	1 274	(24)	721	**1 971**	(158)	224	1 524	30 068	**33 629**	**451**	**34 080**
Effect of implementing IFRS 16	-	-	-	-	-	-	-	(112)	**(112)**	**(15)**	**(127)**
Equity 1 January 2019	1 274	(24)	721	**1 971**	(158)	224	1 524	29 956	**33 517**	**436**	**33 953**
Profit/loss for the year	-	-	-	**-**	-			3 838	**3 838**	**60**	**3 898**
Items in comprehensive income	-	-	-	-	58	29	(147)	(243)	**(303)**	**(2)**	**(305)**
Group comprehensive income	-	-	-	-	58	29	(147)	3 595	**3 535**	**58**	**3 593**
Dividends paid	-	-	-	**-**	-	-	-	(2 599)	**(2 599)**	**(49)**	**(2 648)**
Cancellation of treasury shares	(22)	22	-	**-**	-	-	-	-	**-**	**-**	**0**
Net sale of treasury shares	-	1	-	**1**	-	-	-	58	**59**	**-**	**59**
Change in non-controlling interests (see Note 33)	-	-	-	**-**	-	-	-	(60)	**(60)**	**15**	**(45)**
Equity 31 December 2019	1 252	(1)	721	**1 972**	(100)	253	1 377	30 950	**34 452**	**460**	**34 912**

[1]See Note 31 for unrealised gains before tax. [2]Items charged to equity in associates and joint ventures (JV).

Oslo, 11 March 2020
The Board of Directors of Orkla ASA

Stein Erik Hagen
Chairman of the Board

Grace Reksten Skaugen
Deputy Chair of the Board

Peter Agnefjäll

Ingrid Jonasson Blank

Lars Dahlgren

Liselott Kilaas

Nils K. Selte

Terje Utstrand

Karin Hansson

Sverre Josvanger

Roger Vangen

Jaan Ivar Semlitsch
President and CEO

(This translation from Norwegian of the Annual Financial Statements has been made for information purposes only.)

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Notes Group

NOTE 1 GENERAL INFORMATION

This general information provides an overview of the financial statements presented, who approves them and where the company is listed on a stock exchange. Individual events that are unusual in this year's financial statements and any changes in accounting policies compared with previously presented financial statements are also described.

General

The consolidated financial statements for Orkla ASA, including notes, for the year 2019 were approved by the Board of Directors of Orkla ASA on 11 March 2020. Orkla ASA is a public limited company and its offices are located at Drammensveien 149, Oslo (Norway). Orkla ASA's organisation number is NO 910 747 711. The company's shares are traded on the Oslo Stock Exchange. The Orkla Group operates primarily in the branded consumer goods, renewable energy and real estate sectors. The business areas are described in the segment information in Note 7.

The financial statements for 2019 have been prepared and presented in full compliance with applicable International Financial Reporting Standards (IFRS), as adopted by the EU.

Jaan Ivar Semlitsch took up the position of Orkla President and CEO on 15 August 2019, after Peter A. Ruzicka resigned on 7 May 2019. On 10 October 2019, changes were announced in both Orkla's Group Executive Board and in Orkla's segment structure. In Orkla's Annual Report the segments are presented according to the new segment structure.

In the new segment structure, Orkla Consumer & Financial Investments is a new business area in Orkla. The new business area will have two parts:
- Orkla Consumer Investments consisting of Orkla House Care, Lilleborg, Pierre Robert, Kotipizza and Gorm's.
- Industrial & Financial Investments consisting of Hydro Power, Real Estate, Venture and Orkla's non-controlling interest in Jotun.

Orkla Consumer Investments is now the fifth business area in Branded Consumer Goods, while Industrial & Financial Investments will be reported outside Branded Consumer Goods. Hydro Power will be shown separately in the segment reporting. For further information on the segments, see Note 7. All the figures for 2018 have been restated according to the new segment structure.

The Group has implemented IFRS 16 Leases since 1 January 2019. The standard requires that discounted right-of-use leases with associated payment liabilities be capitalised as an asset. Orkla has chosen to apply the modified retrospective method when implementing IFRS 16, which gives rise to an equity effect upon implementation. The comparative figures have not been restated, but a new balance as at 1 January 2019 is presented in the statement of financial position. See also Note 21 for information on leases.

No changes have otherwise been made in IFRS that have a material effect on this year's financial statements. For information regarding future changes in financial standards, see Note 3.

Accounting policies and estimate uncertainty are largely incorporated into the individual notes. The accounting policies have been highlighted with a "P" and estimate uncertainty is marked with an "E". Estimate uncertainty will vary, and the areas in which estimates will be most significant will be specified in both Note 4 and in the relevant notes, with cross-references. In addition, certain sustainability elements have been presented in relevant notes and marked with an "S".

Apart from the changes described above, the Group has made no other changes in presentation or accounting policies nor applied any new standards that materially affect its financial reporting or comparisons with previous periods.

Alternative performance measures (APM)

Orkla uses EBIT (adj.) in both the income statement and in its presentation of segment results. EBIT (adj.) is defined as "Operating profit or loss before other income and expenses". "Other income" and "Other expenses" are items that only to a limited degree are reliable measures of the Group's ongoing profitability. The most important matters are disclosed in Note 14.

Orkla uses the terms "Organic growth", "Changes in underlying EBIT (Adj.)" and "Underlying EBIT (adj.) margin growth" to explain changes in operating revenues and EBIT (adj.). These are not accounting terms, but are used in the Report of the Board of Directors and the segment information in Note 7. Organic and underlying growth have been adjusted for currency translation effects, acquisitions and disposals.

The terms "Replacement and expansion investments" are used in the "Orkla-format cash flow presentation" in Note 38 and in Note 7 "Segments".

The definitions of the various alternative performance measures may be found on page 227.

Note 1 cont.

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Sales and purchases of companies
Acquisitions and disposals of companies are presented in Note 5. The biggest acquisition in 2019 was the purchase of Kotipizza Group Oyj.

Other matters
Orkla has no loan agreements containing financial covenants.

In accordance with adopted policies, the Group carried out impairment tests for all intangible assets with an indefinite useful life and for all goodwill prior to the preparation and presentation of results for the third quarter. As a result of these tests, goodwill and brands were written down, mainly in Orkla Care and Orkla Consumer Investments. Apart from the write-downs taken in 2019, no value shortfalls related to property, plant or equipment or intangible assets were identified in the Group as at 31 December 2019; see Note 18.

The Norwegian krone strengthened marginally against the EUR and the SEK in 2019. This resulted in the recognition in equity of a net total of NOK 149 million in negative translation differences.

SUSTAINABILITY

A good dialogue with stakeholders is essential to fulfilling Orkla's responsibility towards various stakeholder groups, adapting to changes in society and building trust in Orkla's operations. Orkla is engaged in an active dialogue with customers, suppliers, employees, shareholders, authorities and civil society actors, and wishes to provide an insight into the way the Group deals with matters of importance for the Group's operations and key stakeholder groups. Orkla reports on the progress made in its efforts to address environmental and social issues in a Sustainability Report, which is included as a separate section in Orkla's Annual Report. Further information on the reporting criteria may be found on page 61-62.

NOTE 2 BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

It is crucial to understanding these financial statements that the user is informed of the fundamental principles for the recognition of items and the consolidation of the Group. Similarly, the use of parentheses and the currency in which the financial statements are presented will be significant for the correct understanding of the financial statements.

The assets in the statement of financial position are recognised on the basis of the purchase cost, and this will largely determine their further accounting treatment. Normally, the purchase cost will be the highest value at which an asset may be recognised. However, this does not apply to the treatment of financial assets and accounting hedges, which are reported at fair value on an ongoing basis. Assets that no longer justify their value are written down to the recoverable amount, which is the higher of value in use and fair value minus selling costs.

The financial statements are prepared on the basis of the underlying assumptions of the accrual accounting principle and the going concern assumption. In general, the latter can be justified by Orkla's financial strength with an equity ratio of 60.8% as at 31 December 2019 and financial reserves that more than cover the Group's liabilities in the next 12 months; see Note 29.

An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it consists of cash or cash equivalents on the statement of financial position date or when the entity concerned does not have an unconditional right to defer payment for at least 12 months. Other items are non-current. A dividend does not become a liability until it has been formally approved by the General Meeting. Discontinued operations and assets held for sale are presented on separate lines as current items.

All amounts are in NOK million unless otherwise stated. Figures in parentheses are expenses or disbursements (cash flow). The functional currency of the parent company (Orkla ASA) is NOK and the Group's reporting currency is NOK.

The information in italics preceding the income statement, statement of financial position, statement of cash flows and notes is provided to give a more detailed explanation of the various presentations.

Consolidation principles and recognition of companies in the Group
The consolidated financial statements show the overall financial results and the overall financial position when the parent company Orkla ASA and companies in which the Group has sole control (subsidiaries) are presented as a single economic entity. All the companies that are

Note 2 cont.

consolidated have applied consistent accounting policies and all intercompany matters have been eliminated. In addition, associates and joint ventures are presented using the equity method, while any minor assets in other companies are presented at fair value, with changes in value reported in the comprehensive income statement.

Interests in companies in which the Group alone has controlling interest (subsidiaries) have been consolidated, line by line, on a 100% basis in the consolidated financial statements from the date the Group has control and are consolidated until the date that such control ends. The Group will have control if it has the power to govern the subsidiary, has exposure or rights to variable returns from the subsidiary and can affect the amount of the returns in the subsidiary. If the Group has control, but owns less than 100% of the subsidiaries, the companies are still consolidated, line by line, on a 100% basis, while the non-controlling interests' share of profit or loss after tax and their share of equity are presented on separate lines. As at 31 December 2019, no companies were consolidated in the Group based on the rules regarding de facto control, i.e. that the Group has < 50% ownership, but by virtue of the ownership composition nonetheless in fact has control.

Profit or loss from associates and joint ventures is presented on an ongoing basis as part of the Group's profit or loss. These are both presented using the equity method. This applies to interests in companies in which the Group together with others has controlling interest (joint ventures) and interests in companies where the Group has significant influence (associates). Both these categories are disclosed in Note 6.

Small ownership interests in other companies are disclosed in Notes 22 and 24. These financial investments are mainly capitalised at fair value and both changes in value and any gains or losses are recognised as other items in comprehensive income.

If a material part of the Group's operations is divested, an agreement is made to divest it, or if the Group loses its controlling interest/significant influence, these operations are presented as "Discontinued operations" on a separate line in the income statement and the statement of financial position. A material part is defined as an individual segment, an individual geographical area or a substantial asset. Consequently, all other figures are presented exclusive of the "Discontinued operations". The comparative figures in the income statement are restated and aggregated with the "Discontinued operations" on one line. The comparative figures for the statement of financial position and the statement of cash flows are not restated correspondingly. If an agreement is entered into to sell operations or assets that constitute less than a segment, assets and liabilities are reported on separate lines of the statement of financial position as "Held for sale". The income statement and the statement of cash flows are not restated.

Principles for translating foreign currency

Revenues and expenses in subsidiaries with a different functional currency from that of the parent company are translated monthly at the average exchange rate for the month and accumulated. Statement of financial position items in subsidiaries with a different functional currency are translated at the exchange rate on the statement of financial position date. Translation differences arise from two different situations. The first is when an income statement with a different functional currency than that of the parent company is translated at the average monthly exchange rate, while the statement of changes in equity is translated at the closing rate. The second is when the opening and closing rates of the statement of changes in equity differ. When the average exchange rate in the income statement and the opening rate in the statement of changes in equity differ from the closing rate, translation differences arise in the explanation of changes in equity. Translation differences are recognised as other items in comprehensive income.

Translation differences related to borrowing and lending in another functional currency, identified as net investment, are also reported as other items in comprehensive income. This is shown as a separate item.

All exchange rates have been obtained from Norges Bank.

Main exchange rates on consolidation against NOK

	Average of monthly exchange rates		Closing rate 31 December	
	2019	2018	2019	2018
EUR	9.85	9.60	9.86	9.95
SEK	0.93	0.94	0.94	0.97
DKK	1.32	1.29	1.32	1.33

Transactions in foreign currencies are recognised at the exchange rate on the date of the transaction. Financial receivables and liabilities in foreign currencies are presented at the exchange rate on the statement of financial position date, and any gain/loss is reported in the income statement as a financial item. Other monetary items (e.g. accounts receivable and accounts payable) in a foreign currency are presented at the exchange rate on the statement of financial position date, and any gain/loss is reported in the income statement as an operating item.

NOTE 3 PRESENTATION OF THE FINANCIAL STATEMENTS AND FUTURE DEVELOPMENTS

Key accounting policies elaborate on the basic principles applied and describe how individual items in the financial statements have been treated. All the policies are consistent with current IFRS, but choices, interpretations and adaptations must nonetheless be made which may affect the preparation and presentation of financial statements to varying degrees. Accounting is constantly evolving and changes in rules can to some extent give rise to significant changes in accounting practices.

As stated by way of introduction, the disclosure of accounting policies has been presented in the relevant notes. This has been done so as to give financial statement users as clear an overview as possible when they consult the various notes.

The financial statements

The complete set of financial statements consists of an income statement, a statement of comprehensive income, a statement of financial position, a statement of cash flows and a statement of changes in equity. The financial statements present one comparative year. As a result of the implementation of IFRS 16, the statement of financial position has been restated as at 1 January 2019.

The income statement shows the Group's ordinary profit or loss, is divided into lines for various income and expense items and culminates in the Group's profit or loss for the year. Orkla has chosen to present its income statement based on a traditional classification of expenses by nature.

The statement of comprehensive income is based on the Group's profit or loss for the year and presents items that are recognised in equity, but not included in ordinary profit or loss for the period. Actuarial gains and losses on pensions and gains or losses and changes in the value of share investments are recognised in equity with permanent effect, while the other items are recognised in equity temporarily and reversed when the related assets/items are sold or settled. Corresponding items in associates and joint ventures are reported in the same way.

The statement of financial position is traditionally structured, the assets section starting out with non-current assets and ending with cash and cash equivalents. Interest-bearing receivables except for cash and cash equivalents are not presented on separate lines, based on materiality considerations. The interest-bearing items are disclosed in notes. In the equity and liabilities section, a distinction is made between equity, interest-bearing and non-interest-bearing non-current and current items.

The statement of cash flows is structured using the indirect method, presenting cash flows from operating, investing and financing activities, and explains changes in "Cash and cash equivalents" in the reporting period.

Orkla also presents an Orkla-format cash flow statement in the Report of the Board of Directors and in Note 38. The bottom line of the statement shows the change in net interest-bearing liabilities. Segment information refers to this statement, as the Group's cash flows are reported and managed in this way. Cash flow from operations is an important management parameter at Orkla; see Note 7.

The statement of changes in equity presents all the items reported in equity, including items from the comprehensive income statement. Other items in addition to the latter consist of transactions relating to shareholders, such as dividends, the purchase and sale of treasury shares and transactions relating to non-controlling interests.

Future amendments to standards

The consolidated financial statements will be affected by future changes in IFRS. The International Accounting Standard Board (IASB) has both published standards and is working on projects that could affect the Orkla Group's financial statements to varying degrees. Work is in progress, for instance, on a new standard for Insurance Contracts (IFRS 17), as well as minor changes in the standard for Business Combinations (IFRS 3), the standard for Presentation of Financial Statements (IAS 1) and for Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8). The changes in existing standards are intended to assist companies in determining whether they have acquired a business or a group of assets and to create a uniform definition of materiality across all the IFRS standards. These changes are not expected to have a material effect on the consolidated financial statements.

NOTE 4 USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The preparation of financial statements entails that the executive management must make decisions on the closing date on the basis of the information and discretionary assessments available on the date in question. This may apply to estimates and assumptions relating to financial statement items or other matters that may also have a material influence on the valuation of the company. Any material change in value from 31 December and up until the time the Board of Directors approves the annual financial statements will be reflected in either the financial statements or in the notes.

Areas of greatest estimate uncertainty

The management has made use of estimates and assumptions in preparing the consolidated financial statements. This applies to assets, liabilities, revenues, expenses and supplementary information related to contingent liabilities.

Fair value assessments are affected by estimates of required rates of return. The required rate of return is determined by using the capital asset pricing model and is affected by estimates of risk-free interest and risk premium.

Most statement of financial position items will be affected to some degree by estimate uncertainty. This is disclosed in the respective notes. Some areas are substantially affected by estimate uncertainty, and the areas where estimates will have the greatest significance will be:

Amounts in NOK million

Accounting item	Note	Estimate/assumptions	Carrying value
Goodwill	18, 19	Net present value future cash flows/NSV[1]	16 533
Trademarks with indefinite life	18, 19	Net present value future cash flows/NSV[1]	5 653
Property, plant and equipment	18, 20	Net present value future cash flows/NSV[1]	13 955
Leases	21	Lease period, renewal options and net present value future cash flows	1 447
Discounts, reduction in prices of seasonal goods, etc.	9, 27	Estimated need for provision in line with agreements	1 516
Provisions for liabilities and other non-current liabilities	26	Estimated need for provision based on incurred liabilities and estimated exposure	695

[1]NSV: Net sales value

The areas where there is the greatest risk of material changes are capitalised goodwill and trademarks with an indefinite useful life. This is because the amounts involved are substantial and the value of the asset is based on recognition principles from purchase price allocations. Valuations relating to these non-current assets are described in Note 18. It is important to be aware that proprietary trademarks are not capitalised and consequently do not entail any risk in relation to the statement of financial position.

The valuation and estimated useful life of property, plant and equipment are based on future information and will always involve a degree of uncertainty. Especially in a situation where the Group is planning major changes in its manufacturing structure and number of production sites, there will be extra focus on the assessments made of different production facilities. The various production sites are routinely assessed based on a going concern approach, but in a situation where a change in organisational structure could mean that some plants will be closed or reorganised, these assessments will have to be changed on an ongoing basis and could lead to the identification of both net book value surpluses and net book value deficits.

Similarly, the Group's decision to invest in a common ERP platform may make it necessary to change the useful life of or write down some currently used IT systems. A valuation of the IT systems concerned will be made on the date the various companies formally confirm their investment in a new ERP system. (For more information on the new ERP system, see Note 19.)

In Branded Consumer Goods, discounts amount to a substantial total. The discounts do not appear directly in the financial statements. It is net turnover after discounts that is presented as the Group's operating revenues. The majority of the discounts are netted in the invoices. Provisions are made for the share of discounts that are not netted directly in the invoice.

Discounts for which provisions are made are reported as a current liability as at 31 December and totalled NOK 1.5 billion in 2019. Discounts for which provisions are made are related to contractual arrangements that are largely based on agreements with chains and reported sales. The discount structure is complex and discounts are calculated on the basis of various discount matrices and agreements, and entail an inherent risk of estimate variance.

Other sales revenue reductions such as reductions in the price of seasonal goods, etc. must be estimated, due to the fact that externally-sourced data will not be available until after the

Note 4 cont.

financial statements have been prepared and presented. These arrangements also entail an inherent risk of estimate variance. There have been no material variances between provisions for and actually reported sales revenue reductions in the past few years.

After the sale of its stake in Sapa in 2017, Orkla retained certain liabilities arising from its former ownership. These are primarily liabilities related to guarantees and specific indemnities given to Norsk Hydro. In the second quarter of 2019, Orkla paid approximately NOK 200 million to Norsk Hydro in connection with the settlement reached between subsidiaries of Norsk Hydro and the US Department of Justice (DOJ), Civil and Criminal Divisions. The remaining provision as at 31 December 2019 (see Note 26) is deemed to be sufficient to cover Orkla's remaining liabilities.

Other estimates and assumptions are disclosed in various notes, and any information that is not logically included in other notes is presented in Note 37.

Looking ahead

Future events and changes in operating parameters may make it necessary to change estimates and assumptions. Orkla's partnership agreements with customers are mainly entered into for limited periods of time, as is the case for the rest of the industry. The parameters for the partnership are thus normally renegotiated at regular intervals. These negotiations can result in changes in both the conditions and positions covered by the individual partnership agreement. Agreements with individual customers are normally entered into by the Orkla companies (business units).

New standards and new interpretations of current standards may result in changes in the choice of accounting policies and presentation. Such changes will be recognised in the financial statements when new estimates are prepared and whenever new requirements regarding presentation are introduced. These matters are disclosed in both the description of policies and in notes.

Exercise of judgement

The financial statements may be affected by the choice of form of presentation, accounting principles and exercise of judgement. This applies, for instance, to items that only to a limited degree are reliable measures of the Group's current earnings. These items are presented as "Other income" and "Other expenses" in the income statement. The items are included in the Group's operating profit, but not in EBIT (adj.) broken down by segment.

Assessments regarding the recognition of leases may also entail exercise of judgement. This applies, for instance, when assessing whether renewal options should be recognised as well as whether a distinction should be made between leases and service agreements.

Orkla has also chosen to present profit or loss from associates and joint ventures after operating profit or loss.

Use of a different set of assumptions for the presentation of the financial statements could have resulted in significant changes in the different lines of the income statement presented. However, the bottom line would have been the same.

SUSTAINABILITY

The global challenges related to climate change, resource scarcity, nutrition and health affect Orkla's activities in the form of a risk of changes in raw material availability, costs, consumer preferences and political framework conditions. The Group monitors developments closely through an active dialogue with stakeholders and ongoing analyses. Orkla's sustainability strategy covers the topics considered particularly important for the Group based on a combined sustainability and business perspective. Through its sustainability work, Orkla's ambition is to contribute towards achieving the global sustainability goals, ensure effective risk management and exploit sustainability-related opportunities to create growth, trust and long-term profitability. The business risk for Orkla related to the global sustainability challenges is described in greater detail on pages 59-60 and 69-70.

NOTE 5 DISPOSALS AND ACQUISITIONS OF COMPANIES AND MATERIAL ASSETS

Sales and purchases of companies affect the comparison with the previous year's figures, and the changes in the various notes must be seen in the light of this factor. Purchased companies are presented in the financial statements from the date on which control transfers to the Group. Sold companies, which are not covered by the rules regarding "Discontinued operations", cease to be included in the financial statements from the date the Group no longer has control.

ACCOUNTING POLICIES

Disposals of companies
When a business is divested, the gain is measured as the difference between the selling price and the company's booked equity, minus any remaining excess value related to the business. Any sales expenses incurred will reduce the gain/increase the loss. Accumulated translation differences and any hedging reserves related to the divested business will be recognised in the income statement as part of the gain/loss, with a corresponding contra entry in other items in comprehensive income. The gain will be reported before tax and the business's associated tax will be recognised on the tax line of the income statement. The real gain is reflected in the sum total of the gain and the tax. If the sold business qualifies for recognition as "Discontinued operations", all the effects associated with the gain will be reported on the line for "Discontinued operations" in the income statement.

Acquisitions of companies
Business combinations are accounted for using the acquisition method. When a subsidiary is acquired, a fair value assessment is carried out, and assets and liabilities are valued at their fair value at the time of acquisition. The residual value in the acquisition will be goodwill. The acquisition is reported in the financial statements from the date the Group has control. The date of control is normally the date on which the acquisition agreement takes effect and has been approved by all the relevant authorities and will normally be after the contract date. If there are non-controlling interests in the acquired company, these will receive their share of allocated assets and liabilities, except for goodwill. Transactions with the non-controlling interests will be recognised in equity. In companies where the Group already owned interests prior to the business combination, any change in the value of earlier interests will be recognised in the income statement. The Group's equity will therefore be affected by the fact that the assets are repriced as if the entire acquisition had been made at this time. The same procedure will in principle be carried out in connection with the establishment of a joint venture and with the acquisition of an associate. However, these are not considered to be business combinations because the Group does not obtain control. M&A costs and subsequent integration costs are recognised as "Other expenses".

Disposal of companies
In June 2019, Orkla signed an agreement with the City of Oslo on the sale of the property at Treschows gate 16. The agreement was approved by the Oslo City Council on 25 September, and a gain of NOK 294 million on the sale was taken to income; see Note 14.

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

In the fourth quarter of 2019, Orkla sold its 50% interest in the Oslo Business Park property to Stor-Oslo Eiendom; see Note 6.

Acquisition of companies
On 22 November 2018, Orkla made an offer to purchase all the shares in Kotipizza Group Oyj ("Kotipizza"). Kotipizza was listed on Nasdaq Helsinki, and as at 31 December 2018, Orkla owned 11% of the shares. The share purchase offer was completed in accordance with its conditions in the first quarter of 2019. Kotipizza is a leading player in the growing Finnish restaurant market, and Finland is one of Orkla's home markets. The restaurants are mainly franchise-operated. Kotipizza has 95 employees, and the company was consolidated as of 1 February 2019. Goodwill in Kotipizza is chiefly related to the business system in the form of processes, procedures and employees.

In December 2018, Orkla entered into an agreement to purchase 90% of the shares in Easyfood A/S, a Danish manufacturer of bake-off bakery goods for the out-of-home channel. Easyfood has established itself as a solid supplier to the out-of-home market in Denmark and has a growing customer base. Easyfood currently has 144 employees. The company was consolidated into the Group's financial statements as of 1 May 2019. Orkla has an option to purchase the remaining 10% of the company.

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

Note 5 cont.

Orkla House Care completed an agreement to take over the remaining 50% of the shares in the joint venture Anza Verimex Holding. Since 2018, Orkla House Care has owned 50% of the company which is market leader for the sale and distribution of painting tools in the Netherlands and Belgium. The business that is to be transferred consists of Anza Verimex Holding B.V. (Netherlands) and its two subsidiaries PGZ Nederland B.V. (Netherlands) and Anza Verimex NV (Belgium). Going forward, the companies will be operated under the name Orkla House Care Benelux. The companies involved in the transaction have around 10 employees. While the joint venture was part-owned by Orkla, the business's profit was reported as "Profit/loss from associates and joint ventures" using the equity method (see Note 6), but as of 1 October 2019 the wholly-owned company was consolidated into Orkla's income statement. As a result of the company's transition from a joint venture to a subsidiary, all the company's assets have been recognised at fair value. This has resulted in recognition of NOK 33 million in income under "Other income" related to the adjustment in the value of the previously recognised interest as a joint venture; see Note 14.

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

Orkla Food Ingredients purchased the British caramel manufacturer Confection by Design Ltd. Confection by Design offers fudge and toffee to ice cream manufacturers, bakeries and confectioners, and approximately two thirds of its portfolio are distributed by Orkla's UK subsidiary Orchard Valley Foods. The company has 35 employees. The company was consolidated into Orkla's financial statements as of 1 July 2019.

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

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

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

Orkla Food Ingredients also acquired non-controlling interests in companies including the NIC and Dragsbæk groups.

Acquisitions of associates and joint ventures are disclosed in Note 6.

Other matters relating to purchase price allocations
Capitalised goodwill related to acquisitions comprises synergies, assets related to employees, other intangible assets that do not qualify for separate capitalisation, future excess earnings and the fact that deferred tax in accordance with IFRS is not discounted.

None of the purchase price allocations for the acquisitions made in 2019 had been finalised as at 31 December 2019, due to uncertainty attached to certain valuation factors.

The purchase price allocations for all companies acquired in 2018 were completed in 2019. No material changes were made in the purchase price allocations.

Operating revenues and EBIT (adj.) for the largest acquisitions, before and after the acquisition, are presented in the table on the next page.

A total of NOK 94 million (NOK 64 million in 2018) was expensed in acquisition costs in 2019.

E ESTIMATE UNCERTAINTY

In company acquisitions, the assets taken over are valued at fair value at the time of purchase. The various assets are valued on the basis of different models, and goodwill is the residual in this type of purchase price allocation. Errors in estimates and assumptions can lead to an error in the split of the value between the various assets, but the sum of the total value surpluss will always be consistent with the purchase price paid.

Note 5 cont.

Acquired companies

Amounts in NOK million	Acquisition			Allocation of excess and deficit values					Operating revenues		EBIT (adj.)	
	Date of control	Interest (%) after acquisiton	Acquisition cost	Trade-marks	Property, plant and equipment	Other	Deferred tax	Goodwill	After acquisition date	Before acquisition date	After acquisition date	Before acquisition date
2019												
Kotipizza Group, Orkla Consumer Investments	February	100%	1 547	431	-	(8)	(85)	1 146	982	83	82	5
Easyfood, Orkla Foods	May	90%[2]	398	-	-	(1)	-	310	293	141	18	9
Kanakis, Orkla Food Ingredients	April	80%	191	-	-	-	-	104	174	46	22	4
Anza Verimex, Orkla Consumer Investments	October	100%	168	-	-	-	-	274[3]	43	140	9	30
Vamo, Orkla Food Ingredients	September	100%	148	-	4	(2)	-	102	44	84	5	10
Confection By Design, Orkla Food Ingredients	July	100%	131	-	-	-	-	108	33	36	9	12
Risberg, Orkla Food Ingredients	June	100%	112	-	-	(2)	-	98	44	33	10	7
Other acquisitions			227	10	-	(7)	(5)	56				
Acquisitions at enterprise value			**2 922**	**441**	**4**	**(20)**	**(90)**	**2 198**				
Investments in associates and joint ventures (see Note 6)			115									
Purchase of other shares			26									
Acquisitions in segments, enterprise value (see Note 38)			**3 063**									
Interest-bearing liabilities acquisitions			(205)									
Cash flow effect acquisitions[1]			**2 858**									
2018												
Health and Sport Nutrition Group (HSNG), Orkla Care	February	100%	356	95	-	(40)	(12)	273	631	69	18	2
Werners Gourmetservice, Orkla Food Ingredients	May	92%[2]	146	-	5	-	(1)	117	114	47	7	3
Struer Brød, Orkla Foods	February	100%	117	-	(3)	1	(1)	70	134	11	7	1
Pizza restaurant chain Gorm's, Orkla Consumer Investments	April	67%[2]	64	-	-	-	-	111	86	19	3	1
County Confectionery, Orkla Food Ingredients	October	100%	49	-	-	2	-	3	16	70	3	5
Other acquisitions			106	-	-	-	-	29				
Acquisitions at enterprise value			**838**	**95**	**2**	**(37)**	**(14)**	**603**				
Investments in associates and joint ventures (see Note 6)			75									
Purchase of other shares			167									
Acquisitions in segments, enterprise value (see Note 38)			**1 080**									
Interest-bearing liabilities acquisitions			(108)									
Cash flow effect acquisitions[1]			**972**									

[1] Equivalent to compensation for equity adjusted for cash and cash equivalents. Cash and cash equivalents in acquisitions totalled NOK 275 million in 2019 (NOK 14 million in 2018).
[2] The companies have been recognised on a 100% basis due to option agreements entered into at the time of acquisition.
[3] Includes goodwill carried in the company's statement of financial position before the acquisition of the remaining 50% of the shares in Anza Verimex.

Note 5 cont.

Acquired companies statement of financial position

Amounts in NOK million	Total 2019 Fair value	2019 Kotipizza	Total 2018 Fair value
Property, plant and equipment	385	190	170
Intangible assets	474	469	123
Other long-term assets	-	-	1
Inventories	239	42	148
Receivables	347	91	105
Assets	1 445	792	547
Provisions	(92)	(83)	(26)
Non-current liabilities, non interest-bearing	(85)	(42)	(79)
Current liabilities, non interest-bearing	(311)	(109)	(207)
Non-controlling interests	45	-	-
Net assets	1 002	558	235
Goodwill	2 198	1 146	603
Total acquisition cost at enterprise value	3 200	1 704	838
Previous ownership interest in acquired companies	(278)	(157)	-
Acquisition cost at enterprise value 2019	2 922	1 547	-

Ⓢ SUSTAINABILITY

Orkla purchased companies in 2019 that enhance the Group's ability to promote sustainable consumption. The Kotipizza Group pizza restaurant chain holds a strong position in the Finnish restaurant market and engages extensively in promoting sustainability. Through its 43.5% interest in the Portuguese company Asteriscos e Reticências, S.A. and its Captain Kombucha brand, Orkla has achieved a European position in tea-based health drinks. Through the acquisition of the Swedish company Lecora, Orkla expanded its portfolio of organic, vegan and vegetarian foods.

NOTE 6 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates and joint ventures are investments in companies where the Group has significant, but not controlling influence. In order to show the financial performance of such companies they are consolidated on a single line of the income statement and the statement of financial position using the equity method.

Ⓟ ACCOUNTING POLICIES

The equity method

Investments in associates are investments in companies in which the Orkla Group has significant influence by virtue of its ownership interest. These are usually companies in which Orkla owns a 20-50% stake. Joint ventures are investments in companies where the Group, together with others, has controlling influence. Both of these types of investment are accounted for using the equity method. The Group presents its share of the companies' results after tax and non-controlling interests on a separate line in the income statement and accumulates the results reported for the share on a single line in the statement of financial position. Any value surplus that is to be amortised is deducted from profit according to the same principles as for consolidated companies. Goodwill is not amortised. Dividends received are reported against the ownership interest in the statement of financial position and are regarded as repayment of capital. The value presented in the statement of financial position thus represents the original cost price plus profit or loss accumulated up to the present date, minus any amortisation of value surpluses and accumulated dividends received. Account is also taken of the share of any translation differences and other equity transactions. Any write-downs of the value of the ownership interest are presented on the same line.

Associates and joint ventures

Orkla's 42.6% interest in Jotun is presented as an associate; see separate paragraphs below. In addition to the companies commented on below, Orkla has only some smaller associates.

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

Note 6 cont. ➔

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Orkla purchased 20% of the Icelandic company Nói Síríus, Iceland's leading chocolate and confectionery manufacturer. Nói Síríus is market-leading in Iceland and over 70% of the company's turnover comes from its domestic market. The company also has a growing share of exports and tax-free sales. The company also distributes certain strong global branded consumer brands of chocolate, snacks and breakfast products. Nói Síríus has around 150 employees and the company's turnover totalled ISK 3,436 million (approx. NOK 244 million) in 2018. Under the agreement, Orkla has an option to acquire the remaining shares after 2020. The company was consolidated into the income statement as of 1 December 2019.

Orkla House Care completed an agreement to take over the remaining 50% of the shares in the joint venture Anza Verimex Holding. Since 1 April 2018 Orkla House Care has held 50%, and the company was accounted for using the equity method. As a result of Anza Verimex's transition from a joint venture to a subsidiary, all the company's assets have been recognised at fair value. This has resulted in the recognition in income of NOK 33 million under "Other income" related to the adjustment in the value of the interest previously recognised as a joint venture; see Notes 5 and 14.

Orkla sold the Oslo Business Park property to Stor-Oslo Eiendom. Orkla owned 50% of Oslo Business Park. The transaction generated a gain of NOK 35 million. A seller's credit for a term of up to five years was granted in connection with the sale.

Figures for associates and joint ventures which do not report in accordance with IFRS are restated prior to inclusion in the consolidated financial statements. Orkla has no contingent liabilities, either on its own or jointly with other investors, in associates or joint ventures.

Associates and joint ventures

Amounts in NOK million	Jotun	Other	Total
Book value 1 January 2018	3 439	244	3 683
Additions/disposals	7	68	75
Share of profit/loss	258	6	264
Dividends	(182)	(1)	(183)
Items charged to equity	8	2	10
Book value 31 December 2018	3 530	319	3 849
Additions/disposals	-	(177)	(177)
Share of profit/loss	625	34	659
Dividends	(182)	(2)	(184)
Items charged to equity	29	-	29
Book value 31 December 2019	4 002	174	4 176

Cost price 31 December 2019	189
Ownership interest	42.6%[1]

[1]The Group has 38.4% of the voting rights in Jotun.

Note 6 cont.

Jotun

Jotun is one of the world's leading manufacturers of paints and powder coatings, with 56 subsidiaries, three joint ventures and five associates. Jotun has 39 production plants distributed across all of the world's continents. Jotun's activities consist of the development, manufacture, marketing and sale of various paint systems for the residential, shipping and industrial sectors. Jotun is divided into four segments: Decorative Paints, Marine Coatings, Protective Coatings and Powder Coatings.

The cost price for Jotun is NOK 189 million, while the carrying value using the equity method is NOK 4,002 million. Orkla's equity interest (42.6%) serves as the basis for recognition using the equity method, while Orkla has 38.4% of the voting rights. Orkla owns 42,203 A shares and 103,446 B shares in the company. An A share carries 10 times as many votes as a B share.

Jotun is a family-controlled group, and Orkla has been an active minority shareholder in Jotun for almost 50 years. The value of Orkla's interest in Jotun must be seen in the light of this situation. An internal valuation of Jotun substantiates that there are considerable value surpluses in Orkla's investment in Jotun in relation to its carrying value.

The following tables show 100% figures for Jotun.

Items in the income statement and statement of financial position

Amounts in NOK million	2019	2018
Operating revenues	19 652	17 660
Operating profit/loss	2 320	1 361
Profit/loss after tax and non-controlling interests	1 468	605
Other comprehensive income after non-controlling interests	1 487	596
Non-current assets	9 137	7 743
Current assets	9 998	8 971
Total assets	19 135	16 714
Non-current liabilities	3 939	2 565
Current liabilities	5 613	5 680
Total liabilities	9 552	8 245

Reconcilation of equity Jotun against Orkla's share

Equity in Jotun	9 584	8 469
Non-controlling interests	280	224
Owners of the parent's equity	9 304	8 245
Orkla's share of equity (42.6%)	4 002	3 530

NOTE 7 SEGMENTS

In the segment information, sales revenues, organic growth, profit and loss, cash flows and capital employed, together with operating margin and the number of man-years, are broken down between the different business areas. Sales revenues are also broken down geographically based on the customer's location.

Branded Consumer Goods

Orkla Foods offers well-known local branded products to consumers in the Nordics, Baltics, Central Europe and India. The business area holds leading market positions in a number of categories, including frozen pizza, ketchup, soups, sauces, bread toppings and ready-to-eat meals. A steadily growing percentage of sales comes from plant-based food products. Orkla Foods primarily sells its products through the grocery retail trade, but also holds strong positions in the out-of-home, convenience store and petrol station sectors. Norway and Sweden are Orkla Foods' two largest markets.

Orkla Confectionery & Snacks holds strong number one and number two positions in the confectionery, biscuits and snacks categories, with well-known local brands and tastes in Norway, Sweden, Denmark, Finland, Latvia and Estonia. The business area also develops bran and crispbread products, as well as healthy, high-energy snack meals. Its turnover chiefly comes from the Nordic and Baltic markets. Norway is its largest single market.

Orkla Care consists of four branded consumer goods companies which serve markets in the Nordics, Baltics, Poland and Spain, in addition to making substantial export sales outside its home markets. The two largest business entities are Orkla Home & Personal Care which holds leading positions in personal care and cleaning products, and Orkla Health, which has strong dietary supplement, sport nutrition and weight control brands. Orkla Care is also well positioned in several European countries with Orkla Wound Care in wound care products and first aid equipment. HSNG runs the e-commerce portals Gymgrossisten and Bodystore, and is the biggest online player in the Nordics in the health and sport nutrition category.

Orkla Food Ingredients manufactures, sells and distributes ingredients and products to the bakery and ice cream markets in 23 countries. The Nordic region accounts for around half of the sales. Artisanal and industrial bakeries are the largest customer group, with around 50% of sales. Sales of ice cream ingredients account for around 15%, and around 20% are sales directly to consumers under well-known brands. The biggest product categories are margarine and butter blends, bread and cake improvers and mixes, yeast, marzipan and ice cream ingredients.

Orkla Consumer Investments consists of Orkla's painting tool businesses (Orkla House Care), basic garments sold through the grocery retail trade (Pierre Robert Group), professional cleaning (Lilleborg) and restaurant businesses (Kotipizza Group and Gorm's). The businesses operate primarily in the Nordic countries, but the UK is also an important market for Orkla House Care. Orkla Consumer Investments is part of the Orkla Consumer & Financial Investments business area.

Headquarters (HQ)

Activities at Orkla HQ include the Group's top executive management and the corporate and shared functions Group HR, Compensation & Benefits, Corporate Communications & Corporate Affairs, Orkla Services, Internal Audit, Legal and Compliance, EHS, Finance and IT, Strategy and M&A, Group Sales, Orkla Marketing & Innovation and Orkla Group Procurement. Most of the activities at Orkla HQ are related to Branded Consumer Goods.

Industrial & Financial Investments

Orkla has investments outside Branded Consumer Goods, which are organised under Industrial & Financial Investments. The business area comprises Hydro Power and Financial Investments, in addition to the associate Jotun (42.6% interest); see Note 6. Industrial & Financial Investments are part of the Orkla Consumer & Financial Investments business area.

Hydro Power consists of wholly-owned power plants in Sarpsfoss and leased power plants through Orkla's 85% interest in AS Saudefaldene. The power operations in Sauda are regulated by a lease with Statkraft that runs until 31 December 2030. The energy operations produce and supply power to the Nordic power market and mean annual production (2011-2019) totals 2.5 TWh, of which around 1.1 TWh is a fixed delivery commitment with a net effect of zero on profit. See also Note 34.

Note 7 cont.

01 02 03 04 05

Financial Investments consists of Orkla Eiendom and Orkla Venture. Orkla Eiendom is responsible for developing real estate properties freed up by the restructuring of Branded Consumer Goods, and the development of the Group's new headquarters that was completed in February 2019. Orkla Ventures was established in 2017 to reach out to a growing universe of entrepreneurial businesses and start-up companies. The purpose of Orkla Ventures is to invest in technology, concepts and business models that might be relevant for Orkla's businesses. Besides offering risk capital, Orkla provides both expertise and collaboration in relevant parts of the value chain. Investments will initially be concentrated in the Nordic and Baltic regions, in line with Orkla's other core activities.

Further information on the individual business areas:
For a complete overview of Orkla companies, reference is made to page 262.

Ⓟ ACCOUNTING POLICIES

Orkla has business areas as operating segments. Internally, Orkla Foods is reported as two operating segments, but externally is presented as a single operating segment based on the segment aggregation rules. The operating segments otherwise correspond to the way in which the business areas report figures to the Group Executive Board (chief operating decision maker), but are limited to an expedient number. The business area Orkla Consumer & Financial Investments is divided into two operating segments. Orkla Consumer Investments is reported as part of Branded Consumer Goods, while Industrial & Financial Investments is reported outside Branded Consumer Goods.

Sales revenues are broken down by geographical market based on the customer's location. The accounting policies on which segment reporting is based are the same as for the rest of the consolidated financial statements.

Transactions between different segments are priced on market terms. Orkla ASA provides services to the companies in the Orkla Group and charges them for these services based on the aforementioned principles.

Segment information
The operating profit or loss in the segment information is identical to the information presented in the income statement for the Group. The operating costs in the segment presentation are equal to the sum total of the costs of materials, payroll expenses and other operating expenses. The Orkla Group has a central finance function and the financing of the various segments does not necessarily reflect the real financial strength of the individual segments. Financial items are therefore presented for the Group as a whole. The same applies to tax expense. Cash flow figures have been taken from the Orkla-format cash flow statement; see Note 38.

The segment information tables show sales broken down by geographical market, based on the customers' location. The products and services from which revenues are generated are specified in the description on the previous page. Orkla has three customers who each account for around 10% of turnover in Branded Consumer Goods.

Net operating capital is defined in a separate table below.

Specification net working capital Branded Consumer Goods incl. HQ

Amounts in NOK million	2019	2018
Trade receivables	6 062	5 963
Other current receivables	729	567
Inventories	5 868	5 866
Trade payables	(5 573)	(4 860)
Value added tax, employee taxes etc.	(845)	(769)
Other current liabilities	(1 975)	(1 918)
Net working capital	4 266	4 849

Figures showing the geographical breakdown of capital employed, investments in owned property, plant and equipment and the number of man-years are also presented; see Note 8.

Note 7 cont.

01 02 03 04 05

Segments 2019

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Orkla Consumer Investments	HQ	Elimin-ations	**Branded Consumer Goods incl. HQ**	Hydro Power	Financial Investments	Elimin-ations	**Orkla**
REVENUES/PROFIT/LOSS												
Norway	4 706	1 878	1 986	1 065	1 164	7	-	**10 806**	794	4	-	**11 604**
Sweden	4 466	1 378	1 263	1 619	219	-	-	**8 945**	-	1	-	**8 946**
Denmark	1 256	693	519	1 900	186	-	-	**4 554**	-	-	-	**4 554**
Finland and Iceland	978	1 097	560	715	1 156	-	-	**4 506**	-	-	-	**4 506**
The Baltics	521	1 155	67	366	11	-	-	**2 120**	-	-	-	**2 120**
Rest of Europe	3 608	354	1 126	4 322	609	12	-	**10 031**	-	4	-	**10 035**
Rest of the world	1 130	43	312	102	28	1	-	**1 616**	-	-	-	**1 616**
Sales revenues	16 665	6 598	5 833	10 089	3 373	20	-	**42 578**	794	9	-	**43 381**
Other operating revenues	9	8	23	20	5	24	-	**89**	32	113	-	**234**
Intercompany sales	102	6	31	183	7	534	(846)	**17**	-	60	(77)	**-**
Operating revenues	16 776	6 612	5 887	10 292	3 385	578	(846)	**42 684**	826	182	(77)	**43 615**
Organic growth (Branded Consumer Goods)	*1.8%*	*4.6%*	*0.0%*	*0.6%*	*-3.4%*			*1.3%*				
Operating expenses	(13 860)	(5 225)	(4 874)	(9 379)	(2 946)	(879)	846	**(36 317)**	(393)	(151)	77	**(36 784)**
Depreciation, amortisation and write-downs	(640)	(293)	(158)	(287)	(142)	(61)	-	**(1 581)**	(141)	(21)	-	**(1 743)**
EBIT (adj.)	2 276	1 094	855	626	297	(362)	-	**4 786**	292	10	-	**5 088**
Other income and expenses	(159)	(73)	(196)	(85)	(223)	(56)	-	**(792)**	-	231	-	**(561)**
Operating profit/loss	2 117	1 021	659	541	74	(418)	-	**3 994**	292	241	-	**4 527**
CASH FLOW (SEE NOTE 38)												
Cash flow from operations	2 649	1 061	902	568	348	(730)	-	**4 798**	276	(141)	-	**4 933**
Of this replacement expenditures	(504)	(318)	(172)	(389)	(180)	(368)	-	**(1 931)**	(162)	(194)	-	**(2 287)**
Expansion investments	(424)	(26)	(17)	(164)	-	-	-	**(631)**	-	-	-	**(631)**
CAPITAL EMPLOYED												
Net working capital	1 600	344	847	1 425	323	(273)	-	**4 266**	4	62	-	**4 332**
Investments in associates and joint ventures	78	-	-	-	27	37	-	**142**	-	4 034	-	**4 176**
Intangible assets	8 765	4 974	4 236	2 125	2 547	60	-	**22 707**	19	1	-	**22 727**
Property, plant and equipment	5 027	2 121	1 028	2 164	610	764	-	**11 714**	2 042	1 646	-	**15 402**
Pension liabilities, net	(907)	(233)	(322)	(178)	(34)	(632)	-	**(2 306)**	(17)	(3)	-	**(2 326)**
Deferred tax, net value, surpluses	(421)	(403)	(132)	(8)	(100)	-	-	**(1 064)**	-	(4)	-	**(1 068)**
Capital employed	14 142	6 803	5 657	5 528	3 373	(44)	-	**35 459**	2 048	5 736	-	**43 243**
KEY FIGURES												
Operating margin EBIT (adj.)	13.6%	16.5%	14.5%	6.1%	8.8%	-	-	**11.2%**	35.4%	-	-	**11.7%**
Total man-years 31 December	7 488	2 825	1 839	3 541	1 352	580	-	**17 625**	47	20	-	**17 692**

Note 7 cont.

Segments 2018

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Orkla Consumer Investments	HQ	Elimin-ations	**Branded Consumer Goods incl. HQ**	Hydro Power	Financial Investments	Elimin-ations	**Orkla**
REVENUES/PROFIT/LOSS												
Norway	4 668	1 784	2 057	1 095	1 177	1	-	**10 782**	973	-	-	**11 755**
Sweden	4 261	1 313	1 251	1 425	234	-	-	**8 484**	-	-	-	**8 484**
Denmark	1 029	642	484	1 815	166	-	-	**4 136**	-	-	-	**4 136**
Finland and Iceland	949	1 004	525	677	188	-	-	**3 343**	-	-	-	**3 343**
The Baltics	487	1 099	67	339	10	-	-	**2 002**	-	-	-	**2 002**
Rest of Europe	3 487	338	965	3 942	575	-	-	**9 307**	-	38	-	**9 345**
Rest of the world	1 002	49	389	91	32	1	-	**1 564**	-	-	-	**1 564**
Sales revenues	15 883	6 229	5 738	9 384	2 382	2	-	**39 618**	973	38	-	**40 629**
Other operating revenues	17	6	21	13	3	32	-	**92**	52	64	-	**208**
Intercompany sales	100	11	19	165	8	562	(863)	**2**	-	12	(14)	**0**
Operating revenues	16 000	6 246	5 778	9 562	2 393	596	(863)	**39 712**	1 025	114	(14)	**40 837**
Organic growth (Branded Consumer Goods)	*1.5%*	*-3.4%*	*-2.4%*	*1.2%*	*-1.1%*			*-0.2%*				
Operating expenses	(13 401)	(5 005)	(4 833)	(8 854)	(2 108)	(828)	863	**(34 166)**	(580)	(114)	14	**(34 846)**
Depreciation, amortisation and write-downs	(551)	(235)	(104)	(175)	(39)	(52)	-	**(1 156)**	(55)	(3)	-	**(1 214)**
EBIT (adj.)	2 048	1 006	841	533	246	(284)	-	**4 390**	390	(3)	-	**4 777**
Other income and expenses	(165)	(61)	(88)	(44)	(70)	(29)	-	**(457)**	-	(25)	-	**(482)**
Operating profit/loss	1 883	945	753	489	176	(313)	-	**3 933**	390	(28)	-	**4 295**
CASH FLOW (SEE NOTE 38)												
Cash flow from operations	1 941	863	651	433	229	(657)	-	**3 460**	462	(434)	-	**3 488**
Of this replacement expenditures	(468)	(256)	(91)	(224)	(39)	(323)	-	**(1 401)**	(5)	(357)	-	**(1 763)**
Expansion investments	(356)	(38)	(68)	(69)	-	-	-	**(531)**	-	-	-	**(531)**
CAPITAL EMPLOYED												
Net working capital	2 029	418	1 016	1 383	348	(345)	-	**4 849**	11	103	-	**4 963**
Investments in associates and joint ventures	3	-	-	1	110	-	-	**114**	-	3 735	-	**3 849**
Intangible assets	8 492	5 049	4 412	1 666	895	42	-	**20 556**	19	2	-	**20 577**
Property, plant and equipment	4 382	1 888	815	1 481	317	437	-	**9 320**	1 894	1 546	-	**12 760**
Pension liabilities, net	(771)	(195)	(264)	(150)	(25)	(563)	-	**(1 968)**	(18)	(3)	-	**(1 989)**
Deferred tax, net value, surpluses	(426)	(408)	(154)	(8)	(20)	-	-	**(1 016)**	-	(4)	-	**(1 020)**
Capital employed	13 709	6 752	5 825	4 373	1 625	(429)	-	**31 855**	1 906	5 379	-	**39 140**
KEY FIGURES												
Operating margin EBIT (adj.)	12.8%	16.1%	14.6%	5.6%	10.3%	-	-	**11.1%**	38.0%	-	-	**11.7%**
Total man-years 31 December	7 511	2 923	1 943	3 409	1 329	385	-	**17 500**	47	86	-	**17 633**

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NOTE 8 GEOGRAPHICAL BREAKDOWN OF CAPITAL EMPLOYED, INVESTMENTS AND NUMBER OF MAN-YEARS

Capital employed, investments and number of man-years are broken down by geographical markets based on the location of the companies. The note shows to what extent and in which countries/areas the Orkla Group has a physical presence.

	Capital employed		Investments[1]		Number of man-years	
Amounts in NOK million	2019	2018	2019	2018	2019	2018
Norway	17 573	16 237	1 148	1 228	2 841	3 053
Sweden	6 708	6 894	462	444	3 339	3 105
Denmark	5 783	5 454	262	238	1 632	1 483
Finland and Iceland	4 448	2 554	111	74	824	761
The Baltics	2 023	1 920	158	75	1 797	1 865
Nordic region and the Baltics	36 535	33 059	2 141	2 059	10 433	10 267
Rest of Europe	5 829	5 258	356	226	5 511	5 586
Rest of the world	879	823	30	46	1 748	1 780
Total	43 243	39 140	2 527	2 331	17 692	17 633
Link between segments and "Investments":						
Net replacement expenditures, from segments (see Note 7)			2 287	1 763		
Sale of property, plant and equipment (see cash flow statement)			54	38		
Expansion investments (see Note 7)			631	531		
New capitalised leases (see Note 21 and 38)			(450)	-		
Changes in accounts payable investments			5	(1)		
Total			2 527	2 331		

[1]Does not apply to property, plant and equipment acquired through purchases of companies.

ACCOUNTING POLICIES

Capital employed is the enterprise's net capitalised productive capital and is defined in the segment note as the net of segment assets and liabilities. Goodwill and intangible assets constitute a large share of capital employed. Investments are the total of replacement expenditures and expansion investments in owned property, plant and equipment. The number of man-years is the number of employees adjusted for fractional posts in the current reporting period. See Note 7 for segment information.

The increase from 2018 to 2019 in capital employed in Norway is largely related to investments in a new pizza factory at Stranda, a new head-quarters and a new common ERP platform. Capitalisation of leases also generally increases capital employed. The figures for Sweden, Denmark, Finland and the rest of Europe were otherwise impacted by acquisitions in 2019.

SUSTAINABILITY

Many Orkla companies are major employers, and both employees and management are chiefly recruited from the country in which the business is located. By developing profitable workplaces, Orkla creates positive ripple effects for society in the form of skills development, new jobs at supplier companies and in the public sector, and payment of direct and indirect taxes. To ensure long-term, competitive operations, Orkla made a number of changes in its manufacturing footprint in 2019. Along with the acquisition of new companies, this resulted in substantial investments in Norway, Sweden, Denmark, the UK, the Czech Republic, Portugal and Latvia.

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NOTE 9 REVENUE RECOGNITION

The date on which revenue is recognised and the policies applied will be decisive in determining the profit or loss in the reporting period. In the same way, both the policies applied to and the definition of the term "sales revenue reductions" (discounts, etc.) will play a role in determining the total amount of operating revenues.

ACCOUNTING POLICIES

IFRS 15 Revenue from Contracts with Customers establishes a theoretical framework for recognition and valuation of revenue. The date on which the revenue is recognised is determined through a five-step model, the main points of which are identification of a contract with the customer, identification of separate performance obligations, fixing of a transaction price, allocation of the transaction price to separate performance obligations and recognition of revenue upon fulfilment of the performance obligations. Recognition means the date on which an amount is to be taken to income and valuation means how much is to be reported in income. An enterprise fulfils a performance obligation by transferring control of the agreed product or service to the customer, and revenue is recognised at the time the performance obligation is fulfilled.

Sales revenues are presented after deducting discounts, value added tax and other government charges and taxes such as the confectionery tax. The Orkla Group sells goods and services in many different markets.

Breakdown of external operating revenues

Amounts in NOK million	2019	2018
Branded Consumer Goods	42 623	39 676
HQ	44	34
Branded Consumer Goods incl. HQ	42 667	39 710
Hydro Power	826	1 025
Financial Investments	122	102
Industrial & Financial Investments	948	1 127
Total external operating revenues	43 615	40 837

See Note 7 Segments for further breakdown of operating revenues in Branded Consumer Goods and operating revenues broken down by geographical areas.

Operating revenues Branded Consumer Goods

Sales channels split of external operating revenues Branded Consumer Goods:

Amounts in NOK million	2019	2018
Grocery	23 515	22 692
Specialised Trade[1]	5 688	5 240
Industry[2]	5 339	5 416
Hotel, Restaurants and Catering	4 111[4]	2 681
Export[3]	2 496	2 324
Other channels	1 474	1 323
Total external operating revenues Branded Consumer Goods	42 623	39 676

[1]External sales where the product is sold in a specialised outlet.
[2]External sales to other industrial companies or business-to-business customers.
[3]External sales (independent of channels) outside the company's home market.
[4]The increase in sales linked to Hotels, Restaurants and Catering is largely related to the purchase of Kotipizza; see Note 5.

A sale is chiefly defined as an isolated delivery obligation that has been fulfilled and is recognised in income when the goods are transferred to the counterparty, either when they leave the Group's factory premises or when they arrive at the customer's property. Sales are recognised in income at the expected value of the consideration after deducting benefits to customers, including estimated bonus payments, discounts and reductions in the price of seasonal goods. As at 31 December 2019, a provision of NOK 1.5 billion (NOK 1.4 billion in 2018) was made for total discounts; see Note 27. These are mainly yearly discounts that will be paid out in the following year.

Operating revenues Industrial & Financial Investments

In Hydro Power, external sales of electric power are recognised in income on the basis of the price agreed with the customer upon delivery. Electric power is mainly sold by the Saudefaldene and Sarpsfoss plants.

In Financial Investments rental revenues are recognised in income when earned. Payments related to housing projects for which the company has profit and loss responsibility are recognised in income upon delivery. This means that a long period of time may elapse between the start of a building project and the recognition of revenues. In the intervening period, incurred project expenses are reported as inventories. Any sales of companies are taken to income when the agreement is completed.

Note 9 cont.

Miscellaneous income

Interest revenues are recognised when earned, while dividends are taken to income on the date they are approved by the company paying the dividend.

Gains or losses on the sale of shares and financial assets are presented as other items in the comprehensive income statement, along with ongoing changes in the value of similar assets.

Ⓔ ESTIMATE UNCERTAINTY

The estimate uncertainty relating to sales revenue reductions in the Branded Consumer Goods business is disclosed in Note 4.

Ⓢ SUSTAINABILITY

Orkla strives to foster a corporate culture characterised by good judgement and the ability to comply with rules and regulations and deal with ethical challenges. The Group has zero tolerance for corruption, price-fixing agreements, market sharing or other practices that hamper free competition; see also Note 37. Internal training is regularly provided and the Group companies are monitored to reduce the risk of non-compliance with rules.

NOTE 10 COST OF MATERIALS

The cost of materials is by far the largest cost item in the income statement and accounts for close to 50% of operating revenues. The cost of materials consists of the cost of all raw materials, goods for resale, packaging, etc. that are necessary to be able to sell the quantity of goods recognised in the sales revenues.

Ⓟ ACCOUNTING POLICIES

The cost of materials is incurred as goods are sold according to the price-related "first in, first out" inventory method. Changes in stocks of internally manufactured finished goods will have a virtually neutral impact on profit or loss based on the full cost pricing method. The cost of goods is correlated with the sale of the goods and accounted for on an accruals basis through changes in inventory. This applies to both purchased raw materials and goods for resale. Purchased goods are not recognised as a cost until the goods are in the manufacturing process.

The cost of goods is estimated and recognised through standard cost systems. Goods in inventories are counted at least once a year. Due to materiality considerations, the change in stocks of internally manufactured finished goods is presented on the line for cost of materials.

In 2019, the biggest product categories were (figures in parentheses show the category ranking in 2018):

1. (1.) Packaging
2. (2.) Animal products
3. (3.) Food additives
4. (4.) Vegetable oil and margarine
5. (5.) Vegetables
6. (6.) Grain-based products
7. (9.) Nuts and seeds
8. (7.) Marine products
9. (10.) Sugar
10. (8.) Fruits and berries
11. (12.) Cocoa and chocolate
12. (11.) Chemicals

Ⓢ SUSTAINABILITY

The challenges posed by climate change and commodity scarcity entail a risk of increased raw material costs, reduced availability of certain raw materials and breaches of Orkla's Supplier Code of Conduct. Orkla helps to ensure responsible production of raw materials by monitoring suppliers, applying certification systems, participating in industry initiatives and collaborating on projects with authorities and specialised organisations. The Group works purposefully to ensure that the raw materials used in Orkla products are sustainably produced by 2025. To reduce the risk of raw material shortages, the Group has alternative suppliers for at-risk raw materials.

Orkla seeks to prevent plastic pollution and achieve efficient use of resources by contributing to circular value chains for packaging materials. This work includes increased use of recycled packaging materials, development of packaging solutions that can be recovered, and collaborating with other value chain players on actions to increase recovery.

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NOTE 11 PAYROLL EXPENSES

Payroll expenses are the total disbursements relating to remuneration of personnel employed by the Group and of Group officers. These expenses concern only the Group's own employees, not contract manpower.

ACCOUNTING POLICIES

Payroll expenses comprise all types of remuneration to personnel employed by the Group and are expensed when earned. Ordinary pay can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. Bonuses (see below) are earned and calculated on the basis of various performance targets, and are paid in arrears. The employer's national insurance contribution is calculated and expensed for all payroll-related expenses, and is normally paid in arrears every other month. Pensions are earned in accordance with special rules; see Note 12. Other payroll expenses largely consist of the remuneration of the Board of Directors, which is earned on an ongoing basis in accordance with special agreements approved by the General Meeting.

SUSTAINABILITY

Orkla wants to be an attractive employer that offers good working conditions and fair and competitive conditions for all employees. Pay is determined locally, based on the Group's general guidelines and using external benchmarking tools for pay and conditions. All full-time employees shall, as a minimum, receive pay and additional benefits that are adequate to meet their fundamental needs.

Amounts in NOK million	2019	2018
Wages	(6 540)	(6 232)
Employer's national insurance contributions	(1 155)	(1 040)
Pension costs[1]	(467)	(427)
Other remuneration etc.	(40)	(35)
Payroll expenses	(8 202)	(7 734)
Average number of man-years	17 622	17 667

[1]Pension costs are disclosed in further detail in Note 12.

General comments on remuneration at Orkla

Orkla has a reward policy that determines the different elements of the Group's overall compensation. The policy aims to ensure that Orkla is able to recruit, develop and retain personnel with the necessary competence to create results and shareholder value. Orkla's reward policy is adopted by the Board of Directors and administered by the Board's own Compensation Committee.

Orkla operates in 34 different countries, and compensation elements are organised locally in accordance with local practice, thereby ensuring that the compensation plans are competitive but not leading. The companies in the various countries must adhere to the principles of Orkla's reward policy, which is based on the market median for fixed remuneration and above market median for variable remuneration.

(i) Fixed salaries

Orkla uses internationally recognised job assessment systems to determine the "right" level of job position and compensation. Jobs are assessed in relation to their local market (country) and a pay range of the median +/- 20% is applied. The employee's responsibilities, results and performance determine the amount of compensation. Fixed salaries at Orkla must be competitive in the different countries in which the Group operates.

(ii) Bonus programmes

Orkla has bonus programmes in the various countries which reflect local practice for ensuring competitiveness. Orkla's practice is to have variable reward systems offering the possibility of making awards at above market median levels. The annual bonus programmes in the different countries are based on guidelines ensuring that they underpin the Group's strategy and reflect Orkla's central annual bonus programme for executive management and senior managers and key personnel.

a) Orkla's central annual bonus programme

Orkla has an annual bonus programme for around 150 senior executives and key personnel in the Group (2019).

The purpose of Orkla's central annual bonus programme is to:

- Reward annual performances in line with externally communicated targets for the Group
- Incentivise desired behaviour in accordance with Orkla's values and leadership principles
- Ensure that the organisation works to achieve prioritised targets that underpin the Group's strategy

Note 11 cont.

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Under the central annual bonus programme, a maximum bonus equivalent to 100% of the employee's annual salary may be paid. A "good performance", defined as achievement of results in line with externally communicated financial targets, can result in a bonus payout of approximately 30% of the employee's annual salary. Historical outcomes averaged around 29% in 2015-2018.

Certain adjustments are being made in the annual bonus programme from 2020 (to be paid out in 2021). These adjustments are described below.

The elements of Orkla's central annual bonus programme for 2019 (bonuses to be paid out in 2020)
The annual bonus programme consists of five elements:
- Financial quantitative measures (70% weighting)
  - Underlying[1] EBIT (adj.)[2] improvement "own level"[3] (15% weighting)
  - Underlying EBIT (adj.) improvement "level above"[4] (25% weighting)
  - Underlying improvement in contribution margin[5] "own level" (10% weighting)
  - Improvement in current capital[6] "own level" (20% weighting)
- Individual measures (30% weighting):

Since the bonus awarded may not exceed a maximum of 100% of the employee's annual salary, the weighting for each element listed above is equivalent to the maximum bonus (as a percentage of annual salary) for the element concerned.

[1]Underlying improvement/growth – definition under "Alternative Performance Measures (APM)"; see page 227.
[2]EBIT (adj.) – definition under APM; see page 227.
[3]"Own level" is the company level of the position of the individual manager. This will depend on the different participants in the bonus programme, and may be an operating company, a business area or the entire Branded Consumer Goods business at Group level.
[4]"Level above" is the reporting level above the reporting level of the position of the individual manager. For participants employed in an operating company, it will be the business area of which the operating company is a part. For participants in business areas, the "level above" will be the entire Branded Consumer Goods business. For participants in the programme at Group level, there is no "level above", but they will be measured on the basis of an equal weighting of the change in underlying EBIT (adj.) in the business areas in Branded Consumer Goods.
[5]Contribution margin is defined as sales revenues minus variable costs. Variable costs are costs that are directly related to manufactured and sold volume. This primarily applies to intermediate goods such as raw materials, packaging, payroll expenses (which vary with manufactured volume) and energy costs. For goods manufactured by a third party, the contribution margin is sales revenues minus purchasing costs of goods sold.
[6]Current capital is accounts receivables plus inventories minus accounts payable.

Bonus calculation for the financial quantitative bonus elements
Profit growth is the main measure for the bonus programme with a weighting of a total of 40%. To incentivise collaboration within the Group, part of the profit element of the bonus programme is linked to "level above" performance.

The bonus model is designed in such a way that an improvement scale (in percentages of the previous year's level) is linked to a fixed bonus scale with starting points and maximum points for both improvement and bonus payout.

Underlying EBIT (adj.) improvement "own level" and "level above"
The calculation of bonuses earned is tied to underlying EBIT (adj.) improvement as a percentage of EBIT (adj.) the previous year at "own level" and at "level above", based on fixed bonus scales with starting points and maximum points for improvement and bonus payout.

Underlying contribution margin improvement
Calculation of bonuses earned for underlying contribution margin improvement as a percentage of contribution margin improvement the previous year is tied to the company level of the position of the individual manager, with a fixed scale with starting points and maximum points for both improvement and bonus payout.

Improvement in current capital
The calculation of bonuses earned for improvement in current capital is tied to the level of the position of the individual manager. Improvement in current capital is defined as the key figure "rolling 12-month current capital as a percentage of operating revenues in the last 12 months" compared with the level of the same key figure for the previous 12 months. Here, too, improvement is linked to a fixed scale for bonus achievement with starting points and maximum points for both improvement and bonus payout.

Bonus calculation for the individual measures
The individual measures are based on behaviour aligned with Orkla's leadership principles and One Orkla. The amount paid out is based on qualitative assessments of the achievement of the agreed measures.

Concluding discretionary assessment
After bonuses have been determined on the basis of the financial quantitative measures and individual performance, each manager must make a discretionary assessment of employee

Note 11 cont.

bonuses, attaching weight to individual contributions to support One Orkla, value chain simplifications and exploitation of new business opportunities.

The elements of Orkla's central annual bonus programme as from 2020 (bonuses to be paid out in 2021)
A change is proposed in the annual bonus programme adopted in 2020. The 2020 programme is to be changed from the previous year's principle of measuring improvement from the preceding year to measuring achievement in relation to defined, ambitious targets for the year for the various financial elements.

The bonus payout is calculated on the basis that achievement equal to the defined target entitles the employee to half of the maximum bonus for the financial bonus element concerned. There will be an equal result interval below and above the defined target. The starting point for the result interval below the defined target is the starting point for bonus achievement, while the end point for the result interval above the defined target entitles the employee to the maximum bonus for the financial bonus element concerned.

At the same time, the programme will be restructured from being the same for everyone to being adapted to different functions in Orkla. Consequently, as from 2020 there will be

- a programme for Branded Consumer Goods, including Group Executive Board members who are in charge of a business area
- a programme for Consumer & Financial Investments
- a programme for Group Functions, including Group Executive Board members who are not in charge of a business area, including the President and CEO.

Since the maximum bonus award is 100% of the employee's annual salary, it means that the weighting of each element in the following description is equivalent to the maximum bonus (as a percentage of annual salary) for the element concerned.

The annual bonus programme for Branded Consumer Goods consists of five elements:

- Financial quantitative targets (80% weighting):
  - Organic growth[7] "own level" (40% weighting for business area management teams, 25% for company management staff)
  - Organic growth "level above" (0% weighting for business area management teams, 20% for company management staff)
  - Contribution margin[8] achievement "own level" (20% weighting for both business area management teams and company management staff)
  - EBIT (adj.) achievement "own level" (20% weighting for business area management teams, 15% for company management staff)
- A flexible element (20% weighting), of which a minimum of half must be individual targets and up to half may be other financial targets than those specified above. Financial targets, if any, are set by the manager and approved by the manager's manager. Such financial targets may differ from one business area or company to another, but must be the same for all employees within a business area or company.

  With regard to individual targets, 2–4 targets must be defined for each participant. The individual targets must be designed so as to reflect the each participant's possibilities of contributing to Orkla's development and growth. The targets can be either business targets (specifying effect and outcome), or behavior-related targets (how to act in accordance with Orkla's leadership principles and/or values), or a combination of the two. Orkla's Board of Directors approves these targets for the President and CEO, and the relevant manager approves the targets for the other participants.

The annual bonus programme for the companies in Consumer & Financial Investments consists of the following elements:

- Financial quantitative targets (80% weighting):
  - Organic growth "own level" (40% weighting)
  - Contribution margin achievement "own level" (20% weighting)
  - EBIT (adj.) achievement "own level" (20% weighting)
- A flexible element (20% weighting), to be handled in the same way as described above for Branded Consumer Goods

For the business area's management team, the bonus will be calculated based on a weighting of bonus achievement in the underlying companies, combined with a flexible element equivalent to that of the company management staff.

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[7]Organic growth – definition under "Alternative Performance Measures (APM)"; see page 227.
[8]Contribution margin ratio – definert as contribution margin (see footnote 5; see page 156) as a percentage of operating revenues.

Note 11 cont.

The annual bonus programme for Group Functions (including the President and CEO) consists of the following elements:
- Financial quantitative targets (50% weighting):
  - Organic growth for Branded Consumer Goods (25% weighting)
  - EBIT (adj.) achievement for Branded Consumer Goods (25% weighting)
- An element tied to the return on the Orkla share (25% weighting):
  - To be calculated by adding a basic amount equivalent to 5% of the employee's annual salary to the return on the Orkla share for the year, computed on the basis of the average share price in the fourth quarter measured against the average share price in the fourth quarter of the previous year, plus any dividend paid out. The return on the Orkla share is multiplied by a factor of 1 for Group Executive Board members and a factor of 0.5 for other Group Function staff. The bonus payout for this element as a percentage of annual salary will thus be 5% plus the return (positive or negative) multiplied by the aforementioned factor. This bonus element may not exceed 25% of the executive's annual salary. This bonus element will be submitted to the General Meeting for approval.
- Individual targets (25% weighting):
  - Individual targets (25% weighting), to be handled in the same way as described above for Branded Consumer Goods.

The concluding discretionary assessment of the total bonus earned by the individual employee's manager, as described above for 2019, will be maintained in the 2020 bonus programmes for Branded Consumer Goods, Consumer & Financial Investments and Group Functions.

b) Long-term incentive (LTI) programme
Orkla has an LTI programme that is cash-based as well as being tied to share price performance.

The purpose of the programme is to:
- Reward long-term value creation and "One Orkla" behaviour
- Establish a long-term community of interests with shareholders
- Help to retain necessary expertise (management/key personnel)
- Maintain competitive overall compensation conditions for management/key personnel

Participants in the LTI programme are nominated on a yearly basis and awards are made for one year at a time subject to the approval of the President and CEO. In 2019, 93 persons were awarded an LTI bonus. Participants in the Group's LTI programme will normally also be covered by Orkla's annual bonus programme.

Bonus awards will be determined on the basis of assessments of individual performances in relation to predefined long-term criteria set in 2018 and revised in 2019. The aim is for the award to be equivalent to 30% of the employee's annual salary for a "good performance", according to the predefined criteria. The award may not exceed 50% of the employee's annual salary, nor may the aggregate value of an award under the annual bonus programme and the LTI bonus awarded in a year exceed one year's salary. As before, the amount awarded is adjusted in accordance with the Orkla share price performance until the bonus is paid out. The closing price on the day after the Annual General Meeting is applied. Under the LTI programme, the employee may request, at the earliest, that one third of an LTI award be paid out after 24 months, one third after 36 months and one third after 48 months. After a maximum of 60 months, the LTI award will be paid out in its entirety.

The Board of Directors proposes to replace the present cash-based LTI programme with a programme based on share options, effective as from the option award date in 2021. The reason for this proposal is a desire to strengthen the commonality of interests between shareholders and senior executives as the current programme is not sufficiently linked to total shareholder return.

Participants will be nominated to participate in the share option programme in 2020 subject to the approval of the President and CEO, and the number of nominees will be approximately the same as in 2019, i.e. around 90 central management staff and key personnel. It is also proposed that the group be expanded by 10 – 15 younger talents. Nomination will not be automatic, so being nominated one year does not necessarily mean that the person will be nominated in subsequent years.

Options will be awarded partly on the basis of position (estimated option value equivalent to 15% of basic salary), partly on the basis of a discretionary assessment of performance in relation to predefined long-term targets (estimated option value equivalent to a maximum of 15% of basic salary), and a discretionary assessment of achievement of sustainability-related targets (estimated option value equivalent to a maximum of 5% of basic salary). Sustainability-related targets will be set and evaluated by the Board of Directors. On this basis, the outcome for participants will be an option value in the range 15 – to 35% of salary depending on performance. The option value will be calculated according to the Black-Scholes model.

Predefined long-term targets shall ideally be linked to:
- Profitable organic growth
- Innovation and increased market shares
- Sustainability as a growth factor
- Structural growth in priority categories and geographies
- Establishment of a cost-effective organisation and realisation of synergies
- Development of human resources and collaborative relationships

Options will be awarded once a year, based on the share price on the day after the Annual General Meeting. The Board of Directors will recommend candidates for awards in the Group Executive Board, while awards to other employees must be approved by the President and CEO. 20% of the options awarded for the year may be exercised after one year, another 20% after two years, and the remaining 60% after three years. In the case of the Group Executive Board, however, no options may be exercised until three years after they were awarded. The last date on which they may be exercised is five years after the award date, after which the options expire. The redemption price will be set at the market price at the award date with an increase of 3% per year in the vesting period. The redemption price will be adjusted for dividends. In the event of the employee's resignation, all options that have not been exercised will expire.

Based on an average estimate where the value of the option is equal to 30% of the participants' annual salary, approximately 5,000,000 share options will be required for the awards in 2021. In addition, it is proposed that this number be increased by around 10 % in order to include young talents as mentioned above. Consequently, it is proposed that the Board of Directors and the President and CEO be given a total limit of 5,500,000 options and that the General Meeting approves this limit. The number of options is equivalent to around 0.55 % of shares outstanding.

The gain on one year's awarded options may not exceed six times the value of awarded options at the award date, calculated in accordance with the Black-Scholes model. If a participant is awarded options with an estimated option value equivalent to 30% of his or her basic salary, the gain in this case may not exceed 180% of the basic salary.

The Group Executive Board must use 25% of their gross gain from the exercise of options to purchase Orkla shares, and purchased shares will be subject to a lock-in period of three years. Other participants are expected to use a percentage of their gross gain to purchase Orkla shares.

(iii) Other compensation elements

Discounted shares for employees:

For several years the Group has implemented a programme whereby employees may buy a limited number of shares at a discount on the market price. For 2019, employees were offered the opportunity to purchase shares for three different amounts: NOK 28,000, NOK 15,000 and NOK 8,000 (amounts after discount). In 2019 the discount was 25% on the market price. The lock-in period for shares purchased is two years. The costs of the employee share purchase programme in 2019 totalled NOK 18 million.

The Board of Directors recommends to the General Meeting that the employee share purchase programme be maintained for 2020, but that the purchase options be adjusted to NOK 30,000, NOK 15,000 and NOK 10,000 (amount before discount). The discount will be maintained at 25%, but the lock-in period will be increased from two to three years.

Share-based incentive programmes

Ⓟ ACCOUNTING POLICIES

The sale of shares to employees at less than market price is accounted for by recognising the difference between the market value of the shares and the purchase price as a payroll expense.

Orkla has a Long-Term Incentive (LTI) programme that is cash-based as well as being tied to the share price performance (see separate description in this note). Accounting for the award will reflect the vesting period and expensing of the new programme will begin after awards are made.

NOTE 12 PENSIONS

The Group has both defined contribution and defined benefit pension plans. In a defined contribution pension plan, the company is only responsible for paying regular amounts to the employee's pension plan, while the employee will personally bear the risk for the future increase or reduction in the value of his or her own pension assets. In a defined benefit pension plan, the company will have full responsibility for and bear the risk attached to paying a future pension to the employee based on his or her final pay on retirement. The majority of Orkla's pension plans are defined contribution plans.

Ⓟ ACCOUNTING POLICIES

In a **defined contribution pension** plan, the company is responsible for making an agreed contribution to the employee's pension assets. The future pension will be determined by the amount of the contributions and the return on the pension savings. Once the contributions have been paid, there are no further payment obligations attached to the defined contribution pension, and there is no liability to report in the statement of financial position. The pension costs related to defined contribution plans will be equal to the contributions to employees' pension savings in the reporting period.

A **defined benefit pension** plan is based on a promise by the company to the employees that they will receive a certain level of pension upon retirement, normally defined as a percentage of final pay. The company is responsible for the amount of the future pension benefit and the financial value of this obligation must be reported in the income statement and statement of financial position.

The accrued obligation is calculated on a straight-line accruals basis, and is measured as the present value of the estimated future pension payments that are vested on the statement of financial position date. The capitalised net liability is the sum of the accrued pension obligation minus the fair value of associated pension fund assets.

Changes in the liability for defined benefit plans due to changes in pension plans are reported in their entirety in the income statement in the case of changes that give rise to an immediate paid-up policy entitlement. Other variances from estimates are recognised in equity through other comprehensive income in the period in which they arise. The discount effect of the pension obligation and expected return on pension assets are presented net under "Other financial costs" in the income statement.

Defined contribution plans

Most of the employees in the Orkla Group are covered by pension plans classified as defined contribution plans. Defined contribution plans also comprise pension plans that are common to several companies and where the pension premium is determined independently of the demographic profile in the individual companies (multi-employer plans).

Orkla has contribution rates for the companies in Norway that are aligned with the regulation-based limits for contribution rates for private company pension plans. See Note 5 to the financial statements for Orkla ASA.

Defined benefit plans

The Group has some pension plans that are classified as funded defined benefit plans and some defined benefit plans that are financed from operations. A large part of the Group's defined benefit plans are in Sweden and Norway. These countries account for around 65% and 33%, respectively, of the Group's net carried pension liabilities.

Sweden

The pension plans in Sweden are "net plans" that do not link the Group's obligations to changes in Swedish social security. The plans are largely determined by collective agreements. They are not funded, but provisions are made in the companies' statement of financial position. To secure accrued pension rights, companies must take out a credit insurance in the PRI Pensionsgaranti insurance company which records and calculates the companies' pension obligations. According to the collective agreements, all employees born in 1979 or later must be covered by a defined contribution plan, which means that the number of defined benefit plans will gradually be reduced.

The Group also has some pension plans, primarily related to executive management, financed through endowment insurances. The gross amount of these plans is reported in the financial statements.

Account has been taken of payroll tax on the pension obligations in Sweden.

Norway

Net pension obligations in Norway mainly consist of unfunded pension plans for former key personnel, early retirement schemes for the Group Executive Board, and carried liabilities related to contribution-based plans for employees who earn more than twelve times the Norwegian basic amount (12G).

Note 12 cont. ➔

The pension plan for employees in Norway who earn more than 12G is a contribution-based plan, but is treated as a defined benefit plan in accordance with IFRS. The actual deposits and interest accrued in the plan are reported as at 31 December.

The AFP contractual pension scheme is a multi-employer defined benefit plan, but is recognised as a defined contribution plan, in line with guidelines issued by the Ministry of Finance. Companies that participate in the AFP scheme are jointly responsible for two-thirds of the payable pension. The majority of Orkla companies in Norway participate in the AFP scheme. In 2019, the AFP premium was 2.5% of total payments of wages between 1 and 7.1 times the average basic amount.

Assumptions relating to defined benefit plans
The discount rate in Norway is fixed on the basis of Norwegian covered bonds (OMF). The Norwegian Accounting Standards Board considers the OMF market to be a sufficiently deep market to be used for computing the discount rate. Orkla has chosen a discount rate based on the average life of the pensions in each company and in each pension plan. In cases where the life exceeds 15 years, the OMF yield curve has been extrapolated on the basis of the swap rate.

The discount rate is adjusted to the interest rate level in each country. In Norway, the discount rate varies between 2.2% and 2.3%, depending on the life of the pension.

The discount rate in Sweden is based on Swedish covered bonds and was reduced to 1.30% for 2019, from 2.30% in 2018. In light of the lower interest rate, the estimate for expected inflation was also reduced slightly, from 1.8% to 1.7%, and expected wage adjustment was reduced from 2.5% to 2.4%. The combined effect of the two changes will be slightly higher obligations with a recognised effect in other comprehensive income (OCI).

Parameters such as wage growth, increase in the basic amount (G) and inflation are determined in accordance with recommendations in the various countries.

The mortality estimate is based on mortality tables for the various countries that are as up-to-date as possible. In Norway the K2013 life table is used and in Sweden the DUS14. The actuarial gains and losses are recognised in comprehensive income and are essentially related to changes in economic assumptions.

Pension plan assets
Virtually all the Group's pension plans with pension plan assets are now in the UK. Pension plan assets are mainly invested in bonds and shares. The estimated return will vary depending on the composition of the various classes of assets. A breakdown of pension plan assets is presented in a separate table in this note. Contributions of pension plan assets in 2020 are expected to total NOK 3.2 million.

ⓔ ESTIMATE UNCERTAINTY

Defined benefit plans are calculated on the basis of a set of selected financial and actuarial assumptions. Changes in parameters such as discount rates, future wage adjustment, etc. could have substantial impacts on the estimated pension obligation. Similarly, changes in the selected assumptions for the return on pension assets could affect the amount of the pension assets. The Group will not be materially affected by a reasonable expected change in key assumptions. Changes in these parameters will mainly be reported in comprehensive income. Orkla has determined parameters in line with recommendations in the individual countries.

	Norway		Sweden	
	2019	2018	2019	2018
Discount rate	2.2–2.3%	2.0–2.5%	1.30%	2.30%
Future wage adjustment	2.25%	2.25%	2.40%	2.50%
G-multiplier[1]	2.25%	2.25%	2.40%	2.50%
Adjustment of benefits	0%	0%	1.70%	1.80%
Personnel turnover	0–5%	0–5%	3.00%	3.00%
Expected average remaining vesting period (years)	5.9	6.8	12.6	13.3

[1]As at 31 December 2019, 1G was NOK 99,858.

Breakdown of net pension costs

Amounts in NOK million	2019	2018
Contribution plans	(398)	(370)
Current service cost (incl. national insurance contributions)	(69)	(57)
Curtailments and settlements pension plans	(10)[1]	-
Pension costs defined as payroll expenses	(477)	(427)
Interest on pension obligations	(99)	(31)[2]
Expected return on pension plan assets	13	14
Pension costs defined as financial costs	(86)	(17)
Net pension costs	(563)	(444)

[1]Primarily concerns the conversion of the pension plan in LG Harris and is presented as "Other expenses".
[2]Low interest expense in 2018 is partly due to a negative return on the plan for employees with salaries over 12G.

Note 12 cont.

Breakdown of net pension obligations as at 31 December

Amounts in NOK million	2019	2018
Present value of funded pension obligations	(437)	(436)
Pension plan assets (fair value)	437	436
Net funded pension liabilities	-	-
Present value of unfunded pension obligations	(2 326)	(1 989)
Capitalised net pension liabilities	(2 326)	(1 989)
Capitalised pension liabilities	(2 358)	(2 019)
Capitalised plan assets	32	30

Breakdown of gross pension obligations during the year

Amounts in NOK million	2019	2018
Pension obligations 1 January	(2 425)	(2 412)
Current service cost (incl. national insurance contributions)	(69)	(57)
Interest on pension obligations	(99)	(31)
Actuarial gains and losses reported in statement of comprehensive income	(319)	(73)
Acquisition/sale of companies	(4)	-
Curtailments and settlements pension plans[1]	(7)	3
Benefits paid during the year	146	113
Currency translation effects	14	32
Pension obligations 31 December	(2 763)	(2 425)

[1]Primarily concerns expenses related to the conversion of the pension plan in LG Harris.

Change in pension assets during the year

Amounts in NOK million	2019	2018
Pension plan assets (fair value) 1 January	436	456
Expected return on pension plan assets	13	14
Actuarial gains and losses reported in statement of comprehensive income	50	(14)
Acquisition/sale of companies	-	-
Curtailments and settlements pension plans[1]	(3)	-
Contributions and benefits paid during the year	(46)	(23)
Currency translation effects	19	-
Effect of asset ceiling	(32)	3
Pension plan assets (fair value) 31 December	437	436

[1]Primarily concerns expenses related to the conversion of the pension plan in LG Harris.

Breakdown of pension assets (fair value) as at 31 December

	2019	2018
Cash, cash equivalents and money market investments	4%	56%
Bonds	85%	9%
Loans	0%	0%
Shares	11%	35%
Property	0%	0%
Total pension plan assets	100%	100%

Overview of net pension obligations and actuarial gains and losses in the last four years

Amounts in NOK million	2019	2018	2017	2016
Pension obligations	(2 763)	(2 425)	(2 412)	(2 534)
Pension plan assets	437	436	456	791
Net pension liabilities/Obligations	(2 326)	(1 989)	(1 956)	(1 743)
Actuarial gains and losses in pension obligations	(319)	(73)	(67)	(91)
Actuarial gains and losses in pension plan assets	50	(14)	25	22

NOTE 13 OTHER OPERATING EXPENSES

The Orkla Group has chosen to present its income statement based on the nature of the item of income or expense. Operating expenses have been broken down into the following main items: "Cost of materials", "Payroll expenses", "Depreciation/Amortisation" and "Other operating expenses". A breakdown of the most important items in "Other operating expenses" is presented below.

Amounts in NOK million	2019	2018
External freight costs	(1 008)	(901)
Energy costs (production and heating)	(734)	(726)
Advertising	(1 629)	(1 516)
Repair and maintenance costs	(502)	(507)
Consultants, legal advisors, temporary staff etc.	(598)	(519)
Operating expenses vehicles	(156)	(143)
Rental/leasing costs[1]	(56)	(487)
Other	(2 203)	(1 965)
Total other operating expenses	(6 886)	(6 764)

[1]The decrease in leasing costs is related to the implementation of IFRS 16.

Expenses under the item "Other" include costs related to IT, insurance, travel, courses and conferences.

ACCOUNTING POLICIES

Other operating expenses are recognised as and when they are incurred and are types of costs that are not classified on the lines for cost of materials, payroll expenses or depreciation and write-downs.

SUSTAINABILITY

Orkla's goal is to achieve a 20% reduction in energy consumption for the 2014–2020 period and a 30% reduction up to 2025. To transfer best practices for improving energy efficiency, Orkla prepared a central energy initiative in 2015 as part of its Improved Resource and Energy Efficiency programme. As a result of the programme, a growing number of efficiency improvement projects are being implemented in all the business areas. Adjusted for acquisitions and increased turnover, energy consumption has been reduced by 14% since 2014.

NOTE 14 OTHER INCOME AND EXPENSES

"Other income" and "Other expenses" will largely consist of items that only to a limited degree are reliable explanations of ongoing earnings. The main purpose of these lines is to present such items separately to ensure that the changes in and comparability of the lines presented in EBIT (adj.) are more relevant to the company.

Other income and expenses

Amounts in NOK million		2019	2018
Other income			
Gain on sale		346	54
Income related to transition from joint venture to subsidiary		33	0
Total other income		379	54
Other expenses			
M&A and integration costs		(130)	(129)
Final settlement employment relationships etc.		(80)	(114)
Write-downs property, plant and equipment and intangible assets		(477)	(55)
Other restructuring costs and other items		(253)	(238)
Total other expenses		(940)	(536)
Total other income and expenses		(561)	(482)
Of this:	Write-downs property, plant and equipment	(21)	(50)
	Write-downs intangible assets	(456)	(5)
	Write-downs inventory (Harris)	-	(34)

Five largest items in other income and expenses:	2019	2018
Gain on sale of Treschows gate 16	294	-
Acquisition costs (M&A)	(94)	(64)
House Care UK: Write-down goodwill 2019 / Restructuring 2018	(238)	(57)
Write-down of trademarks	(181)	-
Restructuring project at Orkla HQ	(49)	-

Note 14 cont.

ACCOUNTING POLICIES

"Other income" and "Other expenses" are presented after Group profit or loss (EBIT adj.), broken down by segment, and include items such as M&A, restructuring and integration costs, any major gains on or write-downs of both tangible and intangible assets, and other items that only to a limited degree are reliable explanations of ongoing profitability.

M&A costs are costs relating to the acquisition of companies that cannot be capitalised together with the shares. This applies to both completed and uncompleted acquisitions. Accrued expenses arising from the sale of companies are also presented on this line, until the sale is finally completed. At that time, the selling costs will be included in the profit or loss calculation and will be presented together with the latter.

Other income

In 2019, Orkla sold the property at Treschows gate 16 to the City of Oslo. The property is regulated for use as a school, and the agreement was approved by the Oslo City Council on 25 September, 2019. The transaction generated a gain of NOK 294 million for Orkla. Gains were also taken to income in connection with the sale of both the Glyngøre brand and a former industrial property in Kristiansund.

The Group purchased the remaining 50% of the shares in the joint venture Anza Verimex. As a result of Anza Verimex's transition from a joint venture to a subsidiary, all the company's assets have been recognised at fair value. This has resulted in the recognition of NOK 33 million in revenues; see Notes 5 and 6.

Write-downs

The performance of the UK business in House Care has been weak since the business was acquired in September 2016. In 2018, a project was initiated to restore profitability to at least the level at which Orkla purchased the business. However, the market situation is still very challenging, and in the third quarter of 2019 the risk related to the company's required profit growth was considered to be too high to justify the book values. Consequently, Orkla wrote down the goodwill related to the business by NOK 238 million. The goal of the restructuring project remains unchanged.

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

Production equipment was written down by NOK 21 million in Orkla Confectionery & Snacks in connection with a planned factory relocation. A write-down was also taken in connection with a common ERP project currently in progress in Orkla Food Ingredients.

Other items

A project has been 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. This is intended to result in significant cost savings at Orkla Headquarters. In 2019, a total of NOK 49 million was expensed in connection with this project.

A number of restructuring and coordination projects are currently being carried out. The biggest projects in 2019 were the consolidation of out-of home and grocery operations in Orkla Foods Norge, the merger of Hame and Vitana, coordination projects in Orkla Food Ingredients, and preliminary projects related to the construction of a pizza factory at Stranda and a chocolate and biscuits factory in Latvia. Furthermore, a restructuring programme was initiated in Orkla Care.

Orkla has been engaged in litigation with the Norwegian agricultural authorities concerning historical classification of goods in the price rebate and export duty refund schemes. The matter was appealed to the Ministry of Agriculture. A decision was made that to some extent upheld Orkla's appeal. As a result of this matter, NOK 12 million was charged against income.

Transaction costs were incurred in connection with the purchase of companies, the biggest acquisition in 2019 being Kotipizza; see Note 5. Orkla also sold the Russian nut company, Chaka, and accumulated negative translation differences and transaction costs related to the sale of the company were expensed.

SUSTAINABILITY

In connection with its efforts to develop a long-term, competitive manufacturing footprint, Orkla closed two factories in Finland and Denmark in 2019 and moved production to other facilities. The companies Vitana and Hamé were merged to form the new company Orkla Foods Česko a Slovensko, and some small businesses were also merged. The purpose of these changes is to strengthen the Group's long-term competitiveness by making more effective use of capacity, improving operational efficiency and increasing the effect of investments in production equipment. Employees who lost their jobs have been helped to find new employment or training programmes.

NOTE 15 INTEREST AND OTHER FINANCIAL ITEMS

Financial income and financial costs mainly consist of interest income and interest costs related to the Group's total funding. They also include other financial items unrelated to operating activities.

ACCOUNTING POLICIES

Interest income and interest costs on loans and receivables are calculated using the effective interest method. Interest related to leases is reported as interest costs, while commitment fees and costs related to borrowings are reported as "Other financial costs". The financial element of pension costs is included in "Other financial costs" and disclosed in Note 12. Borrowing costs related to real estate under construction are recognised in the statement of financial position together with the asset. Foreign currency gains or losses arising from operating assets and liabilities, and the hedging of such, are reported as operating revenues or operating costs. Other foreign currency gains or losses are reported net as financial income and financial costs. The foreign currency gains or losses related to net investments in foreign entities are disclosed in Note 31.

Interest income and interest costs

Amounts in NOK million	2019	2018
Interest income	18	24
Interest costs	(151)	(158)
Capitalised interest costs	2	5
Change in fair value interest rate derivatives	(26)	(30)
Interest costs excl. leases	(175)	(183)
Interest costs, leases (see Note 21)	(35)	-
Total interest costs	(210)	(183)
Net interest	(192)	(159)

Financial income and financial costs

Amounts in NOK million	2019	2018
Gains, losses and write-downs shares and financial assets	(9)	-
Dividends received	21	3
Net foreign currency gains	2	-
Other financial income	1	4
Total other financial income	15	7
Net foreign currency losses	-	(3)
Interest pensions incl. hedge[1]	(54)	(17)
Other financial costs	(24)	(29)
Total other financial costs	(78)	(49)
Total other financial items	(63)	(42)

Reconciliation against cash flow

Interest, net	(192)	(159)
Other financial items, net	(63)	(42)
Total interest and other financial items (A)	(255)	(201)
Items that appear on other lines in the cash flow statement:		
Gains, losses and write-downs shares and financial assets	9	-
Dividends received	(21)	(3)
Total items that appear on other lines in the cash flow statement (B)	(12)	(3)
Items without cash flow effect:		
Change in accrued interest etc.	-	18
Interest pensions excl. hedge	86	17
Change in fair value recognised as interest income/interest costs	13	15
Change in fair value recognised as financial income/financial costs	(6)	9
Total items without cash flow effect; see cash flow statement (C)	93	59
Paid financial items in cash flow statement; see Note 38 (A+B+C)	(174)	(145)

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

NOTE 16 TAXES

Taxes refer to the authorities' taxation of the profits of the different companies in the Group and in different countries. Taxes also include withholding taxes, economic rent tax and tax on distributions. Value added tax, social security contributions, property tax, special taxes, customs duties and similar indirect taxes are not included in "taxes". Taxes are computed on the basis of accounting profit/loss and broken down into current taxes and change in deferred tax liability. Deferred tax liability is the result of temporary differences between financial accounting and tax accounting.

ACCOUNTING POLICIES

Current tax liabilities and assets are measured at the amount that is expected to be paid to or recovered from the tax authorities. The tax rates and tax rules used to calculate the amounts are those that have been adopted or substantively adopted by the end of the reporting period in the countries in which the Group operates and generates taxable income.

Deferred tax liabilities and assets are computed for all temporary differences between the the carrying amount of an asset or liability in the consolidated financial statements and their respective tax bases and tax losses carried forward. For the calculation of deferred tax assets and liabilities, the nominal tax rates expected to be applied when the asset is realised or the liability is paid will be used.

Deferred tax assets relating to tax deficits and other tax-reducing temporary differences are recognised to the extent that it is probable that they can be applied against future taxable income.

Deferred tax liabilities related to withholding tax and other tax on dividends are recognised in connection with retained profits in associates and foreign subsidiaries when a dividend is expected to be paid in the foreseeable future.

Deferred tax liabilities for temporary differences associated with investments in subsidiaries and associates are recognised when it is probable that the temporary difference will reverse in the foreseeable future. Deferred tax liabilities or deferred tax assets are not recognised for the initial recognition of goodwill.

Deferred tax liabilities and deferred tax assets are only reported net to the extent that netting is permitted under the local tax rules, and the Group intends to make use of the opportunities to consolidate its tax positions by means of Group contributions or other tax consolidation.

Tax expense

Amounts in NOK million	2019	2018
Profit/loss before taxes	4 931	4 358
Current tax expense	(976)	(996)
Change in deferred taxes	(57)	(8)
Total tax expense	(1 033)	(1 004)
Tax as % of "Profit/loss before taxes"	20.9%	23.0%
Tax as % of "Profit/loss before taxes" adjusted for associates	24.2%	24.5%

Orkla's effective tax expense adjusted for associates decreased by 0.3 percentage points from 24.5% in 2018 to 24.2% in 2019. However, the apparently lower tax rate in 2019 is actually a higher tax rate when the reversal of a deferred tax liability in the Baltics is excluded. The increased tax rate is primarily due to high, non-deductible expenses in 2019, compared with 2018, of which a substantial part is the write-down of goodwill in Harris.

Reconciliation of the Group's tax rate

In the following table, reported taxes are reconciled with the tax expense based on the Norwegian tax rate of 22% (23% in 2018). The main tax components are specified.

Amounts in NOK million	2019	2018
Norwegian tax rate on profit before taxes	(1 085)	(1 002)
Associates and joint ventures	145	61
Deferred tax on undistributed earnings in associates	(5)	4
Foreign operations with tax rates other than Norwegian tax rate	46	49
Changes in tax laws	5	10
Write-downs of shares, gains/losses and dividends within the tax exemption method	(1)	0
Non-deductible costs / tax free income	(24)	(16)
Non-deductible transaction expenses	(14)	(11)
Recognised deferred tax assets this year, previously unrecognised	15	14
Unrecognised deferred tax assets	(24)	(26)
Correction previous years' taxes	6	25
Write-downs of Group Goodwill (Harris)	(45)	-
Reversal deferred tax on dividend from the Baltics	74	-
Other taxes payable (economic rent tax and withholding tax)	(126)	(112)
The Group's total tax expense	(1 033)	(1 004)

Note 16 cont.

Orkla's tax bases in Norway, Sweden and Denmark are substantial. The ordinary tax rate for companies domiciled in Norway and Sweden was reduced from 23% and 22% in 2018 to 22% and 21.4%, respectively, with effect from 2019. Denmark has a ordinary tax rate of 22%.

Orkla's operations in countries with tax rates other than 22% make a net contribution towards reducing total tax expense. In 2019, the effect of this contribution was a reduction of NOK 46 million in total tax expense, of which the Baltic, Finnish and Swedish subsidiaries accounted for NOK 20 million, NOK 10 million and NOK 7 million, respectively.

Profit from associates is recognised on an after-tax basis and thus does not impact the Group's tax expense. However, a provision has been made for tax on undistributed earnings in associates, totalling NOK 28 million, of which NOK 5 million was recognised in the income statement in 2019.

The change in unrecognised deferred tax assets totalling NOK 24 million is ascribable to tax deficits in Poland, Spain and France. Recognition of previous years' unrecognised deferred tax assets totalling NOK 15 million mainly relates to Orkla Food Ingredients companies in Denmark, Romania, the Czech Republic and Finland, as well as a Swedish company in the Investments area and a Confectionery & Snacks company in Lithuania.

The Group operates in the power industry which is subject to a special tax regime in Norway. In 2019, the economic rent tax rate accounted for 2.4 percentage points of the effective tax rate adjusted for associates, of 24.2%.

Based on an assessment of the Group's overall tax exposure, provisions were recognised in the statement of financial position in line with expected risk in deferred tax liabilities.

SUSTAINABILITY

Through its presence in many countries, Orkla contributes to society by paying a variety of direct and indirect taxes, including company tax. Orkla's corporate tax strategy sets out important tax principles to which all the companies in the Group must adhere. These principles are based on the desire for transparency, compliance with regulatory frameworks and good risk management. Orkla companies shall pay tax in accordance with the laws and regulations in the countries in which they operate.

The table below presents the company tax payable in the income statement for Orkla's main geographical areas:

Amounts in NOK million	2019	2018
Norway	361	488
Sweden	219	233
Denmark	124	83
Finland and Iceland	98	61
Rest of world	174	131
Total company tax payable	976	996

Note 16 cont.

Deferred tax liabilities

Deferred tax liabilities consist of the Group's tax liabilities that are payable in the future. The table below lists deferred tax assets and liabilities relating to the temporary differences between the carrying amount of an asset or liability and its tax base.

Deferred tax on temporary differences

Amounts in NOK million	2019	2018
Hedging reserve in equity	(31)	(48)
Intangible assets	1 119	1 135
Property, plant and equipment	328	311
Net pension liabilities	(325)	(257)
Gain and loss tax deferral	365	311
Leases	(43)	-
Other non-current items	218	277
Total non-current items	1 631	1 729
Provisions	(52)	(70)
Other current items	49	(75)
Total current items	(3)	(145)
Tax losses carried forward	(139)	(138)
Net deferred tax liabilities	1 489	1 446
Deferred tax hydropower tax regime[1]	(21)	(21)
Deferred tax assets, not recognised	124	108
Net deferred tax liabilities	1 592	1 533
Change in deferred tax	(59)	31
Net deferred tax asset on implementation of IFRS 16 Leases	(37)	-
Net deferred tax continuing operations	(96)	31
Change in deferred tax hedging reserve taken to comprehensive income	17	20
Change in deferred tax actuarial gains and losses pensions taken to comprehensive income	(64)	(26)
Acquisition/sale of companies, reclassification etc.	86	(18)
Hedging of net investments in foreign operations	0	(15)
Change in deferred tax income statement	(57)	(8)

[1]Deferred tax liabilities and deferred tax assets related to hydropower taxes have been recognised gross for each power plant.

Net deferred tax presented in the statement of financial position

Amounts in NOK million	2019	2018
Deferred tax liabilities	1 619	1 566
Deferred tax assets	27	33
Net deferred tax	1 592	1 533

Losses carried forward by expiry date

Tax losses carried forward totalling NOK 625 million constitute a deferred tax asset of NOK 139 million, of which only NOK 34 million has been recognised. Unrecognised tax losses carried forward amount to NOK 480 million. A total of NOK 278 million of these have no expiry date, NOK 69 million expire from 2026 onwards, NOK 79 million expire in the period 2023–2025 and NOK 54 million expire in the period 2020–2022.

Amounts in NOK million	2019	2018
2019	-	38
2020	26	39
2021	25	26
2022	9	12
2023	72	57
2024	13	7
2025	0	0
2026 or later	68	34
Without expiry date	412	430
Total tax losses carried forward	625	643

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the entity recently reported a profit or because assets with excess value have been identified. If it is unlikely that future profits will be sufficient to absorb the tax-reducing temporary differences, deferred tax assets are not recognised. The businesses Orkla Care, Hamé and Harris have tax-reducing temporary differences in Spain, Poland, Eastern Europe and the UK that have not been recognised.

The Norwegian, Swedish and Finnish tax groups have utilised all available tax losses carried forward and were liable to tax in 2019.

Note 16 cont.

A net reversal of NOK 74 million has been made for a deferred tax liability on untaxed undistributed earnings in Estonia and Latvia related to an investment in a biscuits factory in Latvia.

Deductible temporary differences with corresponding deferred tax assets

Amounts in NOK million	Deductible temporary differences	Recognised deferred tax assets	Unrecognised deferred tax assets	Total deferred tax assets
Tax losses carried forward by country				
Spain	185	3	43	46
UK	87	7	8	15
Poland	66	0	13	13
Switzerland	57	0	14	14
Finland	41	4	4	8
Sweden	38	8	0	8
Eastern Europe	31	1	5	6
Netherlands	30	0	7	7
Denmark	29	3	3	6
Others	61	8	8	16
Total	625	34	105	139
Other deductible temporary differences	1 594	331	19	350
Total deductible temporary differences	2 219	365	124	489
Netted deferred tax	(1 571)	(338)	0	(338)
Net deductible temporary differences	648	27	124	151

NOTE 17 EARNINGS PER SHARE

Earnings per share are one of several indicators that can be used in financial analyses to assess a company's performance. This key figure shows the profit or loss for the year after non-controlling interests per share. Earnings per share (adj.) show the profit or loss for the year after non-controlling interests per share adjusted for "Other income" and "Other expenses" after estimated tax.

ACCOUNTING POLICIES

Earnings per share are calculated by dividing the profit or loss for the year after non-controlling interests by the average number of shares outstanding during the reporting period.

Earnings per share (adj.) show the profit or loss for the year after non-controlling interests per share adjusted for "Other income" and "Other expenses" after estimated tax. Items included in other income and expenses are disclosed in Note 14. If other items of a special nature arise below the company's operating profit, adjustments will also be made for them.

Amounts in NOK million	2019	2018
Profit/loss attributable to owners of the parent	3 838	3 272
Adjustments in EPS (adj.) attributable to owners of the parent		
Other income and expenses after tax	508	384
Gain on sale joint venture, see Note 6	(35)	0
Reversal of deferred tax on dividends Estonia/Latvia	(74)	0
Adjusted profit/loss attributable to owners of the parent	4 237	3 656
Weighted average of number of shares outstanding	999 929 381	1 008 809 691
Earnings per share (NOK)	3.84	3.24
Earnings per share (adj.) (NOK)	4.24	3.62

Effective tax related to "Other income" and "Other expenses" in 2019 will be lower than the Group's tax rate due to the write-down of goodwill with no tax effect and high, non-deductible transaction costs. The effective tax rate for other income and expenses for 2019 is 9.5% (20% in 2018).

An adjustment was also made in 2019 for a gain of NOK 35 million on the sale of Oslo Business Park. The gain is reported on the line "Profit/loss from associates and joint ventures"; see Note 6. Moreover, an adjustment was made for the reversal of a net deferred tax liability related to planned dividends from the Baltics; see Note 16. There were no such items in 2018.

There are no share-based arrangements in the Group that have a dilutive effect.

NOTE 18 IMPAIRMENT ASSESSMENTS

The value of long-term capitalised assets will largely be based on discretionary assessment and estimates. It is important that the financial statement users are familiar with the assumptions that apply to the valuation of these assets and the way the Group assesses future earnings. There will be particular focus on assets that are not initially depreciated or amortised. In the Orkla Group's financial statements, this will largely concern goodwill and trademarks with an indefinite useful life.

Routine monitoring of non-current assets

The Orkla Group has material non-current assets in the form of both tangible (property, plant and equipment) and intangible assets. An explanation of the details of and changes in these assets is presented in Note 19 and Note 20. The Group also has other non-current assets that mainly consist of investments in companies recognised using the equity method. These are disclosed in Note 6 and are not covered in the description below.

The capitalised assets are routinely monitored and if there are indications that the value of an asset is no longer recoverable, an impairment test will immediately be carried out to determine whether the asset can still justify its carrying value. If new estimates conclude that the value is no longer recoverable, the asset is written down to the recoverable amount, i.e. the greater of the net sales value and the value in use (discounted cash flow).

Impairment testing

Prior to the presentation of financial statements for the third quarter, the Group carried out impairment tests for all intangible assets with an indefinite useful life and for all goodwill, in line with its adopted principles. As a result of these tests, goodwill and brands were written down, primarily in Orkla Care and Orkla Consumer Investments.

The UK business in House Care has delivered a weak performance since it was acquired in September 2016. In 2018, a project was initiated to bring profitability back to at least the level at which Orkla purchased the business. However, the market situation remains very challenging, and the risk related to the profit performance required in the company was assessed as too high to justify the carrying value. Consequently, goodwill related to the company was written down by NOK 238 million in the third quarter of 2019. The goal of the restructuring project remains unchanged. A discount rate of 7.3% before tax was applied in the impairment tests and the carrying value of the company is NOK 312 million.

Write-downs of brands totalling NOK 181 million were also taken in the third quarter. The write-downs are primarily in Orkla Health, the largest relating to Gerimax (NOK 90 million) and Colon C (NOK 45 million). These brands have not performed satisfactorily in the last few years, and the remaining carrying value is NOK 70 million for Gerimax and NOK 20 million for Colon C. Furthermore, Orkla Foods' Swedish mince brand Krögarklass was written down by NOK 30 million to zero. The entire value of a Spanish brand in Wound Care was also written down by NOK 16 million.

An updated assessment was also carried out of the value of the Sauda power plants, and the valuation justifies the Group's investment in Saudefaldene. The WACC applied reflects lower risk than for the other Group companies.

No other deficit values related to property, plant or equipment or intangible assets were identified in the Group.

Ⓟ ACCOUNTING POLICIES

Goodwill and intangible assets with an indefinite useful life are not amortised on a regular basis. These assets are therefore tested at least annually for impairment. At Orkla, impairment testing is carried out in the third quarter. If there are special indications of a reduction in value, impairment testing is carried out more frequently. Cash flows relating to the assets are identified and discounted. Future cash flow is based on specified assumptions (see separate table in this note) and the plans adopted by the unit. If the discounted value of future cash flows is lower than the capitalised value of the unit's capital employed, the assets are written down to the recoverable amount. If the discounted value is higher than the capital employed, this means that the value of the intangible asset or goodwill is recoverable. In cases where the discounted value exceeds the capital employed by less than 20%, a further sensitivity analysis is carried out to check the calculation. Capital employed is defined through the presentation of segments in Note 7. Where relevant, assumptions and estimates are reviewed and the robustness of the investment is measured in relation thereto. Alternatively, the sales value of the asset will be calculated to determine whether it justifies maintaining the carrying value.

Trademarks with an indefinite useful life are tested for impairment by discounting estimates zof the future sales value of the trademark and measuring them against the trademark's carrying value. This process is based on a model whereby the trademark's discounted value is calculated on the basis of a percentage rate that indicates the strength of the trademark. This strength was assumed at the time of acquisition and is basically maintained in the impairment testing.

Note 18 cont. ➔

01
02
03
04
05

Cash-generating units
A cash-generating unit (CGU) is the lowest level at which independent cash flows can be measured. The highest level of a CGU will be a reported segment. None of the reported segments as at 31 December 2019 constituted a separate CGU.

Orkla Foods and Orkla Confectionery & Snacks have a CGU in each country and are thus tested on a country basis. Orkla Care, on the other hand, consists of four branded companies that have operations in several countries. In both Orkla Foods and Orkla Care there are companies that have been part of the Group for a long time, and these companies therefore have low or no capitalised intangible assets. Large acquisitions like the purchase of Rieber & Søn Norge in 2013 and Cederroth in 2015 have on the whole been fully integrated into Orkla's existing operations and the excess value associated with the acquisitions is therefore justified by the new aggregated units.

Orkla Food Ingredients consists of many different bakery and ice cream ingredient units, which mainly constitute separate CGUs. These are tested individually and a total of 19 tests are carried out.

Orkla Consumer Investments consists of Orkla House Care, Lilleborg, Pierre Robert, Kotipizza and Gorm's. All these units constitute separate CGUs except Orkla House Care. For the time being, the UK business in House Care is an independent unit and is tested on an individual basis. In the long term, the business is expected to be incorporated into an aggregated Orkla House Care. The UK business in House Care was written down in 2019 (see the previous page).

The segments are disclosed in Note 7 and an overview of book goodwill and brands in the largest CGUs in each business area is presented in a separate table in this note.

Trademarks
In the case of trademarks, a new organisational structure will normally not change assumptions underlying the measurement of the strength of the various trademarks. The trademarks continue to exist in the new organisation. The value of a trademark will be dynamic and new products launched under the trademark in question will help to maintain its value.

Assumptions
The Branded Consumer Goods business is basically relatively stable in the face of market fluctuations. Future cash flows are estimated on the basis of a number of assumptions. This applies both to factors such as assumptions concerning economic trends and factors such as assumptions concerning the estimated useful life of important trademarks. Cash flow estimates are sensitive to changes in raw material prices and thereby other purchase prices and the associated ability to maintain margin assumptions and market shares. Future cash flows are estimated on the basis of the budget for next year and the following four forecast years. As from year six a terminal value is calculated. The main factors on which the impairment tests are based are summarised by segment in a separate table in this note. The CGUs operate in different markets, and the table is intended to provide an overview of the primary drivers.

Discount rate
The discount rate applied is based on the Group's cost of capital, which is estimated to be 7.5% before tax based on a Norwegian tax rate (7.2% in 2018), based on a weighted average of required rates of return for the Group's equity and debt (WACC). The required rate of return on the Group's equity is estimated by using the capital asset pricing model (CAPM). The required rate of return on debt is estimated on the basis of a long-term risk-free interest rate to which is added a credit margin derived from Orkla's marginal long-term borrowing rate. External information sources are used to calculate the cost of equity and the cost of debt. The discount rate is adjusted for country risk, the level of inflation and operational risk, depending on the particular value being calculated.

Sensitivity
The largest trademark and goodwill items are related to businesses that are developing well. A comparison of the book value of capital employed in Branded Consumer Goods with an average sum-of-the-parts (SOTP) value based on analysts' valuation of the corresponding area shows substantial value surplus. The value surplus varies from one business area to another, but all four Branded Consumer Goods business areas show that the SOTP value is clearly higher than the respective carrying values.

Greatest uncertainty is attached to the companies recently acquired. In these cases, plans and assumed growth rates are based on trends in markets that are relatively new for the Group. Based on the assumptions and expectations applied in both the acquisition cases and further plans, however, most of these businesses justify their capitalised value. The performances of Health and Sport Nutrition Group (HSNG) and Pierre Robert Group Finland (PRG Finland) have been weaker than expected since the companies were acquired. Based on expected cash flows, the companies justify their book value, but their future performance will be monitored closely in relation to their anticipated profit performance.

Except for in the companies mentioned above, even a 2% change in either WACC or growth in the terminal value will not, all else being equal, result in impairment of the value of material trademarks and goodwill items.

The goodwill and trademark items are shown in tables on the following pages.

Note 18 cont.

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Key assumptions for estimating future performance

	Orkla Foods (OF)					Orkla Confectionery & Snacks (OC&S)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	2019	2018	2019	2018	Units	2019	2018	2019	2018
Units in segment	OF Norway	3 345	3 345	1 260	1 260	OC&S Norway	534	534	205	205
	OF Sweden	1 490	1 500	64	87	OC&S Sweden	818	840	372	382
	OF Denmark	414	99	58	59	OC&S Denmark	583	589	402	405
	OF Finland og OF Baltics	159	161	45	45	OC&S Finland	584	589	721	727
	MTR Foods	302	305	112	114	OC&S Baltics	469	473	263	266
	OF Central Europe	597	596	491	489					
	OF Others	211	211	-	-					
	Total	**6 518**	**6 217**	**2 030**	**2 054**	**Total**	**2 988**	**3 025**	**1 963**	**1 985**
			2019		2018			2019		2018
	Total capital employed 31 Dec.		14 142		13 709	Total capital employed 31 Dec.		6 803		6 752
	EBIT (adj.)		2 276		2 048	EBIT (adj.)		1 094		1 006
Factors that affect the discount rate	Operates largely in the Nordic and Baltic markets as well as Austria, Czech Republic, Slovakia, Russia, Hungary and India; low industry risk; budgets in local currency.					Operates largely in the Nordic and Baltic markets, low industry risk; budget in NOK, SEK, DKK, EUR.				
Raw material price estimates are based on the market situation at time of calculation	Key raw materials: meat and eggs, vegetables, dairy products, fish, spices and other additives, fruits and berries, glass and metal packaging.					Key raw materials: sugar, potatoes, nuts, cocoa, flour, vegetable oil, spices, milk powder and packaging				
Production sites	Production is carried out in the Nordics, Baltics, Austria, Czech Republic, Slovakia, Russia and India.					Production is largely carried out in the Nordics and Baltics.				
Gross profit is based on past performance, adjusted for future expectations	Gross profit is affected by innovations, productivity, retail chain price negotiations and raw material prices which overall are expected to remain stable or rise slightly.					Gross profit is affected by innovations, productivity, retail chain price negotiations and raw material prices which overall are expected to remain stable or rise slightly.				
Customisation and ability to develop products in collaboration with customers	Orkla Foods follows consumer trends and works continuously to seek growth and development in existing and new segments.					OC&S follows consumer trends – growth is expected in existing segments.				
Economic conditions and market outlook	Markets and turnover are expected to remain normal – Orkla Foods is generally little affected by market trends.					Markets and turnover are expected to remain normal – OC&S is generally little affected by market trends.				
Terminal value	Growth rate 0.5–5%.					Growth rate 0.5%.				

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Care					Orkla Food Ingredients (OFI)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	2019	2018	2019	2018	Units	2019	2018	2019	2018
Units in segment	Orkla Home & Personal Care	1 397	1 420	333	382	OFI Sales & Distribution	546	347	-	-
	Orkla Health	1 346	1 360	537	632	Odense Group	95	93	-	-
	Orkla Wound Care	130	134	80	98	Credin Group	211	199	-	-
	HSNG	275	274	92	95	Idun Group	737	614	-	-
						Dragsbæk Group	200	204	5	4
						Sonneveld Group	247	145	-	-
	Total	**3 148**	**3 188**	**1 042**	**1 207**	**Total**	**2 036**	**1 602**	**5**	**4**
			2019		2018			2019		2018
	Total capital employed 31 Dec.		5 657		5 825	Total capital employed 31 Dec.		5 528		4 373
	EBIT (adj.)		855		841	EBIT (adj.)		626		533
Factors that affect the discount rate	Operates largely in the Nordic markets and the Baltics, Poland and Spain; low industry risk; budgets in local currency.					Operates in several countries; moderate industry risk; budgets in local currency.				
Raw material price estimates are based on the market situation at time of calculation	Key raw materials: crude oil, fish oil, milk protein, vitamins, plastic packaging, plastic components, cardboard and paper-based packaging and tensides.					Key raw materials: vegetable oil, butter, molasses, sugar and flour.				
Production sites	Own production mainly in the Nordics, Poland and Malaysia for the part of Jordan included in Orkla Home & Personal Care (OHPC). Orkla Health has own production in Norway and Denmark. Wound care products are produced in Spain. Orkla Health, OHPC and HSNG also purchase goods for resale from Europe.					Own production mainly in Scandinavia. Other production in the Netherlands and at certain production units in Central and Eastern Europe.				
Gross profit is based on past performance, adjusted for future expectations	Gross profit is affected by innovations, productivity, retail chain price negotiations and raw material prices that overall are expected to remain stable or rise slightly.					Gross profit is affected by companies' competitive strength in delivery of products and services. This strength is supported by ability to develop good cost- in-use products. OFI seeks to offset changes in raw material costs in customer markets.				
Customisation and ability to develop products in collaboration with customers	Orkla Care follows consumer trends – growth is expected in existing segments.					OFI follows consumer trends and collaborates closely with its customers, who are manufacturers and suppliers. This collaboration will be further strengthened.				
Economic conditions and market outlook	Markets and turnover are expected to remain normal – Orkla Care is generally little affected by market trends.					Markets and turnover are expected to remain normal in the markets in which OFI operates.				
Terminal value	Growth rate 0.5–2%.					Growth rate 0.5%.				

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Consumer Investments				
		Goodwill		Trademarks	
Amounts in NOK million	Units	2019	2018	2019	2018
Units in segment	Pierre Robert Group[1]	98	98	38	37
	Lilleborg	18	18	-	-
	Orkla House Care	501	472	154	151
	Kotipizza	1 172	-	421	-
	Gorm's	116	116	-	-
	Total	**1 905**	**704**	**613**	**188**
		2019		2018	
	Total capital employed 31 Dec.	3 373		1 625	
	EBIT (adj.)	297		246	
Factors that affect the discount rate	Operates largely in the Nordic markets and the UK; low industry risk; budgets in local currency.				
Raw material price estimates are based on the market situation at time of calculation	Key raw materials: plastic packaging, plastic components, cardboard and paper-based packaging, wool and cotton, pizza crusts and pizza toppings.				
Production sites	Own production mainly in the Nordics, UK and China for Orkla House Care. Pierre Robert Group mainly buys its production from Italy and Asia. Lilleborg primarily buys goods for resale from Europe, in addition to own production in Norway. Kotipizza has own production in Finland and purchases ready-made crusts and raw materials (pizza toppings) and packaging. Gorm's has own production in Denmark.				
Gross profit is based on past performance, adjusted for future expectations	Gross profit is affected by innovations, productivity, retail chain negotiations and raw material prices that overall are expected to remain stable or rise slightly. For the restaurant operations, contribution margin is primarily driven by sales from restaurants, and innovation and operational efficiency.				
Customisation and ability to develop products in collaboration with customers	Orkla Consumer Investments follows consumer trends – growth is expected in existing segments.				
Economic conditions and market outlook	Markets and turnover are expected to remain normal – Orkla Consumer Investments is generally relatively little affected by market trends.				
Terminal value	Growth rate 0.5–2%.				

[1]Carried goodwill and trademarks are mainly related to Pierre Robert Group in Finland.

NOTE 19 INTANGIBLE ASSETS

Intangible assets and goodwill are non-physical assets that have largely been capitalised in connection with the acquisition of a company. Intangible assets classified as non-amortisable are chiefly trademarks, have an indefinite useful life and it is impossible on the balance sheet date to foresee when the asset will cease to have value. Goodwill is not regularly amortised either. Intangible assets and goodwill will be subject to considerable estimate uncertainty.

ACCOUNTING POLICIES

Research and development (R&D) expenditure is the expenses incurred by the Group in conducting research and development, studies of existing or new products, production processes, etc. in order to secure future earnings. Expenditure on research is always expensed directly, while expenditure on development may be recognised in the statement of financial position. However, there is considerable uncertainty throughout the decision-making process, and the fact that only a small percentage of all development projects culminate in commercial products means that no projects end in capitalisation. At the same time, the expenses that qualify for recognition in the statement of financial position are relatively small.

Expenditure on internally generated or customised IT systems is capitalised and presented as intangible assets.

Expenditure related to internally generated trademarks, etc. (marketing) is expensed directly and will never be capitalised. This is because the future economic benefits to the company cannot be identified and shown to be probable with any degree of certainty at the time the trademark is launched.

Intangible assets taken over by the company through acquisitions are capitalised. Long-established trademarks that have a sound development at the time of acquisition have an indefinite useful life and are not amortised. An indefinite useful life means that it is impossible on the statement of financial position date to estimate the period during which assets will be available for use. Other identified trademarks will be amortised over their anticipated useful life, which is normally 5–10 years. Other intangible assets will be amortised over their useful life. Thus only trademarks that are purchased directly or indirectly through the acquisition of companies are capitalised in the consolidated financial statements, not internally generated trademarks.

Goodwill is the residual value consisting of the difference between the purchase price and the capitalised value of an acquired company. The concept of goodwill comprises payment for synergy gains, assets related to employees, other intangible assets that do not qualify for capitalisation as a separate item, future superprofit and the fact that deferred tax cannot be discounted. Capitalised goodwill derives solely from acquisitions; see Note 18.

ESTIMATE UNCERTAINTY

Considerable estimate uncertainty attaches to the value of intangible assets. These have no direct “cost price”, which is essentially determined by the Group’s own valuations, and are mainly capitalised in connection with the Group’s acquisition of a new business. Goodwill is to be seen as a residual value in the same acquisition. The sum of all excess value including goodwill associated with acquisitions is thus basically to be regarded as the market value (fair value) of the total net assets, and the different types of assets (liabilities) are broken down on the basis of that value; see Note 18.

SUSTAINABILITY

Orkla expensed NOK 300 million for research and development in 2019 (NOK 279 million in 2018). This covers internal and external costs related to product development, and includes measures to reduce salt, sugar and saturated fat in foods, and develop healthy products and packaging with reduced environmental impacts.

A project is being carried out that will run for several years and aims at establishing a common ERP platform for Branded Consumer Goods except Orkla Food Ingredients. As at 31 December 2019, NOK 660 million had been capitalised in connection with this ERP system. Orkla Food Ingredients is also in the process of establishing a common ERP system in its own business area and has capitalised NOK 60 million. The ERP investments are mainly capitalised under “Assets under construction”; see Note 20.

Note 19 cont.

Intangible assets

Amounts in NOK million	Trademarks, not amortisable	Trademarks, amortisable	Other intangible assets	IT	Goodwill	Total
Book value 1 January 2018	5 312	14	96	309	14 150	19 881
Investments	-	-	-	40	-	40
Reclassifications[1]	-	-	-	128	-	128
Companies acquired[2]	130	-	2	(9)	603	726
Sold companies	-	-	-	-	(9)	(9)
Depreciation/amortisation	-	(5)	(5)	(103)	-	(113)
Translation differences	(4)	-	-	(1)	(71)	(76)
Book value 31 December 2018	5 438	9	93	364	14 673	20 577
Investments	-	-	-	83	2	85
Reclassifications[1]	1	-	1	77	-	79
Companies acquired[2]	441	-	30	3	2 198	2 672
Depreciation/amortisation	-	(1)	(12)	(108)	-	(121)
Write-downs	(181)	-	-	(4)	(238)	(423)
Translation differences	(46)	1	5	-	(102)	(142)
Book value 31 December 2019	5 653	9	117	415	16 533	22 727
Initial cost 1 January 2019	5 537	89	879	1 123	16 913	24 541
Accumulated amortisation and write-downs	(99)	(80)	(786)	(759)	(2 240)	(3 964)
Book value 1 January 2019	5 438	9	93	364	14 673	20 577
Initial cost 31 December 2019	5 805	81	943	1 148	19 135	27 112
Accumulated amortisation and write-downs	(152)	(72)	(826)	(733)	(2 602)	(4 385)
Book value 31 December 2019	5 653	9	117	415	16 533	22 727
Amortisation	-	10–20%	10–20%	10–33%	-	-

[1]Net reclassifications relate to figures transferred from Note 20.
[2]See Note 5 for information about intangible assets in acquired companies.

NOTE 20 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are various types of assets that are necessary for the Group's operating activities. Unless there are significant changes in operating parameters, these assets will largely necessitate corresponding reinvestment over time. They consist of items such as land, buildings, plants, machinery, fixtures and fittings, IT equipment and means of transport owned by the Orkla Group. Annual ordinary depreciation is an indication of the extent of the need for corresponding reinvestment.

Ⓟ ACCOUNTING POLICIES

Property, plant and equipment are tangible items intended for production, delivery of goods or administrative purposes and have a lasting useful life. They are recognised in the statement of financial position at cost minus any accumulated depreciation and write-downs. Routine maintenance of assets is expensed under operating expenses while major periodical maintenance and expenditure on replacements or improvements are added to the cost price of the assets. Property, plant and equipment with an indefinite useful life (land, etc.) are not depreciated, while other property, plant and equipment are depreciated on a straight line basis over their useful life. Residual value is taken into account (especially in connection with properties), and the depreciation plan is reviewed annually. If there is any indication that the value of an asset may be impaired, the asset will be written down to the recoverable amount if the recoverable amount is lower than the carrying value.

When carrying out a purchase price allocation in connection with an acquisition, excess or deficit values are allocated to the assets concerned, so that these are capitalised at the Group's acquisition cost. Financing expenses related to the production of the Group's own property, plant and equipment are recognised in the statement of financial position; see Note 15.

Ⓔ ESTIMATE UNCERTAINTY

The valuation and estimated useful life of property, plant and equipment are based on future information and will always involve a degree of uncertainty. Especially in a situation where the Group is planning major changes in its manufacturing structure and number of production sites, there will be extra focus on assessments made of different production facilities. The various production sites are routinely assessed based on a going concern approach, but in a situation where a change in organisational structure could mean that some plants will be closed or reorganised, these assessments will have to be changed on an ongoing basis and could lead to the identification of both net book value surpluses and net book value deficits.

See Note 35 for disclosures of pledged assets and mortgages related to the Group's property, plant and equipment.

Orkla is currently implementing an investment programme for pizza production at Stranda. The investment programme, which will run for five years, includes investments in both new innovations and improved production efficiency. Approximately NOK 500 million was capitalised for this project as at 31 December 2019. Project costs related to the different stages are recognised as "Other expenses".

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Note 20 cont.

Property, plant and equipment

Amounts in NOK million	Land, buildings and other property	Machinery and plants	Assets under construction	Fixtures, fittings, vehicles, IT equipment etc.	Total
Book value 1 January 2018	5 811	4 222	1 102	548	11 683
Investments	181	332	1 658	120	2 291
Disposals/scrapping	(9)	(67)	(1)	(3)	(80)
Reclassifications	15	-	(128)	-	(113)[1]
Companies acquired	82	61	9	18	170
Sold companies	-	-	-	-	0
Transferred assets under construction	94	431	(538)	13	0
Write-downs	(19)	(37)	(3)	(3)	(62)
Depreciation	(226)	(682)	-	(186)	(1 094)
Translation differences	(10)	(26)	4	(3)	(35)
Book value 31 December 2018	5 919	4 234	2 103	504	12 760
Investments	293	404	1 585	160	2 442
Disposals/scrapping	(19)	(16)	-	(3)	(38)
Companies acquired	118	55	2	15	190
Sold companies	(27)	(5)	-	-	(32)
Transferred assets under construction/reclassifications	997	531	(1 702)	82	(92)[2]
Write-downs	(1)	(24)	(34)	(1)	(60)
Depreciation	(269)	(703)	-	(173)	(1 145)
Translation differences	(20)	(41)	(4)	(5)	(70)
Book value 31 December 2019	6 991	4 435	1 950	579	13 955
Initial cost 1 January 2019	9 844	15 155	2 103	2 345	29 447
Accumulated depreciation and write-downs	(3 925)	(10 921)	-	(1 841)	(16 687)
Book value 1 January 2019	5 919	4 234	2 103	504	12 760
Initial cost 31 December 2019	10 695	16 008	1 984	2 416	31 103
Accumulated depreciation and write-downs	(3 704)	(11 573)	(34)	(1 837)	(17 148)
Book value 31 December 2019	6 991	4 435	1 950	579	13 955
Linear depreciation	2–4%	5–15%	-	15–25% IT-equipment: 16–33%	

[1]NOK 15 million has been transferred from Inventories in Note 23 and NOK 128 million has been transferred to Intangible assets in Note 19.
[2]NOK 13 million related to previously capitalised leases under IAS 17 has been transferred to Leases in Note 21 and NOK 79 million has been transferred to Intangible assets in Note 19.

NOTE 21 LEASES

The Group has agreements relating to the lease of property and other fixed assets. These are future liabilities for the Group. Under the new IFRS 16 implemented on 1 January 2019, all non-immaterial lease liabilities must be capitalised as interest-bearing liabilities. In parallel, the right-of-use assets will be capitalised together with property, plant and equipment and depreciated. Short-term leases and leases of low value assets will be expensed like other operating expenses.

Ⓟ ACCOUNTING POLICIES

Upon entering into a contract, an assessment will be made of whether an agreement contains a lease arrangement entitling the Group to control the use of an identified asset. If the lease is identified as such, assets and associated liabilities are recognised at the start of the lease, i.e. at the date on which the underlying asset is made available to the Group. Short-term leases of 12 months or less and leases of low value assets are not capitalised. For these leases, lease payments are recognised in the income statement directly.

Upon entering into a contract, the lease liabilities are measured at the present value of all future lease payments. Lease payments include fixed payments and any payments varying according to an index or an interest rate, but not variable lease payments depending on the use of the asset. Lease payments also include residual value guarantees, purchase options and any termination expenses. The lease liability is reduced by ongoing instalments. The discount rate is the implicit interest rate in the lease, provided this is available. If this cannot be obtained, the lessee's marginal borrowing interest rate shall be used as the basis. Lease liabilities are classified like other interest-bearing liabilities in the statement of financial position. The interest effect of the discounting is presented as interest expense.

Right-of-use assets are capitalised at the equivalent of the estimated lease liability upon entry into the lease contract. Right-of-use assets are depreciated on a straight-line basis over the lease period and assessed to determine whether a write-down is necessary if there is any indication of a value impairment. The assets are included in non-current assets in the statement of financial position.

Implementation of IFRS 16

The Group has implemented IFRS 16 Leases since 1 January 2019. Orkla has chosen to apply the modified retrospective method when implementing IFRS 16, which gave rise to an equity effect upon implementation. Comparative figures have not been restated, but a new balance as at 1 January 2019 is presented in the statement of financial position.

As at 1 January 2019, Orkla had capitalised right-of-use assets totalling NOK 1,283 million and liabilities of NOK 1,447 million relating to leases. The effect on total retained earnings amounts to NOK 112 million after a reduction in deferred tax of NOK 37 million and a reduction in non-controlling interests of NOK 15 million. Most of the equity effect is related to the Sauda lease (see below). The implementation effect reduced the equity ratio as at 1 January 2019 by 1.8 percentage point, from 64.9% to 63.1%.

Reconciliation of lease liabilities under IAS 17 against lease liabilities under IFRS 16

Amounts in NOK million	1.1.2019
Operating lease commitments 31 December 2018	1 340
Financial lease commitments 31 December 2018	30
Recognition lease agreements Sauda[1]	268
Renewal options reasonably certain to be exercised	7
Short-term leases not recognised in the balance sheet	(30)
Low value leases not recognised in the balance sheet	(18)
Discounting using the incremental/marginal borrowing rate	(150)
Lease liabilities recognised at initial application	**1 447**
The weighted average incremental/marginal borrowing rate applied	3.3%
Right-of-use assets recognised at initial application	1 283
Amount recognised in retained earnings at initial application	112

[1]Not reported as lease under IAS 17.

Note 21 cont.

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Orkla's leases
The companies in the Orkla Group largely own their own means of production and production premises. The Group's leases mainly concern the lease of restaurants (Kotipizza), office and warehouse premises and vehicles such as cars and forklifts. The leases are capitalised under "Non-current assets" in the statement of financial position.

Additionally, Orkla's leases with Statkraft, whereby AS Saudefaldene has use of all power stations until 2030, are deemed to fall within the scope of IFRS 16. The leases account for around 14% of the recognised right-of-use assets in the Group as at 31 December 2019. Orkla has a right to terminate the leases with Statkraft at any time subject to three to four years' notice, and renewal of the leases is considered annually. Between three and four years' rent will be capitalised at all times. These leases are presented in the table as "Machinery and plants".

No material impairment needs have been identified in relation to any of the leases in connection with implementation of IFRS 16.

Key considerations
Several of the Group's leases include options for renewal of the lease. This applies in particular to leases for office and warehouse premises. Only options that are reasonably certain to be exercised are recognised in the lease liability. Lease options for long-term contracts, mainly over 5 years, are not taken into account as there are constant changes in the Group, and it is therefore difficult to predict the likelihood of future renewals.

Leases that fall within the definition "low value assets" are not capitalised. This primarily applies to office equipment leases. Lease expenses related to short-term leases where the non-cancellable lease period is less than 12 months are also recognised directly in the income statement, provided that the company does not expect to use the asset after this period.

The Orkla Group has chosen to make use of the possibility offered in the standard of not applying IFRS 16 for intangible assets. In the case of Saudefaldene, this applies to waterfall rights that represent a right to use the power of the water in the Saudavassdraget river system. The liability arising from this right of use has not been recognised and thus has not been capitalised.

A review of various leases has been carried out, and the agreements have been assessed with regard to the distinction between them and service agreements. This applies, for instance, to agreements with carriers (transport agreements). The majority of the Group's transport agreements are of such a nature that no specific asset can be identified, or are of a short-term nature that does not fall within the standard's definition of a lease.

Several of the Group's leases include other services and components, such as shared costs, fuel and taxes. Non-lease components are treated separately from the lease and recognised as an operating expense in the consolidated financial statements.

Discount rate
When a lease's implicit interest rate is not available, the lessee's marginal borrowing rate is used as a basis. For most Orkla subsidiaries, this will be the internal borrowing rate in Orkla ASA. Orkla's internal borrowing rate is fixed at the floating market interest rate with a risk premium (company and country risk). The weighted discount rate for Orkla's lease liabilities is 2.3%.

Effects on profit or loss
Under IFRS 16, capitalised leases must be depreciated over the lease period and presented with the Group's other depreciation expense. For 2019, this results in a limited annual increase in the Group's operating profit of approx. NOK 20 million, due to an increase of NOK 472 million in annual depreciation and a reduction in other operating expenses of approx. NOK 492 million. The interest rate effect is NOK 35 million. The actual effects on profit or loss differ slightly from estimates made in earlier periods and are particularly affected by new leases entered into in 2019. In particular, Orkla's purchase of Kotipizza Group Oyj in 2019 increased the number of the Group's leases. Kotipizza leases premises in connection with its restaurant operations. See also Note 5.

ESTIMATE UNCERTAINTY

Recognition of leases is based on a present value calculation, in which assumptions concerning discount interest rates, lease payments, lease term and use of options are assessed and taken into account. Changes in one or more of these assumptions will impact on the estimated effects of the leases for the Group. The assessment of whether an agreement is to be regarded as a lease or service agreement will also have significant consequences for the accounting treatment of the leases.

Note 21 cont.

Capitalised right-of-use assets

Amounts in NOK million	Offices and restaurants	Production sites and other property	Machinery and plants	Vehicles etc.	Total
Book value 1 January 2019	432	466	180	205	1 283
Investments	138	43	174	95	450[1]
Companies acquired	186	-	1	8	195
Sold companies	-	-	-	-	-
Depreciation	(176)	(73)	(104)	(119)	(472)
Translation differences	(1)	(4)	(1)	(3)	(9)
Book value 31 December 2019	579	432	250	186	1 447
Initial cost 1 January 2019	1 030	725	233	501	2 489
Accumulated depreciation and write-downs	(598)	(259)	(53)	(296)	(1 206)
Book value 1 January 2019	432	466	180	205	1 283
Initial cost 31 December 2019	1 541	760	323	601	3 225
Accumulated depreciation and write-downs	(962)	(328)	(73)	(415)	(1 778)
Book value 31 December 2019	579	432	250	186	1 447

[1]NOK 13 million was transferred from property, plant and equipment, Note 20. This was previously capitalised as financial leases under IAS 17.

Undiscounted lease liabilities and maturity of cash outflows

Amounts in NOK million					
Less than 1 year	192	81	104	99	476
1-2 years	149	72	103	52	376
2-3 years	109	59	101	23	292
3-4 years	80	54	99	9	242
4-5 years	51	51	4	5	111
More than 5 years	69	181	2	4	256
Total undiscounted lease liabilities at 31 December 2019	650	498	413	192	1 753

Note 21 cont.

Movement of the lease liabilities

Amounts in NOK million	2019
At initial application 1 January 2019	1 447
New lease liabilities	450
Lease liabilities acquired companies	210
Lease payments in 2019	(492)
Interest expense on lease liabilities	35
Index adjustments	8
Translation differences	(2)
Total lease liabilities at 31 December 2019	**1 656**
Current lease liabilities	361
Non-current lease liabilities	1 295
Net cash flow from lease liabilities	492

Other lease expenses recognised in income statement

Amounts in NOK million	2019
Lease payments - short-term and low value leases	(51)
Variable lease payments	(5)
Total lease expenses (other operating expenses)	(56)

Rental agreements
The Group also rents out real estate under operating leases. Rental revenues in 2019 amounted to NOK 96 million. Total future rental revenues amount to NOK 201 million, broken down into NOK 107 million in 2020 and NOK 94 million after 2021.

NOTE 22 OTHER ASSETS (NON-CURRENT)

Other assets (non-current) consist of financial items of a long-term nature. Shares are presented at fair value in the statement of financial position, with changes in value reported as other items in comprehensive income. Other assets also include net pension assets from companies that have more pension assets than liabilities. Other items are derivatives and receivables with a maturity of more than one year.

Ⓟ ACCOUNTING POLICIES

Other assets are classified as non-current when they are not part of a normal operating cycle and are not held for trading purposes or the entity has an unconditional right to defer payment for at least 12 months. Other receivables are current.

Shares and financial investments are investments of a financial nature and are recognised at fair value with both changes in value and gains/losses recognised as other items in the comprehensive income statement. Dividends received are reported in ordinary profit or loss when they are not to be regarded as a form of repayment of capital by the company. Any dividend is recognised in the income statement when it has been approved by the company paying out the dividend, which mainly coincides with the date of payment. Purchases and sales of shares are recognised on the trade date. This applies both to shares classified as non-current shares in this note and to current shares in Note 24.

Derivatives are described in Note 31. Pension assets are described in Note 12.

Amounts in NOK million	Measurement level	2019	2018
Share investment Kotipizza (see Note 5)	1	-	157
Share investments	3	102	81
Interest-bearing derivatives	2	19	79
Receivables interest-bearing	3	244	130
Receivables non interest-bearing	3	11	11
Total financial assets		376	458
Pension plan assets		32	30
Total other assets (non-current)		408	488

Receivables are recognised at fair value in accordance with Level 3 valuation, and derivatives according to Level 2 valuation; see the measurement hierarchy in Note 31.

NOTE 23 INVENTORIES AND DEVELOPMENT PROPERTY

Inventories are the Group's stocks of all types of goods intended for sale. These consist of raw materials ready for production, finished goods and purchased goods for resale. Packaging to be used for sold goods is included. Any profit from intra-Group sales has been eliminated. During the period in which buildings built by the Group (Orkla Eiendom) for sale are under development, the cost price of the projects will be reflected on the line for inventory of development property until the buildings are sold.

Inventories

Amounts in NOK million	2019	2018
Raw materials	1 994	1 860
Work in progress	334	448
Finished goods and merchandise	3 540	3 567
Total inventories	5 868	5 875

Inventories relating to Branded Consumer Goods:		
Orkla Foods	2 504	2 485
Orkla Confectionery & Snacks	643	662
Orkla Care	999	1 076
Orkla Food Ingredients	1 219	1 148
Orkla Consumer Investments	500	495
Branded Consumer Goods	5 865	5 866

ACCOUNTING POLICIES

Inventories are valued at the lower of acquisition cost and net realisable value for the entire Orkla Group. Purchased goods are valued at cost according to the FIFO principle, while internally manufactured finished goods and work in progress are valued at production cost. Deductions have been made for obsolescence. The net realisable value is the estimated selling price minus selling costs. Property under development is valued at the total costs incurred.

An assessment of net realisable value was carried out after deducting selling costs. This resulted in a total write-down of inventories as at 31 December 2019 of NOK 102 million (NOK 80 million in 2018). Inventories valued at net realisable value total NOK 58 million (NOK 45 million in 2018).

Development property

Development properties amounted to NOK 90 million (NOK 132 million in 2018). The properties are mainly housing projects under development/construction and primarily consist of the projects at Sandakerveien 56 in Oslo and a development project in Larvik.

ESTIMATE UNCERTAINTY

Inventories consist of a great many individual lines of goods in the form of both raw materials and finished goods. The goods are counted and valued at the Group's acquisition cost, and account is taken of obsolescence. The Group has a large number of units in stock at all times, but there is not deemed to be any material form of uncertainty regarding either the quantity or quality of the Group's inventories.

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NOTE 24 RECEIVABLES AND FINANCIAL ASSETS (CURRENT)

Accounts receivable and other trade receivables are directly linked to the operating cycle. Other receivables (current) can be both interest-bearing and non-interest-bearing. Financial assets are securities with a short-term ownership horizon.

Accounts receivable and other trade receivables

Amounts in NOK million	2019	2018
Accounts receivable (A - B)	5 941	5 826
Other trade receivables	137	164
Total trade receivables	6 078	5 990

Breakdown of accounts receivable by due date:

Amounts in NOK million	2019	2018
Accounts receivable not due	5 113	4 991
Overdue receivables 1–30 days	590	599
Overdue receivables 31–60 days	108	117
Overdue receivables 61–90 days	48	43
Overdue receivables over 90 days	197	179
Accounts receivable carrying amount 31 December (A)	6 056	5 929

Change in provisions for bad debts:

Amounts in NOK million	2019	2018
Provisions for bad debts 1 January	103	86
Bad debts recognised as expense	16	17
Provisions in acquired companies	16	9
Provisions in sold companies	-	-
Final bad debts	(19)	(12)
Translation effects	(1)	3
Provisions for bad debts 31 December (B)	115	103

Ⓟ ACCOUNTING POLICIES

Provisions are made for anticipated losses on receivables based on relevant information available at the time of reporting, including historical, current and future information in accordance with an expected loss model. The provision will have to be based on objective criteria. If an invoice is not paid, this will be a clear indication of an increased risk of default.

Accounts receivable are in principle recognised and presented at the original invoice amount and valued at amortised cost using the effective interest rate method. The interest rate element is disregarded if it is immaterial, which is the case for the vast majority of the Group's accounts receivable.

The principle for assessment of financial investments is described in Note 22. Derivatives are described in Note 31.

Ⓔ ESTIMATE UNCERTAINTY

The credit risk related to accounts receivable is assessed as relatively low. Provisions have been made for bad debts, which cover uncertain receivables to a reasonable extent. See also the breakdown of accounts receivable by due date in this note and the disclosure of credit risk in Note 30.

Note 26 cont.

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Receivables and financial assets (current)

Amounts in NOK million	2019	2018
Non-interest-bearing derivatives	7	23
Interest-bearing derivatives	95	-
Interest-bearing receivables	8	6
Other current receivables	277	267
Financial investments	1	13
Total financial receivables and investments	388	309
Advance payment to suppliers/earned income	513	461
Tax receivables	67	57
Total current receivables and financial investments	968	827

Derivatives are recognised at fair value in accordance with Level 2 valuation and financial assets according to Level 3 valuation; see the measurement hierarchy in Note 31.

NOTE 25 CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents consist of liquid assets necessary for transactions and some current placements. Orkla ASA also has unutilised, long-term, committed credit facilities that may be drawn upon at short notice; see Note 28. Changes in liquid assets in the cash flow statement do not necessarily provide an accurate picture of the Group's financial standing as excess liquidity is routinely used to repay interest-bearing debt.

Ⓟ ACCOUNTING POLICIES

Cash and cash equivalents consist of cash, bank deposits and current deposits that have a maturity of three months or less, and an immaterial risk of a change in value. Restricted deposits are assets that only to a limited degree are available to the rest of the Group.

Cash and cash equivalents are held for the purpose of meeting short-term fluctuations in liquidity rather than for investment purposes. For Orkla, the level of the Group's net interest-bearing liabilities is a more important management parameter than the level of cash and cash equivalents

Amounts in NOK million	2019	2018
Cash at bank and in hand[1]	1 423	1 723
Current deposits	70	83
Restricted deposits	176	172
Total cash and cash equivalents	1 669	1 978

[1]Of "Cash at bank and in hand" a total of NOK 321 million (NOK 196 million in 2018) is in Orkla companies with minority shareholders and in Orkla Insurance Company. These assets are only available to a limited extent to the rest of the Group.

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NOTE 26 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions consist of pension obligations and other provisions for liabilities. A provision may be reported separately from other liabilities, such as accounts payable, because there is uncertainty as to the settlement date or the amount of the future expenses.

Ⓟ ACCOUNTING POLICIES

Provisions are recognised in the financial statements for matters such as disputes, potential lossmaking contracts and adopted restructuring measures. The provisions will not cover possible future operating losses. In the case of restructuring provisions, there must be a detailed plan that identifies which parts of the business are to be restructured, and a valid expectation must have been created among those concerned that the restructuring will be carried out. In addition, it must be possible to provide a reliable estimate of the amount of the liability. It is a condition that the restructuring materially changes the size of the business or the way in which it is operated. The provision is calculated on the basis of the best estimate of anticipated expenses. If the effect is material, anticipated future cash flows will be discounted, using a current pre-tax interest rate that reflects the risks specific to the provision.

Contingent liabilities and contingent assets are a possible obligation or a possible asset whose existence is uncertain and will be confirmed by the occurrence or non-occurrence of a future special event, such as the outcome of legal proceedings or the final settlement of an insurance claim. Contingent liabilities are recognised in the financial statements based on estimated outcome, if there is a more than 50% probability that the liability has arisen. If the probability is lower, the matter is disclosed in notes to the financial statements if material and unless the probability of disbursement is very small. An asset will only be recognised in the statement of financial position if it is highly probable (95%) that the Group will receive the asset. The disclosure requirement applies to other contingent assets; see Note 37 for further information.

Derivatives are described in Note 31. Pension obligations are described in Note 12.

Ⓔ ESTIMATE UNCERTAINTY

It is in the nature of a provision that it involves some degree of uncertainty. A provision is made and calculated based on assumptions at the time the provision is made and will be routinely updated as and when new information becomes available.

Provisions and other non-current liabilities

Amounts in NOK million	2019	2018
Pension liabilities	2 358	2 019
Derivatives	128	242
Provisions for obligations and other non-current liabilities	695	799
Total provisions and other non-current liabilities	3 181	3 060

Provisions with a maturity of less than 12 months are presented as “Other liabilities” (current).

Breakdown of provisions for obligations and other non-current liabilities:

Amounts in NOK million	2019	2018
Branded Consumer Goods	275	169
Other business	420	630
Total provisions for obligations and other non-current liabilities	695	799

Provisions for obligations and other non-current liabilities in Branded Consumer Goods mainly concern commitments to acquisitions of additional shares in companies, restructuring and minor personnel-related provisions. Provisions and other non-current liabilities in 2019 increased due to liabilities incurred in connection with the purchase of additional shares in Kotipizza and Easyfood. Restructuring provisions also increased.

As regards “Other business”, provisions for obligations and other non-current liabilities concern estimated liabilities related to guarantees and indemnities issued by Orkla to Norsk Hydro in connection with the sale of Sapa, as well as compensation to property owners and demolition costs related to Saudefaldene, and provisions related to discontinued operations. Furthermore, Orkla has insured some of its exposures through a captive insurance company, Orkla Insurance Company DAC. Orkla has made provisions for these exposures. The reduction related to “Other business” in 2019 chiefly concerns the payment of NOK 203 million as part of the indemnities issued to Norsk Hydro. A provision of NOK 297 million remains for this indemnity; see also the description in Note 4.

NOTE 27 CURRENT LIABILITIES

Accounts payable and other trade payables are liabilities linked directly to the operating cycle. Other liabilities (current) are other payables, such as unpaid government charges and taxes, unpaid wages and holiday pay and other accruals.

Ⓟ ACCOUNTING POLICIES

A non-interest-bearing liability is classified as current when it is part of a normal operating cycle, is held for trading purposes and falls due within 12 months. Other liabilities are non-current.

Accounts payable and other trade payables

Amounts in NOK million	2019	2018
Accounts payable	3 918	3 328
Other trade payables[1]	1 673	1 579
Total trade payables	5 591	4 907

[1]Includes discount provisions of NOK 1,516 million in 2019 (NOK 1,376 million in 2018); see Note 4.

Ⓔ ESTIMATE UNCERTAINTY

All types of accruals/provisions will involve a certain estimate uncertainty. Estimate uncertainty associated with discounts, etc. is disclosed in Note 4.

Other liabilities (current)

Amounts in NOK million	2019	2018
Non-interest-bearing derivatives	8	15
Non-interest-bearing current liabilities	180	204
Total financial liabilities non-interest-bearing	188	219
Value added tax, employee taxes	868	806
Accrued wages and holiday pay	1 048	1 105
Other accrued costs	887	850
Total other liabilities (current)	2 991	2 980

NOTE 28 CAPITAL MANAGEMENT AND FUNDING

The level of a company's capital and the way it is managed are important factors in evaluating the company's risk profile and its capacity to withstand unfavourable events.

Capital management

Orkla's capital management is designed to ensure that the Group has sufficient financial flexibility, short-term and long-term. One main objective is to maintain a financial structure that, through solidity and cash flow, ensures strong, long-term creditworthiness, as well as a competitive return for shareholders through a combination of dividends and an increase in the share price.

When allocating capital for acquisitions and other investments, a rate of required return on capital is applied, adjusted for project-specific risk. Capital usage and allocation are subject to formalised authorisation limits, and decision processes at applicable levels. External borrowing is centralised at the parent company level, and capital needs in subsidiaries are mainly covered by internal loans, or equity. The capital structure of subsidiaries is adapted to commercial as well as legal and tax considerations. The short-term liquidity of Group companies is managed at Group level through cash pools. Internal loans to partly owned subsidiaries are provided subject to a separate evaluation, or external funding is established.

Orkla has no official credit rating, but actively monitors quantitative and qualitative measures which affect the creditworthiness of the Group. The target is to ensure that interest bearing liabilities do not exceed 2.5 x EBITDA over time. Orkla has targeted a reduction in working capital, in percent of turnover, of 3 percentage points during a three-year period, and through 2019 the working capital was reduced by 1.1 percentage point. There were no other changes in Orkla's approach and objectives regarding capital management during 2019.

Ⓢ SUSTAINABILITY

Focus on responsible business operations and effective management of sustainability-related risk is an integral part of the Group's investment assessments. Orkla's sustainability goals necessitate investments in product development and process improvements, and in some cases the desire to acquire a new business. Sustainability-related investments are assessed on the basis of Orkla's criteria for return on investment and risk management.

Note 28 cont.

The Group's interest-bearing liabilities and equity consist of:

Amounts in NOK million	2019	2018
Non-current interest-bearing liabilities	(6 488)	(4 775)
Current interest-bearing liabilities	(442)	(455)
Non-current interest-bearing receivables	263	209
Current interest-bearing receivables	103	6
Cash and cash equivalents	1 669	1 978
Net interest-bearing liabilities, excl. leases	(4 895)	(3 037)
Lease liabilities	(1 656)	-
Net interest-bearing liabilities	(6 551)	(3 037)
Group equity[1]	34 912	34 080
Net gearing (net interest-bearing liabilities/equity)	0.19	0.09

[1]The Group's equity also includes the value of cash flow hedges taken to comprehensive income.

Orkla's net interest-bearing liabilities increased by NOK 2.1 billion through 2019, affected by acquisitions totalling NOK 3.1 billion, in addition to ordinary cash flows and dividend payment. When implementing IFRS 16 from 1 January 2019, reported net interest-bearing liabilities increased by approximately NOK 1.4 billion as a consequence of lease agreements and corresponding liabilities being recognised in the statement of financial position.

As an industrial Group, Orkla is not subject to any external capital requirements. The subsidiary Orkla Insurance Company DAC (Ireland) is subject to solvency requirements under applicable laws and regulations in Ireland. These requirements were met in 2019.

Funding

The primary objective of Orkla's treasury policy is to ensure that the Group has sufficient financial flexibility in the short and long term to achieve its strategic and operational objectives.

Orkla's policy with regard to its funding activity is to maintain unutilised, long-term, committed credit facilities which together with available liquid deposits are sufficient to cover loans that fall due and known capital needs over the next 12 months, as well as a strategic reserve. This means that Orkla's credit facilities are normally refinanced one year before maturity and that short-term interest-bearing debt is at all times covered by unutilised long-term credit facilities. Commercial paper and money markets are used as a source of liquidity when conditions in these markets are competitive, as an alternative to drawing on committed long-term credit facilities. As at 31 December 2019 these credit facilities were undrawn (also undrawn as at 31 December 2018).

Orkla's main funding sources are bilateral loans from Orkla's relationship banks and loans in the Norwegian bond market. The Group Treasury also continuously evaluates other funding sources. The term to maturity for new loans and credit facilities is normally 5–10 years.

During 2019 new long-term loan agreements of NOK 4.1 billion were entered into, and an existing bond was increased by NOK 300 million. A long-term loan of NOK 0.4 billion was repaid.

Orkla has no loan agreements with financial covenants for the Group or for Orkla ASA. The loan agreements include some limitations on disposals of businesses, creation of security interest on assets, borrowing at subsidiary level, and cross default clauses. Bonds issued in the Norwegian bond market are listed on the Oslo Stock Exchange.

NOTE 29 INTEREST-BEARING LIABILITIES

The composition and the level of interest-bearing liabilities plus unutilised credit facilities are managed as part of the Group's funding activity. Changes in net interest-bearing liabilities result from the cash flow of the Group.

ACCOUNTING POLICIES

Loans and receivables are carried at amortised cost. Thus, changes in fair value resulting from changes in market interest rates during the interest rate period are not reported in the income statement, except for loans which are hedged objects in fair value hedges of interest rate risk; see Note 31. Bonds issued by Orkla, held on own books, are carried at amortised cost and recognised as reduced debt.

Interest-bearing liabilities	Book value		Fair value[1]			Notional		
Amounts in NOK million	31.12.2019	31.12.2018	31.12.2019	31.12.2018	Currency	in ccy[2]	Coupon[3]	Term
Non-current interest-bearing liabilities								
Bonds								
ORK80 (10694680)	927	941	951	953	NOK	1 000	Fixed 4.35%	2013/2024
ORK82 (11731730)	723	722	729	722	NOK	1 500	Nibor +0.69%	2015/2022
ORK83 (11774383)	675	675	684	673	NOK	1 000	Nibor +0.85%	2016/2023
ORK84 (11774391)	547	260	559	257	NOK	1 000	Fixed 2.35%	2016/2026
Other bonds	88	60	88	60				
Total bonds	2 960	2 658	3 011	2 665				
Bank loans	3 445	2 020	3 445	2 020				
Other loans	68	97	68	97				
Lease liabilities	1 295	-	1 295	-				
Interest-bearing derivatives	15	-	15	-				
Total non-current interest-bearing liabilities	7 783	4 775	7 834	4 782				
Current interest-bearing liabilities								
Bank loans, overdrafts	436	335	436	335				
Other loans	6	16	6	16				
Lease liabilities	361	-	361	-				
Interest-bearing derivatives	-	104	-	104				
Total current interest-bearing liabilities	803	455	803	455				
Total interest-bearing liabilities	8 586	5 230	8 637	5 237				

[1]The fair value of exchange-traded bonds is calculated on the basis of official tax values, whereas book values are used for other loans.
[2]Of the notional amount the Group holds some of its own bonds, which have been deducted in the recognised liabilities.
[3]The nominal interest rate is not an expression of the Group's actual interest cost, as various interest rate swaps have been entered into. Note 30 discloses further details of interest rate level, interest rate risk and a breakdown of the liabilities portfolio by currency.

Note 29 cont.

Maturity profile interest-bearing liabilities and unutilised credit facilities

	Interest-bearing liabilities		Unutilised credit facilities	
Amounts in NOK million	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Maturity <1 year	911	455	-	-
Maturity 1–3 years	1 464	480	2 039	1 067
Maturity 3–5 years	4 291	2 596	3 768	2 500
Maturity 5–7 years	1 920	1 699	-	-
	8 586	5 230	5 807	3 567

The Group's unutilised credit facilities are multi-currency loan agreements with floating interest rates and flexible amounts and tenors for drawdown. The facility credit limits are denominated in NOK, EUR and SEK.

As at 31 December 2019 the average remaining time to maturity of the Group's combined interest-bearing liabilities (excluding lease-liabilities) and unutilised credit facilities was 3.7 years, compared with 4.0 years as at 31 December 2018.

The Group also holds cash pools and bank accounts with short-term credit lines. Unutilised credit lines on these accounts are not included in the table.

NOTE 30 FINANCIAL RISK

This note discloses the Group's financial risks within each business area, and the management of these risks. Market risk related to financial instruments (currency risk, interest rate risk, and price risk for input factors and sold products), liquidity risk and credit risk is described specifically. In addition to loans and receivables, the financial instruments consist of derivatives used for hedging market risk. Derivatives and hedging relationships are described in more detail in Note 31.

(I) ORGANISATION OF FINANCIAL RISK MANAGEMENT

Orkla operates internationally and is exposed to financial risks such as currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. Orkla uses derivatives and other financial instruments in order to reduce these risks in accordance with the Group's treasury policy. The responsibility for managing financial risk in Orkla is divided between business areas, which manage risk related to business processes, and Group level, which manages risk related to centralised activities such as funding, interest rate risk management and currency risk management.

Centralised risk management

Orkla has a centralised Group Treasury. Its most important tasks are to ensure the Group's financial flexibility in the short and long term, and to monitor and manage financial risk in cooperation with individual operational entities. The guidelines for the Group Treasury are laid down in the Group's treasury policy. The Group Executive Board monitors financial risk by means of regular reporting and meetings of the Orkla Treasury Committee. The Group Treasury acts as an internal bank for the Group and is responsible for, and executes, all major external funding and hedging transactions related to currency and interest rate hedging. Each year the Board of Directors grants authorisation for establishing loans and entering into master agreements for financial instruments. Debt and treasury positions are managed in a non-speculative manner, so that all transactions in financial instruments are matched to an underlying business requirement.

Financial risks within each business area

The most important risk factors within each business area of the Group, and the management thereof, are described below. In this context, financial risk is defined as risk related to financial instruments. These may be either instruments hedging underlying risks, or viewed as a source of risk in themselves. Market risk that is not hedged with financial instruments is also discussed in this section.

Note 30 cont.

Branded Consumer Goods
Entities within this area are primarily located in the Nordic and Baltic countries, and Central/Eastern Europe. Production and sales mainly take place in local markets. A significant part of the input factors and some finished goods are imported.

The two primary sources of financial risk within this business area are price risk on agricultural products and ingredients in food production, and currency risk on imported goods. Price risk on raw materials is normally dealt with in commercial contracts. The most significant currency risk results from purchasing in EUR by the Norwegian and the Swedish entities. Contracts and committed transactions are hedged with currency forward contracts against the entities' own functional currency. Currency risk related to expected, non-contractual cash flows is hedged to a limited extent.

Hydro Power
Hydro Power is a significant producer of hydroelectric power (see Note 34). A substantial part of the production is sold under long-term contracts, whereas the remainder is sold in the spot market. Where contractual commitments exceed available power from own production, this is covered through purchases in the power market.

(II) CATEGORIES OF FINANCIAL RISK FOR THE GROUP

Currency risk
As NOK is the presentation currency for the Group, Orkla is exposed to currency translation risk on net investments in foreign entities. Orkla maintains, as far as possible, a distribution of its interest-bearing liabilities across currencies which corresponds to the relative enterprise value distribution across the foreign subsidiaries' home currencies. This ensures approximately the same hedging level in all currencies, where interest-bearing liabilities hedge the currency risk in enterprise value. The currency distribution of interest-bearing liabilities is shown in Table 2b.

In the statement of financial position, translation risk on net investments in foreign entities is reduced by the net interest-bearing liabilities in the same currency. These liabilities consist of hedges of internal loans from Orkla ASA to subsidiaries in their home currency, plus hedges of net investments according to IFRS 9. Orkla primarily uses loans and currency forward contracts to hedge internal loans and net investments in foreign subsidiaries.

At the operational level, transaction risk is hedged against each entity's functional currency as described in (I) "Organisation of financial risk management". Orkla applies hedge accounting for most hedges of future transactions, mainly cash flow hedges. The volume of hedges was significantly reduced during 2019. The different types of hedges are described in more detail in Note 31.

The Group's aggregated outstanding currency hedges of future transactions as at 31 December 2019 are shown in Table 1.

TABLE 1
Outstanding foreign exchange contracts[1] linked to hedging of future revenues and costs

Hedged amount in million currency

Purchase currency	Amount in currency	Sale currency	Amount in currency	Maturity
EUR	8	NOK	76	2020
EUR	8	DKK	60	2020
EUR	5	GBP	5	2020
EUR	3	SEK	27	2020
USD	4	DKK	28	2020

[1]In currency pairs where the net total of hedges is over NOK 20 million.

Interest rate risk
Orkla's interest rate risk is mainly related to the Group's debt portfolio. This risk is managed at Group level. The Group's policy is that interest costs should mainly follow the general trend in the money market. Further, steps are taken to mitigate the effects of short-term fluctuations in money market rates. Material decisions regarding interest rate hedging are made by the Orkla Treasury Committee.

The interest risk profile of the debt portfolio is determined by the selection of interest periods for the Group's loans and the use of currency and interest rate derivatives. As at 31 December 2019, 51% (61% as at 31 December 2018) of the Group's interest-bearing liabilities (excluding lease liabilities) was at fixed interest rates for periods exceeding one year, and the average time to the next interest rate adjustment was 3.0 years (3.3 years as at 31 December 2018). The interest rate exposure on interest-bearing liabilities broken down by currency and financial instruments is shown in Table 2a and 2b.

Note 30 cont.

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TABLE 2a

Interest-bearing liabilities by instrument and interest risk profile

	2019	Next interest rate adjustment						2018						
Amounts in NOK million	31.12.2019	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	>5 years	31.12.2018	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	>5 years
Bonds	2 960	1 486	-	-	-	927	547	2 658	1 458	-	-	-	-	1 200
Bank loans	3 457	3 445	12	-	-	-	-	2 031	2 026	-	-	-	5	-
Overdrafts	424	424	-	-	-	-	-	324	324	-	-	-	-	-
Other loans	74	5	69	-	-	-	-	113	16	97	-	-	-	-
Interest rate swaps (fair value hedge)	0	1 205	250	-	-	(885)	(570)	0	905	250	-	-	-	(1 155)
Interest rate swaps (cash flow hedge)	0	(2 424)	(425)	-	-	1 716	1 133	0	(2 045)	(982)	-	-	557	2 470
Interest rate derivatives (other)	15	(732)	50	-	215	482	-	0	(150)	-	-	150	-	-
Currency derivatives	0	7	(7)	-	-	-	-	104	93	10	1	-	-	-
Lease liabilities	1 656	372	98	-	633	328	225							
Interest-bearing liabilities	8 586	3 788	47	0	848	2 568	1 335	5 230	2 627	(625)	1	150	562	2 515

TABLE 2b

Interest-bearing liabilities by instrument and currency

	2019							2018						
Amounts in NOK million	31.12.2019	NOK	SEK	EUR	USD	DKK	Other	31.12.2018	NOK	SEK	EUR	USD	DKK	Other
Bonds	2 960	2 873	-	-	-	26	61	2 658	2 598	-	-	-	29	31
Bank loans	3 457	1 001	949	1 484	-	13	10	2 031	-	970	1 044	-	5	12
Overdrafts	424	(27)	(14)	285	59	50	71	324	20	(25)	278	-	35	16
Other loans	74	68	-	-	-	2	4	113	72	2	3	-	4	32
Currency derivatives	0	(5 002)	1 090	942	(131)	1 946	1 155	104	(3 703)	550	399	(27)	1 846	1 039
Interest rate derivatives	15	-	-	15	-	-	-	-	-	-	-	-	-	-
Lease liabilities	1 656	733	187	486	-	90	160							
Interest-bearing liabilities	8 586	(354)	2 212	3 212	(72)	2 127	1 461	5 230	(1 013)	1 497	1 724	(27)	1 919	1 130
Interest level borrowing rate	1.7%	1.8%	3.0%	1.4%	3.0%	0.1%	2.9%	3.3%	-0.1%	3.8%	4.2%	3.1%	0.3%	3.5%

For currency derivatives the asset and liability components are shown separately per currency, also including those that are recognised assets.

Note 30 cont.

Liquidity risk

Liquidity risk is the risk that Orkla is not able to meet its payment obligations. The management of liquidity risk has high priority as a means of meeting the objective of financial flexibility.

Orkla's policy for funding activities, described in Note 28, implies that short-term interest-bearing liabilities and known capital expenditures are funded by undrawn long-term credit facilities at least one year prior to maturity. The cash flow from operations, which among other factors is affected by changes in working capital, is managed operationally by the business areas, and is largely stable with the largest net inflow during the fourth quarter. Orkla monitors liquidity flows, short- and long-term, primarily through reporting. Interest-bearing liabilities are managed together with interest-bearing assets at Group level.

Due to the measures mentioned, the Group has limited liquidity risk. In order to further reduce refinancing risk, Orkla seeks to ensure that the maturities of loans and credit facilities are well distributed.

Table 3 shows the maturity profile for the Group's contractual financial liabilities, including liabilities which are not recognised in the financial position. The amounts represent undiscounted future cash flows, and may therefore deviate from recognised figures. Derivatives are presented as split between those with gross settlement (currency derivatives), and those with net settlement (interest rate derivatives). The table also includes derivatives recognised as assets on the balance sheet date, as derivatives may include both positive and negative cash flows, and the fair value fluctuates over time. Forward interest rate curves are applied to estimate future interest payments. Similarly, forward prices are used to determine the future settlement amounts for currency derivatives.

TABLE 3

Maturity profile financial liabilities

	31.12.2019						31.12.2018					
Amounts in NOK million	Book value	Contractual cash flow	<1 year	1–3 years	3–5 years	>5 years	Book value	Contractual cash flow	<1 year	1–3 years	3–5 years	>5 years
Interest-bearing loans	6 915	6 811	441	807	3 913	1 650	5 125	5 081	351	474	2 590	1 666
Lease liabilities	1 656	1 753	476	668	353	256	-	-	-	-	-	-
Interest payments	60	703	168	284	187	64	55	580	118	217	174	71
Accounts payable and other current financial liabilities	5 711	5 711	5 711	-	-	-	5 056	5 056	5 056	-	-	-
Subscribed, uncalled partnership capital	-	-	-	-	-	-	-	10	10	-	-	-
Net settled derivatives[1]	113	-	-	-	-	-	173	-	-	-	-	-
Inflow	-	(337)	(56)	(112)	(108)	(61)	-	(409)	(129)	(101)	(115)	(64)
Outflow	-	480	122	190	136	32	-	589	186	191	149	63
Gross settled derivatives[1]	(83)	-	-	-	-	-	86	-	-	-	-	-
Inflow	-	(6 814)	(6 814)	-	-	-	-	(5 026)	(5 026)	-	-	-
Outflow	-	6 709	6 709	-	-	-	-	5 097	5 097	-	-	-
Total	14 372	15 016	6 757	1 837	4 481	1 941	10 495	10 978	5 663	781	2 798	1 736

[1]Including derivatives recognised as assets (negative figures in brackets).

The financial liabilities are serviced by cash flows from operations, liquid assets and interest-bearing receivables, and, when necessary, drawdowns on unutilised credit facilities. Unutilised committed credit facilities, the maturity profile of which is shown in Note 29, totalled NOK 5.8 billion at 31 December 2019 (NOK 3.6 billion at 31 December 2018).

Note 30 cont.

Credit risk

The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk, and is continuously monitored by the operating entities. The Nordic grocery trade markets are characterised by relatively few, but large, participants, resulting in a certain concentration of the credit risk exposure towards individual counterparties. Receivables on each of the four largest customers account for 6-9% of total accounts receivable. When selling in countries with high political risk, trade finance products are used to a certain extent to reduce the credit risk. The current credit risk level is considered acceptable. Provisions have been made for losses on accounts receivable, and the recognised amount represents the fair value as of the statement of financial position date. The provisions and the age distribution of accounts receivable that are overdue are shown in Note 24.

Orkla's credit risk related to financial instruments is managed by Group Treasury. Risk arises from financial hedging transactions, money market deposits, and bank accounts. Firstly, Orkla seeks to minimise the liquid assets deposited outside the Group. Secondly, relationship banks that provide long-term funding are the targeted counterparties for bank accounts and financial hedging transactions according to policy. Further, limits and requirements related to the banks' credit ratings apply to deposits of excess liquidity. The exposure is continuously monitored by Group Treasury, and is considered to be low. Orkla ASA has International Swap Dealers Association (ISDA) agreements with its counterparties for derivative interest rate and currency transactions, which provide for netting of settlement risk.

Maximum credit risk

The maximum credit risk exposure for the Group related to financial instruments corresponds to total gross receivables. In the hypothetical, unlikely event that no receivables are recovered, this amounts to:

Amounts in NOK million	2019	2018
Cash and cash equivalents	1 669	1 978
Accounts receivable and other trade receivables	6 078	5 990
Other current receivables	285	273
Non-current receivables	255	141
Derivatives	121	102
Total	8 408	8 484

Commodity price risk

The Group is exposed to price risks in respect of a number of raw materials, in particular agricultural products. However, the prices of sold products are also affected by raw material prices, and it is generally Orkla's policy to reduce the price risk through commercial contracts. Commodity price risk is described for the individual business areas in section (I) "Organisation of financial risk management".

Sensitivity analysis

The financial instruments of the Group are exposed to different types of market risk which can affect the income statement or equity. Financial instruments, in particular derivatives, are applied as a means of hedging both financial and operational exposure.

In Table 4, Orkla presents a partial analysis of the sensitivity of financial instruments, where the isolated effect of each type of risk on the income statement and equity is estimated. This is done on the basis of a selected hypothetical change in market prices/rates on the statement of financial position as at 31 December 2019. In accordance with IFRS, the analysis covers only financial instruments and is not meant to give a complete overview of the Group's market risk, for instance:

- For currency hedges of contracts entered into, changes in the fair value of the hedging instrument will affect the income statement, while changes in the fair value of the underlying hedged contract offset by the hedging instrument will not be shown as it is not a financial instrument.
- If one of the parameters changes, the analysis will not take account of any correlation with other parameters.
- Financial instruments denominated in the entities' functional currencies do not constitute any currency risk and are therefore not included in this analysis. Nor is the currency exposure on translation of such financial instruments to the Group's presentation currency included.

Generally, the effect on the income statement and equity of financial instruments in Table 4 is expected to offset the effects of the hedged items where financial instruments are part of a hedging relationship.

Note 30 cont.

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TABLE 4

Sensitivity financial instruments

	31.12.2019: Accounting effect on				31.12.2018: Accounting effect on			
	Income statement of:		Comprehensive income of:		Income statement of:		Comprehensive income of:	
Amounts in NOK million	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Financial instruments in hedging relationships								
Interest rate risk: 100 basis points parallel shift in interest curves all currencies	7	(8)	168	(182)	3	(3)	156	(167)
Currency risk: 10% change in FX-rate USD/NOK	1	(1)	(6)	6	3	(3)	9	(9)
Currency risk: 10% change in FX-rate EUR/NOK	15	(15)	(260)	260	4	(4)	(80)	80
Currency risk: 10% change in FX-rate SEK/NOK	(3)	3	(48)	48	-	-	21	(21)
Currency risk: 10% change in FX-rate DKK/NOK	(8)	8	17	(17)	-	-	34	(34)
Share price risk: 10% change in share price	28	(28)	6	(6)	14	(14)	-	-

Accounting effects of changes in market risk are classified to income statement and comprehensive income in the table according to where the effect of the changes in fair value is recognised initially. Effects recognised in the income statement will also affect equity beyond the figures presented in the table.

NOTE 31 DERIVATIVES AND HEDGING RELATIONSHIPS

Derivatives are used in risk management to hedge currency and interest rate risk exposure. The value of the derivatives fluctuates in line with the prices of the underlying hedging objects, and the note shows the fair value of open derivative contracts as of the statement of financial position date. The derivatives in the table are classified by type of accounting hedge, the purpose of the derivatives, assets or liabilities according to how they are classified in the statement of financial position.

Ⓟ ACCOUNTING POLICIES

Derivatives are valued at fair value at the statement of financial position date and reported as receivables or liabilities. Gains and losses due to realisation or changes in fair value are reported in the income statement in cases where the derivative is not part of a hedging relationship that meets the criteria for hedge accounting. Embedded derivatives in contracts are identified and valued separately. Orkla currently has no embedded derivatives. Purchases and sales of derivatives are recognised at trade date. Derivatives are classified in the statement of financial position as "non-interest-bearing" receivables or liabilities as the main rule. Classification as "interest-bearing" is used where the hedged object itself is classified as an interest-bearing item, as well as for net investment hedges.

Hedging. The Group uses the following criteria when classifying a derivative or another financial instrument as a hedging instrument:
(1) the hedge is in line with the risk management objectives and strategy, and the instrument is expected to be highly effective in offsetting changes in the fair value or cash flow of an identified object,
(2) an economic relationship between the hedging instrument and the hedging object exists, sources of hedging inefficiency can be determined, and credit risk is not expected to dominate fair value changes in the hedging relationship,
(3) satisfactory documentation is established before entering into the hedging instrument, proving among other things that the hedging relationship is effective,
(4) in the case of a cash flow hedge, that the future transaction is considered to be highly probable, and
(5) the hedging relationship is evaluated regularly and is still expected to be effective.

Fair value hedges	Cash flow hedges	Net investment hedges
Changes in the fair value of derivatives designated as hedging instruments are immediately recognised in the income statement. Changes in the fair value of the hedged item are recognised in the income statement in the same way. Hedge accounting is discontinued if: (a) the hedging instrument has matured, or is terminated, exercised or sold, (b) the hedge no longer meets the above mentioned criteria for hedging, or (c) the Group for other reasons decides not to continue the fair value hedge. In the case of a discontinued hedging relationship, the changes in the fair value of the hedged item recognised in the statement of financial position will be amortised over the remaining life of the item, using the effective interest rate method, in the same way as for the hedging instrument.	The effective part of changes in the fair value of a hedging instrument is recognised in the comprehensive income and reclassified to the income statement when the hedged transaction is carried out, and presented on the same line as the hedged transaction. The ineffective part of the hedging instrument is immediately recognised in the income statement. When a hedging instrument has matured, or is sold, terminated or exercised, or the Group discontinues the hedging relationship, even though the hedged transaction is still expected to occur, the accumulated gains or losses at this point will remain in the Group's hedging reserve, and will be recognised in the income statement when the transaction occurs. If the hedged transaction is no longer expected to occur, the accumulated unrealised gains or losses related to the hedging instrument will be recognised in the income statement immediately.	Foreign currency gains or losses on hedging instruments that can be allocated to the effective part of the hedging relationship are reported in comprehensive income, while foreign currency gains or losses in the ineffective part of the hedge are reported in the income statement. The accumulated foreign currency gains or losses are recognised in the income statement when the hedged net investment is disposed of.

Measurement of financial instruments. The Group uses the following hierarchy when determining and disclosing the fair value of financial instruments:

Level 1: Quoted, unadjusted prices in active markets for identical assets and liabilities
Level 2: Other techniques for which all inputs with significant effect on the recorded fair value, are observable, either directly or indirectly
Level 3: Other techniques based on inputs with significant effect on the recorded fair value that are not based on observable market data

Note 31 forts. ➔

As far as possible, the Group seeks to apply the IFRS rules for hedge accounting. The table below shows the fair value of all outstanding derivative financial instruments grouped according to treatment in the financial statements and hedged risk.

Derivatives in the statement of financial and hedging purpose

Amounts in NOK million			2019	2018	Nominal value[3] 2019	Nominal value[3] 2018	Purpose of hedging	Hedge accounting	Classification
Assets	Non-current	i.b.[1]	19	46	1 455	1 155	Interest rate swaps fixed to floating, against fair value changes in the hedged loans	Fair value hedge	Fair value through profit and loss
Assets	Non-current	i.b.	-	33	-	2 106	Interest rate swaps fixed to floating, closed out hedges of repaid loans	-	Fair value through profit and loss
Assets	Current	i.b.	34	-	1 383	266	Currency forwards hedging net investments in foreign subsidiaries	Net investment hedge	Fair value through comprehensive income
Assets	Current	i.b.	61	-	4 406	-	Currency forwards hedging loans/deposits	-	Fair value through profit and loss
Assets	Current	n.i.b.[2]	6	-	193	-	Total return swap hedging share exposure in pension obligations/LTI	-	Fair value through profit and loss
Assets	Current	n.i.b.	1	23	224	764	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Liabilities	Non-current	n.i.b.	(128)	(242)	4 790	4 727	Interest rate swaps floating to fixed, hedging future interest payments	Cash flow hedge	Fair value through comprehensive income
Liabilities	Non-current	i.b.	(15)	-	582	-	Interest rate swaps floating to fixed, hedging future interest payments	-	Fair value through profit and loss
Liabilities	Current	i.b.	-	(93)	-	4 110	Currency forwards hedging loans/deposits	-	Fair value through profit and loss
Liabilities	Current	i.b.	-	(11)	-	266	Currency forwards hedging net investments in foreign subsidiaries	Net investment hedge	Fair value through comprehensive income
Liabilities	Current	n.i.b.	(3)	(8)	150	150	Interest rate swaps floating to fixed, hedging future interest payments	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	(3)	(7)	154	147	Total return swap hedging share exposure in pension obligations/LTI	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	(2)	-	-	-	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Total derivatives			**(30)**	**(259)**					

[1] i.b. = Interest-bearing asset/liability
[2] n.i.b. = Non-interest-bearing asset/liability
[3] The nominal value is calculated as the sum of the absolute value of individual transactions.

Note 31 cont.

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Calculation of fair value:

- Currency forwards and currency swaps are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date.
- Interest rate swaps are measured at fair value using the present value of future cash flows calculated from observed market interest rates and exchange rates at the balance sheet date including accrued interest.
- Total return swaps are measured at fair value based on observed prices for the underlying shares/mutual funds at the statement of financial position date.

All derivatives are carried at fair value in the statement of financial position, and considered to be at level 2 in the hierarchy for measurement of financial instruments.

The derivative financial instruments are designated in hedging relationships as follows:

Cash flow hedges

- Orkla maintains interest rate swaps for hedging of future interest payments on liabilities that qualify for hedge accounting. These are swaps where Orkla pays a fixed interest rate and receives a floating rate.
- In hedges of currency risk on highly probable future cash flows, currency forward contracts are designated as hedging instruments.

During 2019 NOK 2 million was recognised in the income statement from interest rate swaps which were previously classified as cash flow hedges, but no longer qualify for hedge accounting. (2018: NOK -14 million in hedging ineffectiveness was recognised). All expected cash flows hedged in 2019 still qualify for hedge accounting.

Changes in the equity hedging reserve

Amounts in NOK million	2019	2018
Opening balance hedging reserve before tax	(206)	(296)
Reclassified to profit/loss – operating revenues	(1)	0
Reclassified to profit/loss – operating costs	(21)	(18)
Reclassified to profit/loss – net financial items	106	131
Fair value change during the year	(9)	(23)
Closing balance hedging reserve before tax	(131)	(206)
Deferred tax hedging reserve	31	48
Closing balance hedging reserve after tax	(100)	(158)

The change in the equity hedging reserve before tax in 2019 was NOK 75 million (NOK 90 million in 2018), and after tax, recognised in other comprehensive income, was NOK 58 million in 2019 (NOK 70 million in 2018).

A negative hedging reserve means a negative recognition in the income statement in the future.

Accumulated hedging gains/losses from cash flow hedges recognised in the equity hedging reserve as at 31 December 2019 are expected to be recycled to the income statement as follows (before tax):

2020:	NOK -72 million
After 2020:	NOK -59 million

Hedges of net investments in foreign entities

When hedging the currency risk on foreign net investments, loans or currency derivatives are applied. In 2019 NOK 0.3 million was recorded in other comprehensive income after tax from net investment hedges (2018: NOK -50 million). The corresponding figures before tax are NOK 0.4 million (2018: NOK -65 million).

In 2019, NOK 3 million was recorded in the income statement related to net investment hedges of divested investments in 2019 (NOK 0 million in 2018).

Fair value hedges

- Interest rate derivatives designated as hedges of fixed interest rate loans (fixed-to-floating interest rate swaps) are accounted for as fair value hedges. In 2019, NOK 26 million was recognised as costs in the income statement related to fair value changes in the interest rate swaps, and NOK 26 million was recognised as income related to fair value changes in the hedged loans.

Derivatives not included in IFRS hedging relationships

There are also derivatives not included in hedging relationships according to IFRS for the following reasons:

- Derivatives are not designated as formal hedging relationships when changes in the fair value of hedging instruments and hedged objects are naturally offset in the income statement, for example currency risk on loans and other monetary items, and a Total Return Swap for hedging of pension liabilities linked to the price development in the stock market.
- Meeting strict IFRS hedge accounting criteria is not always possible or practical. Some of the currency hedges, and interest rate swaps where the hedge has been closed out, fall into this category.

NOTE 32 SHARE CAPITAL

A company's share capital and the distribution of the number of shares outstanding determine who controls a company and the way formal ownership is held by shareholder groups. In a Norwegian group context, it is the share capital of the parent company that is relevant and it is Orkla ASA's equity that serves as the basis of calculation and the limit for distribution of dividends from the Group.

The 20 largest shareholders as at 31 December 2019[1]

	Shareholders		Number of shares	% of capital[2]
1	Canica AS		194 150 000	19.39%
2	Folketrygdfondet		77 017 718	7.69%
3	State Street Bank and Trust Company	Nominee	70 700 288	7.06%
4	Tvist 5 AS		50 050 000	5.00%
5	JPMorgan Chase Bank, N.A., London	Nominee	35 528 297	3.55%
6	State Street Bank and Trust Company	Nominee	15 337 324	1.53%
7	Clearstream Banking S.A.	Nominee	14 979 326	1.50%
8	The Bank of New York Mellon	Nominee	13 418 504	1.34%
9	JPMorgan Chase Bank, N.A., London	Nominee	12 782 999	1.28%
10	Société Générale	Nominee	9 797 834	0.98%
11	State Street Bank and Trust Company	Nominee	9 788 889	0.98%
12	The Bank of New York Mellon	Nominee	9 307 964	0.93%
13	Invesco Funds		9 190 687	0.92%
14	State Street Bank and Trust Company	Nominee	8 904 727	0.89%
15	KLP AksjeNorge Indeks		7 823 344	0.78%
16	The Bank of New York Mellon	Nominee	7 267 035	0.73%
17	The Northern Trust Comp, London	Nominee	6 999 889	0.70%
18	Prudential Assurance Company Limited		6 865 385	0.69%
19	Euroclear Bank S.A./N.V.	Nominee	6 368 926	0.64%
20	State Street Bank and Trust Company	Nominee	6 269 380	0.63%
	Total shares		**572 548 516**	**57.17%**

[1]The list of shareholders is based on the Norwegian central securities depository Verdipapirsentralen ASA (VPS)'s register of members at year end. For a list of grouped shareholders and nominee shareholders; see "Share information" on page 230.
[2]Of total shares issued.

Development share capital

Date/year	Number of shares	Nominal value (NOK)	Type of change	Amounts (NOK million)	Share capital (NOK million)
31.12.2009	1 028 930 970	1.25			1 286.2
31.12.2010	1 028 930 970	1.25			1 286.2
31.12.2011	1 028 930 970	1.25			1 286.2
2012	1 018 930 970	1.25	amortisation	(12.5)	1 273.7
31.12.2012	1 018 930 970	1.25			1 273.7
31.12.2013	1 018 930 970	1.25			1 273.7
31.12.2014	1 018 930 970	1.25			1 273.7
31.12.2015	1 018 930 970	1.25			1 273.7
31.12.2016	1 018 930 970	1.25			1 273.7
31.12.2017	1 018 930 970	1.25			1 273.7
31.12.2018	1 018 930 970	1.25			1 273.7
2019	1 001 430 970	1.25	amortisation	(21.9)	1 251.8
31.12.2019	1 001 430 970	1.25			1 251.8

Note 32 cont.

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Treasury shares as at 31 December 2019

	Nominal value (NOK)	Number of shares	Fair value (NOK million)
Shares owned by Orkla ASA	1 406 478	1 125 182	100

ACCOUNTING POLICIES

Treasury shares have been deducted from Group equity at cost. The nominal value of the shares has been deducted from paid-in equity.

Changes in the number of treasury shares

	2019	2018
Total as at 1 January	19 410 259	176 933
External purchases of treasury shares	-	20 000 000
Redemption of options in treasury shares	(17 500 000)	-
Orkla employee share purchase programme	(785 077)	(766 674)
Total as at 31 December	1 125 182	19 410 259

As at 31 December 2019, there were no options outstanding.

See the "Corporate governance" section on page 44 regarding the authorisations granted by the General Meeting concerning share capital.

Dividend

The Board of Directors proposes that an ordinary dividend of NOK 2.60 per share be paid, totalling NOK 2,601 million for the 2019 financial year.

Under Norwegian law, the equity in Orkla ASA will, where relevant, constitute a legal limitation on the distribution of dividends by the Orkla Group. Dividends may be distributed insofar as the company has adequate equity and liquidity.

NOTE 33 NON-CONTROLLING INTERESTS

Non-controlling interests consist of external ownership interests in subsidiaries and their subsidiaries. The majority of the Group's businesses are wholly-owned.

Amounts in NOK million	2019	2018
Non-controlling interests' share of:		
Depreciation and write-downs	42	28
Operating profit	86	110
Profit/loss before taxes	82	106
Taxes	(22)	(24)
Changes in non-controlling interests:		
Non-controlling interests 1 January	451	430
Implementation effect IFRS 16, 1 January[1]	(15)	-
Non-controlling interests' share of profit/loss	60	82
Increase due to acquisitions and capital increases in companies with non-controlling interests	46	-
Increase non-controlling interest due to sale to non-controlling interest	-	2
Decrease due to further acquisitions of non-controlling interests	(31)	(21)
Dividends to non-controlling interests	(49)	(42)
Translation differences	(2)	-
Non-controlling interests 31 December	460	451

[1]The implementation effect of IFRS 16 is chiefly related to the capitalised lease in Saudefaldene; see Note 21.

Amounts in NOK million	2019	2018
Breakdown of non-controlling interests' share of profit/loss:		
Orkla Food Ingredients	56	63
Hydro Power	4	20
Orkla Financial Investments	0	(1)
Total non-controlling interests' share of profit/loss	60	82

Amounts in NOK million	2019	2018
Breakdown of non-controlling interests:		
Orkla Food Ingredients	279	245
Hydro Power	179	204
Orkla Financial Investments	2	2
Total non-controlling interests	460	451

Ⓟ ACCOUNTING POLICIES

If the Group has control, but owns less than 100% of the subsidiaries and their subsidiaries, the non-controlling interests' share of profit or loss after tax, their share of comprehensive income and their share of equity are presented on separate lines in the consolidated financial statements. All internal transactions are eliminated in the same way as for the other Group companies. If there are non-controlling interests in acquired companies, the non-controlling interests will receive their share of allocated assets and liabilities, except for goodwill which is only calculated on the Group's share. Transactions with non-controlling interests that do not entail loss of control will be recognised in equity.

Orkla Food Ingredients has several companies with non-controlling interests, the most material of which are related to the Dragsbæk group in Denmark. The group has been family-owned and the former owner still has a substantial equity interest in the parent company. Orkla Food Ingredients also has external ownership interests in Kanakis Group (Greece) and NIC (Netherlands).

The non-controlling interests in Hydro Power consist of a 15% interest in Saudefaldene AS, which is owned by Sunnhordaland Kraftlag.

Companies with non-controlling interests are consolidated on a 100% basis in the income statement, statement of financial position and statement of cash flows. On the other hand, the non-controlling interests' share of the Group's annual profit or loss and equity are reported on separate lines.

NOTE 34 POWER AND POWER CONTRACTS

The Group both owns and leases power plants, all located in Norway. The table below shows power plants, annual production, ownership status and key financial terms and conditions.

Plant, type, location/contract	Actual median annual production/contract volume	Ownership, status and remaining utilisation period/contract duration	Key financial terms and conditions
Power plants			
Saudefaldene[2]	1 872 GWh		AS Saudefaldene[1] has an annual concession power commitment of 134 GWh. In addition, the company has an annual delivery commitment to Eramet of 436 GWh which, following the termination of the contract with Eramet, is to be sold to Statkraft on the same terms. An agreement has been entered into with Elkem AS for the delivery of 501 GWh/year until 31 December 2030 to satisfy the condition regarding use of power in Elkem's industrial operations. The terms are equivalent to the terms in the leasing agreement with Statkraft.
Storlivatn power plant		Operation started 1970	
Svartkulp power plant		Operation started November 2001	
Dalvatn power plant		Operation started December 2006	
Sønnå Høy power plant		Operation started August 2008	
Sønnå Lav power plant		Operation started October 2008	
Storli mini power plant		Operation started February 2009	
Kleiva small power plant		Operation started November 2009	
Hydropower reservoir, Rogaland		Under lease agreements with Statkraft, AS Saudefaldene[1] has the use of all plants until 2030.	On hand-over to Statkraft the plants must be in good working condition. Statkraft SF shall pay AS Saudefaldene[1] the residual value for tax as at 1 January 2031 of the expansions carried out by AS Saudefaldene[1].
Borregaard power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	281 GWh	100% ownership, infinite licence period.	
Sarp power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	241 GWh	50% ownership, infinite licence period. The other ownership interest owned by E-CO Energi AS (45%) and Svartisen Holding (5%).	E-CO Energi AS has operational responsibility.
Trælandsfos power-plant[2] Hydropower run-of-river, Kvinesdal, Agder	31 GWh	100% ownership, infinite licence period.	
Mossefossen power-plant[2] Hydropower run-of-river, Moss, Viken	14 GWh	100% ownership, partly infinite licence period.	
Power contracts			
SiraKvina replacement power Agder	35 GWh	Infinite	Replacement for lost production in Trælandsfos.

[1]Orkla owns 85% of AS Saudefaldene.
[2]Actual median annual production (2011–2019) at current capacities.

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NOTE 35 PLEDGES AND GUARANTEES

Pledges and guarantees show the book value of Group assets which are accessible to pledgees in the event of a bankruptcy or a winding-up. Claims that have priority by law (taxes and charges, wages etc.) must also be taken into account. The table shows that the book value of pledged assets is considerably higher than outstanding liabilities secured by pledges.

Guarantee commitments cover a variety of guarantees such as rent guarantees and guarantees for other payments, but do not cover product or service liability in connection with ordinary sales.

Amounts in NOK million	2019	2018
Liabilities secured by pledges	101	57
Pledged assets		
Machinery, vehicles etc.	0	9
Buildings and plants	192	108
Inventory	0	2
Accounts receivables	2	33
Total book value	194	152

"Liabilities secured by pledges" and "Pledged assets" are mainly security for loans in partly-owned companies.

Guarantees

Amounts in NOK million	2019	2018
Subscribed, uncalled limited partnership capital	20	10
Other guarantee commitments	50	166
Total guarantee commitments	70	176

Ⓟ ACCOUNTING POLICIES

The Group's most important loan agreements are based on a negative pledge, and the Group can therefore only to a limited extent pledge its assets to secure its liabilities.

NOTE 36 RELATED PARTIES

Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties. A company's profit or loss and financial position could in principle be affected by a related party relationship even if no transactions with related parties have actually taken place. The mere existence of the relationship may be sufficient to affect the way the company's other transactions are perceived.

Orkla ASA is a parent company and has direct and indirect control of around 240 companies in various parts of the world. Directly-owned subsidiaries are presented in Note 10 to Orkla ASA's financial statements, while other important companies are presented in the Group Directory (last pages of the Annual Report). Orkla ASA's internal relationship with these companies is shown on separate lines in the company's financial statements (see the financial statements for Orkla ASA).

Orkla has ownership interests in associates and joint ventures, which are presented using the equity method. Orkla has outstanding balances totalling NOK 6 million with associates in Orkla Eiendom. There have been no special material transactions between associates and the Group.

Internal trading within the Group is carried out in accordance with special arm's length agreements, and joint expenses in Orkla ASA are distributed among the Group companies in accordance with distribution formulas, depending on the various types of expense. For further information on intra-Group transactions, see Note 7.

Chairman of the Board of Directors Stein Erik Hagen and related parties own 250,100,000 shares in Orkla (equivalent to 24.97% of shares issued) through the Canica system. Canica AS has an agreement with Orkla ASA to lease office premises in Karenslyst allé 6 from 1 October 2017 to 31 December 2020. The Orkla Group also makes sales to companies in the Canica system. These sales are agreed on market conditions and total around NOK 15 million.

Apart from what is disclosed in this note, there were no material transactions with related parties. Information regarding the remuneration of the executive management is disclosed in Note 5 to the financial statements for Orkla ASA.

Ⓟ ACCOUNTING POLICIES

Two parties are deemed to be related if one party can influence the decisions of the other. Related party relationships are a normal feature of commerce and business. All transactions with related parties must be carried out on market terms and conditions.

NOTE 37 CONTINGENT LIABILITIES AND OTHER MATTERS

This note discloses matters which under the accounting rules have not been taken into account in the income statement or statement of financial position. For instance, there may be matters relating to time-limited agreements that could have an impact on future earnings. There may be unresolved legal disputes that could have significant effects if the judgment is not as expected. The information below is intended to shed light on such matters and, in combination with the financial statements and other notes, to provide a correct overall picture of the Group's total earnings and financial position.

Agreement with Unilever. The existing production and supply agreement between Orkla ASA (OHPC/Lilleborg AS) and Unilever, relating to certain products in OHPC's product portfolio under brands such as Sun, OMO and Jif, will not be renewed. The agreement will terminate with effect from 1 July 2021. Orkla owns these brands in Norway and will establish new means of production and supply for the products currently covered by the production and supply agreement with Unilever.

Distribution agreement with PepsiCo. Orkla has a distribution agreement with PepsiCo regarding the sale of Tropicana, Naked, Quaker, Lays & Doritos products through Orkla Foods Sverige, Orkla Foods Norge, Orkla Foods Danmark, Orkla Soumi, Orkla Confectionery & Snacks Sverige and Orkla Confectionery & Snacks Norge. The agreement was originally entered into in 2015 for the juice category and was subsequently expanded to cover snacks and cereals in 2016.

Distribution agreement with Panzani. 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 distributed a portfolio of Panzani products, mainly dried pasta and sauces, to grocery retail customers in the Czech Republic, Slovakia and Hungary. Sales related to the agreement totaled NOK 111 million in 2019.

Norwegian Competition Authority case. In 2019, the Norwegian Competition Authority opened an investigation of Orkla-owned Lilleborg AS based on suspicions of a possible breach of the Competition Act, and the company is assisting the competition authorities by facilitating an efficient investigation.

The Non-Annex 1 raw material price compensation agreement (RÅK). Through the EEA Agreement, Norway has regulated trade in processed agricultural products. The agreement ensures free movement of goods, but customs duties and compensation are used to even out any differences between the raw material prices paid by Norwegian manufacturers who use Norwegian raw materials and the prices paid by foreign manufacturers who use raw materials from the EU. Around 86% of Orkla's sales of food products in Norway are exposed to competition from imports, most of which are processed agricultural products (non-Annex 1 products).

Denofa do Brasil. A subsidiary of one of Orkla's foreign subsidiaries, Denofa do Brasil Ltda, is involved in several lawsuits, two of which are material. One concerns the denial of exemption from VAT on exports of soybeans to Norway in the years up to 2004. The tax authorities maintain that the company has not substantiated that all the soybean shipments actually were exported to Norway. The second lawsuit concerns a claim from the estate of a local bank, Banco Santos, that declared bankruptcy. The claim is based on Denofa do Brasil's lending of securities related to claims on soybean crops in 2004, in which Denofa do Brasil was swindled. The company has lost both cases in the lower courts. Orkla's legal advisers in Brazil consider the decisions to be erroneous. The Banco Santos case has been appealed to the Supreme Court, and a request has been submitted to have the VAT claim invalidated. The appeal to the Supreme Court has been allowed in the Banco Santos case, while a decision on invalidation of the VAT claim is being considered by the first legal instance. Denofa do Brasil has only limited funds to pay the claims if one of the opposite parties should nonetheless win. Orkla is not prepared to inject new capital into Denofa do Brasil to cover potential claims if the company should lose one of the cases.

Contracts. The Group has contracts at all times for the purchase of goods and services and distribution agreements, such as purchasing agreements for potatoes, vegetables and fish. These contracts are regarded as part of the Group's ordinary operating activities and are therefore not specified or indicated in any other way. The contracts are deemed to be strictly commercial contracts with no embedded derivatives.

Government grants. Government grants are recognised when it is reasonably certain that they will be received. The grants are presented either as income or as a cost reduction in which case they are matched with the costs for which they are meant to compensate. Government grants relating to assets are recognised as a reduction in the asset's acquisition cost. The grant reduces the asset's depreciation. Orkla received only an entirely insignificant amount in government grants.

Dragsbæk. Under Orkla's shareholder agreement with its partner in Dragsbæk, Orkla has an obligation to purchase the remaining shares at the partner's request. Orkla acquired 50% of the company for approx. NOK 45 million in 1989 and has subsequently purchased an additional 17%. The potential purchase of the remaining shares will be priced on the basis of the original price adjusted for inflation and earnings in the past three years. The adjustment for earnings is limited to +/-25%.

NOTE 38 THE ORKLA-FORMAT CASH FLOW STATEMENT

The Orkla-format cash flow statement is presented in the text of quarterly reports and is used as a reference in the segment information (Note 7). A condensed version is also presented in the Report of the Board of Directors. At Group level, the bottom line of the Orkla-format cash flow statement is net interest-bearing liabilities, an important key figure for the Group, and the statement is used directly in business area management.

The full cash flow statement shows the Group's overall financial capacity, generated by operations, to cover the Group's financial items, taxes and items more subject to Group control such as dividends and treasury share transactions. Cash flow from operations is broken down into "Cash flow from operations Branded Consumer Goods incl. HQ" and "Cash flow from operations Industrial & Financial Investments", the latter aggregated on one line.

The last part of the cash flow statement shows the expansion measures that have been carried out in the form of direct expansion investments and the acquisition and disposal of companies. Direct expansion investments are defined as investments in new geographical markets or new categories or investments that represent substantial increases in capacity; see Alternative Performance Measures (APM) on page 227. The cash flow statement is based on an average monthly exchange rate, while the change in net interest-bearing liabilities is an absolute figure measured at the closing rate. The difference is explained by the currency translation effect related to net interest-bearing liabilities.

Cash flow Orkla-format

Amounts in NOK million	2019	2018
Cash flow from Branded Consumer Goods incl. HQ		
EBIT (adj.)	4 786	4 390
Amortisation, depreciation and impairment charges	1 581	1 156
Changes in net working capital	812	(189)
Net replacement expenditures	(1 931)	(1 400)
Cash flow from operations (adj.)	5 248	3 957
Cash flow effect of "Other income", "Other expenses" and pensions	(450)	(496)
Cash flow from operations, Branded Consumer Goods incl. HQ	4 798	3 461
Cash flow from operations, Industrial & Financial Investments	135	27
Financial items, net	(174)	(145)
Taxes paid	(1 129)	(904)
Dividends received	204	186
Other payments	(197)	(42)
Cash flow before capital transactions	3 637	2 583
Dividends paid	(2 648)	(2 685)
Net sale/purchase of treasury shares	59	(1 378)
Cash flow before expansion	1 048	(1 480)
Expansion investments	(631)	(531)
Sale of companies (enterprise value)	582	47
Purchase of companies (enterprise value)	(3 063)	(1 080)
Net cash flow	(2 064)	(3 044)
Currency effects of net interest-bearing liabilities	(3)	21
Change in net interest-bearing liabilities	2 067	3 023
Interest-bearing liabilities IFRS 16, 1 January 2019	1 447	-
Net interest-bearing liabilities	6 551	3 037

Note 38 cont.

Reconciliation of change in interest-bearing items 2019

Amounts in NOK million	Interest-bearing assets	Interest-bearing liabilities	Net interest-bearing liabilities
Balance 1 January 2019	2 193	(5 230)	(3 037)
Implementation effect IFRS 16, 1 January 2019	-	(1 447)	(1 447)
Balance 31 December 2019	2 035	(8 586)	(6 551)
Change net interest-bearing liabilities from cash flow Orkla-format	158	1 909	2 067
Of this change cash and cash equivalents	(309)	-	(309)
Change net interest-bearing liabilities excluding cash and cash equivalents	(151)	1 909	1 758
Interest-bearing items from acquired and sold companies	0	(55)	(55)
Interest-bearing liabilities new leases	-	(450)	(450)
Currency effects interest-bearing items	-	(4)	(4)
Currency effects cash and cash equivalents	0	-	0
Net cash flow from/(used in) financing acitivites	(151)	1 400	1 249

Reconciliation of change in interest-bearing items 2018

Amounts in NOK million	Interest-bearing assets	Interest-bearing liabilities	Net interest-bearing liabilities
Balance 1 January 2018	5 165	(5 179)	(14)
Balance 31 December 2018	2 193	(5 230)	(3 037)
Change net interest-bearing liabilities from cash flow Orkla-format	2 972	51	3 023
Of this change cash and cash equivalents	(2 856)	-	(2 856)
Change net interest-bearing liabilities excluding cash and cash equivalents	116	51	167
Interest-bearing items from acquired and sold companies	0	(108)	(108)
Currency effects interest-bearing items	-	21	21
Currency effects cash and cash equivalents	4	-	4
Net cash flow from/(used in) financing acitivites	120	(36)	84

NOTE 39 EVENTS AFTER THE BALANCE SHEET DATE

Material events after the balance sheet date that occur before the Board of Directors has approved the financial statements may make it necessary to change the annual financial statements or to disclose the matter in the notes to the financial statements. If new information emerges regarding a matter that existed on the balance sheet date, and the matter is material, the financial statements must be changed.

Outbreak of coronavirus
There is currently an outbreak of a respiratory infection in large parts of the world, caused by a previously unknown coronavirus. The outbreak started in Hubei province, China, in December 2019, and was identified by the Chinese health authorities in January 2020. The disease has spread from China to many parts of the world, including Europe and Norway.

For the time being, Orkla is essentially operating as normal. The consequences going forward depend on the further evolution of the virus outbreak. The spread of infection may impact on employees, production, sourcing and demand. Orkla's businesses have implemented infection prevention measures, and plans have been made for dealing with the situation if employees should be confirmed to have coronavirus infection. Orkla has suspended all travel to areas with sustained spread of infection and has requested that its employees generally reduce all air travel.

So far, there have been no major production interruptions at Orkla's facilities. Orkla factories have emergency preparedness plans for maintaining critical operating processes in the event of the absence of a large number of employees due to sickness or quarantine. As far as sourcing is concerned, consequences have been limited so far, except for delays and limited availability of certain products from China. A prolongation and/or escalation of the crisis could affect both availability and purchasing prices in the time to come.

Orkla has experienced increased demand for certain products with a long shelf life in categories that account for a small percentage of Orkla's portfolio. The business implications of the coronavirus outbreak have been limited for Orkla so far, but the consequences going forward will depend on the future development of the outbreak.

Other matters
No other events have taken place after the balance sheet date that would have had a material effect on the financial statements or any assessments carried out.

No material acquisitions or disposals of companies were carried out after the balance sheet date.

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INCOME STATEMENT

Amounts in NOK million	Note	2019	2018
Operating revenues		27	29
Operating revenues Group	1	847	840
Total operating revenues		874	869
Payroll expenses	2, 5	(484)	(358)
Other operating expenses		(680)	(679)
Depreciation/write-downs and amortisation	8, 9	(131)	(30)
Operating loss		(421)	(198)
Dividends and contributions from Group		4 506	3 442
Write-downs subsidiaries		(36)	(463)
Interest income/costs from Group	6	157	105
Other financial costs	7	(194)	(239)
Profit before taxes		4 012	2 647
Taxes	11	(206)	(278)
Profit after tax		3 806	2 369

STATEMENT OF COMPREHENSIVE INCOME

Profit after tax	3 806	2 369
Changes in fair value shares	(2)	(5)
Change in hedging reserve after tax	77	65
Change in actuarial gains and losses pensions	(11)	(17)
Comprehensive income	3 870	2 412
Proposed dividend (not provided for)	(2 601)	(2 599)

STATEMENT OF CASH FLOWS

Amounts in NOK million	2019	2018
Profit/loss before tax	4 012	2 647
Depreciation and write-downs	131	30
Write-downs subsidiaries	36	463
Changes in net working capital etc.	43	(55)
Transfer of profit items to other activities	(1 696)	97
Taxes paid	(254)	(188)
Cash flow from operating activities	2 272	2 994
Net replacement expenditures	(418)	(305)
Investments in subsidiaries/partly owned companies	(1 313)	(277)
Net purchase/sale shares, dividends and financial assets	21	3
Cash flow from investing activities	(1 710)	(579)
Dividends paid	(2 599)	(2 643)
Net sale/purchase of treasury shares	59	(1 378)
Net paid to shareholders	(2 540)	(4 021)
Proceeds from borrowings	2 163	-
Repayments of borrowings	(431)	-
Repayments of lease liabilities	(79)	-
Net change in short-term debt/current liabilities	1 310	(397)
Net change in short-term interest-bearing receivables	(1 517)	(967)
Net cash flow from/ (used in) financing activities	1 446	(1 364)
Cash flow from financing activities	(1 094)	(5 385)
Change in cash and cash equivalents	(532)	(2 970)
Cash and cash equivalents 1 January	1 490	4 460
Cash and cash equivalents 31 December	958	1 490
Change in cash and cash equivalents	(532)	(2 970)

STATEMENT OF FINANCIAL POSITION

Assets

Amounts in NOK million	Note	2019	2018
Intangible assets	9	94	75
Deferred tax asset	11	154	209
Property, plant and equipment	8	1 337	475
Shares in subsidiaries	10	34 174	31 061
Loans to Group companies, interest-bearing		10 855	9 924
Other financial assets		65	246
Non-current assets		46 679	41 990
Receivables external		198	99
Receivables Group, non-interest-bearing		309	323
Receivables Group contribution		1 359	1 375
Financial investments		2	13
Cash and cash equivalents		958	1 490
Current assets		2 826	3 300
Total assets		49 505	45 290

Equity and liabilities

Amounts in NOK million	Note	2019	2018
Paid-in equity		1 972	1 971
Retained earnings		32 342	31 016
Equity		34 314	32 987
Pension liabilities	2	626	558
Non-current interest-bearing liabilities		6 771	4 613
Non-current non-interest-bearing liabilities		128	242
Non-current liabilities and obligations		7 525	5 413
Liabilities to Group, interest-bearing		6 787	5 905
Liabilities to Group, non-interest-bearing		177	158
Tax payable	11	170	254
Other current liabilities		532	573
Current liabilities		7 666	6 890
Equity and liabilities		49 505	45 290

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Treasury shares	Premium fund	Total paid-in equity	Retained earnings	Total Orkla ASA
Equity 1 January 2018	1 274	0	721	1 995	32 601	34 596
Comprehensive income Orkla ASA	-	-	-	-	2 412	2 412
Dividends paid	-	-	-	-	(2 643)	(2 643)
Net purchase of treasury shares	-	(24)	-	(24)	(1 354)	(1 378)
Equity 31 December 2018	1 274	(24)	721	1 971	31 016	32 987
Comprehensive income Orkla ASA	-	-	-	-	3 870	3 870
Dividends paid	-	-	-	-	(2 599)	(2 599)
Cancellation of treasury shares	(22)	22	-	-	-	0
Net sale of treasury shares	-	1	-	1	58	59
Implementation effect IFRS 16	-	-	-	-	(3)	(3)
Equity 31 December 2019	1 252	(1)	721	1 972	32 342	34 314

NOTE 1 ACCOUNTING PRINCIPLES

Besides all head office activities, the financial statements of the holding company Orkla ASA cover some real estate activities. The latter are part of the business operations of Orkla Eiendom. The financial statements also cover the administration of the Orkla Foods, Orkla Confectionery & Snacks, Orkla Care, Orkla Food Ingredients and Orkla Consumer & Financial Investments business areas, as well as Supply Chain functions and the administration of the Purchasing Academy, Sales Academy and Brands Academy in Orkla ASA.

Activities at Orkla's headquarters include the Group's executive management and the corporate and shared functions Group HR, Compensation & Benefits, Corporate Communications & Corporate Affairs, Orkla Services, Internal Audit, Legal & Compliance, EHS, Finance and IT, Strategy and M&A, Group Sales, Orkla Marketing & Innovation and Orkla Group Procurement. In addition to exercising parent company functions, the departments largely carry out assignments for the Group's other companies and charge them for these services. Orkla ASA owns certain trademarks that are utilised by various Group companies. Royalty fees are invoiced for the use of these trademarks. The revenues from these activities are presented on the line for "Operating revenues Group". The Group Treasury acts as an internal bank and is responsible for the Group's external financing, management of the Group's liquid assets and overall management of the Group's currency and interest risks. Interest from the Group's internal bank and dividends and contributions to the Group from investments in subsidiaries are presented as financial items and specified in the income statement.

The financial statements for Orkla ASA have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act. Contributions to the Group have been accounted for according to good accounting practice as an exception to IFRS. Provisions are made for these contributions in the year they arise. The explanations of the accounting principles for the Group also apply to Orkla ASA, and the notes to the consolidated financial statements in some cases cover Orkla ASA. Ownership interests in subsidiaries are presented at cost.

The Board of Directors has deemed that Orkla ASA, after the proposed dividend of NOK 2.60 per share, had adequate equity and liquidity at the end of 2019.

The New IFRS 16 Leases entered into force on 1 January 2019 and requires that discounted right-of-use leases and associated payment liabilities be capitalised as an asset. Orkla ASA has chosen to use the modified retrospective method in implementing IFRS 16, which thereby gives rise to an equity effect upon implementation, but the comparative figures do not change. As at 1 January 2019, the company capitalised right-of-use assets totalling around NOK 40 million. This had a limited effect on profit. As at 31 December 2019, Orkla ASA had leases for company cars for employees and an office building at Skøyen (Karenslyst allé 6). An agreement has been entered into with Drammensveien 149 Nybygg AS on the lease of a new headquarters as from 1 February 2019. This agreement has no impact on the implementation effect.

NOTE 2 PAYROLL AND PENSIONS

Amounts in NOK million	2019	2018
Wages	(380)	(259)
National insurance contributions	(56)	(53)
Remuneration of the Board and other pay-related costs	(8)	(12)
Pension costs	(40)	(34)
Payroll expenses	(484)	(358)
Average number of employees	198	195

Breakdown of net pension costs

The assumptions on which the calculation of pension costs has been based are disclosed in Note 12 to the consolidated financial statements.

Amounts in NOK million	2019	2018
Current service cost (incl. national insurance contribution)	(25)	(15)
Curtailment and settlement	(3)	-
Costs contribution plans	(12)	(19)
Pensions classified as operating costs	(40)	(34)
Pensions classified as financial items	(50)	5
Net pension costs	(90)	(29)

Breakdown of net pension liabilities as at 31 December

Amounts in NOK million	2019	2018
Present value of pension obligations	(626)	(558)
Pension plan assets	-	-
Capitalised net pension liabilities	(626)	(558)

The remaining net pension liabilities at 31 December 2019 mainly consist of unfunded pension plans for former key personnel and unfunded early retirement plans, and recognised liabilities related to plans for employees who earn more than twelve times the Norwegian National Insurance Scheme's basic amount (12G). For other employees, the company primarily has defined contribution pension plans.

The company has a pension plan that meets the requirements of the Compulsory Service Pensions Act.

NOTE 3 GUARANTEES AND ASSETS PLEDGED

Amounts in NOK million	2019	2018
Subscribed, uncalled limited partnership capital	-	10
Guarantees to subsidiaries	231	226

NOTE 4 LOANS TO EMPLOYEES

Other financial assets includes loans to employees.

Amounts in NOK million	2019	2018
Loans to employees	2	2

NOTE 5 REMUNERATION AND CONTRACTUAL ARRANGEMENTS – THE BOARD OF DIRECTORS' STATEMENT OF GUIDELINES

1. The Board of Directors' statement of guidelines for the pay and other remuneration of the executive management

Pursuant to section 6-16a of the Public Limited Liability Companies Act, the Board of Directors must draw up a special statement of guidelines for the pay and other remuneration of senior executives ("Board's statement of guidelines"). The elements in the Board's statement of guidelines are set out in (i)–(vi) below. Under section 5-6 (3) of the same Act, an advisory vote must be held at the General Meeting on the Board of Directors' guidelines for the remuneration of the executive management for the coming financial year (see (ii) below). Insofar as the guidelines concern share-related incentive programmes, these must also be approved by the General Meeting (see (iii) below).

(i) Pay, other remuneration of and other conditions relating to the executive management

The Board of Directors decides the terms and conditions of the President and CEO and makes decisions on fundamental issues relating to the Group's compensation and benefits policy and compensation arrangements for other employees. The Board of Directors has a special Compensation Committee that prepares matters relating to compensation for decision by the Board. The Committee consists of three Board members, one of whom is elected by the employees, and was chaired by the Deputy Chair of the Board in 2019. The administration prepares matters for the Compensation Committee and the Board.

The Group Executive Board participates in the Group's annual bonus programme and long-term incentive programme.

Fixed salaries and fees for the Group Executive Board and accrued bonuses are presented on the next page. The table also shows accruals and the balance in the bonus bank as at 31 December 2019, based on the Orkla share price as at 31 December 2019 (NOK 88.96).

Note 5 cont.

01 02 03 04 05

01
02
03
04
05

Remuneration paid in 2019 to members of the Group Executive Board as at 31 December 2019

Amounts in 1,000 NOK	Fixed salary 31.12.2019	Paid salary and holiday pay (A)	Paid bonus (accrued in 2018)	Paid from bonus bank (LTI)	Benefits in kind (B)	Total paid salary and allowance 2019
Jaan Ivar Semlitsch[1]	8 000	3 032	0	0	73	**3 105**
Jens Bjørn Staff[2]	3 094	3 330	403	966	238	4 937
Christer Grönberg[3]	2 823	3 024	375	955	263	4 617
Terje Andersen[4, 5]	3 031	4 233	676	1 401	245	6 555
Atle Vidar Nagel Johansen	3 834	4 138	660	1 609	270	6 677
Ann-Beth Freuchen	3 417	3 775	809	1 567	189	6 340
Johan Wilhelmsson[3]	2 711	3 196	1 339	1 274	22	5 831
Sverre Prytz[6]	2 950	245	0	0	16	261
Jeanette Hauan Fladby	2 878	2 979	583	680	195	4 437
Johan Clarin[3]	3 058	3 384	543	1 053	272	5 252

[1]Took up the post of President and CEO on 15 August 2019.
[2]Also receives NOK 15,000 as a member of Jotun's Corporate Assembly.
[3]The annual salary agreed in SEK but translated to NOK based on the yearly average exchange rate.
[4]Interim President and CEO from 8 May – 14 August 2019
[5]Also receives a Board fee of NOK 300,000 from Jotun.
[6]Employee and member of the Group Executive Board since 1 December 2019.

Peter A. Ruzicka resigned as President and CEO on 7 May 2019 and terminated his employment at Orkla on 30 November 2019. In accordance with his employment agreement, Mr Ruzicka will receive post-termination salary payments for 12 months as from December 2019. If Mr Ruzicka takes up another position, or accepts other assignments, outside the Orkla Group during the post-termination salary period, 75% of his employment income will be deducted from Orkla's salary payments. Income from advisory or consultancy services or new Board positions will be equated with employment income.

In 2019, Mr Ruzicka was paid total remuneration of NOK 16,456,000, of which his salary and post-termination salary amounted to NOK 7,835,000, the annual bonus paid out amounted to NOK 1,218,000, the bonus paid out from the bonus bank (LTI) amounted to NOK 7,115,000, and benefits in kind amounted to NOK 287,000. Mr Ruzicka is not entitled to an annual bonus for 2019 and his bonus bank balance was paid out in its entirety in May 2019. Accrued pension costs for Mr Ruzicka totalled NOK 2,524,000 in 2019. His pension ceased to accrue as at 30 November 2019.

Karl Otto Tveter stepped down from the Group Executive Board on 30 November 2019 and received remuneration totalling NOK 5,260,000 in 2019.

Jens Bjørn Staff resigned from his position as Executive Vice President for Finance and IT on 29 February 2020.

Note 5 cont.

Accrued remuneration, not paid in 2019

Amounts in 1,000 NOK	Accrued bonus in 2019[1]	Award long-term incentive program (LTI)	Accrued pension costs	Total accrued/ awarded (C)	Balance bonus bank (LTI) 31 Dec. 2019
Jaan Ivar Semlitsch[2]	1 823	0	717	2 540	0
Jens Bjørn Staff	1 213	928	792	2 933	2 832
Christer Grönberg	1 508	866	845	3 219	2 784
Terje Andersen	1 408	909	881	3 198	3 506
Atle Vidar Nagel Johansen[3]	1 810	1 150	1 060	4 020	3 358
Ann-Beth Freuchen	1 336	1 025	746	3 107	4 080
Johan Wilhelmsson	1 054	832	671	2 557	2 940
Sverre Prytz	96	0	46	142	0
Jeanette Hauan Fladby	1 525	863	609	2 997	2 458
Johan Clarin	1 405	939	792	3 136	2 812

[1]Accrued annual bonuses for 2019 are paid in 2020.
[2]The accrued salary and remuneration of the President and CEO in 2019 (five months) totalled NOK 5,645,000; see also the table on the previous page (A+B+C).
[3]Has also earned an extraordinary bonus of NOK 767,000 as CEO of Orkla Care in addition to heading Supply Chain.

The Group Executive Board participates in the Group's general employee share purchase programme. No guarantees have been provided for members of the Group Executive Board.

The President and CEO's period of notice is six months, with a period of pay of 12 months after termination of employment if the President and CEO is dismissed by the company.

The other members of the Group Executive Board have a period of notice of six months. Terje Andersen has an agreement whereby he will receive a pension from Orkla from the age of 62, while other Group Executive Board members who were appointed before 1 January 2019 have an agreement on payment of a pension from Orkla from the age of 65. During the period from the agreed start of pension payments until they reach the age of 67, Orkla will pay them 66% of their salary at retirement, after which their pension will be paid from Orkla's general pension plans.

(ii) Guidelines for pay and other remuneration of the executive management

With regard to the determination of pay and other remuneration of the executive management in the coming financial year, the Board of Directors will submit the following guidelines to the General Meeting in 2020 for an advisory vote, and for matters described in point (iii) for the approval of the General Meeting.

The purpose of Orkla's compensation and benefits policy is to attract personnel with the competence that the Group requires, develop and retain employees with key expertise and promote a long-term perspective and continuous improvement supporting achievement of Orkla's business goals. The general approach adopted in Orkla's policy is to pay fixed salaries and pensions in line with market median level while offering variable pay linked to results, share price performance, etc. (short- and long-term incentives) above market median level. Compensation may consist of the following elements:

a) Fixed elements
Orkla uses internationally recognised job assessment systems to find the "right" level for the job and the fixed salary. Jobs are assessed in relation to their local market (country) and a pay range of the median +/- 20% is applied. The executive's responsibilities, results and performance determine where he or she is placed on the salary scale.

(b) Variable elements – annual bonus
Senior executives in Orkla participate in the Group's central annual bonus programme. The programme has a maximum ceiling of 100% of the executive's fixed salary as at 31 December in the year of accrual. Under this programme, up until 2019 a "good performance" could result in an annual bonus of approximately 30% of an executive's fixed salary as at 31 December in the accrual year. A "good performance" has been defined as the achievement of results in line with externally communicated financial targets. As from 2020, the programme will be designed in such a way that achievement of ambitious, pre-defined targets can result in a bonus of approximately 50% of an executive's fixed salary as at 31 December in the year of accrual.

In addition, the Group has share-based incentive programmes described in (iii) below.

(iii) Special comments on share-based incentive programmes

(a) Annual bonus programme
It is proposed that the annual bonus programme for 2020 for Group Functions (including the President and CEO) contain an element related to the return on the Orkla share as follows:

Note 5 cont.

01 02 03 04 05

An element tied to the return on the Orkla share (25% weighting) which is calculated by adding a basic amount equivalent to 5% of the executive's annual salary to the return on the Orkla share for the year, computed on the basis of the average share price in the fourth quarter measured against the average share price in the fourth quarter of the previous year, plus any dividend paid out. The return on the Orkla share is multiplied by a factor of 1 for Group Executive Board members and a factor of 0.5 for other Group Functions staff. The bonus payout for this element as a percentage of annual salary will thus be 5% plus the return (positive or negative) multiplied by the aforementioned factor. This bonus element may not exceed 25% of the executive's annual salary.

(b) Long-term incentive programme
Orkla has for several years had a cash-based long-term incentive (LTI) programme. The LTI is normally awarded in May of each year. LTI awards are determined on the basis of assessments of individual performances in relation to predefined long-term criteria set the year prior to the award. The aim is for the award to be equivalent to 30% of the employee's annual salary for a "good performance", according to the predefined criteria. The award may not exceed 50% of the employee's annual salary, nor may the aggregate value of an award under the annual bonus programme and the LTI bonus awarded in a year exceed one year's salary. The amount awarded is adjusted in accordance with the Orkla share price performance until the award is paid out. Under the LTI programme, the employee may request, at the earliest, that one third of an LTI award be paid out after 24 months, one third after 36 months and one third after 48 months. After a maximum of 60 months, the LTI award will be paid out in its entirety.

The Board of Directors proposes to replace the present cash-based LTI programme with a programme based on share options, effective as from the option award date in 2021. The reason for this proposal is a desire to strengthen the commonality of interests between shareholders and senior executives as the current programme is not sufficiently linked to total shareholder return.

Participants will be nominated to participate in the share option programme in 2020 subject to the approval of the President and CEO, and the number of nominees will be approximately the same as in 2019, i.e. around 90 central management staff and key personnel. It is also proposed that the group be expanded by 10 – 15 younger talents. Nomination will not be automatic, so being nominated one year does not necessarily mean that the person will be nominated in subsequent years.

Options will be awarded partly on the basis of position (estimated option value equivalent to 15% of basic salary), partly on the basis of a discretionary assessment of performance in relation to predefined long-term targets (estimated option value equivalent to a maximum of 15% of basic salary), and a discretionary assessment of achievement of sustainability-related targets (estimated option value equivalent to a maximum of 5% of basic salary). Sustainability-related targets will be set and evaluated by the Board of Directors. On this basis, the outcome for participants will be an option value in the range 15 – to 35% of salary depending on performance. The option value will be calculated according to the Black-Scholes model.

Predefined long-term targets shall ideally be linked to:
- Profitable organic growth
- Innovation and increased market shares
- Sustainability as a growth factor
- Structural growth in priority categories and geographies
- Establishment of a cost-effective organisation and realisation of synergies
- Development of human resources and collaborative relationships

Options will be awarded once a year, based on the share price on the day after the Annual General Meeting. The Board of Directors will recommend candidates for awards in the Group Executive Board, while awards to other employees must be approved by the President and CEO. 20% of the options awarded for the year may be exercised after one year, another 20% after two years, and the remaining 60% after three years. In the case of the Group Executive Board, however, no options may be exercised until three years after they were awarded. The last date on which they may be exercised is five years after the award date, after which the options expire. The redemption price will be set at the market price at the award date with an increase of 3% per year in the vesting period. The redemption price will be adjusted for dividends. In the event of the employee's resignation, all options that have not been exercised will expire.

Based on an average estimate where the value of the option is equal to 30% of the participants' annual salary, approximately 5,000,000 share options will be required for the awards in 2021. In addition, it is proposed that this number be increased by around 10 % in order to include young talents as mentioned above. Consequently, it is proposed that the Board of Directors and the President and CEO be given a total limit of 5,500,000 options and that the General Meeting approves this limit. The number of options is equivalent to around 0.55 % of shares outstanding.

The gain on one year's awarded options may not exceed six times the value of awarded options at the award date, calculated in accordance with the Black-Scholes model. If a participant is awarded options with an estimated option value equivalent to 30% of his or her basic salary, the gain in this case may not exceed 180% of the basic salary.

Note 5 cont.

The Group Executive Board must use 25% of their gross gain from the exercise of options to purchase Orkla shares, and purchased shares will be subject to a lock-in period of three years. Other participants are expected to use a percentage of their gross gain to purchase Orkla shares.

(c) Discounted shares for employees
For several years the Group has had a programme offering employees an opportunity to buy a limited number of shares at a discount on the market price. For 2019, employees were offered three different purchase options: NOK 28,000, NOK 15,000 and NOK 8,000 (amounts after discount). The discount was 25% on the market price. The lock-in period for shares purchased is two years. The costs of the employee share purchase programme in 2019 totalled NOK 18 million.

The Board of Directors recommends to the General Meeting that the employee share purchase programme be maintained for 2020, but that the purchase options be adjusted to NOK 30,000, NOK 15,000 and NOK 10,000 (amount before discount). The discount will be maintained at 25%, but the lock-in period will be increased from two to three years.

(iv) Company pension plan
Orkla has a defined contribution pension plan in Norway. The contribution rates are 5% for salaries between 1G and 7.1G and 23.1% for salaries over 7.1G (as of 1 May 2019 1G is NOK 99,858). For persons appointed to the Group Executive Board before 1 September 2014, the rate for salaries over 12G is 27%. Johan Wilhelmsson has a service pension in Sweden in accordance with the ITP2 rules. This is a defined benefit pension plan limited to a maximum salary equivalent to 30 income base amounts (IBA). For salaries over 30 IBB, a pension in Norway is ensured by a contribution equal to 15% of the excess amount.

(v) Other benefits
The Group provides benefits such as a company car and company telephone and other limited benefits in kind.

(vi) Executive pay policy
The guidelines for pay and other remuneration for senior executives disclosed in (ii), which were considered at the 2019 Annual General Meeting, have served as guidance in determining pay and other remuneration for senior executives in 2019.

For detailed descriptions of Orkla's reward policy and the various components of the overall remuneration, reference is made to the disclosures in Note 11 to the consolidated financial statements.

2. Remuneration of the Board of Directors and Board members' shareholdings

As from 25 April 2019, the Board of Directors is remunerated at the following rates:

Board Chair	NOK	843 000	per year
Board Deputy Chair	NOK	679 000	per year
Shareholder-elected Board member	NOK	537 000	per year
Employee-elected Board member	NOK	442 000	per year
Deputy member	NOK	27 500	per meeting

Under Article 4 of Orkla's Articles of Association, shareholder-elected "members and deputy members of the Board of Directors must be shareholders in the company". Accordingly, Orkla requires that 1/3 of the members' gross Board fees (excluding any fee for committee work and supplement for members residing outside Norway) be used to purchase shares in Orkla until the Board members (including their related parties) own shares in Orkla with a value equivalent to two times their gross Board fee (excluding any fee for committee work and supplement for members residing outside Norway). An overview of the Board members' shareholdings is disclosed in separate tables in this note.

Compensation Committee

Committee Chair	NOK	144 000	per year
Member	NOK	108 000	per year

Audit Committee

Committee Chair	NOK	181 000	per year
Member	NOK	121 000	per year

In addition, shareholder-elected Board members residing outside Norway receive a supplement of NOK 18,000 per meeting attended.

Payments actually received by members of the Board of Directors are as follows:

Amounts in NOK	Director's fee incl. committee work	Number of shares[1]
Shareholder-elected Board members		
Stein Erik Hagen[1]	912 333	250 100 000
Grace Reksten Skaugen	815 333	18 100
Ingrid Jonasson Blank	840 500	9 000
Peter Agnefjäll	671 500	14 000
Nils K. Selte	828 667	27 000
Lars Dahlgren	705 000	10 000
Liselott Kilaas	532 000	7 800
Caroline Hagen Kjos (deputy)[2]	-	-

[1]Total share ownership including related parties.
[2]Receives no fees.

Amounts in NOK	Fixed salary	Director's fee	Benefits in kind	Pension costs	Number of shares[1]
Employee-elected Board members					
Terje Utstrand	610 805	545 000	10 840	26 874	7 138
Roger Vangen	549 040	438 000	10 855	22 880	8 912
Sverre Josvanger	547 212	558 000	10 840	23 967	19 951
Karin Hansson	371 484	438 000	-	21 175	1 657

[1]Total share ownership including related parties.

No loans have been granted to or guarantees provided for members of the Board of Directors.

3. Remuneration of the Nomination Committee

As of 25 April 2019, the Nomination Committee is remunerated according to the following rates:

Committee Chair NOK 65,000 per year, members NOK 47,000 per year and employee-elected representatives NOK 6,500 per meeting.

4. Fees to Group external auditor

Amounts in NOK million (excl. VAT)	2019	2018
Parent company		
Statutory audit	3.4	3.4
Other attest services	-	0.1
Tax consultancy services	0.9	1.2
Other non-audit services	3.4	5.5
Group		
Statutory audit	31.6	30.9
Other attest services	0.4	0.6
Tax consultancy services	2.9	2.6
Other non-audit services	3.5	6.1
Total fees to EY	38.4	40.2
Statutory audit fee to other auditors	2.3	2.6

NOTE 6 INTEREST INCOME AND COSTS GROUP

Amounts in NOK million	2019	2018
Interest income Group	213	146
Interest costs Group	(56)	(41)
Total financial costs Group	157	105

NOTE 7 OTHER FINANCIAL ITEMS

Amounts in NOK million	2019	2018
Gain/loss on exchange	4	(59)
Other financial income	44	13
Other financial costs	(242)	(193)
Total other finanancial items	(194)	(239)

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Land, buildings and other property	Machinery, fixture and fittings etc.	Assets under construction	Total
Book value 1 January 2019	97	50	328	475
Investments	-	48	362[2]	410
Reclassifications[1]	-	10	(39)	(29)
Depreciation	(2)	(9)	-	(11)
Write-downs	-	-	(33)	(33)
Book value 31 December 2019	95	99	618	812
Initial cost 1 January 2019	121	207	328	656
Accumulated depreciation and write-downs 1 January 2019	(24)	(157)	-	(181)
Book value 1 January 2019	97	50	328	475
Initial cost 31 December 2019	121	265	651	1 037
Accumulated depreciation and write-downs 31 December 2019	(26)	(166)	(33)	(225)
Book value 31 December 2019	95	99	618	812

[1]Net reclassifications relating to the transfer from Note 9.
[2]Consists primarily of investment in a new common ERP system. The investment will be reclassified to IT (Note 9) upon project completion.

Leased right-of-use assets IFRS 16

Amounts in NOK million	Buildings and other property	Machinery, fixtures and vehicles	Total
Book value 1 January 2019	35	4	39
Investments[1]	556	0	556
Depreciation	(68)	(2)	(70)
Book value 31 December 2019	523	2	525
Initial cost 31 December 2019	591	4	595
Accumulated depreciation and write-downs	(68)	(2)	(70)
Book value 31 December 2019	523	2	525

[1]Orkla ASA leases Drammensveien 149 from its subsidiary Drammensveien 149 Nybygg AS.

NOTE 9 INTANGIBLE ASSETS

Amounts in NOK million	Trademarks not amortisable	IT	Total
Book value 1 January 2019	26	49	75
Reclassifications property, plant and equipment[1]	-	29	29
Investments	-	7	7
Amortisation	-	(17)	(17)
Book value 31 December 2019	26	68	94
Initial cost 1 January 2019	26	126	152
Accumulated amortisation and write-downs 1 January 2019	-	(77)	(77)
Book value 1 January 2019	26	49	75
Initial cost 31 December 2019	26	163	189
Accumulated amortisation and write-downs 31 December 2019	-	(95)	(95)
Book value 31 December 2019	26	68	94

[1]Net reclassifications relating to the transfer from Note 8.

NOTE 10 SHARES IN SUBSIDIARIES, DIRECTLY OWNED

Amounts in NOK million	Group's share of capital	Book value 2019	Book value 2018
Orkla Foods Norge AS	100%	9 065	9 362
Orkla Foods Sverige AB	100%	5 469	5 469
Orkla Confectionery & Snacks Finland Ab	100%	3 315	3 315
Orkla Food Ingredients AS	100%	2 466	2 466
Orkla Energi AS	100%	1 765	1 765
Kotipizza Group Oyj	100%	1 424	-
Hamé s.r.o.	100%	1 354	1 354
SIA Orkla Confectionery & Snacks Latvija	100%	959	959
Orkla Confectionery & Snacks Norge AS	100%	906	906
Vitana AS	100%	900	-
Orkla House Care AS	100%	865	865
Orkla Esti AS	100%	862	-
Orkla Health AS	100%	631	631
Orkla Eiendom AS	100%	589	589
Lilleborg AS	100%	526	526
SweBiscuits AB	100%	512	512
Viking Askim AS	100%	400	400
Industriinvesteringer AS	100%	340	340
Sarpsfoss Limited			
Ordinary shares	100%	253	253
Preference shares	99.9%	43	43
SIA Orkla Foods Latvija	100%	246	246
Sandakerveien 56 AS	100%	216	-
Attisholz AB	100%	187	187
Orkla Foods Romania SA	100%	184	184
Orkla Foods Danmark A/S	100%	175	175
Orkla Asia Holding AS	100%	166	166

Table cont. next column

Amounts in NOK million	Group's share of capital	Book value 2019	Book value 2018
Gorm's Holding ApS	67%	97	97
Orkla Insurance Company DAC	100%	65	65
UAB Orkla Foods Lietuva	100%	39	57
Trælandsfos Holding AS	100%	36	36
Orkla IT AS	100%	34	34
Lilleborg AB	100%	28	-
Øraveien Industripark AS	100%	15	15
Orkla Investeringer AS	100%	10	10
Orkla Trading AB	100%	9	-
Nödinge AB	100%	7	-
Orkla Design AS	100%	5	5
Cederroth Intressenter AB	100%	3	3
Orkla Germany GmbH	100%	2	2
Orkla Accounting Centre Estonia	100%	2	2
Orkla France S.A.S.	100%	1	8
Orkla Group Procurement Hub Shanghai	100%	1	1
Plusstid Home AS	100%	1	12
Attisholz Infra AG[1]	0.4%	1	1
Total		34 174	31 061

[1]The remaining shares are owned by Attisholz AB.

The table shows only directly owned subsidiaries. The Group consists of a total of around 240 companies. The most important indirectly-owned subsidiaries are shown in the Group Directory at the end of the Annual Report.

NOTE 11 TAXES

Tax expense

Amounts in NOK million	2019	2018
Profit before taxes	4 012	2 647
Change in temporary differences	(254)	1
Of which change in temporary differences previous years	0	(22)
Correction for change in temporary differences taken to comprehensive income	85	48
Total change in temporary differences	(169)	27
Non-deductible expenses	49	34
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	(12)	(3)
Impairment of shares in subsidiaries	36	463
Dividends from subsidiaries	(3 146)	(2 066)
Other permanent differences	(1)	3
Total permanent differences	(3 074)	(1 569)
Total taxable income	769	1 105
Calculated current tax expense	(169)	(254)
Withholding tax foreign dividends	0	(2)
Correction in provisions for previous years' taxes	0	(26)
Total current tax expense	(169)	(282)
Change in deferred tax liabilities	(37)	4
Total tax expense	(206)	(278)

Deferred tax liabilities

Amounts in NOK million	2019	2018
Financial derivatives	95	(89)
Accumulated write-downs outside the tax exemption method	(11)	(11)
Hedging reserve in equity	(144)	(242)
Property, plant and equipment	13	12
Pension liabilities	(567)	(493)
Leases	(7)	-
Other current liabilities	(79)	(128)
Basis deferred tax	(700)	(951)
Deferred tax asset	(154)	(209)
Change in deferred tax	(55)	(10)
Change in deferred tax taken to comprehensive income	18	14
Change in deferred tax in the income statement	(37)	4

Reconciliation of total tax expense

Amounts in NOK million	2019	2018
22% of profit before taxes	(887)	(609)
Effect of change in tax rates	-	(5)
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	3	1
Dividends from subsidiaries	692	475
Write-downs shares in subsidiaries	(4)	(106)
Other permanent differences	0	(1)
Non-deductible expenses	(10)	(8)
Withholding tax	0	(2)
Correction previous years' taxes	0	(23)
Total tax expense for Orkla ASA	(206)	(278)

NOTE 12 FINANCIAL RISK

The risk associated with financial instruments in Orkla ASA is related to the following activities:

The Group's internal bank
Orkla ASA's Group Treasury manages the interest rate and currency risk for the Group. The Group Treasury acts as the Group internal bank and as a rule executes all external funding and hedging transactions in interest rate and currency derivatives. The subsidiaries mitigate their currency risk by entering into internal currency hedging contracts with the internal bank, which in turn hedges this risk through external hedging positions. In addition, the internal bank holds debt in foreign currencies in order to hedge currency risk on internal loans, book equity and goodwill. In 2019, NOK 2 million was recognised in the income statement in connection with these hedges (NOK -66 million in 2018). The internal bank does not actively take on currency risk. Intercompany loans and deposits are at floating interest rates, and no intra-group interest rate hedging contracts are made. Further details of the management of interest rate and currency risk for Group-external items are disclosed in Note 30 to the consolidated financial statements.

Derivatives and hedge accounting
Currency forward contracts. The internal bank's internal and external currency forward contracts and cross currency swaps are recognised at fair value in the statement of financial position with changes in fair value recognised through profit and loss. Foreign currency effects related to internal and external loans are also accounted for through profit and loss.

Interest rate swaps. External funding for the Group is mainly originated through Orkla ASA. Loans issued at fixed interest rates are normally swapped to floating interest rates through interest rate swaps. These swaps are accounted for as fair value hedges with fair value changes recognised through profit and loss. As at 31 December 2019, the fair value of these interest rate swaps was NOK 19 million (NOK 45 million in 2018). During the year NOK 26 million was recognised as costs in the income statement related to changes in the fair value of the interest rate swaps, and NOK 26 million was recognised as income related to changes in the fair value of the hedged loans.

When Orkla hedges future interest payments, interest rate swaps, where Orkla receives floating interest rates and pays fixed interest rates, are used. These interest rate swaps are accounted for as cash flow hedges with changes in fair value recognised through comprehensive income. As at 31 December 2019, the fair value of these swaps amounted to NOK -143 million (NOK -242 million in 2018).

Equity hedging reserve. Change in the equity hedging reserve:

Amounts in NOK million	2019	2018
Opening balance hedging reserve before tax	(228)	(312)
Reclassified to profit/loss – net financial items	105	132
Fair value change during the year	(6)	(48)
Closing balance hedging reserve before tax	(129)	(228)
Deferred tax hedging reserve	31	53
Closing balance hedging reserve after tax	(98)	(175)

The hedging reserve is expected to be reclassified to the income statement as follows (before tax):

2020:	NOK -71 million
After 2020:	NOK -58 million

NOTE 13 OTHER MATTERS

PAYE tax guarantee and guarantee for pension liabilities
Orkla ASA has a bank guarantee to cover Pay-As-You-Earn (PAYE) tax payable by employees and pension liabilities for employees who earn more than 12G on behalf of its Norwegian subsidiaries. The company has NOK 72 million in restricted assets such as margin deposits under derivative contracts.

Material leases
In 2019, Orkla ASA moved to its new headquarters in Drammensveien 149 in Oslo, along with the companies Orkla Foods Norge, Orkla Health, Orkla Home & Personal Care, Orkla Confectionery & Snacks Norge, Pierre Robert Group, Hydro Power, Orkla IT, Orkla House Care and Orkla Eiendom. The building is leased from Orkla ASA's subsidiary Drammensveien 149 Nybygg AS. Annual leasing costs total NOK 68 million. Orkla ASA subleases premises to the other companies in the building.

Orkla ASA still leases premises from Investorprosjekt 93 AS at Karenslyst allé 6, Skøyen, in Oslo, until the year 2020. Annual leasing costs total NOK 20 million. The building is largely subleased.

Matters disclosed in the Notes to the Consolidated Financial Statements
Share-based payment – Note 11
Events after the balance sheet date – Note 39

Shareholders in Orkla ASA
A list of the largest shareholders in Orkla ASA is presented in Note 32.

Declaration from the Board of Directors of Orkla ASA and the Group

We confirm that the financial statements for the period 1 January up to and including 31 December 2019 have, to the best of our knowledge, been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Group as a whole, and that the Board of Directors' report includes a fair review of the development and performance of the business and the position of the company and the Group as a whole, together with a description of the principal risks and uncertainties that they face.

Oslo, 11 March 2020
The Board of Directors of Orkla ASA

Stein Erik Hagen Chairman of the Board	Grace Reksten Skaugen Deputy Chair of the Board
Peter Agnefjäll	Ingrid Jonasson Blank
Lars Dahlgren	Liselott Kilaas
Nils K. Selte	Terje Utstrand
Karin Hansson	Sverre Josvanger
Roger Vangen	Jaan Ivar Semlitsch President and CEO

(This translation from Norwegian of the Declaration from the Board of Directors has been made for information purposes only.)

Independent Auditor’s Report

To the Annual Shareholders' Meeting of Orkla ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Orkla ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue recognition – accrued discount liabilities

Revenue from contract with customers is recognised when the significant risk and rewards of ownership of the goods have been transferred to the buyer. Further, it is measured at fair value of the expected consideration to be received from sales. Discounts and other benefits earned by customers represents a variable consideration and is included in the fair value. Due to the multitude and variety of agreements and contractual terms, the determination of discounts recognized on sales made during the year is considered complex and requires management judgement. Revenue recognition including discounts and other benefits earned is therefore a key audit matter.

Our audit procedures included identifying, understanding, evaluating and testing management procedures and controls for determining the reduction in revenues by discounts as well as compliance of policies with applicable accounting standards. Further, we identified and assessed the effectiveness of the Group’s internal controls. Our audit included analytical procedures and detailed testing that discounts are recognised in the correct period. We tested the accuracy and completeness of the accrued discount liability, and the underlying calculation. These procedures included testing of the basis for calculating discounts and other benefits against actual sales and agreed terms. Also, we have tested the accuracy of historical accrued discount liabilities and

Independent Auditor's Report cont.

evaluated the disclosures provided by management in the consolidated financial statements to applicable accounting standards.

We refer to the Group's disclosures in notes 4 and 9 in respect of revenue recognition and related contract liabilities of discounts and other benefits.

Other information
Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

Independent Auditor's Report cont.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 11 March 2020
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant (Norway)

Petter Frode Larsen
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Historical key figures

Historical key figures are presented for each of the last four years (2015–2018) as they were presented in the respective annual reports. Subsequent accounting restatements (due, for instance, to changes in accounting principles, recognition as "Discontinued operations", etc.) are thus not reflected in the set of figures presented. This is because Orkla wishes to show the Group as it was reported in the years in question, so as to illustrate the actual level of activity in the years concerned.

	Definition		2019	2018	2017	2016	2015
Income statement							
Operating revenues		(NOK million)	43 615	40 837	39 561	37 758	33 198
EBIT (adj.)*		(NOK million)	5 088	4 777	4 635	4 298	3 609
Other income and expenses		(NOK million)	(561)	(482)	(201)	(382)	(502)
Operating profit		(NOK million)	4 527	4 295	4 434	3 916	3 107
EBIT (adj.) margin*	1	(%)	11.7	11.7	11.7	11.4	10.9
Profit/loss from associates and joint ventures		(NOK million)	659	264	313	1 378	1 111
Ordinary profit/loss before taxes		(NOK million)	4 931	4 358	4 571	5 182	4 090
Gains/profit/loss discontinued operations		(NOK million)	-	-	5 066	-	(17)
Profit/loss for the year		(NOK million)	3 898	3 354	8 657	4 375	3 351
Cash flow							
Net cash flow		(NOK million)	(2 064)	(3 044)	8 471	(956)	(1 561)
Capital as at 31 December							
Book value of total assets		(NOK million)	57 413	52 509	53 408	55 604	54 238
Market capitalisation	2	(NOK million)	88 987	68 007	88 683	79 586	71 361
Equity ratio	3	(%)	60.8	64.9	65.2	60.9	62.2
Net interest-bearing liabilities	4	(NOK million)	6 551	3 037	14	8 056	7 805
Net gearing	5		0.19	0.09	0.00	0.24	0.23
Interest coverage ratio	6		38.1	33.5	23.1	23.1	17.3
Average borrowing rate		(%)	2.5	3.4	2.2	1.8	2.8
Share of floating interest-bearing liabilities	7	(%)	49	39	38	67	61
Average time to maturity liabilities	8	(year)	3.7	4.0	4.3	3.3	3.2

*EBIT (adj.) = Operating result before other income and expenses

Historical key figures cont.

	Definition		2019	2018	2017	2016	2015
Shares							
Average number of shares outstanding, diluted		(x 1,000)	999 929	1 008 810	1 017 472	1 017 969	1 018 394
Average number of shares outstanding		(x 1,000)	999 929	1 008 810	1 017 472	1 017 526	1 017 546
Share-related key figures							
Share price at 31 December		(NOK)	88.96	68.04	87.05	78.20	70.10
Earnings per share, diluted	9	(NOK)	3.84	3.24	8.43	4.22	3.24
Ordinary dividend per share (proposed for 2019)		(NOK)	2.60	2.60	2.60	2.60	2.50
Payout ratio	10	(%)	67.7	80.2	30.8	61.6	77.2
Price/earnings ratio	11		23.2	21.0	10.3	18.5	21.6
Personnel							
Number of employees			18 348	18 510	18 178	18 154	14 670
Number of man-years			17 692	17 633	17 569	18 038	14 532

Definition:

1 EBIT (adj.)* / Operating revenues
2 Market capitalisation is calculated on the basis of number of shares outstanding x Share price at year end
3 Book equity / Total assets
4 Total interest-bearing liabilities - Interest-bearing receivables and liquid assets (cash, bank deposits etc.)
5 Net interest-bearing liabilities / Equity
6 (Profit before tax + Net interest expenses) / (Net interest expenses)
7 Liabilities with remaining period of fixed interest of less than one year
8 Average time to maturity for interest-bearing liabilities and unutilised committed credit facilities
9 Profit for the year after non-controlling interests / Average number of shares outstanding, diluted, at year-end
10 Ordinary dividend per share / Earnings per share, diluted
11 Share price / Earnings per share, diluted

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". Items included in "Other income" and "Other expenses" (OIE) are disclosed in Note 14. These include M&A costs, restructuring or integration expenses, any major gains and write-downs on both tangible and intangible assets, and other items that only to a limited degree are reliable measures of the Group's current profitability. EBIT (adj.) margin and growth are derived figures calculated in relation to operating revenues.

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

EBIT (adj.) is presented on a separate line in the Group's income statement and in segment reporting; see Note 7.

Change in underlying EBIT (adj.)
Change in underlying EBIT (adj.) shows like-for-like EBIT (adj.) growth for the Group's business portfolio and is defined as the Group's reported change in EBIT (adj.) adjusted for effects of the purchase and sale of companies and currency effects. In calculating the change in underlying EBIT (adj.), acquired companies will be included pro forma 12 months before the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by calculating this year's turnover at last year's currency exchange rates. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

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

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

Earnings per share (adj.)
Earnings per share (adj.) show earnings per share adjusted for "Other income" and "Other expenses" (OIE) after estimated tax. Items included in OIE are specified in Note 14. The effective tax rate for OIE in 2019 is lower than the Group's tax rate due to the write-down of goodwill with no tax effect and to high non-deductible transaction costs.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. In the fourth quarter, an adjustment was made for a gain on the sale of the joint venture Oslo Business Park and the reversal of a net deferred tax liability related to planned dividends from the Baltics.

The calculation of earnings per share is disclosed in Note 17.

APM cont.

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 have been reduced by the value of sold fixed assets to sales value.

The purpose of this distinction is to show how large a part of the investments (replacement) mainly concerns maintenance of existing operations and how large a part of the investments (expansion) 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; see the Report of the Board of Directors and Note 38.

Net interest-bearing liabilities

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

Net interest-bearing liabilities are the Group's primary management parameter for financing and capital allocation, which is used actively in the Group's financial risk management strategy. The statement of cash flows (Orkla format) therefore shows the change in net interest-bearing liabilities at Group level; see the Report of the Board of Directors and Note 38.

Net interest-bearing liabilities are reconciled in Note 28 and Note 29.

Structure (acquired and sold companies)

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

Organic growth per business area

	1.1.–31.12.2019			
Sales revenues change %	Organic growth	FX	Structure	Total
Orkla Foods	1.8	1.2	1.9	4.9
Orkla Confectionery & Snacks	4.6	1.3	-	5.9
Orkla Care	0,0	0.8	1.1	1.9
Orkla Food Ingredients	0.6	1.5	5.5	7.6
Orkla Consumer & Financial Investments	-3.4	1.0	43.9	41.5
Branded Consumer Goods	1.3	1.2	4.9	7.4

	1.1.–31.12.2018			
Sales revenues change %	Organic growth	FX	Structure	Total
Orkla Foods	1.5	-0.3	-1.9	-0.8
Orkla Confectionery & Snacks	-3.4	0.4	-	-3.0
Orkla Care	-2.4	0.2	16.9	14.8
Orkla Food Ingredients	1.2	1.1	7.6	9.9
Orkla Consumer & Financial Investments	-1.1	0.2	-2.3	-3.1
Branded Consumer Goods	-0.2	0.2	3.0	3.0

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

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1–31.12.2019	4.1	1.4	3.4	9.0
1.1–31.12.2018	0.9	-0.2	1.2	1.8

	Underlying				
EBIT margin growth change percentage points	Variable cost	Other	FX/ Structure	Total	EBIT (adj.) margin (%)
1.1–31.12.2019	0.5	-0.3	0.1	0.3	11.2
1.1–31.12.2018	0.0	0.1	-0.2	-0.1	11.1

Figures may not add up due to rounding.

Additional information

05

Share information

Through efficient business operations, Orkla aims to achieve long-term value growth for its shareholders which exceeds that of relevant, competitive investment alternatives. For share-holders, this is reflected in the combination of the long-term price performance of the Orkla share and the dividend that is paid out.

Market capitalisation and turnover

The Orkla share is listed on the Oslo Stock Exchange under the ticker code ORK. All shares have equal rights and are freely transferable. In terms of market value, Orkla was the eighth largest company on the Oslo Stock Exchange as at 31 December 2019. At the end of 2019, its market capitalisation was NOK 89.1 billion, up NOK 19.8 billion from the end of 2018. In 2019, a total of NOK 2.6 billion was paid out in ordinary dividends. The average daily volume of Orkla shares traded on the Oslo Stock Exchange was 1.6 million, equivalent to 0.2 per cent of the total number of Orkla shares. The Orkla share may also be traded through Orkla's Level-1 ADR programme in the USA.

More information on the ADR programme may be found on Orkla's website under "Investor Relations".

Return on investment

Over time, Orkla shareholders have enjoyed a good return on their shares. The table below shows the average annual return (including reinvested dividends) on the Orkla share compared with the Oslo Stock Exchange Benchmark Index (OSEBX).

Dividend policy

Orkla's shareholders shall receive a competitive return on their investment over time through a combination of dividends and an increase in the share price. Orkla has achieved a steady, stable increase over time in the dividends paid out. The goal in future is to increase the dividend from the current level to NOK 2.60 per share, normally within 50–70 per cent of earnings per share.

The Board of Directors proposes to pay a dividend of NOK 2.60 per share for the 2019 financial year. The dividend will be paid out on 27 April 2020 to shareholders of record on the date of the Annual General Meeting.

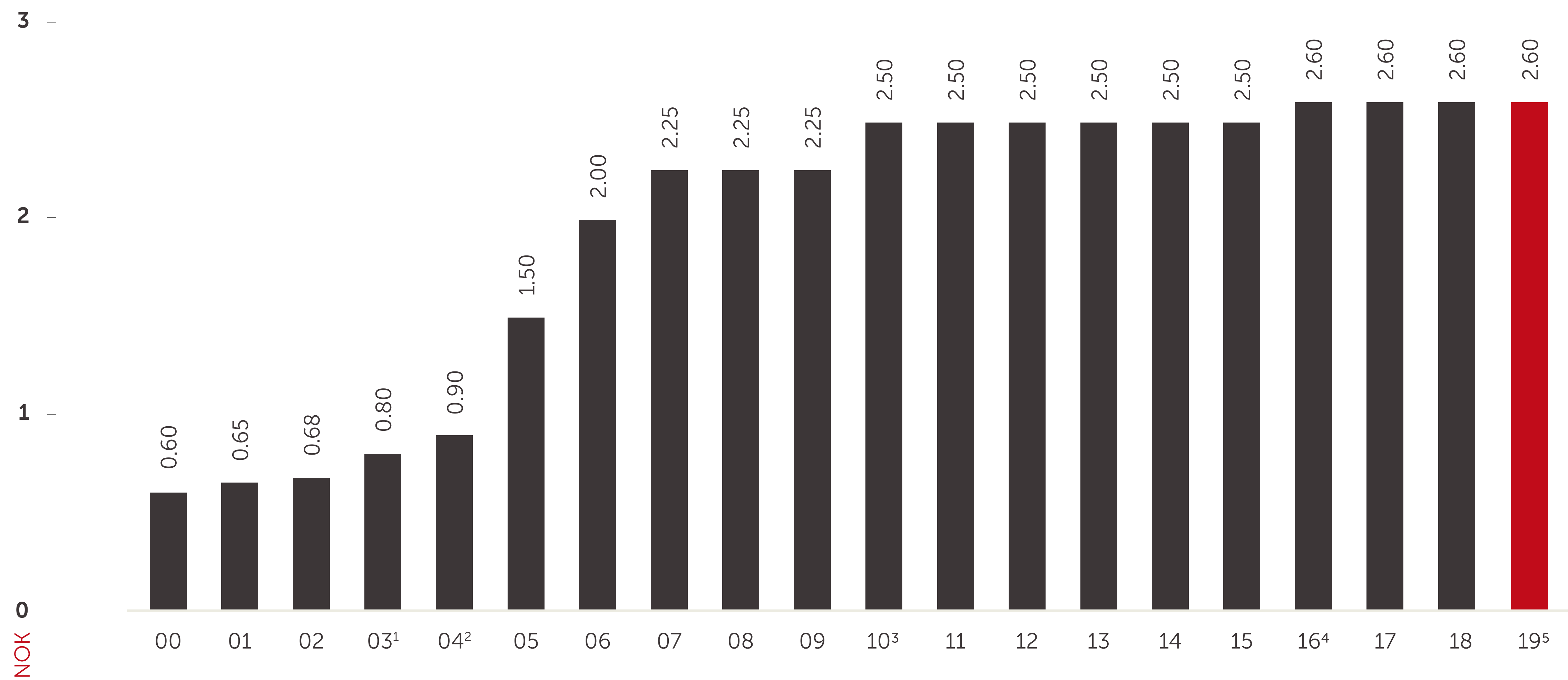
Return on investment including reinvested dividends as at 31 December 2019:

	Orkla	OSEBX
Last year	35.8%	16.5%
Last 3 years	34.3%	36.2%
Last 5 years	121.3%	61.7%
Last 10 years	185.1%	150.7%

Source: Euroland.com

https://www.orkla.com/investor-relations/about-the-orkla-share/the-share-price/

Ordinary dividend per share



[1] Additional dividend NOK 5.00 per share.
[2] Additional dividend NOK 1.00 per share.
[3] Additional dividend NOK 5.00 per share.
[4] Additional dividend NOK 5.00 per share.
[5] Proposed dividend.

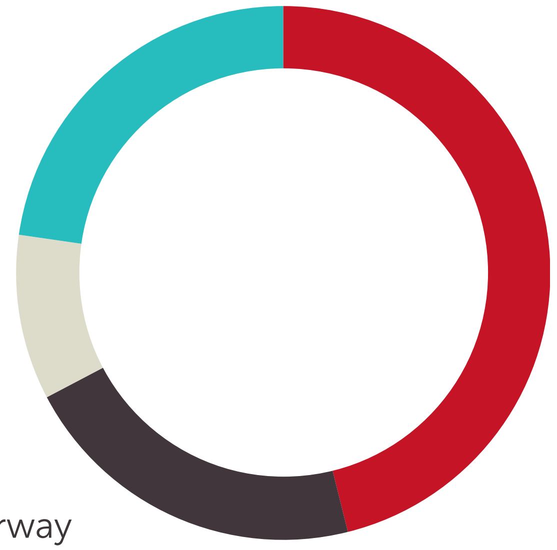
Treasury shares

Orkla supplements its dividends with moderate share buybacks. At the 2019 Annual General Meeting, the Board of Directors was granted authorisation to buy back up to 100,000,000 Orkla shares. The authorisation was granted for a limited period of time and must be implemented at the latest by the 2020 Annual General Meeting. Shares acquired by the Board under the authorisation must be cancelled or used in connection with employee incentive programmes, including the Group's employee share purchase programme. The authorisation was not used in 2019. As at 31 December 2019, Orkla owned 1,125,182 treasury shares. The Board of Directors will propose to the General Meeting in 2020 that the authorisation to buy back Orkla shares be renewed.

Voting rights

Orkla has one class of share, and each share carries one vote. The nominal value of the share is NOK 1.25. Each shareholder is entitled to vote the number of shares which he or she owns and which are registered in the Norwegian Central Securities Depository (VPS) on the date of the Annual General Meeting. If the shareholder has acquired the shares shortly before the Annual General Meeting, voting rights for these shares may only be exercised if the acquisition has been registered in the VPS, or if the acquisition has been reported to the VPS and proof of the acquisition is presented at the Annual General Meeting. Read more about Orkla's voting rights and the Annual General Meeting on Orkla's website, under "Investor Relations".

Shareholders, by geographical region[1]



[1]As of 31 Desember 2019

Financial calendar 2020

Date	Event
16 April 2020	Annual General Meeting
17 April 2020	Share traded ex-dividend
27 April 2020	Dividend payment[1]
5 May 2020	1st quarter results
13 July 2020	2nd quarter results
29 October 2020	3rd quarter results

[1]Subject to approval of the proposed dividend at the Annual General Meeting

The 20 largest shareholders as at 31 December 2019

Based on an analysis of owners registered under a nominee account

Shareholder	No. of shares	% of capital
Canica[1]	250,100,000	24.97%
Folketrygdfondet	77,017,718	7.69%
First Eagle Investment Management, L.L.C.	33,150,175	3.31%
BlackRock Institutional Trust Company, N.A.	29,365,138	2.93%
AllianceBernstein L.P.	26,780,740	2.67%
The Vanguard Group, Inc.	24,558,985	2.45%
Newton Investment Management Ltd.	21,408,516	2.14%
American Century Investment Management, Inc.	17,621,790	1.76%
Acadian Asset Management LLC	15,545,434	1.55%
KLP Forsikring	13,859,428	1.38%
Epoch Investment Partners, Inc.	12,186,275	1.22%
State Street Global Advisors (US)	11,703,656	1.17%
Storebrand Kapitalforvaltning AS	11,270,049	1.13%
SAFE Investment Company Limited	10,303,471	1.03%
M & G Investment Management Ltd.	10,146,853	1.01%
Legal & General Investment Management Ltd.	9,070,605	0.91%
BlackRock Advisors (UK) Limited	8,493,333	0.85%
Nordea Funds Oy	7,958,946	0.79%
Robeco Institutional Asset Management B.V.	7,139,257	0.71%
California Public Employees' Retirement System	6,539,092	0.65%
Total shares	**604,219,461**	**60.34%**

Source: The shareholder list is supplied by Nasdaq.
[1]Canica: Canica AS, Canica Investor AS, Tvist 5 AS, Stein Erik Hagen AS and shares privately held by Mr Stein Erik Hagen.

Key figures for the Orkla share

	2019	2018	2017	2016	2015
Share price, high (NOK)	91.98	87.30	87.30	83.55	72.25
Share price, low (NOK)	64.16	64.60	73.40	64.65	48.73
Share price, closing 31.12	88.96	68.04	87.05	78.20	70.10
Diluted earnings per share (NOK)	3.84	3.24	8.43	4.22	3.24
Dividend paid per share (NOK)	2.60 [1]	2.60	2.60	2.60	2.50
Percentage of foreign shareholders	54%	51%	53%	52%	55%
Number of shares issued as of 31.12.	1,001,430,970	1,018,930,970	1,018,930,970	1,018,930,970	1,018,930,970
Number of shares outstanding as of 31.12.	1,000,305,788	999,520,711	1,018,754,037	1,017,717,835	1,017,990,670

[1]Proposed dividend

Brokerage House	Contact	Tel.	E-mail
ABG Sundal Collier	Petter Nystrøm	+47 22 01 61 35	petter.nystrom@abgsc.no
Bank of America Merrill Lynch	Namita Samtani	+44 207 995 0185	namita.samtani@bofa.com
Bernstein	Bruno Monteyne	+44 20 7170 5086	bruno.monteyne@bernstein.com
Carnegie	Eirik Rafdal	+47 22 00 93 78	eirik.rafdal@carnegie.no
Danske Market Equities	Martin Stenshall	+47 85 40 70 73	msten@danskebank.com
DNB Markets	Ole Martin Westgaard	+47 24 16 92 98	ole.martin.westgaard@dnb.no
Goldman Sachs	John Ennis	+44 207 552 9608	john.ennis@gs.com
Handelsbanken Capital Markets	Kjetil Lye	+47 22 39 72 99	kjly01@handelsbanken.no
Kepler Cheuvreux	Markus Borge Heiberg	+47 23 13 90 84	mheiberg@keplercheuvreux.com
Nordea Markets	Oliver Pisani	+47 24 01 06 71	oliver.pisani@nordea.com
Pareto Securities	Gard A. Aarvik	+47 24 13 21 72	gard.aarvik@paretosec.com
SEB Enskilda	Markus Bjerke	+47 21 00 85 17	markus.bjerke@seb.no
SpareBank1 Markets	Øyvind Mossige	+47 24 13 37 02	oyvind.mossige@sb1markets.no
UBS	Charles Eden	+44 207 568 9622	charles.eden@ubs.com

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Additional information for valuation purposes

One possible model for valuing Orkla is based on distinguishing between the branded consumer goods business, where the value lies in future earnings from continuing operations, and the Group's negotiable assets, which have identifiable market values and where earnings are not a part of Orkla's operating profit from the branded consumer goods business.

Industrial & Financial Investments

Industrial & Financial Investments consist mainly of the associate Jotun (in which Orkla has a 42.6 per cent equity interest), and the consolidated businesses Hydro Power and Orkla Eiendom (real estate).

Jotun

Orkla owns 42.6 per cent of Jotun, which is reported as an associate. Jotun is a well-established global manufacturer of paint and powder coatings, and holds strong positions in Scandinavia, Asia and the Middle East. The company is steadily expanding and has averaged annual organic growth of over 8 per cent in the past ten years. Jotun reported operating revenues of NOK 19.7 billion in 2019 and EBIT amounted to NOK 2.3 billion. Net interest-bearing liabilities as at 31 December 2019 totalled NOK 2.6 billion.

Read more at www.jotun.no

Hydro Power

The power operations have been fully consolidated into Orkla's income statement and are reported as Hydro Power. The power operations consist primarily of two assets: a reservoir power plant in Sauda (85 per cent interest) and a run-of-the-river plant in Sarpefossen.

The Sauda hydropower operations are regulated by a civil law lease agreement with Statkraft. The lease runs until 31 December 2030, after which the power plants will be returned to Statkraft in return for financial compensation equivalent to the estimated residual value, written down for tax purposes, of the newly built plants (around NOK 1.1 billion).

The Saudefaldene plant's average annual production (2011–2019) is 1,872 GWh. Saudefaldene leases approximately 1 TWh per year from Statkraft and has corresponding delivery commitments, resulting in a net effect of zero. The rest of the power is sold on the spot market. Payroll expenses and other operating costs related to these activities amounted to approximately NOK 83 million in 2019. Major maintenance investments are generally recognised in the financial statements under operating expenses. Saudefaldene receives an annual amount from Statkraft in compensation for major maintenance investments. The net charge in 2019 was NOK 0 million, compared with approximately NOK 9 million in 2018. Depreciation (excl. depreciation of lease agreements) totalled NOK 47 million in 2019.

The Sarpefossen power operations are based on power rights that are not subject to reversion, and average annual production (2011–2019) totals 602 GWh. The power is sold on the spot market. Payroll expenses and other operating costs related to these activities totalled NOK 51 million in 2019. Depreciation amounted to NOK 10 million in 2019.

Orkla Eiendom

Orkla Eiendom (real estate) meets the Group's needs for specialised expertise and assistance in the real estate sector, and is responsible for the administration, development and sale of properties that are not utilised in Orkla's branded consumer goods operations. Orkla also has a historical portfolio of real estate-related investments, which are being sold in accordance with the current strategy.

After the completion of Orkla's new headquarters, Orkla Eiendom has two rental properties with a total area of around 40 000 m2 in an attractive location at Skøyen, Oslo. Approximately 13 000 m2 is leased to external lessees. The other main project is a housing development project at Torshov, Oslo.

In the course of 2019, the property at Treschows gate 16 and Orkla's equity interest in Oslo Business Park AS (50 per cent) were sold.

As at 31 December 2019, the book value of Orkla's real estate investments was NOK 1.8 billion. About NOK 1.7 billion of that amount was related to the three largest development properties. In addition to ensuring efficient operations, we will in future attach importance to realising the potential value in the development projects, securing assets and freeing up capital by selling properties and projects that are not to be further developed. Current development projects entail a need for investments during the construction period, while gains are primarily expected to be realised in the period 2022–2024.

Read more at www.orklaeiendom.no/english/

Orkla's Board of Directors

Click on the names for info

STEIN ERIK HAGEN[1]

Chairman of the Board (b. 1956).

Degree from the Retail Institute (now the Norwegian School of Retail).

Mr Hagen was first elected to the Board in 2004, has been Chairman of the Board since 2006, and is up for election in 2020. Mr Hagen established the first business of his own in 1976 and he and his children jointly own the family company, Canica AS, and other companies. He is active in a number of the family companies and is member of the Board of Directors of Arcus ASA. Besides being member of the Board of the family's charitable foundations, Mr Hagen is member of the Board of the Prostate Cancer Foundation, USA and member of the Spine Leadership Council at the Hospital for Special Surgery, New York.

Mr Hagen and related parties own 250,100,000 shares in Orkla ASA[2].
Mr Hagen attended every Board meeting in 2019.

[1]Not independent.
[2]Shares owned as at 31 December 2019.

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Orkla's Board of Directors

Click on the names for info

STEIN ERIK HAGEN

GRACE REKSTEN SKAUGEN

INGRID JONASSON BLANK

LARS DAHLGREN

NILS K. SELTE

LISELOTT KILAAS

PETER AGNEFJÄLL

TERJE UTSTRAND

SVERRE JOSVANGER

KARIN HANSSON

ROGER VANGEN

CAROLINE MARIE HAGEN KJOS

GRACE REKSTEN SKAUGEN

Deputy Chair of the Board (b. 1953)

MBA, BI Norwegian Business School, B.Sc. and Ph.D in Laser Physics, Imperial College of Science and Technology.

Ms Reksten Skaugen was first elected to the Board in 2012 and is up for election in 2020. She works as an independent consultant. She is a founder and member of the Board of the Norwegian Institute of Directors. She is also member of the Board of Directors of Lundin Petroleum AB and Euronav Tankers, and member of the Board and Chair of the Audit and Risk Committee of Investor AB. She was formerly associated with SEB Enskilda Securities, Corporate Finance.

Ms Reksten Skaugen and related parties own 18,100 shares in Orkla ASA[1].
Ms Reksten Skaugen attended every Board meeting in 2019.

[1]Shares owned as at 31 December 2019.

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Orkla's Board of Directors

Click on the names for info

INGRID JONASSON BLANK

Member of the Board (b. 1962)

B.Sc. in Business Administration and Economics from the University of Gothenburg

Ms Jonasson Blank was first elected to the Board in 2013 and is up for election in 2020. She held various positions at ICA from 1986 to 2010, most recently as EVP Functional Market Responsibility, ICA Sverige. She is currently member of the Board of Haypp Group AB, Forenom Oy, Bilia AB, Musti ja Mirri Group Oy, Nordic Morning Group, Bygghemma AB, Kjell & Co AB and ZetaDisplay AB.

Ms Jonasson Blank and related parties own 9,000 shares in Orkla ASA[1]. Ms Jonasson Blank attended every Board meeting in 2019.

[1]Shares owned as at 31 December 2019.

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Orkla's Board of Directors

Click on the names for info

LARS DAHLGREN

Member of the Board (b. 1970)

M.Sc. in Economics and Business Administration from the Stockholm School of Economics

Mr Dahlgren was first elected to the Board in April 2014 and is up for election in 2020. Mr Dahlgren has been CEO of Swedish Match AB since 2008. In 2004–2008 he was CFO of Swedish Match AB, and in 2002–2004 held the post of VP Group Finance at Swedish Match AB. In 2000–2002 he was Financial Director and Director of Business Development at Vasatek Ltd. (a joint venture between Swedish Match and Gumtech Inc.). Prior to that, in 1998–2000, Mr Dahlgren was Financial Director, Treasurer and IT Director at Swedish Match Philippines Inc. In 1996–1998 he worked as Assistant Controller at Swedish Match AB, and in 1995–1996 as Financial Analyst at SBC Warburg.

Mr Dahlgren and related parties own 10,000 shares in Orkla ASA[1].
Mr Dahlgren attended every Board meeting in 2019.

[1]Shares owned as at 31 December 2019.

Orkla's Board of Directors

Click on the names for info

NILS K. SELTE[1]

Member of the Board (b. 1965)

M. Sc. in Business, BI Norwegian Business School

Mr. Selte was first elected to the Board in April 2014 and is up for election in 2020. Since 2014 he has been CEO of Canica AS where he has been employed since 2001, as CEO and CFO. Mr Selte was previously SVP Finance/Group Treasurer at ICA Ahold AB in 1999–2001, before which he held the posts of SVP Finance/Group Treasurer and Finance Manager at Hakon Gruppen AS. In 1994–1996 he was Finance Manager at Livi Norge AS and in 1991–1994 consultant at the Office of the Auditor General of Norway. Nils K. Selte is Chair of the Board of Komplett AS, Deputy Chair of the Board of Jernia AS and deputy member of the Board of Arcus ASA. He also serves on the Board of several Canica companies.

Mr Selte and related parties own 27,000 shares in Orkla ASA[2].
Mr Selte attended all Board meeting in 2019.

[1]Not independent
[2]Shares owned as at 31 December 2019.

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Orkla's Board of Directors

Click on the names for info

LISELOTT KILAAS

Member of the Board (b. 1959)

M.Sc. in Mathematical Statistics, University of Oslo, and Master of Business Administration, IMD, Lausanne

Ms Kilaas was first elected to the Board in April 2017 and is up for election in 2020. She was CEO of Aleris Group from 2013 to 2017. Prior to that, she was Managing Director of Aleris Norge and subsequently Managing Director of Aleris Norge and Danmark. Ms Kilaas is member of the Board of Directors and the Audit Committee of Folketrygdfondet, Norsk Hydro, DNV GL, Nobina AB and Peab AB. She is also Chair of the Board of Avonova and member of the Board of Ambea AB.

Ms Kilaas and related parties own 7,800 shares in Orkla ASA[1].
Ms Kilaas attended every Board meeting in 2019.

[1]Shares owned as at 31 December 2019.

Orkla's Board of Directors

Click on the names for info

PETER AGNEFJÄLL

Member of the Board (b. 1971)

M.Sc. in Business Administration, Linköping University

Mr Angefjäll was first elected to the Board in April 2018 and is up for election in 2020. He was President and CEO of the IKEA Group (Ingka Holding B.V.) in 2013–2017. Prior to that, he was Managing Director and Country Manager for IKEA Retail Sweden. He began his career as a trainee at IKEA in 1995 and has since held a number of executive positions in the IKEA Group. He is currently member of the Board of Deichmann SE (Beirat), Wizz Air Holdings PLC (NED) and Koninklijke Ahold Delhaise N.V.

Mr Angefjäll and related parties own 14,000 shares in Orkla ASA[1].
Mr Angefjäll attended every Board meeting in 2019.

[1]Shares owned as at 31 December 2019.

Orkla's Board of Directors

Click on the names for info

TERJE UTSTRAND

Employee representative on the Board (b. 1964)

Mr Utstrand was first elected to the Board in 2012 and is up for election in 2020. He has served as chief trade union representative since 2010 and is Chair of the Board for LO union members at Orkla. He is also Chair of Orkla's Committee of Union Representatives and European Works Council. Mr Utstrand has also been NNN union representative at Orkla Confectionery & Snacks Norge AS, Nidar since 1999 (chief union representative 2002-2010), deputy member of the Board of Nidar AS in 2004–2010 and member of the Board of Orkla Brands AS in 2008–2012. In addition, he has been a member of Orkla's Committee of Union Representatives-Working Committee since 2000. Mr Utstrand is employed at Orkla Confectionery & Snacks Norge.

Mr Utstrand and related parties own 7,138 shares in Orkla ASA[1].
Mr Utstrand attended every Board meeting in 2019.

[1]Shares owned as at 31 December 2019.

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Orkla's Board of Directors

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SVERRE JOSVANGER

Employee representative on the Board (b. 1963)

Mr Josvanger was first elected to the Board in 2012 and is up for election in 2020. He is Chair of the Executive Committee for Salaried Employees at Orkla and has served as secretary of Orkla's Committee of Union Representatives and the Working Committee of the Executive Committee since 2012. He is also member of the European Works Council, and has served on Orkla's Pension and Insurance Council (POFFO) since 2012. Mr Josvanger has been head of the trade union division at Nidar since 1994 and chief union representative for salaried employees at Nidar since 2010. Since May 2014 he has been member of the Audit Committee. He has been employed at Orkla Confectionery & Snacks as sales consultant since 1988.

Mr Josvanger and related parties own 19,951 shares in Orkla ASA[1].
Mr Josvanger attended every Board meeting in 2019.

[1]Shares owned as at 31 December 2019.

Orkla's Board of Directors

Click on the names for info

KARIN HANSSON

Employee representative on the Board (b. 1960)

Ms Hansson was first elected to the Board in 2016 and is up for election in 2020. She is employed at Orkla Foods Sverige, and is an elected representative of the Swedish Food Workers' Union at Orkla Foods Sverige and a member of the Working Committee of Orkla Foods' Liaison Committee. She is also a member of Orkla's Committee of Union Representatives, the Working Committee of the Executive Committee and the European Works Council.

Ms Hansson and related parties own 1,657 shares in Orkla ASA[1].
Ms Hansson attended every meeting in 2019.

[1]Shares owned as at 31 December 2019.

Orkla's Board of Directors

Click on the names for info

ROGER VANGEN

Employee representative on the Board (b. 1965)

Mr Vangen was first elected to the Board in 2016 and is up for election in 2020. He is employed at Orkla Foods Norge and NNN union representative at Orkla Foods Norge, Stranda branch. Mr Vangen is also a member of the Committee of Representatives at Orkla Foods Norge, the Liaison Committee's Working Committee at Orkla Foods, the Board for LO union members at Orkla, Orkla's Committee of Union Representatives, the Working Committee of the Executive Committee and the European Works Council.

Mr Vangen and related parties own 8,912 shares in Orkla ASA[1].
Mr Vangen attended every Board meeting in 2019.

[1]Shares owned as at 31 December 2019.

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Orkla's Board of Directors

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CAROLINE MARIE HAGEN KJOS[1]

Personal Deputy Member for Stein Erik Hagen and Nils K. Selte (b. 1984)

Bachelor of Business Administration from Parsons The New School for Design, New York

Ms Hagen Kjos was first elected to the Board in 2016 and is up for election in 2020. She works as Project Manager at Canica International AG, Switzerland, where she shares responsibility for investments and strategy with the General Manager. She has previously been employed as Project Manager in marketing and purchasing in JerniaGruppen. Ms Hagen Kjos is Chair of the Board of Directors of Canica AS and deputy member of the Board of Komplett AS.

Ms Hagen Kjos and related parties own no shares in Orkla ASA[2,3].
Ms Hagen Kjos attended every Board meeting in 2019.

[1]Not independent
[2]Shares owned as at 31 December 2019
[3]Ms Hagen Kjos has a significant equity interest in the Canica companies, but she has no controlling influence in them.

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The Group Executive Board

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JAAN IVAR SEMLITSCH

President and CEO (b. 1971)

MBA (Norwegian School of Economics (NHH), Bergen), MBA Exchange (Kellogg School of Management, Chicago)

President and CEO of Orkla since 15 August 2019. Prior to that, Mr Semlitsch served as CEO of Elkjøp Nordic, which he headed for more than six years. In the last year, he was also CEO of the parent company Dixons Carphone International. Mr Semlitsch was CEO of REMA Industries in 2009-2013, Plantasjen in 2007–2009 and COO of Statoil Retail Europe in 2004–2007. Before that, he held the position of CEO of Expert Danmark. In 1995–2001 he was Associate Partner at McKinsey & Company, where he had a variety of assignments for companies in the grocery industry and FMCG, in both Scandinavia and the UK. Mr Semlitsch has been a member of the Board of Directors of DNB ASA since 2014.

Mr Semlitsch and related parties own 40,000 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

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The Group Executive Board

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JAAN IVAR SEMLITSCH

ANN-BETH FREUCHEN

JOHAN WILHELMSSON

JEANETTE HAUAN FLADBY

JOHAN CLARIN

ATLE VIDAR NAGEL JOHANSEN

KENNETH HAAVET

HARALD ULLEVOLDSÆTER

SVERRE PRYTZ

CHRISTER GRÖNBERG

HÅKON MAGELI

ANN-BETH FREUCHEN

Executive Vice President and CEO of Orkla Foods (Nordics and Baltics) (b. 1971)

M.Sc. in Business (siviløkonom), (BI Norwegian Business School, Oslo)

Member of Orkla's Group Executive Board since 2015. Ms Freuchen has been CEO of Orkla Foods (Nordics and Baltics) since 2018. Prior to that, Ms Freuchen was CEO of Orkla Confectionery & Snacks from 2015 and CEO of Orkla Confectionery & Snacks Norge from 2013. In 2010–2013, she held the post of CEO of KiMs Norge. She has previously held various management positions in sales and marketing at Nidar and KiMs Norge. Ms Freuchen began her career at Orkla as Product Manager at Lilleborg in 1996.

Ms Freuchen and related parties own 9,170 shares in Orkla ASA[1].

[1] Shares owned as at 31 December 2019.

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The Group Executive Board

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JOHAN WILHELMSSON

Executive Vice President and CEO of Orkla Foods (International) (b. 1967)

M.Sc, Business Administration, University of Gothenburg

Member of Orkla's Group Executive Board and CEO of Orkla Foods (International) since 2018. Prior to that, Mr Wilhelmsson was CEO of Orkla Foods Central Europe & the Baltics from 2016. Before that he was CFO of Orkla Foods, Procordia Food and Orkla Brands International, and Acting CEO of Orkla Foods Romania. From 1999 to 2007, he was CFO & Director of IT and Purchasing at Abba Seafood, where he had previously worked as business controller.

Mr Wilhelmsson and related parties own 9,500 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

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The Group Executive Board

Click on the names for info →

JAAN IVAR SEMLITSCH
ANN-BETH FREUCHEN
JOHAN WILHELMSSON
JEANETTE HAUAN FLADBY
JOHAN CLARIN
ATLE VIDAR NAGEL JOHANSEN
KENNETH HAAVET
HARALD ULLEVOLDSÆTER
SVERRE PRYTZ
CHRISTER GRÖNBERG
HÅKON MAGELI

JEANETTE HAUAN FLADBY

Executive Vice President and CEO of Orkla Confectionery & Snacks (b. 1968)

Master of Business & Marketing (BI Norwegian Business School, Oslo)

Member of Orkla's Group Executive Board and CEO of Orkla Confectionery & Snacks since 2018. Prior to that, Ms Hauan Fladby was CEO of Orkla Confectionery & Snacks Norge from 2015. In 2010–2015 she served as CEO of Pierre Robert Group. Before that she was a member of Stabburet's management team in 2006–2010, where her last role was that of Category Director. Ms Hauan Fladby began her career in Orkla in 1995 as Product Manager at Stabburet, and has held a number of senior management positions in Stabburet/Orkla Foods.

Ms Hauan Fladby and related parties own 6,721 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

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The Group Executive Board

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JOHAN CLARIN

Executive Vice President and CEO of Orkla Food Ingredients (b. 1971)

Master of Science, Business Administration (Gothenburg School of Business, Economics and Law, Gothenburg)

Member of Orkla's Group Executive Board since 2013. Mr Clarin has been CEO of Orkla Food Ingredients since 2018, before which he was head of Operations at Orkla. In 2007–2013 Mr Clarin held several executive positions at Sony Mobile Communications AB, the last as Global Head of Manufacturing and Logistics and President & CEO of Beijing Mobile Communications Ltd. He was also member of the Board of Directors of Sony Mobile's Chinese joint venture in 2011-2013. Prior to that, Mr Clarin held the post of Senior Manager at Accenture AB in 1997–2006, with focus on supply chain management.

Mr Clarin and related parties own 4,070 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

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The Group Executive Board

Click on the names for info

ATLE VIDAR NAGEL JOHANSEN

Executive Vice President and CEO, Orkla Care and Supply Chain (b. 1963)

Certified Financial Analyst (Norwegian School of Economics (NHH), Bergen), Master of Science in Business (siviløkonom) (BI Norwegian Business School, Oslo)

Member of Orkla's Group Executive Board since June 2012. Mr Nagel Johansen has been head of Supply Chain since 2018, and in 2019 his sphere of responsibility was expanded to include Orkla Care. Before that, he was CEO of Orkla Foods from 2012, CEO of Orkla Foods Nordic in 2008–2012 and CEO of Orkla Foods in 2005–2008. Prior to that, he was Marketing Director at Orkla Foods International and Finance Director at Orkla Foods. Mr Nagel Johansen was CFO at Tandberg Data ASA in 1999–2000. In the 1990s he was Finance Director at Sætre AS/Orkla Snacks and head of Economic Planning & Analysis at Orkla ASA. He began his career as a financial analyst at Jøtun Fonds and Carl Kierulf & Co.

Mr Nagel Johansen and related parties own 27,779 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

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The Group Executive Board

Click on the names for info

KENNETH HAAVET

Executive Vice President and CEO of Orkla Consumer & Financial Investments (b. 1980).

Master of Applied Finance (Macquarie University, Sydney), Bachelor of Business (University of Technology, Sydney)

Member of Orkla's Group Executive Board since 2020. Mr Haavet previously held the position of Principal in the private equity company FSN Capital, with which he had been since 2010. Prior to that, he worked for four years in the Australian investment bank Macquarie Capital Group.

Mr Haavet and related parties own no shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

The Group Executive Board

Click on the names for info

JAAN IVAR SEMLITSCH

ANN-BETH FREUCHEN

JOHAN WILHELMSSON

JEANETTE HAUAN FLADBY

JOHAN CLARIN

ATLE VIDAR NAGEL JOHANSEN

KENNETH HAAVET

HARALD ULLEVOLDSÆTER

SVERRE PRYTZ

CHRISTER GRÖNBERG

HÅKON MAGELI

HARALD ULLEVOLDSÆTER

Executive Vice President and CFO (b. 1963)

Certified Financial Analyst (Norwegian School of Economics (NHH), Bergen), Master of Science in Business (siviløkonom) (BI Norwegian Business School, Oslo)

Member of Orkla's Group Executive Board since March 2020. Mr Ullevoldsæter returned to Orkla in 2019, after having served as CFO at Nortura SA since 2014. In 1996–2014 Mr Ullevoldsæter worked in Orkla, where he has held a number of management positions in finance, including those of Finance Director and member of the management team of Orkla Brands and Orkla Brands Nordic. Mr Ullevoldsæter also worked for nine years as financial analyst in DNB Markets.

Mr Ullevoldsæter and related parties own 881 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

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The Group Executive Board

Click on the names for info

JAAN IVAR SEMLITSCH

ANN-BETH FREUCHEN

JOHAN WILHELMSSON

JEANETTE HAUAN FLADBY

JOHAN CLARIN

ATLE VIDAR NAGEL JOHANSEN

KENNETH HAAVET

HARALD ULLEVOLDSÆTER

SVERRE PRYTZ

CHRISTER GRÖNBERG

HÅKON MAGELI

SVERRE PRYTZ

Executive Vice President, M&A and Strategy (b. 1969)

BS Chemical Engineering (University of Michigan, Ann Arbor), MSCEP, Chemical Engineering (Massachusetts Institute of Technology, Massachusetts), MBA Finance (University of Chicago, Illinois)

Member of Orkla's Group Executive Board since December 2019. Mr Prytz previously served as Managing Partner at Helix Advisors. For seven years prior to that, he held various management positions at BW Group, including that of CEO of BW Ventures and BW Gas Solutions. He also has experience from ADM Capital in 2007–2008, DuPont Company in 2002–2007 and McKinsey in 1995–2002. Mr Prytz is a member of the Board of Directors of Safe4 Security Group.

Mr Prytz and related parties own no shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

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The Group Executive Board

Click on the names for info →

CHRISTER GRÖNBERG

Executive Vice President, Corporate Functions (b. 1961)

Degree in Human Resources (Lund University, Lund and Kristianstad University, Kristianstad)

Member of Orkla's Group Executive Board since 2014. Mr Grönberg has been head of Corporate Functions since 2018, before which he was head of HR. In 2010–2014, Mr Grönberg was HR Director at Orkla Foods, prior to which he held the position of HR Director at Stabburet in 2008–2010. Mr Grönberg was employed at Procordia Food in 1998–2008, including eight years as HR Director. In 1982–1998, Mr Grönberg pursued a career in the Swedish Armed Forces.

Mr Grönberg and related parties own 8,299 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

The Group Executive Board

Click on the names for info

Orkla's expanded Group Executive Board also comprises:

HÅKON MAGELI

Group Director, Corporate Communications & Corporate Affairs (b. 1964)

Master of Science in Business (siviløkonom) (BI Norwegian Business School, Oslo), The Executive Programme (Darden School of Business, Virginia, USA)

Member of Orkla's Group Executive Board since 2012. Mr Mageli was Director of Corporate Affairs at Orkla Brands in 2008–2012. Prior to that, in 1995–2008, Mr Mageli was Information Director at Orkla Foods. In 1993–1995, he was Director Public Affairs, Orkla Foods, in Brussels, and Company Secretary, Nora Foods in 1991–1993. Mr Mageli worked as a journalist at Dagens Næringsliv in 1985–1990. He is Chairman of the Board of the Federation of Norwegian Food and Drink Industry, Chairman of the Confederation of Norwegian Enterprise's Trade Policy Committee, and Chair of the Board of Matmerk – The Norwegian Food Branding Foundation.

Mr Mageli and related parties own 95,998 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2019.

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Governing bodies and elected representatives

Nomination Committee

Nomination Committee elected by the General Meeting (see Article 13 of the Articles of Association)[1]

Anders Christian Stray Ryssdal (1,315)[2]
Leiv Askvig (0)
Nils-Henrik Pettersson (42,080)
Karin Bing Orgland (0)

Board of Directors

Stein Erik Hagen (250,100,000)
Grace Reksten Skaugen (18,100)
Ingrid Jonasson Blank (9,000)

Lars Dahlgren (10,000)
Nils K. Selte (27,000)
Liselott Kilaas (7,800)
Peter Agnefjäll (14,000)

Employee-elected Board members

Terje Utstrand (7,138)
Sverre Josvanger (19,951)
Roger Vangen (8,912)
Karin Hansson (1,657)

Shareholder-elected Deputy Board member

Caroline Hagen Kjos (0)[3]

Auditor

Ernst & Young AS (0)
Erik Mamelund (0), State Authorised Public Accountant
Petter Frode Larsen (0), State Authorised Public Accountant

Corporate democracy at Orkla ASA

Active employee participation in the governing bodies, both at Group level and in the individual Group companies, is an important element of decision-making processes at Orkla. The aim has been to evolve representational arrangements that adequately ensure broad-based involvement and genuine influence. Orkla's current corporate democracy system was established in an agreement signed in 2015 between union representatives and the company's executive management. The employees are represented by four of the 11 members of Orkla's Board of Directors. A Committee of Union Representatives has been established for employees of the Norwegian, Swedish and Danish companies in the Orkla Group. This arrangement ensures broad representation for Group employees, based on company, union and country. In Norway, there are also separate committees of representatives for LO union members and for salaried employees. The Committees meet regularly with the Group's executive management to discuss matters relevant to the Group.

A European Works Council (EWC) has been established at Orkla, and liaison committees have been established in the Orkla Foods,

[1] Figures in brackets indicate the number of shares owned as at 31 December 2019, including those owned by related parties.
[2] Owned by related parties.
[3] Ms Hagen Kjos has a significant equity interest in the Canica companies, but does not have controlling influence in them.

Orkla Confectionery & Snacks, Orkla Food Ingredients and Orkla Care business areas.

In addition to the corporate arrangements described above, the employees are represented on the Board of Directors and works council of major companies in the Orkla Group. The list below shows the members of Orkla's Committee of Union Representatives as at 31 December 2019:

Orkla Committee of Union Representatives

Working Committee

Terje Utstrand, Chair
Karin Hansson, 1st Deputy Chair
Peer Sørensen, 2st Deputy Chair
Sverre Josvanger, Secretary
Roger Vangen, member
Janne Halvorsen, member
Dorota Galik, member

Committee of Representatives

(in addition to the Working Committee)

Johan Stålbom
Christer Florin
Robert Kollevåg
Perny Emdal
Mette Novak
Ingrid S. Nielsen
Stig Gøran Nilsen
Morten Gilberg
Geir F. Engelbrethsen
Anne Pulkkinen

Group Directory

ORKLA ASA

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Tel: + 47 22 54 40 00
www.orkla.no

BRANDED CONSUMER GOODS

ORKLA FOODS

P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel: + 47 22 54 40 00

Orkla Foods Norge AS

P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel: + 47 66 81 61 00
www.orkla.no

- Orkla Foods Norge AS avd. Idun, Rygge branch
- Orkla Foods Norge AS avd. Nora, Rygge branch
- Orkla Foods Norge AS avd SaritaS, Kristiansand branch
- Orkla Foods Norge AS avd. Stabburet, Fredrikstad branch
- Orkla Foods Norge AS avd. Stabburet, Sem branch
- Orkla Foods Norge AS avd. Stranda branch
- Orkla Foods Norge AS avd. Stabburet, Vigrestad branch
- Orkla Foods Norge AS avd. Sunda, Oslo branch
- Orkla Foods Norge AS avd. Toro, Arna branch
- Orkla Foods Norge AS avd. Elverum branch
- Orkla Foods Norge AS avd. Vossafår branch

Orkla Foods Sverige AB

Isbergs gata 9 b SE-211 19, Malmö, Sweden
Tel: + 46 10 142 40 00
www.orkla.se

- Orkla Foods Sverige AB, Eslöv, Sweden
- Orkla Foods Sverige AB, Frödinge, Sweden
- Orkla Foods Sverige AB, Fågelmara, Sweden
- Orkla Foods Sverige AB, Kumla, Sweden
- Orkla Foods Sverige AB, Kungshamn, Sweden
- Orkla Foods Sverige AB, Simrishamn, Sweden
- Orkla Foods Sverige AB, Tollarp, Sweden
- Orkla Foods Sverige AB, Uddevalla, Sweden
- Orkla Foods Sverige AB, Vansbro, Sweden
- Orkla Foods Sverige AB, Örebro, Sweden

Orkla Foods Danmark A/S

Hørsvinget 1-3 DK-2630 Taastrup, Denmark
Tel: + 45 43 58 93 00
www.orkla.dk

- Orkla Foods Danmark A/S, Ansager, Denmark
- Orkla Foods Danmark A/S, Havnsø, Denmark
- Orkla Foods Danmark A/S, Skælskør, Denmark
- Orkla Foods Danmark A/S, Ringkøbing, Denmark

Orkla Foods Finland Oy

Box 683, FI-20361 Turku, Finland
Telefon: + 358 20 785 4000
www.orkla.fi

Orkla Foods Latvija, Riga, Latvia
1 Zvaigznu Street, Spilve, Babite Parish
Babite Region, Latvia, LV 2101
www.orkla.lv

Orkla Foods Lithuania
UAB Orkla Foods Lietuva Veiverių 134C,
LT-46551, Kaunas, Lithuania
Tel: + 370 37 390942
www.orklafoods.lt

Orkla Foods International
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel: + 47 22 54 40 00
www.orkla.no

Felix Austria GmbH
Felixstraße 24 AT-7210 Mattersburg, Austria
Tel: + 43 2626 6100
www.felix.at

Orkla Foods Czech Republic and Slovakia
Walterovo náměstí 329/3, 158 00 Praha 5, Jinonice
Tel: + 420 257 198 111
www.orkla.cz - www.vitana.cz

- VITANA, a.s., Bysice, Czech Rep
- VITANA, a.s., Roudnice nad Labem, Czech Rep
- VITANA, a.s., Varnsdorf, Czech Rep
- VITANA Slovensko, s.r.o., Slovakia

Hamé s.r.o.
Na Drahách 814 CZ-686 04 Kunovice, Czech Rep
Tel: + 420 572 534 111
www.hame.cz

MTR Foods Private Limited
No. 1, 2nd & 3rd floor, 100 feet inner ring road
Ejipura, Bangalore – 560047, India
Tel: +91 80 40 81 21 00
www.mtrfoods.com

- Rasoi Magic Foods Pvt. Limited, Pune, India

ORKLA CONFECTIONERY & SNACKS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel: + 47 22 54 42 00
www.orkla.no

Orkla Confectionery & Snacks Norge AS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel: + 47 22 54 42 00
www.nidar.no - www.kims.no - www.saetre.no

- Trondheim, Norway
- Skreia, Norway

Orkla Confectionery & Snacks Sverige AB
Box 1196, SE-171 23 Solna, Sweden
Tel: +46 77 111 10 00
www.orkla.se - www.olw.se - www.goteborgskex.se

- Filipstad, Sweden
- Kungälv, Sweden

Orkla Confectionery & Snacks Danmark A/S
Sømarksvej 31-35, DK-5471 Søndersø, Denmark
Tel: +45 63 89 12 12
www.orkla.dk

Orkla Confectionery & Snacks Finland AB
Äyritie 22, FI-01510 Vantaa, Finland
Tel: +358 20 791 8600

- Haraldsby, Åland, Finland
- Vaajakoski, Finland

Orkla Confectionery & Snacks Latvija Ltd.
Miera iela 22, LV-1001 Riga, Latvia
Tel: + 371 67 080 302
www.orkla.lv

Orkla Eesti AS
Põrguvälja tee 6, Lehmja, Rae vald, EE-Harjumaa 75 306, Estonia
Tel: + 372 6877 710
www.orkla.ee

ORKLA CARE

P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel: +47 22 54 40 00

Lilleborg AS
P.O. Box 673 Skøyen, NO-0214 Oslo, Norway
Tel: + 47 22 54 40 00
www.orkla.no - www.lilleborg.no

- Lilleborg AS, Technical Department, Furuset, Oslo, Norway

Orkla Home & Personal Care
P.O. Box 673 Skøyen, NO-0214 Oslo, Norway
Tel: +47 22 54 40 00
www.orkla.no

- Orkla Home & Personal Care, avd. Ski, Norway
- Orkla Home & Personal Care, avd. Flisa, Norway
- Orkla Home & Personal Care, avd. Falun, Sweden
- Orkla Home & Personal Care, avd. Radzymin, Poland
- Riemann A/S, Hillerød, Denmark
- Jordan Asia Pacific Sdn Bhd, Kuala Lumpur, Malaysia
- Peri-dent LTD, Galashiels, Scotland
- Peri-dent Star Sdn Bhd, Nilai, Malaysia

Orkla Health AS
P.O. Box 353 Skøyen, NO-0213 Oslo, Norway
Tel: + 47 22 54 40 00
www.orkla.no - www.orklahealth.com

Orkla Care AB
P.O. Box 1336, SE-171 26 Solna, Sweden
Tel: +46 (0) 10 142 40 00
www.orkla.se

Orkla Care A/S
Industrigrenen 10, DK-2635 Ishøj, Denmark
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www.orkla.dk

Orkla Care Oy
Äyritie 24, FI-01510 Vantaa, Finland
Tel: + 358 10 218 370
www.orklacare.fi

Orkla Care Sp z o.o. (Orkla Care S.A.)
Ul. Polna 21, 05-520 Radzymin, Poland
Ul. Fabryczna 5a, 00-446 Warsaw, Poland
Tel: + 48 22 349 67 00
www.orklahealth.pl

SIA Orkla Health
Rūpniecības iela 19 - 6, LV-1010 Riga, Latvia
Tel: +371 672 12 405
www.orklahealth.lv

UAB Orkla Health
Trinapolio 9E, LT-08337 Vilnius, Lithuania
Tel: + 370 5 23 10 654
www.orklahealth.lt

Orkla Wound Care
Box 1336, SE-171 26 Solna, Sweden
Tel: + 46 10 142 64 00
www.orkla.com - www.orklacare.se - www.firstaid.cederroth.com

Orkla Cederroth, S.A.U.
S.A.U. Pol. Ind. Can Barri, C/D, naves 11-12
08415 Bigues I Riells, Barcelona, Spain
Tel: + 34 93 865 70 09

Orkla House Care AB
P.O. Box 133, SE-564 23 Bankeryd, Sweden
Tel: + 46 36 37 63 00
www.anza.se

Orkla House Care Norge AS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel: + 47 22 54 40 19
www.orklahousecare.com

Orkla House Care Danmark A/S
Stationsvej 13, DK-3550 Slangerup, Denmark
Tel: + 45 47 33 74 00
www.orklahousecare.com

LG Harris & Co Ltd
Stoke Prior, Bromsgrove, B60 4AE, UK
Tel: + 44 1527 575441
www.harrisbrushes.com

Pierre Robert Group AS
P.O. Box 3 Skøyen, NO-0212 Oslo, Norway
Tel: + 47 22 54 40 00
www.pierrerobertgroup.no

Pierre Robert Group AB
Svetsarvägen 15, SE-171 41 Solna, Sweden
Tel: + 46 8 629 17 00
www.pierrerobert.se

Pierre Robert Oy
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Tel: +350 207 669 650
www.pierrerobert.fi

Health & Sport Nutrition Group HSNG AB
Mailing adress: Svetsarvägen 15, 171 41 Stockholm, Sweden
Postboks: Box 1196, 171 23 Stockholm, Sweden
www.gymgrossisten.com - www.bodystore.com
www.fitnessmarket.com

PlussTid Home AS
Madserud allé 34, 0274 Oslo, Norway
Telefon: +47 413 47 462
www.plusstidhome.no

ORKLA FOOD INGREDIENTS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel: + 47 22 54 40 00

Idun Industri AS, Hvam, Norge
- Idun Industri AS, Rakkestad, Norway
- Bako AS, Hvam, Norway
- Mybakery, Jessheim, Norway
- Orchard Valley Foods Sweden AB, Malmö, Sweden
- Nimatopaal i Dala-Järna AB, Dala-Järna, Sweden
- Frima Vafler, Århus, Denmark
- Call Caterlink Ltd, Cornwall, England
- Marcantonio Foods Ltd, Essex, England
- Eisunion, Nürnberg, Germany
- NIC Nederland B.V., Waddinxveen, The Netherlands
- Laan Heiloo B.V., Heiloo, The Netherlands
- Våffelbagaren, Kristianstad, Sweden
- Orchard Valley Foods, Tenbury Wells, England
- Arne B. Corneliussen AS, Oslo, Norway
- County Confectionery Ltd, St. Ives, England
- Italiensk Bakeri AS, Lierskogen, Norway
- Orchard Valley Foods Australia Ltd, Coburg Victoria, Australia
- Confection by Design Ltd, Harrogate, England

Odense Marcipan A/S, Odense, Danmark
- Bæchs Conditori A/S, Hobro, Denmark
- Igos, Hedehusene, Denmark

Credin A/S, Juelsminde, Denmark

- Credin Sverige AB, Stenkullen, Sweden
- Credin Polska, Sobotka, Poland
- Credin Group, Freixeira, Portugal
- Credin Productos Alimenticios, Barcelona, Spain
- Credin Russia, Uljanovsk, Russia

CBP A/S, Vejle, Denmark

Dragsbæk A/S, Thisted, Denmark

- Kjarnavörur hf, Reykjavik, Iceland
- Innbak hf, Reykjavik, Iceland
- UAB Vilniaus Margarino Gamykla (VMG), Vilnius, Lithuania
- KT Food, Randers, Denmark
- Gædabakstur, Reykjavik, Iceland
- Blume Food I/S, Randers, Denmark
- Naturli' Foods, Randers, Denmark
- PureOil I/S, Thisted, Denmark
- Grøndansk ApS, Vejen, Denmark
- Isbud, Reykjavik, Iceland
- SR Foods & Ingredients, Randers, Denmark
- Nonni Litli ehf – Reykjavík, Iceland
- Ismejeriet Thy, Thisted, Denmark

KåKå AB, Lomma, Sollentuna, Örebro, Göteborg, Sverige

- KåKå AB, Sollentuna, Sweden
- KåKå AB, Örebro, Sweden
- Belusa Foods, Belusa, Slovakia
- Jästbolaget AB, Sollentuna, Sweden
- Kanakis, Athens, Greece
- MiNordija, Kaunas, Lithuania
- LaNordija, Riga, Latvia
- Vilmix, Tallinn, Estonia
- Ekvia, Nitra, Slovakia
- Condite Oy, Naantali, Finland
- Kobo, Kolbuszowa, Poland
- Sebmag, Ciechanów, Poland
- Holpol, Nowe Skalmierzyce, Poland
- Werners Gourmetservice, Skara, Sweden
- Tredo AB, Södertalje, Sweden
- Bo Risberg Import AB, Skara, Sweden
- Prominent, Naantali, Finland
- OFI Cesko, Prague, Czech Republic
- PGD, Warsawa, Poland

Orkla Foods Romania SA, Bucuresti, Romania

- Orkla Foods Romania, Covasna, Romania
- Orkla Foods Romania, Iasi, Romania

Sonneveld Group B.V., Papendrecht, The Netherlands

- Sonneveld Ltd., Thirsk, UK
- Sonneveld OOO, St Petersburg, Russia
- Sonneveld NV/SA, Brussels, Belgium
- Sonneveld Kft., Ocsa, Hungary
- Vamo BV, Duiven, The Netherlands
- Quattro Enzyme Solutions BV, Papendrecht, The Netherlands

OTHER BUSINESSES

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HYDRO POWER

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- Mossefossen ANS, Moss, Norway

AS Saudefaldene
Vangsnes, NO-4200 Sauda, Norway
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OTHER GROUP COMPANIES

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Schauenburgerstraße 10 20095 Hamburg Germany
www.orkla.com

Design: Design Container / Photo: Ole Walter Jacobsen and Anne Valeur