First quarter

2016

Contents

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

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

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The first quarter in brief

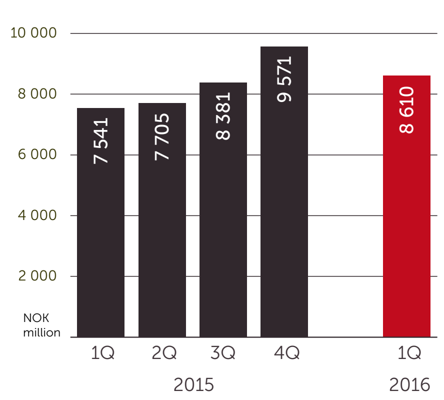
- Group EBIT (adj.)[1] amounted to NOK 817 million in the first quarter, equivalent to an increase of 13% from the first quarter in 2015
- Despite the negative sales effects of this year's earlier Easter, Branded Consumer Goods delivered organic[3] turnover growth of 1.8% and a 12% increase in EBIT (adj.)[1] in the quarter. Adjusted for currency translation effects, EBIT (adj.)[1] improved by 7%
- Internal improvement programmes in Branded Consumer Goods made a positive contribution in the first quarter. However, the EBIT (adj.)[1] margin decreased by 0.4 percentage points due to the dilutive effects from the inclusion of acquired companies, the negative effect of the timing of Easter and higher purchasing costs. The latter are ascribable to the still weak Norwegian krone and higher prices for several key raw materials
- Branded Consumer Goods was further strengthened in the first quarter by several acquisitions, both announced and completed, as well as by internal restructuring projects
- Associates and joint ventures contributed positively, primarily driven by the very good growth achieved by Sapa and continued good growth in Jotun, and by the gain on the sale of an associate in the real estate portfolio
- Earnings per share were NOK 1.08, compared with NOK 0.62 in the first quarter of 2015

Key figures for the Orkla Group

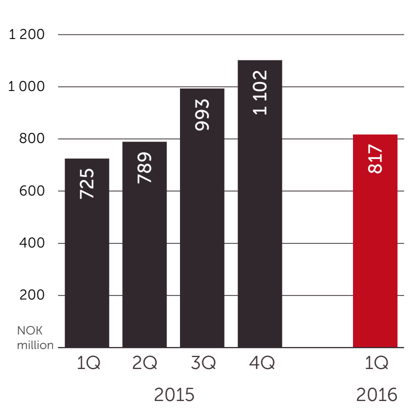
		1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	Note	2016	2015	2015
Operating revenues	2	8 610	7 541	33 198
Operating revenues Branded Consumer Goods		8 362	7 220	32 002
Organic revenue growth Branded Consumer Goods (%)		1.8	4.3	2.8
EBIT (adj.)[1]	2	817	725	3 609
EBIT (adj.)[1] Branded Consumer Goods		860	769	3 839
Profit/loss before taxes		1 251	795	4 090
Earnings per share, diluted (NOK)		1.08	0.62	3.24
Cash flow from operations*	13	214	286	3 641
Net interest-bearing liabilities	6	8 268	6 210	7 805
Equity ratio (%)		60.8	62.6	62.2
Net gearing[4]		0.24	0.19	0.23

*Excluding Financial Investments

Operating revenues



EBIT (adj.)[1]



8,610

OPERATING REVENUES

Group operating revenues for the first quarter of 2016 totalled NOK 8,610 million

817

EBIT (ADJ.)[1]

Group EBIT (adj.)[1] for the first quarter of 2016 totalled NOK 817 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

Continued good growth in Branded Consumer Goods

Branded Consumer Goods achieved 1.8% organic[3] turnover growth in the first quarter. Growth was driven by Orkla Foods and Orkla Confectionery & Snacks, while Orkla Care and Orkla Food Ingredients saw an organic[3] sales decline in the quarter. The performance of Branded Consumer Goods was negatively impacted by the timing of Easter, which will have the opposite effect in the second quarter.

Orkla Foods delivered good organic[3] growth, driven by successful new launches, campaigns and the positive effects of the expanded distribution agreement with PepsiCo. The substantial improvement in first-quarter sales for Orkla Confectionery & Snacks was strongly driven by the loose sweets category and the distribution agreement with PepsiCo. Orkla Care saw an organic[3] decline in sales, mainly driven by the weak performance of Orkla Home & Personal Care and Orkla Health, combined with the negative Easter effect. Orkla Food Ingredients reported slightly negative organic[3] turnover growth that was largely attributable to the negative Easter effect.

Overall, market growth in Orkla's categories was positive in the first quarter, driven primarily by good growth in the Confectionery & Snacks and Foods categories. On the other hand, Orkla Care experienced somewhat weaker market growth in a few key categories. Three out of four business areas delivered a market share performance varying from neutral to positive.

First-quarter EBIT (adj.)[1] for Branded Consumer Goods was NOK 860 million (NOK 769 million)[2], a quarter-on-quarter increase of 12%. Good improvement in sales for Orkla Foods and Orkla Confectionery & Snacks, comprehensive cost improvement programmes and favourable currency translation effects made a positive contribution in the quarter. As expected, Orkla Food Ingredients had lower EBIT (adj.)[1] in the quarter, compared with a strong first quarter last year, due to increased exposure to ice cream ingredients and accessories, for which the first and fourth quarters are low seasons.

Cost improvement programmes carried out in the Group contributed positively to the first-quarter EBIT (adj.)[1] margin. The dilutive effects of acquisitions and significantly higher purchasing costs as a result of the still weak Norwegian krone and higher prices for several key raw materials contributed to the margin decline. In total, the EBIT (adj.)[1] margin fell by 0.4 percentage points, to 10.3% for the quarter.

Structural measures

To further improve its competitiveness going forward, Orkla continued to make a number of structural changes in the first quarter to rationalise its factory structure and achieve economies of scale. These measures, combined with Orkla's continuous improvement projects, will continue to contribute to improved operations and increase future profitability. In addition to ongoing efficiency improvement projects, Orkla entered into new acquisition agreements.

In December 2015, Orkla signed an agreement to purchase Hamé, a leading central European branded food company based in the Czech Republic. Hamé holds strong positions in the Czech Republic, Slovakia, Romania and other countries in a range of categories that are a good fit with Orkla's current portfolio. The acquisition of Hamé doubles Orkla's turnover in Central Europe. In March, the agreement was approved by relevant competition authorities and the transaction was completed on 31 March 2016. In connection with the integration of Hamé, Orkla Foods has established a new organisation in Central Europe, Orkla Foods Central Europe, consisting of Felix Austria, Vitana and Hamé.

The Danish competition authorities have approved the agreement between Orkla Foods Danmark and Kavli Holding AS on the purchase of O. Kavli A/S, a major supplier to the grocery trade in Denmark. The acquisition brings to the Group well-known brands such as Fun, Grønnegården, Kavli, Scoop and Blomberg's Glögg. Orkla already owns the Fun brand in the other Nordic countries, and through this agreement has acquired full ownership of Fun in the Nordic region. O. Kavli has been integrated into Orkla Foods Danmark. The takeover became effective on 1 March 2016.

Through its wholly-owned subsidiary Idun Industri AS, Orkla Food Ingredients acquired The Waverley Bakery Limited, a leading supplier of ice cream cones, wafers and accessories in the UK. Waverley primarily sells ice cream cones to the UK grocery sector. The company also offers ice cream cones, ingredients and accessories to ice cream parlours and small-scale ice cream manufacturers. The company's results were incorporated into the Group's financial statements as from 1 March 2016.

Pierre Robert has entered into an agreement with the Finnish branded goods supplier Nanso Group to purchase four well-known socks, tights and underwear brands. Under the agreement, Pierre Robert will acquire the Norlyn, Amar, Black Horse and Finnwear brands, which hold strong positions in the Finnish grocery trade. The agreement is expected to be completed in the second quarter of 2016.

In March Orkla announced that it had sold its entire remaining shareholding of 16% in Gränges.

For more information on the acquisitions and sales, see Notes 5 and 12.

Financial matters

The Group's first-quarter operating revenues totalled NOK 8,610 million (NOK 7,541 million)[2]. The improvement was ascribable to both good organic[3] turnover growth and structural growth in Branded Consumer Goods. In addition, currency translation effects in connection with consolidation made a positive contribution of NOK 394 million to Branded Consumer Goods' operating revenues in the first quarter.

Group EBIT (adj.)[1] amounted to NOK 817 million (NOK 725 million)[2] in the first quarter. For Branded Consumer Goods, first-quarter EBIT (adj.)[1] totalled NOK 860 million (NOK 769 million)[2]. The improvement was attributable to organic[3] turnover growth for Orkla Foods and Orkla Confectionery & Snacks and increased profitability due in part to cost savings. Higher prices for Orkla's key raw materials and the weakening of the Norwegian krone resulted in an overall increase in total purchasing costs. Currency translation effects in connection with consolidation made a positive contribution of NOK 37 million to Branded Consumer Goods' first-quarter EBIT (adj.)[1] due to the weaker Norwegian krone.

The restructuring work in the Group continued in the first quarter and the Group's other income and expenses totalled NOK -30 million in the quarter (see Note 3). These consisted mainly of acquisition and integration costs resulting from numerous structural measures and several restructuring processes in the Group.

Profit from associates and joint ventures amounted to NOK 462 million (NOK 238 million)[2], driven by the very good performance delivered by Sapa and continued good growth in Jotun, along with a gain of NOK 57 million on the sale of an associate in the real estate portfolio. Orkla's share of profit from Sapa was NOK 209 million (NOK 45 million)[2].

Net interest in the first quarter amounted to NOK -50 million (NOK -63 million)[2]. Lower interest rates have reduced interest costs.

The average borrowing rate was 2.1% in the first quarter, and the Group's net interest-bearing liabilities totalled NOK 8.3 billion (NOK 6.2 billion)[2] at quarter end.

Group profit before tax amounted to NOK 1,251 million (NOK 795 million)[2], and taxes are estimated to be NOK 135 million (NOK 155 million)[2] for the first quarter. The reduction in payable tax from fully consolidated businesses was mainly due to a positive one-off item in the quarter. Orkla's first-quarter diluted earnings per share were NOK 1.08 (NOK 0.62)[2].

The business areas

Branded Consumer Goods

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2016	2015	2015
Operating revenues	8 362	7 220	32 002
Organic revenue growth Branded Consumer Goods (%)	1.8	4.3	2.8
EBIT (adj.)[1]	860	769	3 839
EBIT (adj.)[1] margin (%)	10.3	10.7	12.0
Cash flow from operations before net replacement expenditures	658	555	4 627
Net replacement expenditures	(372)	(186)	(859)
Cash flow from operations	286	369	3 768
Expansion investments	(40)	(46)	(388)

Orkla Foods

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2016	2015	2015
Operating revenues	3 418	3 045	13 250
EBIT (adj.)[1]	377	322	1 701
EBIT (adj.)[1] margin (%)	11.0	10.6	12.8
Cash flow from operations before net replacement expenditures	213	205	1 888
Net replacement expenditures	(215)	(45)	(382)
Cash flow from operations	(2)	160	1 506
Expansion investments	(40)	(38)	(368)

- Continued sales, profit and margin growth
- Improvement driven by growth in the grocery channel and continuous cost improvements
- Higher purchasing costs due to the continued weakening of the Norwegian krone

Orkla Foods reported first-quarter operating revenues of NOK 3,418 million (NOK 3,045 million)[2], equivalent to organic[3] growth of 3,3% driven by both increased prices and volume growth. The improvement in sales was driven by growth in several of the businesses' main categories, underpinned by sales activities and launches and the expanded distribution agreement with PepsiCo. On the other hand, sales were negatively affected by the timing of Easter compared with last year.

Several innovations and products launched in the first and earlier quarters made a positive contribution. In Norway, the launch of Grandiosa Vår Take Away (Our Take-Away pizza) and pizza ingredients sold under the Pizzabakeriet brand were well received in the market. In Sweden, the launch of vegetarian ready meals, Felix Veggie, and products under the Paulúns health brand delivered good results. Overall, first-quarter market share performance was stable for Orkla Foods.

EBIT (adj.)[1] amounted to NOK 377 million (NOK 322 million)[2], a rise of 17%. The improvement in EBIT (adj.)[1] was driven by higher sales and the positive effects of cost improvements, resulting in an increase of 0.4 percentage points in the EBIT (adj.)[1] margin. Higher purchasing costs, due in part to the weaker Norwegian krone and the distribution agreement with PepsiCo, had a dilutive effect on margin.

Orkla Confectionery & Snacks

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2016	2015	2015
Operating revenues	1 457	1 199	5 813
EBIT (adj.)[1]	177	159	843
EBIT (adj.)[1] margin (%)	12.1	13.3	14.5
Cash flow from operations before net replacement expenditures	260	128	962
Net replacement expenditures	(75)	(91)	(270)
Cash flow from operations	185	37	692
Expansion investments	-	(9)	(16)

- Broad-based sales and profit growth in the first quarter
- Improvement particularly in businesses in Norway and Sweden
- Significant sales growth generated by the new agreement for pick and mix sweets, which at the same time had negative margin effects

Orkla Confectionery & Snacks posted first-quarter operating revenues of NOK 1,457 million (NOK 1,199 million)[2], equivalent to organic[3] growth of 6.2%. The first-quarter improvement in sales was driven chiefly by volume growth in Norway and Sweden. The first-quarter was to some extent negatively impacted by the timing of Easter, especially in Norway.

A new agreement to supply pick and mix sweets to the Coop (grocery chain) in Norway and the distribution agreement with PepsiCo, effective from 1 January 2016, which includes sales of their snacks products in Norway, Sweden and Finland, significantly boosted sales growth in the first quarter. However, these products had negative margin effects.

A number of innovations increased first-quarter sales growth, in particular Nidar Melkesjokolade (milk chocolate) and Totenflak (potato crisps) in Norway, Waffle cut snacks and Ballerina Dubbelicious (biscuits) in Sweden, and a new milk chocolate in Latvia.

The acquisition of NP Foods in Latvia, effective from the second quarter of 2015, contributed to significant structural sales growth in the first quarter. The acquisition entails major changes in the business area's structure, particularly in Latvia, but also in Estonia. In the first quarter, the Latvian business achieved improved sales due to volume growth in its home market, while higher costs led to a profit decline. A comprehensive, ongoing improvement programme is expected to contribute to profit growth going forward.

Overall market share performance was slightly better than the market in the first quarter, especially driven by Sweden and Estonia.

EBIT (adj.)[1] amounted to NOK 177 million (NOK 159 million)[2], the improvement in profit driven by sales growth. The first-quarter EBIT (adj.)[1] margin fell by 1.2 percentage points. The decline is primarily attributable to the dilutive effect of the acquisition of NP Foods in Latvia.

Orkla Care

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2016	2015	2015
Operating revenues	1 655	1 327	5 534
EBIT (adj.)[1]	247	230	881
EBIT (adj.)[1] margin (%)	14.9	17.3	15.9
Cash flow from operations before net replacement expenditures	184	163	1 224
Net replacement expenditures	(33)	(19)	(75)
Cash flow from operations	151	144	1 149
Expansion investments	-	-	-

- Cederroth was operationally integrated with the Orkla Care companies in the Nordic region from 1 January 2016 and synergies extracted as planned
- Organic[3] sales decline of 2.2%
- Profit margin negatively impacted by dilutive effects arising from integration of Cederroth and loss of Unilever brands

Orkla Care merged Cederroth's Nordic operations with its own companies in Norway, Sweden, Denmark and Finland from the start of the year, and has operated on the basis of a joint organisation and systems throughout the first quarter. This has been a resource-intensive period, but apart from some minor delivery problems the integration process so far has gone as planned.

First-quarter operating revenues totalled NOK 1,655 million (NOK 1,327 million)[2], equivalent to a 2.2% organic[3] decline in sales, which were significantly negatively impacted by the timing of Easter. Orkla Home & Personal Care, Pierre Robert and Orkla Health saw a decline, while Lilleborg Profesjonell and Orkla House Care were able to report an improvement. Orkla Home & Personal Care launched many new products under the Dr. Greve brand, but could not match the strong first quarter of 2015 with many launches and campaigns. Market performance was also weak and the competitive arena in Norway was generally tough. Pierre Robert's campaign schedule differed slightly from last year, resulting in timing differences. Orkla Health was to some extent negatively affected in the quarter by short-term delivery problems following the integration of Cederroth and the loss of a major distribution agreement in Denmark, and the weight control category continued to display weak sales growth. Lilleborg Profesjonell achieved broad-based improvement and Orkla House Care delivered positive growth figures despite the continued negative impact in this quarter of the loss of a contract with a large customer in the UK in the second quarter of 2015.

The first-quarter EBIT (adj.)[1] margin was 14.9% (17.3%)[2]. The decline from last year was chiefly attributable to the dilutive effect of the inclusion of Cederroth and the loss of highly profitable brands from Unilever. The margin was also negatively impacted by the still weak Norwegian krone. EBIT (adj.)[1] amounted to NOK 247 million (NOK 230 million)[2] at quarter end.

Market share performance in the first quarter was weak. Orkla Home & Personal Care was negatively affected by price competition in particular, while Pierre Robert's performance was primarily impacted by the different timing of campaigns. Market shares for Orkla Health were chiefly negatively affected by weak growth in the weight control category, while its performance in the other categories was more stable.

Orkla Food Ingredients

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2016	2015	2015
Operating revenues	1 873	1 680	7 598
EBIT (adj.)[1]	59	58	414
EBIT (adj.)[1] margin (%)	3.2	3.5	5.4
Cash flow from operations before net replacement expenditures	1	58	553
Net replacement expenditures	(49)	(31)	(132)
Cash flow from operations	(48)	27	421
Expansion investments	-	-	(4)

- Organic[3] decline in sales of 0.7% in the quarter, negatively impacted by the timing of Easter
- Continued expansion in ice cream ingredients, for which the high season starts in the second quarter, and limited contribution to EBIT (adj.)[1] in the first quarter
- Sharply reduced earnings from margarine and butter blends on the European market. The removal of the EU milk quotas regime in the EU has resulted in a milk surplus, putting pressure on the profitability of dairies and margarine manufacturers

Orkla Food Ingredients reported first-quarter operating revenues of NOK 1,873 million (NOK 1,680 million)[2], with an organic[3] sales decline of 0.7%.

Performance in the first quarter was negatively affected by the timing of Easter. In addition, prices of butter blend products fell sharply. The business area also saw a decline in volumes of almond-based paste supplied to German industrial customers, and a drop in revenues from the product group yeast in Romania.

Orkla Food Ingredients overall grew in line with the market in its categories in the first quarter.

First-quarter EBIT (adj.)[1] amounted to NOK 59 million (NOK 58 million)[2], while the EBIT (adj.)[1] margin was 3.2%, compared with 3.5%, year over year.

In the first quarter, Orkla Food Ingredients continued to acquire companies in the ice cream ingredients and accessories sector (in the Netherlands and the UK), which will have a positive effect on sales and profit from the second quarter.

Orkla Investments

Hydro Power

First-quarter EBIT (adj.)[1] for Hydro Power was NOK 44 million (NOK 56 million)[2]. The fall is chiefly due to lower power prices and slightly lower volumes. Production in the quarter totalled 546 GWh (558 GWh)[2]. The area price in Sauda in the first quarter was 21.1 øre/kWh, compared with 23.9 øre/kWh in the first quarter of 2015. The price trend for Sarpsfoss was similar. Operating costs in the first quarter were at the same level as in the first quarter of 2015. In accordance with the lease agreement, the operating refund from Statkraft has been reduced by NOK 3 million from the same quarter of 2015. At quarter end, the water and snow reservoir levels in Sauda were slightly higher than normal. The water reservoir level in Glomma was slightly lower than normal and the snow reservoir level was approximately at 75% of the normal level.

Financial Investments

First-quarter EBIT (adj.)[1] for Orkla Financial Investments amounted to NOK -10 million (NOK 3 million)[2]. The most important activities in the quarter were the development and preparation for sale of properties in the current real estate portfolio. There were no material transactions in the quarter that generated gains, and costs were incurred in the quarter in connection with individual projects.

In the first quarter, Orkla sold its remaining shareholding in Gränges, recording a gain of NOK 26 million. As at 31 March 2016, the market value of the remaining interest in the share portfolio (including funds) was NOK 374 million, with associated unrealised gains of NOK 171 million.

Sapa (50% interest)

Underlying EBIT for Sapa increased significantly compared to the same quarter of the previous year. Performance improved across all business areas mainly due to the effects of the improvement programmes, increased share of higher margin business, and positive currency effects from the weakening Norwegian krone against the US dollar and Euro. In addition, a continued strong market supported the North American operations.

Compared to the same quarter of the previous year, demand increased by 3 percent in North America as a result of increased building and construction activity and strong automotive demand.

Compared to the same quarter last year, demand grew marginally in Europe. A stabilising building and construction market contributed to this development.

Demand for extruded products is expected to seasonally improve going into the second quarter of 2016, also compared to the second quarter of 2015. In both North America and Europe, aluminium substitution in the automotive industry is contributing positively.

Jotun (42.5% interest)
Jotun delivered record-high sales and operating profit for the first quarter of 2016. Growth was driven by good results in all four segments and improved margins, in addition to positive currency translation effects. Sales growth was primarily related to sales of Decorative Paints in the Middle East and Asia, and continued good growth in sales of Marine Coatings in Northeast Asia. Jotun continues to invest in increased production capacity in line with the company's growth strategy. The biggest investment in the period were related to the construction of a factory in Oman.

Cash flow and financial position
The comments below are based on the cash flow statement as presented in Orkla's internal format and refer to the period 1 January to 31 March 2016. Reference is made to Note 13 in this report.

Cash flow from operations (excluding Financial Investments) amounted to NOK 214 million (NOK 286 million)[2] as at 31 March 2016. There was a seasonal build-up of working capital of NOK 445 million (NOK 415 million)[2] in the first quarter. Net replacement investments totalled NOK 390 million (NOK 205 million)[2], chiefly related to higher investment at Orkla Foods. Cash flow from operations from Financial Investments amounted to NOK -27 million (NOK 40 million)[2] as of 31 March 2016.

To fulfil remaining option programmes for senior executives, Orkla shares for a net total of NOK -107 million (NOK -43 million)[2] had been bought back at quarter end. Expansion investments totalled NOK 40 million (NOK 46 million)[2] as at 31 March 2016.

Companies were sold for a total of NOK 235 million, relating to the sale of an associate in the real estate portfolio, and the sale of the Asan brand. For the quarter companies were purchased for a total of NOK -1,739 million, relating to acquisitions in Branded Consumer Goods, where Hamé accounted for the majority of the amount. As at 31 March 2016, including the sell-off of Gränges shares, the net sale of shares and financial assets totalled NOK 925 million.

Net cash flow for the Group amounted to NOK -664 million (NOK -580 million)[2] at the end of the first quarter. For the first quarter, the Group's interest-bearing liabilities had an average borrowing rate of 2.1%, and are mainly denominated in SEK, EUR and DKK. Exchange rate fluctuations resulted in positive translation effects of NOK 201 million on net interest-bearing liabilities, which totalled NOK 8,268 million at quarter end.

As of 31 March 2016, the equity ratio was 60.8%, compared with 62.2% on 31 December 2015. Correspondingly, net gearing[4] was 0.24 compared with 0.23 on 31 December 2015. The average remaining life of long-term liabilities and unutilised credit lines is 3.1 years. Orkla's financial position is robust, with cash reserves and credit lines that exceed known capital expenditures in the next 12 months.

Other matters
At the Annual General Meeting held on 14 April 2016, 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. In addition, Caroline Hagen Kjos was elected as personal deputy for the two Board members nominated by Canica: Stein Erik Hagen and Nils Selte. The General Meeting approved a dividend of NOK 2.50 per share for the 2015 financial year, which was paid out on 26 April 2016. The Orkla shares was listed ex-dividend as from 15 April 2016.

Outlook
In the grocery markets in which Orkla has a presence, continued moderate growth is expected in the coming years, but the trend will vary from one market to another. Due to the timing of Easter, the first quarter of 2016 had slightly fewer sales days than the first quarter of 2015, with the opposite effect in the second quarter.

Orkla is facing increasingly strong competition from imported international brands and private labels. In the light of this strong competition, innovations and portfolio optimisation in response to changing trends and consumer needs, Orkla must continue to take steps to secure its competitive edge and market position in the future. The process of optimising and rationalising the factory structure to achieve economies of scale and reduce costs will continue.

The different business areas are exposed to currency risk to varying degrees, and the weakening of the Norwegian krone in recent period has resulted in a significant increase in purchasing costs for the Norwegian companies. However, many of Orkla's Norwegian companies do a substantial share of their purchasing in Norwegian krone, thereby reducing the impact of a weaker krone. In the longer term, this could increase Orkla's relative competitive strength.

Overall, the global commodity prices to which Orkla is exposed have recently risen, and the prices of certain key raw materials are particularly high. Prices vary substantially from one commodity group to another, and the uncertainty attached to future raw material price trends is generally high. Orkla's raw material and packaging costs have increased significantly, especially for some of the companies.

The previously communicated strategy of being a leading branded consumer goods company, with the Nordic and Baltic regions as main markets, remains unchanged. Orkla also holds good positions in selected product categories in Central Europe and India. Orkla aims to deliver organic[3] growth that at least matches market growth and annual adjusted EBIT (adj.)[1] growth of 6–9% in the Branded Consumer Goods business for the period 2016–2018.

Oslo, 2 May 2016
The Board of Directors of Orkla ASA

Condensed income statement

Amounts in NOK million	Note	1.1.–31.3. 2016	1.1.–31.3. 2015	1.1.–31.12. 2015
Operating revenues	2	8 610	7 541	33 198
Operating expenses		(7 514)	(6 578)	(28 532)
Depreciation and write-downs property, plant and equipment and amortisation intangible assets		(279)	(238)	(1 057)
Operating profit before other income and expenses (EBIT adj.)	2	817	725	3 609
Other income and expenses	3	(30)	(117)	(502)
Operating profit		787	608	3 107
Profit/loss from associates and joint ventures		462	238	1 111
Interest, net		(50)	(63)	(192)
Other financial items, net	7	52	12	64
Profit/loss before taxes		1 251	795	4 090
Taxes		(135)	(155)	(722)
Profit/loss for the period for continuing operations		1 116	640	3 368
Gains/profit/loss discontinued operations		-	-	(17)
Profit/loss for the period		1 116	640	3 351
Profit/loss attributable to non-controlling interests		21	11	56
Profit/loss attributable to owners of the parent		1 095	629	3 295

Earnings per share

Amounts in NOK	1.1.–31.3. 2016	1.1.–31.3. 2015	1.1.–31.12. 2015
Earnings per share	1.08	0.62	3.24
Earnings per share (diluted)	1.08	0.62	3.24
Earnings per share for continuing operations (diluted)	1.08	0.62	3.25

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.3. 2016	1.1.–31.3. 2015	1.1.–31.12. 2015
Profit/loss for the period		1 116	640	3 351
Items not to be reclassified to profit/loss in subsequent periods				
Change in actuarial gains and losses pensions after tax		-	-	(15)
Items to be reclassified to profit/loss in subsequent periods				
Change in unrealised gains on shares after tax	4	(115)	17	6
Change in hedging reserve after tax	4	(56)	46	31
Carried against the equity in associates and joint ventures		(368)	263	685
Translation effects		(219)	(296)	881
The Group's comprehensive income		358	670	4 939
Comprehensive income attributable to non-controlling interests		16	7	71
Comprehensive income attributable to owners of the parent		342	663	4 868

Condensed statement of financial position

Amounts in NOK million	Note	31.3. 2016	31.12. 2015
Intangible assets		18 389	17 676
Property, plant and equipment		10 999	10 523
Investments in associates and joint ventures and other financial assets	6	12 871	13 029
Non-current assets		42 259	41 228
Assets held for sale	5	-	182
Inventories		5 173	4 623
Inventory of development property		217	216
Trade receivables		5 556	5 267
Other receivables	6	766	625
Shares and financial assets		374	1 376
Cash and cash equivalents	6	1 464	721
Current assets		13 550	13 010
Total assets		55 809	54 238
Paid in equity		1 993	1 994
Earned equity		31 571	31 335
Non-controlling interests		394	417
Equity		33 958	33 746
Provisions and other non-current liabilities		4 328	4 191
Non-current interest-bearing liabilities	6	9 414	8 722
Current interest-bearing liabilities	6	903	399
Trade payables		4 134	3 869
Other current liabilities		3 072	3 311
Equity and liabilities		55 809	54 238
Equity ratio (%)		60.8	62.2

Condensed statement of changes in equity

	1.1.–31.3.2016			1.1.–31.3.2015		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interest	Total equity	Attributed to equity holders of the parent	Non-controlling interest	Total equity
Equity 1 January	33 329	417	33 746	31 059	245	31 304
The Group's comprehensive income	342	16	358	663	7	670
Dividends	-	(15)	(15)	-	(3)	(3)
Net purchase/sale of treasury shares	(107)	-	(107)	(43)	-	(43)
Option costs	-	-	-	-	-	-
Change in non-controlling interests	-	(24)	(24)	(20)	(6)	(26)
Equity at the close of the period	33 564	394	33 958	31 659	243	31 902

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–31.3. 2016	1.1.–31.3. 2015	1.1.–31.12. 2015
Cash flow from operations before net replacement expenditure		577	556	4 574
Received dividends and financial items		41	50	(3)
Taxes paid		(132)	(224)	(727)
Cash flow from operating activities		486	382	3 844
Net investments fixed assets		(430)	(276)	(1 227)
Net sale (purchase) of companies	5	(1 125)	(977)	(779)
Net sale shares and financial assets		925	75	298
Other payments and discontinued operations		(19)	8	158
Cash flow from investing activities		(649)	(1 170)	(1 550)
Net paid to shareholders		(122)	(46)	(2 594)
Change in interest-bearing liabilities and interest-bearing receivables[1]		1 034	395	(1 617)
Cash flow from financing activities		912	349	(4 211)
Currency effects cash and cash equivalents		(6)	(60)	23
Change in cash and cash equivalents		743	(499)	(1 894)
Cash and cash equivalents	6	1 464	2 116	721

[1]Does not include interest-bearing liabilities and receivables related to acquired and sold companies.

See also Note 13 for cash flow Orkla-format.

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first quarter of 2016 were approved at the meeting of the Board of Directors on 2 May 2016. The figures in the statements have not been audited. Orkla ASA is a public limited liability company and its offices are located at Skøyen in Oslo, Norway.

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

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

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

The Group has not made any other changes in presentation or accounting principles or adopted any new standards that significantly affect its financial reporting or comparisons with previous periods.

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

NOTE 2 SEGMENTS

Operating revenues

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2016	2015	2015
Orkla Group	8 610	7 541	33 198
Branded Consumer Goods	8 362	7 220	32 002
Orkla Foods	3 418	3 045	13 250
Orkla Confectionery & Snacks	1 457	1 199	5 813
Orkla Care	1 655	1 327	5 534
Orkla Food Ingredients	1 873	1 680	7 598
Eliminations Branded Consumer Goods	(41)	(31)	(193)
Orkla Investments	245	315	1 166
Hydro Power	173	183	690
Financial Investments	72	132	476
HQ/Other Business/Eliminations	3	6	30

Operating profit - EBIT (adj.)[1]

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2016	2015	2015
Orkla Group	817	725	3 609
Branded Consumer Goods	860	769	3 839
Orkla Foods	377	322	1 701
Orkla Confectionery & Snacks	177	159	843
Orkla Care	247	230	881
Orkla Food Ingredients	59	58	414
Orkla Investments	34	59	211
Hydro Power	44	56	154
Financial Investments	(10)	3	57
HQ/Other Business	(77)	(103)	(441)

[1]Operating profit before other income and expenses

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1.–31.3. 2016	1.1.–31.3. 2015	1.1.–31.12. 2015
M&A and integration costs	(49)	(14)	(248)
Final settlement employment relationships	(11)	(33)	(142)
Gain/write-downs relating to coordination projects	20	(65)	(51)
Write-down due to value impairment test Natural Food, Orkla Food Ingredients Italy	-	-	(23)
Final settlement one-off contractual termination fee relating to the Unilever agreement	-	-	(9)
Final settlement dispute regarding use of trademark	-	(3)	(1)
Other restructuring costs and special IFRS effects	10	(2)	(28)
Total other income and expenses	(30)	(117)	(502)

Comprehensive integration and restructuring projects are still in progress in the Group. Projects related to the integration of acquired companies and the merging of factories require extensive resources and give rise to substantial costs, and will continue to do so.

Changes in Orkla Foods' manufacturing structure entail major projects that result in adjustments of plants and costs relating to severance packages. In the first quarter of 2016 a decision was made to move all beverage production from Gimsøy Kloster in Skien to Kumla, Sweden. Costs are also being incurred in connection with the relocation, approved in 2015, from Brumunddal and Larvik to Elverum (Nora and Denja) and from Svinninge to Skælskør in Denmark.

Costs have also been incurred in connection with the continued integration of Cederroth and NP Foods. The integration of Cederroth is an especially large-scale process, but the integration of NP Foods also necessitates numerous organisational adjustments that affect the Group's entire structure in the Baltic region.

M&A costs have been incurred in connection with the acquisition of Hamé, Kavli DK and new companies in Orkla Food Ingredients. The purchase of Kavli has resulted in a gain from recognised badwill.

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 2016 relating to changes in unrealised gains is NOK 0 million (NOK 0 million in 2015), and the tax effect relating to changes in the hedging reserve amounts to NOK 7 million (NOK 1 million in 2015).

Unrealised gains/losses on shares and the hedging reserve included in equity in the first quarter of 2016 (after tax) totalled NOK 172 million and NOK -405 million, respectively. Accumulated translation differences correspondingly amounted to NOK 1,072 million, and accumulated items recognised in equity in associates and joint ventures amounted to NOK 1,325 million as at 31 March 2016.

NOTE 5 ACQUISITION AND SALE OF COMPANIES

Acquisition of companies

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

Excess values primarily consist of trademarks and goodwill, the latter accounting for the majority. Hamé was consolidated into Orkla's statement of financial position as from 31 March 2016, and will be recognised in income statement from 1 April 2016.

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

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

Orkla Food Ingredients also purchased the remaining ownership interests in Call Caterlink and Marcantonio Foods.

The purchase price allocations of the companies NP Foods (Orkla Confectionery & Snacks), Condite (Orkla Food Ingredients) and W. Ratje Frøskaller (Orkla Care) were concluded at the end of the first quarter of 2016 with no significant changes. Other purchase price allocations had not been finalised as at 31 March 2016.

At quarter end, businesses had been acquired for a total of NOK 1,739 million on a debt-free basis.

Sale of companies

Orkla Eiendom (real estate) sold its share in Raufoss Næringspark in the first quarter of 2016. The gain of NOK 57 million is presented on the line "Associates and joint ventures" in the income statement and the line "Sold companies" in the statement of cash flows. Payment for the Asan brand was also received in the first quarter and is presented on the line "Sold companies". The disposal of Asan did not give rise to any income statement effects.

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

NOTE 6 NET INTEREST-BEARING LIABILITIES

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

Amounts in NOK million	31.3. 2016	31.12. 2015
Non-current interest-bearing liabilities	(9 414)	(8 722)
Current interest-bearing liabilities	(903)	(399)
Non-current interest-bearing receivables (in "Financial Assets")	562	586
Current interest-bearing receivables (in "Other receivables")	23	9
Cash and cash equivalents	1 464	721
Net interest-bearing liabilities	(8 268)	(7 805)

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. 2016	1.1.–31.3. 2015	1.1.–31.12. 2015
Gains, losses and write-downs shares and financial assets	64	18	107
Dividends	14	11	28
Net foreign currency gain/loss	1	1	0
Interest on pensions	(12)	(11)	(41)
Other financial items	(15)	(7)	(30)
Total	52	12	64

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 certain investments.

There were no material transactions between the Group and related parties in the first quarter of 2016.

The Group has intercompany balances totalling NOK 146 million with joint ventures and associates within Orkla's real estate investments.

NOTE 9 OPTIONS AND TREASURY SHARES

Changes in outstanding options and treasury shares are shown in the following tables:

Change in number of options:	
Outstanding options 1 January 2016	2 722 000
Exercised during the period	(957 000)
Forfeited during the period	-
Outstanding options 31 March 2016	1 765 000

Change in number of treasury shares:	
Treasury shares 1 January 2016	940 300
External purchases of treasury shares	2 000 000
Options exercised in treasury shares	(957 000)
Employee share purchase programme	(165)
Treasury shares 31 March 2016	1 983 135

NOTE 10 ASSESSMENTS RELATING TO IMPAIRMENT

The assessment of the situation for Moss Airport Rygge has not changed materially in relation to the assessment carried out on 31 December 2015 (see Note 6 in Orkla's Annual Report for 2015). There is still considerable uncertainty as regards the introduction of an air passenger tax, which has been postponed until June 2016 for the time being. The value of the investment has therefore been maintained as at 31 March and the total investment in shares and loans amounts to NOK 171 million.

In the first quarter of 2016 there were otherwise no indications of any impairment in the value of any of the Group's assets.

NOTE 11 SHARES AND FINANCIAL ASSETS

Shares and financial assets recognised at fair value:

	Measurement level			
Amounts in NOK million	Level 1	Level 2	Level 3	Total
31 March 2016:				
Assets				
Investments	-	293	117	410
Derivatives	-	412	-	412
Liabilities				
Derivatives	-	671	-	671
31 December 2015:				
Assets				
Investments	876	405	131	1 412
Derivatives	-	448	-	448
Liabilities				
Derivatives	-	649	-	649

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

NOTE 12 OTHER MATTERS

No new factors have emerged in the assessments regarding the situation in Denofa do Brasil (see Note 39 in Orkla's Annual Report for 2015) and the situation in Sapa Profiles Inc. Portland (SPI) (see Note 6 in the Annual Report for 2015).

Pierre Robert has entered into an agreement with the Finnish branded goods supplier Nanso Group for the purchase of four well-known socks, tights and underwear brands. The agreement concerns the purchase of the Norlyn, Amar, Black Horse and Finnwear brands, which hold strong positions in the Finnish grocery trade. The products are a good match for Pierre Robert's current product portfolio which, in addition to underwear, socks and tights, comprises workout wear and wool undergarments. The brands covered by the agreement generated a turnover of EUR 17.2 million (approx. NOK 163 million) in 2015. A total of 22 employees will be transferred to Pierre Robert as a result of the transaction. The agreement is expected to be completed in the second quarter.

As on 26 April 2016 Orkla Care decided to move the production unit from Ello in Kristiansund, Norway to Falun in Sweden.

The proposed dividend of NOK 2.50 was approved at the annual general meeting held on 14 April 2016 and was paid to shareholders on 26 April 2016. A total of over NOK 2.5 billion was paid out in dividends. The dividend is not recognised in the statement of financial position as at 31 March 2016.

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

NOTE 13 CASH FLOW ORKLA-FORMAT

The Orkla-format cash flow statement shows the change in net interest-bearing liabilities at Group level, which is an important key figure for the Group. This cash flow format is used directly in the management of the business areas, and is included in the tabular presentation of segment information preceding the descriptions of the various businesses in the information on the Group. The statement shows the Group's overall financial capacity, generated by operations, to cover the Group's financial items, taxes and items more subject to Group control such as dividends and treasury share transactions. Cash flow from operations is broken down into "Cash flow from operations[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	2016	2015	2015
Operating profit		796	605	3 058
Amortisation, depreciation and impairment charges		253	301	1 109
Changes in net working capital, etc.		(445)	(415)	404
Cash flow from operations before net replacement expenditures		604	491	4 571
Net replacement expenditures		(390)	(205)	(930)
Cash flow from operations[1]		214	286	3 641
Cash flow from operations, Financial Investments		(27)	40	94
Financial items, net paid		(85)	(74)	(285)
Taxes paid		(132)	(224)	(727)
Received dividends		126	124	282
Other payments and discontinued operations		(19)	8	158
Cash flow before capital transactions		77	160	3 163
Dividends paid		(15)	(3)	(2 563)
Net sale/purchase of treasury shares		(107)	(43)	(31)
Cash flow before expansion		(45)	114	569
Expansion investments		(40)	(46)	(388)
Sale of companies (enterprise value)	5	235	350	1 133
Purchase of companies (enterprise value)	5	(1 739)	(1 073)	(3 173)
Net purchase/sale shares and financial assets		925	75	298
Net cash flow		(664)	(580)	(1 561)
Currency effects of net interest-bearing liabilities		201	31	(583)
Change in net interest-bearing liabilities		463	549	2 144
Net interest-bearing liabilities	6	8 268	6 210	7 805

[1]Excluding Financial Investments