

Annual Financial
Statements
Orkla Group 2017

04



INCOME STATEMENT, EARNINGS PER SHARE AND STATEMENT OF COMPREHENSIVE INCOME

The Income Statement presents revenues and expenses for the companies consolidated in the Group and measures the results for the accounting period in accordance with current IFRS. All internal matters have been eliminated. The income statement distinguishes between what is deemed to be the Group's operations and what is deemed to be of a more financial nature. Special matters related to operating activities are presented on a separate line as "Other income and expenses". Material divestments are presented on the line for "Discontinued operations". The notes explain the contents of the different lines of the statement.

Earnings per Share are calculated on the basis of profit/loss for the year attributable to owners of the parent divided by the average number of shares outstanding.

The Statement of Comprehensive Income shows the result of all income and expenses that are credited/charged to equity, but are not included in profit/loss for the year and are not transactions with owners.

| Amounts in NOK million | Note | 2017 | 2016 |
|--|-----------|----------|----------|
| INCOME STATEMENT | | | |
| Sales revenues | 7, 9 | 39 324 | 37 092 |
| Other operating revenues | 7, 9 | 237 | 666 |
| Operating revenues | 7, 9 | 39 561 | 37 758 |
| Cost of materials | 7, 10 | (19 718) | (18 712) |
| Payroll expenses | 7, 11, 12 | (7 567) | (7 259) |
| Other operating expenses | 7, 13 | (6 457) | (6 343) |
| Depreciation, amortisation and write-downs | 7, 19, 20 | (1 184) | (1 146) |
| Operating profit before other income and expenses (EBIT adj.) | 7 | 4 635 | 4 298 |
| Other income and expenses | 7, 14 | (201) | (382) |
| Operating profit | 7 | 4 434 | 3 916 |
| Profit/loss from associates | 6, 7 | 313 | 488 |
| Interest income | 15 | 90 | 83 |
| Interest costs | 15 | (239) | (260) |
| Other financial income | 15 | 76 | 270 |
| Other financial costs | 15 | (103) | (205) |
| Profit/loss before taxes | | 4 571 | 4 292 |
| Taxes | 16 | (980) | (807) |
| Profit/loss after taxes from continuing operations | | 3 591 | 3 485 |
| Gains/loss/profit discontinued operations | 38 | 5 066 | 890 |
| Profit/loss for the year | | 8 657 | 4 375 |
| Profit/loss attributable to non-controlling interests | 7, 33 | 75 | 82 |
| Profit/loss attributable to owners of the parent | | 8 582 | 4 293 |

| Amounts in NOK million | Note | 2017 | 2016 |
|--|--------|---------|---------|
| EARNINGS PER SHARE | | | |
| Earnings per share (NOK) | 17 | 8.43 | 4.22 |
| Earnings per share, diluted (NOK) | 17 | 8.43 | 4.22 |
| Earnings per share for continuing operations, diluted (NOK) | 17 | 3.46 | 3.34 |
| STATEMENT OF COMPREHENSIVE INCOME | | | |
| Profit/loss for the year | | 8 657 | 4 375 |
| <i>Items after tax not to be reclassified to profit/loss in subsequent periods</i> | | | |
| Actuarial gains and losses pensions | 12, 16 | (30) | (53) |
| <i>Items after tax to be reclassified to profit/loss in subsequent periods</i> | | | |
| Change in unrealised gains on shares | 16, 24 | (53) | (234) |
| Change in hedging reserve | 16, 31 | 75 | 46 |
| Items charged to equity in associates and joint ventures | 6, 38 | (1 026) | (611) |
| Translation effects | | 1 259 | (1 141) |
| Hedging of net investment in foreign operations | 31 | (171) | 493 |
| Comprehensive income | | 8 711 | 2 875 |
| Comprehensive income attributable to non-controlling interests | | 90 | 76 |
| Comprehensive income attributable to owners of the parent | | 8 621 | 2 799 |

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position presents the Group's assets, broken down into non-current and current items, and shows how they have been financed, broken down into equity and non-current and current liabilities. All internal matters have been eliminated. IFRS-based financial statements are oriented towards the statement of financial position and only items that satisfy the criteria for definition as assets and liabilities may be recognised in the statement of financial position. Equity is a residual.

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

| Amounts in NOK million | Note | 2017 | 2016 |
|--|-----------|--------|--------|
| ASSETS | | | |
| Property, plant and equipment | 7, 18, 20 | 11 683 | 11 038 |
| Intangible assets | 7, 18, 19 | 19 881 | 18 241 |
| Deferred tax assets | 16 | 40 | 102 |
| Investments in associates and joint ventures | 6, 7 | 3 683 | 12 508 |
| Other assets | 21 | 425 | 640 |
| Total non-current assets | | 35 712 | 42 529 |
| Inventories | 7, 22 | 5 684 | 5 195 |
| Inventory of development property | 7, 22 | 113 | 70 |
| Trade receivables | 23 | 6 165 | 5 597 |
| Other receivables | 23 | 883 | 902 |
| Shares and financial assets | 24 | 17 | 107 |
| Cash and cash equivalents | 25 | 4 834 | 1 204 |
| Total current assets | | 17 696 | 13 075 |
| Total assets | | 53 408 | 55 604 |

| Amounts in NOK million | Note | 2017 | 2016 |
|--------------------------------------|--------|--------|--------|
| EQUITY AND LIABILITIES | | | |
| Paid-in equity | 32 | 1 995 | 1 994 |
| Retained earnings | | 32 413 | 31 480 |
| Non-controlling interests | 33 | 430 | 402 |
| Total equity | | 34 838 | 33 876 |
| Interest-bearing liabilities | 28, 29 | 4 820 | 7 172 |
| Deferred tax | 16 | 1 604 | 1 591 |
| Provisions and other liabilities | 26 | 3 130 | 2 555 |
| Total non-current liabilities | | 9 554 | 11 318 |
| Interest-bearing liabilities | 28, 29 | 359 | 2 496 |
| Income tax payable | 16 | 583 | 647 |
| Trade payables | 27 | 4 940 | 4 329 |
| Other liabilities | 27 | 3 134 | 2 938 |
| Total current liabilities | | 9 016 | 10 410 |
| Total equity and liabilities | | 53 408 | 55 604 |

STATEMENT OF CASH FLOWS

The Statement of Cash Flows in accordance with IFRS shows how the Group's cash flows are broken down into cash flow from operating, investing and financing activities, according to the indirect method. The cash flow statement explains the general changes in the Group's liquidity since the previous accounting period. Orkla also prepares a separate cash flow statement that is used for internal management purposes and is part of the basis for the comments in the Report of the Board of Directors and the presentation in the segment information (see Note 40).

| Amounts in NOK million | Note | 2017 | 2016 |
|--|----------|---------------|----------------|
| Profit before taxes | | 4 571 | 4 292 |
| Amortisation, depreciation and write-downs | | 1 330 | 1 161 |
| Changes in net working capital, etc. | | (268) | (460) |
| Profit from associates | 6 | (313) | (488) |
| Dividends received from associates and joint ventures | 6, 38 | 1 720 | 222 |
| Gains, losses and write-downs shares and financial assets, moved to investing activities | 15 | (47) | (187) |
| Financial items without cash flow effect | 15 | 8 | 84 |
| Taxes paid | | (934) | (506) |
| CASH FLOW FROM OPERATING ACTIVITIES | | 6 067 | 4 118 |
| Sale of property, plant and equipment | 8 | 142 | 282 |
| Investments in property, plant and equipment and intangible assets | 8 | (1 729) | (1 649) |
| Sold companies | 5, 6, 38 | 12 345 | 264 |
| Acquired companies | 5, 6 | (801) | (2 151) |
| Net sale of shares and financial assets | 24 | 43 | 1 194 |
| Other capital transactions | | 69 | 11 |
| CASH FLOW FROM INVESTING ACTIVITIES | | 10 069 | (2 049) |

| Amounts in NOK million | Note | 2017 | 2016 |
|---|------|-----------------|----------------|
| Dividends paid | | (7 790) | (2 599) |
| Sale of treasury shares | | 163 | 67 |
| Buy-back of treasury shares | | (113) | (144) |
| Net paid to shareholders | 32 | (7 740) | (2 676) |
| Change in interest-bearing liabilities | 29 | (4 861) | 900 |
| Change in interest-bearing receivables | | 78 | 200 |
| Change in net interest-bearing liabilities¹ | 40 | (4 783) | 1 100 |
| CASH FLOW FROM FINANCING ACTIVITIES | | (12 523) | (1 576) |
| Currency effect on cash and cash equivalents | | 17 | (10) |
| Change in cash and cash equivalents | | 3 630 | 483 |
| Cash and cash equivalents 1 January | | 1 204 | 721 |
| Cash and cash equivalents 31 December | 25 | 4 834 | 1 204 |
| Change in cash and cash equivalents | | 3 630 | 483 |

¹Reported excl. interest-bearing liabilities and receivables that are part of the transaction when companies are bought and sold; see the reconciliation in Note 40.

The change in net interest-bearing liabilities is presented as a net figure in accordance with the way in which financing activities are managed (Note 28). Thus, a presentation of the gross increase in and repayment of loans is not a reliable indicator as such cash flows take place frequently within the bilateral borrowing facilities. In practice, day-to-day changes in cash flow in the Group will generate increases in/repayments of loans under the long-term facilities, resulting in correspondingly high gross figures.

STATEMENT OF CHANGES IN EQUITY

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

| Amounts in NOK million | Share capital | Treasury shares | Premium fund | Total paid-in equity | Unrealised gains shares ¹ | Hedging reserve ² | Items charged to equity in associates and JV ³ | Net translation effects | Other retained equity | Total Group | Non-controlling interests | Total equity |
|---|---------------|-----------------|--------------|----------------------|--------------------------------------|------------------------------|---|-------------------------|-----------------------|----------------|---------------------------|----------------|
| Equity 1 January 2016 | 1 274 | (1) | 721 | 1 994 | 287 | (349) | 1 693 | 1 291 | 28 413 | 33 329 | 417 | 33 746 |
| Profit/loss for the year | - | - | - | - | - | - | - | - | 4 293 | 4 293 | 82 | 4 375 |
| Items in comprehensive income | - | - | - | - | (234) | 46 | (611) | (642) | (53) | (1 494) | (6) | (1 500) |
| Group comprehensive income | - | - | - | - | (234) | 46 | (611) | (642) | 4 240 | 2 799 | 76 | 2 875 |
| Dividends paid | - | - | - | - | - | - | - | - | (2 545) | (2 545) | (54) | (2 599) |
| Net purchase of treasury shares | - | - | - | - | - | - | - | - | (77) | (77) | - | (77) |
| Change in non-controlling interests (see Note 33) | - | - | - | - | - | - | - | - | (32) | (32) | (37) | (69) |
| Equity 31 December 2016 | 1 274 | (1) | 721 | 1 994 | 53 | (303) | 1 082 ⁴ | 649 | 29 999 | 33 474 | 402 | 33 876 |
| Profit/loss for the year | - | - | - | - | - | - | - | - | 8 582 | 8 582 | 75 | 8 657 |
| Items in comprehensive income | - | - | - | - | (53) | 75 | (868) ⁵ | 915 ⁵ | (30) | 39 | 15 | 54 |
| Group comprehensive income | - | - | - | - | (53) | 75 | (868) | 915 | 8 552 | 8 621 | 90 | 8 711 |
| Dividends paid | - | - | - | - | - | - | - | - | (7 738) | (7 738) | (52) | (7 790) |
| Net purchase of treasury shares | - | 1 | - | 1 | - | - | - | - | 49 | 50 | - | 50 |
| Change in non-controlling interests (see Note 33) | - | - | - | - | - | - | - | - | 1 | 1 | (10) | (9) |
| Equity 31 December 2017 | 1 274 | 0 | 721 | 1 995 | 0 | (228) | 214 | 1 564 | 30 863 | 34 408 | 430 | 34 838 |

¹See Note 24 for unrealised gains before tax.³Items charged to equity in associates and joint ventures (JV).⁵Translation differences related to associates and JV reported along with the Group's²See Note 31 for the hedging reserve before tax.⁴Including NOK -33 million (NOK -47 million in 2016) in actuarial gains and losses relating to pensions.

translation differences have been reclassified with the amount of NOK 158 million.

Oslo, 13 March 2018
The Board of Directors of Orkla ASA

Stein Erik Hagen
Chairman of the BoardGrace Reksten Skaugen
Deputy Chair of the Board

Ingrid Jonasson Blank

Lars Dahlgren

Liselott Kilaas

Nils K. Selte

Lisbeth Valther

Terje Utstrand

Karin Hansson

Sverre Josvanger

Roger Vangen

Peter A. Ruzicka
President and CEO

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