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. Any changes in accounting principles are disclosed, together with individual events that are unusual in this year's financial statements, including in relation to previously presented financial statements.

General

The consolidated financial statements for Orkla ASA, including notes, for the year 2017 were approved by the Board of Directors of Orkla ASA on 13 March 2018. 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 2017 have been prepared and presented in full compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The valuation and recognition of the items in the financial statements have been carried out in accordance with applicable IFRS standards.

No changes have 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.

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).

Orkla sold its 50% interest in Sapa to Norsk Hydro in the third quarter of 2017. Sapa was classified as a joint venture and accounted for using the equity method. As a result of the divestment and the fact that the Group sold a substantial asset, Sapa has been reclassified to the line for "Discontinued operations" in the income statement, both for 2017 and in the comparative figures (see Note 38).

The Group has not made any other changes in presentation or accounting principles or applied any new standards that materially affect its financial reporting or comparisons with previous periods.

Orkla uses EBIT (adj.) in both the income statement and in its presentation of segment results. EBIT (adj.) is defined as "Operating profit/loss before other income and expenses". "Other income and expenses" are disclosed below in both Note 4 and Note 14.

Orkla uses the term "organic growth" to explain changes in operating revenues. "Organic growth" is not an accounting term, but is used in the Report of the Board of Directors and elsewhere. "Organic growth" is defined as turnover growth adjusted for currency translation effects, acquisitions and disposals.

The term "expansion investments" is defined in Note 40 "Orkla-format cash flow presentation". The term is also used in the segment information in Note 7.

Changes in the composition of the Group in 2017

As already disclosed, Orkla sold its 50% interest in Sapa to Norsk Hydro. Sapa was accounted for using the equity method as a joint venture and thus the reclassification to "Discontinued operations" affects only the line for "Profit/loss from associates and joint ventures" and subsequent sum lines.

Acquisitions and disposals of companies are presented in Note 5. The biggest acquisition in 2017 was Riemann in Orkla Care. Orkla Foods sold K-Salat in Denmark and Orkla Eiendom sold three real estate properties in 2017.

Other income and expenses

Special matters relating to operations are presented on a separate line as "Other income and expenses" because they only to a limited degree are reliable as a measurement of the Group's ongoing earnings. The most important matters are disclosed in Note 14.

Other matters

As from 2018 and 2019, respectively, three new IFRS standards will come into effect. These are Financial Instruments (2018), Revenue from Contracts with Customers (2018) and Leases (2019). The standards and the degree to which they will affect Orkla's financial statements are disclosed in the respective notes. Generally speaking, the first two will have relatively little consequence, while the introduction of the standard on leases will have a greater impact and require capitalisation of all leases.

Orkla has no loan agreements containing financial covenants.

Impairment tests that have been carried out confirm that the capitalised value as at 31 December 2017 of the Group's most exposed assets is intact (see Note 18).

Note 1 cont.

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The Norwegian krone weakened during 2017. This increases the value of foreign investments, and a net total of NOK 1,088 million in positive translation differences has consequently been recognised in equity.

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 attaches importance to understanding their views. The companies in the Group seek to ensure that complaints and enquiries are dealt with efficiently and effectively. By collaborating with others, Orkla can make greater progress in its efforts to promote a sustainable value chain.

Orkla prepares a separate sustainability report that describes the progress made in efforts to address environmental and social issues. The sustainability report is presented as part of Orkla's Annual Report, and further information on the reporting criteria is provided in this report.

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 both 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.

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 65.2% as at 31 December 2017 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 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

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 have been fully 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 has the ability to use its power over the subsidiary to affect the amount of its returns. 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/loss after tax and their share of equity are presented on separate lines. As at 31 December 2017, there were no companies 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/loss from joint ventures and associates will be presented on an ongoing basis as part of the Group's profit/loss. These are both presented using the equity method. This applies to

Note 2 cont.

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 available for sale and recognised in the statement of financial position at fair value with changes in value 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 equity is translated at the closing rate. The second is when the opening and closing rates of the equity differ. When the average exchange rate in the income statement and the opening rate in the 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 in comprehensive income. 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	
	2017	2016	2017	2016
EUR	9.33	9.29	9.84	9.09
SEK	0.97	0.98	1.00	0.95
DKK	1.25	1.25	1.32	1.22

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 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.

Structure of the financial statements

The complete set of financial statements consists of an income statement, statement of comprehensive income, a statement of financial position, a statement of cash flows and a statement of changes in equity.

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

The statement of comprehensive income is based on the Group's profit/loss for the year and presents items that are recognised in equity, but not included in ordinary profit/loss for the period. The items in the statement are actuarial gains and losses on pensions, changes in hedging reserves in hedging transactions, changes in unrealised gains or losses on investments in shares, and currency translation effects. Actuarial gains and losses on pensions 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 also 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, current and non-current items.

Note 3 cont.

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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. The bottom line of the statement, which is presented in Note 40, shows the change in net interest-bearing liabilities. Segment information and information provided in the Report of the Board of Directors refer extensively 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 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 standards that could entail changes are the new IFRS 15 Revenue from Contracts with Customers (in force in 2018), IFRS 9 Financial Instruments (in force in 2018) and IFRS 16 Leases (in force in 2019). Work is also in progress on changes in the IFRS Conceptual Framework and a new standard for Insurance Contracts.

Generally speaking, the Leases standard seems likely to have the greatest impact on the Orkla Group. It will impose a requirement to capitalise all non-immaterial leases and it may be difficult to fix the demarcation between them and service contracts. The requirement to capitalise 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. 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. The analysis and outcome of the change will depend on the leasing portfolio remaining virtually unchanged until the standard comes into force. New rules may lead to new stances on and changed assessments of the benefit of leasing. More detailed calculations of this effect are presented in Note 34.

As far as the Income Recognition standard is concerned, it looks as though the effects will be very limited for the type of sales the Orkla Group primarily has. Further details regarding effects are disclosed in Note 9.

On the whole, the changes in IFRS 9 Financial Instruments do not appear to affect the Group significantly. Implementation of the standard will not necessitate the restatement of historical figures, and the standard's rules on classification, impairment assessments or hedge accounting are not expected to affect the financial statements. The hedging relationships that qualify for hedge accounting under IAS 39 are expected to continue to qualify under IFRS 9. Moreover, under IFRS 9, more hedging relationships may qualify for hedge accounting in future, but this is not expected to have a material effect on the financial statements.

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

The preparation of financial statements entails that the executive management must make decisions on the closing date on the basis of the information and discretionary assessments available on the date in question. This may apply to estimates and assumptions relating to financial statement items or other matters that may also have a material influence on the valuation of the company. It is important that the financial statement user is aware of these different items and the valuation techniques used to determine the values in the financial statements. 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:

Note 4 cont.

Amounts in NOK million

Accounting item	Note	Estimate/assumptions	Carrying value
Goodwill	18, 19	Net present value future cash flows/NSV[1]	14 150
Trademarks with indefinite life	18, 19	Net present value future cash flows/NSV[1]	5 312
Property, plant and equipment	18, 20	Net present value future cash flows/NSV[1]	11 683
Discounts, returns etc.	9	Estimated need for provision in line with agreements	(1 387)

[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 extensively in Note 18. It is important to be aware that internally generated trademarks are not capitalised and consequently do not entail any risk in relation to the statement of financial position.

The valuation of 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 certain 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. 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. No material variance has been identified between estimated and paid discounts in recent years.

Other sales revenue reductions such as returns 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.

After the sale of its interest in Sapa, Orkla retained certain liabilities related to its former ownership. These consist essentially of liabilities related to guarantees and specific indemnities made to Norsk Hydro. To date, there has been no material change in valuations of the liabilities and their inherent uncertainty. See also Note 6 to last year's annual financial statements. In accordance with IAS 39, Orkla has reflected the uncertainty of these matters in its presentation of the gain, in that a provision has been made in an amount equivalent to around 4% of the sale proceeds. See also Note 26.

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.

Note 4 cont.

Exercise of judgement

The financial statements may also be affected by the form of presentation, choice of accounting principles and the judgement exercised in applying them. 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. Material non-recurring items and items substantially relating to other periods will be 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/loss from associates after operating profit.

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.

NOTE 5 DIVESTMENTS AND ACQUISITIONS

The sale and acquisition 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. Acquired 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

Sale 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 also reduce the gain/increase the loss. Accumulated translation differences related to the divested business will be recognised in profit/loss as part of the gain, with a corresponding contra entry in comprehensive income, and any hedging reserves are recognised in profit/loss. 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).

Business combinations

Business combinations are accounted for using the acquisition method. When a subsidiary is acquired, a purchase price allocation is carried out. 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. 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.

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Sale of companies

Orkla sold its 50% interest in Sapa to Norsk Hydro. Sapa was accounted for using the equity method as a joint venture, and was reclassified in the income statement as "Discontinued operations" in the second quarter after the agreement was concluded on 10 July 2017, prior to announcement of second-quarter results. Consequently, the gain and current profit/loss are presented on this line in the financial statements (see Note 38).

In the fourth quarter, Orkla Foods entered into an agreement with Stryhns A/S on the sale of K-Salat. The agreement concerned the 100% transfer of K-Salat, which comprises salad spreads, mayonnaise, remoulade, dressings and potato salad, in Denmark. The agreement included the take-over of a factory with approx. 100 employees in Havnsø, West Zealand. The transaction was completed on 1 December 2017 at an accounting gain of NOK 213 million (see Note 14).

In the third quarter of 2017, Orkla Eiendom (real estate) sold Fredrikstad Innovasjonspark at a total gain of NOK 20 million, and in the first quarter of 2017 sold two properties at a total gain of NOK 16 million. The gains are presented in EBIT (adj.). The proceeds of the sale of Åsane Utvikling in the fourth quarter of 2016 were received in the first quarter of 2017.

Acquisition of companies

Orkla Care purchased 100% of the shares in the Danish company Riemann Holding A/S ("Riemann"). The company holds good positions in the sun protection and antiperspirant markets, and with the acquisition of Riemann Orkla Care has strengthened its presence in the pharmacy channel. The product portfolio is marketed under the P20 and Perspirex brands. Riemann is based in Denmark, but around 90% of its turnover is generated by exports to other European markets. Riemann had 47 employees. The company's head office and production facilities are located in Hillerød, Denmark.

Orkla Food Ingredients purchased 85% of the shares in the British sales and distribution company Orchard Valley Foods Limited ("Orchard Valley"). Orchard Valley holds strong positions as a supplier of ingredients and accessories to the UK bakery, chocolate and ice cream market. Most of its turnover is generated in the UK, but the company also has growing export sales to Europe. Orchard Valley had 72 employees. The company's head office and production facilities are located in Tenbury Wells, UK. The agreement also includes an option to purchase the remaining 15% of the shares.

Orkla Food Ingredients purchased 100% of the shares in Arne B. Corneliussen AS, a leading manufacturer and supplier to the Norwegian food industry. Its product portfolio consists of spices, marinades, flavourings, starter cultures and other functional ingredients, in addition to packaging solutions. Its customer market is Norwegian food manufacturers, with the Norwegian meat industry as its main segment. The company had 32 employees.

Orkla Foods purchased 100% of Agrimex, a leading producer of frozen vegetables in the Czech Republic. Through the acquisition of Agrimex, Hamé has strengthened its position in the processed vegetables category. Agrimex has a modern, automated production plant north of Prague. The raw materials are supplied by local Czech farmers from farms in the vicinity of the factory. The products are sold under the Dione, Dione Premium and Agrimex Foodservice brands. Agrimex had 32 employees.

Orkla Food Ingredients purchased 80% of the shares in the Danish sales and distribution company SR Food A/S ("SR Food"). Through the acquisition of SR Food, Orkla Food Ingredients aims to further develop its position as a supplier of organic and vegetarian foods. SR Food has a broad range of products, offering items such as fresh doughs, tapas and bread toppings to the Nordic market. SR Food had six employees. The company's headquarters is located in Randers, Denmark.

Other acquisitions

Orkla Food Ingredients acquired 100% of the shares in the Netherlands sales and distribution company Laan Heiloo B.V. ("Laan"). Laan is a leading supplier of ingredients and accessories to the Netherlands ice cream market. Orkla Food Ingredients has built up a strong position in the ready-to-use, soft-serve ice cream mix and accessories category in the Netherlands, and the businesses are a good fit. Laan had a total of 15 employees. In 2016, the company had a turnover of EUR 5.8 million (approx. NOK 51 million). The company was consolidated into the financial statements as of 1 March 2017.

Orkla Food Ingredients purchased 100% of the shares in the German sales and distribution company Eis Ludwig Gräbner GmbH ("Eis Gräbner"). With the acquisition of Eis Gräbner, Orkla Food Ingredients has strengthened its position as a supplier of ice cream ingredients and accessories. Eis Gräbner had 18 employees. In 2016, Eis Gräbner had a turnover of EUR 6.5 million (approx. NOK 61 million). The company was consolidated into the financial statements as of 1 May 2017.

Note 5 cont.

Orkla Food Ingredients also increased its equity interest in the Swedish company Våffelbagaren from 30% to 51%. The company has a turnover of around SEK 20 million.

Other matters relating to purchase price allocations
None of the purchase price allocations for the acquisitions made in 2017 had been finalised as at 31 December 2017, due to uncertainty attached to certain valuation factors.

The purchase price allocations for all companies acquired in 2016 were completed in 2017. No material changes were made in the purchase price allocations except in the case of Hamé and Harris. With regard to Hamé, the excess values related to buildings and brands were adjusted downwards slightly from the figure presented as at 31 December 2016. Goodwill was increased correspondingly. Certain changes were made in the purchase price allocation for Harris in relation to the preliminary figures, mainly due to a new valuation of pensions. The contra entry for these changes is goodwill.

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

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

A total of NOK 46 million (NOK 83 million in 2016) was expensed in acquisition costs in 2017.

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 Amounts in NOK million	Date of control	Interest acquired (%)	Acqui-sition cost	Excess/ deficit value[1]	Trade-marks	Property, plant and equipment	Other	Deferred tax	Good-will	Operating revenues after acquisition date	Operating profit after acquisition date	Operating revenues before acquisition date	Operating profit before acquisition date
2017													
Riemann, Orkla Care	June	100	442	302	74	(44)	(6)	(5)	283	73	8	103	35
Orchard Valley Foods, Orkla Foods Ingredients	April	85	134	135	-	-	(1)	-	136	215	7	80	4
Arne B. Corneliussen, Orkla Foods Ingredients	December	100	109	81	-	-	1	-	80	15	0	185	14
Agrimex, Orkla Foods	December	100	62	13	-	-	-	-	13	7	0	96	7
SR Foods, Orkla Foods Ingredients	May	80	58	54	-	-	-	-	54	113	12	55	7
Other acquisitions			86	67	-	-	13	-	54				
Reallocation of excess values Harris and Hamé			-	-	(87)	(50)	(124)	50	211				
Acquisitions at enterprise value			**891**	**652**	**(13)**	**(94)**	**(117)**	**45**	**831**				
Investments in associates			10										
Acquisitions in segments, enterprise value (see Note 40)			**901**										
Interest-bearing liabilities acquisitions			(100)										
Cash flow effect acquisitions[3, 4]			**801**										
2016													
Hamé, Orkla Foods	April	100	1 623	838	497	50	55	(158)	394	1 363	136	410	27
L.G. Harris & Co. Ltd., Orkla Care	September	100	562	173	80	31	(53)	(33)	148	184	13	519	50
Net assets from Nanso Group, Orkla Care[2]	May	100	157	157	30	-	34	-	93	na	na	na	na
The Waverly Bakery, Orkla Food Ingredients	March	100	64	50	-	-	2	-	48	67	9	6	(2)
Trademark Colon-C, Orkla Care	October	100	61	61	61	-	-	-	-	na	na	na	na
Other acquisitions			181	79	61	(4)	10	(6)	18				
Acquisitions at enterprise value			**2 648**	**1 358**	**729**	**77**	**48**	**(197)**	**701**				
Investments in associates			3										
Acquisitions in segments, enterprise value (see Note 40)			**2 651**										
Interest-bearing liabilities acquisitions			(500)										
Cash flow effect acquisitions[3, 4]			**2 151**										

[1]Excess/deficit value is the difference between the purchase price of the shares and the Group's share of equity in the acquired company.
[2]Associated operating revenues and operating profit may not be separated from the rest of the business as assets were purchased net.
[3]This includes cash and cash equivalents of NOK 42 million in 2017 (NOK 206 million in 2016).
[4]Equivalent to compensation for equity adjusted for cash and cash equivalents.

Note 5 cont.

Acquired companies statement of financial position

Amounts in NOK million	Total 2017 Fair value	2017 Riemann	Total 2016 Fair value
Property, plant and equipment	52	47	674
Intangible assets	(9)	74	730
Deferred tax assets	-	-	4
Other long-term assets	(103)	-	160
Inventories	109	24	589
Receivables	188	62	897
Shares in other companies	1	-	2
Assets	238	207	3 056
Provisions	(37)	13	225
Non-current liabilities, non interest-bearing	21	-	13
Current liabilities, non interest-bearing	193	35	881
Non-controlling interests	1	-	(10)
Net assets	60	159	1 947
Goodwill	831	283	701
Acquisition cost at enterprise value	891	442	2 648

S SUSTAINABILITY

Several of the companies purchased by Orkla in 2017 increase the Group's ability to offer healthier and more sustainable products. Through the acquisition of the Czech company Agrimex, Orkla has strengthened its position in the production of processed vegetables. The acquisition of the Swedish e-commerce company Health and Sports Nutrition Group AB in 2018 has strengthened the Group's digital marketing and sale of health products (see Note 39). Through the purchase of 80% of the shares in the Danish sales and distribution company SR Food A/S, Orkla has further developed its platform for growth in the organic and vegetarian food sector.

NOTE 6 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates are investments in companies in which the Orkla Group has significant influence by virtue of its ownership interest. Joint ventures are investments in companies where the Group, together with others, has controlling interest. After the sale of its 50% interest in Sapa, the Group no longer has any assets classified as joint ventures. The share of profit/loss in Sapa is presented as "Discontinued operations". Both of these types of investment are consolidated on a single line 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 interest. After the sale of its 50% interest in Sapa, the Group no longer has any joint ventures. 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 in associates 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 of associates presented in the statement of financial position thus represents the original cost price plus profit/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 in the associate. 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 which derive from the acquisition of Jordan and from Capto Eiendom.

Orkla's 50% interest in Sapa AS was based on an agreement with Norsk Hydro and was considered to be a joint venture. Following the sale of the interest to Norsk Hydro, the Group's share of profit/loss from Sapa was reclassified to the line for "Discontinued operations".

Note 6 cont.

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Figures for associates 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.

Material associates and joint ventures

Amounts in NOK million	Jotun	Other	Total	Sapa	Total
Book value 1 January 2016	3 284	444	3 728	8 421	12 149
Additions/disposals	-	(186)	(186)		
Share of profit/loss	471	(1)	470[1]		
Gains and write-downs	-	18	18[1]		
Dividends	(218)	(4)	(222)		
Items charged to equity	(183)	-	(183)	(428)	(611)
Book value 31 December 2016	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	-	-
Cost price 31 December 2017	180	-	-		
Ownership interest (%)	42.6[2]	-	-		

[1]The sum of the items make up the profit from associates, and amount to NOK 488 million in 2016.
[2]The Group has 38.3% of the voting rights in Jotun.

Jotun

Jotun is one of the world's leading manufacturers of paints and powder coatings, with 54 subsidiaries, three joint ventures and six associates. Jotun has 40 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's 42.6% interest in Jotun is presented as an associate, and Orkla has been an active minority shareholder in Jotun for approximately 40 years. The cost price for Jotun is NOK 180 million, while the carrying value using the equity method is NOK 3,439 million. Orkla's equity interest serves as the basis for recognition using the equity method, while Orkla has 38.3% of the voting rights. Orkla owns 42,083 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	2017	2016
Operating revenues	16 401	15 785
Operating profit	1 354	1 763
Profit/loss after tax and non-controlling interests	721	1 108
Other comprehensive income after non-controlling interests	703	676
Current assets	8 407	8 132
Non-current assets	7 301	7 026
Total assets	15 708	15 158
Current liabilities	5 072	4 445
Non-current liabilities	2 382	2 679
Total liabilities	7 454	7 124

Reconcilation of equity Jotun against Orkla's share

Equity in Jotun	8 254	8 034
Non-controlling interests	178	149
Owners of the parent's equity	8 076	7 885
Orkla's share of equity (42.6%)	3 439	3 354

NOTE 7 SEGMENTS

In the segment information, sales revenues, profit and loss, cash flows and capital employed, together with operating margin and the number of man-years, are broken down between the different business areas, thereby giving those using the financial statements a better basis for understanding the Group's underlying operations.

PRINCIPLE

Orkla has business areas as operating segments. The operating segments 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/loss in the segment information is identical to the information presented in the income statement for the Group. There is therefore no need for further reconciliation of these income statement items. The segment information also contains a breakdown of profit/loss from companies reported using the equity method. 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 only for the Group as a whole. The same applies to tax expense. Cash flow figures were taken from the cash flow in Orkla-format (see Note 40).

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 individually account for around 10% of turnover in Branded Consumer Goods.

HQ/Other business primarily consists of activities at the Group's head office and is presented as a separate segment. Figures showing the geographical breakdown of capital employed, investments in property, plant and equipment and the number of man-years are also presented (see Note 8).

Orkla's four branded consumer goods business areas must be described as aggregated segments. 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. Orkla Foods and Orkla Confectionery & Snacks are mainly aggregated from 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.

Note 7 cont.

01
02
03
04
05

Further information on the individual business areas:

Branded Consumer Goods

Orkla Foods comprises Orkla's food businesses which serve home markets in the Nordics, Baltics, Czech Republic, Slovakia, Austria and India. The companies in the business area are Orkla Foods Norge, Orkla Foods Sverige, Orkla Foods Danmark and Orkla Foods Finland in the Nordics, Põltsamaa Felix, Orkla Foods Latvija and Orkla Foods Lietuva in the Baltics, Felix Austria, Vitana Group and Hamé in Central Europe, and MTR Foods in India. Orkla Foods' operations are concentrated around strong brands that largely hold number one positions in their home markets.

Orkla Confectionery & Snacks comprises the product categories confectionery, snacks and biscuits, and consists of six companies which serve their home markets in the Nordics and Baltics. The companies in this business area are Orkla Confectionery & Snacks Norge (confectionery, snacks and biscuits), Orkla Confectionery & Snacks Sverige (snacks, biscuits and confectionery), Orkla Confectionery & Snacks Finland (confectionery, snacks and biscuits), Orkla Confectionery & Snacks Danmark (snacks and confectionery), Kalev in Estonia (confectionery, snacks and biscuits) and Orkla Confectionery & Snacks Latvija (confectionery, snacks, biscuits, cakes and ready meals).

Orkla Care comprises six branded consumer goods businesses which serve their home markets in the Nordics, Baltics, the UK, Poland and Spain. The businesses in the business area are Orkla Home & Personal Care (household cleaning and personal care 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 textiles sold through the grocery channel), Orkla House Care (painting tools and cleaning products) and Orkla Wound Care (wound care products).

Orkla Food Ingredients is the leading player in the bakery and ice cream ingredients sectors in the Nordics and Baltics, in addition to holding growing market positions in selected countries in Europe. The business area maintains proximity to its customer market through sales and distribution companies in 22 countries. Its biggest product categories are margarine and butter blends, yeast, bread and cake improvers and mixes, marzipan and ice cream ingredients.

Orkla Investments

Hydro Power consists primarily of the power operations at Sarpsfoss and Orkla's 85% ownership interest in AS Saudefaldene. The energy business produces and supplies power to the Nordic power market, and has actual mean annual production (2011-2017) of 2.5 TWh. A total of 1.1 TWh of AS Saudefaldene's production is subject to special contract conditions.

Orkla Eiendom meets the Group's need for specialised real estate expertise and assistance, and is responsible for the administration, development and sale of properties that are not utilised in Orkla's industrial operations. The most important development projects in its portfolio are Orkla's new headquarters at Skøyen and two projects at Torshov in Oslo, which were previously used by Orkla's branded consumer goods business.

Note 7 cont.

Segments 2017

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Elimin-ations	Branded Consumer Goods	Hydro Power	Financial Investments	HQ/Other Business	Elimin-ations	Orkla
REVENUES/PROFIT/LOSS											
Norway	4 789	2 128	3 137	917	-	10 971	814	-	3	-	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
Nordic region and the Baltics	11 816	6 051	5 436	4 917	-	28 220	814	-	3	-	29 037
Rest of Europe	3 237	312	1 623	3 577	-	8 749	-	45	-	-	8 794
Rest of the world	976	51	380	80	-	1 487	-	-	6	-	1 493
Sales revenues	16 029	6 414	7 439	8 574	-	38 456	814	45	9	-	39 324
Other operating revenues	11	15	12	5	-	43	52	106	36	-	237
Intercompany sales	86	10	28	124	(237)	11	-	10	586	(607)	0
Operating revenues	16 126	6 439	7 479	8 703	(237)	38 510	866	161	631	(607)	39 561
Cost of materials	(7 983)	(2 667)	(3 345)	(5 612)	231	(19 376)	(312)	(26)	(10)	6	(19 718)
Payroll expenses	(3 023)	(1 262)	(1 377)	(1 348)	-	(7 010)	(40)	(45)	(472)	-	(7 567)
Other operating expenses	(2 535)	(1 241)	(1 550)	(1 114)	6	(6 434)	(137)	(66)	(421)	601	(6 457)
Depreciation, amortisation and write-downs	(530)	(224)	(133)	(160)	-	(1 047)	(61)	(16)	(60)	-	(1 184)
Operating profit before other income and expenses EBIT (adj.)	2 055	1 045	1 074	469	-	4 643	316	8	(332)	-	4 635
Other income and expenses	2	(23)	(170)	33	-	(158)	-	3	(46)	-	(201)
Operating profit/loss	2 057	1 022	904	502	-	4 485	316	11	(378)	-	4 434
Profit/loss from associates	-	-	4	-	-	4	-	309	-	-	313
Non-controlling interests’ share of profit/loss	-	-	-	(57)	-	(57)	(18)	-	-	-	(75)
CASH FLOW (see Note 40)											
Cash flow from operations before net replacement expenditures	2 711	1 249	959	464	-	5 383	358	41	(286)	-	5 496
Net replacement expenditures	(381)	(233)	(182)	(201)	-	(997)	(2)	(331)	(51)	-	(1 381)
Cash flow from operations	2 330	1 016	777	263	-	4 386	356	(290)	(337)	-	4 115
Expansion investments	(132)	(6)	-	(68)	-	(206)	-	-	-	-	(206)
Acquired companies (enterprise value)	(67)	-	(446)	(383)	-	(896)	-	(5)	-	-	(901)

Note 7 cont.

Segments 2017 cont.

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Elimin-ations	Branded Consumer Goods	Hydro Power	Financial Investments	HQ/Other Business	Elimin-ations	Orkla
CAPITAL EMPLOYED											
Segment assets											
Trade receivables	2 339	1 063	1 454	1 366	(46)	6 176	9	10	132	(162)	6 165
Other current receivables	186	48	99	89	-	422	74	72	175	-	743
Inventories and development property	2 582	597	1 395	1 101	-	5 675	-	120	2	-	5 797
Pension plan assets	13	1	8	10	-	32	-	-	-	-	32
Investments in associates	4	-	213	3	-	220	-	3 463	-	-	3 683
Intangible assets	8 438	5 073	4 844	1 500	-	19 855	19	5	2	-	19 881
Property, plant and equipment	4 149	1 820	1 085	1 264	-	8 318	2 002	1 158	205	-	11 683
Total segment assets	17 711	8 602	9 098	5 333	(46)	40 698	2 104	4 828	516	(162)	47 984
Segment liabilities											
Trade payables	(2 223)	(912)	(993)	(836)	46	(4 918)	(15)	(38)	(131)	162	(4 940)
Value added tax, employee taxes	(344)	(129)	(184)	(119)	-	(776)	(25)	(2)	(27)	-	(830)
Other current liabilities	(534)	(319)	(366)	(264)	-	(1 483)	(9)	(37)	(605)	-	(2 134)
Pension liabilities	(776)	(193)	(284)	(155)	-	(1 408)	(19)	(3)	(558)	-	(1 988)
Deferred tax, excess values	(431)	(413)	(192)	(7)	-	(1 043)	-	(3)	-	-	(1 046)
Total segment liabilities	(4 308)	(1 966)	(2 019)	(1 381)	46	(9 628)	(68)	(83)	(1 321)	162	(10 938)
Capital employed[1]	13 403	6 636	7 079	3 952	-	31 070	2 036	4 745	(805)	-	37 046
KEY FIGURES											
Operating margin EBIT (adj.) (%)	12.7	16.2	14.4	5.4	-	12.1	36.5	na	na	na	11.7
Total man-years 31 December	7 809	2 836	3 272	3 150	-	17 067	46	88	368	-	17 569

[1]Most of the lines under "Segment assets" and "Segment liabilities" can be matched directly with the notes and the statement of financial position. The difference between "Other current receivables" in Note 23 and "Other current liabilities" in Note 27 is ascribable to the fact that other current receivables and liabilities also comprise items not included in capital employed, such as accrued interest, while some of the derivatives are included in capital employed. Deferred tax related to excess value is included in deferred tax. See the reconciliation of segment assets and segment liabilities with total assets and total liabilities at the end of this note.

Note 7 cont.

Segments 2016

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Elimin-ations	Branded Consumer Goods	Hydro Power	Financial Investments	HQ/Other Business	Elimin-ations	Orkla
REVENUES/PROFIT/LOSS											
Norway	4 798	2 139	3 110	960	-	11 007	670	-	16	-	11 693
Sweden	4 372	1 253	1 054	1 314	-	7 993	-	-	-	-	7 993
Denmark	1 229	591	532	1 528	-	3 880	-	-	-	-	3 880
Finland and Iceland	874	838	492	638	-	2 842	-	-	-	-	2 842
The Baltics	444	1 028	59	297	-	1 828	-	-	-	-	1 828
Nordic region and the Baltics	11 717	5 849	5 247	4 737	-	27 550	670	-	16	-	28 236
Rest of Europe	2 756	299	1 125	3 254	-	7 434	-	48	-	-	7 482
Rest of the world	926	54	316	74	-	1 370	-	-	4	-	1 374
Sales revenues	15 399	6 202	6 688	8 065	-	36 354	670	48	20	-	37 092
Other operating revenues	13	14	26	6	-	59	51	524	32	-	666
Intercompany sales	64	14	26	90	(185)	9	-	9	600	(618)	0
Operating revenues	15 476	6 230	6 740	8 161	(185)	36 422	721	581	652	(618)	37 758
Cost of materials	(7 592)	(2 563)	(2 956)	(5 247)	182	(18 176)	(300)	(235)	(5)	4	(18 712)
Payroll expenses	(2 916)	(1 240)	(1 250)	(1 248)	-	(6 654)	(39)	(59)	(507)	-	(7 259)
Other operating expenses	(2 517)	(1 252)	(1 457)	(1 062)	3	(6 285)	(130)	(134)	(408)	614	(6 343)
Depreciation, amortisation and write-downs	(483)	(238)	(121)	(165)	-	(1 007)	(60)	(22)	(57)	-	(1 146)
Operating profit before other income and expenses EBIT (adj.)	1 968	937	956	439	-	4 300	192	131	(325)	-	4 298
Other income and expenses	(81)	(14)	(149)	(86)	-	(330)	-	-	(52)	-	(382)
Operating profit/loss	1 887	923	807	353	-	3 970	192	131	(377)	-	3 916
Profit/loss from associates	-	-	1	-	-	1	-	487	-	-	488
Non-controlling interests' share of profit/loss	-	-	-	(48)	-	(48)	(15)	(19)	-	-	(82)
CASH FLOW (see Note 40)											
Cash flow from operations before net replacement expenditures	1 912	1 283	873	601	-	4 669	268	(78)	(242)	-	4 617
Net replacement expenditures	(717)	(205)	(146)	(186)	-	(1 254)	(14)	123	(59)	-	(1 204)
Cash flow from operations	1 195	1 078	727	415	-	3 415	254	45	(301)	-	3 413
Expansion investments	(145)	(4)	-	(14)	-	(163)	-	-	-	-	(163)
Acquired companies (enterprise value)	(1 675)	(1)	(784)	(188)	-	(2 648)	-	-	(3)	-	(2 651)

Note 7 cont.

Segments 2016 cont.

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Elimin-ations	Branded Consumer Goods	Hydro Power	Financial Investments	HQ/Other Business	Elimin-ations	Orkla
CAPITAL EMPLOYED											
Segment assets											
Trade receivables	2 321	962	1 220	1 088	(22)	5 569	9	52	95	(128)	5 597
Other current receivables	164	34	72	71	-	341	51	252	168	-	812
Inventories and development property	2 494	601	1 207	882	-	5 184	-	80	1	-	5 265
Pension plan assets	14	1	105	9	-	129	-	-	-	-	129
Investments in associates and joint ventures	-	-	202	5	-	207	-	12 301	-	-	12 508
Intangible assets	8 129	4 791	4 218	1 079	-	18 217	19	5	-	-	18 241
Property, plant and equipment	4 103	1 677	911	1 042	-	7 733	2 029	1 027	249	-	11 038
Total segment assets	17 225	8 066	7 935	4 176	(22)	37 380	2 108	13 717	513	(128)	53 590
Segment liabilities											
Trade payables	(1 915)	(833)	(891)	(676)	22	(4 293)	(20)	(40)	(104)	128	(4 329)
Value added tax, employee taxes	(296)	(120)	(140)	(77)	-	(633)	(8)	(3)	(24)	-	(668)
Other current liabilities	(501)	(295)	(332)	(274)	-	(1 402)	(8)	(81)	(624)	-	(2 115)
Pension liabilities	(711)	(175)	(266)	(176)	-	(1 328)	(20)	(4)	(520)	-	(1 872)
Deferred tax, excess values	(457)	(379)	(184)	(12)	-	(1 032)	-	3	-	-	(1 029)
Total segment liabilities	(3 880)	(1 802)	(1 813)	(1 215)	22	(8 688)	(56)	(125)	(1 272)	128	(10 013)
Capital employed[1]	13 345	6 264	6 122	2 961	-	28 692	2 052	13 592	(759)	-	43 577
KEY FIGURES											
Operating margin EBIT (adj.) (%)	12.7	15.0	14.2	5.4	-	11.8	26.6	na	na	na	11.4
Total man-years 31 December	8 501	3 001	3 222	2 820	-	17 544	45	110	339	-	18 038

[1]Most of the lines under "Segment assets" and "Segment liabilities" can be matched directly with the notes and the statement of financial position. The difference between "Other current receivables" in Note 23 and "Other current liabilities" in Note 27 is ascribable to the fact that other current receivables and liabilities also comprise items not included in capital employed, such as accrued interest, while some of the derivatives are included in capital employed. Deferred tax related to excess value is included in deferred tax. See the reconciliation of segment assets and segment liabilities with total assets and total liabilities at the end of this note.

Note 7 cont.

Reconciliation segment assets vs. total assets

Amounts in NOK million	2017	2016
Segment assets	47 984	53 590
Assets held for sale	-	-
Shares and financial assets	17	107
Cash and cash equivalents	4 834	1 204
Financial assets	393	511
Deferred tax assets	40	102
Interest-bearing receivables etc.	140	90
Total assets	53 408	55 604

Reconciliation segment liabilities vs. total liabilities

Amounts in NOK million	2017	2016
Segment liabilities	10 938	10 013
Non-current interest-bearing liabilities	4 820	7 172
Current interest-bearing liabilities	359	2 496
Deferred tax, not related to excess values	558	562
Income tax payable	583	647
Non-current derivatives	312	397
Other non-current provisions	830	286
Other current liabilities	170	155
Total liabilities	18 570	21 728

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 thus 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	2017	2016	2017	2016	2017	2016
Norway	15 320	24 289	678	606	3 058	3 160
Sweden	6 310	5 969	355	345	2 863	2 897
Denmark	4 885	4 185	223	267	1 439	1 544
Finland and Iceland	2 574	2 371	113	82	780	770
The Baltics	1 907	1 754	80	87	1 836	2 104
Nordic region and the Baltics	30 996	38 568	1 449	1 387	9 976	10 475
Rest of Europe	5 201	4 282	188	133	5 611	5 603
Rest of the world	849	727	126	114	1 982	1 960
Total	37 046	43 577	1 763	1 634	17 569	18 038
Link between segments and "Investments":						
Net replacement expenditures, from segments (see Note 7)			1 381	1 204		
Sale of property, plant and equipment (see cash flow statement)			142	282		
Expansion investments (see Note 7)			206	163		
Changes in accounts payable investments			34	(15)		
Total			1 763	1 634		

[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.

Note 8 cont.

The decrease in capital employed in Norway from 2016 to 2017 is ascribable to the sale of Sapa. Orkla has acquired businesses in Denmark (Riemann) and elsewhere in Europe which increases capital employed (see Note 5). The Norwegian krone weakened in 2017, resulting in increased capital employed outside Norway.

Ⓢ 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 2017. Along with the acquisition of new companies, this resulted in increased investments in Denmark, Sweden, Finland, Iceland, the UK, Netherlands, Czech Republic, Estonia, Latvia and Poland.

NOTE 9 REVENUE RECOGNITION

The date on which revenue is recognised and the principles applied will be decisive in determining the profit/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

Revenue is recognised when it is probable that transactions will generate future economic benefit that will flow to the company and the amount of revenue can be measured with reliability.

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, and revenues from the sale of goods or services are recognised in the income statement when the goods have been delivered or the service has been provided. Generally speaking, the point in time at which they are recognised in income will be clear in most cases.

Sales of internally manufactured goods and goods for resale by the branded consumer goods area are recognised in income when the goods have been delivered and the risk has passed to the buyer. Sales revenues largely consist of sales of consumer goods to wholesalers. Reductions in sales revenues include various bonus plans, discounts and assistance related to joint marketing with customers, in addition to special taxes applicable to food production and other government charges and taxes.

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 is 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 on the line for "Other financial income" and specified in a note. Gains or losses on shares and interests reported as available for sale are calculated as the difference between the cost price of the share or, if appropriate, the value of the share or interest written down for accounting purposes, and the sales value. Any excess value or shortfall in market value that has temporarily been taken to comprehensive income is reversed at the same time. The effect of portfolio gains or losses has been significantly reduced now that the share portfolio has been sold off.

Other operating revenues consist of rental revenues and gains on the sale of property.

Ⓔ ESTIMATE UNCERTAINTY

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

Note 9 cont. ➔

New revenue recognition standard
The new IFRS 15 Revenue from Contracts with Customers was published in May 2014 and will come into force in 2018. The new standard provides a detailed framework for revenue recognition. The main point in IFRS 15 is that revenue is to be recognised in such a way that the expected consideration is taken to income according to a pattern that reflects the transfer of goods or services to the customer. The main challenge has been combined deliveries, on which little guidance is provided in the current IAS 18. Combined deliveries means tied sales where it is difficult to distinguish between the purchased product and additional deliveries.

In 2017 Orkla made a detailed study of the sales of the various Group companies. As anticipated, the conclusion is that the revenue recognition methods currently applied are consistent with the definition in the new IFRS 15. The way the Group recognises and treats discounts and bonuses will not be affected by the new standard.

Ⓢ 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/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, based on the "first in, first out" (FIFO)-principle. Goods in inventories are counted at least once a year as a verification of standard costing. Changes in stocks of internally manufactured finished goods will affect profit/loss, based on recognition using the full cost method, and will thus largely have a neutral impact on profit/loss in connection with both reductions and increases in inventories of such goods. 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 main agricultural products and marine raw materials it uses are sustainably produced by 2020.

In 2017, the biggest product categories were (figures in parentheses show ranking in 2016):

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

The change in the ranking of sugar is chiefly due to the increase in the price of sugar in 2017.

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NOTE 11 PAYROLL EXPENSES

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

Ⓟ 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 are earned and calculated on the basis of various performance targets, and are mainly paid in arrears the following year, based on full-year results. The employer's national insurance contribution is calculated and expensed for all pay-related costs, 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, and uses external benchmarking tools for pay and conditions. All full-time employees shall, as a minimum, receive pay and additional benefits that are adequate to meet their fundamental needs.

Amounts in NOK million	2017	2016
Wages	(6 144)	(5 909)
Employer's national insurance contributions	(964)	(935)
Pension costs[1]	(405)	(376)
Other remuneration etc.	(54)	(39)
Payroll expenses	(7 567)	(7 259)
Average number of man-years (continuing operations)	17 705	16 552

[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 (2017) and key personnel in the Group. The purpose of Orkla's central annual bonus programme is to:

- Reward annual performances in line with externally communicated targets for Branded Consumer Goods for 2016–2018, primarily organic sales growth[1] and underlying EBIT (adj.) growth[2]
- Incentivise desired behaviour in accordance with Orkla's values and leadership principles
- Ensure that the organisation works to achieve prioritised targets that underpin the Group's strategy

Note 11 cont. ➔

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 have averaged around 33% in 2014–2016.

The elements of Orkla's central annual bonus programme:
The central annual bonus programme consists of six different elements:
- Financial quantitative targets (80% weighting)
  - Underlying EBIT (adj.) improvement[2] "own level"[3] (25% weighting)
  - Underlying EBIT (adj.) improvement[2] "level above"[4] (25% weighting)
  - Organic growth[1] "own level" (20% weighting)
  - Improvement in current capital[5] "own level" (10% weighting)
- Individual targets (20% weighting):
  Based on quantitative and qualitative assessments of achievement of agreed targets, broken down by:
  -Functional quantitative targets (10% weighting)
  -Individual behavioural targets (10% weighting)

Profit growth is the main target for Orkla's central bonus programme with a weighting of a total of 50%.

To incentivise cooperation within the Group, part of the profit element of the bonus programme is linked to "level above" performance. The individual targets are based on behaviour in accordance with Orkla's leadership principles and "One Orkla".

[1]Reported growth in operating revenues, adjusted for currency translation effects and acquisitions and divestments.
[2]Operating profit before other income and expenses, adjusted for currency translation effects and acquisitions and divestments.
[3]"Own level" is the level of the manager's position in the company. 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 at which the individual manager reports. 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 Branded Consumer Goods' four business areas.
[5]Current capital is defined as trade receivables plus inventory minus trade payables.

Bonus calculation for financial bonus elements
The bonus model is designed in such a way that an EBIT (adj.) improvement scale is linked to a fixed bonus scale with start points and maximum points for both improvement and bonus payout.

Underlying EBIT improvement "own level" and "level above"
The calculation of bonuses earned for the financial quantitative targets linked to underlying EBIT (adj.) improvement as a percentage of EBIT (adj.) in the previous year at "own level" and at the "level above" is based on a fixed bonus scale.

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 start points and maximum points for both improvement and bonus payout.

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

b) Long-term incentive programme (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 conduct
- Establish a long-term commonality of interests with shareholders
- Help to retain necessary competence (management/key personnel)
- Maintain competitive overall compensation conditions for management/key personnel

Participants in the 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 2017, 94 persons were awarded an LTI bonus. Participants in the Group's LTI programme will normally also be covered by Orkla's annual bonus programme.

Note 11 cont.

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The LTI programme that has been in effect up to and including 2017 (awarded in 2018) is described in Note 5 in Orkla ASA. As from 2018 (awarded in 2019), the Board of Directors proposes that the amount awarded be unlinked from the annual bonus programme, and that it be determined on the basis of assessments of individual performances in relation to predefined long-term criteria established in 2018. The aim is to award an amount equivalent to 30% of the employee's one year's salary for a "good performance", according to the predefined criteria. Awards may not exceed 50% of the one year's salary, nor may the total value of an employee's award under the annual bonus programme and an LTI award in any given year exceed one year's salary. The amount awarded is adjusted as before according to the performance of the Orkla share until it is paid out. Under the LTI programme, the employee may request that one third of the amount is paid out after 24 months, one third after 36 months and one third after 48 months. After a maximum of 60 months, the LTI will be paid out in its entirety.

(iii) Other compensation elements

Discounted shares for employees:
For several years the Group has had a programme whereby employees may buy a limited number of shares at a discount of 30% on the market price. For 2017, employees were given an extraordinary opportunity to purchase shares for seven different amounts: NOK 50,000, 40,000, 28,000, 20,000, 12,000, 4,000 and 1,000 (amounts after discount). The two largest purchase amounts were new options in 2017, and reflected the fact that the programme could not be implemented in 2016. The costs of the employee share purchase programme in 2017 totalled NOK 43 million.

Option programme:
The Group has had an option programme in which the last options were exercised on 9 May 2017. The programme has been discontinued.

Overview of outstanding options at year end:

	2017		2016	
	No.	WAEP[1]	No.	WAEP[1]
Outstanding at the beginning of the year	955 000	40.03	2 722 000	40.78
Exercised during the year	(955 000)	37.43[2]	(1 727 000)	38.88
Forfeited during the year	0		(40 000)	40.03
Outstanding at year end	0		955 000	40.03
Exercisable options at year end	0		955 000	40.03

[1]Weighted average exercise price. Amounts in NOK.
[2]As a result of a dividend, all exercise prices were reduced by NOK 2.60.

A total of NOK 3 million (NOK 1 million in 2016) resulting from a change in employer's national insurance contribution related to the option programme was recognised in the income statement.

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.

Orkla has until 2017 had a long-term incentive programme (LTI), where an amount equivalent to the annual bonus paid on the basis of the past year's operations is deposited in a bonus bank for bonus recipients. The amount is adjusted in accordance with the price performance of the Orkla share, based on the share price on the day after the Annual General Meeting in the award year and the disbursement year, respectively. The share price is adjusted for dividends paid. The LTI bonus falls due for payment in two equal halves, two and three years, respectively, after the bonus was awarded. In order to receive the bonus, the recipient must be employed by the Group at the time it is paid out. The programme will be changed from 2018. The change is described in this note and in Note 5 Orkla ASA.

The former option plan for executive management was valued on the basis of the fair value of the options at the time the option plan was adopted (award date), using the Black-Scholes model. The costs of the options were accrued over the period in which the employees earned the right to receive them. The option costs were expensed as pay and offset in equity. Provisions were made for the employer's national insurance contribution relating to share option plans, based on the difference between the issue price and the market price of the share at year end. This option plan expired in May 2017.

NOTE 12 PENSIONS

The Group has both defined contribution and defined benefit pension plans. In the defined contribution pension plans, the company pays an agreed annual contribution to the employee's pension plan, but any risk related to the future pension is borne by the employee. The future pension will be determined by the amount of the regular contributions and the return on the pension savings. In a defined benefit plan, the company is responsible for paying an agreed pension to the employee based on his or her final pay. The cost for the accounting period shows the employees' pension entitlement of the agreed future pension in the financial year. 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, i.e. there is no liability to record 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 liability 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 liability 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 comprehensive income in the period in which they arise. The discount effect of the pension liability and expected return on pension assets are presented net under "Other financial costs" in the income statement.

Defined contribution plans

Employees in the Orkla Group are mainly 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 unfunded. A large part of the Group's defined benefit plans are in Sweden and Norway. These countries account for around 62% and 35%, respectively, of the Group's net pension liabilities.

Sweden

The pension plans in Sweden are "net plans" that do not link the Group's liabilities 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. PRI Pensionsgaranti records and calculates the companies' pension liabilities. 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.

There are also some pension plans, primarily related to senior executives, 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 liabilities in Sweden.

Norway

Net pension liabilities in Norway mainly consist of unfunded pension plans for former key personnel, early retirement schemes for the Group Executive Board, and 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 the Ministry of Finance's conclusion. 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 2017, 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 1.7% and 2.3%, depending on the life of the pension.

The discount rate in Sweden is based on Swedish covered bonds and was increased to 2.50% for 2017, from 2.35% in 2016. The estimate for expected inflation was also increased slightly, from 1.5% to 1.75%. To some extent, the effects of these two changes offset one another.

Parameters such as wage growth, increase in the basic amount (G) and inflation are set in accordance with recommendations in each country.

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 was used and in Sweden DUS2014, updated in 2016.

The actuarial gains and losses are recognised in other comprehensive income (OCI) and are essentially related to changes in the 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 2018 are expected to total NOK 3.9 million.

E 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 liability. 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	
	2017	2016	2017	2016
Discount rate	1.7–2.3%	2.0–2.6%	2.50%	2.35%
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%	1.75%	1.50%
Turnover	0–5%	0–5%	3%	3%
Expected average remaining vesting period (years)	7.3	8.0	13.7	13.9

[1]As at 31 December 2017, 1G was NOK 93,634.

Breakdown of net pension costs

Amounts in NOK million	2017	2016
Contribution plans	(337)	(310)
Current service cost (incl. national insurance contributions)	(68)	(66)
Curtailments and settlements pension plans	34[1]	0
Pension cost defined as payroll expenses	(371)	(376)
Interest on pension obligations	(79)	(66)
Expected return on pension plan assets	21	15
Pension cost defined as financial costs	(58)	(51)
Net pension costs	(429)	(427)

[1]Related to the conversion of the pension plan in Sonneveld and presented as "Other income and expenses" in the income statement.

Note 12 cont.

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Breakdown of net pension liabilities as at 31 December

Amounts in NOK million	2017	2016
Present value of funded pension obligations	(458)	(693)
Pension plan assets (fair value)	456	791
Net funded pension liabilities	(2)	98
Present value of unfunded pension obligations	(1 954)	(1 841)
Capitalised net pension liabilities	(1 956)	(1 743)
Capitalised pension liabilities	(1 988)	(1 872)
Capitalised plan assets	32	129

Changes in the present value of pension obligations during the year

Amounts in NOK million	2017	2016
Pension obligations 1 January	(2 534)	(2 256)
Current service cost (incl. national insurance contributions)	(68)	(66)
Interest on pension obligations	(79)	(66)
Actuarial gains and losses reported in statement of comprehensive income	(67)	(91)
Acquisition/sale of companies	(1)	(304)[2]
Curtailments and settlements pension plans	316[1]	(4)
Benefits paid during the year	133	94
Currency translation effects	(112)	159
Pension obligations 31 December	(2 412)	(2 534)

[1]Primarily related to the conversion of the pension plan in Sonneveld.
[2]Primarily related to the purchase of L.G. Harris & Co. Ltd.

Changes in pension plan assets during the year

Amounts in NOK million	2017	2016
Pension plan assets (fair value) 1 January	791	391
Expected return on pension plan assets	21	15
Actuarial gains and losses reported in statement of comprehensive income	25	22
Acquisition/sale of companies	0	435[2]
Curtailments and settlements pension plans	(339)[1]	-
Contributions and benefits paid during the year	(42)	(6)
Currency translation effects	45	(38)
Effect of asset ceiling	(45)	(28)
Pension plan assets (fair value) 31 December	456	791

[1]Primarily related to the conversion of the pension plan in Sonneveld.
[2]Primarily related to the purchase of L.G. Harris & Co. Ltd.

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

	2017	2016
Cash, cash equivalents and money market investments	4%	6%
Bonds	30%	55%
Loans	0%	1%
Shares	66%	37%
Property	0%	1%
Total pension plan assets	100%	100%

Summary of net pension liabilities and adjustments in past four years

Amounts in NOK million	2017	2016	2015	2014
Pension obligations	(2 412)	(2 534)	(2 256)	(1 847)
Pension plan assets	456	791	391	333
Net pension liabilities	(1 956)	(1 743)	(1 865)	(1 514)
Actuarial gains and losses in pension obligations	(67)	(91)	(48)	(199)
Actuarial gains and losses in pension plan assets	25	22	26	12

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". The most important items in "Other operating expenses" have been grouped into the main items below.

Amounts in NOK million	2017	2016
External freight costs	(793)	(745)
Energy costs (production and heating)	(645)	(645)
Advertising	(1 534)	(1 567)
Repair and maintenance costs	(460)	(491)
Consultants, legal advisors, temporary staff etc.	(503)	(431)
Operating expenses vehicles	(152)	(132)
Rental/leasing	(453)	(452)
Operating expenses, office equipment etc.	(79)	(87)
Other	(1 838)	(1 793)
Total other operating expenses	(6 457)	(6 343)

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 period 2014–2020 and a 30% reduction up to 2025. To spread best practices for improving energy efficiency, Orkla drew up 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 7.5% since 2014.

NOTE 14 OTHER INCOME AND EXPENSES

Other income and expenses will largely consist of material positive and negative non-recurring items, restructuring costs and any substantial write-downs of both tangible and intangible assets. The main purpose of this line is to present material non-recurring items and items substantially relating to other periods separately to ensure that the changes in and comparability of the lines presented in EBIT (adj.) are more relevant to the company. M&A costs and special IFRS effects relating to acquired companies are expensed here as and when they arise.

PRINCIPLE

"Other income and expenses" are presented after Group profit/loss (EBIT adj.), broken down by segment, and include items of a special nature, M&A costs and costs relating to sold companies. Characteristics common to these special items are that they are material, non-recurring items substantially relating to other periods and are not reliable indicators of underlying operations. 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/loss calculation and will be presented together with the latter.

Businesses, brands and properties were sold in 2017. K-Salat in Denmark and the Denja brand were divested in the fourth quarter. The total gain on these sales amounted to NOK 238 million. The operations in Pastella, Denmark, were also written down by NOK 94 million, and work has begun on restructuring the remaining operations. Earlier in 2017, two properties were divested in Gimsøy and Natural Food, respectively, at a total gain of NOK 50 million. The operations in Gimsøy were moved to Kumla, Sweden, while the operations in Natural Food were closed down earlier this year.

Orkla Foods has chosen to close down production of mayonnaise-based salads in Elverum. More than NOK 50 million was expensed as a result of costs incurred and the write-down of property, plant and equipment.

The Group continuously carries out integration and restructuring projects. Projects related to the integration of acquired companies and merging of factories require extensive resources and give rise to substantial costs. An improvement programme was implemented in Orkla Care. As at 31 December 2017, a provision totalling NOK 40 million had been made for workforce

Note 14 cont.

reductions. Orkla Foods and Orkla Confectionery & Snacks in Finland were merged to form Orkla Suomi and integration costs are being incurred. Furthermore, Orkla Confectionery & Snacks has begun work on coordinating chocolate production in Latvia. Costs related to this project, the majority of which appear likely to arise in the first quarter of 2018, will be incurred over a long period of time.

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. Preparations for the main project began immediately, the first stage of which has been to establish a project organisation and select an implementation partner. The roll-out of the new platform will begin in 2018 and run for several years. Orkla's Board of Directors made a final decision in the autumn of 2017. Expenses incurred during the initial stages of the project have been reported as "Other income and expenses" (OIE) totalling NOK 41 million, while expenses relating to the establishment of a template and the project roll-out will be recognised in the statement of financial position as intangible assets. Parts of existing ERP systems are expected to become superfluous once the new template has been rolled out, and will be written down if necessary as OIE over time.

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

Information on write-downs may be found in Note 18.

SUSTAINABILITY

In connection with its efforts to develop a long-term, competitive manufacturing footprint, Orkla closed eight factories in 2016. The purpose of these changes is to strengthen the Group's long-term competitiveness by making more effective use of capacity and investments in production equipment. Around 300 employees were affected by these changes, and employees who lost their jobs have been helped to seek new employment or training programmes.

Other income and expenses

Amounts in NOK million		2017
M&A and integration costs		(149)
Final settlement employment relationships etc.		(89)
Gains/write-downs relating to coordination projects		192
Other restructuring costs and special IFRS effects		(155)
Total		(201)
Of this:	Write-downs property, plant and equipment	(146)
	Write-downs intangible assets	-

Amounts in NOK million		2016
M&A and integration costs		(245)
Final settlement employment relationships etc.		(59)
Gains relating to coordination projects		24
Write-down related to Orkla Food Ingredients' operations		(56)
Other restructuring costs and special IFRS effects		(46)
Total		(382)
Of this:	Write-downs property, plant and equipment	(4)
	Write-downs intangible assets	(51)
	Badwill recognised as income	41

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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. Gains or losses on securities not reported under the item "Shares and financial assets" are also included in financial income and financial costs. 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	2017	2016
Interest income	33	26
Change in fair value recognised as interest income	57	57
Total interest income	90	83
Interest costs	(240)	(261)
Capitalised interest costs	1	1
Total interest costs	(239)	(260)
Net interest	(149)	(177)

Financial income and financial costs

Amounts in NOK million	2017	2016
Gains, losses and write-downs shares and financial assets	47	187
Dividends received	7	61
Other financial income	22	22
Total other financial income	76	270
Net foreign currency losses	(3)	(4)
Net interest pensions	(58)	(51)
Other financial costs	(42)	(150)[1]
Total other financial costs	(103)	(205)
Total other financial items	(27)	65

[1]Including NOK 100 million for the write-down of loans to Rygge sivile lufthavn AS.

Reconciliation against cash flow

	2017	2016
Interest, net	(149)	(177)
Other financial items, net	(27)	65
Total interest and other financial items (A)	(176)	(112)
Items that appear on other lines in the cash flow statement:		
Gains, losses and write-downs shares and financial assets	(47)	(187)
Dividends received	(7)	(61)
Total items that appear on other lines in the cash flow statement (B)	(54)	(248)
Items without cash flow effect:		
Change in accrued interest etc.	(21)	(12)
Net interest pensions without cash flow effect	58	51
Change in fair value recognised as interest income/interest costs	(29)	(57)
Write-down loan Rygge sivile lufthavn AS	-	100
Foreign currency gains/losses share portfolio	-	2
Total items without cash flow effect, see cash flow statement (C)	8	84
Paid financial items in cash flow statement, see Note 40 (A+B+C)	(222)	(276)

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 applied 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 be applied when the asset is realised or the liability is paid will be used.

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

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

Deferred tax liabilities for temporary differences associated with investments in subsidiaries and associates are recognised when it is probable that the temporary difference will be reversed in the foreseeable future. Deferred tax liabilities/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	2017	2016
Profit/loss before tax	4 571	4 292
Current tax expense	(865)	(954)
Change in deferred tax	(115)	147
Total tax expense	(980)	(807)
Tax as % of "Profit/loss before taxes"	21%	19%
Tax as % of "Profit/loss before taxes" adjusted for associates	23%	21%

Orkla's effective tax expense adjusted for associates increased by 2 percentage points from 21% in 2016 to 23% in 2017. This increase can mainly be explained by the effect of a change in taxation of a power contract and a tax-free gain on the sale of properties in 2016.

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 24% (25% in 2016). The main tax components are specified.

Amounts in NOK million	2017	2016
Norwegian tax rate on profit before taxes	(1 097)	(1 073)
Associates	75	122
Deferred tax on undistributed earnings in associates	(1)	(9)
Foreign operations with tax rates other than Norwegian tax rate	61	80
Changes in tax laws	0	14
Changed taxation of a power contract/ tax-free gain on sale of properties	0	79
Write-downs of shares, gains/losses and dividends within the tax exemption method	29	69
Non-deductible costs / tax free income	(7)	(2)
Non-deductible transaction expenses	(15)	(17)
Recognised deferred tax assets this year, previously unrecognised	41	29
Unrecognised deferred tax assets, this year	(7)	(39)
Correction previous years' taxes	(6)	(19)
Other taxes payable (economic rent tax and withholding tax)	(53)	(41)
The Group's total tax expense	(980)	(807)

Note 16 cont. ➔

Orkla's tax bases in Norway, Sweden and Denmark are substantial. The ordinary tax rate for companies domiciled in Norway was reduced from 25% to 24%, effective from 2017. The Norwegian company tax rate has been further reduced to 23% with effect from 2018. The effect of the reduction in the tax rate to 23% on the temporary differences at year end is recognition of NOK 8 million in the income statement and a charge of NOK 4 million against comprehensive income. However, the recognition of this income was offset by a charge of expenses related to a change in the Latvian tax regime, where the company tax rate was raised from 15% to 20%, but where the tax will not be charged until a dividend is paid out.

Orkla's operations in countries with tax rates other than 24% make a net contribution towards reducing the total tax expense. In 2017, the effect of this contribution was a reduction of NOK 61 million in tax expense, of which the Swedish, Finnish and Danish subsidiaries account for NOK 24 million, NOK 16 million and NOK 8 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 retained profits in associates, totalling NOK 28 million, of which NOK 1 million was recognised in the income statement in 2017.

Unrecognised deferred tax assets mainly relate to a number of small tax deficits in the UK, France and Germany. Recognition of previous years' unrecognised deferred tax assets mainly relate to former Cederroth companies in Sweden and Poland, along with Orkla's insurance company in Ireland and an Orkla Foods Ingredients company in Denmark.

The Group operates in the hydro power industry that is subject to special tax regimes in Norway.

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.

The table shows the composition of the Group's deferred tax, and indicates when deferred taxes are payable.

Deferred tax on temporary differences

Amounts in NOK million	2017	2016
Hedging reserve in equity	(68)	(95)
Intangible assets	1 108	1 058
Property, plant and equipment	328	332
Net pension liabilities	(244)	(220)
Gain and loss tax deferral	341	309
Other non-current items	304	334
Total non-current items	1 769	1 718
Current receivables	(8)	(8)
Inventories	1	(2)
Provisions	(111)	(114)
Other current items	(43)	(77)
Total current items	(161)	(201)
Tax losses carried forward	(114)	(164)
Net deferred tax liabilities	1 494	1 353
Deferred tax hydropower tax regime[1]	(19)	(20)
Deferred tax assets, not recognised	89	156
Net deferred tax liabilities	1 564	1 489
Change in deferred tax	(75)	(75)
Change in deferred tax discontinued operations	(28)	0
Net deferred tax discontinued operations	(103)	(75)
Change in deferred tax hedging reserve taken to comprehensive income	27	21
Change in deferred tax actuarial gains and losses pensions taken to comprehensive income	(9)	(16)
Acquisitions/sale of companies, currency effects etc.	24	52
Hedging of net investments in foreign operations	(54)	165
Change in deferred tax income statement	(115)	147

[1]Deferred tax liabilities and deferred tax assets related to hydropower taxes have been recognised gross for each power plant.

Note 16 cont.

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Net deferred tax presented in the statement of financial position

Amounts in NOK million	2017	2016
Deferred tax liabilities	1 604	1 591
Deferred tax assets	40	102
Net deferred tax	1 564	1 489

Losses carried forward by expiry date

Tax losses carried forward totalling NOK 521 million constitute a deferred tax asset of NOK 114 million, of which only NOK 29 million has been recognised. Unrecognised tax losses carried forward amount to NOK 411 million. A total of NOK 281 million of these have no expiry date, NOK 6 million expire from 2024 onwards, NOK 65 million expire in the period 2021-2023 and NOK 59 million expire in the period 2018-2020.

Amounts in NOK million	2017	2016
2017	-	41
2018	22	26
2019	23	11
2020	25	30
2021	26	51
2022	20	8
2023	16	13
2024 or later	19	10
Without expiry date	370	579
Total tax losses carried forward	521	769

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 unit recently reported a profit or because assets with excess value have been identified. If it is not likely to be future profits sufficient to absorb the tax-reducing temporary differences, deferred tax assets are not recognised. The newly acquired businesses Cederroth (2015), Hamé and Harris (2016) have tax-reducing temporary differences in Spain, 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 2017.

A provision of NOK 69 million has been made for tax liability on retained profit in Estonia, of which NOK 22 million was recognised in 2017.

Tax ownership of power plant

Aktieselskapet Saudefaldene, of which Orkla owns 85%, has been engaged in tax litigation for many years regarding whether the company is to be deemed the owner for tax purposes of the Sønnå Høy power plant. Saudefaldene built this power plant in the Saudavassdraget river system, and utilises it along with other plants and installations in accordance with the lease agreement with Statkraft. In 2014, an appeal decision was made to the effect that Saudefaldene was to be deemed to be the owner of Sønnå Høy for tax purposes. Saudefaldene submitted a writ of summons against the Norwegian government, claiming that the appeal decision must be ruled invalid. Saudefaldene lost the case in the district court in 2015, but won in the Court of Appeal in 2016 after Saudefaldene appealed the judgment. The Gulating Court of Appeal's judgment was appealed by the government, and by the Supreme Court judgment of 22 June 2017 Saudefaldene lost the case, with the result that it has been decided with final effect that the company is the owner of Sønnå Høy for tax purposes. This means that Saudefaldene is liable to pay economic rent tax and property tax for Sønnå Høy.

By the administrative decision of 24 April 2014, several significant changes were made in Saudefaldenes' tax assessment for 2005-2013 concerning the calculation of economic rent tax related to Sønnå Høy. In May 2015, a legal action was brought to contest this decision, as Saudefaldene disputes the departures made from the tax returns it submitted. This legal action has been suspended pending a final decision as to who is the owner of Sønnå Høy for tax purposes. The case is still suspended while the company seeks to clarify issues in dispute with the tax office outside the courts.

As part of the same litigation, legal proceedings have been brought against Sauda Municipality, Odda Municipality and Suldal Municipality (Sønnå Høy consists of installations in three municipalities). The issue in dispute is essentially related to Saudefaldene's argument that property tax for certain years was not levied in time.

Approximately NOK 106 million in economic rent tax has been expensed and a total of around NOK 101 million in property tax has been paid for Sønnå Høy for the period up to the end of 2017.

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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	167	4	38	42
The Baltics	31	3	2	5
Sweden[1]	22	4	0	4
Denmark	52	4	8	12
Switzerland	52	0	13	13
Ireland	36	0	5	5
Eastern Europe (excluding Romania and Poland)	43	0	8	8
Poland	20	4	0	4
UK	44	3	5	8
Finland[2]	7	0	2	2
Netherlands	13	3	0	3
Romania	12	0	2	2
India	13	4	0	4
Others	9	0	2	2
Total	521	29	85	114
Other deductible temporary differences	1 516	345	4	349
Total deductible temporary differences	2 037	374	89	463
Netted deferred tax	(1 450)	(334)	0	(334)
Net deductible temporary differences	587	40	89	129

[1]Concerns tax losses carried forward blocked for utilisation in the Swedish tax group until 2019.
[2]Concerns partly-owned companies not included in a tax group.

SUSTAINABILITY

Through our 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 are based on our 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 shows company tax payable for Orkla's main geographical areas:

Amounts in NOK million	2017	2016
Norway	301	463
Sweden	184	254
Denmark	160	73
Finland and Iceland	55	41
Rest of world	165	123
Total company tax payable	865	954

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 how much the profit/loss for the period amounts to per share and is calculated by dividing the profit/loss for the period after non-controlling interests by the average number of shares outstanding.

PRINCIPLE

Earnings per share are calculated on the basis of profit/loss for the year after non-controlling interests. As a result of the Orkla Group's option programme (see Note 11), outstanding shares could be diluted when options are exercised. In this calculation, the average number of shares outstanding was adjusted to take into account the estimated dilutive effect of the option programme.

Amounts in NOK million	2017	2016
Profit/loss for the year after non-controlling interests for continuing operations	3 516	3 403
Profit/loss/gains discontinued operations	5 066	890
Profit/loss for the year after non-controlling interests	8 582	4 293
Weighted average of number of shares outstanding	1 017 472 462	1 017 526 258
Estimated dilutive effect option programme	-	442 972
Weighted average number of shares outstanding, diluted	1 017 472 462	1 017 969 230
Earnings per share (NOK)	8.43	4.22
Earnings per share, diluted (NOK)	8.43	4.22
Earnings per share for discontinued operations, diluted (NOK)	4.97	0.88
Earnings per share for continuing operations, diluted (NOK)	3.46	3.34

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. The tests carried out in 2017 showed no need to write down any of the Group's intangible assets.

As disclosed in Note 14, a direct write-down totalling NOK 146 million for property, plants and equipment was made as a result of the decision to close down production of mayonnaise-based salads and to write down the Pastella operations in Denmark. A small write-down was also made in connection with the closure of Ello in Kristiansund. There were otherwise no indications that the value of any of the Group's assets is impaired

An updated assessment was also carried out of the value of the Sauda power plants. The case to determine who is the owner of Sønnå Høy for tax purposes was decided by the Supreme Court, which determined that Saudefaldene is to be deemed the owner of the Sønnå Høy power plant for tax purposes (see Note 16). 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

Note 18 cont.

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.

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 2017 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 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 situation 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

Note 18 cont.

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.

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. In several cases, as mentioned, goodwill has been tested at a higher level than originally due to reorganisation processes. This applies in particular to Orkla Confectionery & Snacks. Trademarks are tested for impairment regardless of the reorganisation.

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 book values. Broken down by CGU, there will also be some variations, but all the CGUs pass the test with a good margin. 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 book value.

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. Capitalised values in foreign currency largely increased from 2016 to 2017, due to the weakening of the Norwegian krone against the respective currencies (see Note 19).

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	2017	2016	2017	2016	Units	2017	2016	2017	2016
Units in segment	OF Norway	3 344	3 344	1 260	1 260	OC&S Norway	534	534	205	206
	OF Sweden	1 481	1 410	90	54	OC&S Sweden	866	824	390	370
	OF Denmark	98	91	22	20	OC&S Denmark	584	538	402	372
	OF Fenno-Baltic	159	147	44	42	OC&S Finland	582	538	723	668
	MTR Foods	315	311	118	116	OC&S Baltics	468	432	263	242
	OF Central Europe	587	373	487	493					
	OF Others	211	211	-	-					
	Total	**6 195**	**5 887**	**2 021**	**1 985**	**Total**	**3 034**	**2 866**	**1 983**	**1 858**
		2017		2016			2017		2016	
	Total capital employed	13 403		13 345		Total capital employed	6 636		6 264	
	EBIT (adj.)	2 055		1 968		EBIT (adj.)	1 045		937	
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; budgets 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 that on the whole are expected to remain stable or rise slightly.					Contribution margin is affected by innovations, productivity,retail chain price negotiations and raw material prices that on the whole are expected to remain stable or rise slightly.				
Customisation and ability to develop products in collaboration with customers	Orkla Foods follows consumer trends and has a high innovation rate – growth is expected in existing segments.					OC&S follows consumer trends and has a high innovation rate – 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 the economic situation.					Markets and turnover are expected to remain normal – OC&S is generally little affected by the economic situation.				
Terminal value	Growth rate equal to inflation in the countries in which the businesses operate (range 0.5–5%).									

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Care					Orkla Food Ingredients (OFI)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	2017	2016	2017	2016	Units	2017	2016	2017	2016
Units in segment	Orkla Home & Personal Care	1 452	1 108	310	229	KåKå	228	171	-	-
	Orkla Health	1 350	1 281	704	607	Idun	596	310	-	-
	Pierre Robert Group	97	90	38	35	Credin	197	219	-	-
	Lilleborg	18	18	-	-	Odense	87	79	-	-
	Orkla House Care	471	376	151	169	Others	348	267	4	4
	Orkla Wound Care	138	131	101	99					
	Total	**3 526**	**3 004**	**1 304**	**1 139**	**Total**	**1 456**	**1 046**	**4**	**4**
		2017		2016			2017		2016	
	Total capital employed	7 079		6 122		Total capital employed	3 952		2 961	
	EBIT (adj.)	1 074		956		EBIT (adj.)	469		439	
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 Norway and the Nordics, as well as 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 on the whole 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 raw material cost changes in customer markets.				
Customisation and ability to develop products in collaboration with customers	Orkla Care follows consumer trends and has a high innovation rate – 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 the economic situation.					Markets and turnover are expected to remain normal in the markets in which OFI operates.				
Terminal value	Growth rate equal to inflation in the countries in which the businesses operate (range 0.5–2%).									

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 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 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 software 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. Trademarks that have existed for a long period of time and 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.

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 286 million for research and development in 2017 (NOK 280 million in 2016). This covers internal and external costs related to product development, and includes measures to reduce salt, sugar and saturated fat in foods, develop vegetarian and organic products, and develop products and packaging with reduced environmental impacts.

Note 19 cont.

Intangible assets

Amounts in NOK million	Trademarks, not amortisable	Trademarks, amortisable	Other intangible assets	IT	Goodwill	Total
Book value 1 January 2016	4 542	29	147	285	12 608	17 611
Investments	-	-	5	115	-	120
Reclassifications[1]	-	-	-	8	-	8
Companies acquired[2]	668	61	0	1	701	1 431
Depreciation/amortisation	(3)	(5)	(12)	(90)	-	(110)
Write-downs	-	-	-	-	(51)	(51)
Badwill	-	-	-	-	41	41
Translation differences	(222)	(9)	(15)	(5)	(558)	(809)
Book value 31 December 2016	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
Initial cost 1 January 2017	5 054	143	1 017	735	14 859	21 808
Accumulated amortisation and write-downs	(69)	(67)	(892)	(421)	(2 118)	(3 567)
Book value 1 January 2017	4 985	76	125	314	12 741	18 241
Initial cost 31 December 2017	5 411	88	847	732	16 364	23 442
Accumulated amortisation and write-downs	(99)	(74)	(751)	(423)	(2 214)	(3 561)
Book value 31 December 2017	5 312	14	96	309	14 150	19 881
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. Preparations for the main project have begun, the first stage of which will be to establish a project organisation and select an implementation partner. The roll-out of the new platform will begin in 2018 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 a template and the project roll-out will be recognised in the statement of financial position as intangible assets. The capitalised amounts will be relatively substantial. No items had been capitalised in connection with the new ERP system as at 31 December 2017.

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 e.g. internally generated 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 been either 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 2017, the Group also had trademark positions in India (MTR Foods).

Note 19 cont.

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	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		○			○			○	
Ketchup	Idun	●	A	Felix	●	B	Beauvais	◑	B	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	●	B	Hamé	●	C		○	
Preserved vegetables	Nora	●	A	Felix	●	B	Beauvais, Gårdlykke	●	B	Felix	●	B	Põltsamaa	●	B	Znojmia, Hamé	●	C	Felix	◔	B
Dressings	Idun	●	A	Felix	●	B	Bähncke, AH, Dansk Cater	◑	A	Felix	◑	B	Spilva, Felix	●	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		○			○	
Fresh pasta	TORO	◔	C		○		Pastella	●	C	Pastella	◑	C		○			○			○	
Dry and wet goods (casseroles, sauces and soups)	TORO	●	C	Abba,Felix, Paulúns, Ekströms, Mrs Cheng	◔	B C	Beauvais, Bähncke	◑	B A		○		Põltsamaa, Spilva, Suslavicius	◑	B C	Hamé, Otma, Vitana	●	C	Felix	◑	B
Cereal		○		Paulúns	◑	C	Det gode liv	◔	A		○			○			○		Knusperli	◔	A
Patés	Stabburet	●	A		○			○			○			○		Hamé, Seliko, Májka	●	C		○	
Baby food		○			○			○			○			○		Hamánek	◔	C		○	
Salad		○			○		Gårdlykke	◑	A		○			○			○		Felix	◔	B
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

Note 19 cont. ➔

	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			U.K.		
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	◔	C	Bliw, Erittäin Hieno Suomalainen, Jordan	◑	C		○		Dermika, Soraya	◔	C	Riemann P20	○	C
Dietary supplements	Möller's, Nutrilett, Collett, Maxim	●	A C	Nutrilett, Pharbio, Maxim, Active Care	●	C	Gerimax, Futura, Pikasol, HUSK, Livol, Unikalk	●	C	Möller's, Nutrilett, SanaSol	◑	A C	Möller's	●	A	Gerimax, Möller's	●	C A		○	
Textiles	Pierre Robert, LaMote	●	C A	Pierre Robert, LaMote	◑	A C		○		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		○			○		AMA	◔	B
Plant based		○			○		Naturli'	●	A
Butter blend spread		○			○		Bakkedal	◔	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

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 improvement in production efficiency. No items had been capitalised for this project as at 31 December 2017.

Note 20 cont.

Property, plant and equipment Amounts in NOK million	Land, buildings and other property	Machinery and plants	Assets under construction	Fixtures, fittings, vehicles, IT equipment etc.	Total
Book value 1 January 2016	5 429	3 804	796	494	10 523
Investments	160	483	759	112	1 514
Disposals/scrapping	(105)	(11)	-	(3)	(119)
Reclassifications[1]	-	-	(3)	(5)	(8)
Companies acquired	426	225	3	20	674
Sold companies	(143)	(4)	-	-	(147)
Transferred assets under construction	359	382	(814)	73	0
Write-downs	(4)	-	-	-	(4)
Depreciation	(228)	(644)	-	(164)	(1 036)
Translation differences	(148)	(177)	(16)	(18)	(359)
Book value 31 December 2016	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
Initial cost 1 January 2017	8 045	9 929	725	1 745	20 444
Accumulated depreciation and write-downs	(2 299)	(5 871)	-	(1 236)	(9 406)
Book value 1 January 2017	5 746	4 058	725	509	11 038
Initial cost 31 December 2017	8 556	11 090	1 102	1 971	22 719
Accumulated depreciation and write-downs	(2 745)	(6 868)	-	(1 423)	(11 036)
Book value 31 December 2017	5 811	4 222	1 102	548	11 683
Linear depreciation	2–4%	5–15%	-	15–25% IT equipment: 16–33%	

[1]Net reclassifications relate to figures transferred to Note 19.

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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	2017	2016
Share investments	3	68	29
Interest-bearing derivatives	2	145	249
Receivables interest-bearing	3	131	141
Receivables non interest-bearing	3	49	92
Total financial assets		393	511
Pension plan assets		32	129
Total other assets (non-current)		425	640

The principle for valuation of shares is disclosed in Note 24. Non-current and current shares are both treated as "Available for sale". 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. A breakdown of inventories by business area may be found in the segment reporting. Any profit from internal 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	2017	2016
Raw materials	1 871	1 757
Work in progress	408	375
Finished goods and merchandise	3 405	3 063
Total inventories	5 684	5 195

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 2017 of NOK 85 million (NOK 84 million in 2016). Inventories valued at net realisable value total NOK 38 million (NOK 58 million in 2016).

Development property

Inventories include development properties recognised at NOK 113 million (NOK 70 million in 2016). The properties are mainly housing projects under development/construction and primarily consist of the projects at Sandakerveien 56 and Treschowsgate 16.

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 in 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	2017	2016
Accounts receivable (A - B)	6 006	5 455
Other trade receivables	159	142
Total trade receivables	6 165	5 597

Breakdown of accounts receivable by due date:

Amounts in NOK million	2017	2016
Accounts receivable not due	5 348	4 836
Overdue receivables 1–30 days	493	369
Overdue receivables 31–60 days	79	99
Overdue receivables 61–90 days	34	66
Overdue receivables over 90 days	138	175
Accounts receivable carrying amount 31 December (A)	6 092	5 545

Change in provisions for bad debts:

Amounts in NOK million	2017	2016
Provisions for bad debts 1 January	90	83
Bad debts recognised as expense	11	20
Provisions in acquired companies	10	13
Provisions in sold companies	(7)	0
Final bad debts	(31)	(22)
Translation effects	13	(4)
Provisions for bad debts 31 December (B)	86	90

Ⓟ PRINCIPLE

Receivables are continuously reviewed and are written down if there are objective criteria that indicate that an event causing a loss has occurred, and the amount of the loss can be reliably measured and will affect payment of the receivable.

Accounts receivable are recognised and presented at the original invoice amount and written down if events causing a loss have occurred that can be measured reliably and that will affect payment of the receivable. Accounts receivable are thus 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/loss. Provisions have been made for losses on accounts receivable, 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	2017	2016
Non-interest-bearing derivatives	21	10
Interest-bearing receivables	55	18
Other current receivables	322	396
Total financial receivables	398	424
Advance payment to suppliers/earned income	441	428
Tax receivables	44	50
Total current receivables	883	902

Accounts receivable and other trade receivables, as well as financial receivables, are recognised at fair value in accordance with Level 3 valuation 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.

PRINCIPLE

Shares and financial assets are investments of a financial nature and are recognised as available for sale. Shareholdings defined as available for sale which have a value lower than carrying value are written down in the income statement if the impairment in value is prolonged or significant. Any further value impairment will result in an immediate write-down. The write-down cannot be reversed in the income statement until the value is realised. Dividends received are recognised in the income statement at the time they are adopted 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. The difference between the fair value and acquisition cost of the security is included in the unrealised gain until the security is either sold or written down. When the security is sold or written down, the unrealised gain is recognised in the income statement and offset in comprehensive income. When the security is written down, a new "acquisition cost" is established and subsequent increases in fair value are recognised in comprehensive income as "Changes in unrealised gains".

Amounts in NOK million	Fair value 31.12.2017	Unrealised gains 2017	Fair value 31.12.2016	Unrealised gains 2016
Securities available for sale				
Shareholding in Solsten fund	-	-	87	51
Unlisted securities	17	0	20	2
Total shares and financial assets	17	0	107	53
Of this owned by Orkla ASA	17	0	107	53

The value of unlisted securities is linked to Level 3 valuation. The Solsten fund was at Level 2. See note 31 for a description of the valuation hierarchy.

In accordance with its chosen strategy, Orkla has sold off its former Share Portfolio. As at 31 December 2017, there was just one small shareholding in Herkules Private Equity III.

Shares in the Solsten Fund were divested as planned. Profit/loss items related to shares and financial assets are disclosed in Note 15.

Unrealised gains as at 1 January 2017 were recognised in their entirety in comprehensive income in 2017. There were no tax effects linked to the unrealised gains.

NOTE 25 CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents consist of liquid assets necessary for transactions as well as current placements. In addition Orkla ASA 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 position 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	2017	2016
Cash at bank and in hand[1]	3 703	687
Current deposits	1 016	396
Restricted deposits	115	121
Total cash and cash equivalents	4 834	1 204

[1]Of "Cash at bank and in hand" a total of NOK 214 million is in Orkla companies with minority shareholders and in Orkla Insurance Company (NOK 127 million in 2016). These assets are only available to a limited extent to the rest of the Group.

NOTE 26 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions consist of pension liabilities and other provisions for liabilities. Pension liabilities 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	2017	2016
Pension liabilities	1 988	1 872
Derivatives	312	397
Other non-current liabilities	50	13
Other provisions	780	273
Total provisions and other non-current liabilities	3 130	2 555

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. 2016	24	306	330
New provisions	3	17	20
Utilised	(3)	(61)	(64)
Provisions 31 Dec. 2016	24	262	286
New provisions	83	505	588
Utilised	(12)	(32)	(44)
Provisions 31 Dec. 2017	95	735	830
	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 (see Note 4), and 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 2017 there were no indications of any material change in estimated ex-penses.

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	2017	2016
Accounts payable	3 426	2 835
Other trade payables	1 514	1 494
Total trade payables	4 940	4 329

Ⓔ 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	2017	2016
Non-interest-bearing derivatives	14	20
Non-interest-bearing current liabilities	171	155
Total financial liabilities non-interest-bearing	185	175
Value added tax, employee taxes	830	668
Accrued wages and holiday pay	1 164	1 083
Other accrued costs	955	1 012
Total other liabilities (current)	3 134	2 938

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 unexpected 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, secures a strong, long-term creditworthiness, as well as a competitive return for the 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. Capital structure in 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 Group's interest-bearing liabilities and equity consist of:

Amounts in NOK million	2017	2016
Non-current interest-bearing liabilities	(4 820)	(7 172)
Current interest-bearing liabilities	(359)	(2 496)
Non-current interest-bearing receivables	276	390
Current interest-bearing receivables	55	18
Cash and cash equivalents	4 834	1 204
Net interest-bearing liabilities	(14)	(8 056)
Group equity[1]	34 838	33 876
Net gearing (net interest-bearing liabilities/equity)	0.00	0.24

[1]The Group's equity also includes the value of cash flow hedges taken to comprehensive income.

Note 28 cont. ➔

Orkla's net interest-bearing liabilities were reduced by NOK 8.0 billion through 2017, primarily affected by the sale of Sapa (NOK 13.4 billion including received dividend), less payment of an extraordinary dividend (NOK 5.1 billion) and acquisitions totalling NOK 0.9 billion. Changes in foreign currency rates increased the liabilities by NOK 0.4 billion. There were no changes in Orkla's approach and objectives regarding capital management in 2017.

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 2017.

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 of 31 December 2017 these credit facilities were undrawn (31 December 2016: NOK 1.2 billion drawn).

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.

In 2017 Orkla repaid loans, repurchased outstanding bonds totalling NOK 3.6 billion, and cancelled credit facilities totalling NOK 6.6 billion. No new bilateral loan agreements were entered into. Existing bonds were increased by NOK 0.3 billion.The remaining time to maturity of NOK 2.5 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.

Ⓢ 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 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.

Note 29 cont.

Interest-bearing liabilities	Book value		Fair value[1]			Notional		
Amounts in NOK million	31.12.2017	31.12.2016	31.12.2017	31.12.2016	Currency	in ccy[2]	Coupon[3]	Term
Non-current interest-bearing liabilities								
Bonds								
ORK10 (10364920)	-	702	-	701	NOK	1 200	Fixed 5.70%	2007/2017
ORK09 (10364912)	-	213	-	214	NOK	1 300	Nibor +0.42%	2007/2017
ORK80 (10694680)	966	972	990	989	NOK	1 000	Fixed 4.35%	2013/2024
ORK82 (11731730)	722	757	728	753	NOK	1 500	Nibor +0.69%	2015/2022
ORK83 (11774383)	676	399	682	399	NOK	1 000	Nibor +0.85%	2016/2023
ORK84 (11774391)	256	187	265	192	NOK	1 000	Fixed 2.35%	2016/2026
US Private Placement	-	1 330	-	1 330	USD	150	Fixed 6.09%	2007/2017
US Private Placement	-	483	-	483	GBP	40	Fixed 6.27%	2007/2019[4]
US Private Placement	-	670	-	670	USD	70	Fixed 6.19%	2007/2019[4]
Other Private Placement	65	36	65	36				
Total bonds	2 685	5 749	2 730	5 767				
Of this current interest-bearing liabilities	-	(2 266)	-	(2 248)				
Bank loans	2 035	3 566	2 035	3 566				
Other loans	100	123	100	123				
Total non-current interest-bearing liabilities	4 820	7 172	4 865	7 208				
Current interest-bearing liabilities								
Bonds, maturity <1 year	-	2 266	-	2 248				
Bank loans, overdrafts	291	173	291	173				
Other loans	21	29	21	29				
Interest-bearing derivatives	47	28	47	28				
Total current interest-bearing liabilities	359	2 496	359	2 478				
Total interest-bearing liabilities	5 179	9 668	5 224	9 686				

[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. 2016: The book value of US Private Placement loans takes into consideration observed interest rates as these loans are hedged objects in fair value hedges, but not credit margin, as there is no available observation of this.

[2]Of the notional amount the Group holds some of its own bonds. These reduce 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.

[4]Repaid prior to maturity.

Note 29 cont.

Maturity profile interest-bearing liabilities and unutilised credit facilities

	Interest-bearing liabilities		Unutilised credit facilities	
Amounts in NOK million	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Maturity <1 year	359	2 496	-	-
Maturity 1–3 years	111	2 137	-	6 942
Maturity 3–5 years	1 197	1 220	3 600	2 033
Maturity 5–7 years	2 989	2 247	-	-
Maturity >7 years	523	1 568	-	-
	5 179	9 668	3 600	8 975

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 2017 the average remaining time to maturity of the Group's combined interest-bearing liabilities and unutilised credit facilities was 4.3 years, compared with 3.3 years as at 31 December 2016.

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.

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.

Note 30 cont.

(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 IAS 39. 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 2017 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	41	NOK	397	2018
EUR	7	GBP	6	2018
EUR	3	SEK	30	2018
SEK	145	NOK	143	2018
USD	11	DKK	66	2018
USD	6	NOK	49	2018
DKK	29	NOK	37	2018
DKK	17	GBP	2	2018
CZK	104	NOK	38	2018

[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 2017, 62% (33% as at 31 December 2016) 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 4.0 years (2.4 years as at 31 December 2016). 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

Amounts in NOK million	2017 Next interest rate adjustment 31.12.2017	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years	2016 31.12.2016	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years
Bonds	2 685	1 463	-	-	-	-	1 222	5 749	1 191	933	1 331	1 154	-	1 140
Bank loans	2 051	2 051	-	-	-	-	-	3 626	3 626	-	-	-	-	-
Overdrafts	275	275	-	-	-	-	-	113	113	-	-	-	-	-
Other loans	121	21	100	-	-	-	-	152	29	123	-	-	-	-
Interest rate swaps (fair value hedge)	0	905	250	-	-	-	(1 155)	0	2 506	900	(1 293)	(1 028)	-	(1 085)
Interest rate swaps (cash flow hedge)	0	(2 062)	(976)	-	-	551	2 487	0	(2 269)	(598)	-	-	-	2 867
Interest rate derivatives (other)	0	(150)	-	-	50	100	-	0	450	(600)	-	-	150	-
Currency derivatives	47	39	7	1	-	-	-	28	22	5	1	-	-	-
Interest-bearing liabilities	5 179	2 542	(619)	1	50	651	2 554	9 668	5 668	763	39	126	150	2 922

TABLE 2b

Interest-bearing liabilities by instrument and currency

Amounts in NOK million	2017 31.12.2017	NOK	SEK	EUR	USD	DKK	Other	2016 31.12.2016	NOK	SEK	EUR	USD	DKK	Other
Bonds	2 685	2 620	-	-	-	32	33	5 749	3 229	-	-	2 001	35	484
Bank loans	2 051	-	1 000	1 035	-	2	14	3 626	44	951	1 413	1 198	4	16
Overdrafts	275	-	(43)	238	(3)	79	4	113	1	(18)	152	(4)	(35)	17
Other loans	121	77	5	4	-	3	32	152	111	10	3	-	-	28
Currency derivatives	47	(2 489)	492	(157)	48	908	1 245	28	(3 970)	2 901	1 545	(3 104)	1 573	1 083
Interest-bearing liabilities	5 179	208	1 454	1 120	45	1 024	1 328	9 668	(585)	3 844	3 113	91	1 577	1 628
Interest level borrowing rate (%)	3.7	2.9	3.8	6.6	4.0	0.4	3.8	1.7	-	1.3	1.9	1.8	0.1	2.1

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

	31.12.2017							31.12.2016						
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
Loans	5 132	5 066	312	101	1 168	2 969	516	9 640	9 397	2 400	2 005	1 215	2 283	1 494
Interest payable	52	687	109	211	226	124	17	70	1 174	324	376	249	161	64
Accounts payable and other current financial liabilities	5 059	5 059	5 059	-	-	-	-	4 413	4 413	4 413	-	-	-	-
Subscribed, uncalled partnership capital	-	4	4	-	-	-	-	-	5	5	-	-	-	-
Net settled derivatives[1]	174	-	-	-	-	-	-	146	-	-	-	-	-	-
Inflow	-	(587)	(141)	(183)	(127)	(116)	(20)	-	(822)	(265)	(247)	(114)	(129)	(67)
Outflow	-	776	196	290	159	113	18	-	934	213	343	179	143	56
Gross settled derivatives[1]	33	-	-	-	-	-	-	39	-	-	-	-	-	-
Inflow	-	(3 983)	(3 983)	-	-	-	-	-	(8 651)	(8 651)	-	-	-	-
Outflow	-	4 008	4 008	-	-	-	-	-	8 668	8 668	-	-	-	-
Total	10 450	11 030	5 564	419	1 426	3 090	531	14 308	15 118	7 107	2 477	1 529	2 458	1 547

[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 2017 (NOK 9.0 billion at 31 December 2016).

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	2017	2016
Cash and cash equivalents	4 834	1 204
Accounts receivable and other trade receivables	6 165	5 597
Other current receivables	377	414
Non-current receivables	180	233
Derivatives	166	259
Total	11 722	7 707

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 2017. 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.

TABLE 4

Sensitivity financial instruments

	31.12.2017: Accounting effect on				31.12.2016: 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	30	(30)	186	(193)	(36)	36	206	(212)
Currency risk: 10% change in FX-rate USD/NOK	3	(3)	12	(12)	2	(2)	13	(13)
Currency risk: 10% change in FX-rate EUR/NOK	7	(7)	(15)	15	(2)	2	(302)	302
Currency risk: 10% change in FX-rate SEK/NOK	-	-	74	(74)	3	(3)	(257)	257
Currency risk: 10% change in FX-rate DKK/NOK	-	-	20	(20)	-	-	(58)	58

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 items, 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 hedging instrument is expected to be highly effective in offsetting changes in the fair value or cash flow of an identified object – the hedging effectiveness is expected to be between 80-125%,
(2) the hedging effectiveness can be measured reliably,
(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 has proved 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

01 02 03 04 05

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. When IFRS 9 is introduced, the criteria for hedge accounting will change, but it is expected that the hedging relationships that quality for hedge accounting under IAS 39 will still qualify according to IFRS 9.

Derivatives in the statement of financial position and hedging purpose

Amounts in NOK million			2017	2016	Purpose of hedging	Hedge accounting	Classification
Assets	Non-current	i.b.[1]	68	249	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.[1]	77	0	Interest rate swaps fixed to floating, counter item to hedges of repaid loans	-	Fair value through profit and loss
Assets	Current	n.i.b.[2]	2	6	Total return swap hedging share exposure in pension obligations	-	Fair value through profit and loss
Assets	Current	n.i.b.	1	0	Currency forwards hedging monetary items in the statement of financial position	-	Fair value through profit and loss
Assets	Current	n.i.b.	18	4	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Liabilities	Non-current	n.i.b.	(312)	(397)	Interest rate swaps floating to fixed, hedging future interest payments	Cash flow hedge	Fair value through comprehensive income
Liabilities	Current	i.b.	(47)	0	Currency forwards hedging loans/deposits	-	Fair value through profit and loss
Liabilities	Current	i.b.	0	(28)	Currency forwards hedging net investments in foreign subsidiaries	Net investment hedge	Fair value through comprehensive income
Liabilities	Current	n.i.b.	(14)	(16)	Interest rate swaps floating to fixed, hedging future interest payments	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	0	(3)	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Total derivatives			**(207)**	**(185)**			

[1]i.b. = Interest-bearing asset/liability
[2]n.i.b. = Non-interest-bearing asset/liability

Note 31 cont.

01
02
03
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05

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.

No hedging ineffectiveness or hedging instruments which no longer qualify for hedge accounting affected the income statement in 2017 (the same during 2016). All expected cash flows hedged in 2017 still qualify for hedge accounting.

Changes in the equity hedging reserve

Amounts in NOK million	2017	2016
Opening balance hedging reserve before tax	(398)	(465)
Reclassified to profit/loss – operating revenues	(2)	(2)
Reclassified to profit/loss – operating costs	1	(29)
Reclassified to profit/loss – net financial items	117	112
Fair value change during the year	(14)	(14)
Closing balance hedging reserve before tax	(296)	(398)
Deferred tax hedging reserve	68	95
Closing balance hedging reserve after tax	(228)	(303)

The change in the equity hedging reserve before tax in 2017 was NOK 102 million (NOK 67 million in 2016), and after tax, recognised in other comprehensive income, was NOK 75 million in 2017 (NOK 46 million in 2016).

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 2017 are expected to be recycled to the income statement as follows (before tax):

2018:	NOK -104 million
After 2018:	NOK -192 million

Hedges of net investments in foreign entities

When hedging the currency risk on foreign net investments, loans or currency derivatives are applied. In 2017 NOK -171 million was recorded in other comprehensive income after tax from net investment hedges (2016: NOK 493 million). The corresponding figures before tax are NOK -225 million (2016: NOK 658 million).

In 2017, NOK 185 million (NOK 6 million in 2016) was recorded in the income statement related to net investment hedges of divested investments, which relates to the sale of Sapa and is presented as discontinued operations.

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 2017, NOK 89 million was recognised as costs in the income statement related to fair value changes in the interest rate swaps, and NOK 89 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.
- Meeting strict IFRS hedge accounting criteria is not always possible or practical. Some of the currency hedges, forward rate agreements (FRAs) and interest rate swaps where hedge accounting has been discontinued 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 2017[1]

	Shareholders		Number of shares	% of capital[2]
1	Canica AS		194 150 000	19.05%
2	Folketrygdfondet		86 285 469	8.47%
3	Tvist 5 AS		50 050 000	4.91%
4	State Street Bank and Trust Company	Nominee	37 990 255	3.73%
5	State Street Bank and Trust Company	Nominee	34 917 727	3.43%
6	Clearstream Banking S.A.	Nominee	21 810 492	2.14%
7	State Street Bank and Trust Company	Nominee	21 650 150	2.12%
8	The Bank of New York Mellon SA/NV	Nominee	17 841 593	1.75%
9	JPMorgan Chase Bank, N.A., London	Nominee	17 788 648	1.75%
10	The Bank of New York Mellon	Nominee	15 827 958	1.55%
11	State Street Bank and Trust Company	Nominee	11 460 028	1.12%
12	JPMorgan Chase Bank, N.A., London	Nominee	10 250 045	1.01%
13	State Street Bank and Trust Company	Nominee	9 888 096	0.97%
14	State Street Bank and Trust Company	Nominee	7 962 299	0.78%
15	Prudential Assurance Company Limited		7 857 263	0.77%
16	KLP AksjeNorge Indeks		7 697 693	0.76%
17	JPMorgan Chase Bank, N.A., London	Nominee	5 986 686	0.59%
18	Stein Erik Hagen AS		5 800 000	0.57%
19	The Northern Trust Company, London BR	Nominee	5 770 068	0.57%
20	Citibank, N.A.	Nominee	5 329 586	0.52%
	Total shares		**576 314 056**	**56.56%**

[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 215.
[2]Of total shares issued.

Date/year	Number of shares	Nominal value (NOK)	Type of change	Amounts (NOK million)	Share capital (NOK million)
31 December 2007	1 036 430 970	1.25			1 295.5
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

Treasury shares as at 31 December 2017

	Nominal value (NOK)	Number of shares	Fair value (NOK million)
Shares owned by Orkla ASA	221 166	176 933	15

Ⓟ 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

	2017	2016
Total as at 1 January	1 213 135	940 300
External purchases of treasury shares	1 500 000	2 000 000
Redemption of options in treasury shares	(965 000)	(1 727 000)
Orkla employee share purchase programme	(1 571 202)	(165)
Total as at 31 December	176 933	1 213 135

As at 31 December 2017, there were no options outstanding (see Note 11).

See the "Corporate governance" section on page 39 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 2,649 million for the 2017 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. As shown by the figures, most of the Group's businesses are wholly-owned.

Amounts in NOK million	2017	2016
Non-controlling interests' share of:		
Depreciation and write-downs	25	24
Operating profit	101	97
Profit/loss before taxes	99	94
Taxes	(24)	(12)
Changes in non-controlling interests:		
Non-controlling interests 1 January	402	417
Non-controlling interests' share of profit/loss	75	82
Increase due to acquisitions and capital increases in companies with non-controlling interests	3	10
Decrease due to further acquisitions of non-controlling interests	(13)	(18)
Decrease due to sale of companies with non-controlling interests	-	(29)
Dividends to non-controlling interests	(52)	(54)
Translation differences	15	(6)
Non-controlling interests 31 December	430	402
Non-controlling interests relating to:		
Orkla Food Ingredients	232	199
Hydro Power	197	187
Financial Investments	1	16
Total non-controlling interests	430	402

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/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' shares of the Group's annual profit/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.

Reported costs related to operating leases reflect the minimum leasing cost during the period of notice.

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).

New IFRS 16 Leases (from 2019)

The new standard requires that discounted right-of-use leases with associated payment liabilities be capitalised as an asset. Based on the new rules, a general calculation based on reported leases indicates a capitalisation of more than NOK 1 billion. In such case, this would reduce the Group's equity ratio in 2017 by well over one percentage point. Under the current IFRS rules, lease amounts are recognised as operating costs for operating leases. There are a number of unclarified issues related to the valuation of service contracts and the status that these items will have under the new regime. Service contracts which in actual fact are right-of-use leases must be capitalised. The Group has a major IT operations contract with Cognizant that is not included in reported leasing costs.

Orkla has leases with Statkraft under which AS Saudefaldene has use of all the power stations until 2030. At present, it has not been clarified whether these agreements will be subject to the new rules. The above-mentioned amount does not include capitalisation of the agreements. Orkla has a right to terminate the agreement with Statkraft at any time on three years' notice.

Under the new rules, there is also uncertainty attached to the general concept of leasing. In many cases, the perceived advantages of not having to capitalise leased assets have been determinant for decisions. In a regime where on the whole everything must be capitalised, the situation may change with the result that leasing is not used in the same way as before. This could lead to adjustments being made until the new regime comes into force and could mean that the restatement of the current leased assets will not be a reliable indicator with regard to the situation in 2019.

According to the new rules, the capitalised leases will have to be depreciated over the lease term and presented with the Group's other depreciation. The interest effect of discounting will be presented as a financial item. Consequently, the Group's operating profit will be slightly higher, relatively speaking, under the new rules, provided the type and number of leased objects remain unchanged.

Note 34 cont.

Rented/leased property, plant and equipment Amounts in NOK million	Machinery/ plant 2017	Machinery/ plant 2016	Land, building, property 2017	Land, building, property 2016	Fixtures, vehicles etc. 2017	Fixtures, vehicles etc. 2016	Other assets 2017	Other assets 2016	Total 2017	Total 2016
										Lessee Operating leases
Cost current year	23	23	326	309	96	109	8	11	453	452
Cost next year	22	22	301	259	84	87	6	9	413	377
Total costs 2–5 years	21	22	604	591	114	129	10	15	749	757
Total costs after 5 years	1	2	140	90	8	29	2	1	151	122
Total future leasing costs	44	46	1 045	940	206	245	18	25	1 313	1 256

Rented/leased property, plant and equipment Amounts in NOK million	Machinery/ plant 2017	Machinery/ plant 2016	Land, building, property 2017	Land, building, property 2016	Fixtures, vehicles etc. 2017	Fixtures, vehicles etc. 2016	Other assets 2017	Other assets 2016	Total 2017	Total 2016
										Lessee Finance leases
Cost current year	3	3	-	-	12	14	-	-	15	17
Cost next year	3	5	-	-	10	13	-	-	13	18
Total costs 2–5 years	5	4	-	-	22	24	-	-	27	28
Total costs after 5 years	-	-	-	-	2	-	-	-	2	-
Total future leasing costs	8	9	-	-	34	37	-	-	42	46
Discounted effect	-	-	-	-	(1)	(1)	-	-	(1)	(1)
Net present value leasing costs	8	9	-	-	33	36	-	-	41	45

The Group also leases out real estate under operating leases. Leasing revenues in 2017 totalled NOK 104 million. Total future leasing revenues amount to NOK 149 million: NOK 98 million in 2018 and NOK 51 million after 2018.

NOTE 35 POWER AND POWER CONTRACTS

The Group both owns and leases power plants, all located in Norway. The table below shows the type of power plant, 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 Hydropower reservoir, Rogaland	1 928 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 Pursuant to lease agreements with Statkraft, AS Saudefaldene[1] has the use of all plants until 2030. See Note 16 for disclosure of the dispute related to tax ownership.	AS Saudefaldene[1] has an annual concession power commitment of 134 GWh. In addition, the company has an annual delivery commitment 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. 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 purposes as at 1 January 2031 of the expansions carried out by AS Saudefaldene[1]. See Note 34 regarding the possible consequences of the new IFRS 16 Leases.
Borregaard power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	291 GWh	100% ownership, infinite licence period.	
Sarp power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	240 GWh	50% ownership, infinite licence period. The other ownership interest owned by E-CO Energi AS.	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 (2011–2017) 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	2017	2016
Liabilities secured by pledges	62	95
Pledged assets		
Machinery, vehicles etc.	6	5
Buildings and plants	84	49
Inventory	2	2
Accounts receivables	32	29
Other assets	3	82
Total book value	127	167

"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 a new headquarters.

Guarantees

Amounts in NOK million	2017	2016
Subscribed, uncalled limited partnership capital	4	5
Other guarantee commitments	188	163
Total guarantee commitments	192	168

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/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 230 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. 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, which are presented using the equity method. Orkla has outstanding balances totalling NOK 29 million with associates within Orkla Eiendom. There have been no other 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 250,010,000 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 amount to a total of NOK 30 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. Transactions with related parties are priced on market terms.

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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, while major divestments will be presented as "Discontinued operations", extracted from both the figures for the period and comparative figures, and presented on one line in the income statement. This is done in order to make the figures comparable over time and to focus on continuing operations. Where Orkla's businesses are concerned, it will not be relevant to present discontinued operations until an entire segment, geographical region or substantial assets are divested.

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 presented with the "Discontinued operations" grouped 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.

An agreement was signed in July 2017 to sell Sapa to Norsk Hydro. After being approved by the relevant competition authorities, the transaction was recognised in the financial statements at the end of September. Orkla has retained certain liabilities related to its ownership interest in Sapa after completion of the transaction (see Note 4).

Orkla's 50% interest in Sapa constituted a "substantial asset". The investment in Sapa represented a separate, material business operation for the Orkla Group. Sapa was Orkla's sole remaining investment in aluminium operations, and its total turnover in 2016 exceeded that of Orkla's branded consumer goods business. As at 31 December 2016, it accounted for 16% of Orkla's statement of financial position. Consequently, Sapa has been presented separately from the line "Profit/loss from associates and joint ventures" and reported on the line "Discontinued operations" with historical effect. The figures presented in the ordinary income statement are therefore comparable. "Earnings per share for continuing operations" will thus present the Group's earnings minus the share of profit/loss from Sapa. Historical statements of financial position have not been restated.

Profit & loss for "Discontinued operations"

Amounts in NOK million	2017	2016
Profit/loss from joint venture	800	890
Gain on sale	4 266	-
Discontinued operations	5 066	890

Total profit/loss related to Sapa for 2017 amounted to NOK 4,048 million (NOK 462 million in 2016) after translation differences of NOK -1,018 million (NOK -428 million in 2016).

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 ANDRE FORHOLD

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 passed 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.

Other matters

Agreement with Unilever. Orkla has a long-term cooperation agreement with Unilever relating to detergents and personal care products sold through Lilleborg AS (OHPC Norge). This agreement was originally entered into in 1958, and has since been renewed three times. The current agreement was entered into on 1 July 2014, and will run for up to five years, until 30 June 2019.

Note 39 cont.

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.

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 are in the process of appealing. 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.

Acquisitions. Orkla has entered into an agreement to purchase the Swedish company Health & Sport 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's operations will be maintained as a separate entity in the Orkla Care business area. HSNG has around 170 employees. For the last rolling 12 months as of 1 October, HSNG's turnover totalled SEK 772.8 million (approx. NOK 757 million) and EBITDA SEK 38.4 million (approx. NOK 38 million). Some 60% of the company's turnover derives from Sweden, and the rest primarily from Finland, Norway and Denmark. The parties agreed on a purchase price of SEK 360 million on a debt-free basis. The purchase was completed on 30 January 2018 and was consolidated into Orkla's financial statements as of 1 February 2018.

On 22 January 2018, Orkla Care concluded an agreement to increase its interest in the joint venture Anza Verimex NV to 50%. At the same time Orkla Care has taken over 50% of the painting tool business, PGZ International B.V.

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

NOTE 40 CASH FLOW ORKLA-FORMAT

The Orkla-format cash flow statement is presented as a note to Orkla's quarterly reports and used as a reference in the segment information (Note 7) and 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. The statement is used directly in management of the business areas and is part of the presentation of segment information. For further information see Note 3. The 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" and "Cash flow from operations, Financial Investments".

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. The cash flow statement is presented on the basis of 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.

Orkla Eiendom has had and will have significant fluctuations in cash flow from operations. These are related to the development and sale of real estate projects, and the construction of a new headquarters. Cash flow from operations related to real estate and financial assets is therefore presented on a separate line, independently of cash flow from operations related to industrial activities.

Cash flow Orkla-format

Amounts in NOK million	2017	2016
Operating profit	4 423	3 785
Amortisation, depreciation and write-downs	1 313	1 138
Change in net working capital	18	(186)
Gains from operations moved to capital expenditures and sale of companies	(299)	(42)
Cash flow from operations before net replacement expenditures	5 455	4 695
Net replacement expenditures	(1 050)	(1 327)
Cash flow from operations[1]	4 405	3 368
Cash from from operations, Financial Investments	(290)	45
Financial items, net	(222)	(276)
Taxes paid	(934)	(506)
Received dividends	1 727	283
Other payments	69	11
Cash flow before capital transactions	4 755	2 925
Paid dividends	(7 790)	(2 599)
Net sale/purchase of Orkla shares	50	(77)
Cash flow before expansion	(2 985)	249
Expansion investment in industrial activities	(206)	(163)
Sale of companies (enterprise value)	12 520	415
Purchase of companies (enterprise value)	(901)	(2 651)
Net purchase/sale shares and financial assets	43	1 194
Net cash flow	8 471	(956)
Currency effects of net interest-bearing liabilities	(429)	705
Change in net interest-bearing liabilities	(8 042)	251
Net interest-bearing liabilities	14	8 056

[1]Excluding Financial Investments.

Note 40 cont.

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)
Change net interest-bearing liabilities Cash Flow Statement	**78**	**(4 861)**	**(4 783)**

Reconciliation of change in interest-bearing items 2016

Amounts in NOK million	Interest-bearing assets	Interest-bearing liabilities	Net interest-bearing liabilities
Balance 1 January 2016	1 316	(9 121)	(7 805)
Balance 31 December 2016	1 612	(9 668)	(8 056)
Change net interest-bearing liabilities from cash flow Orkla-format	**(296)**	**547**	**251**
Of this change cash and cash equivalents	483	-	483
Change net interest-bearing liabilities excluding cash and cash equivalents	187	547	734
Interest-bearing items from acquired and sold companies	15	(364)	(349)
Currency effects interest-bearing items	(12)	717	705
Currency effects cash and cash equivalents	10	-	10
Change net interest-bearing liabilities Cash Flow Statement	**200**	**900**	**1 100**

Reconciliation of operating profit in cash flow statement against income statement

Amounts in NOK million	2017	2016
Operating profit in the Group	4 434	3 916
- EBIT (adj.) Financial Investments	8	131
- Other income and expenses Financial Investments	3	-
Operating profit industrial activities	4 423	3 785

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.

No events have taken place after the balance sheet date that would have had a material impact on the financial statements or any assessments carried out. See also Note 39 for acquisitions after the balance sheet date.