First half 2014

Orkla

CONTENTS

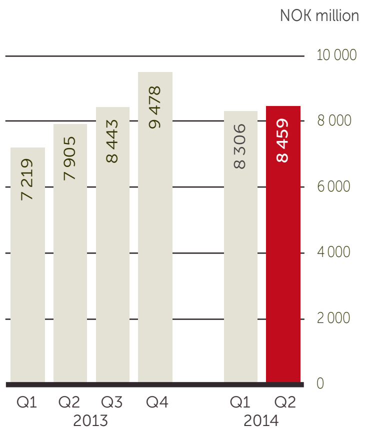
THE FIRST HALF YEAR IN BRIEF

- Orkla achieved growth in turnover and EBITA[1] in the first half of 2014, primarily driven by contributions from acquired businesses and the realisation of cost synergies in the branded consumer goods business, and by continued positive performance in Orkla Investments.
- Margin improvement contributed to higher EBITA[1] in the branded consumer goods business in the first half year. For the second quarter alone, the branded consumer goods business achieved underlying[3] turnover growth of 0.9%.
- Continued weak underlying[3] sales growth in Orkla Foods and Orkla Confectionery & Snacks. However, Orkla Confectionery & Snacks showed signs of improvement in the second quarter.
- Good growth in Orkla Home & Personal and Orkla Food Ingredients, and underlying[3] profit improvement in Orkla International.
- Through its wholly-owned subsidiary Lilleborg, Orkla has renewed its agreement with the multinational branded consumer goods company Unilever.
- A strong first half for Gränges, driven by improved margins and volume growth.

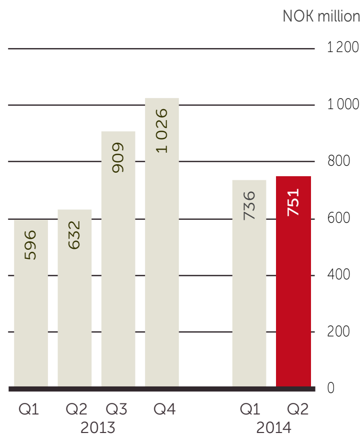
KEY FIGURES FOR THE ORKLA GROUP

		1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	Note	2014	2013	2013	2014	2013
Operating revenues	2	16 765	15 124	33 045	8 459	7 905
EBITA[1]	2	1 487	1 228	3 163	751	632
Profit/loss before taxes		1 569	1 414	2 664	930	514
Gains/profit/loss discontinued operations		-	(1 175)	(1 225)	-	(1 119)
Earnings per share, diluted (NOK)		1.2	(0.1)	0.7	0.7	(0.7)
Cash flow from operations for industrial activities	13	1 362	660	2 775	637	633
Net interest-bearing liabilities	6	9 250	11 759	8 496		
Equity ratio (%)		57.2	47.7	59.1		
Net gearing[4]		0.31	0.41	0.28		

Operating revenues



EBITA[1]



[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

Operating revenues

16,765

Group operating revenues for the first half of 2014 totalled NOK 16,765 million

EBITA[1]

1,487

Group EBITA[1] for the first half of 2014 totalled NOK 1,487 million

THE GROUP

Orkla achieved 21% growth in EBITA[1] in the first half of 2014. This improvement was driven by both underlying[3] and structural growth in the branded consumer goods business and continued good performance in Orkla Investments. Growth in the branded consumer goods business picked up through the first half year, and in the second quarter alone there was underlying[3] growth in turnover and profit.

After a long period of major structural changes and demanding restructuring processes, there is now greater focus on operations, and on realising synergies from the various integration processes. The initiated restructuring efforts and extraction of synergies are on track, and will continue. Together with Orkla's continuous work on improvement projects, this will enhance operations and increase profitability going forward. In the first half of 2014, it was decided to move the production of lefse flatbread production from Lierne to the factory at Stranda. It was also decided to close down a herring factory in Finland, and in the second quarter production was moved to the factory in Kungshamn, Sweden. In Orkla Confectionery & Snacks, the integration of companies and consolidation of the sales force in Norway has been a demanding process. However, Orkla Confectionery & Snacks showed signs of improvement in the second quarter.

Orkla's first-half operating revenues totalled NOK 16,765 million (NOK 15,124 million)[2], while second-quarter operating revenues amounted to NOK 8,459 million (NOK 7,905 million)[2]. Contributions from acquired businesses and positive currency translation effects contributed to growth in operating revenues. In the first half, the branded consumer goods business had underlying[3] turnover on a par with the corresponding period of 2013. For the second quarter alone, the branded consumer goods business had underlying[3] growth in turnover of 0.9%. Currency translation effects boosted the Group's operating revenues by around NOK 637 million in the first half.

Group EBITA[1] amounted to NOK 1,487 million (NOK 1,228 million)[2] in the first half. Second-quarter EBITA[1] was NOK 751 million (NOK 632 million)[2]. EBITA[1] for Branded Consumer Goods was NOK 1,359 million (NOK 1,163 million)[2] in the first half, while second-quarter EBITA[1] was NOK 704 million (NOK 584 million)[2]. Growth was driven by contributions from acquired businesses and by broad-based margin improvement in the branded consumer goods business. Currency translation effects increased the branded consumer goods business's EBITA[1] by NOK 36 million in the first half.

All the business areas except for Orkla Confectionery & Snacks achieved improved EBITA[1] in the first half. The decline in Orkla Confectionery & Snacks was ascribable to weak turnover and margin performance. Sales growth in Orkla Foods has been weaker than expected, but improved margins, partly attributable to the extraction of cost synergies, contributed to underlying[3] EBITA[1] growth in the first half. Orkla Home & Personal and Orkla Food Ingredients had broad-based underlying[3] EBITA[1] growth in the first half. Orkla International achieved improved first-half EBITA[1]; however, profit in Russia remained weak. The agreement to sell Rieber Polska was signed in May 2014.

Market share performance in the different companies in Branded Consumer Goods was mixed. Orkla Home & Personal saw broad-based market share growth in the second quarter, while Orkla Confectionery & Snacks showed signs of improvement in Norway. Orkla Foods' market shares weakened in the second quarter.

Total input costs for Branded Consumer Goods were slightly higher in the first half of 2014 than in the same period of 2013. Price increases were implemented by several of the companies as from 1 July to compensate for higher purchasing costs.

Gränges delivered strong results in the first half, driven by margin improvement and volume growth. Improvement projects in Finspång helped to increase profitability. Gränges had good cash flow from operations in the first half due to a reduction in working capital; in addition Gränges received a final settlement related to the fire in Finspång in 2010. Hydro Power achieved higher EBITA[1] in the first half, driven by increased volume produced as a result of heavy precipitation in the first quarter of 2014. This was partially offset by significantly lower power prices.

The Group's other income and expenses totalled NOK 24 million (NOK -619 million)[2] in the first half. Contractual one-off compensation in connection with the agreement with Unilever more than offset costs related to the extensive restructuring and integration processes in the branded consumer goods business. In addition to the immediate recognition of M&A costs.

Profit from associates and joint ventures amounted to NOK 248 million in the first half (NOK 225 million)[2]. Jotun delivered satisfactory first-half results. All of the segments in Jotun achieved year-over-year growth in turnover. Sapa JV's contribution to profit reflected substantial restructuring costs in the first half. However, the profit contribution in the second quarter alone was positive.

Net sales of shares and financial assets totalled NOK 124 million in the first half of 2014. In the same period, the Group saw a net accounting gain on shares and financial assets of NOK 12 million (NOK 573 million)[2]. At the end of the first half the market value of shares and financial assets was NOK 926 million, while unrealised gains totalled NOK 296 million.

Net financial costs in the first half amounted to NOK -229 million (NOK -223 million)[2]. The average borrowing rate was 3.6% and the Group's average net interest-bearing liabilities totalled NOK 9.3 billion in the first half of 2014.

Group profit before tax amounted to NOK 1,569 million (NOK 1,414 million)[2] and first-half taxes totalled NOK 350 million.

Orkla's diluted earnings per share were NOK 1.2 (NOK -0.1)[2] in the first half.

THE BUSINESS AREAS

BRANDED CONSUMER GOODS

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2014	2013	2013	2014	2013
Operating revenues	14 145	12 463	27 731	7 175	6 524
EBITA[1]	1 359	1 163	2 982	704	584
EBITA margin (%)	9.6	9.3	10.8	9.8	9.0
Cash flow from operations before net replacement expenditures	1 317	884	3 356	765	641
Net replacement expenditures	(379)	(329)	(754)	(196)	(196)
Cash flow from operations	938	555	2 602	569	445
Expansion investments	(37)	(43)	(99)	(11)	(30)

Orkla Foods

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2014	2013	2013	2014	2013
Operating revenues	5 181	4 306	9 797	2 633	2 382
EBITA[1]	628	489	1 275	333	263
EBITA margin (%)	12.1	11.4	13.0	12.6	11.0
Cash flow from operations before net replacement expenditures	657	339	1 409	376	245
Net replacement expenditures	(179)	(123)	(341)	(91)	(80)
Cash flow from operations	478	216	1 068	285	165
Expansion investments	(18)	(11)	(27)	(6)	(11)

- Broad-based underlying[3] profit growth driven by lower costs
- Realisation of cost synergies from Rieber & Søn as planned
- Sales performance for the Nordic companies remains challenging
- Growth in turnover and profit in the Baltics

Orkla Foods posted first-half operating revenues of NOK 5,181 million (NOK 4,306 million)[2]. Second-quarter operating revenues totalled NOK 2,633 million (NOK 2,382 million)[2]. Most of the growth was ascribable to the consolidation of Rieber & Søn. Underlying[3] revenues were 3.7% weaker than in the first half of 2013, primarily due to the Nordic markets. Turnover in the Nordic region still reflects the extensive restructuring process that has been carried out in the past year. Sales and volume growth in the Baltic markets counteracted the decline in growth in the other countries to some extent.

First-half EBITA[1] amounted to NOK 628 million (NOK 489 million)[2], an improvement of 28%. Second-quarter EBITA[1] was NOK 333 million (NOK 263 million)[2]. Profit growth in both the first half and the second quarter was broad-based. The improvement in Norway and Denmark was boosted by cost synergies resulting from the integration of Rieber & Søn. Profit growth in Sweden was also largely ascribable to reduced costs achieved through the merger of the three companies Abba Seafood, Frödinge Mejeri and Procordia. The integration processes in all the Nordic businesses in Orkla Foods are making good progress. As part of the integration of Rieber & Søn, it was decided in the first half year to create a joint sales force in Orkla Foods Norge. At the end of the first half of 2014, the cost synergy run-rate was on track, and will continue to generate positive effects ahead.

Several innovations were launched in the first half year which have contributed positively in the grocery channel. In Norway, new launches included gluten-free varieties of Grandiosa and Toro Lasagne, and the new Grandiosa Helmax. These launches are expected to support further growth this year. Abba's successful Middagsklart (Simply Add Fish) concept in Sweden has also been launched in Denmark under the Glyngøre NemFisk brand and in Finland under the Abba AteriaValmis brand, and is showing promising development.

In early July, Orkla Foods Sverige bought the Krögarklass brand from Lantmännen. Krögarklass produces a range of premium minced meat products designed especially for the out-of-home market. The formal take-over will take place on 1 October 2014 and production will be moved from the current location in Laholm to Orkla Foods Sverige's production facility in Eslöv, in Sweden. The acquisition is expected to strengthen Orkla Foods Sverige's position in ready meals and minced meat products on the Swedish out-of-home market.

Orkla Confectionery & Snacks

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2014	2013	2013	2014	2013
Operating revenues	2 252	2 201	4 784	1 138	1 101
EBITA[1]	225	263	682	109	119
EBITA margin (%)	10.0	11.9	14.3	9.6	10.8
Cash flow from operations before net replacement expenditures	267	254	796	102	192
Net replacement expenditures	(72)	(108)	(184)	(39)	(56)
Cash flow from operations	195	146	612	63	136
Expansion investments	-	-	-	-	-

- Improved performance in the second quarter compared with the first quarter
- Weak sales and profit performance in Norway and Sweden, especially at the start of the year
- Profit improvement in Denmark, Finland and the Baltics

Orkla Confectionery & Snacks reported first-half operating revenues of NOK 2,252 million (NOK 2,201 million)[2], an underlying[3] decline of 2.5%. EBITA[1] amounted to NOK 225 million (NOK 263 million)[2]. Second-quarter operating revenues totalled NOK 1,138 million (NOK 1,101 million)[2], while EBITA[1] amounted to NOK 109 million (NOK 119 million)[2].

The fall in turnover and profit in the first half was ascribable to the business area's weak performance in Norway and Sweden, particularly at the start of the year. However, there were signs of improvement in sales performance in Norway towards the end of the first half year. Higher purchasing costs, partly due to the weaker Norwegian krone, put pressure on margins, especially in Norway. Price increases were implemented from 1 July.

In the Swedish company, several changes were initiated in June in order to improve the situation going forward. From 1 October, supply chain staff will report to the central supply chain function at business area level. As a result of this change, the role of CEO in Sweden will be more oriented towards the commercial side of the business. A new CEO took over on 1 July.

Profit improvement in Denmark was particularly related to the good development of export of snacks. The improvement in profit in Finland was ascribable to growth in the snacks area. In the Baltics, both the Latfood snacks business in Latvia and the Kalev chocolate business in Estonia showed solid improvement in turnover and profit.

In Norway, the market share in the last three months was on a par with the corresponding period of 2013. Market shares declined slightly in Sweden and Denmark.

Since the establishment of the Orkla Confectionery & Snacks business area in January 2013, the integration activities throughout much of 2013 and the first half of 2014 have been demanding. The process of restructuring the business area is part of a comprehensive improvement programme aimed at increasing competitiveness through profitable top-line growth and cost reductions. The strong internal focus on various processes related to the restructuring of the business area, especially in Norway and Sweden, has reinforced the decline in sales and profit in the first half year. In Norway, an extensive process of restructuring and downsizing the external sales organisation was carried out in the first half of 2014.

Effects realised and cost-cutting measures carried out in the first half of 2014 were in line with the improvement programme. However, high project costs were incurred in connection with this programme in the first half.

Orkla Home & Personal

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2014	2013	2013	2014	2013
Operating revenues	2 456	2 308	4 770	1 176	1 097
EBITA[1]	406	379	823	176	165
EBITA margin (%)	16.5	16.4	17.3	15.0	15.0
Cash flow from operations before net replacement expenditures	282	263	869	214	127
Net replacement expenditures	(36)	(33)	(69)	(11)	(22)
Cash flow from operations	246	230	800	203	105
Expansion investments	-	-	-	-	-

- Growth in turnover and profit
- Turnover positively impacted by accrual effects linked to a difference in the number of selling days
- The agreement with Unilever has been renegotiated

Orkla Home & Personal posted first-half operating revenues of NOK 2,456 million (NOK 2,308 million)[2]. Second-quarter operating revenues totalled NOK 1,176 million (NOK 1,097 million)[2]. All business units achieved growth in both turnover and profit in the first half, positively affected by a few more selling days. The impact of the selling days will have the opposite effect in the fourth quarter of 2014. Adjusted for the extra selling days, underlying[3] growth in turnover was 3.2% in the first half. EBITA[1] amounted to NOK 406 million (NOK 379 million)[2] for the first half and NOK 176 million (NOK 165 million)[2] for the second quarter alone.

Adjusted for the above-mentioned effects, sales at Lilleborg were on a par with the first half of 2013. Internationally, Lilleborg achieved a good increase in turnover, while its Norwegian operations saw a decline. Profit was slightly lower than in the first half of 2013.

The previous agreement with Unilever, which dated back to 1958 and was last revised in 2009, expired on 30 June 2014. A new agreement has been signed with effect from 1 July 2014, and will run for a period of five years[5]. The agreement provides for a licence for research and development and delivery of finished products by Unilever. The parties have

[5]Mechanisms in the agreement make it possible for either party to terminate the agreement after three years.

also agreed that as from January 2016, the current licence held by Lilleborg for the brands Unilever owns in Norway will be terminated and Unilever will distribute the brands. This is expected to reduce Lilleborg's annual turnover by around NOK 100 million, which represents around 2% of Orkla Home & Personal's total turnover. As compensation for the termination of the licences, Orkla will receive a contractual one-off termination fee. In addition, Orkla will take over the rights to the Q-tips brand in Norway.

Lilleborg Profesjonell achieved good turnover growth and profit improvement in the first half.

Operating revenues in Pierre Robert Group increased as a result of product introductions, relaunches, and campaigns in Norway. Sales in Sweden declined moderately. All in all, profit was on a par with the first half of 2013.

Axellus reported growth in operating revenues and profit. The rise in turnover was driven by its operations in Denmark, Finland and its international business.

Orkla House Care showed broad-based improvement with higher turnover and profit in all markets.

Several of the businesses are experiencing higher purchasing costs due to the weaker Norwegian krone.

Overall, market share performance has been positive in the past three months. All the companies increased their market shares, except for Lilleborg in Norway.

Orkla International

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2014	2013	2013	2014	2013
Operating revenues	1 346	990	2 644	686	584
EBITA[1]	(42)	(82)	(86)	(14)	(40)
EBITA margin (%)	(3.1)	(8.3)	(3.3)	(2.0)	(6.8)
Cash flow from operations before net replacement expenditures	26	(60)	(97)	(2)	(12)
Net replacement expenditures	(38)	(22)	(63)	(27)	(9)
Cash flow from operations	(12)	(82)	(160)	(29)	(21)
Expansion investments	(5)	(24)	(61)	(2)	(18)

- Somewhat better sales and profit performance in Russia, but results still weak
- Positive development in India, the Czech Republic and Poland
- A binding agreement on the sale of Rieber Polska signed in May 2014

Orkla International posted first-half operating revenues of NOK 1,346 million (NOK 990 million)[2]. Second-quarter operating revenues totalled NOK 686 million (NOK 584 million)[2]. So far this year, there has been an underlying[3] improvement of 4.7%, while the second quarter alone showed an improvement of 5.8%. First-half EBITA[1] amounted to NOK -42 million (NOK -82 million)[2]. Second-quarter EBITA[1] was NOK -14 million (NOK -40 million)[2]. There was underlying[3] broad-based improvement in profit in the first half, driven by the business area's performance in the second quarter.

Orkla Brands Russia still faces challenges with a weak top line and low margins due to a difficult market situation. Sales dropped 3.8% in the first half year, as the company continues to struggle with sales outside its home markets. EBITA[1] has now stabilised at last year's level, due to the effects of restructuring programmes and cost improvements. Profit has also been impacted by higher raw material prices, partly reinforced by a negative currency effect due to the situation in Ukraine. Rieber Russia saw lower sales as a result of the closure of several kiosks following a legislative amendment in 2013.

MTR Foods increased its operating revenues by 19% in the first half of 2014, and showed good volume growth in spice mixes and breakfast and sweet mixes, driven by general market growth and innovations. Growth in the Indian economy picked up again in the first half of 2014, after a somewhat weaker 2013.

In the Czech Republic, Vitana saw a flat sales trend in the first half. The Czech retail industry is showing signs of improvement after a weak 2013. In Poland, Rieber Polska achieved good sales growth in the first half, due to increased sales of dessert mixes, baking mixes and ingredients for the grocery trade. EBITA[1] also improved significantly compared with 2013.

Orkla has entered into an agreement to sell Rieber Polska to an investment fund headed by Innova Capital. Under the agreement, Orkla is to sell 100 per cent of the shares in Rieber Polska for PLN 100 million (approx. NOK 195 million). The agreement is subject to approval by the Polish competition authorities.

Felix Austria posted external first-half sales on a par with 2013. 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.

Orkla Food Ingredients

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2014	2013	2013	2014	2013
Operating revenues	3 075	2 748	5 998	1 624	1 415
EBITA[1]	142	114	288	100	77
EBITA margin (%)	4.6	4.1	4.8	6.2	5.4
Cash flow from operations before net replacement expenditures	86	87	379	75	89
Net replacement expenditures	(54)	(43)	(97)	(28)	(29)
Cash flow from operations	32	44	282	47	60
Expansion investments	(15)	(8)	(11)	(4)	(1)

- Broad-based profit improvement
- Underlying[3] growth in turnover of 4.2%, partly due to good sales of ice cream ingredients
- Positive effects on profit from internal improvement projects

Orkla Food Ingredients reported first-half operating revenues of NOK 3,075 million (NOK 2,748 million)[2], equivalent to an underlying[3] improvement of 4.2%. Operating revenues for the second quarter alone amounted to NOK 1,624 million (NOK 1,415 million)[2]. First-half EBITA[1] amounted to NOK 142 million (NOK 114 million)[2]. Second-quarter EBITA[1] was NOK 100 million (NOK 77 million)[2]. Underlying[3], there was broad-based profit improvement due to improved margins in many markets as a result of good competitiveness, positive contributions from increased volumes and improved product mix.

The Scandinavian sales and distribution companies for baking ingredients increased their operating revenues by 3.5%, thereby strengthening their market position. In the second quarter, Credin Bageripartner (Denmark) signed a sales and distribution agreement with Guldbageren (one of the largest bakery chains in Denmark). The agreement will have an increasingly positive impact in the coming quarters. In total, earnings were at the same level as in the corresponding period of 2013, with improvement in Denmark and a decline in Norway. The sales and distribution companies in the Baltics and Central and Eastern Europe generated EBITA[1] growth in the first half as a result of top-line growth and improved margins. Orkla Food Ingredients' ice cream ingredients business showed good growth in operating revenues and EBITA[1] due to the relatively good summer weather.

Sales and profit performance for the margarine category (Dragsbæk in Denmark) improved compared with the first half of 2013 due to a strong second quarter, where the volume performance of and increased contribution from blended products in particular had a positive effect. The category's sales and profit performance in the Baltics, Slovakia and Romania (through Dragbæk's own subsidiaries or sister companies) also improved, even though a tough competitive climate counteracted the desired volume improvement.

Operating revenues for the yeast category (Jästbolaget in Sweden) rose 5% in the first half. Increased sales to industrial customers and good sales of special yeast offset a general decline in the Swedish consumer market. Year-over-year EBITA[1] improved as a result of internal improvement projects, and the aforementioned growth in turnover.

The mix and improver category for bread and cakes saw substantial improvement in EBITA[1], ascribable to higher product profitability in Poland, Portugal and the Netherlands than in the first half of 2013.

The first half is a low season for the marzipan category. After relatively good EBITA[1] performance in the first quarter, the second quarter was weaker compared to the corresponding period of 2013. Although volume improvement is still being recorded, growing pressure on margins resulted in weaker EBITA[1] performance in the second quarter for the marzipan category.

ORKLA INVESTMENTS

Sapa (JV)

Demand for extruded products in North America grew 5% in the second quarter, supported by growth in the automotive and building and construction sectors. Extruded demand in South America continued to show signs of weakening. In Europe, demand for extruded products improved by 2% compared to the second quarter of 2013, supported by the automotive sector, but somewhat offset by weak building markets in Southern Europe. Global demand for precision tubing continued to be driven by increased demand from the automotive sector.

Underlying EBIT for both the second quarter and first half year increased compared to the same period last year, largely driven by increased volume and the positive contribution from restructuring programmes. Sapa's restructuring agenda is proceeding according to plan and reported EBIT has been affected by related restructuring charges.

Gränges

- Higher volumes and profit growth
- Cost reductions in Sweden on track
- Continued strong results in China

Gränges delivered a volume of 83,100 tonnes in the first half of 2014, equivalent to an increase of 2% compared with the same period of 2013. EBITA[1] increased to NOK 235 million (NOK 169 million)[2]. Second quarter EBITA[1] was NOK 118 million (NOK 84 million)[2], which is the strongest earnings ever recorded for Gränges in an individual quarter. The increase in EBITA[1] was primarily driven by improved margins and higher volumes. The improvement programme in the Swedish operations is proceeding as planned and the manning reduction completed in the fourth quarter of 2013 has now reached its full financial effect.

Jotun (42.5% ownership interest)

Jotun delivered a satisfactory performance in the first half of 2014. All segments showed year-over-year growth in turnover. Sales of decorative paints in Scandinavia have risen in the period. Sales of marine coatings increased, based on higher maintenance activity and a gradual improvement in the newbuildings market. Due to higher costs, primarily related to activities in growth markets, operating profit so far this year is somewhat lower than in the corresponding period of 2013. Jotun is continuing to invest in increased production capacity in line with the company's growth strategy, the main investments in the period being the construction of new factories and premises in Brazil, Russia and Oman.

Orkla Financial Investments

First-half EBITA[1] was NOK -11 million (NOK 5 million)[2]. The change is primarily due to the delivery of apartments in 2013 and the reduction of the real estate portfolio as a result of property sales. Profit before tax for Orkla Eiendom amounted to NOK -31 million (NOK 8 million)[2] in the first half. The negative pre-tax profit is largely ascribable to restructuring costs in connection with ongoing projects. Otherwise, activities in the first half of 2014 were mainly concentrated on the development and sale of the existing real estate portfolio.

Hydro Power

Hydro Power delivered higher profit in the first half of 2014 than in the corresponding period of 2013. First-half EBITA[1] amounted to NOK 97 million (NOK 74 million)[2], as significantly higher volume produced more than offset substantially lower power prices. The volume increase was ascribable to heavy precipitation at the start of the first quarter, and to higher inflow in the first half year than normal. Water flow and production were high in the first part of the half year, but at the end of the first half of 2014 reservoir levels were slightly below 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 1,362 million (NOK 660 million)[2] as of 30 June 2014. The increase compared to 2013 is largely ascribable to higher operating profit, and the receipt of the insurance settlement related to the fire in Finspång in 2010. In the first half of 2014, there has been a seasonal build-up of working capital in the branded consumer goods business, although at a lower level than in the first half of 2013. Net replacement investments totalled NOK 439 million (NOK 337 million)[2]. The increase compared with the first half of 2013 was chiefly related to a higher level of investment in Orkla Foods following the acquisition of Rieber & Søn, and an increase in Orkla Investments.

An ordinary dividend of NOK 2.50 per share was paid out for the 2013 financial year. Dividends paid out as of 30 June 2014 totalled NOK 2,544 million. Orkla sold treasury shares in the first half in order to fulfil the share option program.

Expansion investments totalled NOK -38 million as of 30 June 2014, compared with NOK -70 million in the same period of 2013. Sales of companies/parts of companies amounted to NOK 364 million (NOK 47 million)[2] at the end of the second quarter, and were mainly related to sales of real estate properties in FG eiendom. There were no material purchases of businesses in the first half of 2014.

Net cash flow for the Group was NOK -815 million as of 30 June 2014. In the first half 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 Group's net interest-bearing liabilities totalled NOK 9,250 million as of 30 June 2014. At the end of the first half year, the equity ratio was 57.2%, while net gearing[4] was 0.31.

OTHER MATTERS

On 2 June 2014, Marianne Romslo-Macarie decided to resign her position as Executive VP HR to seek new challenges outside the Group. Christer Grönberg is appointed Acting Executive VP HR. Mr Grönberg has been Director HR and member of the management team for Orkla Foods since 2010.

OUTLOOK

The moderate global economic upturn is continuing. In the euro area, activity is on the rise in almost every country, but growth ahead is still expected to remain moderate. Increasing growth is expected in the US, while growth in emerging economies has slowed slightly. Growth in the Norwegian economy has been moderate so far in 2014 and is expected to be somewhat lower than in 2013 for the full year. The growth rate in Sweden and Denmark is expected to increase slightly. The trend in the Nordic grocery market is expected to remain relatively stable in the second half of 2014.

Global raw material prices rose somewhat at the start of the first half year and are remaining at a high level overall. The global prices of vegetable oils and sugar have fallen in the first half of 2014, while cocoa prices are very high. The situation varies considerably between the different commodity groups, and uncertainty related to future raw material price trends is generally high. The agricultural policy negotiations in Norway resulted in moderate increases in the price of certain raw materials. Orkla aims to compensate for any increase in raw material costs by raising prices.

The different business areas are exposed to currency risk to varying degrees. The Norwegian krone weakened considerably in the course of 2013. After strengthening in the first half of 2014, the Norwegian krone again weakened towards the end of the first half. A weaker krone means higher purchasing costs for the Group's Norwegian companies.

Demand for Gränges' products in Asia is expected to remain good, while growth in Europe is expected to level out somewhat. Sapa is expected to be positively affected by increased demand in most end markets.

With regard to the energy business, reservoir levels were slightly lower than normal at the end of the first half of 2014. However, at the start of the third quarter, power prices are significantly lower than at the same time in 2013, and will impact negatively on third-quarter profit.

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

DECLARATION BY THE BOARD OF DIRECTORS

We confirm, to the best of our knowledge, that the unaudited condensed half-year financial statements for the period 1 January to 30 June 2014 have been prepared in conformity with IAS 34 Interim Reporting and that the information in the financial statements provides a fair view of the enterprise and the Group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 16 July 2014
The Board of Directors of Orkla ASA

Stein Erik Hagen Chair	Grace Reksten Skaugen Deputy Chair	Jo Lunder	Ingrid Jonasson Blank
Lisbeth Valther Pallesen	Nils K. Selte	Lars Dahlgren	Terje Utstrand
Sverre Josvanger	Janne Halvorsen	Åke Ligardh	Peter A. Ruzicka President & CEO

Condensed income statement

Amounts in NOK million	Note	1.1.–30.6. 2014	1.1.–30.6. 2013	1.1.–31.12. 2013	1.4.–30.6. 2014	1.4.–30.6. 2013
Operating revenues	2	16 765	15 124	33 045	8 459	7 905
Operating expenses		(14 697)	(13 369)	(28 779)	(7 427)	(6 989)
Depreciation and write-downs property, plant and equipment		(581)	(527)	(1 103)	(281)	(284)
Amortisation intangible assets		(9)	(10)	(21)	(5)	(3)
Other income and expenses	3	24	(619)	(860)	59	(583)
Operating profit		1 502	599	2 282	805	46
Profit/loss from associates and joint ventures		248	225	2	192	130
Dividends received		36	240	250	22	120
Gains, losses and write-downs shares and financial assets		12	573	623	24	352
Financial items, net		(229)	(223)	(493)	(113)	(134)
Profit/loss before taxes		1 569	1 414	2 664	930	514
Taxes		(350)	(280)	(692)	(200)	(120)
Profit/loss for the period for continuing operations		1 219	1 134	1 972	730	394
Gains/profit/loss discontinued operations	10	-	(1 175)	(1 225)	-	(1 119)
Profit/loss for the period		1 219	(41)	747	730	(725)
Profit/loss attributable to non-controlling interests		16	24	57	3	10
Profit/loss attributable to owners of the parent		1 203	(65)	690	727	(735)

Earnings per share

Amounts in NOK	1.1.–30.6. 2014	1.1.–30.6. 2013	1.1.–31.12. 2013	1.4.–30.6. 2014	1.4.–30.6. 2013
Earnings per share	1.2	(0.1)	0.7	0.7	(0.7)
Earnings per share (diluted)	1.2	(0.1)	0.7	0.7	(0.7)
Earnings per share for continuing operations (diluted)	1.2	1.1	1.9	0.7	0.4

Condensed comprehensive income statement

Amounts in NOK million	Note	1.1.–30.6. 2014	1.1.–30.6. 2013	1.1.–31.12. 2013	1.4.–30.6. 2014	1.4.–30.6. 2013
Profit/loss for the period		1 219	(41)	747	730	(725)
Items not to be reclassified to profit/loss in subsequent periods						
Change in actuarial gains and losses pensions after tax		-	-	37	-	-
Items to be reclassified to profit/loss in subsequent periods						
Change in unrealised gains on shares after tax	4	(5)	(225)	(79)	(27)	(229)
Change in hedging reserve after tax	4	(122)	(19)	46	(82)	34
Translation effects		29	768	2 096	325	427
The Group's comprehensive income		1 121	483	2 847	946	(493)
Comprehensive income attributable to non-controlling interests		18	34	75		
Comprehensive income attributable to owners of the parent		1 103	449	2 772		

Condensed statement of financial position

Amounts in NOK million	Note	30.6. 2014	31.12. 2013
Intangible assets		15 221	15 402
Property, plant and equipment		11 174	11 651
Investments in joint ventures and assosiated companies and other financial assets	6	11 388	11 042
Non-current assets		37 783	38 095
Operations held for sale, assets	10	259	-
Inventories		4 853	4 836
Receivables	6	6 224	6 328
Shares and financial assets		931	1 051
Cash and cash equivalents	6	1 681	1 805
Current assets		13 948	14 020
Total assets		51 731	52 115
Paid in equity		1 993	1 989
Earned equity		27 262	28 490
Non-controlling interests		344	301
Equity		29 599	30 780
Provisions and other non-current liabilities		3 472	3 369
Non-current interest-bearing liabilities	6	10 135	8 041
Current interest-bearing liabilities	6	1 512	2 837
Operations held for sale, liabilities	10	74	-
Other current liabilities		6 939	7 088
Equity and liabilities		51 731	52 115
Equity ratio (%)		57.2	59.1

Condensed changes in equity

	1.1.–30.6.2014			1.1.–30.6.2013		
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	30 479	301	30 780	30 181	258	30 439
The Group's comprehensive income	1 103	18	1 121	449	34	483
Dividends	(2 541)	(3)	(2 544)	(2 528)	(41)	(2 569)
Net sale of Orkla shares	132	-	132	75	-	75
Option costs	5	-	5	15	-	15
Change in non-controlling interests	77	28	105	(22)	4	(18)
Equity at the close of the period	29 255	344	29 599	28 170	255	28 425

Condensed cash flow statement IFRS

Amounts in NOK million	Note	1.1.–30.6. 2014	1.1.–30.6. 2013	1.1.–31.12. 2013	1.4.–30.6. 2014	1.4.–30.6. 2013
Cash flow from operations before net replacement expenditure		1 781	1 023	3 690	851	821
Received dividends and financial items		(39)	132	30	(116)	(25)
Taxes paid		(325)	(380)	(766)	(134)	(190)
Cash flow from operating activities		1 417	775	2 954	601	606
Net investments fixed assets		(404)	(389)	(711)	(181)	(201)
Net sale (purchase) of companies	5, 10	(22)	(5 941)	(4 310)	(49)	(5 176)
Net sale portfolio investments		124	2 776	3 090	116	2 099
Discontinued operations and other payments		110	(194)	(371)	13	66
Cash flow from investing activities		(192)	(3 748)	(2 302)	(101)	(3 212)
Net paid to shareholders		(2 412)	(2 494)	(2 446)	(2 435)	(2 460)
Change in interest-bearing liabilities and interest-bearing receivables		1 140	392	(4 034)	1 207	1 918
Cash flow from financing activities		(1 272)	(2 102)	(6 480)	(1 228)	(542)
Currency effects cash and cash equivalents		(77)	248	437	21	106
Change in cash and cash equivalents		(124)	(4 827)	(5 391)	(707)	(3 042)
Cash and cash equivalents	6	1 681	2 369	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 half of 2014 were approved at a meeting of the Board of Directors on 16 July 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 has been completed. Adjustments have been made in the valuation of the Rieber companies in Eastern Europe in relation to the preliminary purchase price allocation. The valuation of Delecta in Poland has been confirmed by a sale process, while the framework conditions for the two other companies (Vitana and Chaka) have changed. The goodwill allocated to these companies has been reallocated to Orkla Foods. The value of the facility in Arna (the TORO factory) has been increased slightly from the preliminary purchase price allocation. All in all, therefore, the total goodwill amount has been reduced somewhat and the allocation marginally changed.

Note 2 Segments

Operating revenues

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2014	2013	2013	2014	2013
Orkla Group	16 765	15 124	33 045	8 459	7 905
Branded Consumer Goods	14 145	12 463	27 731	7 175	6 524
Orkla Foods	5 181	4 306	9 797	2 633	2 382
Orkla Confectionery & Snacks	2 252	2 201	4 784	1 138	1 101
Orka Home & Personal	2 456	2 308	4 770	1 176	1 097
Orkla International	1 346	990	2 644	686	584
Orkla Food Ingredients	3 075	2 748	5 998	1 624	1 415
Eliminations Branded Consumer Goods	(165)	(90)	(262)	(82)	(55)
Gränges	2 157	2 068	3 958	1 067	1 058
Hydro Power	364	331	734	173	204
Orkla Financial Investments	82	284	630	38	133
HQ/Other Business/Eliminations	17	(22)	(8)	6	(14)

Operating profit - EBITA*

	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	2014	2013	2013	2014	2013
Orkla Group	1 487	1 228	3 163	751	632
Branded Consumer Goods	1 359	1 163	2 982	704	584
Orkla Foods	628	489	1 275	333	263
Orkla Confectionery & Snacks	225	263	682	109	119
Orkla Home & Personal	406	379	823	176	165
Orkla International	(42)	(82)	(86)	(14)	(40)
Orkla Food Ingredients	142	114	288	100	77
Gränges	235	169	337	118	84
Hydro Power	97	74	213	39	77
Orkla Financial Investments	(11)	5	(3)	0	(3)
HQ/Other Business	(193)	(183)	(366)	(110)	(110)

Reconciliation against operating profit

EBITA*	1 487	1 228	3 163	751	632
Amortisation intangible assets	(9)	(10)	(21)	(5)	(3)
Other income and expenses	24	(619)	(860)	59	(583)
Operating profit	1 502	599	2 282	805	46

* Operating profit before amortisation and other income and expenses

Note 3 Other income and expenses

Amounts in NOK million	1.1.–30.6. 2014	1.1.–30.6. 2013	1.1.–31.12. 2013	1.4.–30.6. 2014	1.4.–30.6. 2013
One-off contractual termination fee related to the Unilever agreement	279	-	-	279	-
M&A and integration costs	(108)	(92)	(226)	(87)	(61)
Severance settlements of employment contracts	(132)	(50)	(147)	(121)	(50)
Expenses and write-downs fixed assets relocation Boyfood	(13)	-	-	(13)	-
Insurance settlements Gränges	(4)	-	127	(1)	-
Write-down intangible assets, provisions for litigation and restructuring in Orkla Brands Russia	2	(435)	(435)	2	(435)
Restructuring Orkla Foods Sverige and Orkla Foods Danmark	-	(12)	(20)	-	(7)
Special IFRS effects	-	(30)	(46)	-	(30)
Restructuring Gränges	-	-	(24)	-	-
Outsourcing IT management Orkla Shared Services	-	-	(41)	-	-
Write-down trademark and goodwill in Orkla Foods Danmark (Pastella)	-	-	(48)	-	
Total other income and expenses	24	(619)	(860)	59	(583)

The one-off contractual termination fee of NOK 279 million related to the Unilever agreement has been taken to income. The change in the agreement is described on page 6 of this report.

Costs related to the further integration and coordination of the Rieber operations, totalling NOK 72 million as of 30 June 2014, have been expensed. The costs are related to the closure of the Lierne plant, coordination of the external sales function and the redesign of the TORO factory at Arna outside Bergen. Furthermore, production of herring was moved from Boyfood in Finland to Abba in Sweden, entailing one-off expenses in the form of equipment write-downs and the award of severance packages. In addition, further costs were incurred in connection with the integration and coordination of operations in Orkla Foods. In total, Orkla Foods has expensed NOK 115 million related to these matters under "Other income and expenses" as of 30 June 2014.

Costs totalling NOK 38 million as of 30 June 2014 have been incurred in connection with the further coordination and restructuring of operations in Confectionery & Snacks, including factory operations at Kungälv and Filipstad in Sweden. The costs concern both severance packages and consultancy fees.

Costs related to the sale of the operations in Russia and projects related to the other operations in Orkla International amounted to NOK 27 million as of 30 June 2014. These costs must also be seen in conjunction with the sale of Delecta. An agreement has been signed for the sale of Delecta, but the sale has not yet been approved by the Polish competition authorities.

The remaining "other income and expenses" relate to the M&A costs, integration and severance package expenses.

Note 4 Statement of comprehensive income

The statement of comprehensive income shows changes in the value of shares and financial assets (unrealised gains) and hedging instruments (hedging reserve). These figures are presented after tax. The tax effect as of the end of the second 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 49 million).

Unrealised gains/losses on shares and the hedging reserve included in equity as of 30 June 2014 (after tax) totalled NOK 297 million and NOK -352 million, respectively. Accumulated translation differences correspondingly amounted to NOK -145 million as of 30 June 2014.

Note 5 Acquisitions and sales of companies

Orkla Food Ingredients acquired a small agency in Finland in the first half 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	30.6. 2014	31.12. 2013
Non-current interest-bearing liabilities	(10 135)	(8 041)
Current interest-bearing liabilities	(1 512)	(2 837)
Non-current interest-bearing receivables (in "Financial Assets")	656	540
Current interest-bearing receivables (in "Receivables")	60	37
Cash and cash equivalents	1 681	1 805
Net interest-bearing liabilities	(9 250)	(8 496)

Note 7 Related parties

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

The process relating to the sale of a small part of the real estate portfolio to the management of FG Eiendom has been completed, and a small gain has been recognised in the second quarter in connection with this portfolio reduction. The agreement has been conducted at arm's length.

There were no other special transactions between the Group and related parties in the first half of 2014.

The Group has inter-company balances with joint ventures and associates within Gränges and Orkla's real estate investments totalling NOK 75 million and NOK 288 million, respectively. Gränges sells products to the Sapa Group and Norca, which are joint ventures. First-half sales revenues totalled NOK 55 million and NOK 261 million, respectively.

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	(3 304 000)
Forfeited during the period	(2 180 000)
Outstanding options 30 June 2014	9 673 000

Change in number of treasury shares:	
Treasury shares 1 January 2014	4 972 106
Options exercised in treasury shares	(3 214 000)
Treasury shares 30 June 2014	1 758 106

Note 9 Assessments relating to impairment

There have been no indications of new instances of value impairment in the first half 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 and operations held for sale

As of 30 June 2014, Orkla had no "discontinued operations". In the comparative figures for the first half of 2013, the part of Sapa that was to be included in the future JV was presented as a "discontinued operation".

The Delecta operations in Poland are presented as "Operations held for sale" in the statement of financial position as of 30 June 2014. An agreement has been signed for the sale of Delecta, but pending the approval of the Polish competition authorities, the company has been presented with assets and liabilities on separate lines in the statement of financial position. No figures have been changed in the income statement or cash flow statement, or in any comparative figures.

Income statement for discontinued operations:

	1.1.–30.6.	
Amounts in NOK million	2014	2013
Operating revenues	-	12 596
Operating expenses	-	(12 031)
Depreciation/write-downs of property, plant and equipment	-	(356)
Amortisation intangible assets	-	(11)
Other income and expenses	-	(1 328)
Operating profit	-	(1 130)
Profit/loss from associates	-	(3)
Financial items, net	-	(21)
Profit/loss before taxes	-	(1 154)
Taxes	-	3
Profit/loss for the period after taxes	-	(1 151)
Transaction costs	-	(24)
Profit/loss for discontinued operations	-	(1 175)
EBITA Sapa (part of future JV)	-	209

Note 11 Financial instruments

Financial instruments recognised at fair value:

	Measurement level			
Amounts in NOK million	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2014:				
Assets				
Shares and financial assets	-	-	967	967
Derivatives	-	442	-	442
Liabilities				
Derivatives	-	585	-	585
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	(4)
Change in unrealised gains (comprehensive income)	16
Agio and eliminations	22
Net sale of shares and financial assets	(85)
Book value 30 June 2014	967

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 is broken down into "Cash flow from operations for industrial activities" and "Cash flow from operations for real estate and financial assets". The last part of the cash flow statement shows the expansion measures that have been carried out in the form of direct expansion investments, acquisition of companies, disposal of companies/parts of companies and changes in the level of investments in shares and financial assets. The cash flow statement is presented on the basis of an average monthly exchange rate, while the change in net interest-bearing liabilities is an absolute figure measured at the closing rate. The difference is explained by the currency translation effect related to net interest-bearing liabilities.

		1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
Amounts in NOK million	Note	2014	2013	2013	2014	2013
Operating profit		1 544	594	2 307	836	49
Amortisation, depreciation and impairment charges		589	885	1 503	297	640
Changes in net working capital, etc.		(332)	(482)	(155)	(275)	131
Cash flow from operations before net replacement expenditures		1 801	997	3 655	858	820
Net replacement expenditures		(439)	(337)	(880)	(221)	(187)
Cash flow from operations for industrial activities		1 362	660	2 775	637	633
Cash flow from operations for real estate and financial assets		53	44	384	44	31
Financial items, net		(184)	(217)	(451)	(138)	(145)
Taxes paid		(325)	(380)	(766)	(134)	(190)
Received dividends		145	349	481	22	120
Discontinued operations and other payments		110	(194)	(371)	13	66
Cash flow before capital transactions		1 161	262	2 052	444	515
Paid dividends		(2 544)	(2 569)	(2 579)	(2 543)	(2 531)
Net sale/purchase of Orkla shares		132	75	133	108	71
Cash flow before expansion		(1 251)	(2 232)	(394)	(1 991)	(1 945)
Expansion investments		(38)	(70)	(180)	(11)	(44)
Sale of companies/share of companies (enterprise value)	5, 10	364	47	1 713	326	-
Purchase of companies/share of companies (enterprise value)	5	(14)	(6 935)	(6 986)	(3)	(6 108)
Net purchase/sale shares and financial assets		124	2 776	3 090	116	2 099
Net cash flow		(815)	(6 414)	(2 757)	(1 563)	(5 998)
Currency effects of net interest-bearing liabilities		61	(559)	(953)	(113)	(284)
Change in net interest-bearing liabilities		754	6 973	3 710	1 676	6 282
Net interest-bearing liabilities	6	9 250	11 759	8 496		