

First quarter

2014



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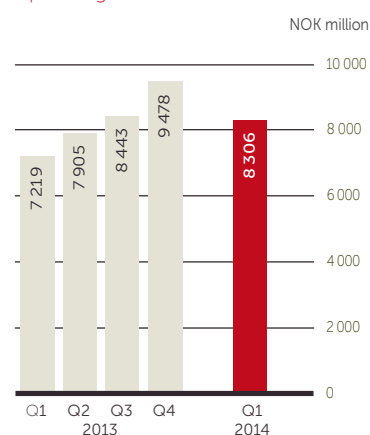
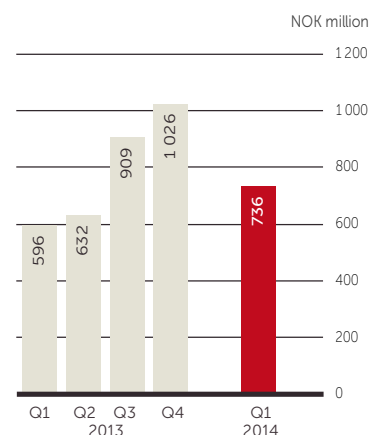
THE FIRST QUARTER IN BRIEF

- EBITA¹ for the Orkla Group rose 23% in the first quarter to NOK 736 million.
- Acquired companies and positive currency translation effects boosted growth in turnover in the Branded Consumer Goods area by 17%.
- EBITA¹ for the Branded Consumer Goods area rose 13%, from NOK 579 million to NOK 655 million. The growth was driven by the realisation of cost synergies in Orkla Foods as well as underlying³ improvement for Orkla Home & Personal and Orkla Food Ingredients.
- Orkla Confectionery & Snacks has carried out major organisational changes and improvement programmes in 2013 and 2014. The impact of these initiatives on profit will be seen gradually in the course of the year. However, first-quarter profit remained weak.
- Gränges reported a good quarter with EBITA¹ of NOK 117 million driven by both volume growth and contributions from improvement projects. An IPO process has been initiated.
- The seasonal build-up of working capital was somewhat lower than in the same quarter of 2013. Net interest-bearing liabilities totalled NOK 7.6 billion at quarter end.

KEY FIGURES FOR THE ORKLA GROUP

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2014	2013	2013
Operating revenues	2	8 306	7 219	33 045
EBITA ¹	2	736	596	3 163
Profit/loss before taxes		639	900	2 664
Gains/profit/loss discontinued operations		-	(56)	(1 225)
Earnings per share, diluted (NOK)		0.5	0.7	0.7
Cash flow from operating activities for industrial activities	13	725	27	2 775
Net interest-bearing liabilities	6	7 574	5 477	8 496
Equity ratio (%)		60.0	54.9	59.1
Net gearing ⁴		0.24	0.17	0.28

Operating revenues

EBITA¹

Operating revenues

8,306

Group operating revenues for the first quarter 2014 totalled NOK 8,306 million

EBITA¹

736

Group EBITA¹ for the first quarter 2014 totalled NOK 736 million

¹ Operating profit before amortisation and other income and expenses

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

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

⁴ [Net interest-bearing liabilities]/Equity

THE GROUP

Orkla's operating revenues totalled NOK 8,306 million (NOK 7,219 million)² in the first quarter. The improvement was driven by acquisitions in the Branded Consumer Goods area, primarily the consolidation of Rieber & Søn, and favourable currency translation effects. Currency translation effects in Branded Consumer Goods amounted to NOK 333 million. Branded Consumer Goods saw an underlying³ decline in operating revenues, mainly due to the timing of Easter and weak top-line growth in Orkla Confectionery & Snacks. Orkla Foods also had an underlying³ decrease in operating revenues, primarily related to a somewhat weaker trend in Norway and Denmark. Orkla Home & Personal posted underlying³ growth in sales driven by the good performance of several companies. The continued weak performance of Orkla Brands Russia was more than offset by the positive trend in the other companies in Orkla International. Orkla Food Ingredients reported underlying³ operating revenues on a par with the first quarter of 2013. Market shares for Branded Consumer Goods showed a mixed performance by the various companies, but weakened slightly, all in all, in the quarter.

Group EBITA¹ amounted to NOK 736 million (NOK 596 million)² in the first quarter. The improvement was driven by structural growth and improved margins in the Branded Consumer Goods area, higher volumes and cost savings in Gränges, and higher volume produced by Hydro Power.

EBITA¹ for Branded Consumer Goods amounted to NOK 655 million (NOK 579 million)². Around half of this increase was ascribable to acquired companies. The underlying³ growth was related to the realisation of cost synergies in Orkla Foods, broad-based growth in Orkla Food Ingredients, and improvement in Orkla Home & Personal and Orkla International. All the companies in Orkla International delivered a good performance, except for Orkla Brands Russia. Orkla Confectionery & Snacks saw a decline in profit in the quarter which was largely driven by its weak turnover performance. Currency translation effects made a positive contribution of NOK 14 million to EBITA¹ for Branded Consumer Goods.

The total cost of input factors in Branded Consumer Goods was slightly higher in the first quarter, year over year. This increase was chiefly driven by the weaker Norwegian krone, which contributed to a significant rise in purchasing costs for the Norwegian companies.

Gränges continued to deliver a good performance, driven by higher volumes and the substantial effects of improvement programmes in its Swedish operations. Hydro Power reported a strong increase in EBITA¹ in the first quarter driven by the higher volume produced as a result of heavy precipitation early in the quarter.

The Group's other income and expenses totalled NOK -35 million (NOK -36 million)² in the first quarter. These costs are mainly related to ongoing restructuring projects.

Profit from associates and joint ventures amounted to NOK 56 million in the first quarter (NOK 95 million)². Jotun posted operating profit on a par with 2013, while the profit contribution from Sapa (JV) was negatively impacted by high restructuring costs.

Net sales of shares and financial assets totalled NOK 8 million in the first quarter. In the same period, the Group recorded a net accounting loss of NOK -12 million (NOK 221 million)² on shares and financial assets. At quarter end, the market value of the shares and financial assets was NOK 1,050 million, with unrealised gains of NOK 324 million.

Net finance costs amounted to NOK -116 million (NOK -89 million)² in the first quarter. The average borrowing rate was 3.6% and the Group's net interest-bearing liabilities averaged a total of NOK 7.5 billion in the first quarter of 2014.

Group profit before tax amounted to NOK 639 million (NOK 900 million)² and first-quarter taxes totalled NOK 150 million.

Orkla's diluted earnings per share were NOK 0.5 (NOK 0.7)² in the first quarter.

THE BUSINESS AREAS

BRANDED CONSUMER GOODS

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2014	2013	2013
Operating revenues	6 970	5 939	27 731
EBITA ¹	655	579	2 982
EBITA margin (%)	9.4	9.7	10.8
Cash flow from operations before net replacement expenditures	552	243	3 356
Net replacement expenditures	(183)	(133)	(754)
Cash flow from operations	369	110	2 602
Expansion investments	(26)	(13)	(99)

Orkla Foods

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2014	2013	2013
Operating revenues	2 548	1 924	9 797
EBITA ¹	295	226	1 275
EBITA margin (%)	11.6	11.7	13.0
Cash flow from operations before net replacement expenditures	281	94	1 409
Net replacement expenditures	(88)	(43)	(341)
Cash flow from operations	193	51	1 068
Expansion investments	(12)	-	(27)

- Broad-based profit growth driven by contributions from acquired companies and synergies
- Challenging top line performance in Norway, but signs of improvement in the quarter
- Continued good sales performance in the grocery channel in Finland and the Baltics

Orkla Foods reported first-quarter operating revenues of NOK 2,548 million (NOK 1,924 million)². Most of this growth was ascribable to the consolidation of Rieber & Søn. Underlying³ and adjusted for the timing of Easter, revenues were 2.7% lower than in 2013, mainly due to weaker sales to the out-of-home sector and industrial customers. Underlying³ sales to the grocery channel were down approximately 1% from the first quarter of 2013. The decline was mainly related to negative effects from a postponed launch and campaign period in the Norwegian grocery channel and weaker performance in Denmark. EBITA¹ amounted to NOK 295 million (NOK 226 million)², an improvement of 31% despite the negative impact of the timing of Easter.

All of the companies achieved profit growth, when adjusting for Easter effects. The improved results in Norway and Denmark were boosted by cost synergies related to the integration of Rieber & Søn. Profit growth in Sweden was largely driven by the reduction in costs realised through the merger of the three companies Abba Seafood, Frödinge Mejeri and Procordia. The integration processes in all of Orkla Foods' Nordic businesses are making good progress. At quarter end, the cost synergy run-rate was on track and will continue to generate positive effects ahead. Orkla Foods Finland achieved profit growth through the grocery channel, while all of the Baltic businesses delivered both revenue and profit growth. Further, a decision has been made to close down a herring factory in Finland. Production will be moved to the factory in Kungshamn, Sweden, in the second quarter.

The most important launch in the Norwegian market in the first quarter was the Grandiosa Helmax pizza. The Middagsklart (ready meal) concept, which has made a good contribution to growth in the Swedish market, was also launched in the Finnish and Danish markets in the first quarter. In Finland, growth in turnover and profit was partly ascribable to the introduction of products into new categories, as in the case of the Middagsklart concept and

Frödinge cakes, but also to local innovations, such as the Jacky Angry Birds product.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2014	2013	2013
Operating revenues	1 114	1 100	4 784
EBITA ¹	116	144	682
EBITA margin (%)	10.4	13.1	14.3
Cash flow from operations before net replacement expenditures	165	62	796
Net replacement expenditures	(33)	(52)	(184)
Cash flow from operations	132	10	612
Expansion investments	-	-	-

- Challenging market conditions in the Nordic region
- Weak sales and profit performance in Norway and Sweden, especially in January
- Improvement in the Baltics
- Demanding company integration processes in Norway and Sweden

Orkla Confectionery & Snacks posted first-quarter operating revenues of NOK 1,114 million (NOK 1,100 million)², an underlying³ decline of 3.8% adjusted for the time of Easter. EBITA¹ amounted to NOK 116 million (NOK 144 million)². The fall in profit was mainly due to a weak sales performance in Norway and Sweden, especially in January 2014. Higher purchasing prices also had a negative impact on first-quarter profit, partly due to the weaker Norwegian krone. Orkla Confectionery & Snacks' own innovations and other actions to spur growth were not sufficient to counter the generally difficult competitive environment. At the same time, the effects of launches and improved listings were not seen until the end of the quarter.

In the Baltics, both the Latfood snacks business in Latvia and the Kalev chocolate business in Estonia posted solid improvement in sales and profit.

All in all, market shares weakened in the Nordic countries.

Following the establishment of the Orkla Confectionery & Snacks business area in January 2013, a comprehensive process was initiated to restructure operations into larger, stronger national companies. A demanding integration process was underway throughout 2013, which continued into the first quarter of 2014. In Norway, a large-scale process of merging and optimising external sales organisations was carried out during the quarter. In the short term, restructuring and internal organisational processes have impacted negatively on turnover and profit. The measures will strengthen competitiveness ahead and contribute to an overall cost base reduction of NOK 300 million over the next three years. Both contributions from cost reduction programmes and increased market activity are gradually expected to improve results in the second half of 2014. In

addition, several new cross-category innovations were launched in the quarter as a result of the merger. Examples are Polly storplate (chocolate tablet with peanuts) and Crispo Melkesjokoladekjeks (milk chocolate biscuits).

Orkla Home & Personal

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2014	2013	2013
Operating revenues	1 280	1 211	4 770
EBITA ¹	230	214	823
EBITA margin (%)	18.0	17.7	17.3
Cash flow from operations before net replacement expenditures	68	136	869
Net replacement expenditures	(25)	(11)	(69)
Cash flow from operations	43	125	800
Expansion investments	-	-	-

- Growth in turnover and profit
- Turnover positively impacted by accrual effects linked to a difference in the number of selling days

Orkla Home & Personal posted first-quarter operating revenues of NOK 1,280 million (NOK 1,211 million)². All the businesses achieved growth in both turnover and profit, but these results were enhanced by the fact that Lilleborg, Lilleborg Profesjonell and Pierre Robert Group had a few more selling days in the first quarter in 2014 than in the corresponding period of 2013. The selling day effects will have the opposite impact in the fourth quarter of 2014. Adjusted for the extra selling days and the timing of Easter, underlying³ growth in turnover was 2.0 %. First-quarter EBITA¹ amounted to NOK 230 million (NOK 214 million)².

Adjusted for the above-mentioned effects, sales in Lilleborg ended at the same level as in 2013. Lilleborg's international operations achieved a good increase in turnover, while the Norwegian operations saw a slight decline. Overall, profit was on a par with the first quarter of 2013.

Turnover in Lilleborg Profesjonell, adjusted for extra selling days, was marginally better than in 2013, while there was a moderate decline in profit in the quarter.

Pierre Robert Group reported an increase in both operating revenues and profit driven by new product launches and re-launches in Norway and Sweden, and campaigns in Norway.

Axellus posted sales and profit improvement. The increased turnover in Norway and Denmark was offset to some extent by a weaker performance in the other home markets, while overall export operations showed some improvement.

Orkla House Care achieved higher turnover in all markets except for Norway, where sales were somewhat lower due to seasonal fluctuations. The business also delivered a positive profit performance.

Several of the businesses must contend with higher purchasing costs due to the weaker Norwegian krone.

Market share performance varied somewhat. Lilleborg, along with Axellus in Norway and Denmark, saw a moderate decline, while market shares improved for Axellus in Sweden and Pierre Robert Group in Norway.

Orkla International

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2014	2013	2013
Operating revenues	660	406	2 644
EBITA ¹	(28)	(42)	(86)
EBITA margin (%)	(4.2)	(10.3)	(3.3)
Cash flow from operations before net replacement expenditures	28	(48)	(97)
Net replacement expenditures	(11)	(13)	(63)
Cash flow from operations	17	(61)	(160)
Expansion investments	(3)	(6)	(61)

- Orkla Brands Russia continues to deliver weak sales and profit performance
- Positive trend in rest of Orkla International, with good growth in India

Orkla International posted first-quarter operating revenues of NOK 660 million (NOK 406 million)², equivalent to an underlying³ improvement of 3.4%. First-quarter EBITA¹ amounted to NOK -28 million (NOK -42 million)², to which acquired companies contributed NOK 10 million.

Orkla Brands Russia continued to deliver a weak sales performance. The restructuring project entailing the closure of a factory and rationalisation of the product portfolio will be completed in the second quarter of 2014. This will pave the way for lower costs in future. A sale process has been initiated to divest the business.

MTR Foods achieved 18% underlying³ growth in sales in the first quarter with strong volume growth in its core categories spice mixes, breakfast cereals and beverages. The general growth of the Indian economy slowed somewhat in the course of 2013, but growth in GDP is expected to increase following the election of a new parliament in May 2014.

Felix Austria reported weaker growth in the grocery sector due to the later timing of campaigns than in 2013. The out-of-house business also posted a minor decline. Sales to Orkla Foods' companies in the Nordics increased substantially after Felix Austria began to deliver ready meals to Orkla Foods Danmark in July 2013.

The former Rieber companies, Vitana, Rieber Polska and Rieber Russia, contributed EBITA¹ of NOK 10 million in the first quarter. In the Czech Republic, Vitana achieved a volume-driven improvement in sales in a slow-growth market. In Poland, Rieber Polska saw a slight fall in sales

due to the later Easter, while EBITA¹ was higher than in 2013. Rieber Russia reported sales growth due to increased sales to national retail chains.

Orkla Food Ingredients

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2014	2013	2013
Operating revenues	1 451	1 333	5 998
EBITA ¹	42	37	288
EBITA margin (%)	2.9	2.8	4.8
Cash flow from operations before net replacement expenditures	11	(2)	379
Net replacement expenditures	(26)	(14)	(97)
Cash flow from operations	(15)	(16)	282
Expansion investments	(11)	(7)	(11)

- Broad-based profit improvement due to high competitiveness
- Positive impacts on profit from internal improvement projects

Orkla Food Ingredients posted first-quarter operating revenues of NOK 1,451 million (NOK 1,333 million)². Underlying³ operating revenues were at the same level as in 2013. First-quarter EBITA¹ amounted to NOK 42 million (NOK 37 million)². Results for the first quarter of 2013 were positively affected by the sale of Kolding Salatfabrikk, and the underlying³ profit improvement was 26% in the first quarter of 2014. The improvement in profit was broad-based, but nonetheless included a relatively weak performance on the Norwegian market on account of higher purchasing costs, which could not be offset sufficiently in the first quarter by raising prices to the market.

Overall, the Scandinavian sale and distribution companies for baking ingredients retained their strong market position. Earnings were slightly lower, primarily as a result of the negative currency effect in Norway. In the first quarter, the sale and distribution companies in the Baltics and Central and Eastern Europe generated higher EBITA¹ growth due to top-line growth and improved margins.

Sales and profit growth for the margarine category (Dragsbæk in Denmark) was somewhat weaker than the good results achieved in the first quarter of 2013. The category's sales and profit performance in the Baltics, Slovakia and Romania (through Dragsbæk's own subsidiaries or sister companies) was significantly better year over year.

Operating revenues for the yeast category (Jästbolaget in Sweden) fell, mainly due to the general decline in the Swedish consumer market and increased competition in the industry segment. In the course of the quarter, Jästbolaget won back some major industry contracts with deliveries due to start in the second quarter of 2014. EBITA¹ improved, year over year, as a result of internal improvement projects.

EBITA¹ improved substantially for the bread and cake mix and improver category. This increase was ascribable to higher product profitability in Poland, Portugal and the Netherlands and lower fixed costs than in the same quarter of 2013.

The first quarter is the low season for the marzipan category, but Odense reported broad-based volume improvement compared with 2013 which, combined with lower fixed costs, generated a marked improvement in EBITA¹.

ORKLA INVESTMENTS

Sapa (JV)

Demand for extruded aluminium products in North America improved by 5 % compared with the first quarter of 2013, mainly supported by growth in the automotive and building market segments. Demand for extruded products in South America showed signs of weakening.

In Europe, demand for extruded products was 2% higher than in the first quarter of 2013. Higher automotive demand was somewhat offset by weaker transport, renewable energy and building market segments.

Global demand for precision tubing continued to be driven by increased demand from the automotive industry.

Underlying EBIT for Sapa improved compared with the first quarter of 2013, driven by improvement for all areas of operations.

Sapa's restructuring agenda is progressing according to plan and reported EBIT was affected by related restructuring charges.

Gränges

- Continued growth in volume and profit
- Cost reductions in Sweden on track
- IPO process initiated

Gränges delivered a volume of 41,300 tonnes in the first quarter of 2014, equivalent to a year-over-year increase of 3%. EBITA¹ rose to NOK 117 million (NOK 85 million)², driven by higher volumes and the effects of improvement programmes. Volume growth was largely driven by the operations in Shanghai, which are still positively affected by the strong Chinese automotive market, but the operations in Finspång, Sweden, also reported higher volumes than in 2013.

The improvement programmes in the Swedish operations are on track and were an important driver behind the improved EBITA¹. The workforce reduction completed in the fourth quarter of 2013 reached its full effect towards the end of the first quarter of 2014. EBITA¹ for the Chinese

operations remained very satisfactory and on a par with 2013, as higher volume was offset to some extent by unfavourable metal effects.

The Board of Directors of Orkla ASA has decided to examine a possible Initial Public Offering of Gränges on NASDAQ OMX Stockholm. The decision is part of Orkla's long-term strategy of becoming a pure-play branded consumer goods company.

Jotun (42.5% ownership interest)

Jotun delivered a satisfactory performance in the first quarter of 2014. Year-over-year turnover increased, while operating profit remained stable. All segments reported growth in turnover, including marine coatings, where activity in the newbuilding market is now on the rise following the global decline in the past few years. Jotun continues to invest in increased production capacity in line with its growth strategy. The construction of new factories and facilities in Brazil, Russia and the Philippines were the most significant investments in the first quarter.

Orkla Financial Investments

EBITA¹ amounted to NOK -11 million (NOK 8 million)² in the first quarter of 2014. The change is mainly due to the delivery of apartments in 2013 and the reduction in the real estate portfolio as a result of property sales. Profit before tax for Orkla Eiendom amounted to NOK 3 million (NOK 3 million) in the first quarter. The largest transaction in the first quarter was the sale of two buildings in Oslo Business Park, in which Orkla has a 50% ownership interest (associate). Otherwise, activities in the quarter focused primarily on the development of and sales activities related to the current real estate portfolio.

Hydro Power

Hydro Power delivered first-quarter EBITA¹ of NOK 58 million (NOK -3 million)², as significantly higher volume more than offset lower power prices. The volume increase was related to heavy precipitation at the start of the first quarter of 2014, and the fact that inflow in the first quarter of 2013 was lower than normal. Power prices are expected to remain low in the near future. At the end of the first quarter of 2014, reservoir levels were higher than normal.

CASH FLOW AND FINANCIAL SITUATION

The comments below are based on the cash flow statement as presented in Orkla's in-house format. Reference is made to Note 13 in this report.

Cash flow from operations related to industrial activities amounted to NOK 725 million as at 31 March 2014. The increase from 2013 is largely ascribable to higher operating profit, and to the receipt of the insurance settlement related to the fire in Finspång in 2010. In the first quarter, there was a seasonal build-up of operating capital in the Branded Consumer Goods area, although at a lower level

than in the first quarter of 2013. Net replacement investments increased by NOK 68 million year over year, largely due to a higher level of investment in Orkla Foods following the acquisition of Rieber.

There were no material purchases or sales of businesses that affected cash flow in the first quarter. Expansion investments totalled NOK -27 million as at 31 March, compared with NOK -26 million in the same period of 2013.

Net cash flow for the Group was NOK 748 million as at 31 March 2014. In the first quarter of 2014, the Group's interest-bearing liabilities had an average borrowing rate of 3.6%, and were chiefly spread across the following currencies: SEK, EUR, NOK and DKK. The Norwegian krone has strengthened through the quarter, resulting in a positive translation effect of NOK 174 million on net interest-bearing liabilities. The Group's net interest-bearing liabilities totalled NOK 7,574 million as at 31 March 2014. At quarter end, the equity ratio was 60%, while net gearing⁴ was 0.24.

OTHER MATTERS

At the Annual General Meeting on 10 April 2014, the dividend for 2013 was set at NOK 2.50 per share, equivalent to the ordinary dividend for 2012. The date of payment was set at 25 April 2014. Furthermore, Lars Dahlgren and Nils K. Selte were elected as new members of the Board of Directors of Orkla ASA. Nils K. Selte is currently Managing Director of Canica, where he has worked since 2001. Lars Dahlgren has been CEO of Swedish Match since 2008.

On 6 February 2014, Jens Bjørn Staff was appointed CFO of Orkla ASA. As CFO, he will be a member of Orkla's Group Executive Board and will report to Orkla President and CEO Peter A. Ruzicka. Jens Bjørn Staff has been Executive Vice President and CFO of Statkraft since 2011.

President and CEO Peter A. Ruzicka made adjustments in Orkla's Group Executive Board in the first quarter. The key corporate functions – Business Development, HR, Operations, Communications and Corporate Affairs and Legal Affairs – have been grouped under one leader. Following this change, Orkla's Group Executive Board will consist of nine members.

OUTLOOK

Globally, the moderate economic upturn is continuing. In Europe, growth has picked up and there are signs that this trend will continue. Growth in the US economy is also expected to increase. In emerging economies growth has tapered off somewhat, but will still exceed growth in industrialised countries. Growth in the Norwegian economy has declined in the past year and is expected to remain

moderate in the near future. In other Nordic countries, a slightly higher rate of growth is expected. The trend in the Nordic grocery market is expected to remain relatively stable in 2014.

In the first half of 2013, ICA and NorgesGruppen announced their intention to enter into an agreement to collaborate on purchasing in Norway. On 13 February 2014, the Norwegian Competition Authority issued a notice of its intention to stop the cooperation agreement between ICA and NorgesGruppen. At the same time, the parties were given until 25 April to respond to this notification before the Norwegian Competition Authority makes a final decision. ICA sent its reply to the Authority in early April, requesting that the Authority take a positive view of the agreement and drop the case.

In March 2014, NorgesGruppen announced that its grocery stores will have full responsibility for in-store merchandising as from 1 January 2015. COOP subsequently announced that it will consider adopting the same practice. It is still too early to tell how this will impact on Orkla.

Overall, international raw material prices remain high, and the FAO Food Price Index rose in the first quarter of 2014. There is uncertainty as to the effect of the change of

government in Norway on this spring's agricultural policy negotiations and Norwegian commodity prices. Orkla aims to compensate for any increases in raw material costs by raising prices.

The different business areas are exposed to currency risk to varying degrees. The Norwegian krone weakened significantly in 2013. In the past few weeks, the krone has strengthened again, but there is great uncertainty as to future developments. A weaker krone means higher purchasing costs for Orkla's Norwegian companies.

Demand for Gränges' products is expected to remain good in both Asia and Europe. Sapa will also benefit from increased activity in most end markets.

With regard to the energy operations, reservoir levels are slightly higher than normal. However, power prices at the start of the second quarter were substantially lower than at the same time in 2013, and will impact negatively on second-quarter profit. In 2013, moreover, Hydro Power reported a one-off gain of NOK 17 million in the second quarter.

Orkla's financial position is robust, with cash reserves and committed credit lines that will cover known capital expenditures in 2014.

Oslo, 7 May 2014
The Board of Directors of Orkla ASA

Condensed income statement

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2014	2013	2013
Operating revenues	2	8 306	7 219	33 045
Operating expenses		(7 270)	(6 380)	(28 779)
Depreciation and write-downs property, plant and equipment		(300)	(243)	(1 103)
Amortisation intangible assets		(4)	(7)	(21)
Other income and expenses	3	(35)	(36)	(860)
Operating profit		697	553	2 282
Profit/loss from associates and joint ventures		56	95	2
Dividends received		14	120	250
Gains, losses and write-downs shares and financial assets		(12)	221	623
Financial items, net		(116)	(89)	(493)
Profit/loss before taxes		639	900	2 664
Taxes		(150)	(160)	(692)
Profit/loss for the period for continuing operations		489	740	1 972
Gains/profit/loss discontinued operations	10	-	(56)	(1 225)
Profit/loss for the period		489	684	747
Profit/loss attributable to non-controlling interests		13	14	57
Profit/loss attributable to owners of the parent		476	670	690

Earnings per share

Amounts in NOK	1.1.–31.3.		1.1.–31.12.
	2014	2013	2013
Earnings per share	0.5	0.7	0.7
Earnings per share (diluted)	0.5	0.7	0.7
Earnings per share for continuing operations (diluted)	0.5	0.7	1.9

Condensed comprehensive income statement

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2014	2013	2013
Profit/loss for the period		489	684	747
<i>Items <u>not</u> to be reclassified to profit/loss in subsequent periods</i>				
Change in actuarial gains and losses pensions after tax		-	-	37
<i>Items to be reclassified to profit/loss in subsequent periods</i>				
Change in unrealised gains on shares after tax	4	22	4	(79)
Change in hedging reserve after tax	4	(40)	(53)	46
Translation effects		(296)	341	2 096
The Group's comprehensive income		175	976	2 847
Comprehensive income attributable to non-controlling interests		12	18	75
Comprehensive income attributable to owners of the parent		163	958	2 772

Condensed statement of financial position

Amounts in NOK million	Note	31.3. 2014	31.12. 2013
Intangible assets		15 277	15 402
Property, plant and equipment		11 371	11 651
Investments in joint ventures and associated companies and other financial assets	6	10 830	11 042
Non-current assets		37 478	38 095
Inventories		4 989	4 836
Receivables	6	5 962	6 328
Shares and financial assets		1 050	1 051
Cash and cash equivalents	6	2 388	1 805
Current assets		14 389	14 020
Total assets		51 867	52 115
Paid in equity		1 990	1 989
Earned equity		28 679	28 490
Non-controlling interests		435	301
Equity		31 104	30 780
Provisions and other non-current liabilities		3 334	3 369
Non-current interest-bearing liabilities	6	8 057	8 041
Current interest-bearing liabilities	6	2 481	2 837
Other current liabilities		6 891	7 088
Equity and liabilities		51 867	52 115
Equity ratio (%)		60.0	59.1

Condensed changes in equity

Amounts in NOK million	1.1.–31.3.2014			1.1.–31.3.2013		
	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	163	12	175	958	18	976
Dividends	-	(1)	(1)	-	(38)	(38)
Net buy-back/sale of Orkla shares	24	-	24	4	-	4
Option costs	3	-	3	9	-	9
Change in non-controlling interests	-	123	123	(23)	4	(19)
Equity at the close of the period	30 669	435	31 104	31 129	242	31 371

Condensed cash flow statement IFRS

Amounts in NOK million	Note	1.1.–31.3.		1.1.–31.12.
		2014	2013	2013
Cash flow from operations before net replacement expenditure		930	202	3 690
Received dividends and financial items		77	157	30
Taxes paid		(191)	(190)	(766)
Cash flow from operating activities		816	169	2 954
Net investments fixed assets		(223)	(188)	(711)
Net sale (purchase) of companies	5, 10	27	(765)	(4 310)
Net sale portfolio investments		8	677	3 090
Discontinued operations and other payments		97	(260)	(371)
Cash flow from investing activities		(91)	(536)	(2 302)
Net paid to shareholders		23	(34)	(2 446)
Change in interest-bearing liabilities and interest-bearing receivables		(67)	(1 526)	(4 034)
Cash flow from financing activities		(44)	(1 560)	(6 480)
Currency effects cash and cash equivalents		(98)	142	437
Change in cash and cash equivalents		583	(1 785)	(5 391)
Cash and cash equivalents	6	2 388	5 411	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 first quarter of 2014 were approved at a meeting of the Board of Directors on 7 May 2014. 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.

The purchase price allocation carried out after the acquisition of Rieber & Søn is still to be regarded as preliminary and will be finalised as at 30 June 2014. There has been no change in the allocation in the first quarter of 2014.

Note 2 Segments**Operating revenues**

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2014	2013	2013
Orkla Group	8 306	7 219	33 045
Branded Consumer Goods	6 970	5 939	27 731
Orkla Foods	2 548	1 924	9 797
Orkla Confectionery & Snacks	1 114	1 100	4 784
Orkla Home & Personal	1 280	1 211	4 770
Orkla International	660	406	2 644
Orkla Food Ingredients	1 451	1 333	5 998
Eliminations Branded Consumer Goods	(83)	(35)	(262)
Gränges	1 090	1 010	3 958
Hydro Power	191	127	734
Orkla Financial Investments	44	151	630
HQ/Other Business/Eliminations	11	(8)	(8)

Operating profit - EBITA*

Amounts in NOK million	1.1.–31.3.		1.1.–31.12.
	2014	2013	2013
Orkla Group	736	596	3 163
Branded Consumer Goods	655	579	2 982
Orkla Foods	295	226	1 275
Orkla Confectionery & Snacks	116	144	682
Orkla Home & Personal	230	214	823
Orkla International	(28)	(42)	(86)
Orkla Food Ingredients	42	37	288
Gränges	117	85	337
Hydro Power	58	(3)	213
Orkla Financial Investments	(11)	8	(3)
HQ/Other Business	(83)	(73)	(366)

Reconciliation against operating profit

EBITA*	736	596	3 163
Amortisation intangible assets	(4)	(7)	(21)
Other income and expenses	(35)	(36)	(860)
Operating profit	697	553	2 282

* Operating profit before amortisation and other income and expenses

Note 3 Other income and expenses

Amounts in NOK million	<u>1.1.–31.3.</u>		<u>1.1.–31.12.</u>
	2014	2013	2013
M&A costs and integration costs	(21)	(31)	(204)
Severance settlements of employment contracts	(11)	-	(169)
Insurance settlements Gränges	(3)	-	127
Write-down trademark and goodwill in Orkla Foods Danmark (Pastella)	-	-	(48)
Write-down intangible assets, provisions for litigation and restructuring in Orkla Brands Russia	-	-	(435)
Restructuring Orkla Foods Sverige and Orkla Foods Danmark	-	(5)	(20)
Special IFRS effects	-	-	(46)
Restructuring Gränges	-	-	(24)
Outsourcing IT management	-	-	-
Orkla Shared Services	-	-	(41)
Total other income and expenses	(35)	(36)	(860)

M&A costs and costs related to the integration of Rieber & Søn are still recognised as "Other income and expenses" (OIE). Costs relating to the integration and reorganisation of Orkla Confectionery & Snacks are recognised as OIE in the same way. These are costs that are not associated with a normal operating situation. Severance settlements of employment contracts consist of the costs of moving the head-quarters for Home Care (Jordan) from Sweden to Norway, and the severance settlement for Orkla's former CEO. Further costs related to the integration and reorganisation of operations within the Group will be incurred later in 2014.

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 the end of the first quarter of 2014 relating to unrealised gains amounts to NOK 0 million (NOK 0 million), and the tax effect relating to the hedging reserve amounts to NOK 15 million (NOK 31 million).

Unrealised gains/losses on shares and the hedging reserve included in equity as at 31 March 2014 (after tax) totalled NOK 324 million and NOK -270 million, respectively. Accumulated translation differences correspondingly amounted to NOK -468 million as at 31 March 2014.

Note 5 Acquisitions and sales of companies

Orkla Food Ingredients acquired a small agency in Finland in the first quarter of 2014.

Note 6 Net interest-bearing liabilities

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

Amounts in NOK million	<u>31.3.</u>	<u>31.12.</u>
	2014	2013
Non-current interest-bearing liabilities	(8 057)	(8 041)
Current interest-bearing liabilities	(2 481)	(2 837)
Non-current interest-bearing receivables (in "Financial Assets")	512	540
Current interest-bearing receivables (in "Receivables")	64	37
Cash and cash equivalents	2 388	1 805
Net interest-bearing liabilities	(7 574)	(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.

An agreement has been entered into with the management of FG Eiendom whereby they are to take over a small part of the portfolio on certain conditions. The agreement is an arm's length agreement and is expected to be completed as soon as all conditions are fulfilled.

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

The Group has inter-company balances with joint ventures and associates within Gränges and Orkla's real estate investments totalling NOK 62 million and NOK 160 million, respectively. Gränges sells products to the Sapa Group. Sales totalled NOK 24 million for the first quarter of 2014.

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	(580 000)
Forfeited during the period	(85 000)
Outstanding options 31 March 2014	14 492 000

Change in number of treasury shares:

Treasury shares 1 January 2014	4 972 106
Options exercised in treasury shares	(580 000)
Treasury shares 31 March 2014	4 392 106

Note 9 Assessments relating to impairment

There have been no indications of new instances of value impairment in the first quarter of 2014. In line with adopted principles, the Group carries out impairment tests for all intangible assets with an indefinite useful life and for all goodwill in the third quarter, but any indications of a fall in the value of assets outside this period will be followed up immediately.

Note 10 Discontinued operations

As of 31 March 2014 Orkla had no "discontinued operations". In the comparative figures for the first quarter of 2013, the part of Sapa that was to be included in the future JV was presented as a "discontinued operation".

Income statement for discontinued operations:

Amounts in NOK million	1.1.–31.3.	
	2014	2013
Operating revenues	-	6 152
Operating expenses	-	(5 930)
Depreciation/write-downs of property, plant and equipment	-	(176)
Amortisation intangible assets	-	(6)
Other income and expenses	-	(88)
Operating profit	-	(48)
Profit/loss from associates	-	(1)
Financial items, net	-	(12)
Profit/loss before taxes	-	(61)
Taxes	-	20
Profit/loss for the period after taxes	-	(41)
Transaction costs	-	(15)
Profit/loss for discontinued operations	-	(56)
EBITA Sapa (part of future JV)	-	46

Note 11 Financial instruments

Financial instruments recognised at fair value:

Amounts in NOK million	Measurement level			
	Level 1	Level 2	Level 3	Total
31 March 2014:				
Assets				
Shares and financial assets	93	-	988	1 081
Derivatives	-	426	-	426
Liabilities				
Derivatives	-	353	-	353
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	8
Change in unrealised gains (comprehensive income)	5
Agio and eliminations	(9)
Net sale of shares and financial assets	(34)
Book value 31 March 2014	988

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

Note 12 Other matters

There have been no events after the balance sheet 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 are broken down into "Cash flow from 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.–31.3.		1.1.–31.12.
		2014	2013	2013
Operating profit		708	545	2 307
Amortisation, depreciation and impairment charges		292	245	1 503
Changes in net working capital, etc.		(57)	(613)	(155)
Cash flow from operations before net replacement expenditures		943	177	3 655
Net replacement expenditures		(218)	(150)	(880)
Cash flow from industrial activities		725	27	2 775
Cash flow from operations, real estate and financial assets		9	13	384
Financial items, net		(46)	(72)	(451)
Taxes paid		(191)	(190)	(766)
Received dividends		123	229	481
Discontinued operations and other payments		97	(260)	(371)
Cash flow before capital transactions		717	(253)	2 052
Paid dividends		(1)	(38)	(2 579)
Net sale/purchase of Orkla shares		24	4	133
Cash flow before expansion		740	(287)	(394)
Expansion investments		(27)	(26)	(180)
Sale of companies/share of companies (enterprise value)	5, 10	38	47	1 713
Purchase of companies/share of companies (enterprise value)	5	(11)	(827)	(6 986)
Net purchase/sale shares and financial assets		8	677	3 090
Net cash flow		748	(416)	(2 757)
Currency effects of net interest-bearing liabilities		174	(275)	(953)
Change in net interest-bearing liabilities		(922)	691	3 710
Net interest-bearing liabilities	6	7 574	5 477	8 496