



First quarter
2017

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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: Design Container

The first quarter in brief

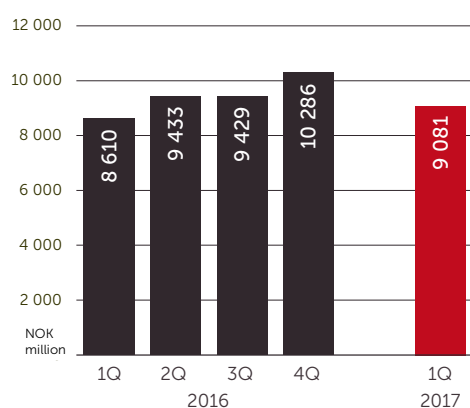
- Group EBIT (adj.)¹ amounted to NOK 900 million in the first quarter, equivalent to growth of 10% compared with the first quarter of 2016.
- Branded Consumer Goods reported turnover growth of 6% and organic³ turnover growth of 1.6%, which included the positive first-quarter effects of a later Easter in 2017 than in 2016. Growth in EBIT (adj.)¹ amounted to NOK 61 million (7%).
- Branded Consumer Goods' EBIT (adj.)¹ margin was 10.4%, equivalent to an increase of 0.1 percentage points. Margin improvement was offset by the dilutive effects of the inclusion of acquired companies.
- Associates and joint ventures contributed positively, driven by good growth delivered by Sapa.
- Earnings per share were NOK 1.08, the same as in the first quarter of 2016.

Key figures for the Orkla Group

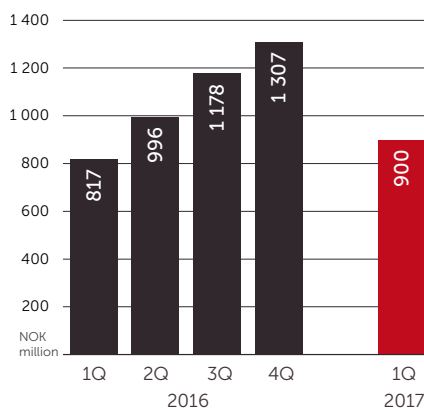
Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2017	2016	2016
Operating revenues	2	9 081	8 610	37 758
Operating revenues Branded Consumer Goods	2	8 834	8 362	36 422
Organic revenue growth Branded Consumer Goods (%) ³		1.6	1.7 ⁵	1.8
EBIT (adj.) ¹	2	900	817	4 298
EBIT (adj.) ¹ Branded Consumer Goods	2	921	860	4 300
Profit/loss from associates and joint ventures		485	462	1 378
Profit/loss before taxes		1 295	1 251	5 182
Earnings per share, diluted (NOK)		1.08	1.08	4.22
Cash flow from operations*	13	730	214	3 368
Net interest-bearing liabilities	6	7 816	8 268	8 056
Equity ratio (%)		62.0	60.8	60.9
Net gearing ⁴		0.22	0.24	0.24

*Excluding Financial Investments

Operating revenues



EBIT (adj.)¹



9,081

OPERATING REVENUES
Group operating revenues for the first quarter of 2017 totalled NOK 9,081 million

900

EBIT (ADJ.)¹
Group EBIT (adj.)¹ for the first quarter of 2017 totalled NOK 900 million

All the footnotes in the quarterly report are presented together on page 9.

Financial matters

Group operating revenues totalled NOK 9,081 million (NOK 8,610 million)² in the first quarter, equivalent to reported growth of 5%. The improvement was largely attributable to structural and organic growth in Branded Consumer Goods. The organic³ sales growth was driven by Orkla Confectionery & Snacks, Orkla Care and Orkla Foods, while Orkla Food Ingredients saw an organic³ decline in sales. The timing of Easter contributed positively. Currency translation effects in connection with consolidation had a negative impact of NOK 386 million on Branded Consumer Goods' first-quarter operating revenues.

Group EBIT (adj.)¹ amounted to NOK 900 million (NOK 817 million)² in the first quarter, equivalent to an increase of 10%. The improvement in the quarter was driven by structural growth, organic top-line growth in Branded Consumer Goods, the sale of property in Orkla Financial Investments and a good trend for hydro-power. First-quarter EBIT (adj.)¹ for Branded Consumer Goods amounted to NOK 921 million (NOK 860 million)², equivalent to a 7% increase. Currency translation effects in connection with consolidation had a negative impact of NOK 27 million on Branded Consumer Goods' EBIT (adj.)¹ in the quarter.

The restructuring work in the Group continued throughout the first quarter, and the Group's other income and expenses totalled NOK -87 million (NOK -30 million)² in the quarter (see Note 3). These consisted mainly of acquisition and integration costs and several restructuring processes in the Group, and included write-downs of NOK 43 million related to the decision to cease production of mayonnaise-based salads in Norway.

Profit from associates and joint ventures amounted to NOK 485 million (NOK 462 million)², driven by operational improvements at Sapa. Orkla's share of profit from Sapa was NOK 312 million (NOK 209 million)². Sapa's improved performance is chiefly due to increased earnings from a higher share of value-add business and continuous internal improvements. Profit from associated companies was last year affected by a gain of NOK 57 million on the sale of an associate in the real estate portfolio.

Net interest cost in the first quarter amounted to NOK -37 million (NOK -50 million)². The reduction in net interest cost is due to changes in the value of interest rate swaps and non-periodic interest rates in 2016, combined with lower interest rates in 2017.

Other net financial items include Orkla Investments' sell-off of the remaining shareholding in the Solsten Nordic Equities Fund at a gain of NOK 52 million in the first quarter.

The average borrowing rate was 1.8% in the quarter, and the Group's net interest-bearing liabilities at quarter end totalled NOK 7.8 billion, down from NOK 8.1 billion as at 31 December 2016.

Group profit before tax amounted to NOK 1,295 million (NOK 1,251 million)², and taxes were estimated to be NOK 185 million in the first quarter, compared with particularly low taxes, amounting to NOK 135 million, in the first quarter of 2016. The higher tax charge is due to a positive one-off effect in 2016. Orkla's diluted earnings per share were NOK 1.08 (NOK 1.08)² in the quarter.

Structural measures

In order to further secure its future competitiveness, Orkla continued to make a number of structural changes in the first quarter of 2017 aimed at rationalising its factory footprint, exploiting economies of scale and optimising its portfolio. Among other things, marzipan production in Italy was closed down (Natural Food in Orkla Food Ingredients), and it was made a decision to exit the mayonnaise-based salad category in Norway. Furthermore, Orkla have merged the management teams of Orkla Foods Finland and Orkla Confectionery & Snacks Finland to establish the combined Orkla Suomi. Additionally Orkla Care have merged the business units Wound Care and Health in Poland, and House Care operations in UK. These measures, along with Orkla's continuous work on improvement projects, will continue to contribute to improved operations and increase future profitability.

In the first quarter of 2017, Orkla decided to invest a total of NOK 500 million in pizza production at Stranda over a period of five years with a view to focusing on new innovations and improving operational efficiency. The objective is to continue to delight consumers with the best pizza. The investment programme will be carried out in several stages over the period from 2017 to 2021, enabling future innovation. The programme attaches decisive importance to increasing production efficiency. 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 market for ice cream and bakery ingredients through the acquisitions of the Netherlands sales and distribution company Laan Heiloo B.V, 85% of the shares in the British sales and distribution company Orchard Valley Foods Limited, and signed and completed an agreement to purchase 100% of the shares in the German sales and distribution company Eis Ludwig Gräbner GmbH.

Orkla ASA, Thon Holding AS and Østfold Energi have 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 Notes 5 and 12.

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 31 March 2017. Reference is made to Note 13 in this report.

Cash flow from operations (excluding Financial Investments) amounted to NOK 730 million (NOK 214 million)² as at 31 March 2017. There was a seasonal build-up of working capital of NOK 163 million (NOK 445 million)² in the first quarter, less seasonal build-up of working capital compared to last year mainly related to one-off effects. Net replacement investments totalled NOK 240 million (NOK 390 million)², primarily driven by the continued high level of investment at Orkla Foods. Cash flow from operations for Financial Investments amounted to NOK -6 million (NOK -27 million)² as at 31 March 2017.

To fulfil remaining option programmes, net purchases of Orkla shares were made in the first quarter, with a cash flow effect of NOK -99 million (NOK -107 million)² as at 31 March 2017. Expansion investments totalled NOK 54 million (NOK 40 million)² in the first quarter.

Companies were sold for a total of NOK 106 million and chiefly consisted of sales of properties in the real estate portfolio. The total cost of companies purchased was NOK 200 million, related to acquisitions in Branded Consumer Goods. As at 31 March 2017, the net sale of shares and financial assets totalled NOK 88 million, due to the sale of the remaining shareholding in the Solsten Nordic Equity Fund.

Net cash flow for the Group amounted to NOK 342 million (NOK -664 million)² at the end of the first quarter. For the first quarter, the Group's interest-bearing liabilities had an average borrowing rate of 1.8%, and are mainly denominated in SEK, EUR and DKK. Exchange rate fluctuations resulted in negative translation effects of NOK 102 million on net interest-bearing liabilities, which totalled NOK 7,816 million at quarter end, roughly 1.4 times EBITDA.

As at 31 March 2017, the equity ratio was 62.0%, compared with 60.9% as at 31 December 2016. Correspondingly, net gearing⁴ was 0.22 compared with 0.24 as at 31 December 2016. The average remaining life of liabilities

and unutilised credit lines is 3.2 years. Orkla's financial position is robust, with cash reserves and credit lines that exceed maturing debt and known capital expenditures in the next 12 months.

Branded Consumer Goods

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2017	2016	2016
Operating revenues	8 834	8 362	36 422
Organic revenue growth (%) ³	1.6	1.7 ⁵	1.8
EBIT (adj.) ¹	921	860	4 300
EBIT (adj.) ¹ margin (%)	10.4	10.3	11.8
Cash flow from operations before net replacement expenditures	971	658	4 669
Net replacement expenditures	(234)	(372)	(1 254)
Cash flow from operations	737	286	3 415
Expansion investments	(54)	(40)	(163)

Sales revenues changes (%)	1.1.-31.3.2017			
	FX	Structure	Organic growth	Total
Branded Consumer Goods	-4.0	8.0 ⁶	1.6	5.6

Branded Consumer Goods reported turnover growth of 6%, and organic³ turnover growth of 1.6% in the first quarter. Growth was driven by Orkla Confectionery & Snacks, Orkla Care and Orkla Foods, while Orkla Food Ingredients saw an organic³ decline in sales in the quarter. Branded Consumer Goods's performance was positively affected by the timing of Easter, a factor that will have the opposite effect in the second quarter.

Orkla Foods reported organic³ sales growth driven by both price and volume growth. Orkla Confectionery & Snacks achieved volume-driven organic³ growth in turnover, with particularly good growth in the biscuits category. Orkla Care delivered organic³ sales growth in all businesses, except for Pierre Robert Group. Orkla Food Ingredients saw a slight organic³ decline in sales, driven by the continued marked fall in the price of almonds and butter blends, and the loss of parts of a sales contract with an industrial customer as from the third quarter of 2016.

All in all, market growth in Orkla's categories was positive in the first quarter, but 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 be slightly higher than market growth.

EBIT (adj.)¹ for Branded Consumer Goods amounted to NOK 921 million (NOK 860 million)², equivalent to an increase of 7%. The growth was primarily driven by acquisitions and top-line growth. The EBIT (adj.)¹ margin was 10.4%, up 0.1 percentage point.

Orkla Foods

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2017	2016	2016
Operating revenues	3 758	3 418	15 476
EBIT (adj.) ¹	392	377	1 968
EBIT (adj.) ¹ margin (%)	10.4	11.0	12.7
Cash flow from operations before net replacement expenditures	578	213	1 912
Net replacement expenditures	(119)	(215)	(717)
Cash flow from operations	459	(2)	1 195
Expansion investments	(35)	(40)	(145)

- Sales and profit improvement mainly driven by structural growth
- Moderate organic³ sales growth in the Nordics
- Profit negatively affected by the higher prices of input factors, the sales mix and the dilutive effects of acquired companies

Orkla Foods posted first-quarter operating revenues of NOK 3,758 million (NOK 3,418 million)², equivalent to sales growth of 10%, primarily driven by structural growth.

The organic³ sales growth of 1.1% was driven by both price and volume growth. The businesses in India and Central Europe showed good improvement in sales, driven by growth in several main categories and channels, while growth in the Nordic region was weaker. To some extent, results for the quarter were positively affected by the timing of Easter, primarily in Norway. However, this effect was offset by a run-down of stocks due to restructuring in the Norwegian retail sector. The Swedish grocery sector saw a weak start to the year in the first quarter.

A number of innovations and products launched in the quarter contributed positively, including vegetarian and healthier alternatives such as Toro Bare Bra products in Norway, vegetarian soups in Sweden and Pastella protein pasta in Denmark. Moreover, new launches under the Grandiosa pizza brand, including Grandiosa with meatballs in Norway and Grandiosa Quesadilla in Sweden, have been well received in the market.

EBIT (adj.)¹ amounted to NOK 392 million (NOK 377 million)², equivalent to growth of 4%. The improvement in EBIT (adj.)¹, which was chiefly driven by structural growth, was offset by negative currency effects in connection with consolidation. The underlying profit trend in the quarter was negatively affected by the higher costs of input factors in certain markets and by the sales mix. The EBIT (adj.)¹ margin was reduced by 0.6 percentage points, due in part to the dilutive effect of the acquisition of Hamé.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2017	2016	2016
Operating revenues	1 444	1 457	6 230
EBIT (adj.) ¹	201	177	937
EBIT (adj.) ¹ margin (%)	13.9	12.1	15.0
Cash flow from operations before net replacement expenditures	166	260	1 283
Net replacement expenditures	(41)	(75)	(205)
Cash flow from operations	125	185	1 078
Expansion investments	-	-	(4)

- Organic³ sales growth of 3.1% driven by volume growth
- Profit improvement driven by a positive product mix and production improvements
- First-quarter results positively affected, overall, by the timing of Easter

Orkla Confectionery & Snacks posted first-quarter operating revenues of NOK 1,444 million (NOK 1,457 million)², equivalent to a decline in sales of 0.9%, driven by negative currency effects in connection with consolidation. Organic³ turnover growth was 3.1% and was primarily driven by volume growth. Growth was particularly good for the biscuits category.

Several innovations boosted sales growth in the first quarter. The biggest innovations were the Smash! chocolate bar, the Lakrisgutta chocolate tablet and Sætre Snackers biscuits in Norway, oven-baked potato chips in Sweden and popcorn in Denmark. Overall, market share performance outstripped the market, especially in the confectionery category in Norway and the Baltics.

Cost improvement measures implemented in the supply chain also contributed positively to first-quarter profit performance. This applied broadly to all markets. Other cost improvements also contributed in Latvia and profit performance in Latvia was positive.

In the first quarter, 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. A decision was also made to merge the Baltic businesses in Confectionery & Snacks under one management.

First-quarter EBIT (adj.)¹ amounted to NOK 201 million (NOK 177 million)². The improvement in profit was attributable to a favourable product mix and cost savings in the supply chain. To some extent, the timing of Easter had a positive effect on profit. The EBIT (adj.)¹ margin in the first quarter was 13.9%, a year-over-year increase of 1.8 percentage points.

Orkla Care

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2017	2016	2016
Operating revenues	1 858	1 655	6 740
EBIT (adj.) ¹	275	247	956
EBIT (adj.) ¹ margin (%)	14.8	14.9	14.2
Cash flow from operations before net replacement expenditures	208	184	873
Net replacement expenditures	(39)	(33)	(146)
Cash flow from operations	169	151	727
Expansion investments	-	-	-

- Turnover growth driven by acquisitions and positive organic growth
- All the businesses, except for Pierre Robert Group, reported EBIT (adj.)¹ growth

Orkla Care delivered first-quarter operating revenues of NOK 1,858 million (NOK 1,655 million)², equivalent to 12% growth in sales. Organic³ sales rose by 3.6% and all businesses, with the exception of Pierre Robert Group, achieved organic³ growth. All the units in Orkla Care were positively affected by the timing of Easter due to high exposure to Norway.

Orkla Home & Personal Care (OHPC) achieved broad-based growth in all its markets, especially internationally. For OHPC the competitive climate in Norway is still challenging. Orkla Health delivered solid organic³ growth, all in all, particularly in the Nordic markets. Lilleborg⁵ posted turnover on a par with last year, while Orkla House Care continued to deliver broad-based organic³ growth in the Nordic region. Pierre Robert Group saw negative organic³ growth in the quarter in both Norway and Sweden, and experienced lower volumes in both markets, where part of the decline was attributable to fewer campaigns than last year. Wound Care achieved good organic³ growth, driven by innovations, increased distribution and high campaign activity.

First-quarter EBIT (adj.)¹ amounted to NOK 275 million (NOK 247 million)². The improvement in profit was driven by contributions from acquired companies, organic³ growth and the realisation of synergies. The EBIT (adj.)¹ margin in the first quarter was 14.8% (14.9%)². The decline from last year was mainly due to the dilutive effect of the inclusion of acquired companies, combined with somewhat higher advertising spend in the quarter.

OHPC has experienced a trend over several years where the rise in costs has outstripped the increase in turnover, market shares in the overall market have declined and volumes have fallen. To turn this trend around, a number of changes will be made in the company's organisational structure to free up funds for future growth.

Orkla Food Ingredients

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2017	2016	2016
Operating revenues	1 813	1 873	8 161
EBIT (adj.) ¹	53	59	439
EBIT (adj.) ¹ margin (%)	2.9	3.2	5.4
Cash flow from operations before net replacement expenditures	19	1	601
Net replacement expenditures	(35)	(49)	(186)
Cash flow from operations	(16)	(48)	415
Expansion investments	(19)	-	(14)

- Weak profit performance delivered by the Romanian business
- Continued negative impact from lower turnover of butter blends on the European market
- Increased exposure to ice cream ingredients for which the first quarter is a low season

Orkla Food Ingredients posted first-quarter operating revenues of NOK 1,813 million (NOK 1,873 million)², equivalent to a decline of 3%. Adjusted for currency fluctuation effects related to consolidation and sales growth from new companies, sales were slightly lower than last year, equivalent to a 0.6% decline in organic³ sales. The biggest negative differences were due to the loss of sales of PL butter blends to Germany, a reduction in the price of marzipan due to lower raw material costs and the loss of certain bakery ingredient contracts in Norway in the third quarter of 2016. Conversely, good sales growth was posted in much of the rest of the portfolio, boosted by a larger number of sales days in March than last year on account of the timing of Easter.

The top-line will continue to be negatively affected by the loss of PL butter blends to the German market and the lower prices of marzipan, although there will be little negative impact on profit for the coming quarters.

EBIT (adj.) amounted to NOK 53 million (NOK 59 million)² in the first quarter, down 10%. The decline can mainly be attributed to lower profit from the business in Romania, which is due in part to higher costs imposed by the government related to a higher minimum wage and a significantly higher packaging charge, and higher raw material costs. Mitigating actions have been implemented, which will have effect as from the 2nd half of the year. In the past few years, Orkla Food Ingredients has strengthened its ice cream ingredient operations, for which the first quarter is a low season. The increased exposure to this area has generated a slightly larger negative effect on profit than in previous years.

Orkla Investments

Hydro Power

EBIT (adj.)¹ for Hydro Power amounted to NOK 54 million (NOK 44 million)² in the first quarter of 2017. The increase is primarily due to higher power prices, while production volume was slightly lower. First-quarter production totalled 536 GWh (546 GWh)². The area price in Sauda in the period was 27.8 øre/kWh, compared with 21.1 øre/kWh in the first quarter of 2016. The price trend for Sarpsfoss was similar, but area prices were somewhat higher. First-quarter operating costs were slightly lower than in the same quarter last year. The reservoir level in Sauda was somewhat higher than normal, while the snowpack level was lower than normal. In Glomma, both the reservoir level and the snowpack level were slightly below normal. Total reservoir levels for Sauda and Glomma were lower than normal.

Financial Investments

First-quarter EBIT (adj.)¹ for Orkla Financial Investments amounted to NOK 7 million (NOK-10 million)². The most important activities in the quarter were the sale of a property in Bergen and development and other work related to the sale of properties in the current real estate portfolio. Real Estate portfolio had a book value of 1.3 billion NOK. The real estate portfolio will increase in value through the construction of the new headquarter.

Orkla sold its remaining shareholding in the Solsten Nordic Equities Fund in the first quarter, recognising a gain of NOK 52 million. At quarter end, the market value of its remaining share portfolio (including funds) was NOK 20 million.

Sapa (50% interest)

Sapa improved its underlying EBIT[®] in the first quarter of 2017, compared to the same period last year, ending the quarter at NOK 778 million. The increase was driven by a higher share of value add business and internal improvements for all business areas, as well as higher volumes in Europe. All business areas improved their underlying EBIT[®].

Net interest-bearing liabilities at the end of the first quarter amounted to around NOK 0.3 billion.

In North America, total demand for extruded products increased by 1.7%⁹ compared to the same quarter last year. The increase was driven by stronger automotive demand and higher building and construction activities whereas demand from commercial transportation was declining.

In Europe, total demand for extruded products increased by 1.8% 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)

Jotun continues to deliver volume growth, and reported sales growth was marginally lower than last year. The Decorative Paints segment saw a strong start to the year, but this was counteracted by a cyclically weak market in the Marine Coatings and Protective Paints segments in the offshore industry. Jotun continues to invest in increased production capacity, in line with the company's growth strategy. The biggest investments in the first quarter were mainly the construction of new production facilities in Malaysia, Myanmar and the Philippines, in addition to the ongoing construction of a new research and development centre and office building in Sandefjord, Norway.

Other matters

At the 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 the 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 and in particular from the health and care sector which is a growing industry. Ms. 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.

Outlook

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

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. However, prices vary substantially from one commodity group to another, and the uncertainty attached to future commodity price trends is generally high.

The different business areas are exposed to varying degrees to currency risk, primarily related to purchasing in a foreign currency. Orkla also has currency translation exposure in connection with the consolidation of foreign businesses. There will always be uncertainty as to future exchange rate trends. Many of Orkla's 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 organic³ turnover 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.

Oslo, 8 May 2017

The Board of Directors of Orkla ASA

Footnotes related to the quarterly report:

¹Operating profit before other income and expenses

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

³Reported 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.

⁴Net interest-bearing liabilities/equity

⁵In 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 first quarter 2016 must be adjusted from 1.8 to 1.7%. Approximately the same effect will occur in the second and third quarter, but figures for the full year 2016 will not be affected.

⁶Structural growth includes adjustments for the purchase and sale of the companies Hamé, Kavli, brands in PRG Finland, Harris, Colon C, Broer, Laan 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).

⁷Lilleborg Profesjonell changed its company name to Lilleborg on 11 January 2017.

⁸Sapa underlying EBIT = EBIT adjusted for unrealised derivative results and material impairment charges, restructuring costs and other special effects.

⁹Source: CRU data

Condensed income statement

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2017	2016	2016
Operating revenues	2	9 081	8 610	37 758
Operating expenses		(7 893)	(7 514)	(32 314)
Depreciation, amortisation and write-downs		(288)	(279)	(1 146)
Operating profit before other income and expenses (EBIT adj.)	2	900	817	4 298
Other income and expenses	3	(87)	(30)	(382)
Operating profit		813	787	3 916
Profit/loss from associates and joint ventures		485	462	1 378
Interest, net		(37)	(50)	(177)
Other financial items, net	7	34	52	65
Profit/loss before taxes		1 295	1 251	5 182
Taxes		(185)	(135)	(807)
Profit/loss for the period		1 110	1 116	4 375
Profit/loss attributable to non-controlling interests		15	21	82
Profit/loss attributable to owners of the parent		1 095	1 095	4 293

Earnings per share

Amounts in NOK	1.1.–31.3.		1.1.–31.12.
	2017	2016	2016
Earnings per share	1.08	1.08	4.22
Earnings per share (diluted)	1.08	1.08	4.22

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2017	2016	2016
Profit/loss for the period		1 110	1 116	4 375
<i>Items after tax not to be reclassified to profit/loss in subsequent periods</i>				
Actuarial gains and losses pensions		-	-	(53)
<i>Items after tax to be reclassified to profit/loss in subsequent periods</i>				
Change in unrealised gains on shares	4	(53)	(115)	(234)
Change in hedging reserve	4	28	(56)	46
Carried against the equity in associates and joint ventures	4	160	(368)	(611)
Translation effects		113	(219)	(648)
The Group's comprehensive income		1 358	358	2 875
Comprehensive income attributable to non-controlling interests		16	16	76
Comprehensive income attributable to owners of the parent		1 342	342	2 799

Condensed statement of financial position

Amounts in NOK million	Note	31.3.	31.12.
		2017	2016
Intangible assets		18 690	18 343
Property, plant and equipment		11 043	11 038
Investments in associates and joint ventures and other financial assets	6	13 604	13 148
Non-current assets		43 337	42 529
Inventories		5 544	5 195
Inventory of development property		72	70
Trade receivables		5 789	5 597
Other receivables	6	801	902
Shares and financial assets		20	107
Cash and cash equivalents	6	1 044	1 204
Current assets		13 270	13 075
Total assets		56 607	55 604
Paid in equity		1 992	1 994
Earned equity		32 722	31 480
Non-controlling interests		399	402
Equity		35 113	33 876
Provisions and other non-current liabilities		4 146	4 146
Non-current interest-bearing liabilities	6	8 910	7 172
Current interest-bearing liabilities	6	310	2 496
Trade payables		4 396	4 329
Other current liabilities		3 732	3 585
Equity and liabilities		56 607	55 604
Equity ratio (%)		62.0	60.9

Condensed statement of changes in equity

Amounts in NOK million	1.1. – 31.3.2017			1.1. – 31.3.2016		
	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	1 342	16	1 358	342	16	358
Dividends	-	(15)	(15)	-	(15)	(15)
Net purchase/sale of treasury shares	(99)	-	(99)	(107)	-	(107)
Change in non-controlling interests	(3)	(4)	(7)	-	(24)	(24)
Equity at the close of the period	34 714	399	35 113	33 564	394	33 958

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2017	2016	2016
Cash flow from operations before net capital expenditure		1 031	577	4 617
Received dividends and financial items		21	41	7
Taxes paid		(223)	(132)	(506)
Cash flow from operating activities		829	486	4 118
Net capital expenditure		(361)	(430)	(1 367)
Net sale (purchase) of companies	5	(78)	(1 125)	(1 887)
Net sale shares and financial assets		88	925	1 194
Other payments		(6)	(19)	11
Cash flow from investing activities		(357)	(649)	(2 049)
Net paid to shareholders		(114)	(122)	(2 676)
Change in interest-bearing liabilities and interest-bearing receivables*		(522)	1 034	1 100
Cash flow from financing activities		(636)	912	(1 576)
Currency effects cash and cash equivalents		4	(6)	(10)
Change in cash and cash equivalents		(160)	743	483
Cash and cash equivalents	6	1 044	1 464	1 204

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

See also Note 13 for cash flow Orkla-format.

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first quarter of 2017 were approved at the meeting of the Board of Directors on 8 May 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 not made any changes in presentation or accounting principles or adopted any new standards that materially affect its financial reporting or comparisons with previous periods.

The Group has purchased new businesses. The acquisitions are presented in Note 5 and 12.

NOTE 2 SEGMENTS

Operating revenues

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2017	2016	2016
Orkla	9 081	8 610	37 758
Branded Consumer Goods	8 834	8 362	36 422
Orkla Foods	3 758	3 418	15 476
Orkla Confectionery & Snacks	1 444	1 457	6 230
Orkla Care	1 858	1 655	6 740
Orkla Food Ingredients	1 813	1 873	8 161
Eliminations Branded Consumer Goods	(39)	(41)	(185)
Orkla Investments	236	245	1 302
Hydro Power	182	173	721
Financial Investments	54	72	581
HQ/Other Business/Eliminations	11	3	34

EBIT (adj.)¹

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2017	2016	2016
Orkla	900	817	4 298
Branded Consumer Goods	921	860	4 300
Orkla Foods	392	377	1 968
Orkla Confectionery & Snacks	201	177	937
Orkla Care	275	247	956
Orkla Food Ingredients	53	59	439
Orkla Investments	61	34	323
Hydro Power	54	44	192
Financial Investments	7	(10)	131
HQ/Other Business	(82)	(77)	(325)

¹Operating profit before other income and expenses

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2017	2016	2016
M&A and integration costs	(42)	(49)	(245)
Final settlement employment relationships etc.	-	(11)	(59)
Gain/write-downs relating to coordination projects	(43)	20	24
Write-down Orkla Food Ingredients	-	-	(56)
Other restructuring costs and special IFRS effects	(2)	10	(46)
Total other income and expenses	(87)	(30)	(382)

Orkla Foods has decided to discontinue its production of mayonnaise-based salads in Elverum, Norway. Costs totalling NOK 43 million have been expensed due to the write-down of property, plant and equipment in the first quarter. Some further costs will be incurred as a result of this decision.

The Group is carrying out integration and restructuring projects on an ongoing basis. Projects related to the integration of acquired companies and merging of factories require extensive resources and give rise to substantial costs. The comprehensive process of integrating Cederroth is gradually nearing completion. The final stage of this process will be to coordinate operations in Poland.

A pre-project is being carried out with a view to coordinating the Group's IT structure, with the mandate of examining the possibility of establishing a common IT platform for the majority of the Branded Consumer Goods business. A decision regarding implementation will be taken in the second quarter of 2017.

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

An improvement programme has been initiated at Orkla Home & Personal Care. Furthermore, it was decided to coordinate chocolate production in Latvia. These projects will be recognised as other income and expenses as from the second quarter of 2017.

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 31 March 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 0 million (NOK 7 million in 2016).

Unrealised gains/losses on shares and the hedging reserve included in equity as at 31 March 2017 (after tax) totalled NOK 0 million and NOK -275 million, respectively. Accumulated translation differences correspondingly amounted to NOK 762 million, and accumulated items recognised in equity in associates and joint ventures amounted to NOK 1,242 million as at 31 March 2017.

NOTE 5 ACQUISITION AND SALE OF COMPANIES*Acquisition of companies*

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 will be recognised in the income statement as of 1 April 2017.

Orkla Food Ingredients also signed and completed an agreement to purchase 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 recognised in the financial statements as of 1 March 2017.

Orkla Food Ingredients has 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 31 March 2017, businesses had been purchased for a total of NOK 200 million on a debt-free basis.

Other matters

The purchase price allocations (PPA) for Hamé, O. Kavli and Waverley Bakery were finalised in the first quarter of 2017. No material changes have been made in the PPAs, except for the one for 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 quarter of 2017, Orkla Eiendom (real estate) sold two properties for a total gain of NOK 16 million presented in EBIT (adj.). In term of cash flow, Orkla Eiendom has received the sale amount for one of the properties. In addition, the proceeds of the sale of Åsane Utvikling, which was divested in the fourth quarter of 2016, were received in the first quarter 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	31.3. 2017	31.12. 2016
Non-current interest-bearing liabilities	(8 910)	(7 172)
Current interest-bearing liabilities	(310)	(2 496)
Non-current interest-bearing receivables (in "Financial Assets")	341	390
Current interest-bearing receivables (in "Other receivables")	19	18
Cash and cash equivalents	1 044	1 204
Net interest-bearing liabilities	(7 816)	(8 056)

NOTE 7 OTHER FINANCIAL ITEMS, NET

The various elements of net other financial items are shown in the following table:

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2017	2016	2016
Gains, losses and write-downs shares and financial assets	52	64	187
Dividends	-	14	61
Net foreign currency gain/loss	1	1	(4)
Interest on pensions	(11)	(12)	(51)
Other financial items	(8)	(15)	(128)
Total	34	52	65

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. 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 quarter of 2017.

The Group has intercompany balances totalling NOK 29 million with joint ventures and 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	(355 000)
Forfeited during the period	-
Outstanding options 31 March 2017	600 000

The last options must be exercised by 9 May 2017.

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	(355 000)
Treasury shares 31 March 2017	2 358 135

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

As disclosed in Note 3, property, plant and equipment were written down directly by a total of NOK 43 million as a result of the decision to close down production of mayonnaise-based salads in the first quarter of 2017. There were otherwise no indications of any impairment in the value of any of the Group's assets.

NOTE 11 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

Amounts in NOK million	Measurement level			Total
	Level 1	Level 2	Level 3	
31 March 2017:				
Assets				
Investments	-	-	58	58
Derivatives	-	220	-	220
Liabilities				
Derivatives	-	484	-	484
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 12 OTHER MATTERS

No new material factors have emerged in the assessments regarding the situation in Denofa do Brasil (see Note 39 in Orkla's Annual Report for 2016) and the situation in Sapa Profiles Inc. Portland (SPI) (see Note 6 in the Annual Report for 2016).

The proposed dividend of NOK 2.60 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. The dividend has not been recognised in the statement of financial position as at 31 March 2017.

The Board of Directors of Sapa has proposed to pay a dividend of NOK 3 billion for the 2016 financial year, NOK 1.5 billion to each shareholder. The dividend will be paid to the shareholders 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 Food Ingredients has signed and completed an agreement to purchase 100% of the shares in the German sales and distribution company Eis Ludwig Gräbner GmbH ("Eis Gräbner"). Eis Gräbner is a privately owned company established in 1929 and has 18 employees. Eis Gräbner had a turnover of EUR 6.5 million (approx. NOK 61 million). The company will be consolidated into Orkla's financial statements as of 1 May 2017.

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 13 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.

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2017	2016	2016
Operating profit		806	796	3 785
Amortisation, depreciation and impairment charges		327	253	1 138
Changes in net working capital, etc.		(163)	(445)	(228)
Cash flow from operations before net replacement expenditures		970	604	4 695
Net replacement expenditures		(240)	(390)	(1 327)
Cash flow from operations*		730	214	3 368
Cash flow from operations, Financial Investments		(6)	(27)	45
Financial items, net paid		(88)	(85)	(276)
Taxes paid		(223)	(132)	(506)
Dividends received		109	126	283
Other payments		(6)	(19)	11
Cash flow before capital transactions		516	77	2 925
Dividends paid		(15)	(15)	(2 599)
Net purchase/sale of treasury shares		(99)	(107)	(77)
Cash flow before expansion		402	(45)	249
Expansion investments		(54)	(40)	(163)
Sale of companies (enterprise value)	5	106	235	415
Purchase of companies (enterprise value)	5	(200)	(1 739)	(2 651)
Net purchase/sale shares and financial assets		88	925	1 194
Net cash flow		342	(664)	(956)
Currency effects of net interest-bearing liabilities		(102)	201	705
Change in net interest-bearing liabilities		(240)	463	251
Net interest-bearing liabilities	6	7 816	8 268	8 056

*Excluding Financial Investments