



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.)