



Annual Report 2016

Sustainability Report included

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Photo: Ole Walter Jacobsen.
Orkla employees, their children and friends are models in the photos taken by Ole Walter Jacobsen.

Design and layout by Design Container.



A leading branded consumer goods company

Orkla is a leading supplier of branded consumer goods to the grocery, out-of-home, specialised retail, pharmacy and bakery sectors. The Nordic and Baltic regions and selected countries in Central Europe are Orkla’s main markets. The Orkla Group also holds strong positions in selected product categories in India.

Orkla’s Branded Consumer Goods business comprises the Orkla Foods, Orkla Confectionery & Snacks, Orkla Care and Orkla Food Ingredients business areas. Orkla also has operations

organised under the Orkla Investments business area, consisting of its investments in Sapa (50% interest) and Jotun (42.5% interest), in addition to Hydro Power and financial assets.

Orkla ASA is listed on the Oslo Stock Exchange and its head office is in Oslo, Norway. As of 31 December 2016, Orkla had 18,154 employees. The Group’s turnover in 2016 totalled NOK 37.8 billion.

2016 in brief

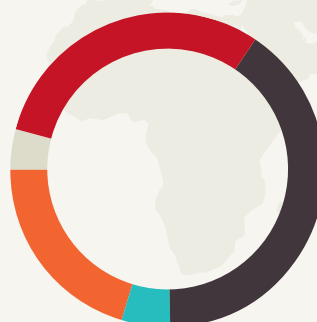
- Successful innovations and more efficient operations contributed to sales growth and improved results for the Branded Consumer Goods business.
- Orkla strengthened its long-term competitiveness by increasing collaboration across the Group – as “One Orkla”.
- Branded Consumer Goods was strengthened by a number of acquisitions, while the Group’s exposure outside Branded Consumer Goods was reduced through the continued sell-off of real estate properties and the share portfolio.
- With the purchase of the Hamé food company, Orkla doubled its turnover in Central Europe and became one of the leading branded consumer goods companies in the Czech Republic and Slovakia.
- The acquisition of Harris strengthened Orkla’s position in the UK painting tool sector. Orkla also consolidated its presence in selected niche markets and geographies through a number of smaller acquisitions.
- Orkla’s associates Sapa and Jotun continue to deliver good results, with a substantial improvement in profit for Sapa.
- The return on the Orkla share (including reinvested dividend) was 15.6% in 2016. The Board proposes to increase the dividend to NOK 2.60 per share.

Orkla in the world

#1	#1	300	8.5 million
<i>Leading in the Nordics</i>	<i>Leading in the Baltics</i>	<i>Strong local brands</i>	<i>Sold Orkla products</i>
<i>Orkla is the leading branded consumer goods company in the Nordic region</i>	<i>Orkla is the leading branded consumer goods company in the Baltic region</i>	<i>Orkla has 300 local brands with strong positions</i>	<i>Every single day Orkla sells 8.5 million consumer units</i>

Geographical spread of sales revenues¹

● Norway	12	31%
● Nordics excl. Norway	15	40%
● Baltics	2	5%
● Rest of Europe	7	20%
● Rest of Europe	1	4%
Total	37	100%



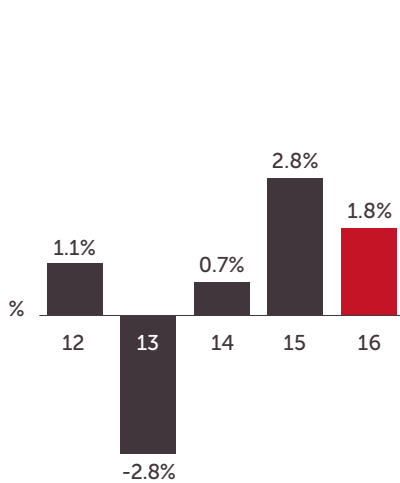
Orkla’s top ten categories

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

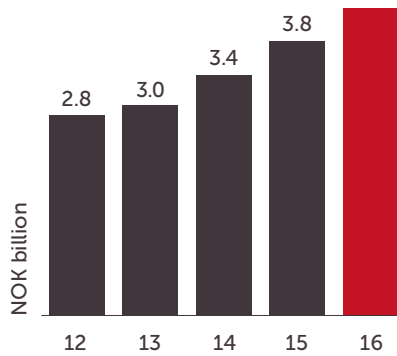
¹Excluding internal sales and other operating revenues

About Orkla

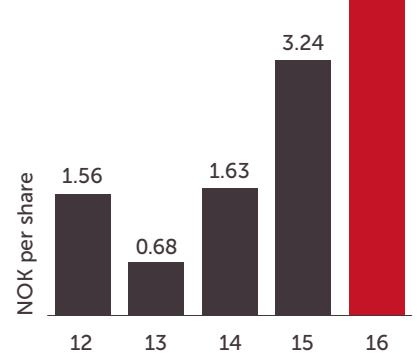
Organic growth¹ for Branded Consumer Goods



EBIT (adj)² for Branded Consumer Goods






Earnings per share (diluted)



¹Adjusted for currency translation effects and structural changes

²Operating profit before other income and expenses

Improving everyday life with healthier and more enjoyable local brands

STRATEGIC PILLARS	Consumers We deliver brands people love, and innovations that delight and engage, every day	Customers We are a preferred partner delivering long term profitable growth and added value based on strong brands and local customer and consumer insight	People We develop talent, teamwork and diversity. We want people to grow and flourish so they deliver at their full potential. We are proud to be part of a winning team	Operations We deliver profitable growth through an efficient and sustainable value chain	Society We contribute to the society we operate in by building strong businesses. Sustainability is our key to future growth and competitive power
CORE VALUES	Brave 	Trustworthy 	Inspiring 		

One Orkla - one team for growth

Vision and values

Orkla's vision is to be "Your friend in everyday life". This vision is underpinned by the values "Brave", "Trustworthy" and "Inspiring". Orkla's mission is to improve everyday life with healthier and more enjoyable local brands.



Orkla's strategy

Orkla's strategy is to strengthen its position as the leading branded consumer goods company in the Nordic and Baltic regions and selected other markets. Through closer cross-group collaboration, as "One Orkla", Orkla will improve its long-term competitiveness, while continuing to build on its local presence.

Activities that drive organic growth and contribute to improved profitability will be prioritised in accordance with the Group's strategy and financial goals.

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

- This growth will be generated in part by an ambitious innovation programme based on the Group's unique local customer and consumer insight.
- A growing number of new products will be launched across Orkla's markets and business areas through increased collaboration as "One Orkla".
- Measures to further develop and reinforce customer relations, with the shared objective of profitable growth, will be given priority.
- Orkla's international presence will provide a strong foundation for a more targeted focus on exports.

Improved profitability through more efficient operations throughout the value chain

- The Group will exploit economies of scale and extract cross-group synergies more effectively by collaborating more closely as "One Orkla".
- Orkla will leverage its unique local insight and connections to stand out significantly from its competitors
- Profitability will be improved by increasing operational efficiency in every part of Orkla's value chain and through the successful integration of acquisitions.

- Production will be concentrated on fewer, but larger production units, thereby freeing up resources for innovation, growth and competence-building.

- More efforts will be initiated to increase collaboration on sales and marketing.

Acquisitions in the Branded Consumer Goods business

- In addition to organic growth, acquisitions will help to strengthen Orkla's position as the leading branded consumer goods company in its home markets.
- Orkla will invest primarily in small and medium-sized complementary acquisitions in selected markets, categories or niches where the Group already has a presence.

Clear strategy for capital allocation

Orkla is in the final stages of a transformation from an industrial conglomerate to a leading branded consumer goods company. Orkla continues to reduce its exposure outside the Branded Consumer Goods business. Its foremost priority is to transfer excess capital to acquisitions in Branded Consumer Goods. Alternatively, an extraordinary dividend or share buy-backs will be considered.

The Board of Directors has proposed a dividend policy that entails maintaining a stable dividend of at least NOK 2.50 per share.

The Group's goal is to remain an "investment grade" company. Its target is therefore to ensure that its net interest-bearing liabilities/EBITDA ratio does not exceed 2.5-3.0 over time.

Financial goals 2016-2018

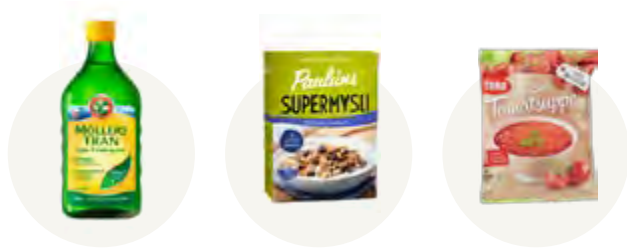
- Organic growth at least in line with market growth
- Annual adjusted EBIT growth of 6-9 per cent¹ in the Branded Consumer Goods business

¹Including minor acquisitions, excluding currency effects and major acquisitions and divestments

Consumer trends

Based on unique customer and consumer insight into local markets, Orkla develops strong local branded products. Orkla prioritises six consumer trends:

Health & well-being



Indulgence



Natural – free-from



Ethics & environment



Organic/eco



Convenience



Creating growth as “One Orkla”

In 2016 we strengthened Orkla’s position as the Nordic region’s leading branded consumer goods company by means of a number of strategic acquisitions and strong product launches. We also made a good deal of progress in our efforts to build a culture focused on working more as “One Orkla” and realising more synergies in our existing operations.



In the course of the year we made several acquisitions. We strengthened our position in the painting tool category by acquiring Harris in the UK. Through the purchase of Hamé, we doubled our turnover in Central Europe and have become a leading food company in the Czech Republic and Slovakia. We also improved our existing positions in selected categories through several smaller acquisitions. Combined with organic growth, acquisitions will continue to be an important part of Orkla’s growth strategy. Acquisitions also contribute cost synergies. Orkla made several structural changes during the year. By streamlining our manufacturing footprint and exploiting economies of scale, we are strengthening our long-term competitiveness.

Orkla is well known for its strong local brands and insight into local consumer needs. At the same time, we are focusing on working as “One Orkla” and applying our consumer insight, brand understanding and product development strength across the Group. The launch of Waffle Cut chips under the Taffel, Ádazu, OLW and KiMs brands is an example of the way we roll out major innovations in several different countries, marketing the same product under a number of Orkla’s big local brands. Paulúns, initially launched in Sweden and then in Denmark and Finland, is another example. The year 2016 was one of many strong innovations that meet the demand for healthier food products, vegetarian products and organic alternatives in the major categories. Taste, indulgence and convenience are also key factors.

Healthier foods are high on the agenda at Orkla. Our companies work actively to adapt their product portfolio to health-related consumer trends, and to develop products that our customers can be proud to have on their shelves. It is gratifying to see the collaboration that we as an industry have established with the Norwegian health authorities. In 2016, we signed a historic agreement in support of healthier food. Orkla also participates in industry initiatives to promote healthy food and sustainable production in Sweden.

Partnerships are essential to resolving the global sustainability challenges. By signing the Businessworthy Pledge, I wanted to clearly express Orkla’s commitment to contributing to the achievement of the United Nations Sustainable Development Goals.

Orkla’s sustainability strategy defining goals up to 2020 was launched three years ago. Sustainable growth is the new norm for business and industry. As a large Nordic company, we have a responsibility for leading the way in our industry. In 2016, Orkla gave making products with a smaller environmental footprint a prominent place on its agenda. We have developed a model for sustainable packaging, continued the important work of ensuring deforestation-free supply chains, and launched several products that are good environmental choices.

We believe in our strategy of being a leading branded consumer goods company, with the Nordics and Baltics as our main markets, along with selected geographies in which we have a presence. Our results for 2016 show that the measures that we have initiated have paid off. Acquisitions are contributing to value creation, and we will continue to rationalise our supply chain and exploit economies of scale. Among the most important priorities that we must successfully pursue in future are maintaining our focus on innovations and making products that are healthier, easier to like and make life simpler. By working as “One Orkla”, over 18,000 employees contribute every single day to ensuring that tomorrow’s favourites will still be made by Orkla.

Peter A. Ruzicka
President and CEO

Orkla's business areas



Operating
revenues



Organic growth¹



EBIT (adj.)²



EBIT (adj.)
margin



EBIT (adj.)
growth



Number of
employees

Orkla Foods

15.5 NOK billion 2.3% 2.0 NOK billion 12.7% 16% 8 393

Orkla Confectionery & Snacks

6.2 NOK billion 4.9% 0.9 NOK billion 15.0% 11% 3 084

Orkla Care

6.7 NOK billion 0.6% 1.0 NOK billion 14.2% 9% 3 309

Orkla Food Ingredients

8.2 NOK billion -0.5% 0.4 NOK billion 5.4% 6% 2 880

Branded Consumer Goods in total

36.4 NOK billion 1.8% 4.3 NOK billion 11.8% 12% 17 666

Orkla Investments

Sapa (50%)³

Jotun (42.5%)³

Hydro Power

Financial Investments

2.2 NOK billion
Underlying EBIT

1.8 NOK billion
EBIT

0.2 NOK billion
EBIT (adj.)

1.3 NOK billion
Book value real estate

¹Adjusted for currency translation effects and structural changes.

²Operating profit before other income and expenses.

³The figures from associates and joint ventures are on a 100% basis.

0.1 NOK billion
Book value
financial assets

Orkla Foods

Orkla Foods is the largest business area, with 42% of Orkla’s total operating revenues from its Branded Consumer Goods business.



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

Orkla Foods chiefly sells its products through grocery retailers, but also holds strong positions in the out-of-home, convenience store and petrol station sectors. Norway and Sweden are Orkla Foods’ two largest markets, accounting for 60% of the business area’s turnover in 2016.

In 2016, Orkla Foods substantially strengthened its position in Central Europe through the acquisition of Hamé, a leading branded food company based in the Czech Republic and Slovakia.

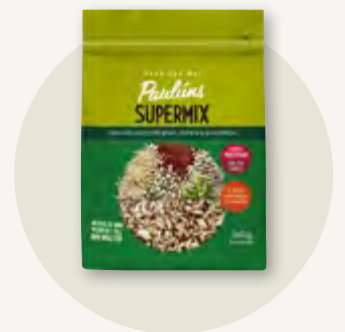
Orkla’s expanded distribution agreement with PepsiCo covers the sale of Tropicana and Quaker products in Norway, Sweden, Denmark and Finland, thereby strengthening Orkla Foods’ position in the breakfast segment.

- Orkla Foods’ many well-known brands include Grandiosa, TORO, Stabburet, Felix, Paulúns, Abba, Kalles, Beauvais, Pastella, Spilva, Vitana and MTR.
- Companies in the business area: Orkla Foods Norge, Orkla Foods Sverige, Orkla Foods Danmark, Orkla Foods Finland, Pöitsamaa Felix in Estland, Orkla Foods Latvija, Orkla Foods Lietuva, Felix Austria, Hamé and Vitana Group in the Czech Republic and MTR Foods in India.



Responding to the health trend with Paulúns

Paulúns is Orkla Foods’ natural health brand, offering a wide assortment of products ranging from breakfast cereals, crispbread and porridges to soups and side dishes. The products have been developed in close cooperation with nutritionist Fredrik Paulún. They contain only natural raw materials, have no added sugar and are made exclusively with selected healthy ingredients. The aim is for the brand to be the healthiest alternative in each category. The Paulúns range has been part of Orkla Foods Sverige’s portfolio since 2010, and in 2015 was also launched in Finland and Denmark. Orkla Foods Latvija introduced Paulúns in 2016. Product innovations include Paulúns Chiafrö & Boveteflingor chia seed & buckwheat cereal, Supermix raw rice mix and Superknäcke crispbread. Orkla’s sales of Paulúns products totalled NOK 299 million in 2016. In 2017, Norwegian consumers will also be able to enjoy these tasty, wholesome products, which will be marketed under the Bare Bra brand from Toro.



Paulúns – with natural raw materials and healthy ingredients

Orkla Confectionery & Snacks

Orkla Confectionery & Snacks' turnover accounts for 17% of Orkla's total operating revenues from its Branded Consumer Goods business.



Orkla Confectionery & Snacks is market leader in the confectionery, biscuits and snacks categories, offering well-known local brands and tastes that delight consumers in the Nordic and Baltic regions. A total of 94% of the business area's turnover is generated in the Nordic and Baltic markets. Norway is its largest single market.

Orkla Confectionery & Snacks further strengthened its position in Norway in 2016 through its pick-and-mix sweets agreement with the Coop grocery chain. In 2016, Orkla Confectionery & Snacks consolidated its market position with launches of chocolate products in Denmark and crisp-bread products in Norway. Additionally, its market position in Estonia was further strengthened by a number of jubilee launches to mark the 210th anniversary of Orkla's oldest brand, Kalev. The distribution agreement with PepsiCo also entered into effect in 2016. Under the agreement, Orkla Confectionery & Snacks is responsible for the sale of Lay's snack foods in Norway, Sweden and Finland.

- The business area's many popular brands include KiMs, Nidar, Göteborgs Kex, Sætre, OLW, Panda, Laima, Selga, Adazu and Kalev.
- Companies in the business area: Orkla Confectionery & Snacks Norge, Orkla Confectionery & Snacks Sverige, Orkla Confectionery & Snacks Danmark, Orkla Confectionery & Snacks Finland, Orkla Confectionery & Snacks Latvija and Kalev in Estonia.



Snack innovation from Toten a new popular favourite

More consumers are looking for locally produced, genuinely natural products. In 2016, Orkla responded to this trend with the launch of Totenflak potato chips. The thicker, slow-cooked kettle chips are made from potatoes from local farms in the Toten district and produced at Orkla's factory at Skreia. Each bag of chips features the name of the farm that supplied the potatoes for the chips in that particular bag. Totenflak became an overnight success, with store sales totalling more than 2.5 million bags in the first 25 weeks. With record-high testing and repeat purchase rates, Totenflak achieved a market share of 21% in the second largest chips segment in 2016. A total of 4 million bags of Totenflak chips, for a value of NOK 100 million, were sold in 2016.



Totenflak potato chips - made with patience!

Orkla Care

Orkla Care accounts for 19% of the Branded Consumer Goods business's operating revenues and is organised in six business units.



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

The Nordic region accounts for 78% of the business area's turnover, and Norway is its largest single market, generating 47% of turnover.

In 2016, Orkla Care strengthened its position through acquisitions in selected categories and markets. Orkla House Care doubled the size of its operations through the purchase of Harris, a leading painting tool manufacturer in the UK.

Orkla Wound Care was established in 2016 as a separate business unit in Orkla Care. Wound Care comprises well-known brands such as Salvequick and Cederroth First Aid and holds good market positions in the Nordic region and Europe.

- Widely known brands include Möller's, Collett, Nutrilett, Maxim, Define, Sunsilk, Blenda, Jif, Sun, Zalo, Jordan and Pierre Robert.
- Companies in the business area: Orkla Home & Personal Care, Orkla Health, Lilleborg, Pierre Robert Group, Orkla House Care and Orkla Wound Care.

Jordan*

by Nutrilett

OMO

Pierre Robert

Salvequick

Sun

MÖLLERS

Body care range from Dr Greve designed for the Nordic climate

Dr Greve is Orkla's oldest personal hygiene brand, which started out with Dr Greve children's soap around 1890. In 2000, Dr Greve Sensitiv Intimvask intimate cleanser was launched with great success, and 15 years later is still the biggest product in the shower category. In 2016, Dr Greve made a quantum leap, launching a complete range of body care products specifically formulated for the Nordic climate. The product assortment has been expanded to include four new categories in addition to shower products: body lotion, hand cream, deodorants and hand soap. The launch resulted in good sales and the products are widely distributed in grocery chains, and Dr Greve quickly became market leader in body lotion and hand creams in Norway. The body care range is paraben-free, and includes products with no perfume or colorants.



Dr Greve paraben-free body care range

Orkla Food Ingredients

Orkla Food Ingredients accounts for 22% of the Branded Consumer Goods business's operating revenues. Orkla Food Ingredients is the leading supplier of bakery ingredients in the Nordic region, in addition to holding growing positions in selected countries in Europe.



Its biggest product categories are margarine and butter blends, yeast, bread and cake improvers and mixes, marzipan and ice cream ingredients.

The business area has sales and distribution companies in 22 countries. Around 70% of sales are made to artisanal and industrial bakeries. Some 20% are sales directly to the consumer through well-known brands such as Mors Hjemmebakte, Kronjäst, Odense and Bakkedal. The remaining 10% of turnover is generated by sales of ice cream ingredients and accessories. Orkla Food Ingredients is one of Europe's leading suppliers of ice cream ingredients and accessories, with a presence in the Nordics, Germany, the Netherlands and the UK. Acquisitions in 2016 have further strengthened this position.

A large share of Orkla Food Ingredients' sales derives from distribution agreements. Because of this, and because a substantial share of its sales consist of raw materials, the business area's operating margin is lower than that of Branded Consumer Goods' other business areas. However, its return on capital is more comparable to that of the other areas.

- The companies in the Orkla Food Ingredients business area include Odense Marcipan, KåKå, Idun Industri, Credin, Sonneveld and Dragsbæk.



The vegan Naturli' range a success

More and more consumers want to have plant-based, meat-free alternatives one and more days a week. Through the company Naturli' Foods, Orkla Food Ingredients has established itself as a leading supplier of vegan food and drinks in Denmark. With a broad assortment and a market share of 70%*, Naturli' products are well known to Danish consumers. The portfolio comprises a wide diversity of products ranging from drinks based on rice, soya, coconut or almonds, spreadable toppings and plant-based toppings to meat-free dinners, ready-to-eat dishes and ice cream. All the products are 100% plant-based and organic, and all raw materials are GMO-free. In 2016 Naturli' Foods launched 14 innovations. The company's sales of vegan products totalled around DKK 86.6 million in 2016.

*Volume for drinks, yoghurt and cream



Naturli'- 100% plant-based and organic

Orkla Investments

Orkla has a number of investments in addition to its Branded Consumer Goods business, which are organised under Orkla Investments. The business area comprises the associates and joint ventures Sapa (50% interest) and Jotun (42.5%).

Associates and joint ventures are accounted for using the equity method and presented on a separate line of the consolidated financial statements.

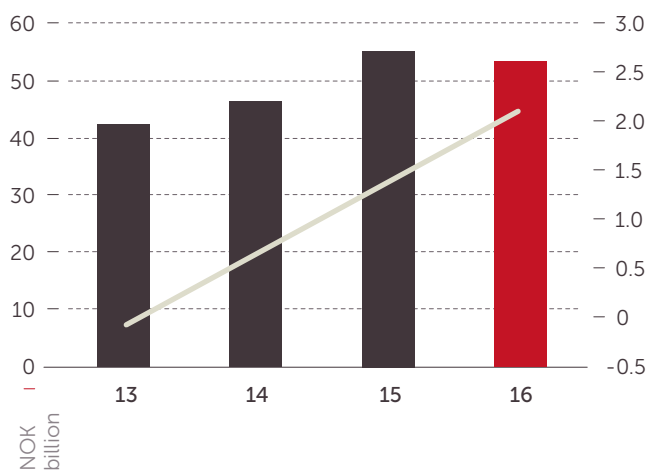
The consolidated businesses Hydro Power and Financial Investments are also part of Orkla Investments.

Overview of Orkla Investments

<h3>Sapa</h3> <p>The world's leading manufacturer of extrusion-based aluminium solutions</p>	<h3>Jotun</h3> <p>Jotun is one of the world's leading manufacturers of paint and powder coatings</p>	<h3>Hydro Power</h3> <p>A power plant in Sarpsfoss and an 85% interest in Saudefaldene</p>	<h3>Financial Investments</h3> <p>Orkla's real estate investments and share portfolio</p>
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Sapa

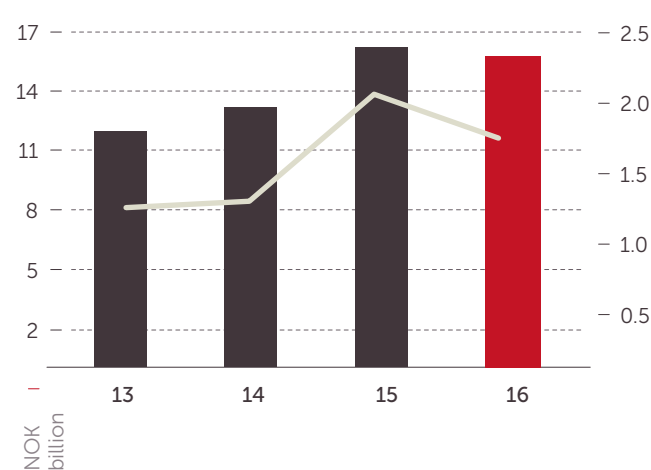
Sapa is the world's leading manufacturer of extrusion-based aluminium solutions for the building and construction market and the transportation and automotive industry, primarily in Europe and North America. Sapa is a global player with 22,400 employees in 40 countries. At the end of 2016, Sapa had a market share of 22% in Europe and 24% in North America.



■ Operating revenues	Ownership: 50%	Employees: 22 400
■ Underlying EBIT		

Jotun

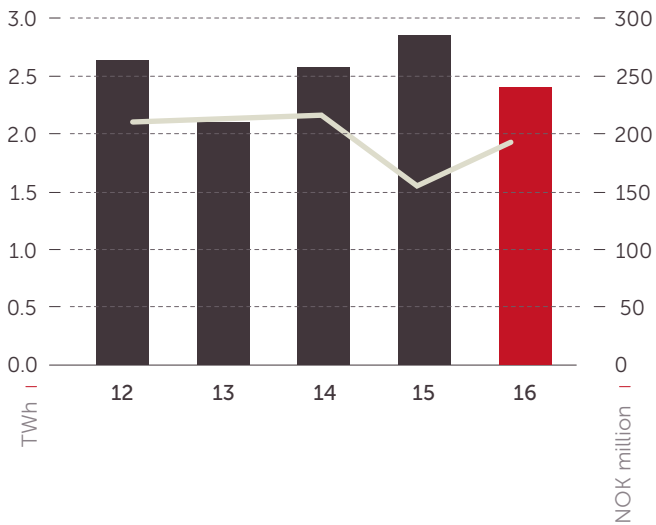
Jotun is one of the leading global manufacturers of paint and powder coatings. Jotun's worldwide activities consist of the development, production, marketing and sale of a variety of paint systems, and are organised in the four segments Decorative Paints, Marine Coatings, Protective Coatings and Powder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



■ Operating revenues	Ownership: 42.5%	Employees: 9 800
■ EBIT		

Hydro Power

Hydro Power consists of a power plant in Sarpsfoss and Orkla's 85% interest in Saudefaldene. The power operations generate and supply power to the Nordic power market and produce a total normal annual volume of 2.4 TWh, of which around 1 TWh is a fixed delivery commitment with a net effect of zero on profit. The Sauda power operations are regulated by a leasing agreement with Statkraft that will run until 31 December 2030.

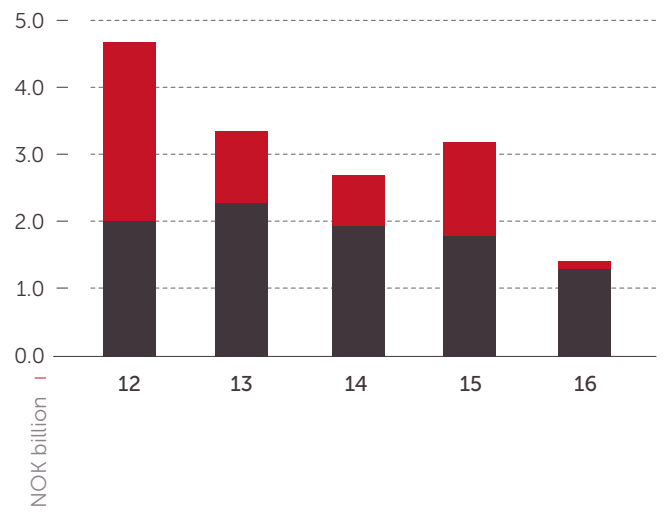


■ TWh	Sarpsfoss normal annual production 0.6 TWh	Saudefaldene normal annual production 1.8 TWh
■ EBIT (adj.)		

Financial Investments

Financial Investments consists of shares and financial assets and Orkla Eiendom (real estate) with a total book value of approximately NOK 1.4 billion as at 31 December. As at 31 December 2016, Orkla's share portfolio had a market value of NOK 0.1 billion.

As at 31 December 2016, Orkla's real estate investments had a book value of NOK 1.3 billion. One third of these assets are industrial properties that are gradually being sold. The other two thirds consists of three real estate development projects, the largest of which is the construction of Orkla's new head office.



■ Real estate	Book value real estate 1.3 NOK billion	Book value financial assets 0.1 NOK billion
■ Financial assets		





Fredrik and Ferdinand - part of the Orkla family

Report of the Board of Directors

In 2016 the Board of Directors continued its efforts to further develop Orkla as a leading branded consumer goods group, with the Nordic and Baltic regions as its main markets, while also targeting growth in and strengthening selected geographies. To further secure its future competitiveness, the Group maintained its focus on rationalising and improving its supply chain. A solid foundation has thus been laid for exploiting economies of scale over time, while preserving Orkla's local ties, thereby increasing the potential for future value creation in the Branded Consumer Goods business.

Since 2013, significant structural changes have been made to define Orkla as a branded consumer goods group. In the course of 2016, Orkla further consolidated its position as a branded consumer goods company through agreements to acquire a number of companies. These transactions are described under the section "Further description of structural changes". The Group's exposure outside the Branded Consumer Goods business has been reduced through the sale of its entire remaining shareholding in Gränges and the continued sell-off of assets in the real estate and share portfolio. In 2016, capital totalling around NOK 1.8 billion was freed up from businesses and ownership interests outside the Group's core business.

Orkla has also continued its efforts to develop an optimised business model, where Orkla seeks to balance the local model with higher realisation of synergies and economies of scale across companies and business areas. This includes optimising its factory footprint and is essential to ensuring both a competitive supply chain and efficient use of capital to invest in new innovations, thereby laying the groundwork for future growth. Structural measures were initiated within the Group's existing factory footprint and in the companies acquired and integrated in 2016. During the year, Orkla also prepared new improvement projects to be able to maintain momentum in 2017 and continue developing its supply chain structure. In addition, greater focus on collaboration has given rise to more innovation projects and launches across companies and countries.

In sum, market growth in Orkla's categories was positive in 2016. Orkla's performance varied from one category and market to another, but overall growth for Branded Consumer Goods is estimated to have been slightly lower than market growth.

Orkla increased its turnover in 2016 by 14% through contributions from acquisitions, organic³ growth and positive currency translation effects related to the weaker Norwegian krone. Branded Consumer Goods delivered organic³ turnover growth of 1.8%, with a combination of volume/mix and price increases. All business areas, except for Orkla Food Ingredients, posted organic³ growth.

Innovations based on strong local brands in both new and established categories have generated good category growth for both Orkla and Orkla's customers. Among the numerous strong innovations, the Grandiosa Vår Take Away pizza and the new potato chip brand Totenflak were examples of brave launches in well-known categories, where extensive focus on taste and product quality have helped to increase consumer loyalty and repeat purchases. Another example is the Dr Greve brand, which in just a short time was expanded into a strong, broad-based skin care brand sold by Norwegian grocery retailers, and put Orkla in the number one-position in the skin care segment. This shows the potential in Orkla's strategy of continuing to build on strong local brands in more categories. Moreover the launch of waffle-cut chips under the Taffel, Ádazu, OLW and KiMs brands are examples of major

innovations that have been rolled out in several countries, with the same concept and recipe but under more of Orkla's big local brands. In 2016, the new business unit Wound Care was established following the acquisition of Cederroth, boosting growth with launches of the next generation of First Aid Kits and the launch of Salvequick in Norway.

The year 2016 has also seen a large number of innovations under the headings Health & Nutrition, Organic and Vegetarian. Examples of Health & Nutrition launches were Taffel Wholegrain crisps, Paulúns Glutenfri Supermüsli and Vitana Farmers' Soup. All these launches show that Orkla is far out in front in offering consumers increasingly healthy, better tasting products. Numerous organic products were developed in 2016, with launches such as FELIX Ekologisk Mustig Soppa organic soup, RisiFrutti Ekologisk organic rice-and-fruit pudding, Beauvais Økologisk Agurker organic gherkins, Brago Original EKO biscuits, Idun and Beauvais Økologisk Tomat-ketchup organic ketchup and Göteborgs Utvalda selection of biscuits with KRAV organic certification. Orkla has responded to increased consumer demand for vegetarian products with a multitude of new products under the Anamma and Naturlí' brands, as well as FELIX Veggie and MTR. This shows that Orkla is a clear forerunner in offering consumers good organic alternatives in major, well-known categories, and in seizing the opportunities inherent in growing consumer demand for vegetarian and vegan products.

EBIT (adj.)¹ for Branded Consumer Goods increased in 2016. The growth in profit was largely driven by organic³ improvement in sales, comprehensive cost improvement programmes, the realisation of synergies from acquisitions and positive currency translation effects. The EBIT (adj.)¹ margin was negatively affected by the dilutive effects of the inclusion of acquired companies with lower margins, substantially higher purchasing costs due to the weaker Norwegian krone, and slightly higher raw material and packaging costs. The EBIT (adj.)¹ margin was 11.8%, equivalent to a decline of 0.2 percentage points.

At the end of 2016, the Group's financial position was sound, ensuring financial flexibility to support the Group's strategy. Net interest-bearing liabilities totalled NOK 8.1 billion as at 31 December 2016, while the equity ratio was 60.9%.

Based on both underlying³ operations and the capital freed up by the sale of businesses, the Board of Directors proposes to pay an ordinary dividend of NOK 2.60 per share for the 2016 financial year.

The annual financial statements have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU. The Board of Directors confirms that use of the going-concern assumption is appropriate.

Further description of structural changes

Throughout 2016, Orkla continued its work to transform the Group in accordance with its business strategy. To further

secure its future competitiveness, Orkla has made several structural changes in the course of the year to rationalise its factory footprint and exploit economies of scale. In addition to ongoing efficiency optimisation measures, Orkla carried out new acquisitions.

In December 2015, Orkla entered into an agreement to purchase Hamé, a leading Central European branded food company based in the Czech Republic. Hamé holds strong positions in countries such as the Czech Republic, Slovakia and Romania in a range of categories that are a good fit with Orkla's current portfolio. With the acquisition of Hamé, Orkla has doubled its turnover in Central Europe. The agreement was approved by the relevant competition authorities, and the company was consolidated into the financial statements as from 1 April 2016. In connection with the integration of Hamé, Orkla Foods established a new organisation in Central Europe, Orkla Foods Central Europe, consisting of Felix Austria, Vitana and Hamé.

In January 2016, Orkla Foods Danmark signed an agreement with Kavli Holding AS to purchase O. Kavli A/S, a major supplier to Danish grocery retailers. The purchase includes well-known brands such as FUN, Grønnegården, Scoop and Blomberg's Gløgg. Orkla already owned the FUN brand in the other Nordic countries, and through this agreement acquired full ownership of FUN in the Nordic region. The company was consolidated into Orkla's financial statements as from 1 March 2016.

In March 2016, Orkla Food Ingredients (OFI) purchased The Waverley Bakery Limited through its wholly-owned subsidiary Idun Industri. Waverley Bakery is a leading supplier of ice cream cones and wafers, ingredients and accessories in the UK, with deliveries to wholesalers, ice cream parlours and small-scale ice cream manufacturers. The company was consolidated into Orkla's financial statements as from 1 March 2016. Furthermore, in September 2016, through its wholly-owned subsidiary Sonneveld Group B.V., OFI signed and completed an agreement to purchase 70% of the shares in Broer Bakkerijgrondstoffen B.V., a leading manufacturer of almond paste, bakery ingredients and ice cream powder in the Netherlands. The company was consolidated into the financial statements as from 1 September 2016.

In March 2016, Pierre Robert Group signed an agreement with the Finnish branded goods supplier Nanso Group for the purchase of four socks, tights and underwear brands. The agreement concerns the purchase of the Norlyn, Amar, Black Horse and Finnwear brands, which hold strong positions in the Finnish grocery trade. The company was consolidated into the financial statements as from 1 May 2016.

In May 2016, through its wholly-owned subsidiary Orkla House Care Norge, Orkla entered into an agreement to purchase L.G. Harris & Co. Limited (Harris), a leading UK supplier of "do-it-yourself" painting tools. With this acquisition Orkla House Care doubled the size of its operations. The agreement was approved by the UK competition authorities, and Harris was

incorporated into the Orkla Care business area with accounting effect as from 1 September 2016.

By means of an asset transaction in October 2016, Orkla signed and completed an agreement through its wholly-owned subsidiary Orkla Health Poland to purchase the Colon-C brand. With this acquisition Orkla has strengthened its foothold in the rapidly growing gut health category. Colon-C is a leading brand in the constipation category and a market leader in the fibre segment in Poland. The brand was consolidated into Orkla's financial statements as from 1 October 2016.

In the first half of 2016, Orkla Investments sold its remaining 16% shareholding in Gränges and effected several sales in the share portfolio in 2016, including the sale of Enterfondet and the sell-off of shares in Solsten Nordic Equities Fund. Other shares and financial assets totalling NOK 1,194 million were sold off in 2016. The market value of the remaining share portfolio including funds was NOK 107 million at year end.

In 2016 Orkla Eiendom sold its subsidiary Mortensrud Næring, its interest in Raufoss Næringspark and Åsane Utvikling and lots from a former industrial property (Attisholz) in Switzerland.

For more information on the purchase and sale of companies, see Notes 5 and 24.

Further comments on the Group's results

Orkla's operating revenues in 2016 totalled NOK 37,758 million (NOK 33,198 million)². The 14% increase was driven by organic³ growth in sales in Branded Consumer Goods, in addition to positive currency translation effects and contributions from acquired companies. Branded Consumer Goods reported organic³ sales growth of 1.8% in 2016.

Group EBIT (adj.)¹ amounted to NOK 4,298 million (NOK 3,609 million)², equivalent to growth of 19%. Growth was primarily driven by acquisitions, broad-based improvement in profit for Branded Consumer Goods, improved results for Financial Investments and lower Group costs. Branded Consumer Goods posted 12% growth in EBIT (adj.)¹.

Orkla Foods delivered improved profit related to turnover growth, the positive effects of cost improvements and contributions from acquired companies. The improvement in Orkla Confectionery & Snacks was chiefly driven by broad-based improvement in sales. Profit growth in Orkla Care was mainly driven by contributions from Cederroth and Harris, and realised synergies from acquisitions. The loss of the distribution agreement with Unilever had a negative impact on profit. Orkla Food Ingredients delivered profit improvement, driven by structural growth.

In terms of profit, Hydro Power had a stronger year in 2016 than in 2015, chiefly due to higher power prices that were only partly offset by lower production. Financial Investments saw a rise in profit from the sale of properties. Furthermore, Group costs were lower in 2016 due to cost improvement

measures at the head office, reduced costs in connection with incentive programmes and slightly lower IT costs.

Overall, the international commodity prices to which Orkla is exposed have increased somewhat in the recent past. Moreover, the weaker Norwegian krone, as an average for the year compared with 2015, brought a significant increase in purchasing costs for the Norwegian companies. The degree to which the different business areas are exposed to currency risk varies. Many of Orkla's Norwegian companies do a substantial share of their purchasing in Norwegian kroner, thereby reducing the overall effect of fluctuations in the exchange rate of the Norwegian krone against other currencies.

The results of foreign entities are translated into Norwegian kroner on the basis of average monthly exchange rates. In 2016, due to currency market fluctuations, the Group benefited from positive currency translation effects of NOK 591 million on operating revenues and NOK 45 million on EBIT (adj.)¹.

Orkla continued its extensive improvement and integration processes in 2016, and the Group's other income and expenses amounted to NOK -382 million (NOK -502 million)². These chiefly consisted of acquisition and integration costs resulting from the numerous structural acquisitions, and a number of improvement processes in the Group, particularly related to closures and changes in the factory footprint.

After other income and expenses, the Group's operating profit amounted to NOK 3,916 million in 2016, compared with NOK 3,107 million in 2015.

Profit from associates and joint ventures totalled NOK 1,378 million (NOK 1,111 million)², and are chiefly related to Orkla's 42.5% interest in Jotun and 50% interest in Sapa. The investments are presented using the equity method on the line for "Associates and joint ventures". Jotun achieved good results for 2016, even though turnover and operating profit fell slightly compared to the record results in 2015. Jotun's contribution to profit amounted to NOK 471 million (NOK 569 million)². Sapa delivered a solid contribution to profit of NOK 890 million (NOK 123 million)².

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 Moss Airport Rygge was discontinued on 1 November 2016. Consequently, Orkla wrote down the statement of financial position assets related to Moss Airport Rygge 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. Net interest costs totalled NOK 177 million (NOK 192 million)². Other financial items amounted to a net NOK 65 million (NOK 64 million)², including net

profit (dividends included) of NOK 248 million (NOK 135 million)² from shares and financial assets. Pre-tax profit amounted to NOK 5,182 million (NOK 4,090 million)².

Orkla is subject to ordinary company tax in the countries in which the Group operates. The accounting tax charge amounted to NOK 807 million (NOK 722 million)². However, realised capital gains and dividends from companies resident in the EEA are largely tax-exempt. The tax charge (adjusted for profit from associates and joint ventures) for the 2016 financial year was 21% (24%)². The reduction in the tax charge can largely be explained by tax-free revenues from the sale of real estate, and the fact that a power contract was taxed on the basis of contract price instead of spot price. See Note 16 for further comments.

Profit for the year amounted to NOK 4,375 million (NOK 3,351 million)², and diluted earnings per share were NOK 4.22 kroner (NOK 3.24)².

Financial situation and capital structure

Cash flow (see Note 40)

The comments below are based on the cash flow statement as presented in Orkla's internal format.

Operating revenues by business area



● Orkla Foods	15,476	41%
● Orkla Confectionery & Snacks	6,230	16%
● Orkla Care	6,740	18%
● Orkla Food Ingredients	8,161	22%
● Orkla Investments	1,302	3%

Total operating revenues (NOK billion)	37,758	100%
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Cash flow from operations (excluding Financial Investments) amounted to NOK 3,368 million (NOK 3,641 million)². There was a seasonal freeing-up of NOK 364 million in working capital in the fourth quarter. For the full year, there was a temporary build-up of working capital of NOK 228 million, strongly driven by restructuring projects at Orkla Foods factories, combined with an inventory build-up of PepsiCo products. Compared with 2015, the decrease in working capital in 2016 was mainly due to the receipt of payment of a claim for a one-off contractual termination fee from the renegotiation of the Unilever agreement.

Net replacement investments totalled NOK 1,327 million (NOK 930 million)². The increase was chiefly related to higher investment in Orkla Foods as a result of ongoing factory improvement and restructuring programmes. Cash flow from operations from Financial Investments amounted to NOK 45 million (NOK 94 million)².

An ordinary dividend of NOK 2.50 was paid out for the 2015 financial year. Dividends paid totalled NOK 2,599 million.

To fulfil the remaining option programme, net purchases of Orkla shares were made with a cash flow effect of NOK -77 million (NOK -31 million)². Expansion investments totalled NOK 163 million (NOK 388 million)² in 2016.

Sold businesses amounted to NOK 415 million in 2016 and consisted mainly of real estate portfolio sales and the sale of the Asan brand. Acquisitions totalled NOK 2,651 million and consisted of acquisitions in Branded Consumer Goods, where Hamé and Harris accounted for the majority of the amount. In 2016, net sales of shares and financial assets, including the disposal of Gränges shares, totalled NOK 1,194 million.

Net cash flow for the Group amounted to NOK -956 million (NOK -1,561 million)² in 2016. The Group's interest-bearing liabilities had an average borrowing rate of 1.8%, mainly denominated in SEK, EUR and DKK. Positive translation effects of NOK 705 million as a result of exchange rate fluctuations helped to reduce net interest-bearing liabilities, which totalled NOK 8,056 million. The Group's liabilities are denominated in different currencies depending on its net investments in countries other than Norway, and liabilities will therefore fluctuate in step with currency rate changes.

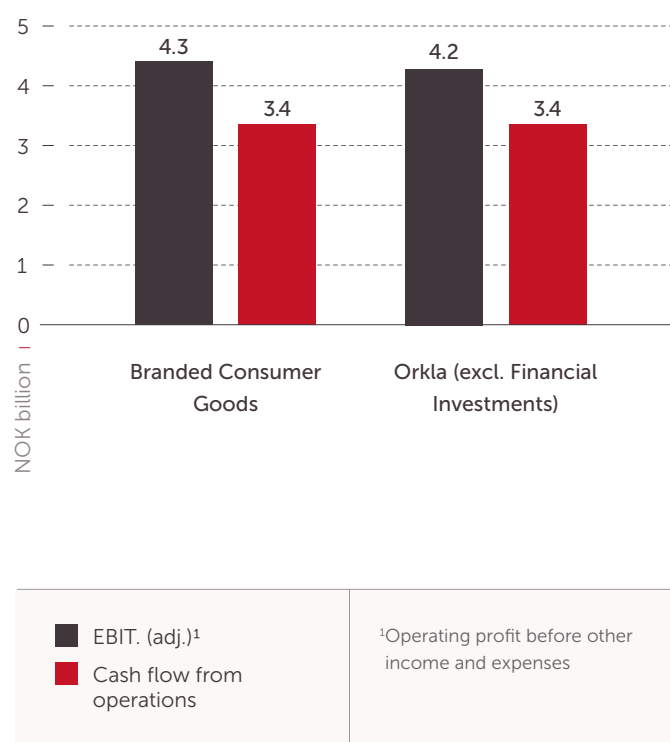
Contracts and financial hedge instruments

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

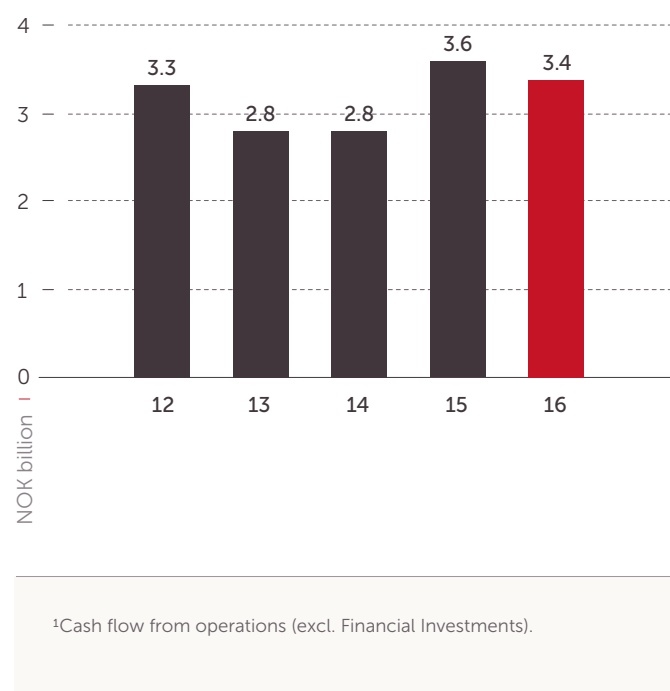
Capital structure

In 2016, the consolidated statement of financial position increased by NOK 1.4 billion to NOK 55.6 billion at year end. This was largely a result of the acquisitions of Harris and Hamé. Net interest-bearing liabilities increased by NOK 0.3 billion, also due to the acquisition of companies. The strengthening of the Norwegian krone in 2016 resulted in positive

Conversion of profit to cash flow



Cash flow from operations¹



translation effects of NOK 705 million on net interest-bearing liabilities at the end of 2016. Net gearing⁴ was 0.24 (0.23)². Orkla's financial position is robust, with cash reserves and credit lines that exceed known capital expenditures in the coming year. The average remaining life of liabilities and unutilised credit lines is 3.3 years (3.2)².

After the dividend payment in 2016, Group equity totalled NOK 34 billion at year end, with an equity ratio of 60.9% (62.2%)². At the start of 2017, the Group has solid financial resources and the flexibility to support its business priorities.

The Orkla share

As of 31 December 2016, there were 1,017,717,835 shares outstanding, and Orkla owned 1,213,135 treasury shares. The number of shareholders decreased from 38,853 to 38,796, and the proportion of shares held by foreign investors decreased by 3 percentage points to 52% at the end of 2016.

The Orkla share price was NOK 70.10 on the last trading day of 2015. At year end 2016, the share price was NOK 78.20. Taking into account the dividend, the return on the Orkla share was 15.6% in 2016, while the return on the Oslo Stock Exchange Benchmark Index (OSEBX) was 12.1%. Orkla shares were traded on the Oslo Stock Exchange for a total of NOK 33.5 billion. Further information on shares and shareholders may be found on page 152.

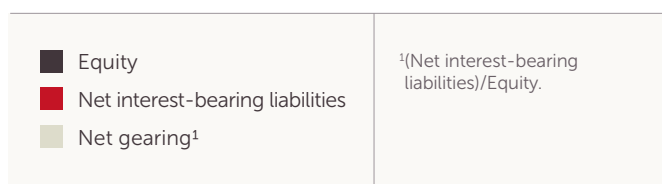
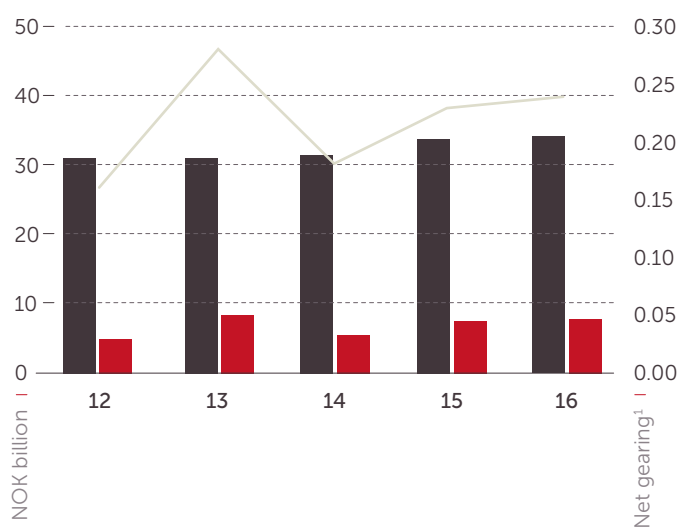
Risk management

The Board of Directors attaches importance to ensuring that risk is managed systematically in all parts of the Group, and considers this a prerequisite for long-term value creation for shareholders, employees and society at large. Orkla's Branded Consumer Goods business has a diversified company and product portfolio, which reduces risk. In the course of 2016, Orkla further strengthened its position as leading branded consumer goods group, through both organic³ growth and the acquisition of businesses. According to the Group's guidelines, a special risk assessment must be carried out as part of the assessment of all growth opportunities.

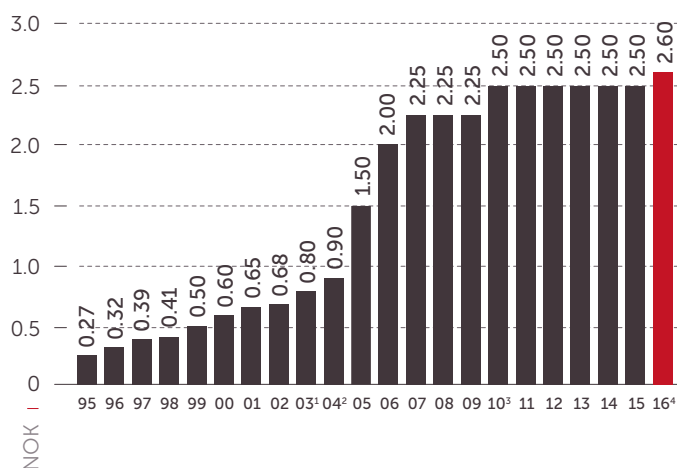
Orkla has adopted a structured approach to identifying risk factors and implementing risk-mitigating measures in its operations. According to the Group's Risk Management Instructions, risk assessments must be carried out routinely in all units, including major projects, and thereafter be reported to the next organisational level. The risk pictures of the different units are presented to and discussed by the various internal boards of directors as part of the budget process. When important decisions are to be made on matters such as acquisitions, disposals or major investments, the same requirement applies to risk analysis as to routine risk management.

Orkla's consolidated risk picture and an assessment of more long-term, systematic risk are reviewed with the Group Executive Board. If unacceptable factors are identified, risk-reducing measures are implemented. The Group's overall risk picture is also presented to the Board of Directors and reviewed at each meeting of the Board's Audit Committee.

Equity, liabilities and net gearing¹

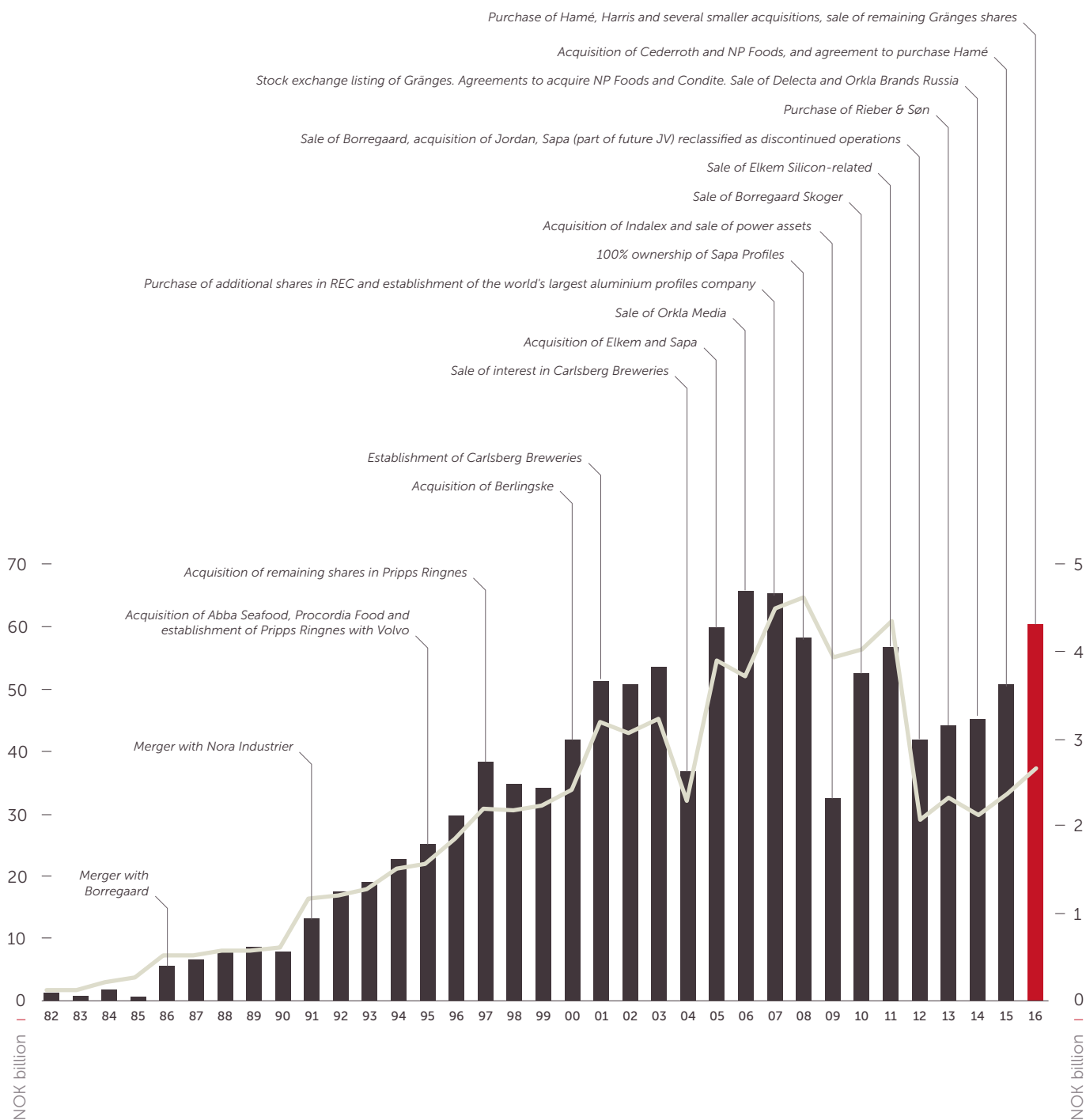


Ordinary dividend per share



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

Development in operating revenues and EBIT (adj.)^{1,2}



<ul style="list-style-type: none"> EBIT (adj.)¹ (right axis) Operating revenues (left axis) 	<p>¹Operating profit before other income and expenses.</p> <p>²Excl. Financial Investments. 2004-2016 are stated under IFRS, while figures from 1982-2003 are stated under NGAAP</p>
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Comments on the individual business areas

Orkla is a leading supplier of branded consumer goods and concept solutions to the grocery, out-of-home and bakery sectors, with the Nordic and Baltic regions as its main markets. The Group also holds good positions in selected product categories in Central Europe and India. The Branded Consumer Goods business consists of four business areas: Orkla Foods, Orkla Confectionery & Snacks, Orkla Care and Orkla Food Ingredients. The Orkla Investments business area consists of the Hydro Power and Financial Investments segments. Associates and joint ventures consist primarily of Jotun (42.5% interest) and Sapa (50% interest).

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

Branded Consumer Goods

Orkla Foods

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, Pölsamaa Felix, Orkla Foods Latvija and Orkla Foods Lietuva in the Baltics, Felix Austria, Vitana Group and Hamé in Central Europe, and MTR Foods in India. Orkla Foods' operations are concentrated on strong brands that largely hold number one positions in their home markets.

Operating revenues for Orkla Foods in 2016 totalled NOK 15,476 million (NOK 13,250 million)², equivalent to 17% growth in sales. The substantial increase in sales is chiefly attributable to the acquisition of the Czech company Hamé with accounting effect from the second quarter. Organic³ growth was 2.3%. The distribution agreement with PepsiCo, which was entered into in 2015 and expanded in 2016, made a significant contribution to organic³ growth. EBIT (adj.)¹ in 2016 amounted to NOK 1,968 million (NOK 1,701 million)². The increase is largely due to the growth in turnover, but also to the positive effects of cost improvements. However, results were somewhat negatively affected by higher purchasing costs, a negative product mix and delivery challenges in the Nordics, the last factor partly a result of ongoing changes in production structure. The EBIT (adj.)¹ margin was 12.7% (12.8%)². Both the acquisition of Hamé and the distribution agreement with PepsiCo had a dilutive effect on margin.

Orkla Confectionery & Snacks

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).

Operating revenues for Orkla Confectionery & Snacks totalled NOK 6,230 million in 2016 (NOK 5,813 million)², equivalent to 7% growth in sales. Organic³ turnover growth was 4.9%. The improvement in sales was broad-based and was boosted by a strong programme of launches, the good performance of the core portfolio, an agreement to sell pick-and-mix sweets to Coop in Norway and the distribution agreement with PepsiCo on the sale of Lay's snack products in Norway, Sweden and Finland.

Orkla Confectionery & Snacks delivered broad-based profit improvement, largely driven by the growth in sales. EBIT (adj.)¹ amounted to NOK 937 million (NOK 843 million)². The EBIT (adj.)¹ margin was 15.0% (14.5%)².

Orkla Care

Orkla Care comprises six branded consumer goods businesses which serve their home markets in the Nordics, Baltics, 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).

Significant structural changes were made in 2016 with the acquisition of Harris, the agreement with Nanso Group on the purchase of four Finnish textile brands and the purchase of the Colon-C brand.

Operating revenues for Orkla Care totalled NOK 6,740 million (NOK 5,534 million)², equivalent to reported sales growth of 22%. Organic³ growth was 0.6%. Growth in sales in Lilleborg*, Orkla House Care and Orkla Wound Care was offset to some extent by a decline for Orkla Home & Personal Care and Pierre Robert Group. Lilleborg* achieved broad-based

*Lilleborg Profesionell changed its company name to Lilleborg on 11 January 2017.

growth, while Orkla House Care saw good growth in the Scandinavian markets. For Orkla Home & Personal Care, the decline was chiefly driven by lower sales in Norway, partly offset by growth in most of the international markets. Pierre Robert Group experienced a volume-driven decline in both Norway and Sweden, partly as a result of fewer campaign programmes in both countries.

EBIT (adj.)¹ was NOK 956 million (NOK 881 million)². Profit growth was driven by contributions from Cederroth and Harris, combined with the realisation of synergies from the integration of Cederroth into Orkla Health and Orkla Home & Personal Care. The loss of the distribution agreement for five Unilever brands had a negative impact on profit. The EBIT (adj.)¹ margin was 14.2% (15.9%)². Much of the decline in profit is due to the dilutive effect of the inclusion of Cederroth and Harris. Moreover, the weak exchange rate of the Norwegian krone had a significant negative effect on product profitability in the businesses.

Orkla Food Ingredients

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.

Operating revenues for Orkla Food Ingredients totalled NOK 8,161 million (NOK 7,598 million)² in 2016, equivalent to reported growth of 7%. Orkla Food Ingredients saw an organic³ decline of 0.5%. The decline was mainly due to a fall in the prices of butter blends and almonds, and the loss of parts of an industrial contract in Norway.

EBIT (adj.)¹ amounted to NOK 439 million (NOK 414 million)². Profit growth was driven by structural growth from a number of small acquisitions in the ice cream ingredient and bakery ingredients sectors in the Netherlands, the UK and Iceland. Positive currency translation effects resulting from the weaker Norwegian krone also contributed. On the other hand, the improvement in profit was negatively affected, mainly by the substantially lower profitability of butter blends from Dragsbæk due to increased competition. Butter blend prices have fallen significantly following the elimination of milk quotas in the EU, which has resulted in a milk surplus. The EBIT (adj.)¹ margin was 5.4% (5.4%)².

Orkla Investments

Hydro Power

Hydro Power consists of the power plant 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.

Operating revenues totalled NOK 721 million (NOK 690 million)² and EBIT (adj.)¹ amounted to NOK 192 million (NOK 154 million)². The increase was mainly due to higher power prices which were only partly offset by lower production volume. Production in 2016 totalled 2,396 GWh, compared with the record-high 2,849 GWh in 2015, primarily due to lower precipitation and inflow. At year end, the reservoir level in Sauda was higher than normal, while the reservoir level in Glomma was slightly lower than normal.

Financial Investments

Financial Investments consist of shares and financial assets and Orkla Eiendom. EBIT (adj.)¹ for Financial Investments amounted to NOK 131 million in 2016 (NOK 57 million)² and was largely related to the sale of lots from a former industrial property (Attisholz) in Switzerland.

Shares and financial assets consist of Orkla's remaining share portfolio, and the Russian nut company Chaka. The share portfolio had a market value of NOK 107 million at the end of 2016, with capitalised unrealised gains totalling NOK 53 million. Assets consisted mainly of the investment in the Solsten Nordic Equities Fund (NOK 87 million). Net sales totalled NOK 1,194 million in 2016. Orkla sold its remaining interest in Gränges in the course of the year. Net gains and dividends from shares and financial assets amounted to NOK 248 million in 2016 (NOK 135 million)².

Orkla Eiendom meets the Group's need for specialised real estate expertise and assistance, and is responsible for the administration, development and sale of properties that are not utilised in Orkla's industrial operations. Orkla also has a historical portfolio of real estate-related investments, which are being realised in accordance with the Group's current strategy. The most important development projects in the portfolio are the construction of a new headquarters for Orkla at Skøyen, and two housing projects at Torshov in Oslo. As of 31 December 2016, Orkla's real estate investments had a carrying value of NOK 1.3 billion, of which around NOK 860 million was related to the three largest development projects. The focus in future will be on realising the potential value of the development projects, and on securing assets and freeing up capital through the sale of properties and projects that are not to be further developed. Current development projects require investments during the construction period, while gains are primarily expected to be realised in the period 2018–2020.

Sapa (50% interest)

Sapa is the world's leading supplier of extrusion-based aluminium solutions. Market shares at the end of 2016 were 22.2% (22.0%)² in Europe and 24.0% (24.9%)² in North America. Sapa is also present in emerging markets, with production in South America and in Asia. Sapa supplies aluminium profiles to a diverse customer base within the automotive, transportation, building & construction, electrical and engineering markets. As supplier of extrusion-based aluminium solutions,

Sapa operates within the areas extruded profiles, building systems and precision tubing. The majority of the Building Systems' operations are located in Europe, while Precision Tubing is a global business.

Underlying EBIT* totalled NOK 2,197 million in 2016, compared with NOK 1,407 million in 2015. The improvement was broad-based across Extrusion Europe, Building Systems and Precision Tubing. Operating result from Extrusion North America was flat compared to the previous year. Sapa's improvement was driven mainly by internal factors. Sapa has improved its commercial offering and increased its focus on providing higher-value aluminium solutions, leading to better margins. Sapa has also improved its cost position and optimisation across units and business areas.

Volumes in 2016 totalled 1,365,000 tonnes (1,363,000 tonnes)². Market demand for aluminium extrusions was marginally positive in Sapa's key North American and European markets. Demand from the Automotive and Building & Construction segments was generally strong in North America, whereas the transportation segment weakened. European demand was also driven by strong Automotive activity and a stabilising Building & Construction market. An ongoing substitution to aluminium from other materials had a positive impact on overall demand.

Extrusion Europe increased sales of higher value-added business to automotive and transportation customers, which contributed positively. Extrusion North America benefited from continued strong automotive markets, but a softening of the transportation segment and operational issues weighed on results. Building System delivered strong improvements driven by a combination of advances in operational efficiency and a stronger commercial offering. Precision Tubing showed a continued strong performance, with positive contributions from the automotive market in North America in addition to the turnaround of the general extrusion business in Asia and South America.

The restructuring programme initiated in 2013, targeting annual synergies of around NOK one billion by the end of 2016, reached its target already in 2015. Sapa initiated a simplification project in 2016 with an aim to strengthen collaboration and improve administrative efficiency by reducing complexity throughout the organisation. The initiative did not require any material restructuring impacting reported earnings in 2016.

The underlying EBIT* growth, combined with positive working capital development, contributed to an improvement in pre-tax ROCE** to 15.3% in 2016 compared with 9.5% in 2015. Net interest-bearing liabilities decreased to NOK 0.1 billion at the end of 2016 (NOK 1.8 billion)² driven by strong cash flow generation during the year.

Jotun (42.5% interest)

Jotun is one of the leading global manufacturers of paint and powder coatings, with 53 subsidiaries, three joint ventures and six associates. Jotun has 37 production plants, located across all the continents. Its activities consist of the development, manufacture, marketing and sale of paint systems for the home, shipping and industrial sectors. Jotun is organised in four segments: Decorative Paints, Marine Coatings, Protective Coatings and Powder Coatings.

Jotun's operating revenues totalled NOK 15,785 million in 2016 (NOK 16,282 million)². EBIT amounted to NOK 1,763 million (NOK 2,064 million)². Jotun achieved good results for 2016, even though turnover and operating profit declined compared to the record results in 2015. Lower activity in the shipping and offshore industry resulted in a slight decline in overall turnover, but sales of decorative paints and powder coatings continued to rise. Good margins and active cost control helped to maintain good profitability, but slightly lower turnover, combined with an increase in unforeseen costs related to claims, currency losses in Egypt and losses on receivables, resulted in somewhat lower profit for 2016.

Research and development (innovation)

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

Orkla has two main sources of growth through innovation: innovation in the form of new products in new or associated categories, or innovation in categories in which Orkla already holds strong positions. Creating new growth platforms to supplement Orkla's current activities is also a key priority area. Orkla works on a broad front to identify innovation opportunities, across both specialised departments and countries, while also collaborating with suppliers and external innovation and research centres.

Orkla's strength lies in its local connections, which give it in-depth insight into local consumer needs and how this knowledge can be translated into powerful innovations. At the same time, Orkla seeks to leverage its consumer insight, brand understanding and product development capability across the Group. In the time to come, therefore, there will be increased focus on innovation across companies and countries, under the heading "One Orkla". An example is Taffel Wholegrain snacks, which were initially launched in Norway, and then in Finland, and Paulúns, which were first launched in Sweden, followed by Denmark and Finland. The introduction of waffle-cut chips under the Taffel, Ádazu, OLW and

*Sapa underlying EBIT = EBIT adjusted for unrealised derivative results and material impairment charges, restructuring costs and other special effects

**ROCE (pre-tax) = Underlying EBIT / average capital employed last 12 months

KiMs brands is another example of major innovations being rolled out in several countries, but under more of Orkla's big local brands.

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

At the core of all innovation work lies the actual user experience, ranging from taste and function to how intuitive and easy a product is to use. Health and environmental aspects are also important drivers of innovation. Priority areas for innovation at Orkla are "Taste & Sensory Experience", "Health & Nutrition", "Sustainability & Environment" and "Packaging Innovation". Good examples of innovation in 2016 are the next generation of First Aid Kits from Cederroth, further development of the Dr Greve range and the launches of Grandiosa Vår Take Away pizza, Paulúns Glutenfri Supermüsli, Vitana Farmers' Soup, FELIX Veggie and TORO Panna Cotta.

High-level expertise and exploitation of synergies across categories and companies are among Orkla's primary competitive advantages. The Orkla Brand Academy is an example of this and has for many years been a driving force in Orkla's brand and innovation work. Orkla's Academy for Product Development & Innovation also plays a key role as an arena for sharing and developing innovation tools, know-how and methodologies across the Group. Examples of the Academy's focus areas are technological and culinary expertise, health, environment and packaging.

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

Corporate responsibility

Orkla's sustainability strategy

Orkla is committed to promoting sustainable development by developing healthy, more environmentally friendly products, maintaining high food safety standards, making effective use of resources, carrying out supply chain improvements and generally operating responsibly. Orkla's Sustainability Strategy up to 2020 was launched in 2014, and covers the following main topics: nutrition and health, food safety, responsible sourcing and environment. In the period 2015–2016, each company has drawn up individual plans based on Orkla's strategy, and made extensive efforts to incorporate the strategy.

Directive on corporate responsibility

Orkla's directive on corporate responsibility describes the overarching principles defining how the Group companies are to address the issues of human and workers' rights, environment, health and safety (EHS), anti-corruption and other important areas of corporate responsibility. The directive is based on the Universal Declaration of Human Rights, the ILO Core Conventions and the OECD Guidelines for Multinational

Enterprises. The directive has been adopted by Orkla's Board of Directors and applies to the entire Group, including wholly-owned subsidiaries.

Orkla's Human Rights Policy provides detailed guidelines for the way the Orkla companies should address the human and workers' rights issues considered most relevant for the companies' day-to-day operations. These include the principles of the right to human dignity, freedom of opinion and expression, the right to life, liberty and security, competence development, privacy, diversity and non-discrimination, consultation and employee involvement, occupational health and safety, prevention of child labour and protection of marginalised population groups.

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

Governance procedures

The CEO of each Orkla company is responsible for implementing the Group's directive on corporate responsibility. This work must be based on the precautionary principle and the principle of continuous improvement, and the companies must target the areas in which the need for improvement and possibility of exercising influence are greatest. The companies' prioritisation of resource use must be based on an assessment of the needs of both the business and its stakeholders.

The governing documents mentioned above are accessible to all the companies through the Group's web-based governance portal. To ensure that employees are familiar with Orkla's directive, internal training is provided by both the Group and the companies. In 2016, courses were held on food safety, EHS, anti-corruption efforts and competition law. A total of some 70,000 hours of organised training were provided in topics related to corporate responsibility and sustainability, equivalent to an average of 3.9 hours per employee. Internal meetings have also been held in connection with the implementation of Orkla's sustainability strategy. The training carried out in the past few years has created greater awareness and knowledge of corporate responsibility and sustainability issues in the Group, promoted active engagement and ensured a more uniform approach to efforts.

In 2016, Orkla established a compliance function, tasked with reviewing and improving the Group's procedures for training, risk assessment and control relating to important issues such as anti-corruption, personal data protection and data security. In 2017, a risk analysis will be carried out to identify needs for improvement. Based on this analysis, the Group will draw up a plan of improvement measures.

Orkla monitors the companies' corporate responsibility and sustainability work by means of annual internal status

reports. These reports are submitted in connection with business area reviews and in connection with Orkla's external sustainability reporting.

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

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

Endorsement of external principles

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

Through Orkla's sustainability work, the Group contributes towards achieving several of the global Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development, launched in 2015 under the auspices of the United Nations. In connection with an event organised in 2016 by the Business for Peace foundation, Orkla President and CEO Peter A. Ruzicka signed the Businessworthy Pledge, a personal commitment to work to achieve the SDGs.

Reporting

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is required to report on its corporate responsibility and selected related issues. An account of the Group's efforts to address these issues in 2016 is provided in Orkla's sustainability report, which is included in this Annual Report, under the sections:

- "Orkla's sustainability work", page 37 (corporate responsibility)
- "Responsible sourcing", page 53 (human rights, workers' rights, social conditions and environment in the supply chain)
- "Environment", page 60 (environment)
- "Occupational health and safety", page 65 (working environment, injuries, accidents, sickness absence, workers' rights in own company)

- "Human resource development and corporate culture", page 68 (human rights, equality and non-discrimination, anti-corruption efforts)
- "Orkla and society", page 73 (social conditions)

In its sustainability reporting for 2016, Orkla has attached importance to applying the Oslo Stock Exchange's Guidance on the Reporting of Corporate Responsibility. More information on the principles on which the reporting is based is provided on page 40.

Personnel and administration

As at 31 December 2016, the Group had 18,154 (14,670)² employees. Of these, 3,208 (3,345)² worked in Norway, 5,293 (5,033)² in another Nordic country and 9,653 (6,292)² in countries outside the Nordic region.

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

At Orkla's Annual General Meeting in April 2016, Stein Erik Hagen, Grace Reksten Skaugen, Ingrid Jonasson Blank, Lisbeth Valther, Lars Dahlgren and Nils Selte were re-elected as shareholder-elected members of Orkla's Board of Directors. In addition, Caroline Hagen Kjos was elected as personal deputy for the two Board members nominated by Canica: Stein Erik Hagen and Nils Selte. Stein Erik Hagen was re-elected as Chairman of the Board and Grace Reksten Skaugen as Deputy Chair of the Board. All of the shareholder-elected Board members were elected for a term of one year, i.e. until the 2017 Annual General Meeting. All members were elected in accordance with the recommendation of the Nomination Committee.

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

No changes were made in the Group Executive Board in 2016.

The Board of Directors wishes to thank all employees for their efforts and for the results achieved in 2016.

Competence

Continuously developing the Group's capabilities is essential to strengthening its competitive edge. This means building leadership and specialist skills, and creating a workday environment in which all employees can apply their expertise to optimal benefit. An important factor for employee performance and competence and career development is the performance dialogue meetings between manager and employee. The skills of individual employees are primarily developed in

day-to-day, on-the-job training. Group-wide training programmes are designed to ensure and underpin learning and training within Orkla's defined core competency. The aim is to develop this core competency in a normative direction, by systematising and coordinating the various activities. Activities are organised in the spheres of corporate culture, leadership and specialised value chain expertise.

Orkla also carries out a systematic, annual evaluation of leadership and organisation. The objective is to ensure the effective development of leadership and organisation in line with Orkla's business strategy, and to optimise development of the leadership behaviour, skills and performance that are crucial to achieving growth targets. The evaluation is also intended to serve as a tool in establishing a strong, sustainable succession plan to fill critical senior executive and other key positions. Priorities for 2016 were to carry out an analysis of the business goals' impact on leadership, expertise and organisation, conduct individual assessments of management performance and potential, and plan succession to business-critical roles. Reviews of Orkla's Supply Chain organisation were also carried out, with focus on leadership capacity, successors to central positions and the status of key capabilities. Development areas were identified, and steps were taken to fill any gaps.

In the course of the year, a number of measures were introduced to enhance the Group's overall competence and competitiveness. A strategic leadership development programme was carried out. The participants were management teams in the business areas and companies, and selected key personnel from the Corporate Centre. A total of 220 top management staff participated in the programme, which was designed to create a common leadership platform, and covered personal leadership, team leadership and the ability to lead change processes and achieve results. Another initiative is the development of a Group-wide leadership programme for leaders who are new to their role. The programme aims at developing leadership in accordance with Orkla's values and leadership principles, and to provide leaders with tools and methods to apply in their day-to-day work. The leadership programme will be held in the local language by internal HR staff.

A variety of training programmes are run by the Orkla Academies with a view to ensuring crucial expertise in important specialist fields. In addition to enhancing the participants' technical and professional skills, these programmes provide an arena for fostering shared attitudes, working methods and corporate culture across companies. Through its Academies, Orkla has developed employee skills for many years. Active use is made of educational methods and technology such as "blended learning" in both a price and quality perspective.

Corporate governance (statement of policy on corporate governance)

Orkla's governance systems are based on principles set out in the Norwegian Code of Conduct for Corporate Governance,

and are largely aligned with applicable international guidelines on good corporate governance. An overall statement of policy on corporate governance at Orkla may be found on page 29 of this Annual Report. The statement of policy will be an item of business for discussion at the 2017 Annual General Meeting.

Pay and other remuneration of senior executives

The Board of Directors has a separate Compensation Committee, which deals with all material matters related to pay and other remuneration of senior executives before such matters are formally discussed and decided by the Board of Directors. In accordance with Norwegian company legislation, the Board of Directors has also prepared a separate statement of guidelines on the pay and other remuneration of senior executives, included in Note 5 to the financial statements for Orkla ASA, which will be presented and discussed at the 2017 Annual General Meeting. The note also provides details of remuneration and contractual arrangements.

Accounting principles

The consolidated financial statements for 2016 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), which have been approved by the EU. The financial statements for the parent company have been prepared in accordance with section 3-9 of the Norwegian Accounting Act (simplified IFRS). The explanation of accounting principles in Notes 1-4 describes important matters relating to accounting treatment under IFRS.

Orkla ASA

Orkla ASA is the parent company in the Orkla Group and supplies and performs services for the Group's other companies. In 2016, Orkla ASA delivered profit after tax of NOK 4,942 million (NOK 3,699 million)², equivalent to an increase of 34%. The rise in profit was driven by dividends from subsidiaries, higher Group contributions and positive currency effects on foreign currency liabilities that serve as equity hedging for the Group. As at 31 December 2016, Orkla ASA had total assets of NOK 50,036 million (NOK 49,381 million)², equivalent to growth of 1.3%. The equity ratio was 64.9% (61.3%)².

Allocation of comprehensive income

In 2016, Orkla ASA posted comprehensive income of NOK 4,816 million. The Board of Directors proposes the following allocation:

Transferred to equity	NOK 2,170 million
Proposed dividend	NOK 2,646 million

As of 31 December 2016, Orkla ASA had total equity of NOK 32.5 billion. The Board of Directors has determined that Orkla ASA had adequate equity and liquidity at the end of 2016.

The Board of Directors proposes to pay an ordinary dividend of NOK 2.60 per share for the 2016 financial year.

Outlook

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

Orkla continues to face competition from imported international brands and retailers' private labels. In addition, the competitive picture is affected by changes in trends and consumer needs. Orkla must therefore maintain its focus on innovations and portfolio optimisation and on optimising and streamlining the supply chain in order to exploit economies of scale and reduce costs.

Overall, the global commodity prices to which Orkla is exposed have risen somewhat in the recent past. However, prices vary substantially from one commodity group to another, and the uncertainty attached to future commodity price trends is generally high.

The different business areas are exposed to currency risk to

varying degrees, and there is uncertainty as to exchange rate trends going forward. Many of Orkla's Norwegian companies do a substantial share of their purchasing in Norwegian krone, thereby reducing the overall impact of fluctuations in the exchange rate of the Norwegian krone against other currencies.

The strategy of being a leading branded consumer goods company, with the Nordic and Baltic regions as main markets along with selected geographies, remains unchanged. Orkla aims to deliver organic³ growth in turnover that at least matches market growth and growth in annual adjusted EBIT (adj.)¹ of 6–9% in Branded Consumer Goods in the period 2016-2018.

Orkla is well-positioned with strong brands in its home markets and its financial position is robust, with cash reserves and credit lines sufficient to cover known capital expenditures in 2017.

¹Operating profit before other income and expenses.

²Figures in parentheses are for the corresponding period of the previous year.

³Adjusted for currency translation effects and structural changes.

Oslo, 8. February 2017

The Board of Directors of Orkla ASA

Stein Erik Hagen
Chairman of the Board

Grace Reksten Skaugen
Deputy Chair of the Board

Ingrid Jonasson Blank

Lars Dahlgren

Lisbeth Valther

Nils K. Selte

Terje Utstrand

Sverre Josvanger

Karin Hansson

Roger Vangen

Peter A. Ruzicka
President and CEO



Ingrid and Eivind - part of the Orkla family

Statement of policy on corporate governance

Corporate governance

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

1. Statement of policy on corporate governance

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

This statement of policy will be an item of business at Orkla's Annual General Meeting on 20 April 2017. The company's auditor has assessed whether the information provided in this statement with regard to section 3-3b of the Accounting Act is consistent with the information provided in the annual financial statements. The auditor's statement may be found on page 149.

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

The following statement of policy is structured in the same way as the Code of Practice, covers each point of the Code and describes Orkla's compliance efforts. Orkla is committed to promoting sustainable social development by operating in compliance with responsible business principles, systematically improving its operations in relation to the external environment, climate and energy resources and investing in profitable business projects that can generate positive ripple effects for society. The Group's attitudes towards corporate responsibility have been defined in the Orkla Code of Conduct and the Group directive on corporate responsibility. The documents may be found on Orkla's website under "Sustainability", and are described in further detail in a separate statement on Orkla's Corporate Responsibility (see section 3-3c of the Accounting Act). The statement also gives an account of the Group's efforts to address important corporate responsibility issues in 2016.

2. Activities

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

In accordance with its mission statement, Orkla operates in several areas. The Group's core business is branded consumer goods, but the Group still has activities in the aluminium, energy, real estate and financial investments sectors. In 2011, Orkla announced that the Group would in future focus on and allocate its resources to its branded consumer goods operations. This means that activities that lie outside the Group's core business area will gradually be phased out when market conditions are favourable.

In 2015 the Orkla Compass was launched in the Group. The Orkla Compass comprises Orkla's vision, goals, strategic pillars, core values and business strategy, and defines a clear, common direction for the Group. Orkla's vision is to be "Your friend in everyday life", and Orkla's mission is "Improving everyday life with healthier and more enjoyable local brands." Orkla aims to outperform and create greater value than its competitors and other comparable companies. The Group will achieve this objective by working purposefully within the framework of five strategic pillars: (1) Consumers, (2) Customers, (3) People, (4) Operations and (5) Society. Orkla's core values are "Brave", "Trustworthy" and "Inspiring".

3. Equity and dividends

As at 31 December 2016, Group equity totalled NOK 33.9 billion. An ordinary dividend of NOK 2.50 per share was paid out for the 2015 financial year. Over time, Orkla shareholders shall receive a competitive return on their investment through a combination of dividends and an increase in the share price. Orkla has pursued a consistent shareholder and dividend policy for many years. On Orkla's Capital Markets Day in September 2015, it was announced that Orkla aims to maintain an ordinary dividend at at least the current level.

The Board of Directors has proposed that a dividend of NOK 2.60 per share be paid for the 2016 financial year. The dividend will be paid out on 3 May 2017 to shareholders of record on the date of the Annual General Meeting. Authorisations empowering the Board of Directors to undertake share buybacks are limited to specific purposes and are granted for a period no longer than until the next general meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation.

At the Annual General Meeting in 2016, the Board of Directors was granted authorisation to buy back up to 100,000,000 Orkla shares so that the company can acquire and hold up to 10% of its share capital. The authorisation is limited to specific purposes, and applies until the Annual General Meeting in 2017. Shares acquired under this authorisation are to be cancelled or used in connection with employee incentive programmes, including the Group's employee share purchase programme. Each purpose was discussed as a separate item of business at the Annual General Meeting. A similar authorisation has been granted each year since 1998. As at 31 December 2016, Orkla had not acquired any of its own shares under the current authorisation. As at 31 December 2016, Orkla held 1,213,135 treasury shares. Questions concerning increases in share capital must be submitted to the General Meeting

for decision. The company's transactions in its own shares are effected on the market at market price, in accordance with good stock exchange practice in Norway. There are otherwise no provisions in Orkla's Articles of Association that regulate the buyback or issue of shares.

4. Equal treatment of shareholders and transactions with related parties

Orkla has one class of share and each share entitles the holder to one vote. Each share has a nominal value of NOK 1.25. Further information on voting rights at general meetings is provided under point 6, General Meetings. The company's policy is not to dilute the shareholdings of existing shareholders. In accordance with this policy, there have been no real share capital increases in the company in recent years. Should the Board of Directors wish to propose to the General Meeting that a departure be made from the pre-emptive right of existing shareholders in the event of a capital increase, such a proposal will be justified by the common interests of the company and the shareholders, and the grounds for the proposal will be presented in the notice of the general meeting.

To avoid any detriment to the Group's reputation, the Board considers it important to pursue a policy of transparency and caution in connection with investments that could be perceived as an unfortunately close involvement, or close relationship, between the company and a member of the Board, executive management or parties related thereto. Procedural rules for such transactions have therefore been drawn up in the Rules of Procedure for the Board of Directors, which may be found under "Investor Relations". According to the Rules of Procedure, the Board Chair must be informed of such transactions and must decide how the matter should be dealt with. If the matter concerns the Board Chair, this duty is incumbent upon the Deputy Chair of the Board. In the event of non-immaterial transactions between the company and shareholders, a shareholder's parent company, Board members, executive management or parties related thereto, the Board of Directors will ensure that a valuation is carried out by an independent third party. The Board will similarly arrange for a valuation by an independent third party in the event of non-immaterial transactions between companies within the Group where there are minority shareholders. Further information on transactions between related parties is provided in Note 37 to the consolidated financial statements.

The Rules of Procedure further establish that a Board member must not take part in the consideration of or a decision on an issue that is of such importance to himself or herself or to any related party that the member must be considered to have an obvious personal or financial interest in the matter. It is incumbent upon each Board member to consider on an ongoing basis whether there are matters which, from an objective point of view, are liable to undermine the general confidence in that Board member's independence and impartiality, or which could give rise to conflicts of interest in connection with the Board of Directors' consideration of the matter. Such matters must be taken up with the Board

Chair. According to the Orkla Code of Conduct, employees must on their own initiative inform their superior if they should recuse themselves from dealing with or if they have a conflict of interest in connection with a matter, and consequently should not take part in considering such matters.

5. Freely negotiable shares

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

6. General meetings

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

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

Shareholders who are unable to attend the general meeting may vote by proxy. Orkla will appoint the Board Chair or meeting chair to vote for the shareholders. The proxy form is designed in such a way that voting instructions may be given for each item of business that is to be considered. Shareholders who were unable to attend the Annual General Meeting in 2016 could, in addition to voting by proxy, cast a

direct advance vote on the company's website or through VPS Investor Services. The Board of Directors has decided that shareholders may cast such direct advance votes again in 2017. Further information regarding use of proxies, advance voting and shareholders' right to submit items of business for consideration at general meetings is provided in both the notice of the general meeting and on Orkla's website.

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

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

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

7. The Nomination Committee

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

Recommendation to the General Meeting:

- Election of shareholder-elected members and deputy members to the company's Board of Directors
- Election of members and the Chair of the Nomination Committee
- Remuneration of the Board of Directors and the Nomination Committee

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

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

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

The composition of the Nomination Committee is intended to ensure that the interests of all the shareholders are served, and meets the requirement of the Norwegian Code of Practice for Corporate Governance as regards independence of the company's management and Board of Directors. None of the members of the Nomination Committee are a member of the Board of Directors of Orkla ASA. Neither the general manager nor other senior executives are members of the Nomination Committee. Information regarding the composition of the Nomination Committee and the number of Orkla ASA shares owned by each Committee member as at 31 December 2016 may be found on page 164.

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

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

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

Under Article 4 of Orkla's Articles of Association, the Chair, the Deputy Chair and the other shareholder-elected members of the Board may be elected for a term of up

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

Further pursuant to Article 4 of Orkla's Articles of Association, the shareholder-elected members of the Board of Directors are required to own shares in the company with a view to strengthening the shared financial interests of shareholders and Board members. A more detailed description of the number of Orkla shares owned by each member of the Board, the members' background, qualifications, term of service and independence, how long they have been an Orkla Board member and any material functions in other companies and organisations is provided on page 156, along with information regarding each Board member's attendance at Board meetings.

Under Norwegian law and in accordance with Orkla's current system of corporate democracy, Group employees have the right to elect four members of the Board of Directors of Orkla ASA. The composition of the company's governing bodies is described on page 164.

9. The work of the Board of Directors

Tasks of the Board of Directors

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

The Board of Directors adopts an annual meeting and activity plan that covers strategic planning, business issues and oversight activities. In 2016, 7 meetings were held in accordance with the Board's activity plan, including a two-day meeting to address strategic issues. In addition, 2 items were dealt with in writing. The Board dealt with a total of 70 items. The content of the Board's work is discussed in further detail in the Directors' Report.

Board matters are prepared by the general manager and the Corporate Secretariat in consultation with the Board Chair. The Rules of Procedure for the Board of Directors contain provisions regarding procedural rules in connection with

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

The Compensation Committee

The Compensation Committee is chaired by the Deputy Chair of the Board of Directors, Grace Reksten Skaugen, and its other members are Stein Erik Hagen and Terje Utstrand. The Group Director HR is the committee secretary. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence, and all the committee members are considered to be independent of executive management. The mandate of the committee is set out in the Rules of Procedure for the Board of Directors and in brief is as follows:

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

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

The Audit Committee

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

- ascertain that internal and external accounting reporting processes are organised appropriately and carried out efficiently, and are of high professional quality
- keep under review the effectiveness and relevance of the work of the internal audit staff and of the company's risk management systems

- monitor and assess the quality of the statutory audit of Group companies and the Group's financial statements
- help to ensure the independence of the external auditor, and ensure compliance with applicable rules and guidelines regarding the provision of additional services by the auditor to the Group or Group companies
- initiate investigations, if necessary, and propose measures relating to the above-mentioned points
- annually review and, if necessary, update its mandate, and submit its recommendations concerning its mandate to the Board of Directors

The Board of Directors' self-evaluation

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

10. Risk management and internal control

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

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

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

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

A dedicated compliance function was established in Orkla in 2016. The compliance staff have a special responsibility for ensuring follow-up and compliance in the fields of personal data protection, data security and anti-corruption and business ethics. The staff are also tasked with helping to coordinate and prioritise other compliance-related work in collaboration with compliance officers in the various companies and central Group functions.

Risk management at Orkla

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

- continuously monitoring important risk indicators in order to reassess the Group's level of risk and associated risk mitigation measures, if necessary
- maintaining instructions and guidelines for risk management, emergency preparedness and business continuity
- assisting in the implementation of coherent risk management in routine operations and in connection with projects and major decisions
- presenting Orkla's consolidated risk profile to the Group Executive Board, the Board of Directors and the Board's Audit Committee
- facilitating the transfer of best risk management practices throughout the Group
- ensuring that formal risk assessments are uniformly carried out, presented, discussed and implemented by the Boards of the respective Group companies
- carrying out detailed risk analyses in certain specialised fields
- ensuring that Orkla's risk management is in compliance with relevant regulatory requirements and reasonably satisfactory to Orkla's stakeholders
- being responsible for selected measures to mitigate risk at Group level.

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

EHS

Risk identification is also an important tool in preventive environment, health and safety (EHS) efforts, and the Senior Vice President EHS ensures the systematic, continuous follow-up of this work. All companies and businesses must prepare risk analyses and regularly update them. Orkla follows up on the risk analyses by means of internal EHS audits.

The internal audit function

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

- Verify that internal control procedures for reducing risk have actually been established and are functioning as intended
- Assist the Board of Directors, the Group Executive Board and the business areas by providing auditing expertise and capacity, which includes monitoring and control of selected companies in the Group;
- Be the recipient of and follow up on reports submitted under the Group's whistle-blowing system on possible breaches of the Group's Code of Conduct. Information on this system may be found on posters and notices at all Orkla businesses, on the Orkla intranet and on Orkla's website under "Sustainability"/"Whistle-blowing"



- Coordinate the choice of and monitor external auditors in the Group companies in accordance with the instructions of the Audit Committee
- Act as secretary to the Audit Committee. The Chief Auditor reports to the Board's Audit Committee and is thus independent of line management

Business ethics and corporate responsibility

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

The financial reporting process

The Orkla Group prepares and presents its financial statements in accordance with current IAS/IFRS rules. The Group's governing documents are collected in The Orkla Way, and contain requirements and procedures for the preparation and presentation of interim reports and year-end reports. A set of Orkla Accounting Standards has also been drawn up, in which Orkla's ten main principles for financial reporting are set out. Financial information is reported through the Group's common reporting system, Hyperion Financial

Management (HFM). Every month, each company reports figures in HFM, based on output from its own Enterprise Resource Planning (ERP) system. HFM has a general chart of accounts and built-in control systems in the form of data check accounts and check reports designed to ensure that the information is consistent. The reporting is expanded in the year-end reporting process to meet various requirements for supplementary information. The process of consolidating and checking financial data takes place at several levels in the business areas.

11. Remuneration of the Board of Directors

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

12. Remuneration of the Executive Management

The Board's Compensation Committee presents a recommendation concerning the terms and conditions for the President and CEO to the Board of Directors and

monitors the general terms and conditions for other senior executives in the Group. The Board assesses the President and CEO and his terms and conditions once a year. A description of the remuneration of the executive management and the Group's compensation and benefits policy, including the scope and design of bonus and share-price-related programmes, is given in the Board of Directors' statement of guidelines for the remuneration of executive management; see Note 5 to Orkla ASA's financial statements. A ceiling has been set for performance-related remuneration. The Board of Directors' statement of guidelines is made available to shareholders in a separate document pertaining to this item of business, together with the notice of the Annual General Meeting.

13. Information and communications

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

Orkla strives to communicate actively and openly with the market. The company's annual and quarterly reports contain extensive information on the various aspects of the company's activities. The company's quarterly presentations are webcast directly and may be found on Orkla's website, along with the quarterly and annual reports, under "Investor Relations". In 2016, the company's Annual General Meeting was webcast and simultaneously interpreted to English. Orkla normally holds a Capital Markets Day every other year, on which occasion the market is given an in-depth review of the Group's strategic direction and operational development. The Capital Markets Day presentations are webcast directly on the company's website.

All shareholders and other financial market players are treated equally as regards access to financial information. The Group's Investor Relations Department maintains regular contact with company shareholders, potential investors, analysts and other financial market stakeholders. The Board is regularly informed of the company's investor relations activities. The financial calendar for 2017 may be found on Orkla's website under "Investor Relations".

14. Takeovers

The Board of Directors will not seek to hinder or obstruct any takeover bid for the company's operations or shares. In the event of such a bid as discussed in section 14 of the Norwegian Code of Practice for Corporate Governance, the Board of Directors will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code of Practice. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether or not the shareholders should accept the bid. There are no other written guidelines for procedures to be followed in the

event of a takeover bid. The Group has not found it appropriate to draw up any explicit basic principles for Orkla's conduct in the event of a takeover bid, other than the actions described above. The Board of Directors otherwise concurs with what is stated in the Code of Practice regarding this issue.

15. Auditor

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

The external auditor and the President and CEO attend all meetings of the Board's Audit Committee. For information regarding the work of the internal auditor, reference is made to the section above on risk management and internal control. Orkla has established guidelines for the right of the general management to use the external auditor for services other than auditing. Responsibility for monitoring such use in detail has been delegated to the secretary of the Audit Committee, who is the Chief Internal Auditor. The secretary of the Audit Committee approves all material assignments in advance and receives an annual summary from the external auditor of services other than auditing that have been provided to Orkla, and comments specifically on these services in his annual report to the Audit Committee and the Board of Directors. Details of the company's use and remuneration of the external auditor are disclosed in Note 5 to the financial statements of Orkla ASA.

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



Ferdinand - part of the Orkla family

01 Orkla's sustainability work

Orkla mobilises to achieve its sustainability goals

As a leading manufacturer of food and other grocery products, Orkla is committed to promoting a healthier diet and sustainable value chains.

One third of the world's population is overweight, and lifestyle diseases are spreading. At the same time, the food value chain – from farm to fork – generates one fourth of global greenhouse gas emissions and is one of the main sources of water consumption. The combination of climate changes and population growth is putting pressure on food raw materials and natural resources.

These are global challenges that call for collaboration and a concerted effort on the part of business and industry, the public authorities and other key stakeholders. Orkla wishes to contribute to sustainable development by offering healthier more environmentally friendly products, maintaining high food safety standards, using resources efficiently, making supply chain improvements and in general operating responsibly. Orkla's sustainability strategy covers four areas in which the Group's efforts will be significant for both society at large and Orkla's long-term value creation: nutrition and health, food safety, responsible sourcing and the environment. By making targeted efforts in these areas, Orkla is helping to achieve the global sustainable development goals.

Orkla's footprint

Orkla's grocery products are purchased regularly by several million consumers, and affect their diet, health and well-being. Even small changes in product content can have a positive effect on the population's diet, and through the development of new products Orkla can make important contributions to improving public health.

Orkla's food production makes the Group one of the largest purchasers of agricultural and fish raw materials in the Nordic

region, while its use of energy and water and purchases of packaging and transport services impact on the environment. Furthermore, Orkla is involved in certain global raw material chains that present complex economic, social and environmental challenges. By using resources efficiently, reducing food waste and making targeted efforts to achieve sustainable raw material production, Orkla can contribute to a sustainable food value chain.

Orkla is a major employer, with its own extensive production operations and activities in many countries. By investing in competence development and a sound corporate culture, and working systematically to ensure occupational health and safety, Orkla makes a positive contribution to its employees' job satisfaction, health and personal development.

The Orkla companies create economic ripple effects for local communities in the form of jobs, tax revenues and sourcing from local suppliers. Orkla considers openness and a good stakeholder dialogue important for the Group's long-term development and building trust.

Sustainable growth

The global health and sustainability challenges entail commercial risks and opportunities for Orkla due to gradual changes in consumer preferences, the supply and cost of raw materials, political framework conditions and the general competitive climate. For Orkla, developing products that promote a healthy lifestyle represents a significant opportunity for revenue growth, and is a key priority in the companies' innovation work. At the same time, efforts to ensure sustainable raw material chains and reduce environmental impacts are

Reporting on corporate responsibility

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is subject to reporting requirements with regard to corporate responsibility and selected responsibility topics. An account of the Group's efforts to address the relevant topics in 2016 may be found in the following chapters on Orkla's sustainability work:

- «Orkla's sustainability work», page 37 (corporate responsibility)
- «Responsible sourcing», page 53 (human rights, workers' rights, social conditions and environment in the supply chain)
- «Environment», page 60 (environment)
- «Occupational health and safety», page 65 (working environment, injuries, accidents, sickness absence, workers' rights in Orkla's operations)
- «Human resource development and corporate culture», page 68 (human rights, equality and non-discrimination, anti-corruption)
- «Orkla and society», page 73 (social conditions)

Corporate responsibility at Orkla

Orkla defines corporate responsibility as operating responsibly with respect for people and the environment. Orkla's directive on corporate responsibility describes the general principles governing the way the Group companies are to address the issues of human and workers' rights, environment, health and safety (EHS), anti-corruption and other important areas of responsibility. The directive is based on the Universal Declaration of Human Rights, the ILO's Core Conventions and the OECD Guidelines for Multinational Enterprises. It has been adopted by Orkla's Board of Directors and applies to the entire Group, including wholly-owned subsidiaries. Orkla's corporate responsibility management procedures are described in the Report of the Board of Directors on page 25 of this report.

crucial to building trust in Orkla's branded consumer goods, ensuring long-term access to raw materials and achieving cost-effective operations. Systematic focus on improving occupational health and safety has great commercial significance as it promotes stable operations and lower sickness absence costs.

Orkla's sustainability strategy was drawn up in 2014 and defines the direction that the Group's efforts will take in the period up to 2020. It covers the four topics considered particularly important for Orkla based on a combined sustainability and business perspective: food safety, nutrition and health, responsible sourcing and the environment. The strategy is mainly implemented by the companies and Orkla's production facilities, with the support of the Group functions. In 2015-2016, the Corporate Centre has supported the efforts of the business areas and individual companies to translate Orkla's sustainability strategy into goals and action plans. Moreover, several initiatives have been taken at central level to share lessons learned and best practices, establish common approaches and systems and optimise use of available resources.

The status of Orkla's sustainability work

Orkla has made progress with respect to all its main topics in the past few years. The companies work purposefully to develop healthier foods and other products beneficial to health, and in 2016 all the business areas successfully launched products of this type. The Group has also continued its constructive dialogue with politicians and the public administration on diet-related challenges, among other things helping to set new targets for reducing salt, sugar and saturated fat in Norwegian food products. Orkla maintains good control of food safety in its own operations, and the food safety standard in the Group's factories that produce food and drink is high. Orkla's production facilities monitor environmental conditions closely and are making progress in their efforts to reduce energy use, water consumption and food production waste. Orkla is also making good headway in monitoring suppliers to ensure that raw materials are produced in a safe, responsible way. The Group seeks to achieve continuous improvement in key areas such as skills upgrading, occupational health and safety and anti-corruption. The results for 2016 and further objectives are described in greater detail in separate chapters on each main topic.



Materiality

The choice of topics and indicators for reporting Orkla's sustainability work is based on a materiality analysis prepared in 2015, which itself is based on Orkla's sustainability strategy and the main topics for Orkla's corporate responsibility work. For each main topic, an assessment has been made to define the sub-topics that are relevant to Orkla's operations, including an assessment of the aspects covered by the GRI G4 reporting standard. In this process, emphasis has been placed on the long-term commercial and social impact of Orkla's efforts and of the topics' significance for stakeholders' assessments and decisions. The stakeholder groups considered most crucial to Orkla's chances of succeeding, and to which most importance has therefore been attached, are investors, authorities, consumers, customers and employees. As sources of input for understanding stakeholder priorities, Orkla has used analyses carried out by external sustainability analysts, relevant laws and regulations, international corporate responsibility norms, and in-depth interviews on sustainability trends conducted with selected stakeholders in the autumn of 2014. In addition, Orkla's specialised experts have made a discretionary assessment based on past experience and earlier stakeholder dialogues. The materiality analysis is still considered relevant, and only minor adjustments were made in 2016.

Orkla's sustainability reporting covers all the topics defined as important and material, but greatest importance has been attached to the material topics. The main topics and the reporting structure are the same as in 2015. Orkla reports in accordance with the GRI G4 Core reporting standard. An overview of the indicators covered may be found at www.orkla.com/Sustainability/Results-and-reporting. In preparing the report, Orkla also applied the Oslo Stock Exchange's guidance on the reporting of corporate responsibility. Unless otherwise stated, the key figures in Orkla's sustainability reporting cover all businesses in which Orkla owned more than a 50% interest as at 31 December 2016. The key figures for emissions and energy and water consumption will be verified by the independent company CO2 focus. For information on the sustainability work carried out in Orkla's subsidiaries Sapa and Jotun, reference is made to the companies' own reports.

The UN Global Compact and the UN's Sustainable Development Goals

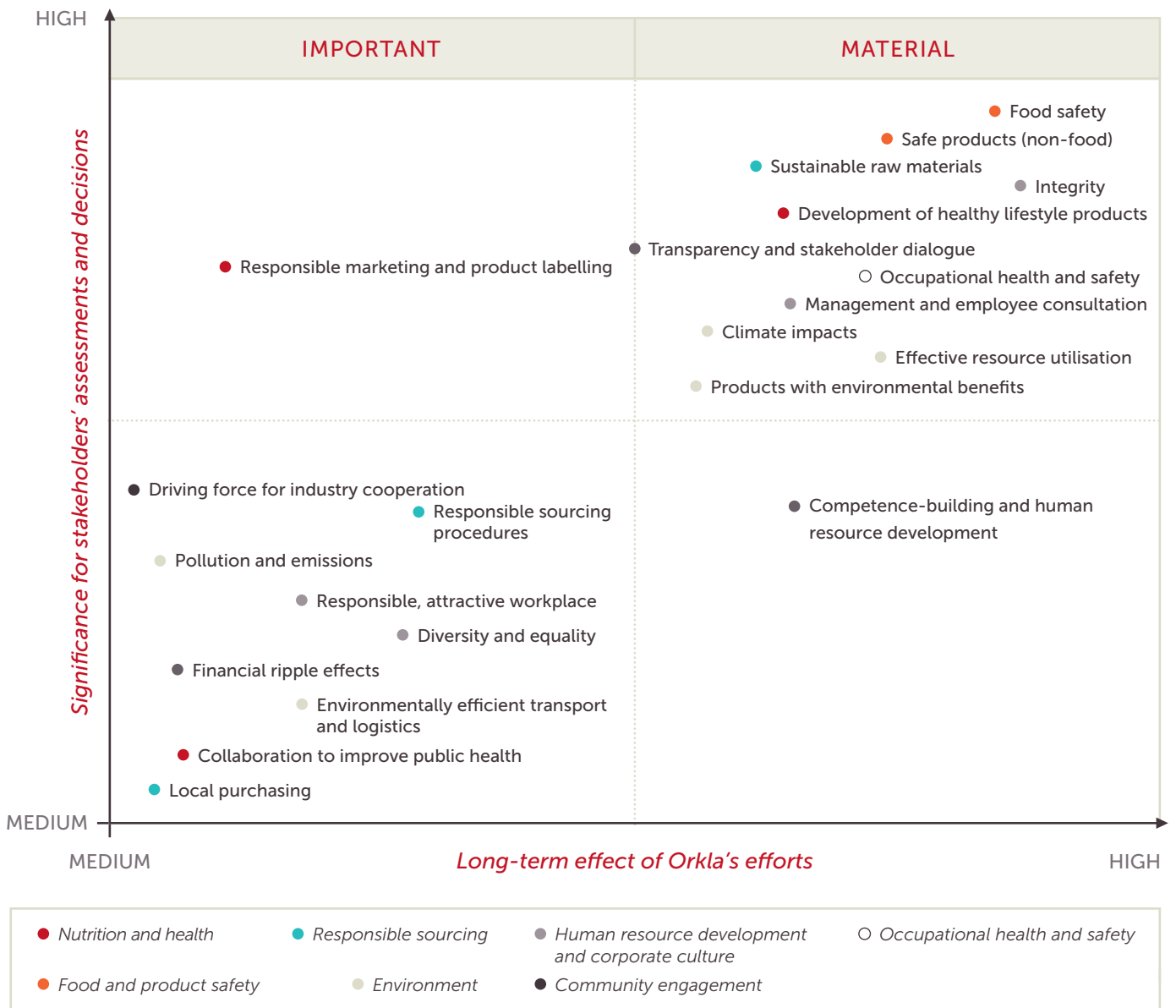
Orkla has been affiliated with the UN Global Compact since 2005 and actively supports the initiative's ten principles in the areas of human and workers' rights, the environment and anti-corruption. Through Orkla's sustainability work, the Group contributes to the achievement of several of the global Sustainable Development Goals up to 2030 that were launched under UN auspices in 2015. In 2016, Orkla President and CEO Peter A. Ruzicka signed the Businessworthy Pledge, a personal commitment to work towards achieving the global Sustainable Development Goals:

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



Peter A. Ruzicka
President and CEO

Materiality analysis





Marcus, Ole Jørgen and Ingrid - part of the Orkla family



02 Nutrition and health

Healthier everyday living

The global challenges posed by overweight and lifestyle diseases call for a concerted effort by all sectors of society. Orkla wants to be part of the solution and help to promote a good, healthy diet among the population at large.

Around one third of the global population is now overweight. Lifestyle diseases caused by an unhealthy diet are spreading. Tackling health challenges requires dialogue and a joint mobilisation by the food industry, the retail sector, specialised experts and public authorities. We have a shared responsibility for making it easier for consumers to make healthier choices.

Developing healthier products is therefore high on the agenda at Orkla. All the business areas focus on nutrition and consumer health, and the companies work actively to adapt their product portfolios to health-related consumer trends and changes in official requirements.

Orkla's primary nutrition and health objectives up to 2020:

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

Orkla's nutrition and health work supports the achievement of the UN Sustainable Development Goal: **SDG 3 GOOD HEALTH AND WELL-BEING.**

Orkla's approach

Orkla is a leading producer of food and drink, and by making small improvements to a large number of products can help to improve public health. Orkla companies also develop new products that make it easier to maintain a balanced diet. Product development and innovation work are based on local needs and taste preferences. Our philosophy is that healthy food must taste good. The companies have made systematic efforts over a long period of time to improve their products' nutritional profile and reduce the content of salt, saturated fat and sugar. Several Orkla companies have defined targets, and their efforts are monitored by Orkla centrally by means of internal reporting and procedures for business area reviews. The results are reported regularly to Orkla's Board of Directors.

Collaboration on improving public health

Orkla is an active partner for the authorities, and pursues a

productive dialogue with them at both EU level and in several of the countries in which the Group operates. In Norway, Orkla is a member of the Minister of Health and Care Services' working group for food businesses, where reducing the content of salt, sugar and saturated fat is an important issue. In 2016, Orkla helped to draw up an agreement of intent between the food industry and the Norwegian authorities aimed at making it easier for consumers to make healthy choices. Orkla was the only company in Norway to be invited to participate in a committee that is preparing a report on research and innovation related to food, nutrition and health. The report will be completed in the spring of 2017.

Orkla Foods Sverige has been actively involved in the "Hållbar Livsmedelskedja" (Sustainable Food Chain) project, a unique collaboration between food chain participants who work to promote healthy food and sustainable food production and consumption. Orkla Foods Sverige has also provided input for the Swedish government's action plan to improve dietary habits and physical activity, and contributed to the debate on the topic. In Denmark, the Orkla companies Credin and CBP are members of the Danish Whole Grain Partnership, which seeks to increase consumption of whole grain products. CBP has developed a solution that makes it easy for bakery customers to calculate recipes to ensure that the end bakery product meets the requirements of the Whole Grain Label and the Green Keyhole healthier products label.

Orkla seeks to promote better public health by developing healthier products, using clear labelling, adhering to responsible marketing practices and implementing measures to increase physical activity among the population.

Sustainability pledge, Orkla



Agreement of intention for healthier food

In December 2016, Orkla signed a cooperation agreement with the Norwegian health authorities aimed at making it easier for consumers to make healthier choices. Orkla is one of several players who will be collaborating with the health authorities on this objective. Under the agreement, the parties commit to specific targets for reducing the content of salt, added sugar and saturated fat in food and drink. Developing new products that make it easier for consumers to make healthy choices and promoting greater awareness of health and diet are also a key focus. This historic agreement places Norway clearly in the forefront of efforts to improve public health.

Healthier popular favourites

Developing healthier products with less salt, sugar and saturated fat is high on Orkla’s agenda. In 2016 the companies continued to make good progress in this work.

In several countries, the population’s intake of salt, sugar and saturated fat is far higher than recommended by the health authorities. As a consequence, more people are experiencing poorer health and quality of life due to diseases such as type 2 diabetes, overweight and cardiovascular diseases.

If you eat healthily and are physically active every day, you reduce the risk of lifestyle diseases. In a public health perspective, small changes in the daily diet of a large number of people have a greater impact than big changes for individuals. Orkla therefore works actively to make its most popular products healthier with a lower salt, sugar and saturated fat content. The companies made substantial advances in this work in 2016.

Less salt

The population’s salt intake is nearly twice the recommended level. In Norway, Orkla has signed the Salt Partnership agreement, aimed at reducing Norwegians’ average daily salt intake from ten to eight grams by 2021. In 2016, Orkla Foods Sverige set clearly defined targets for reducing salt in its products, based on the Green Keyhole healthy food labelling scheme and the Norwegian Salt Partnership. Orkla Confectionery & Snacks Norge works systematically to reduce the salt content in its biscuits and snacks products by 21 tonnes by 2020. In 2016, Orkla Confectionery & Snacks Sverige initiated a project to reduce the amount of salt in its sweet and salty biscuits. Reducing salt is also on the agenda outside the Nordic region. Good examples are Vitana, a company that has achieved a significant effect by cutting down on salt in its bouillon products, and MTR Foods in India, which has a comprehensive salt reduction programme.

By developing products containing less salt, Orkla contributed to an annual reduction in salt consumption of around 90 tonnes in 2016. Ketchup, soups, porridges, liver paté, fish roe spreads, ham and bread and Indian ready-to-eat dishes, breakfast mixes and snacks are examples of categories of products in which the salt content was reduced in 2016. In the past five years, the amount of salt has been reduced by the equivalent of an annual reduction in consumption of 716 tonnes.

Less sugar

Sugar intake is still higher than recommended by the health authorities. In 2016, Orkla continued to develop more low-sugar and sugar-free products in the drink, sauce, rice porridge, gherkin, toppings, jams and ketchup categories. Several of the companies in the Nordics and Baltics launched new products with less sugar in 2016, such as breakfast cereals and crispbread, naturally sweetened yoghurt and chocolate with a higher cocoa content, and have extensive launch plans for 2017 as well. The Indian company MTR Foods has




reduced the sugar content of its popular Badam drink mix. By developing sugar-free and low-sugar products, Orkla has helped to increase the annual reduction in sugar intake by an amount equivalent to 640 tonnes in 2016. In total, Orkla’s portfolio of sugar-free and low-sugar products help to reduce sugar intake by around 14,000 tonnes.

Less saturated fat

The health authorities recommend that we limit the percentage of saturated fat in our diet to no more than 10% of our energy intake. Orkla helps to reduce people’s intake of saturated fat by replacing palm oil with alternatives that have a more beneficial composition of fatty acids. This work continued to show effective results in 2016. In addition to replacing palm oil, Orkla Foods Sverige, for example, has launched several vegetarian products and switched from animal to vegetable protein in parts of its ready-meal assortment, while Hamé has launched a new range of spreadable toppings with less fat.

By developing products with a healthier fat composition, Orkla contributed to an annual reduction in consumption of saturated fat of around 370 tonnes in 2016. Pizza, soups, sauces, casseroles, ready-to-eat dishes, toppings, biscuits and snacks are examples of product categories in which the saturated fat content was lowered in 2016. Since 2008, saturated fat has been reduced by an amount equivalent to an annual reduction in consumption of 7,500 tonnes.

Healthier popular favourites

<p>Salt</p> 	<p>Result in 2016: 90 tonnes less salt</p>
<p>Sugar</p> 	<p>Result in 2016: 640 tonnes less sugar</p>
<p>Saturated fat</p> 	<p>Result in 2016: Around 370 tonnes less saturated fat</p>

Healthier popular favourites

In 2016, Orkla Foods Sverige and Orkla Confectionery & Snacks Norge set specific targets for reducing salt, sugar and saturated fat, and similar targets will be defined for more companies in 2017.

<p>Salt</p> 	<p>Targets:</p> <p>All Orkla’s food companies aim to identify relevant measures for reducing salt.</p> <p>All Orkla Foods Sverige’s products aim to meet the salt targets defined in the Green Keyhole rules and the Norwegian Salt Partnership by 2020.</p> <p>Orkla aims to eliminate 80 tonnes of salt from its Norwegian products in the period 2014-2018, including 21 tonnes from snacks and biscuits.</p>
<p>Sugar</p> 	<p>Targets:</p> <p>All Orkla’s food companies aim to identify relevant measures for reducing sugar.</p> <p>Orkla Foods Sverige aims to reduce the amount of added sugar and the total sugar content by 1,300 tonnes by 2020 (compared with 2015).</p> <p>Orkla Confectionery & Snacks Norge aims to substantially increase the number of confectionery and biscuit launches with less added sugar or that are sugar-free by the end of 2018.</p>
<p>Saturated fat</p> 	<p>Targets:</p> <p>All Orkla’s food companies aim to identify relevant measures for reducing saturated fat.</p> <p>Orkla Confectionery & Snacks Norge aims to lower the content of saturated fat by 1,100 tonnes in the period 2008-2018, and eliminate palm oil in its own manufactured products by 2017.</p>

**Orkla supports
The Green Keyhole Label**

The Green Keyhole healthy food labelling scheme is well known and highly trusted by consumers in the Nordic countries. In 2016 Orkla Foods Sverige saw a rise of around 37% in sales of Keyhole-labelled products. Orkla Foods Norge more than doubled its Keyhole products in 2016. Several different types of Stabbur-Makrell mackerel and TORO products were awarded the green label in 2016, in addition to the new Stabburet Glutenfri Leverpostei gluten-free liver paté. Grandiosa Fullkorn whole grain pizza was launched as the healthiest pizza in the freezer compartment and the only one bearing the Green Keyhole label. The pizza contains a maximum of 600 calories, and has a thin whole-grain crust. Orkla Foods Norge will continue to focus on Keyhole-labelled products in 2017.



Innovations that promote healthier living

By combining consumer insight and new knowledge in the field of health and diet, Orkla is developing tasty, innovative products with a beneficial nutritional profile.

Health and Nutrition is one of four priority areas for innovation at Orkla. The companies collaborate closely with external centres of expertise and are involved in around 20 research projects, eight of which are related to health and diet.

Research projects

- Orkla Foods Norge is participating in the Packing a Healthier Lunch research project, due to run until the end of 2017. The goal is to develop products with a lower content of salt and saturated fat.
- Through their partnership with the Igelösa Life Science Community in Sweden, the Orkla companies have access to experts who have long experience of researching and developing products and meal solutions that have a beneficial effect on health.
- The Netherlands company Sonneveld works closely with Wageningen University & Research on developing food products that can improve the diet of the elderly and ill.
- Several Orkla companies are collaborating with the Anti-diabetic Food Centre in Lund, Sweden on developing foods that can help reduce the risk of cardiovascular disease, obesity and age-related diabetes.

New knowledge in the field of health and diet is being used to develop flavourful, healthy products in response to key consumer trends.

Increased focus on organic and natural food

In the past few years, Orkla has intensified its focus on natural, additive-free food and products for persons with allergies. Several new products meet the increased demand for gluten-free products. Examples of launches in 2016 are Paulúns Glutenfri Supermüsli uten tilsatt sukker (gluten-free muesli with no added sugar) and Stabburet Glutenfri Leverpostei (gluten-free liver paté). TORO has a special range of gluten-free products, in addition to launching a gluten-free version of several of its popular products.

Growth in sales of organics

In Sweden, Orkla Foods launched a number of products in response to the natural, organic trend, including Felix Ekologiska Risgröt (organic rice porridge) made from natural ingredients, Felix Ekologiska Hummus (organic hummus) and Felix Mustig Soppa, a range of organic soups made from natural ingredients. Sales of foods bearing the EU certified organic food label rose significantly in 2016. Through its acquisition of Bioquelle in Austria, Orkla is expanding its offerings of organic foods.



Responding to the health trend with healthy food that tastes good

Orkla Foods Sverige's health brand Paulúns has been very successful, and was also launched in Finland and the Baltics in 2016. The products have been developed in close collaboration with nutritionist Fredrik Paulún, and contain natural ingredients, are free of additives and have no added sugar. Under the motto "Bare Bra Mat" (Just Good Food), Paulúns launched several new products in Sweden in 2016, including Chiafrö & Bovete Superflingor (chia seed and buckwheat cereals), Paulúns Supermix rice and Superknäcke, a crispbread made of sourdough with 26% seeds. Porridges and oven-baked muesli were launched in Finland, and Paulúns Granola in Lithuania. Orkla's sales of Paulúns products totalled NOK 299 million in 2016.

Meeting the demand for vegetarian food

More and more consumers want meat-free alternatives one or more days a week, for both health and environmental reasons. In the past few years, Orkla has strengthened its position in the vegetarian food sector in Sweden and Denmark. Moreover, one of Orkla's very biggest brands, MTR in India, is 100% vegetarian.

The vegan brand Anamma, which is part of Orkla Foods Sverige's portfolio, has more than doubled in turnover in the past three years. New products rolled out in 2016 include Anamma Vegofärs (minced vegetables) og Falafel, Felix Veggie, frozen vegetarian dishes and Felix Veggie Bowls, a range of chilled casserole dishes. In Denmark, the company Naturli' Foods has established a position as a leading supplier of vegan food, offering a broad range of products and holding a market share of 70% in the drink, yoghurt and cream segments. A total of 14 new products were launched in 2016, all made of organic ingredients and 100% plant-based.

«Better for you»

Orkla Confectionery & Snacks Norge has had several successful launches of healthier biscuits and chips in the past two years. In 2016 this work was further strengthened through the development of the Småsulten "better-for-you" snack products. The range was introduced in early 2017, and includes nut bars with less sugar and saturated fat and popcorn with a better nutritional profile.



Products to meet different health needs

Orkla Health offers products that meet specific health needs and are adapted to different stages of life. Examples include omega-3 for pregnant women, vitamin supplements for the elderly or fibre products for good gut health.

Orkla Health has a team of nutritionists and product developers who develop a wide variety of health products based on their own studies and other research. The company works closely with external centres of expertise in the Nordic region on health research in fields such as omega-3, sports nutrition and the challenges posed by stiff and painful joints.

Despite a growing focus on health, people in the European countries still eat too little fish. Under the Möller's and Triomar brands, Orkla Health continuously develops new products in new delivery formats or tastes designed to make it even easier to take a daily dose of omega-3. One such offering is Möller's God Start, a product for pregnant women and women who are planning to become pregnant. In 2016 Möller's cod liver oil was sold in over 20 countries, and interest in cod liver oil from Norway is rapidly rising.



Healthy bakery products

The Orkla Food Ingredients companies offer a range of products and ingredients that make it easier for professional bakers to offer healthy bread products. The two brands Whole & Pure and Fit4Life comprise a variety of bread mixes with a high fibre content and other wholesome nutritional properties. Examples of products launched by Idun Industri in 2016 are Fit4Life Havrebase (oat base), Havrefiber (oat fibre) and Hjertebrød (heart-friendly bread) rich in fibre and beta-glucans.

Smart meals from Nutrilett

Obesity and overweight are one of the biggest health challenges we face. Orkla's Nutrilett range offers a variety of products and solutions for losing weight. To make it easier for the consumer to understand when and how the different Nutrilett products should be used, the range was divided into three different categories in 2016: Get Started, Smart Meals and Snack Smart. One of the new products launched is the Smooth Caramel Biscuit and Quinoa Bar, a meal replacement that is free of gluten and lactose. The products have been improved by using more natural ingredients and reducing the caloric and sugar content. For those who need a little extra nudge and advice, Nutrilett established Willpower in 2016, a closed Facebook group for people who want guidance, inspiration and tips to help them on the road to a healthier lifestyle. This service was introduced in all the Nordic countries.



Labelling that makes it easier to make healthy choices

Labelling foods with clear and honest product information makes it easy for customers and consumers to see what Orkla products contain.

Good, easily accessible information on what food contains is essential to enable consumers to make healthy choices in stores. Orkla has therefore drawn up a strategy for nutrition labelling that applies to all its companies and product categories. These guidelines were introduced in 2014, and in 2016 had been fully implemented in almost all the companies. In some areas, Orkla's nutrition labelling strategy goes further than the official food labelling requirements. Consumers can find information on nutrition and health and the nutritional content of individual products on the company websites. The Orkla companies also have dedicated consumer service departments who respond to inquiries by telephone, e-mail, websites and Facebook. In 2016, Orkla established shared consumer services for all the Norwegian companies to improve accessibility on all platforms where consumers expect to be able to communicate with Orkla about its branded consumer goods.

The Abba Fish Patrol makes it easier to eat fish



Surveys show that Swedes do not eat enough fish. Many of them would like to eat fish more often, but think that preparing a fish dish is time-consuming and difficult. Orkla Foods Sverige wanted to do something about that misconception, and therefore established the Abba Fish Patrol in autumn 2016. Based on tips from family members and friends, the patrol travelled around visiting Swedish families, where it checked how much fish was being eaten in the household, and demonstrated how simple it is to prepare good, healthy, everyday fish dishes. With the Abba Fish Patrol, Orkla Foods Sverige wanted to dispel some of the myths about cooking fish and inspire people to increase their consumption of fish.



Good, responsible marketing of food

Orkla is committed to responsible marketing to children and adolescents, and has therefore adopted a restrictive policy in this area.

Orkla is actively involved in the Food and Drink Industry Professional Practices Committee (MFU) and was invited to a meeting hosted by the EU Commission's Directorate General Health and Food Safety (DG Sante) in Luxembourg in 2016 to present Norway's work to ensure responsible marketing to children and young people. These efforts have attracted favourable attention in the EU Commission, and Orkla was commended for the work that has been done in Norway and for its role in establishing the voluntary industry association MFU. Orkla has been a member of the MFU since its establishment and sits on the Board of the Committee.

Responsible marketing 2016

In 2016, the Orkla companies had no cases relating to the marketing of food and drink to children and young people. One case was reported regarding the use of claims in marketing Orkla products in 2016 and two cases concerning non-conformance with product labelling rules. The Orkla companies maintain a dialogue with the public authorities, and have made appropriate changes.



Marcus and Olivia - part of the Orkla family



03 Food and product safety

Safe food means safe consumers

Ensuring that food is safe at every stage of the value chain is crucial if consumers are to trust the food they eat. That is why Orkla's ambition is to match the performance of the best companies in the world when it comes to food safety.

Consumers attach growing importance to what they eat, where their food comes from and how it is produced. It is a basic prerequisite that the food is safe. As a leading food supplier, Orkla emphasises the need for good food safety procedures throughout the value chain. Orkla applies strict standards for the way raw materials are cultivated, produced and transported. In the production process where raw materials are transformed into finished goods, the food is prepared using controlled procedures, at the right temperature and in accordance with stringent quality assurance requirements, right up until the end product reaches store shelves.

Orkla's main objectives for its food safety work up to 2020 are to:

- Ensure a strong food safety culture in all Orkla companies and factories.
- Ensure that all factories meet the requirements of the Orkla Food Safety Standard.
- Ensure that all suppliers comply with Orkla's stringent food safety requirements.
- Intensify its efforts to ensure safe, healthy raw materials in every part of its value chain by working closely with farmers and adopting effective traceability systems.
- Strengthen its ability to deal with new risk factors in its value chain through collaboration with external centres of expertise.

Orkla applies the same product quality standards regardless of the country in which the product is manufactured or sold.

Sustainability pledge, Orkla

Orkla's approach

The Orkla Food Safety Standard (OFSS) forms the basis for food safety work at Orkla, and ensures a high uniform level of quality at all the Group's production facilities. The standard is based on the internationally recognised food safety standard established by the British Retail Consortium (BRC), and has been further developed by Orkla's central Food Safety Department to cover every risk factor of special relevance for Orkla's food production. All the food products that Orkla launches have undergone a thorough risk assessment during the development process to identify and control potential health hazards associated with packaging, ingredients and use. A special standard has been introduced for Orkla's sales and distribution companies. The companies are monitored through special audits carried out by Orkla's food safety team. In addition, Orkla insists that all suppliers comply with the Group's stringent guidelines for safe raw material production.

A common food safety culture ensures safe products

Orkla has effective control of food safety in its own operations. In step with the growing stringency of the OFSS, the compa-

nies have acquired increased expertise in this area. In 2016 the OFSS was introduced in the new companies that have joined the Group, and special projects were established to ensure that necessary improvements were made in several of these companies. A new shared document management system has been developed and implemented in several companies, making it easier to work as "One Orkla" in this area as well. There are plans to develop common systems for handling non-conformances and complaints.

In 2016 Orkla's food safety auditors visited 57 factories – from the Grandiosa factory at Stranda to the newly acquired Bio-quelle production facilities, which manufacture breakfast cereals and health products in Austria. Somewhat fewer audits were carried out than in 2015, partly due to the smaller number of factories, but primarily because there is less need for follow-up audits and the level of food safety at the factories is increasingly high. Orkla is very close to its goal of all factories meeting the Group's highest food safety requirements, with the exception of a few factories that are monitored closely to ensure that the necessary improvements are made.

Safe deliveries of raw materials

Orkla has a large number of raw material suppliers all over the world. The Group's partnership with these suppliers is conditional on their compliance with the Orkla Supplier Code of Conduct and the Group's rigorous food safety standards. Through a Group-wide supplier approval and monitoring system, Orkla ensures that its companies have the requisite tools and guidelines for carrying out risk assessments and approving and following up on suppliers of raw materials, packaging and finished goods manufactured under contract. The monitoring of suppliers by means of self-assessment forms and inspections performed by Orkla's audit team ensures a high level of awareness of the importance of good food safety standards.

New risk factors in the supply chain

Food fraud is a growing global challenge. As part of the efforts to deal with new risk factors in the value chain, Orkla included food fraud as a special topic in OFSS in 2015, in line with the international food safety standards. Orkla companies are required to carry out a risk assessment of all raw materials that arrive at the factory. In 2016, to facilitate the companies' work in this respect, Orkla developed a risk assessment model with tools for each raw material category, which has been made available to the companies.

Effective contingency management

Orkla has drawn up a contingency plan to deal effectively with unforeseen and undesirable incidents. In 2016, contingency exercises were held for the management teams of four selected companies, with focus on the importance of a good understanding of contingency preparedness, procedures for dealing with a contingency situation and media training. In addition, each factory holds annual contingency drills.

Orkla continuously measures changes in the number and type of contingencies. The trend has been positive in the past year, with fewer, less serious incidents reported in 2016.

Safe food from farm to fork

Orkla's food safety value chain



Results in 2016

Safe food production	Unit	2016	2015	2014
Audits of Orkla factories	Number of factories	57	76	83
Food safety training - Participation in the Orkla Food Safety Training Course	Number of employees	12	17	21
Safe deliveries of raw materials				
Supplier monitoring by means of self-assessment forms	Number of forms	1 783	1 555	1 456
Risk assessments conducted by Orkla companies	Number of risk assessments	1 172	1 089	1 183
Supplier audits	Number of physical audits	306	307	216
Training in supplier auditing	Number of employees	23	20	17

Training was also provided in HACCP, allergen handling, contingency preparedness and safe packaging.

Safe quality products

Ensuring that consumers are safe is a main priority for Orkla. That is why stringent quality and product safety standards are applied when developing cleaning products, textiles, painting tools and other household products.

In the same way as in Orkla's food production, the Orkla Care companies adhere to strict product safety guidelines in every part of their value chain, from innovation and product development to the manufacturing processes of Orkla's suppliers or Orkla's own factories, right up until the product reaches the consumer. The companies carry out an assessment of health and safety aspects related to each product as part of the product development process. Consumer safety work is based on the precautionary principle, and companies seek to replace ingredients that could potentially have a negative effect on health or the environment.

All Pierre Robert textile products have undergone a health and safety assessment. The same applies to detergents and household cleaning and personal care products manufactured by Orkla Home & Personal Care, wound care products from Orkla Wound Care and health products from Orkla Health. The companies keep close track of research on health hazards linked to raw materials that may be relevant, and have restrictive guidelines for the use of chemicals.

Well-documented ingredients

In its development of detergents and personal care products, Orkla Home & Personal Care uses only well-documented ingredients that have been approved under strict European laws and regulations. The company continuously strives to further develop and improve its products from a health and environmental standpoint. In the period 2015-2016, the company has focused on replacing perfumes that could

cause allergies and reducing use of controversial preservatives.

Safe plasters and first-aid products

Orkla Wound Care develops technical medical products under brands such as Salvequick, Cederroth First Aid and Dr San for use at workplaces and in households. The products are preservative-free and contain no known allergens, and are tested to ensure that they are safe to use on skin. Latex, which can cause an allergic reaction in some individuals, is used in the adhesive in a small number of products. For these products Orkla Wound Care has started a project to replace the latex adhesive with an alternative adhesive. All the company's products are manufactured in well-controlled processes that ensure that the products that are sold are safe to use.

Safe health products

Orkla Health develops dietary supplements and various health products. To ensure that the products are safe to use and have well-documented effects, the company has a staff of around 30 persons who work with quality and regulatory issues. Weight reduction products are developed in compliance with a stringent European regulatory framework, based on a carefully formulated composition that enables consumers on a calorie-restricted diet to feel confident that they are receiving adequate nutrition. Sports products are developed in accordance with international standards for what the body requires during training and competitions.



Photo: Pierre Robert Group



04 Responsible sourcing

Partnering for sustainable value chains

Orkla is committed to using raw materials that are produced with the best interests of people, animals and the environment in mind, and collaborates actively with its suppliers on solving sustainability challenges in the value chain.

Population growth and increasingly noticeable climate changes are putting growing pressure on natural resources. Farming, fishing and trapping methods that are not sustainable give rise to major social and environmental challenges. This can in turn affect the price, availability and quality of key raw materials. There is growing awareness of the importance of sustainable raw material production because the consequences of climate change are increasingly evident. Many consumers want to use their personal consumer power to promote sustainable development, a point of view that is reflected in increased demand for ethical products.

Orkla has long been actively engaged in collaboration with its suppliers on solving sustainability challenges in its value chain. The goal is to ensure that all important agricultural products and packaging used by the Group are sustainably produced – without causing deforestation – by 2020.

Orkla’s main objectives for its responsible sourcing efforts up to 2020 are to:

- Ensure that all suppliers comply with Orkla’s Supplier Code of Conduct.
- Ensure that important agricultural products, animal products, marine raw materials and packaging are produced sustainably.
- Contribute to long-term improvement in conditions for 10,000 farmers.

Orkla’s responsible sourcing work supports the achievement of the UN Sustainable Development Goals, **SDG 2 ZERO HUNGER, SDG 8 DECENT WORK AND ECONOMIC GROWTH, SDG 14 LIFE BELOW WATER, SDG 15 LIFE ON LAND and SDG 17 PARTNERSHIPS FOR THE GOALS**

Orkla will strive to develop sustainable value chains. In 2020, all sourcing will be carried out in compliance with Orkla’s sustainable production principles.

Sustainability pledge, Orkla

Orkla’s approach

Orkla collaborates with suppliers all over the world. Irrespective of country, all its suppliers are required to comply with the Group’s Supplier Code of Conduct and ensure that production is carried out in accordance with internationally recognised standards for human rights, working conditions, environment and anti-corruption efforts. The Group’s central purchasing function conducts an annual risk screening of all direct suppliers and a risk assessment of all new suppliers. Potentially risky suppliers are monitored by setting requirements and engaging in dialogue, and in some cases a business ethics audit is performed. The risk screening is carried out using a proprietary tool comprising criteria related to working conditions,

environment and anti-corruption. The tool was improved in 2016. The more detailed assessment of at-risk suppliers is based on a standardised method developed by the Supplier Ethical Data Exchange (Sedex).

Orkla is also engaged in efforts to address sustainability challenges related to raw material production. In 2015-2016, Orkla established cross-disciplinary raw material teams to carry out this work. In collaboration with the companies, the teams implement monitoring and development measures tailored to the challenges specific to each raw material. Responsible sourcing is also a topic covered in purchasing and sales training programmes.

A management team has been established to oversee the responsible sourcing work to ensure satisfactory progress. Orkla’s Group Executive Board also carries out an annual evaluation of the progress made in this work, and decides which activities are to have priority in the coming year.

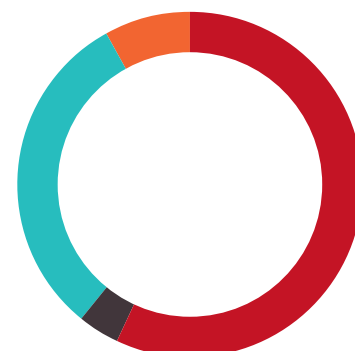
A total of 85% of Orkla’s sourcing is from suppliers assessed as constituting a low risk of serious breaches of Orkla’s Supplier Code of Conduct. At the end of 2016, 282 of Orkla’s suppliers were registered in Sedex. Audits conducted in 2016 identified non-conformances related to inadequate fire safety procedures, pay and overtime compensation and a lack of management systems. No matters were found that resulted in the termination of partnerships with suppliers. In 2017, Orkla will intensify its efforts to monitor suppliers found to have non-conformances and other at-risk suppliers.

Sourcing at Orkla

The total value of Orkla’s sourcing in 2016 was NOK 22,000 million. Around 61% of purchases come from local suppliers in the countries in which Orkla operates. A total of 61% of purchases are made in the Nordics and Baltics, Orkla’s main markets. Orkla’s branded consumer goods companies buy raw materials, other materials and services from around 27,000 suppliers. Of these, 3,500 are significant in terms of purchasing volume.

Sourcing by geographical area

● Nordics	57%
● Baltics	4%
● Rest of Europe	31%
● Rest of the world	8%



Results in 2016

	Unit	2016	2015
Business ethics audits	Number	56	83
Non-conformances, total	Number of non-conformances	200	184
Influence on working conditions	Number of non-conformances	184	162
Influence on human rights	Number of non-conformances	4	3
Other non-conformances	Number of non-conformances	12	19
Remedied non-conformances	Number of non-conformances	30	41
Internal capability-building			
Training	Number of hours	653	540
Participation in training	Number of employees	325	198

Sustainable raw materials

The production of raw materials like fish and seafood, palm oil and cocoa can entail significant social and environmental challenges. Orkla therefore works actively to achieve improvements in the value chain for these raw materials.

For Orkla, good food starts with good, sustainably produced raw materials. However, some raw material chains are associated with risk relating to child labour and other serious human rights and environmental breaches. Orkla has therefore long engaged in dialogue and cooperation with suppliers who are involved in improvement projects. Risky raw materials include cocoa, palm oil, fish and seafood, animal raw materials, nuts and seeds, fruits and berries, vegetables and packaging.

The primary focus of Orkla's sustainability work in 2017 will be on ensuring that the Group's different raw material teams are well established and on continuing to implement plans for sustainable raw material production. As part of its efforts to reduce its environmental impact, Orkla will draw up principles for sustainable agricultural production. Orkla will continue to implement its policy for deforestation-free supply chains and to draw up and implement a new animal welfare policy.

Orkla supports a variety of certification systems and participates actively in industry initiatives involving companies, public authorities and specialised organisations. Through this work Orkla seeks to help establish good responsible sourcing practices in the industry. Among the organisations with which Orkla collaborates are the Ethical Trading Initiative Norway (IEH), AIM-Progress, Sedex and the Round Table on Sustainable Palm Oil (RSPO).

Supports certification systems

Orkla is convinced that labelling systems are an effective tool for protecting workers' rights and minimising negative environmental impacts. The various certification labels also make it easier for consumers to choose products that promote sustainable development. Orkla therefore supports a number of labelling schemes. The labels used on several Orkla products include:



Sustainable fish and seafood

The ocean covers 71% of the Earth's surface and is home to far more species than those living on land. Managing marine resources in a sustainable way that ensures viable species diversity is a responsibility that we all share.

According to the UN's Group of Experts on the Scientific Aspects of Marine Environmental Protection, overfishing and the destruction of habitats for marine species are among the primary threats to marine life. Moreover, man-made climate change is expected to affect fish stocks and cause major changes in the ocean's ecosystems.

Orkla has long been engaged in initiatives to protect the marine environment, and collaborates with global environmental regimes to ensure that the raw materials in its fish products are sustainably fished. A number of Orkla companies manufacture products that originate in the ocean. Well-known brands include Stabbur-Makrell, Abba, Kalles and Möller's Tran.

Orkla has established a central team for marine raw materials that assists companies in developing plans to promote sustainable fishing. In addition to buying certified raw materials, the team carries out an annual assessment of fish stocks and monitors Orkla's suppliers.

In 2016, Orkla Foods Sverige established a system that ensures that tuna can be traced back to the fishing vessel, and conducted audits of Thai tuna suppliers.

Results in 2016

The share of Orkla Foods' marine raw materials supplied by fisheries certified by the Marine Stewardship Council (MSC) increased from 75% in 2015 to 81% in 2016. A total of 192 products are MSC-certified. Brands that use 100% MSC-certified marine raw materials include Abba, Kalles (its entire cod roe range) and Boy, and Ahti and Vesta (herring products).

Targets

In 2017, Abba's whole range of tuna products will be MSC-certified. Orkla Foods Sverige's aim is to ensure that all fish and seafood sold under the company's brands are MSC- and/or ASC-certified by 2020 at the latest.



Abba offers full traceability for tuna

As from January 2017, Swedish consumers who buy tinned tuna from Abba can trace where the tuna comes from and learn more about the fish and how it is caught. They can even learn the name of the captain of the vessel that fished it. Starting in 2017, Orkla Foods Sverige can offer fully traceable tuna thanks to a unique partnership with Pacifical, an organisation that works to promote sustainable tuna fishing. Using a code printed on the lid of each tin of Abba tuna, consumers can trace the tuna from the fishing vessel captain all the way to the store shelf with just a few quick clicks on the abba.se website. This collaboration also means that Abba's entire range of tuna products will be MSC-certified. By choosing MSC, Orkla Foods Sverige is helping to ensure a sustainable future for the ocean and the fishing industry.

The entire Kalles Kaviar product range is environmentally labelled

By certifying the entire Kalles Kaviar product range for the Marine Stewardship Council (MSC) label, Orkla Foods Sverige aims to contribute to sustainable fishing and make it easy for consumers to make choices that are good for the environment. Kalles Kaviar Original fish roe spread has been MSC-labelled since 2013. Through three years of close collaboration with its suppliers and sub-contractors, Orkla Foods Sverige has now succeeded in MSC-labelling all eight varieties of Kalles Kaviar. The MSC label means that every part of the food chain is certified. The fish ingredients used in the products stem from environmentally-certified fish stocks that are fished from a certified vessel and processed in a way that does not harm the marine environment.

Read more about MSC at www.msc.org



Committed to preventing deforestation

Deforestation accounts for 10-15% of global greenhouse gas emissions. By actively engaging in its own supply chains, Orkla can make an important difference.

To help protect rainforests and combat climate change, Orkla adopted a zero deforestation policy in 2015. Orkla aims to ensure that all key agricultural products and packaging used by the Group are sustainably produced – without causing deforestation – by 2020.

In the Forest 500 assessment, published in December 2016, the UK think tank The Global Canopy Programme highlighted Orkla's policy of zero deforestation. The assessment comprised 500 companies, financial institutions and countries that have the power to stop global deforestation, and ranked their efforts. Orkla was one of the companies that scored highest in the assessment.

Orkla engaged in an active dialogue in 2016 with its stakeholders, including Greenpeace. This has provided good input for anti-deforestation work. Orkla and Greenpeace made a joint presentation at the Global Compact's Nordic network conference, hoping to inspire more companies to introduce a deforestation prevention policy, with clearly defined goals.

Intensified efforts to reduce use of palm oil

In 2016, Orkla took several steps to reduce the risk of deforestation in connection with the production of cocoa, soya, cardboard and paper. However, the raw material used by Orkla that represents the greatest risk of deforestation is palm oil, and efforts have therefore been concentrated on this commodity.

Orkla pursues a two-pronged strategy in its palm oil work. Orkla companies focus actively on reducing their use of palm oil and ensuring that the palm oil that is used is traceable and sustainably produced, at the latest by the end of 2017.

Palm-oil free branded consumer goods

The Nordic companies in Orkla Foods and Orkla Confectionery & Snacks have largely replaced palm oil with a healthier alternative that does not contribute to tropical deforestation. In the period from 2008 to 2016, they reduced their use of palm oil by around 90%. Several of the companies have reduced their use by close to 100%.

In 2016, Orkla Confectionery & Snacks eliminated palm oil in most of its biscuit products, including Ballerina, Singoalla and Brago. Orkla Foods Sverige replaced palm oil with rapeseed oil in Paulüns Granola. Palm oil has also been removed from Ekströms Vaniljsås vanilla sauce and Frödinge Kladdkaka cream cakes and Morotskaka carrot cakes. The vast majority of Orkla's foods, biscuits, snacks and confectionery in the Nordic grocery market are now palm oil-free. Orkla's total purchases of palm oil have been reduced by around 20,600 tonnes since 2008, including 900 tonnes in 2016.

Sustainable palm oil production

For Orkla Food Ingredients, Orkla Home & Personal Care and branded consumer goods companies outside the Nordic region, palm oil and palm-based derivatives are still important raw materials. The companies have mobilised efforts on a broad front to increase the percentage of oil certified by the Roundtable on Sustainable Palm Oil in the palm oil they use. Certification reduces the risk of deforestation and other undesirable practices. Orkla's main suppliers have also initiated a range of measures to monitor their sub-contractors, prevent and put out fires and promote sustainable cultivation. As a result of these measures, Orkla is well on its way to achieving its goal of 100% sustainably produced palm oil by the end of 2017.

Sustainable cocoa farming

Child labour is one of several challenges in cocoa production. Orkla works to promote sustainable cocoa cultivation in partnership with UTZ Certified.

Small cocoa farms in West Africa produce close to 70% of the world's cocoa. This cultivation poses several challenges, including the risk of child labour, potential health and safety hazards for workers and the risk of deforestation.

Cocoa is an important raw material in Orkla's chocolate production. Orkla manufactures chocolate in the Nordic and Baltic regions and aims to ensure that all the cocoa purchased by the Group is sustainably produced by 2020.

Orkla wishes to reduce the risk of child labour and other unacceptable practices, and to help improve the earning potential and living conditions of cocoa farmers. The Group companies are committed to promoting sustainable cocoa cultivation, for instance by purchasing certified cocoa through UTZ Certified, which is the world's largest independent, certified cocoa programme. Through this certification scheme, the aim is to ensure that cocoa farmers learn profitable work methods, and children have the opportunity to attend school.

Results in 2016

In 2016, 59% of Orkla's sourced cocoa was UTZ-certified, compared to 42% in 2015. Around 400 Orkla products feature the UTZ Certified label. Brands that use 100% UTZ-certified cocoa include Nidar's chocolate brands (Stratos, Troika, Smash! and several others), Nugatti and Sjokade spreads, chocolate from the Finnish company Panda and all chocolate from Estonian Kalev.

Targets

The entire TORO portfolio of baking mixes and chocolate drinks will switch to UTZ-certified cocoa in 2017. Sonneveld, an Orkla Food Ingredients company, aims to buy only UTZ-certified cocoa products in 2017.



Making organic cotton available to the public at large

The textile industry is a sector of complex challenges, but also has considerable potential for improvement. As Norway's leading supplier of underwear, the Orkla company Pierre Robert Group wants to lead the way in setting a good example.

Pierre Robert Group (PRG) has worked for years to promote responsible sourcing, and has been a member of the Ethical Trading Initiative since 2005. Good long-term relationships with suppliers have laid a strong basis for collaboration and improvement, and PRG has worked with more than one third of its suppliers for 11 years or longer. All the suppliers are screened in relation to ethical, social and environmental criteria, and monitored by means of reporting, external audits and personal visits. All Pierre Robert garments are labelled to show their country of origin, and the company is open about where the garments are manufactured and by whom, among other things by posting an interactive map on pierrerobert.no and open supplier lists.

In 2015, the company drew up an overall sustainability strategy

on the basis of which it carried out a number of measures in 2016. One of its focus areas is making the transition to more sustainable textile fibres. In 2016, PRG switched to using organic cotton certified under the Global Organic Textile Standard (GOTS) in its best-selling Cotton Boxer for women, as well as in its Cotton High Waist underpants. As a result, organic cotton underwear became available in all Norwegian grocery stores from 2017. Given a sales volume of over 400,000 panties per year, the effect this creates is significant. PRG chose to stay with its existing suppliers and help them complete the GOTS certification process, thereby contributing to further improvements in the industry.

All Pierre Robert garments in organic cotton are labelled with a GOTS licence number that is traceable at global-standard.org.

GOTS – Global Organic Textile Standard

GOTS stands for Global Organic Textile Standard and is an internationally recognised certification programme for organic textiles. GOTS is unique in that it sets both social and environmental requirements for every part of the value chain, including sub-contractors.

The GOTS label guarantees that:

- At least 70% of the textile consists of organic fibres; Pierre Robert textiles have a 92% organic fibre content
- The cotton is cultivated without the use of chemical sprays or fertilisers, and has not been genetically modified.
- Water consumption has been reduced by up to 90% compared with conventional cotton, and stringent requirements have been imposed with regard to waste water treatment and waste disposal
- The garment has been bleached with oxygen and not chlorine
- Hazardous chemicals, heavy metals and the like are prohibited
- The packaging contains no PVC, and the cardboard or paper is either made of recycled cardboard or is FSC/PEFC-certified
- Social criteria have been imposed to protect farmers and workers
- Every processor has been inspected by a neutral third party
- The garment is traceable to each processor

Read more at www.global-standard.org





Olivia- part of the Orkla family



05 Environment

Shared responsibility for the environment

Addressing the challenges posed by global climate change is a shared social responsibility. Orkla is committed to shouldering its share of responsibility and works actively to minimise its environmental footprint in every part of its value chain.

Global climate change is without a doubt the greatest environmental challenge faced by the world today. Production and consumption of food generate one fourth of greenhouse gas emissions and are a main source of water consumption. The combination of climate change, population growth and unsustainable production methods puts pressure on many food commodities and natural resources. This calls for efficient use of resources and the development of products with a smaller environmental footprint.

Orkla's ambition is to contribute to achieving the two-degree climate change target by doing its share of reducing greenhouse gas emissions. By curtailing energy and water consumption in its own operations, increasing the percentage of renewable energy, preventing food waste, helping to resolve environmental challenges in the supply chain and developing products and packaging that have a lower environmental impact, Orkla can make a substantial difference. This is important for both the environment and Orkla's profitability.

Orkla's primary environmental objectives up to 2020:

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

Orkla's environmental work supports the achievement of the UN Sustainable Development Goals: **SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION** and **SDG 13 CLIMATE ACTION**

Orkla will minimise its environmental footprint by ensuring that the Group's activities and products are not harmful to the environment.

Sustainability pledge, Orkla

Orkla's approach

Orkla has adopted a common environment, health and safety (EHS) standard with guidelines that apply to all business areas and companies, and provides training on implementing the standard. The awareness and engagement of Orkla's own employees are a crucial prerequisite for successful environmental measures. Environmental work related to sourcing, logistics and production is run by Orkla's central operational organisation, Orkla Operations. Efforts to reduce environmental impacts through product development and by influencing consumer behaviour are organised by the individual companies, which also have overall responsibility for their own environmental work. The companies have prepared action plans for achieving Orkla's environmental objectives. Key environmental indicators are reported regularly and monitored by management at all levels. Orkla's central EHS function conducts regular internal environmental audits, and evaluates the Group's systems and procedures.

Orkla takes a systematic approach to its environmental work and prepares annual environmental accounts that show the changes in its companies' environmental impacts. Since 2008, Orkla has reported environmental data to the investor-initiated CDP-programme.

Orkla made progress in its environmental work in 2016, and there were no critical formal complaints or matters related to environmental laws and regulations.

Climate change impacts

The greenhouse gas emissions generated by Orkla's own food production are limited. The biggest impact occurs in the production of raw materials and at the consumption stage. Other sources are packaging production and transport. Emissions from Orkla's factories are primarily to air, from fossil energy used to produce electric power and heat.

In order to share best practices aimed at increasing energy efficiency and reducing water consumption, Orkla introduced a central energy initiative in 2015 as part of its Improved Resource and Energy Efficiency programme. In 2016, several Orkla factories carried out a survey of energy-saving potential. Around 80% of the companies have implemented energy improvement measures in the form of equipment improvements, redesign of processes, behavioural changes and operational changes. Many of the companies have reduced energy consumption by switching to LED lighting. Other important measures in 2016 were the optimisation of energy-intensive processes and investments in new, more energy-efficient production equipment. By buying Guarantees of Origin*, Orkla Foods Sverige has now ensured that it is using 100% renewable electricity in its factories, thereby reducing its CO₂ emissions by 20%.

*Guarantees of Origin are a certification system for electricity that proves that a given quantity of electricity has been produced from a specified renewable energy source. The system was introduced in 2001 by the European Union's first directive on the promotion of electricity produced from renewable energy sources (Directive 2001/77/EC) to give consumers a choice between renewable and non-renewable electricity.

Less food waste in production

Orkla is committed to ensuring that its products are always of top quality. In the case of Grandiosa, this means that the crust must be the right shape and size, and that the right amount of sauce and topping is spread in just the right way on the pizza. During the production of Grandiosa pizzas, cheese and pizza crusts can therefore go to waste. By improving production procedures and machinery settings, and increasing the awareness of the factory team of the importance of reducing waste, food wastage was reduced by 40 tonnes in 2016.



By replacing fossil fuel oil with environmentally friendly bio-oil, the Orkla company Jästbolaget cut its CO₂ emissions from production by approximately 96%. Through Orkla's power business Hydro Power, Orkla produced 2.4 TWh energy from hydropower in 2016.

Orkla's greenhouse gas emissions showed a positive trend in 2016, decreasing despite both a higher level of activity and new factories. Measures to improve energy efficiency have been initiated at many factories, and the emissions from fossil fuel were reduced due to lower consumption. Moreover, switching to the use of more renewable energy to produce electricity in the Nordic region and Europe had a positive effect in 2016.

Efficient use of resources

Around 25-30% of all food that is produced is not eaten, and food wastage is one of the major contributors to global environmental challenges. Orkla wants to help ensure that less food is thrown away, and focuses continuously on improving raw material use, increasing production yield and reducing food waste. The objective is for the Group factories to reduce food wastage by 30% by 2020. In 2017, Orkla will prepare an overall plan for reducing food waste in the value chain.

Fresh water scarcity creates significant and growing challenges in many parts of the world. Apart from the Indian company MTR Foods, Orkla's businesses are located in areas where there is low-to-medium risk of water scarcity. Nonetheless, reducing water consumption is also a way of cutting costs. To help ensure that the Group reaches its objective of 20% reduction in water consumption by 2020, the issue of water is covered in the internal programme «Improved Resource and Energy Efficiency». Activities in 2016-2017 will primarily be focused on awareness-raising within the Group and the introduction of systematic measurement and monitoring of internal water consumption. In 2016, MTR Foods invested in

equipment for purifying and recycling waste water for use in the production of steam. This has reduced daily water consumption by 20,000 litres, and is an important step towards realising the company's ambition of achieving water self-sufficiency.

In the case of some of the raw materials bought by the Group, drought can lead to smaller harvests and higher raw material costs. Orkla keeps close track of the raw material situation, and works systematically to reduce its commercial exposure to such risk. Among other things, Orkla has several alternative suppliers of important raw materials. Orkla requires all its suppliers to have effective procedures for preventing emissions and unnecessary water consumption. In future, the Group will increase its efforts to monitor water consumption and follow up on other key environmental topics with its suppliers.

Products with environmental benefits

Orkla can help to reduce the environmental impact of its products by making good choices when it comes to packaging, raw materials and product design. The launch of Jordan Ren Universalklut, an environmentally friendly, compostable, all-round cleaning cloth based on 100% regenerated cellulose, and highly concentrated Milo detergent for wool are examples of this focus.

Pierre Robert Group considers it important to use sustainable materials, and has replaced viscose with the natural material Tencel® in several products. Tencel is extracted from wood pulp from sustainable forests, and is considered to be one of the most environmentally friendly textiles. For instance, the amount of water used to produce Tencel is 10-20 times less than for viscose. Lilleborg develops professional cleaning products that enable customers to reduce their use of water. Economising on water is another important topic covered in Lilleborgs' training programmes.

Leftover bread becomes new bakery products

The Netherlands company Sonneveld had previously developed a product concept that enabled bakers to reuse old bread in new sourdough. Through a new joint study initiated by Orkla Food Ingredients' innovation centre, Sonneveld and several other players in the bakery industry have investigated whether bread returned by supermarkets can be used to make new bakery products. The results show that one third of all bread that is returned can be used to bake new bread through fermentation. BakeFive Bakeries, Wageningen University and Retailer Jumbo were among the participants in the project, which was called "Bread Sin".



Environmental measures for detergents

In the past few years, Orkla Home and Personal Care have introduced a new generation of concentrated laundry detergents that have produced substantial environmental savings. Concentrated liquid OMO and Blenda were launched in 2015, and in 2016 Milo was also introduced in a concentrated form. In the two years since the products have been on the market, use of chemicals in the detergents has been reduced by around 400 tonnes as a result of the lower dosage. Use of plastic packaging has been cut by 435 tonnes by using smaller bottles, equivalent to a reduction in greenhouse gas emissions of 1000 – 1500 tonnes of CO₂ equivalents.

Packaging with a reduced environmental footprint

Many consumers want the products they buy to have environmentally friendly packaging. In 2016, Orkla developed a model for its sustainable packaging work.

One of Orkla’s sustainability objectives is to develop more environmentally friendly packaging and products with a smaller environmental footprint. In 2016, Orkla developed a model for its sustainable packaging work, which defines five important dimensions: Rethink, Reduce, Replace, Recycle and Reuse. These dimensions reflect the activities that Orkla considers important in its categories with a view to achieving more sustainable packaging.

Rethink is about developing new and innovative packaging solutions, and engaging the consumer in new ways to ensure that the used packaging is sustainably handled. Examples are new materials, shapes and formats that contribute to a substantial reduction in the packaging’s environmental footprint.

Reduce is about reducing the amount of materials that is used, examining possibilities of eliminating parts of the packaging, and designing it in a way that results in less product waste and less packaging. New packaging design can also lead to more efficient transport with an associated reduction in carbon footprint.

Reuse is about developing smart refill solutions, exploring new ways of using them and reusing secondary packaging. This can also mean introducing packaging that the consumer can reuse for other purposes.

Recycle is about choosing packaging solutions that make it easier for the consumer to recycle them, and using the highest possible percentage of recycled materials when this is practical based on food safety and environmental considerations.

Replace is about not using packaging that is associated with tropical deforestation or other unacceptable production practices. It can also entail replacing materials based on fossil sources with renewable alternatives.

The importance of each dimension varies according to the type of packaging, category and country.

A circular economy

Increased recycling and reuse are the essence of a circular economy. In a circular economy, material resources remain in the economic cycle through recycling, reuse, repair and improvement. This offers new business opportunities where developments are driven by the profitability inherent in more efficient resource use.



Results*

GRI ref.		Unit	2016	2015	2014
Resource consumption					
Materials					
G4-EN1	- Raw materials	Tonnes	977 250	928 800	975 300
G4-EN1	- Packaging	Tonnes	99 000	92 000	107 350
G4-EN1	- Packaging made of renewable materials	%	46%		
G4-EN2	- Percentage of recycled packaging	%	53%		
Energy and water					
G4-EN3	- Internally generated, renewable energy sold	GWh	2 490	2 250	2 570
	- Total energy usage	GWh	869	848	841
G4-EN3	- Energy usage – fossil fuel	GWh	430	442	417
G4-EN3	- Energy usage – purchased	GWh	421	391	397
G4-EN3	- Energy usage from renewable fuel resources (scope 1)	GWh	22	13	27
G4-EN5	- Energy usage per FTE	MWh/FTE	49	58	56
G4-EN5	- Energy consumption per revenue turnover	MWh/NOK million	23	26	28
G4-EN8	- Total water withdrawal	Million m ³	6.8	6.0	6.4
G4-EN10	- Water – recycled	Million m ³	1	1	1
G4-EN10	- Water – recycled	%	14.1	15.1	14.2

Emissions

Emissions to air					
G4-EN15	- Greenhouse gas emissions (GHG) scope 1	tCO ₂ e	89 940	106 880	94 320
G4-EN16	- Indirect greenhouse gas emissions (GHG) scope 2	tCO ₂ e	54 050	52 750	61 990
G4-EN18	- GHG (S1+S2) per FTE	tCO ₂ e/FTE	8	11	10.4
G4-EN18	- GHG (S1+S2) per revenue	tCO ₂ e/NOK million	3.8	4.8	5.3
G4-EN21	- Sulphur dioxide	Tonnes	90	104	101
G4-EN21	- Nitrogen oxide	Tonnes	16	34	40
Water discharge					
G4-EN22a	- Internal treatment	Million m ³	0.8	0.9	1.6
G4-EN22A	- External treatment	Million m ³	2.5	2.6	2.9
G4-EN22a	- Direct to environment (water)	Million m ³	2.2	2.0	2.0
Emissions to water					
G4-EN22b	- BOD	Tonnes	4 250	4 350	4 380
G4-EN22b	- COD	Tonnes	3 070	2 820	5 110

Waste

G4-EN23	- Organic	Tonnes	82 820	77 530	84 000
G4-EN23	- Non-hazardous waste – sorted	Tonnes	11 600	11 310	11 530
G4-EN23	- Non-hazardous waste – mixed	Tonnes	8 960	8 020	8 390
G4-EN23	- Hazardous waste	Tonnes	160	160	240

*The figures for 2014 and 2015 have been adjusted due to information received after the reporting date. The figures for 2016 are provisional and will be verified during the spring of 2017 by CO2focus, and the final figures will be reported to the CDP in June 2017.



Benny and Heidi - part of the Orkla family

06 Occupational health and safety

Safe working conditions for all

A secure, safe working environment is a fundamental right of all workers. Orkla's ambition is to conduct its operations with zero injuries.

As an employer, Orkla is responsible for providing a good working environment where employees' health and safety are safeguarded.

Orkla sets the same requirements with regard to occupational health and safety in every country in which the Group operates.

Sustainability pledge, Orkla

Orkla's approach

Orkla's ambition is to conduct its operations with zero injuries. This objective will be achieved through effective risk management, systematic efforts to prevent injuries and work-related diseases and the active involvement of all employees.

Under Orkla's management structure, each company has an independent responsibility for its own environmental, health and safety (EHS) work. The general requirements that must be met by the companies are set out in Orkla's EHS policy. Orkla has adopted a common EHS standard and detailed guidelines for the Group's occupational health and safety efforts. These apply to all business areas and companies, and are intended to ensure controls and continuous improvement. Each business must draw up targets and activity plans, establish systems and control procedures, implement measures and report on its EHS activities. The principle of preventive action is fundamental to the Group's EHS efforts. Risk assessments are therefore a key element, and every Orkla unit must carry out such assessments. The risk assessment determines the action that must be taken, and helps businesses to optimise their improvement work by prioritising the most important measures and establishing effective action plans.

Orkla has an internal network of EHS experts. Collaboration and the transfer of best practices are key components of the improvement process, and the network helps to ensure effective implementation of the EHS standard. All management staff are expected to be strongly engaged in EHS work, and all employees are to receive relevant training and be involved in EHS activities at their workplace. In 2016, the Group and its companies provided around 21,200 hours of organised EHS training for some 6,500 employees.

Orkla factories are monitored by means of internal EHS reviews designed to facilitate learning through systematic observation and feedback. In the period 2015-2017, an EHS review of this type was carried out at all Orkla factories. EHS work is monitored at company and business area level through the submission of status reports to the management teams and the Group Executive Board and Orkla's Board of Directors.

Safety

In 2016, there were few occupational accidents in Orkla's operations that caused very serious injury. Most of the injuries consisted of cuts, machinery-related crushing injuries or injuries due to a fall from a low height. The matters are followed up by the respective companies. Recording and following up on all types of injuries and undesirable incidents are an important part of the Group's improvement work, as it promotes a greater understanding and awareness of risk throughout the organisation. All companies and factories carry out risk analyses that include assessing processes and new procedures, safe use of machinery and working conditions.

Both accident and near-miss statistics reported in 2016 show that the Group must continue to maintain full focus on injury prevention in every part of the organisation. Orkla achieved a Lost Work Day Rate (LWDR) (number of injuries leading to absence per million hours worked) of 5.4 in 2016 and a Total Recordable Rate (TRR) (number of injuries leading to absence, need for medical treatment or restricted work per million hours) of 10.8. The number of injuries declined compared with 2015. Although the number of occupational accidents at Orkla is not satisfactory, many companies saw a positive trend in 2016. Several companies recorded no injuries leading to absence during the year. The results show that improvements can be achieved by applying key EHS principles such as good order and cleanliness, engagement, skills upgrading and the willingness to learn from others. Orkla will therefore continue to focus on and emphasise the application of these important principles throughout the organisation, while also introducing new measures to ensure that further progress is made towards the goal of zero injuries. This work will continue in 2017.

Working environment and health

A health-promoting workplace is important for every single employee. Healthy employees have a positive impact on their working environment and are crucial to achieving good financial results. Orkla wants all its companies to establish principles for fostering health-promoting workplaces, adapting these principles to conditions in the respective countries. Systematic improvement efforts are carried out with particular emphasis on preventive action and rehabilitation.

The sickness absence rate for Orkla globally was 4.3% in 2016, slightly lower than in 2015. There have been minor changes in sickness absence in Orkla in the past few years, with the variations remaining constant throughout the year. The absence rate is highest in the winter months and lowest in the third quarter. On the other hand, sickness absence rates vary significantly from one country and company to another. In 2016, the sickness absence rate in the companies in Norway was 5.6%, on a par with the rate in 2015. The rules for recording sickness absence and following up persons on sick leave vary from country to country, but it is nonetheless obvious that sickness absence, especially in some of the Norwegian and Swedish companies, is too high. There is continuous focus on improvement measures, where important principles are active follow-up of persons on sick leave

and preventive action. In practice, this means that individual companies must put in place good processes in which management and employees participate actively in establishing measures adapted to their workplace.

EHS training for management and employee representatives is now based on a combination of e-learning and group sessions. In 2016, special training was also provided for

management staff, with focus on sickness absence follow-up and health-promoting measures. There has been particular emphasis on following up on employees with frequent short absences and employees with functional impairments to ensure their return to work. These activities will continue in 2017.

Results 2016

GRI ref.	Sickness absence	2016	2015	2014
G4-LA6	% sickness absence in Norway	5.6	5.8	6.1
G4-LA6	% sickness absence in Nordics (excl. Norway) and Baltics	4.5	4.6	4.0
G4-LA6	% sickness absence in rest of the world	3.1	2.7	3.1
Injuries				
G4-LA6	H1 in Norway	3.5	3.4	5.3
G4-LA6	H1 in Norway (excl. Norway) and Baltics	7.7	7.4	8.7
G4-LA6	H1 in rest of the world	3.7	4.9	7.0
G4-LA6	H2 in Norway	9.1	6.0	11.8
G4-LA6	H2 in Norway (excl. Norway) and Baltics	15.4	19.4	20.2
G4-LA6	H2 in rest of the world	5.6	6.9	7.8
G4-LA6	Work-related fatalities	0	0	0





Birgitte and Astrid - part of the Orkla family

07 Human resource development and corporate culture

A strong corporate culture

Orkla strives to create a strong corporate culture characterised by respect, diversity, equality and human resource development.

As employer, Orkla has a responsibility to respect important human rights such as freedom of opinion, freedom of organisation and the right to fair working conditions. Being a responsible employer is also pivotal to its success as an organisation.

Orkla will create workplaces where employees are treated with respect, and will help to ensure that its employees develop and perform to their full potential.

Sustainability pledge, Orkla

Orkla's approach

Orkla's general strategy and basic values are described in the Orkla Compass. In 2015–2016, meetings were held for around 10,000 employees to discuss what the vision and values mean in practice. Orkla's human rights policy describes the overarching principles governing the way the Group companies must handle human rights that are important to their daily operations. Orkla has also established guidelines and systems for key topics such as capability-building, corporate democracy, personal data protection and anti-corruption.

Activities related to human resource development and corporate culture are run by the management of the individual companies in accordance with Orkla's guidelines and national regulatory frameworks, with the support of HR staffs at central and local level. Orkla monitors the companies' work by conducting regular reviews with the senior management of each business area.

In 2016, Orkla carried out a survey of the companies' procedures for addressing important human rights topics. The results of the survey will be used in 2017 to improve Orkla's internal guidelines and procedures for protecting employee rights. To ensure that Orkla's principles and guidelines are properly introduced in new companies that join the Group, a toolkit was prepared in 2016 for HR work in connection with acquisitions.

A responsible, attractive workplace

At the end of 2016, Orkla had 18,154 employees in 235 companies in 26 countries. Almost all of them were permanently employed. A total of 39.4% are administrative employees and 60.6% are blue-collar workers. Compared with 2015, there was a net increase of 3,484 in the number of employees, due to a combination of company acquisitions and restructuring. The largest new companies in 2016 were the Czech food company Hamé and the English paintbrush manufacturer Harris.

Orkla wants to be an attractive employer that offers good working conditions and fair and competitive employment

conditions. At a minimum, employees must have conditions that meet their basic needs, employment contracts must be in writing, and employees' working hours must be in compliance with laws and regulations, industry standards and management-union agreements. Orkla uses external benchmarking tools for pay and conditions, and companies have procedures to ensure that statutory requirements are met. In 2016, Orkla had two cases relating to working environment and workers' rights in Sweden. The Swedish labour inspectorate required Orkla Confectionery & Snacks Sverige to improve its overtime procedures and procedures for involving employees in occupational health and safety work. The company has carried out improvements to ensure that its internal procedures in these areas are in compliance with applicable rules. Orkla had no other cases related to human and workers' rights in 2016.

Companies in the Group engage in a variety of activities to promote collaboration and job satisfaction. In 2016, these activities ranged from meetings focused on Orkla's vision and values to events such as a football championship for the companies in Orkla Foods Ingredients, the celebration of the Netherlands company Sonneveld's 60th anniversary and an event marking International Women's Day at the Indian company MTR Foods. In 2016, Orkla was named the best in its industry in Universum's ranking of Norway's most attractive employers.

Capability and human resource development

Continuous capability development is essential to strengthen the Group's competitiveness. Orkla attaches importance to developing both specialised and management skills, and to creating an everyday work environment in which every employee is able to make optimal use of his or her expertise.

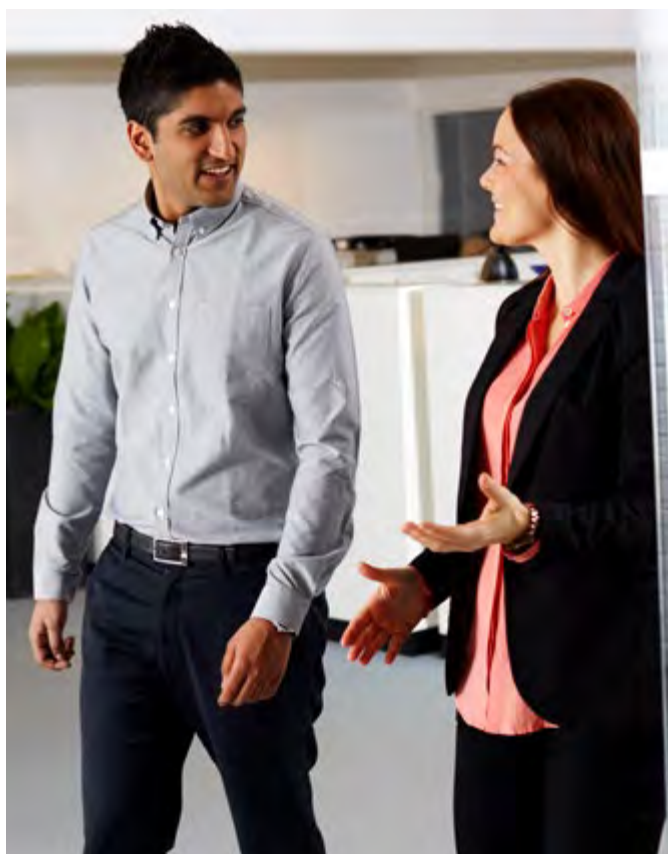
Orkla is well-known for the quality of its training and development programmes. In 2015–2016, a central competence board and a board of experts were appointed for each of Orkla's academies. Several of the academies have improved both their specialised programme content and use of digital tools. In 2016, a leadership development programme was carried out for the Group's 220 most senior executives, in cooperation with the business school IMD. The purpose of the programme was to establish a common leadership platform and create optimal conditions for realising Orkla's business strategy. A new leadership development programme was also established for managers who are new to their role. The aim is to foster leadership based on Orkla's leadership principles and provide participants with tools and methods to enable them to exercise their leadership role.

The employee performance assessment interview between manager and employee is an important means of enhancing the performance of each employee and his or her capability and career development. Orkla aims to ensure that all its employees receive regular feedback on their work and that individual performance targets are linked to general business goals. The percentage of employees who took part in formal development interviews in 2016 declined from the previous year, largely because the new companies that joined the

Employees by geographical area



● Norway	3 208	18%
● Sweden	2 970	16%
● Denmark	1 503	8%
● Finland and Iceland	820	4%
● Baltics	2 096	12%
● Rest of Europe	5 569	31%
● Rest of the world	1 988	11%
Total	18 154	100%



Group did not have this type of procedure. The percentage of blue-collar workers who had interviews rose. Some of the factories do not conduct employee performance assessment interviews with individual blue-collar workers, but follow up on their development through a combination of an ongoing dialogue with the employee and regular group meetings. Orkla has developed a harmonised process for employee evaluation and follow-up, which includes an IT-based support tool. In 2016, this tool was used for some 6,000 management staff and key personnel. The efforts to ensure close, uniform follow-up of employees will continue in 2017.

Leadership and employee consultation

Good formal arrangements for dialogue between management and employee representatives are important to ensure collaboration on business strategy and appropriate handling of matters affecting employee interests. Employees are represented on Orkla’s Board of Directors. A corporate agreement has also been established between Orkla and employee unions aimed at ensuring a constructive dialogue and collaboration and fulfilling the obligations laid down in statutory and contractual frameworks. Further details regarding the corporate democracy system may be found in the Annual Report, under “Governing Bodies and Elected Representatives”. Moreover, most of the Group companies have established working environment committees or other formal management-employee liaison committees. In the light of Orkla’s collaborative arrangements, the risk of breaches of the right of organisation and collective bargaining is considered low.

Organisational changes that might affect employees’ employment situation are discussed with employee representatives. In 2016, Orkla’s management and the employee representatives agreed on new, common principles for how the dialogue on restructuring projects is to be conducted, and internal guidelines were drawn up. In 2017 Orkla, in collaboration with the employee representatives, will carry out a survey of the way the co-determination right is dealt with in the companies outside Scandinavia.

In connection with its efforts to develop a long-term, competitive manufacturing footprint, Orkla announced the closure of eight factories in 2016. Management at Group and company level involved the employee representatives in implementing these changes through regular consultation meetings. The employees who lost their jobs in connection with the factory closures have been assisted in seeking new employment or enrolling in training programmes. In connection with the management-employee dialogue on the structural changes, the processes are being evaluated with emphasis on learning and improvement.

Diversity and equality

Orkla has a corporate culture characterised by respect and equality. These values are important in order to compete successfully for manpower, and to utilise employees’ full potential in the best interests of the Group and the individual. Orkla’s stance on diversity, equality and non-discrimination is described in the Group directive on corporate responsibility and Orkla’s human rights policy.

When determining employee pay, Orkla attaches importance to the individual's skills, the complexity of the position, his or her job performance and competitiveness in the market, regardless of gender, background or functional capability. In 2015 Orkla adopted a tool for job classification and determination of compensation, and in 2016 implemented measures to harmonise the procedures for determining compensation across the Group companies. In 2016, Orkla also began work on implementing a common database for recording pay data that will make it easier to identify undesirable compensation disparities.

Orkla strives to attain a good gender balance at all levels of the organisation, and attaches importance to this aspect when recruiting and developing employees. Measures that make it easier to combine a career and family life are an important factor in promoting gender equality. The Group requires that a minimum of one female candidate is nominated when recruiting candidates to management team positions at company or business area level.

Ensuring gender equality and promoting diversity are a management responsibility and part of management's day-to-day activities. Diversity and equality are topics covered in Orkla's leadership training and training in the Orkla Code of Conduct. In 2016, activities were carried out to provide training in and raise awareness of this issue in MTR Foods, Orkla Foods Lietuva, Orkla Foods Finland, Kalev, Orkla Confectionery & Snacks Sverige, Orkla Confectionery & Snacks Finland, Pierre Robert Group and Credin in Denmark.

There has been a positive change in the percentage of women in Orkla's management in the past three years, particularly among the top executives at company and business area level. This improvement is attributable to strong awareness of the importance of diversity and equality when recruiting candidates for management team positions and the high percentage of women in some of the companies that joined the Group in 2016. Efforts to promote diversity and equality will continue in 2017.

Integrity

Value creation at Orkla must be achieved in compliance with the Group's Code of Conduct and applicable legislation. The Group's overarching goal is to develop a corporate culture characterised by good judgement and the ability to deal with difficult situations. Orkla has zero tolerance for corruption, price-fixing agreements, market sharing or other practices that hamper free competition. Orkla's anti-corruption manual, competition law manual, human rights policy and Code of Conduct describe the Group's standards and guidelines relating to key integrity issues. The management of each company is responsible for communicating the Orkla Code of Conduct to every employee and making all employees who may be exposed to risk aware of the requirements in the anti-corruption and competition law manuals.

Orkla routinely conducts e-learning programmes on anti-corruption and competition law for management and employees considered to be exposed to risk. The companies

also provide special training in these fields, and training in anti-corruption and competition law is included in several of Orkla's central competence-building programmes for senior executives and key personnel.

In its Supplier Code of Conduct, Orkla requires suppliers to have zero tolerance for corruption. Suppliers are monitored on the basis of a risk assessment, and it is a long-term goal that all Orkla's suppliers sign the Group's Code of Conduct. As part of the Group's due diligence procedures in connection with acquisitions and major investments, Orkla assesses the risk of becoming involved in breaches of anti-corruption and competition law. Orkla companies must take necessary risk-mitigating action to prevent independent business partners, including customers and joint venture partners, from participating in corruption or other illegal or unethical activities in connection with their business dealings with Orkla.

In 2016, Orkla has worked to reinforce internal controls related to the collection, processing and storage of personal data. This work will continue in 2017, and includes a revision of the Group's policies and establishment of an internal network designed to ensure uniform procedures for personal data protection, in compliance with the requirements in the EU's personal data protection regulation.



Results 2016

GRI ref.		2016	2015	2014
	Number of employees	18 154	14 670	12 921
	Capability and human resource development			
G4-LA9	Average number of hours of organised training per employee ²	8.2	4.8	4.0
G4-LA11	Number of employees receiving regular performance assessment interviews ^{1,2}			
	- Total	63%	71%	
	- Management	93%	99%	
	- Administrative employees	83%	95%	
	- Sales personnel	81%	91%	
	- Blue-collar employees	49%	42%	
	Diversity and equality			
G4-LA12	Percentage of women employees:			
	- Total	48.5%	45.6%	44.8%
	- Administrative employees	48.6%	46.7%	48.8%
	- Blue-collar employees	48.4%	44.7%	41.5%
G4-LA12	Percentage of women in management positions			
	- Orkla's Group Executive Board	9%	9%	0%
	- Management teams at Group, business area and company level	35.1%	32%	27.3%
	- Total managers at all levels (manager defined as employees with personnel responsibility)	37.5%	36.1%	35.6%
G4-HR3	- Formal complaints or cases related to breaches of anti-discrimination rules	0	0	0
	Integrity			
G4-SO4	Training in anti-corruption ²			
	- Number of employees who have undergone training during the year	671	3 600	808
	- Percentage of employees who have undergone training during the year	3.7%	24.5%	13.9%
G4-SO5	Cases related to breaches of anti-corruption rules	0	0	0
G4-SO7	Cases related to breaches of competition law	0	0	0
G4-HR2	Training in human rights issues ²			
	- Total number of hours of training	22 800	14 500	19 185
	- Percentage of employees who have undergone training during the year	39%	34%	27%

¹Reporting procedures adopted in 2015

²Estimate based on figures reported by Orkla companies in November 2016



Sebastian and Jeanette - part of the Orkla family

08 Orkla and society

A good stakeholder dialogue

Orkla wants to contribute to a sustainable value chain and can by collaborating with others make a difference.

Engaging in a close dialogue with stakeholders helps Orkla to understand others' views, build trust and adapt to changes in society. Joining forces with other companies, customers, authorities, research communities and interest organisations also makes it possible to seek bigger solutions and make more progress than the individual stakeholders would be able to achieve on their own.

Orkla's dialogue and cooperation with external and internal stakeholders support the achievement of the UN's Sustainable Development Goals: **SDG #17 PARTNERSHIPS FOR THE GOALS**

Through dialogue and collaboration with important stakeholders, Orkla will promote good public health and sustainable value chains.

Sustainability pledge, Orkla

Orkla's approach

Orkla seeks to maintain an active dialogue with stakeholders who are affected by the Group's products and activities, or who in other ways are significant for Orkla's development. The most important stakeholders are employees, customers and consumers, investors, authorities, local communities, interest organisations, research communities and suppliers. The dialogue is conducted at both Group and company level at meetings and in other forums for direct communication, through consumer and customer surveys, participation in networks and industry organisations and in joint projects.

Dialogue with stakeholders in 2016

Orkla is engaged in dialogue with authorities and politicians at national level and in the EU on trade policy framework conditions and other matters relating to its operations. Important issues in 2016 were collaboration to promote better public health, good labelling to show the contents of food products, responsible marketing of food and drink and framework conditions for food production.

In 2016, Orkla met with the retail industry, investors and voluntary organisations to discuss the Group's sustainability work. Several of the companies also pursued a dialogue with grocery chains, other customers and external centres of expertise to obtain input for the further development of their own sustainability work.

Important topics addressed in Orkla's dialogue with stakeholders in 2016 are summarised in a separate illustration and discussed in the respective topical chapters.

A driving force in industry collaboration

In order to resolve the global challenges posed by climate change, raw material scarcity and lifestyle diseases, changes must be made to achieve more sustainable production and consumption. This requires the will and ability of business and industry, public authorities and specialised experts to work together to find new solutions and establish favourable framework conditions. Orkla and its companies take part in a number of collaborative projects in the fields of nutrition and health, environment and responsible sourcing. These projects are described in separate chapters.

Economic ripple effects

Many of the Orkla companies are major employers, and both employees and management staff are largely recruited from the country in which the business is located. By developing profitable companies, Orkla creates positive ripple effects

The Orkla Food Barometer

Orkla wishes to take part in the debate on diet and be able to bring new insights to this important issue. It therefore established the Orkla Food Barometer in 2016, as an annual Nordic diet survey. The survey was conducted in November 2016 by the data analysis agency Kantar TNS Norge. A nationally representative sample of the population of Norway, Sweden, Denmark and Finland was interviewed about their attitudes towards and knowledge of food and diet. Topics included industrial food, eating habits, healthiness, ecology and sustainability. The Orkla Food Barometer will enable Orkla to make comparisons between countries and monitor developments and trends over several years. The survey findings were presented at an external breakfast seminar in Oslo in January 2017.



for society in the form of skills-building, new jobs at supplier companies and in the public sector, and payment of taxes and charges.

At the end of 2016, the capital employed in Orkla's operations totalled NOK 43 577 million, an increase of 5.7% from the previous year. The geographical breakdown of capital employed is shown in the diagram below. More than half of the capital was employed in Norway, in part through Orkla's investments in Sapa, Jotun and Hydro Power. Due to a number of company acquisitions outside the Nordic region, the share of capital employed in the rest of Europe increased in 2016.

In connection with its efforts to develop a long-term, competitive manufacturing footprint, Orkla announced the closure of eight factories in 2016. In these processes, Orkla has emphasised the importance of openness and dialogue with key stakeholders, such as employees, authorities and local communities.

Orkla received NOK 17.9 million in government support in 2016, in the form of subsidies for research and development and labour and environmental initiatives. The Group also received NOK 173.6 million in raw material price compensation, under an arrangement that enables Orkla's Norwegian businesses to compete with foreign competitors on equal terms.

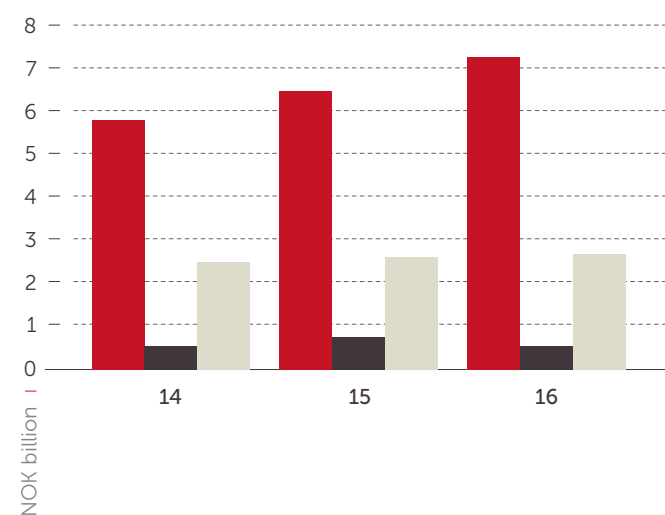
Capital employed by geographical area



● Norway	24 289	56%
● Sweden	5 969	14%
● Denmark	4 185	10%
● Finland and Iceland	2 371	5%
● Baltics	1 754	4%
● Rest of Europe	4 282	10%
● Rest of the world	727	1%

Total	43 577	100%
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Value creation at Orkla



■ Employee wages (payroll expense)
■ To society in the form of taxes (cash flow)
■ To Orkla shareholders in the form of dividends and buyback/sale of treasury shares

Strong social engagement

The Orkla Friends Fund was introduced in connection with the launch of Orkla's vision "Your friend in everyday life". In 2016, several Orkla companies donated grants from the Fund for causes within the categories of Nutrition and Health and Corporate Responsibility.

In 2016 Orkla Friends Fund grants were awarded to the following projects:

- **Collaboration with JA Norway (Ungt Entreprenørskap)**

Orkla wants to support the creativity of young people and has entered into a partnership with JA Norway. Under the partnership agreement, Orkla will be represented on the jury for and will present the Orkla Innovation Award at the 2017 Norwegian championship for youth enterprises.

- **The Young Sustainability Influence insight project**

Orkla and The Innovation Effect jointly established the Young Sustainability Influence insight project, through which Orkla looks to young people for new, forward-looking sustainability solutions.

- **TORO provides funding for the Salvation Army for cinema tickets for children**

TORO has established a long-term partnership with the Salvation Army through the Soup to the People project.

Through the Orkla Friends Fund TORO provided a grant of NOK 100,000 to the Salvation Army that was earmarked for cinema tickets for children.

- **Contributing to a more active daily life for children and young people**

Through the Orkla Friends Fund, Orkla House Care supports the Bankeryd handball association and the Hagaboda parasport association, which work to give children and young people with disabilities a more active daily life.

- **Equipping street teams with football shoes**

For several years Orkla Foods Norge has been engaged in cooperation with the football club organisation Norsk Topp-fotball targeting serious substance abusers, and has now made an additional contribution through the Orkla Friends Fund. The organisation has received a donation of NOK 100,000 earmarked for shoes for the football players, who often do not have proper shoes, either for playing football or for other recreational use.



Hunting for sustainability ideas among young people

In the autumn of 2016 Orkla, in partnership with The Innovation Effect, established the Young Sustainability Influence project. The Innovation Effect is a company that connects students to companies with innovative projects and the Skills2Grow innovation programme. Through this project Orkla hoped to gain ideas for new, forward-looking sustainability solutions. Over a period of eight weeks, a dedicated team of four students conducted a survey of the views of students, entrepreneurs and various start-up companies regarding Orkla's future scenario. The survey findings were presented live on stage on 23 October during Oslo Innovation Week. Based on the insights they gained, the students drew up various proposals for how a focus on sustainability can make Orkla more attractive to the new generation of consumers.

Local engagement

Many of the Orkla companies are actively engaged in their local communities. Through collaboration with local authorities, schools and organisations, Orkla helps to support projects that benefit the community.

Several of the companies support sports events for children and teenagers, ranging from the Kalles Kaviar Football Cup in Sweden, street handball in Denmark and ice hockey for disadvantaged Finnish families to Hamé's Children's Day in the Czech Republic. Many companies also participate in a variety of initiatives to promote good food and a proper, nutritious diet.

Projects supported by the companies include:

- Orkla Foods Sverige supports the work of Håll Sverige Rent (Keep Sweden Clean) for a cleaner environment. The ocean is the first focus area for the three-year partnership.
- Orkla Foods Norge has supported street football teams for several years, an initiative aimed at bringing drug addicts and other substance abusers back to society. The company provides good, nutritious food in connection with football matches and gatherings.
- Orkla Foods Norge has teamed up with the Salvation Army on the Soup to the People project, in which it helps to provide soup for the many individuals that the Salvation Army assists every day.
- Orkla Confectionery & Snacks Sverige supports the Swedish Prostate Cancer Association and its work to prevent testicular cancer.

- MTR Foods in India partners with the Akshaya Patra Foundation in providing school lunches for children in Karnataka. By ensuring that children have nutritious food, the project aims to promote education and learning, thereby reducing child illiteracy.

- Through the Clean Milk, Healthy Cows campaign, MTR Foods provides disadvantaged Indian dairy farmers with five-litre stainless steel milk pails. The campaign is carried out in cooperation with the Karnataka Milk Federation.

In 2016, several of the companies conducted joint campaigns with the retail industry, where part of the profit has gone to charitable causes. Examples are TORO's Soup to the People campaign, and CBP's joint campaign with local Danish bakeries to raise funds for the Children's Cancer Foundation in Denmark.

In 2016, Orkla and the Group companies contributed a total of around NOK 14 million in support for community projects, including about NOK 4 million in the form of products and other non-financial support. Moreover, the Orkla companies contributed around NOK 6.5 million to external research projects related to nutrition and health.



Less food waste

Reducing food waste is high on the agenda at Orkla. Through a joint programme with the Food Bank Norway and the Matmissionen social supermarket in Sweden, Orkla companies give surplus food to those who need it, instead of throwing the food away. In 2016, Orkla Foods Norge was one of the biggest contributors to the Food Bank Norway, which gives food and other grocery products to voluntary organisations that help the disadvantaged. Orkla Foods Sverige supports Matmission, a grocery store where impoverished individuals can pay a reduced price for goods with a sell-by date that will soon expire. Matmissionen is a collaborative project between Stockholm City Mission and Axfod, and Orkla Foods Sverige is one of several financial donors.

Important topics addressed in Orkla's dialogue with stakeholders in 2016



Suppliers

- Compliance with Orkla's Supplier Code of Conduct
 - Sustainable palm oil production
 - Sustainable fish and seafood
- Improving conditions in the cocoa sector in the Ivory Coast
 - Working conditions for berry pickers in Sweden
 - Quality certification of fish oil



Employees

- Restructuring of businesses
- Orkla's vision and values



Interest organisations

- Sustainable palm oil production
- Deforestation-free supply chains
 - Reduction of food waste
- Red-listing of fish species
 - Animal welfare
- Green value creation



Research communities

- Analysis of the environmental footprint of key raw materials
- Development of healthy, sustainably produced food
 - Reduction of salt, sugar and saturated fat in food products
- Healthy bread mixes with a good nutritional profile
 - Omega-3 and fish



Important topics addressed in Orkla's dialogue with stakeholders in 2016



Authorities

- Partnership to promote better public health
- Reduction of salt, sugar and saturated fat in food products
 - Product labelling rules
 - Keyhole healthy food labelling
 - Deforestation-free supply chains
 - Sustainable food production
- The UN Sustainable Development Goals
- The UN Guiding Principles on Business and Human Rights
- Marketing of food and drink to children and adolescents
 - Framework conditions for food production
- Ongoing dialogue with supervisory authorities



Customers and consumers

- Sustainable raw materials
 - Orkla's Sustainability Strategy up to 2020
- Reduction of food waste
 - Nutritional labelling
 - Allergies
- Animal welfare
- Product safety
- Contingencies
- Product issues



Local communities

- Environmental initiatives
- Restructuring of businesses
- Collaboration on vocational training
- Municipal development projects



Investors

- Orkla's Sustainability Strategy up to 2020
- Risk management
- Orkla's approach to corporate responsibility





Bjørn Arild, Ingvild and Victoria- part of the Orkla family

Annual Financial Statements 2016

INCOME STATEMENT, EARNINGS PER SHARE AND STATEMENT OF COMPREHENSIVE INCOME

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

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

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

INCOME STATEMENT

Amounts in NOK million	Note	2016	2015	2014
Sales revenues	7, 9	37 092	32 610	29 202
Other operating revenues	7, 9	666	588	397
Operating revenues	7, 9	37 758	33 198	29 599
Cost of materials	7, 10	(18 712)	(16 345)	(14 406)
Payroll expenses	7, 11, 12	(7 259)	(6 432)	(5 779)
Other operating expenses	7, 13	(6 343)	(5 755)	(5 242)
Depreciation, amortisation and write-downs	7, 19, 20	(1 146)	(1 057)	(958)
Operating profit before other income and expenses (EBIT adj.)	7	4 298	3 609	3 214
Other income and expenses	7, 14	(382)	(502)	(100)
Operating profit	7	3 916	3 107	3 114
Profit/loss from associates and joint ventures	6, 7	1 378	1 111	121
Interest income	15	83	91	38
Interest costs	15	(260)	(283)	(401)
Other financial income	15	270	137	107
Other financial costs	15	(205)	(73)	(107)
Profit/loss before taxes		5 182	4 090	2 872
Taxes	16	(807)	(722)	(688)
Profit/loss after taxes from continuing operations		4 375	3 368	2 184
Gains/loss/profit discontinued operations	38	0	(17)	(485)
Profit/loss for the year		4 375	3 351	1 699
Profit/loss attributable to non-controlling interests	7, 33	82	56	40
Profit/loss attributable to owners of the parent		4 293	3 295	1 659

EARNINGS PER SHARE

Earnings per share (NOK)	17	4.22	3.24	1.63
Earnings per share, diluted (NOK)	17	4.22	3.24	1.63
Earnings per share for continuing operations, diluted (NOK)	17	4.22	3.25	2.11

STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the year		4 375	3 351	1 699
<i>Items after tax not to be reclassified to profit/loss in subsequent periods</i>				
Actuarial gains and losses pensions	12, 16	(53)	(15)	(148)
<i>Items after tax to be reclassified to profit/loss in subsequent periods</i>				
Change in unrealised gains on shares	16, 24	(234)	6	(21)
Change in hedging reserve	16, 31	46	31	(150)
Items charged to equity in associates and joint ventures	6	(611)	685	906
Translation effects		(1 141)	1 335	1 115
Hedging of net investment in foreign operations	31	493	(454)	(402)
Comprehensive income		2 875	4 939	2 999
Comprehensive income attributable to non-controlling interests		76	71	54
Comprehensive income attributable to owners of the parent		2 799	4 868	2 945

STATEMENT OF FINANCIAL POSITION

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

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

Amounts in NOK million	Note	2016	2015
ASSETS			
Property, plant and equipment	7, 18, 20	11 038	10 523
Intangible assets	7, 18, 19	18 241	17 611
Deferred tax assets	16	102	65
Investments in associates and joint ventures	6, 7	12 508	12 149
Other assets	21	640	880
Total non-current assets		42 529	41 228
Assets held for sale		-	182
Inventories	7, 22	5 195	4 623
Inventory of development property	7, 22	70	216
Trade receivables	23	5 597	5 267
Other receivables	23	902	625
Shares and financial assets	24	107	1 376
Cash and cash equivalents	25	1 204	721
Total current assets		13 075	13 010
Total assets		55 604	54 238
EQUITY AND LIABILITIES			
Paid-in equity	32	1 994	1 994
Retained earnings		31 480	31 335
Non-controlling interests	33	402	417
Total equity		33 876	33 746
Interest-bearing liabilities	28, 29	7 172	8 722
Deferred tax	16	1 591	1 479
Provisions and other liabilities	26	2 555	2 712
Total non-current liabilities		11 318	12 913
Interest-bearing liabilities	28, 29	2 496	399
Income tax payable	16	647	185
Trade payables	27	4 329	3 846
Other liabilities	27	2 938	3 149
Total current liabilities		10 410	7 579
Total equity and liabilities		55 604	54 238

STATEMENT OF CASH FLOWS

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

Amounts in NOK million	Note	2016	2015
Profit before taxes		5 182	4 090
Amortisation, depreciation and write-downs		1 161	1 153
Changes in net working capital, etc.		(460)	314
Profit from associates and joint ventures, no cash flow effect	6	(1 378)	(1 111)
Dividends received from associates	6	222	254
Gains, losses and write-downs shares and financial assets, moved to investing activities	15	(187)	(107)
Financial items without cash flow effect	15	84	(22)
Taxes paid		(506)	(727)
CASH FLOW FROM OPERATING ACTIVITIES		4 118	3 844
Sale of property, plant and equipment	8	282	183
Investments in property, plant and equipment and intangible assets	8	(1 649)	(1 410)
Sold companies	5, 6	264	783
Acquired companies	5, 6	(2 151)	(1 562)
Sale of shares and financial assets	24	1 194	298
Other capital transactions		11	158
CASH FLOW FROM INVESTING ACTIVITIES		(2 049)	(1 550)
Dividends paid		(2 599)	(2 563)
Sale of treasury shares		67	223
Buy-back of treasury shares		(144)	(254)
Net paid to shareholders	32	(2 676)	(2 594)
Change in interest-bearing liabilities	29	912	(1 856)
Change in interest-bearing receivables		188	239
Change in net interest-bearing liabilities¹	40	1 100	(1 617)
CASH FLOW FROM FINANCING ACTIVITIES		(1 576)	(4 211)
Currency effect on cash and cash equivalents		(10)	23
Change in cash and cash equivalents		483	(1 894)
Cash and cash equivalents 1 January		721	2 615
Cash and cash equivalents 31 December	25	1 204	721
Change in cash and cash equivalents		483	(1 894)

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

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

STATEMENT OF CHANGES IN EQUITY

Equity changes from one period to the next in accordance with the Group's comprehensive income. Furthermore, transactions with owners will be presented as separate items. This applies to matters such as dividends to shareholders, share issues, the Group's purchase and sale of treasury shares and costs relating to options. Equity cannot be distributed to shareholders in its entirety. The equity in Orkla ASA (see page 141) constitutes the basis of calculation for and the limitation on the dividend paid by the Group.

Amounts in NOK million	Share capital	Treas-ury shares	Pre-mium fund	Total paid-in equity	Un-realised gains shares ¹	Hedging reserve ²	Items charged to equity in associates and JV ³	Net translation effects	Other retained equity	Total Group	Non-con-trolling interests	Total equity
Equity 31 December 2014	1 274	(2)	721	1 993	281	(380)	1 008	425	27 732	31 059	245	31 304
Profit/loss for the year	-	-	-	-	-	-	-	-	3 295	3 295	56	3 351
Items in comprehensive income	-	-	-	-	6	31	685	866	(15)	1 573	15	1 588
Group comprehensive income	-	-	-	-	6	31	685	866	3 280	4 868	71	4 939
Dividends from 2014	-	-	-	-	-	-	-	-	(2 544)	(2 544)	(19)	(2 563)
Net purchase of treasury shares	-	1	-	1	-	-	-	-	(32)	(31)	-	(31)
Change in non-controlling interests (see Note 33)	-	-	-	-	-	-	-	-	(23)	(23)	120	97
Equity 31 December 2015	1 274	(1)	721	1 994	287	(349)	1 693	1 291	28 413	33 329	417	33 746
Profit/loss for the year	-	-	-	-	-	-	-	-	4 293	4 293	82	4 375
Items in comprehensive income	-	-	-	-	(234)	46	(611)	(642)	(53)	(1 494)	(6)	(1 500)
Group comprehensive income	-	-	-	-	(234)	46	(611)	(642)	4 240	2 799	76	2 875
Dividends from 2015	-	-	-	-	-	-	-	-	(2 545)	(2 545)	(54)	(2 599)
Net sale/purchase of treasury shares	-	-	-	-	-	-	-	-	(77)	(77)	-	(77)
Change in non-controlling interests (see Note 33)	-	-	-	-	-	-	-	-	(32)	(32)	(37)	(69)
Equity 31 December 2016	1 274	(1)	721	1 994	53	(303)	1 082 ⁴	649	29 999	33 474	402	33 876

¹See Note 24 for unrealised gains before tax.

²See Note 31 for the hedging reserve before tax.

³Items charged to equity in associates and joint ventures (JV).

⁴Including NOK -47 million in actuarial gains and losses relating to pensions (NOK 1 million in 2015).

Oslo, 8 February 2017

The Board of Directors of Orkla ASA

Stein Erik Hagen
Chairman of the Board

Grace Reksten Skaugen
Deputy Chair of the Board

Ingrid Jonasson Blank

Lars Dahlgren

Lisbeth Valther

Nils K. Selte

Terje Utstrand

Sverre Jovsanger

Karin Hansson

Roger Vangen

Peter A. Ruzicka
President and CEO

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

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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:

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

¹NSV: 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.

P 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 Gløgg. 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 million (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.

Amounts in NOK million													
	Date of control	Interest acquired (%)	Acquisition cost	Excess/deficit value ¹	Trade-marks	Other intangible assets	Other	De-ferred tax	Good-will	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										

¹Excess/deficit value is the difference between the purchase price of the shares and the Group's share of equity in the acquired company.

²Associated operating revenues and operating profit may not be separated from the rest of the business as assets were purchased net.

³This includes cash and cash equivalents of NOK 206 million in 2016, NOK 261 million in 2015 and NOK 0 million in 2014.

⁴Equivalent to compensation for equity adjusted for cash and cash equivalents.

Acquired companies statement of financial position	Total 2016	2016	2016	Total 2015
Amounts in NOK million	Fair value	Hamé	Harris	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	-	-	-

¹The 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).

²The 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.

The following tables show 100% figures for Jotun.

Items in the income statement and statement of financial position

Amounts in NOK million	Jotun	
	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

Reconciliation 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

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.

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.

	Sapa	
Income statement	1.1.–31.12. 2016	1.1.–31.12. 2015
Amounts in NOK million		
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

	31.12. 2016	31.12. 2015
Statement of financial position		
Amounts in NOK million		
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

Reconciliation 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.

P 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, Pölsamaa 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 S 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	Orkla	Orkla	Orkla	Elimin-	Branded	Hydro	Financial	HQ/	Elimin-	Orkla
	Foods	Confec- tionery & Snacks	Care	Food Ingredients		ations		Con- sumer Goods	Invest- ments		Other Business
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

¹Most 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.

SEGMENTINFORMASJON 2015

Amounts in NOK million	Orkla	Orkla	Orkla	Orkla	Elimin-	Branded	Hydro	Financial	HQ/	Elimin-	Orkla
	Foods	Confec- tionery & Snacks	Care	Food Ingredients		Con- sumer Goods		Power	Invest- ments		
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

¹Most 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.

SEGMENTINFORMASJON 2014

Amounts in NOK million	Orkla	Orkla	Orkla	Orkla	Elimin-	Branded	Hydro	Financial	HQ/	Elimin-	Orkla
	Foods	Confec- tionery & Snacks	Care	Food Ingredients		Con- sumer Goods		Power	Invest- ments		
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 employed¹

Capital employed ¹	10 301	5 513	3 768	2 660	-	22 242	2 183	13 410	(146)	-	37 689
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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

¹Most 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.

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.

Amounts in NOK million	Capital employed			Investments ¹			Number of man-years		
	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			

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

P 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.

S 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	(7 259)	(6 432)	(5 779)
Average number of man-years (continuing operations)	16 552	13 816	12 936

¹Pension 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			2015			2014		
	Fixed salary and annual bonus earned	Benefits in kind	Pension costs	Fixed salary and annual bonus earned	Benefits in kind	Pension costs	Fixed salary and annual bonus earned	Benefits in kind	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

P 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

¹Weighted average exercise price. Amounts in NOK.

²As a result of a dividend, all exercise prices were reduced by NOK 2.50 on 15 April 2016.

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

Overview of outstanding options at year end:

Expiry date	2016		2015	
	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	

¹Weighted average exercise price. Amounts in NOK.

²As 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 exercised options	(7)	(6)
Change in provision for national insurance contributions	8	(2)
Net option costs	1	(8)
Liabilities ¹	(9)	(17)

¹Relates only to employer's national insurance contributions.

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

¹As 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)

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

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

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)

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

²Primarily related to the purchase of Cederroth AB.

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

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

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%

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.

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.

P 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 goodwill.

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

S 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.

P 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	-

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

Reconciliation against cash flow

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.

P 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)

¹Includes 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)

¹Deferred 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

¹Concerns tax losses carried forward blocked for utilisation in the Swedish tax group until 2019 and disputed tax deductions.

²Concerns partly-owned companies not included in a tax group.

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.

P 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).

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

A comparison of the book value of capital employed in Branded Consumer Goods with an average "sum of the parts" (SOTP) value based on analysts' valuation of the corresponding area shows substantial excess value. The excess value varies from one business area to another, but all four Branded Consumer Goods business areas show that the SOTP value is clearly higher than the respective book values. Broken down by CGU, there will also be some variations, but all the CGUs pass the test with a good margin. 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.

Key assumptions for estimating future performance

Amounts in NOK million	Orkla Foods (OF)			Orkla Confectionery & Snacks (OC&S)		
	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%).					

Key assumptions for estimating future performance

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

P 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%	-	-

¹Net reclassifications relate to figures transferred from Note 20.

²See Note 5 for information about intangible assets in acquired companies.

E 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).

S 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).

PRODUCTS	NORWAY			SWEDEN			DENMARK			FINLAND			BALTICS		
	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 hjemmelagede, Noras røрте, Nora	●	A	Felix, Önos, BOB	●	B	Den Gamle Fabrik	●	B	Ekströms	○	B	Pöļtsamaa, Spilva	●	B, C
Preserved vegetables	Nora	●	A	Önos, Felix	●	B	Beauvais	●	B	Felix	●	B	Pöļtsamaa, Spilva	●	B, C
Dressings	Idun	●	A	Felix	●	B	Bähnccke	●	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, Pöļtsamaa	●	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 Bähnccke	●	A		○		Pöļtsamaa, 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. →

PRODUCTS	NORWAY			SWEDEN			DENMARK			FINLAND			BALTICS		
	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 Gjør	●	A	Kronjäst	●	B		○			○				○
Marzipan	Odense	●	B	Odense	☉	B	Odense	●	B		○				○
Margarine		○			○		AMA Margarine	☉	B		○				○
Plant based		○			○		Naturli'	●	B		○				○
Butter spread		○			○		Bakkedal	☉	B		○				○

¹Painting 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/scraping	(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/scraping	(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%	

¹Net 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.

S 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

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.

P 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).

E 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.

P 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.

E 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

¹See 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.

P 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.

Cash and cash equivalents are held for the purpose of meeting short-term fluctuations in liquidity rather than for investment purposes. For Orkla, the level of the Group's net interest-bearing liabilities is a more important management parameter than the level of cash and cash equivalents.

Amounts in NOK million	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

¹Of "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.

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.

P PRINCIPLES

Provisions are recognised in the financial statements in the case of potential loss-making 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).

E 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.

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
	<u>Main matters:</u> Small personnel-related provisions and commitments to acquisitions of additional shares in companies	<u>Main matters:</u> Compensation to property owners and demolition costs related to Saudefoldene, 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	<u>Conclusion:</u> 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

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	1 085	1 087
Other accrued costs	1 012	1 153
Total other liabilities (current)	2 938	3 149

 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.

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

¹The 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.

P 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		Fair value ¹		Currency	Notional in ccy	Coupon ³	Term
	31.12.2016	31.12.2015	31.12.2016	31.12.2015				
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				

¹The 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.

²Of the notional amount the Group holds some of its own bonds. These reduce recognised liabilities.

³The 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		Unutilised credit facilities	
	31.12.2016	31.12.2015	31.12.2016	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 contracts¹
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

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

Interest rate risk

Orkla's interest rate risk is mainly related to the Group's debt portfolio. This risk is managed at Group level. The Group's policy is that interest costs should mainly follow the general trend in the money market. Further, steps are taken to mitigate the effects of short-term fluctuations in money market rates. Material decisions regarding interest rate hedging are made by the Orkla Treasury Committee.

The interest risk profile of the debt portfolio is determined by 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

Amounts in NOK million	31.12.2016	Next interest rate adjustment					
		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	Currency					
		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.

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	Contractual						
Amounts in NOK million	Book value	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

¹Including 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:		Comprehensive income of:	
	increase	decrease	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.

P 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
<p>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:</p> <ol style="list-style-type: none"> (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. <p>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.</p>	<p>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.</p>	<p>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.</p>

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

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)			

¹i.b. = Interest-bearing asset/liability

²n.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 31 million 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 2016¹

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	41 600 164	4.08%
5	STATE STREET BANK AN A/C CLIENT	25 093 333	2.46%
6	CLEARSTREAM BANKING	23 243 893	2.28%
7	THE BANK OF NEW YORK BNYM SA/NV	18 797 524	1.84%
8	THE BANK OF NEW YORK S/A ADR	17 497 997	1.72%
9	STATE STREET BANK AN A/C WEST	17 095 175	1.68%
10	GOLDMAN, SACHS & CO.	12 359 357	1.21%
11	STATE STREET BANK	9 859 771	0.97%
12	THE BANK OF NEW YORK BNYM	9 287 565	0.91%
13	JPMORGAN CHASE BANK, A/C	9 129 919	0.90%
14	STATE STREET BANK AN A/C CLIENT	9 017 998	0.89%
15	JPMORGAN CHASE BANK, NORDEA	8 510 313	0.84%
16	PRUDENTIAL ASSURANCE HSBC	8 128 454	0.80%
17	STATE STREET BANK AN A/C CLIENT	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	7 164 763	0.70%
	Total shares	562 853 517	55.24%

¹The 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.

²Of 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

P 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.

P 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									Lessee Operating leases	
	Machinery/ plant		Land, building, property		Fixtures, vehicles etc.		Other assets		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Amounts in NOK million										
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									Lessee Finance leases	
	Machinery/ plant		Land, building, property		Fixtures, vehicles etc.		Other assets		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Amounts in NOK million										
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	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	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 plant² Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	250 GWh	100% ownership, infinite licence period.	
Sarp power plant² 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 plant² Hydropower run-of-river, Kvinesdal, Vest-Agder	30 GWh	100% ownership, infinite licence period.	
Mossefossen power plant² 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.

¹Orkla owns 85% of AS Saudefaldene.

²Saleable 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

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.

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.

P 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

¹Excluding 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.



Ingvild - part of the Orkla family

Annual Financial Statements for Orkla ASA 2016

INCOME STATEMENT

Amounts in NOK million	Note	2016	2015
Operating revenues		35	32
Operating revenues Group	1	651	667
Total operating revenues		686	699
Payroll expenses	2	(487)	(517)
Other operating expenses	5	(597)	(681)
Depreciation/write-downs and amortisation	8, 9	(23)	(20)
Operating loss		(421)	(519)
Dividends and contributions from Group		5 725	5 045
Interest income Group		124	140
Financial costs Group	6	(789)	(312)
Net foreign exchange gains and losses	12	661	(620)
Gains, losses and write-downs in the share portfolio		182	116
Other financial income	7	64	46
Other financial costs	7	(228)	(166)
Profit before taxes		5 316	3 730
Taxes	11	(374)	(31)
Profit after tax		4 942	3 699

COMPREHENSIVE INCOME

Profit after tax		4 942	3 699
Change in unrealised gains on shares after tax		(184)	(43)
Change in hedging reserve after tax		68	11
Change in actuarial gains and losses pensions		(10)	(15)
Comprehensive income		4 816	3 652
Proposed dividend (not provided for)		(2 646)	(2 545)

CASH FLOW

Amounts in NOK million	2016	2015
Profit/loss before tax	5 316	3 730
Depreciation and write-downs	23	20
Changes in net working capital etc.	2	29
Changes in outstanding Group contributions	(110)	(245)
Portfolio gains and dividends to investment activities	(228)	(132)
Correction against financial items, payable	956	(1 710)
Taxes paid	(8)	(147)
Cash flow from operating activities	5 951	1 545
Sale of property, plant and equipment	6	45
Replacement expenditures	(46)	(13)
Sale of companies	61	-
Investments in subsidiaries	(1 692)	(1 732)
Net purchase/sale shares, dividends and financial assets	444	315
Cash flow from investing activities	(1 227)	(1 385)
Dividends paid	(2 543)	(2 544)
Net sale/purchase of treasury shares	(77)	(31)
Net paid to shareholders	(2 620)	(2 575)
Change in other interest-bearing liabilities	(1 523)	(1 239)
Change in interest-bearing receivables	(296)	1 968
Change in net interest-bearing liabilities	(1 819)	729
Cash flow from financing activities	(4 439)	(1 846)
Change in cash and cash equivalents	285	(1 686)
Cash and cash equivalents 1 January	275	1 961
Cash and cash equivalents 31 December	560	275
Change in cash and cash equivalents	285	(1 686)

STATEMENT OF FINANCIAL POSITION

Assets

Amounts in NOK million	Note	2016	2015
Intangible assets	9	33	29
Deferred tax asset	11	252	282
Property, plant and equipment	8	223	212
Shares in subsidiaries	10	39 952	39 021
Loans to Group companies, interest-bearing		6 897	6 185
Other financial assets		250	421
Non-current assets		47 607	46 150
Receivables external		168	77
Receivables Group, non-interest-bearing		269	1 191
Receivables Group contribution		1 325	1 215
Financial investments	See Note 24 Group	107	473
Cash and cash equivalents		560	275
Current assets		2 429	3 231
Total assets		50 036	49 381

Equity and liabilities

Amounts in NOK million	Note	2016	2015
Paid-in equity		1 994	1 994
Retained earnings		30 497	28 301
Equity		32 491	30 295
Pension liabilities	2	517	491
Non-current interest-bearing liabilities		7 007	8 317
Non-current non-interest-bearing liabilities		397	478
Non-current liabilities and provisions		7 921	9 286
Liabilities to Group, interest-bearing		6 208	8 987
Liabilities to Group, non-interest-bearing		100	51
Tax payable		374	13
Other current liabilities		2 942	749
Current liabilities		9 624	9 800
Equity and liabilities		50 036	49 381

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Treasury shares	Premium fund	Total paid-in equity	Other equity ¹	Total Orkla ASA
Equity 1 January 2015	1 274	(2)	721	1 993	27 225	29 218
Comprehensive income Orkla ASA	-	-	-	-	3 652	3 652
Dividends 2014	-	-	-	-	(2 544)	(2 544)
Net sale of treasury shares	-	1	-	1	(32)	(31)
Equity 31 December 2015	1 274	(1)	721	1 994	28 301	30 295
Comprehensive income Orkla ASA	-	-	-	-	4 816	4 816
Dividends 2015	-	-	-	-	(2 543)	(2 543)
Net purchase of treasury shares	-	-	-	-	(77)	(77)
Equity 31 December 2016	1 274	(1)	721	1 994	30 497	32 491

¹Other equity for Orkla ASA as at 31 December 2016 includes a fund for unrealised gains totalling NOK 53 million (NOK 236 million as at 31 December 2015) and other paid-in equity (options) totalling NOK 388 million (NOK 388 million as at 31 December 2015).

NOTE 1 ACCOUNTING PRINCIPLES

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

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

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

The Board of Directors has deemed that Orkla ASA, after the proposed dividend of NOK 2.60 per share, had adequate equity and liquidity at the end of 2016.

NOTE 2 PAYROLL AND PENSIONS

Amounts in NOK million	2016	2015
Wages	(367)	(379)
National insurance contributions	(57)	(63)
Remuneration of the Board and other pay-related costs	(29)	(41)
Pension costs	(34)	(34)
Payroll expenses	(487)	(517)
Average number of employees	189	190

Breakdown of net pension costs

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

Amounts in NOK million	2016	2015
Current service cost (incl. national insurance contribution)	(19)	(18)
Costs contribution plans	(15)	(16)
Pensions classified as operating costs	(34)	(34)
Pensions classified as financial items	(19)	(9)
Net pension costs	(53)	(43)

Breakdown of net pension liabilities as at 31 December

Amounts in NOK million	2016	2015
Present value of pension obligations	(517)	(491)
Pension plan assets	-	-
Capitalised net pension liabilities	(517)	(491)

The remaining net pension liabilities at 31 December 2016 mainly consist of unfunded pension plans for former key personnel and unfunded early retirement plans, and liabilities related to plans for employees who earn more than twelve times the Norwegian National Insurance Scheme's basic amount (12G). For other employees, the company primarily has defined contribution pension plans.

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

NOTE 3 GUARANTEES AND ASSETS PLEDGED

Amounts in NOK million	2016	2015
Subscribed, uncalled limited partnership capital	5	8
Guarantees to subsidiaries	212	233

NOTE 4 LOANS TO EMPLOYEES

Other financial assets include loans to employees.

Amounts in NOK million	2016	2015
Loans to employees	1	4

NOTE 5 REMUNERATION AND CONTRACTUAL ARRANGEMENTS**Remuneration of the Group Executive Board**

The Board of Directors decides the terms and conditions of the President and CEO and makes decisions on fundamental issues relating to the Group's compensation and benefits policy and compensation arrangements for other employees. The Board of Directors has a special Compensation Committee that prepares matters relating to compensation for decision by the Board. The Committee consists of three Board members, one of whom is elected by the employees, and was chaired by the Deputy Chair of the Board in 2016. The administration prepares matters for the Compensation Committee and the Board.

The Group Executive Board participated in the Group's annual bonus system and long-term incentive programme in 2016.

Salaries and remuneration to the Group Executive Board and accrued bonuses are presented on the next page. The table also shows accruals and the balance in the bonus bank as at 31 December 2016, based on the Orkla share price as at 31 December 2016 (NOK 78.20).

Note 5 cont. →

Remuneration paid in 2016

Amounts in 1,000 NOK	Fixed salary 31 Dec. 2016	Paid salary and holiday pay (A)	Paid bonus (accrued in 2015)	Paid from bonus bank	Benefits in kind (B)	Total paid salary and allowance
Peter A. Ruzicka	5 923	6 199	3 629	-	242	10 070
Jens Bjørn Staff	2 870	2 980	986	-	263	4 229
Terje Andersen	2 899	3 524	1 474	1 043	221	6 262
Karl Otto Tveter	2 913	3 183	1 111	892	239	5 425
Atle Vidar Nagel-Johansen	3 570	3 884	1 818	1 419	272	7 393
Ann-Beth Freuchen	2 800	2 969	1 440	381	203	4 993
Pål Eikeland	2 800	3 067	1 390	1 298	235	5 990
Stig Ebert Nilssen	3 140	3 384	666	746	198	4 994
Johan Clarin (salary in SEK)	2 915	2 922	1 175	469	257	4 823

Accrued remuneration, not paid in 2016

Amounts in 1,000 NOK	Accrued bonus in 2016 ¹	Accrued long-term incentive programme ^{2,4}	Accrued pension costs	Accrued total (C)	Balance bonus bank 31 Dec. 2016 ^{2,4}
Peter A. Ruzicka ³	2 961	2 961	2 127	8 049	7 166
Jens Bjørn Staff	881	881	730	2 492	1 929
Terje Andersen	1 197	1 197	907	3 301	3 944
Karl Otto Tveter	953	953	720	2 626	3 248
Atle Vidar Nagel-Johansen	1 250	1 250	978	3 478	3 963
Ann-Beth Freuchen	1 624	1 624	589	3 837	3 588
Pål Eikeland	862	862	682	2 406	5 054
Stig Ebert Nilssen	1 046	1 046	809	2 901	2 631
Johan Clarin (salary in SEK)	943	943	699	2 585	3 488

¹Accrued annual bonuses for 2016 are paid in 2017.

²50% of long-term incentives accrued in 2016 are paid after 24 months and 50% after 36 months, provided that the employee has not given notice of resignation on the payment date. See also point (iii) on the next page and Note 11 in the consolidated financial statements.

³The accrued salary and remuneration of the President and CEO totalled NOK 14,490,000 (A+B+C) in 2016.

⁴The bonus bank balance does not include bonuses accrued in 2016.

The Group Executive Board participates in the Group's general employee share purchase programme. The programme was not implemented in 2016. No guarantees have been provided for members of the Group Executive Board.

The shareholdings of members of the Group Executive Board are presented on page 160. The retirement age of the President and CEO is 62, and the period of notice is six months, with a period of pay of 12 months after termination of employment. From the age of 62 until he reaches the age of 67, he will be paid 60% of his salary upon retirement.

The other members of the Group Executive Board have a period of notice of six months, and their retirement age is 65. From the age of 65 until they reach the age of 67, Orkla will pay them 66% of their salary upon retirement, after which their pension will be paid from Orkla's pension plan. Terje Andersen may retire at the age of 62 with the same benefits. Terje Andersen and Karl Otto Tveter have personal loans on which a regulated interest rate is charged. The balance as at 31 December 2016 was NOK 472,921 for Mr Andersen and NOK 69,974 for Mr Tveter. No other members of the Group Executive Board have personal loans.

Options awarded to the Group Executive Board as of 31 December 2016

	Number	Award date (dd/mm/yyyy)	Strike price	1st exercise/exercise date (dd/mm/yyyy)	Last exercise (dd/mm/yyyy)
Karl Otto Tveter	-50 000	10.05.2010	36.38	19.02.2016	Exercised at 70.65
	-50 000	09.05.2011	40.03	28.09.2016	Exercised at 82.22
Atle Vidar Nagel-Johansen	35 000	09.05.2011	40.03	09.05.2014	09.05.2017
	-35 000	09.05.2011	40.03	05.09.2016	Exercised at 77.88
Ann-Beth Freuchen	40 000	09.05.2011	40.03	09.05.2014	09.05.2017
Stig Ebert Nilssen	50 000	09.05.2011	40.03	09.05.2014	09.05.2017
	-50 000	10.05.2010	36.38	17.02.2016	Exercised at 71.44

Note 5 cont. →

The Board of Directors' statement of guidelines for the remuneration of the executive management

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

(i) Pay and other remuneration of the executive management

Information regarding pay and other remuneration of the executive management for the previous financial year has been provided on page 143.

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

With regard to guidelines for pay and other remuneration of the executive management in the coming financial year, the Board of Directors will submit the following guidelines to the General Meeting in 2017 for an advisory vote:

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

a) Fixed elements

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

Orkla has a defined contribution pension plan in Norway. The contribution rates are 5% for salaries between 1G and 7.1G and 23.1% for salaries over 7.1G (as from 1 May 2015 1G is NOK 92,576). For members of the Group Executive Board as at 1 September 2014, the rate for salaries over 12G is 27%. Employees who have entered into an early retirement agreement entitling them to retire before the age of 67 receive a pension (unfunded) that is equivalent to 60 per cent of their annual pay. Other members of the Group Executive Board than the President and CEO have 66%, all subject to a minimum of 30 qualifying years. In addition to the above, the Group provides benefits such as a company car and company telephone and other limited benefits in kind.

(b) Variable elements – annual bonus

Orkla has an annual bonus programme. Under this programme, a "good performance", which is specifically defined for the various elements, can result in an annual bonus of 30% of an employee's annual base salary, while the maximum bonus is 100% of the employee's annual base salary. Approximately 175 senior executives and key personnel participate in this bonus programme. The bonus programme targets for 2017 will consist of organic growth, EBIT (adj.)-development, capital use and individual components. The primary goal is profit growth.

(iii) Special comments on share-based incentive programmes

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

(iv) Senior executive pay policy in previous financial years

The guidelines for the pay and remuneration of senior executives described in (ii), which were considered at the Annual General Meeting in 2015, also served as guidelines for the determination of senior executive remuneration in 2016.

Discounted shares for employees

For several years the Group has had a programme offering employees an opportunity to buy a limited number of shares at a discount of 30% on the market price. Shares may be purchased for five different amounts: NOK 28,000, 20,000, 12,000, 4,000 and 1,000 (amounts after discount). In 2016 this programme was not implemented as planned. The costs related to the share purchase programme in 2015 amounted to approximately NOK 22 million. The Board of Directors recommends to the General Meeting that the employee share purchase programme is continued. Further, as a temporary arrangement applicable only in 2017, the possibility of purchasing shares for NOK 40,000 and NOK 50,000 (amounts after discount) will be offered, thereby taking into account the fact that the programme was not implemented in 2016. The same conditions as in 2015 otherwise apply.

Remuneration of the Board of Directors and Board members' shareholdings

As from 17 April 2016, the Board of Directors is remunerated at the following rates:

Board Chair	NOK 700 000	per year
Board Deputy Chair	NOK 545 000	per year
Board member	NOK 410 000	per year
Observer	NOK 156 000	per year
Deputy member	NOK 26 500	per meeting

Compensation Committee

Committee Chair	NOK 134 000	per year
Member	NOK 100 000	per year

Audit Committee

Committee Chair	NOK 168 000	per year
Member	NOK 112 000	per year

In addition, shareholder-elected Board members residing outside Norway receive an additional NOK 16,500 per meeting attended.

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

Amounts in NOK	Director's fee incl. committee work	Number of shares ¹
<i>Shareholder-elected Board members</i>		
Stein Erik Hagen	792 666	249 142 000
Grace Reksten Skaugen	673 000	3 000
Ingrid Jonasson Blank	567 166	1 750
Lisbeth Valther	456 166	3 000
Nils K. Selte	573 333	18 000
Lars Dahlgren	456 166	2 000
<i>Employee-elected Board members</i>		
Terje Utstrand	See table below	5 240
Roger Vangen	See table below	7 014
Sverre Josvanger	See table below	18 053
Karin Hansson	See table below	487

¹Total share ownership including related parties

Amounts in 1,000 NOK	Fixed salary	Director's fee	Benefits in kind	Pension costs
<i>Employee-elected Board members</i>				
Terje Utstrand	554 872	506 000	29 747	26 779
Roger Vangen	544 869	307 944	36 929	23 561
Sverre Josvanger	507 708	517 666	113 080	21 901
Karin Hansson (salary in SEK)	396 410	307 500	-	17 155

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

Remuneration of the Nomination Committee

As from 17 April 2016, the Nomination Committee is remunerated according to the following rates:

Committee Chair NOK 60,000 per year, members NOK 44,000 per year and employee-elected representatives NOK 5,500 per meeting.

Fees to Group external auditor

Amounts in NOK million (excl. VAT)	2016	2015
<i>Parent company</i>		
Statutory audit	3.0	2.7
Other attest services	0.2	0.0
Tax consultancy services	1.8	2.5
Other non-audit services	6.3	2.8
<i>Group</i>		
Statutory audit	26	24
Other attest services	1	0
Tax consultancy services	5	4
Other non-audit services	7	5
Total fees to EY	39	33
Statutory audit fee to other auditors	2	2

NOTE 6 FINANCIAL COSTS GROUP

Amounts in NOK million	2016	2015
Write-down share investments in subsidiaries ¹	(763)	(258)
Gain on sale of Cederroth AS	19	-
Interest income Group	(45)	(54)
Total financial costs Group	(789)	(312)

¹Shares in the subsidiaries Cederroth Intressenter AB and Industriinvestringer AS were written down due to the companies' pay-out of dividends (2015: Orkla Confectionery & Snacks Finland, Øraveien Industripark and Viking Askim).

NOTE 7 OTHER FINANCIAL INCOME AND FINANCIAL COSTS

Other financial income

Amounts in NOK million	2016	2015
Interest income	2	13
Dividends received	47	16
Other financial income	15	17
Total other financial income	64	46

Other financial costs

Amounts in NOK million	2016	2015
Interest costs	(226)	(233)
Change in fair value interest element	50	53
Other	(52)	14
Total other financial costs	(228)	(166)

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Land, buildings and other property	Machinery, fixture and fittings etc.	Assets under construction	Total
Book value 1 January 2016	100	93	19	212
Investments	-	1	43	44
Disposals	(8)	-	-	(8)
Reclassifications ¹	5	(3)	(8)	(6)
Depreciation	(2)	(17)	-	(19)
Book value 31 December 2016	95	74	54	223
Initial cost 1 January 2016	118	199	19	336
Accumulated depreciation and write-downs 1 January 2016	(18)	(106)	-	(124)
Book value 1 January 2016	100	93	19	212
Initial cost 31 December 2016	115	197	54	366
Accumulated depreciation and write-downs 31 December 2016	(20)	(123)	-	(143)
Book value 31 December 2016	95	74	54	223

¹Net reclassifications relating to the transfer from Note 9.

NOTE 9 INTANGIBLE ASSETS

Amounts in NOK million	Trademarks not amortisable	IT	Total
Book value 1 January 2016	26	3	29
Reclassifications property, plant and equipment ¹	-	6	6
Investments	-	2	2
Amortisation	-	(4)	(4)
Book value 31 December 2016	26	7	33
Initial cost 1 January 2016	26	56	82
Accumulated amortisation and write-downs 1 January 2016	-	(53)	(53)
Book value 1 January 2016	26	3	29
Initial cost 31 December 2016	26	64	90
Accumulated amortisation and write-downs 31 December 2016	-	(57)	(57)
Book value 31 December 2016	26	7	33

¹Net reclassifications relating to the transfer from Note 8.

NOTE 10 SHARES IN SUBSIDIARIES, DIRECTLY OWNED

Beløp i mill. NOK	Group's share of capital	Book value	
		2016	2015
Orkla Foods Norge AS	100%	9 362	9 362
Industriinvesteringer AS	100%	9 012	9 290
Orkla Foods Sverige AB	100%	5 469	5 469
Orkla Conf. & Snacks Finland Ab	100%	3 652	3 652
Orkla Food Ingredients AS	100%	2 466	2 466
Orkla Energi AS	100%	1 765	1 765
Hamé s.r.o.	100%	1 357	-
SIA Orkla Conf. & Snacks Latvija ¹	100%	959	1 032
Orkla Conf. & Snacks Norge AS	100%	906	906
Orkla House Care AS	100%	865	515
Orkla Health AS	100%	631	590
Orkla Eiendom AS	100%	574	574
Lilleborg AS	100%	526	502
Swebiscuits AB	100%	512	512
Viking Askim AS	100%	400	400
Sarpsfoss Limited			
Ordinary shares	100%	253	253
Preference shares	99.9%	43	43
SIA Orkla Foods Latvija ²	100%	246	173
Attisholz AB	100%	187	187
Orkla Foods Romania SA	100%	184	184
Orkla Foods Danmark A/S	100%	175	175
Orkla Asia Holding AS	100%	166	166
Orkla Insurance Company Ltd.	100%	65	65
UAB Orkla Foods Lietuva ³	100%	57	57
Trælandsfos Holding AS	100%	36	36
Orkla IT AS	100%	34	34
Meraker Eiendom Holding AS	100%	15	15
Øraveien Industripark AS	100%	15	15
Orkla Investeringer AS	100%	10	-
Orkla Design AS	100%	5	-
Orkla Accounting Centre Estonia	100%	2	2
Cederroth Intressenter AB	100%	1	438
Orkla France S.A.S.	100%	1	-
Attisholz Infra AG ⁴	0.4%	1	1
Cederroth AS	100%	-	104
Orkla Invest AB	100%	-	38
Total		39 952	39 021

¹Formerly NP Foods Group Latvia and JCS Latfood

²Formerly SIA Spilva

³Formerly UAB Suslavicius-Felix

⁴The remaining shares are owned by Attisholz AB

The table above shows only directly owned subsidiaries. The Group consists of a total of around 235 companies. The most important indirectly-owned subsidiaries are shown in the Group Directory at the end of the Annual Report.

NOTE 11 TAXES

Taxes	2016	2015
Profit before taxes	5 316	3 730
Change in temporary differences	(75)	(67)
Of which change in temporary differences previous years	(2)	43
Correction for change in temporary differences taken to comprehensive income	83	6
Total change in temporary differences	6	(18)
Non-deductible expenses	79	116
Tax-free dividends, capital gains (losses) and write-downs share portfolio	(226)	(133)
Impairment of shares in subsidiaries	763	258
Dividends from subsidiaries	(4 398)	(3 830)
Options and long-term bonus agreements	0	(14)
Other permanent differences	(44)	(63)
Total permanent differences	(3 826)	(3 666)
Total taxable income	1 496	46
Calculated current tax expense	(374)	(12)
Withholding tax foreign dividends	0	(1)
Correction in provisions for previous years' taxes	4	11
Total current tax expense	(370)	(2)
Change in deferred tax liabilities	(4)	(29)
Total tax expense	(374)	(31)

Deferred tax liabilities

Amounts in NOK million	2016	2015
Financial derivatives	(3)	(80)
Unrealised gains (losses) on shares outside the tax exemption method in equity	0	0
Accumulated write-downs outside the tax exemption method	(11)	(11)
Hedging reserve in equity	(397)	(493)
Property, plant and equipment	12	(4)
Pension liabilities	(425)	(383)
Other current liabilities	(228)	(159)
Basis deferred tax	(1 052)	(1 130)
Deferred tax asset	(252)	(282)
Change in deferred tax	(30)	(41)
Change in deferred tax taken to comprehensive income	26	12
Change in deferred tax in the income statement	(4)	(29)

Reconciliation of total tax expense

Amounts in NOK million	2016	2015
25% of profit before taxes	(1 329)	(1 007)
Effect of change in tax rates	(6)	(13)
Tax-free dividends, capital gains (losses) and write-downs shares and share portfolio	57	36
Dividends from subsidiaries	1 100	1 034
Write-downs shares in subsidiaries	(191)	(70)
Options and long-term bonus agreements	0	4
Other permanent differences	11	17
Non-deductible expenses	(20)	(31)
Withholding tax	0	(1)
Correction previous years' taxes	4	0
Total tax expense for Orkla ASA	(374)	(31)

NOTE 12 FINANCIAL RISK

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

Shares and financial assets

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

The Group's internal bank

The Group Treasury of Orkla ASA manages the interest rate and currency risk for the Group. The Treasury Department acts as Group internal bank and executes all external funding and hedging transactions in interest rate and currency derivatives. The subsidiaries mitigate their currency risk by entering into internal currency hedging contracts with the internal bank, which in turn hedges this risk through external hedging positions. In addition, the internal bank holds debt in foreign currencies in order to hedge currency risk on internal loans, book equity and goodwill. In 2016, NOK 655 million was recognised in the income statement in connection with these hedges (NOK -622 million in 2015). The internal bank does not actively take on currency risk. Intercompany loans and deposits are at floating interest rates, and no intra-group interest rate hedging contracts are made. Further details of the management of interest rate and currency risk for Group-external items are disclosed in Note 30 to the consolidated financial statements.

Derivatives and hedge accounting

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

Interest rate swaps. External funding for the Group is mainly originated through Orkla ASA. Loans issued at fixed interest rates are normally swapped to floating interest rates through interest rate swaps. These swaps are accounted for as fair value hedges with fair value changes recognised through profit and loss. As at 31 December 2016, the fair value of these interest rate swaps was NOK 249 million (NOK 414 million in 2015). During the year NOK 165 million was recognised as costs in the income statement related to changes in the fair value of the interest rate swaps, and NOK 165 million was recognised as income related to changes in the fair value of the hedged loans.

When Orkla hedges future interest payments, interest rate swaps, where Orkla receives floating interest rates and pays fixed interest rates, are used. These interest rate swaps are accounted for as cash flow hedges with changes in fair value recognised through comprehensive income. As of 31 December 2016, the fair value of these swaps amounted to NOK -397 million (NOK -478 million in 2015).

Equity hedging reserve. Change in equity hedging reserve:

Amounts in NOK million	2016	2015
Opening balance hedging reserve before tax	(492)	(521)
Reclassified to profit/loss – net financial items	112	93
Fair value change during the year	(16)	(64)
Closing balance hedging reserve before tax	(396)	(492)
Deferred tax hedging reserve	95	123
Closing balance hedging reserve after tax	(301)	(369)

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

2017:	NOK -113 million
After 2017:	NOK -283 million

NOTE 13 OTHER MATTERS**PAYE tax guarantee and guarantee for pension liabilities**

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

Material leases

In 2013, Orkla ASA moved to new temporary premises in Nedre Skøyen vei 26, Oslo, along with the companies Orkla Health, Orkla Home & Personal Care, Orkla Confectionery & Snacks Norge, Pierre Robert Group, Hydro Power, Orkla IT, Orkla House Care and Orkla Eiendom. The building has been leased from Evry until 2018 pending the construction of new permanent premises at Drammensveien 149 and 151. Annual leasing costs total NOK 41 million. Orkla ASA subleases premises to the other companies.

Orkla ASA still leases premises at Karenslyst allé 6, Skøyen, in Oslo, from Investorprosjekt 93 AS until the year 2020. Annual leasing costs total NOK 21 million. At present, a provision of NOK 35 million has been made in the financial statements for 2016, as parts of the building are unoccupied.

As a result of the acquisition of Rieber & Søn ASA, Orkla ASA took over the lease of Rieber's head office in Nøstegaten 58, Bergen in 2013. The contract runs until 2019, and the lessor is AS Inventor Eiendommer. Annual leasing costs total NOK 19 million. The building is subleased, primarily to KnowIt, Kredinor and Bergen Municipality. A provision of NOK 12 million has been made in the financial statements for 2016, as parts of the building are unoccupied.

Matters disclosed in the Notes to the Consolidated Financial Statements

Share-based payment – Note 11

Events after the balance sheet date – Note 41

Shareholders in Orkla ASA

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

Statement from the Board of Directors of Orkla ASA

We confirm that the financial statements for the period 1 January up to and including 31 December 2016 have, to the best of our knowledge, been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Group as a whole, and that the

Board of Directors' report includes a fair review of the development and performance of the business and the position of the company and the Group as a whole, together with a description of the principal risks and uncertainties that they face.

Oslo, 8 February 2017
The Board of Directors of Orkla ASA

Stein Erik Hagen
Chairman of the Board

Grace Reksten Skaugen
Deputy Chair of the Board

Ingrid Jonasson Blank

Lars Dahlgren

Lisbeth Valther

Nils K. Selte

Terje Utstrand

Sverre Josvanger

Karin Hansson

Roger Vangen

Peter A. Ruzicka
President and CEO

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

Independent auditor's report

TO THE GENERAL MEETING OF ORKLA ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Orkla ASA comprising the financial statements of the Parent Company and the Group.

The financial statements of the Parent Company comprise the statement of financial position as at 31 December 2016, the income statement, comprehensive income, cash flow and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements of the Group comprise the statement of financial position as at 31 December 2016, the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our

report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue recognition – provisions for discounts and bonuses

Revenue is measured as sales reduced by discounts and bonuses earned by customers. Due to the multitude and variety of agreements and contractual terms, the determination of discounts and bonuses recognized on sales made during the year is considered complex and requires management judgement. Revenue recognition including provisions for discounts and bonuses is therefore a key audit matter.

Our audit procedures included identifying, understanding, evaluating and testing management procedures and controls for determining the reduction in revenues by discounts and bonuses. We performed detailed testing on a sample basis and analytical procedures to test that discounts and bonuses are recognized in the correct period, and accuracy and completeness of the provision and the underlying calculation. These procedures included testing of the basis for calculating discounts and bonuses against actual sales and agreed terms. Further, we have tested the accuracy of historical provisions for discounts and bonuses.

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

Other information

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

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

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in the statements on corporate governance and corporate social responsibility

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

Opinion on registration and documentation

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

Oslo, 24 February 2017
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant (Norway)

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

Historical key figures

Historical key figures are presented for each of the last four years (2012-2015), as they were presented in that year's annual report. Subsequent accounting restatements (due to changes in accounting principles, items presented as "Discontinued operations", etc.) are therefore not reflected in the set of figures presented. This is because Orkla wishes to present the Group as reported for the years in question, so as to illustrate the actual level of activity in each year.

	Definition	2016	2015	2014	2013	2012
INCOME STATEMENT						
Operating revenues	(NOK million)	37 758	33 198	29 599	33 045	30 001
EBIT (adj.)*	(NOK million)	4 298	3 609	3 214	3 142	3 279
Other income and expenses	(NOK million)	(382)	(502)	(100)	(860)	(433)
Operating profit	(NOK million)	3 916	3 107	3 114	2 282	2 846
EBIT (adj.)-margin ¹	1 (%)	11.4	10.9	10.9	9.5	10.9
Profit/loss from associates and joint ventures	(NOK million)	1 378	1 111	121	2	414
Ordinary profit/loss before taxes	(NOK million)	5 182	4 090	2 872	2 664	3 873
Gains/profit/loss discontinued operations	(NOK million)	-	(17)	(485)	(1 225)	(1 583)
Profit/loss for the year	(NOK million)	4 375	3 351	1 699	747	1 583
CASH FLOW						
Net cash flow	(NOK million)	(956)	(1 561)	3 062	(2 757)	5 273
CAPITAL AS AT 31 DECEMBER						
Book value of total assets	(NOK million)	55 604	54 238	50 112	52 115	57 686
Market capitalisation	2 (NOK million)	79 586	71 361	52 025	47 981	49 031
Equity ratio	3 (%)	60.9	62.2	62.5	59.1	53.9
Net interest-bearing liabilities	4 (NOK million)	8 056	7 805	5 661	8 496	4 960
Net gearing	5	0.24	0.23	0.18	0.28	0.16
Interest coverage ratio	6	23.1	17.3	10.8	8.1	10.6
Average borrowing rate	(%)	1.8	2.8	3.4	3.4	3.7
Share of floating interest-bearing liabilities	7 (%)	67	61	57	54	63
Average time to maturity liabilities	8 (year)	3.3	3.2	3.7	3.6	3.1
SHARES						
Average number of shares outstanding, diluted	(x 1,000)	1 017 969	1 018 394	1 017 795	1 013 312	1 011 770
Average number of shares outstanding	(x 1,000)	1 017 526	1 017 546	1 016 375	1 012 284	1 011 723
SHARE-RELATED KEY FIGURES						
Share price at 31 December	(NOK)	78.20	70.10	51.15	47.32	48.50
Earnings per share, diluted	9 (NOK)	4.22	3.24	1.63	0.68	1.56
Ordinary dividend per share (proposed for 2016)	(NOK)	2.60	2.50	2.50	2.50	2.50
Payout ratio	10 (%)	61.6	77.2	153.4	357.1	156.3
Price/earnings ratio	11	18.5	21.6	31.4	67.6	30.3
PERSONNEL						
Number of employees		18 154	14 670	12 921	16 756	15 001
Number of man-years		18 038	14 532	12 714	16 737	15 042

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

Definisjon:

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

Share information

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

Market capitalisation and turnover

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

In terms of market value, Orkla is the sixth largest company on the Oslo Stock Exchange as at 31 December 2016. At the end of 2016, its market capitalisation was NOK 79.7 billion, up NOK 8.3 billion from the end of 2015. The average daily volume of Orkla shares traded on the Oslo Stock Exchange was 1.8 million, equivalent to 0.17% of the total number of shares.

In 2016, around 70% of Orkla share trades took place on marketplaces other than the Orkla Stock Exchange, such as the LSE, BATS OTC and BOAT. The Orkla share may also be traded through Orkla's Level-1 ADR programme in the US. More information on the ADR programme may be found on Orkla's website under "Investor Relations".

Return on investment

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

Return including reinvested dividend per 31.12.2016

	Orkla	OSEBX
Latest year	15.6%	12.1%
Latest 3 years	87.6%	24.6%
Latest 5 years	121.4%	77.7%
Latest 10 years	89.2%	55.3%

Source: Delivered by Nasdaq with data from Euroland.com.

Dividend policy

Over time, Orkla's shareholders shall receive a competitive return on their investment through a combination of dividends and an increase in the share price. Orkla has achieved

a steady, stable increase over time in the dividends paid out. The goal in future is to pay an annual dividend of at least NOK 2.50 per share.

The Board of Directors proposes to pay a dividend of NOK 2.60 per share for the 2016 financial year. The dividend will be paid out on 3 May 2017 to shareholders of record on the date of the Annual General Meeting.

Treasury shares

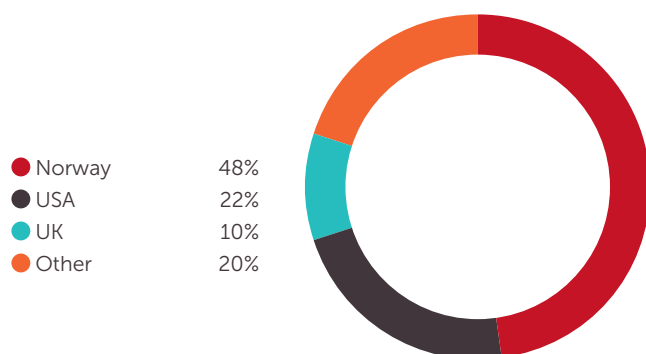
Orkla supplements its dividends with moderate share buybacks. At the 2016 Annual General Meeting, the Board of Directors was granted authorisation to buy back up to 100,000,000 Orkla shares. The authorisation was granted for a limited period of time, and must be implemented at the latest by the 2017 Annual General Meeting. Shares acquired under the authorisation must be cancelled or used in connection with employee incentive programmes, including the Group's employee share purchase programme. A total of 2,000,000 Orkla shares were bought back in 2016 for the latter purpose. As at 31 December 2016, Orkla owned 1,213,135 treasury shares. The Board of Directors will propose to the General Meeting in 2017 that the authorisation to buy back Orkla shares be renewed.

Voting rights

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

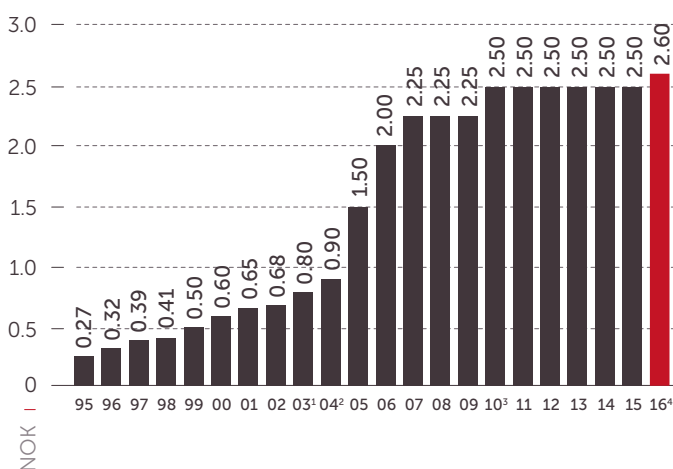
Read more about Orkla's voting rights and the general meeting on Orkla's website, under "Investor Relations".

Shareholders by geographical area*



*As of 31.12.2016

Ordinary dividend per share



¹Additional dividend NOK 5.00 per share. | ³Additional dividend NOK 5.00 per share.
²Additional dividend NOK 1.00 per share. | ⁴Proposed dividend.

The 20 largest shareholders as of 31.12.2016¹

Shareholder	No. of shares	% of capital
1 Canica ²	249 142 000	24.48%
2 Folketrygdfondet	79 878 909	7.85%
3 Artisan Partners Limited Partnership	34 909 100	3.43%
4 Newton Investment Management Ltd.	30 917 034	3.04%
5 BlackRock Institutional Trust Company. N.A.	19 818 658	1.95%
6 Epoch Investment Partners, Inc.	17 995 852	1.77%
7 First Eagle Investment Management, L.L.C.	17 347 381	1.70%
8 The Vanguard Group, Inc.	17 086 453	1.68%
9 KLP Forsikring	12 862 946	1.26%
10 Acadian Asset Management LLC	12 859 940	1.26%
11 MSD Partners, L.P.	12 051 285	1.18%
12 SAFE Investment Company Limited	11 492 883	1.13%
13 M & G Investment Management Ltd.	10 941 818	1.08%
14 Storebrand Kapitalforvaltning AS	10 755 003	1.06%
15 State Street Global Advisors (US)	10 501 933	1.03%
16 Robeco Institutional Asset Management B.V.	8 455 369	0.83%
17 Standard Life Investments Ltd.	8 238 419	0.81%
18 Statoil Kapitalforvaltning ASA	7 525 069	0.74%
19 INVESCO Asset Management Deutschland GmbH	7 483 980	0.74%
20 Arrowstreet Capital, Limited Partnership	7 467 616	0.73%
Total	587 731 648	57.75%

¹Source: The shareholder list is delivered by Nasdaq.²Canica: Canica AS, Canica Investor AS, Tvist 5 AS, Stein Erik Hagen AS

Key figures for the Orkla share

	2016	2015	2014	2013	2012
Share price, high (NOK)	83.55	72.25	59.15	52.75	49.27
Share price, low (NOK)	64.65	48.73	45.82	43.28	39.21
Share price, closing 31.12. (NOK)	78.20	70.10	51.15	47.32	48.50
Diluted earnings per share (NOK)	4.22	3.24	1.63	0.68	1.56
Dividend paid per share ¹ (NOK)	2.60	2.50	2.50	2.50	2.50
Percentage of foreign shareholders	51.8%	54.5%	53.8%	52.1%	45.9%
Number of shares issued as of 31.12.	1,018,930,970	1,018,930,970	1,018,930,970	1,018,930,970	1,018,930,970
Number of shares outstanding as of 31.12.	1,017,717,835	1,017,990,670	1,017,098,067	1,013,958,864	1,010,943,856

¹Proposed dividend

Analysts

Brokerage house	Contact	Telephone	Email
ABG Sundal Collier	Petter Nystrom	+47 22 01 61 35	petter.nystrom@abgsc.no
Arctic Securities	Magnus Berg	+47 21 01 32 09	magnus.berg@arcticsec.no
Bernstein	Andrew Wood	+65 62 30 46 49	andrew.wood@bernstein.com
Carnegie	Preben Rasch-Olsen	+47 22 00 93 59	pro@carnegie.no
Danske Market Equities	Martin Stenshall	+47 85 40 70 73	martin.stenshall@danskebank.com
DNB Markets	Ole Martin Westgaard	+47 24 16 92 00	ole.martin.westgaard@dnb.no
Goldman Sachs	John Ennis	+44 207 552 9608	john.ennis@gs.com
Handelsbanken Capital Markets	Kjetil Lye	+47 22 94 07 00	kjly01@handelsbanken.no
Nordea Markets	Anders Hagen	+47 22 48 79 83	anders.hagen@nordea.com
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SEB Enskilda	Kenneth Sivertsen	+47 22 82 67 27	kenneth.sivertsen@seb.no
SpareBank1 Markets	Lars-Daniel Westby	+47 24 14 74 16	lars.westby@sb1markets.no
Swedbank Securities	Marius Gaard	+47 91 19 38 05	marius.gaard@swedbank.no
UBS Investment Bank	David Hallden	+46 84 53 73 00	david.hallden@ubs.com

Financial Calendar 2017

Date	Event
20 April	Annual General Meeting
21 April	Share traded ex. dividend ¹
3. May	Dividend payment ¹
9. May	1st quarter
14. July	2nd quarter
25. October	3rd quarter

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

Additional information for valuation purposes

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

Consolidated operations:

Hydro Power

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

The Saudefaldene plant's normal annual production totals 1,810 GWh. Saudefaldene leases approximately 1 TWh per year from Statkraft and has corresponding delivery commitments, the net effect of which is zero. The rest of the power is sold on the spot market. Payroll expenses and other operating costs related to these activities amounted to approximately NOK 52 million in 2016. Major maintenance investments are generally recognised in the financial statements under operating expenses. Saudefaldene receives an annual amount from Statkraft in compensation for major maintenance investments. The net charge in 2016 was approximately zero, as in 2015. Depreciation totalled NOK 51 million in 2016.

The power operations in Sarpsborg are based on power rights that are not subject to reversion, and normal annual production totals 593 GWh. The power is sold on the spot market. Payroll expenses and other operating costs related to these activities totalled around NOK 41 million in 2016. Depreciation amounted to around NOK 9 million in 2016.

Financial Investments

Financial Investments consist of shares and financial assets, as well as Orkla Eiendom, with a total book value of approximately NOK 1.4 billion as at 31 December 2016.

The market value of shares and financial assets was NOK 0.1 billion as at 31 December 2016. For more information, see Note 24 "Shares and financial assets".

Orkla Eiendom meets the Group's needs for specialised expertise and assistance in the real estate sector, and is responsible for the administration, development and sale of properties that are not utilised in Orkla's industrial operations. Orkla also has a historical portfolio of real estate-related

investments, which are being realised in accordance with the Group's current strategy. The most important development projects in the portfolio are the construction of a new headquarters for Orkla at Skøyen, and two housing projects at Torshov in Oslo. As of 31 December 2016, Orkla's real estate investments had a carrying value of NOK 1.3 billion, of which around NOK 860 million was related to the three largest development projects. The focus in future will be on realising the potential value of the development projects, and on securing assets and freeing up capital through the sale of properties and projects that are not to be further developed. Current development projects require investments during the construction period, while gains are primarily expected to be realised in the period 2018–2020.

Read more at www.orklaeiendom.no

Associates:

Jotun

Orkla owns 42.5% of Jotun, which is reported as an associate. Jotun is a well-established global manufacturer of paint and powder coatings, and holds strong positions in Scandinavia, Asia and the Middle East. The company is steadily expanding and has achieved good organic growth in the past few years. Jotun reported operating revenues of NOK 15.8 billion in 2016 and EBIT amounted to NOK 1.8 billion. Net interest-bearing liabilities as at 31 December 2016 totalled NOK 1.5 billion.

Read more at www.jotun.com

Sapa

In 2013, Orkla and Hydro merged their respective extrusion, building system and tubing operations to create a leading global supplier of aluminium solutions. The merged company, Sapa is presented on a single line in the income statement (Associates and joint ventures) using the equity method. Sapa's income statement is presented in Note 6 "Investments accounted for using the equity method". In connection with the merger, the company targeted cost synergies totalling NOK 1 billion in the period up until 2016. These synergies were realised ahead of schedule and exceeded the target. The shareholders have an agreement whereby each party may initiate a process for listing the company on the stock exchange around three years after the establishment of Sapa JV (1 September 2013), and whereby each party may decide to retain an interest of up to 34%. Net interest-bearing liabilities as at 31 December 2016 totalled NOK 0.1 billion.

Read more at www.sapagroup.com

Orkla Board of Directors



STEIN ERIK HAGEN¹

Chairman of the Board / (b. 1956)

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

Mr Hagen was first elected to the Board in 2004 and is up for election in 2017. Retailer and founder of RIMI in 1977. Co-founder of ICA AB in 1999. Owner of Canica AS and associated family-owned companies together with three of his children. Chairman and member of the Board of various companies in which the Hagen family has direct or indirect ownership interests. Member of the Board of the Stein Erik Hagen Stiftelse for Klinisk Hjerteforskning (Foundation for Clinical Heart Research) and member of the Committee of Shareholders' Representatives of Stein Erik Hagens Allmenntilgige Stiftelse (Charitable Foundation). Founder and General Manager of the Prostate Cancer Foundation of Norway. Member of the Board of the Byrd Hoffman Watermill Foundation. Orkla and Canica and/or Stein Erik Hagen have one common business interest*. The Board of Directors of Orkla has been informed of this interest, and has taken due note of the information.

Mr Hagen and related parties own 249,142,000 shares in Orkla ASA². Mr Hagen attended 6 Board meetings in 2016.

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



GRACE REKSTEN SKAUGEN

Deputy Chair of the Board / (b. 1953)

MBA, BI Norwegian Business School, BSc and PhD in Laser Physics, Imperial College of Science and Technology

First elected to the Board in 2012 and up for election in 2017. Ms Reksten Skaugen works as an independent consultant. She is Chair of the Board of the Norwegian Institute of Directors. She is also member of the Board of Directors of Lundin Petroleum AB and Euronav Tankers and member of the Board and Chair of the Audit and Risk Committee of Investor AB. She was formerly Director, SEB Enskilda Securities, Corporate Finance.

Ms Reksten Skaugen and related parties own 3,000 shares in Orkla ASA². Ms Reksten Skaugen attended 7 Board meetings in 2016.



INGRID JONASSON BLANK

Board Member / (b. 1962)

BSc in Business Administration and Economics from the University of Gothenburg

First elected to the Board in 2013 and up for election in 2017. Ms Jonasson Blank held various positions at ICA from 1986 to 2010, most recently as EVP Functional Market Responsibility, ICA Sverige. She is currently member of the Board of Fiskars Oyj, MATAS A/S, Royal Unibrew A/S, Bilia AB, Ambea Sverige AB, Musti ja Mirri Oy, Matse Holding AB and ZetaDisplay AB.

Ms Jonasson Blank and related parties own 1,750 shares in Orkla ASA². Ms Jonasson Blank attended 7 Board meetings in 2016.

¹Not independent

²Shares owned as at 31 December 2016

Orkla Board of Directors



LISBETH VALTHER

Board Member / (b. 1966)

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

First elected to the Board in 2013 and up for election in 2017. Ms Valthers is co-founder of Next Step Citizen A/S and has been CEO of the company since 2012. From 1989 to 2012 she held various positions at LEGO, most recently as EVP Consumer, Education & Direct (2006–2012) in charge of the LEGO Group's direct trade with consumers, digital activities and new business development. Member of the Board of Directors and member of the Audit Committee of Amersports Oy since 2015.

Ms Valthers and related parties own 3,000 shares in Orkla ASA². Ms Valthers attended 7 Board meetings in 2016.



LARS DAHLGREN

Board Member / (b. 1970)

MSc in Economics and Business Administration from the Stockholm School of Economics

First elected to the Board in April 2014 and up for election in 2017. Mr Dahlgren has been CEO of Swedish Match AB since 2008. From 2004 to 2008 he was CFO of Swedish Match AB, and from 2002 to 2004 held the post of VP Group Finance at Swedish Match AB. From 2000 to 2002 he was Financial Director and Director of Business Development at Vasatek Ltd. (JV between Swedish Match and Gumtech Inc.). Prior to that, Mr Dahlgren was Financial Director, Treasurer and Director IT at Swedish Match Philippines Inc., 1998–2000. From 1996 to 1998 he worked as Assistant Controller at Swedish Match AB, before which he held the post of Financial Analyst at SBC Warburg, 1995–1996. He is member of the Board of Arnold André GmbH & Co. KG.

Mr Dahlgren and related parties own 2,000 shares in Orkla ASA². Mr Dahlgren attended 7 Board meetings in 2016.



NILS K. SELTE¹

Board Member / (b. 1965)

MBA, BI Norwegian Business School

First elected in April 2014 and up for election in 2017. Since 2014 Mr Selte has been CEO of Canica AS where he has been employed since 2001, first as CEO from 2001 to 2006 and later as Finance Director from 2006 to 2014. Mr Selte was previously SVP Finance/Group Treasurer at ICA Ahold AB from 1999 to 2001, before which he held the posts of SVP Finance/Group Treasurer and Finance Manager at Hakon Gruppen AS from 1998 to 2001. From 1994 to 1996 he was Finance Manager at LIVI Norge AS and consultant at the Office of the Auditor General of Norway from 1991 to 1994. Nils K. Selte is member of the Board of Komplet AS and Deputy Chair of the Board of Centurie AS and several other Canica companies.

Mr. Selte and related parties own 18,000 shares in Orkla ASA². Mr Selte attended 7 Board meetings in 2016.

¹Not independent

²Shares owned as at 31 December 2016

Orkla Board of Directors



TERJE UTSTRAND

Employee-elected Board member / (b. 1964)

First elected to the Board in 2012 and up for election in 2018. Chief trade union representative (2010–), Chair of the Board for LO union members at Orkla, Chair of Orkla's Committee of Union Representatives and European Works Council. NNN union representative at Nidar AS since 1999 (chief union representative 2002-2010), deputy member of the Board of Nidar AS from 2004 to 2010, member of the Board of Orkla Brands AS from 2008 to 2012. Member of Orkla's Committee of Union Representatives-Working Committee since 2000. Employed at Orkla Confectionery & Snacks Norge.

Mr Utstrand and related parties own 5,240 shares in Orkla ASA². Mr Utstrand attended 7 Board meetings in 2016.



SVERRE JOSVANGER

Employee-elected Board member / (b. 1963)

First elected to the Board in 2012 and up for election in 2018. Chair of the Executive Committee for Salaried Employees at Orkla and secretary of Orkla's Committee of Union Representatives and the Working Committee of the Executive Committee since 2012. Member of the European Works Council. Member of Orkla's Pension and Insurance Council (POFFO) since 2012. Head of the trade union division at Nidar since 1994 and chief union representative for salaried employees at Nidar since 2010. Deputy member of Nidar's Board of Directors since 2010. Member of the Audit Committee since May 2014. Employed at Orkla Confectionery & Snacks as sales consultant since 1988.

Mr Josvanger and related parties own 18,053 shares in Orkla ASA². Mr Josvanger attended 7 Board meetings in 2016.



KARIN HANSSON

Employee-elected Board member / (b. 1960)

First elected to the Board in 2016 and up for election in 2018. Employed at Orkla Foods Sverige. Elected representative of the Swedish Food Workers' Union at Orkla Foods Sverige. Member of Orkla's Committee of Union Representatives, Working Committee of the Executive Committee and the European Works Council.

Ms Hansson and related parties own 487 shares in Orkla ASA². Ms Hansson attended 5 Board meetings in 2016.

¹Not independent

²Shares owned as at 31 December 2016

Orkla Board of Directors



ROGER VANGEN

Employee-elected Board member / (b. 1965)

First elected to the Board in 2016 and up for election in 2018. Employed at Orkla Foods Norge and NNN union representative at Orkla Foods Norge. Member of the Committee of Representatives at Orkla Foods Norge. Member of the Liaison Committee's Working Committee at Orkla Foods. Member of the Board for LO union members at Orkla. Member of Orkla's Committee of Union Representatives, Working Committee of the Executive Committee and the European Works Council.

Mr Vangen and related parties own 7,014 shares in Orkla ASA². Mr Vangen attended 5 Board meetings in 2016.



CAROLINE MARIE HAGEN KJOS¹

Personal deputy member for Stein Erik Hagen and Nils K. Selte / (b. 1984)

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

First elected to the Board in 2016 and up for election in 2017. Ms Hagen Kjos works as Project Manager in Canica International AG, Switzerland, where she shares responsibility for investments and strategy with the Managing Director. She has previously been employed as Project Manager in marketing and purchasing in Jernia Gruppen. Ms Hagen Kjos is Chair of the Board of Directors of Canica AS and member of the Board of Komplett Group.

Ms Hagen Kjos and related parties own no shares in Orkla ASA³. Ms Hagen Kjos attended 5 Board meetings in 2016.

¹Not independent

²Shares owned as at 31 December 2016

³Hagen Kjos has a substantial ownership interest in the Canica companies, but she is not able to exercise a decisive influence on them.

The Group Executive Board



PETER A. RUZICKA

President and CEO / (b. 1964)

MBA and degree in Business Economics, Oslo Business School

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

Mr Ruzicka and related parties own 683,086 shares in Orkla ASA¹.



JENS BJØRN STAFF

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

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

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

Mr Staff and related parties own 1,336 shares in Orkla ASA¹.



KARL OTTO TVETER

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

Degree in Law, University of Oslo

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

Mr Tveter and related parties own 46,668 shares in Orkla ASA¹.

¹Shares and options owned as at 31 December 2016.

The Group Executive Board



JOHAN CLARIN

Executive Vice President Operations / (b. 1971)

Master of Science, Business Administration, University of Gothenburg, Stockholm School of Economics

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

Mr Clarin and related parties own 2,172 shares in Orkla ASA¹.



ATLE VIDAR NAGEL JOHANSEN

Executive Vice President, CEO Orkla Foods / (b. 1963)

Authorised Financial Analyst, Norwegian School of Economics (NHH), MSc in Business (siviløkonom), BI Norwegian Business School

Member of Orkla's Group Executive Board since June 2012. CEO, Orkla Foods, since 2012. CEO, Orkla Foods Nordic, 2008–2012. CEO, Orkla Foods, 2005–2008. Marketing Director, Orkla Foods International, 2003–2005. Finance Director, Orkla Foods, 2001–2003. Chief Financial Officer, Tandberg Data ASA, 1999–2000. Finance Director, Sætre AS/Orkla Snacks, 1996–1999. Head of Economic Planning & Analysis, Orkla ASA, 1993–1996. Financial analyst, Carl Kierulf & Co, 1989–1992. Financial analyst, Jøtun Fonds, 1987–1989.

Mr Nagel Johansen and related parties own 21,681 shares and 35,000 options in Orkla ASA¹.



ANN-BETH FREUCHEN

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

MSc in Business (siviløkonom), BI Norwegian Business School

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

Ms Freuchen and related parties own 7,776 shares and 40,000 options in Orkla ASA¹.

¹Shares and options owned as at 31 December 2016.

The Group Executive Board



STIG EBERT NILSSEN

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

Major in Finance and International Marketing, Oslo Business School

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

Mr Nilssen and related parties own 49,046 shares and 50,000 options in Orkla ASA¹.



PÅL EIKELAND

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

MSc in Business (siviløkonom), BI Norwegian Business School

Member of Orkla's Group Executive Board since June 2012, CEO Orkla Food Ingredients since 2010. Senior Vice President Corporate Development Purchasing, Orkla, 2005–2010, Purchasing Director, Orkla/Orkla Foods, 2001–2005. Director, Lilleborg Profesjonell, 1994–2001. CEO, Phillips Lys A/S, 1992–1994. Various managerial positions in sales and marketing, Lilleborg, 1983–1992.

Mr Eikeland and related parties own 22,836 shares in Orkla ASA¹.



TERJE ANDERSEN

CEO and Head of Orkla Investments / (b. 1958)

Degree in Economics and Business Administration (siviløkonom), Norwegian School of Economics (NHH)

Member of Orkla's Group Executive Board since November 2005. Head of Orkla Investments since 2013. Senior Vice President Corporate Finance at Orkla since 2000 and Chief Financial Officer of Orkla ASA since 2003. Prior to that, Finance Director at Orkla Brands and Lilleborg, and managerial positions at Deloitte Consulting and Nevi Finans.

Mr Andersen and related parties own 55,976 shares in Orkla ASA¹.

¹Shares and options owned as at 31 December 2016.

Members of Orkla's expanded Group Executive Board:



CHRISTER GRÖNBERG

Group Director, HR / (b. 1961)

College degree in Human Resources

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

Mr Grönberg and related parties own 6,401 shares and 40,000 options in Orkla ASA¹.



HÅKON MAGELI

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

MSc in Business (siviløkonom), BI Norwegian Business School, The Executive Programme (Darden, USA)

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

Mr Mageli and related parties own 76,001 shares and 50,000 options in Orkla ASA¹.

¹Shares and options owned as at 31 December 2016.

Governing bodies and elected representatives

Nomination Committee

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

Anders Christian Stray Ryssdal (1,315)¹
Leiv Askvig (0)
Nils-Henrik Pettersson (42,080)
Karin Bing Orgland (0)

Board of Directors

Stein Erik Hagen (249,142,000)
Grace Reksten Skaugen (3,000)
Ingrid Jonasson Blank (1,750)
Lisbeth Valther (3,000)
Lars Dahlgren (2,000)
Nils K. Selte (18,000)

Employee-elected Board members

Terje Utstrand (5,240)
Sverre Josvanger (18,053)
Roger Vangen (7,014)
Karin Hansson (487)

Shareholder-elected Deputy Board member

Caroline Hagen Kjos (0)²

Auditor

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

Figures in brackets indicate the number of shares owned as at 31 December 2016, including those owned by related parties.

Corporate democracy at Orkla ASA

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

The employees are represented by four of the 10 members of Orkla's Board of Directors.

A Committee of Union Representatives has been established for employees of the Norwegian, Swedish and Danish

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

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

The list below shows the members of Orkla's Committee of Union Representatives and Committee of Representatives as at 31 December 2016:

Orkla Committee of Union Representatives Working Committee

Terje Utstrand, Chair,
Peer Sørensen, 1st Deputy Chair
Karin Hansson, 2nd Deputy Chair
Sverre Josvanger, Secretary
Roger Vangen, member
Janne Halvorsen, member
Susanne Pedersen, member

Committee of Representatives (in addition to the Working Committee)

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

¹Owned by related parties.

²Hagen Kjos has a substantial ownership interest in the Canica companies, but she is not able to exercise a decisive influence on them.

Group Directory

PARENT COMPANY

ORKLA ASA

Nedre Skøyen vei 26, NO-0276 Oslo, Norway
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 00
www.orkla.com

BRANDED CONSUMER GOODS

ORKLA FOODS

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

Orkla Foods Norge AS

P.O. Box 711, NO-1411 Kolbotn, Norway
Tel.: +47 66 81 61 00
www.orklafoods.no

Orkla Foods Norge - Branches:

- Gimsøy Kloster, Skien
- Idun, Rygge
- Nora, Rygge
- Saritas, Kristiansand
- Stabburet, Fredrikstad
- Stabburet, Sem
- Stabburet, Stranda
- Stabburet, Vigrestad
- Sunda, Oslo
- Toro, Arna
- Toro, Elverum
- Vossafår, Voss

Orkla Foods Sverige AB

Isbergs gata 9 b, SE-211 19 Malmö, Sweden
Tel.: +46 10 142 40 00
www.orklafoods.se

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

Orkla Foods Danmark A/S

Hørsvinget 1-3, DK-2630 Taastrup, Denmark
Tel.: +45 43 58 93 00
www.orklafoods.dk

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

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

Orkla Foods Fenno-Baltic

Orkla Foods Finland Oy

P.O. Box 683, FI-20361 Turku, Finland
Tel.: +358 20 785 4000
www.orklafoods.fi

- Orkla Foods Finland Oy, Turku, Finland
- AS Põltsamaa Felix, Põltsamaa, Estonia
- Orkla Foods Lietuva, Kaunas, Lithuania
- Orkla Foods Latvija, Riga, Latvia

Orkla Foods Central Europe

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

Felix Austria GmbH

Felixstrasse 24, AT-7210 Mattersburg, Austria
Tel.: +43 2626 610-0
www.felix.at

VITANA, a.s.

Armády 245, CZ-155 00 Praha 5 – Stodulky, Czech Rep.
Tel.: +420 257 198 111
www.vitana.cz
www.vitanafs.cz
www.vitana.sk

- VITANA, a.s., Bysice, Czech Rep.
- VITANA, a.s., Roudnice nad Labem, Czech Rep.
- VITANA, a.s., Varnsdorf, Czech Rep.
- VITANA Slovensko, s.r.o., Slovakia

Hamé s.r.o.

Na Drahách 814, CZ-686 04 Kunovice, Czech Rep.
Tel.: +420 572 534 111
www.hame.cz

MTR Foods Private Limited

No. 1, 2nd & 3rd floor, 100 feet inner ring road
Ejipura, IN-560047 Bangalore, India
Tel.: +91 80 40 81 21 00
www.mtrfoods.com

- Rasoi Magic Foods Pvt. Limited, Pune, India

ORKLA CONFECTIONERY & SNACKS

P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 42 00

Group Directory

Orkla Confectionery & Snacks Norge AS

P.O. Box 423 Skøyen, NO-0213 Oslo, Norway

Tel.: +47 22 54 42 00

www.nidar.no

www.kims.no

www.saetre.no

- Trondheim, Norway
- Skreia, Norway

Orkla Confectionery & Snacks Sverige AB

Box 1196, SE-171 23 Solna, Sweden

Tel.: +46 77 111 10 00

www.olw.se

www.goteborgskex.se

Orkla Confectionery & Snacks Sverige - Branches:

- Filipstad, Sweden
- Kungälv, Sweden

Orkla Confectionery & Snacks Danmark A/S

Sømarksvej 31-35, DK-5471 Sønderød, Denmark

Tel.: +45 63 89 12 12

www.orklacs.dk

Orkla Confectionery & Snacks Finland AB

Äyritie 22, FI-01510 Vantaa, Finland

Tel.: +358 20 791 8600

- Haraldsby, Åland, Finland
- Vaajakoski, Finland

Orkla Confectionery & Snacks Latvija Ltd.

Miera iela 22, LV-1001 Riga, Latvia

Tel.: +371 67 080 302

www.orkla.lv

AS Kalev

Põrguvälja tee 6, Lehmja, Rae vald,

EE-Harjumaa 75 306, Estonia

Tel.: +372 6877 710

www.kalev.eu

ORKLA CARE

P.O. Box 423 Skøyen, NO-0213 Oslo, Norway

Tel.: +47 22 54 40 00

Lilleborg AS

P.O. Box 673 Skøyen, NO-0214 Oslo, Norway

Tel.: +47 22 54 40 00

www.orklahpc.no, www.lilleborg.no

Lilleborg

P.O. Box 673 Skøyen, NO-0214 Oslo, Norway

Tel.: +47 22 54 40 00

www.lilleborg.no

- Lilleborg Technical Dept., Furuset, Oslo, Norway

ORKLA HOME & PERSONAL CARE

P.O. Box 673 Skøyen, NO-0214 Oslo, Norway

Tel.: +47 22 54 40 00

www.orklahpc.no

- Orkla Home & Personal Care, Ski branch, Norway
- Orkla Home & Personal Care, Ello branch, Kristiansund N, Norway
- Orkla Home & Personal Care, Flisa branch, Norway
- Orkla Home & Personal Care, Falun, Sweden
- Orkla Home & Personal Care, Radzymin, Poland
- Jordan Asia Pacific Sdn Bhd, Kuala Lumpur, Malaysia
- Peri-dent LTD, Galashiels, Scotland
- Peri-dent Star Sdn Bhd, Nilai, Malaysia

Orkla Health AS

P.O. Box 353 Skøyen, NO-0213 Oslo, Norway

Tel.: +47 22 54 40 00

www.orklahealth.no, www.orklahealth.com

Orkla Care AB

Box 1336, SE-171 26 Solna, Sweden

Tel.: +46 10 142 64 00

www.orklacare.se

Orkla Care A/S

Industrigrenen 10, DK-2635 Ishøj, Denmark

Tel.: +46 78 79 75 62

www.axellus.dk

Orkla Care Oy

Äyritie 24, FI-01510 Vantaa, Finland

Tel.: +358 10 218 370

www.orklacare.fi

Orkla Care Sp z o.o.

Olkuska 7, PL-02-604 Warsaw, Poland

Tel.: +48 22 349 67 00

www.orklahealth.pl

SIA Orkla Health

Rūpniecības iela 19 – 6, LV-1010 Riga, Latvia

Tel.: +371 67211629

www.orklahealth.lv

UAB Orkla Health

Trinapolio 9E, LT-08337 Vilnius, Lithuania

Tel.: +370 5 23 10 654

www.orklahealth.lt

Group Directory

Orkla Wound Care

Box 1336, SE-171 26 Solna, Sweden
Tel.: +46 10-142 64 00
www.orkla.com, www.orklacare.se,
www.firstaid.cederroth.com

Orkla Cederroth, S.A.U.

Pol. Ind. Can Barri, C/D, naves 11-12
08415 Bigues I Riells, Barcelona, Spain
Tel.: +34 93 865 70 09
www.cederroth.es

Orkla House Care AB

P.O. Box 133, SE-564 23 Bankeryd, Sweden
Tel.: +46 36 37 63 00
www.anza.se

Orkla House Care Norge AS

P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 19
www.orklahousecare.com

Orkla House Care Danmark A/S

Stationsvej 13, DK-3550 Slangerup, Denmark
Tel.: +45 47 33 74 00
www.orklahousecare.com

LG Harris & Co Ltd

Stoke Prior, Bromsgrove, B60 4AE, England
Tel.: +44 1527 575441
www.harrisbrushes.com

Pierre Robert Group AS

P.O. Box 3 Skøyen, NO-0212 Oslo, Norway
Tel.: +47 22 54 40 00
www.pierrerobertgroup.no

Pierre Robert Group AB

Svetsarvägen 15, SE-171 41 Solna, Sweden
Tel.: +46 8 629 17 00
www.pierrerobert.se

Pierre Robert Group Oy

Äyritie 24, FI-01510 Vantaa, Finland
Tel.: +358 20 506 6000
www.pierrerobert.fi

ORKLA FOOD INGREDIENTS

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

Idun Industri AS, Hvam, Norway

- Idun Industri AS, Rakkestad, Norway
- Bako AS, Hvam, Norway
- Iglo Logistikkcenter, Jessheim, Norway

- Candeco Confektyr AB, Malmö, Sweden
- Nimatopaal i Dala-Järna AB, Dala-Järna, Sweden
- Frima Vafler, Århus, Denmark
- Call Caterlink Ltd., Cornwall, England
- Marcantonio Foods, Ltd., Essex, England
- Eisunion, Nürnberg, Germany
- NIC Nederland BV, Waddinxveen, The Netherlands
- Waverley, Glasgow, Scotland

Odense Marzipan A/S, Odense, Denmark

- Bæchs Conditori A/S, Hobro, Denmark

Credin Group, Freixeira, Portugal

- Credin Polska, Sobotka, Poland
- Credin Danmark, Juelsminde, Denmark
- Credin Productos Alimenticios, Barcelona, Spain
- Credin Russia, Ulyanovsk, Russia
- Merkur 09 Sp.z.o.o, Warsaw, Poland
- Kobo, Nisko, Poland
- Sebmag, Ciechanów, Poland
- Hołpol, Nowe Skalmierzyce, Poland

CBP A/S, Vejle, Denmark

Dragsbæk A/S, Thisted, Denmark

- Kjarnavörur hf, Reykjavik, Iceland
- Innbak hf, Reykjavik, Iceland
- UAB Vilniaus Margarino Gamykla (VMG), Vilnius, Lithuania
- Poznan Onion, Poznan, Poland
- KT Foods, Fårup, Denmark
- Gædabakstur, Reykjavik, Iceland
- Blume Food I/S, Randers, Denmark
- Naturlí' Foods, Højbjerg, Denmark
- PureOil I/S, Thisted, Denmark
- Grøndansk ApS, Vejen, Denmark
- Kristjans, Akureyri, Iceland
- Isbud, Reykjavik, Iceland
- Raw Snacks, Viby, Denmark

KåKå AB, Lomma, Sweden

- KåKå AB, Sollentuna, Sweden
- KåKå AB, Örebro, Sweden
- KåKå Czech, Prague, Czech Republic
- Belusa Foods, Belusa, Slovakia
- Jästbolaget AB, Sollentuna, Sweden
- MiNordija, Kaunas, Lithuania
- LaNordija, Riga, Latvia
- Vilmix, Tallinn, Estonia
- Ekvia, Nitra, Slovakia
- Condite Oy, Naantali, Finland
- Teampac, Tyresö, Sweden

Orkla Foods Romania SA, Bucharest, Romania

- Orkla Foods Romania, Covasna, Romania
- Orkla Foods Romania, Iasi, Romania

Group Directory

Sonneveld Group B.V., Papendrecht, The Netherlands

- Sonneveld Sarc, Cergy Pontoise, France
- Sonneveld NV/SA, Brussels, Belgium
- Sonneveld KFT, Öcsa, Hungary
- Sonneveld Poland, Nowe Skalmierzyce, Poland
- Broer, Waddinxveen, The Netherlands

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- Mossefossen ANS, Moss, Norway

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