

Fourth quarter

2016



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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.

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The fourth quarter in brief

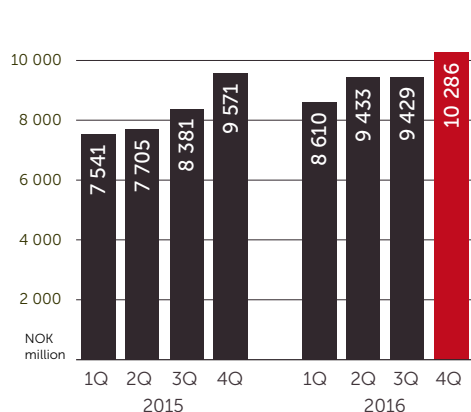
- Group EBIT (adj.)¹ amounted to NOK 1,307 million in the fourth quarter, equivalent to an increase of 19%.
- Branded Consumer Goods reported 5% growth in sales and organic³ turnover growth of 0.1%. EBIT (adj.)¹ increased by NOK 54 million (5%).
- Branded Consumer Goods' EBIT (adj.)¹ margin was 12.8%, unchanged from 2015. The positive effect of cost improvements was offset by the dilutive effects of the inclusion of acquired companies and the loss of high-profitability brands from Unilever.
- Orkla Investments achieved EBIT (adj.)¹ growth of NOK 114 million, mainly driven by the sale of parts of a former industrial property in Switzerland.
- Associates and joint ventures delivered a good contribution, driven by strong improvement for Sapa.
- Earnings per share were NOK 1.09, equivalent to an increase of 49%.

Key figures for the Orkla Group

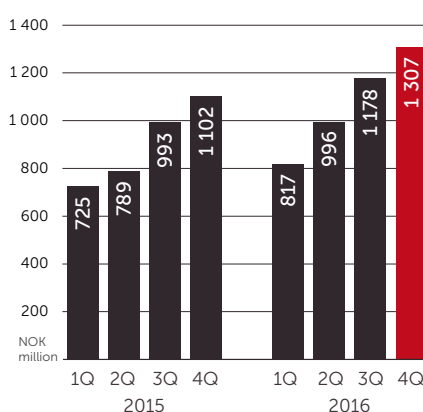
Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2016	2015	2016	2015
Operating revenues	2	37 758	33 198	10 286	9 571
Operating revenues Branded Consumer Goods	2	36 422	32 002	9 734	9 314
Organic revenue growth Branded Consumer Goods (%)		1,8	2,8	0,1	4,1
EBIT (adj.) ¹	2	4 298	3 609	1 307	1 102
EBIT (adj.) ¹ Branded Consumer Goods	2	4 300	3 839	1 249	1 195
Profit/loss before taxes		5 182	4 090	1 344	946
Earnings per share, diluted (NOK)		4.22	3.24	1.09	0.73
Cash flow from operations*	13	3 368	3 641	1 411	1 577
Net interest-bearing liabilities	6	8 056	7 805		
Equity ratio (%)		60.9	62.2		
Net gearing ⁴		0.24	0.23		

*Excluding Financial Investments

Operating revenues



EBIT (adj.)¹



10,286

OPERATING REVENUES
Group operating revenues
for the fourth quarter of 2016
totalled NOK 10,286 million

1,307

EBIT (ADJ.)¹
Group EBIT (adj.)¹ for the
fourth quarter of 2016
totalled NOK 1,307 million

¹Operating profit before other income and expenses

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

³Adjusted for currency translation effects and structural changes

⁴Net interest-bearing liabilities/Equity

Financial matters

Group operating revenues totalled NOK 10,286 million (NOK 9,571 million)² in the fourth quarter, equivalent to reported revenue growth of 7%. This improvement was chiefly related to structural growth in Branded Consumer Goods and the sale of lots from a former industrial property (Attisholz) in Switzerland in Orkla Financial Investments. The organic³ growth in sales in Orkla Confectionery & Snacks and Orkla Care was offset by negative organic³ growth in Orkla Foods and Orkla Food Ingredients. Currency translation effects in connection with consolidation had a negative effect of NOK 315 million on Branded Consumer Goods' fourth-quarter operating revenues.

Group EBIT (adj.)¹ amounted to NOK 1,307 million (NOK 1,102 million)² in the fourth quarter, equivalent to an increase of 19%. The improvement in the quarter was driven by cost savings in Branded Consumer Goods and the above-mentioned sale of lots in Switzerland. Fourth-quarter EBIT (adj.)¹ for Branded Consumer Goods amounted to NOK 1,249 million (NOK 1,195 million)², an increase of 5%. Currency translation effects in connection with consolidation had a negative effect of NOK 36 million on Branded Consumer Goods' fourth-quarter EBIT (adj.)¹.

The extensive improvement processes in the Group continued in the fourth quarter, and the Group's other income and expenses totalled NOK -122 million (NOK -234 million)² in the quarter (see Note 3). These items consisted mainly of costs related to acquisitions, integration and improvement processes within the Group.

Profit from associates and joint ventures amounted to NOK 161 million (NOK 89 million)², driven by improved operations in Sapa. Orkla's share of profit from Sapa was NOK 190 million (NOK 17 million)². Sapa's improved profit performance was chiefly due to increased earnings from a higher share of value-add business in line with Sapa's strategy, and to continuous internal improvements. Jotun was negatively impacted in the quarter by lower turn-over, combined with a rise in unforeseen costs related to claims, currency losses in Egypt and losses on receivables.

Net interest cost in the fourth quarter amounted to NOK -40 million (NOK -33 million)². Lower interest rates reduced interest costs, seen in isolation, in the quarter. However, results for the same quarter of 2015 were positively affected by the higher value of interest rate swaps to which hedging accounting is not applied.

The average borrowing rate was 1.7% in the fourth quarter, and the Group's net interest-bearing liability totalled NOK 8.1 billion at quarter end, compared with NOK 7.8 billion as at 31 December 2015.

Group profit before tax amounted to NOK 1,344 million (NOK 946 million)², and taxes were estimated at NOK 237 million (NOK 172 million)² for the fourth quarter. Orkla's diluted earnings per share were NOK 1.09 (NOK 0.73)² in the quarter.

Structural measures

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

For more information on acquisitions and disposals, 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 31 December 2016. Reference is made to Note 13 in this report.

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

Net replacement investments totalled NOK 1,327 million (NOK 930 million)², and were primarily related to higher investment at Orkla Foods due to ongoing changes in its factory footprint. Cash flow from operations from Financial Investments amounted to NOK 45 million (NOK 94 million)² in 2016.

An ordinary dividend of NOK 2.50 per share was paid out for the 2015 financial year. In total, NOK 2,599 million was paid out in dividends in 2016.

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

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

Net cash flow for the Group amounted to NOK -956 million (NOK -1,561 million)² in 2016. For the full year, the Group's interest-bearing liability had an average borrowing rate of 1.8%, and were mainly denominated in SEK, EUR and DKK. Positive translation effects of NOK 705 million as a result of exchange rate fluctuations helped to reduce net interest-bearing liability, which totalled NOK 8,056 million at year end.

As at 31 December 2016, the equity ratio was 60.9%, compared with 62.2% as at 31 December 2015. Correspondingly, net gearing⁴ was 0.24, compared with 0.23 as at 31 December 2015. 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 are more than sufficient to cover loans that fall due and known capital expenditures in the next 12 months.

Branded Consumer Goods

Amounts in NOK million	1.1.-31.12.		1.10.-31.12.	
	2016	2015	2016	2015
Operating revenues	36 422	32 002	9 734	9 314
Organic revenue growth (%)	1.8	2.8	0.1	4.1
EBIT (adj.) ¹	4 300	3 839	1 249	1 195
EBIT (adj.) ¹ margin (%)	11.8	12.0	12.8	12.8
Cash flow from operations before net replacement expenditures	4 669	4 627	1 731	1 880
Net replacement expenditures	(1 254)	(859)	(265)	(266)
Cash flow from operations	3 415	3 768	1 466	1 614
Expansion investments	(163)	(388)	(31)	(152)

1.1.-31.12.2016				
Sales revenues changes (%)	FX	Structure	Organic growth	Total
Branded Consumer Goods	1.6	10.4	1.8	13.8

Branded Consumer Goods reported 0.1% organic³ turnover growth in the fourth quarter. The growth was driven by Orkla Confectionery & Snacks and Orkla Care, while Orkla Foods and Orkla Food Ingredients saw an organic³ decline in sales in the quarter.

Orkla Foods experienced an organic³ decline in sales primarily attributable to relatively weaker sales in the grocery channel in Norway compared with strong figures from the same quarter of 2015. Orkla Confectionery &

Snacks achieved broad-based organic³ growth in turn-over, partly driven by the sale of pick-and-mix sweets to Coop in Norway and the distribution agreement with PepsiCo. At the same time, there was underlying growth in the core portfolio in several markets. Orkla Care delivered good organic³ sales growth in all businesses except Pierre Robert Group. Pierre Robert Group saw negative organic³ growth in both Norway and Sweden, partly due to fewer campaigns than in 2015. Orkla Food Ingredients recorded an organic³ decline in sales. This decline was still driven by a marked decrease in the price of almonds and butter blends, and the loss of parts of a sales contract with an industrial customer effective as from the third quarter.

Market growth in Orkla's categories was positive, on the whole, in 2016. Orkla saw a varying performance trend from one category and market to another, but overall growth for Branded Consumer Goods was estimated to be slightly lower than market growth.

EBIT (adj.)¹ for Branded Consumer Goods amounted to NOK 1,249 million (NOK 1,195 million)², equivalent to an increase of 5%. The growth was primarily driven by acquisitions, cost improvements and the realisation of synergies.

Cost improvement programmes contributed positively to the EBIT (adj.)¹ margin in the fourth quarter. However, this was offset by the dilutive effects of the inclusion of acquired companies and the loss of highly profitable Unilever brands. All in all, the EBIT (adj.)¹ margin was at the same level as in 2015, at 12.8%.

Orkla Foods

Amounts in NOK million	1.1.-31.12.		1.10.-31.12.	
	2016	2015	2016	2015
Operating revenues	15 476	13 250	4 186	3 822
EBIT (adj.) ¹	1 968	1 701	616	561
EBIT (adj.) ¹ margin (%)	12.7	12.8	14.7	14.7
Cash flow from operations before net replacement expenditures	1 912	1 888	637	736
Net replacement expenditures	(717)	(382)	(130)	(120)
Cash flow from operations	1 195	1 506	507	616
Expansion investments	(145)	(368)	(27)	(152)

- Profit improvement mainly driven by reduced costs and structural growth
- Moderate organic³ decline in sales compared with a strong fourth quarter in 2015
- Flat margin performance despite dilution due to inclusion of acquired companies

Orkla Foods reported fourth-quarter operating revenues of NOK 4,186 million (NOK 3,822 million)², equivalent to reported sales growth of 10%, mainly driven by structural growth.

The 0.6% organic³ decline in sales was primarily driven by weaker sales in the grocery channel in Norway. However, the decline must be seen in the light of strong comparative figures from the fourth quarter of 2015. The 2015 figures were boosted by high pre-Christmas sales and strong price competition among grocery retailers on Christmas related products, combined with high campaign activity. On the plus side, the expanded distribution agreement with PepsiCo contributed with positive sales growth in the quarter.

Several innovations and products launched in previous quarters made a positive contribution, including good growth in sales of new products under the TORO brand and various types of pizza in Norway, salad spreads and fresh pasta in Denmark, as well as vegetarian ready-to-eat dishes in Sweden.

EBIT (adj.)¹ amounted to NOK 616 million (NOK 561 million)², equivalent to an increase of 10%. The profit growth was mainly driven by structural growth due to acquisitions, along with cost reductions and positive contributions from realised synergies in several markets. Hamé, which was consolidated into the financial statements as of 1 April 2016, delivered sales and profit growth in the quarter. Nonetheless, the overall result was somewhat weakened by higher purchasing costs due to the higher prices of key raw materials, negative product mix effects and negative currency effects in connection with consolidation. Furthermore, delivery challenges in the Nordic region, related in part to ongoing changes in the business area's manufacturing footprint, continued to have a negative effect in the fourth quarter. The EBIT (adj.)¹ margin performance was flat. Both the acquisition of Hamé and the inclusion of the distribution agreement with PepsiCo had a dilutive effect on the margin.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.-31.12.		1.10.-31.12.	
	2016	2015	2016	2015
Operating revenues	6 230	5 813	1 796	1 818
EBIT (adj.) ¹	937	843	341	314
EBIT (adj.) ¹ margin (%)	15.0	14.5	19.0	17.3
Cash flow from operations before net replacement expenditures	1 283	962	569	532
Net replacement expenditures	(205)	(270)	(47)	(71)
Cash flow from operations	1 078	692	522	461
Expansion investments	(4)	(16)	(2)	(1)

- Organic³ growth in sales driven by broad-based volume growth
- Profit improvement largely driven by turnover growth and lower costs

Orkla Confectionery & Snacks posted fourth-quarter operating revenues of NOK 1,796 million (NOK 1,818 million)², equivalent to organic³ growth in turnover of 2.9%.

The agreement on the sale of pick-and-mix sweets to Coop in Norway and the distribution agreement with PepsiCo on the sale of Lay's snack products in Norway, Sweden and Finland continued to contribute significantly to sales growth in the fourth quarter. The rest of the portfolio also showed growth, measured against a strong quarter in 2015. Growth was achieved in all the main categories and all the markets except Denmark. Growth was particularly high in Norway and Sweden and the Latvian home markets. Innovations launched in the quarter included popcorn in Sweden and the relaunch of chocolate tablets in the Baltics.

Fourth-quarter EBIT (adj.)¹ amounted to NOK 341 million (NOK 314 million)², and the improvement in profit was driven by turnover growth and lower costs. Work on continuous cost improvement programmes and efficiency optimisation continued in the fourth quarter. These efforts primarily focused on factory costs, in addition to the reduction of other fixed costs in Latvia. The fourth-quarter EBIT (adj.)¹ margin was 19.0%, an increase of 1.7 percentage points from 2015.

Orkla Care

Amounts in NOK million	1.1.-31.12.		1.10.-31.12.	
	2016	2015	2016	2015
Operating revenues	6 740	5 534	1 730	1 640
EBIT (adj.) ¹	956	881	186	204
EBIT (adj.) ¹ margin (%)	14.2	15.9	10.8	12.4
Cash flow from operations before net replacement expenditures	873	1 224	306	363
Net replacement expenditures	(146)	(75)	(47)	(32)
Cash flow from operations	727	1 149	259	331
Expansion investments	-	-	-	-

- Turnover growth driven by acquisitions and positive organic³ growth
- The EBIT (adj.)¹ margin negatively impacted by dilutive effects of inclusion of acquired companies, loss of Unilever brands and higher advertising spend
- The acquisition of Colon-C, a leading gut health brand, was consolidated into the financial statements as of 1 October

Orkla Care reported fourth-quarter operating revenues of NOK 1,730 million (NOK 1,640 million)², equivalent to reported sales growth of 5.5%. The loss of Unilever brands and Asan and Allévo was more than compensated for by both structural and organic³ growth in turnover. The organic³ growth in sales was 2.3%. All the businesses, except Pierre Robert Group, delivered growth in the quarter.

Orkla Home & Personal Care achieved broad-based growth outside the Nordic region, while the competitive climate in Norway remains challenging. Overall, Orkla Health delivered organic³ growth, although growth varied from one market to another. Lilleborg⁵ maintained its

trend from earlier quarters in 2016, achieving organic³ growth in sales and profit. Orkla House Care delivered organic³ growth in the quarter. Pierre Robert Group saw a decline in fourth-quarter sales in both Norway and Sweden, where the decline was partly explained by the lower number of campaigns compared with last year. Orkla Wound Care showed good organic³ growth, driven by innovations, increased distribution and high campaign activity.

Fourth-quarter EBIT (adj.)¹ amounted to NOK 186 million (NOK 204 million)². The lower profit must be seen in the light of significantly higher advertising spend in the quarter and the high contribution to profit in 2015 from the Unilever brands that were sold, as well as the Asan and Allévo brands. The EBIT (adj.)¹ margin was 10.8% (12.4%)² in the fourth quarter. The decline compared with last year was mainly attributable to the dilutive effect of the inclusion of acquired companies with seasonally low margins in the fourth quarter, and to the loss of highly profitable Unilever brands.

Orkla Food Ingredients

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2016	2015	2016	2015
Operating revenues	8 161	7 598	2 072	2 115
EBIT (adj.) ¹	439	414	106	116
EBIT (adj.) ¹ margin (%)	5.4	5.4	5.1	5.5
Cash flow from operations before net replacement expenditures	601	553	219	250
Net replacement expenditures	(186)	(132)	(41)	(44)
Cash flow from operations	415	421	178	206
Expansion investments	(14)	(4)	(1)	-

- Decline in sales due to lower prices of almond products and butter blends, and the loss of an industrial contract in Norway
- Profitability of butter blends remains low
- Increased exposure to ice cream ingredients and accessories impacted negatively on fourth-quarter EBIT (adj.)¹ due to seasonal effects

Orkla Food Ingredients posted fourth-quarter operating revenues of NOK 2,072 million (NOK 2,115 million)², equivalent to a reported decline of 2%. There was a 3.2% organic³ decline in sales, driven by lower prices to customers for marzipan (fall in commodity prices) and butter blends due to increased competition in the EU. In addition, sales of bakery ingredients in Norway declined after the loss of parts of a sales contract with an industrial customer effective as of the third quarter.

Fourth-quarter EBIT (adj.)¹ amounted to NOK 106 million (NOK 116 million)², equivalent to a reported decline of

9%. This decline can chiefly be attributed to the negative results for butter blends and weak results for bakery ingredients in Finland, combined with cost overruns at the production facility for various products including sugar-based sprinkles in Sweden. EBIT (adj.)¹ for the quarter was also negatively affected by the increased exposure to ice cream ingredients and accessories, which delivered negative profit in the fourth quarter due to seasonal effects.

Orkla Investments

Hydro Power

EBIT (adj.)¹ was NOK 31 million (NOK 49 million)² for Hydro Power in the fourth quarter of 2016. The decrease is mainly due to significantly lower production volume than in the fourth quarter of 2015, as a result of less precipitation and inflow in both Eastern and Western Norway. This was only partly offset by higher realised power prices. Production in the fourth quarter of 2016 totalled 451 GWh (713 GWh)². The area price in Sauda in the period was 29.6 øre/kWh, compared with 19.7 øre/kWh in the fourth quarter of 2015. The price trend for Sarpsfoss was similar, but with a slightly higher area price in the fourth quarter of 2016 (31.8 øre/kWh). Fourth-quarter operating costs were lower than in the same period of 2015. At quarter end, the reservoir level in Sauda was higher than normal, while the reservoir level in Glomma was slightly lower than normal.

Financial Investments

Fourth-quarter EBIT (adj.)¹ for Orkla Financial Investments amounted to NOK 115 million (NOK -17 million)². Profit was mainly related to the sale of lots from a former industrial property (Attisholz) in Switzerland. The completion and delivery of the last housing units in the Mortensrud project in Oslo also contributed positively. The most important activities were otherwise the development and sale of properties in the current real estate portfolio.

Sales of shares and financial assets totalled NOK 75 million in the quarter. At year end, the market value of the remaining share portfolio (including funds) was NOK 107 million, with associated unrealised gains of NOK 53 million.

Sapa (50% interest)

Sapa improved its underlying EBIT⁶ in the fourth quarter of 2016, compared with the same period last year. The increase in earnings was driven by a higher share of value add business in line with Sapa's strategy, as well as continuous internal improvements. The fourth quarter of 2015 was also negatively affected by non-operational costs.

⁵Lilleborg Profesjonell changed its company name to Lilleborg on 11 January 2017

⁶Sapa underlying EBIT = EBIT adjusted for unrealized derivative results and material impairment charges, restructuring costs and other special effects.

Underlying EBIT⁶ for 2016 improved compared with 2015 driven by the value-add strategy and improved cost position for Extrusion Europe and successful restructuring efforts in Building Systems and Precision Tubing. Results for Extrusion North America were stable despite operational challenges and a softening of certain markets.

The underlying EBIT⁶ growth, combined with positive working capital development, contributed to an improvement in pre-tax ROCE⁷ to 15.3% in 2016 compared with 9.5% in 2015.

Net interest-bearing liability at the end of 2016 amounted to roughly NOK 0.1 billion, down from about NOK 1.8 billion at the end of 2015.

Demand for extruded products in North America increased by 1.9% compared to the same quarter of the previous year. For the full year North American demand for extruded products grew 2.1% over 2015. The increase was driven by higher building and construction activities and a stronger automotive demand partly offset by a weaker transportation segment.

In Europe, demand for extruded products increased by around 1.3% compared to the same quarter of the previous year. For the full year extruded products demand in Europe grew 1.5% over 2015. The increase was driven mainly by stronger automotive and transportation demand and a somewhat improved building and construction market.

Demand for extruded products is expected to seasonally improve going into the first quarter of 2017.

Jotun (42.5% interest)

Jotun continued to deliver volume growth and solid operating profit in 2016, even though turnover and operating profit fell in relation to the record year 2015. The sales growth slowed in the last half of the year, mainly due to lower activity in the Marine Coatings segment and the offshore sector. Fourth-quarter profit was affected by lower turnover, combined with an increase in unforeseen costs related to complaints, currency losses in Egypt and losses on receivables.

Jotun continued to invest in increased production capacity, in line with the company's growth strategy. The biggest investments in 2016 were mainly the construction of production facilities in Oman, the Philippines, Myanmar and Malaysia, in addition to a new research and development centre and office building in Sandefjord, Norway.

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. Consequently, Orkla must continue to take steps to secure its competitiveness and its 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 currency risk to varying degrees, and there is uncertainty as to exchange rate trends going forward. Many of Orkla's Norwegian companies do a substantial share of their purchasing in Norwegian krone, thereby reducing the overall impact of fluctuations in the exchange rate of the Norwegian krone against other currencies.

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

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

⁷ROCE = Underlying EBIT / average capital employed last 12 months

Condensed income statement

Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2016	2015	2016	2015
Operating revenues	2	37 758	33 198	10 286	9 571
Operating expenses		(32 314)	(28 532)	(8 687)	(8 188)
Depreciation and write-downs property, plant and equipment and amortisation intangible assets		(1 146)	(1 057)	(292)	(281)
Operating profit before other income and expenses (EBIT adj.)	2	4 298	3 609	1 307	1 102
Other income and expenses	3	(382)	(502)	(122)	(234)
Operating profit		3 916	3 107	1 185	868
Profit/loss from associates and joint ventures		1 378	1 111	161	89
Interest, net		(177)	(192)	(40)	(33)
Other financial items, net	7	65	64	38	22
Profit/loss before taxes		5 182	4 090	1 344	946
Taxes		(807)	(722)	(237)	(172)
Profit/loss for the period for continuing operations		4 375	3 368	1 107	774
Gains/profit/loss discontinued operations		-	(17)	-	(17)
Profit/loss for the period		4 375	3 351	1 107	757
Profit/loss attributable to non-controlling interests		82	56	(5)	10
Profit/loss attributable to owners of the parent		4 293	3 295	1 112	747

Earnings per share

Amounts in NOK	1.1.–31.12.		1.10.–31.12.	
	2016	2015	2016	2015
Earnings per share	4.22	3.24	1.09	0.73
Earnings per share (diluted)	4.22	3.24	1.09	0.73
Earnings per share for continuing operations (diluted)	4.22	3.25	1.09	0.75

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2016	2015	2016	2015
Profit/loss for the period		4 375	3 351	1 107	757
<i>Items after tax not to be reclassified to profit/loss in subsequent periods</i>					
Change in actuarial gains and losses pensions		(53)	(15)	(53)	(15)
<i>Items after tax to be reclassified to profit/loss in subsequent periods</i>					
Change in unrealised gains on shares	4	(234)	6	(46)	183
Change in hedging reserve	4	46	31	80	(54)
Carried against the equity in associates and joint ventures	4	(611)	685	260	346
Translation effects		(648)	881	19	347
The Group's comprehensive income		2 875	4 939	1 367	1 564
Comprehensive income attributable to non-controlling interests		76	71		
Comprehensive income attributable to owners of the parent		2 799	4 868		

Condensed statement of financial position

Amounts in NOK million	Note	31.12.	31.12.
		2016	2015
Intangible assets		18 343	17 676
Property, plant and equipment		11 038	10 523
Investments in associates and joint ventures and other financial assets	6	13 148	13 029
Non-current assets		42 529	41 228
Assets held for sale		-	182
Inventories		5 195	4 623
Inventory of development property		70	216
Trade receivables		5 597	5 267
Other receivables	6	902	625
Shares and financial assets		107	1 376
Cash and cash equivalents	6	1 204	721
Current assets		13 075	13 010
Total assets		55 604	54 238
Paid in equity		1 994	1 994
Earned equity		31 480	31 335
Non-controlling interests		402	417
Equity		33 876	33 746
Provisions and other non-current liabilities		4 146	4 191
Non-current interest-bearing liabilities	6	7 172	8 722
Current interest-bearing liabilities	6	2 496	399
Trade payables		4 329	3 846
Other current liabilities		3 585	3 334
Equity and liabilities		55 604	54 238
Equity ratio (%)		60.9	62.2

Condensed statement of changes in equity

Amounts in NOK million	1.1. – 31.12.2016			1.1. – 31.12.2015		
	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	33 329	417	33 746	31 059	245	31 304
The Group's comprehensive income	2 799	76	2 875	4 868	71	4 939
Dividends	(2 545)	(54)	(2 599)	(2 544)	(19)	(2 563)
Net purchase/sale of treasury shares	(77)	-	(77)	(31)	-	(31)
Change in non-controlling interests	(32)	(37)	(69)	(23)	120	97
Equity at the close of the period	33 474	402	33 876	33 329	417	33 746

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1. – 31.12.		1.10. – 31.12.	
		2016	2015	2016	2015
Cash flow from operations before net capital expenditure		4 617	4 574	1 725	1 827
Received dividends and financial items		7	(3)	(25)	(88)
Taxes paid		(506)	(727)	(70)	(59)
Cash flow from operating activities		4 118	3 844	1 630	1 680
Net capital expenditure		(1 367)	(1 227)	(171)	(435)
Net sale (purchase) of companies	5	(1 887)	(779)	(35)	(88)
Net sale shares and financial assets		1 194	298	75	73
Other payments and discontinued operations		11	158	7	3
Cash flow from investing activities		(2 049)	(1 550)	(124)	(447)
Net paid to shareholders		(2 676)	(2 594)	4	72
Change in interest-bearing liabilities and interest-bearing receivables ¹		1 100	(1 617)	(1 218)	(1 695)
Cash flow from financing activities		(1 576)	(4 211)	(1 214)	(1 623)
Currency effects cash and cash equivalents		(10)	23	8	6
Change in cash and cash equivalents		483	(1 894)	300	(384)
Cash and cash equivalents	6	1 204	721		

¹Does 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 full year 2016 were approved at the meeting of the Board of Directors on 8 February 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.

Due to new rules governing "Alternative performance measures in financial reporting", the Group has clarified its definition of "Organic growth"; see the definition on page 3 of this report. At the same time, the change in top-line growth is presented in a separate table, broken down into "Currency effects", "Structural changes" and "Organic growth" (see page 5). The term "Expansion investments" has similarly been defined in Note 13 Cash-flow Orkla format.

In the presentation of key figures for the Group, three new lines were added in 2016 that specify items relating to Branded Consumer Goods: operating revenues, EBIT (adj.) and organic growth. The line for "Discontinued operations" has been removed.

In the income statement, "Depreciation and write-downs property, plant and equipment" and "Amortisation of intangible assets" have been presented on one line since 2016. The main reasons for this are a materiality consideration and the fact that the Group now presents EBIT (adj.) and thus does not present amortisation separately. The comparative figures have been changed correspondingly.

The Group has not made any other changes in presentation or accounting principles or adopted any new standards that significantly affect its 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

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2016	2015	2016	2015
Orkla Group	37 758	33 198	10 286	9 571
Branded Consumer Goods	36 422	32 002	9 734	9 314
Orkla Foods	15 476	13 250	4 186	3 822
Orkla Confectionery & Snacks	6 230	5 813	1 796	1 818
Orkla Care	6 740	5 534	1 730	1 640
Orkla Food Ingredients	8 161	7 598	2 072	2 115
Eliminations Branded Consumer Goods	(185)	(193)	(50)	(81)
Orkla Investments	1 302	1 166	543	252
Hydro Power	721	690	166	192
Financial Investments	581	476	377	60
HQ/Other Business/Eliminations	34	30	9	5

EBIT (adj.)¹

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2016	2015	2016	2015
Orkla Group	4 298	3 609	1 307	1 102
Branded Consumer Goods	4 300	3 839	1 249	1 195
Orkla Foods	1 968	1 701	616	561
Orkla Confectionery & Snacks	937	843	341	314
Orkla Care	956	881	186	204
Orkla Food Ingredients	439	414	106	116
Orkla Investments	323	211	146	32
Hydro Power	192	154	31	49
Financial Investments	131	57	115	(17)
HQ/Other Business	(325)	(441)	(88)	(125)

¹Operating profit before other income and expenses.

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2016	2015	2016	2015
M&A and integration costs	(245)	(248)	(96)	(132)
Final settlement employment relationships etc.	(59)	(142)	(12)	(87)
Gain/write-downs relating to coordination projects	24	(51)	(1)	14
Write-down Orkla Food Ingredients	(56)	(23)	-	-
Other restructuring costs and special IFRS effects	(46)	(38)	(13)	(29)
Total other income and expenses	(382)	(502)	(122)	(234)

The Group is still carrying out major integration and restructuring projects. Projects related to the integration of acquired companies and merging of factories require extensive resources and give rise to substantial costs, and will continue to do so.

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

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

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

Information on write-downs may be found in Note 10.

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 December 2016 related to changes in unrealised gains is NOK 0 million (NOK 0 million in 2015), and the tax effect related to changes in the hedging reserve amounts to NOK 21 million (NOK 24 million in 2015).

Unrealised gains/losses on shares and the hedging reserve included in equity as at 31 December 2016 (after tax) totalled NOK 53 million and NOK -303 million, respectively. Accumulated translation differences correspondingly amounted to NOK 649 million, and accumulated items recognised in equity in associates and joint ventures amounted to NOK 1,082 million as at 31 December 2016.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Orkla Foods has purchased Hamé, a leading branded food company in the Czech Republic and Slovakia. The transaction was completed on 31 March 2016. In the Czech Republic and Slovakia, Hamé holds leading positions in the categories liver patés, ready meals, ketchup, conserved vegetables, jams and baby food. Its product portfolio includes brands like Hamé, Hamánek, Znojmia and Otma. Hamé also holds strong positions in the paté market in Hungary, Romania and Russia. Hamé has around 2,400 employees and ten factories. In 2014, Hamé achieved sales revenues of CZK 4.9 billion (approx. NOK 1.7 billion) and a net profit of CZK 234 million (around NOK 83 million). A total of 70% of Hamé's sales revenues come from the Czech Republic and Slovakia. Hamé was consolidated into Orkla's financial statements from 1 April 2016.

Orkla Foods Danmark has acquired 100% of the shares in **O. Kavli A/S**. The company is a major supplier to the Danish grocery trade, with well-known brands such as Fun, Grønnegården, Kavli, Scoop and Blomberg's Glögg. Orkla already owned the Fun brand in the other Nordic countries, and through this agreement acquired full ownership of Fun in the Nordic region. O. Kavli had a turnover of DKK 170 million in 2014. The company has 70 employees. The takeover took place with effect from 1 March 2016, and goodwill was calculated at the time of takeover (see Note 3).

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

For the last 12 months up to March 2016, Harris achieved sales revenues of GBP 60.9 million (approx. NOK 718 million) and EBITDA of GBP 5.7 million (approx. NOK 67 million) (unaudited figures). Harris was consolidated into the financial statements as from 1 September 2016.

Pierre Robert has purchased four well-known socks, tights and underwear brands from the Finnish branded goods supplier **Nanso Group**. The brands in question are Norlyn, Amar, Black Horse and Finnwear, which hold strong positions in the Finnish grocery trade. The products are a good fit with Pierre Robert's current product portfolio which, in addition to underwear, socks and tights, comprises workout wear and wool under-

garments. The brands purchased generated a turnover of EUR 17.2 million (approx. NOK 163 million) in 2015. A total of 22 employees will be transferred to Pierre Robert as a result of the transaction. The acquisition was consolidated into Orkla's financial statements as from 1 May 2016.

Orkla Health Poland has acquired the **Colon-C** brand in an asset transaction. With this acquisition Orkla has strengthened its foothold in the rapidly growing gut health category. The Colon-C brand is an approved European brand with growth potential also outside the Polish market. Colon-C reported a turnover of PLN 14.6 million (approx. NOK 31 million) in 2015. The brand was consolidated into Orkla's statement of financial position as from 30 September 2016 and will be consolidated into the income statement as from 1 October 2016. The transaction does not entail the transfer of employees or factories.

Orkla Food Ingredients (OFI) has purchased **The Waverley Bakery Limited**, a leading supplier of ice cream cones and accessories in the UK. Waverley primarily sells ice cream cones and wafers to the UK grocery sector. The company also offers ice cream cones, ingredients and accessories to ice cream parlours and small-scale ice cream manufacturers. Waverley Bakery has been a well-known name in the Scottish ice cream industry for over 100 years. The company has around 45 employees. The company had a turnover of GBP 5.9 million (approx. NOK 72 million) in 2015 and EBITDA of GBP 0.7 million (approx. NOK 8.7 million). Waverley Bakery was consolidated into Orkla's financial statements as of 1 March 2016.

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

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

Other matters

None of the purchase price allocations for the acquisitions made in 2016 had been finalised as at 31 December 2016, due to uncertainty attached to certain valuation factors. The purchase price allocations for all companies acquired in 2015 were completed in 2016. No material changes have been made in the purchase price allocations except in the case of Cederroth where an excess value of NOK 39 million has been assigned to a property in Falun, and the value of acquired brands has been reduced by NOK 15 million. Some additional provisions totalling NOK 16 million were also made, bringing goodwill to the same level as in the original acquisition analysis.

As at 31 December 2016, businesses had been acquired for a total of NOK 2,651 million on a debt-free basis.

Sale of companies

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

In the fourth quarter, Orkla Eiendom effected the sale of lots from a former industrial property (Attisholz) in Switzerland. The gain on the sale, NOK 117 million, is included in EBIT (adj.). The sale is presented as sale of property, plant and equipment in the statement of cash flows and is thus included on the line "Cash flow from operations Financial Investments"; see Note 13.

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

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

Payment for the Asan brand was received in the first quarter. The disposal of Asan did not give rise to any income statement effects.

The sales of Poznan Onion, Åsane Utvikling, Mortensrud Næring and Asan are presented on the line "Sold companies" in the statement of cash flows.

Orkla's remaining interest of 16% in Gränges was sold in the first quarter of 2016 at a gain of NOK 26 million, which is presented on the line "Other financial items, net". The proceeds, which total NOK 826 million, are presented in the statement of cash flows on the line "Net purchase/sale shares and financial assets".

NOTE 6 NET INTEREST-BEARING LIABILITIES

The various elements of net interest-bearing liabilities are shown in the following table:

	31.12. 2016	31.12. 2015
Amounts in NOK million		
Non-current interest-bearing liabilities	(7 172)	(8 722)
Current interest-bearing liabilities	(2 496)	(399)
Non-current interest-bearing receivables (in "Financial Assets")	390	586
Current interest-bearing receivables (in "Other receivables")	18	9
Cash and cash equivalents	1 204	721
Net interest-bearing liabilities	(8 056)	(7 805)

NOTE 7 OTHER FINANCIAL ITEMS, NET

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

	1.1.-31.12.		1.10.-31.12.	
	2016	2015	2016	2015
Amounts in NOK million				
Gains, losses and write-downs shares and financial assets	187	107	18	35
Dividends	61	28	38	0
Net foreign currency gain/loss	(4)	0	4	2
Interest on pensions	(51)	(41)	(16)	(12)
Other financial items	(128)	(30)	(6)	(3)
Total	65	64	38	22

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 as at 31 December 2016.

The Group has intercompany balances totalling NOK 41 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 2016	2 722 000
Exercised during the period	(1 727 000)
Forfeited during the period	(40 000)
Outstanding options 31 December 2016	955 000

Change in number of treasury shares:

Treasury shares 1 January 2016	940 300
External purchases of treasury shares	2 000 000
Options exercised in treasury shares	(1 727 000)
Employee share purchase programme	(165)
Treasury shares 31 December 2016	1 213 135

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

In line with adopted principles, the Group has carried out impairment tests for all intangible assets with an indefinite useful life and for all goodwill prior to the preparation and presentation of financial statements for the third quarter. As a result of the tests, assets related to the operations in Orkla Food Ingredients have been written down by NOK 56 million to the recoverable amount. As of 31 December 2016 there were otherwise no indications of any impairment in the value of any of the Group's assets.

As a result of the introduction of an air passenger tax as of 1 June 2016 and Ryanair's decision to close its operations base, the Board of Directors of Rygge sivile lufthavn (RSL) no longer sees any basis for maintaining civilian air traffic after 1 November 2016. Consequently, Orkla has written down the statement of financial position assets related to RSL by a total of NOK 171 million. The carrying value of Orkla's equity interest has been written down by NOK 71 million and is presented on the line for "Profit/loss from associates and joint ventures". Loans totalling NOK 100 million to the company have been written down on the line for "Other financial items, net". The write-downs were taken in the second quarter of 2016.

NOTE 11 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

Amounts in NOK million	Measurement level			
	Level 1	Level 2	Level 3	Total
31 December 2016:				
Assets				
Investments	-	87	49	136
Derivatives	-	260	-	260
Liabilities				
Derivatives	-	445	-	445
31 December 2015:				
Assets				
Investments	876	405	131	1 412
Derivatives	-	448	-	448
Liabilities				
Derivatives	-	649	-	649

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 2015) and the situation in Sapa Profiles Inc. Portland (SPI) (see Note 6 in the Annual Report for 2015).

There have been no other 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 operations¹" 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.-31.12.		1.10.-31.12.	
		2016	2015	2016	2015
Operating profit		3 785	3 058	1 070	893
Amortisation, depreciation and impairment charges		1 138	1 109	264	268
Changes in net working capital, etc.		(228)	404	364	687
Cash flow from operations before net replacement expenditures		4 695	4 571	1 698	1 848
Net replacement expenditures		(1 327)	(930)	(287)	(271)
Cash flow from operations¹		3 368	3 641	1 411	1 577
Cash flow from operations, Financial Investments		45	94	174	(33)
Financial items, net paid		(276)	(285)	(64)	(88)
Taxes paid		(506)	(727)	(70)	(59)
Received dividends		283	282	39	0
Other payments and discontinued operations		11	158	7	3
Cash flow before capital transactions		2 925	3 163	1 497	1 400
Dividends paid		(2 599)	(2 563)	0	(9)
Net sale/purchase of treasury shares		(77)	(31)	4	81
Cash flow before expansion		249	569	1 501	1 472
Expansion investments		(163)	(388)	(31)	(152)
Sale of companies (enterprise value)	5	415	1 133	16	52
Purchase of companies (enterprise value)	5	(2 651)	(3 173)	(67)	(140)
Net purchase/sale shares and financial assets		1 194	298	75	73
Net cash flow		(956)	(1 561)	1 494	1 305
Currency effects of net interest-bearing liabilities		705	(583)	(76)	(182)
Change in net interest-bearing liabilities		251	2 144	(1 418)	(1 123)
Net interest-bearing liabilities	6	8 056	7 805		

¹Excluding Financial Investments