# First quarter

2015

# Contents



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# The first quarter in brief

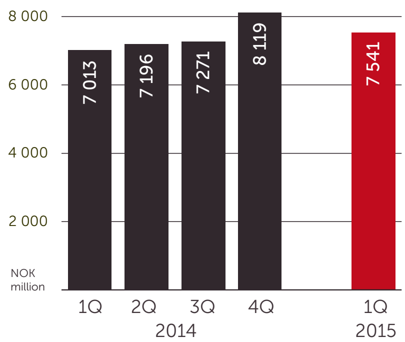
- Group EBIT (adj.)[1] totalled NOK 725 million in the first quarter, a year-over-year increase of 10%
- The Branded Consumer Goods area achieved 4.3% broad-based organic[3] growth and improved the EBIT (adj.)[1] margin by 0.4 percentage points
- Improved results from associates and joint ventures, primarily driven by good sales growth at Jotun and synergy effects at Sapa
- Pre-tax profit amounted to NOK 795 million in the first quarter, up from NOK 579 million in the first quarter of 2014
- Earnings per share were NOK 0.62, a rise of 32%
- Internal restructuring projects further strengthened Branded Consumer Goods in the first quarter, in addition to which several acquisition agreements were announced and completed

## KEY FIGURES FOR THE ORKLA GROUP

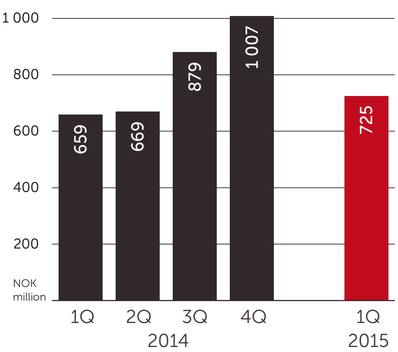
| Amounts in NOK million | Note | 1.1.–31.3. 2015 | 1.1.–31.3. 2014* | 1.1.–31.12. 2014 |
|---|---|---|---|---|
| Operating revenues | 2 | 7 541 | 7 013 | 29 599 |
| EBIT (adj.)[1] | 2 | 725 | 659 | 3 214 |
| Profit/loss before taxes | | 795 | 579 | 2 872 |
| Gains/profit/loss discontinued operations | | 0 | 33 | (485) |
| Earnings per share, diluted (NOK) | | 0.62 | 0.47 | 1.63 |
| Cash flow from operations** | 14 | 286 | 285 | 2 782 |
| Net interest-bearing liabilities | 6 | 6 210 | 7 574 | 5 661 |
| Equity ratio (%) | | 62.6 | 60.0 | 62.5 |
| Net gearing[4] | | 0.19 | 0.24 | 0.18 |

*Historical income statement figures have been restated due to the presentation of Gränges and Orkla Brands Russia as a separate item under "Discontinued operations" (see Note 11).
**Exclusive Financial Investments.

### OPERATING REVENUES




### EBIT (ADJ.)[1]




**7,541**

**OPERATING REVENUES**

Group operating revenues for the first quarter of 2015 totallted NOK 7,541 million

**725**

**EBIT (ADJ.)[1]**

Group EBIT (adj.)[1] for the first quarter of 2015 totalled NOK 725 million

[1]Operating profit before other income and expenses
[2]Figures in parentheses are for the corresponding period of the previous year
[3]Excluding acquired and sold companies and currency translation effects
[4]Net interest-bearing liabilities/Equity

## GOOD GROWTH IN BRANDED CONSUMER GOODS

The Branded Consumer Goods area showed 4.3% broad-based organic[3] growth in turnover in the first quarter. This growth was reinforced by the positive effects on sales of an earlier Easter this year. However, this will have negative consequences in the second quarter of 2015. The effect of campaigns in Orkla Foods, which was communicated in the fourth quarter of 2014, had a negative impact in the first quarter. Overall, around half of the organic[3] growth can be ascribed to these factors.

All the business areas delivered good organic[3] growth in turnover, even when adjusted for the above-mentioned factors. Orkla Foods and Orkla Food Ingredients achieved particularly good, broad-based growth in the quarter. In Orkla Confectionery & Snacks, organic[3] growth was driven primarily by the good performance in Norway and Denmark. Orkla Home & Personal achieved organic[3] growth in four out of five companies, with especially good growth in Lilleborg.

The organic[3] sales growth in the first quarter was mainly driven by volume, underpinned by several new product launches. The AquaDerma skin care range from Lilleborg, Big Cut potato crisps from Confectionery & Snacks and Pastella vegetable pasta from Orkla Foods Danmark were among the biggest launches. Orkla's categories in the Nordic grocery market have grown overall in the past year. Orkla's market share performance has varied to some degree and, all in all, market shares weakened slightly in the first quarter. However, performance improved somewhat since the previous quarter.

Orkla's overall purchasing costs rose in the quarter, largely due to the weaker Norwegian and Swedish krone. In addition, Orkla increased its advertising investments to support new launches and campaigns. Nevertheless, savings from major restructuring and cost reduction programmes resulted in a 0.4 percentage point increase in EBIT (adj.)[1] margin for Branded Consumer Goods. All in all, Branded Consumer Goods achieved 11% growth in EBIT (adj.)[1].

## STRUCTURAL MEASURES

In the first quarter, Orkla undertook a number of structural changes in line with the business strategy of becoming a leading Nordic branded consumer goods company. In addition to decisions to relocate production operations, aimed at optimising and rationalising its manufacturing structure, Orkla entered into several acquisition agreements.

On 15 January, Orkla signed an agreement to purchase the Swedish branded consumer goods company Cederroth. This acquisition will make Orkla Home & Personal one of the Nordic region's leading suppliers of personal care, health, wound care and household cleaning products. The purchase consists of 100% of the shares in Cederroth, and the agreement is subject to the approval of relevant competition authorities. The transaction is expected to be completed by the end of the third quarter of 2015.

The agreement to purchase Nordic Partner Foods Ltd (NP Foods), which was entered into on 26 August 2014, was approved on 12 February, and the transaction was completed on 11 March 2015. With this purchase, Orkla has close to doubled its operations in the Baltics and become one of the largest suppliers of branded consumer goods to the Baltic grocery sector. NP Foods' results will be reported as part of Orkla Confectionery & Snacks as from 1 April 2015.

On 13 March, Orkla announced its agreement to purchase the German sales and distribution company Eisunion GmbH, a leading full-range supplier of ice cream ingredients and accessories. The agreement was approved by the German competition authorities on 9 April, and the acquisition was completed on 16 April. Figures for Eisunion will be included in Orkla Food Ingredients' reporting as from 1 April 2015.

Furthermore, the purchase of 67% of the Finnish sales and distribution company Condite was completed on 8 January, and the sale of Orkla Brands Russia was finalised on 19 January. In the first quarter, Orkla also purchased W. Ratje Frøskaller, a company specialising in fibre products and gut health, and its HUSK brand. The company has been incorporated in Orkla Health since 1 February.

On 27 April, Orkla announced that it was expanding its collaboration with PepsiCo. Since January 2015, Orkla has been responsible for sales of Tropicana juice in Sweden and Denmark, and in Finland since April. The new agreement, which will come into force on 1 January 2016, will also cover Tropicana in Norway, Quaker in the Nordic region and PepsiCo's snacks in Norway, Sweden and Finland.

## FINANCIAL MATTERS

Group operating revenues totalled NOK 7,541 million (NOK 7,013 million)[2] in the first quarter. EBIT (adj.)[1] amounted to NOK 725 million (NOK 659 million)[2], an increase of 10%. The Branded Consumer Goods area reported an 11% rise in EBIT (adj.)[1]. This improvement was partly ascribable to the positive effects of an early Easter, but also to good organic[3] growth in turnover and contributions from cost savings. Currency translation effects made a positive contribution of NOK 11 million to Branded Consumer Goods' first-quarter EBIT (adj.)[1], due to the weaker Norwegian krone. On the other hand, the weakening of the Norwegian krone against key purchasing currencies resulted in higher purchasing costs for the Norwegian companies.

The Group's other income and expenses totalled NOK -117 million (NOK -32 million)[2] in the first quarter. This amount largely consisted of costs related to the write-down of buildings and plants in connection with restructuring projects to optimise Orkla Foods' manufacturing structure.

Profit from associates and joint ventures amounted to NOK 238 million (NOK 55 million)[2]. Orkla's share of profit from Sapa (JV) was NOK 45 million (NOK -51 million)[2]. Currency translation effects had a positive effect, but cost savings and increased demand also generated good profit growth.

Net interest amounted to NOK -63 million (NOK -86 million)[2] in the first quarter. Lower liabilities and lower interest rates compared with last year had a positive effect. The average borrowing rate was 3.2% in the quarter, and the Group's net interest-bearing liabilities at quarter end totalled NOK 6.2 billion (NOK 7.6 billion)[2].

Group profit before tax amounted to NOK 795 million (NOK 579 million)[2] and taxes totalled NOK 155 million (NOK 123 million)[2] in the first quarter. Orkla's diluted earnings per share were NOK 0.62 (NOK 0.47)[2] in the quarter.

## THE BUSINESS AREAS

### BRANDED CONSUMER GOODS

| | 1.1.–31.3. | | 1.1.–31.12. |
|---|---|---|---|
| Amounts in NOK million | 2015 | 2014 | 2014 |
| Operating revenues | 7 220 | 6 767 | 28 584 |
| EBIT (adj.)[1] | 769 | 695 | 3 378 |
| EBIT (adj.)[1] margin (%) | 10.7 | 10.3 | 11.8 |
| Cash flow from operations before net replacement expenditures | 555 | 575 | 3 653 |
| Net replacement expenditures | (186) | (178) | (805) |
| Cash flow from operations | 369 | 397 | 2 848 |
| Expansion investments | (46) | (24) | (102) |

### Orkla Foods

| | 1.1.–31.3. | | 1.1.–31.12. |
|---|---|---|---|
| Amounts in NOK million | 2015 | 2014 | 2014 |
| Operating revenues | 3 045 | 2 920 | 12 232 |
| EBIT (adj.)[1] | 322 | 309 | 1 488 |
| EBIT (adj.)[1] margin (%) | 10.6 | 10.6 | 12.2 |
| Cash flow from operations before net replacement expenditures | 205 | 330 | 1 772 |
| Net replacement expenditures | (45) | (93) | (432) |
| Cash flow from operations | 160 | 237 | 1 340 |
| Expansion investments | (38) | (13) | (52) |

- Broad-based sales and profit growth in the first quarter
- Positive contributions from cost improvements and Easter effects
- Further decisions to optimise the manufacturing structure

Orkla Foods posted first-quarter operating revenues of NOK 3,045 million (NOK 2,920 million)[2], equivalent to organic[3] growth of 4.1%, driven by improved sales in eight out of ten companies. In the Scandinavian companies, the timing of Easter made a positive contribution. Sales growth in Sweden and Denmark was also driven by new product launches and the distribution of Tropicana juice. In Norway, on the other hand, sales declined slightly, primarily due to the previously mentioned shift in the timing of sales from the fourth quarter of 2014. The businesses in Finland, the Baltics, Austria and India continued to achieve good sales growth.

Several innovations were launched in the first quarter which have boosted results in the grocery sector and other channels. In Norway, for instance, several products under the Toro brand were relaunched, while launches under the Paulúns brand in Sweden also have shown good results. The launch of Pastella vegetable pasta in Denmark delivered results as expected in both the grocery and export channels. Market shares were slightly lower in Norway and Sweden in the first quarter.

EBIT (adj.)[1] amounted to NOK 322 million (NOK 309 million)[2], up 4%. Profit growth was driven by higher sales, partly ascribable to the timing of Easter, and to the positive effects of cost improvements. The EBIT (adj.)[1] margin for Orkla Foods was on a par with last year. The effect of cost improvements was largely counteracted by the lower margin in Norway, due to the timing of sales between the fourth quarter of 2014 and the first quarter of 2015.

In the first quarter, Orkla Foods decided to take further steps to optimise its manufacturing structure in the Nordic region. In Norway, a decision was made to move production from Denja Larvik and Nora Brumunddal to the factory in Elverum. In Finland, production in Lahti is to be relocated to Sweden, and in Denmark production at Svinninge will be moved to the production plant in Skælskør. These measures are being implemented in line with Orkla Foods' goal of improved cost effectiveness and enhanced innovative capability.

## Orkla Confectionery & Snacks

| | 1.1.–31.3. | | 1.1.–31.12. |
|---|---|---|---|
| Amounts in NOK million | 2015 | 2014 | 2014 |
| Operating revenues | 1 199 | 1 141 | 4 987 |
| EBIT (adj.)[1] | 159 | 118 | 693 |
| EBIT (adj.)[1] margin (%) | 13.3 | 10.3 | 13.9 |
| Cash flow from operations before net replacement expenditures | 128 | 166 | 840 |
| Net replacement expenditures | (91) | (34) | (219) |
| Cash flow from operations | 37 | 132 | 621 |
| Expansion investments | (9) | - | (27) |

- Strong organic[3] sales growth, to some extent boosted by the timing of Easter
- Improvement particularly ascribable to Norway and Denmark
- Extensive cost reduction measures contributed to profit and margin improvement in the quarter

Orkla Confectionery & Snacks reported first-quarter operating revenues of NOK 1,199 million (NOK 1,141 million)[2], equivalent to organic[3] growth of 4.2%. The improvement in sales in the quarter was particularly driven by operations in Norway and Denmark, which continued to deliver the solid growth reported in the last quarter of 2014. First-quarter sales were boosted by Easter effects in all the Nordic countries, but especially in Norway.

Several innovations contributed to sales growth, in particular the new variety of Big Cut snacks launched in Norway and Sweden. In Denmark, growth was driven by volume gains generated by strong campaigns targeting several grocery chains. In Norway, in particular, increased prices were counteracted by higher raw material costs and negative currency effects. Overall, market shares remained stable in the quarter, improving somewhat in Norway and Denmark and declining somewhat in Sweden and Finland.

EBIT (adj.)[1] amounted to NOK 159 million (NOK 118 million)[2]. A reduction in fixed costs, achieved through extensive improvement measures carried out last year, boosted profit in the first quarter. The EBIT (adj.)[1] margin rose by 3.0 percentage points, primarily due to volume growth and lower fixed costs.

## Orkla Home & Personal

| | 1.1.–31.3. | | 1.1.–31.12. |
|---|---|---|---|
| Amounts in NOK million | 2015 | 2014 | 2014 |
| Operating revenues | 1 327 | 1 280 | 4 960 |
| EBIT (adj.)[1] | 230 | 229 | 852 |
| EBIT (adj.)[1] margin (%) | 17.3 | 17.9 | 17.2 |
| Cash flow from operations before net replacement expenditures | 163 | 68 | 709 |
| Net replacement expenditures | (19) | (25) | (51) |
| Cash flow from operations | 144 | 43 | 658 |
| Expansion investments | - | - | - |

- Organic[3] sales growth in four out of five companies
- Challenging start to the year for Orkla Health
- Profit margin negatively impacted by the weak Norwegian krone

Orkla Home & Personal posted first-quarter operating revenues of NOK 1,327 million (NOK 1,280 million)[2], equivalent to organic[3] growth of 1.4%. This improvement was driven by good growth in most of the companies, with a particularly strong contribution from Lilleborg. A strong programme of launches in Norway, which included the new AquaDerma skin care range, and continued growth in the international operations, drove growth for Lilleborg. Orkla House Care achieved broad-based growth, and Pierre Robert Group delivered good improvement ascribable to successful campaigns. Orkla Health saw a decline in turnover in the quarter, due to negative market performance in several of its main markets. However, part of the decline was attributable to the strategic decision to close the Denomega Leknes factory, which supplied fish oil to the business-to-business market at low margins.

The first-quarter EBIT (adj.)[1] margin was 17.3% (17.9%)[2]. Significantly higher purchasing costs due to the weaker Norwegian krone had a negative impact on margin in all the companies. First-quarter profit was also reduced by higher advertising investments to support new launches.

## Orkla Food Ingredients

| | 1.1.–31.3. | | 1.1.–31.12. |
|---|---|---|---|
| Amounts in NOK million | 2015 | 2014 | 2014 |
| Operating revenues | 1 680 | 1 451 | 6 534 |
| EBIT (adj.)[1] | 58 | 39 | 345 |
| EBIT (adj.)[1] margin (%) | 3.5 | 2.7 | 5.3 |
| Cash flow from operations before net replacement expenditures | 58 | 11 | 332 |
| Net replacement expenditures | (31) | (26) | (103) |
| Cash flow from operations | 27 | (15) | 229 |
| Expansion investments | - | (11) | (23) |

- Strong organic[3] sales growth, underpinned by favourable Easter timing effects
- Broad-based achievement of high profit due to strong organic[3] growth, good market positions and effects of internal improvement projects

Orkla Food Ingredients reported first-quarter operating revenues of NOK 1,680 million (NOK 1,451 million)[2], equivalent to broad-based organic[3] growth of 7.9%.

The Scandinavian sales and distribution companies for bakery ingredients saw good organic[3] growth, driven by Easter timing effects and a larger customer base in Denmark. The sales and distribution companies in the Baltics and Central and Eastern Europe also achieved marked improvement. Moreover, operating revenues in the margarine category continue to show a good trend, reflecting efficient production, stable raw material prices and the continuation of all significant sales contracts, as well as favourable Easter timing effects. The companies operating in the yeast and bread and cake mix and improver categories also achieved solid organic[3] growth, chiefly due to good market positions and higher sales to both existing and new customers and an improved product mix.

The EBIT (adj.)[1] margin was 3.5%, compared with 2.7% in the same quarter of last year. Most of the companies achieved high profit and improved margins, due to strong organic[3] growth, based on good market positions and the positive effects on profit of internal improvement projects.

## ORKLA INVESTMENTS

### Hydro Power

The energy business delivered slightly lower profit in the first quarter of 2015, year over year, due to lower production volume and somewhat lower power prices. EBIT (adj.)[1] amounted to NOK 56 million (NOK 58 million)[2]. The area price in Sauda and Sarpsfoss in the period was 23.9 øre/kWh, compared with 24.9 øre/kWh in 2014. At quarter end, water levels in the reservoir at Sauda were lower than normal, with water levels at 20%, while accumulated snow reserves were higher than normal.

### Financial Investments

EBIT (adj.)[1] for Orkla Eiendom Group amounted to NOK 3 million (NOK -11 million)[2] in the first quarter. Profit from associates totalled NOK -3 million (NOK 22 million)[2] in the quarter. The primary activities were the development and sale of the existing real estate portfolio.

At the end of the first quarter, the market value of the Group's shares and financial assets was NOK 691 million, with unrealised gains of NOK 297 million.

### Sapa (JV) (50% interest)

Demand for extruded products in North America increased by 11% compared to the same quarter of last year, driven by strong automotive demand and increased building and construction activity. In Europe, demand was stable compared to the first quarter of the previous year.

Underlying EBIT improved, year over year, driven by strong North-American demand, the effects of improvement programmes and restructuring activities, and positive currency developments. Results for precision tubing operations improved, supported by growth in global automotive demand. Sapa's restructuring programme continues to be ahead of plan, with limited restructuring charges affecting reported EBIT for the quarter.

### Jotun (42.5% interest)

Jotun delivered all-time high sales and operating profit for the first quarter of 2015. The growth was generated by good performance in all four segments, in addition to positive currency translation effects. Sales of marine coatings improved compared to the same period last year, following the gradual improvement of the newbuilding market and higher maintenance activity. Decorative sales increased in Scandinavia, the Middle East and Asia. Jotun continued to invest in increased production capacity, in line with the company's growth strategy. The main investments in the period were the construction of new factories in Russia, Oman and Brazil.

### Gränges (31% interest)

Gränges was formerly part of Sapa, but was split off as an independent company in 2013. The company was listed on Nasdaq Stockholm on 10 October 2014, after which Orkla retained an interest of 31%. Orkla has reported Gränges according to the equity method as from the fourth quarter of 2014. Adjusted operating profit for Gränges in the first quarter of 2015 was SEK 155 million (SEK 124 million)[2]. First-quarter profit after tax amounted to SEK 111 million (SEK 85 million)[2].

## CASH FLOW AND FINANCIAL SITUATION

The comments below are based on the cash flow statement as presented in Orkla's internal format. Reference is made to Note 14 in this report.

Cash flow from operations (excluding Financial Investments) amounted to NOK 286 million (NOK 285 million)[2] as of 31 March 2015. There was a seasonal build-up of working capital in the quarter, amounting to NOK 415 million (NOK 391 million)[2]. Net replacement investments totalled NOK 205 million (NOK 195 million)[2]. Cash flow from operations related to Financial Investments amounted to NOK 40 million (NOK 9 million) at quarter end. To fulfil obligations under Orkla's employee share purchase and incentive programmes, treasury shares were purchased for a net total of NOK 43 million as of 31 March 2014.

The Group's expansion investments totalled NOK -46 million (NOK -23 million)[2] at quarter end. Sales of companies amounted to NOK 350 million and consisted primarily of the sale of Orkla Brands Russia. Acquisitions of companies totalled NOK -1,073 million and consisted of acquisitions within Orkla Confectionery & Snacks, Orkla Home & Personal and Orkla Food Ingredients. As of 31 March 2015, moreover, shares and financial assets were sold for a net total of NOK 75 million.

Net cash flow for the Group was NOK -580 million (NOK 748 million)[2] as of 31 March 2015, and was chiefly ascribable to acquisitions and expansion investments. In the first quarter, the Group's interest-bearing liabilities had an average borrowing rate of 3.2% and were mainly spread among the following currencies: SEK, EUR, NOK and DKK. Changes in currency exchange rates resulted in positive translation effects of NOK 31 million on net interest-bearing liabilities, which totalled NOK 6,210 million. As of 31 March 2015, the equity ratio was 62.6%, compared with 62.5% as of 31 December 2014, while net gearing[4] was 0.19, compared with 0.18.

## OTHER MATTERS

At the Annual General Meeting on 16 April, Orkla's Board of Directors was re-elected for one year, with Stein Erik Hagen as Board Chair and Grace Reksten Skaugen as Deputy Chair. Jo Lunder chose not to stand for re-election. The General Meeting approved a dividend of NOK 2.50 per share for the 2014 financial year, which was paid out on 28 April. The Orkla share was listed ex-dividend as from 17 April 2015.

## OUTLOOK

The upswing in the global economy is still moderate, and uncertainty as to future development is high. The trend in the Nordic grocery market, in which Orkla primarily operates, is expected to remain relatively stable in the coming months. In addition, Orkla's broad-based product portfolio is sufficiently robust to withstand any major changes in individual categories.

While international raw material prices have recently fallen slightly, overall, the cost of many of Orkla's key raw materials is still high. The situation varies substantially from one commodity group to another and there is generally considerable uncertainty as regards future raw material price trends. However, several Orkla companies are experiencing higher purchasing costs, chiefly due to the weakening of the Norwegian and Swedish krone against key purchasing currencies.

The agreement to purchase Cederroth is subject to the outcome of ongoing assessments by relevant competition authorities, but was approved in Finland, Austria and Germany in the first quarter. The take-over is expected to take place in the third quarter of 2015.

Orkla holds good positions with strong brands in its home markets, and the financial position is robust, with cash reserves and credit lines that will cover known capital expenditures in 2015.

Oslo, 6 May 2015
The Board of Directors of Orkla ASA

## Condensed income statement

| Amounts in NOK million | Note | 1.1.–31.3. 2015 | 1.1.–31.3. 2014[1] | 1.1.–31.12. 2014 |
|---|---|---|---|---|
| **Operating revenues** | 2 | 7 541 | 7 013 | 29 599 |
| Operating expenses | | (6 578) | (6 109) | (25 427) |
| Depreciation and write-downs property, plant and equipment | | (234) | (241) | (935) |
| Amortisation intangible assets | | (4) | (4) | (23) |
| Other income and expenses | 3 | (117) | (32) | (100) |
| **Operating profit** | | 608 | 627 | 3 114 |
| Profit/loss from associates and joint ventures | | 238 | 55 | 121 |
| Interest, net | | (63) | (86) | (363) |
| Other financial items, net | 7 | 12 | (17) | 0 |
| **Profit/loss before taxes** | | 795 | 579 | 2 872 |
| Taxes | | (155) | (123) | (688) |
| **Profit/loss for the period for continuing operations** | | 640 | 456 | 2 184 |
| Gains/profit/loss discontinued operations | 11 | 0 | 33 | (485) |
| **Profit/loss for the period** | | 640 | 489 | 1 699 |
| Profit/loss attributable to non-controlling interests | | 11 | 13 | 40 |
| Profit/loss attributable to owners of the parent | | 629 | 476 | 1 659 |

[1]Historical income statement figures have been restated due to the presentation of Gränges and Orkla Brands Russia as a separate item under "Discontinued operations" (see Note 11).

## Earnings per share

| Amounts in NOK | 1.1.–31.3. 2015 | 1.1.–31.3. 2014 | 1.1.–31.12. 2014 |
|---|---|---|---|
| **Earnings per share** | 0.62 | 0.47 | 1.63 |
| **Earnings per share (diluted)** | 0.62 | 0.47 | 1.63 |
| **Earnings per share for continuing operations (diluted)** | 0.62 | 0.44 | 2.11 |

## Condensed comprehensive income statement

| Amounts in NOK million | Note | 1.1.–31.3. 2015 | 1.1.–31.3. 2014 | 1.1.–31.12. 2014 |
|---|---|---|---|---|
| **Profit/loss for the period** | | 640 | 489 | 1 699 |
| *Items not to be reclassified to profit/loss in subsequent periods* | | | | |
| Change in actuarial gains and losses pensions after tax | | - | - | (148) |
| *Items to be reclassified to profit/loss in subsequent periods* | | | | |
| Change in unrealised gains on shares after tax | 4 | 17 | 22 | (21) |
| Change in hedging reserve after tax | 4 | 46 | (40) | (150) |
| Carried against the equity in associates and joint ventures | | 263 | (93) | 906 |
| Translation effects | | (296) | (203) | 713 |
| **The Group's comprehensive income** | | 670 | 175 | 2 999 |
| Comprehensive income attributable to non-controlling interests | | 7 | 12 | 54 |
| Comprehensive income attributable to owners of the parent | | 663 | 163 | 2 945 |

## Condensed statement of financial position

| Amounts in NOK million | Note | 31.3. 2015 | 31.12. 2014 |
|---|---|---|---|
| Intangible assets | | 14 993 | 14 598 |
| Property, plant and equipment | | 9 599 | 9 484 |
| Investments in joint ventures and associates and other financial assets | 6 | 13 473 | 13 026 |
| **Non-current assets** | | 38 065 | 37 108 |
| Assets held for sale | 11 | 22 | 22 |
| Inventories | | 4 052 | 3 873 |
| Inventory of development property | | 188 | 200 |
| Trade receivables | 6 | 4 830 | 4 413 |
| Other receivables | | 975 | 1 147 |
| Shares and financial assets | | 691 | 734 |
| Cash and cash equivalents | 6 | 2 116 | 2 615 |
| **Current assets** | | 12 874 | 13 004 |
| **Total assets** | | 50 939 | 50 112 |
| Paid in equity | | 1 993 | 1 993 |
| Earned equity | | 29 666 | 29 066 |
| Non-controlling interests | | 243 | 245 |
| **Equity** | | 31 902 | 31 304 |
| Provisions and other non-current liabilities | | 3 644 | 3 699 |
| Non-current interest-bearing liabilities | 6 | 8 503 | 8 510 |
| Current interest-bearing liabilities | 6 | 665 | 598 |
| Trade payables | | 3 486 | 3 221 |
| Other current liabilities | | 2 739 | 2 780 |
| **Equity and liabilities** | | 50 939 | 50 112 |
| Equity ratio (%) | | 62.6 | 62.5 |

## Condensed changes in equity

| | 1.1.–31.3.2015 | | | 1.1.–31.3.2014 | | |
|---|---|---|---|---|---|---|
| Amounts in NOK million | Attributed to equity holders of the parent | Non-controlling interests | Total equity | Attributed to equity holders of the parent | Non-controlling interests | Total equity |
| Equity 1 January | 31 059 | 245 | 31 304 | 30 479 | 301 | 30 780 |
| The Group's comprehensive income | 663 | 7 | 670 | 163 | 12 | 175 |
| Dividends | - | (3) | (3) | - | (1) | (1) |
| Net purchase/sale of Orkla shares | (43) | - | (43) | 24 | - | 24 |
| Option costs | - | - | - | 3 | - | 3 |
| Change in non-controlling interests | (20) | (6) | (26) | - | 123 | 123 |
| **Equity at the close of the period** | 31 659 | 243 | 31 902 | 30 669 | 435 | 31 104 |

## Condensed cash flow statement IFRS

| | | 1.1.–31.3. | | 1.1.–31.12. |
|---|---|---|---|---|
| Amounts in NOK million | Note | 2015 | 2014 | 2014 |
| Cash flow from operations before net replacement expenditure | | 556 | 467 | 3 569 |
| Received dividends and financial items | | 50 | 86 | (55) |
| Taxes paid | | (224) | (162) | (492) |
| **Cash flow from operating activities** | | 382 | 391 | 3 022 |
| Net investments fixed assets | | (276) | (196) | (948) |
| Net sale (purchase) of companies | 5, 11 | (977) | 27 | 2 207 |
| Net sale shares and financial assets | | 75 | 8 | 350 |
| Other payments and discontinued operations | | 8 | 495 | 302 |
| **Cash flow from investing activities** | | (1 170) | 334 | 1 911 |
| Net paid to shareholders | | (46) | 23 | (2 460) |
| Change in interest-bearing liabilities and interest-bearing receivables | | 395 | (67) | (1 696) |
| **Cash flow from financing activities** | | 349 | (44) | (4 156) |
| Currency effects cash and cash equivalents | | (60) | (98) | 33 |
| **Change in cash and cash equivalents** | | (499) | 583 | 810 |
| **Cash and cash equivalents** | 6 | 2 116 | 2 388 | 2 615 |

See also Note 14 for cash flow Orkla-format.

# NOTES

## NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first quarter of 2015 were approved at the meeting of the Board of Directors on 6 May 2015. The figures in the statements have not been audited. Orkla ASA is a public limited 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.

When preparing its annual report for 2014, Orkla switched to presenting EBIT (adj.) instead of EBITA in its segment information. The difference is that the new term does not include Amortisation. EBIT (adj.) is defined as "Operating profit/loss before other income and expenses".

The importance of the former Share Portfolio has been significantly reduced and the presentation of finance items in the income statement has been amended to reflect this factor. As from the first quarter of 2015, finance items are broken down into net interest and net other finance items. Other finance items are specified in Note 7. See the income statement on page 9.

The presentation in the statement of financial position has been amended to provide a better picture of Orkla's current capital, i.e. the part of its working capital that largely derives from the commodity cycle. In this way, Orkla wishes to make it easier to compare the Group with other branded consumer goods companies. The change consists of a breakdown of the former lines "Inventories", "Accounts receivable" and "Other current liabilities" into the new lines "Inventories" and "Inventory of development property", "Trade receivables" and "Other receivables", "Trade payables" and "Other current liabilities". See the statement of financial position on page 10.

The Group has made no other changes in the presentation or accounting principles or applied new standards that significantly affect its financial reporting or comparisons with previous periods.

The Group has both purchased and entered into agreements to purchase new companies. These are presented in Note 5 and Note 13, respectively.

## NOTE 2 SEGMENTS

### Operating revenues

| Amounts in NOK million | 1.1.–31.3. 2015 | 1.1.–31.3. 2014 | 1.1.–31.12. 2014 |
|---|---|---|---|
| **Orkla Group** | 7 541 | 7 013 | 29 599 |
| **Branded Consumer Goods** | 7 220 | 6 767 | 28 584 |
| Orkla Foods | 3 045 | 2 920 | 12 232 |
| Orkla Confectionery & Snacks | 1 199 | 1 141 | 4 987 |
| Orka Home & Personal | 1 327 | 1 280 | 4 960 |
| Orkla Food Ingredients | 1 680 | 1 451 | 6 534 |
| Eliminations Branded Consumer Goods | (31) | (25) | (129) |
| **Orkla Investments** | 315 | 235 | 972 |
| Hydro Power | 183 | 191 | 741 |
| Financial Investments | 132 | 44 | 231 |
| HQ/Other Business/Eliminations | 6 | 11 | 43 |

### Operating profit - EBIT (adj.)[1]

| Amounts in NOK million | 1.1.–31.3. 2015 | 1.1.–31.3. 2014 | 1.1.–31.12. 2014 |
|---|---|---|---|
| **Orkla Group** | 725 | 659 | 3 214 |
| **Branded Consumer Goods** | 769 | 695 | 3 378 |
| Orkla Foods | 322 | 309 | 1 488 |
| Orkla Confectionery & Snacks | 159 | 118 | 693 |
| Orkla Home & Personal | 230 | 229 | 852 |
| Orkla Food Ingredients | 58 | 39 | 345 |
| **Orkla Investments** | 59 | 47 | 180 |
| Hydro Power | 56 | 58 | 216 |
| Financial Investments | 3 | (11) | (36) |
| **HQ/Other Business** | (103) | (83) | (344) |

### Reconciliation against operating profit

| | | | |
|---|---|---|---|
| EBIT (adj.)[1] | 725 | 659 | 3 214 |
| Other income and expenses | (117) | (32) | (100) |
| **Operating profit** | 608 | 627 | 3 114 |

[1]Operating profit before other income and expenses

## NOTE 3 OTHER INCOME AND EXPENSES

| Amounts in NOK million | 1.1.–31.3. 2015 | 1.1.–31.3. 2014 | 1.1.–31.12. 2014 |
|---|---|---|---|
| One-off contractual termination fee related to the Unilever agreement | - | - | 279 |
| M&A and integration costs | (14) | (21) | (156) |
| Severance settlements of employment contracts | (33) | (11) | (186) |
| Write-downs in connection with coordination of production in Elverum, Norway | (34) | - | - |
| Write-downs in connection with coordination of production in Skælskør, Denmark | (31) | - | - |
| Expenses and write-downs fixed assets relocation Boyfood | (2) | - | (13) |
| Dispute regarding use of trademark | (3) | - | (15) |
| Closure of operations in Leknes, Norway | - | - | (14) |
| Reversal environment provision Kotlin, Poland | - | - | 5 |
| Total other income and expenses | (117) | (32) | (100) |

Work began on two different projects in Orkla Foods in the first quarter with a view to simplifying the manufacturing structure. It was decided to move production from Brumunddal (Nora) and Larvik (Denja) to Elverum. A provision totalling NOK 51 million was made in connection with this coordination of production to cover the costs of expected workforce reductions and plant write-downs. It was further decided to move production from Svinninge to Skælskør in Denmark. Workforce reduction costs and write-downs total NOK 37 million. Further project costs will be incurred. Costs totalling NOK 14 million have also been incurred in connection with other coordination and some minor projects.

The remaining "Other income and expenses", totalling NOK 15 million, consist of costs related to M&A and an ongoing brand dispute (see Note 13).

## 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 in the first quarter of 2015 relating to changes in unrealised gains amounts to NOK 0 million (NOK 0 million)[2], and the tax effect relating to changes in the hedging reserve amounts to NOK 1 million (NOK 15 million)[2].

Unrealised gains/losses on shares and the hedging reserve included in equity as of 31 March 2015 (after tax) totalled NOK 298 million and NOK -334 million, respectively. Accumulated translation differences correspondingly amounted to NOK 129 million as of 31 March 2015.

## NOTE 5 ACQUISITION AND SALE OF COMPANIES

Through its wholly-owned subsidiary KåKå AB, Orkla Food Ingredients acquired 67% of the Finnish company Condite Oy. Condite is Finland's second largest sales and distribution company in the bakery ingredients sector. Condite achieved a turnover of EUR 31 million (NOK 242 million) in 2013 and has 42 employees. The company is privately owned and two of the present owners wish to remain shareholders and have retained an ownership interest totalling 33%. The agreement has been approved by the Finnish competition authorities and was completed on 30 January 2015.

On 2 February, Orkla Health announced its agreement to purchase the Danish company W. Ratje Frøskaller. The company has an annual turnover of around NOK 45 million. This acquisition will strengthen Orkla Health's position in the gut health segment as well as in the pharmacy market.

Through its Icelandic company Kjarnavörtur hf, Orkla Food Ingredients has purchased 66.67% of the shares in Nonni Litli ehf. Nonni Litli manufactures dressings, sauces and mayonnaise-based bread salads for the grocery and out-of-home sectors. The primary purpose of this acquisition is to strengthen Kjarnavörtur's position in the grocery trade and develop its product portfolio. The company has been incorporated in Orkla's financial statements as from February 2015.

The agreement to purchase NP Foods was completed on 11 March 2015. NP Foods was incorporated into the statement of financial position as of 31 March 2015, and no effects on profit related to this acquisition were recognised in the first quarter. Work on the purchase price allocation following the acquisition of NP Foods has begun, but had not been completed as of 31 March 2015 due to the fact that not all the analyses of the statement of financial position at the acquisition date have been completed.

In the first quarter of 2015, businesses were acquired for a total of NOK 1,073 million on a debt-free basis.

Orkla Home & Personal's agreement to purchase the branded consumer goods company Cederroth had not entered into force as of 31 March 2015 and there are no accounting consequences of this impending acquisition (see Note 13).

Orkla Food Ingredients' agreement to purchase Eisunion GmbH was approved on 9 April and the company has therefore not been recognised in the financial statements as of 31 March. See further information in Note 13.

## 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. 2015 | 31.12. 2014 |
|---|---|---|
| Non-current interest-bearing liabilities | (8 503) | (8 510) |
| Current interest-bearing liabilities | (665) | (598) |
| Non-current interest-bearing receivables (in "Financial Assets") | 743 | 724 |
| Current interest-bearing receivables (in "Other receivables") | 99 | 108 |
| Cash and cash equivalents | 2 116 | 2 615 |
| **Net interest-bearing liabilities** | **(6 210)** | **(5 661)** |

## NOTE 7 OTHER FINANCIAL ITEMS, NET

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

| Amounts in NOK million | 1.1.–31.3. 2015 | 1.1.–31.3. 2014 | 1.1.–31.12. 2014 |
|---|---|---|---|
| Gains, losses and write-downs shares and financial assets | 18 | (12) | 56 |
| Dividends | 11 | 14 | 37 |
| Net foreign currency gain | 1 | 1 | 0 |
| Interest on pensions | (11) | (11) | (49) |
| Other financial items | (7) | (9) | (44) |
| Total | 12 | (17) | 0 |

## NOTE 8 RELATED PARTIES

The Canica system, controlled by Orkla Board Chair Stein Erik Hagen (largest shareholder, with 24.5% of issued shares), and Orkla both have equity interests in certain investments.

There were no special transactions between the Group and related parties as of 31 March 2015.

The Group has intercompany balances totalling NOK 151 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 2015 | 7 168 000 |
| Exercised during the period | (2 030 000) |
| Forfeited during the period | (95 000) |
| Outstanding options 31 March 2015 | 5 043 000 |

| Change in number of treasury shares: | |
|---|---|
| Treasury shares 1 January 2015 | 1 832 903 |
| External purchases of treasury shares | 2 000 000 |
| Options exercised in treasury shares | (1 955 000) |
| Treasury shares 31 March 2015 | 1 877 903 |

## NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

Through the restructuring processes in Orkla Foods entailing the relocation of operations in Brumunddal and Larvik to Elverum and operations in Svinninge, Denmark to Skælskør, Denmark, deficit values related to machinery and buildings were registered. A write-down totalling NOK 65 million was made in connection with these processes (see Note 3).

No other deficit values related to property, plant and equipment or intangible assets have been identified in the Group.

## NOTE 11 DISCONTINUED OPERATIONS

There were no new "Discontinued operations" in the Group as of 31 March 2015. Figures for Gränges and Orkla Brands Russia are included in the comparative figures for 2014.

Income statement for discontinued operations:

| | 1.1.–31.3. | |
|---|---|---|
| Amounts in NOK million | 2015 | 2014 |
| Operating revenues | - | 1 293 |
| Operating expenses | - | (1 161) |
| Depreciation/write-downs of property, plant and equipment | - | (59) |
| Other income and expenses | - | (3) |
| **Operating profit** | - | 70 |
| Profit/loss from associates | - | 1 |
| Financial items, net | - | (11) |
| **Profit/loss before taxes** | - | 60 |
| Taxes | - | (27) |
| **Profit/loss for the period after taxes** | - | 33 |
| Gain/loss on sale | - | 0 |
| M&A costs | - | 0 |
| **Profit/loss for discontinued operations** | - | 33 |

| EBIT (adj.) by segment | | |
|---|---|---|
| Gränges | - | 117 |
| Orkla Brands Russia | - | (44) |
| Total | - | 73 |

## NOTE 12 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

| | Measurement level | | | |
|---|---|---|---|---|
| Amounts in NOK million | Level 1 | Level 2 | Level 3 | Total |
| **31 March 2015:** | | | | |
| **Assets** | | | | |
| Unlisted investments | - | 579 | 154 | 733 |
| Derivatives | - | 608 | - | 608 |
| **Liabilities** | | | | |
| Derivatives | - | 622 | - | 622 |
| **31 December 2014:** | | | | |
| **Assets** | | | | |
| Unlisted investments | - | 601 | 175 | 776 |
| Derivatives | - | 602 | - | 602 |
| **Liabilities** | | | | |
| Derivatives | - | 630 | - | 630 |

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

## NOTE 13 OTHER MATTERS

Orkla Food Ingredients (OFI) has acquired 100% of the shares of Eisunion GmbH. The company currently has five owners, who are all part of the German BÄKO cooperative. BÄKO-Zentrale Süddeutschland eG is the main owner with 71.9%. The agreement was approved on 9 April 2015 and the acquisition has thus not been recognised in the financial statements as of 31 March 2015.

EISUNION GmbH is a leading market player in Germany and supplies ice cream ingredients, ice cornets, packaging, toppings, equipment and machinery to ice cream parlours and cafes. The company achieved a turnover of EUR 19.6 million (NOK 163 million) in 2014. EISUNION is headquartered in Feucht (Nürnberg) and operates from five locations in central and southern Germany. The company has around 70 employees.

Orkla Home & Personal has entered into an agreement to purchase 100% of the shares in the branded consumer goods company Cederroth. With the acquisition of Cederroth, Orkla Home & Personal will become one of the Nordic region's leading suppliers of personal care, health, wound care and household cleaning products. Cederroth achieved a turnover of SEK 1,984 million in 2013, and EBITDA of SEK 194 million. The company has a total of 850 employees.

The product categories offered by Orkla Home & Personal and Cederroth are largely complementary, in addition to which wound care will be an attractive new category for Orkla. Cederroth also holds a well-established position in the pharmacy market in the Nordic region. Upon completion of the agreement, Cederroth's operations will be incorporated into the Orkla Home & Personal business area.

The purchase price is SEK 502 million. The transaction values the entire company (on a debt-free basis) at SEK 2,015 million, based on Cederroth's statement of financial position as of 30 September 2014. The purchase will be financed by means of available drawing facilities.

The agreement is subject to the approval of relevant competition authorities. The transaction is expected to be completed by the end of the third quarter of 2015.

Orkla Foods Sverige has won an arbitration case concerning the Felix brand. In a number of countries outside the Nordic region, cat food from Nestlé is sold under the Felix brand. After several disputes in various countries, Orkla and Nestlé signed a trademark coexistence agreement regulating use of the Felix brand. Among other things, the agreement entailed that Nestlé is not entitled to use the Felix brand in the Nordic region. In 2014 and the first quarter of 2015, Orkla expensed a total of NOK 18 million in connection with this case. Orkla expects to be refunded part of the legal costs.

The proposed dividend of NOK 2.50 per share was approved at the Annual General Meeting on 16 April and Orkla will pay out over NOK 2.5 billion to its shareholders.

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 14 CASH FLOW ORKLA-FORMAT

The bottom-line item of the Orkla-format cash flow statement is the change in net interest-bearing liabilities at Group level, which is an important key figure for the Group. 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 finance items, taxes and items more subject to Group control such as dividends and treasury share transactions. Cash flow from operations is broken down into "Cash flow from operations[1]" 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. The cash flow statement is presented on the basis of an average monthly exchange rate, while the change in net interest-bearing liabilities is an absolute figure measured at the closing rate. The difference is explained by the currency translation effect related to net interest-bearing liabilities.

| | | 1.1.–31.3. | | 1.1.–31.12. |
|---|---|---|---|---|
| Amounts in NOK million | Note | 2015 | 2014 | 2014 |
| Operating profit | | 605 | 638 | 3 181 |
| Amortisation, depreciation and impairment charges | | 301 | 233 | 930 |
| Changes in net working capital, etc. | | (415) | (391) | (491) |
| **Cash flow from operations before net replacement expenditures** | | 491 | 480 | 3 620 |
| Net replacement expenditures | | (205) | (195) | (838) |
| **Cash flow from operations[1]** | | 286 | 285 | 2 782 |
| **Cash flow from operations, Financial Investments** | | 40 | 9 | (59) |
| Financial items, net | | (74) | (37) | (326) |
| Taxes paid | | (224) | (162) | (492) |
| Received dividends | | 124 | 123 | 271 |
| Other payments and discontinued operations | | 8 | 495 | 302 |
| **Cash flow before capital transactions** | | 160 | 713 | 2 478 |
| Paid dividends | | (3) | (1) | (2 565) |
| Net sale/purchase of Orkla shares | | (43) | 24 | 105 |
| **Cash flow before expansion** | | 114 | 736 | 18 |
| Expansion investments | | (46) | (23) | (102) |
| Sale of companies/shares of companies (enterprise value) | 5, 11 | 350 | 38 | 2 883 |
| Purchase of companies/shares of companies (enterprise value) | 5 | (1 073) | (11) | (87) |
| Net purchase/sale shares and financial assets | | 75 | 8 | 350 |
| **Net cash flow** | | (580) | 748 | 3 062 |
| Currency effects of net interest-bearing liabilities | | 31 | 174 | (227) |
| **Change in net interest-bearing liabilities** | | 549 | (922) | (2 835) |
| **Net interest-bearing liabilities** | 6 | 6 210 | 7 574 | 5 661 |

[1]Excluding Financial Investments