

First quarter 2018



The first quarter in brief

- Branded Consumer Goods achieved turnover growth of 7.5% and organic growth of 0.1% in the first quarter, with good organic growth in Orkla Foods and Orkla Foods Ingredients.
- Fewer sales days in the first quarter of 2018 compared with 2017, due to the timing of Easter, had a negative impact on volume growth in the Scandinavian countries.
- The loss of a distribution agreement (Wrigley) contributed to lower sales in Orkla Confectionery & Snacks Norge.
- The effects of cost reduction programmes were counteracted by higher purchasing prices due to currency exchange rates (SEK/NOK vs EUR), negative mix effects and higher advertising investments.
- Increased volume and sales for Jotun, but overall profit growth remained weak, mainly due to higher raw material prices and continued weak growth in the Marine segment.

Key figures for the Orkla Group per 31 March

All Alternative Performance Measures (APMs) are presented on the last page in this report.

Amounts in NOK million	1Q-2018	Δ vs 2017	R12M
Branded Consumer Goods			
Operating revenues	9 497	7.5%	39 173
- <i>Organic revenue growth</i>		0.1%	
EBIT (adj.)	942	2.3%	4 664
EBIT (adj.) margin	9.9%	-50 bps	11.9%
- <i>Underlying margin growth</i>		-30 bps	
Group			
Operating revenues	9 711	6.9%	40 191
EBIT (adj.)	897	-0.3%	4 632
Profit/loss from associates	86	-50%	226
Profit/loss before taxes	886	-10%	4 474
Earnings per share from continuing operations, diluted (NOK)	0.68	-11.7%	3.36

President and CEO Peter A. Ruzicka comments:

Orkla's branded consumer goods business delivered organic growth and improved operating profit in the first quarter. I am happy that one of our largest companies, Orkla Foods Sverige, is delivering good organic growth. It is gratifying to see that we are managing to maintain sales growth in Finland, the Baltics and Central Europe, and in Orkla Confectionery & Snacks Sverige. We are also delivering on our improvement projects.

Nevertheless, a number of factors led to results below expectations for the first quarter of 2018: the timing of Easter meant fewer sales days in the Scandinavian countries, a cold winter contributed to lower sales of ice cream ingredients and painting tools, and the loss of a distribution agreement (Wrigley) in Orkla Confectionery & Snacks contributed negatively to the results.

I am pleased that we completed the purchase of Health and Sports Nutrition Group in the first quarter, a strategically important factor for our focus on both digital sales and the sports and health segments. The company became part of Orkla Care as of 1 February, and we see good opportunities for its collaboration with our existing businesses in the form, for instance, of increased distribution in traditional sales channels and, not least, greater consumer insight.

Orkla will continue its efforts to rationalise its existing operations, such as through its factory footprint programme, and to extract synergies from acquired companies.

Although the first quarter results were lower than we expected, we are committed to our long-term targets for 2018 of achieving sales growth in line with market growth and delivering EBIT (adj.) growth of 6-9%.



Market growth

In most of the markets in which Orkla's Branded Consumer Goods businesses are present, we have seen moderate growth lately, primarily due to low volume growth. There have been signs of increasing growth, driven by higher prices in the retail trade as a result of the rise in raw material costs in 2017.

Overall, the global FAO Food Price index was relatively stable in the first quarter, compared with 2017, but the price performance of the raw materials in the index varied. Foreign exchange fluctuations impact on sourcing costs, and the euro in particular has strengthened against the Swedish and Norwegian krone compared with the same period of 2017. This will put further pressure on purchasing costs going forward.

Branded Consumer Goods' performance

Sales revenues changes %	FX	Structure	Organic growth	Total
1.1.–31.3.2018	3.6	3.8	0.1	7.5

Growth for Branded Consumer Goods was driven by acquisitions and positive currency translation effects. Organic turnover growth was weakly positive, with good organic growth delivered by both Orkla Foods and Orkla Food Ingredients. The organic growth was largely driven by the companies outside Scandinavia, especially in Finland and the Baltics, and was substantially offset by the fewer number of sales days due to the timing of Easter. In addition, the loss of the distribution agreement with Wrigley as from 1 January 2018 contributed to a decline in sales for Orkla Confectionery & Snacks. Adjusted for the loss of the distribution agreement, organic growth for Branded Consumer Goods would have been 0.8%. Moreover, weather in Scandinavia and Europe has been cold and snowy, leading to lower demand for, among other things, ice cream and painting equipment.

EBIT margin growth bps	FX/ Structure	Underlying		Total
		Variable cost	Others	
1.1.–31.3.2018	-20	-30	-	-50

Branded Consumer Goods' EBIT (adj.) margin was reduced by 50 basis points in the first quarter due to the dilutive effects of acquired companies and an underlying decline in the EBIT (adj.) margin of 30 basis points. First-quarter results were also affected by higher purchasing costs driven by negative currency effects due to the stronger euro compared with the first quarter of 2017, and negative mix effects. Other costs had a

neutral effect on the EBIT (adj.) margin, where an improvement in fixed costs was offset by slightly higher advertising expenditure and depreciation. Branded Consumer Goods' top-line growth still exceeds growth in fixed costs (a positive "black over red" gap).

Orkla will continue its efforts to rationalise its existing operations, through its factory footprint programme and in other ways, and to extract synergies from acquired companies. In the first quarter of 2018, one more factory was closed, while six are in the process of closing. Furthermore, two factories are under consideration for closure (in Kungälv and Turku), but no decision has yet been taken. A dialogue with trade unions and other stakeholders is currently in progress in accordance with applicable practices and local laws and regulations.

Structural measures (M&A)

In the first quarter, Orkla Care completed its purchase of the Swedish company Health and Sport Nutrition Group (HSNG) to further strengthen its presence in digital marketing and sales. The turnover for HSNG is mainly from the Nordic countries. Orkla Care also increased its presence in the painting tool segment in the Netherlands and Belgium through transactions in Anza Vermex and PGZ International B.V.

Orkla Foods completed an agreement to purchase the Danish bakery Struer Brød A/S, which produces breakfast cereals. Orkla has been Struer's most important customer, and the acquisition is strategically important to secure adequate production capacity and product development expertise in future.

Through Orkla Investments, Orkla invested in the Danish pizza restaurant chain Gorm's. The investment in Gorm's gives Orkla a position in the pizza segment in Denmark and in a new sales channel with good growth.

See Notes 5 and 13 for more information on acquired companies.

Outlook

Orkla continues to face strong competition from imported international brands and the retail trade's private labels. However, we are also seeing a shift on the part of consumers, where local players are gaining in strength at the expense of major global manufacturers. With over 300 local brands and a strong focus on innovations, Orkla is well positioned for this shift. Furthermore, consumers are moving away from traditional channels in many product categories. Orkla is addressing this change in various ways, including intensifying its focus on ensuring a presence in new channels outside the grocery retail sector and making strategic acquisitions that offer access to potential customers in the new channels.

The strategy of being a leading branded consumer goods company with the Nordics and Baltics as our main markets, in addition to selected geographies where Orkla already has a presence, remains unchanged. Orkla targets organic growth that at least matches market growth, which is expected to be around 2% going forward, and annual EBIT (adj.) growth of 6–9% in Branded Consumer Goods for 2016–2018.

For several years, the Group has implemented a programme whereby its employees may purchase a limited number of shares at a discount. Orkla plans to continue to offer this programme in 2018, with three purchase options: NOK 28,000, NOK 15,000 and NOK 8,000 (amount after discount). The discount is 25%, and the shares may not be sold until 24 months after purchase at the earliest. The programme is expected to be carried out in the second quarter of 2018, as opposed to the third quarter of 2017. This will result in a periodic negative effect in the second quarter, compared with last year, with the opposite effect in the third quarter.

Financial matters - Group

Main figures profit/loss

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2018	2017	2017
Operating revenues	9 711	9 081	39 561
EBIT (adj.)	897	900	4 635
Other income and expenses	(27)	(87)	(201)
Operating profit	870	813	4 434
Profit/loss from associates*	86	173	313
Interest and financial items, net	(70)	(3)	(176)
Profit/loss before taxes	886	983	4 571
Taxes	(176)	(185)	(980)
Profit/loss continuing operations	710	798	3 591
Discontinued operations*	-	312	5 066
Profit/loss for the period	710	1 110	8 657
Earnings per share from continuing operations, diluted (NOK)	0.68	0.77	3.46

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

The Group's operating revenues rose by 7% in the first quarter, mainly driven by structural growth and positive currency translation effects arising from consolidation in Branded Consumer Goods.

Group EBIT (adj.) for the first quarter was on a par with last year. Growth in Branded Consumer Goods was offset by a decline in profit in Orkla Investments and higher HQ costs. Orkla Investments' negative profit performance compared with the first quarter of 2017 was related to the sale of property completed in 2017. Currency translation effects arising from consolidation had a positive effect of NOK 22 million on Branded Consumer Goods' EBIT (adj.).

The Group's other income and expenses totalled NOK -27 million in the first quarter and were related to coordination projects, acquisitions and integration, and the costs of the pre-project for the Group's ERP project.

The Group's first-quarter operating profit grew by 7%, year over year.

Profit from associates declined in the first quarter, due to lower profit from Jotun.

Net interest expense increased in the first quarter despite the lower gross debt level. The average borrowing rate was 3.5% in the quarter, compared with 1.8% in 2017, due to the higher proportion of debt at fixed interest rates. Moreover, there were non-periodic costs related to interest rate hedges. The difference in other net financial items between the first quarter of 2018 and the first quarter of 2017 is explained by the gain on the sale of Orkla's remaining shareholdings in Solsten Nordic Equity Fund in the first quarter of 2017.

Group profit before tax fell by 10% in the quarter, compared with last year, while the tax charge ended at 22%, adjusted for associates. At quarter end, profit per share for continuing operations was NOK 0.68, down 12% from the same period of last year.

Profit for discontinued operations in 2017 consists entirely of profit from Sapa.

Cash flow – Group

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 2018. Reference is made to page 11 for the consolidated statement of cash flow – IFRS and reconciliation of cash flows.

Orkla-format

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2018	2017	2017
Operating profit*	873	806	4 423
Amortisation, depreciation and impairment charges*	302	327**	1 313
Gains from operations moved to capital expenditures and sale of companies*	(1)	(1)	(299)
Changes in net working capital*	(574)	(162)	18
Net replacement expenditures*	(382)	(240)	(1 050)
Cash flow from operations*	218	730	4 405
Cash flow from operations, Financial Investments	(36)	(6)	(290)
Taxes paid	(476)	(223)	(934)
Dividends received and financial items	35	15	1 574
Cash flow before capital transactions	(259)	516	4 755
Dividends paid and purchase/sale of treasury shares	(4)	(114)	(7 740)
Cash flow before expansion	(263)	402	(2 985)
Expansion investments	(35)	(54)	(206)
Sale of companies (enterprise value)	-	106	12 520
Purchase of companies (enterprise value)	(480)	(200)	(901)
Net purchase/sale shares and financial assets	-	88	43
Net cash flow	(778)	342	8 471
Currency effects of net interest-bearing liabilities	150	(102)	(429)
Change in net interest-bearing liabilities	628	(240)	(8 042)
Net interest-bearing liabilities	642	7 816	14
Net interest-bearing liabilities / EBITDA (R12M)	0.1	1.4	0.0

*Excluding Financial Investments.

**The amount includes NOK 43 million in write-down of property, plant and equipment due to discontinuing the production of mayonnaise-based salads (Denja).

At Group level, the bottom line of the Orkla-format cash flow statement is the change in net interest-bearing liabilities, an important management parameter for the Group (see Note 6). Cash flow from operations is used in business area management.

Cash flow from operations (excluding Financial Investments) was lower in the first quarter than in the corresponding period of last year, chiefly due to increased working capital and increased net replacement investments. There was a seasonal build-up of working capital in the first quarter, but the level was higher than in the same period of last year. Working capital in 2017 reflected positive non-recurring effects, but the level in 2018 is nonetheless high. The working capital levels varies significantly from one company to another, and steps have been taken to remedy this situation in the future. The increase in net replacement investments was mainly related to higher IT investments in the Group, as well as current factory improvement and restructuring programmes.

Taxes paid increased, year over year, mainly due to timing differences in taxes paid in Norway and Denmark.

No treasury shares were sold or bought in the first quarter of 2018, as opposed to the net purchase of treasury shares for NOK -99 million in the first quarter of 2017.

No companies were sold in the first quarter, whereas in 2017 companies related to the real estate portfolio were sold for a total of NOK 106 million. Companies were acquired by Branded Consumer Goods, the largest of which was HSNB. In the first quarter of 2017, the net sale of shares and financial assets totalled NOK 88 million, related to the sale of Orkla's remaining shareholdings in Solsten Nordic Equities Fund.

Net cash flow for the Group amounted to NOK -778 million. Positive translation effects of NOK 150 million arising from exchange rate fluctuations helped to reduce net interest-bearing liabilities, which totalled NOK 642 million.

At quarter end, the equity ratio was 66.3%, compared with 65.2% as at 31 December 2017. The average remaining life of long-term liabilities and unutilised credit lines is 4.6 years. Orkla's financial position is robust, with substantial cash reserves and credit lines, and no large loans that fall due in the next three years.

Business areas

Branded Consumer Goods

Orkla Foods

Amounts in NOK million	1Q-2018	Δ vs 2017	R12M
Operating revenues	3 852	2.5%	16 220
- Organic revenue growth		1.6%	
EBIT (adj.)	400	2.0%	2 063
EBIT (adj.) margin	10.4%	0 bps	12.7%

- Organic sales growth despite fewer sales days due to the timing of Easter
- Positive contributions from price increases, but the weaker SEK gave rise to greater challenges
- The EBIT (adj.) margin at the same level as last year – cost improvements partly offset by increased use of advertising

Orkla Foods posted a 2.5% rise in sales in the first quarter. Organic growth was 1.6%, where positive contributions from price increases were counteracted by lower sales due to the timing of Easter which led to fewer sales days.

The biggest innovations in the quarter were TORO soup and sauce bases and pizza launches under the Grandiosa and Big One brands in Norway. Both the bases and the pizzas were well received in the market and boosted sales growth. Launches under the vegetarian brand Anamma in Sweden also contributed positively in the first quarter. Market share growth remains a challenge for Orkla Foods, particularly in categories outside its core areas.

EBIT (adj.) rose by 2% in the first quarter. Profit improvement was driven by both sales growth and cost improvements, but was somewhat hampered by higher advertising investments than in 2017. Currency consolidation effects also contributed to EBIT (adj.) growth in the quarter, but were offset by structural effects. The EBIT (adj.) margin was on par with the same quarter of 2017.

Orkla Confectionery & Snacks

Amounts in NOK million	1Q-2018	Δ vs 2017	R12M
Operating revenues	1 453	0.6%	6 448
- Organic revenue growth		-2.8%	
EBIT (adj.)	187	-7.0%	1 031
EBIT (adj.) margin	12.9%	-100 bps	16.0%

- A 2.8% decline in organic sales driven by the loss of a distribution agreement – positive growth when adjusted for the distribution agreement (estimated to be 1.5%)
- Reduction in EBIT (adj.) margin, primarily on account of negative volume growth and product mix

Orkla Confectionery & Snacks reported 0.6% sales growth in the first quarter, driven by positive currency effects that compensated for an organic decline of 2.8% in sales. The sales growth were particularly satisfactory in Sweden and Finland, but sales also continued to grow in the Baltics in the first quarter. The operations in Norway saw weak volume growth due to the absence of major pre-Easter price campaigns. The biggest innovations in the quarter were Solidox chewing gum and a new range of dark chocolate (Vill) in Norway, lentil chips sold under the OLV brand in Sweden, and the peppermint Maigums gift box in Latvia. Market share growth varied from one category and one country to another, but all in all there was a decline.

Orkla Confectionery & Snacks posted a decline of 7% in first-quarter EBIT (adj.) The cost improvement projects carried out in factories continued to generate good results, but was counteracted in the quarter by a negative product mix performance. The profit decline was particularly linked to the company in Norway and was largely caused by the loss of the distribution agreement, while the other companies saw good growth. The EBIT (adj.) margin came in at 12.9% in the first quarter, equivalent to a 100 basis points reduction from last year, primarily due to negative volume performance and product mix.

Orkla Care

Amounts in NOK million	1Q-2018	Δ vs 2017	R12M
Operating revenues	2 076	11.7%	7 697
- Organic revenue growth		-0.4%	
EBIT (adj.)	298	8.4%	1 097
EBIT (adj.) margin	14.4%	-40 bps	14.3%

- Turnover and EBIT (adj.) growth in the quarter, chiefly driven by acquisitions
- Organic sales decline due to fewer sales days
- Decline in EBIT (adj.) margin related to dilutive effects of acquired companies and higher purchasing costs due to a weaker Norwegian and Swedish krone

Orkla Care achieved 11.7% growth in sales in the first quarter. Organic growth was -0.4%. All areas of Orkla Care were negatively affected by the timing of Easter with fewer sales days, and the particularly high level of campaign activity for Orkla Home & Personal Care in Norway in the fourth quarter of 2017. Orkla Health delivered organic growth in most markets, and the first quarter saw particularly good international growth for Omega 3 products. Pierre Robert Group posted good organic growth in the quarter, driven by new product launches in Finland, as well as increased distribution and high campaign activity in Norway.

House Care achieved organic growth in most of its markets, but a continued decline in sales in the British business resulted in overall negative growth. The UK company lost its distribution contract with a major customer in the third quarter of 2017 which, coupled with the ongoing integration process, resulted in a significant decline in profit for the entire British business. A number of actions have been initiated to improve operations, and results are expected to improve gradually.

First-quarter EBIT (adj.) was up 8%. The improvement in profit was mainly driven by acquired companies, along with positive currency consolidation effects. The EBIT (adj.) margin was 14.4% (14.8 %)¹ for the first quarter. The decline from last year was related to the dilutive effects of the inclusion of acquired companies, coupled with higher purchasing costs due to a weaker Norwegian and Swedish krone.

Orkla Food Ingredients

Amounts in NOK million	1Q-2018	Δ vs 2017	R12M
Operating revenues	2 182	20.4%	9 072
- Organic revenue growth		1.7%	
EBIT (adj.)	57	7.5%	473
EBIT (adj.) margin	2.6%	-30 bps	5.2%

- Good organic top-line growth for bakery ingredients, vegan products and butter blends and margarine products
- Fewer sales days had a negative impact on sales growth, and cold spring weather resulted in a very weak start to the year for ice cream ingredients
- Decline in EBIT (adj.) margin driven by lower profit for ice cream ingredients

Orkla Food Ingredients reported a 20.4% increase in first-quarter operating revenues. Adjusted for currency translation effects and acquisitions, sales rose by 1.7%. Sales were negatively impacted by weak sales of ice cream ingredients due to the cold spring weather. Fewer sales days had a negative top-line effect (especially in Scandinavian markets), but good sales growth for bakery ingredients was recorded in many other geographies. Sales of vegan products from Dragsbæk continued to grow, and the price effect of a continued rise in raw material costs on butter blends and margarine products had a positive impact. A solid increase in sales to other Orkla companies also contributed positively.

EBIT (adj.) increased by 8%, driven by positive currency translation effects and profit from acquired companies. Weak sales of ice cream ingredients resulted in a substantial decrease in profit, partly offset by the solid profit improvement for several sales and distribution companies in bakery ingredients, and the continued positive effects of improvement projects in several companies (incl. in Finland and Romania). The EBIT (adj.) margin came in at 2.6% in the first quarter, down 30 basis points from 2017 due to the above-mentioned factors.

Orkla Investments

Hydro Power

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2018	2017	2017
Volume	482 GWh	536 GWh	2 729 GWh
Price ²	37.2 øre/kWh	28.0 øre/kWh	27.4 øre/kWh
EBIT (adj.)	59	54	316

EBIT (adj.) for Hydro Power amounted to NOK 59 million (NOK 54 million)¹ in the first quarter of 2018. The increase was essentially due to higher power prices than in the same quarter of 2017, while production volumes were somewhat lower. First-quarter operating costs were approximately on a par with costs in the first quarter of 2017. At quarter end, the reservoir level in Sauda was at about the normal level, while the snowpack level was higher than normal. In Glomma, the reservoir level was substantially lower than normal, while snowpack levels were far higher than normal.

Financial Investments

First-quarter EBIT (adj.) for Orkla Financial Investments amounted to NOK -5 million (NOK 7 million)¹. There were no real estate transactions in the period, but results for the first quarter of 2017 included the positive effects of the sale of property in Bergen. The main activities in the quarter were the development and other work related to the sale of properties in the existing real estate portfolio.

Jotun (42.6% interest)

Jotun continues to deliver growth in both volume and sales revenues in all segments except for Marine Coatings, which is heavily impacted by the cyclical downturn in the shipping industry. Marine Coatings experienced a significant decline in results, due to

lower sales and a sharp increase in raw material prices. This explains more than half of the decrease in total results in first quarter. Higher raw material prices have had a negative impact on profitability in the other segments as well, but Decorative Paints continues to deliver good results. Raw material prices are expected to increase further, though at a lower rate. Implementation of measures to improve profitability and to counteract the impact of higher raw material costs, including price increases and focus on cost control, are ongoing and will continue going forward.

Jotun continues to pursue its organic growth strategy and maintain focus on operational efficiency by investing in production capacity in both existing and new markets, and by further developing systems and employee capabilities.

Other matters

At the Annual General Meeting on 12 April 2018, 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. Lisbeth Valther will not continue to serve as Board member and Peter Agnefjäll was elected as a new member of the Board of Directors. Mr Agnefjäll was President and CEO of the IKEA Group until September 2017, and has participated in building up, developing and renewing a significant and successful international business for many years. The General Meeting approved a dividend of NOK 2.60 per share for the 2017 financial year, which will be paid out on 25 April. The Orkla share was traded ex dividend as from 13 April 2018.

Pål Eikeland resigned from his position as Orkla Executive Vice President and CEO of Orkla Food Ingredients as of 3 April, and has taken up a new role in Orkla. Mr Eikeland has been CEO of Orkla Food Ingredients (OFI) since 1 July 2010 and a member of Orkla's Group Executive Board since 2012. Halvor Liødden has been temporarily appointed as new acting CEO of Orkla Food Ingredients.

Oslo, 24 April 2018
The Board of Directors of Orkla ASA

¹Figures in parentheses are for the corresponding period of the previous year.

²Source: Nord Pool Spot, Monthly System Price.

Condensed income statement

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2018	2017	2017
Operating revenues	2	9 711	9 081	39 561
Operating expenses		(8 516)	(7 893)	(33 742)
Depreciation, amortisation and write-downs		(298)	(288)	(1 184)
EBIT (adj.)	2	897	900	4 635
Other income and expenses	3	(27)	(87)	(201)
Operating profit		870	813	4 434
Profit/loss from associates*		86	173	313
Interest, net		(50)	(37)	(149)
Other financial items, net	7	(20)	34	(27)
Profit/loss before taxes		886	983	4 571
Taxes		(176)	(185)	(980)
Profit/loss continuing operations		710	798	3 591
Discontinued operations*	11	-	312	5 066
Profit/loss for the period		710	1 110	8 657
Profit/loss attributable to non-controlling interests		22	15	75
Profit/loss attributable to owners of the parent		688	1 095	8 582

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

Earnings per share

Amounts in NOK	1.1.–31.3.		1.1.–31.12.
	2018	2017	2017
Earnings per share	0.68	1.08	8.43
Earnings per share (diluted)	0.68	1.08	8.43
Earnings per share for continuing operations, (diluted)	0.68	0.77	3.46

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2018	2017	2017
Profit/loss for the period		710	1 110	8 657
Items after tax <u>not</u> to be reclassified to profit/loss in subsequent periods				
Actuarial gains and losses pensions		-	-	(30)
Items after tax to be reclassified to profit/loss in subsequent periods				
Change in unrealised gains on shares	4	-	(53)	(53)
Change in hedging reserve	4	26	28	75
Carried against the equity in associates and discontinued operations	4	(185)	160	(1 026)
Translation effects		(560)	113	1 088
The Group's comprehensive income		(9)	1 358	8 711
Comprehensive income attributable to non-controlling interests		19	16	90
Comprehensive income attributable to owners of the parent		(28)	1 342	8 621

Condensed statement of financial position

Assets

Amounts in NOK million	Note	31.3. 2018	31.12. 2017
Intangible assets		19 899	19 921
Property, plant and equipment		11 567	11 683
Investments in associates and other financial assets	6	3 870	4 108
Non-current assets		35 336	35 712
Inventories		5 699	5 684
Inventory of development property		115	113
Trade receivables		6 349	6 165
Other receivables	6	856	883
Shares and financial assets		17	17
Cash and cash equivalents	6	4 124	4 834
Current assets		17 160	17 696
Total assets		52 496	53 408

Equity and liabilities

Amounts in NOK million	Note	31.3. 2018	31.12. 2017
Paid in equity		1 995	1 995
Earned equity		32 388	32 413
Non-controlling interests		438	430
Equity		34 821	34 838
Provisions and other non-current liabilities		4 570	4 734
Non-current interest-bearing liabilities	6	4 713	4 820
Current interest-bearing liabilities	6	294	359
Trade payables		4 713	4 940
Other current liabilities		3 385	3 717
Equity and liabilities		52 496	53 408
Equity ratio (%)		66.3	65.2

Condensed statement of changes in equity

	1.1. – 31.3.2018		
Amounts in NOK million	Attributed to equity holders of the parent	Non- controlling interest	Total equity
Equity 1 January	34 408	430	34 838
The Group's comprehensive income	(28)	19	(9)
Dividends	-	(4)	(4)
Net purchase/sale of treasury shares	-	-	-
Change in non-controlling interests	3	(7)	(4)
Equity at the close of the period	34 383	438	34 821

	1.1. – 31.3.2017		
Amounts in NOK million	Attributed to equity holders of the parent	Non- controlling interest	Total equity
Equity 1 January	33 474	402	33 876
The Group's comprehensive income	1 342	16	1 358
Dividends	-	(15)	(15)
Net purchase/sale of treasury shares	(99)	-	(99)
Change in non-controlling interests	(3)	(4)	(7)
Equity at the close of the period	34 714	399	35 113

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2018	2017	2017
Cash flow from operations before capital expenditure		590	1 031	5 496
Received dividends and financial items		54	21	1 505
Taxes paid		(476)	(223)	(934)
Cash flow from operating activities		168	829	6 067
Net capital expenditure		(443)	(361)	(1 587)
Net sale (purchase) of companies	5	(472)	(78)	11 544
Net sale shares and financial assets		-	88	43
Other payments		(19)	(6)	69
Cash flow from investing activities		(934)	(357)	10 069
Net paid to shareholders		(4)	(114)	(7 740)
Change in interest-bearing liabilities and receivables		66	(522)	(4 783)
Cash flow from financing activities		62	(636)	(12 523)
Currency effects cash and cash equivalents		(6)	4	17
Change in cash and cash equivalents		(710)	(160)	3 630
Cash and cash equivalents	6	4 124	1 044	4 834

Reconciliation operating activities against Orkla-format (see page 5)

<i>IFRS cash flow</i>				
Cash flow from operating activities		168	829	6 067
Net capital expenditure		(443)	(361)	(1 587)
Other payments		(19)	(6)	69
Cash flow from operating activities incl. Investments		(294)	462	4 549
<i>Orkla-format</i>				
Cash flow before capital transactions		(259)	516	4 755
Expansion investments		(35)	(54)	(206)
Cash flow before capital transactions incl. expansion investments		(294)	462	4 549

Reconciliation cash and cash equivalents against net interest-bearing liabilities in Orkla-format (see page 5)

Change cash and cash equivalents IFRS cash flow		710	160	(3 630)
Change net interest-bearing liabilities IFRS cash flow		66	(522)	(4 783)
Net interest-bearing liabilities purchase/sale companies		8	16	(75)
Total currency effect net interest-bearing liabilities		(150)	102	429
Currency effect cash and cash equivalents		(6)	4	17
Change net interest-bearing liabilities Orkla-format		628	(240)	(8 042)

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first quarter of 2018 were approved at the meeting of the Board of Directors on 24 April 2018. The figures in the statements have not been audited. Orkla ASA (organisation no. NO 910 747 711) 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 sold its 50% interest in Sapa at the end of September 2017. Sapa's results have been presented on a separate line as "Discontinued operations" in the comparative figures (see Note 11).

The Group has adopted two new IFRS standards as of 1 January 2018:

Implementation of *IFRS 9 Financial Instruments* has little relevance for the Group and none of the standard's rules regarding classification, impairment testing or hedge accounting will materially affect the financial statements. Historical figures have not been restated and no changes have been made in the statement of changes in equity. The hedging relationships that qualify for hedge accounting under IAS 39 will continue to qualify under IFRS 9. In future, moreover, under IFRS 9 there may be more hedging relationships that qualify for hedge accounting. This will not have any material effect on the financial statements either. As at 31 March 2018, Orkla had only a limited number of financial assets in the statement of financial position. A new set of rules prescribing whether changes in the value of this type of asset are to be recognised in the ordinary income statement or merely reflected in the statement of comprehensive income will therefore not have any material effect.

IFRS 15 Revenue from Contracts with Customers provides a comprehensive framework for revenue recognition. The main message in IFRS 15 is that revenue must be recognised in such a way that the expected consideration is recorded as income according to a pattern that reflects the transfer of goods or services to the customer. The main challenge in this respect lies in bundled deliveries, a topic on which little guidance was provided in the earlier IAS 18. Bundled deliveries mean deliveries where it is difficult to make a distinction between the purchased product and supplementary deliveries. By examining in detail the companies' recognition of revenue in the light of the new standard, Orkla has determined that there are no material matters of this nature in either the first quarter of 2018 or in earlier years, apart from additional disclosure requirements in the annual financial statements for 2018. Applying a retrospective implementation method thus entails no changes in comparative figures, and the transition has no effect on the Group's statement of changes in equity. This also applies to the way in which the Group recognises and treats discounts and bonuses. Consequently, the introduction of IFRS 15 does not materially affect the Group.

No changes have otherwise been made in presentation or accounting principles nor have any other standards been adopted that materially affect the Group's financial reporting or comparisons with previous periods. The Group is now working on charting and identifying matters related to the new IFRS 16 Leases, which will be implemented as from 1 January 2019.

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

NOTE 2 SEGMENTS

Amounts in NOK million	Operating revenues			Operating profit - EBIT (adj.)		
	1.1.–31.3.		1.1.–31.12.	1.1.–31.3.		1.1.–31.12.
	2018	2017	2017	2018	2017	2017
Orkla	9 711	9 081	39 561	897	900	4 635
Branded Consumer Goods	9 497	8 834	38 510	942	921	4 643
Orkla Foods	3 852	3 758	16 126	400	392	2 055
Orkla Confectionery & Snacks	1 453	1 444	6 439	187	201	1 045
Orkla Care	2 076	1 858	7 479	298	275	1 074
Orkla Food Ingredients	2 182	1 813	8 703	57	53	469
Eliminations Branded Consumer Goods	(66)	(39)	(237)	-	-	-
Orkla Investments	208	236	1 027	54	61	324
Hydro Power	193	182	866	59	54	316
Financial Investments	15	54	161	(5)	7	8
HQ/Other Business/Eliminations	6	11	24	(99)	(82)	(332)

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2018	2017	2017
M&A and integration costs	(5)	(42)	(149)
Final settlement employment relationships etc.	(2)	-	(89)
Gain/write-downs relating to coordination projects	-	(43)	192
Other restructuring costs and special IFRS effects	(20)	(2)	(155)
Total other income and expenses	(27)	(87)	(201)

The Group is developing and several coordination projects are still in progress. The largest of these are related to the coordination of chocolate production in Latvia and a competitiveness project in Kungälv, both implemented by Orkla Confectionery & Snacks, and a project in Orkla Foods to relocate dilutable fruit drink production from Denmark to Kumla, Sweden. The pizza project in Stranda is in a start-up phase and early project costs will be expensed. The main project will be capitalised.

Costs have also been incurred in the final stage of several projects in Orkla Care. There are still some costs related to Project One before capitalisation begins, and costs have been incurred in connection with a coordination project organised from Orkla's head office.

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

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of shares and financial assets (unrealised gains) and hedging instruments (hedging reserve). These figures are presented after tax. The tax effect as at 31 March 2018 related to changes in unrealised gains is NOK 0 million (NOK 0 million in 2017), and the tax effect related to changes in the hedging reserve amounts to NOK 7 million (NOK 0 million in 2017).

Unrealised gains/losses on shares and the hedging reserve included in equity as at 31 March 2018 (after tax) totalled NOK 0 million and NOK -202 million, respectively. Accumulated translation differences correspondingly amounted to NOK 1,004 million, and accumulated items recognised in equity in associates amounted to NOK 29 million as at 31 March 2018.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Orkla has purchased the Swedish company Health and Sports Nutrition Group HSNB AB ("HSNB"). HSNB runs the e-commerce portals Gymgrossisten and Bodystore, and is the biggest online health and sports nutrition player in the Nordic region. HSNB has around 170 employees. For the last rolling 12 months as at 1 October, HSNB's turnover totalled SEK 772.8 million (approx. NOK 757 million) and EBITDA was SEK 38.4 million (approx. NOK 38 million). The company was consolidated into Orkla's financial statements as of 1 February 2018.

Orkla has purchased the Danish bakery Struer Brød A/S ("Struer"). Struer produces breakfast cereals and bread-crumbs, and Orkla was its most important customer. Struer has 44 employees. In 2016, Struer had a turnover of DKK 114 million (approx. NOK 148 million), about half of which consisted of sales to Orkla, and EBIT amounting to DKK 9.8 million (approx. NOK 13 million). The company was consolidated into Orkla's financial statements as of 1 February 2018.

As at 31 March 2018, Orkla had purchased companies for a total of NOK 480 million on a debt-free basis. See also Note 13 for agreements entered into on the purchase of companies.

With regard to the companies acquired in 2017, the purchase price allocations for Orchard Valley Foods Limited and Laan Heiloo BV were finalised in the first quarter of 2018. No material changes were made in relation to the preliminary purchase price allocations.

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.	31.12.
	2018	2017
Non-current interest-bearing liabilities	(4 713)	(4 820)
Current interest-bearing liabilities	(294)	(359)
Non-current interest-bearing receivables (in "Financial Assets")	233	276
Current interest-bearing receivables (in "Other receivables")	8	55
Cash and cash equivalents	4 124	4 834
Net interest-bearing liabilities	(642)	(14)

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.
	2018	2017	2017
Gains, losses and write-downs shares and financial assets	-	52	47
Dividends	-	-	7
Net foreign currency gain/loss	2	1	(3)
Interest on pensions	(12)	(11)	(58)
Other financial items	(10)	(8)	(20)
Total	(20)	34	(27)

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 one real estate investment. Canica AS has signed an agreement with Orkla ASA to lease office premises at Karenslyst allé 6. 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 March 2018.

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

NOTE 9 TREASURY SHARES

As at 31 March 2018, Orkla had 176,933 treasury shares. In the first quarter of 2018, there were no changes in the number of treasury shares held by Orkla.

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

As at 31 March 2018, there were no indications of any impairment in the value of any of the Group's assets.

In the 2018 financial statements, it was commented that as a result of the roll-out of a new common ERP template (Project One), it may be necessary to write down existing ERP systems that become superfluous. Any write-downs taken will be recognised as "Other income and expenses" as and when the individual companies decide to start the roll-out.

NOTE 11 DISCONTINUED OPERATIONS

In 2017, Orkla sold its 50% ownership interest in Sapa. The results from Sapa have been presented separately from the line "Profit/loss from associates and joint ventures" and transferred to the line "Discontinued operations" in the comparative figures. "Earnings per share for continuing operations" present the Group's earnings minus the share of profit or loss from Sapa.

Profit and loss as at 31 March 2018 are as follows:

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2018	2017	2017
Profit from joint venture	-	312	800
Gain related to sale	-	-	4 266
Discontinued operations	-	312	5 066

NOTE 12 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 2018:				
Assets				
Investments	-	-	84	84
Derivatives	-	104	-	104
Liabilities				
Derivatives	-	84	-	84
31 December 2017:				
Assets				
Investments	-	-	85	85
Derivatives	-	166	-	166
Liabilities				
Derivatives	-	373	-	373

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

NOTE 13 OTHER MATTERS

Orkla has entered into an agreement to increase its interest in the joint venture Anza Verimex NV to 50%. At the same time Orkla Care is taking over 50% of the painting tool operations in PGZ International B.V. The agreement was completed on 3 April 2018. On the same date, Orkla also completed its purchase of 67% of the Danish pizza restaurant chain Gorm's.

Orkla is engaged in litigation with the agricultural authorities concerning historical classification of goods in the price rebate and export duty refund schemes.

On 12 April 2018, the General Meeting of Orkla ASA adopted a resolution to pay out the proposed dividend of NOK 2.60 per share. The dividend, totalling over NOK 2.6 billion, will be paid to shareholders on 25 April 2018. The dividend has not been recognised as a liability in the statement of financial position as at 31 March 2018.

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.

Alternative Performance Measures (APMs)

EBIT (adj.)

EBIT (adj.) is operating profit or loss before other income and expenses (OIE). The main purpose of this performance measure is to identify material non-recurring items and items substantially relating to other periods to ensure that the changes in and comparability of the items presented in EBIT (adj.) are more relevant to the company.

Organic growth

Reported turnover growth adjusted for the effects of acquisitions and sales of companies and foreign currency, as follows: acquired companies are excluded 12 months after the transaction date. Sold companies are pro forma excluded 12 months prior to the transaction date. Currency effects (from companies/businesses that report in a currency other than the presentation currency) are neutralised by recomputing this year's turnover at last year's currency exchange rates. The main purpose of this alternative performance measure (APMs) is to show like-for-like growth in the business portfolio exclusive of acquired and sold companies in the last 12 months prior to the reporting date.

Underlying growth

Reported change adjusted for the effects of acquisitions and sales of companies and foreign currency, as follows: acquired companies are included after the transaction date and adjusted by also pro forma including the acquired companies in the 12 months prior to the transaction date. Sold companies are pro forma excluded 12 months prior to the transaction date. Currency effects (from companies/businesses that report in a currency other than the presentation currency) are neutralised by recomputing this year's turnover at last year's currency exchange rates. The main purpose of this alternative performance measure (APMs) is to show like-for-like growth for existing operations at the reporting date.

Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of Agrimex, Struer, Riemann, HSNG, Orchard Valley, SR Food, Arne B. Corneliussen and various minor acquisitions in Orkla Food Ingredients, as well as an adjustment for the sale of K-Salat.

Targeted EBIT (adj.) growth

Annual EBIT (adj.) growth of 6-9% including minor acquisitions and sales, adjusted for currency effects and major acquisitions and divestments.

Expansion investments

Expansion investments are defined as investments in new geographical markets or new categories or investments that represent significant increases in capacity.

R12M

Rolling 12 months: figures presented as a total of the latest 12 months.