NOTES GROUP

GENERAL INFORMATION

CHANGES IN THE GROUP AND DEVELOPMENTS RELATING TO PARTLY OWNED COMPANIES

SEGMENT INFORMATION

INFORMATION ON INCOME STATEMENT ITEMS

INFORMATION ON STATEMENT OF FINANCIAL POSITION ITEMS

CAPITAL MANAGEMENT

EQUITY INFORMATION

OTHER MATTERS

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 2016 were approved by the Board of Directors of Orkla ASA on 8 February 2017. Orkla ASA is a public limited company and its offices are located in Nedre Skøyen vei 26, Oslo in Norway. 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, as well as in aluminium solutions through its ownership interest in Sapa (50%). The business areas are described in the segment information in Note 7.

The financial statements for 2016 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).

Orkla has maintained its presentation of the notes, whereby 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 a "S" (S).

Guidelines on "Alternative Performance Measures in Financial Reporting" issued by the European Securities and Markets Authority (ESMA) came into force from 3 July 2016. The guidelines concern the presentation of adjusted results (non-GAAP measures) or alternative performance measures as part of financial reporting.

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 and structural changes.

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.

In the income statement, "Depreciation and write-downs property, plant and equipment" and "Amortisation intangible assets" are presented on one line as from 2016. The main reasons for this are both a materiality consideration and the fact that the Group now presents EBIT (adj.) and thus no longer reports amortisation separately. The comparative figures have been changed accordingly.

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.

Changes in the composition of the Group in 2016

There were no disposals of material entities in the Group in 2016 (see Note 5).

The Group has acquired new businesses. The biggest acquisitions in 2016 were Hamé (Orkla Foods) and Harris (Orkla Care). Acquisitions made in 2016 are presented in Note 5.

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 according to their nature in Note 14.

Other matters

Orkla has no loan agreements containing financial covenants.

Impairment tests that have been carried out confirm that the capitalised value as at 31 December 2016 of the Group's most exposed assets is intact (see Note 18).

The Norwegian krone strengthened during 2016. This reduces the value of foreign investments, and consequently a net total of NOK 642 million in negative translation differences has been recognised in equity.

S 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.

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 61% as at 31 December 2016 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 falls due within 12 months or when it consists of cash or cash equivalents on the statement of financial position date. 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 its controlling interests in other companies are presented as a single economic entity. All the companies have applied consistent principles and all intercompany matters have been eliminated.

Interests in companies in which the Group alone has controlling interest (subsidiaries) have been fully consolidated, line by line, 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 or loss after tax and their share of equity are presented on separate lines. As at 31 December 2016, no companies were consolidated in the Group based on the rules regarding de facto control.

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

Smaller ownership interests in other companies are disclosed in Note 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 statement of changes in equity is translated at the closing rate. The second is when the opening and closing rates of the statement of changes in equity differ. When the average exchange rate in the income statement and the opening rate in the statement of changes in equity differ from the closing rate, the changes in equity will necessarily be explained in part by translation differences. Translation differences related to borrowing and lending in another functional currency, identified as net investment, are also reported in comprehensive income. This is shown as a separate item 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	
	2016	2015	2016	2015
EUR	9.29	8.94	9.09	9.62
SEK	0.98	0.96	0.95	1.05
DKK	1.25	1.20	1.22	1.29
USD	8.40	8.06	8.62	8.81

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. The USD is primarily important in relation to the development of Orkla's 50% interest in Sapa (joint venture).

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 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.

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

The statement of comprehensive income is based on the Group's results for the year and presents items that are recognised in equity, but not included in ordinary profit or 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 items.

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

Orkla also presents an Orkla-format cash flow statement. 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 operating activities 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 Recognition of Income (published in May 2014), IFRS 9 Financial Instruments (published in July 2014) and IFRS 16 Leases (published in January 2016). Work is also in progress on changes in the IFRS Conceptual Framework and a new standard for Insurance Contracts.

The new standards will not come into force until 2018/2019. 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 the demarcation between them and service contracts subject to a capitalisation requirement may be vague. This 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 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. Since the Group has sold off the bulk of its former share portfolio, whether potential gains or losses are presented in the ordinary income statement or in the comprehensive income statement will probably have no material effect. On the other hand, the liberalisation of hedge accounting rules will make it easier to hedge future cash flows, for example. As a result, the Group may make greater use of this possibility than before.

NOTE 4 ACCOUNTING MATTERS, 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:

Amounts in NOK million

Accounting item	Note	Estimate/assumptions	Carrying value
Goodwill	18, 19	Net present value future cash flows/NSV[1]	12 741
Trademarks with indefinite life	18, 19	Net present value future cash flows/NSV[1]	4 985
Property, plant and equipment	18, 20	Net present value future cash flows/NSV[1]	11 038
Joint ventures	6	Net present value future cash flows/NSV[1]	8 883

[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.

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, and in a situation where a change in organisation 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.

The value of joint ventures consists of the Group's 50% ownership interest in Sapa. The value is based on the contribution in kind at the time the subsidiary became a joint venture in 2013 (see Note 6).

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 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 will also contribute to reducing the Group's sales revenues. The systems also entail an inherent risk of estimate variance. There have been no material variances between provisions for and actually reported reductions in the last years.

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 interpretations of 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.

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 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 or loss from associates and joint ventures after operating profit.

It is important to note that 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. The bottom line would have been the same.

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.

PRINCIPLES

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 or loss as part of the gain, with a corresponding contra entry in comprehensive income, and any hedging reserves are recognised in profit or 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 are recognised as "Other income and expenses".

Sale of companies

Approval of the acquisition of Cederroth in 2015 was conditional on the sale of the Allevo and Asan brands. Payment for the sale of Asan was received in the first quarter of 2016 and totalled NOK 115 million. The disposal of Asan had no effect on profit.

In the fourth quarter of 2016, Orkla Food Ingredients sold the Polish company Poznan Onion at a gain of NOK 16 million. The gain is presented on the line "Other income and expenses".

In the fourth quarter, Orkla Eiendom sold its associate Åsane Utvikling. The gain of NOK 38 million is presented on the line for "Associates and joint ventures" in the income statement.

In the second quarter of 2016, Orkla Eiendom sold its subsidiary Mortensrud Næring at a book gain of NOK 28 million, which is included in EBIT (adj.) In the first quarter of 2016 Orkla Eiendom sold its interest in Raufoss Næringpark. The gain of NOK 57 million is presented on the line for "Associates and joint ventures" in the income statement.

All the disposals are presented on the line for sold companies in the statement of cash flows.

Orkla Eiendom also sold lots from a former industrial property (Attizholz) in Switzerland (see Note 20).

Acquisition of companies

Orkla Foods purchased **Hamé**, a leading branded food company in the Czech Republic and Slovakia. The transaction was completed on 31 March 2016. In the Czech Republic and Slovakia, Hamé holds leading positions in the categories liver patés, ready meals, ketchup, conserved vegetables, jams and baby food. Its product portfolio includes brands like Hamé, Hamánek, Znojmia and Otma. Hamé also holds strong positions in the paté market in Hungary, Romania and Russia. Hamé has around 2,400 employees and ten factories. A total of 70% of Hamé's sales revenues come from the Czech Republic and Slovakia. Hamé was consolidated into Orkla's financial statements from 1 April 2016.

Note 5 cont.

Orkla House Care Norge AS purchased **L.G. Harris & Co. Limited** (Harris), a leading UK supplier of "do-it-yourself" painting tools with well-known brands such as Harris, Lynwood, Harris Victory and T-Class. With this acquisition Orkla House Care has doubled the size of its operations. Harris owns two factories, one of which is located in Stoke Prior, Bromsgrove, outside Birmingham in the UK and the other in Zhaoqing City in Guangdong Province, China. In total, Harris has almost 1,000 employees. The company's head office is located in Bromsgrove. Harris also owns 50% of a joint venture with a local partner in India in order to serve the Indian market. Furthermore, the company has a non-controlling interest in a painting tool manufacturer in Sri Lanka. Harris was consolidated into the financial statements as from 1 September 2016.

Pierre Robert purchased four well-known socks, tights and underwear brands from the Finnish branded goods supplier **Nanso Group**. The agreement concerned the purchase of the Norlyn, Amar, Black Horse and Finnwear brands, which hold strong positions in the Finnish grocery trade. The products are a good fit with Pierre Robert's current product portfolio which, in addition to underwear, socks and tights, comprises workout wear and wool undergarments. A total of 22 employees will be transferred to Pierre Robert as a result of the transaction. The acquisition was consolidated into Orkla's financial statements as from 1 May 2016.

Orkla Food Ingredients (OFI) purchased **The Waverley Bakery Limited**, a leading supplier of ice cream cones and accessories in the UK. Waverley primarily sells ice cream cones and wafers to the UK grocery sector. The company also offers ice cream cones, ingredients and accessories to ice cream parlours and small-scale ice cream manufacturers. Waverley Bakery has been a well-known name in the Scottish ice cream industry for over 100 years. The company has around 45 employees. Waverley Bakery was consolidated into Orkla's financial statements as from 1 March 2016.

Orkla Health Poland acquired the **Colon-C** brand in an asset transaction. With this acquisition Orkla has strengthened its foothold in the rapidly growing gut health category. The Colon-C brand is an approved European brand with growth potential also outside the Polish market. The brand was consolidated into Orkla's statement of financial position as from 30 September 2016 and will be consolidated into the income statement as from 1 October 2016. The transaction does not entail the transfer of employees or factories.

Other acquisitions
Orkla Foods Danmark acquired 100% of the shares in **O. Kavli A/S**. The company is a major supplier to the Danish grocery trade, with well-known brands such as Fun, Grønnegården, Kavli, Scoop and Blomberg's Glögg. Orkla already owned the Fun brand in the other Nordic countries, and through this agreement acquired full ownership of Fun in the Nordic region. O. Kavli had a turnover of DKK 170 million in 2014. The company has 70 employees. The takeover took place with effect from 1 March 2016, and badwill was calculated at the time of takeover (see Note 19).

Orkla Food Ingredients (OFI) purchased 70% of the shares in **Broer Bakkerijgrondstoffen B.V.** (Broer). Broer is a leading manufacturer of almond paste, bakery ingredients and ice cream powder in the Netherlands. The purchase of Broer, which has its own production of ready mixes for soft-serve ice cream, further strengthens OFI's position in the Netherlands ice cream market. Broer has a total of 32 employees, and is located in Waddinxveen, the Netherlands. In 2015, the company recorded a turnover of EUR 17 milllion (approx. NOK 158 million) and EBIT (adj.) of EUR 0.7 million (approx. NOK 6.5 million). Minority shareholders will continue to own a total of 30% of the company's shares. Broer was consolidated into the financial statements as from 1 September 2016.

Orkla Food Ingredients has also bought up the remaining ownership interests in Call Caterlink and Marcantonio Foods, and purchased four small companies, three of which are in Iceland and one in Sweden.

Other matters relating to purchase price allocations
None of the purchase price allocations for the acquisitions made in 2016 had been finalised as at 31 December 2016, due to uncertainty attached to certain valuation factors.

The purchase price allocations for all companies acquired in 2015 were completed in 2016. No material changes have been made in the purchase price allocations except in the case of Cederroth where an excess value of NOK 39 million has been assigned to a factory in Falun, and the value of acquired brands has been reduced by NOK 15 million. Some additional provisions totalling NOK 16 million were also made, bringing goodwill to the same level as in the original acquisition analysis.

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 83 million was expensed in acquisition costs in 2016.

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.

Amounts in NOK million	Date of control	Interest acquired (%)	Acquisition cost	Excess/deficit value[1]	Trademarks	Other intangible assets	Other	Deferred tax	Goodwill	Operating revenues after acquisition date	Operating profit after acquisition date	Operating revenues before acquisition date	Operating profit before acquisition date
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 asset 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**										
2015													
Cederroth, Orkla Care	September	100	1 836	1 526	503	(1)	41	(181)	1 164	527	28	1 116	94
NP Foods, Orkla Confectionery & Snacks	April	100	862	618	187	21	-	(33)	443	559	14	142	(5)
Condite, Orkla Food Ingredients	January	67	101	9	-	15	(4)	(3)	1	288	4	na	na
W. Ratje Frøskaller, Orkla Care	February	100	88	77	33	-	-	(7)	51	54	20	5	2
EISUNION GmbH, Orkla Food Ingredients	April	100	67	26	-	-	3	(1)	24	149	5	45	2
Anamma, Orkla Foods	June	100	59	41	12	-	-	(3)	32	30	4	22	1
Other acquisitions			157	77	4	(1)	-	(1)	75				
Acquisitions at enterprise value			**3 170**	**2 374**	**739**	**34**	**40**	**(229)**	**1 790**				
Investments in associates			3										
Acquisitions in segments, enterprise value (see Note 40)			**3 173**										
Interest-bearing liabilities acquisitions			(1 611)										
Cash flow effect acquisitions[3, 4]			**1 562**										
2014													
Minor acquisitions of assets in Branded Consumer Goods			49	-	-	-	-	-	-	na	na	na	na
Real estate Sofienlund, Financial Investments	August	100	38	20	-	20	-	-	-	-	-	1	-
Acquisitions at enterprise value			**87**	**20**	**-**	**20**	**-**	**-**	**-**				
Investments in associates			-										
Acquisitions in segments, enterprise value (see Note 40)			**87**										
Interest-bearing liabilities acquisitions			(28)										
Cash flow effect acquisitions[3, 4]			**59**										

[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 206 million in 2016, NOK 261 million in 2015 and NOK 0 million in 2014.
[4]Equivalent to compensation for equity adjusted for cash and cash equivalents.

Note 5 cont.

Acquired companies statement of financial position Amounts in NOK million	Total 2016 Fair value	2016 Hamé	2016 Harris	Total 2015 Fair value
Property, plant and equipment	674	516	131	534
Intangible assets	730	499	79	747
Deferred tax assets	4	-	-	60
Other long-term assets	160	54	106	60
Inventories	589	403	84	422
Receivables	897	515	280	662
Shares in other companies	2	-	2	0
Assets	3 056	1 987	682	2 485
Provisions	225	178	53	481
Non-current liabilities, non interest-bearing	13	13	-	53
Current liabilities, non interest-bearing	881	567	215	594
Non-controlling interests	(10)	-	-	(23)
Net assets	1 947	1 229	414	1 380
Goodwill	701	394	148	1 790
Acquisition cost at enterprise value	2 648	1 623	562	3 170

S SUSTAINABILITY

Several of the companies purchased by Orkla in 2015-2016 have increased the Group's capability to offer healthier, more sustainable products. Through the acquisition of Anamma Orkla has strengthened its position in the vegetarian and vegan product market, the acquisition of Bioquelle enables the Group to offer more organic foods and the acquisition of Cederroth has strengthened Orkla's position in the wound care segment.

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. Both of these types of investment are consolidated on a single line using the equity method.

P PRINCIPLES

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. This applies to companies where the Group has entered into an agreement with another party to operate and develop a joint company in which neither of the parties alone has control. Both these types of investment are accounted for using the equity method by the Group presenting its share of the companies' results after tax and non-controlling interests on a separate line in the income statement and accumulating 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 from associates and joint ventures are reported against the ownership interest in the statement of financial position and are regarded as repayment of capital. The value of associates and joint ventures 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 or joint venture. Any write-downs of the value of the ownership interest are presented on the same line.

Associates and joint ventures

Orkla's 42.5% ownership interest in Jotun is presented as an associate using the equity method. In addition, Orkla has some smaller associates which derive from the acquisition of Jordan and from Capto Eiendom.

Orkla's 50% ownership interest in Sapa AS is based on an agreement with Norsk Hydro and is considered to be a joint venture. The Group also had a 40% interest in Rygge sivile lufthavn AS (RSL), which was also a joint venture. As a result of the introduction of an air passenger tax as of 1 June 2016 and Ryanair's decision to close its operations base at Rygge, activity at RSL was discontinued on 1 November 2016. Consequently, Orkla wrote down the statement of financial position assets related to RSL by a total of NOK 171 million. The carrying value of Orkla's equity interest has been written down by NOK 71 million and is presented on the line for "Profit/loss from associates and joint ventures". Loans totalling NOK 100 million to the company have been written down on the line for "Other financial items, net". The write-downs were taken in the second quarter of 2016.

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

Note 6 cont.

Material associates and joint ventures

Amounts in NOK million	Jotun	Sapa	Gränges	Other	Total
Book value 1 January 2014	2 221	7 641	-	515	10 377
Additions/disposals	-	-	923	(24)	899
Share of profit/loss	384	(313)	26	24	121
Final settlement/dividends	(218)	(36)	-	(16)	(270)
Items charged to equity	414	468	45	-	927
Book value 31 December 2014	2 801	7 760	994	499	12 054
Additions/disposals	-	-	(1 432)	(15)	(1 447)
Share of profit/loss	569	123	32	37	761[1]
Gain on disposal	-	-	425	-	425[1]
Write-downs	-	-	-	(75)	(75)[1]
Dividends	(218)	-	(31)	(5)	(254)
Items charged to equity	132	538	12	3	685
Book value 31 December 2015	3 284	8 421	0	444	12 149
Additions/disposals	-	-	-	(186)	(186)
Share of profit/loss	471	890	-	(1)	1 360[1]
Gain on disposal	-	-	-	89	89[1]
Write-downs	-	-	-	(71)	(71)[1]
Dividends	(218)	-	-	(4)	(222)
Items charged to equity	(183)	(428)	-	0	(611)
Book value 31 December 2016	3 354	8 883	0	271	12 508
Cost price 31 December 2016	175	7 709	-	-	-
Ownership interest (%)	42.5	50.0	-	-	-

[1]The sum of the items make up the profit from associates and joint ventures, amounting to NOK 1,378 million in 2016 (NOK 1,111 million in 2015).
[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 53 subsidiaries, three joint ventures and six associates. Jotun has 37 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 42.5% ownership 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 175 million, while the carrying value using the equity method is NOK 3,354 million. Orkla's 42.5% ownership interest in Jotun serves as the basis for recognition using the equity method, while Orkla has 38.3% of the voting rights. Orkla owns 42,014 A shares and 103,446 B shares in the company. An A share carries 10 times as many votes as a B share.

E ESTIMATE UNCERTAINTY

Jotun is a family-controlled group and Orkla, with its 42.5% 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

	Jotun	
Amounts in NOK million	2016	2015
Operating revenues	15 785	16 282
Operating profit	1 763	2 064
Profit/loss after tax and non-controlling interests	1 108	1 338
Other comprehensive income after non-controlling interests	676	1 648
Current assets	8 132	8 476
Non-current assets	7 026	6 710
Total assets	15 158	15 186
Current liabilities	4 445	4 606
Non-current liabilities	2 679	2 648
Total liabilities	7 124	7 254

Reconcilation of equity Jotun against Orkla's share

Equity in Jotun	8 034	7 932
Non-controlling interests	149	210
Owners of the parent's equity	7 885	7 722
Orkla's share of equity (42.5%)	3 354	3 284

Note 6 cont.

Sapa

Sapa became part of the Orkla Group through the acquisition of Elkem in 2005 and was reported as a subsidiary until the agreement with Norsk Hydro was entered into in 2012. At that time, the operations in Sapa Profiles, Sapa Building System and parts of Heat Transfer (Precision Tubing) were identified as a separate item as Sapa (part of future JV) and presented on one line as "Discontinued operations". Historical figures were restated. The agreement with Norsk Hydro became effective from September 2013, from which time Orkla's 50% ownership interest in Sapa was presented using the equity method. The Heat Transfer business was split off from the future joint venture between Norsk Hydro and Orkla and retained in Orkla. The company changed its name to Gränges in 2013, and was listed on Nasdaq Stockholm in October 2014. Orkla sold the remainder of its shares in Gränges in the first quarter of 2016 and the gain of NOK 26 million is presented on the line for "Other financial income".

Sapa is the leading global manufacturer of extruded aluminium profiles, with a market share of 22.2% in Europe and 24.0% in North America at the end of 2016, as well as operations in South America and Asia. The Group supplies extrusions to customers in most sectors, including the automotive, transport, electronics, building and construction industries.

The parent company Sapa AS is a Norwegian limited company and its registered office is in Oslo, Norway. The company is a holding company with interests in a number of Norwegian and foreign companies. The Orkla Group's 50% ownership interest in Sapa AS is owned through Industriinvesteringer AS. Hydro Aluminium AS, a subsidiary of Norsk Hydro ASA, owns the remaining 50% of the shares in Sapa AS. Orkla and Norsk Hydro have entered into a shareholder agreement which, supplemented by Norwegian company legislation, regulates the parties' rights and obligations in this connection. The agreement contains provisions whereby either party may initiate a process for stock exchange listing after around three years from the date of completion of the agreement (1 September 2013), and whereby either party may decide to retain a 34% ownership interest.

The Board of Directors in Sapa proposes to pay a dividend of NOK 3 billion for the financial year 2016, NOK 1.5 billion to each owner.

E ESTIMATE UNCERTAINTY

The value of assets in Sapa was tested for impairment in 2016. This was done both by means of discounted cash flow, a multiple approach and a sum of the parts valuation. In all three models, the result clearly indicates that the value may be deemed to have been maintained.

Sapa Profiles, Inc. (SPI), a Portland, Oregon based subsidiary of Sapa AS (owned 50 percent by Orkla), is under investigation by the United States Department of Justice (DOJ) Civil and Criminal Divisions regarding certain aluminium extrusions that SPI manufactured from 1996 to 2015, including extrusions that were delivered to a supplier to NASA. SPI is cooperating fully in these investigations. The investigations are currently ongoing, and, at this point, the outcome of the investigations and of any identified quality issues, including financial consequences on Sapa, is uncertain. SPI also has been temporarily suspended as a federal government contractor. Based on the information known to Orkla at this stage, Orkla does not expect any resulting liabilities to have a material adverse effect on its consolidated results of operations, liquidity or financial position.

The following tables show 100% figures for Sapa.

Income statement Amounts in NOK million	Sapa 1.1.–31.12. 2016	 1.1.–31.12. 2015
Operating revenues	53 430	55 397
Operating expenses	(49 932)	(52 669)
Depreciation	(1 301)	(1 321)
Other income and expenses	223	(879)
Operating profit	2 420	528
Financial items	(52)	(281)
Profit/loss before tax	2 368	247
Taxes	(583)	4
Profit/loss after tax	1 785	251
Non-controlling interests	(6)	(5)
Net profit/loss (100%)	1 779	246
Of this Orkla's share (50%)	890	123
Items recognised in other comprehensive income (100%)	(856)	1 076
Other comprehensive income (100%-basis)	923	1 322

Statement of financial position Amounts in NOK million	31.12. 2016	31.12. 2015
Cash and cash equivalents	670	2 512
Current assets	12 527	12 799
Non-current assets	12 722	13 529
Total assets	25 919	28 840
Current liabilities non interest-bearing	9 186	9 334
Current liabilities interest-bearing	712	1 191
Non-current liabilities	2 221	5 442
Total liabilities	12 119	15 967

Reconcilation of equity Sapa against Orkla's share		
Equity in Sapa	13 800	12 873
Non-controlling interests	53	49
Owners of the parent's equity	13 747	12 824
Orkla's share of equity (50%)	6 873	6 411
Goodwill at Orkla level	2 010	2 010
Capitalised share	8 883	8 421

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.

PRINCIPLES

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 four 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.

Further information on the individual business areas (see also Note 18):

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 Confectionery & Snacks comprises the product categories confectionery, snacks and biscuits, and consists of six branded consumer goods businesses 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 and biscuits), 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, but also hold good positions in the Baltics, the UK, Poland and Spain. From the start of 2016, Cederroth's businesses were integrated with Orkla's own companies in all the Nordic countries. The integration has been successful, with extensive realisation of synergies and solid turnover growth. After the integration, Orkla Care comprises the businesses Orkla Home & Personal Care (household detergents, toothbrushes and personal hygiene products), Lilleborg (full-range supplier of hygiene and cleaning solutions to the professional market), Orkla Health (dietary supplements and health products), Pierre Robert Group (basic 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 a total normal production volume of 2.4 TWh. The Sauda hydropower operations are leased from Statkraft until 31 December 2030, after which the power plants will be returned in return for an agreed financial compensation. Approximately 1 TWh of AS Saudefaldene's production is subject to special contract conditions.

Financial Investments consists of Orkla Eiendom, the remainder of the share portfolio, Chaka and the investments in Sapa and Jotun (see Note 6). Orkla Eiendom Group 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. Orkla also has a historical portfolio of real estate-related investments, which are being divested in accordance with the Group's current strategy. The most important development projects are Orkla's new headquarters at Skøyen and two housing projects at Torshov in Oslo.

Note 7 cont.

SEGMENTS 2016

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Eliminations	Branded Consumer Goods	Hydro Power	Financial Investments	HQ/ Other Business	Eliminations	Orkla Group
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 and amortisation	(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 and joint ventures	-	-	1	-	-	1	-	1 377	-	-	1 378
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)
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 on page 100.

Note 7 cont.

SEGMENTINFORMASJON 2015

Amounts in NOK million	Orkla Foods	Orkla Confec-tionery & Snacks	Orkla Care	Orkla Food Ingredients	Elimin-ations	Branded Con-sumer Goods	Hydro Power	Financial Invest-ments	HQ/ Other Business	Elimin-ations	Orkla Group
REVENUES/PROFIT/LOSS											
Norway	4 749	1 993	3 159	981	-	10 882	629	-	4	-	11 515
Sweden	4 115	1 138	706	1 313	-	7 272	-	-	-	-	7 272
Denmark	944	558	429	1 470	-	3 401	-	-	-	-	3 401
Finland and Iceland	858	792	272	488	-	2 410	-	-	-	-	2 410
The Baltics	398	902	56	258	-	1 614	-	-	-	-	1 614
Nordic region and the Baltics	11 064	5 383	4 622	4 510	-	25 579	629	-	4	-	26 212
Rest of Europe	1 272	326	565	2 932	-	5 095	-	29	-	-	5 124
Rest of the world	853	55	300	58	-	1 266	-	-	8	-	1 274
Sales revenues	13 189	5 764	5 487	7 500	-	31 940	629	29	12	-	32 610
Other operating revenues	8	13	25	8	-	54	61	438	35	-	588
Intercompany sales	53	36	22	90	(193)	8	-	9	428	(445)	0
Operating revenues	13 250	5 813	5 534	7 598	(193)	32 002	690	476	475	(445)	33 198
Cost of materials	(6 392)	(2 385)	(2 285)	(4 984)	193	(15 853)	(288)	(200)	(4)	-	(16 345)
Payroll expenses	(2 527)	(1 178)	(1 061)	(1 070)	-	(5 836)	(39)	(59)	(498)	-	(6 432)
Other operating expenses	(2 222)	(1 173)	(1 209)	(972)	-	(5 576)	(146)	(117)	(361)	445	(5 755)
Depreciation and amortisation	(408)	(234)	(98)	(158)	-	(898)	(63)	(43)	(53)	-	(1 057)
Operating profit before other income and expenses EBIT (adj.)	1 701	843	881	414	-	3 839	154	57	(441)	-	3 609
Other income and expenses	(164)	(58)	(201)	(37)	-	(460)	-	(8)	(34)	-	(502)
Operating profit/loss	1 537	785	680	377	-	3 379	154	49	(475)	-	3 107
Profit/loss from associates and joint ventures	-	-	1	-	-	1	-	1 110	-	-	1 111
Non-controlling interests' share of profit/loss	-	-	-	(53)	-	(53)	(2)	(1)	-	-	(56)
CASH FLOW (SEE NOTE 40)											
Cash flow from operations before net replacement expenditures	1 888	962	1 224	553	-	4 627	205	3	(261)	-	4 574
Net replacement expenditures	(382)	(270)	(75)	(132)	-	(859)	(9)	91	(62)	-	(839)
Cash flow from operations	1 506	692	1 149	421	-	3 768	196	94	(323)	-	3 735
Expansion investments	(368)	(16)	-	(4)	-	(388)	-	-	-	-	(388)
Acquired companies (enterprise value)	(103)	(891)	(1 924)	(255)	-	(3 173)	-	-	-	-	(3 173)
CAPITAL EMPLOYED											
Segment assets											
Trade receivables	1 977	1 049	1 039	1 126	(21)	5 170	28	31	184	(146)	5 267
Other current receivables	170	52	84	74	-	380	52	13	88	-	533
Inventories and development property	2 082	617	1 043	872	-	4 614	-	224	1	-	4 839
Pension plan assets	24	2	5	8	-	39	-	-	-	-	39
Investments in associates and joint ventures	-	-	23	5	-	28	-	12 121	-	-	12 149
Intangible assets	7 310	5 119	4 044	1 100	-	17 573	19	4	15	-	17 611
Property, plant and equipment	3 425	1 784	755	1 062	-	7 026	2 096	1 162	239	-	10 523
Total segment assets	14 988	8 623	6 993	4 247	(21)	34 830	2 195	13 555	527	(146)	50 961
Segment liabilities											
Trade payables	(1 678)	(768)	(724)	(645)	21	(3 794)	(25)	(54)	(119)	146	(3 846)
Value added tax, employee taxes	(288)	(127)	(139)	(81)	-	(635)	(13)	(4)	(31)	-	(683)
Other current liabilities	(634)	(317)	(403)	(270)	-	(1 624)	(6)	(56)	(607)	-	(2 293)
Pension liabilities	(765)	(187)	(247)	(185)	-	(1 384)	(20)	(5)	(495)	-	(1 904)
Deferred tax, excess values	(372)	(404)	(235)	(14)	-	(1 025)	-	3	-	-	(1 022)
Total segment liabilities	(3 737)	(1 803)	(1 748)	(1 195)	21	(8 462)	(64)	(116)	(1 252)	146	(9 748)
Capital employed[1]	11 251	6 820	5 245	3 052	0	26 368	2 131	13 439	(725)	0	41 213
KEY FIGURES											
Operating margin EBIT (adj.) (%)	12.8	14.5	15.9	5.4	-	12.0	22.3	na	na	na	10.9
Total man-years 31 December	5 977	3 073	2 400	2 594	-	14 044	46	119	323	-	14 532

[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 on page 100.

Note 7 cont.

SEGMENTINFORMASJON 2014

Amounts in NOK million	Orkla Foods	Orkla Confec-tionery & Snacks	Orkla Care	Orkla Food Ingredients	Elimin-ations	Branded Con-sumer Goods	Hydro Power	Financial Invest-ments	HQ/ Other Business	Elimin-ations	Orkla Group
REVENUES/PROFIT/LOSS											
Norway	4 581	1 887	3 084	924	-	10 476	682	-	2	-	11 160
Sweden	3 731	1 036	449	1 186	-	6 402	-	1	-	-	6 403
Denmark	857	490	409	1 351	-	3 107	-	-	-	-	3 107
Finland and Iceland	765	748	218	228	-	1 959	-	-	-	-	1 959
The Baltics	339	433	63	218	-	1 053	-	-	-	-	1 053
Nordic region and the Baltics	10 273	4 594	4 223	3 907	-	22 997	682	1	2	-	23 682
Rest of Europe	1 281	333	421	2 498	-	4 533	-	-	-	-	4 533
Rest of the world	616	32	273	57	-	978	-	-	9	-	987
Sales revenues	12 170	4 959	4 917	6 462	-	28 508	682	1	11	-	29 202
Other operating revenues	6	13	32	14	-	65	59	230	43	-	397
Intercompany sales	56	15	11	58	(129)	11	-	-	434	(445)	-
Operating revenues	12 232	4 987	4 960	6 534	(129)	28 584	741	231	488	(445)	29 599
Cost of materials	(5 837)	(2 044)	(2 031)	(4 261)	126	(14 047)	(286)	(73)	(2)	2	(14 406)
Payroll expenses	(2 379)	(1 061)	(910)	(922)	-	(5 272)	(42)	(31)	(434)	-	(5 779)
Other operating expenses	(2 140)	(1 004)	(1 084)	(866)	3	(5 091)	(136)	(119)	(339)	443	(5 242)
Depreciation and amortisation	(388)	(185)	(83)	(140)	-	(796)	(61)	(44)	(57)	-	(958)
Operating profit before other income and expenses EBIT (adj.)	1 488	693	852	345	-	3 378	216	(36)	(344)	-	3 214
Other income and expenses	(176)	(59)	228	(4)	-	(11)	-	(31)	(58)	-	(100)
Operating profit/loss	1 312	634	1 080	341	-	3 367	216	(67)	(402)	-	3 114
Profit/loss from associates and joint ventures	-	-	2	-	-	2	-	119	-	-	121
Non-controlling interests' share of profit/loss	-	-	-	(40)	-	(40)	7	(7)	-	-	(40)
CASH FLOW (SEE NOTE 40)											
Cash flow from operations before net replacement expenditures	1 772	840	709	332	-	3 653	263	(51)	(296)	-	3 569
Net replacement expenditures	(432)	(219)	(51)	(103)	-	(805)	(7)	(8)	(26)	-	(846)
Cash flow from operations	1 340	621	658	229	-	2 848	256	(59)	(322)	-	2 723
Expansion investments	(52)	(27)	-	(23)	-	(102)	-	-	-	-	(102)
Acquired companies (enterprise value)	(34)	-	-	(15)	-	(49)	-	(38)	-	-	(87)
CAPITAL EMPLOYED											
Segment assets											
Trade receivables	1 625	861	833	1 009	(20)	4 308	26	30	192	(143)	4 413
Other current receivables	123	31	305	37	-	496	60	12	413	-	981
Inventories and development property	1 849	519	783	722	-	3 873	-	200	-	-	4 073
Pension plan assets	25	-	4	6	-	35	-	7	-	-	42
Investments in associates and joint ventures	-	-	24	2	-	26	-	12 028	-	-	12 054
Intangible assets	7 046	4 135	2 356	967	-	14 504	20	-	(25)	-	14 499
Property, plant and equipment	2 826	1 510	534	935	-	5 805	2 147	1 259	273	-	9 484
Total segment assets	13 494	7 056	4 839	3 678	(20)	29 047	2 253	13 536	853	(143)	45 546
Segment liabilities											
Trade payables	(1 355)	(671)	(616)	(550)	20	(3 172)	(20)	(51)	(121)	143	(3 221)
Value added tax, employee taxes	(247)	(101)	(131)	(65)	-	(544)	(20)	(9)	(28)	-	(601)
Other current liabilities	(458)	(248)	(160)	(224)	-	(1 090)	(9)	(60)	(422)	-	(1 581)
Pension liabilities	(739)	(163)	(34)	(166)	-	(1 102)	(21)	(5)	(428)	-	(1 556)
Deferred tax, excess values	(394)	(360)	(130)	(13)	-	(897)	-	(1)	-	-	(898)
Total segment liabilities	(3 193)	(1 543)	(1 071)	(1 018)	20	(6 805)	(70)	(126)	(999)	143	(7 857)
Capital employed[1]	10 301	5 513	3 768	2 660	-	22 242	2 183	13 410	(146)	-	37 689
Key Figures											
Operating margin EBIT (adj.) (%)	12.2	13.9	17.2	5.3	-	11.8	29.1	na	na	-	10.9
Total man-years 31 December	5 974	2 254	1 685	2 414	-	12 327	46	31	310	-	12 714

[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 on page 100.

Note 7 cont.

Reconciliation segment assets vs. total assets

Amounts in NOK million	2016	2015
Segment assets	53 590	50 961
Assets held for sale	-	182
Shares and financial assets	107	1 376
Cash and cash equivalents	1 204	721
Financial assets	511	841
Deferred tax assets	102	65
Interest-bearing receivables etc.	90	92
Total assets	55 604	54 238

Reconciliation segment liabilities vs. total liabilities

Amounts in NOK million	2016	2015
Segment liabilities	10 013	9 748
Non-current interest-bearing liabilities	7 172	8 722
Current interest-bearing liabilities	2 496	399
Deferred tax, not related to excess values	562	433
Income tax payable	647	185
Non-current derivatives	397	478
Other non-current provisions	286	330
Other current liabilities	155	197
Total liabilities	21 728	20 492

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	2016	2015	2014	2016	2015	2014	2016	2015	2014
Norway	24 289	23 680	23 243	606	736	483	3 160	3 314	3 423
Sweden	5 969	6 408	5 489	345	376	274	2 897	2 839	2 559
Denmark	4 185	4 229	3 818	267	125	87	1 544	1 444	1 357
Finland and Iceland	2 371	2 302	2 051	82	49	46	770	710	644
The Baltics	1 754	1 854	839	87	108	47	2 104	2 103	967
Nordic region and the Baltics	38 568	38 473	35 440	1 387	1 394	937	10 475	10 410	8 950
Rest of Europe	4 282	2 130	1 687	133	79	74	5 603	2 725	2 363
Rest of the world	727	610	562	114	29	16	1 960	1 397	1 401
Total	43 577	41 213	37 689	1 634	1 502	1 027	18 038	14 532	12 714
Link between segments and "Investments":									
Net replacement expenditures, from segments (see Note 7)				1 204	839	846			
Sale of property, plant and equipment (see cash flow statement)				282	183	62			
Expansion investments (see Note 7)				163	388	102			
Changes in accounts payable investments				(15)	92	17			
Total				1 634	1 502	1 027			

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

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 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.

P PRINCIPLES

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. Departures from this principle are made for payments related to housing projects in Orkla Eiendom for which the company has profit and loss responsibility. These are recognised in the income statement upon delivery.

Sales revenues are presented after deducting discounts, value added tax and other government charges and taxes. 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 Group's operating revenues and 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.

Note 9 cont.

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. 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 (losses) on the sale of shares from shares and financial assets are presented on the line for "Other financial income" and specified in a note. Gains (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/losses will be significantly reduced as the share portfolio is sold off.

E ESTIMATE UNCERTAINTY

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

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. This challenge will be limited for Orkla, but may be relevant for a range of Lilleborg's products. In some cases, cleaning equipment is supplied under a contract for the sale of associated cleaning products that covers the sale of both equipment and cleaning product. Under the new IFRS 15, this is a tied sale that will probably have to be recognised in income according to a new pattern. In any event, this is only a small part of Orkla's turnover and will not have a material impact. The new standard is not expected to affect the way the Group recognises and treats discounts and bonuses.

S 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.

P PRINCIPLES

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

The cost of goods is mainly estimated and recognised through standard cost systems, 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 or loss, based on recognition using the full cost method. This means that changes in stocks of internally manufactured finished goods will largely have a neutral impact on profit or loss in connection with both the reduction of and increase 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.

S 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 agricultural products and marine raw materials it uses are sustainably produced by 2020.

In 2016, the biggest product categories are:

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

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.

PRINCIPLES

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 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 every other month in arrears. 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 seeks to promote a strong corporate culture, where employees develop their capabilities and realise their full potential. This is both a responsibility and a crucial factor for developing the Group's competitiveness.

Amounts in NOK million	2016	2015	2014
Wages	(5 909)	(5 191)	(4 677)
Employer's national insurance contributions	(935)	(820)	(737)
Pension costs[1]	(376)	(352)	(292)
Other remuneration etc.	(39)	(69)	(73)
Payroll expenses	(7259)	(6 432)	(5 779)
Average number of man-years (continuing operations)	16 552	13 816	12 936

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

No shares were sold to employees in 2016. A total of NOK 22 million was expensed for such sales in 2015.

Remuneration of the executive management

Amounts in NOK thousand	2016 Fixed salary and annual bonus earned	2016 Benefits in kind	2016 Pension costs	2015 Fixed salary and annual bonus earned	2015 Benefits in kind	2015 Pension costs	2014 Fixed salary and annual bonus earned	2014 Benefits in kind	2014 Pension costs
Remuneration to CEO	9 160	242	2 127	9 872	233	1 984	9 960	224	1 752
Remuneration to other members of the Group Executive Board	34 592	1 883	6 100	33 694	1 775	5 746	40 099	3 559	6 612
Number of options to CEO 31 December	0			0			0		
Number of options to other members of the Group Executive Board 31 December	125 000			310 000			380 000		

In addition, the Group Executive Board earned long-term incentive bonuses in 2016. The bonus for the President and CEO amounts to NOK 3.0 million, and to NOK 8.7 million for other members. For a more detailed description of matters relating to the remuneration of the executive management and members of the Board of Directors, reference is made to Note 5 to the financial statements for Orkla ASA.

Share-based incentive programmes

PRINCIPLES

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

In a long-term incentive programme (LTI), 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 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. Until mid-2014, the option costs were broken down by operating segment, based on the fair value of the options at the date of issue, including employer's national insurance contribution and accrued over the vesting period. This option plan expires in May 2017.

Note 11 cont.

Bonus systems

Orkla has a system of annual bonuses, under which a "good performance", which is specifically defined for the various elements, can result in an annual bonus of approximately 30% of an employee's fixed pay, while the maximum bonus is 100% of the employee's annual pay. This bonus system applied to approximately 175 senior executives in 2016.

Share-related programmes

The Group has bonus programmes related to the Orkla share. These consist of employee share purchase programmes, long-term incentive agreements and share options. In the employee share purchase programme, all permanent employees are offered the opportunity to purchase a certain number of Orkla shares each year at a discount, currently 30%. In a long-term incentive programme, an amount equivalent to the annual bonus is deposited in a bonus bank for selected senior executives. The amount is adjusted in accordance with the price performance of the Orkla share and falls due for payment two and three years, respectively, after the bonus was awarded. Share options were also awarded to selected senior executives. The options had a vesting period of three years and could be exercised in the following three years. No options have been awarded since 2011, and the option programme has been replaced by the long-term incentive programmes. The last options must be exercised by 9 May 2017. See also Note 5 to the financial statements for Orkla ASA.

Overview of changes in awarded outstanding options:

	2016		2015	
	No.	WAEP[1]	No.	WAEP[1]
Outstanding at the beginning of the year	2 722 000	40.78	7 168 000	41.79
Exercised during the year	(1 727 000)	38.88	(4 141 000)	39.77
Forfeited during the year	(40 000)	40.03	(305 000)	40.11
Outstanding at year end[2]	955 000	40.03	2 722 000	40.78
Exercisable options at year end	955 000	40.03	2 722 000	40.78

[1]Weighted average exercise price. Amounts in NOK.
[2]As a result of a dividend, all exercise prices were reduced by NOK 2.50 on 15 April 2016.

Overview of outstanding options at year end:

	2016		2015	
Expiry date	No.	WAEP[1,2]	No.	WAEP[1]
10.05.2016	-	-	775 000	36.38
09.05.2017	955 000	40.03	1 947 000	42.53
Total	955 000		2 722 000	

[1]Weighted average exercise price. Amounts in NOK.
[2]As a result of a dividend, all exercise prices were reduced by NOK 2.50 on 15 April 2016.

Orkla has used the Black-Scholes model to estimate the value of the options. The volatility has been calculated on the basis of the past performance of the Orkla share price during the same period as the maturity of the options. No new options have been issued since 2011.

Effects of the option programme on the financial statements:

Amounts in NOK million	2016	2015
Option costs in the vesting period	-	-
National insurance contributions on excercised options	(7)	(6)
Change in provision for national insurance contributions	8	(2)
Net option costs	1	(8)
Liabilities[1]	(9)	(17)

[1]Relates only to employer's national insurance contributions.

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.

P PRINCIPLES

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.

Note 12 cont.

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 adjusted the contribution rates for the companies in Norway to the new limits laid down in regulations for contribution rates for private company pension plans, with effect from 1 September 2014. See Note 5 to the financial statements for Orkla ASA.

Defined benefit plans

The Group has defined benefit pension plans that are classified as funded and unfunded. A large part of the Group's defined benefit plans are in Sweden and Norway. These countries account for around 64% and 36%, respectively, of the Group's net carried pension liabilities.

Sweden

The pension plans in Sweden are "net plans" that do not link the Group's 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.

The Group also has 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 book liabilities related to contribution-based plans for employees who earn more than twelve times the Norwegian basic amount (12G).

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 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 2016, the AFP premium has been 2.5% of total payments of wages between 1 and 7.1 times the average basic amount.

Assumptions relating to defined benefit plans

As from the 2012 financial year, the discount rate in Norway has been 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 has decreased slightly in most countries, due to the generally lower interest rate level. In Norway, the discount rate varies between 2.0% and 2.6%, depending on the life of the pension.

The discount rate in Sweden is based on Swedish covered bonds and was reduced to 2.35% for 2016, from 2.8% in 2015. The higher interest level in the latter part of December affects both the discount rate and expected inflation, so the net effect on the pension liability will be relatively small.

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

The mortality estimate is based on updated mortality tables for the various countries. In Norway the K2013 life table was adjusted and in Sweden the estimate was updated to DUS14 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 in the UK, the Netherlands and Switzerland. 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 2017 are expected to total NOK 8.9 million.

	Norway		Sweden	
	2016	2015	2016	2015
Discount rate	2.0–2.6%	1.0–2.6%	2.35%	2.80%
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%	1.50%	1.50%
Turnover	0–5%	0–5%	3%	3%
Expected average remaining vesting period (years)	8.0	8.7	13.9	14.3

[1]As at 31 December 2016, 1G was NOK 92,576.

Breakdown of net pension costs

Amounts in NOK million	2016	2015	2014
Contribution plans	(310)	(290)	(229)
Current service cost (incl. national insurance contributions)	(66)	(70)	(63)
Curtailments and settlements pension plans	0	8	(30)[1]
Pension cost defined as payroll expenses	(376)	(352)	(322)
Interest on pension obligations	(66)	(50)	(57)
Expected return on pension plan assets	15	9	8
Pension cost defined as financial costs	(51)	(41)	(49)
Net pension costs	(427)	(393)	(371)

[1]Is presented as "Other income and expenses" in the income statement.

Note 12 cont.

Breakdown of net pension liabilities as at 31 December

Amounts in NOK million	2016	2015
Present value of funded pension obligations	(693)	(391)
Pension plan assets (fair value)	791	391
Net funded pension liabilities	98	0
Present value of unfunded pension obligations	(1 841)	(1 865)
Capitalised net pension liabilities	(1 743)	(1 865)
Capitalised pension liabilities	(1 872)	(1 904)
Capitalised plan assets	129	39

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

	2016	2015
Cash, cash equivalents and money market investments	6%	11%
Bonds	55%	56%
Loans	1%	1%
Shares	37%	29%
Property	1%	3%
Total pension plan assets	100%	100%

Changes in the present value of pension obligations during the year

Amounts in NOK million	2016	2015
Pension obligations 1 January	(2 256)	(1 847)
Current service cost (incl. national insurance contributions)	(66)	(70)
Interest on pension obligations	(66)	(50)
Actuarial gains and losses reported in statement of comprehensive income	(91)	(48)
Acquisition/sale of companies	(304)[1]	(216)[2]
Curtailments and settlements pension plans	(4)	(13)
Benefits paid during the year	94	106
Currency translation effects	159	(118)
Pension obligations 31 December	(2 534)	(2 256)

[1]Primarily related to the purchase of L.G. Harris & Co. Ltd.
[2]Primarily related to the purchase of Cederroth AB.

Summary of net pension liabilities and adjustments in past four years

Amounts in NOK million	2016	2015	2014	2013
Pension obligations	(2 534)	(2 256)	(1 847)	(1 687)
Pension plan assets	791	391	333	291
Net pension liabilities	(1 743)	(1 865)	(1 514)	(1 396)
Actuarial gains and losses in pension obligations	(91)	(48)	(199)	42
Actuarial gains and losses in pension plan assets	22	26	12	10

E ESTIMATE UNCERTAINTY

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

Changes in pension plan assets during the year

Amounts in NOK million	2016	2015
Pension plan assets (fair value) 1 January	391	333
Expected return on pension plan assets	15	9
Actuarial gains and losses reported in statement of comprehensive income	22	26
Acquisition/sale of companies	435[1]	-
Curtailments and settlements pension plans	-	1
Contributions and benefits paid during the year	(6)	-
Currency translation effects	(38)	38
Effect of asset ceiling	(28)	(16)
Pension plan assets (fair value) 31 December	791	391

[1]Primarily related to the purchase of L.G. Harris & Co. Ltd.

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	2016	2015	2014
External freight costs	(745)	(625)	(562)
Energy costs (production and heating)	(645)	(505)	(459)
Advertising	(1 567)	(1 468)	(1 344)
Repair and maintenance costs	(491)	(449)	(410)
Consultants, legal advisors, temporary staff etc.	(431)	(361)	(416)
Operating expenses vehicles	(132)	(129)	(120)
Rental/leasing	(452)	(419)	(351)
Operating expenses, office equipment etc.	(87)	(80)	(85)
Other	(1 793)	(1 719)	(1 495)
Total other operating expenses	(6 343)	(5 755)	(5 242)

P PRINCIPLES

Other operating expenses are recognised as and when they are incurred. They represent a broad range of operating expenses incurred by the Group in its day-to-day activities. Other operating expenses consist of expenses that are not classified on the lines for cost of materials, payroll expenses or depreciation and write-downs.

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 relating to acquired companies and special IFRS effects are expensed here as and when they arise.

PRINCIPLES

"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.

The Group is still carrying out major 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, and will continue to do so.

Changes in Orkla Foods' factory footprint entail large-scale projects resulting in adjustments to plants and costs relating to severance packages. A decision was made to move all beverage production from Gimsøy Kloster in Skien to Kumla, Sweden. Costs are also being incurred in connection with the relocation of production, approved in 2015, from Brumunddal and Larvik to Elverum (Nora and Denja) and from Svinninge to Skælskør in Denmark.

Costs have also been incurred in connection with the continued integration of Cederroth, NP Foods and O. Kavli. The integration of Cederroth is an especially comprehensive process, but the integration of NP Foods also necessitates numerous organisational adjustments that affect the Group's entire structure in the Baltic region. Work also began on integrating Harris, but the bulk of the costs will be incurred in 2017.

M&A costs have been incurred in connection with the acquisition of Hamé, O. Kavli, brands from Nanso Group, Harris and new companies in Orkla Food Ingredients. The purchase of Kavli has resulted in income related to recognised badwill.

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 announced the closure of 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. A total of about 190 employees have lost their jobs due to the factory closures, and have been helped to seek new employment or training programmes.

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

Amounts in NOK million		2015
M&A and integration costs		(248)
Final settlement employment relationships etc.		(142)
Write-downs in connection with coordination projects		(51)
Write-down related to Natural Food's operations, Orkla Food Ingredients, Italy		(23)
Other restructuring costs and special IFRS effects		(38)
Total		(502)
Of this:	Write-downs property, plant and equipment	(69)
	Write-downs intangible assets	(27)

Amounts in NOK million		2014
One-off contractual termination fee related to the Unilever agreement		279
M&A and integration costs		(156)
Final settlement employment relationships etc.		(186)
Dispute regarding use of trademark		(15)
Other restructuring costs		(22)
Total		(100)
Of this:	Write-downs property, plant and equipment	(16)
	Write-downs intangible assets	-

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.

PRINCIPLES

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	2016	2015	2014
Interest income	26	35	38
Change in fair value recognised as interest income	57	56	-
Total interest income	83	91	38
Interest costs	(261)	(286)	(330)
Carrying interest costs	1	3	2
Change in fair value recognised as interest costs	-	-	(73)
Total interest costs	(260)	(283)	(401)
Net interest	(177)	(192)	(363)

Financial income and financial costs

Amounts in NOK million	2016	2015	2014
Gains, losses and write-downs shares and financial assets	187	107	56
Dividends received	61	28	37
Other financial income	22	2	14
Total other financial income	270	137	107
Net foreign currency losses	(4)	-	-
Net financial element pensions	(51)	(41)	(49)
Other financial costs	(150)[1]	(32)	(58)
Total other financial costs	(205)	(73)	(107)
Total other financial items	65	64	-

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

Reconciliation against cash flow

	2016	2015	2014
Interest, net	(177)	(192)	(363)
Other financial items, net	65	64	-
Total interest and other financial items (A)	(112)	(128)	(363)
Items that appear on other lines in the cash flow statement:			
Gains, losses and write-downs shares and financial assets	(187)	(107)	(56)
Dividends received	(61)	(28)	(37)
Total items that appear on other lines in the cash flow statement (B)	(248)	(135)	(93)
Items without cash flow effect:			
Change in accrued interest etc.	(12)	(6)	(11)
Net interest pensions without cash flow effect	51	41	49
Change in fair value recognised as interest income/interest costs	(57)	(56)	73
Write-down loan Rygge sivile lufthavn AS	100	-	-
Book value of sold shares	-	-	20
Foreign currency gains/losses share portfolio	2	(1)	(1)
Total items without cash flow effect, see cash flow statement (C)	84	(22)	130
Paid financial items in cash flow statement, see Note 40 (A+B+C)	(276)	(285)	(326)

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 and similar indirect taxes are thus 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.

PRINCIPLES

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 laws used to calculate the amounts are those that have been adopted or substantively adopted by the end of the reporting period in the countries in which the Group operates and generates taxable income.

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

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

Deferred tax liabilities related to withholding tax and other tax on dividends are recognised in connection with retained profits in associates, joint ventures 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, associates and joint ventures are recognised when it is probable that the temporary difference will reverse 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.

Amounts in NOK million	2016	2015	2014
Profit/loss before tax	5 182	4 090	2 872
Current tax expense	(954)	(521)	(585)
Change in deferred tax	147	(201)	(103)
Total tax expense	(807)	(722)	(688)
Tax as % of "Profit/loss before taxes"	16%	18%	24%
Tax as % of "Profit/loss before taxes" adjusted for associates and joint ventures	21%	24%	25%

Orkla's effective tax expense adjusted for associates and joint ventures was reduced by 3 percentage points from 24% in 2015 to 21% in 2016. This reduction 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.

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 25% (27% in 2015 and 2014). The main tax components are specified.

Amounts in NOK million	2016	2015	2014
Norwegian tax rate on profit before taxes	(1 295)	(1 104)	(774)
Foreign operations with tax rates other than Norwegian tax rate	80	88	117
Changes in tax laws	14	28	2
Associates and joint ventures	344	307	31
Changed taxation of a power contract	55	-	-
Tax free income from sale of property Switzerland	24	-	-
Write-downs of shares, gains/losses and dividends within the tax exemption method[1]	69	34	43
Non-deductible transaction expenses	(17)	(24)	(14)
Other non-deductible expenses	-	(24)	(12)
Tax effect internal sale of assets	-	(12)	-
Interest on loan to Orkla Brands Russia	-	-	(29)
Deferred tax on undistributed earnings in associates and joint ventures	(9)	(25)	(3)
Recognised deferred tax assets this year, previously unrecognised	29	15	15
Unrecognised deferred tax assets, this year and correction previous years	(39)	(6)	(14)
Badwill recognised as income	9	-	-
Write-down of group goodwill	(11)	(3)	-
Correction previous years' taxes	(19)	18	(29)
Other taxes payable	(41)	(14)	(21)
The Group's total tax expense	(807)	(722)	(688)

[1]Includes the share portfolio NOK 55 million in 2016 (NOK 36 million in 2015 and NOK 36 million in 2014).

Orkla's tax base in Norway, Sweden and Denmark is substantial. The ordinary tax rate for companies domiciled in Norway was reduced from 27% to 25%, effective from 2016. The Norwegian company tax rate has been further reduced to 24% with effect from 2017. The effect of the reduced tax rate to 24% on the temporary differences at year end is recognition of NOK 14 million in the income statement and a charge of NOK 5 million against comprehensive income.

Orkla's operations in countries with tax rates other than 25% make a net contribution towards reducing tax expense. In 2016, the effect of this contribution was a reduction of NOK 80 million in tax expense, of which the Swedish and Finnish subsidiaries account for NOK 29 million and NOK 15 million, respectively.

Profit from associates and joint ventures 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 and joint ventures, totalling NOK 55 million, of which NOK 9 million was recognised in the income statement in 2016.

The Group has gains, losses and dividends covered by the tax exemption method which are not subject to normal taxation or deduction, but for which 3% of net profit or loss is recognised in the income statement. This applies, in particular, to shares and financial assets. Shares and financial assets contribute to reducing the effective tax rate.

Unrecognised deferred tax assets mainly relate to tax deficits in Orkla Food Ingredients in Italy and Cederroth in Poland. Recognition of previous years' unrecognised deferred tax assets mainly relate to a former Borregaard company in Switzerland where operations have been

Note 16 cont.

closed down, the Laima Group in the Baltics, and Orkla Foods Romania and the Dragsbæk Group in Denmark.

The Group operates in certain industries that are subject to special tax regimes in Norway (hydropower tax regime).

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 as such when deferred taxes are payable.

Amounts in NOK million	2016	2015
Deferred tax on temporary differences		
Hedging reserve in equity	(95)	(116)
Intangible assets	1 058	1 071
Property, plant and equipment	332	265
Net pension liabilities	(220)	(236)
Gain and loss tax deferral	309	355
Other non-current items	334	327
Total non-current items	1 718	1 666
Current receivables	(8)	(11)
Inventories	(2)	0
Provisions	(114)	(109)
Other current items	(77)	(73)
Total current items	(201)	(193)
Tax losses carried forward	(164)	(184)
Net deferred tax liabilities	1 353	1 289
Deferred tax hydropower tax regime[1]	(20)	(23)
Deferred tax assets, not recognised	156	148
Net deferred tax liabilities	1 489	1 414
Change in deferred tax	(75)	(352)
Change in deferred tax hedging reserve taken to comprehensive income	21	24
Change in deferred tax unrealised gains taken to comprehensive income	0	0
Change in deferred tax actuarial gains and losses pensions taken to comprehensive income	(16)	(7)
Acquisitions/sale of companies, currency effects etc.	52	302
Hedging of net investments in foreign operations	165	(168)
Change in deferred tax income statement	147	(201)

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

Net deferred tax presented in statement of financial position

Amounts in NOK million	2016	2015
Deferred tax liabilities	1 591	1 479
Deferred tax assets	102	65
Net deferred tax	1 489	1 414

Losses carried forward by expiry date

Tax losses carried forward totalling NOK 769 million constitute a deferred tax asset of NOK 164 million, of which only NOK 30 million has been recognised. Unrecognised tax losses carried forward amount to NOK 611 million. A total of NOK 447 million of these have no expiry date, NOK 10 million expire from 2023 onwards, NOK 89 million expire in the period 2020-2022 and NOK 65 million expire in the period 2017-2019.

Amounts in NOK million	2016	2015
2016	-	74
2017	41	23
2018	26	12
2019	11	12
2020	30	29
2021	51	24
2022	8	8
2023 or later	23	44
Without expiry date	579	636
Total tax losses carried forward	769	862

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 there are 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 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 2016. The Norwegian tax group has obtained a full tax deduction for internal interest expense.

A provision of NOK 47 million has been made for tax liability on retained profit in Estonia, of which NOK 11 million was recognised in 2016.

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	163	3	38	41
The Baltics	123	14	4	18
Italy	89	0	25	25
Eastern Europe (excluding Romania and Poland)	67	0	13	13
Ireland	61	0	8	8
Denmark	57	3	10	13
Sweden[1]	50	2	9	11
Switzerland	45	0	11	11
Poland	33	0	6	6
UK	22	0	4	4
Finland[2]	16	0	3	3
Others	43	8	3	11
Total	769	30	134	164
Other deductible temporary differences	1 736	377	22	399
Total deductible temporary differences	2 505	407	156	563
Netted deferred tax	(1 329)	(305)	0	(305)
Net deductible temporary differences	1 176	102	156	258

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

Note 16 cont.

Tax ownership of power plant

In 2011, in appeal proceedings instituted by Statkraft, it was claimed that Aktieselskapet Saudefaldene, of which Orkla owns 85%, was 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 in relation to Saudefaldene as well, with the conclusion that the company is 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 that determined that Saudefaldene is the taxable owner of Sønnå Høy must be ruled invalid. Saudefaldene lost the case in the district court pursuant to the Haugaland District Court's judgment of 4 September 2015. Saudefaldene appealed the judgment, and by the Gulating Court of Appeal's judgment of 25 August 2016 the court unanimously found that Statkraft is to be deemed the owner of Sønnå Høy for tax purposes. The judgment was appealed by the State and the Supreme Court has agreed to hear the appeal. A final judgment in the case is expected to be handed down in 2017.

By the administrative decision of 24 April 2014, a number of significant changes were made in Saudefaldenes' tax assessment for 2005-2013 concerning the calculation of tax on ground rent income related to Sønnå Høy. Among other things, use of the contract price for power agreements with industrial enterprises that were entered into based on conditions laid down by the Storting (Norwegian parliament) was not accepted, tax-deductible lease income was reduced, and a number of other deductions were denied. 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 in the case to determine the owner for tax purposes of Sønnå Høy.

The decision of 7 March 2016 changing the tax assessment upheld Saudefaldene's claim that, where tax on ground rent income is concerned, an industrial power contract should be taxed on the basis of contract price and not spot price. As a result of the decision, NOK 55 million was recognised in 2016 in tax refunds for the income years 2008-2011. Tax on ground rent income has been expensed in accordance with the current tax assessment decision. As part of the same case, legal proceedings have been brought against Sauda municipality, Odda municipality and Suldal municipality (Sønnå Høy consists of installations in three municipalities), in which Saudefaldene has argued that it cannot be required to pay property tax for Sønnå Høy. The property tax disputes have been suspended pending an unappealable final decision as to who is the owner of Sønnå Høy for tax purposes. Approximately NOK 83 million in ground rent income tax has been expensed and a total of around NOK 88 million in property tax has been paid for Sønnå Høy for the period up to 2016.

S SUSTAINABILITY

Orkla pays tax on its profit according to local tax rules in the countries in which the Group has a presence. Where relevant, the Group makes use of arrangements such as Group contributions, group taxation, etc., so that taxable income is calculated net for each country. Orkla is dependent on dividends from subsidiaries to be able to pay out dividends to its shareholders and obtain effective tax deductions for interest expense in Norway.

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

P PRINCIPLES

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

Amounts in NOK million	2016	2015	2014
Profit/loss for the year after non-controlling interests for continuing operations	4 293	3 312	2 144
Profit/loss/gains discontinued operations	0	(17)	(485)
Profit/loss for the year after non-controlling interests	4 293	3 295	1 659
Weighted average of number of shares outstanding	1 017 526 258	1 017 546 189	1 016 375 397
Estimated dilutive effect option programme	442 972	847 480	1 419 517
Weighted average number of shares outstanding, diluted	1 017 969 230	1 018 393 669	1 017 794 914
Earnings per share	4.22	3.24	1.63
Earnings per share, diluted	4.22	3.24	1.63
Earnings per share, diluted for discontinued operations	0	(0.01)	(0.48)
Earnings per share, diluted for continuing operations	4.22	3.25	2.11

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. As a result of these tests, goodwill and other assets mainly related to Bæchs Conditori in Orkla Food Ingredients were written down by NOK 56 million. Bæchs Conditori is a manufacturer of frozen cakes in Denmark. The company's earnings have not been sufficient to justify the capital employed and goodwill was written down in its entirety. The value of the remaining capital employed can be justified as a result of production cost savings.

The valuation of the Sauda power plants was also updated. The case to determine who is the owner of Sønnå Høy for tax purposes was won in the Court of Appeal, but was appealed to the Supreme Court. The case is expected to be heard before the summer of 2017 (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 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.

PRINCIPLES

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.

The table below shows the most important goodwill and trademarks. Capitalised items in foreign currencies mainly decreased from 2015 to 2016 due to the strengthening of the Norwegian krone against the respective currencies (see Note 19).

	Goodwill		Trademarks	
Amounts in NOK million	2016	2015	2016	2015
Orkla Foods Norge	3 344	3 344	1 260	1 260
Orkla Foods Sverige	1 410	1 554	54	14
Hamé	373	-	493	-
MTR Foods	311	326	116	116
Orkla Confectionery & Snacks Norge	534	534	206	206
Orkla Confectionery & Snacks Sverige	824	907	370	412
Orkla Confectionery & Snacks Danmark	538	568	372	392
Orkla Confectionery & Snacks Finland	538	570	668	702
Orkla Confectionery & Snacks Baltics	432	481	242	257
Orkla Health	1 281	1 383	607	622
Orkla Home & Personal Care	1 108	1 256	229	228
Orkla House Care	376	233	169	90
Orkla Wound Care	131	-	81	119
Others	1 541	1 452	118	124
Total	12 741	12 608	4 985	4 542

Note 18 cont.

Cash-generating units
A cash-generating unit (CGU) is the lowest level at which independent cash flows can be measured. The highest level of a CGU will be a reported segment. None of the reported segments as at 31 December 2016 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. NP Foods has been merged with Latfood, and these units will have to justify the excess value associated with the acquisition. A small part of NP Foods, the drink business Gutta, has been transferred to and is now part of Spilva (Orkla Foods).

In Orkla Care, Orkla Home & Personal Care (OHPC) has been in the Group for a long time. Jordan (excl. House Care) has been fully integrated into OHPC. Similarly, the part of Cederroth that is to be included in Home Care and Personal Care will be fully integrated into the OHPC part, and the excess values from these acquisitions will have to be justified by the unit as an aggregate.

Companies that were acquired by Orkla Health in 2005 and 2006 (Collett Pharma and Dansk Droge) have also been fully integrated into the 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 generate an aggregate return that well exceeds the required rate. The part of Cederroth that was to become part of 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 plasters, etc.) and Orkla House Care (painting tools that were part of the Jordan acquisition) are separate CGUs and must justify their value on a separate basis.

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 terms 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 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 three 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 7.7% before tax (only changed to reflect changes in the tax level from 2015), 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. 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 mention, 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. Greater 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.

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Foods (OF)			Orkla Confectionery & Snacks (OC&S)		
Amounts in NOK million	Units	Goodwill	Trademarks	Units	Goodwill	Trademarks
Units in segment	OF Norge	3 344	1 260	OC&S Norge	534	206
	OF Sverige	1 410	54	OC&S Sverige	824	370
	OF Danmark	91	20	OC&S Danmark	538	372
	OF Finland	147	42	OC&S Finland	538	668
	MTR Foods	311	116	OC&S Baltics	432	242
	OF Central Europe	373	493			
	OF Others	211	-			
	Total	5 887	1 985	Total	2 866	1 858
Total capital employed	As at 31 Dec. 2016	13 345		As at 31 Dec. 2016	6 264	
EBIT (adj.)	Full year 2016	1 968		Full year 2016	937	
Factors that affect the discount rate	Operates largely in the Nordic and Baltic markets, low industry risk; budget in NOK, SEK, DKK, EUR. Also has operations in Austria, Czech Republic and India.			Operates largely in the Nordic and Baltic markets, low industry risk; budget in NOK, SEK, DKK, EUR.		
Raw material prices are estimated on the basis of the market situation at the time of calculation	Key raw materials: meat and eggs, vegetables, dairy products, 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 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 retail chain price negotiations and raw material prices that on the whole are expected to remain stable.			Contribution margin is affected by retail chain price negotiations and raw material prices that on the whole are expected to remain stable.		
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 sales 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 0.5–2%).					

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Care			Orkla Food Ingredients (OFI)		
Amounts in NOK million	Units	Goodwill	Trademarks	Units	Goodwill	Trademarks
Units in segment	Orkla Home & Personal Care (OHPC)	1 108	229	KåKå	171	-
	Orkla Health	1 281	607	Idun	310	-
	Pierre Robert Group	90	35	Credin	219	-
	Lilleborg	18	-	Odense	79	-
	Orkla House Care	376	169	Others	267	4
	Orkla Wound Care	131	81			
	Orkla Care Poland	-	18			
	Total	3 004	1 139	Total	1 046	4
Total capital employed	As at 31 Dec. 2016	6 122		As at 31 Dec. 2016	2 961	
EBIT (adj.)	Full year 2016	956		Full year 2016	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: plastic packaging, polyester, crude oil, fish oil, soybeans, cotton and wool			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. Plasters 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, retain 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 sales are expected to remain normal in Scandinavia. However, OFI's markets in Central and Eastern Europe are more affected by the economic downturn.		
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.

PRINCIPLES

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 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 an intangible assets.

Expenditure related to internally generated trademarks, etc. (marketing) is expensed directly since 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.

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).

Amounts in NOK million	Trademarks, not amortisable	Trademarks, amortisable	Other intangible assets	IT	Goodwill	Total
Book value 1 January 2015	3 825	23	143	217	10 291	14 499
Investments	-	-	-	164	-	164
Reclassifications[1]	-	-	-	3	-	3
Reclassifications held for sale	(182)	-	-	-	-	(182)
Companies acquired[2]	739	1	5	2	1 790	2 537
Depreciation/amortisation	-	(7)	(12)	(80)	-	(99)
Write-downs	-	-	-	(23)	(5)	(28)
Translation differences	160	12	11	2	532	717
Book value 31 December 2015	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
Initial cost 1 January 2016	4 615	95	1 118	814	14 778	21 420
Accumulated amortisation and write-downs	(73)	(66)	(971)	(529)	(2 170)	(3 809)
Book value 1 January 2016	4 542	29	147	285	12 608	17 611
Initial cost 31 December 2016	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 31 December 2016	4 985	76	125	314	12 741	18 241
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.

Note 19 cont.

Ⓔ 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 280 million for research and development in 2016 (NOK 252 million in 2015). 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 replace potentially allergenic ingredients with alternative raw materials.

MARKET POSITION IN THE NORDIC AND BALTIC GROCERY MARKET FOR BRANDED CONSUMER GOODS

In addition to the items presented in the table for intangible assets, the Group owns several trademarks that have not been capitalised. These are proprietary trademarks which, under accounting rules, may not be capitalised. These trademarks are presented in the table as "A". When the transition was made to IFRS in 2005, goodwill that had already been capitalised could be maintained and part of the goodwill indirectly consists of trademarks. These trademarks are presented as "B" in the table. Capitalised trademarks are trademarks that are 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 2016, the Group also had trademark positions in India (MTR Foods), Czech Republic/Slovakia (Hamé, Vitana) and Austria (Felix Austria and Bioquelle) and the UK (Harris).

	NORWAY			SWEDEN			DENMARK			FINLAND			BALTICS		
PRODUCTS	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
Jam and marmalade	Noras hjemme-lagede, Noras rørte, Nora	●	A	Felix, Önos, BOB	●	B	Den Gamle Fabrik	●	B	Ekströms	○	B	Põltsamaa, Spilva	◔	B C
Preserved vegetables	Nora	●	A	Önos, Felix	●	B	Beauvais	●	B	Felix	●	B	Põltsamaa, Spilva	◑	B C
Dressings	Idun	●	A	Felix	●	B	Bähncke	◑	A	Felix	◑	B	Spilva, Felix	●	B,C
Herring		○		Abba	●	B	Glyngøre	◔	B	Boy, Ahti, Abba	●	B C	Abba	◔	B
Cod roe spread		○		Kalles Kaviar	●	B		○		Kalles Kaviar	●	B	Abba	◔	B
Cordials/soft drinks (non-carbonated)	FUN Light	◔	A	FUN Light, Ekströms, BOB	●	B	FUN One, Grønnegården, Scoop	◑	C	FUN Light, Ekströms	◔	B	Gutta, Põltsamaa	◑	B C
Fresh pasta	TORO	◔	C		○		Pastella	●	A	Pastella	◔	A		○	
Dry and wet goods (casserole, sauce and soup)	TORO	●	C	Abba, Felix	●	B	Nemfisk and Bähncke	◑	A		○		Põltsamaa, Spilva, Suslavicius	◔	B C
Orkla Confectionery & Snacks															
Snacks	KiMs, Polly, Cheez Doodles	◑	A C	OLW, Cheez Doodles	●	C	KiMs	●	C	Taffel	●	C	Adazu, Taffel	●	A
Biscuits	Café Bakeriet, Bixit, Safari, Ballerina	●	A	Ballerina, Brago, Singoalla	●	B		○		Kantolan	◔	A	Kalev, Selga	●	C
Confectionery	Stratos, Doc, Smash!, Nidar Favoritter	◑	A		○		KiMs	◔	C	Panda	◔	C	Laima, Kalev	●	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		
PRODUCTS	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R	Major brands	P	R
Orkla Care															
Detergents	Jif, OMO, Sun, Zalo	●	A	Grumme	◔	C		○		Lumme	◔	C		○	
Personal care products	Define, Lano, Jordan, Dr Greve, HTH	●	A C	Jordan, L300, LdB, HTH, Bliw	◔	C	Jordan	◔	C	Jordan, Bliw	◔	C		○	
Dietary supplements	Möller's, Nutrilett, Collett	●	A C	Nutrilett, Samarin, Pikasol, Pharbio, Litomove, Vitaplex	●	C	Gerimax, Longo Vital, Livol, Futura, Pikasol, HUSK	●	C	Möller's, Vitaplex, Nutrilett, SanaSol, Samarin	◑	A C	Möller's	●	A
Textiles	Pierre Robert, LaMote	●	A C	Pierre Robert, LaMote	◑	A C		○		Norlyn, Black Horse	●	C		○	
Wound Care	Salvequick	●	C	Salvequick	●	C	Salvequick	●	C	Salvequick	●	C		○	
House Care[1]	Jordan	●	C	Anza	●	A	Spekter	●	A	Anza	◑	A		○	
Orkla Food Ingredients															
Yeast	Idun Gjær	●	A	Kronjäst	●	B		○			○			○	
Marzipan	Odense	●	B	Odense	◑	B	Odense	●	B		○			○	
Margarine		○			○		AMA Margarine	◔	B		○			○	
Plant based		○			○		Naturli'	●	B		○			○	
Butter spread		○			○		Bakkedal	◔	B		○			○	

[1]Painting tools for specialised retailers.

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

NOTE 20 PROPERTY, PLANT AND EQUIPMENT

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

(P) PRINCIPLES

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 (property, 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).

(E) 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 reorganise its manufacturing structure (see Note 4).

Note 20 cont. →

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 2015	5 126	3 367	544	447	9 484
Investments	110	462	682	84	1 338
Disposals/scrapping	(61)	(11)	-	(4)	(76)
Reclassifications[1]	-	-	-	(3)	(3)
Companies acquired	260	191	45	38	534
Sold companies/Discontinued operations	(60)	(17)	-	-	(77)
Transferred assets under construction	203	225	(494)	66	0
Write-downs	(85)	(8)	-	(2)	(95)
Depreciation	(220)	(563)	-	(149)	(932)
Translation differences	156	158	19	17	350
Book value 31 December 2015	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
Initial cost 1 January 2016	8 512	11 479	796	2 220	23 007
Accumulated depreciation and write-downs	(3 083)	(7 675)	-	(1 726)	(12 484)
Book value 1 January 2016	5 429	3 804	796	494	10 523
Initial cost 31 December 2016	8 045	9 929	725	1 745	20 444
Accumulated depreciation and write-downs	(2 299)	(5 871)	-	(1 236)	(9 406)
Book value 31 December 2016	5 746	4 058	725	509	11 038
Linear depreciation	2–4%	5–15%	-	15–25% IT equipment: 16–33%	

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

Orkla Eiendom has sold lots from a former industrial property (Attisholz) in Switzerland. The gain on the sale was NOK 117 million and is included in EBIT (adj.).

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

SUSTAINABILITY

Many Orkla companies are important employers, and both employees and management are primarily recruited from the country in which the company is located. By developing profitable workplaces, Orkla creates positive ripple effects for society in the form of human resource development, jobs working for suppliers and in the public sector, and by paying taxes. Orkla invests in improvement programmes and structural changes that help to ensure its long-term competitiveness. In the years to come, this will necessitate the closure of businesses in some places. Orkla's activities otherwise entail little risk of negative impacts on local communities.

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.

Amounts in NOK million	Measurement level	2016	2015
Share investments	3	29	36
Interest-bearing derivatives	2	249	414
Receivables interest-bearing	3	141	172
Receivables non interest-bearing	3	92	219
Total financial assets		511	841
Pension plan assets		129	39
Total other assets (non-current)		640	880

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 value of the projects will be reflected on the line for inventory of development property until the buildings are sold.

Inventories

Amounts in NOK million	2016	2015
Raw materials	1 757	1 666
Work in progress	375	218
Finished goods and merchandise	3 063	2 739
Total inventories	5 195	4 623

PRINCIPLES

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 2016 of NOK 84 million (NOK 68 million in 2015). Inventories valued at net realisable value total NOK 58 million (NOK 50 million in 2015).

Development property

Inventories include development properties recognised at NOK 70 million (NOK 216 million in 2015). The properties are mainly housing projects under development/construction and primarily consist of the projects at Sandakerveien 56 and Treschowsgate 16.

ESTIMATE UNCERTAINTY

Inventories consist of a great many individual lines of goods in the form of both raw materials and finished goods. The goods are counted and valued at the Group's acquisition cost, and account is taken of obsolescence. The Group has a large number of units in stock at all times, but there is not deemed to be any material form of uncertainty in either the quantity or quality of the Group's inventories.

NOTE 23 CURRENT RECEIVABLES

Accounts receivable and other trade receivables are directly linked to the operating cycle. Other receivables (current) are various other receivables that can be both interest-bearing and non-interest-bearing.

PRINCIPLES

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 or 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.

Accounts receivable and other trade receivables

Amounts in NOK million	2016	2015
Accounts receivable	5 455	5 132
Other trade receivables	142	134
Non-interest-bearing derivatives	0	1
Total trade receivables	5 597	5 267

Change in provisions for bad debts:

Amounts in NOK million	2016	2015
Provisions for bad debts 1 January	83	63
Bad debts recognised as expense	20	24
Provisions in acquired companies	13	9
Provisions in sold companies	0	(3)
Bad debts	(22)	(13)
Translation effects	(4)	3
Provisions for bad debts 31 December	90	83

Breakdown of accounts receivable by due date:

Amounts in NOK million	2016	2015
Accounts receivable not due	4 836	4 676
Overdue receivables 1–30 days	369	334
Overdue receivables 31–60 days	99	57
Overdue receivables 61–90 days	66	26
Overdue receivables over 90 days	175	122
Accounts receivable carrying amount 31 December	5 545	5 215

Other receivables (current)

Amounts in NOK million	2016	2015
Non-interest-bearing derivatives	10	33
Interest-bearing receivables	18	9
Other current receivables	396	219
Total financial receivables	424	261
Advance payment to suppliers/earned income	428	328
Tax receivables	50	36
Total current receivables	902	625

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

Orkla has no intention of routinely investing excess liquidity or other funds in any kind of security. The securities in the statement of financial position are either the remainder of the former Share Portfolio (which the Group decided to sell off in 2011) or more incidental residual investments from various disinvestment processes.

Amounts in NOK million	Measurement level[1]	Fair value 31.12.2016	Unrealised gains 2016	Fair value 31.12.2015	Unrealised gains 2015
Securities available for sale					
Gränges (listed on Nasdaq Stockholm)	1	-	-	876	50
Shareholding in Solsten fund	2	87	51	405	222
Unlisted securities	3	20	2	67	15
Total		107	53	1 348	287
Securities, with change in fair value through profit and loss	3	0	0	28	-
Total shares and financial assets		107	53	1 376	287
Of this owned by Orkla ASA		107	53	473	236

[1]See Note 31 for a description of the valuation hierarchy.

Change in unrealised gains on shares

Amounts in NOK million	2016	2015
Opening balance unrealised gains before tax	287	281
Change in unrealised gains before tax	(234)	6
Change in deferred tax unrealised gains	0	0
Change in unrealised gains taken to comprehensive income	(234)	6
Closing balance unrealised gains before tax	53	287
Deferred tax unrealised gains	0	0
Closing balance unrealised gains after tax	53	287

Valuation of securities

The fair value of listed securities is routinely measured on the basis of the last bid price. At the time of acquisition, the shares are recognised at their value on the trade date, including transaction costs. Several valuation methodologies are used to measure the fair value of unlisted investments. Where there has been a recent arm's length transaction in the security in question, the value is based on the transaction price. If there has been no recent arm's length transaction, the value of the company is deduced from a relative valuation of comparable listed companies, adjusted for individual characteristics such as differences in size and selection between comparable companies.

The fair value of unlisted fund shares (Solsten) is measured as the share of the fund's assets as reported by the fund management.

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 price" is established and subsequent increases in fair value are recognised in comprehensive income as "Changes in unrealised gains".

Sale of shares and financial assets

Shares in the Solsten fund were divested as planned. Share sales in 2016 totalled NOK 325 million, realising a gain of NOK 179 million.

Orkla's remaining 16% interest in Gränges was sold at a gain of NOK 26 million in the first quarter of 2016. The proceeds of the Gränges share disposal totalled NOK 826 million.

Income statement items related to shares and financial assets are disclosed in Note 15.

P PRINCIPLES

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.

E ESTIMATE UNCERTAINTY

There will always be some uncertainty in connection with the valuation of unlisted shares.

NOTE 25 CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents consist of liquid assets necessary for transactions and some current placements. Orkla ASA also has unutilised, long-term, committed credit facilities that may be drawn upon at short notice; see Note 28. Changes in liquid assets in the cash flow statement do not necessarily provide an accurate picture of the Group's financial position as excess liquidity is routinely used to repay interest-bearing debt.

PRINCIPLES

Cash and cash equivalents consist of cash, bank deposits and current deposits with a maturity of three months or less, and that have 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.

Amounts in NOK million	2016	2015
Cash at bank and in hand[1]	687	438
Current deposits	396	169
Restricted deposits	121	114
Total cash and cash equivalents	1 204	721

[1]Of "Cash at bank or in hand" a total of NOK 127 million is in Orkla companies with minority shareholders and in Orkla Insurance Company (NOK 133 million in 2015). These assets are only available to a limited extent 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.

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.

PRINCIPLES

Provisions are recognised in the financial statements in the case of 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.

Amounts in NOK million	2016	2015
Pension liabilities	1 872	1 904
Derivatives	397	478
Other non-current liabilities	13	8
Other provisions	273	322
Total provisions and other non-current liabilities	2 555	2 712

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

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.

Note 26 cont.

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

Amounts in NOK million	Branded Consumer Goods	Other provisions	Total
Provisions 1 January 2015	40	343	383
New provisions	-	11	11
Utilised	(16)	(48)	(64)
Provisions 31 December 2015	24	306	330
New provisions	3	17	20
Utilised	(3)	(61)	(64)
Provisions 31 December 2016	24	262	286
	Main matters: Small personnel-related provisions and commitments to acquisitions of additional shares in companies	Main matters: Compensation to property owners and demolition costs related to Saudefaldene, 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 there are no indications of any change in estimated expenses.

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.

Accounts payable and other trade payables

Amounts in NOK million	2016	2015
Accounts payable	2 835	2 410
Other trade payables	1 494	1 436
Total trade payables	4 329	3 846

E 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	2016	2015
Non-interest-bearing derivatives	20	25
Non-interest-bearing current liabilities	155	201
Total financial liabilities non-interest-bearing	175	226
Value added tax, employee taxes	668	683
Accrued wages and holiday pay	1 083	1 087
Other accrued costs	1 012	1 153
Total other liabilities (current)	2 938	3 149

Accounts payable and other trade payables and other current financial liabilities are recognised at fair value according to Level 3 valuation and derivatives according to Level 2 valuation (see the measurement hierarchy in Note 31).

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. It is therefore important to provide information that enables users of the financial statements to understand the company's objectives, policy and management of the company's capital base.

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 the Group's 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 processes and forums. 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 capital consists of net interest-bearing liabilities and equity:

Amounts in NOK million	2016	2015
Non-current interest-bearing liabilities	(7 172)	(8 722)
Current interest-bearing liabilities	(2 496)	(399)
Non-current interest-bearing receivables	390	586
Current interest-bearing receivables	18	9
Cash and cash equivalents	1 204	721
Net interest-bearing liabilities	(8 056)	(7 805)
Group equity[1]	33 876	33 746
Net gearing (net interest-bearing liabilities/equity)	0.24	0.23

[1]The Group's equity also includes the value of cash flow hedges taken to comprehensive income, and unrealised gains on shares available for sale are taken to comprehensive income.

Orkla's net interest-bearing liabilities increased by NOK 0.3 billion through 2016, affected by acquisitions totalling NOK 2.7 billion, and sales of companies and financial assets totalling NOK 1.6 billion. Changes in foreign currency rates reduced the liabilities by NOK 0.7 billion. There were no changes in Orkla's approach and objectives regarding capital management in 2016.

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 2016.

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 2016 NOK 1.2 billion was drawn on these credit facilities (31 December 2015: NOK 0).

Orkla's main funding sources are bilateral loans from Orkla's relationship banks and loans in the Norwegian bond market. Funds have also been raised in the US Private Placement market. The Group Treasury also continuously evaluates other funding sources. The term to maturity for new loans and credit facilities is normally 5–10 years.

In 2016 Orkla repaid loans, repurchased outstanding bonds and cancelled credit facilities totalling NOK 2.4 billion. New bilateral loan agreements totalling NOK 3.8 billion were entered into, new bonds of NOK 0.6 billion were issued, and existing bonds were increased by NOK 0.3 billion. The remaining time to maturity of NOK 1.5 billion of the bilateral long-term credit facilities has been extended by one year.

Orkla has no loan agreements with financial covenants for the Group or for Orkla ASA. The loan agreements include some limitations on disposals of businesses, creation of security interest on assets, borrowing at subsidiary level, and cross default clauses. Bonds issued in the Norwegian bond market are listed on the Oslo Stock Exchange.

NOTE 29 INTEREST-BEARING LIABILITIES

The composition and the level of interest-bearing liabilities plus unutilised credit facilities are managed as part of the Group's funding activity. Changes in net interest-bearing liabilities result from the cash flow of the Group.

PRINCIPLES

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.

Amounts in NOK million	Book value 31.12.2016	Book value 31.12.2015	Fair value[1] 31.12.2016	Fair value[1] 31.12.2015	Currency	Notional in ccy	Coupon[3]	Term
Non-current interest-bearing liabilities								
Bonds								
ORK10 (10364920)	702	964	701	960	NOK	1 200	Fixed 5.70%	2007/2017
ORK09 (10364912)	213	519	214	518	NOK	1 300	Nibor +0.42%	2007/2017
ORK80 (10694680)	972	788	989	769	NOK	1 000	Fixed 4.35%	2013/2024
ORK82 (11731730)	757	659	753	631	NOK	1 500	Nibor +0.69%	2015/2022
ORK83 (11774383)	399	-	399	-	NOK	1 000	Nibor +0.85%	2016/2023
ORK84 (11774391)	187	-	192	-	NOK	1 000	Fixed 2.35%	2016/2026
US Private Placement	1 330	1 423	1 330	1 423	USD	150	Fixed 6.09%	2007/2017
US Private Placement	483	606	483	606	GBP	40	Fixed 6.27%	2007/2019
US Private Placement	670	712	670	712	USD	70	Fixed 6.19%	2007/2019
Other Private Placement	36	27	36	27				
Total bonds	5 749	5 698	5 767	5 646				
Of this current interest-bearing liabilities	(2 266)	-	(2 248)	-				
Bank loans	3 566	2 847	3 566	2 847				
Other loans	123	177	123	177				
Total non-current interest-bearing liabilities	7 172	8 722	7 208	8 670				
Current interest-bearing liabilities								
Bonds, maturity <1 year	2 266	-	2 248	-				
Bank loans, overdrafts	173	211	173	211				
Other loans	29	42	29	42				
Interest-bearing derivatives	28	146	28	146				
Total current interest-bearing liabilities	2 496	399	2 478	399				
Total interest-bearing liabilities	9 668	9 121	9 686	9 069				

[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. The book value of US Private Placement loans takes into consideration observed interest rates as of 31 December 2016 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 break down of the liabilities portfolio by currency.

Maturity profile interest-bearing liabilities and unutilised credit facilities

	Interest-bearing liabilities 31.12.2016	Interest-bearing liabilities 31.12.2015	Unutilised credit facilities 31.12.2016	Unutilised credit facilities 31.12.2015
Maturity <1 year	2 496	399	-	-
Maturity 1–3 years	2 137	4 791	6 942	2 971
Maturity 3–5 years	1 220	1 958	2 033	5 403
Maturity 5–7 years	2 247	1 150	-	-
Maturity >7 years	1 568	823	-	-
	9 668	9 121	8 975	8 374

The Group's unutilised credit facilities are multi-currency loan agreements with floating interest rates and flexible amounts and tenors for drawdown. The facility credit limits are denominated in NOK, EUR and SEK.

As at 31 December 2016 the average remaining time to maturity of the Group's combined interest-bearing liabilities and unutilised credit facilities was 3.3 years, compared with 3.2 years as at 31 December 2015.

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 the business areas, 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 are 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

This section describes the most important risk factors within each business area of the Group and the management thereof. 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, as well as 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.

Shares and financial assets

Shares and financial assets include shares and investments (disclosed in Note 24) that are exposed to share price fluctuations.

(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 net 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 net interest-bearing liabilities hedge the currency risk in enterprise value. The currency distribution of net 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 2016 are shown in Table 1.

TABLE 1
Outstanding foreign exchange contracts[1]
linked to hedging of future revenues and costs

Amounts in million

Purchase currency	Amount in currency	Sale currency	Amount in currency	Maturity
EUR	35	NOK	324	2017
EUR	4	SEK	40	2017
SEK	156	NOK	149	2017
USD	10	DKK	66	2017
USD	6	NOK	52	2017
DKK	35	NOK	43	2017
CZK	98	NOK	33	2017

[1]In currency pairs where the net total of hedges is over NOK 20 million.

Note 30 cont.

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 selection of interest periods for the Group's loans and the use of currency and interest rate derivatives. As at 31 December 2016, 33% (39% as at 31 December 2015) of the Group's interest-bearing liabilities was at fixed interest rates for periods exceeding one year, and the average time to next interest rate adjustment was 2.4 years (2.5 years as at 31 December 2015). The interest rate exposure on interest-bearing liabilities broken down by currency and financial instruments is shown in Table 2a and 2b.

TABLE 2a

Interest-bearing liabilities by instrument and interest risk profile

		Next interest rate adjustment					
Amounts in NOK million	31.12.2016	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years
Bonds	5 749	1 191	933	1 331	1 154	-	1 140
Bank loans	3 626	3 626	-	-	-	-	-
Overdrafts	113	113	-	-	-	-	-
Other loans	152	29	123	-	-	-	-
Interest rate swaps (fair value hedge)	0	2 506	900	(1 293)	(1 028)	-	(1 085)
Interest rate swaps (cash flow hedge)	0	(2 269)	(598)	-	-	-	2 867
Interest rate derivatives (other)	0	450	(600)	-	-	150	-
Currency derivatives	28	22	5	1	-	-	-
Interest-bearing liabilities	9 668	5 668	763	39	126	150	2 922
	31.12.2015						
Bonds	5 698	686	519	-	2 387	1 318	788
Bank loans	2 928	1 926	1 000	2	-	-	-
Overdrafts	130	130	-	-	-	-	-
Other loans	219	55	162	2	-	-	-
Interest rate swaps (fair value hedge)	0	2 239	1 841	-	(2 235)	(1 140)	(705)
Interest rate swaps (cash flow hedge)	0	(1 740)	(609)	-	-	805	1 544
Interest rate derivatives (other)	0	(122)	(650)	-	193	92	487
Currency derivatives	146	96	49	1	-	-	-
Interest-bearing liabilities	9 121	3 270	2 312	5	345	1 075	2 114

TABLE 2b

Interest-bearing liabilities by instrument and currency

Amounts in NOK million	31.12.2016	NOK	SEK	EUR	USD	DKK	Other
Bonds	5 749	3 229	-	-	2 001	35	484
Bank loans	3 626	44	951	1 413	1 198	4	16
Overdrafts	113	1	(18)	152	(4)	(35)	17
Other loans	152	111	10	3	-	-	28
Currency derivatives	28	(3 970)	2 901	1 545	(3 104)	1 573	1 083
Interest-bearing liabilities	9 668	(585)	3 844	3 113	91	1 577	1 628
Interest level borrowing rate (%)	1.7	-	1.3	1.9	1.8	0.1	2.1
	31.12.2015						
Bonds	5 698	2 930	-	-	2 135	27	606
Bank loans	2 928	266	-	2 655	-	5	2
Overdrafts	130	7	1	90	-	23	9
Other loans	219	180	17	3	-	6	13
Currency derivatives	146	(2 793)	4 061	(1 748)	(1 972)	1 604	994
Interest-bearing liabilities	9 121	590	4 079	1 000	163	1 665	1 624
Interest level borrowing rate (%)	2.0	2.7	1.4	2.2	1.2	0.3	5.2

For currency derivatives the asset and liability components are shown separately per currency, also including those that are recognised as assets.

Note 30 cont.

Liquidity risk

Liquidity risk is the risk that Orkla is not able to meet its payment obligations. The management of liquidity risk has high priority as a means of meeting the objective of financial flexibility.

Orkla's policy for funding activities, described in Note 28, implies that short-term interest-bearing liabilities and known capital expenditures are funded by undrawn long-term credit facilities at least one year prior to maturity. The cash flow from operations, which among other factors is affected by changes in working capital, is managed operationally by the business areas, and is largely stable with the largest net inflow during the fourth quarter. Group Treasury monitors liquidity flows, short- and long-term, through reporting. Interest-bearing liabilities are managed together with interest-bearing assets at Group level.

Due to the measures mentioned, the Group has limited liquidity risk. In order to further reduce refinancing risk, Orkla seeks to ensure that the maturities of loans and credit facilities are well distributed.

Table 3 shows the maturity profile for the Group's contractual financial liabilities, including liabilities which are not recognised in the financial position. The amounts represent undiscounted future cash flows, and may therefore deviate from recognised figures. Derivatives are presented as split between those with gross settlement (currency derivatives), and those with net settlement (interest rate derivatives). The table also includes derivatives recognised as assets on the balance sheet date, as derivatives may include both positive and negative cash flows, and the fair value fluctuates over time. Forward interest rate curves are applied to estimate future interest payments. Similarly, forward prices are used to determine the future settlement amounts for currency derivatives.

TABLE 3
Maturity profile financial liabilities

31 December 2016 Amounts in NOK million	Book value	Contractual cash flow	<1 year	1–3 years	3–5 years	5–7 years	>7 years
Loans	9 640	9 361	2 400	2 005	1 215	2 247	1 494
Interest payable	70	1 174	324	376	249	161	64
Accounts payable and other current financial liabilities	4 413	4 413	4 413	-	-	-	-
Subscribed, uncalled partnership capital	-	5	5	-	-	-	-
Net settled derivatives[1]	146	-	-	-	-	-	-
Inflow	-	(822)	(265)	(247)	(114)	(129)	(67)
Outflow	-	934	213	343	179	143	56
Gross settled derivatives[1]	39	-	-	-	-	-	-
Inflow	-	(8 651)	(8 651)	-	-	-	-
Outflow	-	8 668	8 668	-	-	-	-
Total	14 308	15 082	7 107	2 477	1 529	2 422	1 547
31 December 2015							
Loans	8 975	8 536	252	4 635	1 775	1 101	773
Interest payable	81	1 097	315	424	192	95	71
Accounts payable and other current financial liabilities	3 966	3 966	3 966	-	-	-	-
Subscribed, uncalled partnership capital	-	8	8	-	-	-	-
Net settled derivatives[1]	74	-	-	-	-	-	-
Inflow	-	(989)	(266)	(369)	(176)	(107)	(71)
Outflow	-	1 040	216	360	254	126	84
Gross settled derivatives[1]	127	-	-	-	-	-	-
Inflow	-	(10 114)	(10 114)	-	-	-	-
Outflow	-	10 217	10 217	-	-	-	-
Total	13 223	13 761	4 594	5 050	2 045	1 215	857

[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 9.0 billion at 31 December 2016 (NOK 8.4 billion at 31 December 2015).

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 from the four largest customers amount to 7-9% 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.

Note 30 cont.

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	2016	2015
Cash and cash equivalents	1 204	721
Accounts receivable and other trade receivables	5 597	5 266
Other current receivables	414	228
Non-current receivables	233	391
Derivatives	259	448
Total	7 707	7 054

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 2016. 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.

TABLE 4
Sensitivity financial instruments

31 December 2016 Amounts in NOK million	Accounting effect on income statement of: increase	decrease	Comprehensive income of: increase	decrease
Financial instruments in hedging relationships				
Interest rate risk: 100 basis points parallel shift in interest curves all currencies	(36)	36	206	(212)
Currency risk: 10% change in FX-rate USD/NOK	2	(2)	13	(13)
Currency risk: 10% change in FX-rate EUR/NOK	(2)	2	(302)	302
Currency risk: 10% change in FX-rate SEK/NOK	3	(3)	(257)	257
Currency risk: 10% change in FX-rate DKK/NOK	-	-	(58)	58
Financial instruments not in hedging relationships				
Sensitivity of share investments: 10% change in share price	-	-	9	(9)
31 December 2015				
Financial instruments in hedging relationships				
Interest rate risk: 100 basis points parallel shift in interest curves all currencies	8	(10)	150	(154)
Currency risk: 10% change in FX-rate USD/NOK	3	(3)	20	(20)
Currency risk: 10% change in FX-rate EUR/NOK	1	(1)	(123)	123
Currency risk: 10% change in FX-rate SEK/NOK	(2)	2	(541)	541
Currency risk: 10% change in FX-rate DKK/NOK	-	-	(96)	96
Financial instruments not in hedging relationships				
Sensitivity of share investments: 10% change in share price	3	(5)	135	(133)

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.

PRINCIPLES

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. Gains and losses on currency forward contracts that hedge currency risk in shares and financial assets are reported as "Gains, losses and write-downs shares and financial assets". 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 the comprehensive income, while foreign currency gains or losses in the ineffective part of the hedge are reported in the income statement. The accumulated foreign currency gains or losses are recognised in the income statement when the hedged net investment is disposed of.

Measurement of financial instruments.
The Group uses the following hierarchy when determining and disclosing the fair value of financial instruments:

Level 1: Quoted, unadjusted prices in active markets for identical assets and liabilities
Level 2: Other techniques for which all inputs with significant effect on the recorded fair value, are observable, either directly or indirectly
Level 3: Other techniques based on inputs with significant effect on the recorded fair value that are not based on observable market data

Note 31 cont.

The Group seeks as far as possible to apply the IFRS rules for hedge accounting. The table below shows the fair value of all outstanding derivative financial instruments grouped according to treatment in the financial statements and hedged risk:

Derivatives in the statement of financial position and hedging purpose

Amounts in NOK million			2016	2015	Purpose of hedging	Hedge accounting	Classification
Assets	Non-current	i.b.[1]	249	414	Interest rate swaps fixed to floating, against fair value changes in the hedged loans	Fair value hedge	Fair value through profit and loss
Assets	Current	n.i.b.[2]	6	2	Total return swap hedging share exposure in pension obligations	-	Fair value through profit and loss
Assets	Current	n.i.b.	0	1	Currency forwards hedging monetary items in the statement of financial position	-	Fair value through profit and loss
Assets	Current	n.i.b.	4	31	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Liabilities	Non-current	n.i.b.	(397)	(478)	Interest rate swaps floating to fixed, hedging future interest payments	Cash flow hedge	Fair value through comprehensive income
Liabilities	Current	i.b.	0	(10)	Currency forwards hedging loans/deposits	-	Fair value through profit and loss
Liabilities	Current	i.b.	(28)	(136)	Currency forwards hedging net investments in foreign subsidiaries	Net investment hedge	Fair value through comprehensive income
Liabilities	Current	n.i.b.	(16)	(23)	Interest rate swaps floating to fixed, hedging future interest payments	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	(3)	(2)	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Total derivatives			(185)	(201)			

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

Calculation of fair value:
- Currency forwards and currency swaps are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date.
- Interest rate swaps are measured at fair value using the present value of future cash flows calculated from observed market interest rates and exchange rates at the balance sheet date including accrued interest.

All derivatives are carried at fair value in the statement of financial position, and considered to be at level 2 in the hierarchy for measurement of financial instruments.

The derivative financial instruments are designated in hedging relationships as follows:

Cash flow hedges
- Orkla maintains interest rate swaps for hedging of future interest payments on liabilities that qualify for hedge accounting. These are swaps where Orkla pays a fixed interest rate and receives a floating rate.
- In hedges of currency risk on highly probable future cash flows, currency forward contracts are designated as hedging instruments.

During 2016 no hedging ineffectiveness or hedging instruments which no longer qualify for hedge accounting have affected the income statement (the same during 2015). All expected cash flows which have been hedged during 2016 still qualify for hedge accounting.

Changes in the equity hedging reserve

Amounts in NOK million	2016	2015
Opening balance hedging reserve before tax	(465)	(520)
Reclassified to profit/loss – operating revenues	(2)	(2)
Reclassified to profit/loss – operating costs	(29)	(4)
Reclassified to profit/loss – net financial items	112	95
Fair value change during the year	(14)	(34)
Closing balance hedging reserve before tax	(398)	(465)
Deferred tax hedging reserve	95	116
Closing balance hedging reserve after tax	(303)	(349)

The change in the equity hedging reserve before tax during 2016 is NOK 67 million (NOK 55 million in 2015), and after tax, recognised in other comprehensive income, is NOK 46 million in 2016 (NOK 31million in 2015).

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 2016 are expected to be recycled to the income statement as follows (before tax):

2017: NOK -114 million
After 2017: NOK -284 million

Hedges of net investments in foreign entities
When hedging the currency risk on foreign net investments, loans or currency derivatives are applied. During 2016 NOK 493 million has been recorded in other comprehensive income after tax from net investment hedges (During 2015: NOK -454 million). The corresponding numbers before tax are NOK 658 million (2015: NOK -622 million).

During 2016, NOK 6 million was recorded in the income statement related to net investment hedges of divested investments (NOK 0 million in 2015).

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. During 2016 NOK 165 million was recognised as costs in the income statement related to fair value changes in the interest rate swaps, and NOK 165 million was recognised as income related to fair value changes in the hedged loans.

Derivatives not included in IFRS hedging relationships
There are also derivatives not included in hedging relationships according to IFRS for the following reasons:

- Derivatives are not designated as formal hedging relationships when changes in the fair value of hedging instruments and hedged objects are naturally offset in the income statement, for example currency risk on loans and other monetary items.
- Meeting strict IFRS hedge accounting criteria is not always possible or practical. Some of the currency hedges, forward rate agreements (FRAs) and interest rate swaps where hedge accounting has been discontinued, fall into this category.

NOTE 32 SHARE CAPITAL

A company's share capital and the distribution of the number of shares outstanding determine who controls a company and the way formal ownership is held by shareholder groups. In a Norwegian group context, it is the share capital of the parent company that is relevant and it is Orkla ASA's equity that serves as the basis of calculation and the limit for distribution of dividends from the Group.

Date/year	Number of shares	Nominal value (NOK)	Type of change	Amounts (NOK million)	Ratio	Share capital (NOK million)
2007	1 041 430 970	1.25	split		5:1	1 301.8
2007	1 036 430 970	1.25	amortisation	(6.3)		1 295.5
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

The 20 largest shareholders as at 31 December 2016[1]

Shareholders			Number of shares	% of capital[2]
1	CANICA AS		193 292 000	18.97%
2	FOLKETRYGDFONDET		79 678 909	7.82%
3	TVIST 5 AS		50 050 000	4.91%
4	STATE STREET BANK AN S/A SSB CLIENT	Nominee	41 600 164	4.08%
5	STATE STREET BANK AN A/C CLIENT	Nominee	25 093 333	2.46%
6	CLEARSTREAM BANKING	Nominee	23 243 893	2.28%
7	THE BANK OF NEW YORK BNYM SA/NV	Nominee	18 797 524	1.84%
8	THE BANK OF NEW YORK S/A ADR	Nominee	17 497 997	1.72%
9	STATE STREET BANK AN A/C WEST	Nominee	17 095 175	1.68%
10	GOLDMAN, SACHS & CO.	Nominee	12 359 357	1.21%
11	STATE STREET BANK	Nominee	9 859 771	0.97%
12	THE BANK OF NEW YORK BNYM	Nominee	9 287 565	0.91%
13	JPMORGAN CHASE BANK, A/C	Nominee	9 129 919	0.90%
14	STATE STREET BANK AN A/C CLIENT	Nominee	9 017 998	0.89%
15	JPMORGAN CHASE BANK, NORDEA	Nominee	8 510 313	0.84%
16	PRUDENTIAL ASSURANCE HSBC		8 128 454	0.80%
17	STATE STREET BANK AN A/C CLIENT	Nominee	7 799 904	0.77%
18	INVESCO FUNDS BNY MELLON		7 748 712	0.76%
19	KLP AKSJENORGE INDEK		7 497 766	0.74%
20	JPMORGAN CHASE BANK, S/A	Nominee	7 164 763	0.70%
	Total shares		**562 853 517**	**55.24%**

[1]The list of shareholders is based on the Norwegian Central Securities Depository's (VPS) register of members at year end. For a list of grouped shareholders and nominee shareholders, see "Share information" on page 152.
[2]Of total shares issued.

Treasury shares as at 31 December 2016

	Nominal value (NOK)	Number of shares	Fair value (NOK million)
Shares owned by Orkla ASA	1 516 419	1 213 135	95

Treasury shares have been deducted from Group equity at cost.

Changes in the number of treasury shares

	2016	2015
Total as at 1 January	940 300	1 832 903
External purchases of treasury shares	2 000 000	4 000 000
Redemption of options in treasury shares	(1 727 000)	(3 951 000)
Orkla employee share purchase programme	(165)	(941 603)
Total as at 31 December	1 213 135	940 300

As at 31 December 2016, there were 955,000 options outstanding (see Note 11).

See the "Corporate governance" section on page 29 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 2,646 million for the 2016 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	2016	2015	2014
Non-controlling interests' share of:			
Depreciation and write-downs	24	23	18
Operating profit	97	90	67
Profit/loss before taxes	94	73	65
Taxes	(12)	(17)	(25)
Changes in non-controlling interests:			
Non-controlling interests 1 January	417	245	301
Non-controlling interests' share of profit/loss	82	56	40
Increase due to acquisitions and capital increases in companies with non-controlling interests	10	141	-
Decrease due to further acquisitions of non-controlling interests	(18)	(21)	-
Decrease due to sale of companies with non-controlling interests	(29)	-	(85)
Dividends to non-controlling interests	(54)	(19)	(25)
Translation differences	(6)	15	14
Non-controlling interests 31 December	402	417	245
Non-controlling interests relating to:			
Orkla Food Ingredients	199	207	152
Orkla Confectionery & Snacks	0	2	1
Hydro Power	187	174	48
Financial Investments	16	34	44
Total non-controlling interests	402	417	245

PRINCIPLES

If the Group has control, but owns less than 100% of the subsidiaries and their subsidiaries, the non-controlling interests' share of profit or loss after tax, their share of comprehensive income and their share of equity are presented on separate lines in the consolidated financial statements. All internal transactions are eliminated in the same way as for the other Group companies. If there are non-controlling interests in acquired companies, the non-controlling interests will receive their share of allocated assets and liabilities, except for goodwill which is only calculated on the Group's share. Transactions with non-controlling interests that do not entail loss of control will be recognised in equity.

Orkla Food Ingredients has several companies with non-controlling interests, the most material of which are related to the Dragsbæk group in Denmark. The group has been family-owned and the former owner still has a substantial equity interest in the parent company. Orkla Food Ingredients also has external ownership interests in Condite (Finland) and Ekvia (Czech Republic).

The non-controlling interests in Hydro Power consist of a 15% ownership interest in Saudefaldene AS, which is owned by Sunnhordaland Kraftlag. In addition, Orkla Financial Investments has non-controlling interests relating to the Capto group.

It is important to be aware that companies with non-controlling interests are consolidated on a 100% basis in the income statement, statement of financial position and statement of cash flows, and the non-controlling interests' share of the Group's annual profit or loss and equity are reported on separate lines.

NOTE 34 LEASING

Leasing 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.

PRINCIPLES

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).

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

Rented/leased property, plant and equipment Amounts in NOK million	Machinery/ plant 2016	Machinery/ plant 2015	Land, building, property 2016	Land, building, property 2015	Fixtures, vehicles etc. 2016	Fixtures, vehicles etc. 2015	Other assets 2016	Other assets 2015	Lessee Operating leases Total 2016	Lessee Operating leases Total 2015
Cost current year	23	23	309	290	109	96	11	10	452	419
Cost next year	22	25	259	258	87	88	9	8	377	379
Total costs 2–5 years	22	24	591	640	129	165	15	15	757	844
Total costs after 5 years	2	4	90	265	29	1	1	-	122	270
Total future leasing costs	46	53	940	1 163	245	254	25	23	1 256	1 493

Rented/leased property, plant and equipment Amounts in NOK million	Machinery/ plant 2016	Machinery/ plant 2015	Land, building, property 2016	Land, building, property 2015	Fixtures, vehicles etc. 2016	Fixtures, vehicles etc. 2015	Other assets 2016	Other assets 2015	Lessee Finance leases Total 2016	Lessee Finance leases Total 2015
Cost current year	3	8	-	1	14	9	-	-	17	18
Cost next year	5	5	-	1	13	8	-	-	18	14
Total costs 2–5 years	4	6	-	-	24	22	-	-	28	28
Total costs after 5 years	-	-	-	-	-	-	-	-	-	-
Total future leasing costs	9	11	-	1	37	30	-	-	46	42
Discounted effect	-	-	-	-	(1)	(1)	-	-	(1)	(1)
Net present value leasing costs	9	11	-	1	36	29	-	-	45	41

The Group also leases out real estate under operating leases. Leasing revenues in 2016 totalled NOK 98 million. Total future leasing revenues amount to NOK 216 million: NOK 83 million in 2017 and NOK 133 million after 2017.

New IFRS 16 Leases

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 2016 from 61% to 60%, or by approximately 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 lease must be capitalised. The Group has a major IT operations contract with Cognizant that is not included in reported leasing costs. 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 up 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 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	Annual saleable normal production/ contract volume	Ownership, status and remaining utilisation period/contract duration	Key financial terms and conditions
POWER PLANTS			
Saudefaldene 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	1 810 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 further description 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 as at 1 January 2031 of the expansions carried out by AS Saudefaldene[1].
Borregaard power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	250 GWh	100% ownership, infinite licence period.	
Sarp power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	265 GWh	50% ownership, infinite licence period. The other ownership interest owned by Hafslund Produksjon.	Hafslund Produksjon has the operational responsibility.
Trælandsfos power plant[2] Hydropower run-of-river, Kvinesdal, Vest-Agder	30 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]Saleable normal production given average inflow adjusted for expected loss of water, leakages in the power grid and own consumption.

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 are undertaken as part of the Group's day-to-day operations and in connection with participation in general and limited partnerships. Guarantee commitments cover a variety of guarantees such as surety, rent guarantees and guarantees for other payments, but do not cover product or service liability in connection with ordinary sales.

Amounts in NOK million	2016	2015
Liabilities secured by pledges	95	218
Pledged assets		
Machinery, vehicles etc.	5	1
Buildings and plants	49	211
Inventory	2	160
Accounts receivables	29	2
Other assets	82	123
Total book value	167	497

"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	2016	2015
Subscribed, uncalled limited partnership capital	5	8
Other guarantee commitments	163	58
Total guarantee commitments	168	66

P PRINCIPLES

The Group's most important loan agreements are based on a negative pledge, and the Group can therefore only to a limited extent pledge its assets to secure its liabilities.

NOTE 37 RELATED PARTIES

Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties. A company's profit or loss and financial position could in principle be affected by a related party relationship even if no transactions with related parties have actually taken place. The mere existence of the relationship may be sufficient to affect the way the company's other transactions are perceived. To ensure full access to all information of this nature, the following related party relationships are disclosed below:

Orkla ASA is a parent company and has direct and indirect control of around 235 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 and joint ventures, which are presented using the equity method. Orkla has outstanding balances totalling NOK 41 million with associates within Orkla Eiendom. There have been no other special material transactions between associates and joint ventures 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 249,142,000 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.

Apart from what is disclosed in this note, there were no material transactions with related parties. Information regarding the executive management is disclosed in Note 11 to the consolidated financial statements and Note 5 to the financial statements for Orkla ASA.

P PRINCIPLES

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.

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 significant assets are divested.

PRINCIPLES

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 significant 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.

Orkla had no companies classified as "Discontinued operations" in 2016.

Orkla Brands Russia
The business in Russia was sold as at 31 December 2014 and is presented as "Discontinued operations".

In November 2015, Orkla sold a property in the centre of St. Petersburg in Russia. The property was spun off from Orkla Brands Russia prior to the sale. The property was presented on a separate line in the statement of financial position as an "Asset held for sale" as from the fourth quarter of 2014. The gain was reported as "Discontinued operations" in 2015.

Gränges
Gränges was listed on the stock exchange on 10 October 2014 and, as a result of this decision, was presented as "Discontinued operations" as from the third quarter of 2014. The loss on the disposal is presented on the same line. The Group's remaining ownership interest (31%) in Gränges was recognised as an associate as from the fourth quarter of 2014. In the course of 2015 and 2016 the Group sold the remainder of its interest in Gränges (see Note 24).

Profit & loss for "Discontinued operations"

Amounts in NOK million	2016	2015	2014
Operating revenues	-	-	3 767
Operating expenses	-	-	(3 430)
Depreciation and write-downs property, plant and equipment	-	-	(171)
Other income and expenses	-	-	(38)
Operating profit/loss	-	-	128
Profit/loss from associates	-	-	1
Other financial items	-	-	(50)
Profit/loss before tax	-	-	79
Taxes	-	-	(69)
Profit/loss after tax	-	-	10
Net residual settlement related to exit Russia	-	(17)	-
Loss/gain on sale after tax	-	-	(366)
M&A costs	-	-	(129)
Profit/loss for discontinued operations	-	(17)	(485)

EBIT (adj.), by segment

Amounts in NOK million	2016	2015	2014
Gränges	-	-	293
Orkla Brands Russia	-	-	(127)
Sapa	-	-	-
Total	-	-	166

Cash flow "Discontinued operations"

Amounts in NOK million	2016	2015	2014
Cash flow from operations before net replacement expenditures	-	-	547
Net replacement expenditures	-	-	(50)
Expansion investments	-	-	(4)
Total	-	-	493

NOTE 39 OTHER MATTERS

Several factors that are not strictly accounting matters may be crucial to the way in which the financial statements are understood. For instance, there may be matters relating to time-limited agreements that could have an impact on future earnings. There may be unresolved legal disputes that could have significant effects if the judgment 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. As from 30 June 2016, the agreement may be terminated by either party by giving 12 months' notice, which means that the earliest possible expiry date for the current agreement is 30 June 2018.

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 soybeans in 2004, in which Denofa do Brasil was swindled. The company has lost both cases at first instance. Orkla's legal advisers 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 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 sale and purchase of goods and services in connection with the production of potatoes, vegetables, fish etc. These contracts are regarded as part of the Group's ordinary operating activities and are therefore not specified or indicated in any other way. The contracts are deemed to be strictly commercial contracts with no embedded derivatives.

Government grants. Government grants are recognised when it is reasonably certain that they will be received. The grants are presented either as income or as a cost reduction in which case they are matched with the costs for which they are meant to compensate. Government grants relating to assets are recognised as a reduction in the asset's acquisition cost. The grant reduces the asset's depreciation. Orkla received only an entirely insignificant amount in government grants.

Dragsbæk. Under Orkla's shareholder agreement with its partner in Dragsbæk, Orkla has an obligation to purchase the remaining shares at the partner's request. Orkla acquired 50% of the company for approx. NOK 45 million in 1989 and has subsequently purchased an additional 17%. The potential purchase of the remaining shares will be priced on the basis of the original price adjusted for inflation and earnings in the past three years. The adjustment for earnings is limited to +/-25%.

NOTE 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. 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.

Amounts in NOK million	2016	2015	2014
Operating profit	3 785	3 058	3 181
Amortisation, depreciation and write-downs	1 138	1 109	930
Change in net working capital, etc.	(228)	404	(491)
Cash flow from operations before net replacement expenditures	4 695	4 571	3 620
Net replacement expenditures	(1 327)	(930)	(838)
Cash flow from operations[1]	3 368	3 641	2 782
Cash from from operations, Financial Investments	45	94	(59)
Financial items, net	(276)	(285)	(326)
Taxes paid	(506)	(727)	(492)
Received dividends	283	282	271
Discontinued operations and other payments	11	158	302
Cash flow before capital transactions	2 925	3 163	2 478
Paid dividends	(2 599)	(2 563)	(2 565)
Net sale/purchase of Orkla shares	(77)	(31)	105
Cash flow before expansion	249	569	18
Expansion investment in industrial activities	(163)	(388)	(102)
Sale of companies (enterprise value)	415	1 133	2 883
Purchase of companies (enterprise value)	(2 651)	(3 173)	(87)
Net purchase/sale shares and financial assets	1 194	298	350
Net cash flow	(956)	(1 561)	3 062
Currency effects of net interest-bearing liabilities	705	(583)	(227)
Change in net interest-bearing liabilities	251	2 144	(2 835)
Net interest-bearing liabilities	8 056	7 805	5 661

[1]Excluding Financial Investments

Reconciliation of operating profit in cash flow statement against income statement

Amounts in NOK million	2016	2015	2014
Operating profit in the Group	3 916	3 107	3 114
- EBIT (adj.) Financial Investments	131	57	(36)
- Other income and expenses Financial Investments	-	(8)	(31)
Operating profit industrial activities	3 785	3 058	3 181

Reconciliation of change in interest-bearing liabilities

Amounts in NOK million	2016	2015
Change in interest-bearing liabilities from cash flow Orkla-format	251	2 144
Of this change cash and cash equivalents	483	(1 894)
Change net interest-bearing liabilities excluding cash and cash equivalents	734	250
Net interest-bearing liabilities from acquired and sold companies	(349)	(1 261)
Currency effects net interest-bearing liabilities	705	(583)
Currency effects cash and cash equivalents	10	(23)
Change net interest-bearing liabilities cash flow statement	1 100	(1 617)

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. If events concern matters that arose after the balance sheet date, the matters may have to be disclosed in a note.

No other 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.