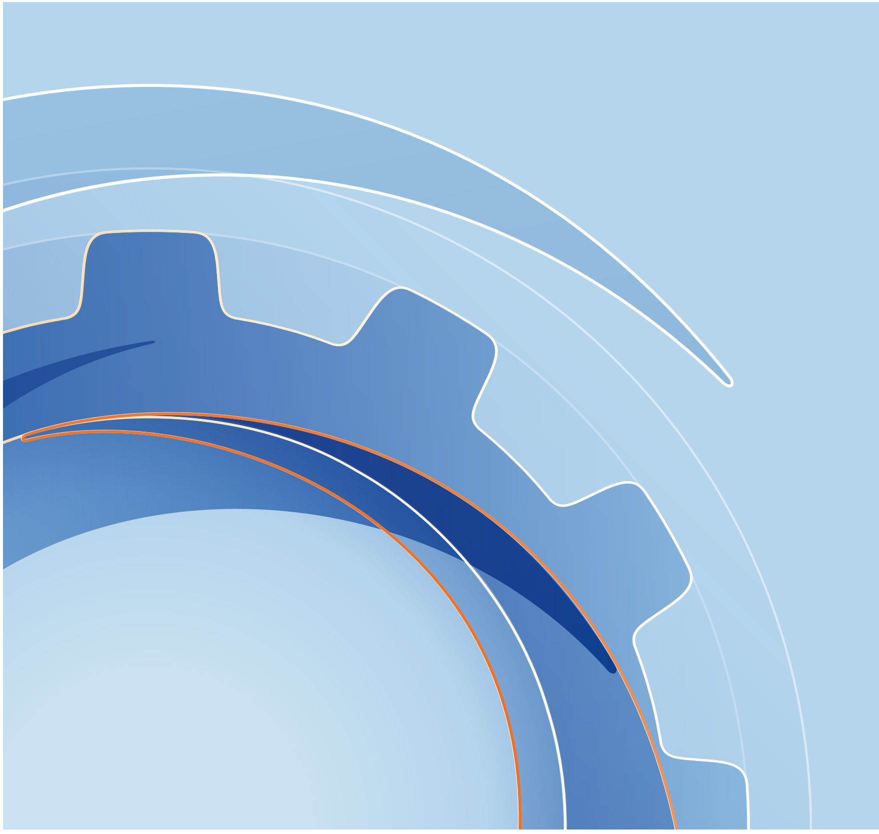
Fourth Quarter 2011



ORKLA

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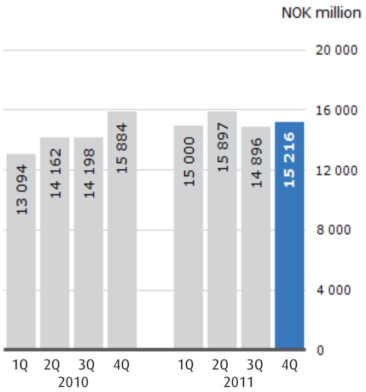
The fourth quarter in brief

- The Orkla Group reported fourth-quarter EBITA[1] of NOK 1,052 million (1,322 million)[2]. The result for 2010 includes a gain of approximately NOK 200 million on sale of real estate.
- Orkla Brands' EBITA[1] for the fourth quarter amounted to NOK 876 million (NOK 910 million)[2]. The decline was due to generally demanding markets, and weaker sales for some companies in the Nordic region in December. Orkla Brands Russia continued its positive performance trend in the quarter.
- As expected, Sapa reported lower profit than in 2010, and fourth-quarter EBITA[1] amounted to NOK 114 million (NOK 155 million)[2]. The decline in profit is largely ascribable to weak results for Sapa Heat Transfer in Sweden. Sapa Profiles continues to show growth and increased profitability in North America.
- Market conditions are still satisfactory for Borregaard Chemicals. However, the result for the quarter was affected by a prolonged maintenance halt, and low deliveries for Ingredients & Pharma. EBITA[1] amounted to NOK 80 million (NOK 85 million)[2].
- Hydro Power reported high production in the fourth quarter, but this was counteracted to some extent by low market prices. Profit rose to NOK 87 million (NOK 73 million)[2] in the quarter.
- In line with Orkla's accounting practice, the investment in REC was written down to market value, entailing a negative impact on profit of NOK -0.8 billion in the quarter. Jotun reported a satisfactory fourth quarter in light of the demanding situation in terms of raw material prices.
- After net sales of shares totalling NOK 2,019 million in the fourth quarter (a total of NOK 4,494 million in 2011), the market value of the Share Portfolio was NOK 5,497 million at year end.

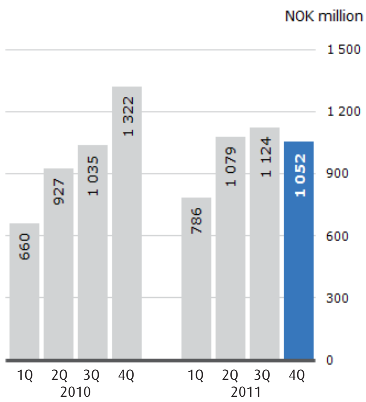
KEY FIGURES FOR THE ORKLA GROUP

		1.1. – 31.12.		1.10. – 31.12.	
Amount in NOK million	Note	**2011**	2010	**2011**	2010
Operating revenues	2	**61,009**	57,338	**15,216**	15,884
Adjusted EBITA[1]	2	**4,041**	3,944	**1,052**	1,322
Profit/loss before taxes		**(923)**	20	**533**	1,811
Earnings per share, deluted (NOK)		**(0.8)**	(0.9)	**0.2**	1.6
Cash flow from operating activities		**2,460**	2,469	**1,594**	1,548
Net interest-bearing liabilities		**10,645**	19,652		
Equity ratio (%)		**51.8**	53.6		
Net gearing[4]		**0.31**	0.42		

OPERATING REVENUES



EBITA[1]



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

The Group

Orkla's fourth-quarter operating revenues totalled NOK 15,216 million (NOK 15,884 million)[2]. A weak market performance for Sapa Profiles in Europe, coupled with weak December sales for some Orkla Brands companies in the Nordic region, were the most important reasons for the 4% decline in the quarter. The Group's full-year operating revenues totalled NOK 61,009 million (NOK 57,338 million)[2], equivalent to a 6% rise in sales. Currency translation effects had a negative impact on operating revenues, both in the quarter and for the full year, amounting to NOK -433 million and NOK -1,437 million, respectively.

Group EBITA[1] amounted to NOK 1,052 million (NOK 1,322 million)[2] in the fourth quarter. The drop in profit can largely be ascribed to the gain on Orkla Eiendom's sale of Karenslyst allé 6 (Orkla ASA's headquarters) in the fourth quarter of 2010. However, Orkla Brands, Sapa and Borregaard Chemicals all ended the year with somewhat weaker results than in 2010, while the hydropower operations reported higher profit than in the same quarter of 2010. Full-year EBITA[1] amounted to NOK 4,041 million (NOK 3,944 million)[2]. Profit was affected by negative currency translation effects, both in the fourth quarter and in the full year, amounting to NOK -26 million and NOK -73 million, respectively.

Other income and expenses totalled NOK -428 million in the fourth quarter. These were mainly related to write-downs and selling costs related to the sale of Bakers (NOK 155 million), further restructuring projects at Sapa (NOK 125 million), and the write-down of Denomega's plant within Borregaard Chemicals (NOK 55 million). Furthermore, a total of NOK 79 million was expensed for M&A activities in the quarter.

The Group's equity interests in REC (39.7%) and Jotun (42.5%) are presented according to the equity method on the line for associates. Orkla bases the value of its stake in REC on the market price, as long as the market price is lower than the carrying value, according to the principles applied for associates. The REC share price fell in the fourth quarter from NOK 5.24 to NOK 3.32. The total accounting effect on profit was NOK -0.8 billion in the quarter. For the full year 2011, the total accounting effect was NOK -5.8 billion. Reference is otherwise made to Note 9 in this report.

The Share Portfolio reported a net accounting gain of NOK 729 million (NOK 867 million)[2] in the fourth quarter, and a net gain of NOK 1,643 million (NOK 1,772 million)[2] for the full year. Accounting write-downs in accordance with IFRS totalled NOK 157 million in the quarter and NOK 668 million for the full year 2011.

For the Group, dividends received in the fourth quarter amounted to NOK 97 million (NOK 73 million)[2] and NOK 440 million (NOK 522 million)[2] for the full year.

Net finance costs in the fourth quarter totalled NOK 124 million (NOK 76 million)[2]. Interest costs were equivalent to an interest rate of 3.5% on an average interest-bearing liability of NOK 9,250 million in the quarter.

Group profit before tax amounted to NOK 533 million (NOK 1,811 million)[2] in the fourth quarter and NOK -923 million (NOK 20 million)[2] for the full year. The tax charge for 2011 is estimated to be NOK 1,018 million. Profit from discontinued operations, related to the sale of Elkem, amounted to NOK 1,213 million. Orkla's earnings per share, diluted, were NOK -0.8 in 2011 (NOK -0.9)[2] for the Group as a whole. The Board of Directors proposes to pay an ordinary dividend of NOK 2.50 per share for the accounting year 2011.

The business areas

Orkla Brands

	1.1. – 31.12.		1.10. – 31.12.	
Amounts in NOK million	**2011**	2010	**2011**	2010
Operating revenues	**24,621**	23,627	**6,869**	6,980
EBITA[1]	**2,784**	2,967	**876**	910
EBITA margin (%)	**11.3**	12.6	**12.8**	13.0
Cash flow from operations before net replacement expenditures	**2,800**	3,582	**1,168**	1,465
Net replacement expenditures	**(646)**	(618)	**(202)**	(216)
Expansion investments	**(216)**	(43)	**(37)**	(24)

[1] Operating profit before amortisation and other income and expenses

- Weak December sales in the Nordic region
- Profit growth in Russia
- Sale of Bakers

Orkla Brands' end of the year was affected by weak performance in some companies, in terms of both sales and profit. However, this must be seen in conjunction with a strong year-end performance in 2010. Fourth-quarter operating revenues totalled NOK 6,869 million (NOK 6,980 million)[2]. Underlying[3] sales increased by 1% in the quarter, as price increases offset the decline in volume/mix. The introduction of a tax on fat in Denmark resulted in lower sales. The market trend was particularly demanding in Denmark and Finland. Overall market shares were maintained, but performance varied between companies.

Fourth-quarter EBITA[1] amounted to NOK 876 million (NOK 910 million)[2]. Profit was negatively affected by currency effects arising from the consolidation of foreign companies. Underlying[3] profit declined by 3% in the quarter, and 6% for the full year. Several companies, in particular Lilleborg, Göteborgs/Sætre, Beauvais and Panda, reported a weak performance. This was partly due to weaker sales development, but also to challenges in their own supply chain. Global raw material prices were at the same level in the fourth quarter of 2011 as in the corresponding quarter of 2010, and slightly lower than in the third quarter of 2011. The substantial increases in raw material prices in 2011 have posed a challenge, but the companies have dealt with it well throughout the year.

Large companies like Stabburet and Axellus continued to perform well, reporting growth in both sales and profit. The Russian chocolate and biscuits business also achieved good profit growth in the quarter. In Russia, however, the realisation of synergies and sales growth were counteracted by higher advertising investments and non-recurring costs for the full year.

Both Pierre Robert's wool Sport Collection and Abba Seafoods "Middagsklart!" (Ready for Dinner) sauces and stew bases were launched in the quarter, but as usual there were fewer launches in the fourth quarter.

Sale of Bakers was completed with effect from 1 February 2012. Write-downs and costs of NOK 155 million relating to the sale were expensed.

In the fourth quarter, Orkla Food Ingredients bought a small distribution company for frozen products in Norway (Iglo).

Orkla Foods Nordic

Orkla Foods Nordic posted fourth-quarter operating revenues of NOK 2,650 million (NOK 2,719 million)[2]. This was an underlying[3] decline of 1% that was primarily related to Baker's negative volume performance. EBITA[1] amounted to NOK 357 million (NOK 353 million)[2], which was equivalent to an underlying[3] decline in profit of 3% that was primarily related to weaker development in Finland and Denmark.

Stabburet's good programme of launches in 2011 contributed to continued sales and profit improvement in the fourth quarter. The Baltic businesses strengthened their performance in the quarter, while the Finnish businesses, and Beauvais foods in Denmark, reported weaker results than in 2010. Fourth-quarter results for Procordia and Bakers were on a par with 2010 results.

Orkla Foods Nordic achieved good growth in market shares in Norway and Sweden, while shares declined slightly in Denmark.

Orkla Brands Nordic

Orkla Brands Nordic reported fourth-quarter operating revenues of NOK 2,133 million (NOK 2,176 million)[2], an underlying[3] decline of 1%. EBITA[1] amounted to NOK 361 million (NOK 411 million)[2], an underlying[3] decline of 11%.

The drop in profit in the quarter is primarily due to weak year-end sales with lower volumes for Lilleborg, Göteborgs/Sætre and Nidar, and Lilleborg Profesjonell's loss of a major export customer. Göteborgs/Sætre incurred high costs in the fourth quarter due to production problems at the factory in Sweden. Steps have been taken to improve the flow of goods and productivity at the factory.

Axellus, the Pierre Robert Group and OLW (Sweden) showed a solid improvement in sales and profit. Axellus reported progress in all the Nordic countries. The Pierre Robert Group achieved higher sales in Norway as a result of strong focus on several wool collections.

Market share trends varied for Orkla Brands Nordic, but shares declined slightly in the quarter for Göteborgs/Sætre, Nidar and some of the categories in Lilleborg.

Orkla Brands International

Orkla Brands International reported fourth-quarter operating revenues of NOK 722 million (NOK 705 million)[2], equivalent to an underlying[3] growth of 8%. Fourth-quarter EBITA[1] amounted to NOK 87 million (NOK 55 million)[2]. This was equivalent to an underlying[3] profit improvement of NOK 38 million.

All businesses posted higher operating revenues. Profit growth was driven by the businesses in Russia and India. In Russia, profit was boosted by price increases combined with a favourable category mix and the effects of realised synergies. In India, MTR continued to achieve sales growth driven by good volume performance for its core categories, spices and ready mixes.

Orkla Food Ingredients

Orkla Food Ingredients posted fourth-quarter operating revenues of NOK 1,457 million (NOK 1,463 million)[2], equivalent to underlying[3] growth of 2%. Apart from lower sales of butter and margarine products in Denmark (third-quarter sales were unnaturally high because of hoarding due to the introduction of a tax on fat on 1 October), growth was broad-based. This growth can be ascribed to a combination of increased market shares and increases in selling prices in response to the rising costs of input factors. Fourth-quarter EBITA[1] amounted to NOK 71 million (NOK 91 million)[2]. This was an underlying[3] decline in profit of 20%, largely due to lower margins resulting from the above-mentioned increases in raw material prices, and a change in markets from small bakeries to industrial players that are not as willing to pay as much.

Sapa

	1.1. – 31.12.		1.10. – 31.12.	
Amounts in NOK million	2011	2010	2011	2010
Operating revenues	30,844	27,684	7,034	7,289
EBITA[1]	812	744	114	155
EBITA margin (%)	2.6	2.7	1.6	2.1
Cash flow from operations before net replacement expenditures	312	144	650	322
Net replacement expenditures	(659)	(732)	(285)	(319)
Expansion investments	(588)	(339)	(130)	(104)

[1] Operating profit before amortisation and other income and expenses

- Soft markets, declining trend continues in Europe
- Strengthened position and market share gain in Sapa Profiles North America
- Sapa Heat Transfer strongly affected by a negative trend for the Swedish operations
- Restructuring activities proceeding as planned

Fourth-quarter volume was in line with 2010 at 232,000 tonnes. Operating revenues for the quarter totalled NOK 7,034 million (NOK 7,289 million)[2] and EBITA[1] was NOK 114 million (NOK 155 million)[2]. Sales in the quarter were seasonally low due to the holiday month of December. EBITA[1] was lower than in 2010 as a result of a negative trend for Sapa Heat Transfer's operations in Sweden.

Sapa Profiles
Sapa Profiles' sales volume reached 192,000 tonnes, which was on a par with 2010, while EBITA[1] increased to NOK 81 million (NOK 30 million)[2] in the fourth quarter of 2011.

Profiles North America improved its market share and EBITA[1] position, and volume in the quarter totalled 95,000 tonnes, 11,000 tonnes higher than in the same period of 2010. Besides market share growth, the increase in EBITA[1] was driven by general improvement in productivity. The business' optimised footprint and operating improvements over the last two years have increased the North American full-year 2011 EBITA[1] margin to 4% in a well below mid-cycle market environment.

Volumes in Sapa Profiles Europe dropped to 96,000 tonnes in the quarter, 10,000 tonnes lower than in 2010. Despite the challenging and declining extrusion market, the European business improved its productivity in the quarter. Some initial effects of the restructuring activities were realized in the fourth quarter. At 2%, the full-year EBITA[1] margin in Europe is not satisfactory and a comprehensive restructuring and improvement programme was implemented in 2011.

The restructuring in Europe and North America is progressing according to plan and is expected to gradually generate an annualised full-year-effect of NOK 250–300 million when fully implemented. This involves workforce cuts of some 900 employees of which the vast majority has been effectuated. In the fourth quarter, NOK 125 million in restructuring charges was expensed under "Other Income and Expenses".

An agreement to acquire the Chinese extrusion plant Haihong (now Sapa Jiangyin) was closed in December. Through this acquisition and the acquisitions of Alufit in India, Sapa Ben Thanh Profiles in Vietnam and a joint venture with Chalco in China, Sapa Profiles has now established a footprint in the important Asian region. Focus will now be on consolidation and profitable development of the acquisitions, leveraging Sapa's global manufacturing, R&D and solution strengths.

Sapa Heat Transfer & Building System
Sapa Heat Transfer's volume for the fourth quarter totalled 40,000 tonnes, which was slightly lower than in 2010. EBITA[1] for Heat Transfer and Building System was NOK 33 million (NOK 125 million)[2].

Sapa Building System continues to be affected by the low level of building and construction activity in Europe. The result was slightly better than in 2010 and was satisfactory given the adverse market conditions and further market decline. Operating improvements and workforce optimisation are expected to impact performance positively going forward.

The decline in EBITA[1] for Sapa Heat Transfer & Building System is largely explained by lower profit from the Finspång entity in Sweden.

The operating performance of Heat Transfer's Swedish entity continues to be affected by negative exchange rate effects following a stronger SEK in relation to the USD and EUR. In addition, there were negative effects from volume decline and lower productivity in Finspång. Export margins from the Shanghai entity have been negatively impacted by an increase in local Chinese metal prices compared with prices available on the world market. While Chinese metal prices in recent years have on average been lower than global market prices, this situation changed in the last months of 2011.

A major programme, involving both restructuring and operational improvements, is under implementation to mitigate the negative profit trend in Sapa Heat Transfer. In addition, price increases were implemented in the fourth quarter. The improvement initiative includes footprint optimisation by transferring volume from Finspång to China, in order to leverage the better cost position of the Sapa Heat Transfer facility in Shanghai. Moreover, efforts to upgrade and expand the capacity of the cast house and the cold rolling mills to reduce cost and increase productivity at the Finspång plant are in progress. In China, the Shanghai plant has expanded the capacity to 100,000 tonnes and enhancing productivity to provide an improved platform for profitable growth when the automotive market regains momentum.

Orkla Financial Investments

Amounts in NOK million	1.1. – 31.12. 2011	1.1. – 31.12. 2010	1.10. – 31.12. 2011	1.10. – 31.12. 2010
EBITA[1]	**(58)**	151	**(18)**	192
Other income and expenses	**(20)**	1,131	**(14)**	1,236
Dividends	**438**	521	**96**	73
Gains, losses and write-downs				
Share Portfolio	**1,643**	1,772	**729**	867
Other financial matters	**94**	177	**22**	9
Profit/loss before taxes	**2,097**	3,752	**815**	2,377
Share Portfolio:				
Market value	**5,497**	11,661		
Return (%)	**(14.1)**	31.8		
Unrealised gains	**1,180**	4,438		

[1] Operating profit before amortisation and other income and expenses

Fourth-quarter profit before tax for Orkla Financial Investments amounted to NOK 815 million (NOK 2,377 million)[2]. In 2011, profit before tax totalled NOK 2,097 million (NOK 3,752 million)[2].

In 2011, a strategic decision was made to sell off the Share Portfolio, and in line with this strategy net share sales totalled NOK 4,494 million for the full year. Net share sales in the fourth quarter amounted to NOK 2,019 million. At the end of 2011, the market value of the Share Portfolio was NOK 5,497 million. Unrealised gains totalled NOK 1,180 million at year end.

In the fourth quarter, gains, losses and write-downs amounted to NOK 729 million (NOK 867 million)[2]. Write-downs under IFRS amounted to NOK 157 million (NOK 54 million)[2] in the quarter. Gains, losses and write-downs for the full year 2011 totalled NOK 1,643 million (NOK 1,772 million)[2]. Dividends received amounted to NOK 438 million (NOK 521 million)[2]. A total of NOK -668 million (NOK -266 million)[2] was expensed as write-downs.

EBITA[1] for Orkla's real estate engagements amounted to NOK 28 million (NOK 220 million)[2] in the fourth quarter and totalled NOK 29 million (NOK 274 million)[2] in 2011. The result for 2010 includes a gain of approximately NOK 200 million on the sale of Karenslyst álle 6 (Orkla ASA's headquarters). Since the balance sheet date, Orkla Eiendom has sold all its shares in Fornebu Utvikling for approximately NOK 658 million. Orkla Eiendom owned a stake of 32.4% and the investment was presented as an associate.

Borregaard Chemicals

Borregaard Chemicals reported fourth-quarter operating revenues of NOK 971 million (NOK 967 million)[2], an underlying[3] rise of 4% from 2010. EBITA[1] amounted to NOK 80 million (NOK 85 million)[2].

The quarter saw the continuation of favourable market conditions for speciality cellulose and stable markets for lignin products. The sales performance of other key product groups was somewhat more uneven. A scheduled maintenance halt at the Sarpsborg plant in October resulted in somewhat longer downtime, and thus a larger production loss than anticipated. The stronger Norwegian krone had a negative impact, seen in isolation, on fourth-quarter profit.

Speciality cellulose achieved significantly higher profit than in the same quarter of 2010. Higher invoiced selling prices in all segments more than offset a slightly higher cost level. The lignin business posted somewhat lower profit. Higher sales volume, primarily for products for the construction industry, was counteracted by higher costs and less favourable currency rates. Ingredients & Pharma reported overall weaker results than in the fourth quarter of 2010, due to lower deliveries and higher costs.

Hydro Power

EBITA[1] for Hydro Power amounted to NOK 87 million (NOK 73 million)[2]. Full-year EBITA[1] was NOK 260 million (NOK 177 million)[2]. The hydropower business had high production in the fourth quarter, due to the good flow of water in the Glomma River and heavy precipitation in Sauda. However, market prices were significantly lower than in the same quarter of 2010.

Associated companies

Amounts in NOK million	1.1. – 31.12. 2011	1.1. – 31.12. 2010	1.10. – 31.12. 2011	1.10. – 31.12. 2010
Profit/loss from associates	**(5,505)**	(6,169)	**(761)**	(866)
Of which Renewable Energy Corporation (REC)				
Share of profit/loss REC	***(3,981)***	*393*	***(985)***	*311*
Write-down/revaluation REC	***(1,783)***	*(6,841)*	***169***	*(1,198)*

Renewable Energy Corporation ASA (REC) (39.7% stake)

The figures below are on a 100% basis.

In the fourth quarter of 2011, revenues amounted to NOK 2,865 million, a decrease of 41% from the fourth quarter of 2010. EBITDA came in at NOK 178 million compared to NOK 1,836 million in the fourth quarter of 2010 and NOK 370 million in the third quarter of 2011.

For further information, see www.recgroup.com.

Jotun AS (Jotun) (42.5% stake)

Jotun had a satisfactory fourth quarter in light of the demanding raw material price situation. Seen in isolation, fourth-quarter results were slightly weaker than in the corresponding quarter of the record year 2010. Emerging markets in Asia and the Middle East continued to show good growth, while trends were weaker in Europe and America. Total gross volume growth for the year was 11%. The cost of key raw materials increased in the quarter. Jotun maintained its comprehensive investment programme in the quarter, in line with its strategy of organic growth. At year-end, the company had good liquidity and a low level of net interest-bearing liabilities.

Cash flow and financial situation

The following comments relate to the cash flow statement as presented in Orkla's internal format. Reference is made to Note 12 of this report.

Cash flow from operations in the fourth quarter amount to NOK 1,594 million (NOK 1,548 million)[2]. For the full year, cash flow from operations totalled NOK 2,460 million, compared to NOK 2,469 million in 2010. As expected, working capital decreased in the fourth quarter, but increased for the full year due to greater activity and higher raw material prices.

An extraordinary dividend of NOK 5.00 per share was paid in the fourth quarter. When this is added to the ordinary dividend of NOK 2.50 per share, Orkla paid dividends and bought back Orkla shares for a total amount of over NOK 7.5 billion in 2011.

Expansion investments totalled NOK 178 million (NOK 156 million)[2] in the fourth quarter, and are mainly related to capacity expansion at Sapa. Company acquisitions amounted to NOK 460 million (NOK 259 million)[2] in the quarter, and were primarily related to Sapa's purchase of Haihong. Orkla Brands acquired one small company in the quarter.

Net sales of portfolio investments totalled NOK 2,019 million (952 million)[2] in the fourth quarter and NOK 4,494 million (NOK 2,130 million)[2] for the full year.

After paying out dividends, the Group had a net cash flow of NOK -2,546 million (NOK 4,440 million)[2] in the fourth quarter, while cash flow for the full year amounted to NOK 8,974 million (NOK 230 million)[2]. In the course of 2011, capital on the order of NOK 18 billion was freed up through the sale of businesses (Elkem and Utstillingsplassen) and by selling off securities in the Share Portfolio. At year end, the Orkla Group had net interest-bearing liabilities of NOK 10.6 billion.

During 2011, the Group's balance sheet was reduced by NOK 21.1 billion to NOK 66.4 billion at year end. The decrease since the end of 2010 is mainly ascribable to the sale of Elkem, the net sale of shares in the Share Portfolio and the change in the value of the REC shares. At 31 December 2011, after dividends were paid out, the Group's equity totalled around NOK 34 billion. This represents an equity ratio of 51.8% (53.6%)[2].

In the fourth quarter, the Group's interest-bearing liabilities had an average interest rate of 3.5%. The average borrowing rate for the full year was 2.7% on average interest-bearing liabilities of NOK 12,563 million. The interest-bearing liabilities are chiefly distributed among the following currencies: NOK, EUR, GBP and USD.

General meeting

The Annual General Meeting will be held at 3 p.m. on 19 April 2012 at the Norwegian Opera & Ballet in Oslo. The deadline for giving notice of attendance is 3 p.m. on 16 April 2012. The dividend will be paid out on 3 May, in accordance with the resolution adopted by the General Meeting. The Annual Report for 2011 will be published on 29 March 2012.

Other matters

On 3 November 2011, an Extraordinary General Meeting in Orkla ASA was held to consider the Board of Directors' proposal to pay an extraordinary dividend of NOK 5.00 per share, except for treasury shares. The proposal was adopted, and the share was quoted ex-dividend on 4 November. The dividend was paid out on 15 November.

Orkla's appeal in the litigation concerning the tax on the gain on subscription rights in convertible bonds issued by REC, was dealt with by the Supreme Court on 8 December 2011. A majority voted in Orkla's disfavour and the appeal was thus dismissed by the Supreme Court. The tax that was assessed and recognised in the income statement was paid in 2009, and the decision therefore did not entail any further payment of tax or accounting consequences for Orkla.

Karl Otto Tveter has been appointed Executive Vice President, Legal Affairs and member of the Orkla Executive Board, effective from 9 February 2012. Mr Tveter has been employed by the Orkla Group since 1992, and has been Senior Vice President, Legal Affairs, of Orkla ASA since 2000. In his new position, besides being in charge of the Legal Affairs Department, Mr Tveter will also be responsible for the Group Secretariat and will act as secretary to the Board of Directors. In addition, Orkla's Internal Audit Department will report administratively to Mr Tveter.

Outlook for 2012

The macro picture for the coming year reflects uncertainty as regards the debt situation in several European countries. Economic growth forecasts were revised downward throughout 2011 and at the start of 2012, the growth rate is weaker than it was a year ago. Orkla's structure and composition reduces the Group's vulnerability to individual factors in the macro situation, but weaker global growth will have a negative impact, particularly on Sapa's and Borregaard's markets.

Orkla Brands expects to see a relatively stable trend in the Nordic grocery market in 2012. From record-high levels at the start of 2011, international raw material prices have levelled off and, on the whole, dropped slightly. However, the situation varies from one raw material category to another, and the uncertainty about future raw material price trends is generally high.

The market outlook for Sapa's extrusion business in North America is weakly positive at the start of 2012, while the trend of slower markets in Europe is expected to continue. Sapa Heat Transfer also anticipates somewhat weaker demand. Seasonally, the first quarter is better than the fourth quarter. Restructuring and cost-cutting programmes will reduce Sapa's cost base and generate a positive contribution to profits in 2012.

Borregaard Chemicals expects market conditions to remain good for speciality cellulose in early 2012, while a strong NOK and higher prices for input factors could have a negative impact. Reservoir and snowpack levels in Sauda were higher than normal at the start of 2012, but this is counteracted by the fact that prices are lower than normal.

The Group's operational currency exposure is primarily related to Borregaard Chemicals in Norway and Sapa Heat Transfer in Sweden. Borregaard Chemicals has a net exposure to EUR and USD of around EUR 100 million and USD 200 million, while Sapa Heat Transfer has a currency exposure to EUR and USD of around EUR 80 million and USD 40 million.

Oslo, 8 February 2012
The Board of Directors of Orkla ASA

THE GROUP'S CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.1. – 31.12. 2011	1.1. – 31.12. 2010	1.10. – 31.12. 2011	1.10. – 31.12. 2010
Operating revenues	2	**61,009**	57,338	**15,216**	15,884
Operating expenses		**(55,107)**	(51,582)	**(13,706)**	(14,094)
Depreciation and write-down property, plant and equipment		**(1,861)**	(1,812)	**(458)**	(468)
Amortisation intangible assets		**(55)**	(52)	**(32)**	(15)
Other income and expenses	3	**(1,041)**	330	**(428)**	506
Operating profit		**2,945**	4,222	**592**	1,813
Profit/loss from associates	9	**(5,505)**	(6,169)	**(761)**	(866)
Dividends received		**440**	522	**97**	73
Gains, losses and write-downs Share Portfolio		**1,643**	1,772	**729**	867
Financial items, net		**(446)**	(327)	**(124)**	(76)
Profit/loss before taxes		**(923)**	20	**533**	1,811
Taxes		**(1,018)**	(844)	**(279)**	(98)
Profit/loss for the period for continued operations		**(1,941)**	(824)	**254**	1,713
Gains/profit discontinued operations	10	**1,213**	(40)	**0**	(50)
Profit/loss for the period		**(728)**	(864)	**254**	1,663
Profit/loss attributable to non-controlling interests		**48**	53	**25**	15
Profit/loss attributable to owners of the parent		**(776)**	(917)	**229**	1,648
Profit/loss before taxes, Industrial Activities		**(3,020)**	(3,732)	**(282)**	(566)
Profit/loss before taxes, Orkla Financial Investments		**2,097**	3,752	**815**	2,377

EARNINGS PER SHARE

Amounts in NOK	1.1. – 31.12. 2011	1.1. – 31.12. 2010	1.10. – 31.12. 2011	1.10. – 31.12. 2010
Earnings per share	**(0.8)**	(0.9)	**0.2**	1.6
Earnings per share (diluted)	**(0.8)**	(0.9)	**0.2**	1.6

THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	Note	1.1. – 31.12. 2011	1.1. – 31.12. 2010	1.10. – 31.12. 2011	1.10. – 31.12. 2010
Profit/loss for the period		**(728)**	(864)	**254**	1,663
Change in unrealised gains on shares after tax	4	**(3,143)**	950	**(632)**	100
Change in hedging reserve after tax	4	**(770)**	359	**140**	755
Translation effects		**(109)**	(305)	**38**	(259)
The Group's comprehensive income		**(4,750)**	140	**(200)**	2,259
Comprehensive income attributable to non-controlling interests		**48**	51		
Comprehensive income attributable to owners of the parent		**(4,798)**	89		

THE GROUP'S CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.12. 2011	31.12. 2010
Intangible assets		**12,801**	12,960
Property, plant and equipment		**18,058**	17,730
Financial assets	6, 9	**5,682**	10,985
Non-current assets		**36,541**	41,675
Assets held for sale/discontinued operations	9, 10	**391**	13,891
Inventories		**8,047**	7,102
Receivables	6	**10,462**	10,380
Share Portfolio, etc.		**5,502**	11,674
Cash and cash equivalents	6	**5,453**	2,819
Current assets		**29,855**	45,866
Total assets		**66,396**	87,541
Paid-in equity		**1,997**	1,999
Earned equity		**32,109**	44,567
Non-controlling interests		**280**	365
Equity		**34,386**	46,931
Provisions and other non-current liabilities		**3,165**	4,081
Non-current interest-bearing liabilities	6	**15,488**	21,820
Current interest-bearing liabilities	6	**1,472**	1,380
Liabilities held for sale/discontinued operations	10	**177**	2,544
Other current liabilities		**11,708**	10,785
Equity and liabilities		**66,396**	87,541
Equity ratio (%)		**51.8**	53.6

CHANGES IN EQUITY

	1.1. – 31.12.2011			1.1. – 31.12.2010		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interests	Total equity	Attributed to equity holders of the parent	Non-controlling interests	Total equity
Equity 1 January	**46,566**	**365**	**46,931**	48,555	370	48,925
The Group's comprehensive income	**(4,798)**	**48**	**(4,750)**	89	51	140
Dividends	**(7,649)**	**(22)**	**(7,671)**	(2,294)	(66)	(2,360)
Net buy-back/sale of Orkla shares	**(109)**	**-**	**(109)**	138	-	138
Option costs	**86**	**-**	**86**	78	-	78
Change in non-controlling interests	**10**	**(111)**	**(101)**	-	10	10
Equity at the close of the period	**34,106**	**280**	**34,386**	46,566	365	46,931

THE GROUP'S CONDENSED CASH FLOW STATEMENT IFRS

		1.1. – 31.12.		1.10. – 31.12.	
Amounts in NOK million	Note	2011	2010	2011	2010
Cash flow from operations before net replacement expenditures[1]		**3,430**	4,341	**1,456**	2,245
Received dividends and financial items		**109**	141	**(75)**	18
Taxes paid		**(603)**	(686)	**(80)**	(192)
Cash flow from operating activities		**2,936**	3,796	**1,301**	2,071
Net investments fixed assets		**(2,437)**	(1,914)	**(605)**	(545)
Net sale (purchase) of companies	5, 10	**12,165**	4,988	**(258)**	3,082
Net sale of portfolio investments		**4,494**	2,130	**2,019**	952
Discontinued operations and other payments		**(479)**	(536)	**12**	516
Cash flow from investing activities		**13,743**	4,668	**1,168**	4,005
Net paid to shareholders		**(7,545)**	(2,222)	**(4,813)**	75
Change in interest-bearing liabilities and interest-bearing receivables		**(6,488)**	(7,657)	**(452)**	(6,653)
Cash flow from financing activities		**(14,033)**	(9,879)	**(5,265)**	(6,578)
Currency effects cash and cash equivalents		**(12)**	81	**44**	(16)
Change in cash and cash equivalents		**2,634**	(1,334)	**(2,752)**	(518)
Cash and cash equivalents	6	**5,453**	2,819		

[1] The difference between cash flow from operations before investments in the condensed IFRS-compliant cash flow statement and the corresponding line in Orkla's cash flow statement in Note 12, is that Orkla's cash flow statement comprises only industrial activities.

Cash flow items (IFRS)

The sale of power assets has been reclassified in the comparative figures for 2010 by moving the cash flow from financing activities to investing activities in the IFRS-compliant cash flow statement. The selling price of the power plants was originally presented as an investing activity in 2009, due to the fact that the receivable arising from the sale was interest-bearing. The actual cash settlement was effected in two payments in 2010: NOK 4.3 billion in the first quarter and NOK 1.7 billion in the fourth quarter. It was subsequently learned that an interest-bearing receivable cannot be equated with cash and cash equivalents in an IFRS-compliant cash flow statement. The matter has no effect on figures reported in the income statement and the balance sheet.

The "Currency effect of net interest-bearing liabilities" presented in the 2010 Annual Report was split between the currency effect related to cash and cash equivalents and the effect related to other net interest-bearing liabilities. The currency effect related to cash and cash equivalents is presented on a separate line. The remainder of the currency effect is included in "Change in net interest-bearing liabilities".

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the full year 2011 were approved at a meeting of the Board of Directors on 8 February 2012. The figures in the statements have not been audited. Orkla ASA is a public limited liability company and its offices are located in Skøyen, 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.

Up until the second quarter of 2011, Orkla presented a condensed cash flow statement in its quarterly report which is consistent with the way in which cash flow is reported and monitored internally in the Orkla Group. In the Annual Report, this is disclosed in the Notes, while the main cash flow statement in the Annual Financial Statements shows cash flow under IFRS. As from the fourth quarter Orkla has chosen to present a condensed IFRS-compliant cash flow statement as its main statement, while the cash flow statement in Orkla format is shown in Note 12. The IFRS-compliant cash flow statement has been condensed in accordance with the rules of IAS 34.10. The IFRS-compliant cash flow statement presents change in "Cash and cash equivalents", while the cash flow statement in Orkla format explains the change in "Net interest-bearing liabilities". This affects the presentation of sold and acquired companies.

Four new IFRS were issued by the IASB in 2011: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities and IFRS 13 Fair Value Measurement. In addition, changes were made in associated standards (IAS 27, IAS 28 and IAS 31). The new standards appear to be of minor relevance to Orkla's financial statements except that the gross consolidation method may no longer be applied for joint ventures. In addition, IFRS 9 will replace the current IAS 39 Financial Instruments. In light of the Group's announced strategy of selling off the securities in the Share Portfolio, this change will not have a great impact on Orkla. It has also been proposed that IAS 19 Employee Benefits be amended, as a result of which use of the "corridor method" will no longer be permitted. The expected return on pension assets will be replaced by an estimated return based on the market rate of interest on corporate bonds. Orkla mainly has contribution-based pension schemes. Not all the effects of the standards have been reviewed. The standards are expected to come into force in 2013, except for IFRS 9 which is expected to come into force in 2015.

NOTE 2 SEGMENTS

OPERATING REVENUES

	1.1. – 31.12.		1.10. – 31.12.	
Amounts in NOK million	**2011**	2010	**2011**	2010
Orkla Group	**61,009**	57,338	**15,216**	15,884
Orkla Brands	**24,621**	23,627	**6,869**	6,980
Orkla Foods Nordic	**9,496**	9,438	**2,650**	2,719
Orkla Brands Nordic	**7,928**	7,896	**2,133**	2,176
Orkla Brands International	**2,113**	2,009	**722**	705
Orkla Food Ingredients	**5,392**	4,560	**1,457**	1,463
Eliminations Orkla Brands	**(308)**	(276)	**(93)**	(83)
Sapa	**30,844**	27,684	**7,034**	7,289
Sapa Profiles	**24,479**	21,671	**5,578**	5,519
Sapa Heat Transfer & Building System	**7,280**	6,814	**1,672**	1,980
Eliminations Sapa	**(915)**	(801)	**(216)**	(210)
Borregaard Chemicals	**4,004**	3,750	**971**	967
Hydro Power	**1,691**	1,321	**242**	604
Orkla Financial Investments	**328**	2,015	**123**	321
HQ/Other Business/Eliminations	**(479)**	(1,059)	**(23)**	(277)

Intercompany sales within the different segments are eliminated on separate lines in the above table. The only segment with considerable intercompany sales is Hydro Power: in 2011 these amounted to NOK 531 million (NOK 666 million). The other segments have insignificant intercompany sales, as follows: Orkla Brands NOK 21 million (NOK 17 million), Sapa NOK 4 million (NOK 28 million), Borregaard NOK 21 million (NOK 16 million) and Orkla Financial Investments NOK 2 million (NOK 380 million). The 2010 amount for Orkla Financial Investments includes Energi Handel which reported to this segment in 2010.

OPERATING PROFIT - EBITA*

	1.1. – 31.12.		1.10. – 31.12.	
Amounts in NOK million	**2011**	2010	**2011**	2010
Orkla Group	**4,041**	3,944	**1,052**	1,322
Orkla Brands	**2,784**	2,967	**876**	910
Orkla Foods Nordic	**1,082**	1,115	**357**	353
Orkla Brands Nordic	**1,464**	1,544	**361**	411
Orkla Brands International	**8**	40	**87**	55
Orkla Food Ingredients	**230**	268	**71**	91
Sapa	**812**	744	**114**	155
Sapa Profiles	**534**	373	**81**	30
Sapa Heat Transfer & Building System	**278**	371	**33**	125
Borregaard Chemicals	**531**	238	**80**	85
Hydro Power	**260**	177	**87**	73
Orkla Financial Investments	**(58)**	151	**(18)**	192
HQ/Other Business	**(288)**	(333)	**(87)**	(93)

Reconciliation against operating profit

EBITA*	**4,041**	3,944	**1,052**	1,322
Amortisation intangible assets	**(55)**	(52)	**(32)**	(15)
Other income and expenses	**(1,041)**	330	**(428)**	506
Operating profit	**2,945**	4,222	**592**	1,813

* Operating profit before amortisation and other income and expenses

NOTE 3 OTHER INCOME AND EXPENSES

	1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	**2011**	**2010**	**2011**	**2010**
M&A costs	**(124)**	(28)	**(79)**	10
Restructuring Profiles and Heat Transfer/ Building Systems, Sapa	**(679)**	-	**(125)**	-
Net costs fire Finspång, Sapa	**(41)**	(212)	**7**	(212)
Step acquisition in Brands and Real Estate	**(6)**	-	**(4)**	-
Closing down Vancouver, reversed write-down and provisions Holland, Sapa	**-**	3	**(2)**	3
Gain on sale/settlements provisions etc., Borregaard	**19**	(16)	**(15)**	47
Write-down and expenses attached to Bakers (goodwill 2010)	**(155)**	(276)	**(155)**	(276)
Write-down property, plant and equipment in Denomega, Borregaard	**(55)**	-	**(55)**	-
Termination of the old AFP schemes and issued paid-up policies	**-**	1	**-**	(29)
Loss and write-down goodwill Orkla Finans	**-**	(172)	**-**	(67)
Gain on sale of Borregaard Skoger	**-**	1,309	**-**	1,309
Write-down buildings and machinery Magnolia and Drunen Sapa	**-**	(27)	**-**	(27)
Settlement sale power plants and correction value power contracts regarding sale of Elkem	**-**	(254)	**-**	(254)
Orkla Brands, settlement Russian Snack Company	**-**	2	**-**	2
Total other income and expenses	**(1,041)**	330	**(428)**	506

The largest item under “Other income and expenses” (OIE) consists of restructuring costs related to Sapa’s businesses. In the second quarter, Sapa made a provision of NOK 406 million for restructuring following a review of the various areas of Sapa Profiles Europe in the aim of optimising the company’s operational structure. In an extension of this process, a further need for restructuring was identified in Sapa Profiles Europe in the third quarter. At the same time, processes were also initiated in Sapa Profiles North America and Heat Transfer/Building Systems to optimise their operational structure. A total of NOK 148 million was expensed in the third quarter. At the same time, provisions were announced which, due to strict accounting rules, did not qualify as provisions at the end of the third quarter, and NOK 125 million was expensed for these provisions in the fourth quarter. Total provisions amount to NOK 520 million and write-downs amount to NOK 159 million.

There were two fires at Sapa’s Finspång plant, for which the full insurance settlement has not yet been determined. The first fire, which occurred in 2010 (total costs of around NOK 600 million), gave rise to air freight costs that were expensed under OIE in the first two months of 2011. This is a consequence of supplying to a market with short delivery times and limited inventories. A claim has been made to have these costs covered in the insurance settlement. The last fire, which occurred in the summer of 2011, gave rise to total costs of around NOK 300 million. In connection with both these fires, Orkla has applied the principle that EBITA must be neutral in relation to the insurance settlement. Expenses incurred which are expected to be covered by the insurance settlement, but which cannot be recognised as a receivable under IFRS, are reported as OIE. An advance has been received from the insurance company for the second fire and has been split between EBITA and OIE for accounting purposes. The amount recognised in EBITA is a gross amount, i.e. compensation for business interruption loss and costs incurred is equal to the advance payment recognised in the income statement and has virtually a neutral effect on EBITA.

The other half of the advance payment has been recognised in OIE and covers property damage to property, plant and equipment that are to be rebuilt. The sum insured (replacement cost) of these assets exceeds the carrying value that is written down and will thus generate an accounting gain when the insurance claim is paid. This effect, as well as costs incurred for which no advance payment has been received, have been recognised under OIE and give rise to a positive result in the fourth quarter. Future insurance settlement payments will be recognised as OIE.

M&A costs are expenses incurred both for projects that have been capitalised and for other projects implemented in 2011. Since the IFRS amendment in 2010, these expenses must be expensed as and when they are incurred, whereas they could previously be capitalised along with the project.

An agreement has been entered into for the sale of Bakers (see Note 9).

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of the Share Portfolio (unrealised gains) and hedging instruments (hedging reserve). These figures are presented after tax. The tax effect for the full year 2011 relating to unrealised gains amounts to NOK 117 million, while the tax effect relating to the hedging reserve amounts to NOK 271 million.

NOTE 5 ACQUISITION OF COMPANIES/AGREEMENT TO PURCHASE ASSETS

Orkla Brands

In 2011, Orkla Brands acquired the businesses Rasoi Magic Foods (India), Dagens (Norway), Henskjold Agenturforretning (Norway) and Iglo Logistikksenter (Norway).

Rasoi Magic Foods, which is located in Pune, Western India, is an Indian manufacturer of spices and spice mixes. Under the agreement, Orkla Brands acquired 100% of the shares through its Indian company, MTR Foods. The company has 60 employees. This acquisition is part of Orkla Brands International’s further investment in India, which Orkla Brands considers to be an attractive and growing market. Rasoi Magic Foods complements the products of the Indian branded company, MTR Foods.

Stabburet AS bought 100% of the shares in Dagens AS, which owns a factory for the small-scale production of pizza. Dagens is currently one of Stabburet’s suppliers as manufacturer of the pizza brand Chicago, which is sold as fast food by convenience stores and petrol stations. This agreement will give Stabburet even better possibilities of developing good varieties of pizza for market segments in which Stabburet is not currently represented. Dagens has 22 employees.

Orkla Food Ingredients acquired a majority share of Henskjold Agenturforretning on 1 January, and the company Iglo Logistikksenter was acquired in the fourth quarter. Henskjold has 11 employees. In connection with the acquisition, NOK 4 million was taken to income as an upward adjustment of the prior ownership interest (see Note 3). Iglo is a freezing plant in Gardermoen, Norway, and has 10 employees. Idun has expanded its frozen bakery goods operations in the past few years. The acquisition of Iglo Logistikksenter ensures good operating parameters for the further growth of Idun’s My Bakery concept.

The acquisitions by Brands represent a total enterprise value of NOK 101 million. The excess values are largely related to goodwill and property, plant and equipment.

Sapa
In 2011, Sapa Profiles primarily invested in three businesses located in India and China.

Sapa Profiles India Pvt Ltd took over the assets related to Alufit's aluminium extrusion operations in Kuppam, near Bangalore in southern India, in 2011. The plant, which was built in 2009, is an integrated one-press extrusion facility with both powder coating and anodising capabilities. The plant currently has an annual capacity of 9,000 tonnes. The acquisition was made to increase Sapa's presence in India and Asia. Upon completion of the transaction, Sapa will be the first global aluminium company with local extrusion facilities in India.

At the end of September, Sapa signed an agreement with Jiangyin Haihong Non-Ferrous Materials Co., Ltd. (Haihong) to acquire the assets and operations of Haihong's aluminium profile facility in Jiangyin, located 150 km northeast of Shanghai. The facility comprises 15 presses with a total capacity of 60,000 tonnes, and is one of the largest extrusion plants in the Yangtze River Delta region. The facility is also equipped with casting, anodizing, horizontal powder coating, thermal break and fabrication capabilities. In 2010, the company had 550 employees and a production volume of over 20,000 tonnes. The acquisition was completed at the end of December 2011.

On Friday, 8 April 2011, the Aluminium Corporation of China Limited (Chalco), the largest aluminium company in China, and the Sapa Group, the world's largest manufacturer of aluminium profiles, signed an agreement to form a jointly controlled company to serve the rapidly growing Chinese rolling stock industry. Each of the parties will own a 50% stake in the new jointly controlled company. The company will build a state-of-the-art, fully integrated aluminium extrusion and fabrication facility in Chongqing in southwest China. It will also establish R&D facilities to support the development of rolling stock in China. This facility will comprise the latest technology in terms of extrusion, press and fabrication capabilities. The scope of Sapa's investment in the planned new facility is limited.

Sapa's acquisitions represent an enterprise value of NOK 701 million. The acquisitions of Alufit and Haihong are direct purchases of assets and liabilities.

Orkla Financial Investments
In connection with certain partly owned companies under Orkla Financial Investments, the shareholder agreement provided for option rights that might have resulted in Orkla being obliged to buy all or parts of its co-owners' interests in the companies. In 2010 Orkla Eiendom, Orkla's real estate investments section, received notification from Coop Eiendom AS regarding the exercise of a put option relating to 33.33% of the shares in Finansgruppen Eiendom AS. At 31 December 2010, Orkla Eiendom held a 33.33% stake in Finansgruppen Eiendom AS. The option was exercised in the first quarter of 2011. At that time, the company was still a joint venture within the Orkla Group, and was proportionately consolidated into Orkla's financial statements on a 66.67%, rather than a 33.33%, basis. At the start of the third quarter, Orkla Financial Investments acquired the remaining 33.33% of Finansgruppen Eiendom AS. The company has therefore been treated as a subsidiary as from the third quarter.

The excess value in these acquisitions mainly relates to property, plant and equipment and associates. A total of NOK 10 million was expensed in connection with the acquisition as a downward adjustment of the former ownership interest (see Note 3).

M&A costs incurred in 2011 total NOK 124 million (see Note 3).

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. 2011**	**31.12. 2010**
Non-current interest-bearing liabilities	**(15,488)**	(21,820)
Current interest-bearing liabilities	**(1,472)**	(1,380)
Non-current interest-bearing receivables (in "Financial assets")	**798**	600
Current interest-bearing receivables (in "Receivables")	**64**	129
Cash and cash equivalents	**5,453**	2,819
Net interest-bearing liabilities	**(10,645)**	(19,652)

NOTE 7 RELATED PARTIES

On 8 June 2011, a company closely associated with Stein Erik Hagen, Chair of the Board of Orkla ASA, bought 10,800,000 shares in Orkla at an average price of NOK 49.97 per share. Fresje AS (1,145,000 Orkla shares) is no longer considered to be a related party. Stein Erik Hagen and related parties own 249,542,000 shares in Orkla, which is equivalent to 24.3% of shares outstanding. There were no other special transactions between the Group and related parties in 2011. The Canica system and Orkla both have equity interests in certain investments.

The Group has provided subordinated loans totalling NOK 174 million and NOK 108 million, respectively, to joint ventures and associates within Orkla's real estate investments and Sapa.

On 1 September, Svein Tore Holsether was appointed new CEO of Sapa. Former CEO Tim Stubbs left the company to seek new challenges outside of the Group. Svein Tore Holsether previously held the position of Executive Vice President M&A in Orkla ASA, where he took over responsibility for the Share Portfolio and Orkla Eiendom on 29 March 2011.

On 14 February 2011, Orkla and Roar Engeland agreed that Roar Engeland would resign from his position as Executive Vice President, Orkla Financial Investments.

NOTE 8 OPTIONS AND TREASURY SHARES

Changes in outstanding options and treasury shares are shown in the following table.

Change in number of options:	
Outstanding number of options as of 1 January 2011	19,769,500
Allocated during the period	5,789,000
Exercised during the period	(400,000)
Forfeited during the period	(2,507,000)
Outstanding number of options as of 31 December 2011	22,651,500

Change in treasury shares:	
Total as of 1 January 2011	6,945,749
External purchasing of own shares	3,800,000
Options exercised in treasury shares	(400,000)
Share purchase programme for Orkla employees	(1,424,958)
Total as of 31 December 2011	8,920,791

NOTE 9 ASSESSMENTS RELATING TO IMPAIRMENT

In the third quarter, the Orkla Group carried out impairment tests of all goodwill and all trademarks with an indefinite useful life. No write-downs were taken as a result of these tests. Updated impairment tests were carried out for Sapa and Orkla Brands Russia at 31 December 2011.

There is still considerable uncertainty in the market, particularly in Sapa's businesses, and it is hard to predict developments in 2012 and beyond. Based on the forecasts, expectations and assumptions that have been applied, Sapa justifies the carrying values at 31 December 2011. However, further profit improvement will be required to achieve the target level. Total goodwill in Sapa amounts to NOK 3,880 million.

In Orkla Brands Russia, the businesses in Krupskaya and SladCo have been merged and an impairment test was carried out for the whole new entity. Based on the forecasts, expectations and assumption that were applied, Orkla Brands Russia justifies the carrying values at 31 December 2011. A total of NOK 298 million in goodwill and NOK 74 million in trademarks have been recognised in relation to this unit.

In accordance with the Group's accounting principles, the Share Portfolio was written down by NOK 668 million in 2011.

Bakers has been sold, and the takeover took place on 1 February 2012. In accordance with the payment stipulated in the agreement, assets were written down and costs related to the sale, totaling NOK -155 million, were expensed. Bakers is presented on two lines in the balance sheet as "held for sale", but no figures have been restated in the income statement or the cash flow statement. Bakers is reported under the Orkla Foods Nordic segment.

In connection with restructuring in Sapa, property, plant and equipment were written down by a total of NOK 159 million (see Note 3).

No significant impairments were otherwise identified in the Group's property, plant or equipment or intangible assets.

In line with the principle stated in the 2009 financial statements, the Group's investment in REC is reported at market price as long as this is lower than the carrying value under the principles applied for associates. The market price was NOK 3.32 per share at 31 December 2011, compared with NOK 17.79 at the end of 2010. A total of NOK 5.8 billion relating to REC has therefore been expensed in 2011. Reported profit/loss from REC does not tally exactly with changes in the market price multiplied by the number of shares. The reason for this is that underlying translation differences recognised in REC's comprehensive income statement will be an income statement element in Orkla's financial statements. Translation differences are normally reported against the equity interest, but in a situation where the value of the interest is determined by the market price, items reported directly against the interest will have to be offset through recognition in the income statement. Profit/loss from REC at 31 December 2011 was impacted by NOK -30 million (NOK -55 million in the fourth quarter) due to this effect.

NOTE 10 DISCONTINUED OPERATIONS

On 10 January 2011, Orkla ASA entered into a binding agreement regarding the sale of Elkem to China National Bluestar Group Co., Ltd (Bluestar). Settlement took place on 14 April in accordance with the conditions for the sale. For accounting purposes, the transaction was completed in the first quarter when all the official approvals had been obtained. All risk and control were then considered to have passed to the buyer. At 31 March, Orkla therefore had a receivable from Bluestar in the amount of NOK 12.8 billion, which was paid in the second quarter.

Profit and the gain on the sale of Elkem are presented on a single line in the consolidated income statement. The profit item consists of the following elements:

	1.1. – 31.12.	
Amounts in NOK million	**2011**	**2010**
Operating revenues	**2,675**	8,655
Operating expenses	**(2,126)**	(7,577)
Depreciation and impairment charges property, plant and equipment	**(157)**	(696)
Amortisation intangible assets	**(20)**	-
Operating profit	**372**	382
Financial items, net	**(39)**	(250)
Profit/loss before taxes	**333**	132
Taxes	**(72)**	(55)
Profit/loss after taxes	**261**	77
Gain on sale after tax	**1,137**	-
M&A costs	**(185)**	(117)
Profit/loss for discontinued operations	**1,213**	(40)

NOTE 11 OTHER MATTERS

Orkla's reported profit/loss from REC will depend on REC's future market price, see Note 9. The market price at 31 December was NOK 3.32.

On 8 December 2011, the Norwegian Supreme Court dismissed Orkla's appeal in the legal dispute concerning the tax on a gain on subscription rights relating to convertible bonds. The tax that was assessed and recognised in the income statement was paid in 2009, and the decision therefore did not entail any further payment of tax or accounting consequences for Orkla. One out of five Supreme Court judges voted in Orkla's favour. Orkla was not ordered to pay the costs of the case.

Orkla has learned that the Norwegian Tax Appeal Board at the Central Tax Office for Large Enterprises has reversed an earlier decision by the Central Tax Office regarding tax ownership of one of the Sauda power plants. The decision may result in a tax increase of around NOK 50 million per year for AS Saudefaldene (of which Orkla owns 85%). Orkla disagrees with the Tax Appeal Board's decision, and is prepared to take the case to court.

Eidsiva Vannkraft AS and Borregaard have entered into a long-term power contract for the delivery of a total of 6.1 billion kilowatt hours (6.1 Twh) in the period from 2013 to 2024. The agreement between Eidsiva and Borregaard secures power deliveries for Borregaard's plants in Sarpsborg from 1 January 2013 to 31 December 2024. The deliveries constitute around 15 per cent of Eidsiva's total annual production of power.

On 30 January 2012, Orkla ASA entered into an agreement to sell 268,618,858 shares in Fornebu Utvikling (equivalent to 32.4% of the company's share capital) at a price of NOK 2.45 per share. Completion of the agreement is contingent on the approval of the Norwegian Competition Authority. Upon completion of the transaction, Orkla will own no shares in Fornebu Utvikling.

There have otherwise been no events after the balance sheet date that would have had an impact on the financial statements or the assessments carried out.

NOTE 12 CASH FLOW STATEMENT 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 that is used directly in the management of the business areas, and is included in the presentation of segment information. Cash flow from operations differentiates between industrial activities and investing activities, and shows the Group's overall financial capacity generated by operations to cover the Group's financial items, taxes and items more subject to Group control such as dividends and treasury share transactions. The last part of the cash flow statement shows which expansion measures have been carried out in the form of direct expansion investments, acquisition of companies, disposal of companies and changes in the level of investments in the Share Portfolio. The cash flow statement is presented on the basis of an average monthly exchange rate, while the change in net interest-bearing liabilities is an absolute figure measured at the closing rate. The difference is explained by the currency translation effect related to net interest-bearing liabilities.

		1.1. – 31.12.		1.10. – 31.12.	
Amounts in NOK million	**Note**	**2011**	**2010**	**2011**	**2010**
Cash flow Industrial Activities:					
Operating profit		**3,023**	2,940	**624**	385
Amortisation, depreciation and impairment charges		**2,088**	2,503	**506**	1,134
Changes in net working capital, etc.		**(1,094)**	(1,462)	**1,065**	527
Cash flow from operations before net replacement expenditures		**4,017**	3,981	**2,195**	2,046
Net replacement expenditures		**(1,557)**	(1,512)	**(601)**	(498)
Cash flow from operations		**2,460**	2,469	**1,594**	1,548
Financial items, net		**(488)**	(544)	**(180)**	(146)
Cash flow from Industrial Activities		**1,972**	1,925	**1,414**	1,402
Cash flow from Orkla Financial Investments		**66**	1,236	**(440)**	539
Taxes paid		**(603)**	(686)	**(80)**	(192)
Discontinued operations and other payments		**(509)**	(620)	**(8)**	449
Cash flow before capital transactions		**926**	1,855	**886**	2,198
Paid dividends		**(7,436)**	(2,360)	**(4,875)**	(41)
Net sale/purchase of Orkla shares		**(109)**	138	**62**	116
Cash flow before expansion		**(6,619)**	(367)	**(3,927)**	2,273
Expansion Industrial Activities		**(906)**	(509)	**(178)**	(156)
Sale of companies/share of companies (enterprise value)	10	**13,503**	1,854	**0**	1,630
Purchase of companies/share of companies (enterprise value)	5	**(1,498)**	(2,878)	**(460)**	(259)
Net sale/purchase of portfolio investments		**4,494**	2,130	**2,019**	952
Net cash flow		**8,974**	230	**(2,546)**	4,440
Currency effects of net interest-bearing liabilities		**33**	(34)	**(39)**	(109)
Change in net interest-bearing liabilities		**(9,007)**	(196)	**2,585**	(4,331)
Net interest-bearing liabilities	6	**10,645**	19,652		