

Fourth quarter
2014



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THE FOURTH QUARTER IN BRIEF

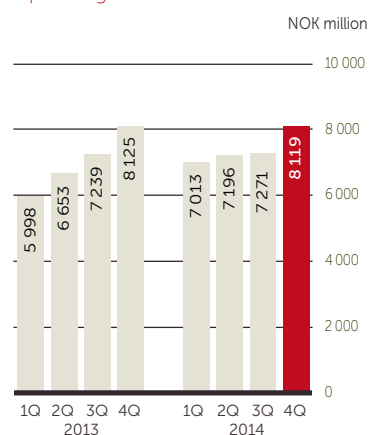
- Group EBITA¹ amounted to NOK 1,015 million in the fourth quarter, representing an increase of 6% compared with the fourth quarter of 2013
- Branded Consumer Goods reported both underlying³ growth in turnover and a higher EBITA¹ margin for all business areas
- Orkla Foods achieved underlying³ turnover growth and margin improvement after several weak quarters, to some extent positively impacted by timing effects. Orkla Confectionery & Snacks continued to achieve growth, as in the previous quarter
- In the fourth quarter, Orkla listed the aluminium company Gränges on the stock exchange and sold the Russian business Orkla Brands Russia
- On 15 January, Orkla announced its agreement to acquire the Swedish branded consumer goods company, Cederroth

KEY FIGURES FOR THE ORKLA GROUP

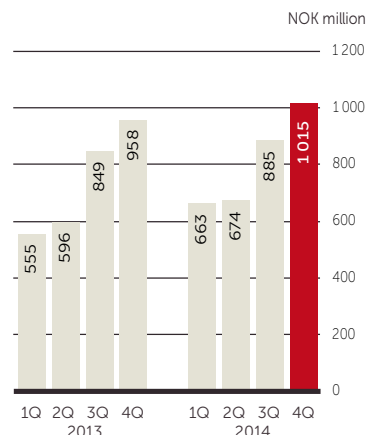
Historical income statement figures have been restated due to the presentation of Gränges and Orkla Brands Russia as discontinued operations (see Note 1).

Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2014	2013	2014	2013
Operating revenues	2	29 599	28 015	8 119	8 125
EBITA ¹	2	3 237	2 958	1 015	958
Profit/loss before taxes		2 872	2 858	505	376
Gains/profit/loss discontinued operations		(485)	(1 547)	(387)	121
Earnings per share, diluted (NOK)		1,63	0,68	(0,06)	0,32
Cash flow from operations for industrial activities	13	2 782	2 775	1 339	1 574
Net interest-bearing liabilities	6	5 661	8 496		
Equity ratio (%)		62.5	59.1		
Net gearing ⁴		0.18	0.28		

Operating revenues



EBITA¹



Operating revenues

8,119

Group operating revenues for the fourth quarter of 2014 totalled NOK 8,119 million

EBITA¹

1,015

Group EBITA¹ for the fourth quarter of 2014 totalled NOK 1,015 million

¹Operating profit before amortisation and other income and expenses

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

³Excluding acquired and sold companies, currency translation effects and other considerable structural changes

⁴Net interest-bearing liabilities/Equity

CONTINUED IMPROVEMENT IN BRANDED CONSUMER GOODS OPERATIONS

Branded Consumer Goods reported both underlying³ turnover growth and margin improvement in the fourth quarter. The underlying³ growth in turnover was 1.8%, to some extent positively impacted by timing effects in Orkla Foods, related to earlier introductory sales in a major campaign. Also adjusted for this factor, Branded Consumer Goods showed underlying³ sales growth. Orkla Foods delivered growth, after several weak quarters, and Orkla Confectionery & Snacks continued its positive third-quarter trend in the fourth quarter. Orkla Home & Personal achieved a slight underlying³ growth in turnover in the fourth quarter. Orkla Food Ingredients continued to achieve satisfactory growth.

Overall, Orkla's categories in the grocery market in Norway and Sweden have grown in the last 12 months, while they have declined slightly in Denmark. Orkla's market share performance in the Nordic region varied, but all in all market shares weakened somewhat in the fourth quarter.

International raw material prices showed a flat overall trend compared with the previous quarter, but this was offset by negative currency effects, resulting in an increase in total raw material costs. The currency effects particularly affected the Norwegian and Swedish companies, due to the weakening of the NOK and SEK against key purchasing currencies. This will also have negative effects in 2015.

Branded Consumer Goods' EBITA¹ margin increased by 0.7 percentage points in the fourth quarter. The margin growth was partly ascribable to the previously mentioned timing effects, but also to positive contributions from restructuring and integration projects, particularly in Orkla Confectionery & Snacks and Orkla Foods. Orkla Food Ingredients continued to achieve margin and profit growth, mainly due to good sales growth and internal improvement projects.

FURTHER STEPS TOWARDS A FOCUSED BRANDED CONSUMER GOODS COMPANY

Orkla made several structural changes in the fourth quarter as well, in line with the strategy.

The aluminium company Gränges was listed on the stock exchange on 10 October. After the stock exchange listing, Orkla now has an ownership interest of 31%, since the overallotment option in connection with the IPO was fully exercised.

In the fourth quarter, 100% of the shares in OJSC Orkla Brands Russia were sold to the Russian company Slavyanka-Lyuks JSC. The transaction was approved by the Russian competition authorities and the sale has been completed.

In connection with the sale of Orkla Brands Russia, and to increase focus on its core segments, Orkla decided to make certain changes in the Group structure. The majority of the companies in former Orkla International were placed under Orkla Foods in the fourth quarter. The Russian nut company Chaka was placed under Orkla Confectionery & Snacks. Orkla will continue to seek structural solutions for Chaka. All historical figures for Branded Consumer Goods have been restated to provide a correct basis for comparison with the new structure.

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

Furthermore, Orkla Food Ingredients, through its wholly-owned subsidiary KåKå AB, has entered into an agreement to purchase 67% of the Finnish company Condite Oy. The company is Finland's second largest sales and distribution company for bakery ingredients. The agreement was approved by the Finnish competition authorities and was completed on 30 January 2015.

On 2 February, Orkla Health announced an agreement to purchase the Danish company W. Røjte Frøskaller (WRF). The company has an annual turnover of around NOK 45 million. This acquisition strengthens Orkla Health's position in the gut health segment and the pharmacy market.

FINANCIAL MATTERS

Group operating revenues totalled NOK 8,119 million (NOK 8,125 million)² in the fourth quarter. EBITA¹ amounted to NOK 1,015 million (NOK 958 million)², a rise of 6%. Branded Consumer Goods reported a 7% increase in EBITA¹. This improvement was partly ascribable to positive timing effects, but also to underlying³ growth. In addition, currency translation effects boosted EBITA¹ for Branded Consumer Goods by NOK 16 million in the quarter.

The comprehensive restructuring process continued in the fourth quarter, and the Group's other income and expenses totalled NOK -102 million (NOK -148 million)² in the quarter. These were mainly costs related to major structural changes, such as the merger of external sales forces as well as closures and changes in the manufacturing structure. There were also costs related to changes in the sales force in Norway after NorgesGruppen decided to take full responsibility for in-store merchandising. M&A costs were also incurred in the quarter.

The operating result from associates and joint ventures was NOK -252 million (NOK -302 million)². Orkla's share of Sapa JV's result was NOK -360 million (NOK -312 million)².

Due to the divestment, Orkla Brands Russia is presented as "Discontinued operations", with a result of NOK -387 million in the fourth quarter. The main reasons for the negative result were an accounting loss in connection with the divestment, a negative result due to timing issues, and historical negative currency translation effects previously recognised in equity.

Net sales of shares and financial assets in the fourth quarter totalled NOK 146 million (NOK 146 million)². In the same period, the Group had a net accounting gain of NOK 16 million (NOK -6 million)². As of 31 December 2014, the market value of shares and financial assets totalled NOK 734 million, with unrealised gains of NOK 281 million.

Net financial costs in the fourth quarter amounted to NOK -164 million (NOK -127 million). The average borrowing rate was 3.0% in the quarter and the Group's average net interest-bearing liabilities totalled NOK 5.7 billion at quarter end. The increase in net financial costs is ascribable to the recognition in the income statement of the unrealised negative value of interest rate hedging instruments, totalling NOK 73 million, reclassified from the comprehensive income statement due to the fact that hedge accounting is no longer used for the interest rate swaps concerned. Orkla strives to achieve cost-effective financing by using attractively priced lending sources. The desired currency distribution and fixed interest rates are achieved by means of derivatives. The downscaling of the Group's liabilities has reduced the possibility of using hedge accounting for certain derivatives under IFRS.

Group profit before tax amounted to NOK 505 million (NOK 376 million)² and taxes totalled NOK 183 million (NOK 160 million)² in the fourth quarter. Orkla's diluted earnings per share were NOK -0.06 (NOK 0.32 kroner)².

THE BUSINESS AREAS

BRANDED CONSUMER GOODS

Amounts in NOK million	1.1.-31.12.		1.10.-31.12.	
	2014	2013	2014	2013
Operating revenues	28 584	26 602	7 854	7 738
EBITA ¹	3 401	3 113	1 030	961
EBITA margin (%)	11.9	11.7	13.1	12.4
Cash flow from operations before net replacement expenditures	3 653	3 562	1 479	1 711
Net replacement expenditures	(805)	(707)	(268)	(215)
Cash flow from operations	2 848	2 855	1 211	1 496
Expansion investments	(102)	(60)	(37)	(22)

Orkla Foods

Amounts in NOK million	1.1.-31.12.		1.10.-31.12.	
	2014	2013	2014	2013
Operating revenues	12 232	11 110	3 371	3 321
EBITA ¹	1 495	1 312	470	436
EBITA margin (%)	12.2	11.8	13.9	13.1
Cash flow from operations before net replacement expenditures	1 772	1 495	571	630
Net replacement expenditures	(432)	(356)	(124)	(139)
Cash flow from operations	1 340	1 139	447	491
Expansion investments	(52)	(49)	(23)	(21)

- Positive performance in the grocery channel in all Nordic businesses, and continued good sales growth for international businesses
- Broad-based profit and margin growth
- Realisation of synergies from Rieber & Søn on track

A decision was made to reorganise the structure of Branded Consumer Goods's international operations. As a result, MTR Foods (India), Vitana (Czech Republic) and Felix Austria (Austria), which were previously part of Orkla International, have been organised under Orkla Foods.

Orkla Foods reported fourth-quarter operating revenues of NOK 3,371 million (NOK 3,321 million)², equivalent to underlying³ growth of 2.2% that was primarily driven by the businesses in Norway, Sweden and India. In Norway, growth was chiefly ascribable to differences in the timing of sales between the fourth quarter of 2014 and the first quarter of 2015. This will have the opposite effect in the first quarter of 2015. In Denmark, improved sales in the grocery channel were offset by weaker sales in other channels. The businesses in the Baltics and Austria achieved continued growth in sales.

Campaigns and new product launches carried out in the course of the year had a positive impact on fourth-quarter results. In Norway, new baking mixes and Grandiosa and Big One pizzas delivered the according to expectations. Campaigns in the pizza, soups, casseroles and "Gløgg" (syrup for mulled wine) categories also had positive effects. In Sweden, Abba Middagsklart and Paulúns performed well. Market shares in Norway declined slightly compared with 2013.

EBITA¹ amounted to NOK 470 million (NOK 436 million)². Profit growth in the quarter was broad-based. The improvement in Norway, Sweden and India was primarily driven by sales growth. In Denmark, increased margins contributed to profit growth.

At quarter end, cost synergies in connection with the integration of Rieber & Søn had been realised as anticipated and good progress was still being made in the integration processes in all the Nordic businesses. Production of the newly acquired Krögarklass brand was moved to Orkla Foods Sverige's production plant in Eslöv, and has delivered results as planned.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2014	2013	2014	2013
Operating revenues	4 987	4 868	1 448	1 463
EBITA ¹	693	690	245	234
EBITA margin (%)	13.9	14.2	16.9	16.0
Cash flow from operations before net replacement expenditures	840	819	435	403
Net replacement expenditures	(219)	(184)	(108)	(25)
Cash flow from operations	621	635	327	378
Expansion investments	(27)	-	(10)	-

- Underlying³ sales growth, particularly driven by strong performance in Norway and Denmark
- Comprehensive cost-reduction measures throughout the year have contributed to profit improvement
- Situation still difficult in Sweden and for the confectionery business in Finland

Orkla Confectionery & Snacks posted fourth-quarter operating revenues of NOK 1,448 million (NOK 1,463 million)². The reported decline in sales is ascribable to timing of selling days due to alignment of the reporting calendar with the rest of the Group. Underlying³ sales improved by 0.8%. EBITA¹ amounted to NOK 245 million (NOK 234 million)². The business area ended the year well, with continued profit growth following a positive third quarter. The nut company Chaka had a slightly negative effect on the result in the quarter.

The improvement in profit in the fourth quarter was primarily attributable to sales growth in Norway. Profit was also boosted by cost-reduction measures. These included comprehensive cost reduction programmes and restructuring in the last 18 months in connection, for example, with the merger of the former companies Nidar, Sætre and KiMs in Norway. Profit for the snacks company in Denmark improved due to higher margins and growth in export sales.

Sales in Sweden continued to decline in the quarter due to fierce competition, as well as to demanding internal change processes. Nonetheless, the Swedish operations achieved profit growth, primarily as a result of reduced costs. In Finland, the snacks part of the operations reported higher profit, while the confectionery part saw a decline in sales and profit.

In Norway, market shares increased in the fourth quarter, while there was a certain decline in Sweden and Denmark.

Orkla Home & Personal

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2014	2013	2014	2013
Operating revenues	4 960	4 770	1 250	1 270
EBITA ¹	854	823	191	194
EBITA margin (%)	17.2	17.3	15.3	15.3
Cash flow from operations before net replacement expenditures	709	869	318	452
Net replacement expenditures	(51)	(69)	(1)	(17)
Cash flow from operations	658	800	317	435
Expansion investments	-	-	-	-

- Underlying³ sales development slightly higher than last year
- Sales negatively impacted by timing differences in the number of selling days and campaigns
- Positive market share performance

Orkla Home & Personal reported fourth-quarter operating revenues of NOK 1,250 million (NOK 1,270 million)². The decline was expected and was largely due to fewer selling days than in the fourth quarter of 2013 and differences in timing of introductory campaign sales between the third and the fourth quarters. Adjusted for fewer selling days in Lilleborg, Lilleborg Profesjonell and Pierre Robert Group, there was 0.1% underlying³ growth in turnover. Fourth-quarter EBITA¹ amounted to NOK 191 million (NOK 194 million)².

Adjusted for the above-mentioned selling days, turnover for Lilleborg was on a par with 2013. Lilleborg's international operations saw a good increase in turnover, while its Norwegian business experienced a decline. Pierre Robert Group saw a fall in sales after several quarters of good growth, due to differences in the timing of campaigns in 2014 and 2013. Orkla Health achieved turnover growth in several markets, resulting in overall satisfactory growth in the quarter. Overall, market share performance was positive in the last three months of 2014.

Several of the businesses continued to experience high purchasing costs due to the weaker Norwegian krone.

Orkla Food Ingredients

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2014	2013	2014	2013
Operating revenues	6 534	5 998	1 821	1 726
EBITA ¹	359	288	124	97
EBITA margin (%)	5.5	4.8	6.8	5.6
Cash flow from operations before net replacement expenditures	332	379	155	225
Net replacement expenditures	(103)	(97)	(36)	(33)
Cash flow from operations	229	282	119	192
Expansion investments	(23)	(11)	(4)	(1)

- Broad-based, strong profit achievement due to good competitiveness and the positive impacts of internal improvement projects on profit
- Particularly good growth in profit on sales of margarine and butter blends

Orkla Food Ingredients posted fourth-quarter operating revenues of NOK 1,821 million (NOK 1,726 million)². Underlying³ operating revenues rose by 2.5%. Fourth-quarter EBITA¹ amounted to NOK 124 million (NOK 97 million)². Most of the companies in Orkla Food Ingredients achieved high profit based on good competitiveness and the positive effects of internal improvement projects on profit.

The Scandinavian sales and distribution companies for bakery ingredients improved their strong market position. Earnings ended at approximately the same level as in 2013 due to one-off costs in Norway and negative customer and product mix in Sweden. The sales and distribution companies in the Baltics and Central and Eastern Europe achieved marked improvement in both turnover and EBITA¹.

Sales and profit growth for the margarine category was very satisfactory. Efficient production, the renewal of all important sales contracts and a more favourable product mix contributed to the improvement in profit in the quarter.

For the yeast category, operating revenues increased due to higher sales of speciality yeast and growth in both the Swedish bakery and consumer markets. EBITA¹ declined somewhat as a result of higher factory maintenance costs.

The bread and cake mix and improver category contributed to the good profit performance, with solid underlying³ turnover growth for all companies. The marzipan category maintained its market position in Scandinavia, although EBITA¹ was weaker, year over year, due to the record-high price of almonds.

ORKLA INVESTMENTS

Hydro Power

Fourth-quarter EBITA¹ amounted to NOK 73 million (NOK 97 million)² for Hydro Power. The decrease was mainly ascribable to one-off revenues in 2013 and lower power prices. The area price in Sauda in the fourth quarter was 24.8 øre/kWh, compared to 28.8 øre/kWh in the fourth quarter of 2013, with an equivalent price trend for Sarpsfoss. At quarter end, water levels in reservoirs were normal at 69%.

Financial Investments

EBITA¹ for Orkla Eiendom Group totalled NOK -19 million (NOK -9 million)² in the fourth quarter. The loss was chiefly ascribable to the realisation of properties and the loss of a leaseholder due to bankruptcy. Loss from associates amounted to NOK -12 million (NOK 18 million)² in the quarter. Activities in the quarter consisted mainly of the development and sale of the current real estate portfolio.

At 31 December 2014, the market value of the Group's share and financial assets were NOK 734 million, with unrealised gains of NOK 281 million.

Sapa (JV) (50% ownership interest)

Demand for extruded products is subject to seasonal variations where Q4 demand typically is weaker than previous quarters. Demand for extruded products in North America increased 9% compared to the same quarter of the previous year as a result of increased building and construction activity and strong automotive demand. In Europe, extruded products demand was stable overall compared to the same quarter of the previous year, when a weaker building and construction market was offset by other segments. Demand for extruded products is expected to seasonally improve going into the first quarter of 2015.

Underlying EBIT for Sapa increased compared to the same quarter of 2013 due to stronger North-American demand, improved margins, improvement programmes and restructuring activities in Europe. Global automotive demand has supported the precision tubing results. Results for the fourth quarter of 2013 included charges related to impairment of inventories and accounts receivables.

The restructuring programme initiated by the company in 2013, targeting annual synergies of around NOK 1 billion by the end of 2016, is ahead of plan, with about half of the ambition reflected in the underlying results for the full year 2014. Reported EBIT for Q4 was in addition to the factors mentioned above, impacted by items related to restructuring activities undertaken to deliver on the improvement and restructuring agenda.

In addition to items related to the improvement and restructuring agenda, reported EBIT includes approximately NOK 0.5 billion in impairment of fixed assets in China.

Jotun (42.5% ownership interest)

Jotun achieved satisfactory fourth-quarter profit with turnover growth for all four segments. Sales of marine coatings rose due to increased maintenance activity and a gradual improvement in the newbuildings market. Growth in sales of both decorative paints and protective coatings was supported by high activity in the main markets. Sales growth that exceeded cost increases contributed to higher operating profit in the quarter. Jotun continued to invest in increased production capacity, in line with the company's growth strategy.

Gränges (31% ownership interest)

Gränges was formerly part of Sapa, but was separated out as an independent company in 2013. The company was listed on Nasdaq Stockholm on 10 October 2014, after which Orkla retained an ownership interest of 31%. Orkla will report Gränges according to the equity method as from the fourth quarter. Adjusted operating profit for Gränges in the fourth quarter totalled SEK 103 million (SEK 84 million)². Profit after tax in the quarter amounted to SEK 89 million (SEK 162 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 13 in this report. Cash flow from Gränges in the period prior to stock exchange listing and from Orkla Brands Russia is reported in its entirety on the line for "Discontinued operations and other payments" in 2014.

Cash flow from operations related to industrial activities amounted to NOK 2,782 million (NOK 2,775 million)² as of 31 December 2014. There was a seasonal freeing-up of working capital of NOK 427 million in the fourth quarter. Working capital increased slightly for the full year, mainly due to the receivable for the one-off contractual termination fee from the Unilever agreement. Net replacement investments totalled NOK 838 million (NOK 880 million)². Cash flow from operations for real estate and financial assets amounted to NOK -59 million as of 31 December 2014.

To fulfil obligations under the option programme for executive management and the employee share purchase programme, treasury shares were sold for a net total of NOK 105 million as of 31 December 2014.

Expansion investments for the Group totalled NOK -102 million (NOK -180 million)² as of 31 December 2014. Sales of companies amounted to NOK 2,883 million and consisted mainly of the stock exchange listing of Gränges, the sale of Rieber Foods Polska S.A. ("Delecta") and the portfolio reduction in the real estate company Capto. Acquired companies amounted to NOK -87 million and consisted of the purchase of real estate properties and minor acquisitions in Orkla Foods and Orkla Food Ingredients. As of 31 December 2014, net sales of portfolio investments totalled NOK 350 million.

Net cash flow for the Group was NOK 3,062 million (NOK -2,757 million)² at quarter end. For the full year, the Group's interest-bearing liabilities had an average borrowing rate of 3.0% and were chiefly spread across the following currencies: SEK, EUR, NOK and DKK. The weakening of the Norwegian krone resulted in a negative translation effect of NOK 227 million on net interest-bearing liabilities, ended at NOK 5,661 million as of 31 December 2014. At quarter end, the equity ratio was 62.5% (59.1%)², while net gearing⁴ was 0.18 (0.28)².

OTHER MATTERS

Christer Grönberg was appointed Group Director in charge of HR at Orkla ASA as from 1 December 2014. Christer Grönberg has served as acting Group Director HR since June 2014.

Ole Petter Wie has decided to resign from his position as Group Director Business Development. By agreement, he will follow up individual projects at Orkla for some time to come.

OUTLOOK

The upswing in the global economy is still moderate and uncertainty as to future developments is high, particularly in the euro area. Growth in the Norwegian economy in 2014 has been moderate, and the growth rate is expected to weaken slightly in 2015. In Sweden and Denmark, a somewhat higher growth rate is expected. The trend in the Nordic grocery market, where Orkla is chiefly represented, is expected to remain relatively stable in 2015. In addition, Orkla's broad-based product portfolio will dampen the impact of any major changes in individual categories.

While international raw material prices have fallen slightly, in the recent past, overall the cost of 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 due to the weakening of the NOK and SEK against key purchasing currencies. The negative currency effects will continue into 2015, and Orkla has warned that this may result in higher prices for imported products.

The Group announced growth targets for both underlying³ turnover growth and higher operating margin at Orkla's Investor Day in London on 26 September 2013. The Group aimed to achieve annual underlying³ growth in turnover of 2–5% from 2016 and an increase in operating margin to the level of 15.0–17.5% by 2016 for Orkla Foods, Orkla Confectionery & Snacks and Orkla Home & Personal. After a weak 2013, Orkla achieved organic growth in the last three quarters of 2014, and the organic growth goals remain unchanged. Achieving the margin targets in Orkla Foods and Orkla Confectionery & Snacks will probably take somewhat longer. More details will be presented at Orkla's Investor Day in September 2015.

Completion of the agreements on the purchase of NP Foods and Cederroth awaits the outcome of ongoing assessments by the competition authorities. The take-over is expected to take place in the first and third quarters, respectively, of 2015.

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

Condensed income statement

Historical income statement figures have been restated due to the presentation of Granges and Orkla Brands Russia as discontinued operations (see Note 1).

Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2014	2013	2014	2013
Operating revenues	2	29 599	28 015	8 119	8 125
Operating expenses		(25 427)	(24 173)	(6 863)	(6 947)
Depreciation and write-downs property, plant and equipment		(935)	(884)	(241)	(220)
Amortisation intangible assets		(23)	(21)	(8)	(7)
Other income and expenses	3	(100)	(493)	(102)	(148)
Operating profit		3 114	2 444	905	803
Profit/loss from associates and joint ventures		121	(3)	(252)	(302)
Dividends received		37	250	0	8
Gains, losses and write-downs shares and financial assets		56	623	16	(6)
Financial items, net		(456)	(456)	(164)	(127)
Profit/loss before taxes		2 872	2 858	505	376
Taxes		(688)	(564)	(183)	(160)
Profit/loss for the period for continuing operations		2 184	2 294	322	216
Gains/profit/loss discontinued operations	10	(485)	(1 547)	(387)	121
Profit/loss for the period		1 699	747	(65)	337
Profit/loss attributable to non-controlling interests		40	57	(4)	17
Profit/loss attributable to owners of the parent		1 659	690	(61)	320

Earnings per share

Amounts in NOK	1.1.–31.12.		1.10.–31.12.	
	2014	2013	2014	2013
Earnings per share	1.63	0.68	(0.06)	0.32
Earnings per share (diluted)	1.63	0.68	(0.06)	0.32
Earnings per share for continuing operations (diluted)	2.11	2.21	0.32	0.20

Condensed comprehensive income statement

Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2014	2013	2014	2013
Profit/loss for the period		1 699	747	(65)	337
<i>Items not to be reclassified to profit/loss in subsequent periods</i>					
Change in actuarial gains and losses pensions after tax		(148)	37	(148)	37
<i>Items to be reclassified to profit/loss in subsequent periods</i>					
Change in unrealised gains on shares after tax	4	(21)	(79)	28	97
Change in hedging reserve after tax	4	(150)	46	6	(46)
Carried against the equity in associates and joint ventures		906	81	766	246
Translation effects		713	2 015	1 107	316
The Group's comprehensive income		2 999	2 847	1 694	987
Comprehensive income attributable to non-controlling interests		54	75		
Comprehensive income attributable to owners of the parent		2 945	2 772		

Condensed statement of financial position

Amounts in NOK million	Note	31.12. 2014	31.12. 2013
Intangible assets		14 598	15 402
Property, plant and equipment		9 484	11 651
Investments in joint ventures and associated companies and other financial assets	6	13 026	11 042
Non-current assets		37 108	38 095
Assets held for sale	10	22	-
Inventories		4 073	4 836
Receivables	6	5 560	6 328
Shares and financial assets		734	1 051
Cash and cash equivalents	6	2 615	1 805
Current assets		13 004	14 020
Total assets		50 112	52 115
Paid in equity		1 993	1 989
Earned equity		29 066	28 490
Non-controlling interests		245	301
Equity		31 304	30 780
Provisions and other non-current liabilities		3 699	3 369
Non-current interest-bearing liabilities	6	8 510	8 041
Current interest-bearing liabilities	6	598	2 837
Other current liabilities		6 001	7 088
Equity and liabilities		50 112	52 115
Equity ratio (%)		62.5	59.1

Condensed changes in equity

Amounts in NOK million	1.1.–31.12.2014			1.1.–31.12.2013		
	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	30 479	301	30 780	30 181	258	30 439
The Group's comprehensive income	2 945	54	2 999	2 772	75	2 847
Dividends	(2 540)	(25)	(2 565)	(2 528)	(51)	(2 579)
Net sale of Orkla shares	105	-	105	133	-	133
Option costs	5	-	5	22	-	22
Change in non-controlling interests	65	(85)	(20)	(101)	19	(82)
Equity at the close of the period	31 059	245	31 304	30 479	301	30 780

Condensed cash flow statement IFRS

Amounts in NOK million	Note	1.1.–31.12.		1.10.–31.12.	
		2014	2013	2014	2013
Cash flow from operations before net replacement expenditures		3 569	3 690	1 566	1 929
Received dividends and paid financial items		(55)	30	(92)	(123)
Taxes paid		(492)	(766)	(138)	(294)
Cash flow from operating activities		3 022	2 954	1 336	1 512
Net investments fixed assets		(948)	(711)	(368)	(100)
Net sale (purchase) of companies	5, 10	2 207	(4 310)	2 053	(10)
Net sale portfolio investments		350	3 090	146	146
Discontinued operations and other payments		302	(371)	(120)	(24)
Cash flow from investing activities		1 911	(2 302)	1 711	12
Net paid to shareholders		(2 460)	(2 446)	(115)	42
Change in interest-bearing liabilities and interest-bearing receivables		(1 696)	(4 034)	(2 158)	(1 160)
Cash flow from financing activities		(4 156)	(6 480)	(2 273)	(1 118)
Currency effects cash and cash equivalents		33	437	188	62
Change in cash and cash equivalents		810	(5 391)	962	468
Cash and cash equivalents	6	2 615	1 805		

See also Note 13 for cash flow Orkla-format.

NOTES**Note 1 General information**

Orkla ASA's condensed consolidated financial statements for the four quarters of 2014 were approved at the meeting of the Board of Directors on 4 February 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.

Gränges has undergone an IPO process and the company was listed on the stock exchange on 10 October 2014. Gränges is therefore presented as "Discontinued operations". The comparative figures in the income statement have been restated. Historical figures for the statement of financial position and the cash flow statement have not been restated. The IPO of Gränges was reported as a 100% sale even though Orkla sold 69% of the company. As contra entry, the remaining 31% will be reported as an investment in an associate and recognised in accordance with the equity method from the fourth quarter of 2014. The value of the shareholding is based on the market value on 10 October 2014.

It was decided to wind up the Orkla International business area and the operations in Vitana (Czech Republic), Felix (Austria) and MTR (India) were moved to Orkla Foods. The Delecta business was sold in the third quarter of 2014. Figures reported until the sale took place will be included in Orkla Foods. The Chaka business has been moved temporarily to Orkla Confectionery & Snacks. Orkla will continue to seek structural solutions for Rieber Russia Chaka.

Orkla Brands Russia (OBR) has been sold and all approvals relating to the sale had been received as of 31 December 2014. Payment

took place on 19 January 2015. This means that the Group has in fact exited the geographical area Russia and the operations in OBR thereby qualify for classification as «Discontinued operations». OBR is thus presented on a single line as «Discontinued operations» and comparative figures in the income statement have been restated in the same way as for Gränges. Historical figures for the statement of financial position and cash flow statement have not been restated. In the statement of financial position, a property in St. Petersburg is presented as "Held for sale" as of 31 December 2014. This property is expected to be sold in the very near future.

The Group has not otherwise changed the presentation or accounting principles or applied new standards that significantly affect its financial reporting or the comparison with previous periods.

The purchase price allocation carried out after the acquisition of Rieber & Søn was completed as of the end of the second quarter of 2014. Some minor adjustments were made in the valuation of the Rieber companies in Eastern Europe in relation to the preliminary purchase price allocation.

Orkla Confectionery & Snacks has entered into an agreement with Nordic Partners Food Limited to purchase NP Foods Group. This acquisition will close to double the scope of Orkla's Baltic operations, making Orkla one of the largest suppliers of branded consumer goods to the Baltic grocery sector (see Note 12).

Orkla Home & Personal has entered into an agreement for the purchase of the branded consumer goods company Cederroth. The acquisition of Cederroth will make Orkla Home & Personal one of the leading suppliers of personal care, health, wound care and household cleaning products in the Nordic region (see Note 12).

Note 2 Segments

Operating revenues

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2014	2013	2014	2013
Orkla Group	29 599	28 015	8 119	8 125
Branded Consumer Goods	28 584	26 602	7 854	7 738
Orkla Foods	12 232	11 110	3 371	3 321
Orkla Confectionery & Snacks	4 987	4 868	1 448	1 463
Orkla Home & Personal	4 960	4 770	1 250	1 270
Orkla Food Ingredients	6 534	5 998	1 821	1 726
Eliminations Branded Consumer Goods	(129)	(144)	(36)	(42)
Orkla Investments	972	1 364	247	380
Hydro Power	741	734	203	225
Financial Investments	231	630	44	155
HQ/Other Business/Eliminations	43	49	18	7

Operating profit - EBITA*

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2014	2013	2014	2013
Orkla Group	3 237	2 958	1 015	958
Branded Consumer Goods	3 401	3 113	1 030	961
Orkla Foods	1 495	1 312	470	436
Orkla Confectionery & Snacks	693	690	245	234
Orkla Home & Personal	854	823	191	194
Orkla Food Ingredients	359	288	124	97
Orkla Investments	180	210	53	88
Hydro Power	216	213	73	97
Financial Investments	(36)	(3)	(20)	(9)
HQ/Other Business	(344)	(365)	(68)	(91)

Reconciliation against operating profit

EBITA*	3 237	2 958	1 015	958
Amortisation intangible assets	(23)	(21)	(8)	(7)
Other income and expenses	(100)	(493)	(102)	(148)
Operating profit	3 114	2 444	905	803

*Operating profit before amortisation and other income and expenses.

Note 3 Other income and expenses

Amounts in NOK million	1.1.–31.12.		1.10.–31.12.	
	2014	2013	2014	2013
One-off contractual termination fee related to the Unilever agreement	279	-	-	-
M&A and integration costs	(156)	(191)	(25)	(84)
Severance settlements of employment contracts	(186)	(147)	(58)	(46)
Expenses and write-downs fixed assets relocation Boyfood	(13)	-	-	-
Reversal environment provision Kotlin, Poland	5	-	-	-
Dispute regarding use of trademark	(15)	-	(5)	-
Closure off operations in Leknes, Norway	(14)	-	(14)	-
Restructuring Orkla Foods Sverige and Orkla Foods Danmark	-	(20)	-	(5)
Special IFRS effects	-	(46)	-	-
Outsourcing IT management Orkla Shared Services	-	(41)	-	(13)
Write-down trademark and goodwill in Orkla Foods Danmark (Pastella)	-	(48)	-	-
Total other income and expenses	(100)	(493)	(102)	(148)

The one-off contractual termination fee of NOK 279 million related to the Unilever agreement has been taken to income. The previous agreement with Unilever, which dated back to 1958 and was last revised in 2009, expired on 30 June 2014. A new agreement has been signed with effect from 1 July 2014, and will run for a period of five years. The agreement provides for a licence for research and development and for deliveries of finished products from Unilever. The parties have also agreed that Lilleborg's licence for the brands owned by Unilever in Norway is to terminate as of January 2016, after which Unilever itself will distribute the brands. This is expected to result in a reduction in annual turnover for Lilleborg of around NOK 100 million, which represents around 2% of Orkla Home & Personal's total turnover. As compensation for the termination of the licences, Orkla will receive a contractual one-off termination fee. This will be paid towards the end of the second quarter of 2015.

Costs related to the further integration and coordination of the Rieber operations, totalling NOK 118 million as of 31 December 2014, have been expensed. The costs are related to the closure of the Lierne plant, coordination of the external sales function, redesign of the Toro factory at Arna outside Bergen, and a project linked to the factory at Elverum. Furthermore, production of herring was moved from Boyfood in Finland to Abba in Sweden, entailing one-off expenses in the form of equipment write-downs and severance packages. Additional costs were incurred in connection with the integration and coordination of operations in Orkla Foods. In total, Orkla Foods has expensed NOK 146 million related to these matters under "Other income and expenses" as of 31 December 2014.

Costs totalling NOK 39 million as of 31 December 2014 have been incurred in connection with the further coordination and restructuring of operations in Confectionery & Snacks, including factory operations at Kungälv and Filipstad in Sweden and downsizing of the external sales force. The costs relate to both severance packages and consultancy fees. M&A costs totalling NOK 12 million were also incurred.

In Orkla Home & Personal, restructuring costs and costs relating to reductions in the external sales force, totalling NOK 39 million, have been incurred. In addition, M&A costs amounting to NOK 5 million were incurred.

The remaining "Other income and expenses" consist of costs relating to M&A, integration, severance packages and an ongoing brand dispute.

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 of 31 December 2014 relating to changes in unrealised gains amounts to NOK 1 million (NOK 29 million)², and the tax effect relating to changes in the hedging reserve amounts to NOK 52 million (NOK 29 million)².

Unrealised gains/losses on shares and the hedging reserve included in equity as of 31 December 2014 (after tax) totalled NOK 281 million and NOK -380 million, respectively. Accumulated translation differences correspondingly amounted to NOK 1,433 million as of 31 December 2014.

Note 5 Acquisition and sale of companies

Orkla Food Ingredients acquired a small agency in Finland in March 2014. On 1 October 2014, Orkla Foods Sverige took over the Krögarklass brand, which has a range of premium mincemeat products designed particularly for the out-of-home market. These two acquisitions represent a total enterprise value of NOK 49 million.

Orkla has acquired the Sofienlund property in Skøyen. The property has been purchased in connection with Orkla's plans for a new office building for its operations on the neighbouring property at Drammensveien 149/151.

The sale of Rieber Foods Polska S.A. ("Delecta") was finalised in the third quarter. As a result of the value assessment in the acquisition analysis, there was no accounting gain on the sale. Goodwill from the acquisition was reduced by NOK 100 million as a result of the transaction.

See Note 12 for information on acquisition agreements, and Note 10 on discontinued operations.

Note 6 Net interest-bearing liabilities

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

Amounts in NOK million	31.12.	31.12.
	2014	2013
Non-current interest-bearing liabilities	(8 510)	(8 041)
Current interest-bearing liabilities	(598)	(2 837)
Non-current interest-bearing receivables (in "Financial Assets")	724	540
Current interest-bearing receivables (in "Receivables")	108	37
Cash and cash equivalents	2 615	1 805
Net interest-bearing liabilities	(5 661)	(8 496)

Note 7 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.

The process relating to the sale of a small part of the real estate portfolio to the management of Capto Eiendom (formerly FG Eiendom) was completed in the second quarter, and resulted in a small gain that has been recognised in connection with this portfolio reduction. The agreement was carried out at arm's length.

There were no other special transactions between the Group and related parties as of 31 December 2014.

The Group has intercompany balances with joint ventures and associates within Orkla's real estate investments totalling NOK 151 million.

Note 8 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 2014	15 157 000
Exercised during the period	(5 229 000)
Forfeited during the period	(2 760 000)
Outstanding options 31 December 2014	7 168 000

Change in number of treasury shares:

Treasury shares 1 January 2014	4 972 106
External purchases of treasury shares	3 000 000
Options exercised in treasury shares	(5 139 000)
Employee share purchase programme	(1 000 203)
Treasury shares 31 December 2014	1 832 903

Note 9 Assessments relating to impairment

In line with adopted principles, the Group carried out impairment tests for all intangible assets with an indefinite useful life and for all goodwill prior to the preparation and presentation of financial statements for the third quarter. The testing did not result in any write-downs.

In the process of selling Orkla Brands Russia (OBR), deficit values were discovered in the company and a loss has been recognised in connection with the divestment of OBR (see Note 10).

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

Note 10 Discontinued operations

As of 30 September 2014, the operations in Gränges were presented on a separate line as "Discontinued operations". The comparative figures in the income statement have been restated (see Note 1). Figures for Gränges for 2014 have been recognised in the income statement for the period during which Orkla had control. In the fourth quarter financial statement, the remaining 31% ownership interest is presented according to the equity method.

The business in Russia (OBR) has been sold and is presented as "Discontinued operations". Figures for OBR have been recognised in the income statement for the full year 2014. The comparative figures have been restated. A total of NOK -522 million has been expensed for OBR on the line for "Discontinued operations". This figure consists of NOK -191 million in a loss related to divestment, NOK -156 million relating to the recognition of historical translation differences and NOK -175 million in profit after tax for OBR.

In the comparative figures for 2013, the part of Sapa that was to be included in the future joint venture has been presented as "Discontinued operations" together with corresponding figures for Gränges and OBR.

Income statement for discontinued operations:

Amounts in NOK million	1.1.-31.12.	
	2014	2013
Operating revenues	3 767	21 730
Operating expenses	(3 430)	(20 613)
Depreciation/write-downs of property, plant and equipment	(171)	(698)
Amortisation intangible assets	-	(18)
Other income and expenses	(38)	(1 820)
Operating profit	128	(1 419)
Profit/loss from associates	1	-
Financial items, net	(50)	(74)
Profit/loss before taxes	79	(1 493)
Taxes	(69)	(29)
Profit/loss for the period after taxes	10	(1 522)
Gain/loss on sale	(366)	12
M&A costs	(129)	(37)
Profit/loss for discontinued operations	(485)	(1 547)

EBITA by segment

Gränges	293	337
Orkla Brands Russia	(127)	(132)
Sapa (JV)	-	214
Total	166	419

Note 11 Financial instruments

Financial instruments recognised at fair value:

Amounts in NOK million	Measurement level			
	Level 1	Level 2	Level 3	Total
31 December 2014:				
Assets				
Shares and financial assets	-	601	175	776
Derivatives	-	602	-	602
Liabilities				
Derivatives	-	630	-	630
31 December 2013:				
Assets				
Shares and financial assets	83	-	1 018	1 101
Derivatives	-	453	-	453
Liabilities				
Derivatives	-	428	-	428

Change in measurement level 3

Amounts in NOK million	
Book value 31 December 2013	1 018
Gains, losses and write-downs shares and financial assets	26
Change in unrealised gains (comprehensive income)	-
Agio and eliminations	4
Net sale of shares and financial assets	(272)
Reclassification to measurement level 2	(601)
Book value 31 December 2014	175

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

Note 12 Other matters

Orkla Confectionery & Snacks has entered into an agreement with Nordic Partners Food Limited to purchase NP Foods Group, which comprises the companies and brands Laima, Staburadze, Gutta, Margiris and Staburadzes Konditoreja. This acquisition will close to double the scope of Orkla's Baltic operations, making Orkla one of the biggest suppliers of branded consumer goods to the Baltic grocery sector.

The iconic chocolate brand Laima has a market share of over 30% of the Latvian chocolate market. Orkla's position will also be strengthened in the Baltics in the biscuit, cake, juice, water and ready meal segments, with local brands such as Selga, Staburadze, Gutta, Everest, Fresh walk and Pedro.

Based on consolidated figures for 2013, NP Foods had a turnover of EUR 77.1 million and normalised operating profit (EBITDA) of EUR 7.5 million. The company has four factories in Latvia and one in Lithuania and 1,100 employees.

Under the agreement entered into, Orkla is to purchase 100% of the shares in the companies that make up Nordic Partners Food Limited. This holding company is owned by the Latvian investment company Nordic Partners and the Icelandic fund BIL ehf.

The transaction will be completed subject to the approval of the competition authorities in Latvia, Lithuania and Estonia.

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 that Orkla Home & Personal and Cederroth offer are largely complementary. In addition, wound care will

represent an attractive new category for Orkla. Cederroth also holds a well-established position in the Nordic pharmacy market. When the agreement has been finalised, 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 the relevant competition authorities. The transaction is expected to be completed by the end of the third quarter of 2015.

Through its wholly-owned subsidiary KåKå AB, Orkla Food Ingredients (OFI) has signed an agreement to purchase 67% of the Finnish company Condite Oy. Condite is Finland's second largest sales and distribution company for bakery ingredients. 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 will retain 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 2015, Orkla Health announced an agreement to purchase the Danish company W. Ratje Frøskaller (WRF). The company has an annual turnover of around NOK 45 million. This acquisition strengthens Orkla Health's position in the gut health segment and the pharmacy market.

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 bottom-line item of the Orkla-format cash flow statement is the change in net interest-bearing liabilities, 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 for industrial activities" and "Cash flow from operations for real estate and financial assets". 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.

Amounts in NOK million	Note	1.1.-31.12.		1.10.-31.12.	
		2014	2013	2014	2013
Operating profit		3 181	2 307	924	1 015
Amortisation, depreciation and impairment charges		930	1 503	239	268
Changes in net working capital, etc.		(491)	(155)	427	605
Cash flow from operations before net replacement expenditures		3 620	3 655	1 590	1 888
Net replacement expenditures		(838)	(880)	(251)	(314)
Cash flow from operations, industrial activities		2 782	2 775	1 339	1 574
Cash flow from operations, real estate and financial assets		(59)	384	(104)	320
Financial items, net		(326)	(451)	(96)	(118)
Taxes paid		(492)	(766)	(138)	(294)
Received dividends		271	481	4	(5)
Discontinued operations and other payments		302	(371)	(120)	(24)
Cash flow before capital transactions		2 478	2 052	885	1 453
Paid dividends		(2 565)	(2 579)	(20)	(8)
Net sale/purchase of Orkla shares		105	133	(95)	50
Cash flow before expansion		18	(394)	770	1 495
Expansion investments		(102)	(180)	(37)	(65)
Sale of companies/shares of companies (enterprise value)	5, 10	2 883	1 713	2 334	25
Purchase of companies/shares of companies (enterprise value)	5	(87)	(6 986)	(37)	(51)
Net purchase/sale shares and financial assets		350	3 090	146	146
Net cash flow		3 062	(2 757)	3 176	1 550
Currency effects of net interest-bearing liabilities		(227)	(953)	(508)	(144)
Change in net interest-bearing liabilities		(2 835)	3 710	(2 668)	(1 406)
Net interest-bearing liabilities	6	5 661	8 496		