Orkla

First half
2017

Contents

More information about Orkla at www.orkla.com/Investor-relations

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

Design and layout: Design Container

The first half in brief

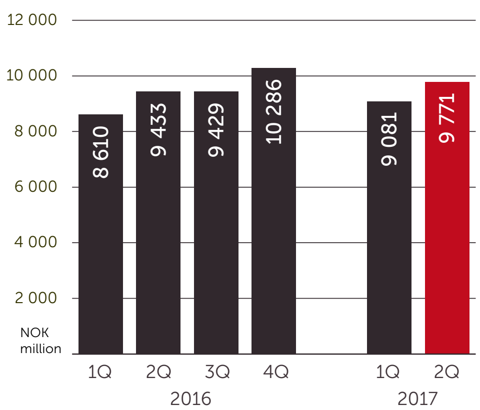
- In line with its strategy towards a leading branded consumer goods company, Orkla has entered into an agreement to sell its interest in Sapa to Norsk Hydro.
- Group EBIT (adj.)[1] totalled NOK 1,925 million in the first half, equivalent to growth of 6% compared with the first half of 2016.
- Branded Consumer Goods achieved turnover growth of 5% and organic[3] turnover growth of 1.1% in the first half. EBIT (adj.)[1] growth amounted to NOK 95 million (5%).
- Branded Consumer Goods' EBIT (adj.)[1] margin was 10.6%, on a par with last year. Good margin development for Confectionery & Snacks was offset by weak development for Orkla Foods.
- Earnings per share from continuing operations amounted to NOK 1.51 (NOK 1.56)[2] as at 30 June 2017, down from last year due to negative other income and expenses and a negative profit performance for associates.

Key figures for the Orkla Group

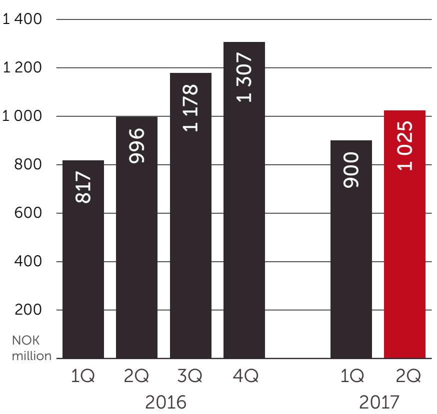
		1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	Note	2017	2016	2016	2017	2016
Operating revenues	2	18 852	18 043	37 758	9 771	9 433
Operating revenues Branded Consumer Goods	2	18 339	17 509	36 422	9 505	9 147
Organic revenue growth Branded Consumer Goods (%)[3]		1.1	2.7	1.8	0.7	3.7
EBIT (adj.)[1]	2	1 925	1 813	4 298	1 025	996
EBIT (adj.)[1] Branded Consumer Goods	2	1 937	1 842	4 300	1 016	982
Profit/loss from associates*		288	376	488	115	123
Profit/loss before taxes		1 950	1 982	4 292	967	940
Profis/loss from discontinued operations*	11	585	528	890	273	319
Earnings from continued operations per share, diluted (NOK)		1.51	1.56	3.34	0.75	0.68
Cash flow from operations**	14	1 560	887	3 368	830	673
Net interest-bearing liabilities	6	9 292	10 180	8 056		
Equity ratio (%)		59.3	58.1	60.9		
Net gearing[4]		0.27	0.32	0.24		

*Histoical income statement figures have been restated as Sapa is presented as discontinued operations.
**Excluding Financial Investments.

Operating revenues



EBIT (adj.)[1]



18,852

OPERATING REVENUES

Group operating revenus for the first half of 2017 totalled NOK 18,852 million

1,925

EBIT (ADJ.)[1]

Group EBIT (adj.)[1] for the first half of 2017 totalled NOK 1,925 million

All the footnotes in the quarterly report are presented together on page 10.

Financial matters

Group first-half operating revenues totalled NOK 18,852 million (NOK 18,043 million)[2], equivalent to growth of 4%. The improvement was largely attributable to structural and organic growth in Branded Consumer Goods. The organic[3] sales growth of 1.1% was driven by Orkla Confectionery & Snacks, Orkla Care and Orkla Foods. Currency translation effects arising from consolidation made a negative contribution of NOK 424 million to Branded Consumer Goods' first-half operating revenues.

Group EBIT (adj.)[1] amounted to NOK 1,925 million (NOK 1,813 million)[2] in the first half, equivalent to growth of 6%. The improvement was driven by structural growth, organic[3] top-line growth in Branded Consumer Goods and a good development for Hydro Power. First-half EBIT (adj.)[1] for Branded Consumer Goods amounted to NOK 1,937 million (NOK 1,842 million)[2], an increase of 5%. Currency translation effects arising from consolidation made a negative contribution of NOK 37 million to Branded Consumer Goods' first-half EBIT (adj.)[1].

The restructuring work in the Group continued through the first half, and the Group's other income and expenses totalled NOK -203 million (NOK -111 million)[2] in the period (see Note 3). These were largely related to acquisition and integration costs and a number of restructuring processes in the Group. Last year's expenses were affected by positive entries due to badwill in Kavli and profit from the sale of property in Brumunddal. There will be positive income entries later this year, including income related to the sale of Natural Foods.

Profit from associates totalled NOK 288 million (NOK 376 million)[2], reflecting weak growth for Jotun. As a consequence of the agreement concluded with Norsk Hydro, profit from Sapa has been moved and is now presented on the line for discontinued operations.

Net interest expense in the first half amounted to NOK -76 million (NOK -97 million)[2]. The decrease in net interest expense was due to non-periodic interest rates in 2016, lower interest rates and lower average debt levels in 2017.

Other net financial items include Orkla Investments' divestment of its remaining shareholding in Solsten Nordic Equities Fund, at a gain of NOK 52 million.

The average borrowing rate in the first half was 1.7%, and the Group's net interest-bearing liabilities as at 30 June 2017 totalled NOK 9.3 billion, compared with NOK 8.1 billion as at 31 December 2016.

Group profit before taxes totalled NOK 1,950 million (NOK 1,982 million)[2], and first-half taxes were estimated to be NOK 370 million (NOK 335 million)[2]. Orkla's diluted earnings per share from continuing operations were NOK 1.51 (NOK 1.56)[2] in the period. The decline was attributable to negative other income and expenses and negative growth for associates. Orkla's overall diluted earnings per share were NOK 2.09 (2.07)[2] for the first half.

Structural measures

In line with Orkla's strategy of being a leading branded consumer goods company, Orkla entered into an agreement to sell its interest in Sapa to Norsk Hydro. Orkla has been a Sapa shareholder since 2005, and established Sapa as a joint venture company in 2013 with Norsk Hydro. The parties have agreed on a purchase price that values Sapa at a total of NOK 27 billion (on a debt-free basis). The final purchase price will be determined on the basis of the statement of financial position at completion. Orkla will retain certain liabilities related to its ownership interest in Sapa post closing of the transaction.

To further secure its competitiveness, Orkla made a number of structural changes in the first half in order to rationalise its factory footprint, exploit economies of scale and optimise its portfolio. Among other things, the marzipan production operations in Italy (Natural Food in Orkla Food Ingredients) were sold, Orkla Foods decided to exit the mayonnaise-based salad category in Norway, and Orkla Care entered into an agreement to sell Lilleborg's[7] professional laundry business. Furthermore, Orkla combined the management teams of Orkla Foods Finland and Orkla Confectionery & Snacks Finland to form a common Orkla Suomi. Orkla Care also made several changes, including merging the Wound Care, HPC and Health business areas in Poland, as well as the House Care businesses in the UK. In Orkla Home and Personal Care, major organisational changes were implemented and the number of positions was reduced. Combined with Orkla's continuous work on improvement projects, these measures will continue to improve operations and increase profitability in the future.

In the first quarter of 2017, Orkla decided to invest a total of NOK 500 million in its pizza production operations at Stranda over a period of five years in order to focus on new innovations and achieve more efficient production. The goal is still to delight consumers with the best pizzas. The investment programme consists of several stages during the period from 2017 to 2021, which will enable future innovations. Towards the end of the period, the aim is to combine the two factories in Stranda at one location.

Orkla Food Ingredients has further strengthened its position in the ice cream and bakery ingredients market by buying the Netherlands sales and distribution company Laan Heiloo B.V, acquiring 85% of the shares in the UK sales and distribution company Orchard Valley

Foods Limited, and signing and completing an agreement to purchase 100% of the shares in the German sales and distribution company Eis Ludwig Gräbner GmbH. In addition, Orkla Food Ingredients, through its wholly-owned subsidiary Dragsbæk A/S, has signed and completed an agreement to purchase 80% of the shares in the Danish sales and distribution company SR Food A/S.

Orkla Care has expanded its position in the personal care market, and has signed and completed an agreement to purchase 100% of the shares in the Danish company Riemann Holding A/S.

In the first half, Orkla ASA, Thon Holding AS and Østfold Energi entered into an agreement with the investment company Jotunfjell Partners on the sale of all shares in Rygge Sivile Lufthavn AS.

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

Cash flow and financial position

The comments below are based on the cash flow statement as presented in Orkla's internal format and refer to the period 1 January to 30 June 2017. Reference is made to Note 14 in this report.

Cash flow from operations (excluding Financial Investments) amounted to NOK 1,560 million (NOK 887 million)[2] as at 30 June 2017. There was a seasonal build-up of working capital of NOK 298 million (NOK 564 million)[2] in the first half. The somewhat lower build-up of working capital compared with last year was largely due to one-off effects. Net replacement investments totalled NOK 484 million (NOK 760 million)[2], due to the continued high level of investment in Orkla Foods, but investments were lower than in 2016. Cash flow from operations for Financial Investments was NOK -84 million as at 30 June 2017 (NOK -97 million)[2].

An ordinary dividend of NOK 2.60 per share was paid out for the 2016 financial year. Dividends paid out as at 30 June 2017 totalled NOK 2,679 million. To fulfil remaining option programmes for senior executives, Orkla shares for a net total of NOK 75 million (NOK 91 million)[2] had been bought back at the end of the first half. Expansion investments totalled NOK 114 million (NOK 97 million)[2] as at 30 June 2017.

The sale of companies totalled NOK 147 million, and consisted mainly of sales of assets in the real estate portfolio. Companies purchased consisted of acquisitions by Branded Consumer Goods totalling NOK 731 million, with Riemann accounting for the majority of the amount. As at 30 June 2017, the net sale of shares and financial assets totalled NOK 46 million, related to the sale of its remaining shareholding in Solsten Nordic Equities Fund and acquisitions in Orkla Venture.

Net cash flow for the Group amounted to NOK -772 million (NOK -2,796 million)[2] as at 30 June 2017. The improvement from last year was due to the payout of a dividend by Sapa in the first half. The Group's interest-bearing liabilities for the quarter had an average borrowing rate of 1.7%, and are mainly denominated in SEK, EUR and DKK. Exchange rate fluctuations resulted in negative translation effects of NOK 464 million on net interest-bearing liabilities, which totalled NOK 9,292 million, equivalent to around 1.7 times EBITDA.

At the end of the first half, the equity ratio was 59.3%, compared with 60.9% as at 31 December 2016. Correspondingly, net gearing[4] was 0.27, compared with 0.24 as at 31 December 2016. The average remaining life of long-term liabilities and unutilised credit lines is 3.3 years. Orkla's financial position is robust, with cash reserves and credit lines that more than exceed loans that fall due and known capital expenditures in the next 12 months.

Branded Consumer Goods

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2017	2016	2016	2017	2016
Operating revenues	18 339	17 509	36 422	9 505	9 147
Organic revenue growth (%)[3]	1.1	2.7[5]	1.8	0.7	3.7
EBIT (adj.)[1]	1 937	1 842	4 300	1 016	982
EBIT (adj.)[1] margin (%)	10.6	10.5	11.8	10.7	10.7
Cash flow from operations before net replacement expenditures	2 053	1 608	4 669	1 082	950
Net replacement expenditures	(456)	(723)	(1 254)	(222)	(351)
Cash flow from operations	1 597	885	3 415	860	599
Expansion investments	(114)	(97)	(163)	(60)	(57)

Sales revenues changes %	FX	Structure[6]	Organic[3] growth	Total
1.1.–30.6.2017	-2.0	5.6	1.1	4.7
1.4.–30.6.2017	-0.2	3.4	0.7	3.9

Branded Consumer Goods had turnover growth of 5% and organic[3] turnover growth of 1.1% in the first half. Growth was driven by Orkla Confectionery & Snacks, Orkla Care and Orkla Foods. Orkla Food Ingredients saw an organic[3] decline in sales in the first half. Branded Consumer Goods' performance in the second quarter was negatively affected by the timing of Easter, which had the opposite effect in the first quarter.

Orkla Foods posted organic[3] sales growth driven by Sweden, Denmark and the Czech Republic. Orkla Confectionery & Snacks achieved volume-driven organic[3] growth in turnover, with particularly good growth in the confectionery category. Orkla Care delivered organic[3] sales growth driven by Orkla Health and Orkla Home and

Personal Care. Orkla Food Ingredients saw an organic[3] decline in sales, driven by the loss of private label contracts for butter blend products to Germany and Denmark, lower prices for marzipan due to the fall in raw material costs and the loss of certain contracts at the end of last year.

All in all, market growth in Orkla's categories was positive in the first half, but is still somewhat slower than before. Orkla's performance varied from one category and market to another, but overall growth for Branded Consumer Goods is estimated to match market growth.

First-half EBIT (adj.)[1] for Branded Consumer Goods amounted to NOK 1,937 million (NOK 1,842 million)[2], equivalent to a growth of 5%. Growth was primarily driven by acquisitions and top-line growth. The EBIT (adj.)[1] margin was 10.6%, on a par with last year. Orkla Confectionery & Snacks' good margin performance was offset by weak margin growth in Orkla Foods, driven by higher purchasing costs.

Orkla Foods

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2017	2016	2016	2017	2016
Operating revenues	7 735	7 385	15 476	3 977	3 967
EBIT (adj.)[1]	826	840	1 968	434	463
EBIT (adj.)[1] margin (%)	10.7	11.4	12.7	10.9	11.7
Cash flow from operations before net replacement expenditures	1 089	714	1 912	511	501
Net replacement expenditures	(174)	(434)	(717)	(55)	(219)
Cash flow from operations	915	280	1 195	456	282
Expansion investments	(72)	(87)	(145)	(37)	(47)

- Sales improvement chiefly driven by structural growth
- Profit decline due to higher purchasing costs for key raw materials and negative currency effects in connection with consolidation

Orkla Foods posted first-half operating revenues of NOK 7,735 million (NOK 7,385 million)[2], equivalent to an increase of 4.7% in sales, mainly driven by structural growth. Organic[3] growth was 0.8%, and was negatively impacted by a weak performance in Norway driven by a lower level of activity and destocking due to structural changes in the Norwegian retail sector. In addition, the business in India saw weaker growth than in previous periods due to destocking and the temporary negative effects in the retail sector of the introduction of a new national tax regime.

First-half sales were boosted by a number of innovations, the biggest of which were launches under the Grandiosa brand in both Norway and Sweden. Launches of vegetarian products in India and Sweden also made a positive contribution.

EBIT (adj.)[1] amounted to NOK 826 million (NOK 840 million)[2]. Structural profit growth was offset by negative currency effects in connection with consolidation and by higher purchasing costs for certain raw materials in Sweden and the Czech Republic. At the same time, advertising spend was high in the second quarter to support launches in some markets. The EBIT (adj.)[1] margin was 10.7% (11.4%)[2]. The decline from last year was attributable to the dilutive effect of the acquisition of Hamé and weak margin growth in the Swedish business due to the above-mentioned reasons.

Orkla Confectionery & Snacks

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2017	2016	2016	2017	2016
Operating revenues	2 971	2 933	6 230	1 527	1 476
EBIT (adj.)[1]	387	336	937	186	159
EBIT (adj.)[1] margin (%)	13.0	11.5	15.0	12.2	10.8
Cash flow from operations before net replacement expenditures	416	425	1 283	250	165
Net replacement expenditures	(86)	(126)	(205)	(45)	(51)
Cash flow from operations	330	299	1 078	205	114
Expansion investments	-	-	(4)	-	-

- Volume-driven organic[3] sales growth of 3.6%
- High campaign and launch intensity in first half
- Profit growth driven by sales growth and cost improvements

Orkla Confectionery & Snacks reported first-half operating revenues of NOK 2,971 million (NOK 2,933 million)[2], equivalent to a sales growth of 1.3%. Organic[3] growth was 3.6% in the first half. Growth was particularly strong for chocolate and confectionery, especially in Norway and Estonia. For the second quarter alone, operating revenues totalled NOK 1,527 million (NOK 1,476 million)[2].

Sales growth in the first half was primarily driven by high campaign and launch intensity, resulting in growth for the biggest product lines. Growth was particularly good for the confectionery category, but biscuits and snacks also showed overall improvement in sales. The biggest new launches in the second quarter included the Litago and Stratos chocolate tablet and Nidar Smågodt bags of sweets in Norway, launches under Kalev's nostalgic Maiuspala brand in Estonia, and the launch of Ballerina biscuit dragées in Sweden. Overall market shares grew, especially in the chocolate and confectionery sectors in Norway and the Baltics.

Cost improvement measures in the supply chain contributed positively to first-half profit growth. The improvements were achieved through projects initiated in both 2016 and 2017. The carry-over effects of the restructuring of the Latvian company in the first half of 2016 made a particularly strong contribution to profit improvement.

In the first half, Orkla Confectionery & Snacks decided to close a chocolate factory in downtown Riga. Parts of the production volume will be moved to a new location in the Riga area, while the rest of the volume will be handled by sister companies outside Latvia. The Baltic businesses in Confectionery & Snacks have now been combined under one common management.

First-half EBIT (adj.)[1] for Orkla Confectionery & Snacks was NOK 387 million (NOK 336 million)[2]. The improved results are attributable to higher sales and cost improvements. The EBIT (adj.)[1] margin for the first half was 13.0%, equivalent to a year-over-year increase of 1.5 percentage points.

Orkla Care

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2017	2016	2016	2017	2016
Operating revenues	3 671	3 284	6 740	1 813	1 629
EBIT (adj.)[1]	520	463	956	245	216
EBIT (adj.)[1] margin (%)	14.2	14.1	14.2	13.5	13.3
Cash flow from operations before net replacement expenditures	361	331	873	153	147
Net replacement expenditures	(87)	(52)	(146)	(48)	(19)
Cash flow from operations	274	279	727	105	128
Expansion investments	-	-	-	-	-

- Turnover growth driven by acquisitions and positive organic[3] growth
- The acquisition of Riemann, a company with good positions in the sun protection and anti-perspirant markets in Europe, was consolidated into the financial statements as of June
- Orkla Care has concluded an agreement to sell Lilleborg's[7] professional laundry business to the Belgian company Christeyns, which offers hygiene and cleaning products and services. The agreement is expected to be completed in the autumn of 2017

Orkla Care posted first-half operating revenues of NOK 3,671 million (NOK 3,284 million)[2], equivalent to sales growth of 11.8%. Organic[3] sales growth was 2.0%. The improvement was mainly driven by the good performance of Orkla Health and Orkla Home & Personal Care. Second-quarter operating revenues totalled NOK 1,813 million (NOK 1,629 million)[2].

Orkla Home & Personal Care (OHPC) achieved broad-based growth in most markets, especially internationally. For OHPC, the competitive climate in Norway is still challenging, but the business area has significantly strengthened its market shares in the grocery channel so far this year. Orkla Health delivered solid organic[3] growth, particularly in the Nordic markets. Lilleborg[7] had lower turnover than last year, partly due to high campaign activity last year, and to the negative timing of campaigns. Orkla House Care delivered organic[3] turnover on a par with last year. Pierre Robert Group saw negative organic[3] growth in the first half in Norway, Sweden and Finland, and experienced volume losses in all markets. Some of the decline was attributable to fewer campaigns than last year, but also to the loss of market shares. Wound Care achieved organic[3] growth, driven by innovations, increased distribution and extensive campaign activity.

The acquisition of Harris entails major changes in the House Care operations in the UK. From January 2017, the existing organisation and production operations were integrated into Harris. So far synergies have been realised as planned, but the ongoing changes have resulted in a decline in both turnover and profit for the entire UK business.

First-half EBIT (adj.)[1] amounted to NOK 520 million (NOK 463 million)[2]. Profit improvement was driven by contributions from acquisitions, organic growth and realisation of synergies. The EBIT (adj.)[1] margin for the first half was 14.2% (14.1%)[2]. The dilutive effects of the inclusion of acquired companies were offset by improved margins in existing businesses, and the realisation of synergies from structural measures.

Orkla Food Ingredients

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2017	2016	2016	2017	2016
Operating revenues	4 047	3 994	8 161	2 234	2 121
EBIT (adj.)[1]	204	203	439	151	144
EBIT (adj.)[1] margin (%)	5.0	5.1	5.4	6.8	6.8
Cash flow from operations before net replacement expenditures	187	138	601	168	137
Net replacement expenditures	(110)	(112)	(186)	(75)	(63)
Cash flow from operations	77	26	415	93	74
Expansion investments	(42)	(9)	(14)	(23)	(9)

- Exit of contracts with low profitability resulted in negative organic growth
- Continued positive effects from acquisitions
- Weak profit growth for the Romanian business

Orkla Food Ingredients reported first-half operating revenues of NOK 4,047 million (NOK 3,994 million)[2], an improvement of 1.3 %. Organic[3] sales growth for the first half corresponded to a decline of 0.7%. The negative differences were primarily due to the loss of private label contracts for butter blend products to Germany and Denmark with low profitability, a reduction in the price of marzipan due to lower raw material costs and the loss of some bakery ingredient contracts as of the end of last year. Conversely, there was good sales growth in much of the rest of the portfolio.

The top line will continue to be negatively affected by the loss of private label contracts for butter blends and the lower prices of marzipan, although there will be little impact on profit.

First-half EBIT (adj.)[1] amounted to NOK 204 million (NOK 203 million)[2]. Results were negatively impacted by weak profit growth for the business in Romania, which was due in part to higher costs imposed by the government (higher minimum wage and a significantly higher packaging tax) and a delay in passing on increased raw material costs to the market. In addition, earnings in Sweden and Finland were slightly weaker at the start of the year. Structural growth from acquisitions made a positive contribution to profit growth. The EBIT (adj.)[1] margin was 5.0% (5.1%)[2]. The decline was primarily due to the factors mentioned above.

Orkla Investments

Hydro Power

First-half EBIT (adj.) for Hydro Power amounted to NOK 133 million (NOK 97 million)[2]. The increase was primarily due to higher power prices, but also to slightly higher production volume. The area price in Sauda in the period was 26.5 øre/kWh, compared with 21.2 øre/kWh in the first half of 2016. The price trend for Sarpsfoss was similar, but area prices were somewhat higher in the first half of 2017 (26.8 øre/kWh). First-half production totalled 1,271 GWh, compared with 1,221 GWh in the same period of 2016. Operating costs in the first half were approximately on a par with costs in the same period of last year. At the end of June, the reservoir level in Sauda was somewhat higher than normal, while the snowpack level was normal.

Financial Investments

EBIT (adj.)[1] for Orkla Financial Investments amounted to NOK 2 million (NOK 23 million)[2] for the first half. The most important activities in the first half were the sale of a property in Bergen and the development and other work related to the sale of properties in the current real estate portfolio. The decline from last year can largely be ascribed to the sale of properties in 2016.

Orkla sold its remaining shareholding in the Solsten Nordic Equities Fund in the first half, recognising a gain of NOK 52 million.

Sapa (50% interest)

As a consequence of the agreement to sell Orkla's interests in Sapa to Norsk Hydro, from 10 July 2017, profit from Sapa has been moved and is now presented on the line for discontinued operations.

Sapa improved its underlying EBIT[8] in the second quarter of 2017, compared to the same period last year, ending the quarter at NOK 914 million. The quarterly result was the best in Sapa's history. The increase was driven by a higher share of value add business and internal improvements for all business areas.

Underlying EBIT[8] for the first half of 2017 improved compared to the same period in 2016, influenced by the same factors as discussed above.

Net interest-bearing liabilites increased to NOK 3.1 billion at the end of the quarter, mainly reflecting dividend payments of NOK 3 billion to the owners.

In North America, total demand for extruded products increased by 2.6%[9] compared to the same quarter last year. The increase was driven by stronger automotive demand and higher building and construction activity whereas demand from commercial transportation declined.

In Europe, total demand for extruded products increased by 2.4%[9] compared to the same quarter last year. Europe experienced stronger automotive and transportation demand, as well as an improved building and construction market.

Jotun (42.5% interest)

Despite continued volume growth, Jotun's sales revenues were slightly lower than in the same period of last year. Profitability was weaker compared with the strong results in 2015 and the first half of 2016. Weaker markets for Performance Coatings and declining gross margins have impacted negatively on results. This trend is related to the cyclical downturn in the marine newbuilding market and continued low activity in the offshore sector, especially in the Northeast Asia region. Higher raw material prices are also expected to affect gross margins negatively in the second half of 2017, but this effect will be counteracted to some extent by higher prices and cost management.

Jotun continues to pursue its organic growth strategy and maintain focus on operational efficiency by investing in production capacity in both its present and new markets, while also further developing its systems and employee capabilities. The biggest investments in the first half were mainly the construction of new production facilities in Malaysia, Myanmar and the Philippines, in addition to the ongoing construction of a new headquarter and a research and development centre in Sandefjord, Norway.

Other matters

Orkla's sale of its interest in Sapa to Norsk Hydro will generate a gain for Orkla of around NOK 5 billion. The final accounting gain will be calculated on the basis of the financial statements at completion. Under Norwegian tax law, the gain willl generate no tax liability. Orkla's Board of Directors will propose that an extraordinary dividend of NOK 5 per share be paid out after the agreement is completed. The Board proposes that the extraordinary dividend be approved and paid out as soon as is practically possible after completion of the agreement with Norsk Hydro.

Orkla hosted an Investor Day event in Oslo on 1 June, at which it was communicated that Orkla has delivered on its strategy of being a leading branded consumer goods company, and that its financial goals and dividend policy remain unchanged.

At its annual general meeting on 20 April, Orkla's Board of Directors was re-elected for one year, with Stein Erik Hagen as Board Chairman and Grace Reksten Skaugen as Deputy Chair. In addition, Liselott Kilaas was elected as a new member of the Board of Directors of Orkla ASA. Liselott Kilaas has many years of management experience in Norwegian and international business, and was CEO of Aleris Group until 1 February 2017. She will supplement the Board of Directors' strategic and operational capabilities, and will contribute insight from the service sector, in particular from the health and care sector which is a growing industry. Kilaas also has broad, diversified experience of Board service. The General Meeting approved a dividend of NOK 2.60 per share for the 2016 financial year, which was paid out on 3 May. The Orkla share was traded ex dividend as from 21 April 2017.

Mars Norge has terminated its chewing gum distribution agreement with Orkla Confectionery & Snacks Norge. As of 1 January 2018 it will take over the sale of Extra and Hubba Bubba chewing gum itself. This collaboration has yielded solid results, and since it began in 1988, the value market share of the chewing gum category has increased from 18% to 86%.

In June, the Norwegian Supreme Court handed down its decision on who is to be deemed the owner of the Sønna Høy power plant for tax purposes. The Supreme Court judgement determined that Saudafaldene, of which Orkla owns 85%, is the power plant owner for tax purposes, and is therefore liable to pay property and ground rent income tax. This will not affect Orkla's financial statements, as the company's financial statements have been charged with tax cost as if it were the owner for tax purposes.

In May, Orkla Foods Sverige won a four-year battle with Nestlé regarding the Felix brand in the Swedish Patent and Market Court. Under the judgment, Nestlé may not use the Felix brand for its cat food, and must pay damages and court costs.

Outlook

In the markets in which Orkla has a presence, growth is expected to remain moderate in the years ahead, with some variation from market to market.

Orkla continues to face strong competition from imported international brands and retailers' private labels. To meet this competition, as well as changing trends and consumer needs, Orkla must continue to maintain strong focus on innovation and operational and portfolio optimisation in order to secure its competitiveness and position in the future. Efforts to optimise and rationalise the supply chain so as to exploit economies of scale and reduce costs will continue.

Overall, the global commodity prices to which Orkla is exposed have risen somewhat in the recent past, and are now higher than in the same period of last year. However, prices vary substantially from one commodity group to another, and the uncertainty attached to future commodity price trends is generally high. In the first half of 2017, the euro has strengthened substantially against the Norwegian krone, which will put further pressure on purchasing prices.

The different business areas are exposed to varying degrees to currency risk, primarily related to purchasing in a foreign currency. Orkla also has currency translation exposure in connection with the consolidation of foreign businesses. There will always be uncertainty as to future exchange rate trends. Many of Orkla's 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 in addition to selected geographies where Orkla already has a presence remains unchanged. Orkla aims to deliver organic[3] growth that at least matches market growth and growth in annual adjusted EBIT (adj.)[1] of 6–9% in Branded Consumer Goods in the period 2016–2018.

Declaration by the Board of Directors

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2017 have been prepared in conformity with IAS 34 Interim Reporting and that the information in the financial statements provides a fair view of the enterprise and the Group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 13 July 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	Liselott Kilaas	Terje Utstrand
Sverre Josvanger	Karin Hansson	Roger Vangen	Peter A. Ruzicka President and CEO

(This translation of Orkla's first half report of 2017 has been made for information purposes only.)

Footnotes related to the quarterly report:

[1]Operating profit before other income and expenses.
[2]Figures in parentheses are for the corresponding period of the previous year.
[3]Reported growth in operating revenues adjusted for currency translation effects and purchased and sold companies. The figures for purchased/sold companies have been adjusted for a period of 12 months. The main reason for this alternative performance measure (APM) is to show the like-for-like development of turnover in the existing business.
[4]Net interest-bearing liabilities/equity
[5]In connection with the sale of a brand at the end of 2015, Orkla undertook a contractual obligation to the buyer to manufacture the brand under contract in 2016. The income from this contract production was reported as ordinary sales and included in organic growth in the first-to-third quarters, but it was decided not to include this income in organic growth when reporting the results for the fourth quarter and full year 2016. As a result of this decision, the comparative figures for organic growth for Branded Consumer Goods in the second quarter 2016 must be adjusted from 3.8% to 3.7%, and for the first half from 2.8% to 2.7%. Approximately the same effect will occur in third quarter, but figures for the full year 2016 will not be affected.
[6]Structural growth includes adjustments for the purchase and sale of the companies Hamé, Kavli, brands in PRG Finland, Harris, Colon C, Riemann, Broer, Laan, Orchard Valley and various minor acquisitions in Food Ingredients, as well as an adjustment for the closure of Natural Food and an adjustment of brands in Care (see Note 5).
[7]Lilleborg Profesjonell changed its company name to Lilleborg on 11 January 2017.
[8]Sapa underlying EBIT = EBIT adjusted for unrealised derivative results and material impairment charges, restructuring costs and other special effects.
[9]Source: CRU data.

Condensed income statement

Amounts in NOK million	Note	1.1.–30.6. 2017	1.1.–30.6. 2016	1.1.–31.12. 2016	1.4.–30.6. 2017	1.4.–30.6. 2016
Operating revenues	2	18 852	18 043	37 758	9 771	9 433
Operating expenses		(16 339)	(15 666)	(32 314)	(8 446)	(8 152)
Depreciation, amortisation and write-downs		(588)	(564)	(1 146)	(300)	(285)
Operating profit before other income and expenses (EBIT adj.)	2	1 925	1 813	4 298	1 025	996
Other income and expenses	3	(203)	(111)	(382)	(116)	(81)
Operating profit		1 722	1 702	3 916	909	915
Profit/loss from associates*		288	376	488	115	123
Interest, net		(76)	(97)	(177)	(39)	(47)
Other financial items, net	7	16	1	65	(18)	(51)
Profit/loss before taxes		1 950	1 982	4 292	967	940
Taxes		(370)	(335)	(807)	(185)	(200)
Profit/loss continuing operations		1 580	1 647	3 485	782	740
Discontinued operations*	11	585	528	890	273	319
Profit/loss for the period		2 165	2 175	4 375	1 055	1 059
Profit/loss attributable to non-controlling interests		40	63	82	25	42
Profit/loss attributable to owners of the parent		2 125	2 112	4 293	1 030	1 017

*Histoical income statement figures have been restated as Sapa is presented as discontinued operations.

Earnings per share

Amounts in NOK	1.1.–30.6. 2017	1.1.–30.6. 2016	1.1.–31.12. 2016	1.4.–30.6. 2017	1.4.–30.6. 2016
Earnings per share	2.09	2.07	4.22	1.01	1.00
Earnings per share (diluted)	2.09	2.07	4.22	1.01	1.00
Earnings per share for continuing operations, (diluted)	1.51	1.56	3.34	0.75	0.68

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–30.6. 2017	1.1.–30.6. 2016	1.1.–31.12. 2016	1.4.–30.6. 2017	1.4.–30.6. 2016
Profit/loss for the period		2 165	2 175	4 375	1 055	1 059
Items after tax not to be reclassified to profit/loss in subsequent periods						
Actuarial gains and losses pensions		-	-	(53)	-	-
Items after tax to be reclassified to profit/loss in subsequent periods						
Change in unrealised gains on shares	4	(53)	(153)	(234)	-	(38)
Change in hedging reserve	4	59	(64)	46	31	(8)
Carried against the equity in associates and discontinued operations	4	212	(369)	(611)	52	(1)
Translation effects		520	(330)	(648)	407	(111)
The Group's comprehensive income		2 903	1 259	2 875	1 545	901
Comprehensive income attributable to non-controlling interests		52	57	76		
Comprehensive income attributable to owners of the parent		2 851	1 202	2 799		

Condensed statement of financial position

Amounts in NOK million	Note	30.6. 2017	31.12. 2016
Intangible assets		19 548	18 343
Property, plant and equipment		11 518	11 038
Investments in associates and joint ventures and other financial assets	6	4 438	13 148
Non-current assets		35 504	42 529
Assets held for sale		8 106	-
Inventories		5 714	5 195
Inventory of development property		73	70
Trade receivables		6 048	5 597
Other receivables	6	845	902
Shares and financial assets		19	107
Cash and cash equivalents	6	1 029	1 204
Current assets		21 834	13 075
Total assets		57 338	55 604
Paid in equity		1 993	1 994
Earned equity		31 610	31 480
Non-controlling interests		416	402
Equity		34 019	33 876
Provisions and other non-current liabilities		4 279	4 146
Non-current interest-bearing liabilities	6	9 590	7 172
Current interest-bearing liabilities	6	1 051	2 496
Trade payables		4 537	4 329
Other current liabilities		3 862	3 585
Equity and liabilities		57 338	55 604
Equity ratio (%)		59.3	60.9

Condensed statement of changes in equity

	1.1.–30.6.2017			1.1.–30.6.2016		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interest	Total equity	Attributed to equity holders of the parent	Non-controlling interest	Total equity
Equity 1 January	33 474	402	33 876	33 329	417	33 746
The Group's comprehensive income	2 851	52	2 903	1 202	57	1 259
Dividends	(2 644)	(35)	(2 679)	(2 543)	(38)	(2 581)
Net purchase/sale of treasury shares	(75)	-	(75)	(91)	-	(91)
Change in non-controlling interests	(3)	(3)	(6)	(15)	(34)	(49)
Equity at the close of the period	33 603	416	34 019	31 882	402	32 284

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–30.6. 2017	1.1.–30.6. 2016	1.1.–31.12. 2016	1.4.–30.6. 2017	1.4.–30.6. 2016
Cash flow from operations before net capital expenditure		2 161	1 560	4 617	1 130	983
Received dividends and financial items		1 508	(15)	7	1 487	(56)
Taxes paid		(365)	(307)	(506)	(142)	(175)
Cash flow from operating activities		3 304	1 238	4 118	2 475	752
Net capital expenditure		(799)	(867)	(1 367)	(438)	(437)
Net sale (purchase) of companies	5	(497)	(1 238)	(1 887)	(419)	(113)
Net sale shares and financial assets		46	1 045	1 194	(42)	120
Other payments		15	12	11	21	31
Cash flow from investing activities		(1 235)	(1 048)	(2 049)	(878)	(399)
Net paid to shareholders		(2 754)	(2 672)	(2 676)	(2 640)	(2 550)
Change in interest-bearing liabilities and interest-bearing receivables*		496	2 723	1 100	1 018	1 689
Cash flow from financing activities		(2 258)	51	(1 576)	(1 622)	(861)
Currency effects cash and cash equivalents		14	(8)	(10)	10	(2)
Change in cash and cash equivalents		(175)	233	483	(15)	(510)
Cash and cash equivalents	6	1 029	954	1 204		

*Does not include interest-bearing liabilities and receivables related to acquired and sold companies.

See also Note 14 for cash flow Orkla-format.

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first half of 2017 were approved at the meeting of the Board of Directors on 13 July 2017. The figures in the statements have not been audited. Orkla ASA is a public limited liability company and its offices are located at Skøyen in Oslo, Norway.

Orkla shares are traded on the Oslo Stock Exchange. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculation have been applied as in the last annual financial statements.

The Group has agreed to sell its 50% interest in Sapa and has therefore presented the latter's results on a separate line as "Discontinued operations" (see Note 11). Historical profit and loss figures have been restated accordingly. No other changes have been made in presentation or accounting principles nor have any new standards been adopted that materially affect the Group's financial reporting or comparisons with previous periods.

The Group has purchased new businesses. The acquisitions are presented in Note 5.

NOTE 2 SEGMENTS

Operating revenues

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2017	2016	2016	2017	2016
Orkla	18 852	18 043	37 758	9 771	9 433
Branded Consumer Goods	18 339	17 509	36 422	9 505	9 147
Orkla Foods	7 735	7 385	15 476	3 977	3 967
Orkla Confectionery & Snacks	2 971	2 933	6 230	1 527	1 476
Orkla Care	3 671	3 284	6 740	1 813	1 629
Orkla Food Ingredients	4 047	3 994	8 161	2 234	2 121
Eliminations Branded Consumer Goods	(85)	(87)	(185)	(46)	(46)
Orkla Investments	493	519	1 302	257	274
Hydro Power	401	359	721	219	186
Financial Investments	92	160	581	38	88
HQ/Other Business/Eliminations	20	15	34	9	12

Operating profit - EBIT (adj.)[1]

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2017	2016	2016	2017	2016
Orkla	1 925	1 813	4 298	1 025	996
Branded Consumer Goods	1 937	1 842	4 300	1 016	982
Orkla Foods	826	840	1 968	434	463
Orkla Confectionery & Snacks	387	336	937	186	159
Orkla Care	520	463	956	245	216
Orkla Food Ingredients	204	203	439	151	144
Orkla Investments	135	120	323	74	86
Hydro Power	133	97	192	79	53
Financial Investments	2	23	131	(5)	33
HQ/Other Business	(147)	(149)	(325)	(65)	(72)

[1]Operating profit before other income and expenses.

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–30.6. 2017	1.1.–30.6. 2016	1.1.–31.12. 2016	1.4.–30.6. 2017	1.4.–30.6. 2016
M&A and integration costs	(66)	(113)	(245)	(24)	(64)
Final settlement employment relationships etc.	(51)	(21)	(59)	(51)	(10)
Gain/write-downs relating to coordination projects	(47)	25	24	(4)	5
Write-down Orkla Food Ingredients	-	-	(56)	-	-
Other restructuring costs and special IFRS effects	(39)	(2)	(46)	(37)	(12)
Total other income and expenses	(203)	(111)	(382)	(116)	(81)

Orkla Foods has decided to discontinue its production of mayonnaise-based salads in Elverum, Norway. Expenses totalling NOK 49 million have been expensed for costs incurred and the write-down of property, plant and equipment in the first half. Additional costs were also incurred in connection with a restructuring project in Denmark, which may in the longer term result in the disposal of certain business lines.

The Group continuously carries out integration and restructuring projects. Projects related to the integration of acquired companies and merging of factories require extensive resources and give rise to substantial costs. An improvement programme has been implemented in Orkla Home & Personal Care. As at 30 June 2017, a provision totalling NOK 39 million had been made for workforce reductions. Orkla Foods and Confectionery & Snacks in Finland are being merged to form Orkla Soumi and integration costs are being incurred. Furthermore, work has begun on coordinating chocolate production in Latvia in Orkla Confectionery & Snacks. Costs related to this project will be incurred over a long period of time, the majority of which appear likely to arise in the first quarter of 2018.

Based on the recommendations resulting from a pre-project, a decision has been made to carry out a main project entailing the establishment of a common IT platform for the Group. Preparations for the main project will begin immediately, the first stage of which will be to establish a project organisation and select an implementation partner. This process will be completed in late 2017, and the roll-out of the new platform will begin in 2018 and run for several years. Orkla's Board of Directors will make a final decision in the autumn of 2017. Expenses incurred during the initial stages of the project have been and will be reported as "Other income and expenses", while expenses relating to the establishment of a template and the project roll-out will be recognised in the statement of financial position as intangible assets.

The restructuring and integration processes in the Group will result in the divestment of businesses and assets. Gains of around NOK 100 million are expected in the last half of 2017.

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

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of shares and financial assets (unrealised gains) and hedging instruments (hedging reserve). These figures are presented after tax. The tax effect as at 30 June 2017 related to changes in unrealised gains is NOK 0 million (NOK 0 million in 2016), and the tax effect related to changes in the hedging reserve amounts to NOK 4 million (NOK 9 million in 2016).

Unrealised gains/losses on shares and the hedging reserve included in equity in the first half of 2017 (after tax) totalled NOK 0 million and NOK -244 million, respectively. Accumulated translation differences correspondingly amounted to NOK 1,169 million, and accumulated items recognised in equity in associates and discontinued operations amounted to NOK 1,294 million as at 30 June 2017.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Acquisition of companies

Orkla Care has signed and completed an agreement to purchase 100% of the shares in the Danish company Riemann Holding A/S ("Riemann"). The company holds good positions in the sun protection and antiperspirant markets, and with the acquisition of Riemann Orkla Care has strengthened its presence in the pharmacy channel. The product portfolio is marketed under the P20 and Perspirex brands. Riemann is based in Denmark, but around 90% of its turnover is generated by exports to other European markets. Riemann is a family-owned company established in 1979 and has 47 employees. The company's head office and production facilities are located in Hillerød, Denmark. In 2016, Riemann had a reported turnover of DKK 133.5 million (approx. NOK 168 million) and EBITDA of DKK 26.4 million (approx. NOK 33 million). The company was consolidated into Orkla's financial statements as of 1 June 2017.

Orkla Food Ingredients signed and completed an agreement to purchase 85% of the shares in the British sales and distribution company Orchard Valley Foods Limited ("Orchard Valley"). Orchard Valley holds strong positions as a supplier of ingredients and accessories to the UK bakery, chocolate and ice cream market. Most of its turnover is generated in the UK, but the company also has growing export sales to Europe. Orchard Valley is a privately owned company and has a total of 72 employees. The company's head office and production facilities are located in Tenbury Wells, UK. In the financial year ending on 31 May 2016, Orchard Valley posted a turnover of GBP 23.9 million (approx. NOK 252 million) and normalised EBITDA of GBP 2.0 million (approx. NOK 21 million). The agreement also includes an option to purchase the remaining 15% of the shares. The company was consolidated into Orkla's statement of financial position as of 31 March 2017, and was recognised in the income statement as of 1 April 2017.

Orkla Food Ingredients signed and completed an agreement to purchase 80% of the shares in the Danish sales and distribution company SR Food A/S ("SR Food"). Through the acquisition of SR Food, Orkla Food Ingredients aims to further develop its position as a supplier of organic and vegetarian foods. SR Food has a broad range of products, offering items such as fresh doughs, tapas and spreads to the Nordic market. SR Food is a privately owned company established in 2003 and has six employees. The company's headquarters is located in Randers, Denmark. In 2016, SR Food had EBIT of DKK 11.3 million (approx. NOK 14 million). The company was consolidated into the financial statements as of 1 May 2017.

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

Orkla Food Ingredients signed and completed an agreement to purchase 100% of the shares in the German sales and distribution company Eis Ludwig Gräbner GmbH ("Eis Gräbner"). With the acquisition of Eis Gräbner Orkla Food Ingredients has strengthened its position as a supplier of ice cream ingredients and accessories. Eis Gräbner is a privately owned company established in 1929 and has 18 employees. In 2016, Eis Gräbner had a turnover of EUR 6.5 million (approx. NOK 61 million). The company was consolidated into the financial statements as of 1 May 2017.

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

As of 30 June 2017, businesses had been purchased for a total of NOK 731 million on a debt-free basis.

Other matters
The purchase price allocations (PPA) for Hamé, O. Kavli, Waverley Bakery and assets in Nanso Group were finalised in the first half of 2017. No material changes were made in the PPAs, except with regard to Hamé where the excess values related to buildings and brands have been adjusted slightly in relation to the figures presented as at 31 December 2016. Goodwill has been increased correspondingly.

Sale of companies
In the first half of 2017, Orkla Eiendom (real estate) sold two properties for a total gain of NOK 16 million presented in EBIT (adj.). In addition, the proceeds of the sale of Åsane Utvikling, which was divested in the fourth quarter of 2016, were received in the first half of 2017.

NOTE 6 NET INTEREST-BEARING LIABILITIES
The various elements of net interest-bearing liabilities are shown in the following table:

Amounts in NOK million	30.6. 2017	31.12. 2016
Non-current interest-bearing liabilities	(9 590)	(7 172)
Current interest-bearing liabilities	(1 051)	(2 496)
Non-current interest-bearing receivables (in "Financial Assets")	312	390
Current interest-bearing receivables (in "Other receivables")	8	18
Cash and cash equivalents	1 029	1 204
Net interest-bearing liabilities	(9 292)	(8 056)

NOTE 7 OTHER FINANCIAL ITEMS, NET
The various elements of net other financial items are shown in the following table:

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2017	2016	2016	2017	2016
Gains, losses and write-downs shares and financial assets	52	137	187	-	73
Dividends	3	15	61	3	1
Net foreign currency gain/loss	-	(9)	(4)	(1)	(10)
Interest on pensions	(22)	(24)	(51)	(11)	(12)
Other financial items	(17)	(118)	(128)	(9)	(103)
Total	16	1	65	(18)	(51)

NOTE 8 RELATED PARTIES
The Canica system, controlled by Orkla Board Chairman Stein Erik Hagen (largest shareholder, with 24.5% of issued shares), and Orkla both have equity interests in a certain real estate investment. Canica AS has signed an agreement with Orkla ASA to lease office premises at Karenslyst allé 6 from 1 October 2017 to 31 December 2020. In addition, the Orkla Group makes sales to companies in the Canica system.

There were no material transactions between the Group and related parties in the first half of 2017.

The Group has intercompany balances totalling NOK 29 million with associates within Orkla's real estate investments.

NOTE 9 OPTIONS AND TREASURY SHARES
Changes in outstanding options and treasury shares are shown in the following tables:

Change in number of options:	
Outstanding options 1 January 2017	955 000
Exercised during the period	(955 000)
Forfeited during the period	-
Outstanding options 30 June 2017	0

Change in number of treasury shares:	
Treasury shares 1 January 2017	1 213 135
External purchases of treasury shares	1 500 000
Options exercised in treasury shares	(965 000)
Treasury shares 30 June 2017	1 748 135

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

As disclosed in Note 3, property, plant and equipment were written down directly by a total of NOK 47 million as a result of the decision to close down production of mayonnaise-based salads in the first half of 2017. There were otherwise no indications of any impairment in the value of any of the Group's assets.

NOTE 11 DISCONTINUED OPERATIONS

If a material part of the Group's activities is divested or an agreement is made to divest it, or in the event of a loss of control/significant influence, this part is presented as "Discontinued operations" on a separate line in the income statement and statement of financial position. A "material part" is defined as a separate segment, a separate geographical area or a substantial asset.

Orkla's 50% ownership interest in Sapa constitutes a "substantial asset". On 10 July 2017, an agreement was signed to sell this asset to Norsk Hydro. The agreement to sell must be approved by the relevant competition authorities. A potential transaction may not be completed until such approval has been obtained, at the latest in six months' time. Orkla will retain certain liabilities related to its ownership interest in Sapa post closing of the transaction.

As a result of the agreement to sell, profit or loss from Sapa has been presented separately from the line "Profit/loss from associates and joint ventures" and reported on the line "Discontinued operations" with historical effect. The figures presented in the ordinary income statement are therefore comparable. "Earnings per share for continuing operations" will thus present the Group's earnings minus the share of profit or loss from Sapa. The gain on the transaction will be recognised on the date on which the transaction is completed. In the statement of financial position, the ownership interest in Sapa is presented on the line "Assets held for sale". Historical statements of financial position have not been restated.

NOTE 12 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

	Measurement level			
Amounts in NOK million	Level 1	Level 2	Level 3	Total
30 June 2017:				
Assets				
Investments	-	-	87	87
Derivatives	-	207	-	207
Liabilities				
Derivatives	-	548	-	548
31 December 2016:				
Assets				
Investments	-	87	49	136
Derivatives	-	260	-	260
Liabilities				
Derivatives	-	445	-	445

See also Note 6 for an overview of interest-bearing assets and liabilities.

NOTE 13 OTHER MATTERS

No new factors have emerged that change our assessment regarding the situation in Denofa do Brasil (see Note 39 in Orkla's Annual Report for 2016).

Saudefaldene AS, of which Orkla owns 85%, operates several power plants in Sauda under a lease agreement with Statskraft that will run until 2030. In the case of one of the plants, Sønnå Høy, the question of whether Saudefaldene or Statskraft was to be deemed the owner for tax purposes and thus liable for property tax and tax on ground rent income had not been settled. Following the Court of Appeal's judgment upholding Saudefaldene's claim that Statkraft must be deemed to be Sønnå Høy's owner for tax purposes, the Supreme Court has now handed down a judgment that with final effect sets aside the prior judgment and determines that Saudefaldene is to be deemed the owner of Sønnå Høy for tax purposes. This judgment will have no direct accounting consequences for Saudefaldene, as Saudefaldene has expensed property and ground rent income tax in its financial statements as if it were the owner for tax purposes in accordance with the present decision. Future property and ground rent income tax expensed will therefore be the same as in previous years. For further information, reference is made to the information regarding this matter in Note 16 in Orkla's Annual Report for 2016.

A dividend of NOK 2.60 from Orkla was approved at the annual general meeting on 20 April 2017 and was paid out to shareholders on 3 May 2017. Total dividends paid amounted to over NOK 2.6 billion.

Sapa paid a dividend of NOK 3 billion for the 2016 financial year, NOK 1.5 billion to each shareholder. The dividend was paid in May 2017.

Orkla, Thon Holding AS and Østfold Energi have entered into an agreement with the investment company Jotunfjell Partners on the sale of Rygge Sivile Lufthavn AS (RSL). Under the agreement, the present owners – Orkla ASA (40%), Thon Holding AS (40%) and Østfold Energi (20%) – will sell all their shares in RSL to Jotunfjell Partners. This includes the takeover of the terminal building and other civilian installations at Moss Airport Rygge, which RSL operated until it was wound up on 1 November 2016.

Orkla is currently engaged in proceedings with the agricultural authorities regarding historical classification of goods under the price reduction and export refund schemes.

There have been no other material events after the statement of financial position date that would have had an impact on the financial statements or the assessments carried out.

NOTE 14 CASH FLOW ORKLA-FORMAT

The Orkla-format cash flow statement shows the change in net interest-bearing liabilities at Group level, which is an important key figure for the Group (see Note 6). This cash flow format is used directly in the management of the business areas, and is included in the tabular presentation of segment information preceding the descriptions of the various businesses in the information on the Group. 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/parts of companies and changes in the level of investments in shares and financial assets. Direct expansion investments are investments either in new geographical markets or new categories or 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.

		1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	Note	2017	2016	2016	2017	2016
Operating profit		1 717	1 678	3 785	911	882
Amortisation, depreciation and impairment charges		625	533	1 138	298	280
Changes in net working capital, etc.		(298)	(564)	(228)	(135)	(119)
Cash flow from operations before net replacement expenditures		2 044	1 647	4 695	1 074	1 043
Net replacement expenditures		(484)	(760)	(1 327)	(244)	(370)
Cash flow from operations*		1 560	887	3 368	830	673
Cash flow from operations, Financial Investments		(84)	(97)	45	(78)	(70)
Financial items, net paid		(104)	(143)	(276)	(16)	(58)
Taxes paid		(365)	(307)	(506)	(142)	(175)
Dividends received		1 612	128	283	1 503	2
Other payments		15	12	11	21	31
Cash flow before capital transactions		2 634	480	2 925	2 118	403
Dividends paid		(2 679)	(2 581)	(2 599)	(2 664)	(2 566)
Net purchase/sale of treasury shares		(75)	(91)	(77)	24	16
Cash flow before expansion		(120)	(2 192)	249	(522)	(2 147)
Expansion investments		(114)	(97)	(163)	(60)	(57)
Sale of companies (enterprise value)	5	147	399	415	41	164
Purchase of companies (enterprise value)	5	(731)	(1 951)	(2 651)	(531)	(212)
Net purchase/sale shares and financial assets		46	1 045	1 194	(42)	120
Net cash flow		(772)	(2 796)	(956)	(1 114)	(2 132)
Currency effects of net interest-bearing liabilities		(464)	421	705	(362)	220
Change in net interest-bearing liabilities		1 236	2 375	251	1 476	1 912
Net interest-bearing liabilities	6	9 292	10 180	8 056		

*Excluding Financial Investments.