Annual Report 2017

SUSTAINABILITY REPORT INCLUDED

Use of interactive PDF

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

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Nutrition and wellness
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Orkla Board of Directors

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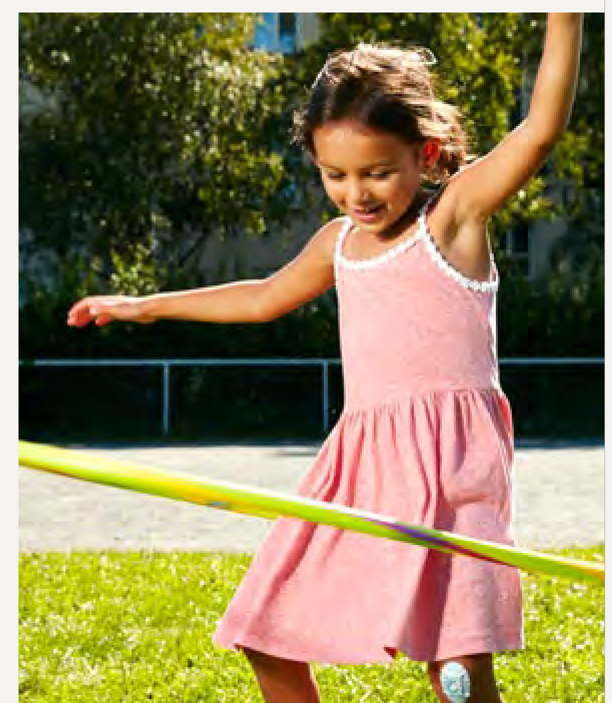

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Growth driven by strong local brands

In 2017, we strengthened our position as a leading branded consumer goods company by making a number of strategic acquisitions. Good innovations based on Orkla's strong local brands generated good growth in both new and established categories. Moreover, we introduced several of our most popular brands in new countries.

Peter A. Ruzicka
President and CEO

The year was eventful, with several strategic acquisitions in Branded Consumer Goods. With the purchase of the Swedish company Health and Sports Nutrition Group we strengthened our digital presence and accessed major online platforms in the Nordic region. The purchase of the Danish company Riemann reinforced our position in the pharmacy channel. We also improved our existing positions in selected categories through several other acquisitions. The sale of Orkla's interest in Sapa in 2017 was a strategically important milestone towards becoming a focused branded consumer goods company.

We took a number of steps to optimise our value chain and ensure efficient, competitive production of Orkla's branded consumer goods. The transition to a common ERP system in Orkla will have a positive impact on our ability to work as "One Orkla" in future. We successfully exploited more synergies in our existing operations by launching several innovations across national borders. Good examples are the launch of Smash! chocolate snacks in Sweden, which got off to a fantastic start, and the introduction of Laban jelly men in India. Innovations based on strong local brands in both new and established categories have driven good category growth for both Orkla and our customers. Sales of Grandiosa pizzas set a new record in 2017, and our global branded health product, Möller's Tran, continues its strong growth in both domestic and export markets.

We at Orkla are committed to taking our share of responsibility and helping to solve global health and sustainability challenges. In 2017, we therefore set ambitious new goals for our sustainability work up to 2025. Orkla's goals entail a gradual transition to renewable energy, increased resource recovery and a focus on products that promote a healthy, sustainable lifestyle. We launched a variety of new products in strong growth categories. The vegan product ranges from the Swedish company Anamma and the successful Danish brand Naturli' were introduced in a growing number of markets. Pierre Robert launched Nordic Swan Ecolabelled wool and organic cotton undergarments for children. Another example is our new brand, Klar, which is a range of sustainable cleaning products that has been well received in the market.

We believe in our strategy of being a leading branded consumer goods company with the Nordics and Baltics as our main markets, in addition to selected geographies where we already have a presence. The results for 2017 show that the actions we have taken are paying off. We will continue to strengthen our core business, adapt to new consumer trends and establish positions in new, growing categories. With over 300 local brands and a strong focus on innovations, we are well positioned to meet the demand for sustainable, enjoyable branded consumer goods.

We at Orkla are committed to taking our share of responsibility and helping to solve global health and sustainability challenges. In 2017, we therefore set ambitious new goals for our sustainability work up to 2025.

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A leading branded consumer goods company

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

Orkla's strategic objective is to strengthen its position as the leading branded consumer goods company in the Nordics, Baltics and other selected markets. Innovations based on the Group's unique local customer and consumer insight are an important growth driver.

By working more closely as "One Orkla", the Group will exploit economies of scale more effectively and create cross-cutting synergies. In this way, Orkla will strengthen its long-term competitiveness, while maintaining its local presence.

Orkla is in the final stage of a strategic transformation from an industrial conglomerate to a leading branded consumer goods company. The sale of its stake in Sapa JV in 2017 was an important milestone in the process of reducing exposure outside its branded consumer goods business. At the end of 2017, the Group's balance sheet was strong, and its primary capital allocation priority is to transfer excess capital to acquisitions in Branded Consumer Goods and investments in its existing operations. During the year, Orkla has made a number of small and medium-sized acquisitions to strengthen Branded Consumer Goods, and has divested companies outside its strategic core area.

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

Operating revenues

39.6 NOK billion

EPS (continuing operations)

3.46 NOK

EBIT (adj)

4.6 NOK billion

Number of employees

18,178

EBIT (adj) margin

11.7%

Leading positions in selected markets

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

300 strong local brands
Orkla has more than 300 local brands that hold strong positions.

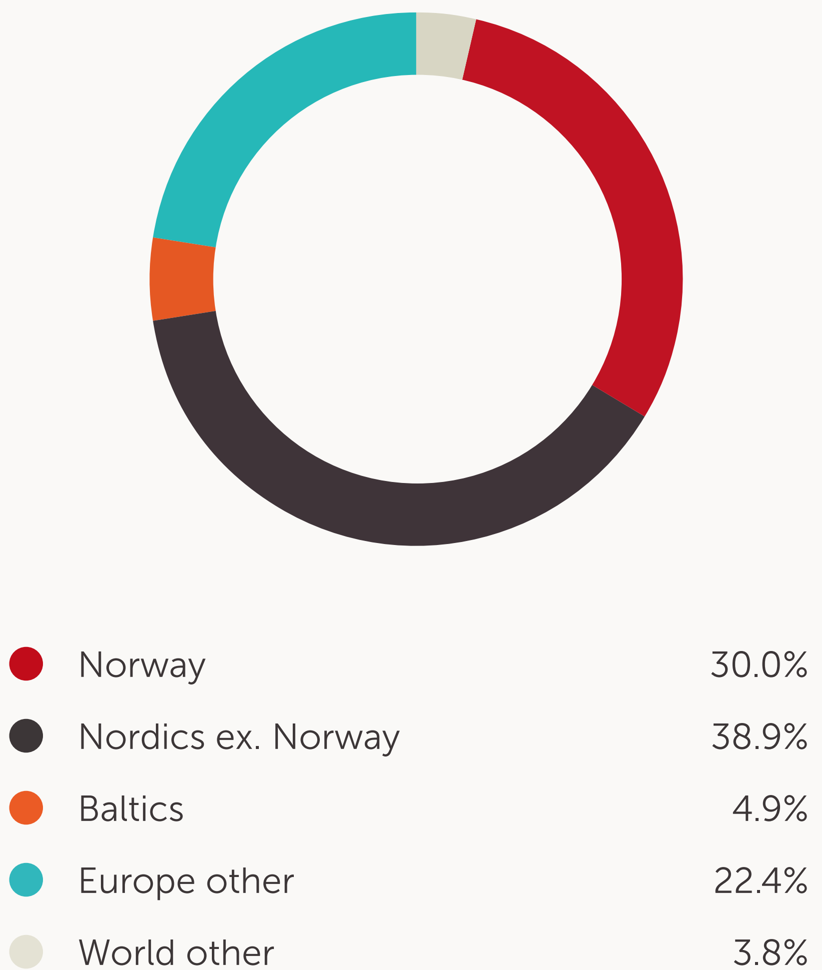
8.5 million Orkla products sold
Every single day, Orkla sells 8.5 million consumer units.

Market leader in ~ 100 categories

Orkla's ten largest categories

Snacks
Confectionery
Sauces and flavourings
Ready-to-eat dishes
Hygiene
Toppings
Dehydrated casseroles, soups and sauces
Fish and seafood
Pizza
Side dishes/condiments

Sales revenues by geographical area[1]



[1]Excluding internal sales and other operating revenues.

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Goal and strategy

Orkla's strategic objective is to strengthen its position as the leading branded consumer company in the Nordics, Baltics and other selected markets. Working more closely across the Group – as "One Orkla" – strengthens the Group's long-term competitiveness and maintains Orkla's local presence.

Activities that drive organic growth and improve profitability are prioritised in line with the Group's strategy and financial targets.

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

- Orkla aims to distinguish itself significantly from its competition through its unique local insight and presence.
- Innovations based on the Group's unique local customer and consumer insight will be a main growth driver.
- A growing number of new products will be launched across Orkla's markets and business areas through closer collaboration as "One Orkla".
- Priority will be given to further developing and strengthening customer relations, with a shared goal of profitable growth.
- Orkla will strengthen its presence in emerging sales channels and focus more purposefully on export.

Improved profitability through more efficient operations in every part of the value chain

- The Group will exploit economies of scale and create cross-cutting synergies more effectively by working more closely as "One Orkla".
- The Group will also create synergies through the integration of acquired companies.
- Production will be concentrated on fewer, but larger production units, thereby freeing up resources for innovation, growth and competence-building.
- Steps will be taken to simplify the organisational structure and centralise accounting and IT functions, thereby reducing the Group's administrative costs.

Acquisitions in Branded Consumer Goods

- In addition to organic growth, acquisitions will help strengthen Orkla's position as the leading branded consumer goods company in our home markets.
- Through acquisitions, Orkla wll strengthen its activities in selected geographical areas, channels or niches where we can achieve leading positions based on the Group's core competencies.

A clear capital allocation strategy

Orkla is in the final stage of transformation from an industrial conglomerate to a leading branded consumer goods company. We are continuing to reduce our exposure outside the branded consumer goods business. Our first priority is to transfer excess capital to make acquisitions in Branded Consumer Goods and investments in existing operations. Alternatively, an extraordinary dividend or a share buyback will be considered.

The Board of Directors has proposed a dividend policy entailing maintenance of a stable dividend of at least NOK 2.50 per share.

The Group's goal is to remain an investment grade company. This means aiming to ensure a net interest-bearing liabilities / EBITDA ratio over time of less than 2.5–3.0.

Financial targets

- Organic growth that at least matches market growth
- Annual, adjusted EBIT growth of 6–9 per cent[1] in Branded Consumer Goods

[1]Including minor acquisitions, excluding currency effects and major acquisitions and disposals.

Vision and values

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

Orkla's business areas

Branded Consumer Goods

Operating revenues
38.5
NOK billion

Organic growth
1.6%

Number of employees
17 694

EBIT (adj.)
4.6
NOK billion

EBIT (adj.) margin
12.1%

EBIT (adj.) growth
+8%

EBIT (adj.) margin growth
+30 bps

Orkla Investments

Jotun* (42.6%)
EBIT
1.4
NOK billion

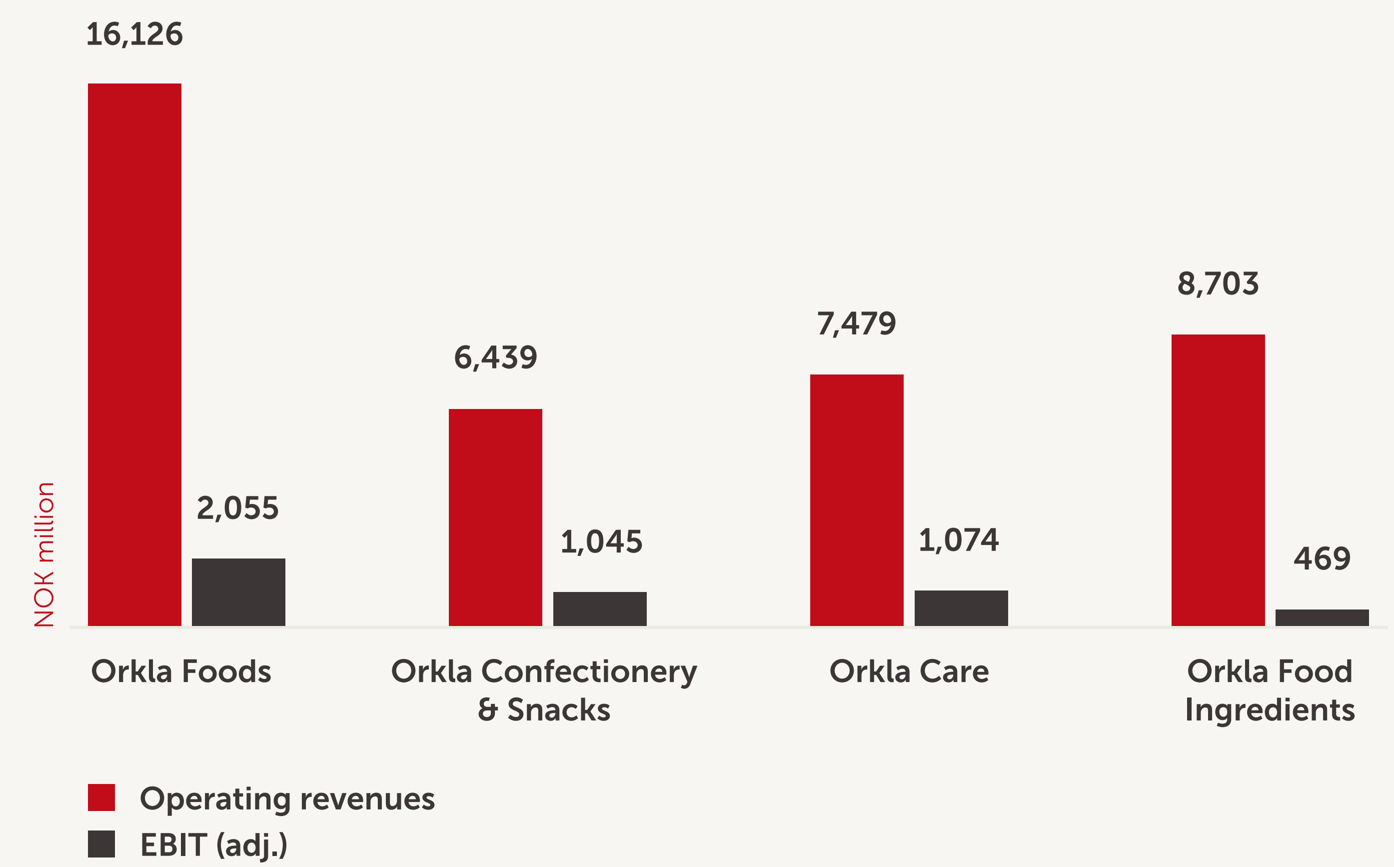
Hydro Power
EBIT (adj.)
0.3
NOK billion

Financial Investments
Book value real estate:
1.5
NOK billion

*On a 100% basis

Branded Consumer Goods

	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients
Share of BCG operating revenues	42%	17%	19%	23%
Share of BCG EBIT (adj.)	44%	23%	23%	10%
EBIT (adj.) margin	12.7%	16.2%	14.4%	5.4%



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Orkla Foods

Orkla Foods is the biggest business area, accounting for 41% of Orkla's operating revenues.

Orkla Foods offers well-known local branded products to consumers in the Nordics, Baltics, Central Europe and India. The business area holds leading market positions in a number of categories, including frozen pizza, ketchup, soups, sauces, bread toppings and ready-to-eat meals.

Orkla Foods primarily sells its products through the grocery retail trade, but also holds strong positions in the out-of-home, convenience store and petrol station sectors.

Its many widely known brands include Grandiosa, TORO, Stabburet, Felix, Paulúns, Abba, Kalles, Beauvais, Den Gamle Fabrik, Spilva, Vitana and MTR.

Sales revenues by geographical area:

Norway	29.9%
Nordics ex. Norway	41,0%
Baltics	2.8%
Europe other	20.2%
World other	6.1%

Orkla Foods' largest product categories: Sauces and flavourings, ready-to-eat dishes, toppings, dehydrated casseroles, soups and sauces, fish and seafood

Key figures

Operating revenues	Organic growth	Number of employees
16.1 NOK billion	1.4%	7 931

EBIT (adj.)	EBIT (adj.) margin
2.1 NOK billion	12.7%

EBIT (adj.) growth	EBIT (adj.) margin growth
+4%	+0 bps (flat)

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The biggest growth driver in the frozen pizza category in 2017

When consumers are asked what they consider to be the absolutely best pizza, they give two answers: the pizza they are served in restaurants, and the one they make at home – freshly baked. These responses spurred the development of Grandiosa Nybakt. The pizza is made using a unique raw dough technology, which means that it is not pre-baked at the factory, but baked for the first time in the consumer's home. As a result, the pizza rises in the oven and has an extra light, crispy, moist crust. The concept was launched in Norway in May 2017 in two varieties: Pepperoni and Ham. Grandiosa Nybakt is a huge success. Over 1.4 million units have been sold by stores for a total value of NOK 86 million. The concept was the biggest growth driver in the category in 2017, despite the fact that it was not launched until May.

GRANDIOSA

Orkla Confectionery & Snacks

Orkla Confectionery & Snacks's turnover accounts for 16% of Orkla's operating revenues.

Orkla Confectionery & Snacks is market leader in the confectionery, biscuits and snacks categories, with well-known local brands and tastes that delight consumers in the Nordic and Baltic countries.

The many widely known brands include KiMs, Nidar, Göteborgs Kex, Sætre, OLW, Panda, Laima, Selga, Adazu and Kalev.

Sales revenues by geographical area:

Norway	33.2%
Nordics ex. Norway	44.1%
Baltics	17.0%
Europe other	4.9%
World other	0.8%

The largest categories in Orkla Confectionery & Snacks: snacks, confectionery, biscuits

Key figures

Operating revenues	Organic growth	Number of employees
6.4 NOK billion	3.1%	3 271

EBIT (adj.)	EBIT (adj.) margin
1.0 NOK billion	16.2%

EBIT (adj.) growth	EBIT (adj.) margin growth
+12%	+120 bps

Traditional brand became a growth winner

The time-honoured Kornmo brand was established in 1946. Until 2016, the product range consisted only of the traditional whole grain savoury biscuit, and growth had stagnated. In 2014, Orkla Confectionery & Snacks decided to create a new platform for growth and make the brand relevant for a younger target group. Consumer surveys showed high consumer awareness of the brand, which is associated with healthiness, tradition and good taste. Based on the growing focus on health and increased growth in related categories, it was decided to reposition Kornmo from solely a biscuit brand to a brand with a range of tasty whole grain products. Three new products were launched in 2016/2017: home-baked crispbread, healthier cookies and the Kornmo 7 biscuit. Through these newly launched products, Kornmo has achieved a NOK 65 million increase in sales in the past two years, equivalent to a rise of 255 per cent. Moreover, the innovations have generated category growth in all the segments that Kornno has entered.

Orkla Care

Orkla Care accounts for 19% of Orkla's operating revenues and is organised into six business units.

The two largest business units are Orkla Home & Personal Care, which holds leading positions in the personal care and cleaning products segments, and Orkla Health, which holds leading positions in the dietary supplement, sports nutrition and weight control segments. Orkla Care also holds leading positions in painting tools (Orkla House Care), wound care (Orkla Wound Care), basic garments sold through the grocery channel (Pierre Robert Group) and professional cleaning products (Lilleborg).

Orkla Care's well-known brands include Möller's, Salvequick, Collett, Nutrilett, Riemann, Maxim, Define, Sunsilk, Blenda, Jif, Sun, Zalo, Jordan and Pierre Robert.

Sales revenues by geographical area:

Norway	42.2%
Nordics ex. Norway	30.0%
Baltics	0.9%
Europe other	21.8%
World other	5.1%

The largest categories in Orkla Care: hygiene, health, cleaning products, basic garments, vitamins and dietary supplements

Key figures

Operating revenues	Organic growth	Number of employees
7.5 NOK billion	2.9%	3 348

EBIT (adj.)	EBIT (adj.) margin
1.1 NOK billion	14.4%

EBIT (adj.) growth	EBIT (adj.) margin growth
+12%	+20 bps

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Orkla's most global brand

Jordan is one of Orkla's oldest brands, dating back to 1837. Jordan toothbrushes have been sold internationally for over 40 years. They are currently sold in more than 60 countries, making Jordan Orkla's most global brand. Growth has accelerated in the past few years, and the brand has been launched in several new markets in Europe, the Middle East and Asia. Profitability is good, and Jordan has achieved double-digit growth in every region in the last four years. Its children's toothbrushes are particularly popular, and in several markets, such as Poland, the Netherlands and South Korea, Jordan is market leader in the children's segment. Jordan established an online presence in a number of Asian markets early on, and plans to increase its presence in new channels and markets.

Orkla Food Ingredients

Orkla Food Ingredients accounts for 22% of Orkla's operating revenues. Orkla Food Ingredients is the leading supplier of bakery ingredients in the Nordic and Baltic regions, in addition to holding growing positions in selected countries in Europe.

The business area has sales and distribution companies in 21 countries. Artisanal and industrial bakeries account for around 66% of sales. Approximately 20% are direct-to-consumer sales under well-known brands such as Odense Marcipan, Mors Hjemmebakte, Kronjäst, Bakkedal and Naturli'. The remaining 14% are sales of ice cream ingredients and accessories. A major share of Orkla Food Ingredients' sales stem from distribution agreements. Due to this factor, and to a substantial share of raw material sales, Orkla Food Ingredients' operating margin is lower than that of the other business areas in Branded Consumer Goods. However, its return on capital is more comparable to that of the other areas.

Sales revenues by geographical area:

Norway	10.7%
Nordics ex. Norway	42.9%
Baltics	3.8%
Europe other	41.7%
World other	0.9%

The biggest categories in Orkla Food Ingredients: yeast, butter blends (spreadable), plant based food products, marzipan and margarine

Key figures

Operating revenues
8.7
NOK billion

Organic growth
0.5%

Number of employees
3 144

EBIT (adj.)
0.5
NOK billion

EBIT (adj.) margin
5.4%

EBIT (adj.) growth
+7%

EBIT (adj.) margin growth
+0 bps (flat)

Responding to consumer trends with gluten-free bakery products

Steadily growing demand for gluten-free products is a strong consumer trend, and four years ago Orkla Food Ingredients began to develop gluten-free bakery products for the B2B market. Through the companies Credin in Denmark and Sonneveld in the Netherlands, Orkla Food Ingredients has developed a broad portfolio of baking mixes for pizzas, bread, muffins, cookies and cakes, in which taste is the primary success factor. The products are manufactured at Orkla's allergy-neutral factory in Denmark, which also produces the mix for Grandiosa's gluten-free pizza crusts. Through sister companies in Orkla Food Ingredients, the products are now sold in 18 countries, of which the Netherlands and the Nordics are the largest markets. As a result of this focus, sales of gluten-free products increased from 0 in 2014 to NOK 25 million in 2017.

Orkla Investments

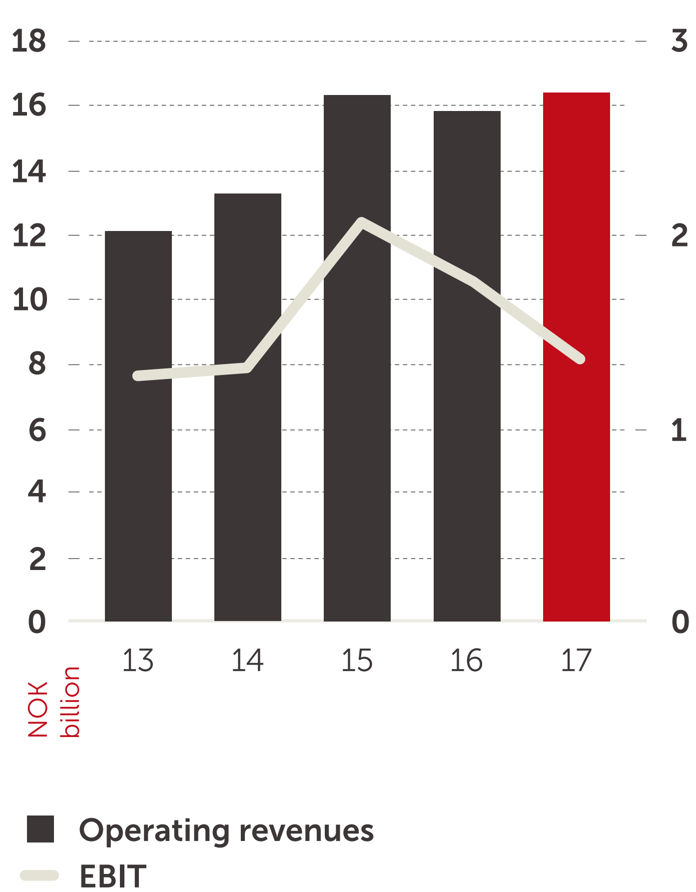
Orkla has some investments outside the Branded Consumer Goods business which are organised under Orkla Investments.

The business area comprises the associate and joint venture company Jotun (42.6% interest). It also includes the consolidated businesses Hydro Power and Financial Investments in Orkla Investments.

Jotun

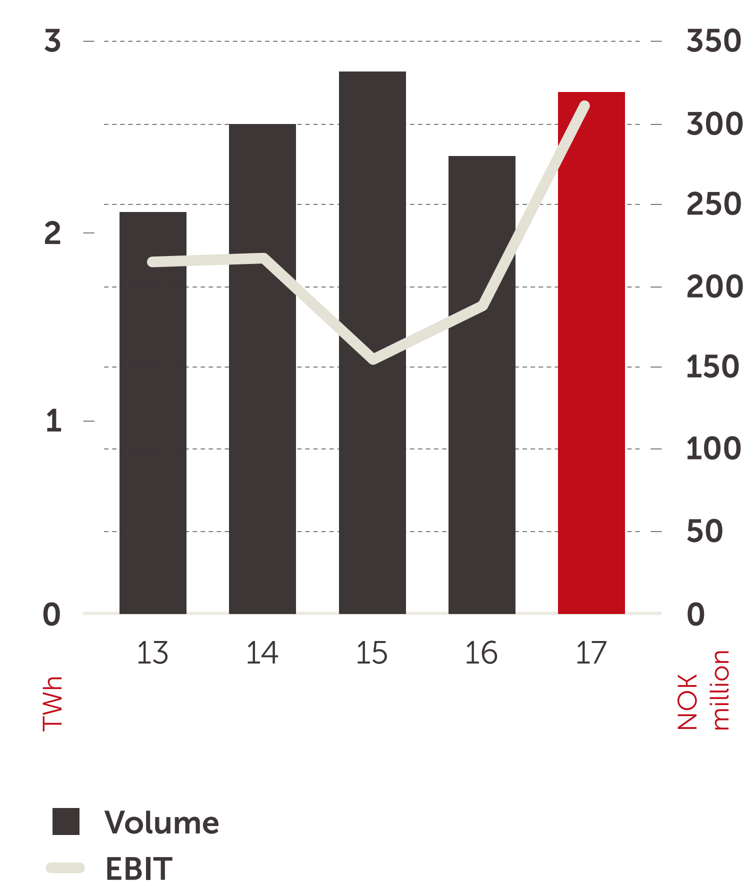
Jotun is one of the leading global manufacturers of paint and powder coatings. Jotun's worldwide activities consist of the development, production, marketing and sale of a variety of paint systems, and are organised in the four segments Decorative Paints, Marine Coatings, Protective Coatings and Powder Coatings. The company's main markets are the Middle East, India, Africa, Northeast Asia, Southeast Asia and Scandinavia.

Jotun is accounted for using the equity method and presented on the line "Profit/loss from associates".



Hydro Power

Hydro Power consists of a power plant in Sarpsfoss and Orkla's 85% interest in the Saudefaldene power company. The power operations generate and supply power to the Nordic power market. Annual production averaged 2.5 TWh in 2011-2017, of which around 1 TWh is a fixed delivery commitment with a net effect of zero on profit. The Sauda power operations are regulated by a leasing agreement with Statkraft that will run until 31 December 2030.



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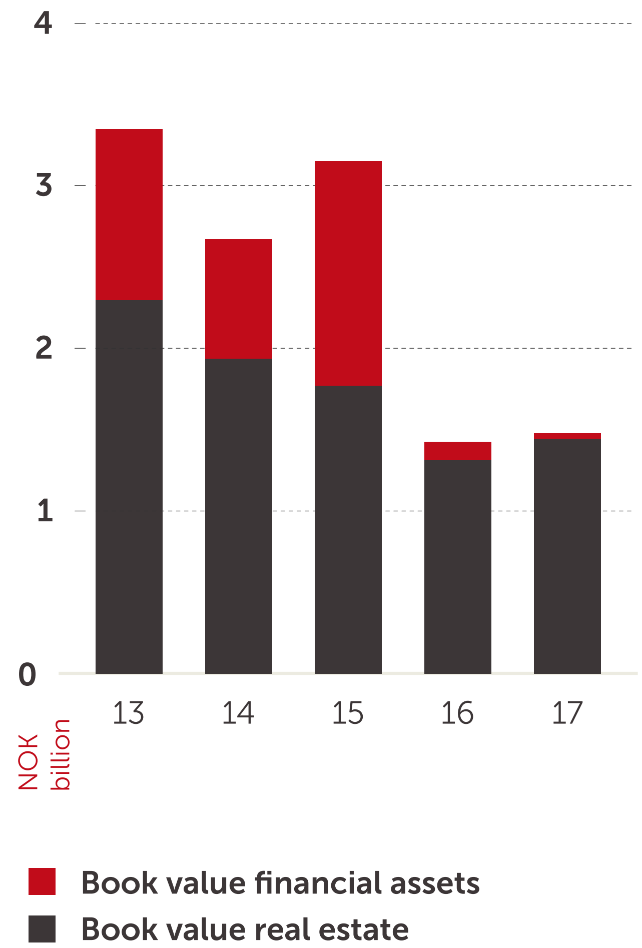
Financial Investments
Financial Investments consists chiefly of Orkla Eiendom and Orkla Venture. Orkla Eiendom is responsible for the development of properties freed up as a result of the restructuring of Branded Consumer Goods, and the development of the Group's new head office. As at 31 December 2017, Orkla's real estate investments had a book value of NOK 1.5 billion.

Orkla Venture was established in 2017 to reach out to a growing universe of entrepreneurial businesses and start-up companies engaged in innovation outside established companies. Orkla Venture focuses primarily on technology, concepts and business models that might be relevant for Orkla's businesses. Besides offering risk capital, Orkla hopes, by providing both expertise and other resources, to help more start-up companies succeed, also during the challenging commercialisation phase.



Report of the Board of Directors

In 2017 Orkla was further developed as a leading branded consumer goods group. Through several acquisitions, a solid foundation has been laid for continued growth and better exploitation of economies of scale over time. The Group continued to focus on operational efficiency and on optimising and rationalising its factory footprint in 2017, while carrying out cost improvement programmes to strengthen its competitiveness. The sale of Orkla's interest in Sapa to Norsk Hydro was completed in line with the Group's strategy.

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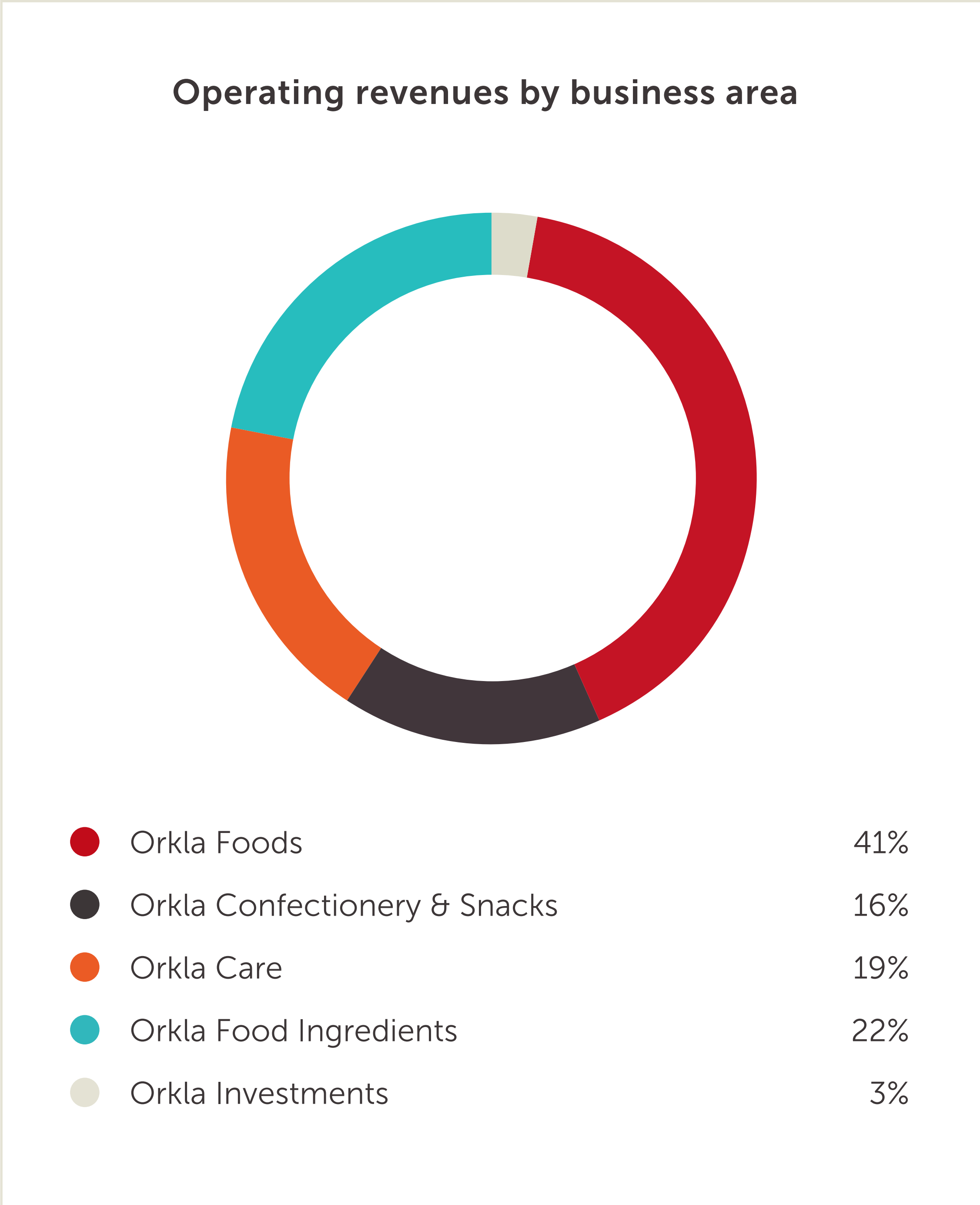
Operations in 2017

In the course of 2017, Orkla strengthened its position as a branded consumer goods company through the acquisition of several companies. These transactions are described in the section "Description of structural changes". In line with the Group's strategy, the assets defined as lying outside the scope of the Branded Consumer Goods business were reduced through the sale of the 50% shareholding in Sapa.

Orkla continued its efforts to develop an optimised business model, in which the Group seeks to balance local responsibility with increased realisation of synergies and economies of scale across companies and business areas. This includes optimising its factory footprint, which is essential to ensuring a competitive supply chain and efficient use of capital. Structural measures were initiated both within the Group's existing factory footprint and in the companies acquired and integrated in 2017.

Overall, market growth in Orkla's categories was positive in 2017. Orkla's performance varied from one category and market to another, but all in all, organic[3] growth for Branded Consumer Goods is estimated to have been in line with market growth.

Orkla increased its turnover in 2017 by 5% through contributions from acquisitions, organic[3] growth and positive currency translation effects related to the weaker Norwegian krone. Branded Consumer Goods delivered organic[3] turnover growth of 1.6%, with a combination of volume/mix and price increases. All the business areas achieved organic[3] growth in 2017.



Innovations based on strong local brands in both new and established categories have generated good category growth for both Orkla and Orkla's customers. As just one of a host of innovations, Grandiosa Nybakt was an example of an important launch in a major category, where extensive focus on taste and product quality has helped to increase consumer loyalty and repeat purchases. Another example is the new brand, Klar, which is a range of sustainable laundry, hand soap and cleaning products. The launch of Laban Seigmenn jelly chews in India is a further example of innovation work across companies and countries.

2017 also saw a number of innovations catering to the Health & Nutrition, Organic and Vegetarian trends. Examples of Health & Nutrition launches were Nutrilett Smart Meal and various protein bars under the Maxim brand. These launches show that Orkla is far out in front in efforts to offer consumers ever healthier, tastier products, and a good response to society's exercise and fitness trends. More organic products were developed in 2017, with launches of plant bars and smoothies from Naturli' as good examples. The increased demand for vegetarian products has been met with a broader range of offerings under the Anamma, Naturli' and FELIX Veggie brands. This highlights Orkla's focus on providing consumers with good organic alternatives in the big, well-known categories, and meeting increased consumer demand for vegetarian and vegan products.

EBIT (adj.)[1] for Branded Consumer Goods rose 8% in 2017. The growth in profit was largely driven by improved sales, extensive cost reduction programmes, realisation of synergies from acquisitions and positive currency translation effects. Branded Consumer Goods' EBIT (adj.)[1] margin was 12.1%, equivalent to an improvement of 0.3 percentage points. The profit margin was positively impacted by cost-cutting measures, but the improvement was counteracted by the dilutive effects of the inclusion of acquired companies with lower margins and higher raw material prices.

At the end of 2017, the Group's financial position was very sound, strengthened by the sale of Sapa which virtually eliminated Orkla's net interest-bearing liabilities. This ensures the financial flexibility to support the Group's strategy of continued, extensive structural growth. Net interest-bearing liabilities totalled NOK 14 million as at 31 December 2017, while the equity ratio was 65.2%.

Description of structural changes

In line with its strategy of being a leading branded consumer goods company, Orkla sold its interest in Sapa to Norsk Hydro in July 2017. The parties agreed on a purchase price that valued Sapa at a total of NOK 27 billion (on a debt-free basis). Orkla has retained certain liabilities related to its shareholding in Sapa, even after completion of the transaction.

In 2017, Orkla Care expanded its position in personal care through the acquisition of the Danish company Riemann Holding A/S, which owns the P20 (sunscreen) and Perspirex (anti-perspirant) brands. In the fourth quarter, Orkla Care also entered into an agreement to purchase the Swedish company Health and Sports Nutrition Group HSNG AB ("HSNG"). Orkla took over the company on 30 January 2018. HSNG runs the Gymgrossisten and Bodystore e-commerce portals, and is the largest online player in the Nordic region in the health and sports nutrition sector. The acquisition of HSNG will strengthen Orkla's position in digital marketing and sales, while also offering extensive opportunities for collaboration with Orkla's other operations.

Orkla Food Ingredients reinforced its position in the ice cream and bakery ingredients market in 2017 by acquiring the following sales and distribution companies: the Netherlands company Laan Heiloo B.V, 85% of the shares in the British company Orchard Valley Foods Limited, and the German company Eis Ludwig Gräbner GmbH. Orkla Food Ingredients also purchased 80% of the shares in SR Food A/S, a Danish supplier of organic and vegetarian foods, and acquired the Nordic ingredients supplier Arne B. Corneliussen AS. Through Hamé, Orkla Foods bought the Czech company Agrimex, a leading producer of frozen vegetables in the Czech Republic.

In the course of 2017, Orkla made a number of structural changes to optimise its portfolio and exploit economies of scale. In 2017, Orkla Foods exited the mayonnaise-based salad category in Norway by closing the Denja factory and in Denmark by divesting K-Salat. It was decided to transfer the Danish pasta business Pastella and the Scoop brand from Orkla Foods to Orkla Food Ingredients. Orkla Care sold Lilleborg's professional laundry business, and Orkla Food Ingredients decided to exit the industrial marzipan category in Italy, and as a consequence it closed down and sold the Natural Food business. In Finland, the management teams of Orkla Foods Finland and Orkla Confectionery & Snacks Finland were merged to form a single entity, Orkla Suomi. Orkla Care also made several changes, including combining the Wound Care, Home & Personal Care and Health operations in Poland, and the House Care operations in the UK. Coupled with Orkla's continuous work on improvement projects, these measures will continue to promote more efficient operations and increase profitability.

In the first quarter of 2017, Orkla decided to invest a total of NOK 500 million in the pizza production operations in Stranda over a period of five years, in order to focus on new innovations and increase production efficiency. The investment programme will be carried out in several stages during the period from 2017 to 2021. Towards the end of the period, Orkla also wants to combine the two factories in Stranda.

For more information on the acquisition and sale of companies, see Notes 5 and 38.

The Group's results

Amounts in NOK million	2017	2016
Operating revenues	39 561	37 758
EBIT (adj.)[1]	**4 635**	**4 298**
Other income and expenses	(201)	(382)
Operating profit/loss	**4 434**	**3 916**
Profit/loss from associates	313	488
Net interest and financial items	(176)	(112)
Profit before tax	**4 571**	**4 292**
Taxes	(980)	(807)
Profit/loss for the year from continuing operations	**3 591**	**3 485**
Profit/loss from discontinued operations	5 066	890
Profit/loss for the year	**8 657**	**4 375**

The 5% increase in operating revenues was driven by organic[3] sales growth in Branded Consumer Goods, as well as by positive currency translation effects and contributions from acquired companies. Branded Consumer Goods achieved organic[3] sales growth of 1.6% in 2017.

Group EBIT (adj.)[1] grew 8% in 2017. The growth was primarily driven by broad-based profit improvement for Branded Consumer Goods, and by contributions from acquired companies. Hydro Power also made a positive contribution to profit improvement for the year, due both to increased production volume and higher power prices. Financial Investments saw a decline in profit, chiefly due to fewer real estate transactions than in 2016.

Branded Consumer Goods posted 8% growth in EBIT (adj.)[1]. The improvement in profit is mainly attributable to organic[3] turnover growth, cost reduction programmes, structural growth from acquisitions and positive contributions from currency translation effects.

The improvement was somewhat counteracted by higher purchasing costs. The international commodity prices to which Orkla is exposed rose, on average, in 2017. Moreover, the weakening of the Norwegian and Swedish krone against the euro, compared with 2016, resulted in an increase in purchasing costs.

The results of foreign entities are translated into Norwegian krone on the basis of average monthly exchange rates. In 2017, due to currency market fluctuations, the Group benefited from positive currency translation effects of NOK 137 million on operating revenues and NOK 19 million on EBIT (adj.)[1].

Orkla continued its extensive improvement and integration work in 2017. The Group's other income and expenses mainly consisted of acquisition and integration costs and a number of improvement processes in the Group, particularly related to closures and changes in its manufacturing footprint. These costs were offset by gains realised, in part, on the sale of brands and companies during the year.

Profit from associates is primarily related to Orkla's 42.6% interest in Jotun. The investment is presented using the equity method. Jotun achieved good turnover growth in 2017, but operating profit was lower than in 2016, partly as a result of higher raw material prices. Jotun's contribution to profit amounted to NOK 307 million (NOK 471 million)[2].

Profit from Sapa totalled NOK 5,066 million, and is presented on the line for «Discontinued operations». The amount includes the gain on the sale of Orkla's interest in Sapa. Historical comparative figures have been reclassified in the income statement.

Orkla is subject to ordinary company tax in the countries in which the Group operates. The tax charge (adjusted for profit from associates) for the 2017 financial year was 23% (21%). See Note 16 for further comments.

Diluted earnings per share amounted to NOK 8.43 (NOK 4.22)[2], while diluted earnings per share from continuing operations were NOK 3.46 (NOK 3.34)[2].

Financial situation and capital structure

Cash flow

The comments below are based on the cash flow statement as presented in Orkla's internal format (see Note 40).

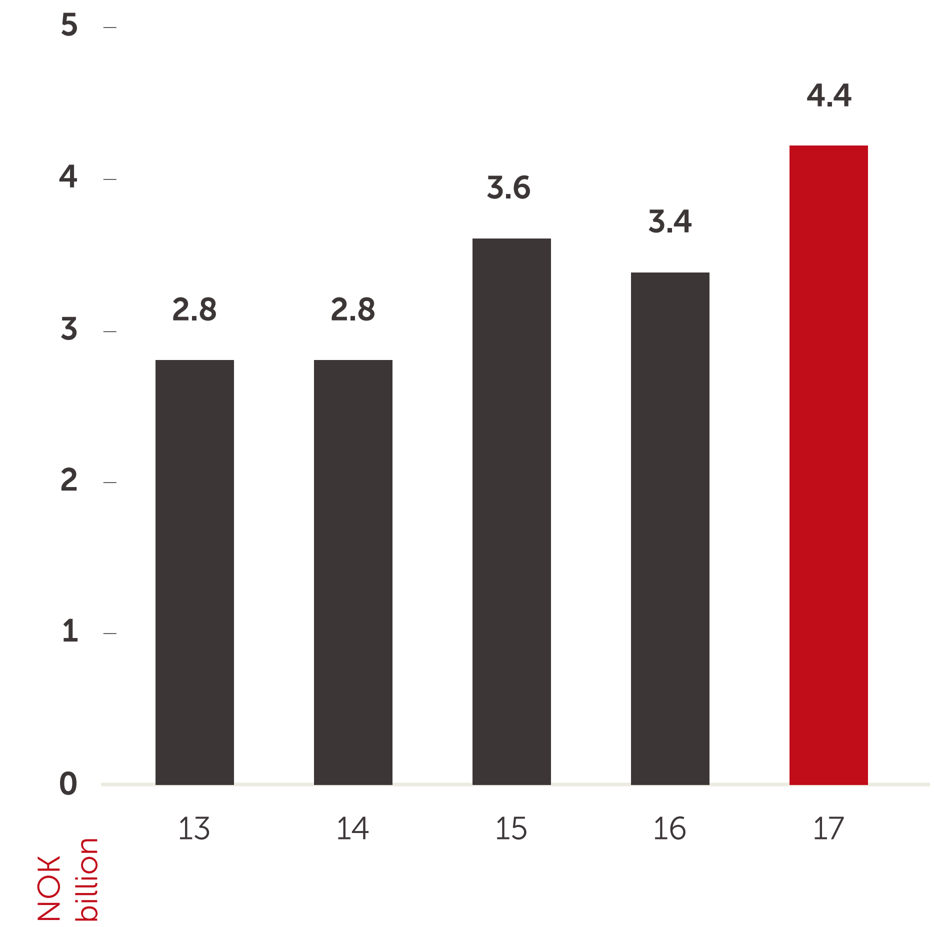
Cash flow from operations (excluding Financial Investments) amounted to NOK 4,405 million (NOK 3,368 million)[2]. For the full year, working capital performance was practically flat.

Net replacement investments totalled NOK 1,050 million (NOK 1,327 million)[2]. The reduction from 2016 was chiefly related to higher investment by Orkla Foods in 2016 in factory improvement and restructuring programmes. Cash flow from Financial Investments' operations amounted to NOK -290 million (NOK 45 million)[2], largely due to the construction of Orkla's new head office at Skøyen, Oslo.

An ordinary dividend of NOK 2.60 per share was paid out for the 2016 financial year, in addition to an extraordinary dividend of NOK 5.00 per share in connection with the sale of Sapa in 2017. Dividends paid totalled NOK 7,790 million (NOK 2,599 million)[2].

To fulfil the remaining option programme and the employee share purchase programme, net sales of Orkla shares were effected with a cash flow effect of NOK 50 million

Cash flow from operations[1]



[1]Cash flow from operations (excl. Financial Investments)

(NOK -77 million)[2]. Expansion investments totalled NOK 206 million (NOK 163 million)[2] in 2017.

Received dividends ended at NOK 1,727 million (NOK 283 million)[2], while sales of companies amounted to NOK 12,520 million (NOK 415 million)[2]. The increase consisted mainly of dividends from and the sale of Sapa. In total, Orkla received NOK 13.4 billion from Sapa in 2017. Acquisitions of companies totalled

NOK 901 million and consisted of acquisitions in Branded Consumer Goods, among which Riemann was the largest purchase. In 2017, net sales of shares and financial assets totalled NOK 43 million, and consisted of the sale of the remaining shareholding in Solsten Nordic Equities Fund and purchases in Orkla Venture.

Net cash flow for the Group amounted to NOK 8,471 million (NOK -956 million)[2] in 2017. The improvement from 2016 was largely due to the sale of Orkla's interest in Sapa. Exchange rate fluctuations resulted in negative translation effects of NOK 429 million on net interest-bearing liabilities, which totalled NOK 14 million. The Group's liabilities are denominated in different currencies depending on its net investments in countries other than Norway, and liabilities will therefore fluctuate in step with currency rate changes.

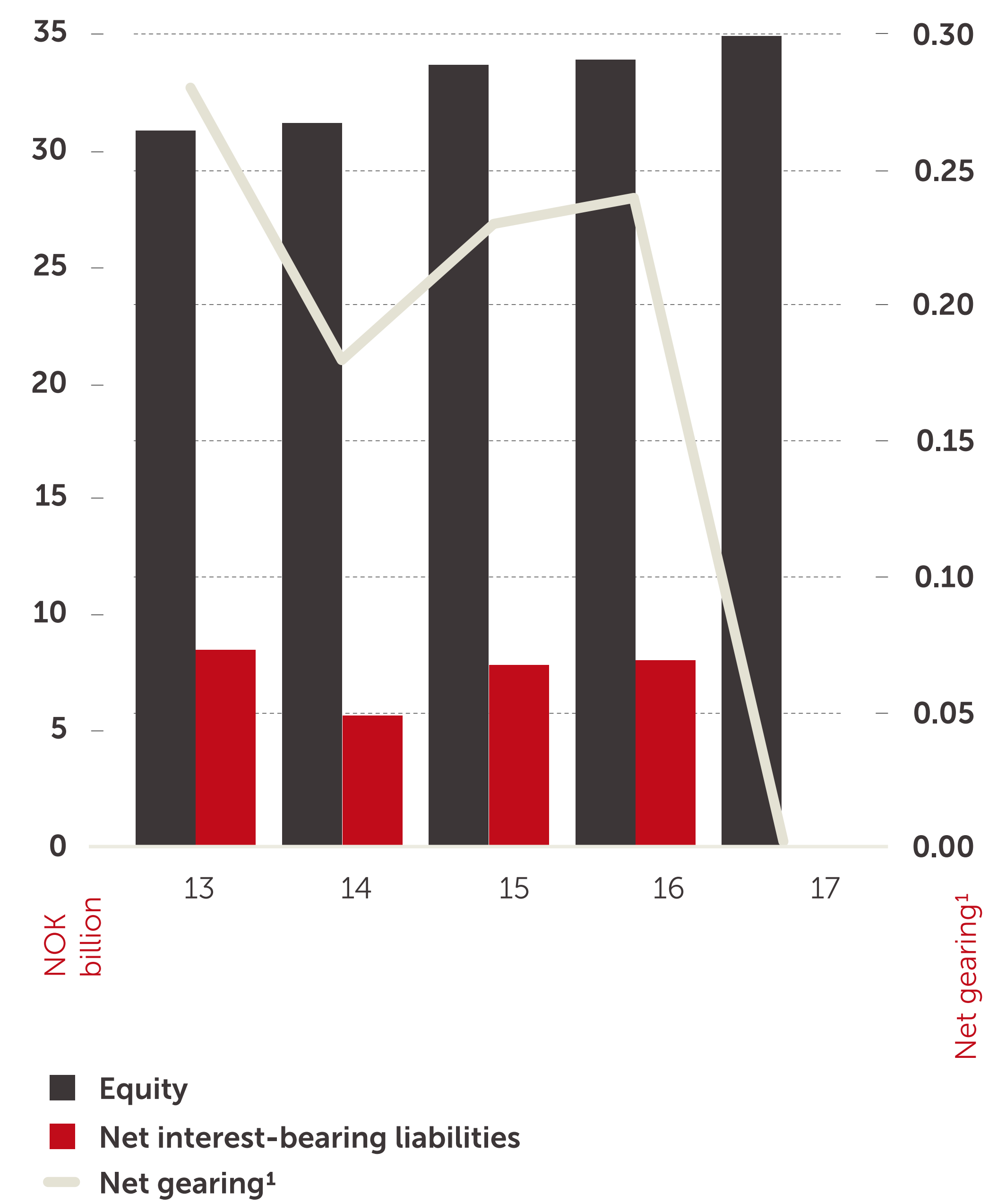
Contracts and financial hedge instruments

Orkla generally has few long-term purchasing and sale contracts. In Hydro Power, AS Saudefaldene has certain long-term power contracts. Further details regarding power contracts may be found in Note 35.

Capital structure

In 2017, the consolidated statement of financial position was reduced by NOK 2.2 billion, to NOK 53.4 billion at year end. Net interest-bearing liabilities were reduced by NOK 8 billion, to NOK 14 million, mainly due to the sale of Sapa. Orkla's financial position is robust, with substantial cash reserves and credit lines that give it the flexibility to support its business priorities. Orkla has no material loans that fall due in the next three years.

Equity, liabilities and net gearing[1]



[1](Net interest-bearing liabilities/Equity

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After payment of the ordinary and extraordinary dividends in 2017, Group equity totalled NOK 34.8 billion at year end, with an equity ratio of 65.2% (60.9%)[2].

The Orkla share

As at 31 December 2017, there were 1,018,754,037 shares outstanding, and Orkla owned 176,933 treasury shares. The number of shareholders decreased from 38,796 to 38,280, and the proportion of shares held by foreign investors increased by 1 percentage point to 53% at the end of 2017.

The Orkla share price was NOK 78.20 at the end of the last trading day in 2016. At the end of 2017, the share price was NOK 87.05. Taking into account the dividends, the return on the Orkla share in 2017 was 22.5%, while the return on the Oslo Stock Exchange Benchmark Index (OSEBX) was 19.09%. Orkla shares were traded on the Oslo Stock Exchange for a total of NOK 33.9 billion. Further information on shares and shareholders may be found on page 215.

Risk management

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

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

In the course of 2017, Orkla further strengthened its position as a leading branded consumer goods group, through both organic[3] growth and acquisitions. Within Branded Consumer Goods, Orkla has a diversified company and product portfolio, which mitigates risk.

There is risk related to the degree to which innovations are a success. At the same time, Orkla's main geographical markets are characterised by high customer concentration and, to some extent, a higher proportion of the grocery trade's private labels. To reduce customer and market risk, Orkla focuses on factors such as good consumer insight, exchanges of experience, consumer testing and close follow-up of customers. Changing trends and consumer preferences are a risk if Orkla fails to keep close track of developments. It is important to have an insight into trends, and Orkla works systematically to create innovations to meet changing trends. It also acquires companies in response to new trends. Orkla maintains strong focus on health and nutrition, and on the regulatory requirements that its products must meet. Food safety risk can have significant consequences for consumers, and Orkla has a central food safety team who work continuously to ensure improvements and conduct audits at Orkla's factories, as well as audits of key suppliers.

The grocery market is changing, and now faces greater competition from new sales channels, in particular e-commerce, which is an increasingly important channel. The agreement to purchase the Swedish company Health and Sports Nutrition Group HSNG AB ("HSNG") will strengthen Orkla's position in digital marketing and sales, in addition to providing good opportunities for collaboration with other businesses in Orkla's Branded Consumer Goods area, particularly within Orkla Care. The purchase of HSNG will also give Orkla better consumer insight in the digital channel, enabling it to become an even better partner for its present customers.

Orkla also faces risk attached to fluctuations in currency rates and commodity prices, which were highly volatile throughout 2017 for several of Orkla's most important raw materials. Steps taken to reduce the effects of such risk include close follow-up of suppliers and of prices to customers. Many of Orkla's companies do a substantial share of their sourcing in local currencies thereby reducing the impact of fluctuations against other currencies.

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

Comments on the profit performance of the individual business areas

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

The financial statements of the holding company Orkla ASA cover all activities at the Group's head office. These activities include the Group's executive management and the corporate and shared functions Communications, Legal Affairs, Sales & Business Development, Marketing & Innovation, Operations, Mergers & Acquisitions, Human Resources, Accounting/Finance, Compliance and Internal Audits. In addition to governance-related tasks, the departments largely carry out assignments and provide support for the Group's other companies and charge them for these services.

Branded Consumer Goods

Amounts in NOK million	Operating revenues 2017	Operating revenues △ (%)	Organic³ growth (%) 2017	EBIT (adj.)¹ 2017	EBIT (adj.)¹ △ (%)	EBIT (adj.)¹-margin (%) 2017	EBIT (adj.)¹-margin (%) △ (bps)
Orkla Foods	16,126	4.2	1.4	2,055	4.4	12.7	0.0
Orkla Confectionery & Snacks	6,439	3.4	3.1	1,045	11.5	16.2	1.2
Orkla Care	7,479	11.0	2.9	1,074	12.3	14.4	0.2
Orkla Food Ingredients	8,703	6.6	0.5	469	6.8	5.4	0.0
Total Branded Consumer Goods*	**38,510**	**5.7**	**1.6**	**4,643**	**8.0**	**12.1**	**0.3**

*)Intercompany sales between business areas have been eliminated for Branded Consumer Goods

Operating revenues, change in %	FX	Structure⁴	Organic³ growth	Total
Branded Consumer Goods	0.4	3.7	1.6	5.7

Orkla Foods

Operating revenues for Orkla Foods equated to 4.2% growth in sales. Organic³ growth for Orkla Foods in 2017 was 1.4%, and was driven by increases in both prices and volumes. Growth was somewhat hampered by destocking due to structural changes in the Norwegian retail sector and by temporary interruptions in India due to the introduction of a new national tax regime. The improvement in profit was broad-based and was largely attributable to turnover growth, in addition to the positive effects of cost-cutting measures. However, higher purchasing costs had a negative impact on both profit and margin for the year.

Orkla Confectionery & Snacks

Operating revenues for Orkla Confectionery & Snacks in 2017 represented 3.4% growth in sales. Organic³ turnover growth was 3.1%, mainly driven by volume growth. Sales performance was particularly good in Finland, Sweden and Estonia. Market shares increased in the confectionery & biscuits segments, while the snacks segment's overall position weakened slightly. Orkla Confectionery & Snacks delivered improved profit, driven by sales growth and the effects of cost improvements in factories and the rest of the value chain.

Orkla Care

Operating revenues for Orkla Care represented 11% growth in sales in 2017. Organic³ growth was 2.9%. Organic³ growth in Orkla Home & Personal Care, Orkla Health, Lilleborg and Orkla Wound Care was partly offset by a decline for Pierre Robert Group and Orkla House Care. Broad-based profit improvement was driven by sales growth. The negative dilutive effects of the inclusion of acquired companies, and higher purchasing costs due to the weaker Norwegian krone, were compensated for by improved operations in existing businesses.

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Orkla Food Ingredients

Operating revenues for Orkla Food Ingredients increased by 6.6% in 2017. The organic[3] improvement of 0.5% was particularly related to increased sales of bread and cake improvers and mixes. The improvement in profit was driven by structural growth resulting from some small acquisitions in the ice cream ingredients segment in the Netherlands, Germany, the UK and Sweden, and to the acquisition of a sales company in Denmark that makes chilled fresh dough products. The Natural company in Italy, which delivered a negative profit performance in 2016, was divested. Profit was also boosted by positive currency translation effects due to the weaker Norwegian krone. Conversely, profit performance was negatively affected by a poor ice cream season weather-wise, lower contribution to profit from the Swedish bakery market, and temporarily low profitability in Romania as a result of higher costs imposed by the government.

Orkla Investments

Hydro Power

Amounts in NOK million	2017	2016
Volume (GWh)	2,729	2,396
Price (NOK/MWh)	269	233
EBIT (adj.)[1]	316	192

The increase in both operating revenues and EBIT (adj.)[1] is due to higher power prices during the year and higher production volume. At the end of 2017, reservoir levels were slightly higher than normal.

Financial Investments

EBIT (adj.)[1] for Financial Investments was NOK 8 million in 2017 (NOK 131 million)[2] and was chiefly related to the sale of a property in Bergen and an industrial park in Fredrikstad. As at 31 December 2017, Orkla's real estate investments had a book value of around NOK 1,460 million, of which around NOK 1,140 million was related to the three largest development projects. Priorities going forward will be to realise the potential value in the development projects, and secure assets and free up capital by disposing of properties and projects that are not to be further developed.

Jotun (42.6% interest)

Amounts in NOK million	2017	2016
Operating income (100 %)	16,401	15,785
EBIT (100 %)	1,354	1,763
Profit contribution	307	471

Jotun is one of the leading global manufacturers of paint and powder coatings, with 54 subsidiaries, three joint ventures and six associates. Jotun has 40 production plants, located across all the continents. Its activities consist of the development, manufacture, marketing and sale of paint systems for the home, shipping and industrial sectors. Jotun is organised in four segments: Decorative Paints, Marine Coatings, Protective Coatings and Powder Coatings.

While the Decorative Paints segment showed good growth in 2017, the Marine and Protective Coatings segments were affected by the continued low level of activity in the ship newbuilding and offshore sectors. The decline in operating profit is chiefly due to higher raw material prices in all segments, and lower average selling prices in a number of markets.

Sapa (discontinued operations)

In line with Orkla's strategy of becoming a leading branded consumer goods company, Orkla entered into an agreement on 10 July 2017 to sell its share of Sapa to Norsk Hydro. The competition authorities approved the transaction on 26 September 2017. As a consequence of the agreement with Norsk Hydro, profit from Sapa has been moved to the line for "Discontinued operations". Sapa's overall contribution to profit for 2017 amounted to NOK 5,066 million. For more information on discontinued operations, see Note 38.

Research and development (innovation)

Innovation is Orkla's primary tool for creating organic[3] growth, and is therefore a key element of day-to-day operations. Orkla's innovation work is based on a inter-professional focus that spans from idea to launch. Consumer, customer and market insight is combined with technological expertise and investments to develop products and solutions that delight consumers and meet their needs even more effectively.

Orkla's strength lies in its local presence, which gives it in-depth insight into local consumer needs and how this knowledge can be translated into powerful innovations. At the same time, Orkla seeks to apply this consumer insight, brand understanding and strong product development capability across the Group.

In the time to come, therefore, there will be increased focus on innovation activities across companies and countries, under the heading "One Orkla". An example of this cross-cutting approach is Naturli' Foods, which offers a range of organic and vegetarian products, and the Laban fruit-flavoured jelly chews, which stretched all the way to India in 2017.

Another example of this thinking is the Orkla Growth Fair. This is an arena where management in product development and marketing at Orkla can present and discuss growth opportunities and share insights into local successes.

At the core of all innovation work lies the actual user experience, ranging from taste and function to how intuitive and easy a product is to use. Health and environmental aspects are also important drivers of innovation. Priority areas for innovation at Orkla are "Taste & Sensory Experience", "Health & Nutrition", "Sustainability & Environment", "Organic", "Vegetarian" and "Packaging Innovation". A good example of innovation in 2017 is the new brand Klar, which offers a range of sustainable laundry, hand soap and cleaning products. Other good examples are the launch of Grandiosa Nybakt pizza, Nutrilett Smart Meal and Snack Smart bars, Pierre Robert HANNELI wool garments and new products under the Felix Veggie, Anamma, NIC and Vitana brands.

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

Corporate responsibility

Orkla's sustainability strategy

Orkla is committed to promoting sustainable development by developing healthy, more environmentally friendly products, maintaining high food safety standards, making efficient use of resources, carrying out supply chain improvements and generally operating responsibly. In 2017, Orkla drew up targets for its sustainability work up to 2025, which continue to build on the sustainability strategy established by the Group and cover the following main topics: nutrition and wellness, safe products, sustainable sourcing, environmental engagement and care for people and society.

Directive on corporate responsibility

Orkla's directive on corporate responsibility describes the overarching principles defining how the Group companies are to address the issues of human and workers' rights, environment, health and safety (EHS), anti-corruption and other important areas of corporate responsibility. The directive has been approved by Orkla's Board of Directors and applies to the entire Group.

Orkla' Responsible Employer and Human Rights Policy provides detailed guidelines for the way the Orkla companies are to address the human and workers' rights issues considered most relevant for the companies' day-to-day operations. These include the principles of the right to human dignity, freedom of opinion and expression, the right to life, liberty and security, competence development, personal data protection, diversity and non-discrimination, consultation and employee involvement, working conditions, prevention of child labour and protection of marginalised population groups. The guidelines were revised in 2016-2017, and new risk mapping tools and training programmes have been developed.

The Orkla Code of Conduct describes the Group's standards and expectations in respect of individual managers, employees and Board members with regard to key human and workers' rights, such as respect and tolerance, equality and non-discrimination, and environmental and anti-corruption standards.

Governance procedures

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

The governing documents mentioned above are accessible to all the companies through the Group's web-based governance portal. To ensure that employees are familiar with Orkla's directive, internal training is provided by both the Group and the companies. In 2017, courses were held on food safety, EHS, anti-corruption efforts and personal data protection. A total of some 68,100 hours of organised training were provided in topics related to corporate responsibility and sustainability, equivalent to an average of 3.7 hours per employee. Internal meetings were also held in connection with the formulation of Orkla's 2025 sustainability targets. The training carried out in the past few years has created greater awareness and knowledge of corporate responsibility and sustainability issues in the Group, promoted active engagement and ensured a more uniform approach to efforts in these spheres.

In 2017, Orkla improved its procedures for risk assessment and control with regard to important issues such as workers' rights, anti-corruption, personal data protection and data security. Orkla monitors the companies' corporate responsibility and sustainability work by means of annual internal status reports. These reports are submitted in connection with business area reviews and in connection with Orkla's external sustainability reporting.

Orkla's Board of Directors monitors the Group's efforts by means of an annual assessment of the progress made in sustainability work, quarterly reviews of changes in key EHS indicators and ongoing discussion of individual matters considered to be of material importance for Orkla's operations. Orkla's Executive Vice President, Chief of Group Functions and Legal Affairs, has administrative responsibility for Orkla's corporate responsibility work, and determines which matters are to be submitted to the Board of Directors.

Orkla has established a whistle-blowing function to enable employees and other stakeholders to alert the Group's governing bodies to possible breaches of the Orkla Code of Conduct. The whistle-blowing function is administered by Orkla's internal audit staff on behalf of Orkla's Audit Committee, and is independent of Orkla's line management.

Alignment with external principles

Orkla has been a signatory to the UN Global Compact since 2005, and is a member of Transparency International Norge and the Ethical Trading Initiative Norway (IEH). Since 2008, the Group has reported environmental information to the investor-initiated Carbon Disclosure Project (CDP), which has become the leading global climate and environmental reporting system. Orkla supports the CDP's two initiatives, "Report climate change information in mainstream reports as a fiduciary duty" and "Remove commodity-driven deforestation from all supply chains". Orkla has also signed the UN's New York Declaration on Forests. Through Orkla's sustainability work, the Group contributes to achieving several of the global sustainability goals up to 2030, which were launched by the UN in 2015.

Reporting

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is required to report on its corporate responsibility and selected related issues. An account of the Group's efforts to address these issues in 2017 is provided in Orkla's sustainability report, which is included in this Annual Report, under the sections:

- "Orkla's sustainability work", page 54 (corporate responsibility)
- "Sustainable sourcing", page 79 (human rights, workers' rights, social conditions and environment in the supply chain)
- "Environmental engagement", page 89 (environment)

- “Care for people and society”, pages 99 (human and workers’ rights in own company, equality and non-discrimination, working environment, injuries, accidents, sickness absence, anti- corruption, social conditions)

In its sustainability reporting for 2017, Orkla has attached importance to applying the Oslo Stock Exchange’s Guidance on the Reporting of Corporate Responsibility. More information on the principles on which Orkla’s reporting is based is provided on page 57.

Personnel and administration

As at 31 December 2017, the Group had 18,178 (18,154)[2] employees. Of these 3,226 (3,208)[2] worked in Norway, 5,230 (5,293)[2] in another Nordic country and 9,722 (9,653)[2] in countries outside the Nordic region.

Collaboration between management and the employee organisations through the established cooperative and representative systems functions well, and makes a valuable contribution to finding constructive solutions to the challenges faced by the Group and the individual companies.

At Orkla’s Annual General Meeting in April 2017, Stein Erik Hagen, Grace Reksten Skaugen, Ingrid Jonasson Blank, Lisbeth Valther, Lars Dahlgren, Nils Selte and Caroline Hagen Kjos (personal deputy for Hagen and Selte) were re-elected as shareholder-elected members of Orkla’s Board of Directors. In addition, Liselott Kilaas was elected as a new Board member. Stein Erik Hagen was re-elected as Chairman of the Board and Grace Reksten Skaugen as Deputy Chair. All of the shareholder-elected Board members were elected for a term of one year, i.e. until the 2018 Annual General Meeting. All members were elected in accordance with the recommendation of the Nomination Committee.

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

No changes were made in the Group Executive Board in 2017.

The Board of Directors wishes to thank all employees for their efforts and for the results achieved in 2017.

Competence

Continuously developing capabilities is essential to strengthening the Group’s competitive edge. An important factor for employee performance and competence and career development is the performance appraisal interview between manager and employee. The skills of individual employees are primarily developed through the personal experience acquired as the employee carries out his or her day-to-day work. Learning also takes place through interaction with other employees, coaching and feedback, as well as formal training such as participation in courses and seminars.

Orkla carries out a systematic, annual evaluation of leadership and organisation. Priorities for 2017 were to analyse the business goals' impact on leadership, expertise and organisation, conduct individual assessments of management performance and potential, and plan succession to business-critical roles. Reviews of Orkla's sales organisation were also carried out, with focus on capabilities in new channels. Development areas were identified, and steps were initiated to remedy any gaps.

The purpose of Group-wide competence-building activities is to ensure and underpin instruction and training within Orkla's core competency, management and expertise that affect the majority or everyone in Orkla's value chain. The aim is to develop this core competency in a normative direction, by systematising and coordinating the various training activities. These competence-building activities supplement and support local activities to develop expertise in each function.

A variety of training programmes are run by the Orkla Academies with a view to ensuring crucial expertise in important specialist fields. Through its Academies, Orkla has developed employee skills for many years. Active use is made of educational methods and technology such as "blended learning" in both a price and quality perspective.

During the year a number of programmes were carried out and initiated with a view to developing the Group's overall expertise and competitiveness:

- A Strategic Leadership Programme was conducted for management personnel who have not previously participated in this programme.
- The Orkla Sales Academy has been extensively reorganised and now has a new set-up and content. Based on key sales roles, the expertise and skills required to succeed in each role have been defined so as to be able to meet present and future business challenges optimally.
- The HR Business Partner Programme was developed for HR employees and management staff with a view to developing and enhancing expertise on the role of business partner and business development, thereby furthering Orkla's Human Capital Strategy.

Corporate governance (statement of policy on corporate governance)

Orkla's governance systems are based on principles set out in the Norwegian Code of Conduct for Corporate Governance, and are largely aligned with applicable international guidelines on good corporate governance. An overall statement of policy on corporate governance at Orkla may be found on page 39 of this Annual Report. The statement of policy will be an item of business for discussion at the 2018 Annual General Meeting.

Pay and other remuneration of senior executives

The Board of Directors has a separate Compensation Committee, which deals with all material matters related to pay and other remuneration of senior executives before such matters are formally discussed and decided by the Board of Directors. In accordance with Norwegian company legislation, the Board of Directors has also prepared a separate statement of guidelines on the pay and other remuneration of senior executives, included in Note 5 to the financial statements for Orkla ASA, which will be presented and discussed at the 2018 Annual General Meeting. The note also provides details of remuneration and contractual arrangements.

Accounting principles

The consolidated financial statements for 2017 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), which have been approved by the EU. The financial statements for the parent company have been prepared in accordance with section 3-9 of the Norwegian Accounting Act (simplified IFRS). The explanation of accounting principles in Notes 1-4 and in respective notes describes important matters relating to accounting treatment under IFRS. The consolidated financial statements have been prepared and presented on the basis of the going concern assumption, and in accordance with section 3-3 of the Accounting Act, the Board of Directors confirms that use of the going-concern assumption is appropriate.

Orkla ASA

Orkla ASA is the parent company in the Orkla Group and supplies and performs services for the Group's other companies. In 2017, Orkla ASA delivered profit after tax of NOK 9,795 million (NOK 4,942 million)[2]. The rise in profit was driven by dividends from subsidiaries, of which a dividend paid by Industriinvesteringer AS (the holding company for Orkla's investment in Sapa) amounted to NOK 13.7 billion. As at 31 December 2017, Orkla ASA had total assets of NOK 47,257 million (NOK 50,036 million)[2], equivalent to a reduction of 5.6%. The equity ratio was 73.2% (64.9%)[2].

Allocation of comprehensive income

In 2017, Orkla ASA posted comprehensive income of NOK 9,793 million. The Board of Directors proposes the following allocation:

Transferred to equity	NOK 7,144 million
Proposed dividend	NOK 2,649 million

As at 31 December 2017, Orkla ASA had total equity of NOK 34.6 billion (NOK 32.5 billion)[2]. The Board of Directors has determined that Orkla ASA had adequate equity and liquidity at the end of 2017.

The Board of Directors proposes to pay an ordinary dividend of NOK 2.60 per share for the 2017 financial year.

Outlook

In the markets in which Orkla has a presence, growth is still expected to remain moderate in the coming years, varying somewhat from one market to another.

Orkla continues to face strong competition from imported international brands and the grocery trade's private labels. However, a change can be seen in consumer behaviour, whereby local players are gaining strength at the expense of large global suppliers. With over 300 local brands and a strong focus on innovations, Orkla is well positioned for this change. Nonetheless, operational and portfolio optimisation will still be important to ensure that Orkla remains competitive. Efforts to optimise and rationalise the supply chain to leverage economies of scale and reduce costs will continue.

Mars Norge terminated its distribution agreement with Orkla Confectionery & Snacks Norge, effective 1 January 2018, which primarily concerned the distribution of chewing gum under the Extra brand. This will have a negative impact on growth for Orkla Confectionery & Snacks in 2018.

In 2017, the global raw material prices to which Orkla is exposed were somewhat higher, overall, than last year. However, prices vary substantially from one commodity group to another, and the uncertainty attached to future commodity price trends is generally high.

The different business areas are exposed to varying degrees to currency risk, primarily related to purchasing in a foreign currency. Orkla also has currency translation exposure in connection with the consolidation of foreign businesses. There will always be uncertainty as to future exchange rate trends. Many of Orkla's companies do a significant share of their purchasing in local currencies, thereby reducing the overall impact of exchange rate fluctuations against other currencies.

The strategy of being a leading branded consumer goods company with the Nordic and Baltic regions as main markets, in addition to selected geographies where Orkla already has a presence, remains unchanged. Orkla aims to deliver organic[3] growth that at least matches market growth and growth in annual EBIT (adj.)[1]* of 6–9% in Branded Consumer Goods in the period 2016–2018.

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

Stein Erik Hagen styreleder	Grace Reksten Skaugen styrets nestleder	Ingrid Jonasson Blank
Lars Dahlgren	Liselott Kilaas	Nils K. Selte
Lisbeth Valther	Terje Utstrand	Karin Hansson
Sverre Josvanger	Roger Vangen	Peter A. Ruzicka konsernsjef

(This translation from Norwegian of the Statement from the Board of Directors of Orkla ASA has been made for information purposes only.)

*Including minor acquisitions and divestments, adjusted for currency effects and large acquisitions
[1]Operating profit before other income and expenses.
[2]Figures in brackets are for the corresponding period of the previous year.
[3]Reported growth in operating revenues adjusted for currency translation effects and acquired and sold companies. Acquired and sold companies have been adjusted to reflect a 12-month period. The main reason for using this alternative performance measure (APM) is to show like-for-like sales growth in the existing business.
[4]Structural growth comprises adjustments for the acquisition of Hamé, Kavli, Agrimex, brands in PRG Finland, Harris, Colon C, Riemann, Broer, Laan, Orchard Valley, SR Food and various minor acquisitions within Orkla Food Ingredients, as well as an adjustment for the closure of Natural Food and the sale of K-Salat.

Corporate governance

(Statement of policy on corporate governance)

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

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1. Statement of policy on corporate governance

Orkla is required to report on corporate governance under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance; see section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 30 October 2014, may be found at www.nues.no.

This statement of policy will be an item of business at Orkla's Annual General Meeting on 12 April 2018. The company's auditor has assessed whether the information provided in this statement with regard to section 3-3b of the Accounting Act is consistent with the information provided in the annual financial statements. The auditor's statement may be found on page 209.

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

The following statement of policy is structured in the same way as the Code of Practice, covers each point of the Code

and describes how Orkla complies with the Code requirements. Orkla is committed to promoting sustainable social development by operating in compliance with responsible business principles, systematically improving its operations in relation to the external environment, climate and energy resources and investing in profitable business projects that can generate positive ripple effects for society. The Group's stance with regard to corporate responsibility has been defined in the Orkla Code of Conduct and the Group directive on corporate responsibility. The documents may be found on Orkla's website under "Sustainability", and are described in further detail in a separate statement on Orkla's Corporate Responsibility (see section 3-3c of the Accounting Act). The statement also gives an account of the Group's efforts to address important corporate responsibility issues in 2017.

2. Activities

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

In accordance with its mission statement, Orkla operates in several areas. The Group's core business is branded consumer goods, but the Group still has activities in the energy, real estate and financial investments sectors.

The Orkla Compass comprises Orkla's vision, goals, strategic pillars, core values and business strategy, and sets a clear, common direction for the Group. Orkla's vision is to be "Your friend in everyday life", and Orkla's mission is "Improving everyday life with sustainable and enjoyable local brands." Orkla aims to outperform and create greater value than its competitors and other comparable companies. The Group will achieve this objective by working purposefully within the framework of five strategic pillars: (1) Consumers, (2) Customers, (3) People, (4) Operations and (5) Society. Orkla's core values are "Brave", "Trustworthy" and "Inspiring".

3. Equity and dividends

As at 31 December 2017, Group equity totalled NOK 34.8 billion. An ordinary dividend of NOK 2.60 per share was paid out for the 2016 financial year. An additional dividend of NOK 5.00 per share was paid out as a result of the sale of Orkla's stake in Sapa AS. Over time, Orkla shareholders shall receive a competitive return on their investment through a combination of dividends and an increase in the share price. Orkla has pursued a consistent shareholder and dividend policy for many years. On Orkla's Capital Markets Day in June 2017, it was announced that Orkla aims to maintain an ordinary dividend at at least NOK 2.50 per share.

The Board of Directors has proposed that a dividend of NOK 2.60 per share be paid for the 2017 financial year. The dividend will be paid out on 25 April 2018 to shareholders of record on the date of the Annual General Meeting. Authorisations empowering the Board of Directors to undertake share buybacks are limited to specific purposes and are granted for a period no longer than until the next general meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation.

At the Annual General Meeting in 2017, the Board of Directors was granted authorisation to buy back up to 100,000,000 Orkla shares so that the company can acquire and hold up to 10% of its share capital. The authorisation is limited to specific purposes, and applies until the Annual General Meeting in 2018. Shares acquired under this authorisation are to be cancelled or used in connection with employee incentive programmes, including the Group's employee share purchase programme. Each purpose was discussed as a separate item of business at the Annual General Meeting. A similar authorisation has been granted each year since 1998. As at 31 December 2017, Orkla did not acquire any of its own shares under the current authorisation. As at 31 December 2017, Orkla held 176 933 treasury shares. Questions concerning increases in share capital must be submitted to the General Meeting for decision. The company's transactions in its own shares are effected on the market at market price, in accordance with good stock exchange practice in Norway. There are otherwise no provisions in Orkla's Articles of Association that regulate the buyback or issue of shares.

4. Equal treatment of shareholders and transactions with related parties

Orkla has one class of share and each share entitles the holder to one vote. Each share has a nominal value of NOK 1.25. Further information on voting rights at general meetings is provided under point 6, General Meetings.

The company's policy is not to dilute the shareholdings of existing shareholders. In accordance with this policy, there have been no real share capital increases in the company in recent years. Should the Board of Directors wish to propose to the General Meeting that a departure be made from the pre-emptive right of existing shareholders in the event of a capital increase, such a proposal will be justified by the common interests of the company and the shareholders, and the grounds for the proposal will be presented in the notice of the general meeting.

To avoid any detriment to the Group's reputation, the Board considers it important to pursue a policy of transparency and caution in connection with investments that could be perceived as an unfortunately close involvement, or close relationship, between the company and a member of the Board, executive management or parties related thereto. Procedural rules for such transactions have therefore been drawn up in the Rules of Procedure for the Board of Directors, which may be found under "Investor Relations". According to the Rules of Procedure, the Board Chair must be informed of such transactions and must decide how the matter should be dealt with. If the matter concerns the Board Chair, this duty is

incumbent upon the Deputy Chair of the Board. Further information on transactions between related parties is provided in Note 37 to the consolidated financial statements. In the event of non-immaterial transactions between the company and shareholders, a shareholder's parent company, Board members, executive management or parties related thereto, the Board of Directors will ensure that a valuation is carried out by an independent third party. The Board will similarly arrange for a valuation by an independent third party in the event of non-immaterial transactions between companies within the Group where there are minority shareholders.

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

5. Freely negotiable shares

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

6. General meetings

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

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

Shareholders who are unable to attend the general meeting may vote by proxy. Orkla will appoint the Board Chair or meeting chair to vote for the shareholders. The proxy form is designed in such a way that voting instructions may be given for each item of business that is to be considered. Shareholders who were unable to attend the Annual General Meeting in 2017 could, in addition to voting by proxy, cast a direct advance vote on the company's website or through VPS Investor Services. The Board of Directors has decided that shareholders may cast such direct advance votes again in 2018. Both the notice of the general meeting and Orkla's website provide further information regarding use of proxies, advance voting and shareholders' right to submit items of business for consideration at general meetings.

Under Article 12, second paragraph, of the Articles of Association, the Board of Directors may decide that documents concerning items of business to be considered at the general meeting are not to be sent to shareholders when the documents are made available on the company's website. This also applies to documents which by law must be included in or attached to the notice of the general meeting. A shareholder may nonetheless request that documents pertaining to items of business to be considered at the general meeting be sent to him or her. The provision in the Articles of Association departs from the general rule in Chapter 5 of the Public Limited Liability Companies Act which prescribes that the annual financial statements, the report of the Board of Directors, the auditor's report and the Board of Directors' statement of guidelines for the remuneration of the executive management pursuant to section 6-16a must be sent to all shareholders no later than one week before the general meeting.

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

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

7. The Nomination Committee

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

Recommendation to the General Meeting:

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

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

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

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

The composition of the Nomination Committee is intended to ensure that the interests of all the shareholders are served, and meets the requirement of the Norwegian Code of Practice for Corporate Governance as regards independence of the company's management and Board of Directors. None of the members of the Nomination Committee are a member of the Board of Directors of Orkla ASA. Neither the general manager nor other senior executives are members of the Committee. Information regarding the composition of the Nomination Committee and the number of Orkla ASA shares owned by each Committee member as at 31 December 2017 may be found on page 245.

8. The Corporate Assembly and the Board of Directors, Composition and Independence

Orkla's Corporate Assembly was discontinued in 2013 in accordance with the agreement entered into with the employee unions. Consequently, the General Meeting elects shareholder-elected members to the Board directly. The Board Chair is elected by the General Meeting.

The composition of the Board of Directors is intended to serve the interests of all the shareholders and meet the company's need for competence, capacity and diversity. The Board's composition meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards Board members' independence of the company's executive management, main shareholders and material business relationships. Two of the Board members are defined as non-independent of the company's main shareholders. All the Board members are defined as independent of the company's executive management or material business relationships. There are few instances in which Board members are disqualified from considering Board matters. Representatives of the executive management are not members of the company's Board of Directors.

Under Article 4 of Orkla's Articles of Association, the Chair, the Deputy Chair and the other shareholder-elected members of the Board may be elected for a term of up to two years. Since 2007, however, a term of one year for shareholder-elected members and deputy members has been adopted, on the grounds that an annual assessment of the overall composition of the Board will ensure greater flexibility. There are no other provisions in the Articles of Association governing the appointment and replacement of Board members.

Further pursuant to Article 4 of Orkla's Articles of Association, the shareholder-elected members of the Board of Directors are required to own shares in the company with a view to strengthening the shared financial interests of shareholders and Board members. In 2017, the General Meeting introduced an arrangement whereby parts of the fee paid to the shareholder-elected Board members are to be used to purchase

Orkla shares. A more detailed description of the number of Orkla shares owned by each member of the Board, the members' background, qualifications and term of service, whether they are independent, how long they have been an Orkla Board member, how many Board meetings they have attended, and whether they have any material functions in other companies and organisations is provided on page 222.

Under Norwegian law and in accordance with Orkla's current system of corporate democracy, Group employees have the right to elect four members of the Board of Directors of Orkla ASA. The composition of the company's governing bodies is described on page 245.

9. The work of the Board of Directors

Tasks of the Board of Directors

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

The Board of Directors adopts an annual meeting and activity plan that covers strategic planning, business issues and oversight activities. In 2017, seven meetings and four extraordinary meetings were held in accordance with the Boards's activity plan. One of the meetings held over two days, addressed strategic issues. In addition, three items were dealt with in writing. The Board dealt with a total of 88 items. The content of the Board's work is discussed in further detail in the Directors' Report.

Board matters are prepared by the general manager and the Corporate Secretariat in consultation with the Board Chair. The Rules of Procedure for the Board of Directors contain provisions regarding procedural rules in connection with disqualification, joint investments and parallel investments. This is described in further detail under point 4 "Equal treatment of shareholders and transactions with related parties". The Board of Directors has established two permanent Board Committees, which are described in further detail below. These committees do not make decisions, but supervise the work of the company management on behalf of the Board and prepare matters for Board consideration within their specialised areas. In this preparatory process, the committees have the opportunity to draw on company resources, and to seek advice and recommendations from sources outside the company.

The Compensation Committee

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

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

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

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

The Audit Committee

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

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

The Board of Directors' self-evaluation

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

10. Risk management and internal control

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

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

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

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

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

Risk management at Orkla

The Group's risk management lies within the remit of the finance functions and is intended to ensure that all risk of significance for Orkla's goals is identified, analysed and effectively dealt with by business areas and specialised staffs. This entails, among other things:

- continuously monitoring important risk indicators in order to reassess the Group's level of risk and associated risk mitigation measures, if necessary
- maintaining instructions and guidelines for risk management, contingency preparedness and business continuity
- assisting in the implementation of coherent risk management in routine operations and in connection with projects and major decisions
- presenting Orkla's consolidated risk profile to the Group Executive Board, the Board of Directors and the Board's Audit Committee
- facilitating the transfer of best risk management practices throughout the Group

- ensuring that formal risk assessments are uniformly carried out, presented, discussed and implemented by the Boards of the respective Group companies
- carrying out detailed risk analyses in certain specialised fields
- ensuring that Orkla's risk management is in compliance with relevant regulatory requirements and reasonably satisfactory to Orkla's stakeholders
- being responsible for selected measures to mitigate risk at Group level.

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

EHS

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

The internal audit function

As part of the Group's internal control system, Orkla has an Internal Audit Department. The responsibilities of the Group's Internal Audit Department are as follows:

- verify that internal control procedures for reducing risk have actually been established and are functioning as intended
- assist the Board of Directors, the Group Executive Board and the business areas by providing auditing expertise and capacity, which includes monitoring and control of selected companies in the Group;
- be the recipient of and follow up on reports submitted under the Group's whistle-blowing system on possible breaches of the Group's Code of Conduct. Information on this system may be found on posters and notices at all Orkla businesses, on the Orkla intranet and on Orkla's website under "Sustainability"/"Whistle-blowing"
- coordinate the choice of and monitor external auditors in the Group companies in accordance with the instructions of the Audit Committee
- act as secretary to the Audit Committee. The Chief Auditor reports to the Board's Audit Committee and is thus independent of line management

Business ethics and corporate responsibility

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

The financial reporting process

The Orkla Group prepares and presents its financial statements in accordance with current IFRS rules.

The Group's governing documents are assembled in The Orkla Way, and contain requirements and procedures for the preparation and presentation of interim reports and year-end reports. A set of Orkla Accounting Standards has also been drawn up, in which Orkla's ten main principles for financial reporting are set out. Financial information is reported through the Group's common reporting system, Hyperion Financial Management (HFM). Every month, each company reports figures in HFM, based on output from its own Enterprise Resource Planning (ERP) system. HFM has a general chart of accounts and built-in control systems in the form of data check accounts and check reports designed to ensure that the information is consistent. The reporting is expanded in the year-end reporting process to meet various requirements for supplementary information. Financial data are consolidated and checked at several levels in the business areas.

11. Remuneration of the Board of Directors

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

12. Remuneration of the Executive Management

The Board's Compensation Committee presents a recommendation concerning the terms and conditions for the President and CEO to the Board of Directors and monitors the general terms and conditions for other senior executives in the Group. The Board assesses the President and CEO and his terms and conditions once a year. A description of the remuneration of the executive management and the Group's compensation and benefits policy, including the scope and design of bonus and share-price-related programmes, is given in the Board of Directors' statement of guidelines for the remuneration of executive management; see Note 5 to

Orkla ASA's financial statements. A ceiling has been set for performance-related remuneration. The Board of Directors' statement of guidelines is made available to shareholders in a separate document pertaining to this item of business, together with the notice of the Annual General Meeting.

13. Information and communications

Orkla seeks to ensure that its accounting and financial reporting inspires investor confidence. Orkla's accounting procedures are highly transparent, and since 2005 Orkla has prepared and presented its financial statements in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors' Audit Committee monitors company reporting on behalf of the Board.

Orkla strives to communicate actively and openly with the market. The company's annual and quarterly reports contain extensive information on the various aspects of the company's activities. The company's quarterly presentations are webcast directly and may be found on Orkla's website, along with the quarterly and annual reports, under "Investor Relations". In 2017, the company's Annual General Meeting was webcast and simultaneously interpreted to English. Orkla normally holds a Capital Markets Day every other year, on which occasion the market is given an in-depth review of the Group's strategic direction and operational development. The Capital Markets Day presentations are webcast directly on the company's website.

All shareholders and other financial market players are treated equally as regards access to financial information.

The Group's Investor Relations Department maintains regular contact with company shareholders, potential investors, analysts and other financial market stakeholders. The Board is regularly informed of the company's investor relations activities. The financial calendar for 2018 may be found on Orkla's website under "Investor Relations".

14. Takeovers

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

15. Auditor

The Board of Directors has determined the procedure for the external auditor's regular reporting to the Board. Each autumn, the external auditor presents to the Board his assessment of risk, internal control and the quality of financial reporting at Orkla, at the same time presenting his audit plan for the following year. The external auditor also takes part in the Board's discussions on the annual financial statements. On both occasions, the Board of Directors ensures that it is able to discuss relevant matters with the external auditor without the presence of the management.

The external auditor and the President and CEO attend all meetings of the Board's Audit Committee. For information regarding the work of the internal auditor, reference is made to the section above on risk management and internal control. Orkla has established guidelines for the right of the general management to use the external auditor for services other than auditing. Responsibility for monitoring such use in detail has been delegated to the secretary of the Audit Committee, who is the Chief Internal Auditor.

The secretary of the Audit Committee approves all material assignments in advance and receives an annual summary from the external auditor of services other than auditing that have been provided to Orkla, and comments specifically on these services in his annual report to the Audit Committee and the Board of Directors. Details of the company's use and remuneration of the external auditor are disclosed in Note 5 to the financial statements of Orkla ASA.

The General Meeting is informed about the Group's overall remuneration of the auditor, broken down in accordance with statutory requirements into remuneration for statutory auditing and remuneration for other services. In connection with the auditor's participation in the Audit Committee and the Board of Directors' consideration of the annual financial statements, the auditor also confirms his independence.

Movement for a sustainable lifestyle

Orkla wants to create sustainable economic growth by mobilising the entire organisation and developing products and solutions that are good for people and the environment.

One fourth of the world's adult population is overweight[1], and lifestyle diseases are spreading. At the same time, the value chain for food and other grocery products generates a large part of the world's greenhouse gas emissions and is one of the main sources of water consumption. The combination of climate change and population growth is putting pressure on raw materials and natural resources. These challenges call for intensified efforts to promote a healthy lifestyle and a transition to sustainable production and consumption. We at Orkla want to contribute to sustainable development by improving our products and value chains, and by offering sustainable choices to customers and consumers. This is both a responsibility and a prerequisite for long-term growth.

Orkla's footprint

Orkla's grocery products are purchased regularly by several million consumers, and affect their diet, health and well-being. Even small improvements in products can have a positive effect. By developing products and services for a healthy lifestyle, Orkla can make important contributions to public health. Orkla's food production makes us one of the biggest purchasers of agricultural and fish raw materials in the Nordic region. At the same time, we impact on the environment by using energy and water and buying packaging and transport services. Orkla is also involved in certain global raw material chains that present complex economic, social and environmental challenges. By switching to renewable energy, using resources efficiently, reducing food waste and making targeted efforts to achieve sustainable raw material production, Orkla can contribute to a sustainable value chain for food and grocery products.

Orkla is a major employer, with its own extensive production operations and activities in many countries. By investing in skills development and working systematically to ensure good occupational health and safety, Orkla makes a positive contribution to its employees' job satisfaction, health and personal development. Moreover, the Orkla companies create positive economic ripple effects for local communities in the form of jobs, tax revenues and sourcing from local suppliers.

Sustainable economic growth

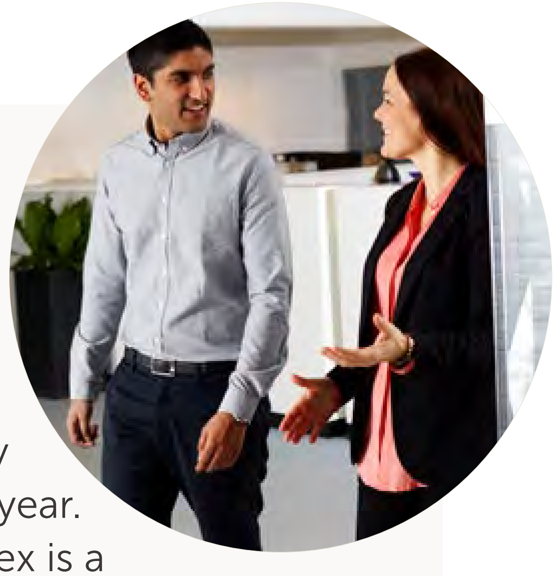
The global health and sustainability challenges are leading to gradual changes in consumer preferences, availability of raw materials, political framework conditions and competition that have consequences for Orkla's operations. In a 2017 survey, for example, one third of consumers in the Scandinavian countries replied that sustainability is a factor in their purchasing decisions[2]. Through long-term emphasis on developing products with beneficial health effects and lower environmental impact, we at Orkla have laid a crucial foundation for winning consumer preference and driving revenue growth. Moreover, our focus on sustainable raw material chains and reduced environmental impact are key to securing long-term access to raw materials, achieving cost-efficient operations and building trust in Orkla's operations and branded products. Our systematic improvement work in connection with occupational health and safety also has considerable commercial significance as it promotes stable operations and reduces sickness absence costs.

[1]World Health Organization (WHO), 2017
[2]Sustainable Brand Index, Analysis report Orkla, 2017

Orkla's sustainability strategy was drawn up in 2014 and comprises common general goals for our work up to 2020. In 2017, we revised the strategy and defined new long-term goals up to 2025. The sustainability strategy covers five main topics: safe products, nutrition and wellness, sustainable raw materials, environmental engagement and care for people and society. These are areas where we, by virtue of our operations, have substantial influence and responsibility, and where our efforts will be pivotal to the Group's future growth and profitability.

Orkla's sustainability goals entail a gradual transition to use of renewable energy, increased resource recovery and products that promote a healthy, sustainable lifestyle. These are ambitious goals that we intend to achieve by mobilising our entire organisation, making sustainability work an integral part of our operations, and promoting dialogue and cooperation with consumers, customers, suppliers, external centres of expertise and public authorities. To underscore the significance of broad-based involvement and engagement, we have chosen to call Orkla's sustainability efforts "a movement for a sustainable lifestyle".

The work to meet our sustainability goals is largely carried out in Orkla's many companies, with the support of the Group's specialised functions. Orkla has an internal sustainability network that facilitates exchanges of experience and collaboration across companies and countries. In addition, the Group functions have established several initiatives at central level in the past few years to share lessons learned and best practices, establish common approaches and systems and optimise use of available resources. This internal collaboration will be further strengthened in 2018.



One of Europe's most sustainable companies

In 2017, Orkla was listed in the Dow Jones European Sustainability Index for the seventh consecutive year. This internationally recognised index is a key yardstick used by investors and other stakeholders to assess companies' non-financial performance.

One of the world's most sustainable companies

Orkla is included in the Corporate Knights Global 100 index of the world's most sustainable companies, which was presented at the World Economic Forum in Davos in January 2018.

The ranking is based on an analysis of nearly 6 000 companies. For the first time, Orkla is included in the index, as one out of two Norwegian companies.

The status of Orkla's sustainability work

Orkla has achieved improvement in all five topical areas. In the past few years, the companies have successfully launched a host of healthy, vegetarian and organic food products, healthier snacks, health foods, well-being products, cleaning products with gentle ingredients and products that are good environmental choices. Several of the companies also carried out campaigns or other communications initiatives in 2017 to raise consumer and customer awareness of the importance of healthy, sustainable choices.

Our efforts to ensure safe products adhere to strict standards, and the risks that arose in 2017 were handled in accordance with Orkla's contingency preparedness procedures, at no risk to consumer health. Orkla factories also maintain good control of the risk of emissions and other undesirable environmental impacts, and are making good progress towards reducing energy consumption, water consumption and food waste from production. Orkla has ambitious goals of reducing greenhouse gas emissions by making more efficient use of resources and switching from fossil fuels to renewable energy. As a major producer of renewable electricity, Orkla generates more than six times its own consumption of electric power. By implementing the system for Guarantees of Origin (GOs), we ensure that all our European locations and factories use renewable electricity. Our target for reducing greenhouse gas emissions for 2014-2020 has thereby already been achieved. In 2017, Orkla set new greenhouse gas reduction targets up to 2025. Orkla is making good headway in monitoring suppliers to ensure that raw materials are produced safely and responsibly. In 2017, in cooperation with suppliers and external centres of expertise, we took further steps towards our goal of sustainable raw material production, but a great deal still remains to be done in this field. Orkla's human rights policy was revised in 2017, and we have begun implementing new, more systematic due diligence procedures of Orkla's responsibility for its own employees. Efforts related to competence development, occupational health and safety and anti-corruption were also further strengthened in 2017.

The results of our sustainability work in 2017 and the targets for our further efforts are described in greater detail in separate chapters on each main topic.

Orkla's sustainability reporting

The choice of topics and indicators for reporting Orkla's sustainability work is based on a materiality assessment, in accordance with the guidelines of the GRI G4 Core reporting standard and the Oslo Stock Exchange's guidance on reporting on corporate responsibility. In the assessment we have emphasised the long-term commercial and social impact of Orkla's efforts and the topics' significance for stakeholders' assessments and decisions. The stakeholder groups we consider most crucial to Orkla's chances of succeeding, and to which most importance has therefore been attached in the materiality assessment, are investors, authorities, consumers, customers and employees.

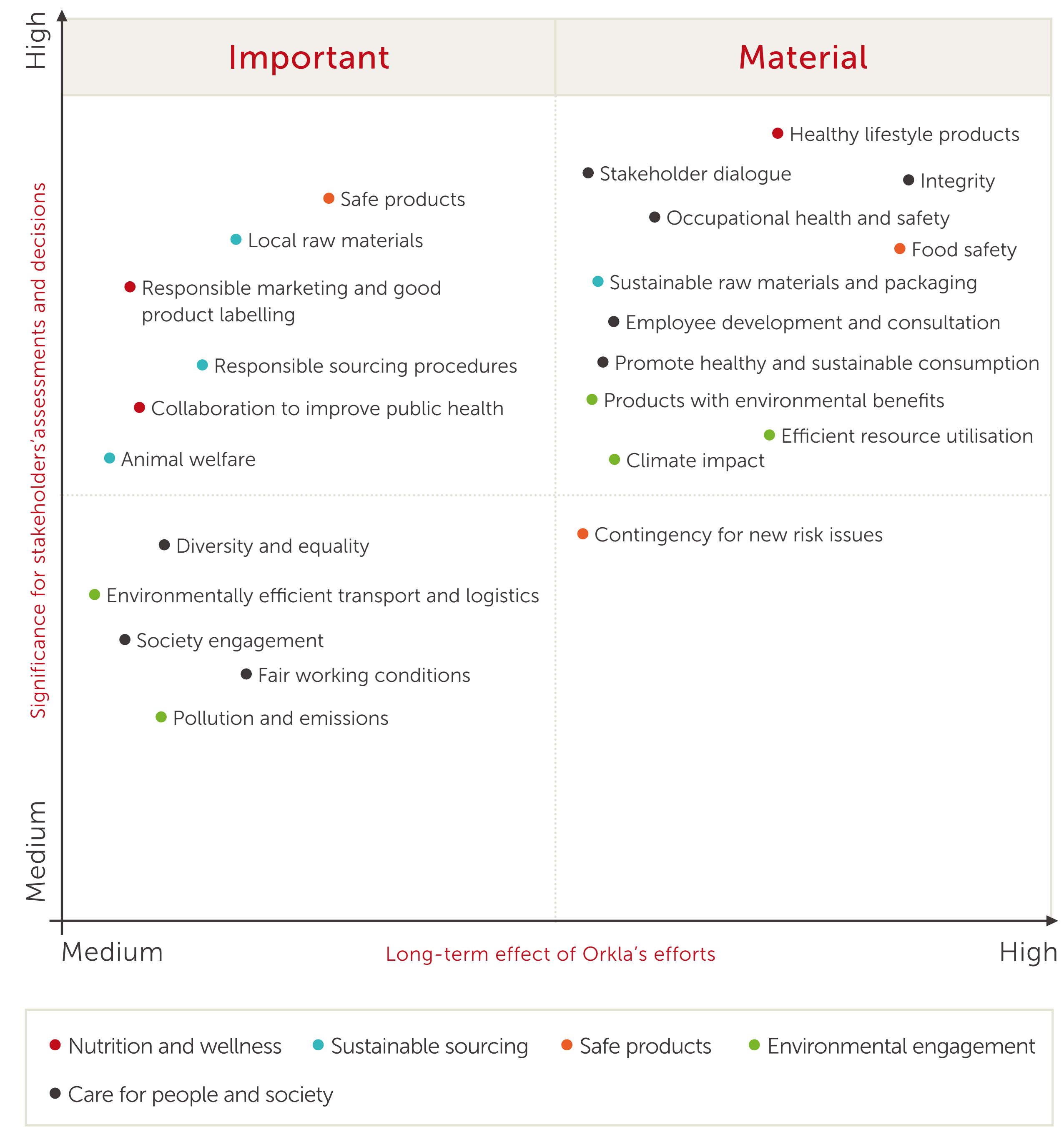
The materiality assessment was originally carried out in 2015, but was reviewed and updated in 2017. The number of main topics was reduced from seven to five to give the assessment a simpler, clearer structure. Some of the topics have been renamed, and we have adjusted our assessment of the topics' importance slightly. Among other things, two new topics, "promote healthy, sustainable consumption" and "preparedness for emerging safety risks" have been identified as material. "Animal welfare" has also been identified as an important new topic. These changes were made in connection with the revision of Orkla's sustainability strategy. We have identified which sustainability topics Orkla's stakeholders are particularly interested in, based on consumer surveys, analyses carried out by external sustainability analysts and publicly available information.

Orkla's sustainability reporting covers all topics defined as important and material, but greatest importance has been attached to the material topics. The reporting covers the same topics as before, with some changes in topic names and reporting structure as a result of the updated materiality assessment. Orkla reports in accordance with the GRI G4 Core reporting standard. An overview of the indicators covered may be found at www.orkla.com/Sustainability/Results and reporting.

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is required to report on corporate responsibility and selected responsibility topics. An account of the Group's efforts to address the relevant topics in 2017 may be found in the following chapters:

- "Orkla's sustainability work", page 54 (corporate responsibility)
- "Sustainable sourcing", page 79 (human rights, workers' rights, social conditions and environment in the supply chain)
- "Environmental engagement", page 89 (environment)
- "Care for people and society", page 99 (human rights, equality and non-discrimination, working environment, injuries, accidents, sickness absence, workers' rights in Orkla's operations, social conditions

Materiality assessment



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Unless otherwise stated, the key figures in Orkla's sustainability reporting cover all businesses in which Orkla owned more than a 50% stake as at 31 December 2017. The key figures for emissions and energy and water consumption will be verified by the independent company CO2focus in the course of spring 2018. For information on the sustainability work carried out in the associate and joint venture Jotun, we refer to the company's own report.

Corporate responsibility at Orkla

Orkla defines corporate responsibility as operating responsibly with respect for people and the environment. Orkla's directive on corporate responsibility describes the general principles governing the way the Group companies must address the issues of human and workers' rights, environment, health and safety (EHS), anti-corruption and other important areas of responsibility. The directive is based on the Universal Declaration of Human Rights, the ILO's Core Conventions and the OECD Guidelines for Multinational Enterprises. It has been adopted by Orkla's Board of Directors and applies to the entire Group, including wholly-owned subsidiaries. Orkla's corporate responsibility management procedures are described in the Report of the Board of Directors on page 21 of this report.

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The UN Global Compact and the UN Sustainable Development Goals

Orkla has been affiliated with the UN Global Compact since 2005 and actively supports the initiative's ten principles in the areas of human and workers' rights, environment and anti-corruption. Through Orkla's sustainability work, we contribute actively to the achievement of several of the global Sustainable Development Goals launched by the UN in 2015 and which run until 2030.

We have assessed the following goals as being of particular relevance for Orkla:

SDG 2 Zero hunger	*SDG 3 Good health and well-being*
SDG 8 Decent work and economic growth	*SDG 12 Responsible production and consumption*
SDG 13 Climate action	*SDG 14 Life below water*
SDG 15 Life on land	*SDG 17 Partnership for the goals.*

In 2016, Orkla President and CEO Peter A. Ruzicka signed the Businessworthy Pledge, a personal commitment to work towards achieving the global Sustainable Development Goals:

«The United Nations Sustainable Development Goals represent a once-in-a-life-time opportunity to end poverty, combat climate change and fight injustice and inequality. By applying innovation, resources and expertise, I will pursue the business opportunities inherent in building a greener, more equitable and in-clusive society. I am a business leader who knows that business cannot succeed in societies that fail. I will do my utmost to be businessworthy in all my efforts, and to tune my business to support the United Nations Sustainable Development Goals. I call on my peers to do the same.»

Peter A. Ruzicka
President and CEO

Making it easier to live healthily

The global health challenges are considerable, and broad-based efforts are being mobilised to reduce the prevalence of lifestyle diseases. Orkla wants to be part of the solution and help to promote a good, healthy diet among the population at large.

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The big picture

More and more people suffer from lifestyle diseases due to an unhealthy diet. It is now widely accepted that the food industry, the retail sector, specialist groups and public authorities must join forces to combat the global health challenges. To a greater extent, the authorities expect the food industry to take responsibility for improving public health and to be a part of the solution. Health and wellness are a strong consumer trend, and retailers are calling for healthier alternatives in a growing number of product categories.

Our influence

As one of the biggest operators in the European grocery market, Orkla is committed to being part of the solution. We can exert influence both by being a driving force in collaborative initiatives to promote better public health and by developing healthier versions of foods and products that are part of people's daily diet. By offering health and wellness products and services, we make it easier to live healthily. All our business areas have given nutrition and consumer health a prominent position on their agenda. Our companies are working actively to adapt their product portfolios to health-related consumer trends. In the future, we expect a large part of growth to be generated by launches related to nutrition and wellness. This applies to everything from healthier alternatives to indulgence products such as biscuits, bars and snacks and products tailored to various health needs.

Orkla's sustainability pledge
«Make healthy living easier»

Main goals up to 2020

In 2014, Orkla set the following goals for its nutrition and health work up to 2020:

- *Develop products containing less salt, sugar and saturated fat*
- *Launch concepts and innovations that promote a healthier life*
- *Help to increase consumption of fish*
- *Make it easier for consumers to choose healthy products*
- *Promote responsible marketing*

In 2017, Orkla set new goals for its work up to 2025. We have intensified our focus by setting quantitative targets for the Orkla companies' contribution to increasing sales of health and wellness products and reducing consumption of salt and sugar. Our nutrition and wellness work supports the achievement of the UN Sustainability Development Goal SDG3.

Sustainability targets up to 2025

Double the consumption of products and services for better health

- Double the consumption of products and services that promote a healthier lifestyle[1]
- 15% less salt and sugar[2]
- Inspire people to adopt a healthier lifestyle

Our approach

The Orkla companies' product development and innovation work is based on local needs and taste preferences. Through research projects and close collaboration with external centres of expertise, the companies acquire new knowledge of health and diet. Orkla is also an active partner for the authorities and conducts a fruitful dialogue with them at both EU level and in several of the countries in which the Group operates. Health and nutrition are one of four priority areas for innovation in Orkla. The companies also work systematically to improve products' nutritional profile, and engage actively in development to reduce the content of salt, sugar and saturated fat. Their work is overseen by Orkla at central level through internal reporting and procedures for business area reviews. Results are reported regularly to the Orkla Board of Directors.

[1]Concerns selected product types. Base year 2017.
[2]Concerns a reduction in total consumption of salt and sugar in Orkla food products. Base year 2015.

Healthier popular favourites

At Orkla we devote a great deal of time, money and effort to developing healthier foods and products containing less salt, sugar and saturated fat. Our companies continued to make good progress in this work in 2017.

In a public health perspective, small changes in the daily diet of a large number of people have a greater impact than big changes for some individuals. In Norway, Orkla is engaged in productive, well-functioning collaboration with the health authorities and the grocery trade. Through the agreement of intent to promote healthier food, we have committed to specific targets for reducing salt, sugar and saturated fat in our products. Among other things, Orkla will contribute towards reducing Norwegians' daily salt intake from ten to eight grams by 2021. Over a period of several years, Orkla companies in the Nordics, Baltics, Central Europe and India have gradually reduced the amount of salt, sugar and fat in a number of their products.

Developments in 2017

In 2017, as part of its partnership agreement with the health authorities, Orkla helped to develop a common measurement system for monitoring the industry's efforts to promote healthier food. The Orkla companies in Norway and Sweden have reduced the sugar content in several products, both on their own initiative and in joint projects with customers in the grocery trade. We are making good headway in the process of removing salt from our Norwegian products, and significantly reduced the salt content of several types of biscuits, snack products, pizza and other foods. In Sweden, the amount of salt in several varieties of biscuit was lowered, while the Indian company MTR Foods reduced the salt content of many of its best-selling products. Orkla is helping to reduce people's intake of saturated fat by replacing palm oil with healthier alternatives. As a result of many years of work, most of Orkla's food products, biscuits, snacks and chocolate in the Nordic grocery market are now palm oil-free. In 2017, palm oil was also replaced in soups and stocks from Vitana and certain ready-to-eat dishes from MTR Foods in India.

The way forward

In 2018, Orkla will continue its efforts to reduce the content of salt, sugar and fat. Sugar reduction will be the highest priority in the future for companies in every business area.

Reducing salt in children's biscuits

Orkla Confectionery & Snacks Norge aims to eliminate 21 tonnes of salt from its snacks and biscuits by 2018. It is particularly important to cut down on salt in products that are eaten by children. In 2017, therefore, the company devoted substantial effort to reducing the salt in Bokstavkjeks (alphabet cookies) (40% less salt) and Tom & Jerry biscuits (40% less salt). As from January 2018, there will also be 30% less salt in KiMs Elias snacks. Since 2015, a total of approximately 70 tonnes of salt have been eliminated from Orkla's Norwegian products, and we are close to achieving our goal of a reduction of 80 tonnes by the end of 2018.

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Healthier popular favourites – results 2017

80 *tonnes less salt*

In 2017 Orkla contributed to an annual reduction in salt consumption of around 80 tonnes by developing products with less salt. In the past five years, the content of salt has been cut by an amount equivalent to an annual reduction in consumption of approximately 1200 tonnes

Less salt in pizzas, ready-to-eat meals, biscuits and ketchup.

1040 *tonnes less sugar*

The effect of our efforts in 2017 was an annual reduction in sugar intake equivalent to 1040 tonnes. In total, Orkla's portfolio of sugar-free and reduced-sugar products is contributing to a reduction in the population's sugar intake of around 16 000 tonnes.

Less sugar in bread toppings, between-meal smoothies, jams and ketchup. Cordials, throat lozenges, between-meal snacks, jams and breakfast cereals with no added sugar.

960 *tonnes less saturated fat*

By developing products with a healthier fat composition, Orkla contributed to an annual reduction in consumption of saturated fat of approximately NOK 960 tonnes in 2017. In the past five years, the consumption has been reduced by approximately 4600 tonnes.

Less saturated fat in soups, stocks, ready-to-eat meals and crisps.

Innovations that promote a healthier lifestyle

Based on a combination of local consumer insight and new health knowledge, Orkla launched a number of new products in 2017 which promote a healthier lifestyle.

In 2017, several of the Orkla companies increased their focus on vegetarian, natural food with no additives and "better-for-you" products.

Vegetarian food

Demand for vegetarian and plant-based foods is on the rise, and more and more people are choosing to eat meatless meals one or more days a week. In 2017, Orkla Foods Sverige maintained its focus on vegetarian products, and saw a 60% increase in sales of vegetarian products under the Felix and Anamma brands. Innovations in 2017 included FELIX Veggie Morotsbullar carrot balls and vegetarian burgers. Through the Naturli' Foods company, Orkla has established a position as a leading supplier of vegan food and drink in Denmark. The Naturli' products, all of which are 100% plant-based and organic, are well known to Danish consumers. The portfolio comprises products ranging from drinks based on rice, soy, coconut or almonds, to spreadable toppings and plant-based toppings to meatless dinner options and ready-to-eat dishes. A host of new launches in 2017 includes Naturli' Smørbar, a 100% organic, plant-based spread, and Funky Fields, an innovative range of soy-based dinners.

Natural food with no additives

More and more consumers are asking for natural products that contain no additives. In 2017, Orkla Foods continued to focus on natural health through the Paulúns brand in Sweden, Finland and Latvia. In Denmark, the products were launched under the Det Gode Liv brand. Selected products have also been launched in Norway under the Bare Bra brand. The products, which have been developed in close cooperation with nutritionist Fredrik Paulúns, are made exclusively from natural raw materials, have no added sugar and consist of carefully selected healthy ingredients. Innovations in 2017 include Paulúns Superbar, Paulúns Paleo Super Granola and Paulúns Superbowl, a range of wholesome, tasty, ready-to-eat dishes made with all-natural ingredients. The dinners come in three varieties, all of which are high in protein and meet up to 40% of daily vegetable requirements.

Danish supermarket introduces vegan mince

As from 2018, Danish consumers can easily buy plant-based mince as an alternative to minced meat. All 600 stores in the Dansk Supermarked chain sell Naturli' Hakket from Orkla. The product is made entirely of plant-based ingredients such as wheat, soy, beets, coconut oil, almonds, tomatoes and mushrooms, which provide the same structure, protein content, colour and taste as ordinary minced meat. The price of Naturli' Hakket is comparable to that of traditional minced meat, the product can be used for the same purposes, and it is widely available to the general public through Dansk Supermarked's distribution system. When the launch was announced to the market, the Danish Vegetarian Association proclaimed to Danish media that it was a "global sensation".

McDonald's chooses vegetarian burgers from Anamma

Vegetarian and vegan are a strong trend, and a growing number of consumers want to eat plant-based food. McDonald's Food Team has partnered with Anamma, an Orkla Foods Sverige brand, to develop an entirely new vegan burger for McDonald's menu. The burger, which is produced in Sweden, is already a success in Finland, where it was test-launched in a limited number of restaurants in the autumn of 2017. In late December, McVegan was widely launched on McDonald's menu in both Sweden and Finland. The partnership with McDonald's is long-term and offers a multitude of opportunities to develop more new dishes and tastes.

Better-for-you products

Orkla Confectionery & Snacks has adopted a common strategic approach to developing better-for-you products, and in 2017 all its companies set goals for this work up to 2021. Orkla Confectionery & Snacks Norge has launched several better-for-you products under the Småsulten brand, and is considering launching these products in other countries as well. The popular Kornmo Original biscuit has been on the market for 70 years. In the last couple of years, the brand has been expanded to include healthy crispbreads in two flavours and whole grain cookies made of 50% whole grains and naturally sweetened with fruit. A brand new biscuit, Kornmo 7, was launched in 2017. It contains no added sugar, and is made from just seven familiar, healthy ingredients. Kornmo is one of the Orkla brands with the strongest organic growth, due to several successful launches.

A global health brand

In the past few years, Möller's cod liver oil has been introduced in a number of European countries and has developed into one of the biggest omega-3 companies in Europe. Over five million bottles are sold each year, half of which are now sold outside Norway, the biggest market. In Poland, Möller's has achieved strong growth since its introduction in 2004. Möller's cod liver oil was also introduced recently in Greece, the Czech Republic, Russia and Spain. Its substantial growth has been spurred by increased emphasis on naturalness, health and omega-3 and, not least, to greater focus on Möller's cod liver oil's unique value chain. Just as in 1854, the fish are still caught off the coast of Lofoten and Vesterålen in North-Norway.

Weight wellness – from powder to services?

What kind of services can Orkla Health deliver in future to help people improve their health? This topic will be addressed in a new innovation project and several workshops, with support from the Research Council of Norway under the auspices of the Norwegian Centre for Design and Architecture (DOGA). In collaboration with the Designit agency, Orkla Health will explore and map the customer journey in the areas of weight, sport and gut health. Orkla Health has traditionally delivered powder as one of Nutrilett's main products, but perhaps one of its next solutions will be to deliver personal guidance sessions by a nutritionist, or "personified health". The goal of the project is to create a service that makes it easier for consumers to lead a healthy life, while creating a strong, unique bond with the consumers.

Research projects

Several studies related to Orkla brands are currently in progress, and the companies are involved in 20 research projects, of which 9 are health-related.

The way forward

The main priorities in the focus on healthy food up to 2025 are:

- Fish and vegetarian food (Orkla Foods)
- Better-for-you products (Orkla Confectionery & Snacks)
- Weight wellness and omega-3 (Orkla Care)
- Whole grain and vegetarian products (Orkla Food Ingredients)

Making healthy living easier

We at Orkla are committed to providing clear, honest product information, which is a prerequisite for making healthy choices. Our companies also conduct campaigns to inspire consumers to adopt a healthier lifestyle.

All Orkla products comply with the same nutrition labelling guidelines. In some areas we have chosen to exceed the official requirements in food labelling rules and regulations. Information on nutrition and health and products' nutritional content is available on the companies' websites. Orkla also has consumer service centres that answer enquiries.

Developments in 2017

Orkla has a shared consumer service centre for its companies in Norway, and in 2017 this service was also established in Sweden. In doing so, we have improved accessibility to all channels where consumers expect to find Orkla's branded products. In 2017, Orkla implemented a common CRM consumer service system in the four Nordic countries, making it easier to work together across national borders.

Several of the companies have conducted campaigns to inspire consumers to make good, healthy choices. Orkla Foods Sverige established the Abba Fish Patrol, which has travelled around for the past two years visiting Swedish families, checking how much fish they were eating and demonstrating how easy it is to prepare tasty, wholesome fish dishes. Orkla Health has drawn up an overall health strategy with greater emphasis on consumer guidance and products that help consumers adopt a healthy diet.

Continued commitment to the Green Keyhole healthy food label

Consumers in the Nordic countries have great confidence in the Green Keyhole healthy food labelling system. In the past few years, Orkla has increased its commitment to the system by launching a growing number of Green Keyhole-labelled products. Companies in Norway, Sweden and Denmark have a total of 120 products featuring the Green Keyhole label, and Orkla's sales of these food products totalled around NOK 500 million in 2017, 25% growth compared with the previous year.

Investing in a health app

In 2017, Orkla Venture invested in the world's leading smart technology and health start-up company, Your.MD. This Norwegian-English health app uses artificial intelligence, big data and a chatbot to provide users with answers to various health questions. Your.MD has also developed a One-Stop Health platform where users can access quality-assured products and services from local partners. Your.MD has been downloaded 2.1 million times and has around 1 million monthly users in 120 countries.

Good, responsible marketing

Orkla is committed to responsible marketing to children and young people, and has therefore adopted a restrictive practice. In Norway, Orkla played a pivotal role in establishing the Food and Drink Industry Professional Practices Committee (MFU), a voluntary collaborative body, and sits on the Board of the Committee. In 2017, the companies had one case related to the marketing of food and drink to children. One case concerning the use of claims in Orkla product marketing was reported in 2017 and three cases concerning product labelling non-conformances. The Orkla companies are engaged in a dialogue with the authorities and have made relevant changes.

The way forward

The main priorities up to 2025 are to:

- drive demand for Green Keyhole-labelled products (Orkla Foods)
- inspire consumers by highlighting the pleasure of healthier snacks (Orkla Confectionery & Snacks)
- conduct campaigns that inspire people to adopt a healthier lifestyle (Orkla Care)
- inspire customers to choose more healthy products (Orkla Food Ingredients)

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03 Safe products

Safe products are a question of trust

Top-quality, safe products are something that we take seriously at Orkla. We therefore apply stringent food and product safety requirements in every country in which we manufacture or sell our products.

The big picture

Consumers are increasingly interested in knowing what they're eating, where their food comes from and how it is produced. Many people are also concerned about additives, and want to know what the products that they surround themselves with in their home contain. There is growing demand for transparency and traceability throughout the value chain, while the risk picture is increasingly complex. This necessitates a strong quality culture and the competence to identify and deal with new safety risks in the value chain early on.

Our influence

Orkla products are bought regularly by several million consumers all over the world. A prerequisite for the products being chosen again and again every single day is that consumers like and trust them. As a producer we have a fundamental responsibility for ensuring that all our products are safe to use. By maintaining effective systems and procedures for food and product safety we can help ensure good health and good industry practice.

Always safe food

Orkla takes an uncompromising stance when it comes to food safety. We set the same strict quality and food safety standards in every country in which we produce or sell Orkla products. Through the Orkla Food Safety Standard, we ensure that high, uniform standards are maintained at all the Group's factories, whether they apply to production of Grandiosa pizzas at Stranda, Norway or ready-to-eat dishes and spices from the vegetarian company MTR Foods in Bangalore, India.

Main goals up to 2020

In 2014, Orkla set the following goals for its food safety work up to 2020:

- *Ensure a strong food safety culture in all Orkla companies and factories.*
- *Ensure that all factories meet the requirements of the Orkla Food Safety Standard.*
- *Ensure that all suppliers comply with Orkla's stringent food safety requirements.*
- *Intensify our efforts to ensure safe, healthy raw materials in every part of our value chain by working closely with farmers and adopting effective traceability systems.*
- *Collaborate with external centres of expertise to be able to deal with emerging safety risks in our value chain even more effectively.*

In 2017, we set new goals for our work to ensure safe products up to 2025. The goal of a stable, high level of food safety in all food companies has been maintained, and clearly defined targets have been established for the companies that manufacture other types of products. This work supports the achievement of the UN global Sustainable Development Goals SDG 12 and SDG 17.

Orkla's sustainability pledge
«Be prepared to solve emerging safety risks»

Orkla's 2025 sustainability targets
- 100% of our food producing factories meet the requirements of the Orkla Food Safety Standard
- 100% approved suppliers
- All products are safe to use

Orkla's approach

The Orkla Food Safety Standard (OFSS) forms the basis for food safety work at Orkla, and ensures a high, uniform level of safety at all the Group's factories. The standard is based on the internationally recognised food safety standard established by the British Retail Consortium /BRC), and covers all risk factors of particular significance for the companies' food production. The standard is regularly revised by Orkla's central food safety department. All the food products launched by Orkla have undergone a thorough risk assessment during the development process to identify and control potential health hazards associated with packaging, ingredients and use. A special standard has been introduced for Orkla's sales and distribution companies. The companies are monitored through special audits carried out by Orkla's food safety team. In addition, all suppliers are required to comply with the Group's stringent guidelines for safe raw material production. Through a Group-wide supplier approval and monitoring system, Orkla ensures that its companies have the requisite tools and guidelines for carrying out risk assessments and approving and following up on suppliers of raw materials, packaging and finished goods manufactured under contract. Follow-up of suppliers by means of self-assessment forms and inspections performed by Orkla's audit team ensures high supplier awareness of the importance of good food safety standards.

Developments in 2017

Stronger food safety culture

Through systematic focus on training and skills-building programmes, Orkla has established a good food safety culture in its own companies and production facilities. In 2017, training was further enhanced through the addition of a new course in root cause analysis and instruction in use of the new document management system. Training was provided for sales and distribution companies in the new version of the Orkla Food Safety Standard, along with courses on the standard, allergen management, the supplier monitoring system and the HACCP. A total of 340 employees participated in the courses held in 2017. The companies also provided extensive training in food safety procedures for its employees.

Monitoring and integration of new companies

Orkla has effective control of food safety in its own operations. As a result of several new acquisitions, we devoted considerable time and effort in 2017 to the follow-up, training and integration of new businesses. A total of 79 factory audits were carried out, 21 more than in 2016. In 2017, Orkla's central food safety department was involved in several acquisition processes in the Group, a function that is an important part of food safety work.

Transfers of best practice

Food safety is one of the areas in which we increasingly work as "One Orkla" by developing common systems and working methods across the companies. In 2017, Orkla Foods established a common quality organisation for the companies in Norway, Sweden and Denmark. The companies in the other business areas also collaborate closely, using shared solutions for customer cooperation and product databases. Expertise is also shared in networks and at conferences. In 2017, Orkla held a food safety conference in Riga. The event was attended by over 100 key quality and food safety professionals from 40 Orkla companies and 18 different countries to exchange experiences and share best practices.

Safe suppliers

Orkla has required its suppliers of raw materials and finished goods to comply with strict requirements for many years. Monitoring procedures are well established in Orkla's purchasing and quality departments. All the companies must carry out a risk assessment of raw materials received by factories, using special tools developed by Orkla.

Food fraud is a growing global challenge, and a problem against which it is hard to safeguard the Group. In the summer of 2017, it was discovered that fipronil insecticide had been used unlawfully in egg production at several poultry farms in the Netherlands. A number of countries were affected by the scandal, including Norway. After fipronil was found in the egg yolk powder used in some varieties of Idun dressings, Orkla Foods chose to recall the products. The incidence of the contaminant was lower than the maximum level set by the EU health authorities, so consumption of the products entailed no risk to health.

Winning trust through effective contingency management

Orkla has drawn up a contingency plan in order to deal effectively with unforeseen and undesirable incidents, and we continuously measure changes in the number and type of contingencies. In 2017, contingency exercises were held for the management teams of three selected companies, with focus on the importance of a good understanding of contingency preparedness, procedures for dealing with contingencies and media training. Furthermore, each factory holds annual contingency drills. In 2017 there was a larger number and broader range of contingencies than in 2016, but no serious incidents occurred that caused severe injury or illness to consumers.

Results in 2017

	Unit	2017	2016	2015
Safe food production				
Audits of Orkla factories	Number of factories	79	58	76
Food safety training - participation in Orkla Food Safety Training Course	Number of employees	12	12	17
Safe deliveries of raw materials				
Monitoring of suppliers by means of self-assessment forms	Number of forms	1790	1783	1555
Risk assessments conducted by Orkla companies	Number of risk assessments	1165	1172	1089
Supplier audits	Number of physical audits	320	306	307
Training in supplier auditing	Number of employees	18	23	20
Competence building	Number of course participants	340	576	-
	Number of course hours	2384	3605	-

High-quality grocery products

We at Orkla are committed to ensuring that all our products are safe for consumers. We apply stringent quality and product safety standards when we develop cleaning products, textiles and personal care products.

Just as in our food production, the Orkla Care companies adhere to strict product safety guidelines in every part of their value chain. All the companies assess product safety as part of the innovation process, and close to 100 per cent of the products have undergone a health and safety assessment.

The work is based on the precautionary principle, and the companies systematically replace ingredients that could have a negative effect on health or the environment. The companies track relevant external research to stay up to date on potential risks to health. There were no cases concerning breaches of product safety rules in 2017.

Developments in 2017

In 2017, Pierre Robert Group adopted the Global Organic Textile Standard (GOTS), the widely recognised certification programme for organic textiles, and was certified to use the Nordic Swan Ecolabel on many of its most important products. This has strengthened monitoring, inspection and documentation of

compliance with comprehensive social and environmental requirements that help to ensure safe products. The requirements of both certification programmes encompass the entire value chain. This means that the products are both more sustainably produced and safer for human beings and the environment.

Orkla Home & Personal Care has for many years attached importance to having environmentally friendly products, and has been an active user of the Nordic Swan Ecolabel ever since 1993. Environmental assessments are a component of all product development, and the company uses only well-documented ingredients when developing cleaning products and detergents and personal care products. In 2017, the company changed the nozzle on JIF spray bottles to limit misting. The type of preservative has been changed in several products, including Milo and JIF Allrent.

Lilleborg develops and sells effective, sustainable hygiene and cleaning systems for the professional market. In 2017, the company contributed products and expertise in a research project carried out by the National Institute of Occupational Health. In this connection, Lilleborg reviewed all its spray products, updated user information and labels and changed the nozzles of several products. The company has worked actively to develop new cleaning methods for many years, and a washing robot was one of the launches in 2017.

Washing robot from Lilleborg makes cleaning more sustainable

Increased use of robotic technology is a growing trend in the cleaning sector. In 2017, Lilleborg launched a high-technology cleaning robot designed for the professional market. The Intellibot washing robot cleans up to one thousand square metres per hour, purifies the water while it cleans and can run for up to four hours before it needs to be recharged. The robot, which is equipped with a touch screen, sends a message to the owner's tablet or mobile phone when it has finished the cleaning job. For cleaning agencies, this means more efficient operations and the cleaning process is more sustainable due to its lower consumption of water, cleaning products and chemicals.

Ecolabelled products

Orkla Care has around 300 products that bear the Nordic Swan Ecolabel

- Pierre Robert Wool Collection – 132 garments
- Lilleborg – 90 products
- Orkla Home & Personal Care – 77 products

The Nordic Swan Ecolabel is an official Nordic environmental label that guarantees that products meet environmental and climate-related criteria throughout their life cycle.

04 Sustainable sourcing

Partnership for sustainable raw materials

We at Orkla are committed to ensuring that the raw materials we use in our products are sustainably produced. We want to use our influence to create positive change in partnership with our suppliers.

The big picture

The impacts of climate change are growing, and are causing more extreme weather in more and more places in the world. Combined with population growth, this puts added pressure on natural resources and affects the price and availability of key raw materials used in many consumer products. The production of certain raw materials can also pose significant social and environmental challenges. A growing number of people want to exercise their personal consumer power and are choosing products that are produced with the best interests of human beings, animals and the environment in mind.

Our influence

It is important to us at Orkla that the raw materials we use are sustainably produced. Orkla sources raw materials for close to NOK 25 billion per year. Our food production makes us one of the biggest purchasers of agricultural and fishing raw materials in the Nordic region. By working closely with local farms that grow potatoes, cucumbers, beets and other vegetables, we can help promote sustainable farming. At the same time, we are meeting consumer demand for food products based on local raw materials. Around 60% of Orkla's overall sourcing comes from local suppliers in the markets in which we operate.

Some of the raw materials that Orkla buys may present social and environmental challenges. Potentially "at-risk" raw materials are vegetable oils, marine raw materials, cocoa, nuts and seeds, fruits, berries and vegetables, animal raw materials, additives and packaging. By setting clearly defined standards and collaborating closely with suppliers, Orkla works to solve the challenges in the value chain and contribute to establishing good industry practices for sustainable sourcing.

8,000 tonnes of Swedish cucumbers for Felix and Önos

Cucumbers are an important raw material for Orkla Foods Sverige. Every summer, around 8,000 tonnes of cucumbers are harvested on Swedish farms in Skåne, Blekinge and Öland. The farmers are IP-certified, and minimise their use of energy, pesticides and chemical fertilizers. Each cucumber plant produces enough cucumbers for seven jars. The cucumbers are prepared in a variety of ways at Orkla Food Sverige's factory in Eslöv, which has a long-standing tradition of cucumber processing since the 1930s. There, the cucumbers are transformed into around 80 different food products under the Felix and Önos brands. According to the Nordic dietary survey, the Orkla Food Barometer, as many as 90% of Swedish consumers consider it important that the product they buy is produced locally.

Main goals up to 2020

In 2014, Orkla set the following goals for its sustainable sourcing work up to 2020:

Ensure that all suppliers comply with Orkla's Supplier Code of Conduct.

Ensure that important agricultural products, animal products, marine raw materials and packaging are produced sustainably.

Contribute to long-term improvement in conditions for 10 000 farmers.

In 2017, we set new targets for our supply chain work up to 2025. We have included more raw materials and are strengthening our efforts to increase recovery of packaging materials. Our sustainable sourcing work supports the achievement of the UN Sustainable Development Goals SDG 2, SDG 8, SDG 14, SDG 15 and SDG 17.

Orkla's sustainability pledge
«Deliver products made from sustainable raw materials.»

Orkla's 2025 sustainability targets
- Ensure respect for workers' rights
- Aim for 100% raw materials from sustainable sources
- Aim for 100% recyclable packaging
- Engage for healthy oceans and sustainable fishing

Our approach

Orkla has established responsible sourcing procedures to ensure that production in every part of the value chain is carried out in accordance with internationally recognised standards for human rights, working conditions, environment and anti-corruption efforts. We require our suppliers to comply with Orkla's Supplier Code of Conduct and to monitor their subcontractors. Orkla conducts an annual risk screening of all important, direct suppliers using a proprietary tool comprising working condition, environment and anti-corruption criteria. Potentially risky suppliers are subjected to more detailed assessment based on a standardised method developed by the Supplier Ethical Data Exchange (Sedex). Orkla considers it important to engage in a constructive dialogue with its suppliers to promote good practices and continuous improvement.

The work to promote use of sustainable raw materials is carried out by interprofessional raw material teams who, in cooperation with Orkla companies, implement monitoring and development measures tailored to the challenges specific to each raw material. Orkla supports a variety of certification programmes and participates actively in industry initiatives involving companies, public authorities and specialist organisations. Organisations with which Orkla collaborates include the Ethical Trading Initiative Norway (IEH), AIM-Progress, Sedex and the Round Table on Sustainable Palm Oil (RSPO).

Orkla's central purchasing department is tasked with promoting responsible sourcing in close cooperation with the various companies. Their work is regularly evaluated by a steering group comprising the heads of Orkla's relevant specialist functions. In 2017, new long-term targets were drawn up for this work and approved by Orkla's Group Executive Board.

Developments in 2017

Supplier monitoring

Orkla is making good progress in following up on its suppliers to ensure that they deliver safe, responsibly produced raw materials. Given the large number of suppliers, it is essential to prioritise the most at-risk suppliers and raw material chains. In 2017, audits revealed minor non-conformances related to health, safety, working hours and compensation. The suppliers with identified non-conformances are preparing improvement plans. Pierre Robert Group participated in a pilot project run by the IEH in which they tested a new training programme in cooperation with one of their Chinese suppliers. Through this project, 110 of the persons employed by the supplier, a manufacturer of GOTS-certified, organic women's underwear, have received training in important workers' rights.

Sustainable raw materials

In collaboration with suppliers and external centres of expertise, we took further steps in 2017 towards our goal of sustainable raw material production. Orkla has chosen UTZ as its cocoa certification system, and a growing share of raw materials are now certified. We have entered into closer cooperation with one of our largest cocoa suppliers on improving conditions for small cocoa farmers in the Ivory Coast. The programme will start up in 2018. We have continued our efforts to replace palm oil with healthier alternatives. In 2017, Orkla Health completely eliminated palm oil as an ingredient in all the bars it produces. We also continued our supplier monitoring and RSPO certification work. In 2017, Orkla conducted a survey of the status of challenges in our palm oil supply chain. The survey showed that our suppliers are taking effective steps to reduce the risk of deforestation, but there are still significant social and environmental challenges. The IEH has established a joint project to improve working conditions in the cashew nut supply chain. Orkla is participating in this project which will run for three years. We have also engaged in a dialogue with animal welfare and agricultural organisations aimed at developing an animal welfare policy for the Group.

The way forward

Efforts to promote sustainable production of raw materials will continue. Orkla will develop principles for sustainable agricultural production and a plan for a long-term improvement programme for selected agricultural raw materials. Orkla's new policy for animal welfare covers purchases of eggs, dairy products and meat, and will be implemented in 2018.

Improving farmers’ living conditions

For several years, MTR Foods has worked actively to promote the production of clean milk and improve conditions for impoverished Indian dairy farmers. In 2017, through the Clean Milk, Healthy Cows campaign, MTR Foods distributed five-litre stainless steel milk pails to 3 000 Indian dairy farmers. The campaign is being conducted in cooperation with the Karnataka Milk Federation.

Sustainable vegan food

Orkla’s vegan brand, Anamma, makes it easier for consumers to make climate-smart choices. The majority of the products are soy-based and made from beans cultivated in Europe and North America. Anamma collaborates closely with its suppliers and uses only certified soy ingredients in its products. The product packaging largely consists of bio-based plastic made from sugar cane. In 2017, Orkla Foods Sverige carried out an analysis comparing the climate impact of vegan mince with that of minced beef at every stage of the value chain, from cultivation, transport and production, to the end product. The results showed that the climate impact of Anamma’s vegan mince was approximately 90% lower than that of minced beef, and the analysis is now being used to raise customer awareness of the environmental benefits of vegan food.

Management of a blue planet

At Orkla we have long engaged actively in initiatives to protect the marine environment and promote sustainable fishing.

We are committed to ensuring that the fish we use in our products are healthy and tasty. That's why Orkla partners with global environmental programmes to ensure sustainable fishing that is better for both the fish and the environment. Several of the Orkla companies are also involved in various forms of collaboration aimed at promoting a healthy, clean marine environment.

Developments in 2017

Orkla's goal is to be able, by 2020, to document that all of its fish raw materials have been sustainably fished. More than 90% of all Orkla Foods' fish raw materials are certified under the Marine Stewardship Council (MSC) eco-label. Orkla Foods Sverige buys only MSC-certified tuna, and has established a system for tracing Abba tuna back to the boat that fished it. By means of a code printed on the packaging, the consumer can easily follow the tuna's journey all the way back to the captain of the fishing boat that caught it. In 2017, Orkla Health began a long-term process to achieve MSC certification of cod liver oil. Other examples are Hamé, which uses MSC-certified cod livers and fish raw materials from suppliers affiliated with the International Seafood Foundation. The share of Orkla Foods' marine raw materials sourced from MSC-certified fisheries increased from 81% in 2016 to 92% in 2017.

Möller's cod liver oil from sustainable cod

In addition to delivering the documented health benefits of omega-3, Möller's cod liver oil is based on some of the best, healthiest raw materials the ocean can offer. Möller's cod liver oil is made of fresh liver sourced from Norwegian Arctic cod, a sustainable fish stock. The cod is fished off the coast of Lofoten and Vesterålen in northern Norway. In 2017, Orkla Health, the company behind the brand, decided to switch to MSC-certified raw materials. This means that Möller's cod liver oil is produced exclusively from fish caught by sustainable fisheries that are strictly regulated to conserve the fish stock. In 2018, Orkla Health will explore the possibility of also applying an international sustainability standard such as MSC or Friend Of The Sea in its production of fish oil capsules.

Researching tomorrow's packaging

In 2017, Orkla participated in the Future Pack research project, which seeks to develop new expertise and technology to make future plastic packaging more eco-friendly, with a higher proportion of bio-based and recycled plastics. Another focus of the project is product recycling. By participating in Future Pack, we at Orkla want to build up expertise on how we can reduce our dependency on plastic in the future and move plastic into a circular economy. The project has a time frame of four years and is financed by the Research Council of Norway and participating companies. It was initiated by the non-profit company Grønt Punkt Norge AS and is headed by Norner Research AS.

Less plastic in the ocean

Marine pollution is one of the world's fastest growing environmental problems, and today there are more than 150 million tonnes of plastic in the ocean.

At that rate, there will be more plastic than fish in the ocean by 2050. It is therefore imperative to find solutions for preventing the flow of more plastic into the ocean, and to clean up existing plastic pollution. Orkla wants to be a part of the solution. Although we are just one part of the value chain, we consider it essential to understand the entire value chain and how we can best help to ensure that packaging from our products does not end up as waste in our natural environment.

Developments in 2017

Orkla has set clearly defined goals for avoiding use of microplastic in its products and combating marine pollution. In 2017, Orkla Home & Personal Care participated in the Norwegian innovation programme Floke, in which business and industry, research institutions, environmental organisations and NGOs join forces to create solutions for a cleaner ocean. Pierre Robert Group and Lilleborg are participating in a research project headed by SINTEF that seeks to understand the environmental impacts of microplastic fibres in the ocean, and be able to make good environmental choices. For several years, Orkla Foods Sverige has collaborated closely with the Keep Sweden Tidy campaign. Orkla was also actively engaged in efforts to combat marine pollution in Norway, and became a member of Keep Norway Tidy in 2017.

Packaging with a reduced environmental footprint

One of Orkla's sustainability objectives is to develop more eco-friendly packaging and products that leave a smaller environmental footprint. Here are some examples of launches in 2017:

40% smaller climate impact

Felix Asia Bowls with climate-smart packaging. The bowls are made of a new material consisting of approximately 70% recycled plastic.

100% compostable, disposable wipe

Jordan Easy Wipes are manufactured from 100% cellulose and are a completely natural product. The material in the disposable wipes is compostable and can be discarded with food waste after use.

Less plastic

Concentrated laundry detergents and cleaning products in smaller bottles significantly lower consumption of plastic and reduce CO_2 emissions from transport.

Less production of plastic

As many as 85% of the bottles used for Swedish best-selling dilutable fruit drinks FUN Light and BOB are recycled under the deposit return scheme.

Refills mean 80% less plastic

A shower soap refill – like this Dr. Greve product – is a good environmental alternative that requires 80% less plastic than the original shower gel bottle.

60% renewable plastic

FELIX Veggie Morotsbullar carrot balls are made of Swedish carrots and are completely additive-free. The packaging is made of 60% renewable plastic.

Making it easier to make sustainable choices

In 2017, Pierre Robert Group introduced Nordic Swan Ecolabelled wool and GOTS-certified organic cotton undergarments for children in the grocery trade.

Nordic Swan Ecolabelled favourite

Pierre Robert's colourful wool garments for children are a favourite of many families with children. In 2017, the popular woollen underwear was certified under the Nordic Swan Ecolabel. The labelling system sets stringent requirements for every step of the production process, from the sheep that produce the wool to sustainable packaging. Moreover, the garments last longer and are safe to wear next to the skin. The Nordic Swan Ecolabel is both a well-known, reliable certification and a recognised product labelling system that makes it easier for Norwegian families to make more sustainable choices in their busy everyday lives. Pierre Robert is the first manufacturer to supply Swan-labelled wool to the Norwegian grocery trade.

Organic cotton underwear

In 2017, Pierre Robert switched from using conventional cotton to GOTS-certified organic cotton in every garment in its underwear collection for children. GOTS-certified cotton requires less water than conventional cotton, and is produced with no pesticides, harmful chemicals or emissions. The certification system sets comprehensive environmental and social standards, aimed at ensuring decent working conditions for the workers making the clothing and protecting the environment as best possible throughout the value chain. This means that, through the GOTS system, Pierre Robert has worked to promote sustainability at every stage of the production process, and that every part of the value chain of Pierre Robert's cotton undergarments for children is now GOTS-certified. The collection comes in fun colours and designs that children like. Since 2016, Pierre Robert has also produced women's boxer and high-waist panties in GOTS certified organic cotton.

GRI-ref.		Unit	2017	2016	2015

Responsible sourcing procedures

GRI-ref.		Unit	2017	2016	2015
G4-EN32	Percentage of new suppliers[1] screened for environmental risk	%	100	100	100
G4-EN33	Number of suppliers[1] assessed with regards to environment by means of audit or self-assessment.	Number	373	275	259
G4-EN33	Number of suppliers[1] with environmental non-compliance(s)	Number	8	7	11
G4-EN33	Percentage of environmental non-compliance(s) that has been remedied	%	55	33	74
G4-LA14	Percentage of new suppliers[1] screened for labour practice risk	%	100	100	100
G4-LA15	Number of suppliers[1] screened for labour practice impacts by means of audits or self-assessment	Number	67	39	38
G4-LA15	Number of suppliers[1] with labour practice non-compliance(s)	Number	35	23	23
G4-LA15	Percentage of labour practice non-compliance(s) that has been remedied	%	26	38	60
G4-HR10	Percentage of new suppliers screened for human rights risk	%	100	100	100
G4-HR11	Number of suppliers assessed with regards to human rights by means of audit or self-assessment	Number	67	39	38
G4-HR11	Number of suppliers[1] with human rights non-compliance(s)	Number	7	4	3
G4-HR11	Percentage of human rights non-compliance(s) that has been remedied	%	0	75	0
G4-EC9	Proportion of sourcing from local suppliers[2].	%	63	61	64

Sustainable raw materials

GRI-ref.		Unit	2017	2016	2015
G4-EN1	Consumption of raw materials	Tonnes	1 044 500	977 250	928 800
	Percentage of certified cocoa (UTZ Certified MB or Fairtrade) of total purchased	%	67	59	42
	Percentage of certified marine raw materials (MSC eller ASC) of total purchased for Orkla Foods	%	92	81	75
	Percentage of certified palm oil and palm kernel oil of total purchased	%	42	42	
	- RSPO SG	%	26	26	
	- RSPO MB	%	12	10	
	- RSPO Credits[3]	%	4	6	
	Percentage of Nordic Swan Ecolabelled textile products	%	11	0	0
	Percentage of organically certified (GOTS) organic cotton of total purchased	%	28	10	0
	Percentage of verified mulesing-free merino wool of total purchased	%	100	100	100

Sustainable packaging*

GRI-ref.		Unit	2017	2016	2015
G4-EN1	Packaging consumption	Tonnes	136 590	99 000	92 000
G4-EN1	Percentage of packaging made of renewable materials	%	35	46	-
G4-EN2	Percentage of recycled packaging	%	70	53	-
	Percentage of recyclable packaging	%	90	-	-

[1]Share of important suppliers. Important is defined as returning suppliers from which Orkla´s annual purchases exceed NOK 500 000. In 2017 this encompassed around 3 000 suppliers.
[2] Local suppliers are defined as suppliers in countries where Orkla has its own production
[3] For 2016, Green Palm Certificates *Figures for 2017 include several recent acquisitions that were not previously included in the reporting. The data collection method was also improved in 2017.

Strong engagement for the environment

Climate change is one of the greatest challenges of our time. Orkla wants to contribute to meeting this challenge, and in 2017 raised its ambitions by setting several new climate targets.

The big picture

Climate change is without a doubt the greatest environmental challenge of our time. The changes we are experiencing are taking their toll on livelihoods and global food production. With the adoption of the UN Sustainable Development Goals and the Paris Agreement, the level of ambition for global climate work has been significantly raised. Awareness of the importance of sustainable consumption is also on the rise, and many people are asking for products that represent good environmental choices. Issues such as packaging, plastic waste and food wastage generate broad-based engagement. Companies are increasingly expected to be able to document their own and their products' climate footprint.

Our influence

One quarter of all greenhouse gas emissions are generated by the production and consumption of food. Orkla therefore actively strives to minimise its environmental impact in every part of its value chain. The greenhouse gas emissions from Orkla's own food production are limited, and our energy consumption consists chiefly of electricity and heating in factories. The biggest impact on the environment comes from the production of raw materials. Orkla can contribute by improving its use of raw materials and preventing food waste. We also focus on reducing the environmental impact of our branded products by making good packaging, raw material and product design choices. Launching products that make it easier for consumers to make sound environmental choices will be an increasingly important aim for Orkla.

Main goals up to 2020

In 2014, Orkla set the following goals for its environmental work up to 2020:

- *Reduce greenhouse gas emissions and energy and water consumption by 20%*
- *Develop more environmentally friendly packaging and products with a smaller environmental footprint*
- *Reduce waste by 30%*
- *Zero production waste to landfills*
- *More efficient transport solutions*

In 2017, we set new targets for our environmental work up to 2025. During this period Orkla aims to make the transition to low-carbon operations by focusing on product innovation, investing in renewable energy and reducing energy and water consumption and waste. Orkla's environmental work supports the achievement of UN Sustainable Development Goals SDG 12, SDG 13 and SDG 17.

01
02
03
04
05

Orkla's sustainability pledge
«Innovate to save the environment»

Orkla's 2025 sustainability targets
Make the transition to low-carbon operations
- Reduce greenhouse gas emissions by 60%*
- Reduce energy and water consumption by 30%*
- Aim for fossil-free energy
- Halve food waste*
- Innovate products and processes

*Applies to own operations. Base year 2014

Orkla's approach

Orkla has adopted a Group-wide environment, health and safety (EHS) standard and guidelines. It applies to every business area and company, and employees are given training in use of the standard. The awareness and engagement of Orkla's own employees are essential to the success of environmental initiatives. The environmental work related to sourcing, logistics and production is headed by Orkla Operations at central level, in close collaboration with the factories. Efforts to reduce environmental impacts through product development and by influencing consumers are organised in the various companies. All the companies have prepared action plans to reach the environmental targets. Key environmental indicators (energy use, water consumption and waste) are monitored regularly by management at all levels. Orkla's central EHS function carries out regular audits and evaluations of the businesses' systems and procedures. Progress in EHS work is reported regularly to Orkla's Group Executive Board and Board of Directors. Orkla prepares annual environmental accounts that show the changes in the companies' environmental impacts, and has reported environmental data to the investor-initiated CDP programme since 2008.

High score for climate change management

In the annual report published by the investor initiative CDP, Orkla is ranked among the top ten per cent of companies in the world in 2017 for its climate change management. Orkla has improved its performance and scored an A-. In CDP's assessment, importance was attached to factors such as companies' ability to reduce greenhouse gas emissions, set meaningful targets and track progress. "This excellent result indicates Orkla ASA has implemented a range of actions to manage climate change, both in its own operations and beyond," CDP writes in its assessment. Since 2008, Orkla has reported environmental data to CDP, which has evolved into the leading system for global climate and environmental reporting. More than 800 institutional investors are behind CDP.

Climate impacts

In 2017, Orkla decided to set Science-Based Targets (SBT) for reducing its greenhouse gas emissions. By doing so, we will take our share of the greenhouse gas reductions that are necessary to limit global warming to a maximum of 2°C at the end of this century.

Orkla's direct greenhouse gas emissions increased in 2017. This is due to the high level of activity and acquisitions of a number of factories, including plants in the Czech Republic, Latvia and China. Disregarding acquisitions, emissions would have been at the same level as in 2016. In 2017, we set ambitious new targets for reducing greenhouse gas emissions by 60% by 2025. As an important means of reaching this target, we buy Guarantees of Origin (GOs) for renewable electricity for all electricity used at Orkla's European facilities. The Guarantees of Origin are linked to Hydro Power, Orkla's own hydropower business, and already in 2017 resulted in a significant reduction in the indirect greenhouse gas emissions linked to Orkla's own operations.

In order to transfer best practices for increasing energy efficiency, Orkla developed a central energy initiative in 2015 as part of the Improved Resource and Energy Efficiency programme. Under this programme, a growing number of efficiency improvement projects are carried out in all the business areas. As part of the continuous improvement activities, several of the factories implemented various types of process improvements in 2017 that have reduced energy use. In addition, investments were made in new, more energy-efficient production equipment. The fact that several companies have switched to LED lighting contributed to a reduction in energy use in 2017. The energy consumption of some companies was also reduced because production operations were moved to other factories. Overall energy consumption has been reduced by 7.5% since 2014*.

Most of Orkla's operations are located in areas with a low to medium risk of water shortage, but changes in the weather situation could increase that risk in future. In 2017, a number of environmental initiatives were carried out to reduce water consumption. Several companies have reported on measures such as training for their employees, process improvements in factories or investments in water purification and recycling.

The way forward

Orkla will intensify its focus on climate in 2008, among other things by developing an action plan for reducing greenhouse gas emissions that is to be approved by the Science Based Targets initiative. By applying for membership in the RE100 initiative, Orkla will help to promote use of renewable energy.

*Adjusted for recent acquisitions and increase in revenues.

Less food waste through efficient resource use

Orkla continuously seeks to reduce food wastage and increase production yield, and made progress in this work in 2017. Some of the companies also participate in external collaborative projects to find common solutions for reducing food waste.

Around one third of all the food that is produced is not eaten, and food waste is one of the major contributors to global environmental challenges. We at Orkla are committed to sparing the environment, optimising resource use and preventing the throwing away of good products. We have therefore worked to reduce food waste for many years, and have implemented initiatives and programmes at central level to increase production yield and reduce food waste in our own operations. Orkla has designed a special model for its waste reduction work. In 2017, this model was tested in a pilot project for Orkla Confectionery & Snacks and Orkla Foods factories that use potatoes as a raw material. The results of the pilot project were positive, and in 2018 Orkla will establish new working groups to share best practices and waste management improvement initiatives. Overall, the actions implemented have contributed to a reduction in organic waste by 13% since 2014.

Collaborating to reduce food waste

Orkla Foods Sverige is one of the companies that have engaged actively in several joint initiatives to reduce food waste in every part of the value chain. Through participation in the industry initiative Hållbar Livsmedelskedja, Orkla Foods Sverige seeks to promote sustainable production and consumption of food products, with focus on food waste as a key topic. The company has conducted campaigns with films and recipe suggestions for chefs aimed at raising their awareness of food waste.

Giving away surplus food

To prevent good products from being thrown away, Orkla Foods Sverige gives its surplus food to the Nordic Social Supermarket run by the City Mission of Stockholm. At this supermarket, disadvantaged persons can buy goods approaching their expiration date at a reduced price. In Norway, through Orkla's partnership with Matsentralen food redistribution centres, Orkla companies can give surplus food to people in need. Matsentralen distributed food from Orkla equivalent to 350,000 meals in 2017.

The way forward

Orkla will continue its efforts to reduce food waste in its own operations and engage in joint initiatives with customers and other industry players.

Halving food waste

In 2017, Orkla signed a historical partnership agreement on food waste between Norwegian authorities and the entire food industry. The goal of the agreement is for the parties to join forces in halving food waste in Norway by 2030, in line with the UN Sustainable Development Goal. This agreement, which is unique in a global context, has attracted attention and interest in Europe. Orkla's ambitions go even further. Our target is to halve food waste in all our companies by as early as 2025.

Products with environmental benefits

In 2017, Orkla developed a tool for measuring products' climate footprint. Many of the companies have launched products with eco-smart packaging and other innovations that represent good environmental choices.

Food production accounts for around 25 per cent of global greenhouse gas emissions. Orkla wants to assume its share of responsibility for reducing emissions. Orkla Foods in Sweden, Finland and Norway – in collaboration with the RISE Research Institute of Sweden – have therefore developed a tool for calculating the climate footprint of food products. The tool is intended to support efforts to develop products with lower climate impacts, while also providing a basis for communicating products' environmental benefits. Employees have undergone training programmes, and the tool is now in use in several Orkla companies.

In 2017, many of the companies launched products with a lower environmental impact. Orkla Home and Personal Care launched Klar, a range of cleaning and laundry products that are good environmental choices from every perspective. Pierre Robert was the first to supply Nordic Swan Ecolabelled wool garments to grocery stores. The company also launched several new garments, including children's underwear made of GOTS-certified cotton. GOTS stands for Global Organic Textile Standard and is an internationally recognised certification programme for organic textiles. Jordan Easy Wipes are 100 per cent compostable. The Swedish company Grumme offers a range of cleaning products with the Good Environmental Choice Ecolabel, and JIF Allrent has introduced highly concentrated cleaning products that require less plastic packaging. Felix Asia ready-to-eat meals and Pauluns Supermeal, where the bowls are made of 70 per cent recycled plastic, are good examples of products sold in eco-smart packaging.

The way forward

Efforts to develop products with a smaller environmental footprint will be further strengthened in 2018 by increasing internal knowledge-sharing, participating in external development programmes and stepping up efforts in the individual companies.

Klar (ready) for a greener everyday life

Klar is a range of effective, sustainable, pleasantly scented cleaning products. The products in the portfolio contain carefully selected ingredients and no unnecessary chemicals. They're simply an effective, smart and greener alternative. The bottles are made entirely of recyclable plastic, which means that the plastic has been sorted at source by the consumer and then recovered and recycled. The products are manufactured in Denmark, using 100% renewable energy from windmills. The range is 100% vegan and certified for the Nordic Swan Ecolabel. The Klar range was launched by Orkla Home & Personal Care in the autumn of 2017 and has been well received in the market.

Home-made is not always the most eco-friendly

Making food from scratch does not always mean that it is environmentally friendly, as was shown in an analysis Orkla carried out in collaboration with the RISE Research Institute of Sweden. Through a life-cycle assessment of TORO tomato soup, we compared the environmental impact of the product with the environmental effects of making tomato soup from tinned tomatoes. The analysis shows that the environmental impact of TORO tomato soup is around 80% lower. Given the six million soup packets sold each year, this means an annual reduction in CO2 emissions of around 600 tonnes. The main reason why TORO tomato soup is more environmentally friendly is that the tomatoes used to make the soup are dried close to where they are grown, eliminating the need to transport large quantities of water.

Ecolabelled products, in figures:

300 *Nordic Swan Ecolabelled products*

640 *Certified organic products*

480 *Products with other environmental certifications*

01
02
03
04
05

GRI-ref.		Unit	2017	2016	2015
Climate impact*					
G4-EN15	Greenhouse gas (GHG) emissions Scope 1	tCO_2e	123 570	93 640	104 570
G4-EN16	Indirect greenhouse gas (GHG) emissions Scope 2	tCO_2e	71 770	56 100	55 220
G4-EN16	Indirect greenhouse gas (GHG) emissions Scope 2 incl. Guarantees of Origin		18 530	121980	130 240
G4-EN17	Estimated GHG emissions from raw materials Scope 3	tCO_2e	**	1 250 600	1 107 400
G4-EN18	Emissions of GHG (S1+ S2) per FTE	tCO_2e/FTE	10.7	8.3	10.9
G4-EN18	Emissions of GHG (S1+S2) per revenue	tCO_2e/ NOK million	4.9	4.0	4.8
G4-EN20	Emissions of ozone-depleting substances (ODS) used in cooling media	Tonnes	7 750	4 830	9 070

Efficient resource use*					
G4-EN3	Internally generated, renewable energy sold	GWh	2 760	2 490	2 250
G4-EN3	Total energy usage	GWh	1 073	917	868
G4-EN3	Energy usage – fossil fuel	GWh	598	468	454
G4-EN3	Energy usage – purchased	GWh	449	430	403
G4-EN3	Energy usage from renewable fuel resources Scope 1	GWh	23	18	9
G4-EN5	Energy usage per FTE	MWh/FTE	56	49	56
G4-EN5	Energy usage per revenue turnover	MWh/NOK million	26	23	25
G4-EN8	Total water withdrawal	Million m^3	8.0	6.7	6.7
G4-EN8	Water withdrawal from municipal water works	Million m^3	4.9	4.1	4.1
G4-EN8	Water withdrawal from groundwater	Million m^3	3.2	2.4	2.3
G4-EN8	Water withdrawal from collected rainwater	Million m^3	0.002	0.002	0.002
G4-EN10	Water – recycled	Million m^3	0.97	0.96	0.91
G4-EN10	Water – recycled	%	12.0	14.4	13.6

*Figures for 2017 include several recent acquisitions that were not previously included in the reporting. In addition, adjustments have been made to figures for 2015 and 2016 based on updated data from the companies.

**Figures will be reported in connection with reporting to CDP in June 2018

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GRI-ref.		Unit	2017	2016	2015
Emissions					
G4-EN21	Emissions of sulphur dioxide	Tonnes	12	14	14
G4-EN21	Emissions of nitrogen oxide	Tonnes	98	84	81
G4-EN22	Water discharge – internal treatment	Million m³	1.6	0.7	0.8
G4-EN22	Water discharge – external treatment	Million m³	3.8	2.9	2.9
G4-EN22	Water discharge – direct to environment	Million m³	2.0	2.2	2.1
G4-EN22	Emissions to water – BOD	Tonnes	5 430	4 400	5 150
G4-EN22	Emissions to water – COD	Tonnes	6 050	3 360	4 380
G4-EN23	Organic waste***	Tonnes	81 800	95 590	92 780
G4-EN23	Non-hazardous waste – sorted***	Tonnes	12 800	17 140	13 400
G4-EN23	Non-hazardous waste – mixed***	Tonnes	11 660	12 060	10 620
G4-EN23	Hazardous waste	Tonnes	260	230	180
G4-EN24	Significant spills	Number	0	0	0
G4-EN29	Fines and sanctions for non-compliance with environmental laws and regulations	Number	0	0	0
G4-EN29	Fines for non-compliance with environmental laws and regulations	NOK million	0	0	0

*Figures for 2017 include several recent acquisitions that were not previously included in the reporting. In addition, adjustments have been made to figures for 2015 and 2016 based on updated data from the companies.
**Figures will be reported in connection with reporting to CDP in June 2018
***Figures for 2015, 2016 and 2017 cover all companies in Orkla in 2017

06 Care for people and society

Strong local engagement for sustainability

Orkla wants to create good jobs and to contribute to solving important societal challenges in partnership with others.

The big picture

Sustainability challenges, growing global competition and technological advances call for adjustment and new thinking about how value is created. At the same time, many countries are affected by high unemployment, rising economic inequality and the fact that some groups are not included in the labour force. These challenges underscore the vital role played by business and industry in creating new jobs, promoting an inclusive working life, increasing productivity and respecting fundamental rights. Close collaboration between the private sector, the government and other key social players will be crucial to creating growth that is sustainable in an economic, environmental and social sense.

Our influence

Orkla is a major employer with operations in around 30 countries. This entails a responsibility for safeguarding the health and safety of our employees, and respecting important human rights such as freedom of expression, freedom of organisation and the right to fair working conditions. At the same time, Orkla can help to solve the sustainability challenges related to the value chains of which we are a part. By developing good jobs and engaging in efforts to promote improvement in the countries in which we have a presence, we can contribute to welfare and create positive ripple effects for thousands of people. This is important, moreover, for creating a strong organisation and attaining our business goals.

Main goals up to 2020

«Care for people and society» comprises the topics of responsible employer, occupational health and safety, integrity, stakeholder dialogue and social engagement. In 2017, we set ambitious goals for our long-term work to address these topics. The main goals up to 2020 are:

40% women in management

A sickness absence rate of less than 4%

No injuries resulting in absence

Establishment of a common approach to stakeholder dialogue in all important markets

Orkla's 2025 sustainability targets

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

Orkla's sustainability pledge
«Be the change we want to see»

Orkla's approach

Orkla's Responsible Employer and Human Rights Policy sets out overarching guidelines for the way we are to create good workplaces, respect important human rights and promote a corporate culture characterised by openness, respect and consideration. Orkla also has more detailed internal standards and guidelines for several of the topics covered by the policy. In 2017, new, common targets were drawn up for our work up to 2025 which address the following topics: Responsible employer, occupational health and safety, integrity and stakeholder dialogue and social engagement. These targets and the internal policies in this area have been approved by the Orkla Executive Board and apply to all business areas and companies. The work must be of a preventative nature, with emphasis on the precautionary principle and the principle of continuous improvement.

Responsibility for this work lies with the management of the individual business unit with the support of the Human Resources (HR), Corporate Social Responsibility (CSR), EHS and Legal Affairs functions. Orkla oversees the companies' efforts by means of business area reviews and internal reports to the Group's CSR function, which submits annual progress reports to Orkla's Board of Directors. Orkla's Executive Vice President for Group Functions and Legal Affairs has overarching responsibility for ensuring that the work on the four topics is regularly evaluated and that the governing documents are revised as necessary.

A responsible employer

In 2017, Orkla intensified its efforts to promote respect for fundamental rights in the workplace.

Orkla's Responsible Employer and Human Rights Policy was revised in 2016-2017 in a process in which the companies' management and employee representatives were involved. The National Contact Point Norway for the OECD Guidelines for Multinational Enterprises and Save the Children Norway also contributed input in this process. New guidance, awareness-raising and risk assessment tools were developed to support implementation of the policy.

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. The companies carry out a wide range of activities to promote employee collaboration and job satisfaction. In 2017, this included upgrading premises and switching to activity-based office landscapes in several of the companies, professional gatherings, exercise activities and initiatives to improve employee well-being.

Orkla is committed to fostering an open, constructive dialogue in the workplace, and in the past few years has improved its internal procedures for dealing with and reporting complaints and whistle-blowing matters. In 2017, there were a

total of 14 cases related to possible breaches of workers' rights, two of which concerned possible discrimination in connection with wage setting or employment. Blameworthy circumstances were found in six of the cases, and relevant action has been taken to remedy the situation. Three of the cases are still under consideration.

The way forward

Implementation of Orkla's revised Responsible Employer and Human Rights Policy will continue in 2018. In this connection, the companies will carry out a risk assessment and draw up a plan of improvement measures. A Group-wide employee survey will be conducted, the results of which will be used to identify improvement initiatives and involve the employees in developing the company.

Human resource development, employee consultation and diversity

Orkla further strengthened its focus on upgrading employee skills and promoting employee consultation in 2017, and the percentage of women in management positions continued to increase.

Orkla wants to help provide good possibilities for development at all levels and in every country, and expanded the range of courses and other training offered in 2015-2017. As part of Orkla's specialised academies, the Group developed new skills development programmes for Human Resources (HR) and sales staff in 2017. An internal certification programme was also carried out for middle managers and specialised production and logistics staff, and a new leadership development programme for new management staff was established to give them a good introduction to Orkla's values and leadership principles.

The Group's professional development activities are regularly evaluated by Orkla's Human Resource Development Board. In 2017, Orkla drew up a competence development strategy up to 2025. A new portal solution was also developed that will make it easier to administer, implement and track course activities across companies and countries.

In 2015-2016, Orkla developed a harmonised process and common IT tools for evaluating and following up on management staff and key employees. Implementation continued in 2017, and the process now covers more than 6,000 employees. The companies also have their own procedures for following up on employees, and close to 40% of the companies have achieved the target of ensuring that regular development interviews are conducted with all employees. Nonetheless, the percentage of employees who took part in formal development interviews declined, due to the fact that several of the companies that became part of the Group in this period did not have such procedures.

Employees' possibility of influencing their own workday

Good formal arrangements for dialogue between management and employee representatives are important to ensure collaboration on business strategy and appropriate handling of matters affecting employee interests. In 2017, the corporate agreement that governs collaboration between Orkla and employee unions was extended for another two years. In addition, several of the companies have improved their employee consultation procedures. Around 75% of Orkla employees work in companies that have established formal bodies for cooperation between management and employee representatives. Orkla wants to ensure that all the companies in the Group have such collaborative bodies, and to this end drew up clearer guidelines in 2017. In view of Orkla's various arrangements, the risk of breaches of the right of organisation and collective bargaining is considered to be low. The main topic addressed in the management-employee representative dialogue in 2017 was the restructuring projects described on page 111.

Aiming at gender parity

Orkla is committed to promoting diversity and equal opportunity. In 2017, training programmes or other improvement initiatives were carried out in a number of companies. When determining employee pay, Orkla attaches importance to the individual's skills, the complexity of the position, and his or her job performance and competitiveness in the market, irrespective of gender, background or functional capability. The procedures for determining compensation across the Group companies have been harmonised, and Orkla is currently implementing a common database for recording pay data for all its employees, which will make it easier to identify undesirable compensation disparities.

The percentage of women in Orkla's management has increased in the past few years. This improvement can be ascribed to high awareness of the importance of diversity and equality when recruiting candidates for management team positions and the high percentage of women in some of the companies that joined the Group in recent years. Orkla strives to attain a good gender balance at all levels of the organisation, and attaches importance to this aspect when recruiting and developing employees. Measures that make it easier to combine a career and family life are an important factor in promoting gender equality. The Group requires that a minimum of one woman candidate is nominated when recruiting candidates to management team positions at company or business area level. In 2017, ten of Orkla's women managers participated in FiftyFifty, a network initiated by the Norwegian company Storebrand to identify effective measures to increase the percentage of women in management.

The way forward

Efforts to promote human resource development, employee consultation and diversity will continue in 2018, with emphasis on ensuring that the companies that have recently joined the Group establish procedures in line with Orkla's guidelines. Training material has also been developed to increase management's knowledge of these important topics in all the companies.

Geographical spread of employees

Norway	3,226	18%
Sweden	2,928	16%
Denmark	1,460	8%
Finland and Iceland	842	5%
Baltics	2,138	12%
Europe other	5,582	31%
World other	2,002	11%
Total	**18,178**	

Occupational health and safety

Orkla applies the same occupational health and safety requirements in every country in which the Group operates, and the companies work systematically to prevent injuries and promote good occupational health.

A safe, healthy working environment is a fundamental right for all employees, and essential to ensuring stable, efficient operations. Orkla seeks to ensure such an environment by means of effective risk management and systematic efforts to prevent injury and work-related diseases and by involving all its employees in the environment, health and safety (EHS) work. Orkla wants all its companies to establish principles for health-promoting workplaces, adapting the principles to conditions in the individual countries.

The companies' EHS work is based on the requirements and guidelines set out in Orkla's EHS Standard. Systematic improvement work focuses on establishing a high level of knowledge and awareness, taking preventive action and ensuring effective rehabilitation. Risk analysis provides the basis for establishing effective action plans, and all the companies have developed such plans. The most prevalent risks across companies and countries are considered to be related to ergonomics, use of machinery, falls, storage and handling of chemicals, the psychosocial working environment and inadequate knowledge of safety risks and procedures.

Systematic training and follow-up

In 2017, Orkla strengthened its central EHS expertise and follow-up of companies. Orkla monitors its factories' performance by means of EHS audits, with a view to promoting learning through systematic observation and feedback. In 2015-2017, such audits were carried out at all Orkla factories. All the new companies that join the Group are quickly introduced to Orkla's EHS standard. Orkla held several internal network gatherings for EHS professionals in 2017. Collaboration and transfers of best practice are an important part of the improvement work, and network members help to ensure effective implementation of the EHS standard in their own companies. In 2017, the networks focused on promoting a greater understanding of EHS risks in the companies, and on training in risk assessment and use of Orkla's tools. In 2017, around 30 000 hours of organised EHS training were provided for some 9 500 employees by the Group and companies.

The EHS work is monitored at company and business area level through the submission of status reports to the management teams, the Group Executive Board and Orkla's Board of Directors.

Health-promoting work

There was an increase in overall sickness absence in Orkla in 2017 compared with the year before, from 4.3% in 2016 to 4.8%*

*Figures for 2017 include several recent acquisitions that were not previously included in the reporting.

in 2017. On the other hand, sickness absence varied substantially, both from country to country and from company to company. The companies work continuously to achieve improvement, with emphasis on following up absence and preventive activities. In addition to the broad range of activities related to training and improvement of internal procedures, several of the companies carried out special initiatives in 2017 to promote good health. Visible leadership and follow-up of employees are crucial to achieving results, and working environment surveys are used as a tool in identifying key areas for improvement. Preventing sickness absence requires a long-term perspective. In the Norwegian companies, a joint initiative was launched in 2014 to improve follow-up of sickness absence, and has produced positive results in the years that followed. Similar initiatives were introduced in Swedish companies in 2016, and showed a positive effect as early as in 2017.

Injuries

There was an increase in the number of injuries resulting in absence compared with 2016. The Lost Work Day Rate (LWDR) in 2017 was 5.7*, compared with 5.4 in 2016.
In 2017, there were few work accidents in which employees were seriously injured. Most of the injuries were of a less serious nature, such as cuts, knocks or crushing injuries. All the incidents were followed up in the respective companies.
In 2017, Orkla received fines from local supervisory authorities totalling NOK 3.4 million for non-conformances in three companies. Recording and following up on all types of injury and undesirable incidents are a pivotal element of improvement work, and help to create greater understanding and awareness of risk within the organisation.

Although the number of occupational accidents in Orkla is not satisfactory, many companies saw improvement in the course of 2017. Many of the companies recorded no injuries leading to absence during the year. In 2017, the companies took a number of steps to prevent injuries. In addition to extensive training and improvements in internal procedures, various types of safety measures were implemented such as increased use of personal safety equipment, better labelling and replacement of old equipment. An example of good practice was seen in Orkla Confectionery & Snacks Latvija, which became part of Orkla in 2015. The company has worked systematically to implement Orkla's EHS standard, carried out risk assessments, provided training for employees and introduced a range of improvement measures in their production operations. These actions have resulted in a 54% reduction in the number of injuries from 2015 to 2017.

The way forward

Both the sickness absence rate and the number of injuries are too high, and show that there must still be full focus on preventing injury and promoting health in all parts of the organisation. Experience shows that by applying key EHS principles, such as housekeeping, engagement, skills upgrading and the willingness to learn from others, we can achieve improvement. We must therefore continue to focus on and emphasise the application of these important principles throughout our organisation, while also introducing new measures to ensure that further progress is made towards our goal of zero injuries.

*Figures for 2017 include several recent acquisitions that were not previously included in the reporting

Integrity

Orkla wants to build a corporate culture characterised by integrity and good business practices, and in 2017 strengthened its efforts to promote good judgement and prevent ethical risk.

Corruption and other unethical business practices limit the possibilities for economic development and hamper competition on equal terms. In 2017, the Group defined clearer common goals for its long-term efforts to foster an ethical corporate culture. Orkla has zero tolerance for corruption, price-fixing agreements, market sharing, or other measures that impede free competition. Orkla's anti-corruption manual, competition law manual and Code of Conduct describe the Group's standards and guidelines in this area. The anti-corruption manual was updated in 2017, and a tool was developed to make it easier to identify and monitor risk factors.

Orkla conducts training programmes on anti-corruption and competition law for management and employees considered to be exposed to risk. A new training programme was developed in 2017, and has been implemented in several companies. Under Orkla's Supplier Code of Conduct, suppliers are required to have zero tolerance for corruption. Suppliers are monitored on the basis of a risk assessment, which was improved in 2017. In connection with acquisitions and major investments, Orkla assesses the risk of becoming involved in breaches of anti-corruption and competition law, and Orkla companies must take risk-mitigating action to prevent independent business partners from participating in corruption or other illegal or unethical activities in connection with their business dealings with Orkla.

In 2016-2017, Orkla reinforced internal controls related to the collection, processing and storage of personal data. Among other things, the Group's policies were revised, internal guidelines were drawn up and extensive training was provided in this field. The Group's procedures for handling personal data on employees and consumers were reviewed and improved.

The way forward

Efforts to provide internal training and raise ethical awareness will continue in 2018. Orkla will also continue to implement new, improved tools for identifying and monitoring risk related to breaches of legislation and internal guidelines. This will include the continued implementation of the Group's programme for compliance with the EU's personal data protection regulation.

Strong local engagement for sustainability

Orkla wants to promote a sustainable value chain and a healthy, sustainable lifestyle. Through dialogue and collaboration with others, our goal is to make a genuine difference.

Given our presence in close to 30 countries, Orkla has a possibility of creating positive change. By partnering with others, we can contribute to resolving global health and sustainability challenges.

An active stakeholder dialogue

Engaging in a close dialogue with stakeholders helps Orkla to understand others' views, create trust and work together to achieve improvement. Orkla's main stakeholders are its employees, customers and consumers, investors, public authorities, local communities, interest organisations, research communities and suppliers. The dialogue is conducted through meetings and other forms of direct communication, consumer and customer surveys, participation in networks and industry organisations and collaborative projects.

In 2017, Orkla continued to pursue its dialogue with authorities and politicians at national level and in the EU on trade policy framework conditions, other factors relating to its operations, and efforts to promote good public health. Orkla also held dialogue meetings with the grocery trade, investors and voluntary organisations to discuss the Group's sustainability work. Important topics in stakeholder dialogue in 2017 have been summarised in a separate illustration and described in the respective topical chapters. In 2017, there were five complaints concerning the companies' operations, primarily related to noise or odours arising from production.

Promoting healthy, sustainable consumption

Orkla participates in several collaborative projects aimed at developing solutions for sustainable production and consumption:

Circular business models

Orkla Home and Personal Care is participating in a research project with NHH –Norwegian School of Economics and the BIR waste management company to define the circular business models of the future.

The environmental impact of food

Orkla Foods Sverige is participating in a joint project run by the RISE Research Centre of Sweden aimed at developing new tools for the documentation and sharing of information on the environmental impact of food.

Plant proteins

Orkla Foods Norge is one of several participants in the FoodProFuture research project, headed by Nofima. The purpose of the project is to develop a knowledge platform for the sustainable production and exploitation of plant proteins.

Insect farming

Orkla Foods Norge participates in ENTOFÔR, an international research project headed by the Norwegian Institute of Bioeconomy Research (NIBIO) and the National Institute of Nutrition and Seafood Research (NIFES) which seeks to develop expertise on insect farming based on feed generated from waste.

Renewable energy solutions

Orkla is a partner in HighEFF, a centre that researches renewable energy solutions for Norwegian industry.

Several of the Orkla companies have carried out activities to motivate consumers and professional customers to make healthy, sustainable choices:

Labelling systems

Increased use of labelling systems for health, environment and sustainable raw material production

Recycling

Efforts to improve information on how packaging should be sorted

Less food waste

Orkla FoodsNorge and Norwegian NGO Future in Our Hands have taken action to increase consumers' knowledge of the shelf life of various foods and motivate them to reduce food waste

Recovery

Pierre Robert Group has teamed up with Fretex to increase the recovery and recycling of underwear and other textiles.

Health

Orkla has launched a long-term campaign to increase people's knowledge of brain health. In collaboration with neurologist and author Kaja Nordengen, Möller's has developed a brain training programme that can be found at https://www.mollers.no/hjernetrim/.

These and a number of other initiatives are described elsewhere in this report.

Local community engagement

Many Orkla companies are important employers. By developing profitable businesses, Orkla creates positive ripple effects for society in the form of skills-building, new jobs at supplier companies and in the public sector, and payment of direct and indirect taxes. Through collaboration with local authorities, schools and organisations, the companies also help to support projects that benefit society. Projects that have received support from Orkla companies or the Orkla Friends Fund in 2017 include:

Toro – Soup to the People. Since 2016, Orkla Foods Norge has donated more than 600,000 portions of TORO soup to the Salvation Army to support the organisation's work to provide food to people who really need it.

Fotballstiftelsens Gatelag. The street football teams are a low-threshold programme organised by local football clubs for substance addicts. Orkla Foods Norge is the largest private sector donor, providing food and drink and guidance on a healthy diet.

Healthy lifestyle. Orkla Foods Lietuva has teamed up with the organisation Tikra Mityba and the Sveikos Mitybos Standartas initiative to promote a healthy lifestyle among children and young people in Lithuania.

Giving children good experiences. Hamé collaborates with a number of orphanages and other children's institutions on providing children with good experiences at summer camps and in other social activities.

Sponsoring school meals. Through its partnership with the Akshaya Patra Foundation, MTR Foods in India helps to ensure that more than 7 000 schoolchildren in the Karnataka region enjoy nutritious meals.

No bullying! Orkla Confectionery & Snacks Sverige and Orkla Foods Sverige collaborate with the Friends organisation to ensure that children and young people all over Sweden learn the importance of preventing bullying.

Orkla restructures its operations

To ensure that its operations are competitive in the long term, Orkla made a number of investments and changes in its manufacturing footprint in 2017. This has resulted in increased production and improvements at its facilities in Stranda and Ski in Norway, in Eslöv, Kumla and Falun in Sweden, Tallinn in Estonia, Bysice in the Czech Republic and Covasna in Romania. The increased investments create positive ripple effects in the form of new jobs and purchasing contracts with local suppliers. Orkla has closed down facilities in

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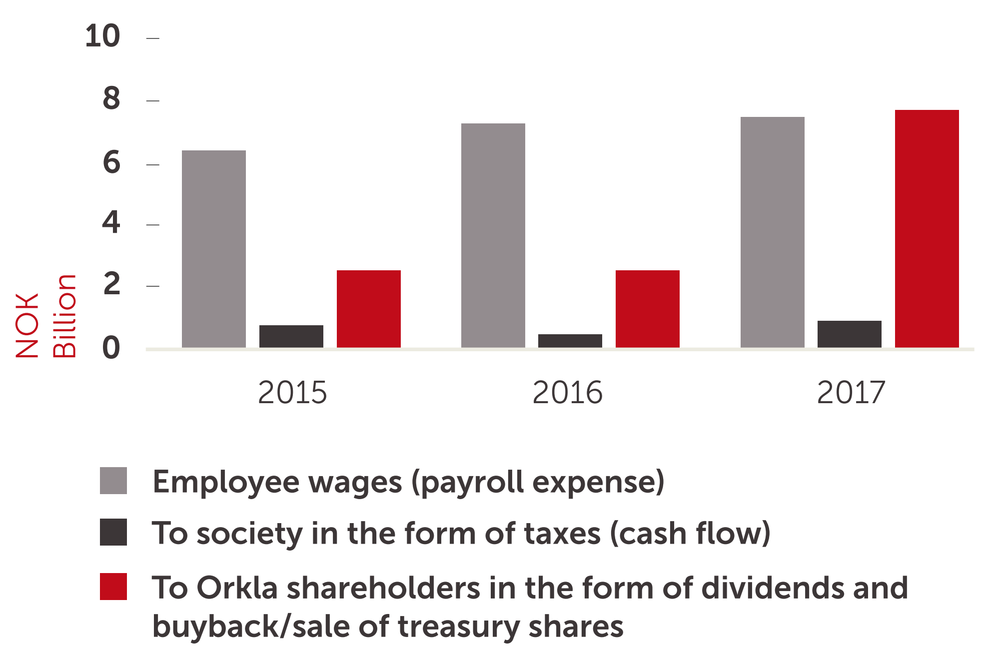
Gimsøy and Kristiansund in Norway, Vadensjö in Sweden, Kastrup in Denmark, Riga in Latvia, Caracal in Romania, Kaunas in Lithuania and Coseano in Italy. Around 300 employees have been impacted by the changes. The employee representatives have been involved through regular consultation meetings, and employees who have lost their jobs have been helped to seek new employment or pursue further education. Orkla has also emphasised the importance of openness and dialogue with important stakeholders in the local community.

The way forward

Efforts to establish a good, uniform approach to stakeholder dialogue will continue in 2018, as will our work to promote healthy, sustainable consumption.

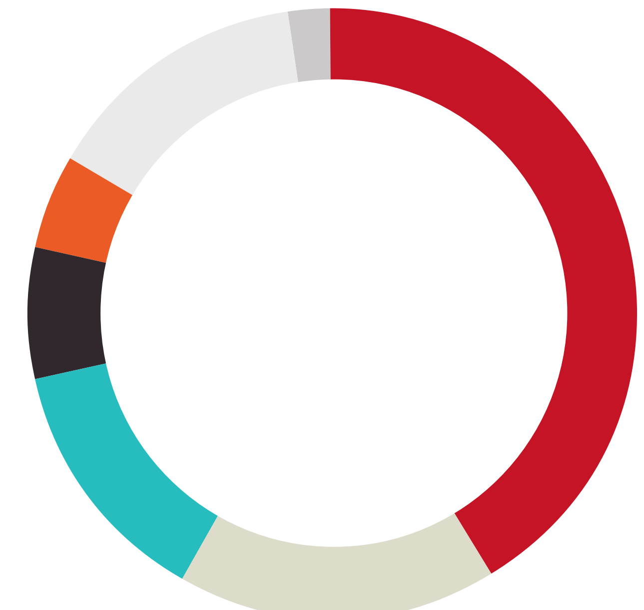
Value creation at Orkla



Meaningful campaigns

Several of the companies use brand marketing to promote social causes. Examples in 2017 include Orkla Foods Sverige's collaboration with the Swedish Breast Cancer Association, where a Risifrutti campaign was used to increase women's awareness of the importance of regularly examining their breasts for cancer. Orkla Health continued its long-term partnership with the Sykehusklovnene (Hospital Clowns) organisation. For every box of Vitaminbjørner vitamin bears that is sold, NOK 1 krone goes to the organisation's work to spread joy among hospitalised children. Orkla Confectionery & Snacks Sverige continued its long-term cooperation with Maskrosbarn, whereby OLW brand marketing is used to promote the organisation's work to support children growing up in families affected by substance abuse or mental illness.

Capital employed by geographical area



Norway	15 320	41%
Sweden	6 310	17%
Denmark	4 885	13%
Finland and Iceland	2 574	7%
Baltics	1 907	5%
Europe other	5 201	14%
World other	849	2%
Total (NOK million)	**37 046**	

Important topics addressed in Orkla's dialogue with stakeholders in 2017

Employees
- Restructuring of businesses
- Business strategy

Authorities
- Partnership to promote better health
- Negative effects of the tax on chocolate and confectionery
- Deforestation-free supply chains
- Sustainable food production
- Green Keyhole healthy food labelling
- Marketing of food and drink to children and adolescents
- Building projects
- Ongoing dialogue with supervisory authorities

Customers and consumers
- Nutrition and wellness
- Food allergies
- Recycling of packaging and waste
- Reducing food waste
- Sustainable raw materials
- Animal welfare
- Product safety
- Contingencies
- Product issues

Suppliers
- Compliance with Orkla's Supplier Code of Conduct
- Sustainable palm oil production
- Sustainable fish and seafood
- Improving conditions in the cocoa sector in the Ivory Coast
- Sustainable packaging

Important topics addressed in Orkla's dialogue with stakeholders in 2017

Local communities

- Environmental initiatives
- Restructuring of businesses
- Working environment
- Collaboration on vocational training
- Building projects

Interest organisations

- Reduction of food waste
- Reduction of marine pollution
- Recycling of plastic
- Textile recycling system
- Renewable energy
- Sustainable palm oil production
- Deforestation-free supply chains
- Animal welfare
- Sustainable fishing

Research communities

- Products' environmental impact
- Development of healthy, sustainably produced food
- Circular business models
- Recycling of plastic
- Reduction of salt, sugar and saturated fat in foods
- Healthy bread mixes with a good nutritional profile
- Omega-3 and fish

Investors

- Orkla's sustainability strategy
- Risk management
- Orkla's approach to corporate responsibility

GRI-ref.		Unit	2017	2016	2015
Responsible employer					
	Employees				
	- Total number of employees	Number	18 178	18 154	14 670
	- Percentage of administrative employees	%	40.5	39.4	46.5
	- Percentage of blue-collar workers	%	59.5	60.6	53.5
G4-LA1	**Changes in workforce**				
	- Number of new employee hires	Number	1810	-	-
	- Employee turnover (new employees/total number of employees)	%	10		
G4-LA9	Average hours of training per year per employee*	Hours	7.0	8.2	4.8
G4-HR2	**Total hours of employee training on human rights topics***				
	- Total number of hours of training	Hours	26 700	22 800	14500
	- Percentage of employees trained during the year	%	45	39	34
G4-LA11	**Percentage of employees receiving regular performance and career development reviews***	%			
	- Total		59	63	71
	- Management		97	93	99
	- Administrative employees		76	83	95
	- Sales employees		83	81	91
	- Blue-collar workers		45	49	42
G4-LA12	**Percentage of women employees**	%			
	- Total		48.7	48.5	45.6
	- Administrative employees		47.4	48.6	46.7
	- Blue-collar workers		49.7	48.4	44.7
G4-LA12	**Percentage of women in management**	%			
	- Orkla's Group Executive Board		11	11	11
	- Management teams at Group, business area and company level		34.3	35.1	32.0
	- Total managers at all levels (manager defined as employee with personnel responsibility)		40.0	37.5	36.1
G4-HR3	Formal complaints or cases related to breaches of anti-discrimination rules	Number	2	0	0
G4-HR12	Formal complaints or cases related to workers' and human rights in Orkla's operations	Number	12	2	-

*Reporting from companies representing 88% of the Group's employees.

GRI-ref.		Unit	2017	2016	2015
Occupational health and safety					
G4-LA6	**Sickness absence**** - Sickness absence, total - Sickness absence, Norway - Sickness absence, Nordics (excl. Norway) and Baltics - Sickness absence, rest of world	%	4.7 5.3 4.4 4.8	4.3 5.6 4.5 3.1	4.4 5.8 4.6 2.7
G4-LA6	**Injuries**** - Lost Workday Rate (LWDR) - Lost Workday Rate (LWDR), Norway - Lost Workday Rate (LWDR), Nordics (excl. Norway) and Baltics - Lost Workday Rate (LWDR), rest of world - Total Recordable Rate (TRR) total - Total Recordable Rate (TRR), Norway - Total Recordable Rate (TRR), Nordics (excl. Norway) and Baltics - Total Recordable Rate (TRR), rest of world - Work-related fatalities		5.7 3.8 7.2 5.3 12.7 9.3 16.2 8.7 0	5.4 3.5 7.7 3.7 10.8 9.1 15.4 5.6 0	5.6 3.4 7.4 4.9 10.1 6.0 19.4 6.9 0
Integrity					
G4-SO4	**Anti-corruption training** - Number of employees trained during the year - Percentage of employees trained during the year	Number %	1807 9.9	671 3.7	3 600 24.5
G4-SO5	Formal complaints and cases related to breaches of anti-corruption rules	Number	0	0	0
G4-SO7	Formal complaints and cases related to breaches of competition law	Number	0	0	0
Stakeholder dialogue and social engagement					
G4-EC1	**Support for external organisations and projects** - Direct financial support - Value of products and work	NOK	17.3 12.3	16.5 4	15.7 3.4
G4-EC4	**Financial support received from government during the year** - Subsidies for research and development activities, labour and environmental measures - Raw material price compensation	NOK	14.6 161.2	17.9 173.6	18.3 137.1
G4-EC6	Percentage of management team members recruited from the country where the business is located	%	95	-	-
G4-SO6	Total value of political contributions	NOK	0	0	0

**Figures for 2017 include several recent acquisitions that were not previously included in the reporting

Annual Financial Statements Orkla Group 2017

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INCOME STATEMENT, EARNINGS PER SHARE AND STATEMENT OF COMPREHENSIVE INCOME

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

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

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

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

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

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STATEMENT OF FINANCIAL POSITION

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

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

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

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

STATEMENT OF CASH FLOWS

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

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

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

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

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

STATEMENT OF CHANGES IN EQUITY

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

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

[1]See Note 24 for unrealised gains before tax.
[2]See Note 31 for the hedging reserve before tax.
[3]Items charged to equity in associates and joint ventures (JV).
[4]Including NOK -33 million (NOK -47 million in 2016) in actuarial gains and losses relating to pensions.
[5]Translation differences related to associates and JV reported along with the Group's translation differences have been reclassified with the amount of NOK 158 million.

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

Stein Erik Hagen
Chairman of the Board

Grace Reksten Skaugen
Deputy Chair of the Board

Ingrid Jonasson Blank

Lars Dahlgren

Liselott Kilaas

Nils K. Selte

Lisbeth Valther

Terje Utstrand

Karin Hansson

Sverre Josvanger

Roger Vangen

Peter A. Ruzicka
President and CEO

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

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.

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.

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 (%)	Acquisition cost	Excess/ deficit value[1]	Trademarks	Property, plant and equipment	Other	Deferred tax	Goodwill	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.

01 02 03 04 05

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

Ⓢ 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.

Ⓟ 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.

01 02 03 04 05

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.

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.

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.

Ⓔ 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

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)

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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.

Note 16 cont.

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.

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Key assumptions for estimating future performance

	Orkla Care					Orkla Food Ingredients (OFI)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	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.

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Intangible assets Amounts in NOK million	Trademarks, not amortisable	Trademarks, amortisable	Other intangible assets	IT	Goodwill	Total
Book value 1 January 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).

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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

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NOTE 20 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are various types of assets that are necessary for the Group's operating activities. Unless there are significant changes in operating parameters, these assets will largely necessitate corresponding reinvestment over time. They consist of items such as land, buildings, plants, machinery, fixtures and fittings, IT equipment and vehicles. Annual ordinary depreciation is an indication of the extent of the need for corresponding reinvestment.

Ⓟ PRINCIPLE

Property, plant and equipment are tangible items intended for production, delivery of goods or administrative purposes and have a lasting useful life. They are recognised in the statement of financial position at cost minus any accumulated depreciation and write-downs. Routine maintenance of assets is expensed under operating expenses while major periodical maintenance and expenditure on replacements or improvements are added to the cost price of the assets. Property, plant and equipment with an indefinite useful life (land, etc.) are not depreciated, while other property, plant and equipment are depreciated on a straight line basis over their useful life. Residual value is taken into account (especially in connection with properties), and the depreciation plan is reviewed annually. If there is any indication that the value of an asset may be impaired, the asset will be written down to the recoverable amount if the recoverable amount is lower than the carrying value.

When carrying out a purchase price allocation in connection with an acquisition, excess or deficit values are allocated to the assets concerned, so that these are capitalised at the Group's acquisition cost. Financing expenses related to the production of the Group's own property, plant and equipment are recognised in the statement of financial position (see Note 15).

Ⓔ ESTIMATE UNCERTAINTY

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

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

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

Orkla plans to invest more than NOK 500 million in pizza production at Stranda. The investment programme, which will run for five years, includes investments in both new innovations and 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.

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.

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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.

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. ➔

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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.

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(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						2016						
	31.12.2017	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years	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							2016						
	31.12.2017	NOK	SEK	EUR	USD	DKK	Other	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.

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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.

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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

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.

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.

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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

P 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.

Lessee
Operating leases

Rented/leased property, plant and equipment Amounts in NOK million	Machinery/ plant 2017	2016	Land, building, property 2017	2016	Fixtures, vehicles etc. 2017	2016	Other assets 2017	2016	Total 2017	2016
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

Lessee
Finance leases

Rented/leased property, plant and equipment Amounts in NOK million	Machinery/ plant 2017	2016	Land, building, property 2017	2016	Fixtures, vehicles etc. 2017	2016	Other assets 2017	2016	Total 2017	2016
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.

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.

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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.

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INCOME STATEMENT

Amounts in NOK million	Note	2017	2016
Operating revenues		33	35
Operating revenues Group	1	689	651
Total operating revenues		722	686
Payroll expenses	2	(460)	(487)
Other operating expenses	5	(547)	(597)
Depreciation/write-downs and amortisation	8, 9	(28)	(23)
Operating loss		(313)	(421)
Dividends and contributions from Group	6	18 759	5 723
Interest income Group		115	124
Financial costs Group	6	(8 259)	(789)
Net foreign exchange gains and losses	12	(224)	661
Gains, losses and write-downs in the share portfolio		47	182
Other financial income	7	40	64
Other financial costs	7	(219)	(228)
Profit before taxes		9 946	5 316
Taxes	11	(151)	(374)
Profit after tax		9 795	4 942

STATEMENT OF COMPREHENSIVE INCOME

Profit after tax	9 795	4 942
Change in unrealised gains on shares after tax	(51)	(184)
Change in hedging reserve after tax	61	68
Change in actuarial gains and losses pensions	(12)	(10)
Comprehensive income	9 793	4 816
Proposed dividend (not provided for)	(2 649)	(2 646)

STATEMENT OF CASH FLOWS

Amounts in NOK million	2017	2016
Profit/loss before tax	9 946	5 316
Depreciation and write-downs	28	23
Changes in net working capital etc.	(64)	2
Changes in outstanding Group contributions	(55)	(110)
Portfolio gains and dividends to investment activities	(53)	(228)
Write-downs subsidiaries	8 208	763
Correction against financial items, payable	221	193
Taxes paid	(351)	(8)
Cash flow from operating activities	17 880	5 951
Sale of property, plant and equipment	-	6
Replacement expenditures	(48)	(46)
Sale of companies	-	61
Investments in subsidiaries	(6)	(1 692)
Net purchase/sale shares, dividends and financial assets	93	444
Cash flow from investing activities	39	(1 227)
Dividends paid	(7 738)	(2 543)
Net sale/purchase of treasury shares	50	(77)
Net paid to shareholders	(7 688)	(2 620)
Change in other interest-bearing liabilities	(4 674)	(1 523)
Change in interest-bearing receivables	(1 657)	(296)
Change in net interest-bearing liabilities	(6 331)	(1 819)
Cash flow from financing activities	(14 019)	(4 439)
Change in cash and cash equivalents	3 900	285
Cash and cash equivalents 1 January	560	275
Cash and cash equivalents 31 December	4 460	560
Change in cash and cash equivalents	3 900	285

STATEMENT OF FINANCIAL POSITION

Assets

Amounts in NOK million	Note	2017	2016
Intangible assets	9	60	33
Deferred tax asset	11	219	252
Property, plant and equipment	8	215	223
Shares in subsidiaries	10	31 412	39 952
Loans to Group companies, interest-bearing		8 889	6 897
Other financial assets		148	250
Non-current assets		40 943	47 607
Receivables external		149	168
Receivables Group, non-interest-bearing		308	269
Receivables Group contribution		1 380	1 325
Financial investments	See Note 24 Group	17	107
Cash and cash equivalents		4 460	560
Current assets		6 314	2 429
Total assets		47 257	50 036

Equity and liabilities

Amounts in NOK million	Note	2017	2016
Paid-in equity		1 995	1 994
Retained earnings		32 601	30 497
Equity		34 596	32 491
Pension liabilities	2	553	517
Non-current interest-bearing liabilities		4 652	7 007
Non-current non-interest-bearing liabilities		313	397
Non-current liabilities and provisions		5 518	7 921
Liabilities to Group, interest-bearing		6 250	6 208
Liabilities to Group, non-interest-bearing		52	100
Tax payable		160	374
Other current liabilities		681	2 942
Current liabilities		7 143	9 624
Equity and liabilities		47 257	50 036

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Treasury shares	Premium fund	Total paid-in equity	Other equity	Total Orkla ASA
Equity 1 January 2016	1 274	(1)	721	1 994	28 301	30 295
Comprehensive income Orkla ASA	-	-	-	-	4 816	4 816
Dividends paid	-	-	-	-	(2 543)	(2 543)
Net purchase of treasury shares	-	-	-	-	(77)	(77)
Equity 31 December 2016	1 274	(1)	721	1 994	30 497	32 491
Comprehensive income Orkla ASA	-	-	-	-	9 793	9 793
Dividends paid	-	-	-	-	(7 738)	(7 738)
Net purchase of treasury shares	-	1	-	1	49	50
Equity 31 December 2017	1 274	0	721	1 995	32 601	34 596

NOTE 1 ACCOUNTING PRINCIPLES

Besides all head office activities, the financial statements of the holding company Orkla ASA cover some real estate activities. The latter are part of the business operations of Orkla Eiendom. The financial statements also cover the administration of the Orkla Foods, Orkla Confectionery & Snacks, Orkla Care, Orkla Food Ingredients and Orkla Investments business areas, and the Operations and Purchasing functions, in addition to the administration of the Purchasing Academy, Sales Academy and Brands Academy in Orkla ASA.

Activities at head office include the Group's executive management and the corporate and common functions Communications, Legal Affairs, Sales & Business Development, Marketing & Innovation, Operations, Mergers & Acquisitions, Human Resources, Finance, Compliance and Internal Audit. In addition to exercising parent company functions, the departments largely carry out assignments for the Group's other companies and charge them for these services. Orkla ASA owns certain trademarks that are utilised by various Group companies. Royalty fees are invoiced for the use of these trademarks. The revenues from these activities are presented on the line for "Operating revenues Group". The Group Treasury acts as an internal bank and is responsible for the Group's external financing, management of the Group's liquid assets and overall management of the Group's currency and interest risks. Interest from the Group's internal bank and dividends and contributions to the Group from investments in subsidiaries are presented as financial items and specified in the income statement.

The financial statements for Orkla ASA have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act. Contributions to the Group have been accounted for according to good accounting practice as an exception to IFRS. Provisions have been made for these contributions in the year they arise. The explanations of the accounting principles for the Group also apply to Orkla ASA, and the notes to the consolidated financial statements in some cases cover Orkla ASA. Ownership interests in subsidiaries are presented at cost.

The Board of Directors has deemed that Orkla ASA, after the proposed dividend of NOK 2.60 per share, had adequate equity and liquidity at the end of 2017.

NOTE 2 PAYROLL AND PENSIONS

Amounts in NOK million	2017	2016
Wages	(350)	(367)
National insurance contributions	(55)	(57)
Remuneration of the Board and other pay-related costs	(18)	(29)
Pension costs	(37)	(34)
Payroll expenses	(460)	(487)
Average number of employees	191	189

Breakdown of net pension costs

The assumptions on which the calculation of pension costs has been based are disclosed in Note 12 to the consolidated financial statements.

Amounts in NOK million	2017	2016
Current service cost (incl. national insurance contribution)	(20)	(19)
Costs contribution plans	(17)	(15)
Pensions classified as operating costs	(37)	(34)
Pensions classified as financial items	(27)	(19)
Net pension costs	(64)	(53)

Breakdown of net pension liabilities as at 31 December

Amounts in NOK million	2017	2016
Present value of pension obligations	(553)	(517)
Pension plan assets	-	-
Capitalised net pension liabilities	(553)	(517)

The remaining net pension liabilities at 31 December 2017 mainly consist of unfunded pension plans for former key personnel and unfunded early retirement plans, and liabilities related to plans for employees who earn more than twelve times the Norwegian National Insurance Scheme's basic amount (12G). For other employees, the company primarily has defined contribution pension plans.

The company has a pension plan that meets the requirements of the Compulsory Service Pensions Act.

NOTE 3 GUARANTEES AND ASSETS PLEDGED

Amounts in NOK million	2017	2016
Subscribed, uncalled limited partnership capital	2	5
Guarantees to subsidiaries	215	212
Other guarantee liabilities	13	-

NOTE 4 LOANS TO EMPLOYEES

Other financial assets include loans to employees.

Amounts in NOK million	2017	2016
Loans to employees	6	1

NOTE 5 REMUNERATION AND CONTRACTUAL ARRANGEMENTS – THE BOARD OF DIRECTORS' STATEMENT OF GUIDELINES

1. The Board of Directors' statement of guidelines for the pay and other remuneration of the executive management

Pursuant to section 6-16a of the Public Limited Liability Companies Act, the Board of Directors must draw up a special statement of guidelines for the pay and other remuneration of senior executives ("Board's statement of guidelines"). The elements in the Board's statement of guidelines are set out in (i) – (vi) below. Under section 5-6 (3) of the same Act, an advisory vote must be held at the General Meeting on the Board of Directors' guidelines for the remuneration of the executive management for the coming financial year (see (ii) below). Insofar as the guidelines concern share-related incentive programmes, these must also be approved by the General Meeting (see (iii) below).

(i) Pay, other remuneration of and other conditions relating to the executive management

The Board of Directors decides the terms and conditions of the President and CEO and makes decisions on fundamental issues relating to the Group's compensation and benefits policy and compensation arrangements for other employees. The Board of Directors has a special Compensation Committee that prepares matters relating to compensation for decision by the Board. The Committee consists of three Board members, one of whom is elected by the employees, and was chaired by the Deputy Chair of the Board in 2017. The administration prepares matters for the Compensation Committee and the Board.

The Group Executive Board participates in the Group's annual bonus programme and long-term incentive programme.

Fixed salaries and fees for the Group Executive Board and accrued bonuses are presented on the next page. The table also shows accruals and the balance in the bonus bank as at 31 December 2017, based on the Orkla share price as at 31 December 2017 (NOK 87.05).

Note 5 cont.

Remuneration paid in 2017

Amounts in 1,000 NOK	Fixed salary 31 Dec. 2017	Paid salary and holiday pay (A)	Paid bonus (accrued in 2016)	Paid from bonus bank	Benefits in kind (B)	Total paid salary and allowance 2017	Total paid salary and allowance 2016
Peter A. Ruzicka	6 070	6 601	2 644	1 055	305	**10 605**	**10 070**
Jens Bjørn Staff	2 941	3 121	787	279	280	4 467	
Terje Andersen[1]	2 971	3 332	1 090	1 086	300	5 808	
Karl Otto Tveter[1]	2 985	3 286	850	979	304	5 419	
Atle Vidar Nagel Johansen	3 659	4 105	1 116	1 122	336	6 679	
Ann-Beth Freuchen	2 870	3 139	1 450	857	244	5 690	
Pål Eikeland	2 870	3 242	770	1 973	265	6 250	
Stig Ebert Nilssen	3 218	3 445	934	964	238	5 581	
Johan Clarin	2 988[2]	3 101	769	1 250	305	5 425	
Total Group Executive Board excl. CEO						**45 319**	**44 109**

[1]Also receives a Board fee of NOK 300,000 from Jotun.
[2]The annual salary is stated in SEK thousand.

Accrued remuneration, not paid in 2017

Amounts in 1,000 NOK	Accrued bonus in 2017[1]	Accrued long-term incentive programme[3]	Accrued pension costs	Accrued total (C)	Balance bonus bank 31 Dec. 2017[3]
Peter A. Ruzicka[2]	3 035	3 035	2 222	8 292	10 053
Jens Bjørn Staff	853	853	755	2 461	2 818
Terje Andersen	1 254	1 254	945	3 453	4 301
Karl Otto Tveter	925	925	744	2 594	3 345
Atle Vidar Nagel Johansen	834	834	1 012	2 680	4 512
Ann-Beth Freuchen	1 378	1 378	613	3 369	4 712
Pål Eikeland	362	362	704	1 428	3 868
Stig Ebert Nilssen	1 091	1 091	837	3 019	2 767
Johan Clarin (SEK)	867	867	726	2 460	3 429

[1]Accrued annual bonuses for 2017 are paid in 2018.
[2]The accrued salary and remuneration of the President and CEO totalled NOK 15,198,000 (A+B+C) in 2017.
[3]The bonus bank balance does not include bonuses accrued in 2017.

Options exercised by the Group Executive Board as at 31 December 2017

	Number	Award date (dd/mm/yyyy)	Strike price	1st exercise/ exercise date (dd/mm/yyyy)	Last exercise
Atle Vidar Nagel Johansen	-35 000	09.05.2011	37.43	09.05.2014	Exercised at 80.50
Ann-Beth Freuchen	-40 000	09.05.2011	37.43	09.05.2014	Exercised at 80.50
Stig Ebert Nilssen	-50 000	09.05.2011	37.43	09.05.2014	Exercised at 80.50

After options were exercised in 2017, Orkla's option programme was terminated.

Note 5 cont.

The Group Executive Board participates in the Group's general employee share purchase programme. No guarantees have been provided for members of the Group Executive Board.

The retirement age of the President and CEO is 62, and the period of notice is six months, with a period of pay of 12 months after termination of employment. From the age of 62 until he reaches the age of 67, he will be paid 60% of his salary upon retirement.

The members of the Group Executive Board have a period of notice of six months, and their retirement age is 65. From the age of 65 until they reach the age of 67, Orkla will pay them 66% of their salary upon retirement, after which their pension will be paid from Orkla's pension plan. Terje Andersen may retire at the age of 62 with the same benefits. Terje Andersen and Karl Otto Tveter have personal loans on which a regulated interest rate is charged. The balance as at 31 December 2017 was NOK 393,224 for Mr Andersen and NOK 39,192 for Mr Tveter. No other members of the Group Executive Board have personal loans.

(ii) Guidelines for pay and other remuneration of the executive management

With regard to guidelines for pay and other remuneration of the executive management in the coming financial year, the Board of Directors will submit the following guidelines to the General Meeting in 2018 for an advisory vote:

The purpose of Orkla's reward policy is to attract personnel with the competence that the Group requires, develop and retain employees with key expertise and promote a long-term perspective and continuous improvement supporting achievement of Orkla's business goals. The general approach adopted in Orkla's policy is to pay fixed salaries in line with market median level while offering variable pay linked to results, share price performance, etc. (short and long-term incentives) above market median level. Compensation may consist of the following elements:

a) Fixed elements
Orkla uses internationally recognised job assessment systems to find the "right" level for the job and the fixed salary. Jobs are assessed in relation to their local market (country) and a pay range of the median +/- 20% is applied. The employee's responsibilities, results and performance determine where he or she is placed on the salary scale.

(b) Variable elements – annual bonus
Senior executives in Orkla participate in the Group's central annual bonus programme. The programme has a maximum ceiling of 100% of the employee's fixed salary as at 31 December in the year of accrual. Under this programme, a "good performance" can result in an annual bonus of approximately 30% of an employee's fixed salary as at 31 December in the accrual year. A "good performance" is defined as the achievement of results in line with externally communicated financial targets for 2016–2018. Profit growth is the primary goal for the central annual bonus programme.

In addition, the Group has share-based incentive programmes described in (iii) below.

(iii) Special comments on share-based incentive programmes

(a) Long-term incentive programme
Orkla has a cash-based long-term incentive (LTI) programme for several years. The LTI is normally awarded in May of each year. The amount awarded (normally equal to the amount accrued in the annual bonus programme the previous year) is adjusted according to the performance of the Orkla share until it is paid out, and is thus share-related. The adjustment is based on the share price recorded on the day after the Annual General Meeting in the year the award is made, adjusted for dividends in the period. 50% of the entitlement will be paid out after two years and the remainder after three years, provided that the employee has not given notice of resignation at the time of payment. The annual amount paid out from the LTI programme must not exceed one year's pay at the time of payment. Any excess amount will be added to the bank deposit to be paid out the following year.

The Board of Directors has evaluated the programme, and will propose certain adjustments that will affect awards in 2019. Firstly, the level of the amount awarded will be unlinked from the annual bonus programme, and as from 2019 will be determined on the basis of assessments of individual performances in relation to predefined long-term criteria established in 2018 (for 2019). The aim is still 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 LTI 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.

Orkla has had a share option programme that was implemented for the last time in 2011. The options had a vesting period of three years and could be exercised in the following three years. The cash-based LTI programme has replaced the option programme. The last options were exercised in 2017.

Note 5 cont.

(b) Discounted shares for employees
For several years the Group has had a programme offering employees an opportunity to buy a limited number of shares at a discount 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 costs of the employee share purchase programme in 2017 totalled NOK 43 million.

The Board of Directors recommends to the General Meeting that the employee share purchase programme be continued, with three purchase options: NOK 28,000, 15,000 and 8,000 (amounts after discount). It further proposes that the discount be fixed at 25% and that it be made a condition that the shares may not be sold until 24 months after the purchase is made, at the earliest.

(iv) Company pension plan

Orkla has a defined contribution pension plan in Norway. The contribution rates are 5% for salaries between 1G and 7.1G and 23.1% for salaries over 7.1G (as from 1 May 2017 1G is NOK 93,634). For members of the Group Executive Board employed before 1 September 2014, the rate for salaries over 12G is 27%. Employees who have entered into an early retirement agreement entitling them to retire before the age of 67 receive a pension (unfunded) that is equivalent to 60 per cent of their annual pay upon retirement. Other members of the Group Executive Board than the President and CEO have 66%, all subject to a minimum of 30 qualifying years.

(v) Other benefits

The Group provides benefits such as a company car and company telephone and other limited benefits in kind, including the Group's discounted share purchase programme.

(vi) Executive pay policy in previous financial years

The guidelines for pay and other remuneration for senior executives disclosed in (ii), which were last considered at the 2017 Annual General Meeting, have served as guidance in determining pay and other remuneration for senior executives in 2017.

For detailed descriptions of Orkla's reward policy and the various components of the overall remuneration, reference is made to the disclosures in Note 11 to the consolidated financial statements.

2. Remuneration of the Board of Directors and Board members' shareholdings

a) As from 20 April 2017, the Board of Directors is remunerated at the following rates:

Board Chair	NOK 800 000	per year
Board Deputy Chair	NOK 645 000	per year
Shareholder-elected Board member	NOK 510 000	per year
Employee-elected Board member	NOK 420 000	per year
Deputy member	NOK 27 000	per meeting

Under Article 4 of Orkla's Articles of Association, shareholder-elected "members and deputy members of the Board of Directors must be shareholders in the company". Section 11 of the Norwegian Code of Practice for Corporate Governance states that consideration should be given to requiring that Board members invest part of their fee in the purchase of shares at market price, and the Nomination Committee had received several comments to the effect that part of the remuneration of the shareholder-elected Board members should be linked to shares.

In 2017, accordingly, the General Meeting approved the introduction of an arrangement in connection with the nomination of shareholder-elected Board members, requiring that 1/3 of the members' gross Board fees (excluding any fee for committee work and supplement for members residing outside Norway) be used to purchase shares in Orkla until the Board members (including their related parties) own shares in Orkla with a value equivalent to two times their gross Board fee (excluding any fee for committee work and supplement for members residing outside Norway). An overview of the Board members' shareholdings is disclosed seperately in this note.

Compensation Committee

Committee Chair	NOK 137 000	per year
Member	NOK 102 500	per year

Audit Committee

Committee Chair	NOK 172 000	per year
Member	NOK 115 000	per year

Note 5 cont.

In addition, shareholder-elected Board members residing outside Norway receive a supplement of NOK 17,000 per meeting attended.

Payments actually received by members of the Board of Directors are as follows:

Amounts in NOK	Director's fee incl. committee work	Number of shares[1]
Shareholder-elected Board members		
Stein Erik Hagen	868 333	250 010 000
Grace Reksten Skaugen	747 666	5 500
Ingrid Jonasson Blank	656 666	3 750
Lisbeth Valther	544 166	5 000
Nils K. Selte	647 333	24 000
Lars Dahlgren	542 666	4 000
Liselott Kilaas	340 000	2 500
Caroline Hagen Kjos (deputy)[2]	-	-

[1]Total share ownership including related parties.
[2]Receives no fees.

Amounts in NOK	Fixed salary	Director's fee	Benefits in kind	Pension costs	Number of shares[1]
Employee-elected Board members					
Terje Utstrand	590 800	518 333	76 957	25 001	6 140
Roger Vangen	554 151	416 667	49 952	21 264	7 914
Sverre Josvanger	521 731	530 666	190 684	22 637	18 953
Karin Hansson (salary in SEK)	419 828	416 667	21 936	21 831	1 387

[1]Total share ownership including related parties.

No loans have been granted to or guarantees provided for members of the Board of Directors.

3. Remuneration of the Nomination Committee

As from 20 April 2017, the Nomination Committee is remunerated according to the following rates:

Committee Chair NOK 61,500 per year, members NOK 45,000 per year and employee-elected representatives NOK 6,000 per meeting.

4. Fees to Group external auditor

Amounts in NOK million (excl. VAT)	2017	2016
Parent company		
Statutory audit	3.4	3.0
Other attest services	0.1	0.2
Tax consultancy services	2.1	1.8
Other non-audit services	2.5	6.3
Group		
Statutory audit	28.8	26.0
Other attest services	1.5	0.9
Tax consultancy services	4.4	4.6
Other non-audit services	4.9	7.2
Total fees to EY	39.6	38.7
Statutory audit fee to other auditors	2.4	1.9

NOTE 6 FINANCIAL COSTS GROUP

Amounts in NOK million	2017	2016
Write-down share investments in subsidiaries[1]	(8 208)	(763)
Gain on sale of Cederroth AS	-	19
Interest costs Group	(51)	(45)
Total financial costs Group	(8 259)	(789)

[1]Shares in the subsidiary Industriinvesteringer AS were written down due to the company's pay-out of dividends of NOK 13.7 billion (2016: Cederroth Intressenter AB and Industriinvesteringer AS).

NOTE 7 OTHER FINANCIAL INCOME AND FINANCIAL COSTS

Other financial income

Amounts in NOK million	2017	2016
Interest income	16	2
Dividends received	7	47
Other financial income	17	15
Total other financial income	40	64

Other financial costs

Amounts in NOK million	2017	2016
Interest costs	(211)	(226)
Change in fair value interest element	54	50
Other	(62)	(52)
Total other financial costs	(219)	(228)

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Land, buildings and other property	Machinery, fixture and fittings etc.	Assets under construction	Total
Book value 1 January 2017	95	74	54	223
Investments	3	-	44	47
Reclassifications[1]	-	7	(42)	(35)
Depreciation	(2)	(18)	-	(20)
Book value 31 December 2017	96	63	56	215
Initial cost 1 January 2017	115	197	54	366
Accumulated depreciation and write-downs 1 January 2017	(20)	(123)	-	(143)
Book value 1 January 2017	95	74	54	223
Initial cost 31 December 2017	118	204	56	378
Accumulated depreciation and write-downs 31 December 2017	(22)	(141)	-	(163)
Book value 31 December 2017	96	63	56	215

[1]Net reclassifications relating to the transfer from Note 9.

NOTE 9 INTANGIBLE ASSETS

Amounts in NOK million	Trademarks not amortisable	IT	Total
Book value 1 January 2017	26	7	33
Reclassifications property, plant and equipment[1]	-	35	35
Amortisation	-	(8)	(8)
Book value 31 December 2017	26	34	60
Initial cost 1 January 2017	26	64	90
Accumulated amortisation and write-downs 1 January 2017	-	(57)	(57)
Book value 1 January 2017	26	7	33
Initial cost 31 December 2017	26	99	125
Accumulated amortisation and write-downs 31 December 2017	-	(65)	(65)
Book value 31 December 2017	26	34	60

[1]Net reclassifications relating to the transfer from Note 8.

NOTE 10 SHARES IN SUBSIDIARIES, DIRECTLY OWNED

Amounts in NOK million	Group's share of capital	Book value 2017	Book value 2016
Orkla Foods Norge AS	100%	9 362	9 362
Orkla Foods Sverige AB	100%	5 469	5 469
Orkla Confectionery & Snacks Finland Ab	100%	3 315	3 652
Orkla Food Ingredients AS	100%	2 466	2 466
Orkla Energi AS	100%	1 765	1 765
Hamé s.r.o.	100%	1 357	1 357
SIA Orkla Confectionery & Snacks Latvija	100%	959	959
Orkla Confectionery & Snacks Norge AS	100%	906	906
Orkla House Care AS	100%	865	865
Industriinvesteringer AS	100%	803	9 012
Orkla Health AS	100%	631	631
Orkla Eiendom AS	100%	589	574
Lilleborg AS	100%	526	526
SweBiscuits AB	100%	512	512
Viking Askim AS	100%	400	400
Sarpsfoss Limited			
Ordinary shares	100%	253	253
Preference shares	99.9%	43	43
SIA Orkla Foods Latvija	100%	246	246
Attisholz AB	100%	187	187
Orkla Foods Romania SA	100%	184	184
Orkla Foods Danmark A/S	100%	175	175
Orkla Asia Holding AS	100%	166	166
Orkla Insurance Company Ltd.	100%	65	65
UAB Orkla Foods Lietuva	100%	57	57
Trælandsfos Holding AS	100%	36	36
Orkla IT AS	100%	34	34
Øraveien Industripark AS	100%	15	15
Meraker Eiendom Holding AS	100%	-	15
Orkla Investeringer AS	100%	10	10
Orkla Design AS	100%	5	5
Orkla France S.A.S.	100%	4	1
Cederroth Intressenter AB	100%	3	1
Orkla Accounting Centre OÜ	100%	2	2
Plusstid Home AS	100%	1	-
Attisholz Infra AG[1]	0.4%	1	1
Total		31 412	39 952

[1]The remaining shares are owned by Attisholz AB.

The table above shows only directly owned subsidiaries. The Group consists of a total of around 230 companies. The most important indirectly-owned subsidiaries are shown in the Group Directory at the end of the Annual Report.

NOTE 11 TAXES

Taxes

Amounts in NOK million	2017	2016
Profit before taxes	9 946	5 316
Change in temporary differences	(102)	(75)
Of which change in temporary differences previous years	(21)	(2)
Correction for change in temporary differences taken to comprehensive income	69	83
Total change in temporary differences	(54)	6
Non-deductible expenses	18	79
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	(54)	(226)
Impairment of shares in subsidiaries	8 208	763
Dividends from subsidiaries	(17 379)	(4 398)
Options and long-term bonus agreements	0	0
Other permanent differences	(20)	(44)
Total permanent differences	(9 227)	(3 826)
Total taxable income	665	1 496
Calculated current tax expense	(160)	(374)
Withholding tax foreign dividends	(1)	0
Correction in provisions for previous years' taxes	24	4
Total current tax expense	(137)	(370)
Change in deferred tax liabilities	(14)	(4)
Total tax expense	(151)	(374)

Note 11 cont.

Deferred tax liabilities

Amounts in NOK million	2017	2016
Financial derivatives	55	(3)
Unrealised gains (losses) on shares outside the tax exemption method in equity	0	0
Accumulated write-downs outside the tax exemption method	(11)	(11)
Hedging reserve in equity	(312)	(397)
Property, plant and equipment	10	12
Pension liabilities	(443)	(425)
Other current liabilities	(249)	(228)
Basis deferred tax	(950)	(1 052)
Deferred tax asset	(219)	(252)
Change in deferred tax	(33)	(30)
Change in deferred tax taken to comprehensive income	19	26
Change in deferred tax in the income statement	(14)	(4)

Reconciliation of total tax expense

Amounts in NOK million	2017	2016
24% of profit before taxes	(2 387)	(1 329)
Effect of change in tax rates	(6)	(6)
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	13	57
Dividends from subsidiaries	4 171	1 100
Write-downs shares in subsidiaries	(1 970)	(191)
Options and long-term bonus agreements	0	0
Other permanent differences	5	11
Non-deductible expenses	(4)	(20)
Withholding tax	(1)	0
Correction previous years' taxes	28	4
Total tax expense for Orkla ASA	(151)	(374)

NOTE 12 FINANCIAL RISK

The risk associated with financial instruments in Orkla ASA is related to the following activities:

Shares and financial assets

Changes in share prices are sources of financial risk for shares and financial assets. This risk is quantified in Note 24 to the consolidated financial statements.

The Group's internal bank

The Group Treasury of Orkla ASA manages the interest rate and currency risk for the Group. The Treasury Department acts as the Group's internal bank and executes all external funding and hedging transactions in interest rate and currency derivatives. The subsidiaries mitigate their currency risk by entering into internal currency hedging contracts with the internal bank, which in turn hedges this risk through external hedging positions. In addition, the internal bank holds debt in foreign currencies to hedge currency risk on internal loans, book equity and goodwill. In 2017, NOK -221 million was recognised in the income statement in connection with these hedges (NOK 655 million in 2016). The internal bank does not actively take on currency risk. Intercompany loans and deposits are at floating interest rates, and no intra-group interest rate hedging contracts are made. Further details of the management of interest rate and currency risk for Group-external items are disclosed in Note 30 to the consolidated financial statements.

Derivatives and hedge accounting

Currency forward contracts. The internal bank's internal and external currency forward contracts and cross currency swaps are recognised at fair value in the statement of financial position with changes in fair value recognised through profit and loss. Foreign currency effects related to internal and external loans are also accounted for through profit and loss.

Interest rate swaps. External funding for the Group is mainly originated through Orkla ASA. Loans issued at fixed interest rates are normally swapped to floating interest rates through interest rate swaps. These swaps are accounted for as fair value hedges with fair value changes recognised through profit and loss. As at 31 December 2017, the fair value of these interest rate swaps was NOK 68 million (NOK 249 million in 2016). During the year NOK 89 million was recognised as costs in the income statement related to changes in the fair value of the interest rate swaps, and NOK 89 million was recognised as income related to changes in the fair value of the hedged loans.

When Orkla hedges future interest payments, interest rate swaps, where Orkla receives floating interest rates and pays fixed interest rates, are used. These interest rate swaps are accounted for

Note 12 cont.

as cash flow hedges with changes in fair value recognised through comprehensive income. As at 31 December 2017, the fair value of these swaps amounted to NOK -312 million (NOK -397 million in 2016).

Equity hedging reserve. Change in the equity hedging reserve:

Amounts in NOK million	2017	2016
Opening balance hedging reserve before tax	(396)	(492)
Reclassified to profit/loss – net financial items	116	112
Fair value change during the year	(32)	(16)
Closing balance hedging reserve before tax	(312)	(396)
Deferred tax hedging reserve	72	95
Closing balance hedging reserve after tax	(240)	(301)

The hedging reserve is expected to be reclassified to the income statement as follows (before tax):

2018:	NOK -121 million
After 2018:	NOK -191 million

NOTE 13 OTHER MATTERS

PAYE tax guarantee and guarantee for pension liabilities
Orkla ASA has a bank guarantee to cover Pay-As-You-Earn (PAYE) tax payable by employees and pension liabilities for employees who earn more than 12G on behalf of its Norwegian subsidiaries. The company has no other restricted assets.

Material leases
In 2013, Orkla ASA moved to new temporary premises in Nedre Skøyen vei 26, Oslo, along with the companies Orkla Health, Orkla Home & Personal Care, Orkla Confectionery & Snacks Norge, Pierre Robert Group, Hydro Power, Orkla IT, Orkla House Care and Orkla Eiendom. The building has been leased from Evry until 2018 pending the construction of new permanent premises at Drammensveien 149 and 151. Annual leasing costs total NOK 43 million. Orkla ASA subleases premises to the other companies.

Orkla ASA still leases premises from Investorprosjekt 93 AS at Karenslyst allé 6, Skøyen, in Oslo, until the year 2020. Annual leasing costs total NOK 21 million. The building is largely subleased.

As a result of the acquisition of Rieber & Søn ASA, Orkla ASA took over the lease of Rieber's head office in Nøstegaten 58, Bergen in 2013. The contract runs until 2019, and the lessor is AS Inventor Eiendommer. Annual leasing costs total NOK 19 million. The building is subleased, primarily to KnowIt, Kredinor and Bergen Municipality.

Matters disclosed in the Notes to the Consolidated Financial Statements
Share-based payment – Note 11
Events after the balance sheet date – Note 41

Shareholders in Orkla ASA
A list of the largest shareholders in Orkla ASA is presented in Note 32.

Statement from the Board of Directors of Orkla ASA and the Group

We confirm that the financial statements for the period 1 January up to and including 31 December 2017 have, to the best of our knowledge, been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Group as a whole, and that the Board of Directors' report includes a fair review of the development and performance of the business and the position of the company and the Group as a whole, together with a description of the principal risks and uncertainties that they face.

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

Stein Erik Hagen Chairman of the Board	Grace Reksten Skaugen Deputy Chair of the Board	Ingrid Jonasson Blank	Lars Dahlgren
Liselott Kilaas	Nils K. Selte	Lisbeth Valther	Terje Utstrand
Karin Hansson	Sverre Josvanger	Roger Vangen	Peter A. Ruzicka President & CEO

(This translation from Norwegian of the Statement from the Board of Directors of Orkla ASA has been made for information purposes only.)

Independent auditor's report

To the Annual Shareholders' Meeting of Orkla ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Orkla ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement, comprehensive income, cash flow and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2017, the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue recognition – provisions for rebates

Revenue is recognised when the significant risk and rewards of ownership of the goods have been transferred to the buyer. Further, it is measured at fair value of the expected consideration to be received from sales less rebates earned by customers. Due to the multitude and variety of agreements and contractual terms, the determination of rebates recognized on sales made during the year is considered complex and requires management judgement. Revenue recognition including provisions for rebates is therefore a key audit matter.

Our audit procedures included identifying, understanding, evaluating and testing management procedures and controls for determining the reduction in revenues by rebates as well as compliance of policies with applicable accounting standards. We identified and assessed the effectiveness of the Group's internal controls. Our audit included analytical procedures and detailed testing that rebates are recognised in the correct period. We tested the accuracy and completeness of the provision and the underlying calculation. These procedures included testing of the basis for calculating rebates against actual sales and agreed terms. Further, we have tested

Independent auditor's report cont.

the accuracy of historical provisions for rebates and evaluated the disclosures provided by management in the consolidated financial statements to applicable accounting standards.

We refer to the Group's disclosures in notes 4 and 9 in respect of revenue recognition and provision for discounts and bonuses.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and President and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report cont.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 13 March 2018
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Historical key figures

Historical key figures are presented for each of the last four years (2013–2016) as they were presented in the respective annual reports. Subsequent accounting restatements (due, for instance, to changes in accounting principles, recognition as "Discontinued operations", etc.) are thus not reflected in the set of figures presented. This is because Orkla wishes to show the Group as it was reported in the years in question, so as to illustrate the actual level of activity in the years concerned.

	Definition		2017	2016	2015	2014	2013
Income statement							
Operating revenues		(NOK million)	39 561	37 758	33 198	29 599	33 045
EBIT (adj.)*		(NOK million)	4 635	4 298	3 609	3 214	3 142
Other income and expenses		(NOK million)	(201)	(382)	(502)	(100)	(860)
Operating profit		(NOK million)	4 434	3 916	3 107	3 114	2 282
EBIT (adj.)-margin*	1	(%)	11.7	11.4	10.9	10.9	9.5
Profit/loss from associates and joint ventures		(NOK million)	313	1 378	1 111	121	2
Ordinary profit/loss before taxes		(NOK million)	4 571	5 182	4 090	2 872	2 664
Gains/profit/loss discontinued operations		(NOK million)	5 066	-	(17)	(485)	(1 225)
Profit/loss for the year		(NOK million)	8 657	4 375	3 351	1 699	747
Cash flow							
Net cash flow		(NOK million)	8 471	(956)	(1 561)	3 062	(2 757)
Capital as at 31 December							
Book value of total assets		(NOK million)	53 408	55 604	54 238	50 112	52 115
Market capitalisation	2	(NOK million)	88 683	79 586	71 361	52 025	47 981
Equity ratio	3	(%)	65.2	60.9	62.2	62.5	59.1
Net interest-bearing liabilities	4	(NOK million)	14	8 056	7 805	5 661	8 496
Net gearing	5		0.00	0.24	0.23	0.18	0.28
Interest coverage ratio	6		23.1	23.1	17.3	10.8	8.1
Average borrowing rate		(%)	2.2	1.8	2.8	3.4	3.4
Share of floating interest-bearing liabilities	7	(%)	38	67	61	57	54
Average time to maturity liabilities	8	(year)	4.3	3.3	3.2	3.7	3.6

Historical key figures cont.

	Definition		2017	2016	2015	2014	2013
Shares							
Average number of shares outstanding, diluted		(x 1,000)	1 017 472	1 017 969	1 018 394	1 017 795	1 013 312
Average number of shares outstanding		(x 1,000)	1 017 472	1 017 526	1 017 546	1 016 375	1 012 284
Share-related key figures							
Share price at 31 December		(NOK)	87.05	78.20	70.10	51.15	47.32
Earnings per share, diluted	9	(NOK)	8.43	4.22	3.24	1.63	0.68
Ordinary dividend per share (proposed for 2017)		(NOK)	2.60	2.60	2.50	2.50	2.50
Payout ratio	10	(%)	30.8	61.6	77.2	153.4	357.1
Price/earnings ratio	11		10.3	18.5	21.6	31.4	67.6
Personnel							
Number of employees			18 178	18 154	14 670	12 921	16 756
Number of man-years			17 569	18 038	14 532	12 714	16 737

*EBIT (adj.) = Operating result before other income and expenses

Definition:

1 EBIT (adj.)* / Operating revenues
2 Market capitalisation is calculated on the basis of number of shares outstanding x Average share price at year end
3 Book equity / Total assets
4 Total interest-bearing liabilities - Interest-bearing receivables and liquid assets (cash, bank deposits etc.)
5 Net interest-bearing liabilities / Equity
6 (Profit before tax + Net interest expenses) / (Net interest expenses)
7 Liabilities with remaining period of fixed interest of less than one year
8 Average time to maturity for interest-bearing liabilites and unutilised committed credit facilities
9 Profit for the year after non-controlling interests / Average number of shares outstanding, diluted, at year end
10 Ordinary dividend per share / Earnings per share, diluted
11 Share price / Earnings per share, diluted

Additional information

05

Share information

Through efficient business operations, Orkla aims to achieve long-term value growth for its shareholders which exceeds that of relevant, competitive investment alternatives. For shareholders, this is reflected in the combination of the long-term price performance of the Orkla share and the dividend that is paid out.

Market capitalisation and turnover

The Orkla share is listed on the Oslo Stock Exchange under the ticker code ORK. All shares have equal rights and are freely transferable.

In terms of market value, Orkla was the 6th largest company on the Oslo Stock Exchange as at 31 December 2017 and the largest non-government-owned company. At the end of 2017, its market capitalisation was NOK 88.7 billion, up NOK 9 billion from the end of 2016. During 2017, a total of NOK 7.7 billion was paid out in ordinary and extraordinary dividends.

The average daily volume of Orkla shares traded on the Oslo Stock Exchange was 1.7 million, equivalent to 0.16% of the total number of Orkla shares.

In 2017, around 68% of Orkla share trades took place through marketplaces other than the Orkla Stock Exchange, such as the Cboe, LSE, Paris and Turquoise. The Orkla share may also be traded through Orkla's Level-1 ADR programme in the US. More information on the ADR programme may be found on Orkla's website under "Investor Relations".

Return on investment

Over time, Orkla shareholders have enjoyed a good return on their shares. The table below shows the average annual return (including reinvested dividends) on the Orkla share compared with the Oslo Stock Exchange Benchmark Index (OSEBX).

Return on investment including reinvested dividends as at 31 December 2017:

	Orkla	OSEBX
Last year	22.53%	19.09%
Last 3 years	101.94%	40.58%
Last 5 years	130.10%	79.20%
Last 10 years	54.44%	65.78%

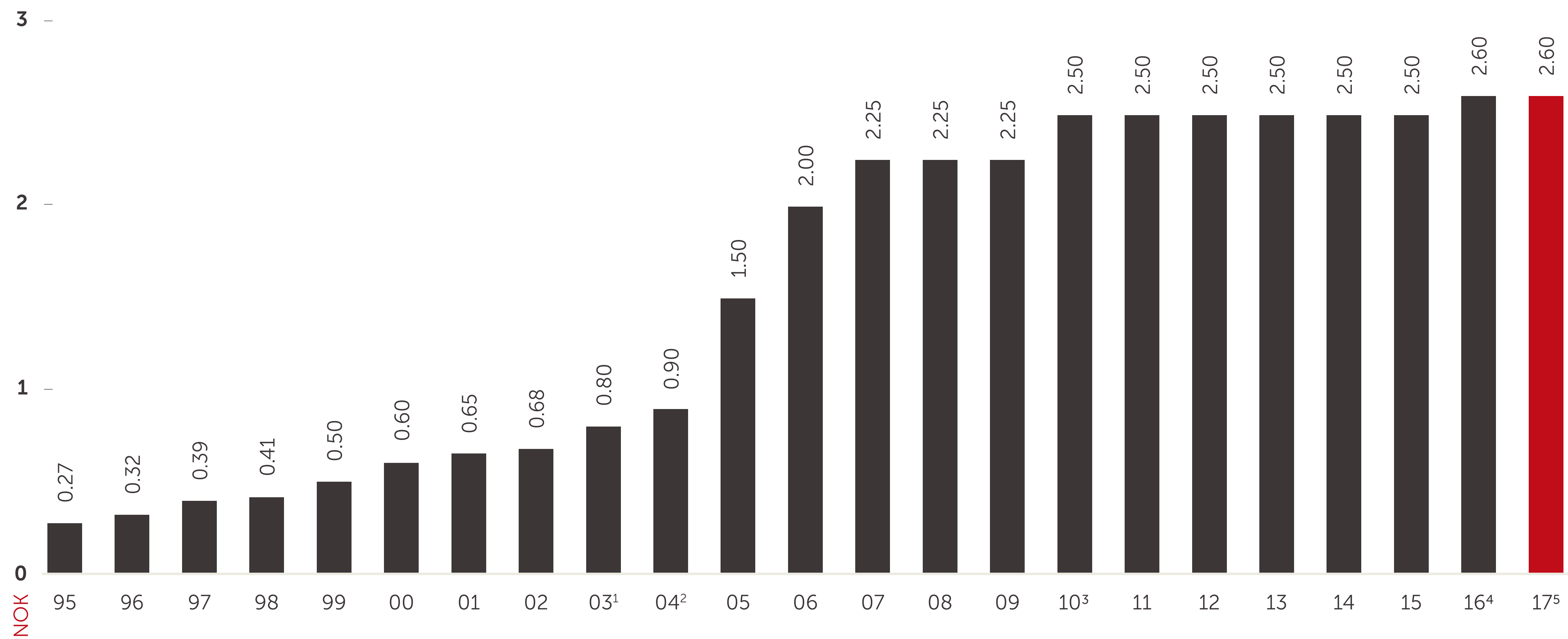
Source: Euroland.com

Dividend policy

Over time, Orkla's shareholders shall receive a competitive return on their investment through a combination of dividends and an increase in the share price. Orkla has achieved a steady, stable increase over time in the dividends paid out. The goal in future is to pay an annual dividend of at least NOK 2.50 per share.

The Board of Directors proposes to pay a dividend of NOK 2.60 per share for the 2017 financial year. The dividend will

Ordinary dividend per share



[1]Additional dividend NOK 5.00 per share.
[2]Additional dividend NOK 1.00 per share.
[3]Additional dividend NOK 5.00 per share.
[4]Additional dividend NOK 5.00 per share.
[5]Proposed dividend.

be paid out on 25 April 2018 to shareholders of record on the date of the Annual General Meeting.

Treasury shares

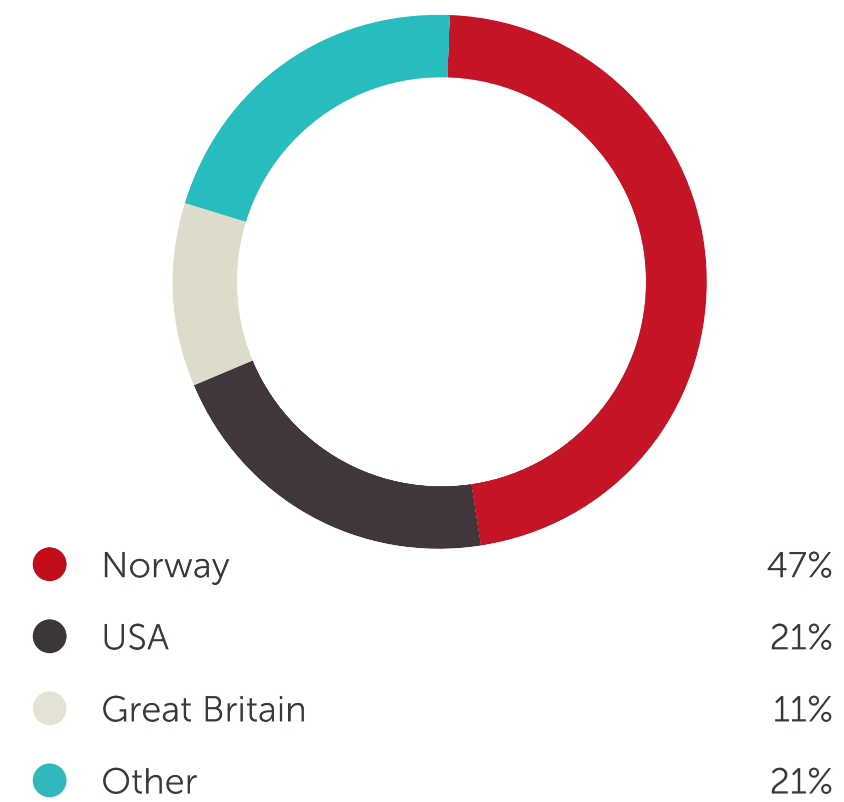
Orkla supplements its dividends with moderate share buybacks. At the 2017 Annual General Meeting, the Board of Directors was granted authorisation to buy back up to 100,000,000 Orkla shares. The authorisation was granted for a limited period of time, and must be implemented at the latest by the 2018 Annual General Meeting. Shares acquired under the authorisation must be cancelled or used in connection with employee incentive programmes, including the Group's employee share purchase programme. A total of 1.5 million Orkla shares were bought back in 2017 for the latter purpose. As at 31 December 2017, Orkla owned 176 933 treasury shares. The Board of Directors will propose to the General Meeting in 2018 that the authorisation to buy back Orkla shares be renewed.

Voting rights

Orkla has one class of share, and each share carries one vote and has a par value of NOK 1.25. Each shareholder is entitled to vote the number of shares which he or she owns and which are registered in the Norwegian Central Securities Depository (VPS) on the date of the general meeting. If the shareholder has acquired the shares shortly before the general meeting, voting rights for the transferred shares may only be exercised if the acquisition has been registered in the VPS, or if the acquisition has been reported to the VPS and proof of the acquisition is presented at the general meeting.

Read more about Orkla's voting rights and the general meeting on Orkla's website, under "Investor Relations".

Shareholders by geographical area[1]



[1]As of 31.12. 2017

Financial Calendar 2018

Date	Event
12 April	Annual General Meeting
13 April	Share traded ex. dividend[1]
25 April	Dividend payment[1]
25 April	1st quarter
13 July	2nd quarter
25 October	3rd quarter

[1]Subject to the approval of the proposed dividend at the General Meeting

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The 20 largest shareholders as at 31.12.2017

Shareholder	No. of shares	%of capital
Canica[1]	250 010 000	24.54%
Folketrygdfondet	86 285 469	8.47%
Newton Investment Management Ltd.	32 593 071	3.20%
Artisan Partners Limited Partnership	30 095 163	2.95%
BlackRock Institutional Trust Company, N.A.	25 667 074	2.52%
The Vanguard Group, Inc.	20 323 212	1.99%
AllianceBernstein L.P.	19 643 741	1.93%
First Eagle Investment Management, L.L.C.	18 246 324	1.79%
Epoch Investment Partners, Inc.	16 744 906	1.64%
Acadian Asset Management LLC	14 081 316	1.38%
KLP Forsikring	13 792 419	1.35%
American Century Investment Management, Inc.	13 640 871	1.34%
M & G Investment Management Ltd.	11 857 479	1.16%
SAFE Investment Company Limited	10 954 221	1.08%
State Street Global Advisors (US)	10 137 495	1.00%
Storebrand Kapitalforvaltning AS	9 770 961	0.96%
INVESCO Asset Management Limited	8 743 808	0.86%
Danske Capital (Norway)	7 955 932	0.78%
Robeco Institutional Asset Management B.V.	7 538 127	0.74%
DNB Asset Management AS	7 387 630	0.73%
Total	**615 469 219**	**60.41%**

Source: The shareholder list is delivered by Nasdaq.
[1]Canica: Canica AS, Canica Investor AS, Tvist 5 AS, Stein Erik Hagen AS and shares privately held by Mr. Stein Erik Hagen.

Key figures for the Orkla share

	2017	2016	2015	2014	2013
Share pricing, high (NOK)	87.30	83.55	72.25	59.15	52.75
Share pricing, low (NOK)	73.40	64.65	48.73	45.82	43.28
Share price, closing 31.12	87.05	78.20	70.10	51.15	47.32
Diluted earnings per share (NOK)	8.43	4.22	3.24	1.63	0.68
Dividend paid per share[1] (NOK)	2.60[1]	2.60	2.50	2.50	2.50
Percentage of foreign shareholders	52.9 %	51.8 %	54.5 %	53.8 %	52.1 %
Number of shares issued as of 31.12	1,018,930,970	1,018,930,970	1,018,930,970	1,018,930,970	1,018,930,970
Number of shares outstanding as of 31.12	1,018,754,037	1,017,717,835	1,017,990,670	1,017,098,067	1,013,958,864

[1]Proposed dividend

Brokerage house	Contact	Telephone	E-mail
ABG Sundal Collier	Petter Nystrøm	+47 22 01 61 35	petter.nystrom@abgsc.no
Arctic Securities	Magnus Berg	+47 484 03 209	magnus.berg@arcticsec.no
Bernstein	Andrew Wood	+65 62 30 46 49	andrew.wood@bernstein.com
Carnegie	Preben Rasch-Olsen	+47 22 00 93 59	pro@carnegie.no
Danske Market Equities	Martin Stenshall	+47 85 40 70 73	martin.stenshall@danskebank.com
DNB Markets	Ole Martin Westgaard	+47 24 16 92 00	ole.martin.westgaard@dnb.no
Goldman Sachs	John Ennis	+44 2075529608	john.ennis@gs.com
Handelsbanken Capital Markets	Kjetil Lye	+47 22940700	kjly01@handelsbanken.no
Kepler Cheuvreux	Hans-Marius Lee Ludvigsen	+47 922 90 803	hludvigsen@keplercheuvreux.com
Nordea Markets	Anders Hagen	+47 22 48 79 83	anders.hagen@nordea.com
Pareto Securities	Kenneth Sivertsen	+47 930 26 727	Kenneth.Sivertsen@paretosec.com
SEB Enskilda	Markus Bjerke	+47 21 00 85 17	markus.bjerke@seb.no
SpareBank1 Markets	Øyvind Mossige	+47 24 13 37 02	oyvind.mossige@sb1markets.no

Additional information for valuation purposes

One possible model for valuing Orkla is based on distinguishing between the branded consumer goods business, where the value lies in future earnings from continuing operations, and the Group's negotiable assets, which have identifiable market values and where earnings are not a part of Orkla's operating profit from the branded consumer goods business.

Consolidated operations:

Hydro Power

The power operations have been fully consolidated into Orkla's income statement and are reported as Hydro Power. The power operations consist primarily of two assets, a reservoir power plant in Sauda (85% interest) and a run-of-the-river plant in Sarpsfoss. The Sauda hydropower operations are regulated by a civil law lease agreement with Statkraft. The lease runs until 31 December 2030, after which the power plants will be returned to Statkraft in return for financial compensation equivalent to the estimated residual value, written down for tax purposes, of the newly built plants (around NOK 1.1 billion). A final decision on the dispute regarding the tax ownership of one of the Sauda power plants was made by the Supreme Court in 2017, and Saudefaldene is deemed to be the owner for tax purposes of the Sønnå Høy power plant. See Note 16 "Taxes".

Annual production for Saudefaldene averaged 1,928 GWh in 2011-2017. Saudefaldene leases approximately 1 TWh per year from Statkraft and has corresponding delivery commitments, the net effect of which is zero. The rest of the power is sold on the spot market. Payroll expenses and other operating costs related to these activities amounted to approximately NOK 56 million in 2017. Major maintenance investments are generally recognised in the financial statements under operating expenses. Saudefaldene receives an annual amount from Statkraft in compensation for major maintenance investments. The net charge was approximately NOK 9 million in 2017 compared to approximately zero in 2016. Depreciation totalled NOK 51 million in 2017.

The Sarpsfoss power operations are based on power rights that are not subject to reversion, and production averaged 611 GWh in 2011-2017. The power is sold on the spot market. Payroll expenses and other operating costs related to these activities totalled around NOK 40 million in 2017. Depreciation amounted to around NOK 10 million in 2017.

Financial Investments

Financial Investments consist of shares and financial assets, as well as Orkla Eiendom, with a total book value of approximately NOK 1.5 billion as at 31 December 2017.

The market value of shares and financial assets was NOK 17 million as at 31 December 2017. For more information, see also Note 24 "Shares and financial assets".

Orkla Eiendom meets the Group's needs for specialised expertise and assistance in the real estate sector, and is responsible for the administration, development and sale of properties that are not utilised in Orkla's industrial operations. Orkla also has a historical portfolio of real estate-related investments, which are being sold in accordance with the current strategy. The most important development projects in the portfolio are the construction of Orkla's new head office at Skøyen and two housing projects at Torshov in Oslo. As at 31 December 2017, the book value of Orkla's real estate investments was NOK 1.5 billion. About NOK 1.1 billion of that amount was related to the three largest development projects. The main objective in future will be to realise the potential value in the development projects, secure assets and free up capital by selling properties and projects that are not to be further developed. Current development projects entail a need for investments during the construction period, while gains are primarily expected to be realised in the period 2018-2020.

Read more at www.orklaeiendom.no.

Associates:

Jotun

Orkla owns 42.6% of Jotun, which is reported as an associate. Jotun is a well-established global manufacturer of paint and powder coatings, and holds strong positions in Scandinavia, Asia and the Middle East. The company is steadily expanding and has achieved good organic growth in the past few years. Jotun reported operating revenues of NOK 16.4 billion in 2017 and EBIT amounted to NOK 1.4 billion. Net interest-bearing liabilities as at 31 December 2017 totalled NOK 2.0 billion.

Read more at www.jotun.no.

Orkla Board of Directors

Click on the names for info

STEIN ERIK HAGEN

GRACE REKSTEN SKAUGEN

INGRID JONASSON BLANK

LISBETH VALTHER

LARS DAHLGREN

NILS K. SELTE

LISELOTT KILAAS

TERJE UTSTRAND

SVERRE JOSVANGER

KARIN HANSSON

ROGER VANGEN

CAROLINE MARIE HAGEN KJOS

STEIN ERIK HAGEN[1]

Chairman of the Board (b. 1956)

Degree from the Retail Institute (now the Norwegian School of Retail).

Mr Hagen was first elected to the Board in 2004, has been Chairman of the Board since 2006, and is up for election in 2018. Mr Hagen established the first business of his own in 1976 and he and his children jointly own the family company, Canica AS, and other companies. He is active in a number of the family companies and is member of the Board of Directors of Arcus ASA. Besides being member of the Board of the Prostate Cancer Foundation, USA and member of the Spine Leadership Council at the Hospital for Special Surgery in New York. Orkla and Canica and/or Stein Erik Hagen have one common business interest*. Orkla's Board of Directors has been informed of this interest, and has taken due note of the information.

Mr Hagen and related parties own 250 010 000 shares in Orkla ASA.[2] Mr Hagen attended 11 Board meetings in 2017.

**Oslo Business Park (Østre Aker vei 90) is owned by Capto Eiendom AS and Winta Eiendom AS on a 50/50 basis. Canica owns 25% of Winta Eiendom AS.*

[1]Not independent
[2]Shares owned as at 31 December 2017

Orkla Board of Directors

Click on the names for info

GRACE REKSTEN SKAUGEN

Deputy Chair of the Board (b. 1953)

MBA, BI Norwegian Business School, B.Sc. and Ph.D in Laser Physics, Imperial College of Science and Technology.

Ms Reksten Skaugen was first elected to the Board in 2012 and is up for election in 2018. She works as an independent consultant. She is a founder and member of the Board of the Norwegian Institute of Directors. She is also member of the Board of Directors of Lundin Petroleum AB and Euronav Tankers, and member of the Board and Chair of the Audit and Risk Committee of Investor AB. She was formerly associated with SEB Enskilda Securities, Corporate Finance.

Ms Reksten Skaugen and related parties own 5500 shares in Orkla ASA.[2]
Ms Reksten Skaugen attended 11 Board meetings in 2017.

[2]Shares owned as at 31 December 2017

Orkla Board of Directors

Click on the names for info

INGRID JONASSON BLANK

Member of the Board (b. 1962)

B.Sc. in Business Administration and Economics from the University of Gothenburg

Ms Jonasson Blank was first elected to the Board in 2013 and is up for election in 2018. She held various positions at ICA from 1986 to 2010, most recently as EVP Functional Market Responsibility, ICA Sverige. She is currently member of the Board of Fiskars Oyj, Royal Unibrew AS, Bilia AB, Ambea AB, Musti ja Mirri Group Oy, Nordic Morning Group, Martin & Severa AB and ZetaDisplay AB.

Ms Jonasson Blank and related parties own 3750 shares in Orkla ASA.[2]
Ms Jonasson Blank attended 10 Board meetings in 2017.

[2]Shares owned as at 31 December 2017

Orkla Board of Directors

Click on the names for info

LISBETH VALTHER

Member of the Board (b. 1966)

Bachelor in Business Administration and Diploma in Marketing, Handelshøjskolen SYD, Denmark

Ms Valther was first elected to the Board in 2013 and is up for election in 2018. She is co-founder of Next Step Citizen A/S and has been CEO of the company since 2012. From 1989 to 2012 she held various positions at LEGO, most recently as EVP Consumer, Education & Direct (2006–2012) in charge of the LEGO Group's direct trade with consumers, digital activities and new business development. Member of the Board of Directors and member of the Audit Committee of Amersports Oy since 2015.

Ms Valther and related parties own 5000 shares in Orkla ASA.[2] Ms Valther attended 11 Board meetings in 2017.

[2]Shares owned as at 31 December 2017

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Orkla Board of Directors

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STEIN ERIK HAGEN

GRACE REKSTEN SKAUGEN

INGRID JONASSON BLANK

LISBETH VALTHER

LARS DAHLGREN

NILS K. SELTE

LISELOTT KILAAS

TERJE UTSTRAND

SVERRE JOSVANGER

KARIN HANSSON

ROGER VANGEN

CAROLINE MARIE HAGEN KJOS

LARS DAHLGREN

Member of the Board (b. 1970)

M.Sc. in Economics and Business Administration from the Stockholm School of Economics

Mr Dahlgren was first elected to the Board in April 2014 and is up for election in 2018. Mr Dahlgren has been CEO of Swedish Match AB since 2008. From 2004 to 2008 he was CFO of Swedish Match AB, and from 2002 to 2004 held the post of VP Group Finance at Swedish Match AB. From 2000 to 2002 he was Financial Director and Director of Business Development at Vasatek Ltd. (a joint venture between Swedish Match and Gumtech Inc.). Prior to that, from 1998 to 2000, Mr Dahlgren was Financial Director, Treasurer and IT Director at Swedish Match Philippines Inc. From 1996 to 1998 he worked as Assistant Controller at Swedish Match AB, and prior to that, from 1995 to 1996, as Financial Analyst at SBC Warburg.

Mr Dahlgren and related parties own 4000 shares in Orkla ASA.[2] Mr Dahlgren attended 11 Board meetings in 2017.

[2]Shares owned as at 31 December 2017

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Orkla Board of Directors

Click on the names for info

STEIN ERIK HAGEN

GRACE REKSTEN SKAUGEN

INGRID JONASSON BLANK

LISBETH VALTHER

LARS DAHLGREN

NILS K. SELTE

LISELOTT KILAAS

TERJE UTSTRAND

SVERRE JOSVANGER

KARIN HANSSON

ROGER VANGEN

CAROLINE MARIE HAGEN KJOS

NILS K. SELTE[1]

Member of the Board (b. 1965)

M.Sc. in Business (siviløkonom), BI Norwegian Business School

Mr. Selte was first elected to the Board in April 2014 and is up for election in 2018. Since 2014 he has been CEO of Canica AS where he has been employed since 2001, first as CEO from 2001 to 2006 and later as Finance Director from 2006 to 2014. Mr Selte was previously Group Treasurer at ICA Ahold AB from 1999 to 2001, before which, from 1998 to 2001, he held the post of Finance Manager at Hakon Gruppen AS. From 1994 to 1996 he was Finance Manager at LIVI Norge AS and consultant at the Office of the Auditor General of Norway from 1991 to 1994. Nils K. Selte is member of the Board of Komplett AS and Deputy Chair of the Board of Jernia AS and several other Canica companies.

Mr. Selte and related parties own 24 000 shares in Orkla ASA.[2] Mr Selte attended 11 Board meetings in 2017.

[1]Not independent
[2]Shares owned as at 31 December 2017

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Orkla Board of Directors

Click on the names for info

LISELOTT KILAAS

Member of the Board (b. 1959)

M.Sc. in Mathematical Statistics, University of Oslo, and Master of Business Administration, IMD, Lausanne

Ms Kilaas was first elected to the Board in April 2017 and is up for election in 2018. She was CEO of Aleris Group from 2013 to 2017. Prior to that, she was Managing Director of Aleris Norge and subsequently Managing Director of Aleris Norge and Danmark. From 1997 to 2006, she held the post of Director at Stentofon and later Managing Director of Zenitel ASA. From 1988 to 1977, she was a partner in PA Consulting Group. Before that, she held the posts of Senior Safety Engineer at Norwegian Petroleum Consultants and Reliability Engineer at Shell International Petroleum Maatschappij B.V. She is member of the Board and member of the Audit Committee of Folketrygdfondet and DNV-GL.

Ms Kilaas and related parties own 2500 shares in Orkla ASA.[2] Ms Kilaas attended 7 Board meetings in 2017.

[2]Shares owned as at 31 December 2017

Orkla Board of Directors

Click on the names for info

TERJE UTSTRAND

Employee representative on the Board (b. 1964)

Mr Utstrand was first elected to the Board in 2012 and is up for election in 2018. He has served as chief trade union representative since 2010, and is Chair of the Board for LO union members at Orkla and Chair of Orkla's Committee of Union Representatives and European Works Council. Mr Utstrand has also been NNN union representative at Nidar AS since 1999 (chief union representative 2002-2010), deputy member of the Board of Nidar AS from 2004 to 2010 and member of the Board of Orkla Brands AS from 2008 to 2012. Moreover, he has been a member of Orkla's Committee of Union Representatives-Working Committee since 2000. Mr Utstrand is employed at Orkla Confectionery & Snacks Norge.

Mr Utstrand and related parties own 6140 shares in Orkla ASA.[2] Mr Utstrand attended 11 Board meetings in 2017.

[2]Shares owned as at 31 December 2017

Orkla Board of Directors

Click on the names for info

SVERRE JOSVANGER

Employee representative on the Board (f. 1963)

Mr Josvanger was first elected to the Board in 2012 and is up for election in 2018. He is Chair of the Executive Committee for Salaried Employees at Orkla and has served as secretary of Orkla's Committee of Union Representatives and the Working Committee of the Executive Committee since 2012. He is also member of the European Works Council, and has sat on Orkla's Pension and Insurance Council (POFFO) since 2012. Mr Josvanger has been head of the trade union division at Nidar since 1994 and chief union representative for salaried employees at Nidar since 2010. As from May 2014 he has been member of the Audit Committee. He has been employed at Orkla Confectionery & Snacks as sales consultant since 1988.

Mr Josvanger and related parties own 18 953 shares in Orkla ASA.[2].
Mr Josvanger attended 11 Board meetings in 2017.

[2]Shares owned as at 31 December 2017

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Orkla Board of Directors

Click on the names for info

KARIN HANSSON

Employee representative on the Board (b. 1960)

Ms Hansson was first elected to the Board in 2016 and is up for election in 2018. She is employed at Orkla Foods Sverige, and is an elected representative of the Swedish Food Workers' Union at Orkla Foods Sverige and a member of Orkla Foods Sverige's Board of Directors and the Working Committee of Orkla Foods' Liaison Committee. She is also a member of Orkla's Committee of Union Representatives, Working Committee of the Executive Committee and the European Works Council.

Ms Hansson and related parties own 1387 shares in Orkla ASA.[2]
Ms Hansson attended 10 Board meetings in 2017.

[2]Shares owned as at 31 December 2017

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Orkla Board of Directors

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STEIN ERIK HAGEN

GRACE REKSTEN SKAUGEN

INGRID JONASSON BLANK

LISBETH VALTHER

LARS DAHLGREN

NILS K. SELTE

LISELOTT KILAAS

TERJE UTSTRAND

SVERRE JOSVANGER

KARIN HANSSON

ROGER VANGEN

CAROLINE MARIE HAGEN KJOS

ROGER VANGEN

Employee representative on the Board (b. 1965)

Mr Vangen was first elected to the Board in 2016 and is up for election in 2018. He is employed at Orkla Foods Norge and NNN union representative at Orkla Foods Norge, Stranda branch. Mr Vangen is also a member of the Committee of Representatives at Orkla Foods Norge, member of the Liaison Committee's Working Committee at Orkla Foods, member of the Board for LO union members at Orkla, member of Orkla's Committee of Union Representatives, the Working Committee of the Executive Committee and the European Works Council.

Mr Vangen and related parties own 7914 shares in Orkla ASA.[2]
Mr Vangen attended 11 Board meetings in 2017.

[2]Shares owned as at 31 December 2017

Orkla Board of Directors

Click on the names for info

CAROLINE MARIE HAGEN KJOS[1]

Personal Deputy Member for Stein Erik Hagen and Nils K. Selte (b. 1984)

Bachelor of Business Administration from Parsons The New School for Design, New York

Ms Hagen Kjos was first elected to the Board in 2016 and is up for election in 2018. She works as Project Manager in Canica International AG, Switzerland, where she shares responsibility for investments and strategy with the Managing Director. She has previously been employed as Project Manager in marketing and purchasing in Jerniagruppen. Ms Hagen Kjos is Chair of the Board of Directors of Canica AS and deputy member of the Board of Komplett AS.

Ms Hagen Kjos and related parties own no shares in Orkla ASA.[2,3]
Ms Hagen Kjos attended 10 Board meetings in 2017.

[1]Not independent
[2]Shares owned as at 31 December 2017
[3]Ms Hagen Kjos has a significant equity interest in the Canica companies, but she has no controlling influence in them.

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The Group Executive Board

Click on the names for info

PETER A. RUZICKA

President and CEO (b. 1964)

MBA and degree in Business Economics, Oslo School of Business Administration

President and CEO since February 2014. Mr Ruzicka has 25 years of experience in the retail sector. He was Managing Director of Hakon Gruppen AS from 1995 to 2000 and responsible for establishing ICA in the Baltics in the same period. From 1998 to 2000 he was Deputy CEO of ICA AB. From 2000, Mr Ruzicka headed Ahold’s operations in the Czech Republic and Slovakia. He was also Managing Director of Jernia ASA from 2003 to 2006, and Managing Director of Canica AS from 2006 to 2014. In addition to serving as Chairman of the Board of Jernia ASA from 2007 to 2014, he has been Chairman of the Board of Komplett ASA, member of the Board of REC ASA, and member of the Board of Orkla ASA, first from 2003 to 2005 and then from 2008 to 2014. He is a member of the Board of AIM – European Brands Association.

Mr Ruzicka and related parties own 683,986 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

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The Group Executive Board

Click on the names for info

JENS BJØRN STAFF

Executive Vice President, Chief Financial Officer (b. 1967)

MBA, Norwegian School of Economics (NHH), BA, BI Norwegian Business School, Economics, University of Oslo

Member of Orkla's Group Executive Board since June 2014. Mr Staff was Executive Vice President and CFO at Statkraft AS from 2011 to 2014. In the period 2005–2011 he held various positions as Finance Director in the Statoil Group, including in Statoil Detaljhandel AS and Energy & Retail Europe. From 2002 to 2005, he was Financial Director at Posten Norge AS, before which he was employed at PwC from 1998 to 2002. From 1995 to 1998 he worked at IKEA Slependen AS, including as Operations Manager.

Mr Staff and related parties own 2,236 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

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The Group Executive Board

Click on the names for info

KARL OTTO TVETER

Chief of Group Functions and Group Director Legal Affairs (b. 1964)

Degree in Law, University of Oslo

Member of Orkla's Group Executive Board since February 2012. Mr Tveter has been Senior Vice President Legal Affairs at Orkla since 2000. Before that he served as deputy counsel/counsel at Orkla from 1992. Mr Tveter also has prior experience from the Ministry of Finance, Tax Law Department.

Mr Tveter and related parties own 47,568 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

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The Group Executive Board

Click on the names for info

JOHAN CLARIN

Group Director, Operations (b. 1971)

M.Sc, Business Administration, University of Gothenburg, Stockholm School of Economics

Member of Orkla's Group Executive Board since September 2013. From 2007 to 2013 Mr Clarin held several senior executive positions at Sony Mobile Communications AB, most recently as Global Head of Manufacturing and Logistics and President & CEO of Beijing Mobile Communications Ltd. He was also member of the Board of Directors of Sony Mobile's Chinese joint venture, 2011-2013. Prior to that, Mr Clarin held the post of Senior Manager at Accenture AB from 1997 to 2006, with focus on supply chain management.

Mr Clarin and related parties own 3,072 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

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The Group Executive Board

Click on the names for info

PETER A. RUZICKA

JENS BJØRN STAFF

KARL OTTO TVETER

JOHAN CLARIN

ATLE VIDAR NAGEL JOHANSEN

ANN-BETH FREUCHEN

STIG EBERT NILSSEN

PÅL EIKELAND

TERJE ANDERSEN

CHRISTER GRÖNBERG

HÅKON MAGELI

ATLE VIDAR NAGEL JOHANSEN

Executive Vice President and CEO Orkla Foods (b. 1963)

Certified Financial Analyst, Norwegian School of Economics (NHH), M.Sc. in Business (siviløkonom), BI Norwegian Business School

Member of Orkla's Group Executive Board since June 2012. Mr Nagel Johansen has been CEO of Orkla Foods since 2012. Prior to that, he was CEO of Orkla Foods Nordic from 2008 to 2012 and CEO of Orkla Foods from 2005 to 2008. He was also Marketing Director, Orkla Foods International, 2003–2005. Finance Director, Orkla Foods, 2001–2003. Chief Financial Officer, Tandberg Data ASA, 1999–2000. Finance Director, Sætre AS/Orkla Snacks, 1996–1999, Head of Economic Planning & Analysis, Orkla ASA, 1993–1996, financial analyst, Carl Kierulf & Co, 1989–1992, and financial analyst, Jøtun Fonds, 1987–1989.

Mr Nagel Johansen and related parties own 26,781 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

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The Group Executive Board

Click on the names for info

ANN-BETH FREUCHEN

Executive Vice President, CEO Orkla Confectionery & Snacks (b. 1971)

M.Sc. in Business (siviløkonom), BI Norwegian Business School

Member of Orkla's Group Executive Board since July 2015. Prior to that, Ms Freuchen was CEO of Orkla Confectionery & Snacks Norge from 2013. From 2010 to 2013, she held the post of CEO of KiMs Norge. She has previously held various management positions in sales and marketing at Nidar and KiMs Norge. Ms Freuchen began her career at Orkla as Product Manager at Lilleborg in 1996.

Ms Freuchen and related parties own 8,676 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

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The Group Executive Board

STIG EBERT NILSSEN

Executive Vice President, CEO Orkla Care (b. 1964)

Major in Finance and International Marketing, Oslo Handelshøyskole

Member of Orkla's Group Executive Board since April 2013. Mr Nilsen was CEO of Axellus AS from 2005 to 2013, Managing Director of Collett Pharma A/S, 2004–2005, Vice President, Nycomed Pharma, Nordic Consumer Health, 2000–2004 and Director, Profit Center, Consumer in Norway, Nycomed Pharma A/S, 1999–2000. Prior to that he was Marketing Director and Marketing Manager at Herman Lepsøe A/S, 1994–1999 and Nordic Product Group Manager at SC Johnsen, 1991–1993. From 1988 to 1991 he was trainee, Product Manager and Marketing Manager at Scandinavian Press (part of IMP Group).

Mr Nilssen and related parties own 49 946 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

The Group Executive Board

Click on the names for info

PÅL EIKELAND

Executive Vice President, CEO Orkla Food Ingredients (b. 1959)

M.Sc. in Business (siviløkonom), BI Norwegian Business School

Member of Orkla's Group Executive Board since June 2012, Mr Eikeland has been CEO of Orkla Food Ingredients since 2010. He was also Senior Vice President, Corporate Development Purchasing at Orkla, 2005–2010, Purchasing Director at Orkla/Orkla Foods, 2001–2005, Director at Lilleborg Profesjonell, 1994–2001, CEO of Philips Lys AS, 1992–1994. He also held various managerial positions in sales and marketing at Lilleborg, 1983–1992.

Mr Eikeland and related parties own 23,736 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

01 02 03 04 05

The Group Executive Board

Click on the names for info

PETER A. RUZICKA

JENS BJØRN STAFF

KARL OTTO TVETER

JOHAN CLARIN

ATLE VIDAR NAGEL JOHANSEN

ANN-BETH FREUCHEN

STIG EBERT NILSSEN

PÅL EIKELAND

TERJE ANDERSEN

CHRISTER GRÖNBERG

HÅKON MAGELI

TERJE ANDERSEN

CEO and Head of Orkla Investments (b. 1958)

M.Sc. in Economics and Business Administration (siviløkonom), Norwegian School of Economics (NHH).

Member of Orkla's Group Executive Board since November 2005. Mr Andersen has been head of Orkla Investments since 2013, Senior Vice President, Corporate Finance at Orkla since 2000 and Chief Financial Officer of Orkla ASA since 2003. Prior to that, he was Finance Director at Orkla Brands and Lilleborg, and held the position of Manager at Deloitte Consulting and Nevi Finans.

Mr Andersen and related parties own 56,876 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

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The Group Executive Board

Click on the names for info

Members of Orkla's expanded Group Executive Board:

CHRISTER GRÖNBERG

Group Director, HR (b. 1961)

College degree in Human Resources

Member of Orkla's Group Executive Board since June 2014. From 2010 to 2014, Mr Grönberg was HR Director at Orkla Foods, prior to which he held the position of HR Director at Stabburet from 2008 to 2010. Mr Grönberg was employed at Procordia Food from 1998 to 2008, including eight years as HR Director. From 1982 to 1998, Mr Grönberg pursued a career in the Swedish Armed Forces.

Mr Grönberg and related parties own 7,301 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

The Group Executive Board

Click on the names for info

PETER A. RUZICKA

JENS BJØRN STAFF

KARL OTTO TVETER

JOHAN CLARIN

ATLE VIDAR NAGEL JOHANSEN

ANN-BETH FREUCHEN

STIG EBERT NILSSEN

PÅL EIKELAND

TERJE ANDERSEN

CHRISTER GRÖNBERG

HÅKON MAGELI

Members of Orkla's expanded Group Executive Board:

HÅKON MAGELI

Group Director, Corporate Communications & Corporate Affairs (b. 1964)

M.Sc. in Business (siviløkonom), BI Norwegian Business School, The Executive Programme (Darden, USA)

Member of Orkla's Group Executive Board since June 2012. Mr Mageli was Director of Corporate Affairs at Orkla Brands from 2008 to 2012. Prior to that, from 1995 to 2008, Mr Mageli was Information Director at Orkla Foods. From 1993 to 1995, he was Director, Public Affairs, Orkla Foods, in Brussels, and Company Secretary, Nora Foods from 1991 to 1993. Mr Mageli worked as a journalist at Dagens Næringsliv from 1985 to 1990. He is Chairman of the Confederation of Norwegian Enterprise's Trade Policy Committee, member of the Board of the Federation of Norwegian Food and Drink Industry and Chair of the Board of Matmerk – The Norwegian Food Branding Foundation.

Mr Mageli and related parties own 80,000 shares in Orkla ASA[1].

[1]Shares owned as at 31 December 2017.

Governing bodies and elected representatives

Nomination Committee

Nomination Committee elected by the General Meeting (see Article 13 of the Articles of Association)

Anders Christian Stray Ryssdal (1315)[1]
Leiv Askvig (0)
Nils-Henrik Pettersson (42 080)
Karin Bing Orgland (0)

Board of Directors

Stein Erik Hagen (250 010 000)
Grace Reksten Skaugen (5500)
Ingrid Jonasson Blank (3750)
Lisbeth Valther (5000)
Lars Dahlgren (4000)
Nils K. Selte (24 000)
Liselott Kilaas (2500)

Employee-elected Board members

Terje Utstrand (6140)
Sverre Josvanger (18 953)
Roger Vangen (7914)
Karin Hansson (1387)

Shareholder-elected Deputy Board member

Caroline Hagen Kjos (0)[2]

Auditor

Ernst & Young AS (0)
Erik Mamelund (0), State authorised public accountant

Corporate democracy at Orkla ASA

Active employee participation in the governing bodies, both at Group level and in the individual Group companies, is an important element of decision-making processes at Orkla. It has been an aim to evolve representational arrangements that adequately ensure broad-based involvement and genuine influence. Orkla's current corporate democracy system was established in an agreement signed in 2015 between union representatives and the company's executive management.

The employees are represented by four of the 11 members of Orkla's Board of Directors.

A Committee of Union Representatives has been established for employees of the Norwegian, Swedish and Danish companies in the Orkla Group. This arrangement ensures broad representation for Group employees, based on company, union and country. In Norway, there are also separate committees of representatives for LO union members and for salaried employees. The Committees meet regularly with the Group's executive management to discuss matters relevant to the Group.

Figures in brackets indicate the number of shares owned as at 31 December 2017, including those owned by related parties.
[1] Owned by related parties.
[2] Ms Hagen Kjos has a significant equity interest in the Canica companies, but does not have controlling influence in them.

A European Works Council (EWC) has been established at Orkla, and liaison committees have been established in the Orkla Foods, Orkla Confectionery & Snacks, Orkla Food Ingredients and Orkla Care business areas. In addition to the corporate arrangements described above, the employees are represented on the Board of Directors and works council of major companies in the Orkla Group.

The list below shows the members of Orkla's Committee of Union Representatives as at 31 December 2017:

Orkla Committee of Union Representatives
Working Committee

Terje Utstrand, Chair,
Karin Hansson, 1st Deputy Chair
Peer Sørensen, 2nd Deputy Chair
Sverre Josvanger, Secretary
Roger Vangen, member
Janne Halvorsen, member
Sven-Erik Videén, member

Committee of Representatives
(in addition to the Working Committee)

Sven-Erik Videén
Dorota Galik
Christer Florin
Robert Kollevåg
Perny Emdal
Mette Novak
Ingrid S. Nielsen
Morgan Andersson
Morten Gilberg
Geir F. Engelbrethsen

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Group Directory

ORKLA ASA
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P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 00
www.orkla.com

BRANDED CONSUMER GOODS

ORKLA FOODS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 00

Orkla Foods Norge AS
P.O. Box 711, NO-1411 Kolbotn, Norway
Tel.: +47 66 81 61 00
www.orkla.no

- Orkla Foods Norge AS, Idun, Rygge branch
- Orkla Foods Norge AS, Nora, Rygge branch
- Orkla Foods Norge AS, SaritaS, Kristiansand branch
- Orkla Foods Norge AS, Stabburet, Fredrikstad branch
- Orkla Foods Norge AS, Stabburet, Sem branch
- Orkla Foods Norge AS, Stranda branch
- Orkla Foods Norge AS, Stabburet, Vigrestad branch
- Orkla Foods Norge AS, Sunda, Oslo branch
- Orkla Foods Norge AS, Toro, Arna branch
- Orkla Foods Norge AS, Elverum branch
- Orkla Foods Norge AS, Vossafår branch

Orkla Foods Sverige AB
Isbergs gata 9 b, SE-211 19 Malmö, Sweden
Tel.: +46 10 142 40 00
www.orkla.se

- Orkla Foods Sverige AB, Eslöv, Sweden
- Orkla Foods Sverige AB, Frödinge, Sweden
- Orkla Foods Sverige AB, Fågelmara, Sweden
- Orkla Foods Sverige AB, Kumla, Sweden
- Orkla Foods Sverige AB, Kungshamn, Sweden
  Orkla Foods Sverige AB, Simrishamn, Sweden
- Orkla Foods Sverige AB, Tollarp, Sweden
- Orkla Foods Sverige AB, Uddevalla, Sweden
- Orkla Foods Sverige AB, Vansbro, Sweden
- Orkla Foods Sverige AB, Örebro, Sweden

Orkla Foods Danmark A/S
Hørsvinget 1-3, DK-2630 Taastrup, Denmark
Tel.: +45 43 58 93 00
www.orkla.dk

- Orkla Foods Danmark A/S, Ansager, Denmark
- Orkla Foods Danmark A/S, Havnsø, Denmark
- Orkla Foods Danmark A/S, Skælskør, Denmark
- Orkla Foods Danmark A/S, Ringkøbing, Denmark

Orkla Foods Fenno-Baltic
Orkla Foods Finland Oy
PO Box 683, FI-20361 Turku, Finland
Tel.: +358 20 785 4000
www.orklafoods.fi

- Orkla Foods Finland Oy, Turku, Finland
- AS Põltsamaa Felix, Põltsamaa, Estonia
- Orkla Foods Lietuva, Kaunas, Lithuania
- Orkla Foods Latvija, Riga, Latvia

Orkla Foods Central Europe
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 00

Felix Austria GmbH
Felixstraße 24, AT-7210 Mattersburg, Austria
Tel.: +43 2626 610-0
www.felix.at

VITANA, a.s.
Armády 245, CZ-155 00 Praha 5 – Stodulky, Czech Rep.
Tel.: +420 257 198 111
www.vitana.cz
www.vitanafs.cz
www.vitana.sk

- VITANA, a.s., Bysice, Czech Rep.
- VITANA, a.s., Roudnice nad Labem, Czech Rep.
- VITANA, a.s., Varnsdorf, Czech Rep.
- VITANA Slovensko, s.r.o., Slovakia

Hamé s.r.o.
Na Drahách 814, CZ-686 04 Kunovice, Czech Rep.
Tel.: +420 572 534 111
www.hame.cz

MTR Foods Private Limited
No. 1, 2nd & 3rd floor, 100 feet inner ring road
Ejipura, Bangalore – 560047, India
Tel.: +91 80 40 81 21 00
www.mtrfoods.com

- Rasoi Magic Foods Pvt. Limited, Pune, India

ORKLA CONFECTIONERY & SNACKS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 42 00

Orkla Confectionery & Snacks Norge AS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 42 00
www.nidar.no
www.kims.no
www.sætre.no

- Trondheim, Norway
- Skreia, Norway

Orkla Confectionery & Snacks Sverige AB
Box 1196, SE-171 23 Solna, Sweden
Tel.: +46 77 111 10 00
www.olw.se
www.goteborgskex.se

- Filipstad, Sweden
- Kungälv, Sweden

Orkla Confectionery & Snacks Danmark A/S
Sømarksvej 31-35, DK-5471 Søndersø, Denmark
Tel.: +45 63 89 12 12
www.orkla.dk

Orkla Confectionery & Snacks Finland AB
Äyritie 22, FI-01510 Vantaa, Finland
Tel.: +358 20 791 8600

- Haraldsby, Åland, Finland
- Vaajakoski, Finland

Orkla Confectionery & Snacks Latvija Ltd.
Miera iela 22, LV-1001 Riga, Latvia
Tel.: +371 67 080 302
www.orkla.lv

AS Kalev
Põrguvälja tee 6, Lehmja, Rae vald, EE-Harjumaa 75 306, Estonia
Tel.: +372 6877 710
www.kalev.eu

ORKLA CARE
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 00

Lilleborg AS
P.O. Box 673 Skøyen, NO-0214 Oslo, Norway
Tel.: +47 22 54 40 00
www.orkla.no, www.lilleborgprofesjonell.no

Lilleborg Profesjonell
P.O. Box 673 Skøyen, NO-0214 Oslo, Norway
Tel.: +47 22 54 40 00
www.lilleborgprofesjonell.no

- Lilleborg Profesjonell, Technical Dept., Furuset, Oslo, Norway

Orkla Home & Personal Care
P.O. Box 673 Skøyen, NO-0214 Oslo, Norway
Tel.: +47 22 54 00 00
www.orkla.no

- Orkla Home & Personal Care, Ski branch, Norway
- Orkla Home & Personal Care, Flisa branch, Norway
- Orkla Home & Personal Care, Falun, Sweden
- Orkla Home & Personal Care, Radzymin, Poland
- Riemann A/S, Hillerød, Denmark
- Jordan Asia Pacific Sdn Bhd, Kuala Lumpur, Malaysia
- Peri-dent LTD, Galashiels, Scotland
- Peri-dent Star Sdn Bhd, Nilai, Malaysia

Orkla Health AS
P.O. Box 353 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 00
www.orkla.no - www.orklahealth.com

Orkla Care AB
Box 1336, SE-171 26 Solna, Sweden
Tel.: +46 10 142 64 00
www.orkla.se

Orkla Care A/S
Industrigrenen 10, DK-2635 Ishøj, Denmark
Tel.: +46 78 79 75 62
www.orkla.dk

Orkla Care Oy
Äyritie 24, FI-01510 Vantaa, Finland
Tel.: +358 10 218 370
www.orklacare.fi

Orkla Care Sp z o.o.
Olkuska 7, PL-02-604 Warsaw, Poland
Tel.: +48 22 349 67 00
www.orklahealth.pl

SIA Orkla Health
Rūpniecības iela 19 - 6, LV-1010 Riga, Latvia
Tel.: +371 67211629
www.orklahealth.lv

UAB Orkla Health
Trinapolio 9E, LT-08337 Vilnius, Lithuania
Tel.: +370 5 23 10 654
www.orklahealth.lt

Orkla Wound Care
Box 1336, SE-171 26 Solna, Sweden
Tel.: +46 10-142 64 00
www.orkla.com
www.orklacare.se
www.firstaid.cederroth.com

Orkla Cederroth, S.A.U.
Pol. Ind. Can Barri, C/D, naves 11-12
08415 Bigues I Riells, Barcelona, Spain
Tel.: +34 93 865 70 09

Orkla House Care AB
P.O. Box 133, SE-564 23 Bankeryd, Sweden
Tel.: +46 36 37 63 00
www.anza.se

Orkla House Care Norge AS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 19
www.orklahousecare.com

Orkla House Care Danmark A/S
Stationsvej 13, DK-3550 Slangerup, Denmark
Tel.: +45 47 33 74 00
www.orklahousecare.com

LG Harris & Co Ltd
Stoke Prior, Bromsgrove, B60 4AE, UK
Tel.: +44 1527 575441
www.harrisbrushes.com

Pierre Robert Group AS
P.O. Box 3 Skøyen, NO-0212 Oslo, Norway
Tel.: +47 22 54 40 00
www.pierrerobertgroup.no

Pierre Robert Group AB
Svetsarvägen 15, SE-171 41 Solna, Sweden
Tel.: +46 8 629 17 00
www.pierrerobert.se

Pierre Robert Group Oy
Äyritie 24, FI-01510 Vantaa, Finland
Tel.: +358 20 506 6000
www.pierrerobert.fi

ORKLA FOOD INGREDIENTS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 00

Idun Industri AS, Hvam, Norge
- Idun Industri AS, Rakkestad, Norway
- Bako AS, Hvam, Norway
- Iglo Logistikksenter, Jessheim, Norway
- Candeco Confektyr AB, Malmö, Sweden
- Nimatopaal i Dala-Järna AB, Dala-Järna, Sweden
- Frima Vafler, Århus, Denmark
- Call Caterlink Ltd., Cornwall, England
- Marcantonio Foods, Ltd., Essex, England
- Eisunion, Nürnberg, Germany
- NIC Nederland B.V., Waddinxveen, The Netherlands
- Eis Ludwig Gräbner GmbH, Hannover, Germany
- Laan Heilo B.V., Heiloo, The Netherlands
- Våffelbagaren, Kristianstad, Sweden
- Orchard Valley Foods, Tenbury Wells, England
- Arne B. Corneliussen AS, Oslo, Norway

Odense Marcipan A/S, Odense, Danmark
Bæchs Conditori A/S, Hobro, Denmark

Credin A/S, Juelsminde, Danmark
- Credin Polska, Sobotka, Poland
- Credin Group, Freixeria, Portugal
- Credin Productos Alimenticios, Barcelona, Spain
- Credin Russia, Ulyanovsk, Russia

CBP A/S, Vejle, Danmark
Dragsbæk A/S, Thisted, Danmark
- Kjarnavörur hf, Reykjavik, Iceland
- Innbak hf, Reykjavik, Iceland
- UAB Vilniaus Margarino Gamykla (VMG), Vilnius, Lithuania
- Poznan Onion, Poznan, Poland
- KT Foods, Fårup, Denmark
- Gædabakstur, Reykjavik, Iceland
- Blume Food I/S, Randers, Denmark
- Naturli' Foods, Højbjerg, Denmark
- PureOil I/S, Thisted, Denmark
- Grøndansk ApS, Vejen, Denmark
- Kristjans, Akureyri, Iceland
- Isbud, Reykjavik, Iceland
- Raw Snacks, Viby, Denmark
- SR Foods & Ingredients, Birmingham, England

KåKå AB, Lomma, Sverige
- KåKå AB, Sollentuna, Sweden
- KåKå AB, Örebro, Sweden
- KåKå Czech, Prague, Czech Republic
- Belusa Foods, Belusa, Slovakia
- Jästbolaget AB, Sollentuna, Sweden
- MiNordija, Kaunas, Lithuania
- LaNordija, Riga, Latvia
- Vilmix, Tallinn, Estonia
- Ekvia, Nitra, Slovakia
- Condite Oy, Naantali, Finland
- Teampac, Tyresö, Sweden
- Merkur 09 Sp. z.o.o, Warsaw, Poland
- Kobo, Nisko, Poland
- Sebmag, Ciechanów, Poland
- Holpol, Nowe Skalmierzyce, Poland
- Ekord 17 Sp. z.o.o, Gdansk, Poland

Orkla Foods Romania SA, Bucuresti, Romania
- Orkla Foods Romania, Covasna, Romania
- Orkla Foods Romania, Iasi, Romania
- Hame Romania, Covasna, Romania

Sonneveld Group B.V., Papendrecht, Nederland
- Sonneveld Sarc, Cergy Pontoise, France
- Sonneveld NV/SA, Brussels, Belgium
- Sonneveld KfT, Öcsa, Hungary
- Sonneveld Poland, Nowe Skalmierzyce, Poland
- Broer, Waddinxveen, The Netherlands

OTHER BUSINESSES

Orkla Eiendom AS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
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HYDRO POWER

Sarpsfoss Limited
P.O. Box 162, NO-1701 Sarpsborg, Norway
Tel.: +47 69 11 80 00

• Mossefossen ANS, Moss, Norway

AS Saudefaldene
Vangsnes, NO-4200 Sauda, Norway
Tel.: +47 52 78 80 00

Trælandsfos AS, Kvinesdal
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 00

OTHER GROUP COMPANIES

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