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 principles compared with previously presented financial statements are also described.

General

The consolidated financial statements for Orkla ASA, including notes, for the year 2018 were approved by the Board of Directors of Orkla ASA on 13 March 2019. Orkla ASA is a public limited company and its offices are located in Nedre Skøyen vei 26, Oslo in 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 2018 have been prepared and presented in full compliance with applicable International Financial Reporting Standards (IFRS), as adopted by the EU.

Changes were made in Orkla's Group Executive Board as of 1 October 2018. The former Orkla Foods has been restructured internally as Orkla Foods Nordic and Baltics and Orkla Foods International, but is still presented as a single operating segment externally. In the segment information, HQ is aggregated with Branded Consumer Goods. HQ activities are chiefly related to Branded Consumer Goods.

The Orkla-format statement of cash flows has been adapted to the new reporting structure and begins by presenting "Cash flow from operations Branded Consumer Goods incl. HQ". Orkla Hydro Power and Financial Investments are similarly presented as an aggregated item. This statement of cash flows is presented in the Report of the Board of Directors and in Note 40.

The Group adopted two new IFRS standards as of 1 January 2018, IFRS 9 and IFRS 15.

Implementation of *IFRS 9 Financial Instruments* has little impact on the Group and none of the standard's rules regarding classification, impairment testing or hedge accounting will materially affect the financial statements. Historical figures have not been restated and no changes have been made in the statement of changes in equity. The hedging relationships that qualify for hedge accounting under IAS 39 will continue to qualify under IFRS 9. In future, moreover, more hedging relationships may qualify for hedge accounting under IFRS 9. This will not have any material effect on the financial statements either. As at 31 December 2018, Orkla had only a limited number of financial assets in the statement of financial position. A new set of rules prescribing whether changes in the value of this type of asset are to be recognised in the ordinary income statement or merely reflected in the statement of comprehensive income will therefore have no material effect. The Group has decided that shares of this type are to be reported in the comprehensive income statement. The switch from an "incurred loss model" to an "expected loss model" has no material effect on the valuation of trade receivables.

IFRS 15 Revenue from Contracts with Customers provides a comprehensive framework for revenue recognition. The main message in IFRS 15 is that different performance obligations in the contract must be identified and expected consideration must be reported as revenue according to a pattern that reflects the transfer of the delivery, goods or services to the customer. Having examined in detail the companies' recognition of revenue in the light of the new standard, Orkla has determined that the standard does not entail material changes in revenue recognition compared with earlier years. The Group's deliveries largely consist of sales of consumer goods to wholesalers. On the whole, sales are considered to be isolated performance obligations that have been satisfied and recognised in income when 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 as revenue at the expected value of the consideration after deducting benefits to customers including estimated bonus payments, discounts, joint marketing activities and reduction in the price of seasonal goods. The sales revenue is presented after deduction of value-added tax and other types of indirect taxes such as a sugar tax. The Group has applied a retrospective method for implementing the new revenue recognition standard. Implementation has not entailed any changes in comparative figures nor any effect on the Group's statement of changes in equity.

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

The Group has amended its Long-Term Incentive (LTI) programme; see Note 11. The new programme is based on a new entitlement model and will apply as from 2019. The bonuses in the current programme were earned in full in 2017; see Note 11 and Note 5 in the financial statements for Orkla ASA.

Accounting principles and estimate uncertainty are largely incorporated into the individual notes. The principles have been highlighted with a "P" (P) and estimate uncertainty is marked with an "E" (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" (S).

Note 1 cont.

Apart from the changes described above, the Group has made no other changes in presentation or accounting principles 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 expenses" are items that only to a limited degree are reliable measures of the Group's current earnings. The main matters are disclosed in Note 14.

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

The term "Replacement and expansion investments" is used in the "Orkla-format cash flow presentation" and in Note 7 Segments.

The definitions of the various alternative performance measures, may be found on page 224.

Sale and purchases of companies
Acquisitions and disposals of companies are presented in Note 5. The biggest acquisition in 2018 was Health and Sports Nutrition Group HSNG AB.

Other matters
Orkla has no loan agreements containing financial covenants.

Impairment tests that have been carried out confirm that the capitalised value as at 31 December 2018 of the Group's most exposed assets is intact; see Note 18.

The Norwegian krone weakened to some extent against the EUR and strengthened against the SEK. Overall, this resulted in the recognition of NOK 30 million in negative translation differences.

The Group sold its 50% stake in Sapa at the end of September 2017. The results from Sapa are presented on a separate line as "Discontinued operations" in the comparative figures; see Note 38.

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 63.

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 64.9% as at 31 December 2018 and good liquidity that more than covers 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

Note 2 cont.

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 consolidated have applied consistent principles and all intercompany matters have been eliminated. In addition, joint ventures and associates 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 2018, 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 joint ventures and associates will be 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.

Smaller ownership interests in other companies are disclosed in Notes 21 and 24. These financial investments are largely treated as "fair value and recognised in comprehensive income" and capitalised at fair value with both changes in value and any gains or losses taken to comprehensive income.

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 are reported in comprehensive income. 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, the changes in equity will necessarily be explained in part by translation differences. Translation differences related to borrowing and lending in another functional currency, identified as net investment, are also reported 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	
	2018	2017	2018	2017
EUR	9.60	9.33	9.95	9.84
SEK	0.94	0.97	0.97	1.00
DKK	1.29	1.25	1.33	1.32

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 principles elaborate on the basic principles and describe how individual items in the financial statements have been treated. All the principles 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 principles 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.

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 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 40. 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 changes in 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 will affect the Orkla Group's financial statements to varying degrees. The most important standard that will entail changes is the new IFRS 16 Leases (enters into force in 2019). Work is also in progress on changes in the IFRS Conceptual Framework and a new standard for Insurance Contracts (IFRS 17). IFRS 17 is not expected to have a material impact on Orkla's financial statements.

IFRS 16 will impose a requirement to capitalise all non-immaterial leases. The capitalisation requirement will result in changes in the cost picture with reductions in other operating costs, higher depreciation and financial costs due to capitalisation and the effects of the discounting of liabilities that arise. EBIT (adj.) will increase due to the classification of the interest effect as financial costs. In the statement of financial position, the value of property, plant and equipment will be higher, liabilities will be correspondingly higher, and the equity ratio will fall. More detailed calculations are presented in Note 34.

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 up until the time the Board of Directors presents its report 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]	14 673
Trademarks with indefinite life	18, 19	Net present value future cash flows/NSV[1]	5 438
Property, plant and equipment	7, 18, 20	Net present value future cash flows/NSV[1]	12 670
Discounts, reduces prices of seasonal goods, etc.	9, 27	Estimated need for provision in line with agreements	(1 376)

[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 long-term 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 excess and deficit values.

Similarly, the Group's decision to invest in a common ERP platform may make it necessary to 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 recognised directly in the invoice. This will chiefly apply to matters such as accrued annual bonuses, chain discounts and joint marketing.

Discounts for which provisions are made are reported as a current liability as at 31 December and amount to NOK 1.4 billion in 2018. 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 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 reductions in the past few years.

Note 4 cont.

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. Since the balance sheet date, Orkla has learned that an agreement-in-principle has been reached between subsidiaries of Norsk Hydro and the US Department of Justice (DOJ), Civil and Criminal Divisions, related to the case referred to in Note 6 of Orkla's Annual Financial Statements for 2016, whereby Hydro's subsidiaries will, subject to further terms that still have to be agreed, pay approximately NOK 400 million. Orkla is to indemnify Norsk Hydro for 50% of the final amount. In accordance with IAS 39, Orkla has made a provision equivalent to around 4% of the sale proceeds to reflect the uncertainty attached to the liabilities. To date, there is otherwise no material change in valuations of the liabilities related to Orkla's former ownership and their inherent uncertainty, and the provision will cover Orkla's share of the claim. See Note 26 and Note 41.

Other estimates and assumptions are disclosed in various notes, and any information that is not logically included in other notes is presented in Note 39.

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 principles 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 principles 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 the assessment of whether a "Discontinued operation" should be presented on a separate line and the date on which this should be done. Items that only to a limited degree are reliable measures of the Group's current earnings are presented as "Other income and expenses" on a separate line of the income statement. These are included in the Group's operating profit, but not in EBIT (adj.) broken down by segment.

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 page 60.

Note 5 cont.

NOTE 5 DISPOSALS AND ACQUISITIONS

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.

PRINCIPLE

Disposals of companies
When a business is divested, the gain is measured as the difference between the selling price and book 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 profit or loss as part of the gain, with a corresponding contra entry in comprehensive income. Sales expenses incurred will be reported as "Other income and expenses" (M&A) in the period prior to the agreement date and will be recognised as a part of the gain upon completion of the agreement. 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; see Note 38.

Acqusitions 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 income and expenses".

Note 5 cont.

Sale of companies
In the fourth quarter, Orkla Foods Sverige sold 100% of the Mrs Cheng's brand to Continental Foods, in order to concentrate activities on fewer categories. The brand, which has a product portfolio of soya sauces and Thai casserole bases in Sweden, had net sales totalling SEK 23.5 million (approx. NOK 21.6 million) in 2017. The sales price totalled NOK 47 million.

Acquisition of companies
Orkla Care purchased the Swedish company Health and Sports Nutrition Group HSNG AB ("HSNG"). HSNG runs the e-commerce portals Gymgrossisten and Bodystore, and is the biggest online health and sports nutrition player in the Nordic region. HSNG has around 170 employees.

Orkla Food Ingredients purchased a majority shareholding in the Swedish sales and distribution company Werners Gourmetservice AB ("Werners"). Werners is market leader in Sweden for premium products for restaurants, confectioners and professional chefs, and has also established a presence in Denmark, Finland and Norway. Werners has a total of around 60 employees.

Orkla Foods purchased the Danish bakery Struer Brød A/S ("Struer"). Struer produces breakfast cereals and breadcrumbs, and Orkla was its most important customer. Struer has 44 employees.

Financial Investments purchased 67% of the Danish pizza restaurant chain Gorm's. Gorm's is market leader in the premium pizza restaurant segment in Denmark. The investment in Gorm's is aligned with Orkla's strategic ambition of increasing its exposure to growth in the out-of-home sector. Under the agreement, Orkla will have the opportunity to increase its stake to 100% ownership after an agreed period of time.

Orkla Food Ingredients purchased the British chocolate and caramel manufacturer County Confectionery Ltd. The company has 95 employees, and has been a long-term supplier to Orkla.

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

In December, Orkla Foods purchased Pama, a local brand for porridge rice products for consumers in Denmark and Sweden. Orkla Foods Denmark is currently distributor for Pama products on behalf of PepsiCo. The agreement covers the purchase of the Pama brand, and includes no employees or production facilities.

Orkla has purchased 11% of the shares in the company Kotipizza; see further information in Note 39.

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 2018 had been finalised as at 31 December 2018, due to uncertainty attached to certain valuation factors.

The purchase price allocations for all companies acquired in 2017 were completed in 2018. 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.

See Note 39 for information on agreements entered into on the purchase of companies.

A total of NOK 64 million (NOK 46 million in 2017) was expensed in acquisition costs in 2018.

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 excess values will always be consistent with the purchase price paid.

Note 5 cont.

Acquired companies

	Acquisition			Allocation of excess and deficit values					Operating revenues		EBIT (adj.)	
Amounts in NOK million	Date of control	Interest acquired (%)	Acquisition cost	Trade-marks	Property, plant and equipment	Other	Deferred tax	Goodwill	After acquisition date	Before acquisition date	After acquisition date	Before acquisition date
2018												
Health and Sports Nutrition Group (HSNG), Orkla Care	February	100	356	95	-	(40)	(12)	273	631	69	18	2
Werners Gourmetservice, Orkla Foods 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, Financial Investments	April	67[2]	64	-	-	-	-	111	86	19	3	1
County Confectionery, Orkla Foods Ingredients	October	100	49	-	-	2	-	3	16	70	3	5
Other acquisitions			106	-	-	-	-	29				
Acquisitions at enterprise value			**838**	**95[3]**	**2**	**(37)**	**(14)**	**603**				
Investments in associates and joint ventures			75									
Purchase of treasury shares			167									
Acquisitions in segments, enterprise value (see Note 40)			**1 080**									
Interest-bearing liabilities acquisitions			(108)									
Cash flow effect acquisitions[1]			**972**									
2017												
Riemann, Orkla Care	June	100	442	74	(44)	(6)	(5)	283	73	103	8	35
Orchard Valley Foods, Orkla Foods Ingredients	April	85	134	-	-	(1)	-	136	215	80	7	4
Arne B. Corneliussen, Orkla Foods Ingredients	December	100	109	-	-	1	-	80	15	185	0	14
Agrimex, Orkla Foods	December	100	62	-	-	-	-	13	7	96	0	7
SR Foods, Orkla Foods Ingredients	May	80	58	-	-	-	-	54	113	55	12	7
Other acquisitions			86	-	-	13	-	54				
Reallocation of excess values Harris and Hamé			-	(87)	(50)	(124)	50	211				
Acquisitions at enterprise value			**891**	**(13)**	**(94)**	**(117)**	**45**	**831**				
Investments in associates and joint ventures			10									
Acquisitions in segments, enterprise value (see Note 40)			**901**									
Interest-bearing liabilities acquisitions			(100)									
Cash flow effect acquisitions[1]			**801**									

[1]Equivalent to compensation for equity adjusted for cash and cash equivalents. Cash and cash equivalents in acquisitions totalled NOK 14 million in 2018 (NOK 42 million in 2017).
[2]The companies have been recognised on a 100% basis due to option agreements entered into at the time of acquisition.
[3]Does not include the value of directly purchased trademarks, amounting to NOK 35 million, see Note 19.

Note 5 cont.

01
02
03
04
05

Acquired companies statement of financial position

Amounts in NOK million	Total 2018 Fair value	2018 HSNG	Total 2017 Fair value
Property, plant and equipment	170	10	52
Intangible assets	123	85	(9)
Other long-term assets	1	0	(103)
Inventories	148	85	109
Receivables	105	45	188
Shares in other companies	0	0	1
Assets	547	225	238
Provisions	26	15	(37)
Non-current liabilities, non interest-bearing	79	0	21
Current liabilities, non interest-bearing	207	127	193
Non-controlling interests	0	0	1
Net assets	235	83	60
Goodwill	603	273	831
Acquisition cost at enterprise value	838	356	891

S SUSTAINABILITY

Orkla purchased several companies in 2018 that enhance the Group's ability to promote sustainable consumption. Through its investment in the company Tise, Orkla has gained access to a digital platform for consumer dialogue and online shopping with focus on reuse and sustainability. The establishment of a data-driven marketing company, in collaboration with DNB, strengthened the Group's capacity to analyse and use consumer data effectively and responsibly through the development of new technology and innovative solutions. The acquisition of the Danish bakery Struer Brød A/S has increased Orkla's production capacity in the healthy breakfast cereal segment, and the purchase of Danish Igos A/S has expanded Orkla's range of organic products.

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.

P PRINCIPLE

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 excess value 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 excess value and accumulated dividends received. Account is also taken of the share of any translation differences and the like. 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. In addition, Orkla has some smaller associates.

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

Note 6 cont.

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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	Sapa	Total
Book value 1 January 2017	3 354	271	3 625	8 883	12 508
Additions/disposals	5	(32)	(27)		
Share of profit/loss	307	6	313		
Dividends	(219)	(1)	(220)	(1 500)	(1 720)
Items charged to equity	(8)	-	(8)	(1 018)	(1 026)
Book value 31 December 2017	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	-	-
Cost price 31 December 2018	187	-	-		
Ownership interest (%)	42,6[1]	-	-	-	-

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

Jotun

Jotun is one of the world's leading manufacturers of paints and powder coatings, with 53 subsidiaries, three joint ventures and six 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 paint systems for the residential, shipping and industrial sectors. Jotun is divided into four segments: Decorative Paints, Marine Coatings, Protective Coatings and Powder Coatings.

Orkla has been an active minority shareholder in Jotun for almost 50 years. The cost price for Jotun is NOK 187 million, while the carrying value using the equity method is NOK 3,530 million. Orkla's equity interest serves as the basis for recognition using the equity method, while Orkla has 38.4% of the voting rights. Orkla owns 42,179 A shares and 103,446 B shares in the company. An A share carries 10 times as many votes as a B share.

ESTIMATE UNCERTAINTY

Jotun is a family-controlled group and Orkla, with its 42.6% ownership interest, is to be considered a minority shareholder. The value of Orkla's interest in Jotun must be seen in the light of this situation. A valuation of Jotun substantiates that there is considerable excess value 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	2018	2017
Operating revenues	17 660	16 401
Operating profit/loss	1 361	1 354
Profit/loss after tax and non-controlling interests	605	721
Other comprehensive income after non-controlling interests	596	703
Current assets	8 971	8 407
Non-current assets	7 743	7 301
Total assets	16 714	15 708
Current liabilities	5 680	5 072
Non-current liabilities	2 565	2 382
Total liabilities	8 245	7 454

Reconcilation of equity Jotun against Orkla's share

Equity in Jotun	8 469	8 254
Non-controlling interests	224	178
Owners of the parent's equity	8 245	8 076
Orkla's share of equity (42.6%)	3 530	3 439

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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 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 pizza, ketchup, soups, sauces, bread toppings and ready-to-eat meals. 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 is market leader in the confectionery, biscuits and snacks categories, with well-known local brands 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. Over 85% of its turnover comes from the Nordic and Baltic markets. Norway is its largest single market.

Orkla Care consists of seven branded consumer goods companies serving markets in the Nordics, Baltics, the UK, Poland and Spain. The companies in the business area are Orkla Home & Personal Care (cleaning products, toothbrushes and personal hygiene products), Lilleborg (full-range supplier of hygiene and cleaning solutions to the professional market), Orkla Health (dietary supplements and health products), Pierre Robert Group (basic garments sold through the grocery channel), Orkla House Care (painting tools and cleaning products), Orkla Wound Care (wound care products) and HSNG (Nordic online player in the health and sports nutrition category).

Orkla Food Ingredients is the leading supplier of bakery ingredients in the Nordics and Baltics, in addition to holding growing positions in Europe. Sales and distribution companies in a total of 21 countries ensure proximity to the customer market. The largest product categories are margarine and butter blends, yeast, bread and cake improvers and mixes, marzipan and ice cream ingredients.

Headquarters (HQ)

Activities at Orkla's headquarters include the Group's top executive management and the corporate and common functions Communications, Legal Affairs, Sales & Business Development, Marketing & Innovation, Operations, Mergers & Acquisitions, Human Resources, Accounting/Finance, Compliance and Internal Audit. HQ is presented as a separate segment, but is aggregated with the Branded Consumer Goods business. Most of the activities at Orkla's headquarters are related to Branded Consumer Goods.

Orkla Investments

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

Hydro Power

Hydro Power consists of power plants in Sarpsfoss and Orkla's 85% interest in AS Saudefaldene. The energy operations produce and supply power to the Nordic power market, and have actual mean annual production (2011-2018) of 2.5 TWh. A total of 1.1 TWh of AS Saudefaldene's production is subject to special contract conditions with Statkraft that apply until 31 December 2030; see Note 35.

Financial Investments

Financial Investments consists of Orkla Eiendom and Orkla Venture.

Orkla Eiendom is responsible for Orkla's industrial properties and real estate development projects.

Orkla Venture was established to promote innovation and creative thinking and to enable direct investment in start-up companies. The ambition is to build up a project portfolio comprising exciting, relevant growth companies with high potential. Investments will initially be concentrated in the Nordics and Baltics, in line with Orkla's other core operations.

Further information on the individual business areas:
For a complete overview of Orkla companies, reference is made to page 259.

Note 7 cont.

PRINCIPLE

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. 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.

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

Transactions between business areas 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 were taken from the Orkla-format cash flow statement; see Note 40.

Orkla has four operating segments in Branded Consumer Goods. A further breakdown of selected KPIs is presented in reporting to the Group Executive Board and the Board of Directors. The characteristics of the different segments vary somewhat. Orkla Foods and Orkla Confectionery & Snacks consist mainly of homogeneous operations in countries with a relatively similar risk profile. Orkla Care is more differentiated, but largely operates in homogeneous markets with approximately the same risk profile. Orkla Food Ingredients also has relatively similar operations, on the whole, in the ingredients segment in many European countries, with sales primarily to industrial customers and wholesalers.

The segment information tables show sales broken down by market, based on the customers' location. The table below shows the revenues generated by various products and services. 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. Orkla makes only very limited use of financial products such as factoring or supply chain financing to reduce receivables or increase liabilities.

Specification net working capital Branded Consumer Goods incl. HQ

Amounts in NOK million	2018	2017
Trade receivables	5 963	6 152
Other current receivables	565	597
Inventories	5 864	5 677
Trade payables	(4 858)	(4 893)
Value added tax, employee taxes etc.	(764)	(803)
Other current liabilities	(1 907)	(2 088)
Net working capital	4 863	4 642

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

Note 7 cont.

Segments 2018

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	HQ	Elimin-ations	Branded Consumer Goods incl. HQ	Hydro Power	Financial Investments	Elimin-ations	Orkla
REVENUES/PROFIT/LOSS											
Norway	4 668	1 784	3 234	1 095	1	-	10 782	973	-	-	11 755
Sweden	4 261	1 313	1 485	1 425	-	-	8 484	-	-	-	8 484
Denmark	1 029	642	563	1 815	-	-	4 049	-	87	-	4 136
Finland and Iceland	949	1 004	713	677	-	-	3 343	-	-	-	3 343
The Baltics	487	1 099	77	339	-	-	2 002	-	-	-	2 002
Rest of Europe	3 487	338	1 540	3 942	-	-	9 307	-	38	-	9 345
Rest of the world	1 002	49	421	91	1	-	1 564	-	-	-	1 564
Sales revenues	15 883	6 229	8 033	9 384	2	-	39 531	973	125	-	40 629
Other operating revenues	17	6	24	13	32	-	92	52	64	-	208
Intercompany sales	100	11	18	165	562	(853)	3	-	11	(14)	0
Operating revenues	16 000	6 246	8 075	9 562	596	(853)	39 626	1 025	200	(14)	40 837
Organic growth (Branded Consumer Goods)	*1.5%*	*-3.4%*	*-1.8%*	*1.2%*			*-0.2%*				
Operating expenses	(13 401)	(5 005)	(6 850)	(8 854)	(828)	853	(34 085)	(580)	(195)	14	(34 846)
Depreciation, amortisation and write-downs	(551)	(235)	(141)	(175)	(52)	-	(1 154)	(55)	(5)	-	(1 214)
EBIT (adj.)	2 048	1 006	1 084	533	(284)	-	4 387	390	0	-	4 777
Other income and expenses	(165)	(61)	(158)	(44)	(29)	-	(457)	-	(25)	-	(482)
Operating profit/loss	1 883	945	926	489	(313)	-	3 930	390	(25)	-	4 295
CASH FLOW (see Note 40)											
Cash flow from operations	1 941	863	882	433	(657)	-	3 462	462	(436)	-	3 488
Of this replacement expenditures	(468)	(256)	(122)	(224)	(323)	-	(1 393)	(5)	(365)	-	(1 763)
Expansion investments	(356)	(38)	(68)	(69)	-	-	(531)	-	-	-	(531)
CAPITAL EMPLOYED											
Net working capital	2 029	418	1 378	1 383	(345)	-	4 863	11	89	-	4 963
Investments in associates and joint ventures	3	-	110	1	-	-	114	-	3 735	-	3 849
Intangible assets	8 492	5 049	5 191	1 666	42	-	20 440	19	118	-	20 577
Property, plant and equipment	4 382	1 888	1 114	1 481	437	-	9 302	1 894	1 564	-	12 760
Pension liabilities	(771)	(195)	(289)	(150)	(563)	-	(1 968)	(18)	(3)	-	(1 989)
Deferred tax, excess values	(426)	(408)	(174)	(8)	-	-	(1 016)	-	(4)	-	(1 020)
Capital employed	13 709	6 752	7 330	4 373	(429)	-	31 735	1 906	5 499	-	39 140
KEY FIGURES											
Operating margin EBIT (adj.)	12.8%	16.1%	13.4%	5.6%	na	-	11.1%	38.0%	-	na	11.7%
Total man-years 31 December	7 511	2 923	3 149	3 409	385	-	17 377	47	209	-	17 633

Note 7 cont.

Segments 2017

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	HQ	Elimin-ations	Branded Consumer Goods incl. HQ	Hydro Power	Financial Investments	Elimin-ations	Orkla
REVENUES/PROFIT/LOSS											
Norway	4 789	2 128	3 137	917	3	-	**10 974**	814	-	-	**11 788**
Sweden	4 358	1 314	1 093	1 355	-	-	**8 120**	-	-	-	**8 120**
Denmark	1 318	589	557	1 656	-	-	**4 120**	-	-	-	**4 120**
Finland and Iceland	895	927	579	663	-	-	**3 064**	-	-	-	**3 064**
The Baltics	456	1 093	70	326	-	-	**1 945**	-	-	-	**1 945**
Rest of Europe	3 237	312	1 623	3 577	-	-	**8 749**	-	45	-	**8 794**
Rest of the world	976	51	380	80	6	-	**1 493**	-	-	-	**1 493**
Sales revenues	16 029	6 414	7 439	8 574	9	-	**38 465**	814	45	-	**39 324**
Other operating revenues	11	15	12	5	36	-	**79**	52	106	-	**237**
Intercompany sales	86	10	28	124	586	(816)	**18**	-	10	(28)	**0**
Operating revenues	16 126	6 439	7 479	8 703	631	(816)	**38 562**	866	161	(28)	**39 561**
Organic growth (Branded Consumer Goods)	*1.4%*	*3.1%*	*2.9%*	*0.5%*			*1.6%*				
Operating expenses	(13 541)	(5 170)	(6 272)	(8 074)	(903)	816	**(33 144)**	(489)	(137)	28	**(33 742)**
Depreciation, amortisation and write-downs	(530)	(224)	(133)	(160)	(60)	-	**(1 107)**	(61)	(16)	-	**(1 184)**
EBIT (adj.)	2 055	1 045	1 074	469	(332)	-	**4 311**	316	8	-	**4 635**
Other income and expenses	2	(23)	(170)	33	(46)	-	**(204)**	-	3	-	**(201)**
Operating profit/loss	2 057	1 022	904	502	(378)	-	**4 107**	316	11	-	**4 434**
CASH FLOW (see Note 40)											
Cash flow from operations	2 330	1 016	777	263	(337)	-	**4 049**	356	(290)	-	**4 115**
Of this replacement expenditures	(381)	(233)	(182)	(201)	(51)	-	**(1 048)**	(2)	(331)	-	**(1 381)**
Expansion investments	(132)	(6)	-	(68)	-	-	**(206)**	-	-	-	**(206)**
CAPITAL EMPLOYED											
Net working capital	2 006	348	1 405	1 337	(454)	-	**4 642**	34	125	-	**4 801**
Investments in associates and joint ventures	4	-	33	3	-	-	**40**	-	3 643	-	**3 683**
Intangible assets	8 438	5 073	4 844	1 500	2	-	**19 857**	19	5	-	**19 881**
Property, plant and equipment	4 149	1 820	1 085	1 264	205	-	**8 523**	2 002	1 158	-	**11 683**
Pension liabilities	(763)	(192)	(276)	(145)	(558)	-	**(1 934)**	(19)	(3)	-	**(1 956)**
Deferred tax, excess values	(431)	(413)	(192)	(7)	-	-	**(1 043)**	-	(3)	-	**(1 046)**
Capital employed	13 403	6 636	6 899	3 952	(805)	-	**30 085**	2 036	4 925	-	**37 046**
KEY FIGURES											
Operating margin EBIT (adj.)	12.7%	16.2%	14.4%	5.4%	na	-	**11.2%**	36.5%	na	-	**11.7%**
Total man-years 31 December	7 809	2 836	3 272	3 150	368	-	**17 435**	46	88	-	**17 569**

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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	2018	2017	2018	2017	2018	2017
Norway	16 237	15 320	1 228	678	3 053	3 058
Sweden	6 894	6 310	444	355	3 105	2 863
Denmark	5 454	4 885	238	223	1 483	1 439
Finland and Iceland	2 554	2 574	74	113	761	780
The Baltics	1 920	1 907	75	80	1 865	1 836
Nordic region and the Baltics	33 059	30 996	2 059	1 449	10 267	9 976
Rest of Europe	5 258	5 201	226	188	5 586	5 611
Rest of the world	823	849	46	126	1 780	1 982
Total	39 140	37 046	2 331	1 763	17 633	17 569
Link between segments and "Investments":						
Net replacement expenditures, from segments (see Note 7)			1 763	1 381		
Sale of property, plant and equipment (see cash flow statement)			38	142		
Expansion investments (see Note 7)			531	206		
Changes in accounts payable investments			(1)	34		
Total			2 331	1 763		

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

PRINCIPLE

Capital employed is a measure of 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. 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 2017 to 2018 in capital employed and investments in Norway is largely related to investments in a new headquarters, a new common ERP platform and investments in a new pizza factory at Stranda, Norway. The increase in capital employed and the number of employees in Sweden and Denmark is largely attributable to acquisitions in 2018.

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 2018. Along with the acquisition of new companies, this resulted in substantial investments in Norway, Sweden, Denmark, Finland, the Czech Republic and Latvia.

NOTE 9 REVENUE RECOGNITION

The date on which revenue is recognised and the principles applied will be decisive in determining the profit or loss in the reporting period. In the same way, both the principles 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.

Ⓟ PRINCIPLE

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 income 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 sugar tax. The Orkla Group sells goods and services in many different markets.

Generally speaking, the point in time at which revenue is recognised will be clear in most cases.

Branded Consumer Goods' deliveries consist largely of sales of consumer goods to wholesalers. 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, joint marketing activities and reductions in the price of seasonal goods. As at 31 December 2018, an provision of NOK 1.4 billion (NOK 1.4 billion in 2017) was made for total discounts. These are mainly yearly discounts that will be paid out in subsequent years.

In Orkla Investments, 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 Eiendom (real estate), rental revenues are recognised in income when they are earned. Any sales of companies are taken to income when the agreement is completed. 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.

Interest revenues are recognised when they are 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 in the comprehensive income statement, along with ongoing changes in the value of similar assets.

Other operating revenues consist of matters such as rental revenues and gains on the sale of minor 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.

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.

PRINCIPLE

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

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's goal is 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 players in the value chain on actions to increase recovery.

In 2018, the biggest product categories were (figures in parentheses show the category ranking in 2017):

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. (8.) Marine products
8. (10.) Fruit and berries
9. (9.) Nuts and seeds
10. (7.) Sugar
11. (12.) Chemicals
12. (11.) Cocoa and chocolate

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.

PRINCIPLE

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.

Note 11 cont.

Amounts in NOK million	2018	2017
Wages	(6 232)	(6 144)
Employer's national insurance contributions	(1 040)	(964)
Pension costs[1]	(427)	(405)
Other remuneration etc.	(35)	(54)
Payroll expenses	(7 734)	(7 567)
Average number of man-years (continuing operations)	17 667	17 705

[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 26 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 at levels higher than the market median. 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 200 senior executives and key personnel in the Group (2018).

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

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 of approximately 30% of the employee's annual salary. Historical outcomes averaged around 32% in 2014-2017.

Certain adjustments are being made in the annual bonus programme from 2019 (to be paid out in 2020). These adjustments are described below.

The elements of Orkla's central annual bonus programme for 2018 (bonuses to be paid out in 2019)
The annual bonus programme consists of five elements:
- Financial quantitative measures (80% weighting)
  - Underlying[1] EBIT (adj.)[2] improvement "own level"[3] (25% weighting)
  - Underlying EBIT (adj.) improvement "level above"[4] (25% weighting)
  - Organic growth[5] "own level" (20% weighting)
  - Improvement in current capital[6] "own level" (10% weighting)
- Individual measures (20% weighting):

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 50%. To incentivise collaboration within the Group, part of the profit element of the bonus programme is linked to "level above" performance.

Note 11 cont.

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The bonus model is designed in such a way that an EBIT (adj.) improvement scale is linked to a fixed bonus scale with a starting point and maximum point for both improvement and bonus payout.

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

Organic growth
The calculation of bonuses earned for organic sales growth is tied to the level of the position of the individual manager. The organic growth is linked to a fixed scale with a starting point and maximum point 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 a starting point and a maximum point for both improvement and bonus payout.

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

The elements of Orkla's central annual bonus programme as from 2019 (bonuses to be paid out in 2020)
The annual bonus programme consists of five elements:
- Financial quantitative measures (70% weighting)
  - Underlying EBIT (adj.) improvement "own level" (15% weighting)
  - Underlying EBIT (adj.) improvement "level above" (25% weighting)
  - Underlying improvement in contribution margin[7] "own level" (10% weighting)
  - Improvement in current capital "own level" (20% weighting)
- Individual measures (30% weighting):

The bonus calculation model for the financial quantitative elements for 2019 is the same as that for 2018, even though the weighting of some of the elements has been changed. A new bonus element, "Underlying contribution margin improvement", has been added in 2019, replacing organic growth.

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 a starting point and a maximum point for both improvement and bonus payout.

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

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[1]Underlying improvement /growth – definition under "Alternative Performance Measures (APM)", see page 224.
[2]EBIT (adj.) – definition under "Alternative Performance Measures (APM)", see page 224.
[3]"Own level" is the company level which the individual manager is part of. This will differ for each participant in the bonus programme, and may be an operational company, a business area or the entire Branded Consumer Goods business at Group level.
[4]"Level above" will be the reporting level above the level which the individual manager is part of. For participants employed in an operational company, it will be the business area of which the operational company is a part. For participants in business areas, the "level above" will be the entire Branded Consumer Goods business. For programme participants at Group level, there is no "level above", but they will be measured based on an equal weighting of performance in underlying EBIT (adj.) in the Branded Consumer Goods business areas.
[5]Organic growth – definition under "Alternative Performance Measures (APM)", see page 224.
[6]Current capital is defined as trade receivables plus inventory minus trade payables
[7]Contribution margin is defined as sales revenues minus variable costs. Variable costs are costs directly linked to volumes produced and sold. This primarily applies to intermediate goods such as raw materials, packaging, payroll expenses (which will vary according to volume produced) and energy costs. For goods produced by a third party, margin contribution is defined as sales revenues minus the purchase costs of goods sold.

Note 11 cont.

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 2018, 86 persons were awarded an LTI bonus. Participants in the Group's LTI programme will normally also be covered by Orkla's annual bonus programme.

The LTI programme that was offered until the end of 2017 (bonuses awarded in 2018) is described in Note 5 in the financial statements for Orkla ASA. As from awards made in 2019, a decision has been made to unlink the level of the amount awarded from the 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. 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 used. 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.

(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 2018, employees were given the opportunity to purchase shares for three different amounts: NOK 28,000, NOK 15,000 and NOK 8,000 (amounts after discount). In 2018 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 2018 totalled NOK 16 million.

The Board of Directors recommends to the General Meeting that the employee share purchase programme be continued, with the same purchase options and conditions as in 2018.

Share-based incentive programmes

PRINCIPLE

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.

From 2019, awards under the Long-Term Incentive (LTI) agreement will be determined on the basis of individual performances in relation to predefined long-term criteria set in 2018. 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 one year's 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 will be adjusted in accordance with the Orkla share price performance until it is paid out. Under the LTI programme, the employee may request, at the earliest, that one third of a LTI award be paid out respectively after 24 months, 36 months and 48 months. After a maximum of 60 months, the LTI award will be paid out in its entirety. Accounting for the award will reflect the vesting period and expensing of the new programme will begin after awards are made in 2019.

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 is responsible for choosing the yield profile and 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.

Ⓟ PRINCIPLE

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 63% and 34%, 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 2018, 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 2.0% and 2.5%, depending on the life of the pension.

The discount rate in Sweden is based on Swedish covered bonds and was reduced to 2.30% for 2018, from 2.50% in 2017. The estimate for expected inflation was also increased slightly, from 1.75% to 1.80%. These two changes will result in 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 other comprehensive income (OCI) 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 below. Contributions of pension plan assets in 2019 are expected to total NOK 4.4 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	
	2018	2017	2018	2017
Discount rate	2.0–2.5%	1.7–2.3%	2.30%	2.50%
Future wage adjustment	2.25%	2.25%	2.50%	2.50%
G-multiplier[1]	2.25%	2.25%	2.50%	2.50%
Adjustment of benefits	0%	0%	1.80%	1.75%
Turnover	0–5%	0–5%	3.00%	3%
Expected average remaining vesting period (years)	6.8	7.3	13.3	13.7

[1]As at 31 December 2018, 1G was NOK 96,883.

Breakdown of net pension costs

Amounts in NOK million	2018	2017
Contribution plans	(370)	(337)
Current service cost (incl. national insurance contributions)	(57)	(68)
Curtailments and settlements pension plans	0	34[1]
Pension cost defined as payroll expenses	(427)	(371)
Interest on pension obligations	(31)[2]	(79)
Expected return on pension plan assets	14	21
Pension cost defined as financial costs	(17)	(58)
Net pension costs	(444)	(429)

[1]Related to the conversion of the pension plan in Sonneveld and is presented as "Other income and expenses".
[2]The decrease in interest expense 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	2018	2017
Present value of funded pension obligations	(436)	(458)
Pension plan assets (fair value)	436	456
Net funded pension liabilities	0	(2)
Present value of unfunded pension obligations	(1 989)	(1 954)
Capitalised net pension liabilities	(1 989)	(1 956)
Capitalised pension liabilities	(2 019)	(1 988)
Capitalised plan assets	30	32

Breakdown of gross pension obligations during the year

Amounts in NOK million	2018	2017
Pension obligations 1 January	(2 412)	(2 534)
Current service cost (incl. national insurance contributions)	(57)	(68)
Interest on pension obligations	(31)	(79)
Actuarial gains and losses reported in statement of comprehensive income	(73)	(67)
Acquisition/sale of companies	0	(1)
Curtailments and settlements pension plans	3	316[1]
Benefits paid during the year	113	133
Currency translation effects	32	(112)
Pension obligations 31 December	(2 425)	(2 412)

[1]Primarily related to the conversion of the pension plan in Sonneveld.

Change in pension assets during the year

Amounts in NOK million	2018	2017
Pension plan assets (fair value) 1 January	456	791
Expected return on pension plan assets	14	21
Actuarial gains and losses reported in statement of comprehensive income	(14)	25
Acquisition/sale of companies	0	0
Curtailments and settlements pension plans	0	(339)[1]
Contributions and benefits paid during the year	(23)	(42)
Currency translation effects	0	45
Effect of asset ceiling	3	(45)
Pension plan assets (fair value) 31 December	436	456

[1]Primarily related to the conversion of the pension plan in Sonneveld.

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

	2018	2017
Cash, cash equivalents and money market investments	56%	4%
Bonds	9%	30%
Loans	0%	0%
Shares	35%	66%
Property	0%	0%
Total pension plan assets	100%	100%

Overview of net pension obligations and variances in the last four years

Amounts in NOK million	2018	2017	2016	2015
Pension obligations	(2 425)	(2 412)	(2 534)	(2 256)
Pension plan assets	436	456	791	391
Net pension liabilities	(1 989)	(1 956)	(1 743)	(1 865)
Actuarial gains and losses in pension obligations	(73)	(67)	(91)	(48)
Actuarial gains and losses in pension plan assets	(14)	25	22	26

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	2018	2017
External freight costs	(901)	(793)
Energy costs (production and heating)	(726)	(645)
Advertising	(1 516)	(1 534)
Repair and maintenance costs	(507)	(460)
Consultants, legal advisors, temporary staff etc.	(519)	(503)
Operating expenses vehicles	(143)	(152)
Rental/leasing	(487)	(453)
Other	(1 965)	(1 917)
Total other operating expenses	(6 764)	(6 457)

PRINCIPLE

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 10% since 2014.

NOTE 14 OTHER INCOME AND EXPENSES

Other income and expenses will largely consist of items that only to a limited degree are reliable explanations of ongoing earnings.The main purpose of this line 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		2018	2017
M&A and integration costs		(129)	(149)
Final settlement employment relationships etc.		(114)	(89)
Gains/write-downs relating to coordination projects		(1)	192
Other restructuring costs and other items		(238)	(155)
Total		(482)	(201)
Of this:	Write-downs property, plant and equipment	(50)	(146)
	Write-downs intangible assets	(5)	-
	Write-downs inventory (Harris)	(34)	-

Five largest items in other income and expenses:	2018	2017
Acquisition costs (M&A)	(64)	(46)
Restructuring Harris UK (2018) / Integration Harris (2017)	(57)	(37)
Relocation of vegetable and herring production from Finland	(62)	-
Restructuring sales organisation etc.	(39)	-
Relocation of cordial production from Denmark to Kumla in Sweden	(28)	-
Gain and restructuring in connection with sale of K-Salat and Pastella	-	82
Cost new common ERP project (Project One)	-	(42)
Restructuring administrative functions OHPC	-	(40)

Note 14 cont.

PRINCIPLE

"Other income and 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 and expenses for 2018 are the sum total of many different projects and initiatives. The largest items are presented in a separate table in this note.

The UK business in House Care has delivered a weak performance since it was acquired in September 2016. A project has been initiated to bring profitability back to at least the level at which Orkla purchased the business. The project was formally approved in the fourth quarter. Inventories have been written down and provisions have been made. The project will generally include a relaunch of the Harris brand with a substantial simplification of the complexity of both product assortment and inventory structure.

Changes are taking place in Orkla's framework conditions, and both Rema 1000 (1 January 2018) and COOP (from 1 July 2019) have terminated their merchandising agreements. As a result, winding-up and restructuring costs relating to the sales organisation are being incurred.

Other net expenses consist of the sale of a brand and the costs of various projects related to the constant development of the Group. One Orkla initiatives have been launched and a number of coordination and improvement projects are in progress. New projects concern the coordination of Orkla Care companies in Sweden and Finland, while the ongoing projects related to chocolate production in Latvia and a competitiveness project in Kungälv, both implemented by Orkla Confectionery & Snacks, coordination projects in Orkla Food Ingredients and several projects in Orkla Foods will continue for some time to come. The pizza project in Stranda has been divided into several stages and early project costs in each stage will be expensed. The main project will be capitalised.

SUSTAINABILITY

In connection with its efforts to develop a long-term, competitive manufacturing footprint, Orkla closed two factories in 2018, and decided to close another two. 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. Around 440 employees were affected by these changes, and employees who lost their jobs have been helped to seek new employment or training programmes.

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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 not related to operational activities.

PRINCIPLE

Interest income and interest costs on loans and receivables are calculated using the effective interest method. 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 is 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 operational 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	2018	2017
Interest income	24	33
Change in fair value recognised as interest income	-	57
Total interest income	24	90
Interest costs	(158)	(240)
Capitalised interest costs	5	1
Change in fair value recognised as financial costs	(30)	-
Total interest costs	(183)	(239)
Net interest	(159)	(149)

Financial income and financial costs

Amounts in NOK million	2018	2017
Gains, losses and write-downs shares and financial assets	-	47
Dividends received	3	7
Other financial income	4	22
Total other financial income	7	76
Net foreign currency losses	(3)	(3)
Net interest pensions (see Note 12)	(17)	(58)
Other financial costs	(29)	(42)
Total other financial costs	(49)	(103)
Total other financial items	(42)	(27)

Reconciliation against cash flow

Interest, net	(159)	(149)
Other financial items, net	(42)	(27)
Total interest and other financial items (A)	(201)	(176)
Items that appear on other lines in the cash flow statement:		
Gains, losses and write-downs shares and financial assets	-	(47)
Dividends received	(3)	(7)
Total items that appear on other lines in the cash flow statement (B)	(3)	(54)
Items without cash flow effect:		
Change in accrued interest etc.	18	(21)
Net interest pensions without cash flow effect	17	58
Change in fair value recognised as interest income/interest costs	15	(29)
Change in fair value recognised as financial income/financial costs	9	-
Total items without cash flow effect, see cash flow statement (C)	59	8
Paid financial items in cash flow statement (see Note 40) (A+B+C)	(145)	(222)

NOTE 16 TAXES

Taxes refer to the authorities' taxation of the profits of the different companies in the Group and in different countries. 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.

PRINCIPLE

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 tax basis and the carrying amount of an asset or liability in the consolidated financial statements and the tax basis of tax losses carried forward. For deferred tax assets and liabilities, the nominal tax rates expected to apply 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 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	2018	2017
Profit/loss before tax	4 358	4 571
Current tax expense	(996)	(865)
Change in deferred tax	(8)	(115)
Total tax expense	(1 004)	(980)
Tax as % of "Profit/loss before taxes"	23.0%	21.4%
Tax as % of "Profit/loss before taxes" adjusted for associates	24.5%	23.0%

Orkla's effective tax expense adjusted for associates increased by 1.5 percentage points from 23% in 2017 to 24.5% in 2018. This reduction is mainly due to the effect of higher economic rent tax resulting from the energy business in Norway contributing more to profit in 2019. The energy business in Norway has a nominal tax rate of 58.7%.

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 23% (24% in 2017). The main tax components are specified.

Amounts in NOK million	2018	2017
Norwegian tax rate on profit before taxes	(1 002)	(1 097)
Associates and joint ventures	61	75
Deferred tax on undistributed earnings in associates	4	(1)
Foreign operations with tax rates other than Norwegian tax rate	49	61
Changes in tax laws	10	0
Write-downs of shares, gains/losses and dividends within the tax exemption method	0	29
Non-deductible costs / tax free income	(16)	(7)
Non-deductible transaction expenses	(11)	(15)
Recognised deferred tax assets this year, previously unrecognised	14	41
Unrecognised deferred tax assets	(26)	(7)
Correction previous years' taxes	25	(6)
Other taxes payable (economic rent tax and withholding tax)	(112)	(53)
The Group's total tax expense	(1 004)	(980)

Note 16 cont.

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Orkla's tax bases in Norway, Sweden and Denmark are substantial. The ordinary tax rate for companies domiciled in Norway was reduced from 24% to 23%, effective from 2018. Company taxes in Norway and Sweden were further reduced from 23% and 22% to 22% and 21.4%, respectively, with effect from 2019. The effects of the reduction in the tax rates on the temporary differences at year end are recognition of NOK 4 million and NOK 6 million in Norway and Sweden in the income statement and a credit of NOK 4 million to comprehensive income in Norway.

Orkla's operations in countries with tax rates other than 23% make a net contribution towards reducing the total tax expense. In 2018, the effect of this contribution was a reduction of NOK 47 million in the total tax expense, of which the Swedish, Finnish and Danish subsidiaries accounted for NOK 11 million, NOK 11 million and NOK 5 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 23 million, of which NOK 4 million was recognised in the income statement in 2018.

The change in unrecognised deferred tax assets totalling NOK 26 million concerns tax deficits in Poland, Spain, Sweden, France, Germany and Finland. Recognition of previous years' unrecognised deferred tax assets totalling NOK 14 million mainly relates to Orkla Food Ingredients companies in Denmark, Romania and Slovakia, and Orkla's insurance company in Ireland.

The Group operates in the power industry which is subject to a special tax regime in Norway. In 2018, the economic rent tax rate accounted for 2.6 percentage points of the effective tax rate of 23.5%.

Tax disputes related to Saudefaldene

A settlement was reached in March 2018 in the ongoing legal action disputing the Central Tax Office – Company Tax Affairs' administrative decision of 24 April 2014. The result of the settlement was an increase in the deductible share of leasing costs for Saudefaldene from 40% to 46.5%, while the other claims were waived.

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 must 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	2018	2017
Norway	488	301
Sweden	233	184
Denmark	83	160
Finland and Iceland	61	55
Rest of world	131	165
Total company tax payable	996	865

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	2018	2017
Hedging reserve in equity	(48)	(68)
Intangible assets	1 135	1 108
Property, plant and equipment	311	328
Net pension liabilities	(257)	(244)
Gain and loss tax deferral	311	341
Other non-current items	277	304
Total non-current items	1 729	1 769
Provisions	(70)	(111)
Other current items	(75)	(50)
Total current items	(145)	(161)
Tax losses carried forward	(138)	(114)
Net deferred tax liabilities	1 446	1 494
Deferred tax hydropower tax regime[1]	(21)	(19)
Deferred tax assets, not recognised	108	89
Net deferred tax liabilities	1 533	1 564
Change in deferred tax	31	(75)
Change in deferred tax discontinued operations	-	(28)
Net deferred tax continuing operations	31	(103)
Change in deferred tax hedging reserve taken to comprehensive income	20	27
Change in deferred tax actuarial gains and losses pensions taken to comprehensive income	(26)	(9)
Acquisitions/sale of companies, currency effects etc.	(18)	24
Hedging of net investments in foreign operations	(15)	(54)
Change in deferred tax income statement	(8)	(115)

[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	2018	2017
Deferred tax liabilities	1 566	1 604
Deferred tax assets	33	40
Net deferred tax	1 533	1 564

Losses carried forward by expiry date

Tax losses carried forward totalling NOK 643 million constitute a deferred tax asset of NOK 139 million, of which only NOK 38 million has been recognised. Unrecognised tax losses carried forward amount to NOK 457 million. A total of NOK 273 million of these have no expiry date, NOK 13 million expire from 2025 onwards, NOK 72 million expire in the period 2022-2024 and NOK 99 million expire in the period 2019-2021.

Amounts in NOK million	2018	2017
2018	-	22
2019	38	23
2020	39	25
2021	26	26
2022	12	20
2023	57	16
2024	7	19
2025 or later	34	35
Without expiry date	430	335
Total tax losses carried forward	643	521

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 there are not likely to be future profits 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 2018.

Note 16 cont.

A provision of NOK 84 million has been made for tax liability on untaxed undistributed earnings in Estonia, of which NOK 15 million was recognised in 2018. A provision of NOK 8 million has been made for tax liability on untaxed undistributed earnings 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	172	2	41	43
UK	125	13	9	22
Poland	61	1	11	12
Switzerland	55	0	14	14
Denmark	52	8	3	11
Others	178	14	23	37
Total	643	38	101	139
Other deductible temporary differences	1 423	306	7	313
Total deductible temporary differences	2 066	344	108	452
Netted deferred tax	(1 415)	(311)	0	(311)
Net deductible temporary differences	651	33	108	141

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.

Ⓟ PRINCIPLE

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.

Amounts in NOK million	2018	2017
Profit/loss for the year after non-controlling interests for continuing operations	3 272	3 516
Profit/loss/gains discontinued operations	0	5 066
Profit/loss for the year after non-controlling interests	3 272	8 582
Weighted average of number of shares outstanding	1 008 809 691	1 017 472 462
Earnings per share (NOK)	3.24	8.43
Earnings per share for discontinued operations (NOK)	0.00	4.97
Earnings per share for continuing operations (NOK)	3.24	3.46

There are no share-based arrangements in the Group that have a dilutive effect.

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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).

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. No intangible assets or property, plants and equipment were written down as a result of these tests. The UK business in House Care has delivered a weak performance since it was acquired in September 2016. A project has been initiated to bring profitability back to at least the level at which Orkla purchased the business. The situation at Harris will be closely monitored, and sub-targets have been defined in the project that must be achieved to prevent asset impairment. Further information is provided in Note 14.

An updated assessment was also carried out of the value of the Sauda power plants. Legal proceedings in both tax cases and real estate tax cases relating to Saudefaldene are still in progress; see Notes 16 and 39. The valuation of Sønnå Høy is based on future estimates of power prices and contract-based production in the lease period, as well as the value of the plants at the time they are returned to Statkraft. The WACC applied reflects lower risk than for the other Group companies. The valuation justifies the Group's investment in Saudefaldene.

No other deficit values related to property, plant or equipment or intangible assets were identified in the Group.

Ⓟ PRINCIPLE

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 of 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. ➔

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 2018 constituted a separate CGU.

Some of the operations in Orkla Foods are in companies that have been part of the Group for a very long time. No capitalised intangible assets are associated with these companies. Rieber & Søn Norge, acquired in 2013, has been fully integrated into Orkla Foods Norge, and excess value associated with the acquisition must be justified by the unit as an aggregate. The same applies to the Rieber & Søn businesses that were taken over in Sweden (Frødinge integrated into Orkla Foods Sverige) and Denmark (Rieber & Søn Danmark integrated into Orkla Foods Danmark). Here, too, the excess value must be justified by the aggregate units. Orkla Foods Sverige (formerly Procordia and Abba Seafood) was acquired in 1995, and goodwill associated with these operations was amortised by 1/20 per year in the period from the acquisition to 1 January 2004 when the Group switched to reporting under IFRS. This means that the original goodwill from these acquisitions has been approximately halved in relation to the acquisition cost.

Orkla Confectionery & Snacks' business operations have been structured as one company per country. This means that goodwill impairment will be tested at that level.

In Orkla Care, Orkla Home & Personal Care (OHPC) has been in the Group for a long time. Both the Jordan acquisition (excl. House Care) (2012) and the part of the Cederroth acquisition (2015) that is Home Care and Personal Care have been fully integrated into the OHPC part. The aggregate unit must justify the excess values from these acquisitions.

Companies acquired by Orkla Health in 2005 and 2006 (Collett Pharma and Dansk Droge) have also been fully integrated into existing operations. It is impossible to identify the different cash flows, and the units in Orkla Health are therefore tested for impairment on an aggregate basis. The integration with the units that were already part of Orkla prior to the acquisition generates an aggregate return that well exceeds the required rate. The part of Cederroth (2015) included in Orkla Health has been fully integrated, and the excess value from the acquisition will have to be justified by the unit as an aggregate. Orkla Health is part of Orkla Care.

The Orkla Wound Care part of the Cederroth acquisition (SalveQuick wound care products, etc.) and Orkla House Care (the painting tool part of the Jordan acquisition) are separate CGUs and must justify their value on a separate basis. For the time being, the acquired company Harris is included as an independent unit in Orkla House Care and tested on an individual basis. In the long term, Harris is expected to be incorporated into an aggregated Orkla House Care.

Orkla Food Ingredients consists of many different units, which are mainly separate CGUs and are tested individually. Around 20 CGUs are tested.

Trademarks

In the case of trademarks, a new organisational structure will normally not change the possibility of measuring the strength of the various trademarks. The trademarks continue to exist in the new organisation and will, in most cases, be identifiable in future. The value of a trademark will be dynamic and new products launched under the trademark in question will help to maintain its value.

Budget 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 largest CGUs are shown in a separate table, by segment. The main companies in each segment are presented and the main factors on which the impairment tests are based are summed up. The CGUs operate in different markets, and the table is intended to provide an overview of the primary drivers. See also the separate brand table in Note 19 for an overall picture of trademarks that have been capitalised, capitalised through goodwill or have not been capitalised.

Note 18 cont.

Discount rate

The discount rate applied is based on the Group's cost of capital, which is estimated to be 7.2% before tax, 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 loan capital. 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. As mentioned above, the performance of the UK business in House Care has been weak since it was acquired in September 2016. To be able to justify its value, it is very important that the company develops as anticipated.

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 excess value. The excess value 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, these businesses also justify their capitalised value. See, however, the information on Harris 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.

Key assumptions for estimating future performance

	Orkla Foods (OF)					Orkla Confectionery & Snacks (OC&S)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	2018	2017	2018	2017	Units	2018	2017	2018	2017
Units in segment	OF Norway	3 344	3 344	1 260	1 260	OC&S Norway	534	534	205	205
	OF Sweden	1 500	1 481	87	90	OC&S Sweden	840	866	382	390
	OF Denmark	99	98	59	22	OC&S Denmark	589	584	405	402
	OF Fenno-Baltic	161	159	45	44	OC&S Finland	589	582	727	723
	MTR Foods	305	315	114	118	OC&S Baltics	473	468	266	263
	OF Central Europe	596	587	489	487					
	OF Others	211	211	-	-					
	Total	**6 216**	**6 195**	**2 054**	**2 021**	**Total**	**3 025**	**3 034**	**1 985**	**1 983**
			2018		2017			2018		2017
	Total capital employed 31 Dec.		13 709		13 403	Total capital employed 31 Dec.		6 752		6 636
	EBIT (adj.)		2 048		2 055	EBIT (adj.)		1 006		1 045
Factors that affect the discount rate	Operates largely in the Nordic and Baltic markets, low industry risk; budgets in NOK, SEK, DKK, EUR. Also has operations in Austria, Czech Republic, Slovakia, Russia, Ukraine, Hungary and India.					Operates largely in the Nordic and Baltic markets, low industry risk; budget in NOK, SEK, DKK, EUR.				
Raw material prices are estimated on the basis of the market situation at the 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 site	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. Goods manufactured under licence are imported.				
Contribution margin is based on past performance, adjusted for future expectations	Contribution margin is affected by innovations, productivity, retail chain price negotiations and raw material prices which overall are expected to remain stable or rise slightly.					Contribution margin 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 – growth is expected in existing 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.

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Key assumptions for estimating future performance

	Orkla Care					Orkla Food Ingredients (OFI)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	2018	2017	2018	2017	Units	2018	2017	2018	2017
Units in segment	Orkla Home & Personal Care	1 430	1 452	310	310	KåKå	347	228	-	-
	Orkla Health	1 350	1 350	704	704	Idun	617	596	-	-
	Pierre Robert Group	98	97	37	38	Credin	198	197	-	-
	Lilleborg	18	18	-	-	Odense	93	87	-	-
	Orkla House Care	472	471	151	151	Others	347	348	4	4
	Orkla Wound Care	134	138	98	101					
	HSNG	274	-	95	-					
	Total	**3 776**	**3 526**	**1 395**	**1 304**	**Total**	**1 602**	**1 456**	**4**	**4**
			2018		2017			2018		2017
	Total capital employed 31 Dec.		7 330		6 899	Total capital employed 31 Dec.		4 373		3 952
	EBIT (adj.)		1 084		1 074	EBIT (adj.)		533		469
Factors that affect the discount rate	Operates largely in the Nordic markets and the Baltics, Poland, Spain and the UK; low industry risk; budgets in local currency					Operates in several countries; moderate industry risk; budgets in local currency.				
Raw material prices are estimated on the basis of the market situation at the time of calculation	Key raw materials: crude oil, fish oil, milk protein, vitamins, plastic packaging, plastic components, cardboard and paper-based packaging, tensides, wool and cotton.					Key raw materials: vegetable oil, butter, molasses, sugar and flour.				
Production site	Own production mainly in the Nordics, and in the UK and China for Orkla House Care and Malaysia for the part of Jordan included in OHPC. Wound care products are produced in Spain. Pierre Robert largely purchases its production from Italy and Asia. Orkla Health, OHPC and Lilleborg also primarily 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.				
Contribution margin is based on past performance, adjusted for future expectations	Contribution margin is affected by innovations, productivity, retail chain price negotiations and raw material prices that overall are expected to remain stable or rise slightly.					Contribution margin 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 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.

Ⓟ PRINCIPLE

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 may not 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 279 million for research and development in 2018 (NOK 286 million in 2017). This covers internal and external costs related to product development, and includes measures to reduce salt, sugar and saturated fat in foods, develop healthy products and packaging with reduced environmental impacts.

Note 19 cont. ➔

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Intangible assets Amounts in NOK million	Trademarks, not amortisable	Trademarks, amortisable	Other intangible assets	IT	Goodwill	Total
Book value 1 January 2017	4 985	76	125	314	12 741	18 241
Investments	-	-	-	27	-	27
Reclassifications[1]	100	(67)	(33)	52	-	52
Companies acquired[2]	(13)	-	3	1	831	822
Sold companies	-	-	-	(3)	-	(3)
Depreciation/amortisation	-	(4)	(6)	(93)	-	(103)
Translation differences	240	9	7	11	578	845
Book value 31 December 2017	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
Initial cost 1 January 2018	5 411	88	847	870	16 364	23 580
Accumulated amortisation and write-downs	(99)	(74)	(751)	(561)	(2 214)	(3 699)
Book value 1 January 2018	5 312	14	96	309	14 150	19 881
Initial cost 31 December 2018	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 31 December 2018	5 438	9	93	364	14 673	20 577
Amortisation	-	10–20%	10–20%	16–33%	-	-

[1]Net reclassifications relate to figures transferred from Note 20.
[2]See Note 5 for information about intangible assets in acquired companies.

Based on the recommendations resulting from a pre-project, a decision has been made to carry out a main project to establish a common ERP platform for the Group. The roll-out of the new platform will begin in 2019 and run for several years. Expenses incurred during the initial stages of the project have been reported as "Other income and expenses", while expenses relating to the establishment of templates and the project roll-out will be recognised in the statement of financial position as intangible assets. The capitalised amounts will be relatively substantial. NOK 260 million had been capitalised in connection with the new ERP system as at 31 December 2018, but were capitalised under "Assets under construction"; see Note 20.

Market positions in selected grocery markets for branded consumer goods

The tables on the next few pages show the Group's trademark positions for each business area.

In addition to the items presented in the table for intangible assets, the Group owns several trademarks that have not been capitalised, such as proprietary trademarks which, under accounting rules, may not be capitalised. These trademarks are presented in the table as "A". When the transition was made to IFRS in 2005, goodwill that had already been capitalised could be maintained and part of the goodwill indirectly consists of trademarks. These trademarks are presented as "B" in the table. Capitalised trademarks are trademarks that have either been directly acquired, or indirectly acquired through purchase price allocations in the acquisition analysis. They are presented as "C" in the table. The classification in the note is based on management's discretionary judgement.

As at 31 December 2018, the Group also had trademark positions in India (MTR Foods).

Note 19 cont.

	NORWAY			SWEDEN			DENMARK			FINLAND			BALTICS			CZECH REPUBLIC & SLOVAKIA			AUSTRIA		
Products	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R
Orkla Foods																					
Frozen pizza	Grandiosa, BigOne, Pizzabakeriet	●	A	Grandiosa	◑	B		○		Grandiosa	◑	B	Grandiosa	◔	B		○			○	
Ketchup	Idun	●	A	Felix	●	B	Beauvais, Bähncke	◑	B A	Felix	●	B	Felix, Spilva, Suslavicius	●	B C	Otma, Hamé	◔	C	Felix	●	B
Jam and marmalade	Nora	●	A	Felix, Önos, BOB	●	B	Den Gamle Fabrik	●	B	Ekströms	○	B	Põltsamaa, Spilva	●	B	Hamé	●	C		○	
Preserved vegetables	Nora	●	A	Felix	●	B	Beauvais, Gårdlykke	●	B	Felix	●	B	Põltsamaa, Spilva	●	B	Znojmia, Hamé	●	C	Felix	◔	B
Dressings	Idun	●	A	Felix	●	B	Bähncke	◑	A	Felix	◑	B	Spilva, Felix, Suslavicius	●	B C		○		Felix	◔	B
Herring, mackerel	Stabburet, Abba	●	A B	Abba	●	B	Glyngøre	◔	B	Boy, Ahti, Abba, Vesta	●	B C		○			○			○	
Cod roe spread		○		Kalles Kaviar	●	B		○		Kallen	●	B		○			○			○	
Cordials/soft drinks (non-carbonated)	FUN Light	◑	A	FUN Light, Önos, Jokk, BOB	●	B	FUN, Grønnegården, Scoop, Blomberg, Den Gamle Fabrik	◑	B C	FUN Light, Ekströms	●	B	Põltsamaa	◑	B A		○			○	
Ready meals (dried, frozen, chilled & canned)	TORO, Trondhjems	●	C A	Abba, Felix, Paulúns, Ekströms, Anamma	◔	B C	Beauvais, Bähncke, PAMA	◑	B A C		○		Põltsamaa, Spilva, Suslavicius	◑	B C	Hamé, Otma, Vitana	●	C A	Felix	◑	B
Cereal	Bare Bra	◔	A	Paulúns	◑	C	Det gode liv, Struer	◔	A		○		Paulúns	◔	C		○		Knusperli	◔	A
Patés	Stabburet	●	A		○			○			○			○		Hamé, Seliko, Májka	●	C		○	
Baby food		○			○			○			○			○		Hamánek	◔	C		○	
Sweet spreads	Nugatti	●	A		○			○			○			○			○			○	
Cured meat/salami	Vossafår	◔	A		○			○			○			○			○			○	

P = Position: ● STRONG no. 1, clearly stronger than no. 2, ◑ GOOD no. 1 or no. 2, equivalent in size to no. 1, ◔ PRESENT no. 2 or weaker, clearly weaker than no. 1, ○ NOT PRESENT/WEAK POSITION
R = Accounting treatment: A - Not capitalised, B - Capitalised through goodwill, C - Capitalised

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	NORWAY			SWEDEN			DENMARK			FINLAND			ESTONIA			LATVIA		
Products	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R
Orkla Confectionery & Snacks																		
Snacks	KiMs, Polly, Cheez Doodles Småsulten, Totenflak	◑	A C	OLW, Anyday	●	C A	KiMs, Anyday	●	C A	Taffel, Anyday	●	C A	Taffel	◔	C	Ādažu Čipsi, Taffel	●	A C
Biscuits	Café Bakeriet, Safari, Bixit, Ballerina, Kornmo	●	A	Ballerina, Brago, Singoalla	●	B		○		Kantolan, Ballerina	◔	A B	Selga	●	A	Selga	●	A
Confectionery	Stratos, Crispo, Doc, Smash!, Nidar Favoritter, Laban	◑	A	Panda, Smash!	◔	C A	KiMs	◔	C	Panda	◔	C	Kalev	●	C	Laima	●	C

P = Position: ● STRONG no. 1, clearly stronger than no. 2, ◑ GOOD no. 1 or no. 2, equivalent in size to no. 1, ◔ PRESENT no. 2 or weaker, clearly weaker than no. 1, ○ NOT PRESENT/WEAK POSITION
R = Accounting treatment: A - Not capitalised, B - Capitalised through goodwill, C - Capitalised

Note 19 cont.

	NORWAY			SWEDEN			DENMARK			FINLAND			BALTICS			POLAND			UK		
Products	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R
Orkla Care																					
Cleaning products	Comfort, Jif, Omo, Sun, Zalo	●	A	Grumme	◑	C	Renslet	◔	A	Lumme, WC-Kukka	◔	C		○			○			○	
Personal care products	Define, Dr Greve, Jordan, Lano, Sterilan	●	A C	Bliw, Family Fresh, Jordan, L300, LdB	◑	C	Jordan, P20, Perspirex	◔	C	Bliw, Erittäin Hieno Suomalainen, Jordan, L300, Family Fresh	◔	C	Jordan	◔	C	Dermika, Soraya, Jordan	◔	C	P20	○	C
Dietary supplements	Möller's, Nutrilett, Collett, Maxim, Star Nutrition	●	A C	Nutrilett, Pharbio, Maxim, Active Care, Star Nutrition, Litomove	●	C A	Gerimax, Futura, Pikasol, HUSK, Livol, Unikalk, Star Nutrition	● ◔	C	Möller's, Nutrilett, SanaSol, Star Nutrition	●	A C	Möller's	●	A	Möller's, Gerimax, Colon-C	● ◑ ◔	A C C		○	
Textiles	Pierre Robert, LaMote	●	C A	Pierre Robert, LaMote	◑	C A		○		Norlyn, Black Horse, Pierre Robert	●	C		○			○			○	
Wound Care	Salvequick, Cederroth	●	C	Salvequick, Cederroth	●	C	Salvequick	●	C	Salvequick, Cederroth	●	C		○		Salvequick	◔	C		○	
House Care[1]	Jordan	●	C	Anza	●	A	Spekter	●	A	Anza	●	A		○			○		Harris	●	C

[1]Painting tools for specialised retailers.

	NORWAY			SWEDEN			DENMARK		
Products	Major brands	P	R	Major brands	P	R	Major brands	P	R
Orkla Food Ingredients									
Yeast	Idun Mors Hjemmebakte	●	A	Kronjäst	●	B		○	
Marzipan	Odense	◑	B	Odense	◑	B	Odense	●	B
Margarine Plant based Butter blend spread		○ ○ ○			○ ○ ○		AMA Naturli' Bakkedal	◔ ● ◔	B A B

P = Position: ● STRONG no. 1, clearly stronger than no. 2, ◑ GOOD no. 1 or no. 2, equivalent in size to no. 1, ◔ PRESENT no. 2 or weaker, clearly weaker than no. 1, ○ NOT PRESENT/WEAK POSITION
R = Accounting treatment: A - Not capitalised, B - Capitalised through goodwill, C - Capitalised

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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 vehicles. Annual ordinary depreciation is an indication of the extent of the need for corresponding reinvestment.

Ⓟ PRINCIPLE

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

Considerable estimate uncertainty attaches in some cases to the value of property, plant and equipment. Both the valuation and estimated useful life are based on future information that always involves a degree of uncertainty. Tangible assets (property, plant and equipment) are essentially capitalised at the acquisition cost paid, and if they have a limited useful life, they are systematically depreciated over that period. Account is taken of their residual value. Useful life and residual value are based on estimates of future performance; see Note 18.

Uncertainty will be particularly high for a period of time to come during which Orkla plans to restructure its manufacturing footprint; see Note 4.

See Note 36 for disclosures of pledged assets and mortgages related to the Group's property, plant and equipment.

Orkla plans to invest more than NOK 500 million in 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 170 million was capitalised for this project as at 31 December 2018. Project costs related to the different stages are recognised as "Other income and expenses".

Note 20 cont. ➔

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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 2017	5 746	4 058	725	509	11 038
Investments	231	319	1 053	133	1 736
Disposals/scrapping	(19)	(30)	-	(3)	(52)
Reclassifications[1]	-	-	(55)	3	(52)
Companies acquired	11	30	-	11	52
Sold companies	(141)	(56)	(12)	(5)	(214)
Transferred assets under construction	175	384	(614)	55	0
Write-downs	(147)	(4)	-	(2)	(153)
Depreciation	(238)	(661)	-	(175)	(1 074)
Translation differences	193	182	5	22	402
Book value 31 December 2017	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[2]	-	(128)[1]	-	(113)
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
Initial cost 1 January 2018	9 216	14 315	1 102	2 325	26 958
Accumulated depreciation and write-downs	(3 405)	(10 093)	-	(1 777)	(15 275)
Book value 1 January 2018	5 811	4 222	1 102	548	11 683
Initial cost 31 December 2018	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 31 December 2018	5 919	4 234	2 103	504	12 760
Linear depreciation	2–4%	5–15%	-	15–25% IT equipment: 16–33%	

[1]Reclassifications relate to figures transferred to Note 19.
[2]Reclassifications relate to figures transferred to Note 22.

NOTE 21 OTHER ASSETS (NON-CURRENT)

Other assets (non-current) consist of financial investments of a long-term nature. Shares are presented at fair value with changes in value reported 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.

PRINCIPLE

Other assets are classified as non-current when they are not part of a normal operating cycle, not held for trading purposes or the entity has an unconditional right to defer payment for at least 12 months. Other receivables are current.

Amounts in NOK million	Measurement level	2018	2017
Share investment Kotipizza (see Note 39)	1	157	-
Share investments	3	81	68
Interest-bearing derivatives	2	79	145
Receivables interest-bearing	3	130	131
Receivables non interest-bearing	3	11	49
Total financial assets		458	393
Pension plan assets		30	32
Total other assets (non-current)		488	425

The principle for valuation of shares is disclosed in Note 24. Non-current and current shares are both treated as "Fair value with changes in value reported in comprehensive income". 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 22 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	2018	2017
Raw materials	1 860	1 871
Work in progress	448	408
Finished goods and merchandise	3 567	3 405
Total inventories	5 875	5 684
Inventories relating to Branded Consumer Goods:		
Orkla Foods	2 484	2 584
Orkla Confectionery & Snacks	662	597
Orkla Care	1 570	1 395
Orkla Food Ingredients	1 148	1 101
Branded Consumer Goods	5 864	5 677

PRINCIPLE

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 2018 of NOK 80 million (NOK 85 million in 2017). Inventories valued at net realisable value total NOK 45 million (NOK 38 million in 2017).

Development property

Inventories include development properties recognised at NOK 132 million (NOK 113 million in 2017). 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.

NOTE 23 CURRENT RECEIVABLES

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.

Accounts receivable and other trade receivables

Amounts in NOK million	2018	2017
Accounts receivable (A - B)	5 826	6 006
Other trade receivables	164	159
Total trade receivables	5 990	6 165

Breakdown of accounts receivable by due date:

Amounts in NOK million	2018	2017
Accounts receivable not due	4 991	5 348
Overdue receivables 1–30 days	599	493
Overdue receivables 31–60 days	117	79
Overdue receivables 61–90 days	43	34
Overdue receivables over 90 days	179	138
Accounts receivable carrying amount 31 December (A)	5 929	6 092

Change in provisions for bad debts:

Amounts in NOK million	2018	2017
Provisions for bad debts 1 January	86	90
Bad debts recognised as expense	17	11
Provisions in acquired companies	9	10
Provisions in sold companies	-	(7)
Final bad debts	(12)	(31)
Translation effects	3	13
Provisions for bad debts 31 December (B)	103	86

Ⓟ PRINCIPLE

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.

Derivatives are described in Note 31.

Ⓔ ESTIMATE UNCERTAINTY

Accounts receivable constitute a substantial part of the statement of financial position, and an incorrect assessment of customers' ability to pay could result in the account receivable no longer being recoverable and thus having to be written down in profit or loss. Provisions have been made for bad debts, which cover uncertain receivables to a reasonable extent. The credit risk is assessed as acceptable. See also the breakdown of accounts receivable by due date in this note and the disclosure of credit risk in Note 30.

Other receivables (current)

Amounts in NOK million	2018	2017
Non-interest-bearing derivatives	23	21
Interest-bearing receivables	6	55
Other current receivables	267	322
Total financial receivables	296	398
Advance payment to suppliers/earned income	461	441
Tax receivables	57	44
Total current receivables	814	883

Accounts receivable and other trade receivables, as well as financial receivables, are recognised at nominal value and derivatives in accordance with Level 2 valuation. See the measurement hierarchy in Note 31.

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NOTE 24 SHARES AND FINANCIAL ASSETS

The securities in the statement of financial position are the remainder of the former Share Portfolio (which the Group decided to sell off in 2011). From time to time there may be other securities with a short-term ownership horizon.

Amounts in NOK million	Fair value 31.12.2018	Fair value 31.12.2017
Unlisted securities	13	17
Of this owned by Orkla ASA	13	17

Profit or loss items related to shares and financial assets are disclosed in Note 15.

Ⓟ PRINCIPLE

Shares and financial assets are investments of a financial nature and are recognised at fair value with changes in value reported through comprehensive income. Shares are immediately recognised at fair value and both changes in value and any gains or losses are presented only in comprehensive income. Dividends received are recognised in the ordinary income statement when they are not to be regarded as a form of capital repayment by the company. Dividends are recognised at the time they are approved by the company paying out the dividend, which usually coincides with the date of payment. Purchases and sales of shares are recognised at trade date. This applies to both shares classified here and longer-term financial assets in Note 21.

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.

Ⓟ PRINCIPLE

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 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	2018	2017
Cash at bank and in hand[1]	1 723	3 703
Current deposits	83	1 016
Restricted deposits	172	115
Total cash and cash equivalents	1 978	4 834

[1]Of "Cash at bank or in hand" a total of NOK 196 million (NOK 214 million in 2017) 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. Pension obligations are disclosed in Note 12. 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.

Ⓟ PRINCIPLE

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.

Derivatives are described in Note 31.

Ⓔ 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	2018	2017
Pension liabilities	2 019	1 988
Derivatives	242	312
Other non-current liabilities	115	50
Other provisions	684	780
Total provisions and other non-current liabilities	3 060	3 130

Provisions with a maturity of less than 12 months are presented as "Other liabilities" (current).

Break-down of provisions and other non-current liabilities:

Amounts in NOK million	Branded Consumer Goods	Other provisions	Total
Provisions 1 Jan. 2017	24	262	286
New provisions	83	505	588
Utilised	(12)	(32)	(44)
Provisions 31 Dec. 2017	95	735	830
New provisions	30	53	83
Utilised	(10)	(104)	(114)
Provisions 31 Dec. 2018	115	684	799
	Main matters: Restructuring, minor personnel-related provisions and commitments to acquisitions of additional shares in companies	Main matters: Best estimate for uncertainty attached to guarantees and indemnities issued to Norsk Hydro in connection with the sale of Sapa, as well as compensation to property owners and demolition costs related to Saudefaldene, and insurance provisions in Third Party Writer company. Orkla self-insures for losses up to NOK 15 million. There are also some provisions related to discontinued operations.	Conclusion: The provisions cover known matters and as at 31 December 2018 there were no indications of any material change in estimated expenses.

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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.

Ⓟ PRINCIPLE

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	2018	2017
Accounts payable	3 328	3 426
Other trade payables	1 579	1 514
Total trade payables	4 907	4 940

Ⓔ ESTIMATE UNCERTAINTY

All types of accruals/provisions will involve a certain estimate uncertainty. Estimate uncertainty associated with customer bonuses, etc. is disclosed in Note 4.

Other liabilities (current)

Amounts in NOK million	2018	2017
Non-interest-bearing derivatives	15	14
Non-interest-bearing current liabilities	204	171
Total financial liabilities non-interest-bearing	219	185
Value added tax, employee taxes	806	830
Accrued wages and holiday pay	1 105	1 164
Other accrued costs	850	955
Total other liabilities (current)	2 980	3 134

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. For funding of partly owned subsidiaries, Orkla normally either provides loans according to its share of capital jointly with other shareholders, 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. There were no other changes in Orkla's approach and objectives regarding capital management during 2018.

Ⓢ 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.

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The Group's interest-bearing liabilities and equity consist of:

Amounts in NOK million	2018	2017
Non-current interest-bearing liabilities	(4 775)	(4 820)
Current interest-bearing liabilities	(455)	(359)
Non-current interest-bearing receivables	209	276
Current interest-bearing receivables	6	55
Cash and cash equivalents	1 978	4 834
Net interest-bearing liabilities	(3 037)	(14)
Group equity[1]	34 080	34 838
Net gearing (net interest-bearing liabilities/equity)	0.09	0.00

[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 3.0 billion through 2018, affected by share buy-backs of NOK 1.4 billion and acquisitions totalling NOK 1.1 billion, in addition to ordinary cash-flows and dividend payment. When implementing IFRS 16 from 1 January 2019, reported net interest-bearing liabilities will increase by approximately NOK 1.4 billion as a consequence of leasing 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 2018.

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 unutilised committed long-term credit facilities. As per 31 December 2018 these credit facilities were undrawn (also undrawn as per 31 December 2017).

Orkla's main funding sources are bilateral loans from Orkla's relationship banks and loans in the Norwegian bond market. Funds raised in the US Private Placement market were repaid during 2017. 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 2018 no new long-term loan agreements were entered into, nor were there any repayments of long-term loans. The remaining time to maturity of NOK 1.5 billion of the bilateral long-term credit facilities has been extended by one year.

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.

PRINCIPLE

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	31.12.2018	31.12.2017	31.12.2018	31.12.2017	Currency	in ccy [2]	Coupon[3]	Term
Non-current interest-bearing liabilities								
Bonds								
ORK80 (10694680)	941	966	953	990	NOK	1 000	Fixed 4.35%	2013/2024
ORK82 (11731730)	722	722	722	728	NOK	1 500	Nibor +0.69%	2015/2022
ORK83 (11774383)	675	676	673	682	NOK	1 000	Nibor +0.85%	2016/2023
ORK84 (11774391)	260	256	257	265	NOK	1 000	Fixed 2.35%	2016/2026
Other Private Placement	60	65	60	65				
Total bonds	2 658	2 685	2 665	2 730				
Of this current interest-bearing liabilities	-	-	-	-				
Bank loans	2 020	2 035	2 020	2 035				
Other loans	97	100	97	100				
Total non-current interest-bearing liabilities	4 775	4 820	4 782	4 865				
Current interest-bearing liabilities								
Bonds, maturity <1 year	-	-	-	-				
Bank loans, overdrafts	335	291	335	291				
Other loans	16	21	16	21				
Interest-bearing derivatives	104	47	104	47				
Total current interest-bearing liabilities	455	359	455	359				
Total interest-bearing liabilities	5 230	5 179	5 237	5 224				

[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	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Maturity <1 year	455	359	-	-
Maturity 1–3 years	480	111	1 067	-
Maturity 3–5 years	2 596	1 197	2 500	3 600
Maturity 5–7 years	1 345	2 989	-	-
Maturity >7 years	354	523	-	-
	5 230	5 179	3 567	3 600

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 and SEK.

As at 31 December 2018 the average remaining time to maturity of the Group's combined interest-bearing liabilities and unutilised credit facilities was 4.0 years, compared with 4.3 years as at 31 December 2017.

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 35). 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 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 2018 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	38	NOK	365	2019
EUR	3	GBP	3	2019
EUR	5	SEK	49	2019
SEK	122	NOK	113	2019
USD	7	DKK	45	2019
USD	5	NOK	40	2019
DKK	21	NOK	27	2019
CZK	76	NOK	28	2019

[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 2018, 61% (62% as at 31 December 2017) of the Group's interest-bearing liabilities was at fixed interest rates for periods exceeding one year, and the average time to the next interest rate adjustment was 3.3 years (4.0 years as at 31 December 2017). 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

	2018	Next interest rate adjustment						2017						
Amounts in NOK million	31.12.2018	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years	31.12.2017	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years
Bonds	2 658	1 458	-	-	-	-	1 200	2 685	1 463	-	-	-	-	1 222
Bank loans	2 031	2 026	-	-	-	5	-	2 051	2 051	-	-	-	-	-
Overdrafts	324	324	-	-	-	-	-	275	275	-	-	-	-	-
Other loans	113	16	97	-	-	-	-	121	21	100	-	-	-	-
Interest rate swaps (fair value hedge)	0	905	250	-	-	-	(1 155)	0	905	250	-	-	-	(1 155)
Interest rate swaps (cash flow hedge)	0	(2 045)	(982)	-	-	557	2 470	0	(2 062)	(976)	-	-	551	2 487
Interest rate derivatives (other)	0	(150)	-	-	150	-	-	0	(150)	-	-	50	100	-
Currency derivatives	104	93	10	1	-	-	-	47	39	7	1	-	-	-
Interest-bearing liabilities	5 230	2 627	(625)	1	150	562	2 515	5 179	2 542	(619)	1	50	651	2 554

TABLE 2b
Interest-bearing liabilities by instrument and currency

	2018							2017						
Amounts in NOK million	31.12.2018	NOK	SEK	EUR	USD	DKK	Other	31.12.2017	NOK	SEK	EUR	USD	DKK	Other
Bonds	2 658	2 598	-	-	-	29	31	2 685	2 620	-	-	-	32	33
Bank loans	2 031	-	970	1 044	-	5	12	2 051	-	1 000	1 035	-	2	14
Overdrafts	324	20	(25)	278	-	35	16	275	-	(43)	238	(3)	79	4
Other loans	113	72	2	3	-	4	32	121	77	5	4	-	3	32
Currency derivatives	104	(3 703)	550	399	(27)	1 846	1 039	47	(2 489)	492	(157)	48	908	1 245
Interest-bearing liabilities	5 230	(1 013)	1 497	1 724	(27)	1 919	1 130	5 179	208	1 454	1 120	45	1 024	1 328
Interest level borrowing rate (%)	3.3	(0.1)	3.8	4.2	3.1	0.3	3.5	3.7	2.9	3.8	6.6	4.0	0.4	3.8

For currency derivatives the asset and liability components are shown separately per currency, also including those that are recognised as 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. Group Treasury monitors liquidity flows, short- and long-term, 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

	31.12.2018							31.12.2017						
Amounts in NOK million	Book value	Contractual cash flow	<1 year	1–3 years	3–5 years	5–7 years	>7 years	Book value	Contractual cash flow	<1 year	1–3 years	3–5 years	5–7 years	>7 years
Interest-bearing loans	5 125	5 081	351	474	2 590	1 342	324	5 132	5 066	312	101	1 168	2 969	516
Interest payments	55	580	118	217	174	64	7	52	687	109	211	226	124	17
Accounts payable and other current financial liabilities	5 056	5 056	5 056	-	-	-	-	5 059	5 059	5 059	-	-	-	-
Subscribed, uncalled partnership capital	-	10	10	-	-	-	-	-	4	4	-	-	-	-
Net settled derivatives[1]	173	-	-	-	-	-	-	174	-	-	-	-	-	-
Inflow	-	(409)	(129)	(101)	(115)	(56)	(8)	-	(587)	(141)	(183)	(127)	(116)	(20)
Outflow	-	589	186	191	149	55	8	-	776	196	290	159	113	18
Gross settled derivatives[1]	86	-	-	-	-	-	-	33	-	-	-	-	-	-
Inflow	-	(5 026)	(5 026)	-	-	-	-	-	(3 983)	(3 983)	-	-	-	-
Outflow	-	5 097	5 097	-	-	-	-	-	4 008	4 008	-	-	-	-
Total	10 495	10 978	5 663	781	2 798	1 405	331	10 450	11 030	5 564	419	1 426	3 090	531

[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 3.6 billion at 31 December 2018 (NOK 3.6 billion at 31 December 2017).

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 23.

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	2018	2017
Cash and cash equivalents	1 978	4 834
Accounts receivable and other trade receivables	5 990	6 165
Other current receivables	273	377
Non-current receivables	141	180
Derivatives	102	166
Total	8 484	11 722

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 2018. 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

	31.12.2018: Accounting effect on				31.12.2017: 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	3	(3)	156	(167)	30	(30)	186	(193)
Currency risk: 10% change in FX-rate USD/NOK	3	(3)	9	(9)	3	(3)	12	(12)
Currency risk: 10% change in FX-rate EUR/NOK	4	(4)	(80)	80	7	(7)	(15)	15
Currency risk: 10% change in FX-rate SEK/NOK	-	-	21	(21)	-	-	74	(74)
Currency risk: 10% change in FX-rate DKK/NOK	-	-	34	(34)	-	-	20	(20)

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.

PRINCIPLE

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 cont.

The Group has implemented IFRS 9, and hedge accounting will be implemented prospectively as from 1 January 2018. The Group has applied hedge accounting in accordance with IFRS 9, which includes hedging instruments equivalent to those used under IAS 39, and the statement of income, and financial position have not been affected by the transition compared to IAS 39.

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			2018	2017	Nominal value[3] 2018	Nominal value[3] 2017	Purpose of hedging	Hedge accounting	Classification
Assets	Non-current	i.b.[1]	46	68	1 155	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	77	2 106	2 036	Interest rate swaps fixed to floating, closed out hedges of repaid loans	-	Fair value through profit and loss
Assets	Current	n.i.b.[2]	0	2	0	147	Total return swap hedging share exposure in pension obligations	-	Fair value through profit and loss
Assets	Current	n.i.b.	0	1	9	65	Currency forwards hedging monetary items in the statement of financial position	-	Fair value through profit and loss
Assets	Current	n.i.b.	23	18	764	897	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Liabilities	Non-current	n.i.b.	(242)	(312)	4 727	4 768	Interest rate swaps floating to fixed, hedging future interest payments	Cash flow hedge	Fair value through comprehensive income
Liabilities	Current	i.b.	(93)	(47)	4 110	2 697	Currency forwards hedging loans/deposits	-	Fair value through profit and loss
Liabilities	Current	i.b.	(11)	0	266	393	Currency forwards hedging net investments in foreign subsidiaries	Net investment hedge	Fair value through comprehensive income
Liabilities	Current	n.i.b.	(8)	(14)	150	150	Interest rate swaps floating to fixed, hedging future interest payments	-	Fair value though profit and loss
Liabilities	Current	n.i.b.	(7)	0	147	0	Total return swap hedging share price exposure in pension obligations	-	Fair value though profit and loss
Total derivatives			**(259)**	**(207)**					

[1] i.b. = Interest-bearing asset/liability
[2] n.i.b. = Non-interest-bearing asset/liability
[3] The nominal value is calclulated 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.

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 2018 NOK -14 million in hedging ineffectiveness from interest rate swaps classified as cash-flow hedges was recognised in the income statement (2017: NOK 0 million). All expected cash flows hedged in 2018 still qualify for hedge accounting.

Changes in the equity hedging reserve

Amounts in NOK million	2018	2017
Opening balance hedging reserve before tax	(296)	(398)
Reclassified to profit/loss – operating revenues	0	(2)
Reclassified to profit/loss – operating costs	(18)	1
Reclassified to profit/loss – net financial items	131	117
Fair value change during the year	(23)	(14)
Closing balance hedging reserve before tax	(206)	(296)
Deferred tax hedging reserve	48	68
Closing balance hedging reserve after tax	(158)	(228)

The change in the equity hedging reserve before tax in 2018 was NOK 90 million (NOK 102 million in 2017), and after tax, recognised in other comprehensive income, was NOK 70 million in 2018 (NOK 75 million in 2017).

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 2018 are expected to be recycled to the income statement as follows (before tax):

2019:	NOK -99 million
After 2019:	NOK -107 million

Hedges of net investments in foreign entities

When hedging the currency risk on foreign net investments, loans or currency derivatives are applied. In 2018 NOK -50 million was recorded in other comprehensive income after tax from net investment hedges (2017: NOK -171 million). The corresponding figures before tax are NOK -65 million (2017: NOK -225 million).

No effects were recorded in the income statement related to net investment hedges of divested investments in 2018 (NOK 185 million in 2017).

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 2018, NOK 22 million was recognised as costs in the income statement related to fair value changes in the interest rate swaps, and NOK 22 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 2018[1]

Shareholders			Number of shares	% of capital[2]
1	Canica AS		194 150 000	19.05%
2	Folketrygdfondet		76 441 544	7.50%
3	Tvist 5 AS		50 050 000	4.91%
4	State Street Bank and Trust Company	Nominee	40 513 242	3.98%
5	JPMorgan Chase Bank, N.A., London	Nominee	35 977 260	3.53%
6	State Street Bank and Trust Company	Nominee	34 333 252	3.37%
7	Orkla ASA		19 410 259	1.90%
8	Clearstream Banking S.A.	Nominee	15 168 496	1.49%
9	The Bank of New York Mellon	Nominee	15 104 180	1.48%
10	State Street Bank and Trust Company	Nominee	12 075 949	1.19%
11	State Street Bank and Trust Company	Nominee	12 051 001	1.18%
12	JPMorgan Chase Bank, N.A., London	Nominee	11 598 729	1.14%
13	The Bank of New York Mellon	Nominee	11 311 117	1.11%
14	State Street Bank and Trust Company	Nominee	10 575 967	1.04%
15	Invesco Funds		9 085 001	0.89%
16	The Northern Trust Company, London	Nominee	8 075 977	0.79%
17	Euroclear Bank S.A./N.V.	Nominee	7 595 728	0.75%
18	KLP AksjeNorge Indeks		7 073 009	0.69%
19	Société Générale	Nominee	6 818 768	0.67%
20	Stein Erik Hagen AS		5 800 000	0.57%
	Total shares		**583 209 479**	**57.24%**

[1]The list of shareholders is based on the Norwegian Central Securities Depository's (VPS) register of members at year end. For a list of grouped shareholders and nominee shareholders, see "Share information" on page 227.
[2]Of total shares issued.

Date/year	Number of shares	Nominal value (NOK)	Type of change	Amounts (NOK million)	Share capital (NOK million)
2008	1 028 930 970	1.25	amortisation	(9.4)	1 286.2
31 December 2008	1 028 930 970	1.25			1 286.2
31 December 2009	1 028 930 970	1.25			1 286.2
31 December 2010	1 028 930 970	1.25			1 286.2
31 December 2011	1 028 930 970	1.25			1 286.2
2012	1 018 930 970	1.25	amortisation	(12.5)	1 273.7
31 December 2012	1 018 930 970	1.25			1 273.7
31 December 2013	1 018 930 970	1.25			1 273.7
31 December 2014	1 018 930 970	1.25			1 273.7
31 December 2015	1 018 930 970	1.25			1 273.7
31 December 2016	1 018 930 970	1.25			1 273.7
31 December 2017	1 018 930 970	1.25			1 273.7
31 December 2018	1 018 930 970	1.25			1 273.7

Treasury shares as at 31 December 2018

	Nominal value (NOK)	Number of shares	Fair value (NOK million)
Shares owned by Orkla ASA	24 262 824	19 410 259	1 321

Ⓟ PRINCIPLE

Treasury shares have been deducted from Group equity at cost. The nominal value of the shares have been deducted from paid-in equity.

Note 32 cont.

Changes in the number of treasury shares

	2018	2017
Total as at 1 January	176 933	1 213 135
External purchases of treasury shares	20 000 000	1 500 000
Redemption of options in treasury shares	-	(965 000)
Orkla employee share purchase programme	(766 674)	(1 571 202)
Total as at 31 December	19 410 259	176 933

As at 31 December 2018, there were no options outstanding.

See the "Corporate governance" section on page 45 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 2,599 million for the 2018 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	2018	2017
Non-controlling interests' share of:		
Depreciation and write-downs	28	25
Operating profit	110	101
Profit/loss before taxes	106	99
Taxes	(24)	(24)

Changes in non-controlling interests:		
Non-controlling interests 1 January	430	402
Non-controlling interests' share of profit/loss	82	75
Increase due to acquisitions and capital increases in companies with non-controlling interests	-	3
Increase non-controlling interest due to sale to non-controlling interest	2	-
Decrease due to further acquisitions of non-controlling interests	(21)	(13)
Dividends to non-controlling interests	(42)	(52)
Translation differences	-	15
Non-controlling interests 31 December	451	430

Non-controlling interests relating to:		
Orkla Food Ingredients	245	232
Hydro Power	204	197
Financial Investments	2	1
Total non-controlling interests	451	430

Note 33 cont.

PRINCIPLE

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 Condite (Finland) and Ekvia (Czech Republic), Broer (Netherlands) and NIC (Netherlands).

The non-controlling interests in Hydro Power consist of a 15% ownership 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 LEASES

Leases shows the Group's current and non-current commitments arising from leasing contracts for property, plant and equipment. Most leases are regarded as operating leases, and the lease amounts are presented only as operating expenses in the Group's income statement. Finance leases are capitalised.

PRINCIPLE

Leases are classified according to the extent to which the risks and rewards associated with ownership of a leased asset lie with the lessor or the lessee. A lease is classified as a finance lease if it substantially transfers all risks and rewards incidental to ownership of an asset. Finance leases are capitalised and depreciated over the lease period. Other leases are operating leases. Expenses related to such leases are reported as current operating expenses; see Note 13.

IFRS 16 Leases

The new IFRS 16 Leases entered into force on 1 January 2019 and 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, but the comparative figures do not change.

In 2018, all leases in the Group were registered and right-of-use assets and lease liabilities were calculated. At the same time, it was determined that Orkla's leasing agreements with Statkraft, whereby AS Saudefaldene has use of all stations until 2030, are deemed to fall within the scope of IFRS 16. This assessment related to the agreements was disclosed in the 2017 financial statements, but not included in the calculation of the implementation effect. Orkla has a right to terminate the agreement with Statkraft at any time subject to three to four years' notice, and extension of the lease is considered annually. Between three and four years' rent are capitalised at all times.

The companies in the Orkla Group own virtually all their own means of production and production facilities. The Group's lease agreements largely concern vehicles such as cars and forklifts and office and warehouse premises.

Based on the preliminary review, the Orkla Group will have capitalised right-of-use assets totalling around NOK 1.3 billion, while leasing liabilities will amount to around NOK 1.4 billion. This reduces the equity ratio by around 1.7 percentage points. Under the new rules, the capitalised leases will have to be written off over the lease period and presented together with the Group's other write-offs. The interest effect of the discounting will be presented as a financial item. The profit or loss effects result in a limited increase in the Group's operating profit.

Note 34 cont.

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Rented/leased property, plant and equipment	Machinery/ plant		Land, building, property		Fixtures, vehicles etc.		Other assets		Lessee Operating leases Total	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Cost current year	24	23	334	326	122	96	7	8	487	453
Cost next year	24	22	240	301	105	84	4	6	373	413
Total costs 2–5 years	17	21	622	604	145	114	11	10	795	749
Total costs after 5 years	2	1	132	140	37	8	1	2	172	151
Total future leasing costs	43	44	994	1 045	287	206	16	18	1 340	1 313

Rented/leased property, plant and equipment	Machinery/ plant		Land, building, property		Fixtures, vehicles etc.		Other assets		Lessee Finance leases Total	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Cost current year	3	3	-	-	10	12	-	-	13	15
Cost next year	3	3	-	-	11	10	-	-	14	13
Total costs 2–5 years	4	5	-	-	13	22	-	-	17	27
Total costs after 5 years	-	-	-	-	-	2	-	-	-	2
Total future leasing costs	7	8	-	-	24	34	-	-	31	42
Discounted effect	-	-	-	-	(1)	(1)	-	-	(1)	(1)
Net present value leasing costs	7	8	-	-	23	33	-	-	30	41

The Group also leases out real estate under operating leases. Leasing revenues in 2018 totalled NOK 77 million.
Total future leasing revenues amount to NOK 174 million: NOK 36 million in 2019 and NOK 138 million after 2020.

NOTE 35 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] Storlivatn power plant Svartkulp power plant Dalvatn power plant Sønnå Høy power plant Sønnå Lav power plant Storli mini power plant Kleiva small power plant	1 911 GWh	 Operation started 1970 Operation started November 2001 Operation started December 2006 Operation started August 2008 Operation started October 2008 Operation started February 2009 Operation started November 2009	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.
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	282 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, Vest-Agder	31 GWh	100% ownership, infinite licence period.	
Mossefossen power plant[2] Hydropower run-of-river, Moss, Østfold	14 GWh	100% ownership, partly infinite licence period.	
Power contracts			
SiraKvina replacement power Vest-Agder	35 GWh	Infinite	Replacement for lost production in Trælandsfos.

[1]Orkla owns 85% of AS Saudefaldene.
[2]Actual median annual production (2011–2018) at current capacities.

NOTE 36 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	2018	2017
Liabilities secured by pledges	57	62
Pledged assets		
Machinery, vehicles etc.	7	6
Buildings and plants	108	84
Inventory	2	2
Accounts receivables	33	32
Other assets	2	3
Total book value	152	127

"Liabilities secured by pledges" and "Pledged assets" are mainly security for loans in partly-owned companies. "Other guarantee commitments" are mainly guarantees in connection with the construction of Orkla's new headquarters.

Guarantees

Amounts in NOK million	2018	2017
Subscribed, uncalled limited partnership capital	10	4
Other guarantee commitments	166	188
Total guarantee commitments	176	192

Ⓟ PRINCIPLE

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 37 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 27 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 24.5% of shares issued) through the Canica system. The Canica system and Orkla both have equity interests in a real estate investment. The Orkla Group also makes sales to companies in the Canica system. These sales are agreed on market conditions and total around NOK 20 million. Canica AS has entered into an agreement with Orkla ASA to lease office premises in Karenslyst allé 6 from 1 October 2017 to 31 December 2020.

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.

Ⓟ PRINCIPLE

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 38 DISCONTINUED OPERATIONS

In a Group as large as Orkla, the corporate structure will change over time as companies are sold and purchased. In connection with major acquisitions, pro forma figures will normally be prepared for the new business combination. Major divestments will be presented on one line in the income statement as "Discontinued operations". This is done in order to make the figures comparable over time and to focus on continuing operations.

Ⓟ PRINCIPLE

Discontinued operations/held for sale
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.

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

Profit & loss for "Discontinued operations"

Amounts in NOK million	2018	2017
Profit/loss from joint venture	-	800
Gain on sale	-	4 266
Discontinued operations	-	5 066

Total comprehensive income related to Sapa for 2017 amounted to NOK 4,048 million after translation differences of NOK -1,018 million.

In May 2017, Orkla received a dividend from Sapa of NOK 1,500 million. The proceeds of the sale amounted to NOK 11.9 billion.

NOTE 39 OTHER MATTERS

Several factors that are not strictly accounting matters may be crucial to the way in which the financial statements are understood. 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. Orkla has a long-term cooperation agreement with Unilever relating to cleaning and personal care products sold through Lilleborg AS (OHPC Norge). The agreement was originally entered into in 1958, and has since been renewed several times. The current agreement was entered into on 1 July 2014, and was extended this year, until 30 June 2021.

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.

The Non-Annex 1 raw material price compensation agreement (RÅK). Through the EEA Agreement, Norway has regulated trade in processed agricultural products (Non-Annex 1 products). The agreement ensures free movement of goods, but customs duties and a compensation system 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 non-Annex 1 products.

Note 39 cont. ➔

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 the soybeans actually were exported. The second lawsuit concerns a claim from the estate of a local bank 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 at second instance. Orkla's legal advisers in Brazil consider the decisions to be erroneous, and have appealed them in both cases. The appeal to the supreme court has been allowed in the Banco Santos case, while a decision is awaited in the VAT case. 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%.

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

Property tax Saudefaldene. After lengthy negotiations, a settlement was reached in the lawsuit brought by AS Saudefaldene against Sauda Municipality, Odda Municipality and Suldal Municipality relating to the duty to pay property tax on Sønnå Høy. Under the settlement, AS Saudefaldene is to pay the municipalities an amount totalling approx. NOK 6 million of a total claim of approx. NOK 25 million.

Acquisitions. On 22 November 2018, Orkla made a tender offer to purchase all the shares in Kotipizza Group Oyj ("Kotipizza"). In February, the final results of the offer showed that the acceptances received represented approximately 99.99% of all shares and votes in Kotipizza. Orkla purchased 11% of the shares in the market before the end of the year. All of the conditions have now been fulfilled, and Orkla will consequently complete the share purchase offer in accordance with its conditions. Orkla intends to acquire 100% ownership of Kotipizza, which means that a subsequent offer period and the process of compulsory acquisition of the remaining Kotipizza shares will now be initiated.

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. Kotipizza was listed on Nasdaq Helsinki. The offer price was EUR 23 per share (approx. NOK 224 per share), which values Kotipizza's equity at around EUR 146.1 million (approx. NOK 1.4 billion). Kotipizza had a net total turnover of EUR 84.1 million (approx. NOK 789 million) in the 2017 financial year and EBIT of EUR 6.4 million (approx. NOK 60 million).

Orkla has entered into an agreement to purchase 90 percent of the shares in Easyfood A/S, a Danish manufacturer of bake-off bakery goods for the out-of-home channel. Easyfood has established itself as a solid supplier to the out-of-home market in Denmark and has a growing customer base. Easyfood currently has 144 employees. At the end of October 2018, the company had a turnover of DKK 316.1 million (approx. NOK 415 million) for the last 12 months, and normalised EBITDA of DKK 33.7 million (approx. NOK 44 million) in the same period. The parties have agreed on a purchase price that values the company at DKK 330 million (approx. NOK 433 million). The agreement is subject to the approval of the Danish competition authorities.

NOTE 40 THE ORKLA-FORMAT CASH FLOW STATEMENT

The Orkla-format cash flow statement is presented in the Board of Directors report and 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 management of the business areas and is part of the presentation of segment information.

The full Orkla-format 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 Orkla 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, acquisition of companies, disposal of companies and changes in the level of investments in shares and financial assets. Direct expansion investments are defined as investments in new geographical markets or new categories or investments that represent substantial increases in capacity; see page 224 Alternative Performance Measures (APM). 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	2018	2017
Cash flow from Branded Consumer Goods incl. HQ		
EBIT (adj.)	4 387	4 311
Amortisation, depreciation and impairment charges	1 154	1 107
Changes in net working capital	(190)	27
Net replacement expenditures	(1 393)	(1 048)
Cash flow from operations (adj.)	3 958	4 397
Cash flow effect of "Other income and expenses" and pensions	(496)	(348)
Cash flow from operations, Branded Consumer Goods incl. HQ	3 462	4 049
Cash flow from operations, Orkla Investments	26	66
Financial items, net	(145)	(222)
Taxes paid	(904)	(934)
Dividends received	186	1 727
Other payments	(42)	69
Cash flow before capital transactions	2 583	4 755
Dividends paid	(2 685)	(7 790)
Net sale/purchase of treasury shares	(1 378)	50
Cash flow before expansion	(1 480)	(2 985)
Expansion investment in industrial activities	(531)	(206)
Sale of companies (enterprise value)	47	12 520
Purchase of companies (enterprise value)	(1 080)	(901)
Net purchase/sale shares and financial assets	-	43
Net cash flow	(3 044)	8 471
Currency effects of net interest-bearing liabilities	21	(429)
Change in net interest-bearing liabilities	3 023	(8 042)
Net interest-bearing liabilities	3 037	14

Note 40 cont.

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	0	21	21
Currency effects cash and cash equivalents	4	-	4
Net cash flow from/(used in) financing acitivites	**120**	**(36)**	**84**

Reconciliation of change in interest-bearing items 2017

Amounts in NOK million	Interest-bearing assets	Interest-bearing liabilities	Net interest-bearing liabilities
Balance 1 January 2017	1 612	(9 668)	(8 056)
Balance 31 December 2017	5 165	(5 179)	(14)
Change net interest-bearing liabilities from cash flow Orkla-format	**(3 553)**	**(4 489)**	**(8 042)**
Of this change cash and cash equivalents	3 630	-	3 630
Change net interest-bearing liabilities excluding cash and cash equivalents	77	(4 489)	(4 412)
Interest-bearing items from acquired and sold companies	(2)	77	75
Currency effects interest-bearing items	20	(449)	(429)
Currency effects cash and cash equivalents	(17)	-	(17)
Net cash flow from/(used in) financing acitivites	**78**	**(4 861)**	**(4 783)**

NOTE 41 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.

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. Since the balance sheet date, Orkla has learned that an agreement-in-principle has been reached between subsidiaries of Norsk Hydro and the US Department of Justice (DOJ), Civil and Criminal Divisions, related to the case referred to in Note 6 of Orkla's Annual Financial Statements for 2016, whereby Hydro's subsidiaries will, subject to further terms that still have to be agreed, pay approximately NOK 400 million. Orkla is to indemnify Norsk Hydro for 50% of the final amount. The entire amount will be covered by earlier provisions; see Note 4 and Note 26.

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. See also Note 39 for acquisitions after the balance sheet date.